

## **PLI Scheme for Speciality Steel**

### **Why in news?**

The Union Cabinet recently approved the Production Linked Incentive (PLI) Scheme for specialty steel with an outlay of Rs 6,322-crore.

### **What is the PLI scheme?**

- For target segments, the scheme provides incentive of 4% to 6% on incremental sales over the base year for goods manufactured in India.
- Apart from inviting foreign companies to set shop in India, it encourages local companies to set up (or expand existing) manufacturing units.
- The scheme came in line with the National Policy on Electronics 2019 to position India as a global hub for Electronics System Design and Manufacturing (ESDM).
- Objectives:
  1. Encourage local production
  2. Reduce India's dependency on imports and cut the import bill
  3. Boost export earnings
  4. Increase the share of manufacturing to 20% by 2025.

Manufacturing as a share of India's GDP fell to 15.6% in FY20 and stayed there in FY21, down from the high of 16.8% in FY18.

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**Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing**

- Incentive:** 4% to 6% on incremental sales (over base year) of goods manufactured in India
- Target Segments:** Mobile phones and specified electronic components
- Eligibility:** Subject to thresholds of incremental investment and incremental sales of manufactured goods
- Tenure of the Scheme:** Five years subsequent to the base year as defined (FY19-20)

## How is the performance so far?

- The progress of the PLI scheme has been somewhat slow.
- Of the 13 sectors for which outlays have been finalised, guidelines need to be framed for a few.
- In others, the industry's concerns need to be addressed.
- For textile products and automobiles, the schemes are awaiting Cabinet approval.
- But the auto sector hugely relies on imports for a range of components and is one of the country's biggest employers.

## What is the recent PLI scheme for speciality steel?

'Specialty steel' is a downstream, value-added product of steel manufacturing process. However, there is no universal definition of 'specialty steel'.

- The PLI incentive is expected to boost the domestic production of specialty steel by -
  - i. attracting significant investment
  - ii. infusing technology and know-how
  - iii. promoting exports
- It will apply for the following 5 indicative product categories:
  1. Coated/Plated Steel Products
  2. High Strength/ Wear resistant Steel

3. Specialty Rails
4. Alloy Steel Products and Steel wires
5. Electrical Steel

### **What is the rationale?**

India is one of the largest steel producers in the world, with production numbers of 102 million tonnes in FY21.

- There is a huge gap in India between the production of steel and value-added steel i.e., speciality steel.
- But speciality steel has various strategic applications like defence, space, power, etc.
- So, there is a reliance on imports leading to heavy forex outflow given the higher average price per tonne for speciality steel.
- To address this, the direct fiscal incentives in the form of 'PLI' aims to boost manufacturing of speciality steel in India.
- Applicants have also been given the flexibility to avail other Central and State incentives alongside the PLI scheme for their investments.

### **Expected outcome**

1. Increase production of speciality steel by 140% by FY27, over the baseline period of FY20.
2. Reduced import dependence to the tune of 76%
3. Increase in exports by 244%
4. Compete with Korea and Japan leading in the sector

### **What lies ahead?**

- For the PLI scheme to work in all the 13 sectors identified, the government must work harder to satisfy the manufacturers' needs.
- The PLI outlay must deliver returns in the form of jobs and worthwhile import substitution, enabling the economy to become part of some global supply-chains.

**Source: Business Line, Financial Express, PIB**



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