6

INDUSTRIAL POLICIES AND DEVELOPMENT

There has been a modest recovery of industrial growth at 1.8 per cent during 1992-93 and 1.6 per cent during the first seven months of 1993-94 from an almost stagnant output during 1991-92. Although the present rate of industrial growth is below expectation, there has been an uptrend since July 1993; with the Index of Industrial Production (IIP) recording a growth rate of 2.7 per cent during July-October 1993. Basic goods, intermediate goods and consumer goods segment of the manufacturing industries, with a total weight of 60.7 per cent in the IIP, registered a growth of more than 4.5 per cent in the first seven months of 1993-94. Since July 1993, these sectors have achieved a growth rate of 6.1 per cent. Transport Equipment,Chemical Products and Cotton Textiles have continued to record substantial growth. Consumer durables and intermediate goods , in general, are performing well. The poor performance of the capital goods industry is,however,a matter of concern. Major policy initiatives taken in the year included delicensing of white goods and motor car industries. The 13 minerals hitherto reserved for the public sector were opened for private sector participation.

2 Industry is beginning to emerge from the adverse effects of the Ayodhaya incidents, which disrupted industrial activity and had upset business plans and investment decisions since December, 1993. The economy at present does not face any critical supply bottlenecks or infrastructural constraints. Six major infrastructural sectors, viz., electricity generation, coal, steel, cement, crude oil and refinery products, constituting 28.8 per cent weight in the IIP, registered a growth of 5.1 per cent during April-December 1993. The investment climate and the capital market are reasonably buoyant.

3 There are some indications of improved performance of the industrial sector, specially since the second quarter of 1993-94. The IIP registered a growth of 2.7 per cent during July- October of 1993, after declining by 3.3 per cent during January-March, 1993. Table 6.1 presents the monthly growth rates since January, 1993 for the 3 major sectors and the general index.

TABLE 6.1

Trends of Monthly Growth Rates of Industrial Production

(Per cent)

Period	Mining & Quarrying	Manufacturing	Electricity	General
(Weights)	(11.46)	(77.11)	(11.43)	(100)
1	2	3	4	5
1993 :				
January	-0.7	-6.7	6.8	-4.2
February	-3.1	-8.7	5.3	-6.3
March	2.0	-0.9	5.3	0.2
April	-7.4	-1.2	6.4	-0.9
May	-11.4	0.4	9.4	0.2
June	3.6	-0.6	9.3	1.2
July	3.6	3.5	7.3	4.1
August	2.2	3.6	13.3	4.9
September	2.0	-1.6	5.5	-0.2
October	-1.2	3.0	2.3	2.4

4 There is some evidence that the existing data collection system does not fully capture the growth of some of the sectors, particularly of the small scale industries. This is due to the non-availability of data for the unorganised sector and non-reporting, to some extent, by the organised sector. The substantial growth in exports, good agricultural performance, high rate of growth in infrastructure and a moderate rate of inflation for manufactured items would suggest a higher growth in industrial output than is being reported by the official Index. Considering the need for improvement in the methodology and data base for the estimation of IIP, the base year of the IIP is being shifted from 1980-81 to 1985-86, with revised items basket and

BOX 6.1

Reforms in Industrial Sector

- With effect from March 26, 1993, the 13 minerals, earlier reserved for the Public Sector, have been opened for the private sector. Consequently, the number of industries reserved for the public sector is reduced to 6, viz. defence products, atomic energy, coal and lignite, mineral oils, railway transport, minerals specified in the schedule to the Atomic Energy Order 1953.
- 'Motor car' and 'white goods' industries were delicensed with effect from April 28, 1993. Raw hides and skins, leather and patent leather, excluding chamois leather, also stand delicensed. Hence, the number of items, in respect of which industrial licensing is compulsory, has been reduced to 15.
- The manufacture of readymade garments - an item reserved for exclusive manufacture by the ancillary / small scale industrial undertakings is now open to large scale undertakings through a notification dated July 29, 1993, subject to an export obligation of 50 per cent and investment in fixed assets in plant and machinery of the large unit not exceeding Rs. 3 crore.
- In June 1993, the Development Commissioners for Export Promotion Zones (EPZs) were delegated some specific powers for 100 per cent Export Oriented Units (EOUs) and EPZs. These powers earlier rested with the Zonal Authorities under the Ministry of Commerce. This will bring down the levels at which clearances are required.
- Excise duties on capital goods were rationalised and import duties were reduced further to lower capital costs and stimulate investment.
- A concessional tax rate of 30 per cent on short-term capital gains for foreign institutional investors was introduced to enhance the level of foreign investment in Indian stocks.
- A five-year tax holiday for new industries in industrially backward States and Union Territories and for power generation any where in India was introduced.
- Export credit refinance limits were augmented; 90 per cent of refinance credit is now available in US Dollars.
- The limit for compulsory consortium lending was raised from Rs. 5 crore to Rs. 50 crore. This will give greater flexibility to corporate investors to choose their bank and take advantage of increased competition.
- CRR and SLR were reduced to 14 per cent and 34.75 per cent respectively to make more credit available for the commercial sector.
- Minimum lending rate for the highest credit slab was reduced to 15 per cent.
- Sick Industrial Companies (Special Provision) Act, 1985 (SICA) amended in December, 1993 to facilitate early detection of sickness in companies and speedy enforcement of remedial measures.

weighting diagram. The system of data collection for the industrial sector is also being strengthened and reviewed.

Industrial Policy Reform

5 The process of industrial policy reforms, initiated since July 1991, continued during the year. The reforms this year, interalia, included removal of licensing requirements in more industrial sectors, reducing the areas reserved exclusively for public sector, relaxing the conditions of entry for large scale units in export-oriented sectors, such as garments, raising the limit for consortium lending from Rs. 5 to Rs. 50 crore, lowering the minimum lending rate for the highest slab to 15 per cent and increasing the availability of bank-credit for commercial sector by lowering the statutory liquidity ratio (SLR) and cash reserve ratio (CRR) (Box 6.1).

6 In recent years State Governments have also taken significant initiatives in reforms and improved the implementation of new industrial policy measures (Box 6.2).

Industrial Production 1992-93

7 General Index of Industrial Production (IIP) recorded a growth of 1.8 per cent during 1992-93 aided by a growth of 1.5 per cent in mining & quarrying, 5.0 per cent in electricity and 1.2 per cent in manufacturing industries. Both mining & quarrying and manufacturing performed better during 1992-93 compared to 1991-92, while the growth of the electricity sector was lower.

8 An analysis of the IIP at the disaggregated level (Table 6.3) shows that 7 of the 17 major industry groups (with a combined weight of 19.2 per cent) recorded negative growth rates during 1992-93. These are beverages etc. (-4.5 per cent), jute textiles (-4.6 per cent), other textile products (-22.5 per cent), leather and fur products (-1.2 per cent), metal products and parts (-9.6 per cent), non-electrical machinery (-4.0 per cent) and electrical machinery (-2.8 per cent). On the other hand, the highest growth was recorded in the chemical and chemical products (+5.3 per cent).

BOX 6.2

Industrial Policy Reforms : Selected State Governments' Initiatives

Gujarat

- Committees appointed to review laws relating to various aspects of liberalisation.
- Private participation in development of ports, power stations and desalination of water supplies, etc.
- Restructuring of District Industries Centres (DICs) in progress.
- Walk-in-system for financial assistance by Gujarat Industries and Investment Corporation(GIIC) and Gujarat State Finance Corporation (GSFC).

Kerala

- Green channel scheme introduced to expedite industrial clearance.
- A State level agency set up to deal with Board of Industrial and Financial Reconstruction (BIFR) cases of State owned Public Sector Enterprises (PSEs).
- A high level Disinvestment Committee set up to go into the offers for taking over 10 PSEs listed for disinvestment.

Maharashtra

- District Collectors' permission to convert agricultural land into industrial use no longer required.
- Industrial location policy revised to permit setting up of non-polluting, non-hazardous and high-tech industries within the municipal zone of Greater Bombay.
- Private participation encouraged in power projects and establishment of industrial estates.
- Committee set up under State Chief Secretary for expeditious decision on NRI and Foreign Direct Investment.

Uttar Pradesh

- District and Division level Authorised Committees with substantial decision-making powers set up to strengthen single-window clearance system.
- Simplification of inspection system by departments.
- Privatisation/closure of loss-making public sector industrial undertakings and corporations.
- Involvement of private sector in development and management of industrial estates, generation and distribution of power.
- Special facilities to NRIs and foreign industrialists.
- Various aspects and procedures for obtaining power-connection streamlined.

Andhra Pradesh

- Power Purchase Agreements have been signed with private developers for setting up of Power Projects. The offers received, for undertaking projects, from private parties are being evaluated.

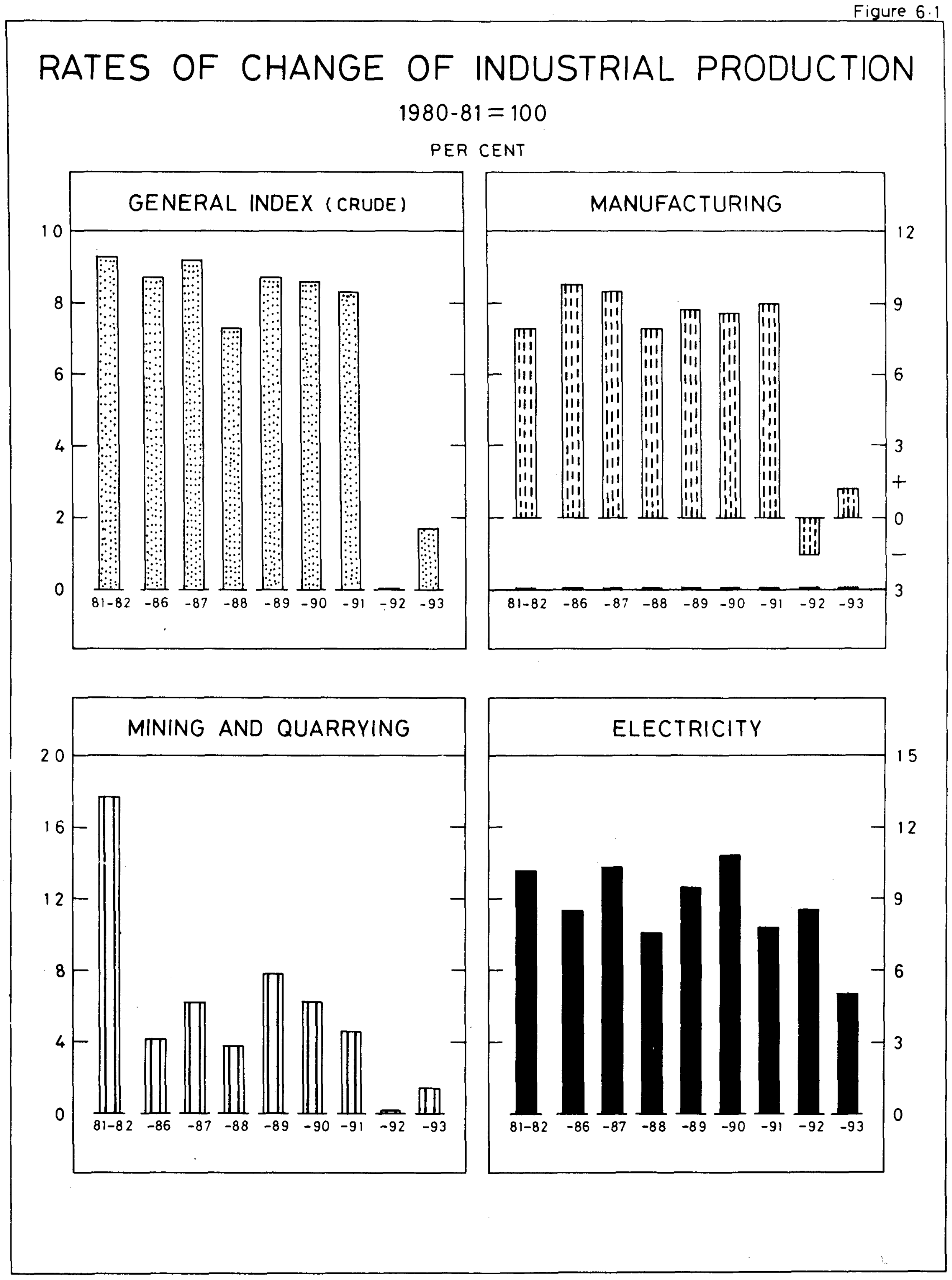
9 As Table 6.2 shows, the manufacturing sector was on a recovery path in 1992-93 having recorded growth rate of nearly 4 per cent during the first nine months. This recovery was sharply checked by the large scale social disturbances which occured in the wake of Ayodhya related incidents. This is brought out by the decline in the index for manufacturing sector by 5.2 per cent during the last quarter of 1992-93 (January-March, 1993). The adverse effect of these incidents continued well into the present year as investors' confidence was affected and the uncertainities created discouraged investment decisions.

Industrial Production 1993-94

10 Industrial production during the first 7 months of 1993-94 as recorded by the IIP has shown a modest growth of 1.6 percent (provisional). This growth rate resulted from a negative growth of 1.6 percent in the mining and quarrying sectors, and a growth of 1 percent in the manufacturing sector. Electricity generation continued to perform well with the growth rate at 7.6 percent during these seven months of 1993-94.

11 An analysis of the 17 sub sectors within manufacturing reveals that only three groups with a combined weight of 11.9 percent have registered negative growth rates. These sectors are food products, other textile products and electrical machinery. Amongst these, the worst performance was recorded by the food product. This is however,due to a large weight of sugar industry, within this sub sector, which showed a decline of more than 55 per cent in April October 1993 as compared to April-October 1992. This is somewhat misleading because it does not reflect the actual

Figure 6·1



RATES OF CHANGE OF INDUSTRIAL PRODUCTION
1980-81=100
PER CENT
GENERAL INDEX (CRUDE)
MANUFACTURING
MINING AND QUARRYING
ELECTRICITY
81-82 -86 -87 -88 -89 -90 -91 -92 -93

Figure 6·2

MONTHLY INDICES OF INDUSTRIAL PRODUCTION

1980-81 = 100

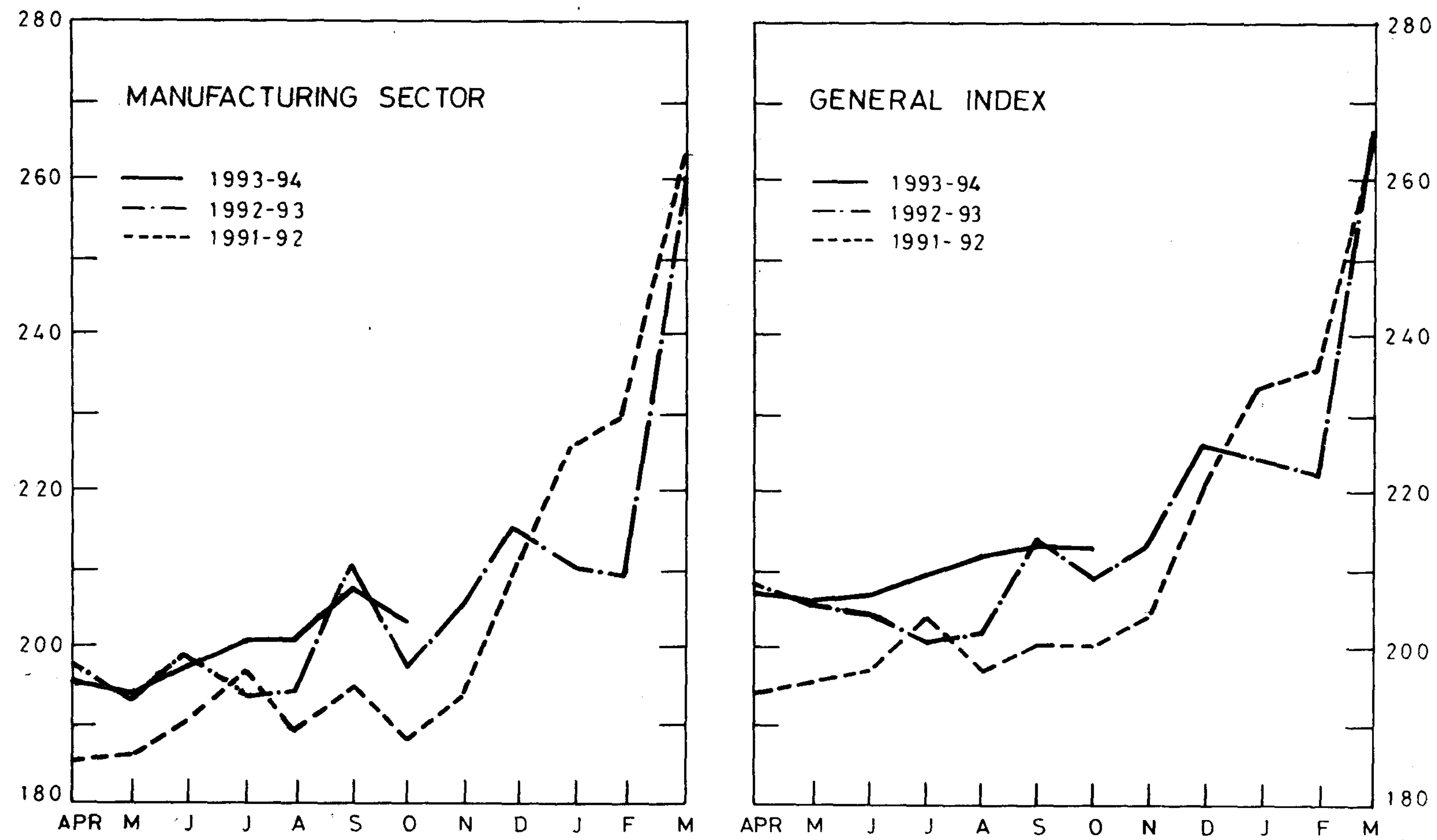


TABLE 6.2

Annual Growth Rates in Major Sectors of Industry

(Per cent)

Year (weight)	Mining (11.46)	Manufacturing (77.11)	Electricity (11.43)	General (100.00)
1	2	3	4	5
1981-82	17.7	7.9	10.2	9.3
1982-83	12.4	1.4	5.7	3.2
1983-84	11.8	5.7	7.6	6.7
1984-85	8.8	8.0	12.0	8.6
1985-86	4.1	9.7	8.5	8.7
1986-87	6.2	9.4	10.3	9.2
1987-88	3.8	7.9	7.6	7.3
1988-89	7.9	8.7	9.5	8.7
1989-90	6.3	8.6	10.8	8.6
1990-91	4.5	8.9	7.8	8.3
Average (1980-81 to 1990-91)	8.4	7.6	9.0	7.9
1991-92	0.1	-1.5	8.5	0.0
1992-93	1.5	1.2	5.0	1.8
April-June	8.2	4.6	6.0	5.2
July-Sept.	1.2	2.9	2.7	2.7
Oct.-Dec.	-1.9	4.2	5.5	3.6
Jan.-March	-0.6	-5.2	5.8	-3.3
April-October				
1991-92	-0.2	-2.5	9.6	-0.6
1992-93	3.9	3.9	4.3	4.0
1993-94	-1.6	1.0	7.6	1.6

decline in sugar production for the whole year which will be limited to about 5 percent in the sugar year 1993-94 as compared to the previous year. The other fourteen sectors, with a weight of 62.5 per cent achieved a growth rate of 5.2 percent during April-October 1993-94. The industrial recovery, though still weak, can be seen to have spread across the majority of manufacturing industries. It may, therefore, be expected that this recovery would be strengthened in the second half of 1993-94. This expectation is further reinforced by the observation that the industrial growth in the second quarter of 1993-94 is 2.8 per cent.

12 However, the modest growth of 1.6 per cent as recorded by the (IIP) for the period April-October 1993 may not fully reflect the actual growth due to certain statistical problems. The SSI sector, which several Surveys have indicated to be a dynamic and fast growing sector, remains under-represented due to non-availability of data. The sector, specially the export-oriented segment like garments, leather and gems and jewellery is also under represented in the weighting diagram. Other performance indicators suggest a much higher growth. Manufactured exports have registered a growth rate of 19 per cent in dollar terms during April-September. 1993. Given the value addition in these exports, their contribution to overall growth in manufacturing sector would possibly be greater. Similarly, the six basic infrastructural industries with a weight of 28.8 per cent have recorded a growth of 5.1 per cent during April-December, 1993. Prices of manufactured items have also remained generally under control during the current year and the economy does not face any critical supply bottlenecks. These favourable trends give credence to the possibility of under-reporting of industrial growth by the IIP.

13 The sectors in which a negative growth rate occured are Food Products (-15.1 per cent), Other Textile Products (-11.4 per cent), and Electrical Machinery (-13.1 percent). Except these groups, all other groups have registered higher growth rates during April-October 1993 than in April-October 1992 and so the recovery in the industrial sector has been broad based (Table 6.3). The following groups registered positive growth rates of more than 5 per cent: Beverages, Tobacco & Tobacco Products (13.2 per cent), Cotton Textiles (6.2 per cent), Jute - Hemp -Mesta Textiles (19.5 per cent), Leather & Leather Products (12.1 per cent), Basic Metal & Alloy Industry (6.5 per cent) and Chemicals and Chemical Products (6.7 per cent). The sectors which registered rates of growth between 2-5 per cent include Wood and Wood Products (4.1 per cent), Paper (2.8 per cent), Non Metalic Mineral Products (2.2 per cent), Non-Electrical Machinery (2.9 percent) and Transport Equipment (3.1 per cent).

14 An analysis of the production data for April-October 1993 in respect of 172 selected industries, accounting for a weight of 88.1 per cent in the IIP, show that 101 industries with a weight of 64 per cent recorded positive growth rates and 53 industries with a weight of 21.6 per cent registered a rise of more than 10 per cent. Some of the important industries which recorded a growth rate of over 10 per cent include Cement Machinery (150.7 per cent), Cars (35.3 per cent), Telephone Instruments (34.7 per cent), Autorickshaws (22.5 per cent), Domestic Refrigerators (21.2 per cent), TV Receivers (21.0 per cent), Electric Motors (19.0 per cent), Cloth (Decentralised Sector) (17.6 per cent), Auto Ancillaries (15.1 per cent), Jute Manufactures (13.9 per cent), Cotton Yarn (12.4 per cent), Motor Cycles (12.3 per cent), Mining Machinery (11.5 per cent) and Electric Fans (10.7 per cent). However, their performance was partially offset by the decline in output in several sectors such as Sugar (-57.4 per cent), Phosphatic Fertilizer (-39.9 per cent), Earth Moving Equipment (-34.1 per cent), Sugar Machinery (-27.1 per cent), Paper & Paper Machinery (-26.6 per cent), Electric Generators (-18.4 per cent), Ship Building (Incl.Repair) (-17.2 per cent), Railway Wagons (-12.5 per cent), Agricultural Tractors (-12.1 per cent) and Machine Tools (-10.3 per cent).

15 Table 6.4 on industrial growth rates by use-based in-

TABLE 6.3

Growth Rates of Industrial Production in 1992-93 and April-October 1993

(Per cent)

Sectors	Weights	1992-1993	Apr-1993	May 1993	June 1993	July 1993	Aug 1993	Sep 1993	Oct 1993	1992-93 Apr-Oct.	1993-94 Apr-Oct.
1	2	3	4	5	6	7	8	9	10	11	12
GENERAL INDEX	100.0	1.8	-0.9	0.2	1.2	4.1	4.9	-0.2	2.4	4.0	1.6
Mining and Quarrying	11.5	1.5	-7.4	-11.4	3.6	3.6	2.2	2.0	-1.2	4.0	-1.6
Electricity	11.4	5.0	6.4	9.4	9.3	7.3	13.3	5.5	2.3	4.3	7.6
Manufacturing	77.1	1.2	-1.2	0.4	-0.6	3.5	3.6	-1.6	3.0	4.0	1.0
Broad Groups of Manufacturing:											
Food products	5.3	3.7	-23.9	-36.6	-16.2	-5.5	-1.2	-0.9	3.0	0.8	-15.1
Beverages, tobacco	1.6	-4.5	23.9	25.3	26.5	17.2	12.3	-4.9	-9.3	0.0	13.2
Cotton textiles	12.3	2.1	7.4	5.5	5.0	2.5	6.8	5.3	11.3	2.9	6.2
Jute textiles	2.0	-4.6	13.6	12.5	13.6	23.0	23.5	30.6	21.2	-14.6	19.5
Other Textile products	0.8	-22.5	-15.0	-32.0	-17.3	-1.4	2.2	-10.5	-3.5	-23.2	-11.4
Wood and wood products	0.5	2.9	11.7	1.6	9.1	-10.9	11.8	7.9	0.6	-0.5	4.1
Paper and paper products	3.2	0.7	-6.7	11.3	10.3	6.2	0.3	-2.0	1.9	4.7	2.8
Leather and fur products	0.5	-1.2	26.7	24.1	9.2	13.8	16.4	5.0	-5.5	-1.2	12.1
Rubber & Petro. products	4.0	3.1	6.0	-5.3	7.9	2.5	0.8	2.0	-6.5	3.1	1.0
Chemical products	12.5	5.3	4.9	8.1	4.7	7.9	13.6	6.3	1.9	6.4	6.7
Non-metallic min.products	3.0	1.3	11.2	12.3	3.4	-0.5	3.4	-8.8	-4.4	1.7	2.2
Basic Metals & alloys	9.8	3.4	9.6	2.8	3.1	8.3	7.6	10.5	4.3	-1.1	6.5
Metal products & parts	2.3	-9.6	1.3	0.1	-7.3	7.9	5.9	2.0	0.0	-5.7	1.4
Non-electrical machinery	6.2	-4.0	6.1	-3.8	2.5	2.2	1.7	0.4	12.3	-0.8	2.9
Electrical machinery	5.8	-2.8	-16.2	-0.7	-18.6	-10.3	-12.3	-22.6	-5.0	14.6	-13.1
Transport equipment	6.4	3.9	-4.2	-9.6	4.0	14.5	-0.2	4.2	13.9	1.6	3.1
Other mfg. industries	0.9	2.7	-20.8	-4.1	-0.6	14.6	7.3	6.2	3.7	3.1	0.2

Note : Growth rates are estimated over the corresponding period of the previous year.

TABLE 6.4

Growth Rates of Industrial Sectors : use based classification

(Per cent)

Groups	(Weights)	April-October 1992-93	April-October 1993-94	October 1993
1	2	3	4	5
1. Basic Goods	39.4	3.7	2.9	1.1
2. Capital Goods	16.4	9.0	-8.8	-0.2
3. Intermediate Goods	20.5	4.0	10.4	5.9
4. Consumer Goods	23.6	0.0	1.4	4.6
a) Durables	2.6	-3.8	14.3	21.4
b) Non Durables	21.0	0.8	-1.6	0.6

dustrial classification indicates that intermediate and consumer durables industries have come out of the recession phase. During April to October 1993, these industrial segments recorded growth rates of 10.4 and 14.3 per cent respectively. The contribution of growth in consumer durables to overall industrial growth rate is perhaps under estimated due to the low weight assigned to it and which has not been changed since the beginning of 1980s. While the consumer non-durables suffered a decline of 1.6 per cent during the first seven months of the current year, this disguises the fact that this segment includes the seasonal downturn in the sugar industry, which will change, when the production for the full sugar year 1993-94 is available.

16 Performance of capital goods continues to be poor and is a matter of concern. This is also revealed by Table-6.5 which provides the quarterly estimates of index of production for the manufacturing sector and compares it with the index of the manufacturing sector, excluding the capital goods. This table reveals that manufacturing other than capital goods recorded a growth rate of 2.2 per cent during April-October 1992 and this recovery continued to strengthen further in the first two quarters of 1993-94. These industries accounting for 60.7 per cent of total weight in the IIP, recorded growth of 4.6 per cent during April-October 1993.

Index of Industrial Production

17 The current IIP (Base 1980-81=100) covers 352 items. It was increasingly felt that to have a better representation of various sectors, particularly the SSI Sector, there is a need to shift the base to a more recent year and have a

Table 6.5

Quarterly Performance of Manufacturing Sector

(Per cent)

		1992-93				1993-94		April-October	
	Weight	IQr.	IIQr.	IIIQr.	IVQr.	IQr	IIQr.	1992	1993
1	2	3	4	5	6	7	8	9	10
Manufacturering Sector	77.1	4.6	3.0	4.2	-5.2	-0.5	1.8	4.0	1.0
Manufacturering excluding capital goods	60.7	2.6	1.6	2.8	0.8	2.6	6.7	2.2	4.6

more representive weighting diagram. After considered deliberations on the need for such a revision and difficulties that exist in data availability, it has been decided to shift the base year to 1985-86, and increase the coverage to 375 items. Of these 28 are new items. The revised series has been tested for consistency with the earlier series at 2 digit level and has been found to be largely satisfactory.

18 However, there is a need for continuous improvement to overcome a few problems that still persist. The small scale sector needs to be fully represented. The IIP needs to capture the dynamism and emerging scenario in the industrial sector as precisely as possible. The data collection and availability should be timely and accurate. It is, therefore, essential that an independent industrial reporting system be set up and the reporting be made compulsory for the items covered in the index.

Investment Climate

19 Structural reforms have had a positive impact on the investment climate in the country. They have also evoked a strong positive response from foreign investors and portfolio managers. The conventional indicators suggest that the investment climate has remained buoyant. The buoyancy is reinforced by information on forthcoming capital issues as well as Euro issues floated by Indian companies.

20 There has been a spurt in foreign direct investment in the post-liberalisation period. During the period from August, 1991 to November, 1993, the Government approved 3467 foreign collaboration proposals including 1565 proposals of foreign equity of Rs.122.9 billion. More than 80 per cent of these approvals are in the priority sectors such as power generation, oil refinery, electrical equipment, chemicals and export related sectors. The actual inflow of foreign direct investment from 1991 to October, 1993 stands at Rs.25.68 billion. The actual inflow in 1993 up to October is more than double that in 1992 and four times that in 1991.

21 There has also been an encouraging trend in domestic investment as is evident from the developments in the capital market and the financial assistance sanctioned by

TABLE 6.6

Assistance by All-India Financial Institutions

(Rs. crore)

Institutions	Sanctions				Disbursements			
	1991-92	1992-93	Apr-Dec		1991-92	1992-93	Apr-Dec	
			1992	1993			1992	1993
1	2	3	4	5	6	7	8	9
(a) All India Development Banks	17168.7	21658.7	14636.3	19687.2	11618.6	14393.2	9855.9	10725.7
(b) Specialised Financial Institutions	133.2	168.6	89.5	128.7	74.5	93.4	51.6	66.7
(c) Investment Institutions	5844.0	9750.2	8528.3	7923.6	3896.0	7575.1	5485.2	3962.0
Total	22095.9	30265.4	22137.1	27539.5	15039.1	20899.6	14240.6	14654.4

(a) All - India Development Banks - IDBI,IFCI, ICICI, SIDBI, IRBI and SCICI.
(b) Specialised Financial Institutions - RCTC, TDICI and TFCI.
(C) Investment Institutions - LIC, UTI and GIC.
Note : (i) Data for 1992 and 1993 are provisional.

All India Financial Institutions. Sanctions by all financial institutions during 1992-93 aggregated to Rs.30265.4 crore, increasing by 37 per cent from Rs. 22095.9 crore in 1991-92. Disbursements by all financial institutions during 1992-93 aggregated Rs.20899.6 crore and showed an increase of 40 per cent over disbursements of Rs.15039.1 crore in 1991-92. Industrial sectors accounting for a significant proportion of financial assistance from all financial institutions include chemicals and chemical products, textiles, power, iron and steel, machinery, electrical and electronic equipment and services. Provisional information on sanctions and disbursements by All India Financial Institutions is available up to December 1993. It indicates that sanctions during the first nine months of the current year, at Rs.27539 crore, are 24.4 per cent higher than the sanctions of Rs. 22137 crore during April-December 1992. Disbursements during the first nine months of the year, increased marginally by 2.9 per cent from Rs.14240 crore in April-December 1992 to Rs.14654 crore in April-December, 1993. While the growth in the sanctions clearly indicate a strong investment climate, the lower growth in disbursements in relation to sanctions is partly a result of companies substituting institutional loans with direct funds raised from the capital market. This has become particularly attractive after free pricing of issues was introduced. Companies have also been approaching international financial markets to raise funds through Euro issues of convertible debentures/GDRs. During April-December, 1993, there were 753 public and rights issues (excluding Mutual Funds) mobilising about Rs.16850 crore in comparison to 593 public and rights issues to raise an amount of Rs. 13400 crore in the corresponding period of 1992-93. The reform programme has also led to strengthening of investment sentiment in international financial markets about prospects of Indian economy. The Indian companies reportedly raised about US $ 900 million through Euro Issues including Euro Convertible during April-December 1993-94 compared to US $ 240 million during the corresponding period of last year.

Reforms in Public Sector Enterprises

22 The Industrial Policy Statement announced by Government in July 1991 envisaged disinvestment of a part of Government holdings in the share capital of selected Public Sector Enterprises (PSEs) in order to provide market discipline and to improve the performance of public enterprises. A total amount of Rs.4950 crore has already been disinvested to the public sector financial institutions, mutual funds and general public till March 1993. Another tranche of disinvestment is expected during the last quarter of 1993-94.

23 The Committee on Disinvestment of Shares in Public Sector Enterprises was reconstituted by the Government in November 1992 with Dr C. Rangarajan as the chairman. The Committee has since submitted its report to the Government. The major recommendations of the Committee are given in Box 6.3.

24 To protect the interests of public sector workers, a National Renewal Fund (NRF) was set up in February 1992 and schemes have been proposed to assist the employees in re-training, re-deployment and counselling. Provision of funds through NRF also exists for cases where workers retire voluntarily or are declared surplus. To implement the NRF schemes an empowered authority has been created and a provision of Rs.700 crore has been made in the current year's budget. Additional amount of Rs. 320 crore was approved for NRF in the supplementary budget in December 1993. An amount of Rs. 786.24 crore was already released from NRF (up to October 1993) and an estimated number of 60000 workers had opted for voluntary

Box 6.3

Major Recommendations of the Rangarajan Committee on Disinvestment of Shares in Public Sector Enterprises:

- The target levels of disinvestment for the medium term should be consistent with the Industrial Policy. In general, the percentage of equity to be disinvested should be 49 per cent in industries reserved for public sector and 74 per cent in other cases.
- Instead of year-wise targets of disinvestment, a clear action plan should be evolved.
- A number of steps need to be undertaken which may include corporatisation of the PSEs, restructuring of finances with a proper debt-equity gearing, and an independent Regulatory Commission for the concerned sector, if necessary.
- The choice of method of valuation of shares of a PSE needs to take into account the special circumstances affecting PSE's operations, such as, the past focus on social responsibilities rather than pure commercial considerations.
- A scheme of preferential offer of shares to workers and employees in PSEs may be devised.
- Ten per cent of the proceeds of disinvestment may be set apart by the Government for lending to the PSEs on concessional terms to meet their expansion and rationalisation needs.
- A Standing Committee on Public Enterprises Disinvestment may be constituted to oversee the action plan for reform, restructuring and disinvestment as well as monitoring and evaluation of progress made.

retirement under the scheme. A major portion of the amount has been utilised in the textiles sector.

25 In order to establish a system of rehabilitation and restructuring of PSUs without having Government to bear the whole financial burden, the provisions of the Sick Industrial Companies Act (SICA) have been amended to bring PSUs under its purview. Thus, 50 PSUs are referable under the law to the Board of Industrial and Financial Reconstruction (BIFR). Till the end of October 1993, 46 PSUs have already been referred to the BIFR.

Performance of Selected Public Sector Undertakings

26 As on March 31, 1993, there were 245 Central Public Sector Undertakings (PSUs), excluding nine companies with Central Government investment but without direct responsibility for management, six insurance companies and three financial institutions. Of these, eight were in the construction sector, 72 in services and 165 in manufacture.

27 Out of 237 operating PSUs, as many as 131 were profitable during 1992-93 as compared to 133 during the previous year. Profits of these profit-making enterprises went up from Rs.6079 crore in 1991-92 to Rs.7346 crore in 1992-93, an increase of 20.8 per cent (Table 6.7). But the losses of the remaining loss-making companies increased from Rs.3723 crore to Rs.3951 crore, an increase of over 6.1 per cent, during the same period. The overall rate of return over capital employed in the PSUs increased from two per cent during 1991-92 to 2.43 per cent during 1992-93. But the gross margin (i.e., before depreciation, interest and taxes) of PSUs as per cent of capital employed declined from 11.59 in 1991-92 to 11.41 in 1992-93. The heavy capital investment in the past combined with a massive interest burden is reported to have reduced the gross margins of PSUs.

28 The profitability of PSUs in terms of ratios of gross margins and gross profits to capital employed have not improved over the last ten years (Table 6.7). However, the ratio of net profit to capital employed showed marginal improvement in 1992-93. Out of the 15 large enterprises, which are monopolies and operate in the core sector, the loss-making ones included Fertiliser Corporation of India, Indian Airlines Corporation, Delhi Transport Corporation, Vayudoot, Bharat Gold Mines and Rashtriya Ispat Nigam and Hindustan Shipyard.

29 The Memorandum of Understanding (MOU) system has been further strengthened. During 1992-93, 98 PSEs signed MOUs as against 71 in the preceding year. Based on their audited accounts, performance of 67 PSEs was evaluated, out of which 28 were rated excellent (41.8 per cent), 22 as very good (32.8 per cent), 10 as good and 7, fair. In 1993-94, 104 PSEs have signed MOUs which is six per cent higher than last year.

TABLE 6.7
Profitability Profile of Central PSEs

	1981-82	1990-91	1991-92	1992-93
1	2	3	4	5
1. Operating enterprises	188	236	237	237
i) Profitable enterprises	104	123	133	131
ii) Loss-making enterprises	83	111	102	104
		Rs. crore		
2. Capital employed	21935	102083	117991	139933
3. Gross margin	4012	18312	22223	25217
4. Gross profit	2654	11102	13675	15978
5. Net profit	445	2272	2355	3396
6. Profit of profit-making enterprises	1293	5394	6079	7346
7. Losses of loss-making enterprises	848	3122	3723	3951
		Per cent		
8. Ratio of gross margin to capital employed	18.29	17.94	18.83	18.02
9. Percentage of gross profit to capital employed	12.10	10.88	11.59	11.41
10. Ratio of net profit to capital employed	2.03	2.23	2.00	2.43

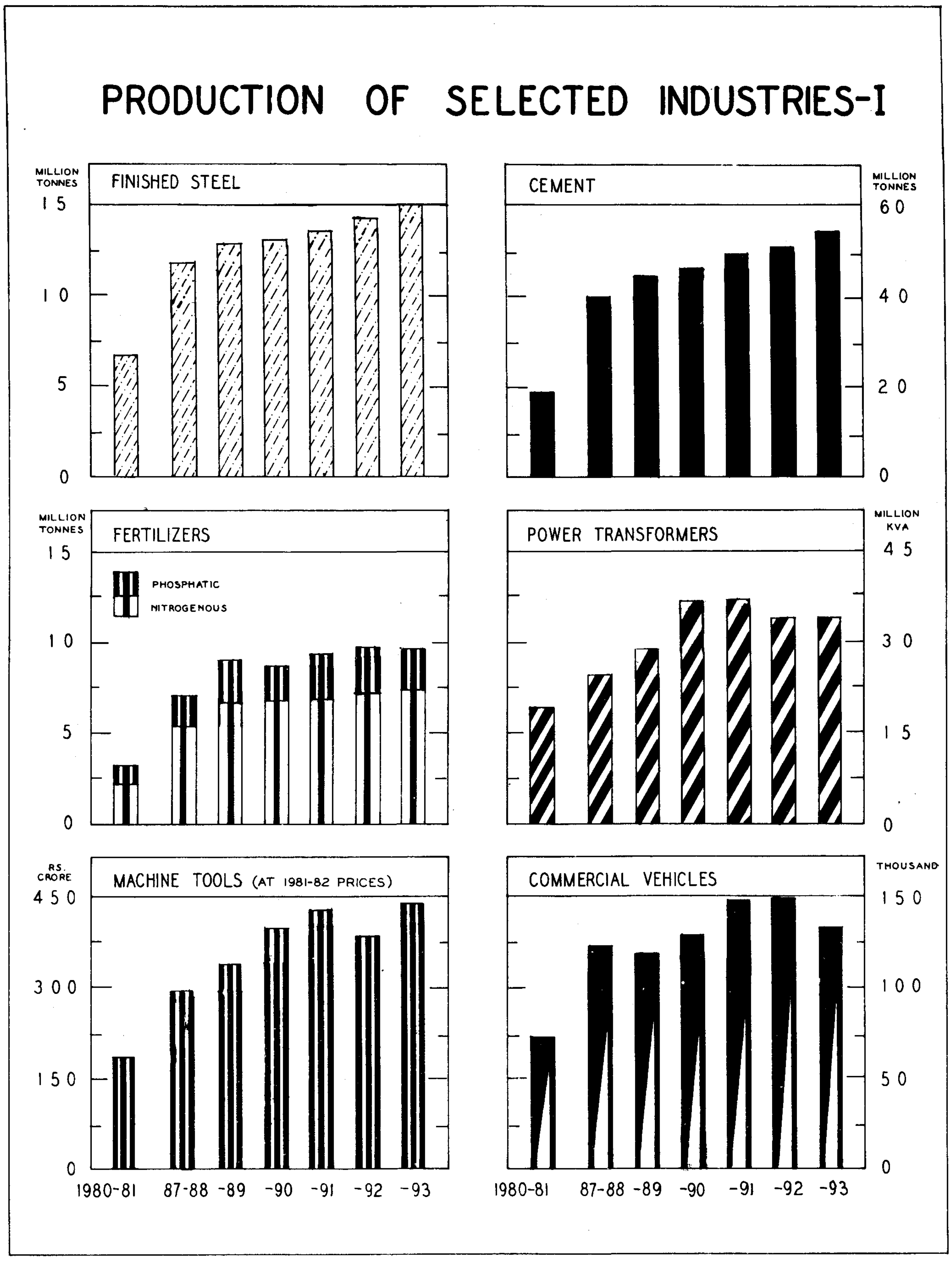
Performance of Selected Industries

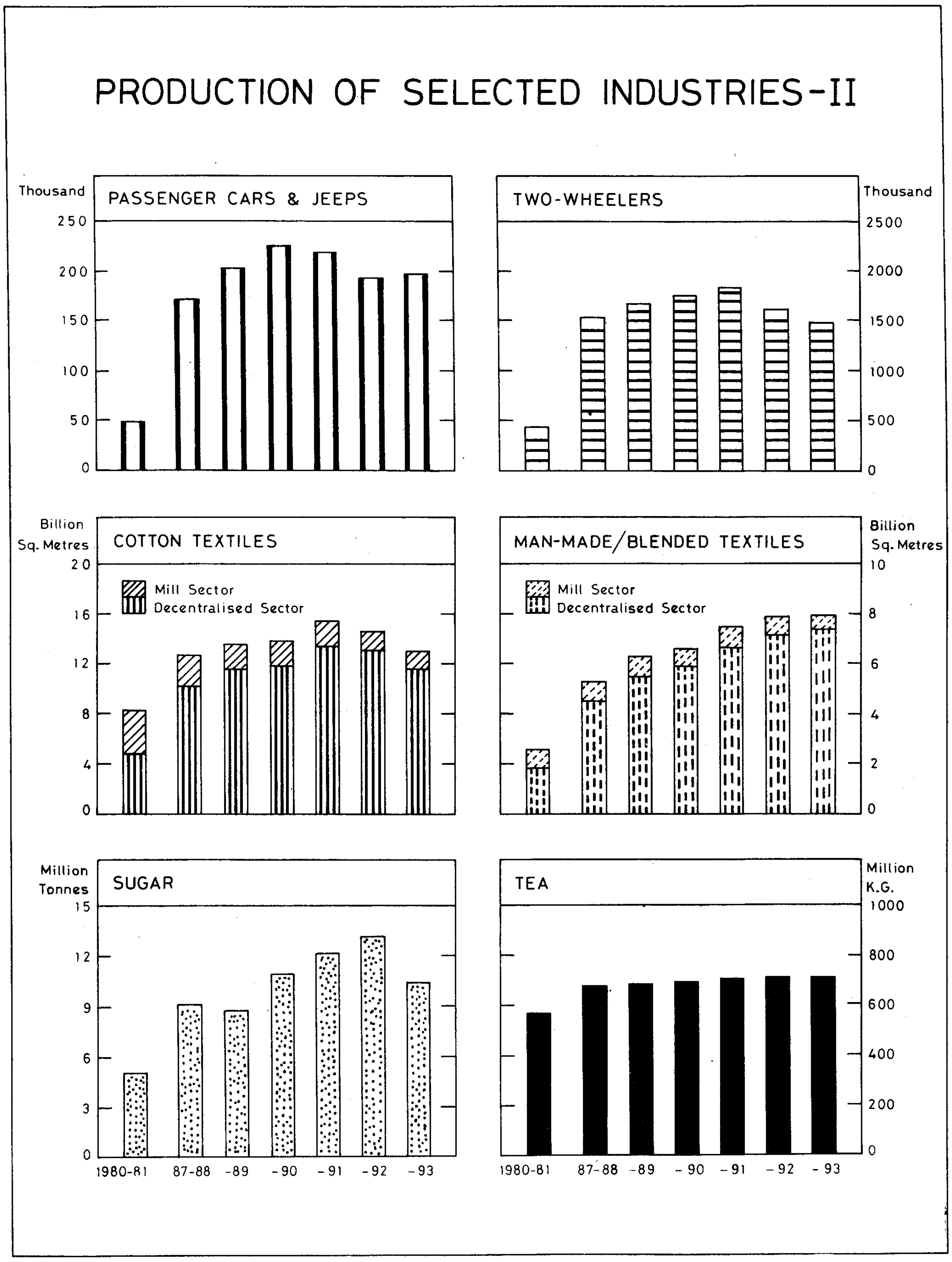
Steel

30 The last two years have ushered in a marked change in the trade and industrial policy regime affecting the steel sector. Prices and distribution controls were removed in case of a majority of products, import duties on iron and steel products have been brought down successively over 1992-93 and again in 1993-94. Import duty on pig iron has been reduced from 35 per cent to 20 per cent, on billets from 45 per cent to 30 per cent, on tin mill black plates from 50 per cent to 35 per cent and on HR coils from Rs.1100+45 per cent to 50 per cent ad valorem. As a result, the prices have tended to be stable in this sector. Integrated steel plants did not increase their prices in the first half of 1993-94. The price increase announced by SAIL in January, 1994 was limited to an average increase of Rs. 450 per tonne. The market prices of steel products have moved in a narrow range. Prices of most of the products have been increased by 2-6 per cent.

31 The production of saleable steel by the integrated steel plants at 11.28 million tonnes during 1992-93 recorded an increase of 6.7 per cent over 1991-92 while the total production of finished steel by the integrated steel plants

Figure 6·3


PRODUCTION OF SELECTED INDUSTRIES-I
MILLION TONNES
FINISHED STEEL
15
10
5
0
CEMENT
MILLION TONNES
60
40
20
0
MILLION TONNES
FERTILIZERS
15
PHOSPHATIC
NITROGENOUS
10
5
0
POWER TRANSFORMERS
MILLION KVA
45
30
15
0
RS. CRORE
MACHINE TOOLS (AT 1981-82 PRICES)
450
300
150
0
1980-81 87-88 -89 -90 -91 -92 -93
COMMERCIAL VEHICLES
THOUSAND
150
100
50
0
1980-81 87-88 -89 -90 -91 -92 -93


PRODUCTION OF SELECTED INDUSTRIES-II
PASSENGER CARS & JEEPS
Thousand
250
200
150
100
50
0
TWO-WHEELERS
Thousand
2500
2000
1500
1000
500
0
COTTON TEXTILES
Billion Sq. Metres
20
16
12
8
4
0
Mill Sector
Decentralised Sector
MAN-MADE/BLENDED TEXTILES
Billion Sq. Metres
10
8
6
4
2
0
Mill Sector
Decentralised Sector
SUGAR
Million Tonnes
15
12
9
6
3
0
1980-81 87-88 -89 -90 -91 -92 -93
TEA
Million K.G.
1000
800
600
400
200
0
1980-81 87-88 -89 -90 -91 -92 -93

went up by 5.8 per cent and pig iron by 12.8 per cent during 1992-93. The output of finished steel in the secondary sector increased by 5 per cent.

32 During 1992-93 exports of iron and steel at 9.1 lakh tonnes valued at Rs.708 crore registered a substantial increase of 135 per cent in quantity and 150 per cent in value terms over 1991-92. On the other hand, the imports, despite liberalisation, have declined during 1992-93.

33 During April-September 1993, production of saleable steel (main producers) has gone up by 6.5 per cent and pig iron by 7.8 per cent over the corresponding period of 1992. The production of finished steel by main producers went up by 3.3 per cent during April-September 1993-94. However, the total production of finished steel during the first six months of 1993-94 showed a marginal decline of 0.9 per cent mainly due to decline in secondary sector production and demand recession. The consumption of steel during April-September, 1993 has declined by 4.7 per cent mainly due to a sluggish growth in capital goods industry, specially machinery. Exports of iron and steel products increased by 180 per cent during the first half of the year rising to a level of Rs. 845 crore in this period over Rs. 301 crore in 1992-93. This testifies to the internationally competitive nature of this sector. The steel industry is now faced with a competitive environment. The competitive pressures are likely to increase with further trade policy reforms. It is to be hoped that the industry, which has access to the source of best quality iron ore from domestic mines and also substantial proportion of coking coal, will improve its efficiency and protect any erosion of its market share. This will also help to boost engineering exports. The problems of the secondary steel producers have intensified due to a rise in international prices of steel scrap and greater competition from integrated steel producers who have been freed of price controls. This will necessitate a restructuring of this segment which will raise efficiency levels and reduce costs in the sector.

Sugar

34 Sugar Industry is one of the very few industries which consistently maintained a high growth in the three years ending 1991-92. Average annual growth of production of sugarcane in the past 3 years upto 1991-92 was 7.1 per cent, that of sugarcane crushed by sugar factories 16.5 per cent and that of sugar production 15.5 per cent. However, sugar production during the sugar year of 1992-93 (October-September) was 105.64 lakh tonnes (provisional), 21.2 per cent less than the previous year's production of 134.11 lakh tonnes. The recovery rate has shown an increasing trend during past 3 years.There are reports that sugar production during April-October, 1993-94 has declined by 57.4 per cent. This is a result of lower area being brought into sugarcane cultivation this year. However, sugar stocks are at a comfortable level and thus there are no dangers of supply bottlenecks in the economy. The sugar stocks at the beginning of 1993-94 sugar season, are estimated at 31.13 lakh tonnes. The consumption has increased by 4.3 per cent, 4.1 per cent, and 7.3 per cent respectively during the last three years ending 1992-93.

35 The sugar economy continues to be highly controlled. Sugar industry continues to remain under compulsory licensing regime. There is a Statutory Minimum Price (SMP) for sugar cane fixed by the Central Government and State Advised Prices (SAP), over and above the SMP, fixed by the State Governments. SMP fixed for sugarcane for the sugar season (October-September) 1992-93 was Rs.31 per quintal linked to a sugar recovery of 8.5 per cent. The SAP varied from Rs.36.00 per quintal to Rs.51.50 per quintal in different States. A certain portion (normally 40 per cent with lower rates for new units) of sugar production is allotted to the State/UT Governments as levy at prices lower than the open market prices. This is used for distribution through the Public Distribution System. Prices of levy sugar are fixed zone-wise, on the basis of SMP of sugarcane plus conversion costs as recommended by the Bureau of Industrial Costs and Prices. Though there is no price control on free sale sugar, its market supplies are regulated by the Government by fixing monthly release quota so as to maintain price stability. Export quota is determined by the Government and a nominated agency handles sugar exports. Thus, almost all aspects of the industry from entry to exports are controlled by the Government policy. It is time to review if such extensive controls are still required and if greater efficiency may not be achieved by relaxing some of these controls. As a part of restructuring the sugar industry, a begining was made when price and distribution controls on molasses were abolished with effect from June 10, 1993.

Automobiles

36 The year 1992-93 was not a good performance year for the automobile sector. Overall demand recession and severe restrictions on Government puchases severly constrained domestic demand. The sales dipped to 1.8 million vehicles in 1992-93 from an already low level of 2 million vehicles in 1991-92. Almost every segment of the automobile industry was adversely affected. The production of commercial vehicles and passenger cars declined by 11.5 per cent and 2.5 per cent respectively, that of scooters and motor cycles plummetted by 5.3 and 10.9 per cent and that of autorickshaws by 15 per cent.

37 The Government took several measures to ameliorate the difficulties being faced by the sector. The 1993-94 Budget reduced the excise duties on automobiles from 55

to 40 per cent ad-valorem. Similarly, excise and customs duties on various components and spares for the automotive sector were reduced. Automobiles production, except commercial vehicles have recorded substantial improvement during April-October 1993, production of cars increased by 35.3 per cent, moter cycles 12.3 per cent, scooters/mopeds 18.5 per cent, and autorickhaws 22.5 per cent,jeeps 4.2 per cent while production ofcommercial vehicles declined by 4.7 per cent. Car sales during April-September 1993 have increased by 32 per cent. Nearly all automobile segments, except the Japanese-supported light commercial vehicles, have improved their sales this year. Exports of auto components have increased sharply.

Fertilisers

38 As reported in the last Economic Survey, the Government took a number of steps as a follow up to the recommendations of the Joint Parliamentary Committee. These included decontrol of prices for potassic and phosphatic fertilizers, provision of a subsidy of Rs.1000 per tonne for domestic producers and decanalisation of DAP imports.

39 Following these policy reforms, there was a decline of 10.6 per cent in fertiliser production during April-December 1993, mainly contributed by a substantial decline in output of phosphatic fertilisers by 34.3 per cent. The imbalance caused in the relative price structure between DAP and nitrogenous fertilisers has resulted in a marked decline in the consumption of potassic and phosphatic fertilizers in Kharif of 1992-93 and during this year. As a result, many of the DAP and complex fertiliser units are running at low capacity utilisation levels and facing financial problems. To over come some of the difficulties the following policy initiatives were undertaken during 1993-94 :

i) The concession scheme for the decontrolled fertilizers was reintroduced for the 1993-94 season with some modifications. The new scheme provides a concession of Rs. 1000 per tonne to indigenous DAP and imports of Muriate of Potash (MOP), and a corresponding concession proportionate to phosphatic and potassic content on indeginous complex fertilizer. A concession of Rs. 340 per tonne is provided on sales of single super phosphate (SSP). These measures have greatly helped the domestic units to face import competition. A sum of Rs.756 crore has been allocated for the scheme for 1993-94, which is being administered by the Department of Agriculture and Co-operation through the State Governments.

ii) Imports of MOP and Mono Ammonium Phosphate (MAP) have been decanalised w.e.f. June 17, 1993 and imports of Sulphate of Potash (SOP) has been decanalised w.e.f. July 8, 1993. With this, all the major phosphatic and potassic fertiliser stand decanalised.

iii) In order to pass on the benefit of a fall in the international price of MOP to the farmers, a compensation scheme has been formulated to neutralise the cost differential between the unsold stocks of MOP on Government account against contracts entered into prior to the decontrol and the landed cost of MOP at the prevailing international prices. Under the scheme, IPL has been directed to sell the old stocks of MOP at current prices. The IPL will be compensated @ Rs.750 per tonne of direct sales to the farmers and @ Rs.650 per tonne on sales to complex units.

40 The targets set for the indigenous producion for the current financial year are 7.8 million tonnes of Nitrogen and 2.2 million tonnes of Phosphates. Production of fertilisers specially phosphatic fertilizers is likely to fall short of the targets set for this year. The table 6.8 below brings out the output of fertilisers during the last 2 years and in the first half of 1993-94. The sharp fall in output of phosphatic fertilizers is a cause of concern. It is hoped that with the regularisation of the subsidy scheme for domestic producers, output will pick up in the second half of the year. It is, however, imperative that the relative price distortion between nitrogeneus and phosphatic fertilizers is corrected as quickly as possible to prevent further fall in the consumption of phosphatic fertilizers. Any further decline in consumption will adversely affect soil quality and bring down yields in coming years.

Electronics

41 Electronics Industry has manifested substantial dynamism and has maintained a very high rate of growth during the last three dcades. The rate of growth of electronics industry during 1992-93 was 16.6 per cent and around 15 per cent during the first half of (April-September) of 1993-94. The anticipated growth during 1993-94 is 22 per cent. The performance in 1992-93 was lower than its over all average performance during the Seventh Plan. It was, however, better than the overall rate of industrial growth during 1992-93. The sub-sectors which performed relatively well were software, communication equipment and components. Exports of electronics have also risen steadily over the past 5 years from 6.5 per cent of production in 1987-88 to 10.2 per cent in 1992-93. The two sub-sectors which have specifically performed well in exports are software and consumer electronics.

42 A progressive and forward looking Government policy has contributed significantly to the commendable performance of the elctronics industry. Automatic approvals up to 51 per cent of foreign equity investment and 100 per cent share of NRI equity is given for a wide range of electronic products. The excise and custom duty reliefs announced in the Budget for 1993-94, have greatly assisted the various segments including the Television industry.

TABLE 6.8

Output of Fertilizers

(Million tonnes)

Nutrient/ Sector	1991-92	1992-93	April-December 1992-93	1993-94
1	2	3	4	5
Nitrogen				
(a) Public Sector	3.02 (5.23)	3.02 (0.00)	2.22	2.18 (-2.0)
(b) Cooperative Sector	1.73 (0.58)	1.71 (-1.16)	1.28	1.21 (-5.3)
(c) Private Sector	2.55 (6.25)	2.70 (5.88)	1.95	1.92 (-1.8)
Phosphatic				
(a) Public Sector	0.73 (43.14)	0.66 (-9.59)	0.51	0.32 (-36.9)
(b) Cooperative Sector	0.35 (52.17)	0.31 (-11.43)	0.25	0.26 (1.8)
(c) Private Sector	1.48 (12.98)	1.34 (-9.46)	1.06	0.62 (-41.6)

Figures in brackets are percentage changes over previous year.

43 Income tax exemption on export profits, and the creation of Software Technology Parks (STP) have been of great help to the software industry. Under the scheme all imports into the STP units are completely duty free and 100 per cent share of foreign equity in investment is allowed. The Government has also introduced Electronics Hardware Technology Parks Scheme. These are duty free areas and the units located in these are eligible for duty free imports for operations related requirements.

Chemicals, Pharmaceuticals and Petro-chemicals

44 The Chemical, Pharmaceutical and Petro-chemical industries have performed well in the recent past. Both production and exports have shown good results. The Table 6.9 shows the trend in production in the last 4 years.

45 To ensure maximum capacity utilisation in alcohol and in chemical industry using alcohol as input and in keeping with the policy of economic liberlisation; the price and movement controls on both molasses and alcohol were removed w.e.f. June 10, 1993. It is reported that the decontrol of price and distribution of molasses has resulted in a price increase in input prices for alcohol based chemicals industry. This could make some of these units unviable. To ensure availability of denatured alcohol at reasonable prices, the customs duty on its imports was reduced with effect from October 20, 1993.

46 Concern has been expressed in several quarters, including Parliament, on the price trends, during the last 2 years, of drugs of common use. Emphasis has been laid on the need for ensuring easy availability of essential drugs at reasonable prices. The Department of Chemicals and Petro Chemicals is looking into various aspects of drug licensing, investment and pricing policy, so as to ensure that there is no unwarranted increase in their prices. The petrochemical industry is in the process of adjustment in the wake of reduction in import tariffs on products and uncompetitive prices of domestically available feedstocks from the Petroleum Companies. However, studies have indicated that almost all the petrochemical products manufactured in India can be internationally competitive, provided inputs are made available at international prices and finance is available at reasonable terms. The anti-dumping mechanism in the Ministry of Commerce has been activated to ensure that domestic industry does not suffer from artificially low priced imports. The Government has, in January 1994, announced the imposition of an anti-dumping duty on PVC imports from five countries.

TABLE 6.9

Growth of Chemicals and Petro-chemicals

(Per cent)

	1989-90	1990-91	1991-92	1992-93
1	2	3	4	5
Chemicals & Chemical Products	6.0	2.8	2.7	4.6
Pharmaceuticals	16.4	14.1	23.3	27.8
Petro-Chemicals :	7.0	17.0	10.0	22.0

Textiles

47 In tune with the liberalised Industrial Policy of July, 1991 Ministry of Textiles issued Textiles (Development and Regulation) Order 1993 which replaced the erstwhile Textiles (Control) Order 1986 and the Textiles (Development & Regulation) Order 1992. This order effectively delicences the textile industry. Under the revised Order, the provision of licence/registration certificate in respect of textile industry including powerloom has been abolished. Only an Information Memorandum is required to be filed before the appropriate authority for installation of powerloom in SSI Sector. Changes have also been made in the export/import policy effective from April 1, 1993 for giving a fillip to the export sector and for providing more facilities for improving export capability by allowing import of capital goods at concessional import tariff of 15 per cent with an export obligation of four times the value of the machinery. The Government announced a new Export Entitlement Distribution Policy, 1994-96 (generally known as the Quota Policy) on September 4,1993 for export of various textile items to the countries, where such exports are covered under the Bilateral Trade Agreements. As a result of suc-

cessful conclusion of Uruguay Round of GATT talks, in December 1993, it has been agreed to phase out Multi Fibre Arrangement (MFA) within ten years. Agreement on Textiles will strengthen the areas of comparative advantage for India.

48 The Textile Industry continues to be the largest industry in the country. It accounts for about 20 per cent of the total industrial output, providing employment to about 17 million people and contributing nearly 30 per cent of the total value of exports.

49 The Indian textile industry continues to be predominantly cotton based with 70 per cent of the fabric production in the country being accounted for by cotton. The production of cotton during 1992-93 was estimated at 13 million bales which was higher by 9.2 per cent compared to 1991-92 and 11.1 per cent compared to 1990-91. The prices of raw cotton have registered an upward movement in recent weeks. The price increase during the current financial year (over March end), which was only around 8 per cent at the end of Novemeber, is now 28.2 per cent (January 8, 1994). Government is initiating several steps including higher import and off loading of stocks to keep the prices under check.

50 The fabric production has recorded an increasing trend over the years excepting a marginal setback in 1991-92. Total fabric production in 1992-93 at 25045 million sq.mtrs. was higher by 10.9 per cent than the production in 1991-92. Production of fabrics during April-November 1993-94 has increased by 4.7 per cent over April-November 1992-93.

51 The powerloom and handloom sectors have increased their respective shares marginally to 71.3 per cent and 21.1 per cent at the expense of the mill sector whose share has declined to 7.6 per cent.

TABLE 6.10
Production of Fabrics

(Million sq. mtrs)

Sector	1989-90	1990-91	1991-92	1992-93	Apr.-Nov. (P) 1992-93	Apr.-Nov. (P) 1993-94
1	2	3	4	5	6	7
Mills	2667	2589	2376	2000	1351.8	1340.0
Powerlooms*	14007	16044	16089	17826	11682.7	12279.1
Handlooms	3924	4295	4123	5219	3442.5	3630.2
Total	20598	22928	22588	25045	16477.0	17249.3
			Share in output (per cent)			
Mills	12.95	11.29	10.52	7.98	8.20	7.77
Powerlooms*	68.00	69.98	71.23	71.18	70.90	71.19
Handlooms	19.05	18.73	18.25	20.84	20.90	21.04
Total	100.00	100.00	100.00	100.00	100.00	100.00

* including hosiery
P Provisional

52 Production of yarn is almost entirely in the organised sector. It has also shown a steadily increasing trend over the years excepting a marginal set back in 1991-92. Production of yarn at 1895 million kgs. during 1992-93 was higher by 4.9 per cent than in 1991-92. During April-November, 1993-94 the yarn production was higher by 10.6 per cent as compared to the corresponding period of April-November, 1992-93 (Table 6.11).

TABLE 6.11
Production of Spun Yarn

(Million Kgs.)

	Cotton Yarn	Blended Yarn	100% non-cotton yarn	Total
1	2	3	4	5
1988-89	1310	185	92	1587
1989-90	1372	173	107	1652
1990-91	1510	207	107	1824
1991-92	1450	234	122	1806
1992-93	1523	247	125	1895
April-November				
1992-93	986.5	160.5	84.3	1231.3
1993-94	1066.0	1995	96.4	1361.9

53 The production of man-made fibres has recorded an increase over the years. Production during 1992-93 was 379.3 million kg. compared to 341.0 million kg. during 1991-92, showing an increase of 11.2 per cent. Production during April-November, 1993-94 was 292.4 million kg. as against 246.9 million kg. in the correspoding period of last year, recording an increase of 18.4 per cent.

54 Exports of cotton during 1992-93 amounted to 100.4 million kg. as against 160.3 million kg. in 1991-92 and 497.1 million kg. in 1990-91. During April-October 1993-94 exports of cotton were 187.5 million kg. compared with 7.9 million kg. during the corresponding period last year. Exports of man-made fibre were of the order of 17.5 million kgs. as against 15.1 million kg. during 1991-92. During April-November 1993-94 exports were of the order of 5.9 million kg. as against 13.1 million kgs. during April-November 1992-93, recording a decline of 3.7 million kgs. Exports of silk and woollen products have also registered positive growth rates in the recent years.

Food Processing

55 The processed food industries (including sugar, edible oils, tobacco) maintained its positive growth in the last five years.

TABLE 6.12

Growth of Major Groups of Food Processing Industries

(Per cent)

	1989-90	1990-91	1991-92	1992-93
1	2	3	4	5
Food Products	1.6	12.6	4.1	5.7
Beverages & Tabacco	11.9	1.7	13.6	2.2

56 Food Products like cereal products, fruit and vegetable products, soft drinks, meat & poultry products, milk products, etc. maintained a steady growth even in the years, when the general growth in manufacturing sector was poor. During the current year, it is expected that the growth of processed fruit, vegetgables and food products is likely to be maintained. Milk products, except chocolates are expected to see a higher growth due to better availability of milk.

57 Since the withdrawal of Union Excise duties on processed fruit and vegetables products in the Union Budget of 1991-92, there has been a significant rise in the growth rate of this industry. Yet, compared to the total production of fruit and vegetables in the country, processing of fruit and vegetables excluding dried and sun-dried products is still under 1 per cent.

58 Changes in the Export-Import Policy and exchange rate adjustment have helped in improving the export performance of fruit and vegetables products. Exports of processed fruit and vegetables including dried and preserved fruits and nuts, excluding cashew, have increased significantly during the last five years as indicated in Table 6.13:

TABLE 6.13

Exports of Processed Fruits and Vegetables

Year	(Rs. crore)
1	2
1988-89	78.77
1989-90	92.29
1990-91	122.53
1991-92	193.91
1992-93	263.00

59 After the deregulation of the food industry under the New Industrial Policy, there has been a spurt in filing of Industrial Enterpreneurs Memoranda in the various subsectors of the processed food industry. Since August, 1991, 2369 Memoranda involving an investment of Rs.28500 crore have been filed in various processed food sectors including milk products, edible oils, etc. Of these, 112 entrepreneurs have filed their second Memoranda indicating start of production.

60 With the liberalisation, processed food industry and deep sea fishing have also been attracting increasing amounts of foreign investment. Since August, 1991, proposals approved for foreign investment and technology agreements indicate an investment of over Rs.5000 crore. Of this, foreign investment will be aproximately Rs.1200 crore. Proposals for export - oriented ventures are attracting a significant share of total investment proposed in this industry.

Leather

61 A number of policy initiatives have been taken by the Government to encourage value-added exports of leather products. Export of raw hides and skins and semi-finished leather has been banned. Imports of raw materials and machinery has been liberalised. Manufacture of finished leather has been delicenced with effect from April 28, 1993.

62 A National Leather Development Programme (NLDP) with UNDP assistance is being implemented by the Government for integrated development of the leather industry including a programme of technological upgradation, through selected institutions/agencies in the country.

63 Small-scale units still dominate the production base of leather industry. The cottage sector, with its traditional rural artisans, dominates in leather tanning. The Indian leather industry is characterised by several inherent advantages. A large raw material base of about 166 million pieces of hides and skins available annually is the main strength of the industry. This, it is estimated, will go up to 185 million pieces in 1994-95 and 218 million pieces in 2000. Some of the Indian goat/calf/sheep-skins are regarded as speciality products commanding a good market. However, further skill and capacity upgradation is constrained to some extent by entry barriers against large-scale units in major segments of the industry.

64 India's export of leather and leather productss in the period April-October, 1993, is estimated at Rs. 2303 crore as against Rs. 2079 crore in the corresponding period of the previous year showing an increase of 10.8 per cent.

Small Scale and Village Industries

65 The number, employment and output in the small scale sector as estimate by the Office of Development Commissioner, Small Scale industries, are given in Table 6.14:

66 In real terms the growth rate of the SSI output during 1992-93 is estimated to be about 5.6 per cent compared with only 1.8 per cent growth of the overall industrial production. Research studies indicate that the SSI sector accounts for 35 per cent of the value added by the entire manufacturing sector, 6.9 per cent of the net domestic product and 30 per cent of the country's exports.

67 Various procedural simplifications, including new registration forms have been introduced. To ensure prompt

TABLE 6.14
Small Scale Industries—
Number, Output and Employment

	1991-92 Actual	1992-93 Provisional
1	2	3
Number of SSI units (lakh)	20.82	22.35 (7.3)
Employment (lakh)	129.8	134.06 (3.3)
Output (Rs. crore)	178699	209300 (17.1)

(Figures in parenthesis indicate the percentage increase over the last year.)

payment to small scale units a new legislation viz. 'Interest on the Delayed Payments Act, 1993, has been enacted by Parliament. A scheme has been formulated to train unemployed non-technical graduates so as to augment the availability of managers at affordable rates for the SSI Sector and reduce educated unemployment.

68 The Nayak Committee was set up to examine the problems of credit, sickness and other related issues in the SSI sector. The Committee submitted its Report in September 1992. The RBI vide their circulars dated April 17, 1993 and July 3, 1993 announced a special package of measures to ensure adequate and timely credit to SSI sector. The salient features of this package are:

(a) Banks should give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirement of the small scale sector;

(b) The banks should step up the credit flow to meet the legitimate requirements of the SSI sector in full during the Eighth Five Year Plan;

(c) An effective grievance redressal machinery within each bank which can be approached by the SSI in case of difficulties would be set up; and

(d) Banks should adopt the single window clearance scheme of SIDBI for meeting the credit requirements of small scale units.

69 Promotion of SSI remains a central plank of Government industrial development policy. The Government has recently formulated a scheme to train small enterpreneaurs and managerial assistants to improve the supply of managerial cadre to the sector. The nature of Governments' assistance to the SSI needs to be reviewed with the objective of making SSI self-sustaning and to take away the disincentives for the SSI to graduate out of SSI status.

Khadi and Village Industries

70 The Khadi and Village Industries Commision (KVIC) covers about 2.1 lakh villages throughout the country. Over the years, the main thrust of KVI activities has been to provide a larger share of employment to SC/STs and women. At present ,SC/STs comprise nearly 30.3 per cent of workers and women constitute 46 per cent of the work force. It is provisionally estimated that during 1992-93 the KVI sector produced goods worth Rs. 2670.45 crore and provided employment to 51.05 lakh persons. During 1993-94 the production level is expected to go up to Rs. 2898.53 crore and employment to 52.46 lakh persons.

Industrial Sickness

71 The Table 6.15 brings out the number of sick units (both in SSI and the amounts outstanding). At the end of

TABLE 6.15
Industrial Sickness

(Rs. crore)

	Number of units				Amount outstanding			
	End - December 1988	End - March 1990	End - March 1991*	End - March 1992*	End - December 1988	End - March 1990	End - March 1991*	End - March 1992*
1	2	3	4	5	6	7	8	9
1. SSI sick units	240573	218828	221472	245575	2141.00	2426.94	2792.04	3100.67
2. Non-SSI sick units	1241	1455	1461	1336	3387.30	4538.82	5105.57	5786.55
3. Non-SSI weak units	770	814	876	813	2177.00	2386.77	2870.21	2646.08
Total	242584	221097	223809	247724	7705.30	9352.53	10767.82	11533.30
Change over previous year - per cent								
1. SSI sick units	17.80	-9.04	1.21	10.88	19.10	13.36	15.04	11.05
2. Non-SSI sick units	10.90	17.24	0.41	-8.56	20.90	34.00	12.49	13.34
3. Non-SSI weak units	3.90	5.71	7.62	-7.19	31.40	9.64	20.25	-7.81
Total	17.78	-8.86	1.23	10.69	23.20	21.38	15.13	7.11

* The figures for March 1991 and March 1992 do not include sick SSI units which are either not traceable or nonexistent.

March 1992, there were 2.48 lakh sick or weak units. Of these 2.46 lakh units were in the small scale sector. The amount outstanding has increased from Rs. 10767.82 crore at the end of March 1991 to Rs. 11533.30 crore at the end of March 1992 showing an increase of 7.11 per cent Although the small scale industries accounted for 99.13 per cent of the total sick or weak units at the end of March, 1992, their share in the aggregate locked in bank credit was only 26.88 per cent.

72 Since inception, up to the end of September 1993, BIFR received 1924 references under Section 15 of SICA. 506 cases were rejected on scrutiny. Of the 1404 references registered, 272 cases were dismissed as not maintainable, revival schemes were sanctioned or approved in 415 cases and 242 cases were recommended to the concerned High Courts for winding up. The revival schemes sanctioned by the Board till end of September, 1993 include 52 cases of amalgamation and of these about 46 already stand merged and the sick companies in question struck off from the rolls of the concerned Registrar of Companies. In addition, 16 sick companies have already been declared no longer sick and proceedings in respect of 3 companies dropped as they were found to be no longer sick. In the case of 18 others, the net worth erosion has been wiped out and these are awaiting formal declaration of fitness. 56 more cases are on the threshold of recovery.

73 During January-September, 1993, 152 references were received, of which 110 were registered under Section 15 of SICA. 167 cases were disposed off during the period.

74 In order to examine the bottlenecks in industrial and corporate restructuring and to suggest suitable measures for early closure of unviable units and quick revival of viable units, the Government appointed a Committee on Industrial Sickness and Corporate Restructuring in May, 1993. The Committee submitted its Report in July, 1993. It suggested measures for early detection of incipient sickness, and recommended that reference to BIFR may be made voluntary rather than compulsory. It also recommended a number of measures to expedite decision making in BIFR and facilitate closure of unviable units (Box 6.4).

Industrial Relations

75 Industrial relations have remained by and large peaceful during recent years despite structural reforms in trade, industry, public and financial sectors. Mandays lost due to strikes and lockouts on account of industrial disputes increased from 23.60 million in 1990-91 to 34.57 million in 1991-92. This was owing mainly to an increase in the mandays lost in the cotton textile, engineering and jute textile industries. There has, however, been a steep decline in the mandays lost in 1992-93, which stood at 21.15 million mandays. This was primarily due to an improvement in the industrial relations situation in cotton, chemical and mining industries compared to the previous year. Industrial unrest during 1991-92 to 1992-93, in general, was confined to the States of West Bengal, Maharashtra, Andhra Pradesh and Tamil Nadu. Government is committed to ensuring that the programme of fiscal consolidation and economic restructuring does not impose undue burden on the working classes. Discussions have been held at various levels with trade union leaders to convince them that in the medium term successful economic reforms will generate new employment opportunities commensurate with the growth of labour force.

BOX 6.4

Recommendations of the Committee on Industrial Sickness and Corporate Restructuring

- The definition of sickness should be changed to:
  - i) Default of 180 days or more on repayment to term lending institutions; and
  - ii) Irregularities in cash credits or working capital for 180 days or more.
- A sick company's own reference to BIFR should be voluntary, not mandatory.
- The only operationally significant basis for BIFR should be that of being a fast track facilitator and occassionally an arbitrator.
- To reduce the problem of delays in winding up there must be five fast track winding up Tribunals.
- The Industrial Disputes Act (IDA) should be amended to effect the following:
  - i) Section 25(N) and 25(O) of IDA may be amended so that there is no need for seeking prior approval of the Government for lay off and retrenchment of workers and for permanent closure. Chapter VB of the Industrial Disputes Act, (which governs lay-off, retrenchment, and closure) applies to undertaking having 100 or more workers. This should be raised to 300 or more; and
  - ii) Compensation for retrenchment and closure may be increased from 15 days' wages to one month wages per year of the completed service.

TABLE 6.16

Mandays lost on account of Strikes and Lockouts

(in million)

Quarter	1990-91*	1991-92*	1992-93*
1	2	3	4
I	5.84	5.11	6.70
II	5.98	5.56	6.20
III	7.02	11.00	5.46
IV	4.76	12.90	2.79
Total	23.60	34.57	21.15

* Provisional

Source : Labour Bureau, Simla.

Outlook

76 The IIP registered a modest growth rate of 1.6 per cent during the first seven months of 1993-94, aided by a growth of 1 per cent in manufacturing and 7.6 per cent in electricity generation. Intermediates, consumer durables and the basic goods have performed well during April-October, 1993.

77 The industrial growth rate, though registering a discernable improvement since July, 1993, is still below expectation. However, there are indications that the industrial sector is coming out of the recessionary phase. The sectors, other than capital goods sector, have actually been experiencing a revival in growth since the beginning of this year. The capital goods sector,is expected to recover along with a pick up in investment towards the end of the current financial year.

78 There are several favourable factors, on both the supply and demand side, which would induce higher industrial growth. These factors include; successive good agricultural performance, high growth of exports, a buoyant infrastructural sector, enhancement in public spending on social sectors, and a substantial increase in foreign investment. Favourable demand conditions , the pick up in investment intentions and the acceleration of the industrial growth rate in the second quarter of the year , indicate that 1993-94 may end with an industrial growth rate of around 4 per cent.

79 However, the industrial sector is yet to respond with full vigour to liberalisation measures. This may be attributed to a number of factors including inherent adjustment lags in the process of restructuring, continued high rates of interest and some degree of uncertainty still prevailing. In the meantime, further reforms have to be undertaken to remove existing procedural and operational constraints at the implementation levels and to achieve better forward and backward linkages within production sectors and with factor and consumer markets.