

II. Industrial Production

41. Industrial production increased at an annual rate of about 7 per cent over the first two plan periods. In the first year of the third five-year plan also the growth in industrial production, as shown by the revised index of industrial production, was about the same—6.8 per cent. This was, however, a considerably slower rate of increase than was achieved in the last two years of the second plan when industrial output had increased at an exceptionally high rate of 10 to 11 per cent. During the first two quarters of the current year the index of production was maintained at the high level reached at the end of 1961-62 and the average for the two quarters was about 7.2 per cent above the average of the first two quarters of 1961-62. The following table shows the quarterly indices of industrial production for the last few years:—

Index of Industrial Production

(1956=100)

	1959-60	1960-61	1961-62	1962-63
1st Quarter	113.3	127.1	138.6	150.3
2nd Quarter	118.3	126.1	139.4	147.3
3rd Quarter	122.3	139.3	139.7	
4th Quarter	126.3	138.2	149.0	
<i>Annual Average</i>	<i>120.2</i>	<i>132.7</i>	<i>141.7</i>	

Notes : Quarterly figures are seasonally adjusted.

42. *Agriculture-Based Industries*: Since the production of commercial crops, barring raw jute, was exceptionally good in the agricultural season of 1960-61, industries drawing their raw material supplies from agriculture had in fact done quite well in 1961-62. Cotton textiles production increased

in that year by 5.6 per cent, and a marked increase had occurred in the production of sugar. Production of jute textiles on the other hand declined by 6.4 per cent. During the current year, the fortunes of the agriculture-based industries were governed by the decline in the production of cotton and sugarcane in the 1961-62 agricultural season. Although the shortage of cotton, as mentioned earlier, was sought to be made good by larger imports and drawing down of stocks, cloth production during the first half of 1962-63 was marginally lower as compared to the first half of 1961-62. Production of sugar declined in response to the cut imposed by Government with a view to secure a better balance between demand and supply. On the other hand the exceptionally good crop of raw jute enabled the jute industry to produce more or less at full capacity and the output of jute manufactures increased by more than a third during the first half of 1962-63; in the subsequent months also a high level of production has been maintained. Vanaspati production increased by more than 10 per cent during April-September, 1962 as compared to the corresponding period of 1961. Production of tea during the current year is marginally smaller than last year and a large decline has occurred in the production of coffee, in both cases on account of adverse weather. The following table gives the recent trends in the output of agriculture-based industries:

Production in Agriculture-Based Industries

Unit	1960-61	1961-62		1962-63		Percentage change in	
		April-September	October-March	April-September*	1961-62 over 1960-61	1962-63 over 1961-62 (April-September)	
Cotton cloth (Total) : million metres	6738	7114	3553	3561	3534	+5.6	-0.5
Mill	4649	4686	2375	2311	2310	+0.8	-2.7
Decentralised sector	2089	2428	1178	1250	1224	+16.2	+3.9
Jute textiles . . . '000 tonnes	1070	1002	446	556	604	-6.4	+35.4
Sugar†	3029	2745	-9.4	..
Tea million kgs. .	317	348	234	114	233	+9.8	-0.4
Coffee '000 tonnes .	54.1	66.6	32.3	34.3	20.9	+23.1	-35.3
Vanaspati	340	341	158	183	175	+0.3	+10.8

*Provisional

†During the sugar season November-October

43. *Other Industries:* The rest of the industrial scene is dominated by the availability of iron and steel, coal, transport and power and materials such as non-ferrous metals, alloy, tool and special steels, engineering components and chemical intermediates which are largely imported from abroad. The slowing down in the rate of growth of industrial production in 1961-62, despite a better turn out in agriculture-based industries, was at least in part due to the shortages of these items. In recognition of these bottlenecks, measures were initiated in 1961-62 and further strengthened during the current year to relieve the shortage of coal, transport and power and to accelerate the production of iron and steel. These measures are described in Sections III and IV.

44. The improvement in the availability of power and transport and the increase in production of coal and steel during the current year had a beneficial effect on other basic industries, production of which has also increased. The following table summarises the recent trends in the output of selected industries:—

Output in Selected Industries

Unit	1960-61	1961-62		1962-63		Percentage change in	
		Total	April-September	October-March	(April-September)*	1961-62 over 1960-61	1962-63 (April-September) over 1961-62 (April-September)
Coal million tonnes	55.5	55.2	26.4	28.8	29.9	-0.5	+13.3
Finished steel „	2.4	3.0	1.4	1.6	1.8	+25.0	+28.6
Aluminium (virgin metal) '000 tonnes	18.3	19.9	8.8	11.1	16.4	+8.7	+86.4
Cement million tonnes	8.0	8.3	4.0	4.3	4.1	+3.8	+2.5
Electricity generation billion kwh.	16.9	19.8	9.7	10.1	10.8	+17.2	+11.3
Chemicals Index 1956=100	141.2	195.4	170.1	220.7	225.1	+38.4	+32.3
Metal products „	114.7	158.6	148.0	169.3	182.4	+38.3	+23.2
Electrical machinery „	184.9	189.6	193.6	185.6	208.2	+2.5	+7.5
Transport equipment „	127.6	131.4	131.1	131.8	144.2	+3.0	+10.0

*Provisional

The index of metal products increased by 23 per cent in the first half of 1962-63 as compared to the corresponding period of 1961-62 and of transport equipment by 10 per cent. Production of electrical machinery has also increased by 7.5 per cent, the main increase being in power transformers and electrical motors. With the availability of power from Rihand, aluminium output has shown an impressive increase in the current year and is likely to be around 40,000 tonnes over the whole year as

compared to half as much in 1961-62. Production of copper is also expected to increase by 10 per cent over the year. Among the chemical industries, caustic soda industry is working to full capacity and there was better utilisation of capacity in soda ash, the output of which has gone up by more than 20 per cent. Production in chemical industries as a whole increased by 32 per cent. Cement production has shown a marked increase since the declaration of emergency and by December 1962 the industry was working at almost full capacity, production in that month being 0.87 million tonnes against the monthly average of 0.70 million tonnes maintained all through 1961-62 and the first eight months of 1962-63. During the current fiscal year, production is expected to be around 8.7 million tonnes—an increase of 0.4 million tonnes over last year. With larger imports of materials and numerous components required for engineering and chemical industries, a much greater increase in industrial production would have been possible.

45. Mineral oils, especially kerosene and diesel oils, constitute a major and growing item in the current import bill amounting to about Rs. 90 crores per annum. Nearly 45 per cent of this total consists of imports of crude oil and the balance refined products. The consumption of refined products in the country has risen rapidly from 6.3 million tons in 1957 to about 8.3 million tons in 1961-62—an increase of more than 7 per cent per annum. Demand is expected to increase even faster in future and on present estimates it may go up to 17 million tons by 1966. Nearly one-third of the current consumption of refined products is met from imports; and as much as 90 per cent of the requirements of crude for refineries are also imported at present. Any increase in domestic production of mineral oils, crude as well as refined products, will thus have a significant bearing on the balance of payments. In recognition of this, steps have been taken to increase domestic refining by the maximum utilisation of existing capacity in the private sector. The public sector refinery in Assam has also started production, bringing the indigenous refining capacity to 8.6 million tonnes (in terms of crude). The first stage of Barauni refinery is expected to be completed in 1963, and will add one million tonnes to the existing refining capacity. Some saving on crude imports has been made possible by the production of crude oil at Ankleshwar which has steadily increased and is being currently despatched at the rate of 1800 tonnes a day to the refineries in Bombay. Steps are also being taken for the expansion of refining capacity in the public sector, including the establishment of a new refinery in the South.

46. *Prospects for 1963-64:* In general, the outlook for industries in the coming year appears promising. The textile industries will do better in view of the adequacy of cotton and raw jute production in the current agricultural season. In recent months the off-take of cloth both for domestic consumption and exports has shown a decline; to the extent that the industry is able to adjust its cost and prices to the market demand situation, there should be no difficulty in achieving a substantially higher production of cloth in the coming year. The incentive for higher production of cement, through the grant of increased price on additional production, is likely to lead to increase in cement capacity and production. With greater availability of the basic supplies—coal, steel, power and transport—an all round increase in industrial production can be expected provided adequate foreign exchange is available to meet the complementary materials and components which have to be imported from abroad.