CHAPTER-III

ORGANISED TEXTILE MILL INDUSTRY

Cotton / Man-made Fibre Textile Mill Industry is the single largest organised industry in the country employing nearly 10 lakh workers. Besides, there are a large number of ancillary industries dependent on this sector such as those manufacturing various machineries, accessories, stores, ancillary and chemicals. Even on a modest assumption that a worker's family comprises five persons, the direct dependents on the organised textile mill industry itself work out to about 50 lakh. The salient aspects of this industry are discussed in the following paragraphs.

Capacity: The Indian Textile Industry has recorded a significant growth during the last decade. The growth has been entirely due to increase in spinning mills from 873 in 1993 to 1599 units in March 2003, with the spinning capacity in the organised sector increasing from 28 million spindles to 36 million spindles, registering an addition of 8 lakh spindles per annum.

During 2003-2004 due to closure of 92 mills (34 spinning and 58 composite mills) the spindelage capacity has decreased to 34.02 million (P) from 35.75 Mn. in 2001-02 the number of the rotors have decreased to 3.83 lakh (P) from 4.09 lakh in 2001-02 and the loomage capacity has decreased to 0.88 lakh (P) from 1.24 lakh in 2001-02 . The capacity figures of spinning and weaving sectors of the industry for the years 2001-02, 2002-03 and 2003-04 are as under:

Table - 3.1
GROWTH IN CAPACITY IN THE ORGANISED MILL SECTOR
(Cotton man-made/fibre textile mills-Non-SSI)

Year Ending	No. of Mills			Installed Capacity		
	Spg	Comp.	Total	Spindles (Mn.)	Rotors ('000)	Looms ('000)
31/03/2002	1579	281	1860	35.75	409	123
31/03/2003	1599	276	1875	36.10	379	119
31/03/2004	1564	223	1787	34.02	383	88

Note: *During December 2003, 92 mills (34 spg and 58 composite mills) with a capacity of 2.48 million spindles, 4.97 thousand rotors and 29.61 thousand looms, which have become non-existent, have been deleted from records, resulting in reduction in number of mills and installed capacity.*

As on 31.03.2004, there were 1787 Cotton/Man-made- fibre textile mills out of which 1564 were spinning mills and 223 were composite mills with spindelage capacity of 34.02 million, rotors. 0.38 million and loomage 0.08 million units.

Capacity Utilisation: The capacity utilisation in the spinning sector of the organised textile mill industry ranged between 85% to 83% during 2000-2001 to 2003-04 while the capacity utilisation in the weaving sector of the organised textile mill industry ranged between 47% to 53% during 2001-2002 to 2003-04. The figures of capacity utilisation in cotton / man-made fibre textile mills during 2000-01, 2001-02, 2002-03 and 2003-2004 are as under:-

Table 3.2
CAPACITY UTILIZATION IN THE MILL SECTOR
(Cotton/Man-Made Fibre Textile Mills-Non-SSI & SSI)

Year	Installed Spindles Nos. (in million)	Percentage Utilization	Installed Looms Nos. (In thousand)	Percentage Utilization
2000-01	37.91	85	123	47
2001-02	38.32	82	123	42
2002-03	39.03	80	119	41
2003-04	37.03	83	88	53

Note: In the month of December 2003, 34 spining mills and 58 composite mills have been deleted from the list, resulting in decrease in installed capacity.

Shop Floor of a Modern Textile Mill.

Production of Spun Yarn: The production of spun yarn decreased from 3160 million kgs in 2000-01 to 3051 million kgs in 2003-2004. In the year 2002-2003 the production was 3081 Mn.Kgs. The short fall in production in 2003-04 is due to general strike in April 2003 as well as closure of powerloom units. The data given below includes the production of yarn from SSI spinning sector as well. The contribution from the SSI sector is about 8% of the total spun yarn production. The production of spun yarn (including SSI units) during the last three years along with anticipated figures for the current year is as follows:-

Table 3.3
PRODUCTION OF SPUN YARN

(Million Kg.)

Year	Cotton Yarn	Blended Yarn	100% Non-Cotton Yarn	Total Yarn
2000-01	2267	646	247	3160
2001-02	2212	609	280	3101
2002-03	2177	585	319	3081
2003-04(P)	2120	590	341	3051

P- Provisional

The pattern of production of cotton yarn during the last three years is as follows:

Table 3.4
COUNT WISE PRODUCTION OF COTTON YARN

(Million Kg.)

Count Group	2000-2001	2001-02	2002-03	2003-04(P)
1-10s	521	524	459	437
11-20s	469	439	445	405
21-30s	479	456	476	494
31-40s	561	548	533	518
41-60s	146	147	161	160
61-80s	52	61	61	63
81s- & above	39	37	42	43
Total	**2267**	**2212**	**2177**	**2120**

P- Provisional.

SICKNESS/CLOSURE OF TEXTILE MILLS

As on 31.03.2004 there were 1787 mills, consisting of 1564 spinning mills and 223 composite mills. Out of this, 468 cotton/man-made fibre textile mills (374 spinning and 94 composite) with an installed capacity of 9.3 mn. spindles, 83 thousand rotors and 51.5 thousand looms were reported to be closed.

The incidence of sickness and closure in the organised textile industry is a matter of concern. One main reason of sickness is structural transformation resulting in the composite units in the organised sector losing ground to powerlooms in the decentralized sector due to latter greater cost effectiveness. The other causes of sickness/ closure of the industry include low productivity due to lack of modernisation, stagnation in demand and inability of some units to expand in the export market, increase in the cost of inputs, difficulties in getting timely and adequate working capital, etc. The details of closure of cotton /man-made fibre textile mills during the last three years is given below:

Table 3.5

CLOSURE OF COTTON / MAN-MADE FIBRE MILLS IN TEXTILE INDUSTRY

Year /Month end	No. of Mills			Installed Capacity			Employees on roll ('000)
	Spg	Comp.	Total	Spindles ('000)	Rotors (No.)	Looms ('000)	
2000-01	262	121	383	8964	46012	690	344
2001-02	295	126	421	9459	59712	710	362
2002-03	349	134	483	10699	66936	741	390
2003-04(P)	374	94	468	9391	83000	515	329

Note: *During December- 03, 92 (34 spg. and 58 comp.) mills were closed and those mills have been removed from the mill list considering the fact that 46 of them have sold out their land and machinery and 46 were permanently closed under I.D. Act.*

PRODUCTION OF CLOTH & EMPLOYMENT GENERATION

The weaving capacity in the organised mill sector had been stagnant for a number of years. The production of cloth in the mill sector in 2003-2004 is provisionally estimated at 1433 mn. sq.mtrs. as compared to 1670 mn. sq. mtrs. in 2000-2001. The data on production of cloth in the mill sector, the handloom sector, hosiery sector & the powerloom sector during the past three years may be perused in the table below. The employment figures in cotton/ man-made fibre textile industry as on 31.08.2003 was 10 lakh.

Table 3.6

PRODUCTION OF FABRICS IN DIFFERENT SECTORS

Mill Sector **(Mn. Sq. Mtrs.)**

	2000-2001	2001-2002	2002-03	2003-04 (P)
Cotton	1106	1036	1019	968
Blended	332	296	263	253
100% Non Cotton	232	214	214	212
Total	**1670**	**1546**	**1496**	**1433**

Handloom Sector				(Mn. Sq. Mtrs.)
	2000-2001	**2001-2002**	**2002-03**	**2003-04 (P)**
Cotton	6577	6698	5098	4540
Blended	111	95	118	116
100% Non Cotton	818	792	764	862
Total	**7506**	**7585**	**5980**	**5518**

Decentralized Powerloom Sector				(Mn. Sq. Mtrs.)
	2000-2001	**2001-2002**	**2002-03**	**2003-04 (P)**
Cotton	6584	6473	6761	6378
Blended	5071	5025	4695	4700
100% Non Cotton	12148	13694	14498	16180
Total	**23803**	**25192**	**25954**	**27258**

All Sectors				(Mn. Sq. Mtrs.)
	2000-2001	**2001-2002**	**2002-03**	**2003-04 (P)**
Cotton	19718	19769	19300	18062
Blended	6351	6287	5876	6077
100% Non Cotton	13606	15334	16135	17907
Total	**39675**	**41390**	**41311**	**42046**
Khadi, Wool & Silk	**558**	**644**	**662**	**662**
Grand Total	**40233**	**42034**	**41973**	**42708**

P= Provisional

TEXTILE WORKERS' REHABILITATION FUND SCHEME

To provide interim relief to textile workers rendered unemployed as a consequence of permanent closure of any particular portion or entire textile units the Textile Workers' Rehabilitation Fund Scheme is in operation with effect from 15th September, 1986. The Textile Commissioner administers the Scheme through his regional offices. Assistance under the Scheme is payable to eligible workers only for the purpose of enabling them to settle in another employment. Such assistance is not heritable, transferable or capable of being attached on account of any other liabilities of the worker. The worker's eligibility shall cease if he takes up employment in another registered or licensed undertaking. The rehabilitation assistance will not be curtailed if the worker fixes himself in a self-employment venture. Relief under the Scheme is available only for three years on a tapering basis but will not extend beyond the date of superannuation of any worker. The worker is entitled to get relief:-

(a) to the extent of 75% of the wage equivalent in the first year of the closure of the unit;
(b) to the extent of 50% of the wage equivalent in the second year; and
(c) to the extent of 25% of the wage equivalent in the third year.

Any workers would be eligible for relief provided he/she has been engaged in a closed textile unit on the date of its closure continuously for five years or more and earning a wage equivalent of Rs. 2500 per month or less for the mills closed between 06.06.1985 to 05.02.2002 and Rs.3500 or less thereafter. They should be contributing to provident fund maintained by the Regional Provident Fund Commissioner concerned.

Table 3.7
Progress of the Scheme

Year	No. of workers	Amount paid (in crore)
2001-02	5934	15.93
2002-03	980	4.10
2003-04	343	1.11
Since inception of the Scheme upto 31.03.2004	72460	164.84

Package for the Organized Textile Industry

The Government of India, through Banking Division, Ministry of Finance has announced a package for restructuring of high cost debts of textile units in the organised sector. The salient features of the package are as follows:-

a) Parameters determining the eligibility of units

- The package would be applicable to all units in the organized sector with a minimum debt exposure of Rs. 2 crore.
- Technical viability will be assessed by the designated technical agencies.
- Units should have positive Earning before Interest, Depreciation, Tax, and Amortization (EBIDTA) in three out of last five years.
- The post-restructuring debt service coverage ratio should be at least 1:1.33. However, the time by which it may be achieved has been left to the lender to decide.

b) Nature of Relief

- The scheme would have a tenure of five years
- Banks/FIs will be permitted to access external commercial borrowings (ECBs) and convert Rupee Term Loans into Foreign Currency Loans
- ECB borrowings by Banks/FIs will be permitted for 5 years

- The recipient units would pay interest at the targeted rate of 8% to 9% on rupee loan basis.
- The repayment of loans is not restricted to the five years in the scheme. The period of repayment may extend beyond 5 years but ECB will be permitted only for 5 years.
- The conversion of working capital into working capital term loan would be decided by the lenders. The rate of interest on working capital loans would follow the internal guidelines of the lender bank/FI.
- Accumulated liquidated damages and penal interest would be waived
- Accumulated interest liability would be frozen and converted into zero coupon bonds payable after five years in installments or at one time, as negotiated between the lender and borrower.

c) General guidelines for the scheme

- In cases of adverse debt equity ratio, the promoters should be willing to write down equity.
- A Personal guarantee of the promoters as in Steel would be a precondition for restructuring.
- RBI will consider classifying such restructured accounts as standard assets.
- Willful defaulters will not be eligible for the scheme
- Healthy textile units, that are able to service their loans, will be provided assistance under the Technology Upgradation Fund Scheme to become even more competitive.

Technical agencies to assess technical viability of the units seeking assistance under the package

- The following Textile Research Associations (TRAs) have been designated for assessing the technical viability of the units eligible under the Scheme:-

(i) South India Textile Research Association (SITRA), Coimbatore, Tamilnadu

(ii) Bombay Textile Research Association(BTRA), Mumbai

(iii) Ahmedabad Textile Industry Research Association(ATIRA), Ahmedabad

(iv) Northern India Textile Research Association(NITRA), Ghaziabad

(v) Synthetic and Art Silk Mills Research Association(SASMIRA), Mumbai

(vi) Man-made Textile Research Association(MANTRA), Surat

- To assess the financial viability and the debt restructuring package, banks/financial institutions or units would be free to appoint consulting organisations such as Pricewaterhouse Coopers (Pwc), Ernst and Young Pvt.Ltd., CRISIL, KSA Technopack, Deloitte Haskins & Sells, SBI CAPS, KPMG

Consulting Pvt.Ltd. etc as per their own assessment and decision.

TECHNOLOGY UPGRADATION FUND SCHEME

The Government of India through Ministry of Textiles has launched a Technology Upgradation Fund Scheme (TUFS) for the Textile and Jute Industries, which is in operation since 01.04.1999 and has been extended up to 31.03.2007.The scheme provides a reimbursement of 5% point on the interest charged by the lending agency on Rupee Term Loan (RTL) and exchange rate fluctuation /forward cover premium limited to 5% for Foreign Currency Loan (FCL) availed for a project in conformity with the scheme. With effect from 1.1.2002, an option has been provided to small-scale textile and jute industry to avail of either 12% credit linked capital subsidy or the existing 5% interest reimbursement. For small scale powerloom units, with effect from 6.11.2003, an additional option of credit linked 20% capital subsidy for powerloom and weaving preparatory machinery has been allowed, upto a cost of Rs. 60 lakh, with the facility to obtain credit from an enlarged credit network that includes all cooperative banks and other genuine non-banking financial companies (NBFCs) recognized by the Reserve Bank of India. Nodal agencies for the scheme are as follows: -

- For the Textile Industry (excluding SSI sector) : IDBI
- For the SSI textile sector* : SIDBI
- For Jute Industry : IFCI

* Cotton ginning & pressing weaving knitting, processing & garmenting manufacturing

Table 3.8

Progress of TUFS

(Rs. in Crores)

Year	No of applications received	Total project cost	Sanctioned		Disbursed	
			No. of applications	Amount	No. of applications	Amount
As on 31.10.04	2959	19159	2709	7399	2299	5199
2000-01	719	6341	616	2120	494	1860
2001-02	472	1900	444	629	401	804
2002-03	494	1835	456	840	411	931
2003-04	867	3356	884	1340	814	856

PROCESSING SECTOR

The textile-processing segment of the Indian textile industry is highly fragmented. However, it can broadly be divided into four segments: -

(i) Hand processing units.

(ii) Hand processing units with certain exempted power processes.

(iii) Independent power processing units.

(iv) Processing facilities attached to composite or semi-composite mills.

In hand processing units and in hand processing units with certain exempted power processes, the production is most unscientific and unsystematic. There is a limit to which improvement in quality can be achieved. The shop floor personnel available in such processing units do not have scientific knowledge of dyes, chemicals, machines and processes and have acquired the knowledge by experience only. The purchase of dyes and chemicals is guided by the ready availability and cost criteria, facilitating entry of sub-standard dyes and chemicals, which affect the quality adversely. The culture for quality and improved work practices is almost absent. The independent power processing units are characterized by low and medium level of technology with a few units having state-of-the -art technology machines. The advance technology independent processing units are more or less equipped to cater to the higher segment of the market. The processing units attached to composite mills which have been set up recently, have more or less high level technology machines with qualified technical personnel, adequate in-house testing facilities, reasonable work and quality culture and are able to cater the needs of upper segment and export market. Government has identified processing as a critical segment and under the National Textile Policy envisages:-

- Setting up of modern processing units, which would meet the international quality and environmental norms.
- Expansion of the network of CAD/CAM, computerized color matching and testing facilities, particularly in the clusters of the decentralised textile centers.
- Extending necessary support to individual units in achieving ISO 9000 (quality) and ISO - 14000 (environment) standards
- Giving a thrust to development of eco-friendly dyes, including natural and vegetable dyes and on energy conservation.

Environmental issues are increasingly dominating over the textile processing industry, world over. In view of this and as per mandate of National Textile Policy, the important steps taken by Government to boost the high-tech investment in processing sector include:-

(i) Technology Upgradation Fund Scheme launched by Government of India on 1st April, 1999, envisages

boosting investment in high-tech processing units, by providing 5% interest reimbursement on TUF loans.

(ii) The rate of depreciation for investment in high-tech processing machines has been increased from 25% to 50%.

(iii) The import duty on specified hi-tech processing machines has been brought down to 5%. The import of such machines is permitted under OGL.

(iv) Hi-tech processing machines are permitted under zero duty EPCG Scheme.

(v) Higher weightage has been provided for consideration of investment in hi-tech processing machines for allotment of Manufacture Exporters Entitlement (MEE) quota for yarn and fabrics. For New Investors Entitlement (NIE Quota) for garment exporters also inter-alia, the investment in hi-tech garment processing machines is considered.

In order to take care of quality requirements and facilitate eco-friendly production of processed fabric, eco-testing and quality testing facilities have been created throughout the country with an investment of over Rs.60 crore so far, so that the testing facilities are available within the reach of majority of manufacturers/exporters of textiles and textile items.