CHAPTER 7

INDUSTRIAL DEVELOPMENT (INCLUDING MINERALS)

Since announcement of the New Industrial Policy by the Government of India in July, 1991, the Indian economy has been gradually moving from controlled economy to a market oriented economy. The thrust of the new policy has mainly been on providing access to capital, technology and international market to induce industrial efficiency and integrate the domestic economy with the global economy.

2. The Government of India has been periodically reviewing the industrial policy framework to remove procedural obstacles faced by the industrial sector and to provide the needed thrust to make India's industrial environment conducive for further investment by domestic and foreign entrepreneurs and to make the Indian industry competitive internationally. At present only six industries are under compulsory licensing and four industries reserved for the public sector mainly on environmental, safety and strategic considerations. 811 items are reserved for manufacture in the small scale industries(SSI) sector. Dereservation of another 14 items is under consideration. Foreign equity upto 100 per cent has been permitted. Except for a small negative list under automatic route for major items in the infrastructure sector and the time frame for consideration of FDI proposals has been reduced from 6 weeks to 30 days. The other major measures announced in the latest Exim Policy include permitting 100 per cent FDI for B to B e-commerce, removal of condition of dividend balancing of 22 consumer items, removal of cap on foreign investment in the power sectors and 100 per cent FDI in oil-refining. The automatic route of FDI upto 100 per cent is allowed in all manufacturing activities in Special Economic Zones except for items of strategic and environmental importance. A Foreign Investment Implementation Authority has been set up in the Department of Industrial Policy & Promotion to provide a single point interface between foreign investors and the Government.

PERFORMANCE OF THE INDUSTRIAL SECTOR

3. The Indian industry has experienced a cyclical trend in the industrial growth during the first four years of the Ninth Plan. It turned around in 1999-2000 with a growth rate of 6.7 per cent after a slow industrial growth experienced during the year 1998-99. Again the industrial growth has declined to 4.9 per cent during the year 2000-01. Of the three sectors represented in the Index of Industrial Production(IIP), manufacturing, mining & quarrying and electricity, a slow down has been noticed in the manufacturing sector (weight 79.36 per cent in IEP) with a growth rate of 5.2 per cent during 2000-01 against a growth rate of 7.1 per cent in the previous year. The growth rate in the electricity sector has also slumped to 4.0 per cent during the year 2000-01 in comparison to a growth rate of 7.3 per cent during 1999-2000. The mining sector has shown improvement by achieving 3.4 per cent growth during the year 2000-01 against a growth rate of 1.00 per cent in the previous year.

4. According to use-based classification mixed trends are observed during the year 2000-01. The growth rate of consumer goods including durables and non-durables accelerated to 7.9 per cent during the year 2000-01 against 5.7 per cent achieved in the previous year. The growth rate of basic goods, capital goods and intermediate goods declined drastically, and is estimated at 3.8 per cent, 1.4 per cent and 4.5 per cent respectively during the year 2000-01 in comparison to growth rates of 5.5 per cent, 6.9 per cent and 8.8 per cent respectively in the previous year. Six core and infrastructure industries viz. electricity, crude oil, refinery, coal, steel and cement having a weight of 26.7 per cent in over all IIP grew at 5.3 per cent in 2000-01, compared to 9.1 per cent in 1999-2000. The Government has announced various policy measures in the budget for 2001-02 to promote industrial sector and it is expected that the industrial growth would improve in the terminal year of the Ninth Plan.

5. Table 7.1 below presents trends in the performance of industrial sub-sectors at two digit level, during 2000-01 in comparison to performance during the period 1997-98 to 1999-2000.

TABLE 7.1
Trends in The Performance of Industrial Sub-Sectors
Annual Growth Rate (Per Cent)

Industry Code	Industry Name	Weight in IIP	1997-98	1998-99	1999-2000	2000-01
20-21	Food Products	9.08	-0.40	0.70	4.20	10.0
22	Beverages & Tobacco	2.38	19.40	12.90	7.60	4.7
23	Cotton Textiles	5.52	2.40	-7.70	6.70	3.0
24	Wool, Silk & Man-made Fibre Textiles (Except Cotton)	2.26	18.50	2.80	11.90	5.4
25	Jute Textiles	0.59	16.90	-7.30	-0.90	0.8
26	Textiles Products	2.54	8.50	-3.50	2.00	3.6
27	Wood & Wood Products	2.70	-2.60	-5.80	-16.20	3.6
28	Paper & Paper Products	2.65	6.90	16.00	6.30	-9.3
29	Leather & Fur Products	1.14	2.20	8.10	13.80	10.6
30	Chem. & Chem. Products	14.00	14.40	6.60	10.00	7.5
31	Rubber, Plastic, Petroleum	5.73	5.20	11.30	-1.10	10.9
32	Non-metallic Mineral Products	4.39	13.40	8.30	24.40	-2.0
33	Basic Metals & Alloys	7.45	2.60	-2.50	5.00	1.6
34	Metal Products & Parts	2.81	7.90	17.00	-1.20	15.4
35-36	Machinery & equipment	9.57	5.80	1.50	17.70	7.9
37	Transport equipment	3.98	2.50	20.10	5.70	-2.1
38	Other Manufacturing Industries	2.56	-1.30	1.00	-16.00	7.5
Div.2-3	Manufacturing	79.36	6.70	4.40	7.10	5.2
Div.1	Mining	10.47	6.90	-0.80	1.00	3.4
Div.4	Electricity	10.17	6.60	6.50	7.30	4.0
	General	100.0	6.70	4.10	6.70	4.9

Source: Central Statistical Organisation.
Note: The indices from April, 1998 onwards are based on revised weights.

6. From the above table it is seen that some sub-sectors of industry like food products, wood and wood products, rubber, plastics, petroleum, metal products and parts other manufacturing industries etc have shown improvement during the year 2000-01. The sub-sectors of food products, metals products and parts, rubber, plastics and petroleum and other manufacturing industries have improved significantly with growth rates of 10.0 per cent, 15.4 per cent, 10.9 per cent and 7.5 per cent respectively during 2000-01 against 4.20 per cent and negative growth rate of 1.20 per cent, 1.10 per cent and 16.00 per cent respectively in the previous years. The growth rates in the sub-sectors of beverages & tobacco, cotton textiles, wool, silk and man-made fibre textiles, leather and fur products, chemicals and chemical products, machinery and equipment have decelerated drastically and were even negative in the case of paper & paper products and non-metalic mineral products.

7. The important factors for the slow down of industrial growth during the year 2000-01 are capital market not being in good shape, lack of domestic demand particularly for intermediate goods and capital goods, high oil prices, existence of excess capacity in some sectors, business cycle, inherent adjustment, lacks in industrial restructuring, infrastructural constraints particularly power, roads and transport, natural calamity like Gujarat earthquake, a high interest rate with an adverse impact on private investment, competition from China and other countries and slow down in the world economy.

BOX 7.1
Major factors affecting Industrial Growth

Lack of domestic demand for capital market not being in good shape goods;
Low demand for capital goods;
Slowdown in the world economy;
Existence of excess capacity in some sectors;
Lack of infrastructure like power, transport, communication, etc.;
High interest rate affecting private investment; and
Natural calamities like Gujarat earthquake.

8. The Government of India has announced a number of policy measures to check the deceleration in the industrial sector and to improve upon the industrial production during the year 2001-02. These measures are rationalisation and reduction of excise duty; lowering of interest rates; flexibility in labour laws; reduction of tax on dividends of companies; proposal to repeal SICA and to amend the Companies Act to set up a National Company Law Tribunal; Doubling of excise exemption limit to Rs.1.00 crore for SSIs sector to encourage production and employment; credit Guarantee Fund for SSI ; setting up of Integrated Apparel Parks; modernisation of looms by funding from Technology Upgradation Fund in the textile sector; continuation and strengthening of Cotton Technology Mission; raising of basic customs duty on import of second-hand cars; reduction in import duty on cinematic cameras and other related equipment for use in entertainment industry; reduction in customs duty on several items of IT and Tele-communication sector; enhancing the corpus of Rural Infrastructural Development Fund(RIDF) and reducing the interest charged on this by half percent, de-reservation of garments, and proposed de-reservation of 14 SSI items in the current year. These measures have been highlighted in Box 7.2 given below:

Box 7.2
Measures Taken/Being Taken To Improve Industrial Growth

Rationalisation and reduction of excise duty;
Lowering of interest rates;
Flexibility in labour laws;
Reduction of tax on dividends of companies;
Proposal to repeal SICA and to amend the Companies Act to set up a National Company Law Tribunal
Doubling of excise exemption limit to Rs.1.00 crore for SSI sector to encourage production and employment
Credit Guarantee Fund for SSIs
Setting up of Integrated Apparel Parks
Modernisation of looms by funding from Technology Upgradation Fund in the textile sector
Continuation and strengthening of Cotton Technology Mission
Raising of basic customs duty on the import of second-hand cars
Reduction of import duty on cinematic camera and other related equipment for use in entertainment industry;
Reduction in customs duty on several items of IT and Tele-communication sector
Enhancing the corpus of Rural Infrastructural Development Fund(RIDF) and reducing the interest charged on this by half percent
De-reservation of garments and
De-reservation of 14 SSI items proposed in the current year's budget speech.

FOREIGN DIRECT INVESTMENT

9. During 2000 (January –December), FDI inflow has been of the order of Rs. 19341.74 crore against Rs. 16867.79 crore in 1999-2000.Thus FDI inflows have shown a positive trend with an increase of 14.67 percent over the corresponding period last year. An appraisal of approvals since 1991 shows that in terms of investment USA accounts the highest share followed by Mauritius,UK and Japan and Korea.

10. The Government has, inter-alia taken steps for simplifying foreign investment procedures, allowing foreign investment in new activities such as Global Mobile Personal Communication Systems and bringing FDI upto 100 percent in power sector, oil refining, roads, and highways, ports and harbours, vehicular tunnels and vehicular bridges under the automatic route. FDI upto 26 percent is allowed under the automatic route in the insurance sector subject to their obtaining licence from Insurance Regulatory and Development Authority

11. In the Union Budget for 2001-2002 progressive liberalization in the provisions relating to Evaluation Investment Studies are: Financial Institutional Investors (FIIs) can invest in a company under the portfolio upto 24 percent of the paid-up capital of the company and Foreign Direct Investment (FDI) in Non-Banking Financial Companies (NBFCs) is permitted on a case by case basis upto 100 percent with the condition that a minimum of 25 percent of their holding is divested in the domestic market.

REVIVAL AND RESTRUCTURING OF PUBLIC SECTOR ENTERPERISES

12. The Government of India has adopted the Public Sector Enterprise Policy to bring down Government equity in all non-strategic PSUs to 26 percent restructure and revive potentially viable PSUs; closed on PSUs which cannot be revived; and fully protect the interest of workers. As a safety net, Government introduced a Voluntary Separation Scheme (VSS) providing benefits equivalent to VRS in order to minimize hardship caused to the workers of these PSEs.

13. A new Department of Disinvestment has been set up in order to give thrust of disinvestments in PSUs. The Department is responsible for all matters relating to disinvestments of Central Government Equity in Central Public Sector Undertakings, implementation of disinvestments decisions and recommendations of the erstwhile Disinvestment Commission.

14. It has been proposed in the Union Budget 2000-01 to raise Rs. 10,000 crore through disinvestments in public sector enterprises during the year 2000-01. The Department of Disinvestment is at present taking action in about 30 PSUs/Subsidiaries of PSUs where Govt. decision for disinvestments for locating joint venture partner has been taken.

BOX 7.3
Areas of Concern

Slow-down in the rate of industrial growth in the recent past;
Lack of demand due to low public investment;
Poor growth rate of capital goods;
Slow progress of disinvestments of PSEs;
Delay in closing down of a large number of un-reviable;
BIFR procedures are time-consuming and highly unsatisfactory;
Repeal of SICA Act;
Inadequate availability and poor quality of infrastructure;
Delay in framing feedstock and pricing policy for fertilizers; Strengthening of anti-dumping machanism.

INDUSTRIALISATION OF BACKWARD AREAS

15. Growth Centres Scheme was announced by the Government of India in June, 1988 to promote industrialization of backward areas in the country. The Central assistance is released to the approved Growth Centers on the basis of physical and financial progress achieved in implementation of the Centers by the States. Total central assistance released to the growth centres as on 31.12.2000 is of the order of Rs. 316.71 crore and contribution made by State Governments and other agencies is Rs.576.28 crore. A budgetary allocation of Rs. 40 crore has been made for the scheme in the Annual Plan 2001-2002.

16. Out of the 71 Centers, 68 Growth Centers have been approved so far. Full Central assistance have been released in 14 Growth centres. 27 Growth Centres have become functional and in 16 growth centers, progress is yet to be demonstrated and in such cases

State Governments have been advised to expedite progress. Unsatisfactory progress of growth centres is mostly in the states of West Bengal, Orissa, Bihar, Andhra Pradesh and Pondicherry.

17. The Government of India announced in December, 1999 increase of the Central contribution for the growth centers from Rs.10.00 crore to Rs.15.00 crore per center. An industrial package for the State of J&K is being finalized. Two Growth Centres have been sanctioned in this State under which the Central contribution for each Growth Centre is proposed to be enhanced to Rs. 15 crore as has been done in the case of NE States. It is also proposed to enhance the Central contribution for the Growth Centres in the 3 newly created States of Uttaranchal, Jharkhand and Chhattisgarh.

18. Transport Subsidy Scheme was introduced in July, 1971 to promote industries in hilly, remote and inaccessible areas of Jammu & Kashmir, Himachal Pradesh, Sikkim, Andaman & Nicobar Islands and Lakshadweep, Darjeeling District of West Bengal, eight hill districts of Uttar Pradesh and North Eastern States. Under the scheme, subsidy at rates ranging from 50 per cent to 90 per cent on the transport cost incurred on the movement of raw-materials and finished goods from/to designated rail heads/ports is provided to all industrial units except plantations, refineries and power generation units. The scheme works on reimbursement basis i.e. subsidy to eligible units is first disbursed by the States/ Union territories concerned and the disbursement is claimed from the Centre. From the inception of the scheme upto 31.12.2000, an amount of Rs. 574.13 crore has been released to the various States/Union Territories. The Scheme has been extended upto 31.03.2007. A budgetary allocation of Rs. 90.00 crore has been made for the Scheme during 2001-2002.

19. To promote industrial development, tax holiday for undertakings set up in industrially backward States and industrially backward Districts has been extended upto 31.3.2002.

SECTORAL PROFILE

Engineering Industry

20. The engineering industry comprises mainly of capital goods industry and transport equipment and has extensive forward and backward linkages. The engineering sector recorded a growth rate of 6.5 percent during 1999-2000 which was mainly due to high growth rates recorded in manufacturing and power sectors. The growth rate declined to 6.0 percent in the year 2000-01 mainly owing to poor performance of some sectors like capital goods, power, heavy vehicles, paper & paper products etc. The Government has taken various policy initiatives to accelerate the industrial growth rate; these include reforms in foreign direct investment policy, EXIM policy, infrastructure development, information technology and financial sectors to help industry improve its efficiency, productivity and international competitiveness. The automotive industry comprising automobile and the component sectors has shown substantial growth since delicencing of the sector. The turnover of the automobile industry was Rs. 44,338 crore in 1999-2000 compared to Rs. 36,000 crore in 1998-99. However, in the year 2000-2001, growth rate have come down in this sector.

21. There are 48 PSUs under the Department of Heavy Industry (DHI) engaged in manufacturing, consultancy and contracting activities. Out of 48 PSEs, 12 made profits in 1999-2000 and the remaining 36 made losses; 27 LPSEs are under reference to BIFR. The loss in 2000-01 is estimated at Rs.527.47 crore. The loss is attributed to shortfall in production of some major enterprises owing to decline in demand, shortage of working capital, surplus manpower, obsolete plant and machinery, besides increase in the cost of inputs, etc. Steps are being taken for restructuring the PSEs for improving their competitiveness and long term viability. The already approved revival plans involve fresh infusion of funds by Government of India to the extent of Rs. 637 crore and financial restructuring of Rs. 2063 crore. Apart from the revival plans, sanctioned by BIFR the Government has approved restructuring plans of 6 PSEs namely Hindustan Cables Ltd.(HCL),Andrew Yule & Co. Ltd. (Ay & Co.),Nepa Ltd. (Nepa),Hindustan Paper Corporation Ltd.(HPC),Praga Tools Ltd.(PTL) and HMT Ltd. (HMT)

22. Cases of 15 PSEs of DHI have been referred to Department of Disinvestment for undertaking disinvestments/JV formation. After carefully considering the recommendations of the Expert Group, PSEs present status, it was decided to take action for closure of such PSEs. Permission for closure has been granted by the 'Appropriate Authority' in case of two of the above PSEs namely; Weighbird India Ltd.(WIL) and Rehabilitation Industries Ltd.(RIC). An amount of Rs. 230 crore has been provided by the Government as budgetary support for these PSEs in 2000-2001. Permission for closure of unviable units of HMT Ltd. and loss making refractory units of Burn Standard Co. Ltd. (BSCL) has also been granted by the Appropriate Authority. Karnataka High Court have issued an order for winding up of the Mandya National Paper Mills (MNPM).

Bharat Heavy Electrical Ltd. (BHEL)

23. The Navratna company, BHEL is today a major single point supplier of all systems and equipment required in power sector. It has 14 manufacturing plants, 8 service centers and 4 power sector regional centers, besides project sites and regional offices spread all over India and abroad. During the year 2000-01, 2437 MW of Steam Turbines, 2027 MW of Turbo Generators, 501 MW of Hydro Turbines and 355 MW of Hydro Generators were planned for completion. In addition, 17 Gas turbines and 11 Gas Turbo generators were also budgeted during the year, besides other major 'items' like 135180 MT of Boilers and Valves, 11281 MVA of Transformers, 15 Diesel Shunters, 875 motors, 220 Traction machines etc. In 2000-01, the company has bagged orders of Rs. 650 crore (upto Nov'2000). Largest ever overseas turnkey substation contract valued at Rs. 68 crore has been bagged from Zambia. Export orders have also been procured for setting up 9 Gas Turbine based power plants from Bangladesh and manufacture and supply of Gas Turbine generating units for Iraq. The company is expected to have achieve a turnover of Rs. 6800 crore during the year 2000-01.

Hindustan Cables Ltd. (HCL)

24. The company is engaged in manufacture of a wide range of sophisticated telecommunication cables and wires and is catering to the needs of vital sectors like Railways, Defence, Communication etc. A revival plan of the company was approved by the Government of India which includes reservation of orders from C-Dot and MTNL. Performance of the company has since improved substantially with growth in production from

Rs. 217 crore in 1998-99 to Rs. 784 crore in 1999-2000 signifying an increase of 260 percent. The production of the company during the year 2000-2001 is anticipated to be Rs. 909.81 crore.The company has been referred to the Department of Disinvestment for undertaking Disinvestment/Joint Venture formation.

Bharat Heavy Plates and Vessels Ltd.(BHPV)

25. For effective utilization of existing facilities,the company has implemented a number of diversification schemes such as manufacture of air and gas separation plants,design and manufacture of industrial boilers etc.The production of the company for the year 2000-01 is anticipated to be Rs.270 crore. The company has been referred to the Department of Disinvestment for undertaking Disinvestment/Joint Venture formation.

Hindustan Machine Tools Ltd. (HMT)

26. A comprehensive turnaround plan of the company has been approved by the Government of India in July, 2000. The major elements of financial and organizational restructuring are;fresh infusion by Government of India to the extent of Rs. 395 crore, closing 5 unviable units, offering VRS to employees etc. Implementation of the turnaround plan is under progress. The production of HMT during the year 2000-2001 is anticipated to be Rs. 891.58 crore.

Instrumentation Ltd. (IL)

27. The company is engaged in manufacture of micro processor based and digital distributed control systems. The company became sick and was referred to BIFR. The revival package approved by BIFR is under imlementation.Meanwhile,the company has been referred to the Department of Disinvestment for undertaking Disinvestment/Joint Venture formation. Bids have been invited seeking expression of interest for offering 51 percent of the equity. The production of the company during the year 2000-2001 is anticipated to be Rs. 145.00 crore.

R&D Activities

28. Five institutes have been set up with UNIDO/UNDP assistance for research in newer technologies. There are – Fluid Control Research Institute, Pollution Control Research Institute, Centre for Electric Transportation Technology, Ceramic technological Institute and Welding Research Institute. Fluid Control Research Institute has helped many organizations in obtaining ISO 9000 certification by calibrating their reference/master instruments with traceability to national standards. The Pollution Control Research Institute provide services to various industries and Thermal Power Station on a regular basis. Centre for Electric Transportation Technology has capabilities to analyse and test all aspects of electrically powered vehicle designs to improve their performance, reliability and efficiency. Many ceramic products required for the industry have been developed at Ceramic Technological Institute and Welding Research Institute and a few of them have also been commercialized. Welding Research Institute has entered into an agreement with GTZ Germany for undertaking cooperative research projects in welding, in the IInd phase of the Project.

Shipbuilding and Shiprepair Industry

29. There are 28 shipyards in the country; out of which, seven are in the public sector, two in the State sector and the remaining in the private sector. Out of seven shipyards in the public sector, four are under the administrative control of Ministry of Shipping. These are Hindustan Shipyard Ltd., Visakhapatnam; Cochin Shipyard Ltd.; Hoogly Dock & Port Engineers Ltd., Calcutta; and Central Inland Water Transport Corporation, Calcutta. The capacity utilization of the public sector shipyards in the shipbuilding has been poor. The main reasons for under-utilization of the capacity are lack of adequate orders, reluctance on the part of the ship owners to place orders due to higher price of indigenous ship and long period involved for construction in comparison to international builders.

30. Among the public sector shipbuilding units, after financial restructuring of Cochin Shipyard Ltd.(CSL), the yard has improved its productivity and strengthened its profitability position. The shipyard has earned a net profit of Rs.44.39 crore during the year 1999-2000. The overall performance of the company has been rated 'Excellent' for the last three years.

31. Hindustan Shipyard Ltd. (HSL) has been incurring losses continuously due to lack of order for shipbuilding its main activity and excessive manpower. HSL is laying greater emphasis on shiprepair activity, acquisition of floating dock, diversification into related areas of structural fabrication for steel plants, railways, manufacturing of shipping equipment, etc. The Government has taken various steps to improve the performance of the company.

32. The Shipbuilding Subsidy Scheme which was reintroduced in August, 1997 for a period of five years has been further modified in August 2000 to make it attractive and enable shipyards to obtain fresh orders. The Government has also approved capital restructuring of HSL with a view to make it profitable and attractive for a suitable joint venture partner.

PETROCHEMICALS

33. Indian Petrochemical Industry made rapid strides in terms of production and consumption. Production of major petrochemicals (excluding fibre intermediates) increased from 4253 kt in 1999-2000 to 5124 kt (estimated) in 2000-01 registering a growth of 20.5 per cent. Similarly, consumption of major petrochemicals has recorded a growth rate of 17.6 per cent during 2000-01. To remain competitive, in the wake of lowering of tariff barriers, the petrochemical industry is adopting state-of-the-art technologies and is producing quality petrochemical products of international standards.

34. The process of disinvestment of 25 per cent of the equity holding of the Government in Indian Petrochemicals Corporation Limited (IPCL) along with transfer of management control through strategic sale was processed further. The Government has, on an offer from the Indian Oil Corporation Limited (IOC), decided to transfer IPCL's Vadodara Complex to IOC and disinvest 25 per cent of its equity in the remaining IPCL. The process is in final stage. Meanwhile, advertisement for sale of balance of IPCL is being finalised for issue.

35. The Gas Supply Agreement between Oil India limited and Reliance Assam Petrochemicals Limited has been signed on October 19, 2000 with a view to supplying gas to the Assam Gas Cracker Project, to be implemented by Reliance Assam Petrochemicals Limited, a joint venture of Reliance Industries Limited (RIL) and Assam Industrial Development Corporation. The process of land acquisition by the State Government of Assam is under progress.

36. In order to meet the fast growing demand of petrochemicals, Government of India have approved setting up of several petrochemical complexes in the country.

37. With a view to further strengthening the Petrochemical industry, boosting exports and facilitating enhanced foreign direct investment, Government has set up a high-powered "Petrochemical Vision 2010 Advisory Group" called "Task Force on Petrochemicals" under the chairmanship of Shri Montek Singh Ahluwalia, Member, Planning Commission with renowned industrialists, economists and technocrats as its members.

CHEMICALS & PESTICIDES

38. The chemicals and pesticides industry is highly heterogeneous, encompassing many sectors like organic and inorganic chemicals, paints, dyestuffs, speciality chemicals, pesticides, etc. Some of the prominent individual chemical industries are caustic soda, soda ash, carbon black, phenol, acetic acid, methanol and azo dyes. The production of chemical industry registered a growth of 7.5 per cent during the fiscal year 2000-01 compared to 21.8 per cent in 1999-2000. The turnover of Indian chemical industry has gone up from around Rs. 900 billion in 1996-97 to the current level of over Rs. 1,150 billion making it the 13th largest chemical industry in the world. It contributes 14 per cent of the output of the country's manufacturing sector. The exports from this sector are worth over Rs. 140 billion, representing almost 14 per cent of the exports from the manufacturing sector and about 10 per cent of the total exports from the country.

39. Post April 2001, with the phasing out of quantitative restrictions (QRs), the chemical industry will for the first time be facing the full brunt of global competition. At this critical juncture, strategic alliances and partnerships within and across the border for products and processes are the need for the industry.

40. The pesticides industry has developed substantially, contributing significantly towards India's agriculture and health sector. Besides use of natural pesticides, use of bio-pesticides is gradually picking up in the country. The country's export of pesticides has risen from just Rs. 64 crore in 1988-89 to around Rs. 1500 crore in 1999-2000 against an average import of only about Rs. 150 crore. There is still a tremendous potential of growth in exports as total world demand of pesticides is around Rs. 1,40,000 crore. The country's total consumption of technical grade pesticides has fallen from 75,000 tonnes in 1990-91 to 49,160 tonnes in 1998-99 due to adoption of integrated paste management practices and increased measures amongst farmers in avoiding over-spraying. In India, 20 to 30 per cent of total crop production is lost due to pests, weeds and plant diseases and the resultant annual

loss is estimated to be Rs. 15,000 crore. Therefore, importance of the role played by pesticides in agricultural production cannot overemphasized.. Though efforts made by some of the Pesticide Manufacturers to educate farmers about safe and judicious use of pesticides in close tandem with State Agriculture Extension Officers, Scientists of State Agricultural Universities, etc. are worth appreciating, vigorous attempt in this direction are called for.

41. The Indian dyestuffs industry has made remarkable progress since independence. Today India exports dyes and intermediates to the very same countries from which it used to import till recently. The industry has witnessed growth rate of more than 50 per cent during the last decade and has emerged as the second largest producer of dyes and dye intermediates in the Asian region.

42. To be able to discharge the obligations under the Chemical Weapons Convention (CWC), each country is required to have a domestic legislation, which makes filing of correct information about various activities in scheduled chemicals mandatory. CWC Act has been notified on August 28, 2000.

43. Hindustan Insecticides Limited (HIL) and Hindustan Organic Chemicals Limited (HOCL) are in the process of disinvestments. While Global Advisers for the transaction have been appointed in case the of both the companies, in case of HIL bidders have been shortlisted and finalisation of bids is under progress.

DRUGS & PHARMACEUTICALS

44. The drugs and pharmaceuticals industry is one of the largest and most advanced among the developing countries, manufacturing quality bulk drugs and formulations, belonging to several major therapeutic groups. The production and export performance of the industry has been quite good. During 1999-2000, exports of drugs and pharmaceuticals registered a growth of around 6 per cent over 1998-99.

45. All the five central PSUs are sick. Bengal Chemicals & Pharmaceuticals Limited has successfully implemented the BIFR rehabilitation package and the company is on the path of recovery. However, in the case of Bengal Immunity Limited, Smith Stanistreet Pharmaceuticals Limited and Hindustan Antibiotics Limited, the revival plans approved by BIFR have failed and revised plans are under consideration. In the case of IDPL, the BIFR in its hearing held on 05/07/2000 directed the Industrial Development Bank of India, Mumbai, the Operating Agency, to issue an advertisement for change in Management of the company inviting offers for take-over/leasing/amalgamation/merger for rehabilitation.

46. In order to upgrade the industry to world standards, to further rationalise the pricing mechanism and to promote R&D in the pharmaceutical sector, a “Task Force on Pharmaceuticals and knowledge-based Industries” was set up under the chairmanship of the Union Minister, Human Resource Development. During the year 2000-01 (April, 2000 till 15/ 11/2000), the National Pharmaceutical Pricing Authority revised/fixed the prices of 14 scheduled bulk drugs (12 bulk drugs and 2 derivatives) and 883 formulations.

47. While Government of India has decided to reduce the span of drug price control substantially, it will retain the power to intervene comprehensibly in cases where prices show violent fluctuations.

FERTILISERS

48. The total consumption of fertilisers, which was 18.07 million tonnes during 1999-2000, went up to 19.37 million tonnes (estimated) during 2000-01. The consumption of phosphatic fertilisers increased from 4.80 million tonnes in 1999-2000 to 5.11 million tonnes (estimated) in 2000-01 representing a growth of 6.56 per cent while the total production of fertilisers registered a growth rate of 6.25 per cent during 2000-01 over 1999-2000. There was no import of urea during 2000-01.

49. As on 01/12/2000, the total installed capacity of fertilisers was 11.69 million tonnes of nitrogen and 4.64 million tonnes of phosphatic nutrients, making India the third largest fertiliser producer in the world. The increase in capacity over 1999-2000 was due to commissioning of DAP Project of M/s. Indo Gulf Corporation Limited at Dahej (Gujarat), NPK Expansion Project of M/s. Coromandal Fertilisers Limited at Vizag (A.P.) and Urea Expansion Project of M/s. National Fertilisers Limited (NFL) at Nangal (Punjab).

50. Four major projects, namely, Namrup Revamp Project of M/s. Hindustan Fertiliser Corporation Limited, new DAP/NPK/NP Plant of M/s. Oswal Chemicals & Fertilisers Limited at Paradeep (Orissa), DAP Expansion Project of M/s. Gujarat State Fertilisers & Chemicals Limited at Sikka (Gujarat) and DAP Expansion Project of M/s. Godavari Fertilisers & Chemicals Limited at Kakinada (A.P.), are under implementation are expected to be commissioned in the year 2001-02. When commissioned, these projects would add additional capacities of 3.80 lakh tonnes per annum (TPA) of urea, 3.20 lakh TPA NPK, 21.76 lakh TPA of DAP and 1.00 lakh TPA NP fertilisers.

51. The Government had given ‘in principle’ approval for two expansion projects, namely, Expansion of Hazira Plant of KRIBHCO in Gujarat & Expansion of Thal Plant of Rashtriya Chemicals & Fertilisers Limited (RCF) in Maharashtra and two grassroot projects, namely, new Urea Plant to be set up by KRIBHCO at the existing site of FCI’s Gorakhpur Plant in U.P. & new Urea Plant to be set up by IFFCO at Nellore in A.P. In June 2000, the Government considered these projects and deferred the proposal for taking a final investment decision.

52. The joint venture company, namely, Oman India Fertiliser Company, has been approved by the Government in June, 2000. The project will be completed in 35 months after the financial closure.

53. Keeping the interest of industry and farmers in view, the formulation of new fertilisers pricing policy based on the recommendations of the High Powered Fertilisers Pricing Policy Review Committee, chaired by Prof. C.H. Hanumantha Rao and the Expenditure Reforms commission, chaired by Shri K.P. Geethakrishnan needs to be expedited.

54. Preparation of a detailed feasibility report for setting up an integrated chain of LNG supply in the country by the Core Group of Fertiliser Companies is under progress. The Task Force, constituted in March, 2000 under the chairmanship of Secretary (Fertilisers) with representatives from Ministry of Science & Technology, Ministry of Power, Ministry of Coal, Council of Scientific & Industrial Research, Fertiliser Association of India and Projects & Development India Limited, with a view to exploiting the abundant resources of coal in the country as a feedstock for the production of fertilizers, is yet to submit its report.

55. The Government has decided to disinvest 51 per cent of its equity holding out of 97.65 per cent in NFL; 32.74 per cent of its holding out of 58.74 per cent in Madras Fertilisers Limited (MFL); and 74 per cent of its holding out of 100 per cent in Paradeep Phosphates Limited (PPL) in favour of strategic buyers along with transfer of management control. The decision on disinvestment in the case of Fertilisers & Chemicals Limited Travancore (FACT) and RCF has been deferred. In the case of NFL, Global Adviser for the transaction has been appointed and bidders have been shortlisted. In the case of MFL, Global Adviser has been appointed, bidders have been shortlisted and the Department of Fertilisers is pursuing with National Iranian Oil Company – Joint Venture partner – to obtain their consent. In the case of PPL, expression of interest has been published and action is being taken for selecting the prospective Global Adviser.

LEATHER AND LEATHER GOODS

56. The leather industry has been identified as as one of the thrust areas for exports and the export performance of the leather sector has improved considerably. Export performance of the leather sector went up from Rs. 3036 crores during 1991-92 to Rs. 6968 crores in 1999-2000. The export of leather and leather products during April 2000 to November 2000 was Rs. 6062 crores.

57. In the Union Budget for 2001-2002, 11 items pertaining to the leather sector have been dereserved. These include semi-finished leather, leather shoes and shoe components. No industrial licence will be required for setting up units to manufacture these items. For Leather, Handicrafts & Garments the entitlement for duty-free import of trimmings, embellishments and other items has been increased from 2 to 3 percent of FOB value of exports.

58. A plan scheme titled Indian Leather Development Programme (ILDP) was launched during the Ninth Five Year Plan for integrated development of Indian leather industry at a total outlay of Rs. 14.50 crore. The scheme seeks to provide the much needed financial help to the tanneries for their technological upgradation and better capacity utilization and undertake adequate pollution measures. After the successful completion of the UNDP-assisted National Leather Development Programme (NLDP Phase-I), Phase II of the Programme – SIDE-NLDP has been under implementation with UNDP assistance with focus on poverty alleviation and sustained likelihood and building linkages between organized and unorganized sector. Under this scheme, Decentralized Common Facility Centres (DCFC) and Design Studios for Leather Goods and Footwear have been set up in Kanpur, Delhi, Calcutta,Hyderabad and Bhopal etc.

59. During 2001-02, Rs. 6.84 crore have been provided to implement the activities relating to organization/participation in technology-cum-investment promotion activities, technical upgradaion and improvement in productivity of organized sector, scheme of tannery modernization, design studios for leather goods, facilitating component industry and marketing support for ethnic footwear.

TEXTILES

60. The textile industry accounts for 37 per cent of the country's export earnings, 14 per cent of industrial production and provides an estimated 35 million jobs with indirect employment for another 58 million people, next only to agriculture. Textile industry in India continues to be cotton-based. In addition to the natural fibres, the industry also uses wide range of synthetic and the man-made fibres such as polyester, viscose, nylon, acrylic as well as filament yarn. The fabric production has increased from 39202 million sq.mtrs. during 1999-2000 to 40910 sq.mtrs. during 2000-2001 by mills, powerlooms, handlooms, hosiery including khadi, wool and silk. The production of spun yarn has increased to 2885.28 million Kgs. during April'99-February 2000 against 2779.98 million kgs. during the same period in the previous year. The per capita availability of cloth in the country has risen to 31.25 sq.mts.in 2000-01 (Prov.) from around 26.22 Sq. mts. in 1993-94. The spindlage capacity has increased from 28.60 million in 1993-94 to 37.70 million by the end of November 2000. The open end rotors capacity has increased from 4.43 lakh in February 2000 to 4.55 lakh in February 2001.

61. The modernization of textile industry is a major thrust area in the Ninth Plan. A Technology Upgradation Fund Scheme (TUFS) was launched by the Government of India w.e.f. 01.04.1999 for a period of five years for strengthening the overall viability and competitiveness of the Textile and Jute Industries. The scheme envisages 5 per cent interest subsidy on loans availed by industry units, the participating nodal agencies being IDBI for organized textile units, SIDBI for small scale industries and IFCI for jute industries. A Technology Mission on Cotton (TMC) was launched by the Government of India on 21.02.2000 to improve cotton productivity, quality and reduce the cost of production and thus provide the much needed competitive advantage to the textile industry along with ensuring attractive returns to the farmers. Under TMC, mini-Missions I & II with specific objectives of research and dissemination of technology to farmers are under Ministry of Agriculture. Mini-Missions III & IV relating to improvement in market infrastructure and modernization of ginning & pressing factories are under Ministry of Textiles.

62. The international trade in textiles and clothing since 1974 is covered by a special arrangement called Multi-Fibre Arrangement(MFA) under the broad framework of General Agreement on Tariffs and Trade (GATT) rules. The unique feature of MFA is that while it permits unrestricted trade amongst the developed countries, trade of developing countries is allowed under quota arrangement. As per WTO agreement, the quota regime will be phased out by the end of 2004 and textile trade will be totally free. The Government of India has announced the National Textile Policy 2000 (NTxP-2000) with a view to preparing the industry for successfully meeting the challenges of the post-MFA era and develop a strong and vibrant industry that can a) produce cloth of good quality at acceptable prices to meet the growing needs of the people; b) increasingly contribute to the provision of sustainable employment and economic growth of the nation; and c) compete with confidence for an

increasing share of the global market. The target set by the policy for exports is US $ 50 billion by 2010 of which the clothing exports would be US $ 25 billion from the present level of US $ 11 billion.

63. In addition, a textile package comprising the following schemes were announced in the union budget for the year 2001-02:

- A scheme for setting up Integrated Apparel Parks is being initiated. This will enable the dereserved readymade garment industry to set up modern units with the best infrastructure. A budget provision of Rs. 10 crore has been provided for the year 2001-02
- A strong and modern weaving sector is very critical for this purpose. At least 50,000 new shuttleless looms and 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 provision under TUFS is being raised from Rs. 50 crore this year to Rs. 200 crore in the next year.
- The Cotton Technology Mission is being continued and strengthened. The budget provision is being increased from Rs. 15 crore to Rs. 25 crore.
- The budget allocation for Ministry of Textiles was enhanced substantially from Rs. 457 crore in 2000-01 to Rs. 650 crore in 2001-02.

64. A large number of textile mills have become sick in the public sector, particularly, cotton textile mills under National Textile Corporation (NTC) and British India Corporation (BIC). These PSUs have already been referred to BIFR as their net worth has become negative. The decisions of closing down/reviving the unviable mills is pending before BIFR.

JUTE

65. India is the largest producer of the raw jute in the world and the second largest exporter of jute goods. About four million families are engaged in the cultivation of jute and mesta and about two lakh workers are employed in the jute industry. The production of jute and mesta has been estimated to be 95 lakh bales in the year 2000-01 as against 90.09 lakh bales produced in the previous year. The production of jute goods has been estimated to be 16 lakh tonnes in the year 2000-01 as against 15.90 lakh tones produced in the previous year.

66. A major area of thrust during the Ninth Plan is to consolidate the achievements of the UNDP-assisted National Jute Development Programme to carry out the holistic development of jute sector. Second phase of UNDP programme known as Successor Country Cooperation Frame Work-I (CCF-I) has been under implementation w.e.f. 1-4-1999 envisaging a total contribution of US $ 7 million by UNDP and Rs. 20 crore by Government of India, which also include investment in wool and sericulture. This programme will continue till the end of March 2002. The activities to be taken up under this programme include promotion of fine jute fibre cultivation, support to NGOs working with diversified jute products, implementation of strategic marketing plan for jute, Human Resource Development, commercialization of R&D efforts of Phase-I, indigenzation of machine

manufacture, quality assurance of jute goods, bio-technology intervention for development of better quality of jute fibre etc. The new National Textile Policy 2000 envisages setting up of Jute Technology Mission on the lines of Cotton Technology Mission for the development of Jute sector.

67. The National Centre for jute diversification (NCJD) is actively engaged in consolidating the R&D results and transfer these to entrepreneurs by providing technical, financial and marketing support to take up production and marketing of various jute based diversified products.

68. Due to continuing cash losses and complete erosion of net-worth, National Jute Manufactures Corporation (NJMC) Jute mills were referred to BIFR in 1992. BIFR directed the Operating Agency (IIBI) to prepare a Unit-wise viability report.

SUGAR

69. India has emerged as the largest producer of sugar in the world in the sugar season 1999-2000 (Oct-Sept) with production of 181.41 lakh tonnes. During the current sugarcane season (October 2000-September 2001), the production of sugar is estimated to be about 181.00 lakh tonnes.

70. Government has taken a number of important policy decisions as part of reform process in the sugar sector. Some of these decisions are:

- reduction of levy obligation of domestic sugar producers from 40% to 30% with effect from 1.1.2000 and further reduction from 30% to 15% with effect from 1.2.2001,

- restructure the Sugar Development Fund Rules, 1983 for providing loans at concessional rates for by-products utilization and

- amend the Sugar Development Fund Rules, 1983 for providing loans at concessional rates for rehabilitation of potentially viable sick sugar mills.

71. In order to boost export of sugar, Government has taken some measures: (i) the sugar factories exporting sugar have been given exemption from levy on the quantity of sugar exported till 31.3.2001 and (ii) DEPB benefits @ 5% on the f.o.b. value of exports have been allowed to exporters. Govt. of India has allowed export of 10 lakh tonnes of sugar during the year 2000-01. About 3.73 lakh tonnes of sugar has been exported upto 17.2.2001.

CEMENT

72. Cement which is a key infrastructure industry, has been growing since the decontrol of price and distribution on 1st March, 1989 and several policy reforms thereafter including delicensing of the industry on 25th July, 1991. Apart from meeting the entire domestic demand, the industry is also exporting cement and clinker.

73. India is the second largest producer of cement in the world after China. At present, there are 120 large cement plants with an installed capacity of 112.01 million tonnes and more than 300 mini cement plants with an estimated capacity of 9 million tonnes per annum. There is only one Central Public Sector Undertaking in the cement sector i.e., Cement Corporation of India which has 10 units. There are 10 large cement plants owned by various State Governments.

74. The actual production in 1999-2000 was 100.45 million tonnes. As against a production target of 107.00 million tonnes, the cement production is estimated to be about 100 million tonnes in the year 2000-01. The export of cement and clinker during 2000-01 is placed at 5.11 million tones.

75. The performance of Cement Corporation of India, which has ten units located in different parts of the country, has not been satisfactory and it is under reference to BIFR.

PAPER AND PAPER BOARD

76. There are, at present 515 units engaged in the manufacture of paper and paperboards and newsprint in India. The country is approaching self-sufficiency in the manufacture of most varieties of paper and paperboards.

77. At present about 60.8 per cent of the total production is based on non-wood raw material and the rest on wood . The capacity utilization of the industry is low at 70.5 per cent as about 194 paper mills, particularly small mills, are sick/ or lying closed. The total production of paper during 1999-2000 was 34.56 lakh tonnes. The production is estimated at 35 lakh tonnes in 2000-01.

78. The performance of the industry has been suffering due to inadequate availability and high cost of inputs like raw materials, and power. Several policy measures have been initiated in recent years to remove the bottlenecks of availability of raw materials and inadequate infrastructure. To bridge the gap due to shortage of raw materials, duty on pulp and waste paper, wood logs/chips has been reduced. Several fiscal incentives have also been provided to industry, particularly those mills which are using non-conventional raw materials.

79. Imports of paper and paper products have been growing over the years. The import is estimated to be 2.75 lakh tonnes in 2000-01. About one lakh tones of paper was exported in 1999-2000 mainly to the neighbouring countries.

NEWSPRINT INDUSTRY

80. There are at present 56 mills (4 in Central Public Sector, 2 in State Public Sector and 50 in Private Sector) with an annual installed capacity of about 10.83 lakh tonnes. The capacity utilization of the Newsprint industry is low at 60 per cent.

81. The total newsprint produced during 2000-01 is estimated at 6 lakh tonnes as against a production of 5.04 lakh tonnes 1999-2000.

82. The demand for newsprint in the country is met partly from indigenous production and partly by import. Free imports and low customs duty have made newsprint market competitive. There are no price or quantitative controls. Various policy measures have been taken to improve production and availability of newsprint. The industry has been delicensed. Excise duty on newsprint has been removed.

83. The performance of the PSU, Hindustan Paper Corporation (HPC) and its subsidiary, Hindustan Newsprint Limited (HNL) engaged in the manufacture of newsprint and paper has been satisfactory. The internal resources generated by HPC upto January 2001 have been good and are estimated at Rs.32 crore, while for HNL it is of the order of Rs.19.96 crore.

84. The performance of Nepa Ltd has not been satisfactory. The Government had accorded in principle approval for private sector participation in Nepa Ltd and approved financial restructuring of the Company before inviting bids for strategic sale. Financial restructuring of Nepa Ltd. was carried out only in March, 2000. The accumulated losses of the company have risen to Rs. 124.30 crore, while the paid up capital is Rs. 105.39 crore as on 31.3.2000. The company has not been able to come out of the purview of the BIFR because of further cash losses.

ATOMIC ENERGY

85. The activities of Deptt.of Atomic Energy under I&M sector pertain to production of Heavy Water for Nuclear Reactors, fabrication of nuclear fuel for power reactors, re-processing of spent fuel and waste immobilization, mining and processing of Uranium and mineral sands and production of control and instrumentation equipment for nuclear plants, etc.

86. One of the important schemes of Bhabha Atomic Research Centre(BARC) is the Technology Development Programme, which has been approved by the Government in October, 1998 at a cost of Rs. 611 crore. The scheme involves maintenance, upgradation and augmentation of the old plants and related facilities. The scheme is being executed on Engineering/procurement & commissioning (EPC) mode and it is expected that some of the activities of the scheme may spill-over to the Tenth Plan. Another scheme of BARC for which an outlay of Rs. 15 crore has been proposed is the Combined Multi Stage Flash-Reverse Osmosis (MSF-RO) desalination plant.

87. Board of Radiation and Isotope Technology (BRIT), which is responsible for production and supply of a variety of radio isotope products including radio-chemicals, radiation sources, radio pharmaceuticals, radiography equipment and radiators has supplied radio isotopes to various users for application and health-care, industry, agriculture and research and executed export orders for Canada and Saudi Arabia for supply of large quantities of radio isotopes.

88. DAE has planned to set up two gamma-radiation sterilized mid-wifery facilities of DAI Kits at appropriate locations in India in the next two years. These facilities are expected to contribute significantly to the health-care programme for women.

89. Nuclear Fuel Complex (NFC) is engaged in Pressurised Heavy Water Reactor (PHWR) Fuel Project, to meet the initial and reload fuels of the forthcoming 500 Mwe units at Tarapur namely TAPS-3 and TAPS-4 and Advanced materials processing facilities for developing production facilities of advanced metals which have direct relevance to Nuclear power generation and space applications.

90. Eight Heavy Water Plants have been installed in the country to meet the requirements of the Indian nuclear and research reactors. The heavy water plants at Manuguru and Kota are based on indigenously developed hydrogen sulphide exchange process (Frontline Technology) and the other plants use ammonia-hydrogen exchange process. In view of the energy intensive nature of heavy water production technology, the Heavy Water Board(HWB) has been pursuing a defined policy of energy conservation.

91. ECIL, one of the PSUs under the Deptt.of Atomic Energy, is engaged in manufacturing electronics components/instruments required by the Government Departments and others. The operations of the company have not been satisfactory. A revival and turn around programme for the company is under consideration; it involves cash infusion of Rs. 145 crore. It is proposed to bring down the employees' strength from 6500 personnel to 4500. Financial restructuring of ECIL is under consideration.

FOREIGN TRADE AND EXPORT PROMOTION

92. The export growth rate of about 20 per cent in dollar terms was registered during the year 2000-01 as against a growth rate of 12.93 per cent during the year 1999-2000. The government of India has taken a number of measures during the year 2000-01 to boost exports. Some of these are: removal of quantitative restrictions making import and – items license-free, promoting free trade zones, etc.Out of the 1400 items on which QRs were there ,QRs on 715 items were removed in the Budget for 2000-01 and the remaining QRs were removed with effect from Ist April,2001.

93. With a view to enabling hassle-free manufacturing and trading activities for the purpose of exports, Special Economic Zones (SEZs) are being set up. The units in these zones shall not be subjected to any pre-determined value-addition, export obligation, of the country/wastage norms. They shall be treated as outside the customs territory of the country. Sale in domestic tariff area by the units in these zones will only be allowed after payment of full customs duty. Private sector SEZs in an area of about 3500 hectares have been sanctioned at Pipava in Gujarat on the west coast. Another SEZ has been sanctioned at Tuticorin in Tamil Nadu. Besides, the existing export processing zone in Mumbai, Vizag, Kandla and Cochin are also being converted into SEZs.

94. The Government has provided additional equity support of Rs. 50 crore to Export Credit Guarantee Corporation (ECGC)n in 2001-02 for providing higher insurance cover to

the Indian Exporters and guarantees to banks and other financial institutions for extending credit facilities to exporters. In addition, a new scheme entitled Market Access Initiative has been announced for critical infrastructure and support programmes to stimulate and stabilise exports.

INVOLVEMENT OF STATE GOVERNMENTS IN EXPORT PROMOTION EFFORT

95. With a view to making exports a national effort by involving all the State Govts., a new scheme of Export Promotion Fund for States has been evolved for granting assistance to the States on the basis of their export performance for development of export related infrastructure. The objectives of two schemes of the Department of Commerce i.e. Export Promotion Industrial Park (EPIP) Scheme and Critical Infrastructure Balance Scheme (CIBS) also form part of the new scheme. To facilitate equitable allocation of resources, this amount will be distributed on the twin criteria of absolute export performance as well as incremental exports. To begin with, an allocation of Rs. 97 crore have been provided for 2001-02. The amount would be utilized by the States for complementary export related infrastructure, such as roads connecting the production centers with ports, research and development of state specific ethnic products, development of cold chains for agro exports, development of minor ports, creation of new export promotion industrial parks, human resource development and for the purpose of developing marketing infrastructure.

Mining and Metallurgical Industry

96. The policy objective of the Ninth Five Year Plan for the mining sector was to make available minerals to the consumers at internationally competitive prices with the domestic mining industry competing with imports in both domestic as well as world markets as no protection was available except what was permitted within the world trade regime. The major thrust in the mining sector was to accelerate the growth rate along with conservation and protection of the environment through inflow of foreign technology and capital.

97. The cost effective mineral exploration and development with latest state-of-the-art exploration technologies continues to be the Plan objective along with promoting private sector in both mineral exploration and creating new mining capacities.

98. The non-ferrous metals and mining sector have been opened up to the private sector. As such, no targets were fixed for the Ninth Plan as well as for the Annual Plans including for the public sector companies, namely, Bharat Aluminium Company Ltd. (BALCO), National Aluminium Company Ltd. (NALCO), Hindustan Zinc Ltd. (HZL) & Hindustan Copper Ltd. (HCL). However, indicative physical targets were attempted and included in the Ninth Plan.

99. A statement placed at Annexure-7.1 indicates the output of iron ore and non-ferrous metals, namely, aluminium, copper, zinc and lead during 2000-01 as well as likely production in 2001-02 as against the IXth Plan targets. It would be seen from the statement that the

production of iron ore, copper by HCL and lead is likely to fall short of the indicative target set for the Plan (i.e. the terminal year 2001-02 of the IXth Plan). The reasons have been discussed under sub sectoral profile.

100. The availability of metals in the market was also supplemented through imports. The non-ferrous metals market is now consumer driven as against the producer driven in the closed economy. This has been a major development in this sector with the opening up of the economy.

101. Coming to prices, the London Metal Exchange prices of non-ferrous metals kept on fluctuating during the last four years. In particular, copper has been the worst case and its prices have remained depressed, affecting adversely the performance of HCL; while companies in aluminium and zinc metals business have been able to absorb the price shocks. The duty structure of the industry is by and large at par with the international averages.

102. The recent amendments to the MMRD Act and the new National Mineral Policy are encouraging investment by the private sector including multi-national companies in the state-of-the art technologies in mineral exploration and opening up of new mines for base metals, noble metals and other scarce minerals.

103. Reconnaissance permits in 42 cases, involving an area of about 53,000 sq.km., have been approved up to February, 2001 since December 1999.

104. The Foreign Investment Promotion Board (FIPB) has so far cleared about 67 proposals of foreign direct investment in the mining sector involving expected FDI flow of Rs.3697 crore.

105. During the year 2000-01, the FIPB approved seven proposals involving foreign direct investment to the tune to Rs.230 crore.

106. Following the setting up of the Foreign Investment Implementation Authority (FIIA), a Fast Track Committee (FTC) comprising representatives of the State Governments, Central Government and concerned agencies has been set up in the Department of Mines, Ministry of Mines & Coal, for monitoring the progress of implementation of major projects.

107. An Expert Committee constituted under the Chairmanship of Principal Secretary, Industries & Commerce Department of the State Government of Andhra Pradesh had earlier suggested upward ceilings of royalty rates and dead rent for Granite. The State Governments were requested to incorporate the same in their respective Minor Mineral Concession Rules (MMCRs). The said Committee has also recommended some structural changes in the taxation regime for the granite sector. The Granite Development Council constituted by the Department of Mines, Ministry of Mines & Coal is examining these recommendations.

108. The major achievements during the past four years of the Ninth Plan are highlighted in the Box below:

Some Major Achievements

- The Mines and Minerals (Regulation & Development) Act 1957 was amended and notified in December, 1999. The Act has been renamed as Mines and Minerals (Development & Regulation) Act which delegates more powers to the State Governments.
- A new clause of reconnaissance permit has been added in the Act as a stage distinct from and prior to actual prospecting operations. This will make investment in the state-of-the art technologies in mineral exploration more attractive.
- Consequential amendments to the Mineral Conservation and Development Rules (MCDR), 1988 were notified in January, 2000. By these amendments, power of approving mining plan (for open cast mines only) for 29 non-metallic and industrial minerals has been given to the State Governments.
- Revised rates of royalty for major minerals (other than coal, lignite and sand for stowing) were notified in September, 2000 which has brought 21 rates on ad-valorem basis covering 39 specified minerals.
- Guidelines for calculating royalty on minerals, etc., were also notified in September, 2000.
- The Government has, through a review of its FDI policy in February, 2000, allowed automatic route for foreign equity participation up to 100% in the case of exploration and mining of all minerals, except diamonds and precious stones for which 74% foreign direct investment is permissible via this route.
- The Government had set up a Multi-Disciplinary Committee inter-alia for suggesting an appropriate tax structure conducive to rapid development of minerals and mineral-based industries in the country. The Committee has submitted its report, which is under consideration of the Government.
- The Government notified Granite Conservation and Development Rules, in June, 1999 for ensuring systematic and scientific development of valuable granite resources of the country.
- The Department of Mines constituted a group on Marble Development in September, 1999 with a view to look into various problems related to mining, value addition and exports, etc., of marble and suggest appropriate measures to overcome the bottlenecks affecting this industry.
- The Government disinvested 51% of its equity in Bharat Aluminium Company to a strategic partner.
- The Government has approved the disinvestment of Hindustan Copper Ltd. (HCL) in two phases. In the phase-I, the Khetri unit along with Taloja plant would form a separate company. The assets of these two units will be valued, which would constitute 49% contribution from HCL in the new company. The remaining equity in the new company will be from a strategic partner.
- The Government has also approved disinvestment of 26% of HZL's equity to a strategic partner with an appropriate role in the management of the new company.
- The Government has decided to wind up sick Bharat Gold Mines Ltd.
- The Government has approved, in December 2000, setting up of a 100,000 tpa Greenfield zinc smelter plant by the Hindustan Zinc Ltd. at Kapasan in Rajasthan at an estimated cost of Rs.1203.75 crore. This decision will be implemented soon after the disinvestments process is completed.
- After liberalization, the private sector has come up significantly in the copper production in the country and at present it is producing about 76% of the total copper output. With this, the dominance of the public sector HCL in copper production has ended.

109. Despite progress made during the last four years of the Ninth Plan, particularly in stimulating the growth of private sector including FDI in the mining sector as was planned, there are some areas of concern which need to be addressed. These have been highlighted in the Box below.

Some Areas of Concern

The present procedure for granting various clearances such as for reconnaissance permit, prospective licence, mining lease, transfer of surface rights has been perceived to be taking unduly a long time.

The mining industry is of the view that the above clearances should be made time-bound. In case, the approvals are not granted within the laid down time-frame, these should be treated as having been granted.

A provision needs to be made in the MMRD Act for revoking reconnaissance permit if not implemented within the prescribed time limit.

Presently one cannot mine a deposit which lies in declared forest area. There are many excellent mineral deposits available in such forest areas. There can be a way out for exploiting commercially such deposits for the benefit of the economy vis-à-vis maintaining requisite forest cover and at the same time enforcing safeguarding other concerns of maintaining eco-balance. This way out needs to be found.

Various State Governments have laid down extraneous conditions and demands such as free extra royalty, etc., besides asking the mining companies to put up their processing plants in the respective States. Such conditionalities are contrary to the present policy dispensation and needs to be done away with for the speedy growth of the private sector investment including FDI in the mining sector.

The practice of reserving large mining areas by the State Governments for exploitation by the Public Sector needs to be discontinued as this practice is also inconsistent with the present policy dispensation.

Inadequacy and high cost of infrastructure continues to be a big constraint in the growth of mineral sector including exports. This constraint will have to be eased out with speed that it demands.

Due to low availability of indigenous lead concentrates as well as scrap, there is an urgent need to look for a new lead resources in the country.

There is also a need for centralized collection of battery scrap and its processing in the organized secondary sector by units having the required environmental control measures in position. This will arrest the growth of backyard lead smelters, which are not considered environment friendly.

The Sub Sector-wise details are given below:

Iron Ore

110. Production during 2000-01 of iron ore was around 77 million tonnes (estimate) as against an indicated production target of 80 million tonnes. An indicative production target of 100 million tonnes of iron ore was set for the terminal year of the Ninth Plan (2001-02). As against this, production is estimated to be around 80 million tonnes. The iron ore output

has been affected due to slow-down of the economy. The indicative export target of 32 million tonnes set for the year 2001-02 – the terminal year of the Plan – is, however, likely to exceed by around 5-8 million tones primarily because of demand from China, South Korea, etc.

111. As per the present Policy, iron ore with Fe content upto 64 per cent is completely decanalised and direct export of iron ore by iron ore producers from Goa and Redi sectors to China, Europe, Japan, South Korea, Taiwan, etc., is permitted. The export of iron ore with Fe content exceeding 64 per cent (high grade) continues to be canalised through the Minerals and Metals Trading corporation (MMTC).

112. The Government of India had approved development of Bailadila 10/11A iron ore projects of the National Mineral Development Corporation (NMDC) at an estimated cost of Rs.430.50 crore in August, 1995. The project was to be completed by August, 1999. The implementation of the project got delayed because of some technical reasons. The project is likely to be completed by 2002.

113. The NMDC Board approved in March, 1999 setting up of Tertiary Crushing Plant at Bailadila deposit-14/11C with an estimated cost of Rs.11.47 crore. The project is nearing completion.

114. The development of 11-B deposit under joint venture with a private company has not yet been taken up due to some technical problems.

115. Consequent upon the expiry of mining lease granted to the Kudremukh Iron Ore Company Ltd. (KIOCL) on 24.7.1999, the company was granted a temporary work permit for a period of one year, which expired on 24.7.2000. The work permit was further extended for a period of one year i.e. up to 24.7.2001. While approving the extension, the Government of India had directed the Government of Karnataka to finalise the notification regarding Kudremukh National Park on or before 30.9.2000. The KIOCL is contemplating to develop Nellibeedu and Gangrikal deposits in addition to pursuing renewal of the existing mining lease. Mining of primary ore at deeper levels of the existing mine is also under the consideration of KIOCL.

116. The Central Government has approved in January 2001 the proposal of the Ministry of Commerce & Industry regarding renewal of long term agreement for export of iron ore by MMTC.

Steel

117. The year 2000-01 saw the Indian steel industry attain an excellent growth rate of 23 per cent as compared to the preceding year when the growth rate of finished steel was 12.1 per cent. The projected demand for finished steel in 2000-01 is 32.68 million tonnes and the production of steel from domestic sources is estimated at a record 32.68 million tonnes. The total availability of finished steel including imports was 32.01 million tonne. India continued to be the 10th largest steel producing country of the World.

118. The production of Saleable Steel in the four integrated steel plants of SAIL in 2000-01(April- December) is 7.24 million tones as against a target of 7.65 million tonnes owing

to poor market demand. It is expected that against a target of 10.21 million tonnes for 2000-01 only 10.05 million tonnes of saleable steel is estimated to have been produced and similarly only 0.48 million tonnes are expected to have been exported against an export target of 0.7 million tonnes for the year. The business restructuring plan of SAIL was approved by the Government of India in Feb., 2000. The restructuring package which involves financial restructuring of the company by waiver of loans and advances to it from the Steel Development Fund to the tune of Rs.5073 crore and Rs.381 crore from the Government of India, provision of Government guarantee(without Guarantee fee) with 50 percent interest subsidy for enabling the company to raise Rs.1500 crore from the market to finance its VRS programmes. Business restructuring includes trimming of SAIL by hiving off unviable and non-core units such as Alloy Steels Plant, Durgapur, Salem Steel Plant, Visvesvaraya Iron & Steel Plan, Oxygen Plant II of Bhilai Steel Plant, Power Plants at Bokaro, Durgapur, Rourkela and Fertilizer Plant at Rourkela apart from business on product basis that is, long products and flat products for achieving synergy in production and marketing. Other measures to improve profitability of SAIL include intensive cost-reduction drive and introduction of VRS to reduce work-force from 1,76,000 to 1,00,000 persons in the next five years. Conversion of IISCO into Joint Venture Company with minor shareholding of SAIL has been approved as a part of the revival package of SAIL. SAIL has signed an MOU with the Ministry of Steel in March, 2000 for implementation of the business restructuring plan. The process of divestment has already been initiated by appointing Financial Advisers and merchant bankers. The Company has issued advertisement inviting expressions of interest for divestment of identified units. However, the pace of implementation of restructuring plan has been rather unsatisfactory. The performance of Rashtriya Ispat Nigam Ltd.- Visakhapatnam (VSP) has been satisfactory. VSP had registered a loss of Rs.130 crore during 1999-2000; however, during the period 2000-01 (April-Sept), it is likely to register a profit Rs. 29 crore (provisional).

119 With the commissioning of two more plants, viz., SISCOL in Salem & Mukand Limited in Hospet, the number of new/green field steel plants which have been fully commissioned, increases from eight with a total capacity of approximately 4.2 million tonnes per annum. Five additional projects have been partly commissioned involving a capacity of 2.9 million tone per annum. The Government has taken several measures to address the problems of the newly commissioned and up-coming projects.

120. Both Public and Private Sector Iron and Steel Plants continued their Research and Development activities to solve their plant specific problems and also to develop new processes and products. The research areas cover mining and beneficiation of minerals, improvement of properties of coal, reduction in energy consumption, reduction in refractory consumption, improvement in productivity, utilization and treatment of wastes, control of pollution, improvement of quality, development of human resources etc.

121. With the liberalization of India's trade policy and commencement of the export-import policy for 5 years (from 1.4.1997 to 31.3.2002), the policy for import and export of iron and steel materials has undergone sweeping changes. Import of all items of iron and steel is freely allowed. Exports of all items of iron and steel are also freely allowed. To check the increasing trend of cheap imports in certain categories of flat products especially from CIS and South East Asian countries, measures have been initiated to strengthen anti dumping mechanism in this sector.

NON-FERROUS METALS

Aluminium

Demand

122. As against the anticipated annual growth rate of 8 per cent in demand of aluminium during the IXth Plan period, the actual apparent consumption of the metal grew at an average annual growth rate of around 4.5 per cent. This was primarily due to slow-down of the economy, particularly, of the major aluminium consuming sectors such as power (transmission), construction, transport, packaging, etc.

123. India is not one of the major primary aluminium producers in the world and it is also not contributing significantly to the world aluminium trade. The primary aluminium production with the given technology is power guzzler. India is short in energy but rich in bauxite resources. Therefore, it is quite likely that in future also India will not be in a position to contribute significantly to the world primary aluminium output. There is, however, possibility that India may emerge as one of the major contributors to the world alumina market in future. India has a comparative advantage in manufacturing down- stream aluminium products which has amply been borne by the fact that in the post liberalization era, the Indian aluminium down-stream industry has been able to meet the opening up shocks fully.

Capacity & Production

124. The primary aluminium capacity was anticipated to increase from 670,000 tonnes to 714,000 tonnes during the IXth Plan period with HINDALCO – a private sector company - and NALCO – a public sector company – adding 32,000 tonnes and 12,000 tonnes capacity per annum to their smelters respectively. These expansion programmes have since been completed. Production of aluminium during 2000-01 and indicative target for 2001-02 are given at Annexure 7.1.

125. Production of primary aluminium during 2001-02 – the terminal year of the IXth Plan – is likely to fall short by around 100,000 tonnes due to INDAL's Belgaum Smelter not likely to be re-energised apart from marginal expansion of its Hirakud Smelter also not likely to materialize, as was anticipated. Besides, INDAL's Alwaye, Kerala Smelter's capacity has also declined by around 7,000 tpa due to some technical reasons.

Projects

126. The investment in the three large private sector export-oriented alumina refineries during the Ninth Plan period in Orissa has been deferred due to commercial reasons.

127. No green field investment was anticipated in the aluminium sector in the public sector during the Ninth Plan period.

128. A new Cold Rolling Mill project of Bharat Aluminium Company Ltd. was approved in 1997. The project got delayed due to some technical reasons and is likely to be

commissioned in June 2001. Besides, BALCO had also planned developing two captive mines located at Manipat and Bodai Daldali in Madhya Pradesh. While the production from Manipat mine has already commenced, the other mine at Bodai Daldali is in the process of development. Meanwhile, the Government has sold 51% of its equity in BALCO to Sterlite Industries (India) Ltd. and transferred the management control of the company to the later. The BALCO is, therefore, no longer a public sector enterprise.

129. The NALCO's expansion projects of bauxite mines from 2.4 million tpa to 4.8 million tpa and Alumina Refinery from 0.8 million tpa to 1.575 million tpa, both located at Damanjodi, Orissa, are progressing as per schedule.

130. The smelter expansion project of NALCO, which will increase its annual capacity from the present 230,000 tonnes per annum to 345,000 tonnes per annum is on schedule and is likely to be completed by May, 2002.

131. The Government approved in December, 2000 8th unit of 120 MW capacity for the Captive Power Plant of NALCO. The project is likely to be completed by August 2002.

132. A major development that took place in the primary aluminium market was taking over of Indian Aluminium Company by HINDALCO from ALCAN, Canada.

Copper

133. The known copper resources in India are characterised by low volume, narrow width, low grade and poor precious metal content. With the exception of Malajkhand deposit in Madhya Pradesh, no deposit is amenable to low cost surface mining and is also not amenable to high degree of mechanisation. India is not a major copper producer and exporter in the world.

134. High cost of operations of the underground mines of Hindustan Copper Ltd. (HCL) has been one of the major reasons for the company not having been able to absorb fall in the international copper prices. The thrust, therefore, continues on exploration for identification of world class deposits for commercial exploitation.

135. With the liberalization, the private sector has entered into copper production with imported concentrates.

Demand

136. The demand for copper was anticipated to grow at 8% annually during the IXth Plan period (1997-2002). As against this, the annual growth in copper consumption during the first four years of the Plan was around 8.3%. This was due to the spurt in demand for the metal from sectors such as telecommunication, consumer durables, handicrafts, etc., which more than off-set the decline in demand for the metal from sectors such as process industry, transport, construction, defence, mints, etc. The demand for copper during the Ninth Plan period is expected to be marginally higher at 8.2% as against 8% annual growth in demand anticipated at the time Plan was formulated.

137. The company has been incurring losses for the last few years mainly due to steep fall in the London Metal Exchange (LME) prices of copper and reduction of custom duty on the metal. A number of measures were initiated to revive the company – which included closure of its unviable mines located at Mosabani, Pathargora and Kendadih in Bihar and Chandmari in Rajasthan, rationalising workforce through voluntary retirement scheme, capital restructuring, etc.

Capactiy & Production

138. The existing copper smelting capacity in the country is 2,47,500 tonnes per annum, comprising 47,500 tpa with HCL in the public sector and 100,000 tpa with Sterlite Industries India Ltd., 100,000 tpa with Birla Copper Ltd. – both in the private sector. The indigenous copper smelting capacity during the terminal year of the IX Plan is likely to be around 3,47,500 tpa as against the IX Plan anticipated target of 5,00,000 tpa – with Birla Copper and Sterlite Industries expanding their smelters by 50,000 tpa by the end of the next year.

139. The other additions to the indigenous copper smelting capacity to the tune of 2,02,500 tpa was anticipated to come from expansion of HCL's Khetri smelter (52,500 tpa), new smelters of Metdist Ltd. (1,00,000 tpa) and SWIL Ltd. (50,000 tpa). These investments have not materialized, reportedly, on commercial considerations.

140. Given the poor copper resources in the country, all the private sector smelters are based on imported copper concentrates.

141. Production of copper during 2000-01 and indicative target for 2001-02 are given at Annexure 7.1. Production during 2001-02 is expected to fall short by 1,85,000 tonnes of the anticipated target set for the terminal year of the IXth Plan due to non-realisation of additions to the indigenous smelting capacity, as detailed above.

142. The private sector is now contributing 76% and the public sector, HCL 24% to the copper output. Thus, the public sector monopoly in copper production has ended.

Zinc and Lead

Demand

143. As against the anticipated annual growth of 6 percent in demand for zinc during the IXth Plan period , it grew at an annual rate of 6.5 percent during the first four years of the IXth Plan period. This was due to a steady growth of zinc consuming sectors such as the galvanizing (consuming around 70 percent of zinc annually), die-casting, dry-cell batteries, chemicals, etc. The growth in demand for zinc during the year 2001-02 is anticipated to be around 7 percent. With this, the indicative demand growth target for zinc for the IXth Plan is expected to be achieved. India is not a major player in zinc in the international market.

144. The demand for lead grew at an average growth rate of 7 per cent during the first four years of the Ninth Plan. This was primarily due to a steady growth of the lead consuming

sectors like automobiles, inverters, uninterrupted power supply (UPS) system, etc. The demand for lead is likely to grow at the same rate during the next year 2001-02 – the terminal year of the Ninth Plan. With this, the indicative demand growth target for lead for the IXth Plan is expected to be achieved. India is also not a major player in lead in the international market.

Capacity & Production

145. Presently, the indigenous primary zinc capacity stands at 182,000 tonnes per annum, comprising 152,000 tonnes per annum with Hindustan Zinc Ltd. (HZL) – a public sector company – and 30,000 tonnes per annum with Binani Industries Ltd. – a private sector company. There is also around 20,000 to 30,000 tonnes per annum scrap-based secondary zinc capacity in the organized sector.

146. For most of the last four years of the Ninth Plan, the secondary zinc producers were not in operation because they were not able to import raw materials such as zinc ash, dross and skimmings, etc., on account of ban imposed by the Government under the Basal Convention. This matter was also considered by the Planning Commission. After a long deliberations, the secondary zinc producers were permitted to import these raw materials under the 'Actual Users Licence'. With this, the secondary zinc producers resumed their production.

147. No addition to the primary zinc smelting capacity was anticipated during the Ninth Plan period by way of greenfield smelters. However, it was anticipated that HZL would expand the capacity of its Vizag and Debari zinc smelters by 10,000 tonnes per annum during the Ninth Plan period.

148. Production of zinc during 2000-01 and indicative target for 2001-02 is given at 7.1.

149. Presently, the primary lead smelting capacity in the country stands at 65,000 tonnes per annum, all with Hindustan Zinc Ltd. – a public sector enterprise. There is also around 24,000 tonnes per annum secondary lead capacity in the organized sector with India Lead Ltd. The Hindustan Zinc Ltd. has closed its Vizag Lead refinery.

150. Due to ban imposed on importing lead scrap in the form of whole-drained batteries or battery plate scrap, lead residues or lead dross under the Basal Convention, the secondary lead output has come down to about 50 per cent during the last four years of the Ninth Plan and the remaining 50 per cent capacity is being utilized by the India Lead Ltd. with the imported lead concentrates. The lead production, however, has remained stagnant for the last 6-7 years.

151. A close study done on this reveals that India is no longer internationally competitive in the production of primary lead; it is competitive in the production of secondary lead using various forms of lead scraps as inputs provided import of these materials is allowed to actual users who have the technology in position to produce lead using these materials as inputs without affecting the eco balance.

152. Production of lead during 2000-01 and indicative target for 2001-02 is given at Annexure 7.1. Production of lead in 2001-02 is anticipated to fall short by 33,500 tonnes of the indicative Plan target due to closure of Vizag Lead Smelter of HZL and the secondary lead capacity with Indian Lead Ltd. likely to operate at half of its capacity with imported lead scrap.

153. A big constraint in increasing lead output in the country is the non-availability of indigenous concentrates as well as scrap. There are not any good mineable deposits of lead in the country. There is a need to look for new lead resources in the country. There is also a need for a centralized battery scrap collection system for its processing in the organized secondary sector, particularly by the companies who have the required environmental controlled measures in position. There is also, therefore, a need for a suitable law in this regard.

Projects

154. No major investment was planned in the Ninth Plan in the lead-zinc sector either in the private or public sector by way of greenfield projects. The Hindustan Zinc Ltd., however, took up the expansion project of its Vizag and Debari smelters by 10,000 tpa, which are under implementation and are likely to be completed by the end of June 2001. Besides, HZL also took up the expansion programme of its Rampura-Agucha lead-zinc mine and concentrator inter-alia for increasing the supply of lead concentrates for its captive use. This project has since been completed. The HZL also took up some exploration projects for augmenting its lead resource position.

155. The private sector India Lead Ltd. had planned its capacity expansion from the present level of 24,000 tpa to 40,000 tpa in the IXth Plan. This programme was shelved by the company on commercial considerations.

156. The Government approved in December 2000 setting up of a 100,000 tonnes per annum greenfield zinc smelter plant by HZL at Kapasan in Rajasthan an estimated cost of Rs.1203.75 crore. The project is expected to be completed in 48 months from the date of completion of the disinvestments process of HZL, which has been approved by the Government.

Gold

157. The Bharat Gold Mines Ltd. (BGML), ever since its incorporation as a PSU in 1972, had been incurring losses and became sick. It was referred to BIFR in 1992. No viable revival package could be possible despite many attempts made in this regard. The Government has decided to wind up BGML.

Plan Outlay and Expenditure

158. An outlay of Rs.7753.96 crore was approved for the Ninth Plan for the Department of Mines, Ministry of Mines & Coal to be financed with budgetary support of Rs.844.96 crore and IEBR of Rs.6909 crore. As against this, the cumulative actual expenditure during 1997-2000 and 2000-01 (revised estimates) is placed at Rs.3483.27 crore, which has been financed

through BS of Rs.684.76 crore and IEBR of Rs.2798.51 crore. Thus, the actual expenditure during the last four years has been 45.2% of the Ninth Plan outlay. This has been due to some delay in taking up investments such as cold rolling mill project of BALCO, de-bottlenecking of HCL, expansion of HZL's smelters at Vizag and Debari, dropping of HCL's expansion programme, etc.

159. An outlay of Rs.1455.04 crore was approved for 2001-02, to be financed through a budgetary support of Rs.190.00 crore and IEBR of Rs.1265.04 crore.

EXTERNALLY AIDED PROJECTS IN THE MINERAL SECTOR

160. Among the on-going collaboration projects of GSI with BRGM, phase IV of the project "Regional Geo-Chemical Inventory of Karnataka Craton Greenstone Belt" is under implementation. Another project entitled "Technical Assistance for Detailed Exploration of Platinum Group of metals in Orissa" has been concluded.

161. The agreement between GSI and BRGM related to supply of drilling rigs to GSI came into force with effect from April, 1999. Supply of drilling rigs is at an advance stage. The other two project proposals viz. Impact Assistance of Mining Activities in Subarnarekha Basin and supply of Electron Probe Micro-Analyzer to GSI are under final evaluation by the French Government.

162. The Indian Bureau of Mines (IBM) took up a project with BRGM, France in August 1997 at a cost of 16 million French Francs for developing application techniques in relation to environmental management of mines and waste recovery. The project was successfully completed and termination agreement was signed between IBM and BRGM, France in October 2000. As a follow up action, 11 iron ore mines in South Goa have been directed to take proper abatement measures to prevent wash offs from the waste dump which pollute paddy fields, etc. Similarly, environmental issues have been brought to the notice of the mine managements of 11 mines in Sukinda chromite valley highlighting the problems of pollution of surface and underground water by Hexavalent Chromium and educating them about the possible abatement measures. Further, they have been directed to take necessary corrective measures and intimate the detailed action plan to IBM.

163. The second project is regarding setting up Technical Management Information System (TIMS). The agreement for this project was signed between IBM and BRGM, France in July 1998. The project is expected to cost 23.4 million French Francs. Out of the nine phases of the project, eight phases have since been completed as per schedule. The final phase of the project is on preparation of the final as well as technical reports. These reports are likely to be completed by June, 2001.

164. The Mineral Exploration Corporation Ltd. has one project with BRGM namely, Development of cost models for economic evaluation of mining projects. The cost of the project is 1.5 million French Francs. The agreement with BRGM for the said project was signed in June, 1998 as a part of Indo-French Protocol. Applications of Cost Modeling in UN Framework classification has been added to the project. The project is under implementation.

VILLAGE & SMALL SCALE INDUSTRIES AND FOOD PROCESSING INDUSTRIES

165. The Village & Small Industries (VSI) sector includes industries such as Small Scale Industries (SSI), handlooms, handicrafts, powerlooms, sericulture, khadi, wool, coir, etc. This sector has emerged as a dynamic and vibrant sector of the economy over the years. It has consistently registered growth in production, employment and exports. Small scale industries (SSIs) play an important role as producers of consumer goods and providers of employment to labour at lower investment than the large and medium scale industries, thereby addressing the problems of poverty and unemployment. There are about 31 lakh small scale industrial units in the country accounting for more than 40 per cent of the gross value of output in the manufacturing sector and about 35 per cent of the total exports of the country. It provides employment to about 171 lakh persons, which is second only to agriculture.

166. Small scale industries are helping in more equitable distribution of national income and promotion of industrial activities. The Government has been encouraging and supporting promotion of small scale industries through policies such as infrastructural support, preferential access to credit, reservation of products for exclusive manufacture in the SSI sector, preferential purchase.

167. The growth of SSI sector has generally been higher than the industry sector as a whole by two to three percentage points. However, in the more recent past, the sector has started feeling the effect of opening up of the economy and competition from imports. A Study Group on Development of Small Enterprises has been set up under the chairmanship of Dr. S.P. Gupta, Member, Planning Commission to look into the problems of the SSI sector. The Study Group has representation of SSI sector, SSI associations, government officials, experts, Reserve Bank of India, Indian Institute of Management, Small Industries Development Bank of India, etc. The group held a number of meetings and set up four sub-groups to consider the problems of SSI sector in areas like policy issues, credit and fiscal matters, technological upgradation, marketing and exports.

168. The Study Group had submitted an Interim Report on 6th July, 2000 to the Deputy Chairman, Planning Commission. Based on the Interim Report of the Study Group and inter-ministerial consultations on the same, the Prime Minister had announced a number of new policy initiatives at Vigyan Bhawan, New Delhi, on 30th September, 2000 at the National Convention of Small Scale Industries. These announcements were followed by more announcements by the Ministry of SSIA&RI. Thus, a large number of recommendations made by the Study Group have been accepted and implemented even before submission of the final report of the Study Group, which is expected shortly.

169. Recognising the importance of this sector and its valuable contribution to the national economy, the government has been devoting special attention to this sector. The Small Industries Development Bank of India (SIDBI) is the apex bank for the small scale sector disbursing large funds and providing refinance to commercial banks for on-lending to the SSI sector. Loans upto Rs.2 lakh are to be provided without any collateral guarantee. A Credit Guarantee Scheme has been taken up on pilot basis. Under this scheme, loans upto Rs.10 lakh would be guaranteed by the Credit Fund and upto 75

per cent of the loan would be repaid to banks in case of failure of the SSI unit and balance 25 per cent would be recovered after liquidating its assets. Turnover limit of SSI units has been raised from Rs.4 crore to Rs.5 crore to help banks to provide more working capital; lending by banks to NBFCs or other financial intermediaries for purposes of on-lending to tiny sector has been included under priority sector lending by banks. Specialised bank branches exclusively meant for small industries are being set up to improve availability of credit to the SSI sector. So far, 391 specialised bank branches have been set up by the banks.

170. The scope of the technology modernisation fund of SIDBI has been widened to include all SSI units. Earlier, only export-oriented units were provided credit under this scheme. The Government has sanctioned a Credit Linked Capital Subsidy Scheme for Technology Upgradation for SSI sector, based on the recommendations of the Study Group.

171. Indicative physical targets and achievements in respect of production, employment and exports are given in Annexure- 7.2. Details are discussed sectorwise in subsequent paragraphs. Plan outlays and expenditure for 1999-2000, 2000-2001 (BE & RE) and 2001-02 (B.E.) are given in Annexure-7.3.

SMALL SCALE INDUSTRIES:

172. Small Industries Development Organisation (SIDO), under the Ministry of Small Scale Industries, Agro and Rural Industries (SSIA&RI) provides services to the SSI units through a network of organisations. SIDO provides technical input, quality testing facilities, training, extension, market development assistance, data base support, infrastructural facilities, credit guarantee, capital linked subsidy for technology upgradation, etc.

173. Small Industries Development Organisation (SIDO) has set up a number of Tool Rooms to assist SSI units and to provide assistance for technological assistance upgradation. Tool Rooms also provide technical consultancy and common service facilities for design and production of quality toolings. Presently there are 10 Tool Rooms functioning at Calcutta, Ludhiana, Jullundar, Hyderabad, Nagaur, Bhubaneshwar, Jamshedpur, Ahmedabad, Indore and Aurangabad. A new tool room and training centre is being set up at Guwahati. Mini Tool Rooms are also being set up in various states to help in creating localised training and production facilities.

174. Most of the workshops set up in Small Industry Service Institutes to provide common facilities to SSI units, are more than 30 years old. Modernisation and technology upgradation of these workshops is being taken up in a phased manner to equip them with modern machines and skilled manpower.

175. A scheme of Technology Upgradation and Management Programme (UPTECH) was launched in 1998 to take care of modernisation and technological needs of the SSI clusters. Six clusters have been identified and diagnostic studies for these clusters have been taken up.

176. Integrated Infrastructure Development Centres (IIDC) scheme was taken up during the Eighth Plan to augment the infrastructural facilities in rural and backward areas to promote industrial development. This scheme has been revamped by removing certain restrictive provisions and by providing liberal finance to North East Region, including Sikkim and Jammu & Kashmir. So far, 58 IIDCs have been approved and Central grant of Rs.38.83 crore has been released upto February, 2001.

177. Prime Minister's Rozgar Yojana (PMRY) is under implementation to make available institutional finance to educated unemployed youths for setting up of business/ industrial ventures. A number of modifications have been made in the scheme to make it more attractive, e.g., increase in the age to 45 years for ex-servicemen, women and disabled, reduction of minimum educational qualification, enhancing the income limits and project size, enhancing credit/loan portion for beneficiaries of N.E. states etc. During 2000-01, upto November, 2000, 2.23 lakh cases were received and 72,656 cases sanctioned against the target of 2.2 lakh beneficiaries for the whole year. Out of these, 34,593 beneficiaries have been disbursed the loan amount. Poor rate of recovery under PMRY in some states is a cause for concern. Banks have been advised by RBI and office of DC(SSI) to take suitable remedial measures.

National Small Industries Corporation Limited (NSIC)

178. The National Small Industries Corporation (NSIC) Limited is providing machinery on hire purchase, equipment on leasing, raw material assistance, marketing inputs for domestic and exports, single point registration, etc, to promote, aid and foster the growth of small industries in the country. NSIC is also helping in promoting viable small industries all over the country, particularly industries in backward areas and in selected lines of production identified as priority areas.

179. NSIC has been operating 'Marketing Assistance' programme which includes i) Raw Materials Assistance Programme, ii) Integrated Marketing Support Programme and iii) Marketing to Government and Tender Marketing, including Consortia Formation. Under Raw Materials Assistance Programme, the corporation has been purchasing various raw materials, components, sub-assemblies for and on behalf of SSI units and allows the units to take delivery in small lots, as per their requirement and capacity to make payment so as to clear the entire stock within 100 days from the date of storage. The Integrated Marketing Support Programme has been envisaged to meet financing requirements of SSI units arising due to deferred payment being made for sale of goods.

180. Under the scheme of 'Single Window' assistance to exporting SSI units, the Corporation provided assistance to a number of SSI units. The products being exported by SSI units include builders' hardware, safety razors, brass components, machine tools, hand tools , hand gloves, diesel engines, sanitary and bathroom fittings, sports goods, leather goods, garden tools, etc. NSIC is also participating in international trade fairs along with SSI units. During 2000-01, upto January 2001, the exports from SSI units through NSIC were Rs.35.10 crore as against Rs.33.45 crore during the corresponding period of previous

year. NSIC has also made project exports of Rs.4.32 crore during 1999-2000. During the first ten months of the year 2000-01, project exports were Rs .4.90 crore. NSIC has registered 30,660 SSI units upto March, 2000, under Government Store Purchase Programme. During 2000-01, 703 new units were registered under this programme.

181. In collaboration with Asian and Pacific Centre for Transfer of Technology, Techmart India 2000 was organised by the corporation. NSIC is also helping SSI units in technology transfer from abroad through Technology Transfer Centre. An internet based portal (Technology Showcase) has been set up for sourcing technologies from international partner institutions.

KHADI AND VILLAGE INDUSTRIES

182. The Performance of khadi and village industries may be seen in Annexure-7.2.

183. Over the years, khadi cloth production and employment is going down. However, production and employment in village industries have shown growth and new job creation is reported in village industries. A project has been entrusted to National Institute of Design (NID), Ahmedabad, to induce new and trendy designs in khadi. Fibre dyeing and yarn dyeing designs for khadi are being taken up by NID. Also, new fashion designs Developed by National Institute of Fashion Technology (NIFT) are to be taken up for production by khadi units. These activities are expected to improve khadi demand to boost production and employment. In future, emphasis would be on 'No Loss' basis instead of 'No Profit' concept.

184. The High Powered Committee had envisaged creation of two million jobs in KVI sector during the Eighth Plan. This is called Rural Employment Generation Programme (REGP). Taking into account the unsatisfactory progress of job creation (only about 5 lakh new jobs could be created till 2000-01) , the targets for REGP have been revised and a total of 10 lakh jobs may be created by the end of the Ninth Plan.

185. Since 1995-96, the KVIC has introduced a new Margin Money Scheme (MMS) to encourage setting up of new village industries. Funds upto 25 per cent of the project cost are provided as margin money for projects upto Rs.10 lakh. For projects costing between Rs.10-25 lakh, 10 per cent of the remaining cost of the projects is provided as margin money. For N.E. Region margin money is provided upto 30 per cent of the project cost. Utilisation of funds from consortia of banks is rather low. Upto 31.3.2000, an amount of Rs.112.01 crore has been released to 26 states/UTs under MMS. Utilisation of Rs.63.38 crore has been reported by the KVIC, indicating a total investment of Rs.228 crore (approx). 33,538 beneficiaries got benefit under MMS upto 31.3.2000. During 1999-2000, in 12 States/Uts, Task Forces were set up under the chairmanship of Commissioner (Industries) for better implementation of MMS. Under the National Programme for Rural Industrialisation (NPRI), 50 clusters have been have been identified by the KVIC. 12 clusters were taken up in 1999-2000, out of which 5 clusters have commenced production. Further work on promotion of clusters for increasing rural employment and establishment of backward and forward linkages, setting up of common facility centres, common service network support for satellite cluster units, etc, has been taken up by the KVIC.

Coir Industry

186. The coir industry ranks foremost among the traditional cottage industries. It is a labour intensive and export oriented industry. Performance of Coir Industry has been indicated in Annexure-7.2. The Coir Board is vested with responsibilities of promoting growth and development of coir the industry, promotion of exports and expansion of the domestic market through publicity. The Coir Board implements a number of developmental programmes for the coir sector; these include assistance for participation in exhibitions, coir industry awards, Mahila Coir Yojana, strengthening, of national level training institutes, model coir villages, group insurance scheme for artisans, financial assistance for modernisation, reduction of drudgery and other welfare measures.

187. As part of modernisation of spinning sector, setting up of Integrated Coir Development Projects (ICDPs) has been taken up. In Kerala 125 spinning units and 46 defibring units are being set up. Rs.5.35 crore have been released through National Cooperative Development Corporation (NCDC). So far, 74 spinning units and 18 defibring units have been commissioned. The ICDP for Tamil Nadu has been sanctioned at an estimated cost of Rs.14.91 crore with Central share of Rs.2.91 crore. An amount of Rs.8.4 crore has been released as GOI share. A similar project at an estimated cost of Rs.4.65 crore has been sanctioned for Karnataka. The scheme envisages setting up of eight new primary cooperative societies, modernisation and expansion of 27 existing coir cooperatives and setting up of a common facility centre for yarn dyeing.

188. Based on the study of National Council for Applied Economic Research (NCAER), the minimum export price on coir and coir products has been phased out. This step has made coir products' export easier and on competitive prices. Coir exports have shown consistent growth after removal of minimum export prices. The Coir Board is implementing a scheme of "Technology Transfer, Modernisation and Capacity Building in Indian Coir Sector" with funding support from UNDP. Total outlay for the project is US $ 8,46,000 (Rs.3.80 crore). Six coir clusters in states of Tamil Nadu, Andhra Pradesh, Karnataka and Kerala have been identified.

189. Hindustan Coir is a model powerloom factory established by the Coir Board in 1969 with a view to demonstrate the production of coir matting on powerlooms to motivate other entrepreneurs to start such units. The factory produced 2.79 lakhs sq. mts. of powerlooms matting during 1999-2000, valued at Rs.2.47 crore.. The factory has obtained ISO 9002 certification by BVQ1 in 1997and is the first powerloom factory in the coir industry to get this certification. BVQ1 conducted two surveillance audits during 1999-2000.

Handlooms

190. Handlooms form a part of the heritage of India and richness and diversity of our country and artistery of the weavers. It plays a very important role in the economy. Handloom is the largest economic activity after agriculture. This sector is estimated to provide direct and indirect employment to more than 30 lakh weaver households and about 130 lakh weavers (1999-2000). Due to effective state intervention through

financial assistance and implementation of various developmental and welfare schemes, this sector has been able to withstand competition from the powerloom and mill sectors. This sector contributes nearly 19 per cent of the total cloth produced in the country and also contributes substantially to the export income of the country. Performance of the sub-sector is indicated in Annexure-7.2.

191. Handlooms sector is facing a number of problems like old technology and traditional production techniques, high price of hank yarn, inadequate availability of inputs like standardised dyes and chemicals in small packs, lack of new designs, inadequate training for upgradation of skills etc. and inadequate marketing intelligence and feedback. Besides, it suffers from disadvantages like unorganised structure, weak financial base of the weavers and bureaucratisation/ politicisation of cooperatives.

192. The handloom sector is largely dependent on the organised mill sector for supply of its principal raw material, namely, hank yarn. The Central Govt. has been making efforts to ensure regular supply of yarn to the handloom sector at reasonable prices through (a) Hank Yarn Obligation Scheme and (b) supply of yarn at mill gate price to handloom weavers through National Handloom Development Corporation (NHDC). NHDC had supplied 193.44 lakh kg. of yarn during 1999-2000 to the handloom agencies. During 2000-01, upto December, 2000, NHDC has supplied 109.22 lakh kg of hank yarn.

193. As a part of marketing support, exhibitions are organised throughout the country. National Handloom Expos have been organised at Hyderabad, Jaipur, Pune and Delhi. Besides, 44 District Level Events, craft melas and five special Expo Silk Fabs, IITF, Woollens Fab at Delhi, Silk Fab at Lucknow and Special Exhibition at Guwahati were organised to provide marketing support to handloom weavers.

194. As welfare measures and to provide better working conditions to handloom weavers, group insurance scheme, health package scheme, Thrift fund scheme, project package scheme and work-shed- cum- housing scheme etc., are under implementation in the handlooms sector. A new scheme - Deen Dayal Hathkargha Protsahan Yojana (DDHPY) has been launched by the government in 2000 for development of the handlooms sector. Some of the existing schemes like Project Package Scheme, Publicity, Freelance Designer scheme, etc, have been subsumed in the DDHPY scheme. Under DDHPY scheme financial assistance could be provided to handloom organisations for components like (i) basic inputs, (ii) infrastructure support, (iii) design input, (iv) publicity, (v) marketing incentive, (vi) transport subsidy, and (vii) strengthening of handloom organisations. Grant would be provided in the ratio of 50:50 between Central and state governments. In the case of Sikkim, J&K and N.E. states, the sharing would be 90:10. For agencies having 100 per cent SC/ST/Women/minorities population the grant portion would be shared in the ratio of 75:25. The assistance for marketing would be in the ratio of 50:50 between the Central and state governments in respect of all the states.

Powerlooms

195. The decentralised powerlooms sector plays an important role in meeting clothing needs of the country. The powerloom industry produces a wide variety of cloth, both

grey as well as processed having intricate designs. The contribution of the powerlooms sector to the total cloth production of the country is about 59 per cent, excluding the cloth produced by non-SSI, weaving and hosiery/knitting units. This sector also contributes significantly to the export earnings.

196. The estimated number of powerlooms in the decentralised sector in the country has increased from 6.39 lakh in 1986 to 16.56 lakh as on 31st December, 2000.

197. There are 13 Powerloom Service Centres (PSCs) functioning under the Textile Commissioner and 29 PSCs under the different Textile Research Associations (TRAs), namely, ATIRA, BTRA, MANTRA, NITRA, SASMIRA, IJIRA, SITRA. State governments of Andhra Pradesh and Madhya Pradesh have established PSCs at Hyderabad and Jabalpur, respectively, in 2000. These PSCs are providing inputs like technical consultancy, training, designs, technology information, etc, to the powerlooms.

198. The powerlooms in the Powerloom Service Centres (PSCs) are very old and outdated. There is a need to modernise and strengthen the existing PSCs by installing shuttle-less looms, Cop-changing/shuttle changing looms, Drop box looms, Dobby, Jacquard terry fabric weaving looms, prin winding machines, sectional warping machines, yarn and fabric testing equipment, chemical testing equipment etc.

199. Seventeen Computer Aided Design (CAD) centres have been set up so far in the country. Uplinking and downlinking of two CAD centres at Panipat (NITRA) and Solapur (BTRA) with National Design Centre, New Delhi, has been done. The Group Insurance Scheme introduced in 1992-93 in association with Life Insurance Corporation, was revised and as per the revised scheme, a weaver aged between 18-60 years who had earned a minimum average wage of Rs.700 per month during a year is eligible to join the scheme. The annual premium is shared equally by the powerloom worker, the Central and State Governments.

Wool sector

200. The woollen industry in India is basically located in the states of Himachal Pradesh, Punjab, Haryana, Rajasthan, Uttar Pradesh, Maharashtra and Gujarat. It is an industry where organised sector, decentralised sector and the rural sector run complementary to each other towards meeting the requirements of different sections of the domestic market as well as exports. The industry comprises modern sophisticated fully composite mills in the organised sector as well as handloom and hand knotted carpet manufacturing units at the village level.

201. With a view to harmonise various diversified interests of different sectors of the wool industry for integrated development of the industry, Central Wool Development Board (CWDB), Jodhpur, has been functioning since 1989. The CWDB is promoting growth and development of wool and woollen products, through various activities like marketing intelligence, marketing of wool and woollens, standardisation of wool and woollen products, quality control, dissemination of information, product diversification, advising government on policy matters, coordination etc.

202. For the development of Angora wool an UNDP aided project costing Rs.8.43 crore is under implementation. Rural unemployed youths and farmers of hilly areas of Uttar Pradesh, Himachal Pradesh, Darjeeling, Sikkim, etc, are encouraged to take up production and processing of Angora wool. Under the Integrated Sheep and Wool Development Project, aspects of breed improvement, health coverage, product development, marketing assistance, training to sheep breeders in sheep, sheep husbandry and productivity, etc, are covered. The Board has targeted to cover 24.75 lakh sheep under this programme in 2000-01 and to cover 6 lakh new sheep.

203. CWDB has set up wool testing centres for providing testing facilities to wool growers, merchants and the industry. The Board has set up mini wool scouring plants, weaving and designing centres, training centres, industrial service centres, wool testing facilities, etc. The Board is implementing a machine shearing-cum-training project to encourage use of shearing machines.

204. To create market intelligence network in the country, the Board has set up 10 centres in main wool markets. Through these centres information is collected with respect to prevailing market rates of wool and yarn, latest trends and transactions of wool and woollen products on a weekly basis and disseminated to wool growers, wool merchants and wool users. The CWDB has also established a Weaving and Designing Training Centre at Kullu in Himachal Pradesh to impart training in latest weaving technology and new designs to the wool handloom weavers, so as to increase production, earnings and to get better market for their products.

Sericulture

205. India continues to be the second largest producer of silk in the world after China. It is producing all the four varieties of silk viz., Mulberry, Eri, Tasar and Muga. Sericulture is a labour intensive, agro based industry which is providing employment to about 62.5 lakh persons. The Central Silk Board (CSB) is looking after development and growth of sericulture, providing extension and R&D inputs to sericulture industry in the country. The Board is covering three broad areas of Research and Technology Development, Seed Maintenance and Development of Sericulture & Silk Industry.

206. CSB has set up research institutes at Mysore (Karnataka), Berhampore (West Bengal) and Pampore (Jammu & Kashmir), to deal with mulberry sericulture. The institute at Ranchi (Jharkhand) deals with Tasar, whereas the institute at Jorhat (Assam) is looking after muga and eri sericulture. The Central Silk Technological Research Institute (CSTRI) at Bangalore is providing R&D support in post-cocoon areas. CSB has also set up a Silkworm Seed Technology Laboratory (SSTL) at Bangalore (Karnataka), Central Sericultural Germplasm Resource Centre (CSGRC) at Hosur (Tamil Nadu) and a Seri Biotech Research Laboratory (SBRL) at Bangalore for R&D in areas related to silkworm races.

207. CSB is providing quality silkworm seeds through National Silkworm Seed Project (NSSP). Upto November, 2001, 143.46 lakh disease-free layings (dfls) have been provided by the NSSP in 2000-01. The Muga and Eri Silkworm Seed Production Centres (SSPCs) have produced 0.96 lakh and 0.20 lakh seeds respectively during 2000-01 upto December, 2000.

208. The CSB has formulated 36 catalytic development schemes for implementation in the Ninth Plan to motivate states to increase productivity and quality and provide marketing support. The contribution of CSB to these schemes was envisaged at Rs.89.27 crore. CSB has so far received 285 projects from 24 states, costing Rs.99.25 crore with CSB contribution of Rs.54.77 crore. The States have taken up implementation of these projects, which are progressing well.

209. The UNDP has started a sub-programme on development of non-mulberry silk (tasar, muga and eri) in the states of Andhra Pradesh, West Bengal, Assam, Bihar, Orissa, Meghalaya and Nagaland under Fibres and Handicrafts Programme (FHAP) of Country Cooperation Frame Work-1 (CCF-1) in collaboration with GOI at a total cost of Rs.11.99 crore, out of which the GOI share is Rs.3.98 crore. Under this programme, increase of quality egg production and supply, training and skill upgradation, technological support in pre-cocoon and post-cocoon processes, including reeling, spinning, etc are covered.

210. The second phase of Japan International Cooperative Agency (JICA) assisted bivoltine project has been started in 1997 for field verification and demonstration of bivoltine races evolved in the first phase. Field trials has been completed and the performance of these bivoltine races have been satisfactory. Average yield of over 60 kg/100 dfl, a redita of 6 to 7 kg and 2A-4A grade raw silk (a high quality) has been obtained consistently. These silk worm races would be used to take up bivoltine sericulture on large scale during the Tenth Plan.

211. The sericulture project of Madhya Pradesh State Govt is under implementation in collaboration with Japanese Bank for International Cooperation (JBIC) at an estimated cost of Rs.748.80 crore. Under the first phase of the project (estimated cost – Rs.117.10 crore), mulberry plantation of 830 hectares has been completed.

212. The state govt of Manipur is implementing a sericulture project from July, 1998, at an estimated cost of Rs.490.61 crore with financial assistance from JBIC. So far mapping of development schemes/areas for 13 locations have been completed. Draft for another nine locations is under preparation. Under pilot scheme, one model rearing base has been constructed and 4,800 dfls of P2 silkworms have been reared under multiplication of hybrid silkworm eggs scheme.

Handicrafts

213. The Handicrafts sector is of special significance in the country's economy due to its contribution to employment generation and foreigh exchange earning through exports as well as retaining heritage and tradition. During the last few years the growth of this sector has been encouraging, as may be seen in Annexure-7.2

214. The Office of the Development Commissioner (Handicrafts) is implementing various developmental schemes to supplement the state activities in the handicrafts sector. The Plan schemes cover various areas like training, design development, technology upgradation, market promotion, exhibitions and publicity, exports etc.

215. Training is being provided to artisans for upgrading the skills of existing craftsmen as well as to un-skilled ones with a view to expand employment and production base of crafts for economic growth and also for reviving languishing crafts. Several studies have shown that 70 to 80 per cent of the trainees get gainful employment after completion of the training. There are 196 departmental Basic Training Centres and 100 Advanced Training Centres providing training for carpet weaving. For post-weaving operations like washing and finishing of carpets, training is provided in seven centres. Besides carpets, training is being provided to artisans for crafts like hand printed textiles, art metal-ware, cane and bamboo, wood-wares, etc.

216. Five Regional Design and Technical Development Centres (RDTDCs) have been established at New Delhi, Mumbai, Bangalore, Calcutta and Guwahati. The activities carried out at these centres include making crafts a success in the contemporary market, and preserving traditional beauty of the crafts on the basis of strong design inputs. Besides these, Development Centre for Musical Instruments at Madras, Cane and Bamboo Development Institute at Agartala, Institute of Carpet Technology at Bhadohi (U.P.) and Metal Handicrafts Centre at Muradabad have been set up to undertake research and design, develop technology, improve tools and equipment, develop new designs, prototypes, etc.

217. The Metal Handicrafts Service Centre (MHSC) at Moradabad is providing c ommon facilities for silver plating, powder coating, lacquering, testing of metals and upgradation of skills of artisans. The Cane and Bamboo Development Institute at Agartala is working on development of proper techniques for treatment and preservation of cane and bamboo handicrafts by using suitable chemicals, lacquer, etc, to protect them from insects, fungus, etc. Practical training and demonstration is given to disseminate these to artisans.

218. The scheme of market meets has been modified to have a better and meaningful interaction with artisans, non-governmental organisations (NGOs), State Govts, exporters and traders. During 2000-01, 30 local level marketing workshops, ten national level melas, three product promotion programmes, six craft bazaars, thirty local fairs and festivals, two mini-handicraft expos and two national expos were organised to provide marketing support to artisans.

219. Under the scheme of Setting up Urban Haats similar to Delhi Haat, infrastructure would be created at prime locations of market interest. So far, eight urban haats at Agra, Ahmedabad, Bhubaneshwar, Ranchi, Karnal, Jammu, Tirupati and Kolkata have been approved.

220. Export promotion efforts of office of DC (Handicrafts) and Export Promotion Council for Handicrafts include participation in international fairs in foreign countries, sponsoring Sales/Technical cum Study teams to various countries. The EPCH participated in international trade fairs organised at Hong Kong, Manila, Melbourne, Birmingham (U.K.), Sydney (Australia), Dakkas, Memphis, California, Washington (USA), Tokyo (Japan), Milan (Italy) and Munich (Germany). The EPCH also participated in buyer-seller meets in

Mexico, Brazil, South Africa, etc. Exports from handicrafts includes craft items of zari and zari goods, art metal ware, wood ware, hand printed textiles and scarves and embroidered and crochet goods. Exports of handicrafts during 1999-2000 were Rs. 6,059.63 crore showing an increase of 12.34 per cent over the previous years exports of Rs.7,072.34 crore. During 2000-01 (upto December, 2000), handicrafts exports were Rs.7,206.79 crore indicating a growth of over 14 per cent over the same period in the previous year.

221. Social security and welfare of artisans is another area which is being given special attention. Schemes like workshed-cum-housing, health package for artisans, group insurance, etc, are under implementation. Till December, 2000, 1988 worksheds and 388 workshed-cum-houses had been sanctioned. During 2000-01, it is proposed to cover 440 new artisans under Group Insurance Scheme and 6442 artisans under health package scheme.

Food Processing Industries

222. The Department of Food Processing Industries (DFPI) is concerned with the formulation and implementation of policies and plans within the overall national priorities and objectives concerning this sector. FPI includes grain processing, fruits and vegetable products, milk products, meat and dairy products, fish and fish processing, beverages, aerated drinks, etc. During the Ninth Plan period, the Food Processing Industries (FPI) sector had been identified as a sunrise industry which could play a significant role in increasing value addition in agricultural and horticultural produce, diversification and commercialisation of agriculture, reduction in wastage of horticulture produce by processing it, generating employment and enhancing export earnings.

223. In the grain processing sector, rice milling, pulses manufacturing and production of wheat flour and other wheat products are the main activities. The number of modern rice mills was 35,088 as on 1/1/2001. The Rice Milling Industries Regulation Act, 1958 has been repealed. Now no licence is required for manufacture of wheat products. Nearly, 10.5 million tonnes of wheat is converted into various wheat products annually and 820 roller flour mills with an installed capacity of 19.5 million tonnes are functioning. Production of bakery products is estimated to be in excess of 30 lakh tonnes. Organised sector is producing about 65 per cent of breads and biscuits, which account for 82 per cent of the total bakery products. Besides these, soft drinks, beer and alcoholic drinks are also a part of the food processing industry. Thirteen Regional Extension Service Centres have been set up in various states with agricultural universities/ research institutions for encouraging modernisation of rice milling industry and by product utilisation. Post Harvest Technology Centre at Indian Institute of Technology (IIT), Kharagpur, conducted training programmes on Home Scale Food Processing and Preservation Techniques and Processing of Minor Millet.

224. India is first in milk as well as fruits production and second in the production of vegetables in the world. India's milk production is expected to touch 81 million tonnes in 2000-01 from 78 million tonnes in 1999-2000. While about 80 per cent of the fruits and vegetables are processed in countries like Brazil, in India only about two per cent of horticultural produce is processed. About 30 per cent of horticultural produce is being

wasted due to non-availability of post-harvest processing facilities, cold storages and cold chains. A strong and effective food processing sector would play a significant role in diversification of agricultural activities, improving value addition and exports of agro-products. This sector has vast potential for increasing production, exports and employment. The estimated installed capacity of fruit and vegetable processing industries has increased to 21.10 lakh tonnes in 2000 from 21.00 lakh tonnes in 1999. This increase is negligible and fresh investment is necessary to increase level of fruit and vegetable processing in India.

225. The schemes and programmes being implemented by the Department of Food Processing Industries include development of infrastructural facilities, setting up/expansion/ modernisation of food processing industries, meat processing, poultry and egg processing, etc. Schemes for fish processing include strengthening of traditional fish processing, utilisation of low value fish to make value added products, etc. The Dept. of FPI is also providing financial assistance for generic advertisement, strengthening of backward linkages, setting up of cold storages, refrigerated vans, etc.

226. Further, special emphasis is being laid on supporting research and development activities for food processing. Funds are being provided for development of traditional foods, new products, processes and packaging materials, utilisation of bye-products, etc. Some of the R&D projects funded by the DFPI, in which grant was provided to universities/technological research institute include protein recovery from cheese whay, enhancing shelf life of apples by gamma irradiation, development of standards for packaging of pickles in flexible materials, mushroom based extruded foods, etc. The department also provides financial assistance to HRD institutions for creating infrastructural facilities, labs, pilot plants, running of courses, etc.

227. The existing infrastructural facilities for FPI are inadequate and need upgradation and modernisation. Facilities of quality testing and certification are not upto the standards required for meeting the demands of the domestic as well as the highly competitive export markets. The DFPI has laid considerable importance to set up Food Processing Parks by State/Promotional organisations. Food parks have been sanctioned at Ghaziabad (U.P.), Kuppam, Chittor District (Andhra Pradesh), Butibori, Nagpur (Maharashtra), Jagga Khedi, Dist. Maudsaur (Madhya Pradesh) and Lamphelpat, Imphal (Manipur).

228. To provide hygienic and quality food products to the consumers, the Food Products Order (FPO) 1955 is in vogue. It is mandatory for all manufacturers of fruits and vegetable products to obtain FPO licence and to ensure good quality products manufactured under hygienic conditions. Amendments in FPO are being carried out at the instance of the Central Fruit Products Advisory Committee having representatives of government, CFTRI, BIS, fruit and vegetable processors and processing industry. Amendments were carried out in 1997 and 2000

229. Codex Alimentarius Commission is an international body constituted by Food and Agriculture Organisation (FAO) and World Health Organisation (WHO) to help in developing standards for food manufacturing and international trade by bringing together scientists,

technical experts, govt. bodies, consumers and industry representatives. Codex standards are used for safety and quality of food world-wide for international trade negotiations as well as for settling of disputes related to food processing. A monitoring cell has been set up in the Department of FPI for dissemination of information on Codex standards. Under the Hazard Analysis and Critical Control Point (HACCP) quality assurance system, which is based on food safety system, the department is providing grants upto 50 per cent, with a maximum of Rs.10 lakh, towards cost of implementation of HACCP, Total Quality Management (TQM) and obtaining ISO:9000 certification, etc.

230. North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC) is marketing food products as well as other agro-based products. NERAMAC has processed approximately 887 MT of pineapple and produced 53.60 MT pineapple juice during 1999-2000 and processed 159.59 MT of raw cashew nuts at cashew plants at Agartala and Phulbari. The corporation is also engaged in marketing of ginger, maize, sesame, bird's eye chilli, etc, besides marketing of processed food products of N.E. Region. The turnover of trading activities was Rs.504 lakh during 1999-2000 as against Rs.78 lakh in 1998-99. Due to a variety of reasons, the corporation has been incurring continuous losses since its inception. The Corporation has incurred losses of Rs.65 lakh in 1999-2000. The Government has approved a revival package for NERAMAC in June, 1999 costing Rs.10.36 crore to upgrade the existing facilities and to enable it to improve its viability. The rehabilitation package has been implemented and results of the package are awaited.

231. The DFPI has prepared a new draft for the National Food Processing Policy based on the proceedings of the National Conference held at Vigyan Bhawan in New Delhi on 27/9/2000. Views of the state governments, industry and experts are included in the draft policy. An approach paper on proposed Food Development Act (FDA) has been prepared by the DFPI and has been circulated. The objectives of the proposed FDA are to harmonise and rationalise the existing food laws under single window service, consolidate and define standards, set up a Development Fund, provision for setting of equalization fund, etc, so that all provisions related to food processing are brought under a single authority. The equalization fund would provide cushion for price fluctuations in a self-regenerating manner to take advantage of biotechnology (genetically modified foods) without affecting health of the consumers. The proposal is under consideration of the Government.

ANNEXURE – 7.1

ACTUAL & INDICATIVE PRODUCTION TARGETS 2001-02

S. No.	Item	Unit	1999-2000 Actual	2000-01 Plan Target	2000-01 Actual	2001-02 Plan Target	IXth Plan Target
1.	Iron Ore	Mill.Ton	73.50	80.00	77.00*	80.00	100.00@
2.	Aluminium	Tho. Ton	618.68	624.00	642.84	650.00**	750.00@@
3.	Copper (Cathodes - indigenous)	Tho. Ton	38.46$	43.90$	237.72# (42.30)$	240.00# (43.00)$	425.00@@@
4.	Zinc (Primary)	Tho. Ton	174.96	178.00	178.00	178.00##	161.00
5.	Lead	Tho. Ton	44.48	55.50	40.51	45.00	78.50@@@@

* Estimate.

** At capacity utilization of a little over 100 per cent (excluding 74,000 tonnes of INDAL's capacity which is not likely to be in operation).

\# Including production from the private sector companies i.e. Sterlite Industries Ltd. & Birla Copper.

@ Market will not be as buoyant as was anticipated.

@@ INDAL's Belgaum Smelter not likely to be re-energised apart from a marginal expansion programme of its Hirakud smelter also not materializing, as was anticipated. Besides, INDAL's Alwaye, Kerala smelter capacity has also declined by around 7000 tonnes due to some technical reasons.

@@@ Additional capacity from SWIL and METDIST not likely to materialise, Khetri Smelter expansion also not coming up.

@@@@ Vizag Lead Smelter likely to remain closed in 2001-02 and secondary capacity with India Lead Ltd. also likely to be utilized at 50% only with imported lead concentrates.

$ Production of HCL. Indicative Plan Target for 2000-01 is for HCL.

Higher output through efficiency gain as against indicative IXth Plan target.

Annexure-7.2

Physical Performance (Sub-Sector-wise) Annual Plan 2001-02

S. No.	Industry/sub-Sector	Unit	1999-2000 Actuals	2000-01 Anticipated-	2001-02 Targets
A.	**PRODUCTION**				
1.	Small scale Ind.	Rs./crore	572887.00	650332.00	730400.00
2.	Khadi Cloth	M.Sq./Mtrs	83.98	88.00	95.00
3.	Village Industries	Rs./crore	5613.40	6607.00	7896.00
4.	Coir Fibre	000 tonnes	356.00	380.00	395.00
5.	Handloom cloth*	M.sq/mts.	7352.00	7725.00	8500.00
6.	Powerloom cloth*	M.sq/mts.	23187.00	24330.00	26000.00
7.	Raw silk	Mt.tonnes	15214.00	16740.00	17500.00
8.	Handicrafts*	Rs./crore	40295.00	46355.00	49000.00
B.	**EMPLOYMENT (LAKH PERSONS)**				
1.	Small scale Industries		177.50	185.64	192.00
2.	Khadi & Village Ind.		59.23	62.73	66.00
3.	Coir Industry		5.18	5.30	5.50
4.	Handlooms*		165.00	170.00	175.00
5.	Powerlooms*		71.00	72.00	75.00
6.	Sericulture*		63.64	65.22	67.00
7.	Handicrafts*		68.00	70.00	72.00
8.	Wool Development* (Unorganised Sector)		5.00	5.00	5.00
C.	**EXPORTS (Rs./crore)**				
1.	Small scale Industries		53975.00	61175.00	65000.00
2.	Coir Industry		303.05	312.00	320.00
3.	Handlooms		1865.00	2000.00	2150.00
4.	Powerlooms*		9915.00	10200.00	11000.00
5.	Silk		1501.78	1550.00	1650.00
6.	Handicrafts		8059.63	9270.50	10600.00

Annexure-7.2 Contd.

Physical Performance (Sub-Sector-wise) Annual Plan 2001-02

S. No.	Industry/sub-Sector	Unit	1999-2000 Actuals	2000-01 Anticipated-	2001-02 Targets
	MINISTRY OF FOOD PROCESSING INDUSTRIES (SUB-SECTORWISE)				
I.	**PRODUCTION**				
1.	Fruits & Vegetables products (Cal.Yr.)	Lakh Tonnes	9.80	9.90	10.00
2.	Rice Production	Million Tonnes	89.48	90.00	95.50
3.	Various Milk products (other than icecream, butter ghee)	000 tonnes	301.00	316.00	335.00
4.	Soft drinks	Mill.bottles	6230.00	6540.00	6900.00
5.	Fish production	Mill..tonnes	5.30	5.35	5.75
6.	Meat & Poultry Products	000 tonnes	4500.00	5100.00	5800.00
7.	Eggs	Millions	30000.00	35000.00	40000.00
	EXPORTS (Rs./Crore)				
1.	Processed foods		6335.00	4895.00	5000.00
2.	Meat & Poultry Products		879.00	950.00	1050.00
3.	Marine products		5117.00	6444.00	6200.00

Annexure-7.3

Sub-Sectorwise Outlays/Expenditure Annual Plan 2001-02

(Rs. in Crore)

Sl. No.	Industry Sub-Sector	1999-2000 Actuals	2000-01(BE)			2000-01(RE)			2001-02		
			Outlay	BS	IEBR	Outlay	BS	IEBR	Outlay	BS	IEBR
	DEPT. OF SSI & ARI										
1.	SIDO	256.29	287.50	283.00	4.5	27955	279.55	-	407.00	391.00	16
2.	PMRY	190.00	201.00	201.00	-	201.00	201.00	-	193.50	193.50	-
3.	NSIC	27.12	160.00	40.00	120	154.25	34.25	120	149.00	29.00	120
4.	KVIC	201.93	320.00	320.00	-	293.00	293.00	-	354.00	354.00	-
5.	COIR	12.43	20.00	20.00	-	16.75	16.75	-	18.00	18.00	-
6.	OTHER Sch.	7.39	33.00	12.00	20.5	131.45	106.45	25	8.00	8.00	-
	Total: (SSIA&RI)	505.16	920.00	775.00	145	875.00	730.00	145	936.00	800.00	136
	MINISTRY OF TEXTILES										
1.	H'LOOM	8044	135.00	135.00	-	108.00	108.00	-	137.00	137.000	-
2.	P'LOOM	4.34	10.00	10.00	-	7.30	7.30	-	6.00	6.00	-
3.	SERI.	67.00	76.20	76.20	-	76.00	76.20	-	87.00	87.00	-
4.	HNDCR.	51.83	63.07	63.07	-	69.07	69.07	-	79.00	79.00	-
5.	WOOL	5.44	8.43	8.43	-	8.43	8.43	-	8.00	6800	-
	Total (MOT/VSI):	209.05	292.07	292.07	-	269.00	269.00	-	317.00	317.00	-
	DEPT. OF FOOD PROCESSING INDUSTRIES (SUB-SECTORWISE)										
1.	Grain Proc.	0.62	0.50	0.50	-	0.50	0.50	-	0.40	0.40	-
2.	Fruit & Veg.	11.70	16.85	16.85	-	10.41	10.41	-	5.45	5.45	-
3.	Milk Ind.	2.52	4.50	4.50	-	7.00	7.00	-	6.80	6.80	-
4.	Meat & Poul.	4.17	3.25	3.25	-	0.75	0.75	-	2.70	2.70	-
5.	Fish Proc.	10.71	12.40	12.40	-	22.33	22.33	-	24.00	24.00	-
6.	Cons. Ind.	5.48	1.00	1.00	-	0.05	0.05	-	1.20	1.20	-
7.	FPI Fund	0.00	1.00	1.00	-	0.01	0.01	-	5.00	5.00	-
8.	Sectt. Services	2.59	5.50	5.50	-	3.95	3.95	-	3.60	3.60	-
9.	Lumpsum Prov. for NE	0.00	5.00	5.00	-	5.00	5.00	-	5.85	5.85	-
	Total (DFPI):	37.79	50.00	50.00	-	50.00	50.00	-	55.00	55.00	