

TAX FLASH NEWS

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Union Cabinet approves Production Linked Incentive Scheme to promote domestic manufacturing of Speciality Steel

With an aim to make India the largest exporter by enhancing the manufacturing capability of value-added steel, the Union Cabinet has approved a Production Linked Incentive Scheme ('PLIS')¹.

The PLIS proposes to grant financial assistance to the tune of INR 6322 crore (USD² 843 million approx.).

Gist of the announcement is as under

- India is the world's second largest producer of steel. The PLIS aims to enhance the manufacturing capabilities of value added steel and make India a champion in certain grades of steel.
- The scheme shall apply for manufacturing of
 - Coated steel
 - High strength steel
 - Steel rails
 - Ally steel bars and rods
- The proposal of the scheme shall be formulated and implemented by the Ministry of Steel
- The final proposal of the PLIS shall be appraised by the Expenditure Finance Committee ('EFC') and approved by the Cabinet.
- The approved financial outlay i.e. INR 6322 crore (USD 843 million approx.) shall be spread over a period of five years.

Our comments

The PLIS is expected to provide a boost to the sector by inviting fresh investment which will help in making India the largest exporter of speciality steels.

While the detailed policy specifying the eligibility conditions, mechanism of availing the benefit etc. is still awaited, it may be important for companies to review their business strategies in view of the above proposed scheme.

Deeper insights

For a deeper understanding of the above proposals and its business impact, please feel free to connect with any of the following:

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¹ Press Release dated 11 November 2020

² 1 USD = INR 75

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