इस्पाती इरादा

इस्पात मंत्रालय
MINISTRY OF
STEEL

सत्यमेव जयते

Azadi Ka Amrit Mahotsav

Inside India's Production Linked Incentive Schemes: **Specialty Steel**

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Introduction

India, the world's largest democracy as well as one of its biggest economies, has been on an upward growth trajectory over the recent decades. Our consistent growth rates have also been among the highest in the world and have attracted some of the most prominent foreign companies and investors. Growing economic clout has contributed to a widespread global consensus about a larger role and place for India, both in economic and geopolitical terms. While India's service industry has time and again demonstrated its strength and innovation, the nation's domestic manufacturing has been somewhat unable to keep pace.

The rapidly changing dynamics of the 21st century global economy have impacted several countries including India, due to which, there have been increasing calls for India to strengthen its domestic manufacturing capacities if it were to acquire a significant place in the global value chains. To this end, the government of India has been proactively implementing policies to promote domestic industries, the most concrete instance of which took the form of the "AatmaNirbhar Bharat Abhiyan" (Self-Reliant India), launched by Prime Minister Narendra Modi a few months ago. This one-of-its-kind campaign envisions stronger domestic industrial capacity for India while also positioning it as a major manufacturing and export hub at the world stage.

Since its launch last year, the "AatmaNirbhar Bharat" scheme has witnessed significant government push towards enhancing domestic industries through a slew of measures like incentives, subsidies, and funding support. Among the most significant of these measures was the recent approval by the country's Cabinet headed by Prime Minister Modi to extend the Production Linked Incentive (PLI) scheme to 10 crucial sectors of the economy.

The scheme, centered on incremental outputs, aims to strengthen manufacturing and export capacities of domestic firms and industries so as to put them at the heart of global supply chains. The main objectives of extending the PLI across different sectors are to develop the core competencies of Indian industries, encourage innovative technologies, create economies of scale through efficient processes and boost their global presence through exports. As envisioned by our Prime Minister, an efficient, dynamic and resilient domestic manufacturing ecosystem is of utmost importance for India to emerge as a global manufacturing hub. By detailing the PLI scheme for the specialty steel sector, this paper aims to provide a comprehensive picture of what the scheme entails for every specific sub-sector in terms of implementation, funding and benefits.

A recent tweet put out by our Prime Minister sums up the PLI story rather wel

"Cabinet decision of PLI scheme for 10 sectors will boost manufacturing, give opportunities to youth while making India a preferred investment destination. This is an important step towards improving our competitiveness and realising an Aatmanirbhar Bharat."

- Hon'ble Prime Minister
Narendra Modi

Production Linked Incentive (PLI) Scheme

Strengthening the vision of Aatmanirbhar Bharat, the government approves Production Linked Incentive (PLI) scheme for 10 sectors Revolutionising Make in India, this will help create jobs, promote exports & make India the factory of the world."

Minister of Commerce & Industry,
Consumer Affairs & Food & Public Distribution
and Textiles, Government of India
Piyush Goyal

"PLI will help to achieve GoI's vision of Atmanirbhar Bharat in high-grade steel production, besides achieving technological capabilities and creating a competitive and technically advanced ecosystem."

Minister of Steel
Government of India
Ram Chandra Prasad Singh

Benefits of Production Linked Incentive (PLI) scheme

The Production Linked Incentive (PLI) scheme contains all the ingredients required to increase investments, employment generation, domestic value addition, capacity building and innovation to make India 'Aatmanirbhar' or self-reliant.

Benefits of Production Linked Incentive (PLI) Scheme

Tipping point for India's manufacturing sector

- Strengthen our vision of Make in India and Aatmanirbhar Bharat
- Make India a globally competitive nation
- Ensure economies of scale in manufacturing sector
- Help Leapfrog in manufacturing sector with cutting edge technology

Driving Exports

- Attract investments, scale up domestic capacity and boost exports
- Key driver in India's growth story
- Make India a part of global value chain
- Boost to skill India and create jobs

Towards strengthening our vision for 'Vocal for Local'

- Provide a level playing field to domestic sector
- Reduce import dependence
- Boost to MSME sectors
- Unprecedented boost to employment generation

Large-Scale Electronics Manufacturing: A PLI Success Story

A significant increase in global demand for consumer electronics has given India an opportunity to attract foreign investments as well as encourage domestic manufacturers to focus on manufacturing consumer electronics in India under the flagship ‘Make in India’ initiative of the government.

Under the National Policy on Electronics 2019, which was introduced to position India as a global hub for electronics system design and manufacturing, the Ministry of Electronics and Information Technology (MeitY) introduced a Production Linked Incentive Scheme for large-scale Electronics Manufacturing with effect from April 1, 2020.

PLI scheme extends an incentive of 4 per cent to 6 per cent on incremental sales (over base year) of goods under target segments that are manufactured in India to eligible companies, for a period of five years subsequent the base year (FY2019-20). The scheme was open for filing applications till 31.07.2020.

Over the next five years, the approved companies under the PLI scheme are expected to lead to total production of more than INR 10,50,000 crore (USD 140.6 Bn). Out of the total production in the next five years, around 60 per cent will be contributed by exports of the order of INR 6,50,000 crore (USD 87 Bn).

While the PLI schemes have been recently launched by the government in several crucial sectors of the economy, it is important to note the impact they are creating on the ground. The most shining example of the PLI scheme's success in transforming the domestic manufacturing landscape of a specific sector can be seen in the large-scale electronics manufacturing domain, where, within some months of the scheme's launch, there has been a significant rise in investments leading to higher job creation in the sector.

The success of the PLI in large-scale manufacturing sets the perfect precedent for the specialty steel industry to witness similar growth and leverage the impetus provided by the PLI scheme and expand its domestic manufacturing capacities.

For more information, please visit: https://www.investindia.gov.in/schemes-for-electronics-manufacturing

Sectoral Boost Provided by Government of India

Below is the list of ten sectors chosen for PLI schemes in India, from which, the **Specialty Steel** sector is the focus area of this paper.

1. Advance Chemistry Cell (ACC) Battery
2. Electronic/Technology Products
3. Automobiles & Auto Components
4. Pharmaceuticals drugs
5. Telecom & Networking Products
6. Textile Products: MMF segment and technical textiles
7. Food Products
8. High Efficiency Solar PV Modules
9. White Goods (Air Conditioners and LED Lights)
10. **Specialty Steel**

Specialty Steel

1. BRIEF ABOUT THE SECTOR

In 2019-20, India was the 2nd largest producer of steel in the world. The country is also the 2nd largest consumer of finished steel as per the World Steel Association. Capacity for domestic crude steel production expanded from 109.85 Million Tonnes Per Annum (MTPA) in 2014-15 to 142.24 MTPA in 2018-19, a Compounded Annual Growth Rate (CAGR) of 6.8 per cent during this five-year period. Crude steel production grew at 7.6 per cent annually (CAGR) from 88.98 MTPA in 2014-15 to 110.92 MTPA in 2018-19.

India exported USD 5,182 Mn worth of steel in 2019-20 and imported USD 6,304 Mn worth of steel in the same FY. In 2020-21, India's steel exports were at USD 6,356 Mn and imports were at USD 4,333 Mn.

Going forward, the domestic steel consumption would need to increase significantly to ~160 MTPA by 2024-25 in line with India's vision to become a USD 5 Trillion economy by 2024. Current planned capacity expansions of existing players are expected to add approximately 28-30 MTPA by 2024-25. To meet the increased demand, an additional capacity of 25-30 MTPA would be required. The growth potential for the sector is thus immense and the domestic steel consumption will increase significantly in line with this vision.

2. MARKET OPPORTUNITY_AND KEY TRENDS

- Indian steel sector has been vibrant and has been growing at a CAGR of about 5-6 per cent y-o-y. Several infrastructure projects announced by government across sectors, including rail (Freight Corridors), road (Bharatmala Pariyojana), aviation (UDAN Scheme), gas pipeline, housing (Housing for All), and water infrastructure (Jal Jeevan), are expected to boost the steel demand.
- A major internal driving force for domestic market expansion has been the country's vast population, low per capita consumption of iron and steel and its GDP growth. This implies that there is potential for rapid growth of the domestic market of steel due to low-base effects. India's relatively young population and the trend of urbanization both tend to boost demand for housing, transportation, and public infrastructure, which translates into higher demand for steel.

- The opening of the mining sector and rapid investment in the infrastructure sector is expected to result in a growth in Capital Goods which consumes nearly 15 percent of the domestic steel produced.
- Automobile sector is expected to sustain the steel demand in mid to long term, owing to the ambitious Automotive Mission Plan 2026.
- Indian Railways has proposed to spend INR 2 lakh crore a year till 2023-24 to upgrade infrastructure, providing opportunities for increased demand of rail steel.
- Further, Indian Railways' plans of decongestion through multi-tracking, high speed projects and concentrated focus on 58 super critical projects are expected to increase the steel demand at a higher pace. In addition, Dedicated Freight Corridor projects are expected to consume 17 MT of steel in the next 5 years (2020-25).
- Under the Sagarmala Programme, mobilization of over USD 58 Bn of infrastructure investment in ports and shipping is estimated to drive steel demand in the future.
- The Indian Army, Navy and Air Force along with DRDO and the Ordnance Factory have expressed the great potential for domestic fulfilment of special steel alloy requirements in the defence sector.

3. GROWTH DRIVERS

- **National Infrastructure Pipeline:** The National Infrastructure Pipeline (NIP) is a group of social and economic infrastructure projects with total project capital expenditure in infrastructure sectors in India during FY 2019 to 2025 projected at over INR 102 lakh crore. During FY 2020 to 2025, sectors such as Energy (24 per cent), Roads (19 per cent), Urban (16 per cent), and Railways (13 per cent) will amount to around 70 per cent of the projected capital expenditure in infrastructure in India.
- **Housing for all by 2022 scheme:** 10-12 Mn houses in urban and 29.5 Mn units in rural areas to be constructed with potential steel demand of 50-60 MT.
- **Jal Jeevan**: Investment of INR 3.5 trillion (~USD 47 Bn) by FY24 envisaged to develop in-village piped water supply and infrastructure to provide tap water connection to every rural household with potential steel demand of 11-13 MT.

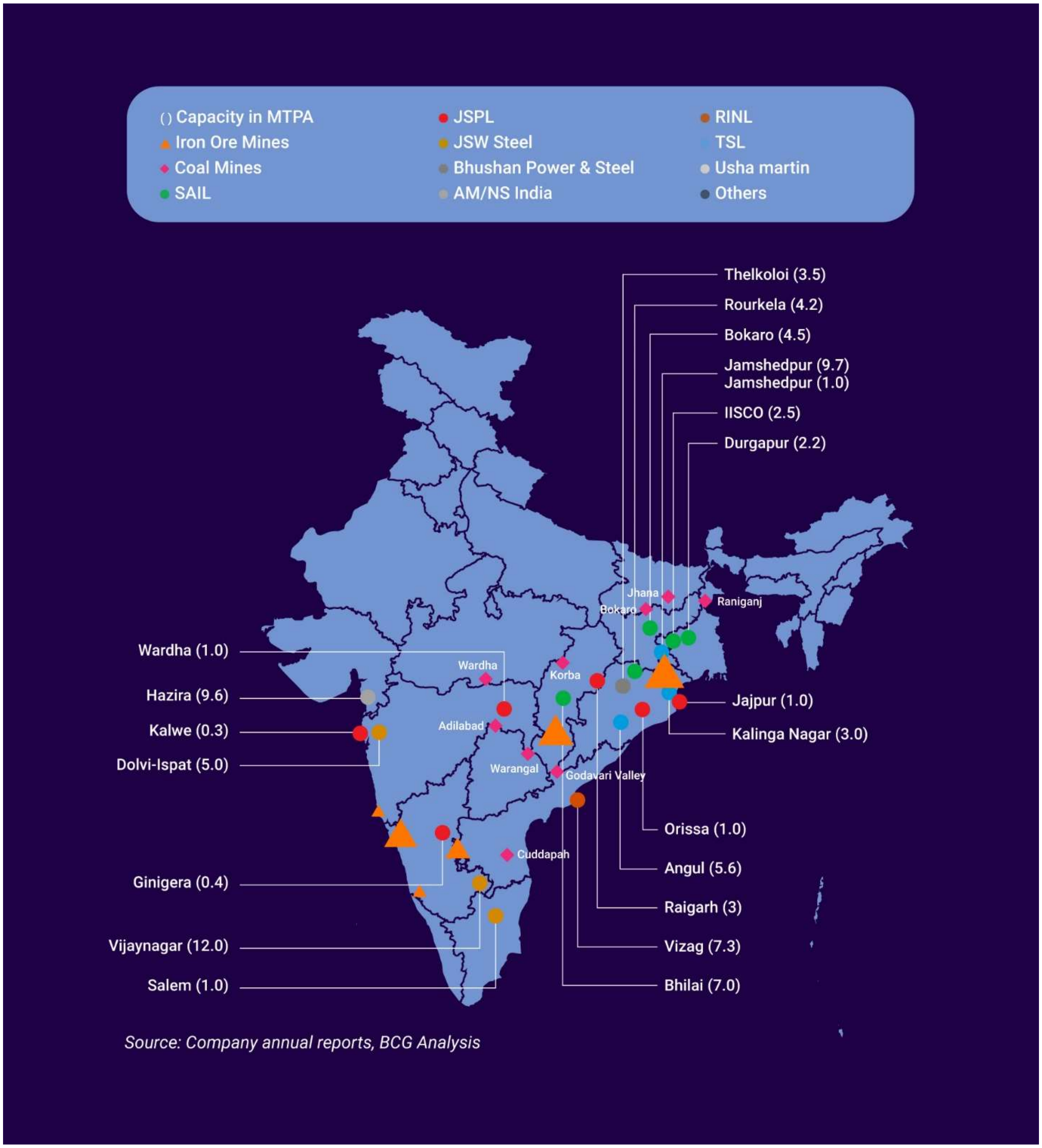
- **Bharatmala Project**: 9,000 kilometres of economic corridors, 6,000 kilometres of inter-corridors and feeder roads, 5,000 kilometres of national corridors, 2,000 kilometres of border and international roads, 2,000 kilometres of coastal and port roads, and 800 kilometres of expressways to be constructed with potential steel demand of 18-20 MT.

- **Sagarmala Project:** INR 6 trillion (~USD 81 Bn) to be spent for port modernization, improving port connectivity, industrialization of ports and coastal community development through >574 projects over 2015-2035 with potential steel demand of 13-15 MT.

- **Freight Corridors:** 10,000 kilometres (4 corridors) to be constructed of which 1,949 kilometres have been constructed with potential steel demand of 6-7 MT.

- **UDAN:** 100 new airports to be established by 2024 as air fleet number rises from present 600 to 1,200 during this time with potential steel demand of 7-9 MT.

4. KEY CLUSTERS



Source: Company annual reports, BCG Analysis

- Eastern India: West Bengal, Jharkhand, Odisha, Chhattisgarh
- Southern India: Karnataka, Tamil Nadu, Andhra Pradesh
- Western India: Gujarat, Maharashtra

5. POLICIES AND GOVERNMENT INITIATIVES

- 100 per cent FDI through automatic route in the Indian steel sector.
- **Domestically Manufactured Iron and Steel products (DMI&SP) Policy:** Mandates to provide preference to Domestically Manufactured Iron & Steel Products (DMI&SP) in government procurement. The policy is applicable for projects where the procurement value of iron and steel is above Rs 5 lakh, (reduced from earlier Rs 25 crore)
- **National Steel Policy 2017:** NSP 2017 has set a target of domestically meeting the entire demand of high-grade automotive steel, electrical steel, special steels, and alloys for strategic applications by 2030-31. NSP 2017 aims for India to grow to 300 MT steel-making capacity from 142 MT (2018-19) and 160 kilograms per capita steel consumption from 74.1 kilograms (2018-19) by 2030-31.
- **Steel Scrap Recycling Policy 2019:** This policy ensures scrap segregation (quality wise), collection, processing, and recycling. The policy is to provide a framework for carrying out the activities in a scientific manner to have assured and regular supply of processed scrap for the downstream industry.
- **Steel and Steel Products (Quality Control) Order:** To promote quality steel production by the steel industry, Ministry of Steel has made adoption of BIS Standards mandatory through regulations known as Quality Control Order (QCO). QCO facilitates supply of quality steel for critical end-use applications such as infrastructure, construction, housing, engineering sector etc. The Quality Control Order prohibits import, sale and distribution of substandard steel and steel products. QCOs on 145 IS standards have been notified of which, 129 have been enforced. The remaining are being worked upon and shall be notified in a phased manner.
- **Steel Zones:** Critical logistics and infrastructure projects are being identified for expedition across the 12 major steel zones identified in the region (Kalinganagar, Angul, Rourkela, Jharsuguda, Nagarnar, Bhilai, Raipur, Jamshedpur, Bokaro, Durgapur, Kolkata, Vizag). These include major rail, road, and port capacity expansion projects to debottleneck existing capacity and create world-class multimodal logistics infrastructure across these zones.
- **Framework Policy for Development of Steel Clusters:** A policy facilitating the creation and upgradation of steel clusters has been put up after due consultation with central ministries, state governments, and industry. Kalinganagar and Bokaro have been identified as pilot locations for steel clusters around ISPs. Task Forces

and Working Groups, with the support of the respective state governments, have been created.

- **Policy for promotion of greenfield investments in the steel sector:** To ease capacity addition through greenfield route, a framework policy is being created to address the challenges faced in land acquisition, raw material linkage and obtaining. This is being done in consultation with central government ministries, state governments, and industry stakeholders.

6. POLICY PUSH BY THE STATE GOVERNMENT

- **Mission Purvodaya:** Accelerated development of eastern region through an integrated steel hub, was launched on 11th January 2020.
- Steel capacity addition as envisioned in the hub would entail capital investments of over USD 70 Bn and lead to an incremental GSDP of USD >35 Bn through steel alone.
- The proposed Integrated Steel Hub would encompass Odisha, Jharkhand, Chhattisgarh, West Bengal, and Northern Andhra Pradesh.
- The Integrated Steel Hub would focus on 3 key elements:
    - *Capacity addition through easing the setup of greenfield steel plants,*
    - *Development of steel clusters near integrated steel plants as well as demand centres,*
    - *Transformation of logistics and utilities infrastructure.*

Given below are incentives applicable to steel producing units in a few states that are amongst the highest producers and consumers of steel:

Maharashtra- One of the largest steel consuming states (an Automobile hub)

Particular	Incentives offered	Other comments
Capital Subsidy	• MSME: 30-100 per cent of FCI for 7-10 years • Large Scale Industries (minimum eligibility): FCI INR 100crore – 750 crore (Taluka specific) • Mega industrial units (minimum eligibility): FCI INR 200 crore – 1500 crore (Taluka specific) • Ultra-mega industrial unit (minimum eligibility): FCI INR 4000 crore.	**Taluka categories (location based on level of industrial development):** • A • B • C • D • D+ • Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule. • No Industry Districts, Naxalism Affected Areas and Aspirational Districts. **Industry classification (investment):** • **MSME:** ○ Defined as per the MSME Act, 2020 • **Large:** ○ Minimum INR 50 crore – INR 750
Interest Subsidy	• 5 per cent p.a. (up to value of electricity bills paid every year) for specified areas under MSME project.	
Tax reimbursement	• MSME: Gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra. • Large Scale Industries: 40 per cent of the SGST paid for the first sale of goods sold in Maharashtra and billed and delivered to the same entity.	
Electricity Duty	• 100 per cent to Export Oriented Units. • Eligible new units in C, D, D+, No Industries Districts and Naxalism affected area will also be entitled to exemption from payment of	

<table>
<tr><td></td><td>electricity duty for a tenure equal to the eligibility period.
MSME: concessional Power tariff of INR 1 or 0.5 per unit consumed for 3 years in specific areas.</td><td rowspan="3">crore (based on Taluka)
Mega:
Minimum INR 200 crore – INR 1,500 crore (based on Taluka)
Ultra-Mega
Minimum INR 4,000 crore.</td></tr>
<tr><td>Stamp Duty</td><td>100 per cent exemption for units setup in specified areas.</td></tr>
<tr><td>Customised package of incentives</td><td>Customized packaged incentive schemes for mega and ultra-mega projects.</td></tr>
</table>

Tamil Nadu- One of the largest steel consuming states

<table>
<tr><th>Particular</th><th>Incentives offered</th><th>Other comments</th></tr>
<tr><td>Capital Subsidy</td><td>Incentives amount basis investment made:
SGST reimbursement for final products – 100% for 15 years (must have traceable end-use in State)
Fixed capital subsidy – 10-15 years (District dependent)
<table>
<tr><th>District</th><th>Large</th><th>Mega</th><th>Ultra</th></tr>
<tr><td>A</td><td>-</td><td>10%</td><td>20%</td></tr>
<tr><td>B</td><td>10%</td><td>12%</td><td>22%</td></tr>
<tr><td>C</td><td>12%</td><td>15%</td><td>25%</td></tr>
</table>
Flexible capital subsidy – Investor has choice of customizing incentive package by choosing the weights of boosters that are best suited to maximise the subsidy based on their business mode; Capital Subsidy of 35% of EFA for “A” Districts, 37% for “B” Districts and 40% of EFA for “C” Districts</td><td>Special incentives in place for less industrialised Southern districts.

Industry classification (investment):
MSME:
Defined as per the MSME Act, 2020
Sub-Large:
INR 500 mn – INR 3 Bn (~USD 6.7 mn – USD 40 Mn)
Large:
INR 3 bn – INR 5 Bn (USD 40 mn – USD 67.5 Mn)
Mega:</td></tr>
</table>

	• Turnover based subsidy – For Mega and Ultra Mega industries; Employment >2000 jobs (1.5-1.8%); Employment >4000 jobs (1.75-2%)	○ INR 5 Bn – INR 50 Bn (USD 67.5 Mn – USD 675 Mn) • **Ultra-mega:** ○ Greater than INR 50 Bn (~USD 675 Mn)
Interest Subsidy	• 5% as a rebate in the rate of interest shall be provided to Ultra Mega Projects only on actual term loans taken for the purpose of financing the project, up to INR 40 mn (~USD 540,000) per annum for a period of 6 years	
Electricity Duty	• Exemption on power purchased from TANGEDCO or generated from captive sources during investment period.	
Stamp Duty	• Automobile hubs and clusters incentivised with 50 per cent stamp duty rebate.	
Customised package of incentives	• Special package of incentives to entrepreneurs setting up industries in existing / new SIPCOT industrial parks in Southern districts.	
Other incentives	• Land procurement rebates: ○ Ultra-Mega – 10 per cent ○ Super Mega – 5 per cent • 25% subsidy on the cost of setting up environmental protection infrastructure subject to a limit of INR 10 mn (~USD 135,000).	

Gujarat- One of the largest steel producing states

Particular	Incentives offered	Other comments
Capital Subsidy	• 6-12 per cent of Fixed Capital Investment (FCI), depending on area of investment. ○ Applicable for 10 years with a max limit of INR 40 crore per annum (extendable for additional 10 years if cash subsidy not disbursed due to ceiling). • MSME: Capital Subsidy up to 25 per cent of eligible loan amount up to INR 35 lakhs. • 50 per cent capital subsidy up to INR 75 lakh for industries practicing at least 50 per cent waste recovery through Zero Liquid Discharge.	**Taluka categories (based on level of industrial development, with least developed being Category 3):** • Category 1 • Category 2 • Category 3 **Industry classification (investment):** • **MSME:** ○ Defined as per the MSME Act, 2020
Interest Subsidy	• MSME: Up to 7 per cent of interest levied on term loan up to INR 35 lakhs per annum for a period up to 7 years.	
Tax reimbursement	• Gujarat is the first state to have delinked incentives from SGST.	
R&D incentives	• The policy will provide support up to INR 5 crore to private companies/institutions for setting up R&D and product development centres.	
Electricity Duty	• New industries to get exemption for 5 years.	
Stamp Duty	• 50 per cent exemption to industrial units.	
Other incentives	• "Government Land" on long term lease up to 50 years to industrial enterprises @6 per cent of the market rate.	

	• Gujarat will offer special incentives to companies planning to relocate from other countries.	

Andhra Pradesh- One of the largest steel producing states

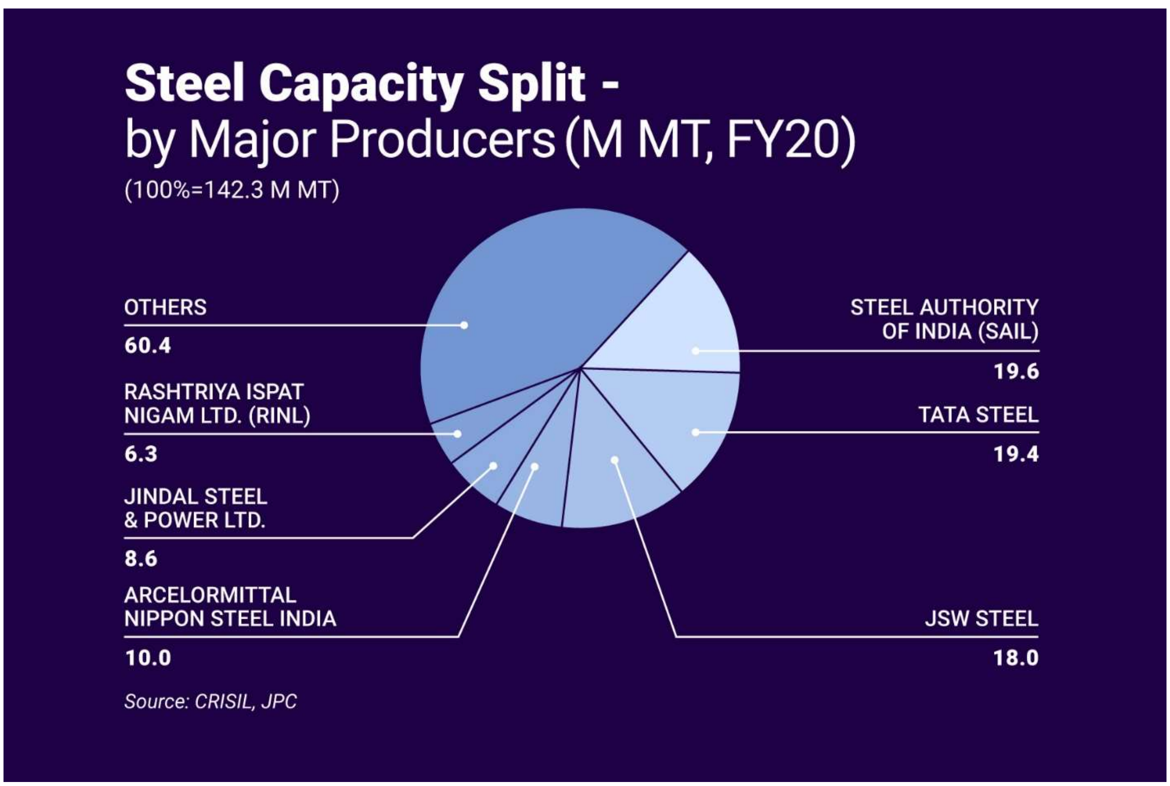
Particular	Incentives offered	Other comments
Capital Subsidy	• Reimbursement of SGST accrued to state or Fixed Capital Investment (FCI) for 5 years (whichever is lower), linked to employment. ○ < 1000 people = 50 per cent ○ 1000 to 2000 = 75 per cent ○ > 2000 = 100 per cent	**Block classification (special incentives for B, C, D category blocks as they are less developed):** • A category • B category • C category • D category **Industry classification (investment):** • **MSME:** ○ Defined as per the MSME Act, 2020 • **Large:** ○ < INR 50 crore • **Mega** ○ 2000 plus employment
Interest Subsidy	• 3 per cent p.a on term loans, for technology upgradation for 5 years, subject to maximum of INR 3 lakh p.a., to MSME units.	
Electricity cost reimbursement	• Fixed power cost reimbursement of INR 1 (USD 0.016) per unit for 5 years from date of commencement of commercial production.	
Stamp Duty	• Reimburse 100 per cent stamp duty and transfer duty paid by industry on purchase or lease of land for industrial use.	
Customised package of incentives	• The Government will accord customised package of incentives for mega industry status establishments	

Odisha- One of the largest steel producing states

Particular	Incentives offered	Other comments
Capital Subsidy	**Capital grant to support quality infrastructure in industrial parks/clusters:** • 50 per cent of the infrastructure cost with a ceiling of INR 10 crore per green field industrial park/cluster. • 50 per cent of total cost with a ceiling of INR 5 crore for up gradation of brown field clusters. **For MSMEs:** **@ 25 per cent subsidy:** • For Micro and Small up to INR 1 crore. **@ 30 per cent subsidy:** • For Micro and Small up to INR 1.25 crore owned by SC, ST, Differently abled, women or technical entrepreneurs. **Additional 5 per cent:** • For MSMEs unit in industrially backward districts including KBK or up to INR 10 lakhs for units engaged in recycling of E-waste, hospital waste, construction and demolition waste.	**Category of Districts** • **Category A:** All other districts other than Category B. • **Category B:** Industrially Backward Districts- Kalahandi, Nuapada, Bolangir, Subarnpur, Koraput, Malkangiri, Rayagada, Nawrangpur, Kandhamal, Gajapati and Mayurbhanj. **Industry classification (investment):** • **MSME:** ○ Defined as per the MSME Act, 2020 **Classification of Industry (employment):** • **Category A** (Investment (INR crore) |min employment A1 >100 100 A2 >200 200 A3 >500 400 • **Category B** (Investment (INR
Interest Subsidy	• 5 per cent per annum on term loan: • For a period of five years, to a maximum of INR 1 crore.	
Tax reimbursement	**100 per cent SGST reimbursement:** • For a period of 7 years, to a maximum of 200 per cent of cost of plant and machinery.	

	• For New Pioneer units for a duration of 9 years, to a maximum of 200 per cent of cost of plant and machinery. • For Anchor units for a duration of 9 years, to a maximum of 200 per cent of cost of plant and machinery.	crore) |min employment B1 >50 75 B2 >100 100 B3 >250 200
Electricity cost reimbursement	**100 per cent Exemption:** • For a contract demand of 5 MVA for 5 years.	
Stamp Duty	**100 per cent Exemption:** • With respect to land allotted by the government to IDCO or government/IDCO to private industrial estate developers or when transfer of land/shed by government, IDCO and private industrial estate developer to industrial units. • On loan agreements, credit deeds, mortgages and hypothecation deeds executed by the industrial units in favour of banks or financial institutions.	
Other incentives	**Employment Generation Incentive:** • @ 100 per cent Reimbursement of Employment Cost Subsidy (ESI/ESF): For 3 years for displaced employees and for 5 years for disabled employees. • @ 75 per cent for male; 100 per cent for female: For Micro and small units for 5 years: • @ 50 per cent for male; 100 per cent for female. For Medium units for 3 years.	

7. KEY PLAYERS



8. DETAILS ABOUT THE PLI SCHEME

The objective of the PLI scheme for specialty steel is to promote manufacturing of such steel grades within the country. This would not only help in reduction /elimination of import of such steel grades but would also help the country emerge as a strong exporter of such value-added steel grades. This will help in improving the balance of trade in terms of value for Chapter 72 items as well as improve our net value realization for steel exports. PLI incentive shall help the Indian steel industry mature in terms of technology as well as move up the value chain.

Target Segments: The scheme shall only be applicable for:

i. Coated/Plated Steel Products
   - Galvannealed/Galvanized Iron-Auto Grade
   - Tin mill Products
   - Al-Zn Coated
   - Colour Coated
   - Coated/Plated products of Metallic/Non-Metallic Alloys

ii. High Strength/ Wear resistant Steel
   - Hot Rolled Coil, Sheets and Plates of American Petroleum Institute (API) Gr 52<=X<=70
   - HR Coil, Sheets and Plates API Gr >X-70
   - High Tensile Sheets, Coil, and Plates (YS>=450Mpa)
   - High Tensile Auto Gr Steel including Advanced High Strength Steel (AHSS) (Cold Rolled Closed Annealed)
   - Boiler Grade/Pressure Vessels grade steel
   - QT/Abrasion Resistant and Wear Resistant steel

iii. Specialty Rails
   - Asymmetric rails
   - Head Hardened rails

iv. Alloy Steel Products and Steel wires
   - Tool & Die Steel
   - Valve steel
   - Bearing steel
   - Precipitation Hardened Stainless Steel
   - Automotive Powertrain Component grades of steel
   - Tyre Bead wire
   - C' Class Zinc Coated Wire
   - Zinc - Aluminium Coated Wire
   - Tyre Cord (Brass Coated)
   - Oil Tempered Spring Steel Wire

v. Electrical Steel
- Cold Rolled Non-Grain Oriented (CRNO)
- Cold Rolled Grain Oriented (CRGO) steel

The products have been chosen after detailed consultations with the industry and inter-ministerial discussions because these steel products have high potential for domestic production, import substitution, increasing exports, and attracting significant investments. There has also been significant demand from stakeholders like user industries for these products. Furthermore, these segments have niche applications of high-value and high-importance to both the economy and the industry.

Implementing Ministry/ Department: Ministry of Steel

Scheme Timeline: Incentive under the scheme will be provided for a maximum period of 5 years. The first incentive will be payable from 2023-24 based on the commercial production of 2022-23. However, for some product categories, the initial year may be deferred by up to 2 years. In case of adverse circumstances, such as force majeure, companies may be allowed deferment of the initial year by one year with the approval of Empowered Group of Secretaries (EGoS). In case of deferment of initial year, it will be applicable to all the selected companies for a given product sub-category.

Approved financial outlay over a five-year period: INR 6,322 crore

Year	Incentive Outlay (INR Cr)
2023-24	**775**
2024-25	**1,088**
2025-26	**1,394**
2026-27	**1,377**
2027-28	**1,293**
2028-29	**222**
2029-30	**173**

Product Category	Incentive Outlay (INR Cr)
Coated/Plated Steel Products	775
High Strength/ Wear resistant Steel	1,088
Specialty Rails	1,394
Alloy Steel Products and Steel wires	1,377
Electrical Steel	1,293

PLI Rate:

PLI Slab		PLI - A	PLI - B	PLI - C
Product sub-category covered under PLI slab		• Galvanneal/GI-Auto-Gr • Coated/Plated products of Metallic/Non-Metallic alloys • Al-Zn coated (Galvalume) • Colour Coated • HR Coil, Sheets and Plates API Gr 52<=X<=70 • High Tensile Sheets, Coil, Plates, YS>=450Mpa • Asymmetric Rails • Head Hardened rails • Alloy Steel: Bearing Steel	• Tin mill Products • Auto Gr Steel AHSS (CRCA) • Boiler Quality, Pressure Vessels • QT / Abrasion Resistance and Wear Resistance • Alloy Steel: Tool and Die Steel • Alloy Steel: Valve Steel • Automotive power train steel • Precipitation Hardened Stainless Steel • Tyre Bead wire • C' Class Zinc Coated Wire • Zinc - Aluminium Coated Wire • Tyre Cord (Brass Coated) • Oil Tempered Spring Steel Wire • CRNO	• CRGO
PLI rate	**2022-23**	4%	8%	12%
	2023-24	5%	9%	15%
	2024-25	5%	10%	15%
	2025-26	4%	9%	13%
	2026-27	3%	7%	11%

Expected Outcome: It is estimated that over the period of implementation the PLI Scheme for Specialty Steel will lead to:

- The projected production of the identified 'specialty steel' grades is expected to more than double by 2026-27, (baseline production is 17 MT and projected production is 42 MT).
- Projected export (in volume) is expected to become more than 3 times the present volume.
- Projected import (in volume) is expected to reduce by 4 times.
- An expected investment of INR 39,625 crore by 2029-30 in 'specialty steel'.

Product Category	Base Year Production	Projected Production	CAGR
	FY20	FY27	FY20-FY27
	(in '000 Tonnes)		%
Coated/Plated Steel Products	8,318	20,335	13.6
High Strength/Wear Resistant Steel	7,633	16,866	12.0
Specialty Rails	0.61	987	187.4
Alloy Steel Products and Steel Wires	1,082	2,655	5.7
Electrical Steel	590	1,411	13.3
Total	17,624	42,254	13.3

	Baseline (2019-20)		Projected (2026-27)		In %
	Volume (MT)	Value (INR Crore)	Volume (MT)	Value (INR Crore)	
Production	17.6	97,287	42.2	2,42,838	140%
Import	3.7	29,256	0.9	7,355	-76%
Export	1.6	9,474	5.5	33,024	244%

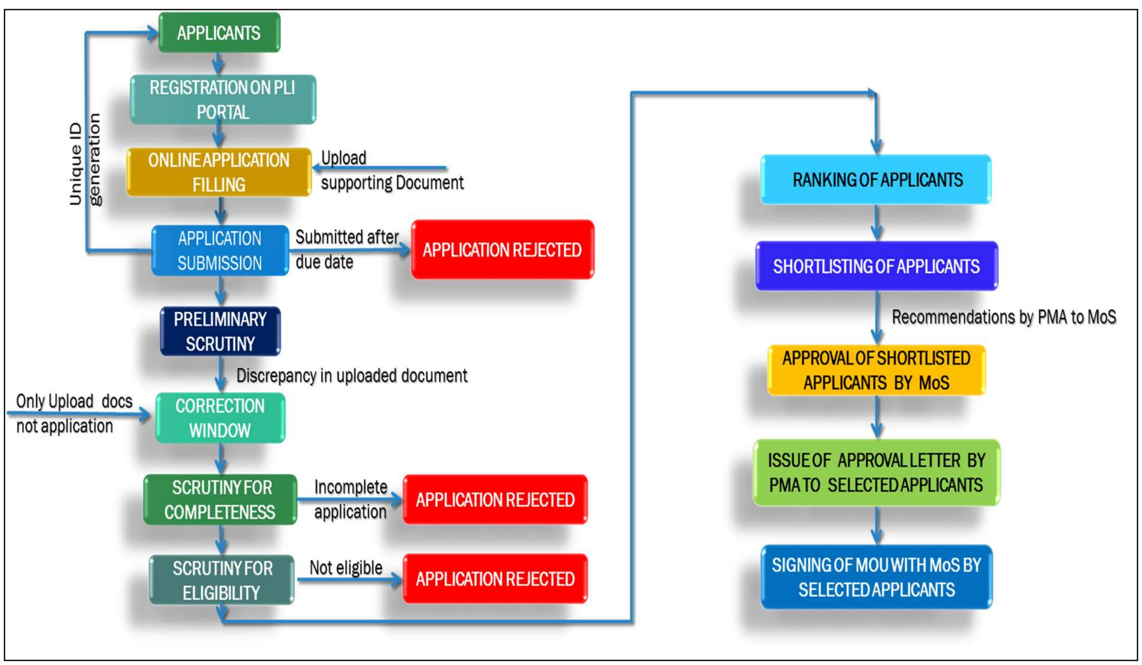
Eligibility Criteria:

- Companies or JV, registered in India under the Companies Act 2013, ensuring end-to-end manufacturing of applied product sub-category domestically, where the input material is melted and poured within the country using iron ore/scrap/sponge iron/pellets, etc.
- Third party outsourcing is allowed up to 20% value addition.
- Applicants whose accounts are declared as NPA as per RBI guidelines or willful defaulter or reported as fraud by any bank, financial institution or non-banking financial company etc. would be considered ineligible. Further there should not be any insolvency proceedings admitted against the applicant in NCLT, etc.
- The net worth of the company (including that of the group companies)/JV, in the immediate preceding financial year of the date of application submission, shall not be less than 30% of the total committed investment across all the applied product sub-categories.
- In case of new company/group companies/JV incorporated after 31/03/2021 i.e., in FY22, net worth for such company(ies) shall not be less than 30% of the total committed investment across all the applied product sub-categories, prior to the date of filing of application.
- Qualifying eligibility thresholds value- respective product sub-category-wise:
  - Minimum Annual incremental production rate.
  - Minimum Unit capacity to be installed.
  - Minimum Investment to be made in line with the List of permissible investments.
- Each applicant shall commit investment against each applied product sub-category during PLI Scheme period after the date of gazette notification along with year-wise phasing of investment. The committed investment by applicant against a particular sub-category must be equal or more than the minimum unit investment specified.
- In case an applicant applies for more than one unit (say, 2 units or 3 units, etc.) at the same location for simultaneous installation, the following criteria need to be fulfilled for committed investment
  - For simultaneous installation of two units with single combined investment, the committed investment by the applicant must be equal or more than the 1.8 times of unit investment specified in the scheme document.
  - For simultaneous installation of three units with single combined investment, the committed investment by the applicant must be equal or more than the 2.5 times of unit investment specified in the scheme document.
- In case an applicant applies for more than one unit (say, 2 units or 3 units, etc.) at different locations, each unit shall be evaluated independently.

Broad category	Sub-category	Minimum investment (INR Cr)	Minimum unit capacity to be installed ('000 tonne)		Minimum year-on-year incremental production rate (%)
Coated/ Plated Steel Products	Galvanneal/GI-Auto-Gr	700	400		10
	Tin mill Products	600	200		20
	Coated/Plated products of Metallic/Non-Metallic alloys	200	250		10
	Al-Zn coated (Galvalume)	200	250		30
	Colour Coated	300	250		20
High Strength/Wear resistant Steel	HR Coil, Sheets and Plates API Gr 52<=X<=70	2750	4500	2044	25
	HR Coil, Sheets and Plates API Gr>X-70			179	20
	High Tensile Sheets, Coil, Plates, YS>=450			1625	10
	Auto Gr Steel AHSS (CRCA: Cold rolled closed annealed)	1000	900		15
	Boiler Quality, Pressure Vessels	2500	1200	706	15
	QT/Abrasion Resistance and Wear Resistance			311	30
Specialty Rails	Asymmetric Rails	350	-		20
	Head Hardened rails		-		40
Alloy Steel Products and Steel wires	Alloy Steel: Tool and Die Steel	100	80		20
	Alloy Steel: Valve Steel				15
	Alloy Steel: Bearing Steel	100	80		15
	Automotive powertrain steel	100	80		10
	Precipitation Hardened Stainless Steel	100	1		30
	Tyre Bead wire	100	30		20
	C' Class Zinc Coated Wire	100	30		10
	Zinc- Aluminium Coated Wire	100	30		10
	Tyre Cord (Brass Coated)	**600**	**30**		20
	Oil Tempered Spring Steel Wire	**30**	7		30
Electrical Steel	CRGO	5000	200		40
	CRNO	700	200		10

Application: Application Form prescribed in Annexure-II of the Guidelines is to be duly filled-in online. Before securing access to fill-up the application form online, the applicant needs to register itself by undertaking a process of registration. The filled-in application needs to be submitted by an applicant to the PMA containing the requisite information along with supporting documents and application fee.

- Application shall be submitted through an online portal **within 90 days** from date of notification of scheme guidelines.
- After closure of application submission window, a one-time correction window of 15 days shall be available for completeness of uploaded supporting documents only, however, no change in the main application form will be permitted.
- An applicant may apply in multiple sub-categories and would be eligible to enter multiple MoUs with the Ministry of Steel. However, the incentive payable shall be capped at INR 200 Crore per company (including that of group companies / JV) per year across all product categories.
- Selected companies under the PLI scheme shall have to sign a MoU with the Ministry of Steel valid till the final year of PLI disbursement of the product sub-category they wish to participate in, adhering to the commitments given at the time of selection.
- Performance security of 0.5 % of the committed investment shall be submitted along with MoU.
- Application(s) can be made on the online portal, URL of which is https://plimos.meconlimited.co.in



Selection: Eligible companies shall be evaluated & ranked based on the following criteria:

Parameters	Weightage
Committed annual incremental production	50%
Committed Investment	50%

- The eligible company securing highest score shall be Ranked 1 followed by the eligible company securing second highest score and so on. The selection of the eligible companies shall be in the order of their ranks.
- In cases where the same rank has been secured by the eligible companies, the final selection shall be based on the following rules (in the following descending order)
    - Eligible company committing to upfront investments shall be given priority as indicated in PLI Scheme document.
    - Eligible company who has applied first shall be given priority over others, all else being equal.
- The number of selected applicants in each product sub-category shall be limited by the cumulative unit capacity during PLI Scheme period by the eligible candidates to match the projected production in FY 2026-27 (w.r.t Base year FY 2019-20 production).

Eligibility for Claiming Incentive: Committed investment is a condition to be fulfilled prior to commencement of production and claiming incentive.

- In case the actual permissible investment made by each selected company is less than the limiting investment for a product sub-category, the selected company shall not be eligible for any incentive and the selected company shall be out of the scheme.
- In case the selected company has applied for more than one unit, at the same location, in a particular product sub-category,
- In case of two units, 50 % of the limiting investment should be fulfilled on the ground prior to claiming incentive for production from first unit.
- In case of three units, 33 % of the limiting investment should be fulfilled on the ground prior to claiming incentive for production from first unit.
- Similarly, production from the last unit shall be eligible for claiming incentive provided 100% of limiting investment has been achieved before commencement of production from the last unit.
- However, payments scheduled, after commencement of production, as per contract shall be considered as deemed investment (such as on account of commissioning, Performance Guarantee test, Final Acceptance Certificate etc.) and shall be added to the investment already made.

- PLI calculation in the year of commencement of production shall be based on actual production in that year, subject to achievement of minimum 5% production of unit capacity (converted into sales). In case of simultaneous installations of more than one unit of the applied product sub-category under target segments at the same location, the 5% of unit capacity shall be calculated based on combined rated capacity of the units to be installed at the same location.
- If the actual incremental production rate in a year achieved by a company is less than the limiting incremental production rate (which is 80% of the committed incremental production rate or threshold rate, whichever is higher), no incentive shall be payable to the respective company in that year. However, it shall still be eligible to claim the PLI benefit under the scheme in the subsequent years, if it meets the year-on-year limiting incremental production rate for that year.
- Once the company achieves 80% or more of the committed capacity in a given year, in the subsequent year(s), Y-o-Y incremental production, irrespective of the threshold rate, shall be eligible for incentive claim. In case of simultaneous installations of more than one unit of applied product sub-category under target segments at same location, the 80% of unit capacity shall be calculated based on combined rated capacity of the units to be installed at same location.
- In case of any decrement in production in the subsequent years, no incentive shall be payable in that year. However, it shall still be eligible to claim the incentive in the subsequent years subject to achievement of incremental production w.r.t. previously attained highest production.

Calculation of Incentive: Based on the actual eligible production/ incremental production in a year, the incentive shall be calculated as per the formula given below:

Incentive = (A/B) x (B or C, whichever is lower) x (PLI rate as applicable)/100

A = Incremental sales in current year

B = Weighted Average sale price in current year

C = Weighted Average sales price in base year (2019-20)

Current year: year for which PLI has been claimed

Conclusion

This paper described the PLI scheme for the specialty steel sector which was recently approved by the Union Cabinet. The assessed benefit of introducing PLI in this sector will mean that several global and domestic companies, including numerous MSMEs are likely to benefit from the scheme. It is expected to be instrumental in achieving growth rates that are much higher than existing ones for specialty steel producing industries, develop complete component eco-systems in India and create global champions manufacturing in India. They will have to meet the applicable standards for global markets. The PLI schemes will also lead to investments in innovation, research and development and upgradation of technologies developed and deployed by this sector.

This is in addition to PLI schemes for 10 other major sectors of the Indian economy chosen to spearhead the step towards the vision of “AatmaNirbhar Bharat Abhiyan”. This scheme has been announced as part of the larger, ongoing campaign by the Indian government to promote resilience in domestic industries and strengthen their export capacities to ensure that India becomes an integral pillar in the global value chains.

The “AatmaNirbhar Bharat Abhiyan” was launched last year by Prime Minister Narendra Modi in the context of the global coronavirus pandemic that continues to significantly affect lives and livelihoods. It further led to a growing consensus about reducing over-dependence on a handful of countries for global supplies and promoting better capacities in domestic industries so they can cushion against future external shocks like disasters and pandemics. As a part of the “AatmaNirbhar Bharat Abhiyan,” the widening of PLI scheme to a vast array of sectors provides immense scope for Indian manufacturing to bolster and prosper.

As the world continues to grapple with the pandemic while economies reorient themselves to the new reality, the learnings from this pandemic will play an important role in deciding the future role of many major countries, particularly those like India, having both vast potential and populations.

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