

Specialty Steel PLI to Move India Up in the Steel Value Chain

What's Buzzing :

The Indian government has recently approved Specialty Steel PLI (Production linked incentive) scheme for overall growth in infra space. The length of the scheme might be five years, from 2023-24 to 2027-28. With a budgetary outlay of ₹ 63,220 million, the scheme will bring in investment of nearly ₹4,00,000 million and result in capacity addition of 25 Million tonnes (MT) for speciality steel. Hopefully, this scheme will anchor India in moving up the steel value chain at par with advanced steelmaking countries.

Context :

In FY21, India produced 102 MT of steel. However, of this only 18 MT was value-added steel or specialty steel. Moreover, of the 6.7 MT of steel imports in FY'21, nearly 4 MT import was of speciality steel alone. As value-added steel grades are presently largely imported in India, a speciality steel PLI scheme has been introduced with an objective to enhance the production of high-grade speciality steel domestically.

Perspective view:

The Specialty steel PLI scheme will incentivize domestic steel manufacturers to invest in speciality steel. The scheme will include coated/plated steel products, high strength/wear-resistant steel, speciality rails, alloy steel products, steel wires and electrical steel. The focus of the scheme is towards

increasing exports and minimize the dependence of imports for high-end steel. After completion of the scheme, India will start manufacturing products like API grade pipes, Head Hardened Rails, electrical steel (needed in transformers and electrical appliances) which are currently manufactured in very small amounts or not produced at all. It is anticipated that the speciality steel production in India will touch the 42 MT mark by the end of 2026-27. This implies that approximately ₹ 2.5 trillion worth of speciality steel will be produced and consumed in the country which would otherwise have been imported. Similarly, the export of speciality steel is also likely to become around 5.5 million tonnes as against 1.7 million tonnes at present. Overall the speciality steel PLI scheme is likely to catapult India into the league of advanced steel producers like Korea and Japan. An added advantage would be the lesser volatility in earnings and probably better valuation multiples.

Jindal Stainless Ltd.

Sector: Steel – Medium & Small

Following the news, Jindal Steel stock saw a phenomenal jump of over 18% intraday! That is August 24, 2021. Just 5 hours prior to the time of writing this post.



Open	128.85
------	--------

Previous Close	128.85
Intraday High	153.95
Intraday Low	128.85
UC Limit	154.60
LC Limit	103.10
52 Week High	168.40

The buzz among excited investors had been like:

- Rs 200 is the minimum target expected for the month of August.
- No matter how hard you try, you just cant stop this stock from growing. Good level to enter now, dont miss this opportunity
- Buy, buy at CMP for an immediate short term target of Rs 155.
- The share price will shoot like a rocket and hit the roof.

This sums up the excellent growth in metal and infra space.

Also Read: Tata steel share price takes an exciting take-off attracting investors

BOOK INTERNATIONAL FLIGHTS