CHAPTER III

THE ORGANISED TEXTILES MILL INDUSTRY

The Cotton/Man-made Fibre Textiles Mill Industry is the single largest organized industry in the country employing nearly one million workers. Besides, there are a large number of ancillary industries dependent on this sector such as those manufacturing various machineries, accessories, stores, ancillary and chemicals. Even on a modest assumption that a worker's family comprises five, the direct dependents on the organized textile mills industry itself works out to about 50 lakhs.

CAPACITY

There were 1818 cotton/man-made fibre textiles mills (non-SSI) in the country as on January 31, 2007 with a capacity of 35.37 million spindles, 448,000 rotors and 69,000 looms.

CAPACITY UTILISATION IN THE MILL SECTOR (COTTON/MAN-MADE FIBRE TEXTILES MILLS)

The capacity utilisation in the spinning sector of the organised textiles mill industry ranged between 80% to 93% during the period 2000-01 to 2005-06, while the capacity utilisation in the weaving sector ranged between 41% to 63 % during same period. A statement giving the capacity utilisation in cotton / man-made fibre textiles mills is at Table 3.1.

PRODUCTION OF SPUN YARN

The production of spun yarn, including the production of yarn from SSI spinning sector was 3046 million kg. in 1999-2000 and 3458 million kg. in 2005-06. It is estimated to reach 3790.91 million kg in 2006-07. The contribution from the SSI sector has been about 5% in the total production of spun yarn. A statement showing the production of spun yarn (including SSI units) during the last six years along with anticipated figures for the current year is at Table 3.2.

The pattern of count-wise production of cotton yarn during the last six years along with anticipated figures for the current year is at Table 3.3.

Table 3.1

YEAR	INSTALLED SPINDLES	PERCENTAGE	INSTALLED LOOMS	PERCENTAGE
	NOS. (In million)	UTILISATION	NOS. (In thousand)	UTILISATION
2000-01	37.91	85	123	47
2001-02	38.32	82	123	42
2002-03	39.03	80	119	41
2003-04	37.03	83	88	53
2004-05	37.46	87	86	58
2005-06 (P)	37.51	93	73	63

Note- 1) Installed spindles include SSI units.
2) Percentage utilisation regarding spindles include rotors also.
3) Installed rotors include SSI units.

Table 3.2

PRODUCTION OF SPUN YARN

(In Mn. Kg.)

Year	Cotton Yarn	Blended Yarn	100% Non-Cotton Yarn	Total Yarn
1999-2000	2204	621	221	3046
2000-01	2267	646	247	3160
2001-02	2212	609	280	3101
2002-03	2177	585	319	3081
2003-04	2121	589	342	3052
2004-05	2272	585	366	3223
2005-06	2521	588	349	3458
2006-07 (A)	2711	631	358	3700.91

A - Anticipated

Table 3.3

COUNT - WISE PRODUCTION OF COTTON YARN

(In Mn. Kg)

Count Group	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07(A)
1-10s	521	524	459	435	482	532	586
11-20s	469	439	445	403	435	489	549
21-30s	479	456	476	493	509	585	671
31-40s	561	548	533	522	546	558	569
41-60s	146	147	161	161	175	203	234
61-80s	52	61	61	64	80	96	114
81s-and above	39	37	42	43	45	58	75
Total	**2267**	**2212**	**2177**	**2121**	**2272**	**2521**	**2798**

A - Anticipated

SICKNESS/CLOSURE OF TEXTILES MILLS

The incidence of sickness and closure in the organized textiles industry is a matter of concern. One main reason of sickness is the structural transformation, resulting in the composite units in the organized sector losing ground to power looms in the decentralised sector, on account of the latter's greater cost effectiveness. The other causes of sickness/ closure of the industry include low productivity due to lack of modernisation, stagnation in demand and inability of some units to expand their export market, increase in the cost of inputs, difficulty in getting timely and adequate working capital, etc. The details of closure of cotton/man-made fibre textiles mills are at table 3.4.

PRODUCTION OF CLOTH & EMPLOYMENT GENERATION

The weaving capacity in the organized mill sector had been stagnant. The production of cloth in the mill sector in 2005-06 was 1656 mn. sq. mtr. as compared to 1714 mn. sq. mtr. in 1999-2000. The production of cloth in the mill sector is projected at 1900 mn. sq. mtr. in 2006-07. The data on production of cloth in the mils, handlooms, power looms & hosiery sectors during the past five years and the current year are at table 3.5.

Table 3.4

CLOSURE OF COTTON / MAN-MADE FIBRE IN TEXTILES INDUSTRY

Year/ Month end	No. of Mills			Installed Capacity			Employees on roll ('000)
	Spinning	Composite	Total	Spindles (000)	Rotors (No.)	Looms ('00)	
1999-00	240	109	349	8408	31408	726	334
2000-01	262	121	383	8964	46012	690	344
2001-02	295	126	421	9459	59712	710	362
2002-03	349	134	483	10699	66936	741	390
2003-04	374	94	468	9390	83000	514	329
2004-05	376	99	475	9646	88160	538	335
2005-06	387	99	483	9680	92808	491	339
2006-07 (as on 30.11.06)	390	93	483	9570	92864	478	333

Table 3.5

PRODUCTION OF FABRICS BY DIFFERENT TEXTILES SUB-SECTORS

MILL SUB-SECTOR **(Mn. Sq. Mtrs.)**

	2002-03	2003-04	2004-05	2005-06	2006-07(P) (Apr-Dec)	2006-07 Anticipated
Cotton	1019	969	1072	1192	1030(884)	1229
Blended	263	253	243	252	206(185)	260
100% Non Cotton	214	212	211	212	156(159)	240
Total	**1496**	**1434**	**1526**	**1656**	**1392 (1228)**	**1729**
HANDLOOMS SUB-SECTOR						
Cotton	5098	4519	4792	5236	4207(3947)	5953
Blended	118	117	146	145	69(118)	182
100% Non Cotton	764	857	784	727	572(554)	736
Total	**5980**	**5493**	**5722**	**6108**	**4848 (4619)**	**6871**
DECENTRALISED POWERLOOMS SUB-SECTOR						
Cotton	6761	6370	7361	8821	7188(6555)	10310
Blended	4695	4688	4526	4632	3915(3497)	4952
100% Non Cotton	14498	15889	16438	17173	14175(12948)	18297
Total	**25954**	**26947**	**28325**	**30626**	**25278(23000)**	**33559**

Contd.

DECENTRALISED HOSIERY SUB-SECTOR

	2002-03	2003-04	2004-05	2005-06	2006-07(P) (Apr-Dec)	2006-07 Anticipated
Cotton	6422	6182	7430	8624	7071(6379)	9925
Blended	800	1010	1117	1269	1021(952)	1009
100% Non Cotton	659	655	565	525	376(407)	467
Total	**7881**	**7847**	**9112**	**10418**	**8468(7738)**	**11401**

ALL TEXTILE SUB-SECTORS

Cotton	19300	18040	20655	23873	19496(17765)	27417
Blended	5876	6068	6032	6298	5212(4751)	6403
100% Non Cotton	16135	17613	17998	18637	15278(14069)	19740
Total	**41311**	**41721**	**44685**	**48808**	**39986(36585)**	**53560**
Khadi, Wool & Silk	**662**	**662**	**693**	**769**	**577(577)**	**700**
Grand Total	**41973**	**42383**	**45378**	**49577**	**40563(37162)**	**54260**

P = Provisional
Figures in bracket indicate the corresponding figures of previous year.
Source: Website of Office of the Textile Commissioner (as on 19.02.2007)

The employment generation in cotton/ man-made fibre textiles industry in 2006-07 is projected at 1.10 crores.

HANK YARN OBLIGATION SCHEME

The Hank Yarn Obligation (HYO) is a statutory obligation which enjoins upon spinning mills to pack yarn in hank form. This Scheme is meant for protection of the handlooms industry by way of ensuring that the yarn in hank form is available in adequate quantity at reasonable prices to the handlooms industry. The failure to comply with this Obligation invites lodging of FIR against the defaulting mills by the Office of the Textile Commissioner. The current level of obligation is 40% of the total yarn packed by the mills for the civil consumption. The obligation has to be fulfilled in quarterly periods commencing from the January-March quarter of every year. The Scheme also provides that shortfall in fulfillment of the obligation may be met by transferring of the obligation to another mill which has excess production of hank yarn after fulfilling its own obligation. Normally, such transfer is accepted by mills on premium.

Due to strict enforcement of the provisions of the hank yarn packing notification by the Office of the Textile Commissioner, actual packing of Hank Yarn is sufficient and comfortable to meet the total domestic requirement of hank yarn in the country. In 54th Hank Yarn Price Monitoring Committee meeting held on August 23, 2006, the participants informed that the supply of Hank Yarn is comfortable and there is no report of short supply of hank yarn from any part of the country. The details of Hank Yarn Packing Obligation and its fulfillment by actual packing for the last 5 years are at Table 3.6.

TEXTILES WORKERS' REHABILITATION FUND SCHEME (TWRFS)

The Textile Workers' Rehabilitation Fund Scheme came into force with effect from September 15, 1986, with the objective to provide interim relief to textiles workers rendered unemployed as a consequence

Table 3.6

Year	No. of Units submitted the returns	Fulfillment of Hank Yarn Obligation (HYO)		Shortfall (-)/Excess (+) in fulfillment of HYO	Percentage of fulfillment of HYO
		HYO	Fulfillment of HYO (on actual packing basis)		
2000-01	2242	545.56	559.78	(+) 14.22	102.61
2001-02	2237	534.39	577.57	(+) 43.18	108.08
2002-03	2275	443.14	423.67	(-) 19.47	95.61
2003-04	2214	327.51	357.01	(+) 29.5	109.01
2004-05	2151	383.58	408.89	(+)25.31	106.60%
2005-06(P)	1942	451.84	441.94	-9.9	97.81%

of permanent closure of any particular portion or an entire textiles unit. The assistance under the Scheme is payable to eligible workers only for the purpose of enabling them to settle in another employment. Such assistance is not heritable, transferable or capable of being attached on account of any other liabilities of the worker. The worker's eligibility shall cease if he takes up employment in another registered or licensed undertaking. The rehabilitation assistance will not be curtailed if the worker ventures into a self-employment activity.

Closed Textile Unit

Under the scheme, a closed textiles unit means:

(i) a unit licensed or registered under the Industries (Development & Regulation) Act, 1951 or with the Textile Commissioner as a medium scale unit on the day of its closure;

(ii) it has obtained the requisite permission for closure from the appropriate State Government under section 25(O) of the Industrial Disputes Act, 1947 or alternatively an Official Liquidator was appointed under Companies Act, 1956, for the purpose of winding up of the unit.

(iii) The unit was closed down on or after June 6, 1985.

(iv) This also includes partially closed units wherein the State Governments recommend that an entire uneconomic activity (like weaving or processing) is scrapped as a part of rehabilitation package for a sick/ weak mill (as per the RBI definition) approved by the Nodal Agency/BIFR, provided the scrapped capacity is surrendered for cancellation and endorsement is made on the License / Registration certificate to this effect.

Eligibility

The beneficiary under the scheme are eligible provided he/she has been working in a closed textiles unit on the date of its closure continuously for five years or more and earning a wage equivalent of Rs. 2500 per month or less from the mills, which had closed between June 6, 1985, to April 1, 1993, and Rs.3500 or less thereafter. They should be contributing to provident fund maintained by the Regional Provident Fund Commissioner of the State concerned.

Period and Quantum of Relief

The relief under the Scheme is available only for three years on a tapering basis but share not extend beyond the date of superannuation of any worker. The worker is entitled to get relief:

- to the extent of 75% of the wage equivalent in the first year of the closure of the unit;
- to the extent of 50% of the wage equivalent in the second year; and
- to the extent of 25% of the wage equivalent in the third year.

Operation of the Scheme

The scheme is administered by the office of the Textile Commissioner, Mumbai through its Regional offices and in coordination with State Government, Official Liquidator, Provident Fund Authorities, concerned designated Trade Union and designated Banks. The State Government collects the details of the workers etc. from the management/official liquidator/provident fund authority etc. and prepare a list of eligible workers and forward the same to the concerned Regional Office of the Textile Commissioner in the prescribed Proforma. The list is scrutinized by Regional Office of the Textile Commissioner and the list of eligible workers is sent to State Government and designated trade unions.

The eligible workers are required to open a separate Savings Bank Account in the designated nationalized bank and forward a certificate along with his relief claiming application to the Regional office of the Textile Commissioner through the State Government. The Regional office of the Textile Commissioner examines the proposals and assesses the fund requirement and reports to the Head Office of the Textile Commissioner for releasing funds. On receipt of allocation, the required funds are allotted to the Regional Office in the form of Letter of Credit opened by the Pay & Accounts Officer (Textiles) Mumbai. Thereafter, the Regional Office of the Textile Commissioner disburses the relief by sending a consolidated cheque in favour of the designated bank along with the list of eligible workers and the amount of relief to be paid to each of them.

Progress

Till December 2006, 32 units in Gujarat, 4 units in Tamil Nadu, 3 units in Maharashtra, 4 units in Madhya Pradesh, 1 unit in West Bengal, 2 unit in Karnataka, and 1 unit in Delhi, i.e., 47 mills were found eligible under the TWRFS. A total of 80,264 workers out of 99,760 eligible workers of 42 mills were disbursed relief of Rs.186.57 crores. The State-wise cumulative position is at Table 3.7.

TECHNOLOGY UPGRADATION FUND SCHEME (TUFS)

To provide necessary impetus to the modernization of textiles and jute industry and to enhance its viability and competitiveness in the domestic, as well as international markets, the Government had launched Technology Upgradation Fund Scheme (TUFS) on April 1, 1999, and it will continue till March 31, 2007.

Benefits

- 5% interest reimbursement of the normal interest charged by the lending agency on rupee term loan (RTL); or
- coverage of 5% exchange fluctuation (interest & repayment) from the base rate on foreign currency loan (FCL); or
- 15% credit linked capital subsidy for SSI textile and jute sector; or
- 20% credit linked capital subsidy for powerloom sector; or

Table 3.7

S. No.	State	No. of identified mills	No. of workers on roll	No. of workers benefited (as on 21.12.2006)		Amount Disbursed (Rs. in crores)
				No. of mills	Fully paid workers	
1	2	3	4	5a	5b	6
1.	Gujarat	32	66044	32	51002	118.75
2.	Maharashtra	3	3225	3	2995	6.50
3.	Madhya Pradesh	4	18957	4	16094	39.80
4.	Tamil Nadu	4	5286	4	4590	6.79
5.	Delhi	1	5187	1	5170	11.93
6.	Karnataka	2	753	1	413	1.80
7.	West Bengal	1	308	--	--	--
	Total	**47**	**99,760**	**45**	**80,264**	**185.57**

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

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

The identified sectors in the textiles 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, garments, made-up 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 hand looms used by the handloom weavers have also been covered under the scheme.

IDBI, SIDBI and IFCI are the nodal agencies for Non-SSI textile sector, SSI textile sector and Jute sector. However, in 2005, 13 additional nodal banks have been appointed under TUFS for determining eligibility & releasing the subsidy in respect of cases financed by them.

Monitoring and Review of the Scheme

An **Inter-Ministerial Steering Committee (IMSC)** under the chairmanship of the Secretary (Textiles) has been constituted to monitor and review the scheme. The committee normally meets on a quarterly basis. A **Technical Advisory cum Monitoring Committee (TAMC)**, under the Chairmanship of the Textile Commissioner, interprets or clarify the technical issues raised by any of the nodal agencies regarding the eligibility of any unit or machinery under the scheme. TAMC also provides technical advice to the IMSC and also monitors the progress on a regular basis. To make the Scheme more user-friendly, nearly 200 amendments have been made in the scheme till date.

Progress of TUFS (5% interest reimbursement and 15% CLCS)

From the launch of scheme till December

Table 3.8

(Amount in Rs. crores)

Period	Received		Sanctioned			Disbursed	
	No. of applications	Total cost of projects	No. of applications	Total cost of projects	Loan amount	No. of applications	Loan amount
1999-00	407	5771	309	5074	2421	179	746
2000-01	719	6296	616	4380	2090	494	1863
2001-02	472	1900	444	1320	630	401	804
2002-03	494	1835	456	1438	839	411	931
2003-04	867	3356	884	3289	1341	814	856
2004-05	986	7941	986	7349	2990	801	1757
2005-06	1086	16194	1078	15032	6776	993	3962
2006-07 (31.12.06)	2000	15822	1966	14965	6536	1863	3983
Total	**7031**	**59115**	**6739**	**52847**	**23623**	**5956**	**14902**

2006, 7031 applications with project cost of Rs.59,115.00 crores have been received. Of these, 5956 applications with a project cost of Rs. 52,847 crores was sanctioned. 5956 applicants have been disbursed a loan amount of Rs. 14,902 crores.

Progress of 20% Capital Subsidy Scheme (CLCS-TUFS @20%)

The 20% Credit Linked Capital Subsidy Scheme under CLCS-TUFS for powerlooms units was launched on November 6, 2003. As on February 26, 2007, 1637 cases were received from banks / manufacturers / units, for investment of Rs. 585.04 crores in machinery. A subsidy of Rs. 84.95 crores was sanctioned in respect of 1283 cases and Rs.77.25 crores was released in respect of 1188 cases.

PROCESSING SECTOR

The textiles-processing segment of the Indian textiles industry is highly fragmented and is divided into four segments :-

(i) Hand processing units.

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

(iii) Independent power processing units.

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

The Government have identified processing as a critical segment of the textiles chain. The National Textile Policy, 2000 envisages:-

- Setting up of modern processing units, which will meet the international quality and environmental norms.
- Expansion of the network of CAD / CAM, computerized color matching and testing facilities, particularly in the decentralised textiles centers/ clusters.

- Extending necessary support to individual units to achieve ISO 9000 (quality) and ISO - 14000 (environment) standards

- Giving a thrust to development of eco-friendly dyes, including natural and vegetable dyes and on energy conservation.

Globally, the environmental issues are increasingly dominating the textiles processing industry. In view of this, and as per mandate of National Textile Policy 2000, the Government have taken the following important steps to boost the high-tech investment in processing sector:

(i) A Credit linked capital subsidy @10% under Technology Upgradation Fund Scheme (TUFS), in addition to the existing 5% interest reimbursement.

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

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

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

(v) To take care of quality requirements and facilitate eco-friendly production of processed fabric, eco-testing and quality testing facilities have been created throughout the country with an investment of over Rs.60 crores.

PACKAGE FOR RESTRUCTURING OF DEBT PORTFOLIOS OF THE ORGANISED TEXTILE UNITS

Based on the findings and interaction with the industry and the Ministry of Textiles, Ministry of Finance in September 2003, announced a Debt Restructuring Package for textiles units based on External Commercial Borrowings (ECBs) and convert rupee term loans into foreign currency loans, thus bringing down the interest rates in the range of 8% to 9%. The salient features of the package are :-

- The package would be applicable to all units in the organized sector with a minimum debt exposure of Rs. 2 crores.

- Technical viability will be assessed by the designated technical agencies.

- Units should have positive Earning before Interest, Depreciation, Tax, and Amortization (EBIDTA) in three out of last five years.

- The post-restructuring debt service coverage ratio should be at least 11.33. However, the time by which it may be achieved has been left to the lender to decide.

Nature of relief under the debt restructuring package:-

- The scheme would have a tenure of five years

- Banks/FIs will be permitted to access external commercial borrowings (ECBs) and convert Rupee Term Loans into Foreign Currency Loans

- ECB borrowings by Banks/FIs will be permitted for 5 years

- The recipient units would pay interest at the targeted rate of 8% to 9% on rupee loan basis.

- The repayment of loans is not restricted to the five years in the scheme. The period of repayment may extend beyond 5 years but ECB will be permitted only for 5 years.

- The conversion of working capital into working capital term loan would be decided by the lenders. The rate of interest on working capital loans would follow the internal guidelines of the lender bank/FI.

- Accumulated liquidated damages and penal interest would be waived

- Accumulated interest liability would be frozen and converted into zero coupon bonds payable after five years in installments or at one time, as negotiated between the lender and the borrower.