

Chairman's Address

by

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Minister of Textiles

before

**Meeting of Parliamentary
Consultative Committee**

5th November, 2009

at

New Delhi

My colleague Tmt. Panabaka Lakshmi, Minister of State
for Textiles

Members of the Parliamentary Consultative Committee,

Tmt. Rita Menon, Secretary (Textiles),

Officers of the Ministry of Textiles,

At the outset, I extend a warm welcome to the Parliamentarians to the maiden meeting of the Consultative Committee of my Ministry in the Current UPA Government. Having recognized the significance of the textiles sector, I have brought two critical subject matters before the committee in today's agenda namely **'The Technology Up gradation Fund Scheme (TUFS) and National Textile Corporation (NTC)'**.

The TUFS was commissioned on 1st April, 1999 initially for a period of five years to sustain and improve competitiveness and overall long term viability of the textiles industry by way of providing impetus to modernization of technology, and to facilitate its access

to timely and adequate capital at internationally comparable rates of interest. It was subsequently extended till March 31, 2007. The Scheme in its current avatara was approved for the current 11th five year plan period in 2007 till March 31, 2012.

The Government, under the Scheme, reimburses 5% of the interest charged by banks and financial institutions (4% for spinning sector), thereby ensuring competitive credit availability for textiles units for acquisition & up gradation of technology. Besides, the Scheme provides for 15% margin money subsidy in lieu of 5% interest subsidy for Small Scale Units engaged in textiles and jute sectors, 20% margin money subsidy in lieu of 5% interest support for decentralized power loom units for investment in TUFs compatible machinery. For specified machinery required for processing, garments and technical textiles segments, the Scheme provides 10% capital subsidy, besides 5% interest subvention for specified machinery. The Scheme covers all the segments of textiles sector.

During its initial years, the progress of the Scheme was moderate, and it gained momentum from 2004-05 onwards. From its inception till June 30, 2009, under the Scheme, **25,809 projects have been received by designated financial Institutions and banks** , out of which **25,809 have been sanctioned and a sum of Rs. 66,275 crore credit has been disbursed. The total budgetary support so far has been Rs. 8735.4 crore.**

The Scheme has stimulated additional **investments of Rs.1,79,834 crore; benefited 25,809 textiles units, including 18,266 small scale units;** enabled the textiles industry to successfully face challenges of global competition; reduced the cost of capital for acquisition of the state- of- the- art technology by 5%; ignited growth of processing, garmenting and technical textiles sectors by extending 10% capital subsidy; assisted the power loom units by extending 20% margin money subsidy and empowered the small scale sector with 15% capital subsidy.

We had got evaluated the Scheme by outside agencies, which have shown improvement in productivity, quality, unit value realisation, export turnover and profitability of the textiles units which have availed benefit under the Scheme. The entire textiles value chain from cotton ginning and pressing till the clothing / made-up stage has availed of benefit under TUFS. The composite upgradation, spinning, processing and weaving segments are the major beneficiaries of TUFS.

The textiles units located in almost all the States have availed of the benefit under TUFS. The States of Tamil Nadu, Punjab, Gujarat, Maharashtra and Rajasthan are major beneficiaries of the Scheme, because these States have potential textiles growth centres where textiles related activities have been carried out historically.

The popularity of the Scheme can be assessed from the fact that the allocation on account of interest support was Rs. 485 crore in 2005-06,

Rs. 824 crore in 2006-07, and Rs. 945 crore in 2007-08, which was subsequently increased to Rs. 1,198 crore at Revised Estimates stage Rs. 1,090 crore was provided for 2008-09.

This year we had made a provision of Rs. 2,890 crore. We had released subsidy of Rs 2,546 crore under the Technology Upgradation Fund Scheme on August 06, 2009. **This is for the first time that such a large amount of subsidy has been released in a single tranche and the amount was credited to the bank accounts of beneficiaries in the record time of 72 hours, that is 3 working days.** The subsidy, to a large extent, with this release, had been cleared upto June 30, 2009. To clear the backlog till December 2009 we will require an additional sum of Rs. 1,884 crore at Revised Estimates stage 2009-10.

As regards the second item of today's agenda, I am happy that National Textile Corporation (NTC), with the active support of the Government, has come out of the red and is charting a new course. It is a thing of the past when NTC brand was synonym with obsolete

technology, and financial problems. The revival and modernization of NTC mill has been due to the **Revival Scheme, approved in 2006 by Bureau of Industrial and Financial Reconstruction (BIFR) involving an amount of Rs. 5,267 crore.** The Scheme envisages sale of idle assets and land. The Company has garnered Rs. 4,034 crore mainly through the sale of assets of closed mills.

The Scheme envisages revival of 43 mills, of which 24 mills are being modernized by NTC itself and 19 mills are being modernized through **Public Private Partnership (PPP) mode.** **NTC has completed modernization of 17 mills, and the modernization of 18th mill, i.e., Cannanore Spinning and Weaving mills, Kannur, Kerala will be completed soon.** The company is engaged in the bringing in three Greenfield Composite Mills one each in the States of Karnataka, Maharashtra and Gujarat. NTC has so far spent Rs. 663 crore towards modernization.

My Ministry will make all out efforts to turn NTC into a profitable enterprise by means of enhanced capacity utilization (upto 80%), reduction of idle wages and launching of aggressive marketing initiatives. I am happy to share with Members of the Consultative Committee that NTC, with the active support of the Government, has come out of the red and is charting a new course, and has drawn an ambitious plan **to achieve a turnover of Rs. 2,014 crore by 2014 from the current turnover of Rs. 524 crore during 2008-09.** NTC intends to evolve from a spinning company into an integrated textiles company with spinning, weaving, processing and garmenting facilities.

Out of the modernized mills, you may be aware, I have recently inaugurated four mills at Coimbatore, viz., Cambodia Mill, Coimbatore Murugan Mill, Pankaja Mill and Sri Rangavilas Mill. These modernized mills will manufacture high quality clothing to cater to the needs of the public and institutional buyers, who includes Public Sector Undertakings and Government

Departments. **I am happy to share with you that in the coming days, we will inaugurate three modernized mills of NTC at Mumbai, Five mills in Kerala at Trissur, Thiruvanthapuram and Kannur and one mill in Mahe in Puducherry.**

The Corporation is also focusing on downward linkages and re-energizing its 93 retail outlets and making **efforts to capture institutional sales to achieve the status of nation's clothier and provide on opportunity to consumer to identify with its products. I hope with these measures the Corporation will progressively reduce its dependence on the Government, and create a niche for itself in the market.**

My Ministry has taken initiatives for promoting Technical Textiles. Keeping in view the vast scope of growth in Technical Textiles, the NTC had been asked to exploit the opportunities in this area, and **NTC is going to set up a Technical Textiles unit in its existing mills at Coimbatore.**

May I request the Members to take the floor and enlighten us with your valuable suggestions.

Thank you.
