



## CHAPTER III

# ORGANISED TEXTILE MILL INDUSTRY

The Indian Textile Industry is both unique and complex. Its predominant presence in the Indian economy is manifested in terms of its significant contribution to the gross domestic product, employment generation and foreign exchange earnings. It contributes 14 percent of the value addition in the manufacturing sector. Contribution to GDP is 4 percent and export earnings is about 24 % of the total exports of the country. The complexity of this sector is on account of its sectoral dispersal matrix with the hand spun and hand woven sectors on one end of the spectrum and the capital intensive sophisticated mill sector on the other, with the decentralised powerloom and knitting sector coming in between. This sector uses a wide range of fibres ranging from natural fibres to synthetic/man-made fibres. For the production of textiles, there is intricate interplay of the processes, which include ginning, reeling, spinning, weaving, processing and garments manufacture.

The growth of the textile sector in terms of installed spindleage, yarn production and output of cloth has been significant. The spindleage capacity of organised sector has increased from about 33.15 million in 1996-97 to 35.84 million by the end of Aug.2002. A noticeable feature in this growth process has been the installation of large number of open-end rotors in 1990s

and the tendency to set up 100% Export Oriented Units in the field of spinning. The production of spun yarn is anticipated to touch the figure of 3,088 mn. kgs during current financial year 2002-2003, registering an annual growth of about 1% during the last five years. It is worth noting that the production of 100% non-cotton yarn has shown an upward trend in recent years. It is anticipated to be 307 mn. kg during 2002-2003, registering an annual growth of 11.64% during the last five years. The total production of cloth by all sectors i.e. mill, powerloom, handloom and khadi, wool and silk has also shown an up trend in recent years. The total production of cloth is anticipated to be 42,314 mn. sq. mtrs during 2002-2003 showing an annual growth of 3.96% during the last five years. The cloth production from decentralised powerloom sector has shown significantly higher annual growth rate of 6.48% during the last five years.

The satisfactory performance in cloth production has resulted in a favourable per capita domestic availability of cloth in the country. Despite the growth in population and exports, the per capita availability likely to touch about 31.37 sq. mtrs. in 2002-2003 (provisional) from around 29.30 sq. mtrs. in 1996-1997.

Cotton/ Man-made Fibre Textile Mill Industry is the single largest organised industry in the country employing nearly



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10 lakh workers. Besides this, there are a large number of ancillary industries dependent on this sector such as those manufacturing various machineries, accessories, stores, ancillary and chemicals. Even on a modest assumption that a worker's family comprises five persons, the direct dependents on the organised textiles mill industry itself work out to about 50 lakhs. The salient aspects of this industry are discussed in the following paragraphs.

### CAPACITY:

The Indian Textile Industry has witnessed a phenomenal growth during the last decade. The spindleage increased from 33.15 million in 1997 to 35.84 million and rotors from 2.76 lakh in 1997 to 3.75 lakh as on Aug.2002 and it is expected to reach a figure of 36 million and 4 lakh respectively by the end of March 2003. The loomage however, declined from 1.24 lakh in March 1997 to 1.22 lakh in Aug.2002 in

the organised sector. The growth in capacity in spinning and weaving sectors of the industry since 1997 is at Table 3.1. Out of 1866 cotton/man-made fibre textile mills as on 31.08.2002, 192 mills are in the public sector, 159 mills in the co-operative sector and 1515 mills are in the private sector.

### CAPACITY UTILISATION :

The capacity utilisation in the spinning sector of the organised textile mill industry ranged between 86 to 79% during 1996-97 to 2001-02 while the capacity utilisation in the weaving sector of the organised textile mill industry ranged between 56 to 42% during 1996-97 to 2001-02. A statement giving the capacity utilisation in cotton / man-made fibre textile mills is at Table 3.2.

### PRODUCTION OF SPUN YARN:

The production of spun yarn has increased from 2794 million kgs. during 1996-97 to 3101 million kg. during 2001-2002. The

**TABLE NO. 3.1**

### GROWTH IN CAPACITY IN THE ORGANISED MILL SECTOR

Year Ending	No. of Mills			Installed Capacity		
	Spg	Comp.	Total	Spindles (Mn.)	Rotors (‘000)	Looms (‘000)
31.03.1997	1438	281	1719	33.15	276	124
31.03.1998	1504	278	1782	33.88	313	124
31.03.1999	1543	281	1824	34.72	383	123
31.03.2000	1565	285	1850	35.10	392	123
31.03.2001	1565	281	1846	35.53	394	123
31.03.2002	1579	281	1860	35.75	409	123
31.08.2002 (P)	1588	278	1866	35.84	375	122



**TABLE NO. 3.2**  
**CAPACITY UTILISATION IN THE MILL SECTOR**  
**(COTTON/MAN-MADE FIBRE TEXTILE MILLS)**

Year	Installed spindles Nos. (in million)	Percentage Utilisation	Installed looms Nos. (in thousand)	Percentage Utilisation
1996-97	34.59	86	124	56
1997-98	35.39	86	124	54
1998-99	36.67	79	123	51
1999-2000	37.08	83	123	51
2000-2001	37.91	85	123	47
2001-2002	38.32	82	123	42

**Note: -**

- ❖ From 1996-97 onward installed spindles include spindleage of SSI units also.
- ❖ From 1996-97 onwards, percentage utilisation include rotors also.

**P = Provisional.**

production of spun yarn during the period April 2001 to August 2002 is provisionally estimated at 1287 mn. kg. which is anticipated to be 3088 mn. kg. during the year 2002-2003. The above data include the production of yarn from SSI spinning sector as well. The contribution from the

SSI sector has been about 7% in the total spun yarn production. 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 3.3.

**TABLE NO. 3.3**  
**PRODUCTION OF SPUN YARN**

(In Mn. Kg.)

Year	Cotton Yarn	Blended Yarn	100 % Non Cotton Yarn	Total Yarn
1996-97	2148	484	162	2794
1997-98	2213	583	177	2973
1998-99	2022	595	191	2808
1999-2000	2204	621	221	3046
2000-2001	2267	646	247	3160
2001-2002	2212	609	280	3101
<b>2002-2003 (Apr - Aug) (P)</b>	<b>914</b>	<b>245</b>	<b>128</b>	<b>1287</b>
<b>2002-2003 (A)</b>	<b>2193</b>	<b>588</b>	<b>307</b>	<b>3088</b>

**P — Provisional A — Anticipated**

**TABLE NO. 3.4**
**COUNT - WISE PRODUCTION OF COTTON YARN**

(In Mn. Kg)

Count Group	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003 (Apr – Aug.) (P)	2002-03 (A)
1-10s	479	503	450	509	521	524	195	520
11-20s	511	508	489	504	469	439	192	435
21-30s	405	427	396	455	479	455	202	451
31-40s	515	542	468	524	561	548	226	544
41-60s	136	144	131	131	146	147	60	146
61-80s	60	52	49	44	52	61	23	61
81s- and above	42	37	39	37	39	37	16	36
<b>Total</b>	<b>2148</b>	<b>2213</b>	<b>2022</b>	<b>2204</b>	<b>2267</b>	<b>2211</b>	<b>914</b>	<b>2193</b>

**A – Anticipated P — Provisional**

The pattern of production of cotton yarn during the last six years along with anticipated figures for the current year is at Table 3.4.

**PRODUCTION OF CLOTH & EMPLOYMENT GENERATION:**

The weaving capacity in the organised mill sector had been stagnant for a number of years. The production of cloth in the mill sector in 2001-2002 was 1546 mn. sq. mtr. as compared to the production of 1957 mn. sq. mtr. in 1996-97. The production of cloth in the mill sector is projected at 1533 mn. sq. mtr. in 2002-2003. The data on production of cloth in the mill sector, the handloom sector, hosiery sector & the power loom sector during the past six years are set out in Table 3.5. The employment generation in cotton/man-made fibre textile industry as on 31.08.2002 was 10 lakh.

**SICKNESS/CLOSURE OF TEXTILE MILLS:**

As on 31.08.2002 there were 1866 mills, consisting of 1588 spinning mills and 278 composite mills. Out of this, 455 cotton/man-made fibre textile mills (327 spinning and 128 composite) with an installed capacity of 10.14 mn. spindles, 60 thousand rotors and 70 thousand looms were reported to be closed. As on 31.03.2002, 421 mills (295 spinning and 126 composite) with installed capacity of 9.46 mn. spindles, 60 thousand rotors and 71 thousand looms were reported closed.

The incidence of sickness and closure in the organised textile industry has been a matter of concern. One main reason of sickness is structural transformation resulting in the composite units in the organised sector losing ground to power looms in the decentralised sector, on



**TABLE NO. 3.5**  
**PRODUCTION OF FABRICS IN DIFFERENT SECTORS**

(Million sq. mtrs.)

	1996- 1997	1997- 1998	1998- 1999	1999- 2000	2000- 2001	2001- 2002	2002- 2003 (Apr- Aug)	2002- 2003 (P) (A)
<b>MILL SECTOR :</b>								
Cotton	1222	1238	1111	1105	1106	1036	430	1032
Blended	488	466	444	379	332	296	120	288
100% Non-cotton	247	244	230	230	232	214	89	213
<b>Total: -</b>	<b>1957</b>	<b>1948</b>	<b>1785</b>	<b>1714</b>	<b>1670</b>	<b>1546</b>	<b>639</b>	<b>1533</b>
<b>HANDLOOM SECTOR :</b>								
Cotton	6441	6699	5861	6376	6577	6698	2165	5196
Blended	52	69	111	119	111	95	51	122
100% Non-cotton	963	835	820	857	818	792	276	663
<b>Total: -</b>	<b>7456</b>	<b>7603</b>	<b>6792</b>	<b>7352</b>	<b>7506</b>	<b>7585</b>	<b>2492</b>	<b>5981</b>
<b>a)DECENTRALISED POWERLOOM SECTOR :</b>								
Cotton	7238	6652	5856	6291	6584	6473	3130	7512
Blended	3948	4481	4356	4613	5071	5025	1936	4646
100% Non-cotton	8166	9818	10478	12283	12148	13694	5972	14333
<b>Total: -</b>	<b>19352</b>	<b>20951</b>	<b>20690</b>	<b>23187</b>	<b>23803</b>	<b>25192</b>	<b>11038</b>	<b>26491</b>
<b>DECENTRALISED HOSIERY SECTOR :</b>								
Cotton	4940	5403	5121	5217	5451	5562	2623	6295
Blended	400	735	788	802	837	871	338	811
100% Non-cotton	193	256	367	355	408	634	233	560
<b>Total :-</b>	<b>5533</b>	<b>6394</b>	<b>6276</b>	<b>6374</b>	<b>6696</b>	<b>7067</b>	<b>3194</b>	<b>7666</b>
<b>ALL SECTORS :</b>								
Cotton	19841	19992	17949	18989	19718	19769	8348	20035
Blended	4888	5751	5699	5913	6351	6287	2445	5868
100% Non-cotton	9569	11153	11895	13725	13606	15334	6570	15768
<b>Total: -</b>	<b>34298</b>	<b>36896</b>	<b>35543</b>	<b>38627</b>	<b>39675</b>	<b>41390</b>	<b>17363</b>	<b>41671</b>
Khadi, Wool & Silk	540	545	584	581	581	644	268	643
<b>Grand Total: -</b>	<b>34838</b>	<b>37441</b>	<b>36127</b>	<b>39208</b>	<b>40256</b>	<b>42034</b>	<b>17631</b>	<b>42314</b>

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 in the export market, increase in the cost of inputs, difficulties in getting timely and adequate working capital, etc. The details

of closure of cotton /man-made fibre textile mills is given at Table 3.6.

#### **TEXTILE WORKERS' REHABILITATION FUND SCHEME (TWRFS):**

Textile Workers' Rehabilitation Fund Scheme came into force with effect from 15<sup>th</sup> Sept. 1986. The objective of TWRFS is to give interim relief to the workers

**TABLE NO. 3.6**

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

Year / Month end	No. of Mills			Installed Capacity			Employees on roll ('000)
	Spg	Comp.	Total	Spindles (000)	Rotors (No.)	Looms (‘00)	
1996-97	118	91	209	5469	9270	542	252
1997-98	127	93	220	5752	10813	553	260
1998-99	207	106	313	7487	25534	606	311
1999-2000	240	109	349	8408	31408	726	334
2000-2001	262	121	383	8964	46012	690	344
2001-2002	295	126	421	9459	59712	710	362
Aug 2002	327	128	455	10141	60368	698	375

rendered jobless due to permanent closure of the mills. Relief under the scheme is available only for 3 years on a tapering basis, 75% of the wage equivalent in the first year, 50% in the second year and 25% in the third year.

**Criteria for Eligibility of Mills: -**

- i) A closed textile mill should be licensed under the ID&R Act, 1951 or registered with Textile Commissioner as a medium scale unit on the date of the closure.
- ii) It has obtained the requisite permission for closure from the appropriate State Government under Section 25(0) of the Industrial Disputes Act, 1947, or taken over by Official Liquidator appointed by the High Court, and
- iii) The unit was closed down on or after 6<sup>th</sup> June, 1985.

By an amendment, TWRFS is also now made applicable to the cases of partial

closure on a case-to-case basis. Partial closure is restricted to cases wherein the State Government recommends that an entire uneconomic activity is scrapped as a part of rehabilitation package for sick/weak mill (**as per RBI definition**) approved by Nodal Agency/BIFR, provided the scrapped capacity is surrendered for cancellation and endorsement is made on the licence/Registration certificate to that effect.

**Eligibility of Workers:**

In both the cases (i.e. permanent closure and partial closure) the scheme is applicable to workers who have been earning wage equivalent upto Rs.2,500/- per month or less in respect of the eligible textile mills closed before 05/02/02 or wages equivalent upto Rs. 3,500/- per month or less in respect of eligible textile units which are closed on or after 05/02/02.

The following conditions are necessary for workers to become eligible for getting relief



*Shop floor of Modern Textile Mill.*

under TWRFS:

- i) The workman should have been continuously employed for 5 years in the closed textile units as on the date of closure; and
- ii) He should be on the records of the Regional Provident Fund Commissioner.

**Progress of Implementation:**

Since the inception of the Scheme as on 30.11.2002, 31 units in Gujarat, 4 units in Tamil Nadu, 1 unit in Delhi, 3 units in Maharashtra and 2 units in Madhya Pradesh making a total of 41 mills were found eligible under the scheme. A total of

71524 workers of 41 mills have been disbursed relief of an amount of Rs.160.62 crore upto 30.11.2002. During the current financial year, i.e. 2002-2003 upto 30.11.2002, Government has released Rs.3.50 crore.

**TECHNOLOGY UPGRADATION FUND SCHEME. (TUFS):**

Government of India, Ministry of Textiles has launched a Technology Upgradation Fund Scheme (TUFS) for the Textile and Jute Industries, which is in operation since 01.04.1999 for 5 years i.e. up to 31.03.2004. There is no cap on funding under this scheme. It is an open-ended scheme depending on the capacity of the



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industry to absorb funds in bankable and techno-economically feasible proposals.

### **The main features of the TUFs are given below: -**

- i) The scheme provides a reimbursement of 5% point on the Interest charged by the lending agency on a project of Technology Upgradation in conformity with the scheme.
- ii) The identified sectors in the textile industry viz. Cotton ginning and pressing, spinning/silk reeling and twisting/wool scouring and combing/synthetic filament yarn texturing, crimping and twisting, manufacturing of viscose filament yarn (VFY) / Viscose Staple Fibre (VSF), weaving/knitting including non-wovens and technical textiles, garments/made-ups, Jute industry are eligible to avail of these concessional loan for their technology upgradation requirements. Investments in common infrastructure or facilities owned by the association, trust or co-operative society of the units participating in the TUF Scheme and other investments specified are also eligible for funding under the scheme.
- iii) Technology levels are benchmarked in terms of specified machinery for each sector of the textile industry. Machinery with technology levels lower than that specified will not be permitted for funding under the TUF Scheme.
- iv) General eligibility condition and sector specific eligibility conditions have also been specified in the scheme.
- v) Nodal agencies for the scheme are as follows: -  
For the Textile Industry (excluding SSI sector). - IDBI  
  
For the SSI Textile Sector. (Cotton Ginning & Pressing, Weaving, Knitting, Processing & Garmenting Manufacturing). - SIDBI  
  
For Jute Industry. - IFCI
- vi) The interest @5% would be reimbursed to the respective nodal agency through the budget (plan) provisions of the Ministry of Textiles.
- vii) The functioning of the scheme is being periodically monitored by TAMC Chaired by Textile Commissioner and Inter-Ministerial Steering Committee, Chaired by Secretary (Textiles).
- viii) A special cell has been set up in the financing institutions for expeditiously processing loan application received under the scheme.
- ix) All the 18 SFCs, 17 SIDCs and 11 Twin function IDCs, Exim Bank and NCDC have been co-opted by SIDBI and IDBI. Further SIDBI has co-opted 81 commercial banks, 12 co-op. banks and NSIC and IDBI has co-opted 36 commercial banks, 1

co-operative bank and 4 AIFIs (IFCI, ICICI, IIBI and LIC) have also been co-opted by IDBI. IFCI has co-opted 3 SFCs, 1 SIDC, 6 commercial banks, 3 AIFIs and Exim Bank for financing jute industry under the scheme.

- x) An option has also been provided to the Small Scale Textile and Jute Industries to avail of either 12% Credit Linked Capital Subsidy (CLCS) or the existing 5% interest reimbursement under the TUFS. CLCS-TUFS will be in operation from 1<sup>st</sup> Jan., 2002 to 31<sup>st</sup> March, 2004.

There is no distinction between public sector, co-operative sector or private sector mills under the scheme, if project proposal is bankable and techno-economically feasible.

exempted power processes

3. Independent power processing units
4. Processing facilities attached to composite or semi-composite mills.

Before the announcement of new Industrial Policy on 25.7.91, the medium scale processing units were required to register themselves with the Chemical Processing Section of the Office of the Textile Commissioner, Mumbai. However, after the announcement of new Industrial Policy, the registration has been dispensed with, and the non-SSI units have to obtain an Industrial Licence if they are located within 25 kms, from the periphery of city having population above one million according to 1991 census and are not located in an Industrial area designated/set up by the State Govt. prior to 25.7.91. The units, not

**Progress of TUFS as on 31.12.2002 (Provisional) is given below:**

(Rs. in crore)

Sector	No. of applications received	Total cost of project	Amount of loan required	No. of applications sanctioned	Amount sanctioned	No. of applications disbursed	Amount disbursed	No. of applications rejected
Non-SSI	752	14215.64	8129.28	628	5377.27	507	3768.77	99
SSI	1271	1594.14	965.89	1154	723.54	923	433.83	29
<b>TOTAL</b>	<b>2023</b>	<b>15809.78</b>	<b>9095.17</b>	<b>1782</b>	<b>6100.82</b>	<b>1430</b>	<b>4202.60</b>	<b>128</b>

**PROCESSING SECTOR**

The textile-processing segment of the Indian textile industry is highly fragmented. It can broadly be divided into 4 segments: -

1. Hand processing units
2. Hand processing units with certain

covered by the above locational restrictions, have to simply file an Industrial Entrepreneur Memoranda (IEM) with the Secretariat for Industrial Approvals (SIA), Ministry of Industry, New Delhi. Applications for Industrial Licence (IL), 100% EOUs and Foreign Collaboration are also submitted to the SIA, Ministry of



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Industry, New Delhi. All the proposals covered under IEM, EOU permission, Industrial Licence, Foreign Collaboration are referred to the Office of the Textile Commissioner for examination of the eligibility of filling the IEM and techno economical feasibility of Industrial Licence/EOU/Foreign Collaboration proposals. 639 IEM proposals, 95 IL/EOU applications were received for setting up processing units from 25.7.91 to 30.9.2002. Since after the announcement of new industrial policy, the units are not filing production returns, the number of units set up/capacity installed, out of the above

proposals, is not known.

As per an estimate made by the working group for the 9<sup>th</sup> plan, there are about 12500 textile processing units, of which 2324 units are in the power processing sector including the composite/semi composite sector, as per the census conducted by the Textile Committee. Since confirmed data on the non-power processing sector are not available with any organization/institution, there is a proposal for conducting a similar census of non-power processing sector in due course of time.