CHAPTER I

HIGHLIGHTS

![Conference of State/UT Ministers & Secretaries incharge of Textiles - 10th April 2001](image)

From Left: Smt. Kiran Dhingra, Joint Secretary, Shri Anil Kumar, Secretary (Textiles), Shri Kashiram Rana, Minister for Textiles, Shri V. Dhananjay Kumar, Minister of State for Textiles, Shri Arun Gupta, Additional Secretary & DC (Handlooms), Shri B.C. Khatua, Textiles Commissioner and Smt. Tinoo Joshi, DC (Handicrafts) at the Conference of State/UT Ministers & Secretaries incharge of Textiles - 10th April 2001

INTRODUCTION:

From growing its own raw material - cotton, jute, silk and wool - to providing high value added products to the consumers - fabrics and garments, the textile industry covers a wide range of economic activities and has thus a significant role in the economy of the country. In addition to natural fibres namely cotton, silk, wool & jute, the industry also uses a wide range of synthetic and man made fibres such as filament and spun yarns from polyester, viscose, nylon and acrylic. The production of textiles involves many processes such as ginning, reeling, spinning, weaving, processing and garment manufacturing. Despite an obsolescence of infrastructure, the textile industry has shown remarkable resilience to various vicissitudes and has grown considerably in terms of installed spindleage, yarn production and output of fabric and garments. In 2000-2001, it contributed about 14% to industrial production and 27% to the country's export earnings. After agriculture it is the largest employer direct employment in the industry was estimated at 35 million(approx.) in 2000-2001. It provides employment to large numbers of the weaker sections of society such as SCs/STs, women and minorities, in rural as well as urban areas. It comprises of
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both the organised mill sector as well as the decentralised sector.

Almost all sectors of industry has shown remarkable achievement. The total production of cloth by all sectors i.e. mill, powerloom, handloom, khadi, wool and silk has gone up with an anticipated production of 41696 million sq. mtrs. during 2001-2002 which works out to 3.66% annual growth in the last 5 years. The spindleage capacity has increased from about 35.39 million in 1997-98 to 38.15 million in 2001-2002. A large number of open-end rotors were installed in the 1990s and the trend of setting up of 100% export oriented spinning units has continued. The production of spun yarn is expected to touch the figure of 3132 million kgs during the current financial year showing an annual growth rate of 2.31% during the last 5 years. The production of blended yarn and 100% non-cotton yarn has continued its upward trend of recent years. The production of blended yarn may touch the figure of 639 million kgs during 2001-2002 registering an annual growth of 5.71% during the last 5 years. The production of 100% non-cotton yarn is anticipated to touch the figure of 283 million kgs during 2001-2002 registering an annual growth of 11.80% during the last 5 years. The decentralised hosiery sector has also shown a significantly higher annual growth rate of 5% during the last 5 years.

The above growth in textile industry has led to an increase in per capita domestic availability of cloth in the country despite growth in population and significant growth in exports. The per capita availability is expected to increase to 31.97 sq.mtrs. in 2001-2002 from around 30.92 sq. mtrs. in 1997-98.

NATIONAL TEXTILE POLICY 2000

The last few years have seen tremendous changes in the textile scenario. The National Textile Policy 2000, aimed at preparing the industry to meet the challenges of integration with the world textile market, is successfully driving the pace of reform. New opportunities for growth have been created as the global market becomes more accessible to trade. Several initiatives for modernization and investment for growth have begun to create the conditions necessary to achieve the objective of the policy viz. developing a strong and vibrant textile industry capable of producing quality cloth at an acceptable price, contributing increasingly to the provision of sustainable employment and economic growth of the country and competing with confidence for an increased share of global market.

The more significant follow-up measures for implementation of National Textile Policy 2000 are as follows:-

(i) Textile Package:

Shri Yashwant Sinha, Union Finance Minister in his Budget Speech of 2001 announced the following Textile Package for the faster development of textile industry:-

- A scheme for setting up of Integrated
Apparel Parks has been initiated. This will enable the de-reserved readymade garment industry to set up modern units with excellent infrastructure. Budget provision of Rs.10 crore has been made for the year 2001-2002.

- A strong and modern weaving sector is very critical for this purpose. At least 50,000 new shuttleless looms and the modernization of 2.5 lakh plain looms to automatic looms is expected to take place by 2004 through funding from the Technology Upgradation Fund Scheme (TUFS).

- The Budget allocation for Ministry of Textiles was enhanced substantially from Rs 457 crore in 2000-2001 to Rs650 crore to 2001-2002.

- The provision for the TUFS was enhanced to Rs. 200 crores in 2001-2002, and incentive for modernization offered by enhancing depreciation rate of machinery installed under the scheme to 50% per annum.

Apart from above, the Budget also restructured duty on specified textile machinery textile items by removing 10% surcharge and reduced customs duties on raw materials.

(ii) Conference of State/UT Ministers and Secretaries incharge of Textiles:

A Conference of State/UT Ministers incharge of Textiles was held on April 10th, 2001 to discuss issues important for the effective implementation of National Textile Policy, 2000. The Conference that the Central Government as well as Governments of States and Union Territory Administrations would make concrete efforts to develop all segments of textile industry and enable them to realize their full potential. This included the launching of reforms and measures by State Govts. to control and dismantle their regulatory regimes, as well as a continued focus on development of the decentralized industry in the North Eastern Region.

(iii) Reconstitution of Development Council for Textile Industry:

The Development Council for Textile Industry was reconstituted on 13.02.2001 for a period of two years to advise the Government on various related matters of the Textile Industry. This 25 member advisory body under the chairmanship of Minister of Textiles has been set-up under section 6 of Industries(Development & Regulation) Act, 1951. It held two meetings during the year, and focused its deliberation and advice on Policy matters and their implementation. Recommendations touched on measures necessary for technological upgradation; capacity utilization; availability of raw material; training or retraining of persons engaged or proposed to be engaged in the industry; enhanced scientific and technical research; standardization of products; and the collection of statistics from such industry for development of a database for economic planning.
(iv) Official Group for Growth in Textiles (OGGTx):

An Official Group for Growth in Textiles (OGGTx) was constituted under the chairmanship of Finance Secretary and Secretary (Revenue), Secretary (Expenditure), Secretary(Textiles), Director General of Foreign Trade, & Additional Secretary (Banking) as Members to periodically review the progress; address related issues which could impact on implementation such as duty structure, flow of funds including credit, duty drawback rates and DEPB issues etc; and take decisions as may be necessary for effective implementation of the special package announced in the Budget 2001 for the faster development and growth of textile sector in the country. Shri T. Nandakumar, Joint Secretary, Ministry of Textiles acted as the Member Secretary of the Group.

(v) Steering Group on Investment and Growth in Textile Industry:

A Steering Group on Investment and Growth in Textile Industry has been constituted under the Chairmanship of Shri N.K. Singh, Member, Planning Commission with Secretary(Textiles), Secretary (Revenue), Secretary (Labour), Secretary (Chemicals & Petro Chemicals), Additional Secretary (Banking), Director General of Foreign Trade and representative of CII, FICCI & ASSOCHAM as Members, with the objective to periodically review, monitor the implementation of policies, programmes outlined in the National Textile Policy - 2000 (NTxP- 2000) and devise further measures necessary for attracting requisite investments and growth in textile sector; review export scenario and identify measures to enhance export competitiveness of Indian textiles in the changing global scenario particularly in the post - 2004 period; and evolve a growth oriented fiscal policy for integrated development of the textile industry covering all its segments.

The Steering Group may also interact with representatives of different Industry Segments such as Powerlooms and Handlooms, Financial Institutions and other Experts and seek their views.

(vi) Textile (Development & Regulation) Order, 2001:

In the wake of liberalization and the need for dismantling controls and restrictions, the Government has amended and issued the Textiles (Development & Regulation) Order, 2001 under Section 3 of the Essential Commodities Act, 1955 to supersede the earlier Textile Control Order of 1993. The new Order makes the Government machinery more industry friendly and less obtrusive.
The salient features of the new Order are as follows:-

- Presentation of the material has been simplified making for easier comprehension;
- Procedures of filing of Information Memoranda on installation of machines in respect of spinning, knitting and powerloom sectors have been combined into one part;
- Provisions for requirement of submitting fees along with Information Memorandum have been deleted;
- Requirement of an acknowledgement to the Information Memoranda which lead to unnecessary work and repeated visits to the office of the Textile Commissioner has been removed;
- Some powers of Textile Commissioner to issue directions have been retained so that he may discharge his responsibility in respect of hank yarn obligation order, reverse twist order, Olive green shade and marking on textiles. It has also been made clear that the Textile Commissioner can now insist on markings on the imported textile articles also.
- Keeping in view the inadequacy of the regulatory machinery available with the Textile Commissioner, powers of Textile Commissioner to control production and supply have been diluted; by and large, the responsibility for consumer protection has been reduced taking into account the separate Ministry and machinery set up by Government for this purpose. With a view to protecting the industrial units from possible harassment by inspectors, it has been provided that powers of search and seizure would be exercised by an officer not below the rank of Assistant Director.

(vii) Approach Paper to the Xth Plan:

To ensure all-round growth of Textile Industry, an approach paper for Tenth Five Year Plan, after extensive interactions with all the major segments of the industry has been prepared by a Working Group under the aegis of the Planning Commission. The strategies suggested for achieving the desired growth in the Tenth Plan include:

- A growth oriented fiscal duty structure, which primarily entails a non-discriminatory fiscal policy, broadening of the tax net and overall reduction of excise duty and establishment of CENVAT chain throughout the production chain.
- Freeing the industry from controls and restrictions, which are no longer considered necessary, i.e., de-reservation of knitting sector and increasing the limit on investment of knitwear sector and review of the Hank Yarn Obligation and Handlooms Reservation Order.
- Facilitating large-scale investments in technology and modernization, principally through the TUF Scheme by need-based, user-friendly modifications therein.
- A significantly larger plan outlay for this industry with relatively large plan outlay in the first three years of the tenth Plan.
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- Development of adequate infrastructure and labour-law-reforms to facilitate attracting larger investments.

TEXTILE UPGRADEATION FUND SCHEME (TUFSC):

One of the important targets of the NTxP 2000 is a vigorous implementation of Technology Upgradation Fund Scheme (TUFS). Launched by the Ministry on 1.4.99, it aims to provide impetus to the modernisation of textile and jute industry. The Scheme, provides for 5% interest reimbursement on loans from financial institutions to textile and jute units for modernisation or technology improvement. The IDBI, SIDBI and IFCI have been appointed as nodal lending agencies. They have co-opted other financial institutions/ banks to provide a wider reach to the industry in the country. Loans under the scheme are extended by the nodal agencies/co-opted institutions to the identified segments of the industry for the projects in conformity with the scheme. A 22 member Inter-Ministerial Steering Committee monitors and reviews the scheme on a regular basis. On the basis of feed back from the Technical Advisory cum Monitoring Committee and industry associations, necessary modification are made in the scheme to improve access to the scheme. To make more and more SSI units take the benefits of TUFS, an option either to avail of 12% credit linked capital subsidy or existing 5% interest reimbursement has also been provided to the SSI textile units recently. The regional offices of Textile Commissioner have been holding Facilitation Camps so that more industrial units including powerlooms can make use of the scheme. Till December 2001, a total of 1402 applications were received, out of which 1171 applications have been sanctioned for an amount of Rs. 5012 crore of loan. Rs. 3167 crore has been disbursed to 892 cases.

TECHNOLOGY MISSION ON COTTON:

Considering the importance of the cotton crop to the national economy, the Government of India has launched a Technology Mission on Cotton (TMC) from February 2000 to address the issues of low productivity and contamination.

The Mission consists of four Mini Missions which are being jointly implemented by the Ministry of Agriculture and Ministry of Textiles with the following objectives:

Mini Mission I: Cotton research and Technology generation.
Mini Mission II: Transfer of Technology and Development.
Mini Mission III: Improvement of Marketing Infrastructure.

Mini Missions I & II are being implemented by the Indian Council of Agricultural Research (ICAR) and Ministry of Agriculture respectively, while Ministry of Textiles is the Nodal agency for implementation of Mini Missions III & IV.
Upto December 2001, under Mini Mission-III, a targeted 51 project proposals (setting up of 6 new market yards, improvement of 30 market yards and activation of 15 market yards) have been sanctioned. The total estimated cost is Rs. 73.39 crore out of which Government of India share would be Rs. 37.99 crore. Under Mini Mission-IV, as per the target, 150 proposals for modernization of ginning and pressing factories have been sanctioned at an estimated cost of Rs. 173.60 crore out of which Government of India share would be Rs. 29.63 crore.

**SUPPORT PRICE OPERATION BY THE COTTON CORPORATION OF INDIA (CCI):**

To protect the interests of the cotton growers, Government announces Minimum Support Price (MSP) of kapas (seed cotton). Whenever the market price of kapas touch as the MSP, CCI undertakes support price operation and purchases kapas at MSP without any quantitative limit, in all cotton growing States except in Maharashtra. The loss if any, incurred on account of support price operation is reimbursed to the CCI by the Government. In Maharashtra, Raw Cotton Monopoly Procurement Scheme of the State Government is in operation and the Government of India has no financial liability in the operation of the scheme. During the current cotton year 2001-2002(Oct.-Sept.), domestic cotton prices in case of some of the varieties like J-34, LRA, H-4, S-6 Bunny/Brahma etc. touched the MSP level and the CCI has undertaken support price operation at some centers of Andhra Pradesh, Gujarat, Haryana, Orissa, Madhya Pradesh and Rajasthan. Up to 14th January, 2002 it has purchased 1310119 Quintals of kapas (equivalent to lint cotton 246468 bales) of 170 kg. each under support price operation.

**PROGRAMME FOR MODERNIZATION OF THE DECENTRALISED WEAVING SECTOR:**

Pursuant to the textile package announced by the Finance Minister in the Budget, a programme for modernization of the decentralized powerloom sector by 2004 has been drawn up. The main instrument is the TDFS, which has been modified to allow the beneficiary an option of taking a 5% reimbursement of loan rate or a 12% subsidy upfront linked to credit. The Lead implementation Agency is the Powerloom Service Centres (PSCs), are being modernized to carry out a facilitation role. Sixteen major powerloom clusters have been identified to make a focused effort for modernization. The state governments coordination has been emphasized; SIDBI and the banks are being drawn into the programme. Office of the Textile Commissioner, the managing organization, has been restructured to enable a developmental approach. Financial provisions for the 2.5 lakh looms modernization programme are provided in the budget as part of the provision for TDFS. Funds in the powerloom head of the budget are provided for modernizing the PSCs and for welfare schemes of group insurance and work-sheds.
BABA SAHEB AMBEDKAR HASTSHILP VIKAS YOJAYA:

The new scheme Baba Saheb Ambedkar Hastshilp Vikas Yojana has been formulated and guidelines has been sent to all the concerned Secretaries of the State Governments and Managing Directors of State Handicrafts and Handlooms Development Corporations, Regional Offices of the Office of the Development Commissioner (Handicrafts) and prominent NGOs for implementation. The scheme was launched by Hon’ble Minister of Textiles in Jodhpur and Barmer (Rajasthan) and in Puri (Orissa) which has essentially a people centric approach and involves mobilization of the artisan community in important craft clusters all over the country into Self Help Groups and Thrift & Credit Societies. A symposium on Baba Saheb Ambedkar Hastashilp Vikas Yojana for the crystallization of critical issues and adoption of implementation module for the AHGY were organized at Jaipur, Bhopal, Lucknow and Kolkata. The symposium was anchored by DRDA, SIDBI, NABARD, Planning Commission, Prominent NGOs and experts in the field of Handicrafts.

DEEN DAYAL HATHKARGHA PROTSAHAN YOJANA:

The Deen Dayal Hathkargha Protsahan Yojana is in operation w.e.f. 1.4.2000 and is proposed to be continued till 31.3.2007. This Centrally Sponsored Plan Scheme aims at catering to the needs of the handloom sector both at micro and macro level. Under the scheme, assistance is given for covering basic inputs like looms and accessories, loans for working capital, product development, infrastructure and institutional support, training to weavers, supply of equipment and marketing support etc. A special component to provide transport subsidy to the NE States including Sikkim and J&K has been incorporated under the scheme. The scheme, thus, aims at providing all such facilities that would enable the weavers, both within and outside the cooperative fold, to produce quality fabrics that will find ready market. The National and State Level Handloom Organisations, Apex/Primary Weavers Societies, Self-help groups/NGOs etc. are eligible to get assistance under the scheme.

Under this centrally sponsored scheme, the sharing between the Center and the State Government is in the ratio of 50:50 except in the case of NE States, Sikkim & J&K where the funding pattern is in the ratio of 90:10. For agencies where 100% members are from SC/ST/Minorities/Women, the funding pattern is in the ratio of 75:25. However, the assistance for marketing incentives under the scheme is 50:50 between the Centre and the State Government in respect of all the States.

During the year 2000-01, a sum of Rs.16.96 crores was released to as many as 12 States under the scheme. This release consisted of a component of Rs.7.64 crores towards basic inputs covering 197 projects and a marketing incentive component of Rs.9.32 crores. During the current financial year 2001-2002, out of a combined provision of Rs. 77.00 crores a sum of Rs.26.04 crores has been released upto 31st December, 2001. For the 10th Plan period, it is envisaged to keep a budget provision of Rs.400.00 crores under the scheme.
EXPORTS OF TEXTILES:

During the year 2000-2001, textile exports registered a growth of 15.1% as against a growth of 10.1% witnessed in the previous year i.e. 1999-2000. Since the beginning of 2001-2002, however, a declining trend has been noticed mainly due to the slow-down in the economies of some of the major importing countries, such as US, and increased competition from neighbouring countries like China. The decline accentuated in the middle of the year, but levelled out by the fourth quarter. The textile exports during the first six months (April-October, 2001) amounted to US$ 6132.4 million as against the exports of US$ 7100.1 million in the corresponding period of previous year, marking a decline of around 13.6%.

Various steps have been taken to boost exports. These include:

* De-reservation of woven segment of readymade garments from Small Scale Industries, enhancement in the SSI investment limit for hosiery and knitwear sector from Rs 1 crore to Rs 1.5 crore, rationalisation of fiscal duty structure, reduction in custom duty to 5% on specified textile and machinery items, accelerated depreciation for machinery covered under TUFs, etc.

* The Garment and Knitwear Quota Policy was amended from time to time to align some of its provisions to the emerging situation and to make them more transparent and exporter friendly. The benefit of extension of base period from 12 months to 20 months in respect of NIE quota entitlement has been allowed. Another Notification was issued in April 2001 regarding submission of proof of shipment in respect of First Come First Served (FCFS) quota.

* Government took effective steps in implementation of decision from the Dispute Settlement Panel of the World Trade Organisation in the dispute relating to imposition of anti-dumping duties by the EU on cotton type bed linen originating inter-alia from India. Due to effective intervention by the Ministry, the Korean Trade Commission has dropped proceedings on import of cotton yarn from India. Ministry is keeping a close watch on the other ongoing anti-dumping proceedings. The second meeting of Indo-EU Joint Working Group on Textiles was held at New Delhi on April 19, 2001, in which India highlighted its concerns regarding the lack of meaningful integration under WTO Agreement of Textiles and the emergence of non-tariff barriers.

JUTE:

For ensuring the percentage of mandatory packaging in jute bags for sugar and foodgrains to 100%, the Government have issued an order on 01.09.2001 under the Jute Packaging Materials (Compulsory Use in Packing Commodities) Act 1987 (JPM Act). The order shall be effective till June 30, 2002 or until further orders, whichever is earlier. Urea has been exempted from the purview of the JPM Act. Through its order of October 01, 2001 Government has directed all manufacturers of jute textiles to mark the country of manufacture/origin of specified items of jute textiles. The order shall be valid until further
orders. The Government has constituted an Inter-Ministerial Committee for formulating a road map for progressive dilution of compulsory packaging norms for food grains and sugar under the JPM Act.

NTC REHABILITATION PLAN:

NTC consists of 119 mills under 9 NTC subsidiaries and one Holding Company. On account of continuous losses, 8 subsidiaries were referred to and declared sick by BIFR. The Government have decided to revive all revivable mills and to close down non-revivable mills after giving attractive VRS option to workers. Government have also approved modified VRS allowing enhanced compensation where wage revision were not carried out for long. The BIFR have published Draft Rehabilitation Schemes costing Rs. 2993 crore for the eight subsidiaries on the basis of unitwise techno-economic viability study made by TRAs. The Government has conveyed its consent in principle for the concession/sacrifices sought in DRSs. BIFR is expected to take a final decision during February 2002.

FACILITATION COUNTER:

A facilitation Counter has been established near gate No 3 of Udyog Bhawan, New Delhi to make information readily available to the customers/consumers and if required, arrange their interaction with the concerned authorities in the Ministry to answer their queries. A complaint box has also been kept near the facilitation counter to enable customers/consumers to lodge their complaints, if necessary.

ACTIVITIES PERFORMED FOR PROPAGATION OF OFFICIAL LANGUAGE HINDI:

(i) Meetings of Hindi Advisory Committee:
Meetings of Hindi Advisory Committee are being regularly organised by this Ministry. Till date 4 such meetings have been organised, of which the fourth one was organised on 11th October 2001 in Bangalore, under the chairmanship of Hon’ble Minister of Textiles.

(ii) Organising Hindi Seminar:
Ministry of Textiles organised a seminar on Hindi on 11-12 October, 2001 at Hotel Ashok, Bangalore in collaboration with Central Silk Board, Bangalore, National Fashion Technology Institute, New Delhi and National Textile Corporation (Holding Company), which was inaugurated by Hon’ble Minister of Textiles and Closing ceremony headed by Hon’ble Minister of State for Textiles. In this seminar renowned intellectuals and guest speakers of Hindi, addressed officers and employees of the Ministry.

(iii) Inspection regarding Official Language:
Many offices under administrative control of Ministry were inspected in respect of Official Language Hindi by Officials of this Ministry. During the year 2001-2002, 22 offices in Delhi as well as out of Delhi were inspected. A few of these were inspected by Joint Secretary (admin.) Moreover, 3rd Sub-Committee of the Committee of Parliament on Official Language conducted inspections of some offices of their Ministry, regarding Official Language.