# PLI for container manufacturing in the works

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New Delhi, 13 November

The Centre is working towards a new production-linked incentive (PLI) scheme to encourage container manufacturing in India. Allocation for the scheme may come from a part of the savings from existing PLI schemes, multiple government officials told *Business Standard*.

An empowered group of secretaries headed by cabinet secretary Rajiv Gauba has decided to redistribute a portion of the savings worth ₹11,484 crore towards the new PLI scheme. This provision was made while designing the PLI scheme.

Currently, India does not have a robust container manufacturing market, and a large portion of its containers come from China. During the pandemic, container supply from China had taken a severe hit, causing a massive frenzy in global container markets.

An official said uncertainty over global trade was a more damaging externality for the container market than economic slowdown.

## COVID-HIT SECTOR

- The global container crisis saw its peak during Covid-19, as prices soared to **$10,377** for a 40-foot container unit in September 2021
- With a nascent container manufacturing sector, trade suffered due to volatile prices
- Now, government plans to give a fillip to production and create a self-sustaining industry, which is crucial to keep cost of India's logistics internationally competitive
- However, container prices have fallen drastically since, now at **$2,773** per unit on November 10 – **73%** below peak
- Amid the correction, Centre is currently re-evaluating the scope and scale of incentives within the scheme

"Moreover, supply chains of different nations did not follow a uniform trajectory of slowdown or growth, which is why container prices became so volatile. The pandemic continued to evolve and some markets where demand was expected to rise showed the opposite results and vice-versa," the official cited above said.

Domestic manufacturing of containers will not only cut logistics costs but is also expected to reduce its dependence on China. The government's view is that since there are few domestic firms that manufacture containers, being *atmanirbhar* can help them avert a situation that they had faced during Covid-19. At that time, shortage in shipping lines and high freight cost, impacted trade.

Now that global container prices are correcting from the Covid peak, the Centre is considering re-evaluating the framework and size of incentives within the scheme. It was earlier pegged around ₹800 crore. The official clarified that this is at a discussion stage right now.

The Drewry WCI composite index, which tracks container prices, fell by 5 per cent last week itself. In what is seen as an ongoing correction in container prices, this is the 27th straight week of decline in the index, research firm DAM Capital noted.

However, average prices continue to be on the higher end, stressing further the need for self-reliance in container manufacturing.

"The latest Drewry WCI composite index of $5,662 per 40-foot container is now 45 per cent below the peak of $10,377 in September 2021. However, it remains 55 per cent higher than the five-year average of $3,664. The average composite index for the year-to-date is $7,928 per 40-ft container. This is $4,265 higher than the five-year average," according to DAM Capital.

Last year, the government had announced a total outlay of ₹1.97 trillion for PLI schemes in 14 key sectors. These include automobile, white goods, steel and textiles.

The PLI intends to improve the cost competitiveness of locally-produced goods, create employment, curb cheap imports and boost exports. Last week, chief economic advisor V Anantha Nageswaran had said that the PLI scheme is likely to gain momentum and expand to more sectors. As of September-end, as much as ₹40,992 crore worth of actual investment has been made under the scheme.