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TODAY'S ANALYSIS

(10 January 2025)

TOPICS TO BE COVERED

- **PLI SCHEME 1.1 FOR SPECIALITY STEEL**
- **INDONESIA JOINS BRICS**
- **MCQs**

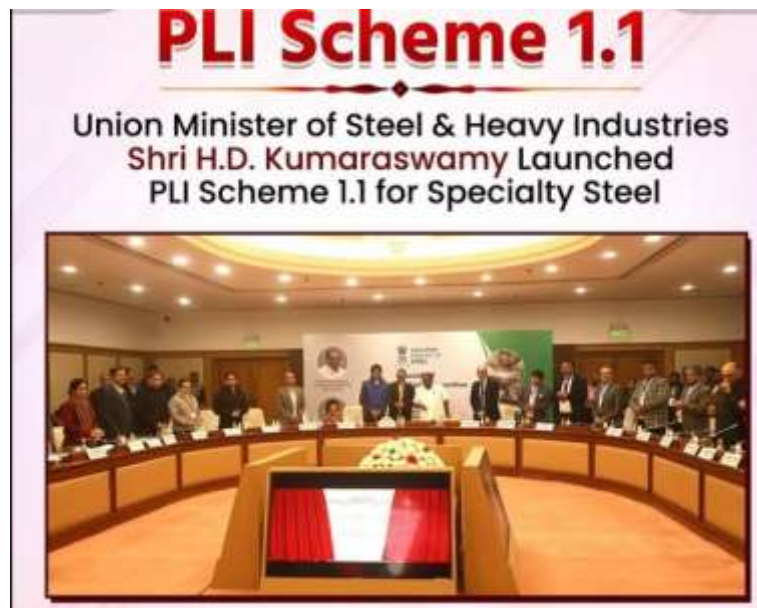


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PLI SCHEME 1.1 FOR SPECIALITY STEEL



- On **January 6, 2025**, Union Minister for Steel and Heavy Industries, **Shri H.D. Kumaraswamy** launched **PLI Scheme 1.1** for Specialty Steel at **Vigyan Bhavan, New Delhi**.
- The scheme aims to **boost domestic production**, reduce **imports**, and position **India as a global steel powerhouse**.
- The **PLI Scheme 1.1** has been introduced as the second round of the **Production Linked Incentive (PLI) Scheme** for specialty steel, **following the success of the first round initiated in 2021**.

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KEY HIGHLIGHTS

- **Scheme Duration:**

- The scheme will be implemented from **FY 2025-26 to FY 2029-30**.

- **Objective:**

- **Promote the production of value-added steel grades** in India.
- **Reduce imports** of specialty **steel and promote self-reliance (Atmanirbhar Bharat)**.
- **Promote innovation, strengthen domestic production**, and increase **exports**.

- **Target Areas:**

- PLI Scheme 1.1 covers **five product categories**:

1. **Coated/Plated Steel Products**
2. **High Strength/Wear-resistant Steel**
3. **Specialty Rails**
4. **Alloy Steel Products & Steel Wires**
5. **Electrical Steel**

- These products are widely used in industries such as **white goods, automobiles, transformers**, and other **niche sectors**.

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KEY POINTS OF THE SCHEME

- **Application Window:**

- Open from **January 6, 2025, to January 31, 2025.**

- **Funding:**

- The scheme will continue to operate under the originally allocated funds of **₹6,322 crore.**

- **Changes to the Scheme:**

- Based on **industry feedback**, several changes have been introduced to make the scheme **more investor-friendly**:
 - **Reduction in investment and capacity thresholds** for certain sub-categories.
 - **Carry-forward option** for excess production to the next year for incentive claims.
 - **Augmentation of existing capacities** will now be allowed to participate in the scheme, requiring **50% of the threshold investment** as per the updated guidelines.

- **Important Sub-Categories:**

- **Cold-Rolled Grain-Oriented Steel (CRGO):** This is a high-value steel used for **power transformers.**

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- **India's steelmakers currently do not produce CRGO, but the scheme aims to make the country self-reliant in this key product.**
- The investment threshold has been reduced to **₹3,000 crore** with a capacity of **50,000 tonnes.**

EXPECTED IMPACT OF PLI SCHEME 1.1

- **Domestic Production:**

- The scheme aims to foster **domestic production** of high-quality specialty steel, which will **reduce India's reliance on imports** and improve self-sufficiency in steel manufacturing.

- **Investment and Employment:**

- In the first round, **₹27,106 crore** was committed, with **24 million tonnes of downstream capacity creation.**
- As of **November 2024**, **₹18,300 crore** has already been invested, creating **8,300 direct jobs.**
- This indicates the positive impact of the scheme on **economic growth** and **employment generation.**

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- **Incentive Distribution:**

- **Excess production** in a given year can be carried forward to the next year, ensuring that companies are not penalized if **they exceed their committed production** in a good year but fall short in the following year.

- **Global Competitiveness:**

- The scheme will help **Indian steel** compete globally by improving the **value-added product mix**, which will result in **higher exports** of specialty steel.

BACKGROUND OF PLI SCHEME

- **First Round:**

- The **first round of the PLI Scheme** for specialty steel was notified on **July 29, 2021** with an initial outlay of **₹6,322 crore**.
- The goal was to promote the **production of value-added steel** in India and help the Indian steel **industry progress technologically, reduce imports, and promote self-reliance**.

- **Achievements:**

- As of **November 2024**, the **first round** saw a **commitment of ₹27,106 crore** by **26 companies** for **44 projects**.

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- It led to the creation of **24 million tonnes of downstream capacity** and the generation of **8,300 direct jobs**.
- The **estimated payout** for the first round's participants is **₹2,000 crore**.

KEY CHANGES IN PLI 1.1

- **Increased Flexibility for Investors:**

The Ministry has made several adjustments to attract more industry participation. Key changes include:

- **Lower investment and capacity thresholds** for certain categories, such as **Cold-Rolled Grain-Oriented Steel (CRGO)**.
- **Carry-forward of excess production:** Companies can **carry over any excess production to the following year**, helping them meet their production targets even if they fall short in the next year.

- **Investment in Existing Capacities:**

Companies looking to **augment their existing capacities** can now participate in the scheme, making it more accessible for companies that are not installing entirely new mills.

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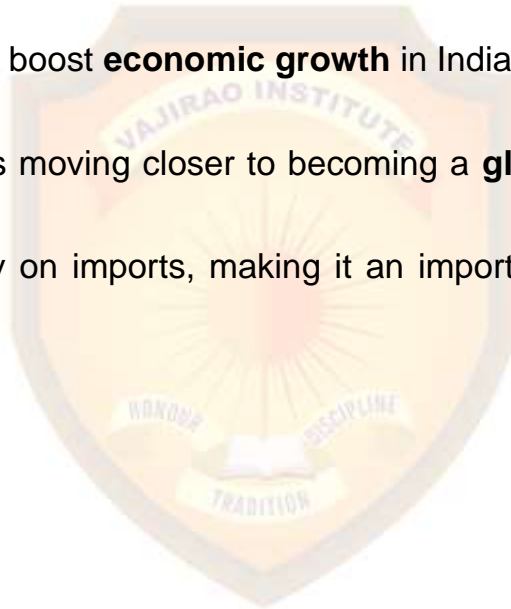


FUTURE OF PLI SCHEME

The **PLI Scheme 1.1** is part of the **Indian government's efforts** to:

- **Enhance self-reliance** in steel production.
- **Increase global competitiveness** of Indian steel products.
- **Support job creation** and boost **economic growth** in India.

Through this scheme, India is moving closer to becoming a **global steel powerhouse** while also reducing its dependency on imports, making it an important step toward achieving the **Atmanirbhar Bharat** vision.



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INDONESIA JOINS BRICS

- **Indonesia is the first Southeast Asian country to join the BRICS on January 6, 2025 which is made up of emerging economies, alongside powerful emerging economies like Brazil, Russia, India, China, and South Africa.**
- This development comes as Indonesia sets an ambitious target of achieving **8% GDP growth**, a goal that would position the country among the **world's fastest-growing economies.**
- With its entry into the **BRICS Plus** bloc—an **expanded version of BRICS**—Indonesia **aims to unlock new economic opportunities**, attract foreign investment, and strengthen its global position.
- The **original member countries of BRICS were Brazil, Russia, India, and China.**
- South Africa joined in 2010, and **in 2024, Egypt, Ethiopia, Iran, and the United Arab Emirates became official members while Argentina declined and Saudi Arabia has not yet formally accepted.**

WHAT IS BRICS?

- **BRICS** was formed in **2009** to **represent emerging economies with a goal of reshaping global governance** and challenging the dominance of **Western-led institutions.**

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- Over the years, the group has expanded.
- The recent inclusion of countries like **Egypt, Ethiopia, Iran,** and the **UAE** as part of **BRICS Plus** has significantly boosted its economic footprint and influence.

KEY FACTS ABOUT BRICS PLUS

- **Global Trade:** Accounts for around **24%** of global trade.
- **Economic Impact:** Represents **28%** of the world's GDP.
- **Global Partnerships:** By **2022**, BRICS Plus had become the **main trade partner** for **28%** of countries worldwide.
- Indonesia's entry into BRICS strengthens its role within this influential bloc, providing the country with **greater access to trade, infrastructure financing, and technological collaboration**—all of which are essential to reaching its ambitious economic goals.

WHY DID INDONESIA JOIN BRICS?

- **Strengthening Economic Partnerships:**
 - Indonesia's President **Prabowo Subianto** recognizes that long-term growth requires **diversified trade relationships** and increased **foreign investment**.

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- Membership in BRICS opens access to new markets in **Asia, Africa, and Latin America**, helping Indonesia expand its **non-traditional trade partnerships** and reduce its dependence on Western markets.

- **Infrastructure and Financing Opportunities:**

- **Infrastructure investment** is critical to achieving Indonesia's growth target.
- By joining BRICS, Indonesia can access low-cost financing through the **New Development Bank (NDB)**, which focuses on funding infrastructure projects in member countries.
- Large-scale infrastructure projects, including **ports, railways, and roads**, are needed to support Indonesia's ambitious growth plans.

- **Advocating for the Global South:**

- As a BRICS member, **Indonesia has a platform to advocate for the interests of emerging economies** in the **Global South**.
- Jakarta aims to influence global policies on sustainable growth, **fair trade**, and **access to technology**, all of which are crucial for achieving its economic goals.

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- **Attracting Investment:**

- With **BRICS Plus** representing nearly a **third of global GDP**, Indonesia's membership increases its appeal as an **investment destination**.
- Partnerships within the BRICS bloc can help Indonesia stimulate key sectors like **energy, manufacturing, and technology**, which are vital to its economic growth.

INDONESIA'S TRADE DYNAMICS WITH BRICS

- **Trade Volume and Growth Potential:**

- As of **2024**, Indonesia's trade with BRICS nations reached approximately **\$150 billion**, demonstrating the importance of BRICS as a trade partner.
- Expanding this trade is crucial for Indonesia's target of an **8% GDP growth**, as it needs to significantly increase its **exports**.

- **Key Exports to BRICS Countries:**

- **Palm Oil:** A major export to markets like **India** and **China**.
- **Coal and Natural Gas:** Supporting energy security in BRICS countries.
- **Rubber:** Widely used in **industrial** and **automotive applications**.

- **Key Imports from BRICS Countries:**

- **Machinery and Electronics:** To aid in Indonesia's **industrialization** efforts.
- **Chemicals:** For growing agricultural and manufacturing sectors.

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LINKING BRICS MEMBERSHIP TO INDONESIA'S GROWTH AMBITIONS

- **Infrastructure Development:**

- Achieving **8% GDP growth** requires massive investment in infrastructure, including **new roads, ports, and railways**.
- **BRICS financing**, particularly through the **New Development Bank**, can support these efforts, especially with **China's** expertise in infrastructure development.

- **Technology Transfer and Industrial Growth:**

- BRICS membership offers Indonesia opportunities for **technological collaboration**, particularly in **renewable energy, artificial intelligence (AI), and digitalization**.
- These technological advancements could help modernize Indonesia's industries, improving **productivity** and **global competitiveness**.

- **Trade Diversification:**

- By engaging more with BRICS Plus, Indonesia can reduce its reliance on traditional markets like the **U.S.** and the **EU**.
- **Diversifying its export base** will ensure that Indonesia's economy remains resilient and sustainable in the long term.

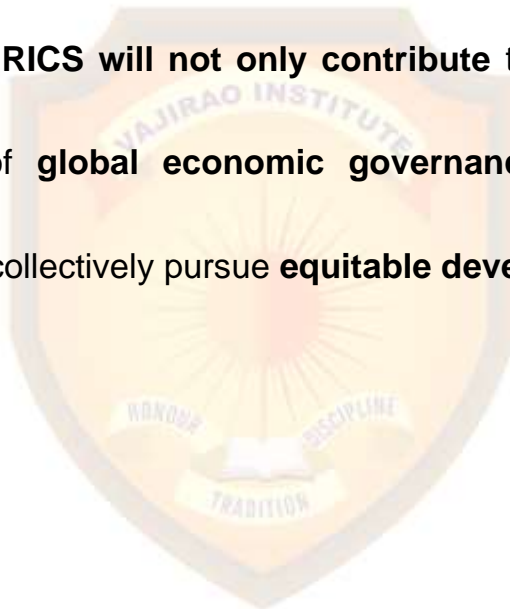
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BRICS MEMBERSHIP AS A CATALYST FOR GROWTH

- While BRICS membership opens up new possibilities, Indonesia will need to implement **structural reforms** and navigate **geopolitical complexities** to ensure that these opportunities translate into tangible **economic gains**.
- **Active participation in BRICS will not only contribute** to Indonesia's growth but also help shape the future of **global economic governance**, offering a **platform for emerging economies** to collectively pursue **equitable development**.



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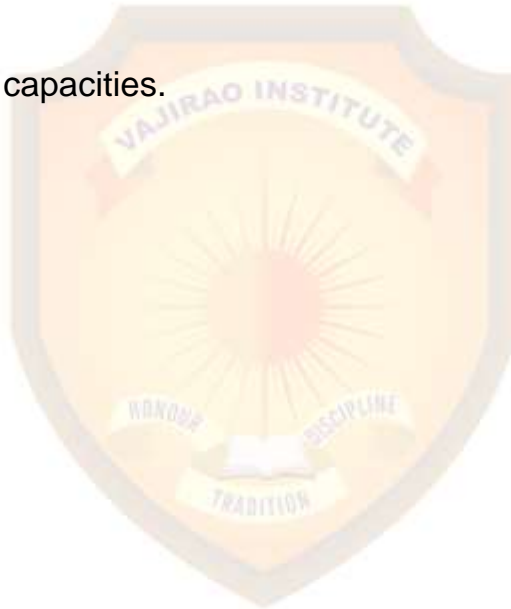


MCQs

1. Consider the following objectives of the Product Linked Incentive Scheme and mark the correct one:

1. Achieve Atma Nirbharta.
2. Increase production capacities.

- (A) Only 1
(B) Only 2
(C) Both 1 & 2
(D) Neither 1 nor 2



Ans. (C)

2. Which steel grade is used in the Power Transformers?

- (A) Cold-Rolled Grain-Oriented Steel (CRGO)
(B) High Strength/Wear-resistant Steel
(C) Electrical Steels
(D) None of the above

Ans. (A)

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3. Which of these countries is a founding member of BRICS?

- (A) A: UAE
- (B) B: South Africa
- (C) C: Ethiopia
- (D) D: None of the above

Ans. (D)

4. Which of the following can be the consequences of Indonesia joining BRICS?

1. Increased trade with BRICS countries.
2. Increased access to financing.
3. Increasing Palm Oil exports from Indonesia

- (A) Only 1 & 2
- (B) Only 1
- (C) Only 2 & 3
- (D) All of the above.

Ans. (D)

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