Indian Textile Industry : An Overview

INTRODUCTION

1. The Indian textile industry is one of the oldest industries in the country and displays a very complex sectoral dispersal matrix with hand-spun and hand-woven sector on one end of the spectrum and the capital-intensive sophisticated mill sector at the other, with the decentralised powerloom and knitting sectors coming in between. Even in the organised sector, "island of excellence" exist, using highly sophisticated information technology based equipment with facilities for ERP/SAP which are second to none in the world.
2. The fibre specific configuration of the textile industry includes almost all types of textile fibres from natural fibres like cotton, jute, silk and wool to synthetic/man-made fibres like polyester, viscose, nylon, acrylic, polypropylene and the multiple blends of such fibres and filament yarns.
3. The diverse structure of the industry coupled with its close linkage with our ancient culture and tradition provides it with the unique capacity to produce, with the help of latest technological inputs and design capability, a wide variety of products suitable to the varying consumer tastes and preferences, both within the country and overseas.
4. It is perhaps the only industry in the Indian industrial arena which is self reliant and complete in value chain, i.e., from raw material to the highest value added products, i.e., garments/made-ups.
5. The Indian textile industry has a significant presence in the Indian economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings.

The Textile Sector contributes :

- About 4 percent to the gross domestic product;
- About 14 percent of the total industrial output;
- 21 percent of the work force (As per ASI 2003-04);
- About 17 percent of the gross export earnings;

6. The Indian Textile Industry contributes 12% to the world production of textile fibres and yarns (including jute). It is the largest producer of Jute, second largest producer of silk and cellulosic fibre / yarn, third largest producer of cotton and fifth largest producer of synthetic fibres/yarns.

II. GROWTH OF THE INDUSTRY

A) Growth of the industry over the last decade (1995-96 to 2005-06)

a) Growth of mills and their capacities:

1. The number of cotton/man-made fibre textile mills (which comprise the cotton yarn, blended yarn and other spun yarn manufacturing spinning units and the composite units in non-SSI sector rose from 1569 in 1996 to 1780 by the end of March 2006 (Compounded Annual Growth Rate (CAGR) of 1.27 percent).
2. The number of spindles and rotors increased from 31.75 mn spindles and 226 thousand rotors in 1996 to 34.14 mn spindles and 395 thousand rotors respectively in 2006. (CAGR of 0.73 percent and 5.74 percent respectively)
3. Between 1996 and 2006, the weaving capacity of the composite mills decreased from 132 thousand looms to 73 thousand looms (CAGR of –5.75 percent.). However, the decline has been compensated by increase of powerloom and hosiery sector in decentralised sector.
4. There were 801small scale spinning units with installed capacity of 1.51 mn. spindles and 26504 rotors in 1998 which rose to 1173 units, 3.37 mn. spindles and 124564 rotors in 2006.
5. During the decade between 1996 to 2006 the capacity of man-made fibre industry which includes viscose, polyester, acrylic and polypropylene, rose from 601.56 mn. kg. per annum to 1191.17 mn. kg. per annum (CAGR of 7.07 percent)
6. The capacity of man-made filament yarn which includes viscose, polyester, nylon and polyprpylene also increased from 665.18 mn. kg. per annum in 1996 to 1374.43 mn. kg. per annum in 2006 (CAGR of 7.53 per cent)

b) Growth of fibre production:

1. The annual production of raw cotton rose from 170.20 lakhs bales in 1996 to 244.00 lakh bales in 2006. (CAGR of 3.67 percent.)
2. Silk production increased from 13.91 mn kg. to 17.31 mn kg. during the decade. (CAGR of 2.21 percent)
3. Wool production increased from 42.40 mn kg. to 45.30 mn kg. during the decade. (CAGR of 0.66 percent)
4. Man-made fibres production at the CAGR of 6.86 per cent increased from 498.38 mn kg. to 968.03 mn kg.

c) Growth of yarn and fabric production:

1. The production of spun yarn has increased to 3458 mn kg in 2006 from 2485 mn kg. in 1996 at the CAGR of 3.36 percent.
2. The production of man-made filament yarn which was 493.02 in 1996, has increased to 1179.33 mn kg. in 2006 at the CAGR of 9.11 percent.
3. The production of fabric registered a CAGR of 4.49 during last decade, increasing from 31958 mn sq. mtrs to 49577 mn sq. mtrs. due to increase in the production of powerloom and hosiery sector by CAGR of 5.94 percent and 7.54 percent respectively. However, the production of mill sector and handloom sector showed negative CAGR of 1.96 percent and 1.63 percent respectively.
4. The per capita availability of fabrics increased from 27.99 sq. mtrs to 36.10 sq. mtrs. during the same period.

d) Growth of textile exports:

1. Through export friendly government policies and positive efforts made by the exporting community, textile exports increased substantially from US$ 8.53 bn. in 1995-96 to US$ 17.11 bn in 2005-06. The readymade garment sector is the biggest segment in the India's textile export basket contributing over 49 percent of the total textile exports. Exports of cotton based items continue to pre-dominate which is natural in view of India's competitive advantage in the advantage of cotton.

2. Textile trade, over the last decade has contributed substantially in the India's total exports. Currently, it has been contributing about 17 percent to the India's overall export trade. Its share in the world textile trade has risen to 3.04 percent in 2004 as against 1.80 percent in early nineties. Exports in rupee terms have grown at an compounded average growth rate of 10.24 percent per annum over the last decade.

B) Growth of the industry during the year 2005-06 over previous year

1. The production of cotton increased to some extent from 243.00 lakh bales in 2004-05 to 244.00 lakh bales during 2005-06 as per Cotton Advisory Board (CAB), registering an increase of about 0.41 percent. Major cotton producing states are Gujarat (89 lakh bales), Maharashtra (36 lakh bales) and Andhra Pradesh (32.00 lakh bales).
2. Production of man made fibres declined from 1022.60 million kgs in 2004-05 to 968.03 million kgs during the year 2005-06 registering a decline of 5.34 percent. Among the man made fibres, polyester staple fibre is predominant fibre contributing about 65 percent of the total man-made fibre production in the country.
3. The production of spun yarn increased to 3458 million kg. during 2005-06 from 3223 million kg. during 2004-05 registering a growth of 7.29 percent. Among the spun yarn, cotton spun yarn is the predominant yarn contributing about 73 percent of the total spun yarn production in the country. Major spun yarn producing states are Tamil Nadu (1369 mn kg.), Punjab (372 mn kg.), Maharashtra (326 mn kg.), Rajasthan (265 mn kg.) and Gujarat (231 mn kg.).
4. The production of man-made filament yarn, registered an increase of 6.35 percent during the current year as compared to last year from 1108.90 mn kg. to 1179.33 mn kg. Polyester filament yarn is the major filament yarn contributing 91 percent of the total filament yarn production in the country.
5. The production of fabric registered a growth of 9.25 percent during the current year as compared to the last year from 45378 million sq. mtrs to 49577 million sq. mtrs. The sectorwise production of mill, handloom,

powerloom and hosiery has increased by 8.52 percent, 6.75 percent, 8.12 percent and 14.33 percent respectively. Cotton cloth is the major cloth contributing 48 percent of total cloth production, while 100% non-cotton cloth is also emerging fast contributing about 38 percent of the total cloth production and blended about 13 percent to the total cloth production.

6. The percapita availability of fabrics increased from 33.51 sq. mtrs to 36.10 sq. mtrs.
7. The exports of textiles including jute, coir and handicrafts increased from Rs. 63024.18 crore to Rs. 75620.68 crore, registering a growth of about 20 percent.

III. PERFORMANCE OF MAJOR SCHEMES/PROGRAMMES INITIATED DURING LAST FEW YEARS:

1. TECHNOLOGY UPGRADATION FUND SCHEME (TUFS):

1.1 Introduction

To provide necessary impetus to the modernization of textile and jute industry and to enhance its viability and competitiveness in the domestic, as well as international markets, the Government has launched Technology Upgradation Fund Scheme (TUFS) for Textile and Jute Industries, w.e.f. 1.4.1999 for a period of 5 years, i.e., up to 31st March 2004 which was subsequently extended upto 31.3.2007, i.e., till the end of tenth five year plan.

1.2.1 **Benefits under the scheme**:

- ***5% interest reimbursement of the normal interest charged by the lending agency on RTL.***

Or

- ***5% exchange fluctuation (interest & repayment) from the base rate on FCL.***

Or

- ***15% credit linked capital subsidy for SSI sector.***

Or

- ***20% credit linked capital subsidy for powerloom sector (An option for 'front ended' subsidy provided w.e.f. 1st October, 2005).***

Or

- ***5% interest reimbursement plus 10% capital subsidy for specified processing machinery.***

1.2.2 Technology levels are benchmarked in terms of specified machinery. There is no cap on funding under the scheme.

1.3 The identified sectors in the textile industry, including spinning, cotton ginning & pressing, silk reeling & twisting, wool scouring & combing, synthetic filament yarn, texturising, crimping and twisting, manufacturing of viscose filament yarn (VFY) / viscose staple fibre (VSF), weaving/knitting including non-wovens and technical textiles, manufacturing, processing of fibres, yarns, fabrics, garments and made-ups and the jute sector are eligible to avail of these concessional loans for their technology upgradation requirements. Investments in common infrastructure or facilities by an industry association, trust or co-operative society and other investments specified are also eligible for funding under the scheme. Improved metal frame handlooms used by the handloom weavers have also been covered under the scheme.

1.4 IDBI, SIDBI and IFCI were the nodal agencies for Non-SSI textile sector, SSI textile sector and Jute sector respectively. However, w.e.f. 1st October, 2005, 13 additional nodal banks have been appointed under TUFS for determining eligibility & releasing the subsidy for the cases financed by them.

1.5 Monitoring and Review of the scheme :

For monitoring and review, an **Inter-Ministerial Steering Committee (IMSC)** under the chairmanship of the Secretary (Textiles) has been constituted. This committee normally meets on a quarterly basis. A Technical Advisory cum Monitoring Committee (TAMC) under the Chairmanship of the Textile Commissioner has also been constituted to interpret, or clarify and technical issues raised by any of the nodal agencies regarding the eligibility of any unit or machinery under the scheme. TAMC also provides technical advise to the IMSC and also monitors the progress on a regular basis.

1.6 Progress of TUFS (5% interest reimbursement & 15% CLCS)

From its inception till 30.09.2006, 5907 applications, with project cost of Rs.52,638 cr., have been received under TUFS. Out of this, 5649 applications with a project cost of Rs. 47,217 cr. have been sanctioned, and Rs. 12,673 cr. have disbursed against 4892 applications.

1.7 Progress of powerloom units under TUFS

Under 20% capital subsidy scheme (CLCS-TUFS.)

As on 18-10-2006, 1439 cases have been received from banks / manufacturers / units with a total investment in machinery of Rs. 515.08 crore. However, 103 cases with an investment in machinery of Rs.36.93 crore are not eligible. Out of remaining 1336 cases, a subsidy amount of Rs. 59.60 crore has been sanctioned in respect of 949 cases and subsidy has been released Rs.54.10 crore to 869 cases as on 18-10-2006. Other cases are at various stages of process like awaiting inspection reports / information from banks / clarification from units etc.

2. TECHNOLOGY MISSION ON COTTON (TMC)

2.1 In order to improve the production, productivity and quality of cotton in the country by bringing the entire gamut of Research and Development, Marketing and Processing of cotton under one umbrella through a mission approach, Government of India has launched Rs. 600 crore Technology Mission on Cotton (TMC) in February, 2000. The mission consists of 4 Mini-Missions (MM) with specific objectives of :

- MM I - Research
- MM II - Dissemination of Technology to farmers
- MM III - Improvement in marketing infrastructure ; and
- MM IV - Modernising of ginning and pressing factories.

2.2 Ministry of Agriculture (MOA) administers the first two MMs and the Ministry of Textiles, the last two MMs. As on March 2006, 188 market yards and 650 ginning & pressing factories have been taken up for modernisation under Mini Missions III and IV.

2.3 As on 31st March 2006, there were 15 market yards under activation, 129 market yards were taken up for modernisation (improvement) and 44 new market yards were taken up under Mini Mission III. Thus, there were 188 market yards covered under program as on 31st March, 2006, with a sanctioned project cost of Rs. 357.28 crore, in which the share of State Government / APMC Entrepreneur and Government of India were Rs. 176.74 crore and Rs. 180.54 crore respectively. Out of the total 188 market yards, 117 projects were completed with the actual cost of Rs. 97.87 crore, in which Government of India's admissible share was Rs. 94.99 crore and Government released Rs. 89.86 crore and balance Rs. 5.13 crore is to be released.

2.4 In the case of Mini Mission IV programme, covering 650 ginning and pressing factories taken up for modernisation as on 31st March 2006, the project cost sanctioned was Rs. 854.95 crore, in which the share of state Government / APMC Entrepreneur and Government of India were Rs. 705.48 crore and Rs. 149.47 crore respectively. Out of the total 650 ginning and pressing factories, 340 factories were completed, involving an actual cost of Rs. 385.64 crore, of which the Government of India released the full admissible share of Rs. 72.32 crore.

3. TEXTILE WORKERS' REHABILITATION FUND SCHEME :

To give economic relief to the workers rendered jobless due to the permanent closure of textile mills (partial closure of mills also included by a subsequent amendment of the scheme), the Government had created the Textile Workers' Rehabilitation Fund Scheme in pursuance of the Textile Policy of June, 1985. Under this Scheme, the workers earning wage equivalent upto Rs. 2500/- per month or less in respect of the eligible textile mills closed before 01-04-1993 or wage equivalent upto Rs. 3500/- per month or less in respect of eligible textile units which are closed on or after 01-04-1993 will be eligible for the benefit of the scheme. Till 31-10-2006, Rs. 185.02 crore were disbursed to 79927 workers. State-wise details of workers affected and relief amount paid upto 31-03-2006 under the scheme are presented in ***Table-161.***

IV. <u>THE TEXTILE MACHINERY INDUSTRY</u> :

1.1 The production of textile machinery and `spares and accessories' in value terms from 2000-01 onwards are presented in ***Table-181***. The production of textile machinery between 2000-01 and 2005-06 has showing continuously increasing trend except in the year 2001-02. It has increased to Rs. 1878.79 crore in 2005-06 from Rs. 984.81 crore in 2000-01, showing an annual compounded growth of 13.79 percent over a period of five years. The production of spares and accessories has also increased marginally from Rs. 323.76 crore in 2000-01 to Rs. 332.21 crore in 2005-06, showing an annual compounded growth of 0.49 percent.

1.2 As compared to the last year the production of textile machinery has increased from Rs. 1408 crore in 2004-05 to Rs. 1879 crore in 2005-06, showing significant increment of 33.45 percent. The production of spares and accessories during the same period has also increased from Rs. 276 crore to Rs. 332 crore, registering an increase of 20.29 percent.

1.3 The import of textile machinery has increased substantially from Rs. 2352 crore in 1995-96 to Rs. 7100 crore in 2005-06, an increase of 11.68 percent. In order to improve its capacity utilisation, the machinery industry will have to modernize, develop and upgrade its technology. The textile machinery industry has also been contributing to foreign exchange earnings of the country along with textile exports. The export figures of textile machinery in value terms for the period 1995-96 to 2005-06 has shown a mixed trend ranging from Rs. 216 crore to about Rs. 535 crore

V. FISCAL LEVIES :

1.1 Central Excise Duties :

The excise and import duty structure of different textile items from 2001-02 to 2006-07 is presented in the ***Tables 190 to 195***. There have been changes in excise and import duty structure of textile items in between different budgets like increase or decrease in the rates of excise and import duties. Rationalisation/restructuring of duty resulted in increase or decrease in the incidence of duties on certain items, merger of two different kinds of duties etc. In the Budget of 2004-05 a new excise duty regime for textile items has been introduced. There is no mandatory excise duty on pure cotton, wool and silk whether it is a fibre, yarn, fabrics or garments or blended textile. CENVAT scheme has been made optional for these items. Mandatory excise duty is applicable only on man made staple fibre and filaments yarns. All textile and textile articles have been fully exempted from duty under AED (ST) and AT&T. Textile sector has been excluded from general SSI exemption scheme. Other exemption like exemption to hand processors, exemption to fabrics woven on handloom, goods of jute etc. have been withdrawn.

1.2 Customs Duties :

1.2.1 Consistent with the Government's on-going process of liberalisation of economy and globalisation of trade, the import duty structure of the country has also undergone significant changes in the recent years. Thus, the ceiling rate of import duty which was high at the level of 110 percent in 1992-93 was gradually brought down to 15 percent in the Budget of 2005-06.

1.2.2 In the Budget 2006-07, the peak rate of Customs duty has been reduced from 15 percent to 12.5 percent. However specific rate of duty has not been changed.

VI. SICKNESS IN THE TEXTILE INDUSTRY :

1.1 The textile industry has been plagued with one problem or the other at different points of time. One of the major problems has been that of growing sickness in this industry though this is not uncommon in other organised industries also. The main reason for sickness in textile industry could be attributed to the structural transformation in the mill sector and competition faced from powerlooms having greater cost advantage. The other reasons could be excess employment, lower productivity of labour and machine, lack of modernisation and technological up-gradation, increase in cost of inputs particularly the key raw materials as also lack of adequate working capital. The number of textile mills registered with BIFR during the year 1999 to 2006 (as on 31/1/2006) is presented (state-wise) in the ***Table – 157 and 158***.

1.2 It may be seen from the data presented in ***Table–157 and 158*** that as on 31st January 2006, the number of sick textile mills registered with BIFR was 825. Based on the latest state-wise figures for January 2006, it is observed that maximum no. of sick mills were in Tamilnadu, followed by Maharashtra and Gujarat.

1.3 Board For Industrial And Financial Reconstruction (BIFR):

1.3.1 To tackle the problem of industrial sickness in general, (including textiles), a Board for Industrial and Financial Reconstruction (BIFR) was established under the Sick Industrial Companies (Special Provisions) Act, 1985. Till 31.01.2006, 825 cases of textile mills were registered with the Board, the details of which from 1999 onwards are given in ***Table-157***.

1.3.2 The details of cases of textile mills in various stages with BIFR as on 31.01.2006, are shown in ***Table –158***. It may be seen that out of the 825 cases of textile mills registered with the Board, revival schemes have been prepared in 50 cases, and another 128 cases stand dismissed. In 3 cases, the units have been able to draft their own revival schemes under Section 17(2) of the Sick Industrial Companies (Special Provisions) Act, 1985. Besides, in 220 cases winding up has been recommended by the Board while in 11 cases winding up notice has been issued. Further, 295 cases are under enquiry by the Board, while 47 units have been declared as 'no longer sick' as those have been revived through the efforts of the BIFR. In addition, some of the cases have been referred to the Appellate Authority of the Board, while cases of 3 units have been reopened.

VII. TENTH FIVE YEAR PLAN PROJECTIONS AND ACHIEVEMENTS

1.1 The Working Group Report on the Textile Industry for 10th Five Year Plan had made projections, year-wise, for textiles having regard to the requirements like household demand for cloth, the demand for exports and other industrial uses as also the general growth of the Indian economy. The target and achievement of production of spun yarn, filament yarn and cloth during the year 2002-03 and 2005-06 is as given below:

YEAR-WISE 10TH PLAN TARGETS AND ACHIEVEMENTS

Year	Target			Achievement		
	Spun Yarn (Mn. Kg.)	Filament Yarn (Mn. Kg.)	Cloth (Mn. Sq. Mtr.)	Spun Yarn (Mn. Kg.)	Filament Yarn (Mn. Kg.)	Cloth (Mn. Sq. Mtr.)
2002-03	3520	1070	36200	3081	1100	41973
2003-04	3610	1150	38300	3052	1118	42383
2004-05	3780	1250	40550	3223	1109	45378
2005-06	3960	1340	42950	3458	1179	49577
2006-07	4150	1450	45500	--	--	--

1.2 During the year 2005-06 the production of spun yarn and filament yarn has fallen short of the projection made in the Tenth-Five-Year Plan by about 13 percent and 12 percent respectively for the same period.

1.3 Even though the achievement in respect of cloth production shown an upward trend than the projected one the target and achievement figures are not comparable as conversion ratios adopted by the Working Group for the Tenth-Five-Year Plan for the targeted figures were different than the ratios by the Office of the Textile Commissioner.

CONCLUSION :

The textile industry in our country is one of the few industries, which has the potential to emerge as a true global player. The Government has already embarked on a role of industry-friendly, pro-active 'facilitator'. Recognising the fact that industry needs a concerted strategy and time-bound action plan to convert its core competence in availability of all major raw materials, skilled manpower, managerial competence and entrepreneurial skill to a competitive strength as a producer and supplier of top quality textiles at competitive prices while protecting its domestic turf, the Government has initiated the policy measures as outlined above. With the growing awareness in the industry of its strengths and weaknesses and the need for exploiting the opportunities and averting the threats, coupled with the Government's catalytic role, the Indian textile industry has the potential to scale new heights in the globalised economy. For this to happen, the industry, the State Governments and the Central Government have to strategies and work in close co-ordination and co-operation

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