



## PLI Scheme For Specialty Steel

### Why in News

Recently, the Union Cabinet approved the [Production-Linked Incentive \(PLI\)](#) scheme ([Central Sector Scheme](#)) for manufacturing **Speciality Steel (SS)** with a budgetary outlay of **Rs 6,322 crore** over a period of five years from **2023-24**.

### Speciality Steel

- It is **value-added steel**, which is made by processing normal finished steel.
- It is done by converting normal finished steel into high value-added steel by way of **coating, plating and heat treatment**.
- Apart from the automobile sector and specialised capital goods, they can be used in various strategic applications such as **defence, space, power etc.**
- SS are **categorized in various types** such as, coated/plated steel products, high strength/wear resistant steel, speciality rails, alloy steel products and steel wires, electrical steel etc.

### Key Points

- **PLI Scheme:**
  - In order to **boost domestic manufacturing and cut down on import bills**, the central government **in March 2020 introduced a PLI scheme** that aims to give companies incentives on incremental sales from products manufactured in domestic units.
  - The scheme **invites foreign companies to set units in India**, however, it also aims to **encourage local companies** to set up or expand existing manufacturing units.
  - The Scheme **has also been approved for sectors such as** automobiles, [pharmaceuticals](#), [IT hardware including laptops](#), [mobile phones & telecom equipment](#), [white goods](#), [chemical cells](#), [food processing](#) and textiles, etc.

### // HOW DOES THE INCENTIVE WORK

**It is a kind** of subsidy to the sector

<b>Is a direct</b> payment from the budget to goods made in India	<b>Amount</b> varies from sector to sector	<b>Is based on</b> disadvantage /disability faced by a sector
---	--	---

- **PLI for Speciality Steel:**

- **Aim:** To help India's SS production reach 42 Million Tonnes (MT) by 2026-27 from 18 MT today.
- **Categories:** There are five categories of specialty steel which have been chosen in the PLI Scheme:
  - Coated/plated steel products.
  - High strength/wear resistant steel.
  - Speciality rails.
  - Alloy steel products and steel wires.
  - Electrical steel.
- **Slabs:** There are **three slabs of PLI incentives**, the lowest being 4% and highest being 12%.
- **Beneficiaries:** Both **big players** i.e. integrated steel plants and to the **smaller players** (secondary steel players).

- Any **company registered in India**, engaged in manufacturing of the identified 'specialty steel' grades will be **eligible to participate in the scheme**.

▪ **Reason for choosing speciality Steel:**

◦ **To Increase Production:**

- SS has been chosen as the target segment by the government because **out of a production of 102 million tonnes of steel in 2020-21, only 18 million tonnes of value-added steel/speciality steel** were produced in the country.

◦ **To Reduce Imports:**

- Most of the **imports into India are in the value-added and speciality segment**. The PLI scheme **will boost manufacturing capacities** by Indian mills in this segment and MSMEs will be able to source from them directly.

- Out of **6.7 million tonnes of imports of steel in 2020-21**, approximately **4 million tonnes were of speciality steel**, resulting in **Foreign Exchange (Forex)** outgo of approximately **Rs 30,000 crore**.

◦ **Sector in Uptrend:**

- The steel sector **is on an uptrend** and major integrated **producers have lined up major expansion plans**.

▪ **Significance:**

◦ **Promote Local Manufacturing:**

- It will ensure finished steel be made in India only, thereby ensuring that the scheme **promotes end-to-end manufacturing** within the country.
- It will help **create global manufacturing champions** in India and bring the country **on a par with global steel making majors** such as South Korea and Japan.

◦ **Employment Generation:**

- It will generate employment for about **5 lakh people**, including direct employment for **68,000 people**.

▪ **Expected Outcome:**

- It is expected to **bring investments worth about Rs 40,000 crore** and result in a **capacity addition of 25 million tonnes (MT) for speciality steel**.
- The **export of SS would become about 5.5 MT** against the **current 1.7 MT** earning a Forex of Rs 33,000 crore.

▪ **Initiatives related to Steel:**

- [Mission Purvodaya](#): It was launched in 2020 for the accelerated development of eastern India through the establishment of an integrated steel hub in Kolkata, West Bengal.
- [National Steel Policy 2017](#): To attain Self-sufficiency in steel production by providing policy support & guidance to private manufacturers, MSME steel producers, it was launched in 2017.
- **Adoption of the Fourth Industrial Revolution (Industry 4.0)**: It will improve manufacturing processes, material usage, energy efficiency, plant and worker productivity, supply chain and product life-cycle.
- **Steel Research and Technology Mission of India**: It provides for the grant of financial assistance to various institutions including [Council of Scientific and Industrial Research \(CSIR\)](#) laboratories and academic institutions for carrying out research in the iron and steel sector including environmental issues like utilisation of wastes, improvement in energy efficiency and reduction in [greenhouse gases \(GHG\)](#) emission.

**[Source: PIB](#)**

PDF Refernece URL: <https://www.drishtias.com/printpdf/pli-scheme-for-specialty-steel>

