Government working on PLI 2.0 for steel sector in 2024

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NEW DELHI: The government is working on Production Linked Incentive (PLI) scheme 2.0 as well as looking at ways to ensure adequate raw material supply for the steel sector in 2024, according to Union minister Faggan Singh Kulaste. While robust economic growth will increase the demand for steel, industry players remain concerned about rising imports and high raw material prices amid geopolitical uncertainties.

Production and consumption of steel have shown a strong recovery after the coronavirus pandemic that impacted the sector in 2020-21.

During the April-November period this year, the cumulative production of crude steel was 94.01 Million Tonnes (MT), up 14.5 per cent year-on-year. The consumption of finished steel jumped 14 per cent to 86.97 MT on an annual basis during the same period, as per data from the steel ministry.

India has set a target of having an installed steel manufacturing capacity of 300 MT by 2030. At present, the country has a capacity of around 161 MT.

"We are preparing for PLI 2.0 for the steel sector. It is under discussion at various levels," Kulaste said while talking about the government's priorities for the steel industry in 2024.

In an interview to PTI, the Minister of State (MoS) for Steel also said the government will ensure raw material supply for the steel industry and the focus will also be on promoting the use of scrap.

Further, efforts will be made to push for the use of artificial intelligence and new age technologies among the industry players to boost steel output while also look at reducing carbon emissions, Kulaste, who also holds the portfolio of MoS Rural Development, said.

The government had approved the PLI scheme 1.0 to boost the production of speciality steel that would help create additional capacity of around 25 MT.

On production and demand for steel, the minister said they will grow significantly in 2024 on the back of infrastructure projects.

All steel players are increasing their capacities and to ensure ease of doing business, the government has been helping them with clearances related to their projects, Kulaste said.

"Our ministry remains in constant touch with the state governments and its officials to help them with any issue that comes in their projects," he said, adding the government is also engaged with several countries to explore alternate options for sourcing of coking coal.

On the other hand, the Indian Steel Association (ISA) said that surging imports and high raw material prices will remain a concern for the industry in the new year after experiencing "dumping of steel products" especially from China and Vietnam in the past.

India remains dependent on imports to meet 90 per cent of its coking coal requirement. In 2023 so far, the imports have been between 70-80 MT.

ISA Secretary General Alok Sahay said the industry continued to face the issue of imports and expects strong measures from the government to check the surge in imports which is affecting the domestic market.

The grouping, which represents the interest of the domestic steel industry, expects steel production to be in the range of 123-127 MT in FY24.

Finished steel imports into India showed a growth of 18 per cent to 5.87 MT in January-November 2023 from 4.96 MT in the same period of 2022. The exports from India showed a decline of 20 per cent to 6 MT from 7.46 MT during the corresponding period last year, ISA said.

Sahay further said the government is actively considering the inclusion of refractories in the upcoming PLI scheme 2.0 for steel and will align with the ambitious goal of doubling the country's steel production capacity to 300 MT by the year 2030.

Meanwhile, Kulaste has also urged the steel makers, including state-owned SAIL and RINL, to increase their product mix keeping in mind the growing needs of various sectors where steel is required.

Tata Steel said it is seeing green shoots of demand recovery on the back of increased infrastructure spending in advanced economies to help the overall decarbonisation efforts. The auto sector, another key area for steel, is also showing good recovery.

"Muted consumption and investments affected steel demand across the world in 2023. Inflationary pressures coupled with geopolitical developments like wars in Ukraine and West Asia, contributed to the uncertainty. While supply chain bottlenecks eased, the manufacturing sector did not see significant improvement on the demand side," the company said.

Ranjan Dhar, Chief Marketing Officer of ArcelorMittal Nippon Steel India (AM/NS India), said economic fluctuations and supply chain disruptions posed significant challenges. The steel sector successfully navigated these hurdles by adopting agile strategies, investing in research and development and fostering resilient supply chains, he added.

Jayant Acharya, Joint MD & CEO of JSW Steel, said India's steel sector has registered an impressive growth of 15 per cent this year on the back of robust economic growth driven by infrastructure, manufacturing, energy transition and allied sectors.

India is the fastest growing major economy in the world and is at an inflexion point, which would lead to a massive build-up of infrastructure, capacity additions in manufacturing sectors reflecting 'Aatmanirbhar Bharat', and investments spurred by the imperative of energy transition, he said.

According to him, steel demand in the medium-to-long-term is likely to accelerate at a significantly faster pace than GDP.

Ratings agency Crisil said strong domestic demand, supported by government spending on infrastructure, building and construction segments, is expected to keep India's steel imports elevated around 6 MT this fiscal even as the global steel industry battles a slowdown.

Jayanta Roy, Senior Vice President & Group Head - Corporate Ratings, at ICRA said, during April to November of FY2024, with the government front loading infrastructure spending ahead of the upcoming Union elections, domestic steel consumption growth remained strong at 14.8 per cent.