6

INDUSTRIAL POLICY AND DEVELOPMENT

There was a modest recovery in the industrial growth to 4.1 per cent in 1993-94 and a more impressive surge to 8.0 per cent in April-October 1994. As per an advance index of industrial production (with a weight of 50 per cent in the Index of Industrial Production IIP), the industrial sector registered a growth of 9.3 per cent during April-December 1994. There are clear indications that a substantial and broad based industrial recovery is under way, following the economic policy reforms of the early 1990s. The capital goods sector, which had been in doldrums earlier, has emerged as a leading contributor to industrial buoyancy, turning in a growth of 21.7 per cent in April-October, 1994. This strong growth is partly attributable to the policy package in the last Budget and partly reflects the normal lag in investment goods demand in response to recovery in other industrial sectors which, as noted in the last year's Economic Survey, was already detectable in the latter half of 1993-94. Consumer goods, both consumer durables and consumer non-durables, are also performing very well. Textile products other than cotton and jute, paper and paper products, metals and metal products, electrical machinery and transport equipment have continued to record substantial growth. Six major infrastructural industries, viz. electricity generation, coal, iron and steel, cement, crude oil and refinery products, constituting a 28.8 per cent weight in the IIP, maintained their general uptrend and registered a growth rate of 8.0 per cent during April-December 1994. The investment climate is strongly buoyant.

2. Major policy initiatives taken during the year included delicensing of almost all bulk drugs and allowing automatic approval of foreign equity up to 51 per cent in most drugs and formulations. Basic telecommunication services, hitherto reserved for the public sector, were opened for private sector participation. Another healthy development is that many states are undertaking procedural and policy reforms to effect liberalisation at the grass root level. Of particular interest, is the bold new industrial policy of West Bengal, which aims to encourage private domestic and foreign investment in the state's economy.

3. Table 6.1 presents the trends of monthly growth rates for 3 major sectors and the general index of industrial production since 1993. The table clearly indicates that Indian industry is on a firm recovery course, with significant improvement in manufacturing production. The IIP registered a growth rate of 8.0 per cent in April-October 1994, compared to only 3.8 per cent in April-October 1993.

4. It is generally accepted that the existing data collection system does not fully capture the growth of

TABLE 6.1
Trends in Monthly Growth Rates of Industrial Production (Per cent)

Period	General	Manufacturing	Mining & Quarrying	Electricity
(weights)	(100)	(77.11)	(11.46)	(11.43)
1	2	3	4	5
1993				
January	-3.2	-5.4	-1.4	7.6
February	-3.1	-4.4	-3.1	4.6
March	-1.2	-3.7	8.5	5.3
April	-0.5	-2.1	1.4	6.4
May	2.3	1.2	-0.4	9.5
June	2.8	1.1	4.9	9.9
July	6.7	6.8	5.5	7.3
August	9.2	8.8	6.6	13.3
September	3.7	3.5	2.8	5.5
October	2.6	2.8	1.1	2.3
November	2.2	1.5	1.8	6.7
December	6.4	7.2	1.5	6.2
1994				
January	6.5	7.2	4.0	5.0
February	6.0	6.7	1.1	6.9
March	1.1	-0.6	1.4	10.7
April	6.9	8.4	-0.9	5.7
May	8.0	8.4	5.6	8.3
June	7.0	8.1	0.8	6.8
July	6.8	7.2	3.4	7.4
August	8.9	9.8	7.8	4.7
September	7.9	7.1	11.3	9.2
October	10.3	9.2	15.6	11.8

some sectors, particularly small scale industries. This is due to non-availability of data for the unorganised sector and non-reporting, to some extent, by the organised sector. Considering the need for improvement in the methodology and data base for estimation of IIP, the base year of IIP is being shifted from 1980-81 to 1985-86, with a revised items basket and improved weighting diagram. The system of data collection for the industrial sector is also being strengthened and reviewed.

Industrial Policy Reforms

5. The process of industrial policy reforms initiated since July 1991 continued during the year. The policy changes during 1994-95 inter-alia included extension of MODVAT to more sectors, a thorough overhaul of the excise tax structure, further rationalisation and reduction of customs duties, deregulation of bank lending rates, delicensing of most drugs and pharmaceutical products and liberalisation of the telecommunications sector.

Box 6.1
Reforms in Industrial Sector

- Industrial licensing for almost all bulk drugs abolished.
- Automatic approval of foreign investment upto 51 per cent and foreign technology agreements permitted for all bulk drugs and formulations, barring only a few.
- Basic telecommunication services opened to private participation, including foreign investments.
- Minimum lending rates for amounts over Rs. 2 lakh abolished. The rate for advances between Rs.25000 and Rs. 2 lakh reduced to 13.5 per cent.
- SLR reduced to 31.5 per cent to make more credit available for the commercial sector.
- Import duties on capital goods reduced to 15 per cent on export related capital goods, 25 per cent for project imports and most capital goods, and continuation of concessional duties at 20 per cent for power projects, and nil for fertilizer projects.
- MODVAT extended to capital goods and petroleum products.
- Corporate tax reduced from 45 per cent for widely held companies and 50 per cent for closely held companies to 40 per cent for domestic companies, and from 65 per cent to 55 per cent for foreign companies.
- The five year tax holiday to new industrial undertakings initially allowed for industrially backward states in the Budget for 1993-94, extended to all backward areas to be notified by the Department of Revenue.
- Major overhaul of the excise tax structure, including rationalization of rates, elimination of most end-use exemptions and a general shift from specific to ad valorem duties.
- Continued reforms in customs duties, including reduction of the peak tariff rate, elimination of most end-use exemptions and removal of exemptions from countervailing duties.

6. In recent years, State Governments have also taken significant initiatives in the reform process and implementation of new the industrial policy. Box 6.2 highlights some of the reforms undertaken by the States.

Industrial Production 1993-94

7. The General Index of Industrial Production (IIP) recorded a growth of 4.1 per cent during 1993-94, aided by a growth of 2.5 per cent in mining and quarrying,

TABLE 6.2
Annual Growth Rates in Major Sectors of Industry
(Per cent)

Year	Mining	Manufacturing	Electricity	General
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	0.6	-0.8	8.5	0.6
1992-93	0.6	2.2	5.0	2.3
1993-94	2.5	3.6	7.4	4.1
April-Oct.				
1992-93	-0.2	4.6	4.3	4.0
1993-94	3.1	3.1	7.7	3.8
1994-95	6.2	8.3	7.7	8.0

7.4 per cent in electricity and 3.6 per cent in manufacturing. All the major sectors performed better during 1993-94, compared to 1992-93. Table 6.2 shows annual growth rates in major sectors of industry.

8. An analysis of IIP at the disaggregated level shows that only 4 groups, viz. food products, other textile products, electrical machinery and miscellaneous industries (with a combined weight of 12.8 per cent) of the 17 major industry groups in the manufacturing sector recorded negative growth rates during 1993-94. On the other hand, beverages and tobacco recorded the highest growth (21.3 per cent). Jute textiles, paper and paper products, leather and fur products, chemical

Box 6.2
Industrial Policy Reforms : Selected State Government Initiatives

Haryana

- Several steps taken to simplify procedures and ensure time bound clearances.
- Industrial Assistance Group as a single window agency set up. Single window services further extended to district level to ensure effective coordination among various Government organisations.
- Powers to allot, transfer, lease, and rent industrial plots/sheds; sanction/disbursement of loans by Haryana Financial Corporation, sanction of electric load upto a certain limit-delegated to district level.
- Time bound clearance/sanctions encompassing all aspects - Project Approval (15 days,) Registration as small unit (1 day), NOC (no objection certificate) by State Pollution Board (15 days), allotment of plots/shed (10 days) from recipt of application.
- All sales tax barriers through the State removed.
- High level coordination committee set up to ensure all clearances within the stipulated time. An Empowered Group (including representatives from various organisations) set up to revamp administration.
- High Powered Committee set up to take spot decisions on foreign investments, NRI projects and 100 per cent export oriented projects.
- A State level grievance committee set up to address problems faced by entrepreneurs.
- Visits of inspectors has been streamlined and rationalised.

Kerala

- Several steps are proposed/ have been undertaken for attracting more investments and for procedural/rules simplification.
- State Industrial Development Committee will be formed for ensuring speedy clearance of applications of new SSIs, within prescribed time limit, review and maintenance of good industrial relations and monitoring of industrial development activities.
- District Development Committee to be formed in each district.
- Industrial Relations Committee to be extended to all existing and potential industrial areas.
- A new Green Channel Scheme will be introduced for expediting all clearances and all unneccessary licensing and clearances will be abolished.
- An Industrial Infrastructure Development Authority will be established.
- A special cell will be created to coordinate activities relating to central projects.
- New units will be exempted from all State taxes for the first seven years .
- Investment subsidy will be increased to 15 per cent, with certain ceilings.

Orissa

- A Nodal committee constituted at the State Government level for clearance of proposals for providing infrastructural facilities and Government assistance, and to recommend measures for rehabilitation of sick industrial units.
- The Foreign Investment Division in the Industrial Promotion and Investment Corporation of Orissa will act as a single window for investments by Non-Resident Indians and foreign investors.
- Nodal committees constituted at the district level to resolve local problems faced by entrepreneurs.

Punjab

- A new package of incentives to attract investments, avoid multiplicity of incentives and procedures, create new job opportunities and speedy clearance of new enterprises announced and made applicable from October, 1992. Steps undertaken/ contemplated include:
- A Committee constituted for providing land 'off the shelf'
- Udyog Sahayaka acting as a single window service for clearing projects.
- State Government signed MOUs with selected industrial units to upgrade Industrial Training Institutes.
- Privatisation of Public Sector Units to be undertaken.
- Develop selected industrial corridors as part of infrastructural development. Use private initiative for infrastructure development, specially power.
- Procedures for providing credit by State Financial Institutions to be simplified. For promoting exports, foreign bank branches to be set up in Ludhiana.
- The state is formulating a policy to ensure granting of clearances for setting up industries within 24 hours of receipt of request.

Rajasthan

- Several steps taken for expanding/strengthening infrastructure, simplifying rules and procedures, ensuring speedy availability of inputs /clearances, increasing role of private sector, enhancing employment and investment.
- Power generation, telecom services, tourism and hotelling in the private sector encouraged.
- Enabling legislation put in place to allow private parties to collect tolls from roads/bridges constructed by them.
- Amendments made in rules relating to conversion and allotment of land for industrial purposes.
- 155 SSI industries exempted from obtaining No Objection Certificate from State Pollution Control Boards. Power to grant NOCs decentralised.
- Industries to be inspected under Factories Act reduced from 15 to 3. Common inspection in accordance with a check list prepared for the purpose. Even simpler procedure for SSIs.

West Bengal

- State, whereever appropriate, welcomes foreign technology and investments.
- State recognizes the importance and the key role of the private sector in accelarating growth.
- An Empowered Committee at the State level,under the Chairmanship of the Chief Secretary, formed to take quick decisions on investment proposals.
- The Single Window Agency of the West Bengal Industrial Development Corporation Ltd., strengthened to provide effective 'Escort Service' to new projects.
- Committees in each district formed under the Chairmanship of District Magistrates to ensure quick decisions on land, employment, and other related matters.
- Private sector investment in power generation encouraged to meet increased demand.

and chemical products and basic metals registered growth rates exceeding 6.0 per cent. The slow progress of industrial growth in 1993-94 is attributable to a number of factors, such as inherent adjustment lags in the process of restructuring, slowdown in investments and imports, still high rates of interest and corporate taxes and better utilisation of inventories.

Industrial Production 1994-95

9. The overall industrial production during April-October 1994-95 registered an increase of 8.0 per cent, supported by a growth of 8.3 per cent in manufacturing, 7.7 per cent in electricity and 6.2 per cent in mining and quarrying (Table 6.3). As per the advance index of industrial production provided by the Industry Ministry, 24 major industries having a weight of 50 per cent in the IIP, recorded a growth rate of 9.3 per cent in April-December 1994, compared with 5.0 per cent in April-December, 1993. Commercial vehicles registered an impressive growth of 52.5 per cent in April-December 1994, compared with a decline of 1.6 per cent during April-December, 1993.

10. An analysis of the growth rates of 17 broad groups within the manufacturing sector reveals that only four sectors, viz. cotton textiles, jute textiles, basic metals and miscellaneous manufacturing industries, with a combined weight of 25.0 per cent recorded negative growth rates during April-October 1994 (Table 6.4). However, the decline in cotton textiles was only marginal. All other groups with a combined weight of 52.1 per cent, recorded positive growth rates. Other textile products, paper & paper products, electrical machinery, metal products and transport equipment recorded growth rates exceeding 12 per cent. This clearly indicates that the industrial turnaround during 1994-95 has been widespread.

11. Table 6.3 also presents the growth rates of industrial production by use based classification. The table reveals that the performance of the capital goods sector has been very impressive. It registered a growth rate of 21.7 per cent in April-October 1994, in contrast to a decline of 8.7 per cent in April-October 1993. Basic goods (4.2 per cent), intermediate goods (4.6 per cent), Consumer durables (8.6 per cent) and consumer non-durables (7.0 per cent) also exhibited a good performance.

12. An analysis of the production data for April-October 1994 in respect of 172 selected industries, accounting for a weight of 88.1 per cent in the IIP, shows that generally the industrial recovery was widespread, except for a few products such as Sugar, Railway Wagons, Ship Building, Jute Manufactures, Jeeps, Graphite Electrodes & Anodes, Machine Tools and Diesel Engines. 121 industries with a weight of 74.2 per cent recorded positive growth rates and 51 industries with a weight of 13.9 per cent registered a negative growth. Some important industries which recorded growth rates of over 10 per cent include Radio Receivers (397.0 per cent), Road Rollers (369.2 per cent), Tetracycline (73.8 per cent), Apatite and Phosphorite (64.9 per cent), Commercial Vehicles (64.9 per cent), Polythylene L.D. (63.8 per cent), Phosphatic Fertilizers (47.4 per cent), Electric Generators (37.2 per cent), Earth Moving Equipment (28.9 per cent), Penicillin (20.7 per cent), Crude Petroleum (17.5 per cent), Cloth (decentralised sector) (16.9 per cent), Auto Ancillaries (15.5 per cent), Paper & Paper Board (14.5 per cent), Giant Tyres (14.1 per cent), Agricultural Tractors (12.5 per cent), Leather Cloth (10.5 per cent). However, their performance was partially offset by a decline in output in several sectors such as Railway Wagons (-28.5 per cent), Jute Manufactures (-12.9 per cent), Jeeps (-10.1 per cent), Graphite

TABLE 6.3

Growth Rates of Industrial Production by Broad Categories & Use Based Classification

(Per cent)

Sectors	Weight	1991-92	1992-93	1993-94	April 94	May 94	June 94	July 94	Aug 94	Sept 94	Oct. 94	April-Oct. 1994	April-Oct. 1993
1	2	3	4	5	6	7	8	9	10	11	12	13	14
General	100.00	0.6	2.3	4.1	6.9	8.0	7.0	6.8	8.9	7.9	10.3	8.0	3.8
Manufacturing	77.11	-0.8	2.2	3.6	8.4	8.4	8.1	7.2	9.8	7.1	9.2	8.3	3.1
Mining & Quarrying	11.46	0.6	0.6	2.5	-0.9	5.6	0.8	3.4	7.8	11.3	15.6	6.2	3.1
Electricity	11.43	8.5	5.0	7.4	5.7	8.3	6.8	7.4	4.7	9.2	11.8	7.7	7.7
Use Based Classification													
Basic Goods	39.4	6.5	2.6	5.9	6.0	7.4	4.4	-0.9	0.7	2.0	10.6	4.2	7.2
Capital Goods	16.4	-8.6	-0.1	-5.3	15.0	19.7	12.1	32.7	35.6	22.9	14.4	21.7	-8.7
Intermediate Goods	20.5	-2.2	5.4	11.4	5.9	4.2	6.4	4.5	4.6	2.5	4.3	4.6	10.2
Consumer Goods	23.6	1.5	1.8	3.1	3.3	3.9	8.5	6.1	8.0	10.4	11.5	7.3	3.1
Consumer durables	2.6	-10.7	-0.7	15.2	17.2	13.3	14.2	4.4	12.7	3.1	-2.3	8.6	14.1
Consumer non-durables	21.0	4.7	2.4	0.5	0.5	1.7	7.1	6.6	6.8	12.4	15.2	7.0	0.7

Figure 6·1

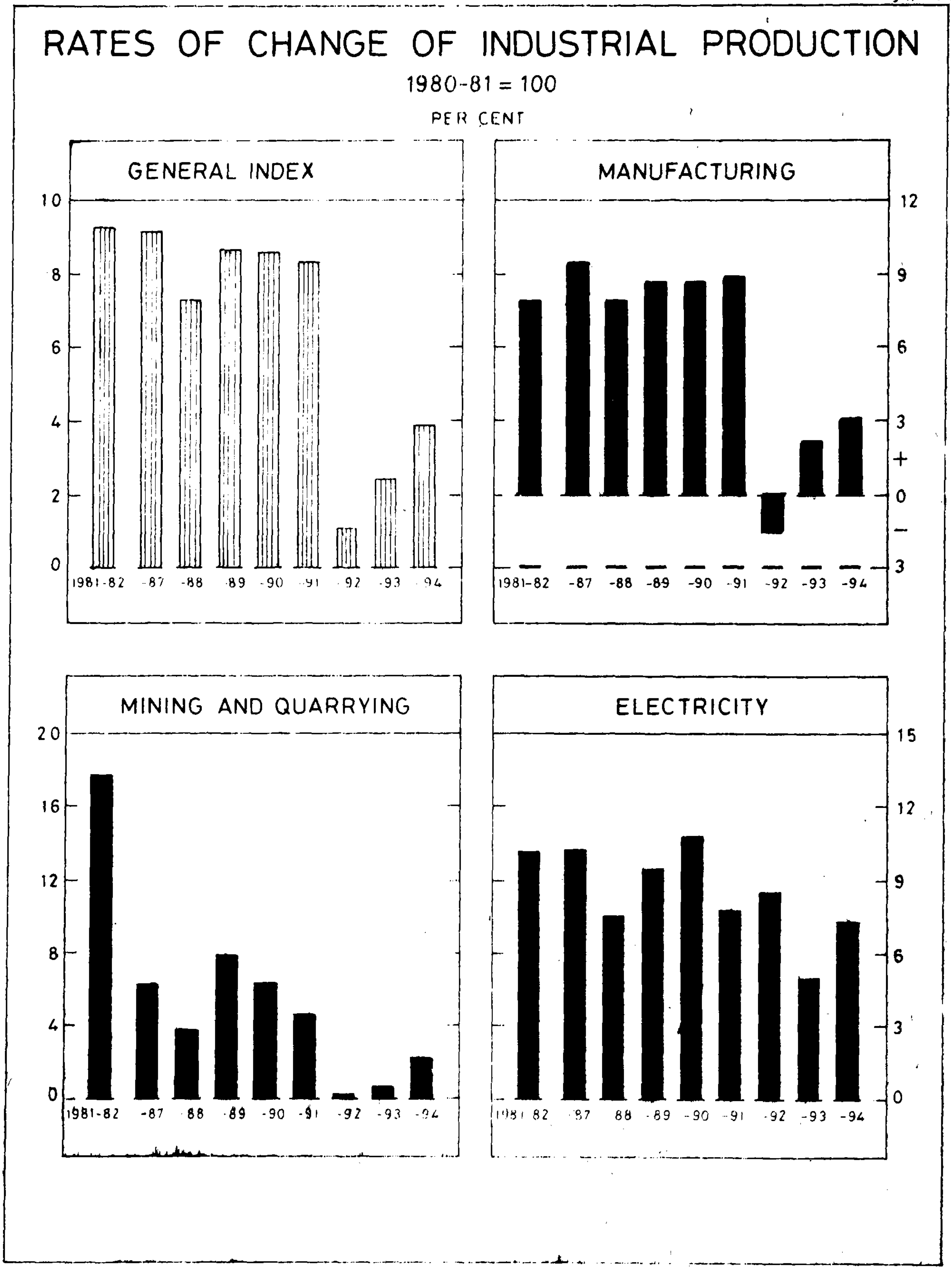

RATES OF CHANGE OF INDUSTRIAL PRODUCTION
1980-81 = 100
PER CENT
GENERAL INDEX
MANUFACTURING
MINING AND QUARRYING
ELECTRICITY
1981-82
-87
-88
-89
-90
-91
-92
-93
-94

Figure 6.2

MONTHLY INDICES OF INDUSTRIAL PRODUCTION

1980-81=100

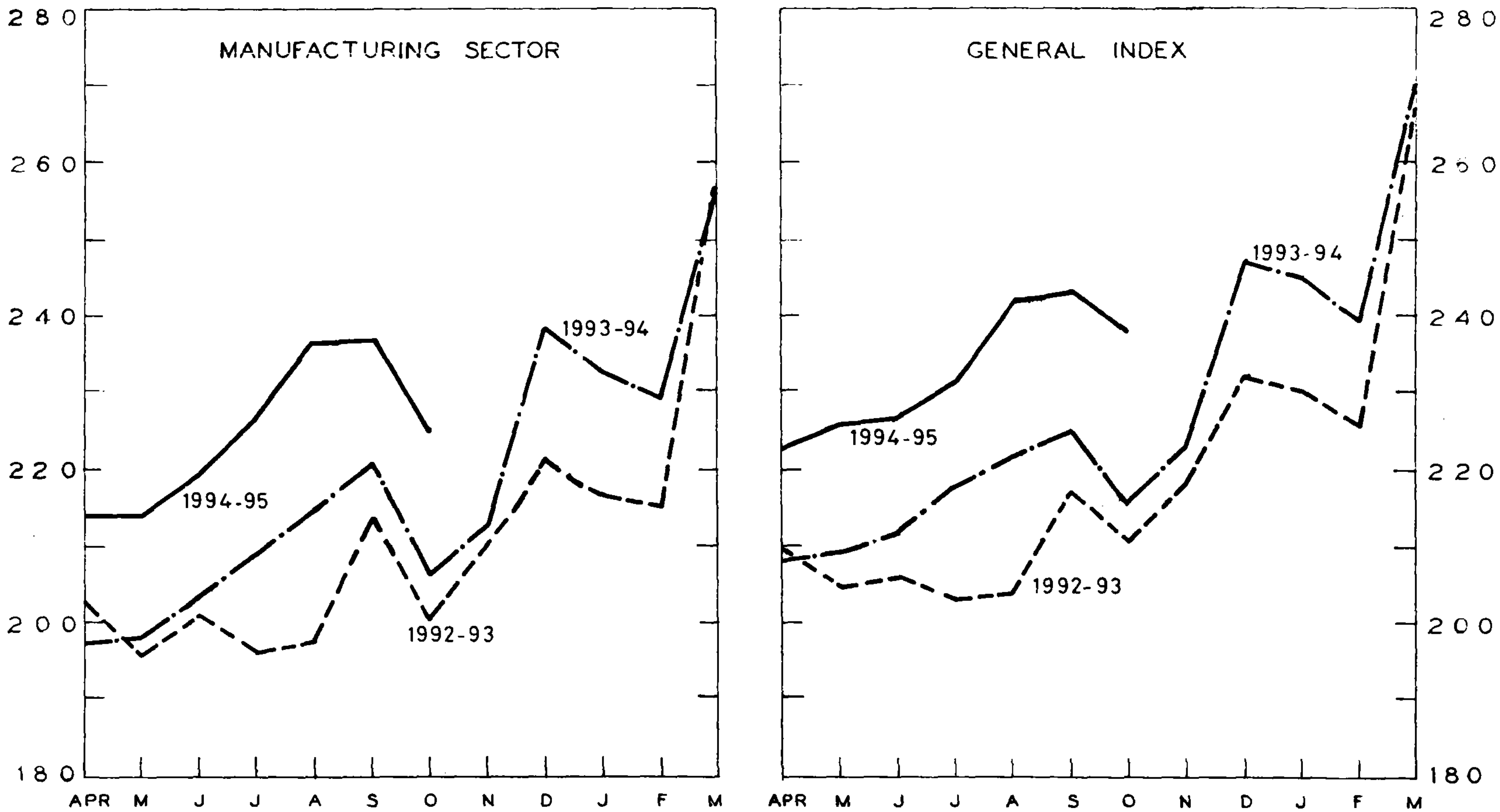


TABLE 6.4

Growth Rates of Industrial Production by Broad Groups of Manufacturing

(Per cent)

Sectors	Weight	1991-92	1992-93	1993-94	April 94	May 94	June 94	July 94	Aug 94	Sept 94	Oct. 94	April-Oct. 1994	April-Oct. 1993
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Food Products	5.3	4.8	-1.6	-8.4	-13.8	0.1	9.5	12.1	9.5	6.1	18.7	4.2	-15.4
Beverages & Tobacco	1.6	2.4	5.9	21.3	23.1	-2.0	-4.6	1.2	2.4	7.4	8.9	4.9	13.7
Cotton Textiles	12.3	9.8	8.0	5.0	1.3	-4.0	-2.7	-5.1	-2.3	0.9	1.4	-1.6	7.6
Jute Textiles	2.0	-10.6	-4.2	18.6	-12.1	-28.3	-21.2	-19.8	-21.1	-18.4	-13.9	-19.3	19.5
Other Textile Products	0.8	-5.8	-22.0	-3.2	11.6	35.1	31.9	18.2	6.5	1.7	0.0	13.7	-13.1
Wood & Wood products	0.5	-6.2	3.0	4.3	12.1	14.7	-8.1	3.5	-7.9	0.4	-1.0	1.6	3.4
Paper & Paper products	3.2	2.6	3.9	6.6	13.4	9.2	1.4	20.4	12.0	17.9	13.9	12.6	3.1
Leather & fur products	0.5	-6.7	3.5	6.6	-6.4	13.0	12.5	5.6	14.7	9.6	-12.9	5.0	14.3
Rubber & Petro.products	4.0	-1.1	1.5	0.9	-0.7	1.4	-1.8	6.4	10.7	12.7	19.1	6.6	-0.4
Chemical products	12.5	2.8	6.0	7.6	9.0	8.3	15.9	10.1	6.6	6.5	10.7	9.5	7.9
Non-metalic min.products	3.0	6.2	1.8	3.4	11.0	4.7	4.2	1.0	3.1	9.9	14.1	6.7	1.5
Basic Metals & alloys	9.8	5.7	0.4	15.0	8.0	6.8	7.1	-23.9	-15.0	6.8	7.9	-2.3	16.9
Metal products & parts	2.3	-7.0	-6.4	1.4	23.0	19.0	16.5	17.1	18.6	14.1	-19.6	12.6	-1.8
Non-electrical machinery	6.2	-1.9	-1.2	4.2	4.1	10.3	-0.4	-0.9	1.7	-6.2	0.4	1.0	3.6
Electrical machinery	5.8	-12.4	-2.0	-6.8	21.6	20.6	15.6	47.7	54.1	39.3	17.9	31.1	-12.3
Transport equipment	6.4	-0.7	5.0	5.2	19.5	26.3	14.7	20.1	20.0	12.2	10.9	17.4	1.8
Other mfg. industries	0.9	-16.1	4.2	-5.7	-8.7	-8.1	-8.3	-12.8	-13.4	-9.6	-3.8	-9.3	2.1

Electrodes & Anodes (-8.9 per cent), Sugar (-6.9 per cent), Machine Tools (-5.1 per cent), Ship Building (including repair) (-5.1 per cent), Caustic Soda (-3.4 per cent), and Diesel Engines (-3.1 per cent).

Index of Industrial Production

13. The current IIP (Base 1980-81=100) covers 352 items. It is generally agreed that the SSI sector, which is a dynamic and fast growing sector of the Indian economy, remains under-represented in the weighting diagram due to non-availability of data; in particular, export-oriented segments like garments, leather, gems and jewellery remain under-represented. The 1980-81 weights do not also represent fully some organised sectors such as automobiles, leather goods and electronics, which showed substantial dynamism in the 1980s and 1990s. Further, there have been some slippages in data reporting after the delicensing of most industries since July 1991 and subsequent winding up of the DGTD. It is, therefore, felt that there is a need to shift the base to a more recent year and to have a more representative weighting diagram. After considered deliberations on the need for such a revision and difficulties that exist in data availability, the base year of IIP is being shifted from 1980-81 to 1985-86, and the number of items is being increased from 352 to 375. There are 28 new items, and 18 items as reported by DCSSI are included in the new index. The revised series has been tested for consistency with the earlier series at a 2 digit level and has been found to be largely satisfactory.

14. 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 items covered in the index.

Investment Scenario

15. Economic 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 both the investment climate and the capital market remain buoyant. The buoyancy is reinforced by an increasing number of capital issues by Indian companies in both the domestic market and abroad, and the upgrading of Indian sovereign rating by international credit rating agencies such as the Japan Bond Research Institute (JBRI) and Moody's Investors Service.

16. There has been an encouraging trend in domestic investment, as is evident from sanctions and disbursements of term loans by All India Financial Institutions and capital market operations.

17. While the sanctions recorded an increase of 26.8 per cent in 1993-94, disbursements went up by 15.1 per cent. The financial assistance sanctioned by these institutions in April-December 1994 recorded an impressive growth of 59.2 per cent, but the disbursements showed a lower growth of 26.3 per cent mainly because of the availability of alternative cheap funds through Euro issues of convertible debentures and GDRs. The increase in financial assistance was supplemented by the buoyancy in the capital market, as given in (Table 6.5).

TABLE. 6.5
Loans Sanctioned and Disbursed by All India Financial Institutions and Capital raised in the Primary Market

(Issues in number, and amount in Rs. Crore)

	1991-92	1992-93	1993-94	1993 (Apr-Dec.)	1994 (Apr-Dec.)
1	2	3	4	5	6
Sanctioned	23146	32675	41444	27982	44545
Disbursed	15589	22269	25632	15792	19946
No of Issues	517	1034	1143	753	1032
Amount Raised	5757	16749	21982	16276	11381

18. The number of Industrial Entrepreneurs Memorandum (IEM) filed from 1991 to 1994 totalled 17,014, with an overall investment intention of Rs. 345000 crore.

19. The response by foreign investors was also encouraging. During the period from 1991 to 1994, the Government approved 5778 foreign collaboration proposals including 2806 foreign equity proposals amounting to Rs. 22238 crore. More than 80 per cent of these approvals are in priority sectors such as power generation, oil refinery, electrical equipment, chemicals and export related sectors. As a consequence of the amendments in FERA and the liberalization of foreign investment policy, many MNCs have increased their equity to over 51 per cent. Many companies like Coca Cola, IBM, which disinvested in the 1970s, have returned to India to avail of the new opportunities. Even in areas still reserved for the public sector (telecommunication, hydro carbons, coal, railways and postal services), the Government has adopted a more liberal approach towards private investments, including foreign investments.

20. In 1994-95, foreign investment was allowed for NRIs and persons of Indian origin in a wide range of construction and real estate related activities. Foreign investment was also allowed in constructing and operating highways, expressways and bridges on a toll tax system , generating electricity on Build-Operate Own (BOO) basis, basic telephone services and certain operations in railways on Build-Operate-Lease-Transfer (BOLT) basis. Without prior approvals, foreign investors can now own up to 24 per cent equity in any Indian firm and up to 20 per cent in new private banks.

Reforms in Public Sector Enterprises

21. 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 1994.

22. 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, redeployment 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. An amount of Rs. 542.23 crore was released from NRF during 1993-94 and an estimated 75000 workers had opted for voluntary retirement under the scheme. A major portion of the amount has been utilised in the textiles sector.

23. 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. Till the end of November 94, 52 central PSUs have already been registered with BIFR. BIFR have so far issued orders for revival of I.D.P.L. and Biecco Lawrie Ltd. They have also so far recommended the winding up of National Bicycle Corporation Ltd, Cawnpore Textiles Ltd. Elgin Mills Ltd and British India Corporation Ltd.

TABLE 6.6
Investment Proposed in IEMs Filed and FDI Approved

Year	IEMs filled (Nos)	Proposed Investment (Rs. crore)	FDI approved Number	FDI approved Amount (Rs. Crore)
1	2	3	4	5
1991	3034	76300	289	534
1992	4860	115900	692	3888
1993	4456	64000	785	8859
1994	4664	88800	1040	8957
Total	**17014**	**345000**	**2806**	**22238**

Performance of Selected Public Sector Undertakings

24. As on March 31, 1994 there were 240 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, six were in the construction sector, 74 in services and 166 in manufacture.

25. Out of 240 operating PSUs, as many as 120 were profitable during 1993-94 as compared to 131 during the previous year. Profits of these profit-making enterprises went up from Rs. 7384 crore in 1992-93 to Rs. 9722 crore in 1993 -94 an increase of 31.7 per cent (Table 6.7). But the losses of the remaining loss-making companies increased from Rs. 4113 crore to Rs. 5287 crore, an increase of over 28.5 per cent, during the same period. The overall rate of return over capital employed in the PSUs increased from 2.33 per cent during 1992-93 to 2.78 per cent during 1993-94. But the gross margin (i.e., before depreciation, interest and taxes) of PSUs as per cent of capital employed declined from 18.01 in 1992-93 to 17.33 in 1993-94. The heavy capital investment in the past combined with a massive interest burden is reported to have reduced the gross margins of PSUs.

26. 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 1993-94. 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.

27. The Memorandum of Understanding (MOU) system has been further strengthened. During 1993-94, 101 PSEs signed MOUs as against 98 in the preceding year. Based on their audited accounts, performance of 100 PSEs was evaluated, out of which 46 were rated excellent (46 per cent), 29 as very good (29 per cent), 12 as good and 10 fair. In 1994-95, 106 PSEs have signed MOUs which is five per cent higher than last year.

Since July 1991, the Government has also been disinvesting a part of its equity held in selected PSEs. Box 6.3 indicates changes in Central government equities in 35 selected public sector enterprises, where it has approved disinvestments, until the end of December 1994.

TABLE 6.7
Profitability Profile of Central PSEs

	1981-82	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5	6
1. Operating enterprises	188	236	237	239	240
i) Profitable enterprises	104	123	133	131	120
ii) Loss-making enterprises	83	111	102	106	117
			(Rs. Crore)		
2. Capital employed	21935	102083	117991	140110	159307
3. Gross margin	4012	18312	22223	25227	27600
4. Gross profit	2654	11102	13675	15957	18438
5. Net profit	445	2272	2355	3271	4435
6. Profit of Profit-making enterprises	1293	5394	6079	7384	9722
7. Losses of loss-making enterprises	848	3122	3723	4113	5287
			(Per cent)		
8. Ratio of gross margin to capital employed	18.29	17.94	18.83	18.01	17.33
9. Percentage of gross profit to capital employed	12.10	10.88	11.59	11.39	11.59
10. Ratio of net profit to capital employed	2.03	2.23	2.00	2.33	2.78

Box 6.3

Year-wise/PSU wise Details of Shares Disinvested Since 1991-92

S.No.	Name of the PSE	% of Central Govt. Holding				
		1.7.91	31.3.92	31.3.93	31.3.94	31.12.94
1	2	3	4	5	6	7
1.	Andrew Yule	71.30	62.80	62.80	62.80	62.80
2.	Bharat Earthmovers Ltd. [1]	100.00	80.00	80.00	80.00	80.06
3.	Bharat Electronics Ltd.	100.00	80.00	80.00	80.00	75.86
4.	Bharat Heavy Electricals Ltd.	100.00	80.00	79.54	79.46	68.46
5.	Bharat Petroleum Corpn Ltd.	100.00	80.00	70.00	69.62	69.62
6.	Bongaigaon Refineries & Petro. Ltd.	100.00	80.00	74.60	74.59	74.59
7.	CMC Ltd.	100.00	83.31	83.31	83.31	83.31
8.	Cochin Refineries Ltd.	61.16	55.04	55.04	55.04	55.04
9.	Dredging Corpn Ltd.	100.00	98.56	98.56	98.56	98.56
10.	Fert. & Chem. (Travancore) Ltd.	98.99	97.46	97.35	97.35	97.35
11.	HMT Ltd.	100.00	95.14	90.32	90.32	90.32
12.	Hindustan Cables Ltd.	100.00	96.36	97.97	97.97	97.97
13.	Hindustan Copper Ltd.	100.00	100.00	98.88	98.88	98.88
14.	Hindustan Organic Chemicals Ltd.[1]	100.00	80.00	80.00	80.00	56.90
15.	Hindustan Petroleum Corpn. Ltd.	100.00	80.00	70.00	69.72	62.72
16.	Hindustan Photofilms Mfg. Co. Ltd.	100.00	87.47	87.47	87.47	87.47
17.	Hindustan Zinc Ltd.	100.00	80.04	75.93	75.93	75.93
18.	Indian Petrochemicals Corpn. Ltd.[2]	100.00	80.00	80.97	62.40	62.40
19.	Indian Railway Const. Co. Ltd.	100.00	99.74	99.74	99.74	99.74
20.	Indian Telephone Industries Ltd.	99.65	79.72	77.79	77.67	77.67
21.	Madras Refineries Ltd.	84.62	67.70	67.70	51.80	51.80
22.	Mahanagar Telephone Nigam Ltd.	100.00	80.00	80.00	80.00	67.18
23.	Minerals & Metals Trading Corpn.	100.00	99.33	99.33	99.33	99.33
24.	National Aluminium Co. Ltd.	100.00	97.28	87.20	87.19	87.19
25.	National Fertilizers Ltd.	100.00	97.72	97.66	97.66	97.65
26.	National Mineral Dev. Corpn. Ltd.	100.00	100.00	98.38	98.38	98.38
27.	Neyveli Lignite Corporation[2]	100.00	95.42	93.86	94.19	94.19
28.	Rashtriya Chemicals & Fertilizers	100.00	94.36	92.50	92.50	92.50
29.	Shipping Corpn. of India	100.00	81.49	81.49	81.49	80.12
30.	State Trading Corpn.	100.00	92.02	91.02	91.02	91.02
31.	Steel Authority of India Ltd.	100.00	95.01	89.49	89.45	89.36
32.	Videsh Sanchar Nigam Ltd.	100.00	85.00	85.00	85.00	85.00
33.	Container Corporation of India	100.00	100.00	100.00	100.00	80.00
34.	Indian Oil Corporation	99.88	99.88	99.88	99.88	88.17
35.	Oil & Natural Gas Corporation	100.00	100.00	100.00	100.00	98.00

[1] *Recently the company had come out with public issue.*
DPE don't have the latest details of Govt. holding after completation of public issue. The above information is based on approval given by the Govt.

[2] *Due to further release of equity by Govt.*

TABLE 6.8
Output of Iron & Steel

(Million tonnes)

	1993-94	1993-94	1994-95
		(April-November)	
1	2	3	4
Saleable Steel			
SAIL & VSP	9.83	6.22	6.71
	(6.7)		(7.9)
Total	11.98	7.58	8.20
	(6.1)		(8.2)
Finished Steel			
Main Producers	8.77	5.54	6.12
	(4.2)		(10.5)
Secondary Producers	6.36	4.28	4.74
	(-6.4)		(10.7)
Saleable Pig Iron			
Main Producers	1.98	1.17	1.36
	(17.7)		(16.3)

Note: Figures in brackets indicate change over the same period of the previous year.

Performance of Selected Industries

Steel

28. The production of various types of steel, after being sluggish in the last 2/3, years has picked up significantly in 1994-95. The Budget for 1994-95 reduced the peak import duties on steel from 75-80 to 50 per cent and the duty on HR coils from 50 per cent to 40 per cent ad valorem.

29. The production of saleable steel by SAIL and VSP increased by 7.9 per cent in April-November 1994, compared with 6.7 per cent in 1993-94. Production of saleable pig iron by main producers registered growth rates above 15 per cent during 1993-94 and April-November 1994. While the production of finished steel by main producers recorded a reasonable growth, there was some slippage in production by secondary producers.

30. The exports of iron and steel increased by 144 per cent to 22.2 lakh tonnes in 1993-94. But exports of iron and steel so far have declined in 1994-95 due to various factors such as increase in domestic demand and reduced imports by major countries like China. Despite significant liberalisation, imports of steel remained almost stationary around an average annual level of 1.15 million tonnes in 1990-1994.

31. Liberalisation has brought about a qualitative change in the Indian iron and steel sector. With delicensing and decontrol of the steel industry and reduction of import duties on iron and steel items, producers have become more responsive to consumer needs. There is also increasing awareness of the need to improve quality and cut down costs.

Sugar

32. The sugar Industry is one of the few industries which consistently maintained a high growth in the three years ending 1991-92. The average annual growth of production of sugarcane in the past 3 years up to 1991-92 was 7.8 per cent. However, sugar production during the sugar year 1992-93 (October-September) at 106.09 lakh tonnes was 20.9 per cent less than the previous year's production. The recovery rate has shown an improving trend during the past 3 years. The production of sugar for the season 1993-94 was about 98 lakh tonnes. The decline in the 1993-94 season can be attributed to higher diversion of cane to gur and khandsari and fall in cane/sugar production in the major sugar producing state of Maharashtra. However, since August 1994, sugar production has shown substantial buoyancy. It increased by 128.4 per cent during (Aug-Oct) 1994. The production of sugar is expected to go up by 20.0 per cent in 1994-95.

33. As reported in the last year's Economic Survey, sugar continues to be extremely controlled. The sugar industry continues to remain under a compulsory licensing regime. There is a Statutory Minimum Price (SMP) for sugarcane, fixed by the Central Government and State Advised Priees (SAP), over and above the SMP, fixed by the State Governments. SMP fixed for sugarcane for the sugar season (October-September) 1993-94 was Rs. 34.50 per quintal, linked to a sugar recovery of 8.5 per cent. The SAP varied from Rs. 36.00 per quintal to Rs. 62.00 per quintal. 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. 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 quotas to maintain price stability. Export quotas are 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. It is time to review if such extensive controls are still required and if greater efficiency can not be achieved by relaxing some of these controls.

Automobiles

34. The automobile industry has seen a remarkable recovery during 1993 and is forging ahead in 1994. There has been an increase in sales in all the segments of the industry. During 1993-94, the sales of cars increased by about 20 per cent, jeeps by 30 per cent, commercial vehicles by 25 per cent, two wheelers by

18 per cent and three wheelers by 41 per cent. The buoyancy in the automobiles sector is continuing in 1994-95. Production during April-September 1994 has registered a growth of around 25 per cent over April-September 1993.

35. The automobile sector (including the auto components sector) is a net foreign exchange earner for the country. The exports of automotive vehicles have also been going up steadily. These have gone up to Rs.1100 crore during 1993-94, as compared to Rs.737 crore during 1992-93.

36. There has been renewed interest in India amongst the world leaders in the automobiles industry. Several new joint venture agreements for the manufacture of cars have recently been signed between Indian companies and renowned car producers of the world. The tie-ups include M/s. Hindustan Motors with General Motors of USA, PAL with M/s. Peugeot of France, TELCO with Mercedes Benz of Germany, DCM Toyota with Daewoo of South Korea and Sipani Automobiles with Rovers of U.K. This is expected to provide a much more competitive environment to the industry and a wider choice to the consumer.

Fertilizers

37. As reported in last year's Economic Survey, several measures were undertaken by the Government to overcome the difficulties faced by the fertilizer sector. The measures included reintroduction of concessions for decontrolled fertilizer with some modifications, decanalization of Muriate of Potash (MOP), Mono Ammonium Phosphate (MAP) and Sulphate of Potash (SOP). At present only urea is covered under the statutory price and movement controls. The low analysis nitrogenous fertilizers, viz. CAN, Ammonium Sulphate, and Ammonium Chloride were decontrolled with effect from June 10, 1994.

38. A production target of 78 lakh tonnes was fixed for Nitrogen for 1993-94. The actual production was 72.31 lakh tonnes. The shortfall in production was mainly due to reduced gas availability, equipment problems and poor performance of two sick public sector companies. The production of phosphate in 1993-94 was 18.16 lakh tonnes, against a target of 22 lakh tonnes. The shortfall in production was a consequence of several policy changes like decontrol of phosphatic fertilizers in August 1992. Despite several concessions announced in 1993-94, farmers still have to pay a substantially higher price than what they were paying prior to the decontrol. Furthermore, under the scheme of special concessions, some of the States have fixed unremunerative prices of indigenous DAP and complexes, forcing units, at times, to sell below their cost of production.

39. During the period April-November 1994, the rate of growth of fertilizer production was 7.7 per cent for Nitrogen and 49.9 per cent for Phosphate, over April-November 1993. However the production of Nitrogen was 50.94 lakh tonnes and of Phosphate 14.44 lakh tonnes, against the target of 47.29 lakh tonnes and 10.30 lakh tonnes respectively, during the first seven month of 1994-95.

40. The availability of Urea in Kharif 1994 was, by and large, in keeping with the demand. The sale of Urea during Kharif 1994, was 7 per cent higher over Kharif 1993. The availability of decontrolled phosphatic and potassic fertilizers in the country during Kharif, 1994, was also, by and large, satisfactory. During the Kharif, 1994 season, the sale of DAP was 12 per cent higher than the corresponding period of 1993. Similarly, there was an increase of 36 per cent in the sale of MOP during this period.

Electronics

41. The rate of growth of the electronics industry was 16.6 per cent during 1992-93 and 1993-94.

42. Substantial excise-duty concessions for the television industry announced in the 1993-94 Budget resulted in a turnaround of the television industry, which recorded significant growth rate of 22 per cent in 1993, compared to a negative growth in the last four years.

43. Exports of the electronics sector increased steadily from Rs. 910 crore in 1990-91 to Rs. 1,750 crore in 1993-94. One of the areas of extreme focus for exports is computer software. This sector continued to perform strongly, growing at a rate of above 25 per cent in dollar terms. Exports of computer software reached Rs.750 crore in 1993-94, compared to Rs.220 crore in 1990-91.

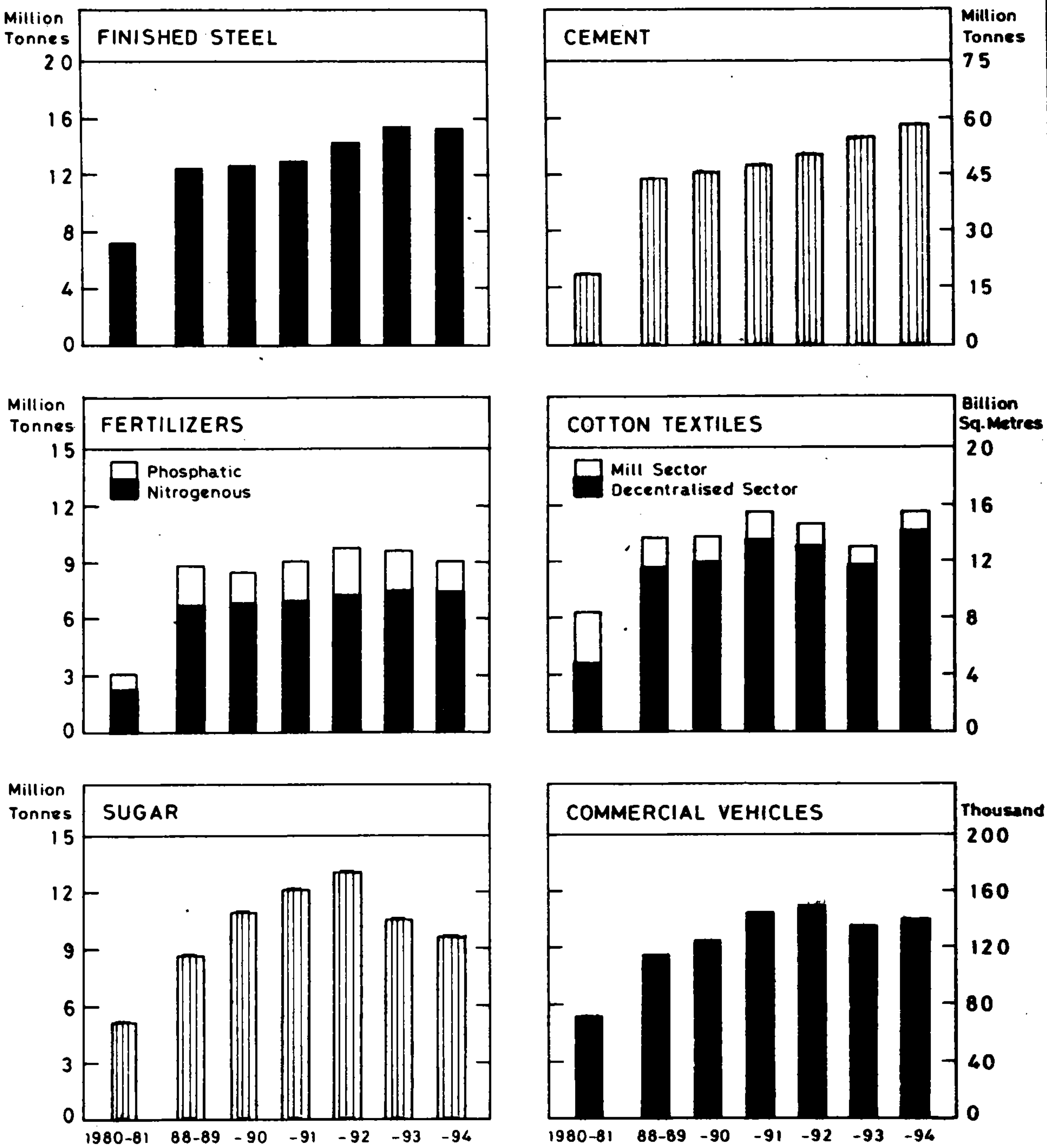
TABLE 6.9
Production of Electronics (Sectoral Break-up): 1991-92 to 1993-94

(Value in Rs. Crore)

	91-92	92-93	93-94
1	2	3	4
1. Consumer Electronics	3100	3300	4050
2. Industrial Electronics	1500	1700	1750
3. Computer Systems	870	1040	1050
4. Communication & Broadcasting Equipment	2130	2800	3150
5. Strategic Electronics	430	385	500
6. Components	1900	2200	2600
7. Free Trade zones (Hardware)	275	350	550
8. Software For Exports (including EPZ, 100% EOU)	385	575	750
Total	**10590**	**12360**	**14400**

Figure 6·3

PRODUCTION OF SELECTED INDUSTRIES



44. Under the Software Technology Park (STP) Scheme, software exporters are allowed a more flexible policy environment and are provided with certain key infrastructural amenities, such as core computers and high speed data links. All imports into STP units are completely duty free.

45. The Electronic Hardware Technology Park (EHTP) scheme is designed to attract investments for export oriented electronic production. EHTPs are duty-free areas. Since the inception of EHTPs in April 1993, proposals involving an investment of Rs. 2,000 crore have been approved under this scheme and a number of units have commenced production.

TABLE 6.10
Growth Rates of Chemicals and Petrochemicals
(Per cent)

	1990-91	1991-92	1992-93	1993-94 (Estimated)
1	2	3	4	5
1. Chemicals & Chemical products	2.8	2.7	4.6	3.7
2. Pharmaceuticals	12.6	24.7	25.4	15.0
3. Petrochemicals	17.0	10.0	22.0	21.0

Chemicals and Petrochemicals

46. The Chemicals. Pharmaceuticals and Petrochemical industries have performed well in the recent past. Table 6.10 shows trends of growth rates of production in the sector.

47. In the light of the experience gained over the years, the Government felt the need to modify the existing Drug Policy, 1991 and bring it in conformity with the Industrial Policy, 1991 and remove anomalies/aberrations observed in its working. The salient features of the modifications made in the policy announced on 15th September, 1994, are as follows:-

a) Industrial licensing for all bulk drugs and their formulations, and intermediates has been abolished, except for (i) five identified bulk drugs reserved for the public sector; (ii) drugs involving the use of recombinant DNA technology; and (iii) specific cell/ tissue targeted formulations.

b) Automatic approval of foreign investments up to 51 per cent is allowed in all drugs, their intermediates and formulations. Automatic approval for foreign technology agreements is also allowed as per the industrial policy, for all products except those produced by the use of recombinant DNA technology.

c) In the case of manufacture of drugs from the basic stage, a new price formula has been worked out.

d) It has been decided to keep drugs with an annual turnover of Rs.400 lakh or more, under price control. Consequently, the number of drugs under price control will be reduced to about 73 from the present 142, and the span of control to about 50 per cent from the present 70 per cent.

e) A Uniform Maximum Allowable Post-Manufacturing Expenses (MAPE) of 100 per cent will be allowed in all cases of drugs under price control.

f) In order to provide a more efficient mechanism for ensuring quality control and rational use of medicines, a National Drug Authority (NDA) will be set up.

g) To provide better focus to the development and promotion of Ayurvedic, Unani, Sidha, Homeopathic and other traditional systems of medicines, a separate department, will be created under the Ministry of Health and Family Welfare.

48. The petrochemical industry had to withstand pressures of low priced imports during the year, considering the world recession and excess capacity, the bulk of which came in from the Asia Pacific region. The plans of expansion of existing projects and setting up of new plants continued to be deferred due to low margins, leading to poor internal resource generation.

Textiles

49. The textile industry continues to be the largest industry in our country. It accounts for 20 per cent of total industrial output, provides employment to 20 million people and contributes nearly 30 per cent to the total value of exports.

50. In line with the general policy of liberalization, several measures have been undertaken to eliminate/ reduce controls and bring about greater transparency in the textile sector. The textile industry has been delicensed as per the Textiles (Development and Regulation) Order 1993. The current Export Entitlement Distribution Policy (Known as Quota Policy), effective from January 1994 to December 1996, aims at making the system of quotas more transparent and simple and realising increased unit values from textile and garment quotas and encourages non-quota export of garments. The Agreement on Textiles and Clothing included as part of the Final Act of GATT, provides for a dismantling of the discriminatory quota regime practised under the Multi Fibre Arrangement (MFA), within a definite time span of 10 years.

51. The Indian textile industry continues to be predominantly cotton based, with about 70 per cent of raw materials consumed being cotton. The production of cotton during the 1993-94 cotton season was lower by 10 per cent than in 1992-93. The year started favourably, but because of a pest attack in the Northern

TABLE 6.11
Production of Fabrics

(Million sq.Mtrs.)

Sector	1989-90	1990-91	1991-92	1992-93	1993-94	April-November 1993-94	1994-95(P)
1	2	3	4	5	6	7	8
Mills	2677	2589	2376	2000	1990	1337	1225
Powerlooms[1]	14007	16044	16089	17826	19631	12892	13055
Handlooms	3924	4295	4123	5219	5851	3826	3706
Total	20608	22928	22588	25045	27472	18055	17986
Share in output (Per cent)							
Mills	12.95	11.29	10.52	7.98	7.24	7.41	6.81
Powerlooms[1]	68.00	69.98	71.23	71.18	71.46	71.40	72.58
Handlooms	19.05	18.73	18.25	20.84	21.30	21.19	20.60
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

(P) : Provisional [1]*Incudes hosiery*

States and crop damage in Pakistan and China, an unexpected shortage in availability of cotton was reported. The cotton year 1993-94 witnessed an abnormal, increase in the prices of cotton from November 1993. However, several steps taken by the Government such as allowing imports of specified quantities (like permitting stipulated imports of viscose staple fibre cotton at zero or concessional rates of duty) and tightening of selective credit control measures for cotton, helped to contain the rise in cotton prices.

52. Table 6.11 brings out the trend in fabric production and the share of mills, powerlooms and handlooms in total fabric production. There was a marginal decline in the share of the mill sector in fabric production.

53. Fabric production recorded an increasing trend over the years, except for a marginal setback in 1991-92. Total fabric production in 1993-94 was higher by 9.7 per cent than in 1992-93. Production of fabrics during April-November 1994 decreased by 0.4 per cent over April-November 1993. Production of spun yarn was almost entirely in the organised sector and showed a steadily increasing trend over the years, except for a marginal set back in 1991-92. Production of spun yarn increased by 9.1 per cent in 1993-94 but showed no change in April-November, 1994. The production of spun yarn by small scale units at 75 million kgs during 1993-94 now forms a significant part of total production.

TABLE 6.12
Production of Spun Yarn

(Million Kg.)

Year	Cotton Yarn	Blended Yarn	100% Non-Cotton Yarn	Total
1	2	3	4	5
1989-90	1372	173	107	1652
1990-91	1510	207	107	1824
1991-92	1450	234	122	1806
1992-93	1523	247	125	1895
1993-94	1622	305	140	2067
April - November				
1993-94	1078	198	92	1368
1994-95(P)	1039	223	105	1367

(P) : Provisional

54. The production of man-made fibres at 455.3 million kg. registered an increase of 19.2 per cent in 1993-94. Production during April-August, 1994 was 185.6 million kg., as against 177.1 million kg. in April-August 1993, recording an increase of 4.8 per cent. The production of man-made filament yarn also recorded an increasing trend over the years.

55. The export of textiles has been increasing at a fast rate during the last few years. During 1993-94, total exports of textiles (including coir, jute and handicrafts) was estimated at Rs.25,011 crore registering an increase of 30.9 per cent over 1992-93. Among the various items of textiles, ready-made garments achieved a growth rate of 31.7 per cent, cotton textiles (mill-made, powerlooms and handlooms) 29.6 per cent, silk textiles 7.5 per cent, man-made fibre textiles 28.4 per cent, woollen textiles 43.1 per cent, handicrafts 39.8 per cent, jute goods 5.7 per cent and coir goods 32.2 per cent. Exports of cotton yarn had also increased by 37.9 per cent in 1993-94.

Food Processing

56. The food Processing Industry encompasses industries like fruit & vegetable processing, milk, fish, and meat. The industry has a tremendous potential for increasing agricultural productivity, providing significant and widespread employment and contributing substantially to exports. And all this, using relatively simpler technology.

57. To encourage private sector initiative in food processing, the Government has taken several steps.

TABLE 6.13
Growth of Food Processing Industries
(percentage increase over previous year)

	1990	1991	1992	1993	1994[1]
1	2	3	4	5	6
Processed fruits & vegetables	5.9	14.3	28.6	30.3	20.0
Milk products	-2.4	-1.2	8.6	4.1	12.3
Fish products[2]	4.6	8.3	5.0	7.1	1.5

Exports of Processed Food Items
(Rs Crore)

	1990-91	1991-92	1992-93	1993-94
Processed fruits & vegetables	122.5	193.9	263.0	332.4
Milk products	2.48	11.18	8.37	14.14
Fish products	893.4	1375.9	1767.4	2503.6

[1]*Projected* [2]*Relates to financial year*

Union Excise duty on fruit and vegetable products was withdrawn in the 1991-92 Budget. Foreign equity participation up to 51 per cent and foreign technology agreements are provided automatically. There are no entry barriers in the food processing industry. Changes in Export Import Policy and the liberalized exchange rate have also helped the sector.

58. Recent trends of production and exports of various segments of the industry show an impressive performance. This is largely the outcome of policy initiatives undertaken for the sector.

59. Incidence of duties on packaging material and various state levies are still considered to be impediments for further growth of the fruit & vegetables sector. Despite an impressive increase, in recent years, the commercial processing of fruits & vegetables has been barely 1.2 per cent of the total production.

Leather

60. A number of policy initiatives have been taken by the Government to encourage value added exports of leather products. Imports of raw materials and machinery have been liberalised. Manufacture of finished leather has been delicensed with effect from 28 April, 1993. The domestic manufacture of components for the shoe industry is being encouraged through measures like promoting joint ventures, and duty rationalisation on inputs required for the manufacture of such components.

61. 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. The Council for Leather Export has launched an image building programme (Leather Blitz) in the US market for boosting exports of value added leather products. This is one of the components of the National Leather Development Programme.

62. 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 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.

TABLE 6.14
Small Scale Industries - Number, Output, Employment and Exports

Year	No. of units (in lakh) (As on 31st December)	Output at current prices (Rs. crore)	Employment (in lakh)	Exports (Rs. crore)
1	2	3	4	5
1991-92	20.82	178699	129.80	13883
1992-93	22.35	209300	134.06	17785
	(7.3)	(17.1)	(3.3)	(28.1)
1993-94	23.84	241648	139.38	24000[1]
	(6.7)	(15.5)	(4.0)	(34.9)

[1]*(Rough estimate)*
Note: Figures in brackets give percentage increase over previous year.

63. India's export of leather and leather products in the period April-September, 1994 was estimated at Rs.2089.6 crore, as against Rs.1945.5 crore during April-September 1993.

Small Scale and Village Industries

64. The number, employment, output and exports in the small scale sector as estimated by the office of the Development Commissioner, Small Scale Industries, are given in Table 6.14.

65. In real terms, the Small Scale Sector recorded a growth rate of 7.1 per cent in 1993-94, as against 5.6 per cent in 1992-93, and 3.1 per cent in 1991-92. These rates were significantly higher than the growth rates achieved by the industrial sector as a whole.

66. The Small Scale Sector contributes 40 per cent to the gross turnover in the manufacturing sector and 35 per cent of total exports. Several policy initiatives have been undertaken to assist the small scale sector

and enhance its competitive strength. The measures include:

— A new scheme of Integrated Infrastructural Development was launched recently to strengthen infrastructural facilities in 50 centres in rural and backward areas.

— The concessional rate of excise duty available for units with a turnover of Rs. 30 lakh to 75 lakh per annum was extended to the non-registered sector also.

— A Quality Certification Scheme was launched in 1994 to improve the quality standards of SSI products which are to be assisted by awareness programmes and financial support to acquire ISO 9000 or similar international quality standards.

67. Modifications were effected in the 'Single Window Scheme' operated by SIDBI. The project outlay under the scheme was raised from Rs. 30 lakh to Rs. 50 lakh as a whole, removing sub-limits for working capital and term loan components.

68. The Reserve Bank of India has accepted most of the recommendations of the Nayak Committee and has issued necessary guidelines. These include the following:

(a) To give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirements of the sector.

(b) To prepare annual budgets on 'bottom up' basis to ensure that the legitimate requirements of the SSI sector are met in full.

(c) The 'Single Window Scheme' should be extended to all districts.

69. A new Entrepreneurship Development Institute has been set up in Guwahati, Assam, for improving the entrepreneurial base for the North Eastern Region.

Khadi and Village Industries

70. Presently, KVIs produce output valued at Rs.3,490 crore and provide employment of 55.50 lakh persons. The Government of India has been extending infrastructural and input support to the sector. The policy package consists of supply of raw materials at reasonable prices, upgradation of technology and productivity through research programmes, training for artisans, flow of concessional and adequate institutional credit. Recently, the Government of India had appointed a High-Powered Committee under the Chairmanship of the Prime Minister and the Committee has already submitted its report. An Action Plan incorporating its major recommendations has been formulated and launched on October 2, 1994. With the implementation of the Action Plan, the sector will get a boost with a quantum jump in production and employment.

Industrial Sickness

71. Table 6.15 brings out the number of sick units (both in Small Scale and Non-Small Scale Sector) and the amount outstanding against them. At the end of September, 1992, there were 2.36 lakh sick or weak units. Of these, 2.33 lakh units were in the small scale sector. The amount outstanding has increased from Rs.11,533 crore at the end of March, 1992 to Rs.12,586 crore at the end of September, 1992, showing an increase of 9.1 per cent. Although small scale industries accounted for 98.7 per cent of total sick or weak units

TABLE 6.15
Industrial Sickness

(Rs. crore)

	Number of Units			Amount Outstanding		
	End March 1991[1]	End March 1992[1]	End Sept. 1992	End March 1991[1]	End March 1992[1]	End Sept. 1992
1	2	3	4	5	6	7
1. SSI Sick Units	221472	245575	233441	2792	3101	3346
2. Non-SSI Sick Units	1461	1536	1599	5106	5787	6805
3. Non-SSI Weak Units	876	813	828	2870	2646	2436
Total	223809	247924	235868	10768	11533	12586
	Change over previous year/half year - percent					
1. SSI Sick Units	1.2	10.9	-4.9	15.0	11.1	7.9
2. Non-SSI Sick Units	0.4	5.1	4.1	12.5	13.3	17.6
3. Non-SSI Weak Units	7.6	-7.2	1.9	20.3	-7.8	-7.9
Total	**1.2**	**10.8**	**-4.9**	**15.1**	**7.1**	**9.1**

[1] *Percentage change over December 1988.*

at the end of September 1992, their share in aggregate locked in bank credit was only 26.6 per cent.

72. Since inception, up to the end of September 1994, Bureau of Industrial and Financial Reconstruction BIFR received 2207 references under Section 15 of Sick Industrial Companies Act (SICA). Of these, 1602 references were registered for further action under the provisions of the Act. Of the 1602 references, 334 were dismissed as not maintainable, revival schemes were sanctioned or approved in respect of 463 cases and 343 cases were recommended to the concerned High Courts for winding up under the provisions of the Companies Act. 10 references were dropped as the net worth of the company became positive during the course of the inquiry. A recent study of the revival schemes under implementation, reveals that about 22 per cent of the cases are on the road to revival, in about 20 per cent cases it is too early to form an opinion and the progress is not satisfactory in the remaining 36 per cent.

73. As a result of the steps taken by BIFR to streamline internal procedures, it was possible to reduce the time taken between registration of a case and its first hearing. The average time taken during 1994 for the first hearing was 63 days, against an average of over 160 days in the first 5 years. The time taken for deciding cases was also considerably reduced from 700 days in the first 5 years of the functioning of the Board, to 187 days in 1993.

74. Barring cases held up due to stay by High Courts, all references registered in BIFR during 1987 stand disposed. The pending cases of 1988, 1989 and 1990 (barring those stayed by courts) number 4,5 and 9 respectively. These have either reached the penultimate stage, or are in an advanced stage of processing.

Statistics relating to status on PSU cases are given in Table 6.16.

75. Delay in disposal of cases of PSUs has been due, inter alia, to inadequate information furnished by PSUs, non-availability of final views of the Central/State Governments, and the complexity of the cases.

TABLE 6.16
Status of PSU cases referred to BIFR

	Central	State	Total
1	2	3	4
References registered	54	66	120
Dismissed as not maintainable	2	20	22
Revival scheme sanctioned	4	7	11
Winding up recommended to the concerned High Court	2	5	7
Stayed by Courts	5		5

Outlook

76. There has been a distinct improvement in the industrial sector during 1994-95, with significant improvement by capital goods and consumer durables. The capital goods sector, which had been performing poorly since 1992, has shown a complete turn around, with a growth of 21.7 per cent in April-October 1994. The industrial recovery has also been broad based and only a few sub-sectors such as Railway Wagons, Jute Manufactures, Jeeps, Graphite Electrodes & Anodes, Machine Tools, Ship Building, Caustic Soda and Diesel Engines still show negative growth rates. The industrial recovery and the strong growth has been made possible by several policy initiatives taken by the Government, including extension of MODVAT to more sectors, further rationalisation and reduction of custom duties, reduction of corporate taxes and elimination of Government control over interest rates. The upsurge has also been facilitated by significant initiatives taken by State Governments in the reform process and implementation of the new industrial policy.

77. There are no major supply bottlenecks. The demand has picked up in a significant way. The dynamism and potential manifested by industry suggests with certainty that the high growth rates will be maintained and even go up in future. The year 1994-95 is expected to end with an industrial growth rate of above 8 per cent.