

CHAPTER 4

INDUSTRIAL POLICY AND PERFORMANCE

The year 1985-86 has witnessed a wide array of industrial policy initiatives aimed at removing constraints on growth and creating more dynamic industrial environment. These measures reflect a continuation and acceleration of the trend in rationalising industrial policies underway since the beginning of the decade. In addition to the wide-ranging changes in industrial policy there have been structural reforms of fiscal policy (described in Chapter 6), which have also sought to accelerate growth, investment and productivity. It is too early to attempt a comprehensive assessment of the impact of these policy initiatives on industrial investment and output. But the preliminary indications are encouraging.

4.2 Many of the specific industrial policy changes undertaken during 1985-86 have reflected the recommendations of several high-level committees, which submitted their reports to the Central Government in late 1984 and early 1985.

Developments in Industrial Policy

Licensing Policy

4.3 In March 1985, the Government announced the delicensing of twenty five broad categories of industries (listed in Table 4.1). For these industries only registration with the Secretariat for Industrial Approvals is required; no licences have to be obtained under the Industries (Development and Regulation) Act (IDRA). This was subject to the conditions that the undertakings concerned do not fall within the purview of the Monopolies and Restrictive Trade Practices (MRTP) Act or the Foreign Exchange Regulation Act (FERA), that the article of manufac-

ture is not reserved for the small scale sector and that the undertaking concerned is not located within specified urban locales. In June, 1985 delicensing was extended to 82 bulk drugs and related drug formulations. In December, 1985 delicensing was extended to MRTP and FERA companies for 22 out of the 27 industries exempted from Sections 21 and 22 of the MRTP Act in May, 1985 provided that such undertakings were located in a Centrally-declared backward area (Table 4.1).

4.4 For many of the industries which remained within the ambit of industrial licensing, the facility of "broad-banding" was accorded to allow them to make rapid changes in their product-mix without losing time in seeking fresh licences. Broad-banding was extended in stages and by the end of January, 1986 covered some 28 industry groups (listed in Table 4.2).

4.5 Towards the end of 1985, the Government also announced a scheme of capacity re-endorsement under which the re-endorsement facility would be available to all licensed units which had achieved 80 per cent of their licensed capacity during any of the previous five years preceding 31st March, 1985. The capacity on their licences will be re-endorsed to the extent of the highest production achieved during any of the previous years plus one-third thereof. Industrial undertakings, where production exceeds the re-endorsed capacity, will be eligible for further re-endorsement in subsequent year(s) to the extent of the production already achieved plus one-third thereof.

TABLE 4.1

Industries covered by major liberalisation measures since March, 1985

List of Industries which have been delicensed in March, 1985

1. Special alloy, SG and Malleable iron castings, sponge iron and pelletisation.
2. Steel Structural.
3. Electrical equipment, namely,
 - (a) Equipment for exploitation of alternate source of energy like solar, wind power, bio-mass including bio-gas, geothermal energy, tidal power and sea power;
 - (b) Steam turbines of and below 20 MW and mini and micro hydel systems, equipment;
 - (c) Power and distribution transformers, power capacitors, switch gears, electrical motors, and GLS lamps;
 - (d) Diesel Generating Sets.
4. Electronic components.
5. Automotive ancillaries.
6. Cycles.
7. Industrial machinery, including rubber machinery, printing machinery, footwear machinery, meat and poultry machinery.
8. Machine tools.
9. Agricultural implements.
10. Miscellaneous mechanical and engineering industries, namely,
 - (a) Plastic moulded goods;
 - (b) Hand tools, small tools and cutting tools;
 - (c) Pressure cooker, cutlery and steel furniture;
 - (d) Lanterns of all types;
 - (e) Fuel efficient stoves;
 - (f) Water pumps beyond 10 cms.
11. Industrial Sewing Machines.
12. Office equipment as listed below :—
 - (1) Multiplication and reproduction equipment;
 - (2) Word processors;
 - (3) Cash registers/invoicing machines;
 - (4) Dictaphone; . .
 - (5) Microfilming/micro fishereaders.
13. Surgical, industrial and scientific instruments.
14. Industrial and Medical Gases.
15. Following Drugs/Drug intermediates :
 - Rifampicin.
 - Dapsone.
 - Clofazimine.
 - Primaquin.
 - EMME (Ethoxy Methylene Malonic Ester).
 - Nevaldiamine.
 - Insulin.
 - Anti-Cancer Drugs.
 - Vitamin B6.
 - Norgestral.
 - Piperazine.

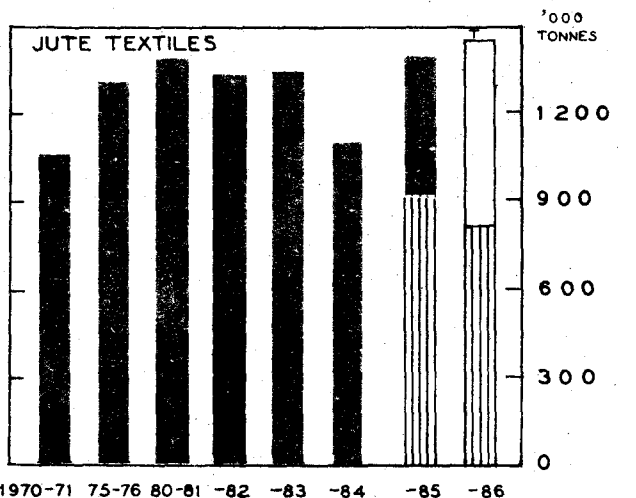
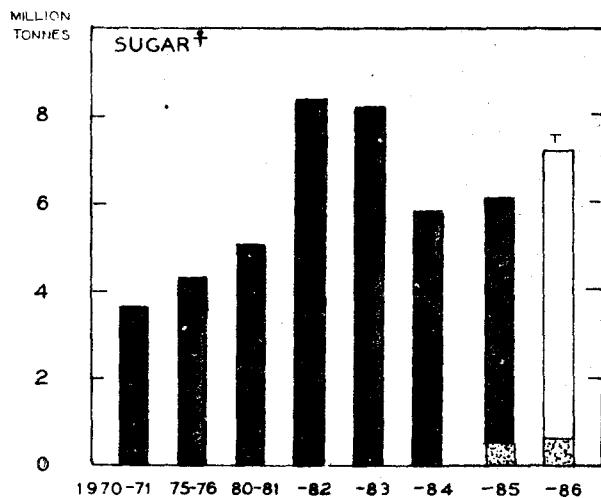
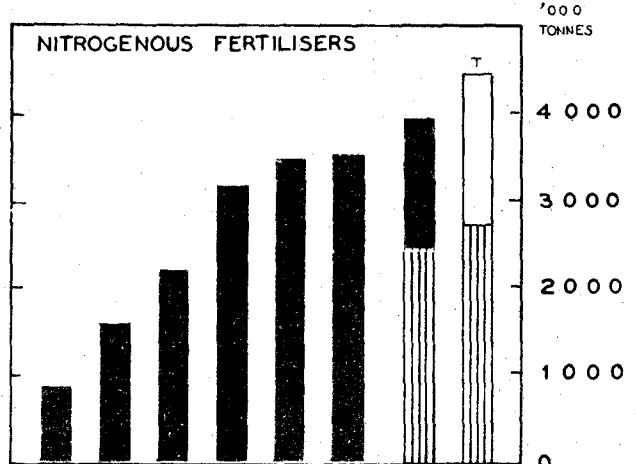
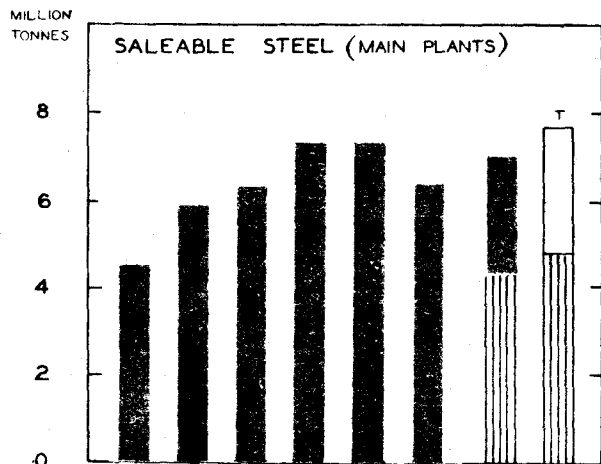
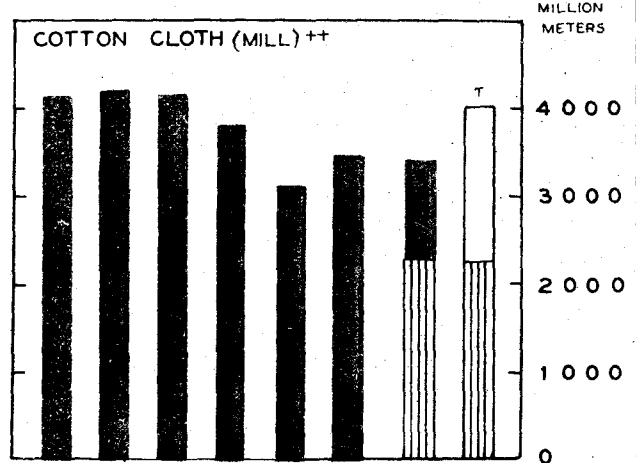
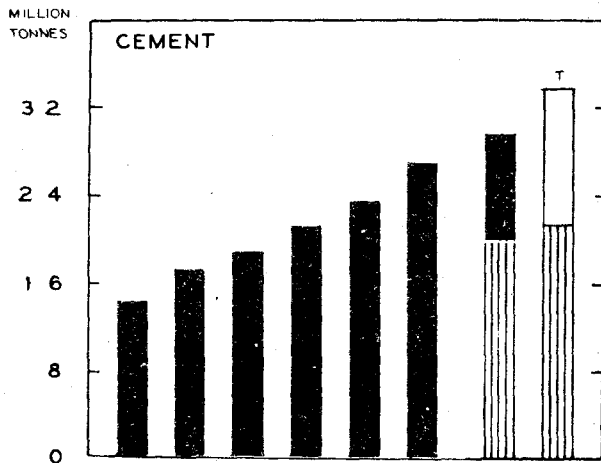
New Bulk Drugs developed through indigenous research.

List of Industries exempted from Sections 21 and 22 of MRTP Act in May 1985

1. *Pig Iron.
2. *Castings and Forgings.
3. *Alternate Energy Devices and Systems.
4. *Transmission Line Towers.
5. *Electrical Motors with starters.
6. *Internal Combustion Engines.
7. *Electronic Components and Equipment Listed below :
 - (i) Electronic Components required for the electronic industry (other than specified type of integrated circuits, viz., VLSI and ISI).
 - (ii) Computer Peripherals.
 - (iii) Computer Software.
 - (iv) Magnetic Tapes for use in Computers and Video Equipment, Hard Discs, Floppy Discs and Diskettes for Computers.
 - (v) Test and Measuring Instruments.
 - (vi) Materials for Electronics.
 - (vii) Computers.
 - (viii) Broadcasting Equipment.
 - (ix) Control Instrumentation and Industrial and Professional Electronics.
 - (x) Communication Equipment.

(NOTE : Exemption in respect of the above electronic components and equipment shall be available only if the MRTP House establishes in—depth production facilities vertically integrated; it shall not be allowed to do mere assembly work from the imported kits in regard to the above exempted items).
8. Motorised Two/Three/Four Wheelers.
- 9.* Automotive Components, Spares and Ancillaries.
10. *Pollution Control Equipment.
11. *Process Pumps.
12. *Process Equipment for utilisation of recycling of Wastes.
13. *Chemical Process Plants.
14. *Machinery for Chemical Industry as listed below :
 - (i) Rupture Discs.
 - (ii) Special Pneumatic Calibrators.
 - (iii) Karbate Pumps.
 - (iv) Centrifugal Gas Compressors.
15. *Air Compressors.

PRODUCTION OF SELECTED INDUSTRIES



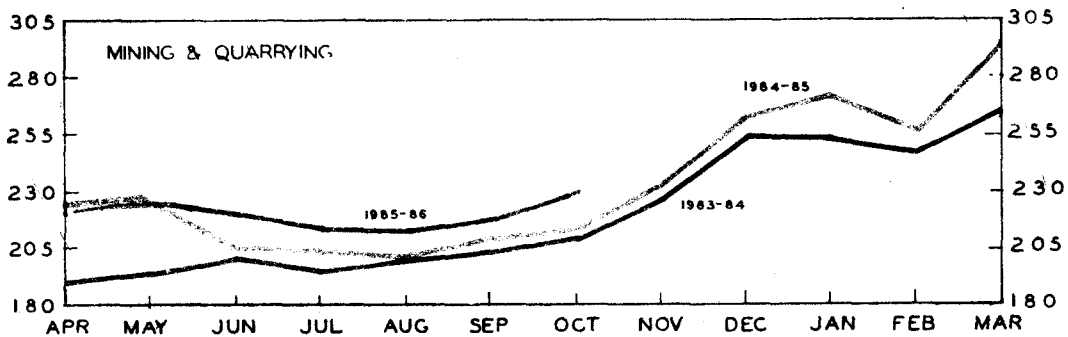
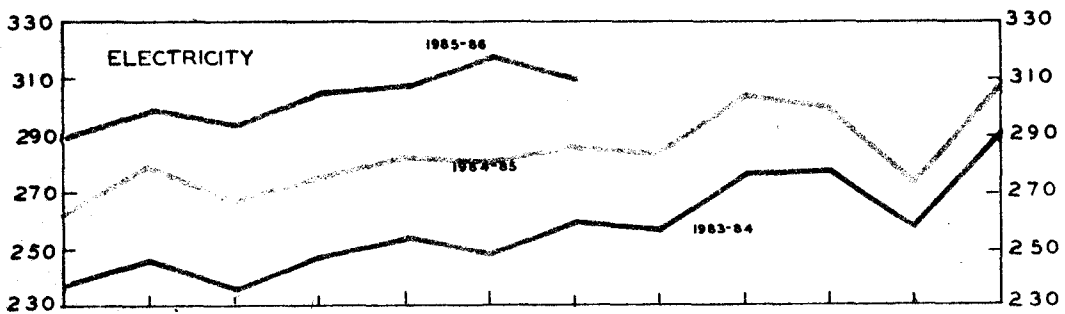
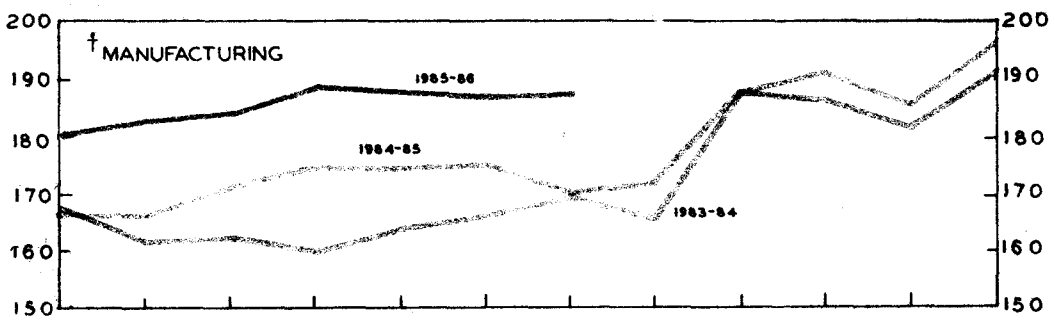
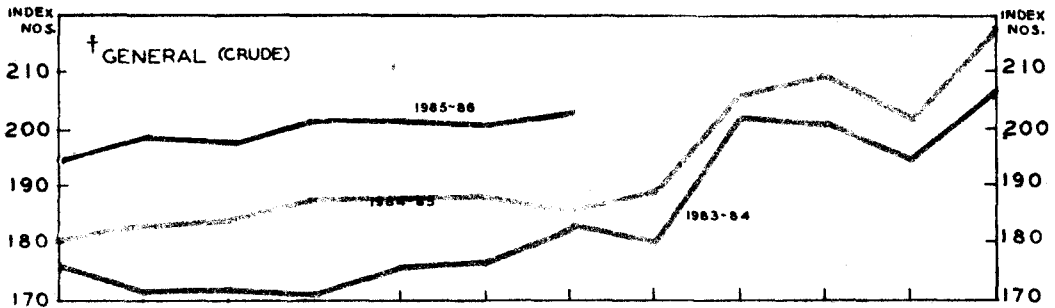
MINISTRY OF FINANCE, ECONOMIC DIVISION.

T — TARGET
 — APR-NOV.

++ — INCLUDING MIXED/ BLENDED
 † — RELATES TO SUGAR SEASON (OCT.-SEP)
 — OCT.-NOV.

INDEX OF INDUSTRIAL PRODUCTION

1970=100



† WITH WEIGHTS OF SAME NON-REPORTING ITEMS UNDER MANUFACTURING REDISTRIBUTED OVER THE REMAINING ITEMS

MINISTRY OF FINANCE, ECONOMIC DIVISION.

16. Paper and Pulp, namely,
- Writing, printing and wrapping papers from agricultural residue, waste and bagasse.
 - Cotton seed linter pulp.
17. Canned fruit and vegetable products, protein and processed foods, vegetable based weaning food, marine products and cattle feed.
18. Vegetable Oils, namely,
- Solvent extraction of oil/oil cakes from minor seeds excluding cotton seeds.
 - Rice bran oil.
19. Soap and cosmetics, namely,
- Soap, cosmetics, perfumery and toilet preparations.
 - Detergents of ISI standards.
20. Leather goods.
21. Surgical and medical rubber products.
22. Glassware.
23. Ceramics, namely,
- Refractories and furnace lining bricks.
 - Chinaware, pottery and sanitaryware.
 - H.T. Insulators.
 - Tiles.
 - Graphite ceramics.
24. Insulating boards, gypsum boards, wall boards and the like.
25. Printing including Litho printing.
16. *Industrial Valves.
17. *Dairy Industry Equipment, namely, Homogenisers.
18. *Printing Machinery as listed below :—
- Web fed high speed letter press rotary and off-set rotary printing machines having output of 30,000 or more impressions per hour *i.e.* cylinder speed of 30,000 per hour.
 - Photo/composing/type setting machines and ancillaries key boards, editing terminals and film/paper processors.
 - Four colour/two colour off-set machines.
19. *Machine tools.
20. *Tool Room Products.
21. *Industrial Machinery for drilling and production of mineral oil/natural gas.
22. *Mechanised Sailing Vessels upto 10,000 DWT for units with capacity for meeting the requirements of the Oil Industry in particular.
23. *Oil Field Services.
24. Inorganic fertilizers under '18—Fertilizers' in the First Schedule to the Industries (Development and Regulation) Act, 1951, excluding fertilizer industry dealing with Single Super Phosphate.
25. *Drugs/Drug intermediates :*
High technology bulk drugs from basic stages and formulations based thereon with an overall ratio of bulk drugs consumption (from own manufacture) to formulation from all sources of 1 : 5 as listed below :—
- Refampicin.
 - Dapsone.
 - Clofazimine.
 - Primaquin.
 - EMME (Ethexy Methylene Malonic Ester).
 - Nevaldiamine.
 - Insulin.
 - Anti Cancer Drugs.
 - Vitamin B6.
 - Norgestral.
 - Piperazine.
 - New Bulk Drugs developed through indigenous resource research.
26. Newsprint.
27. Portland Cement.

*Industries that have been delicensed recently.

TABLE 4.2

Names of items and Broad Banding categorisation permitted

1. Steel pipes and tubes
- Welded steel pipes and tubes (excluding stainless steel pipes and tubes).
 - Seamless (carbon and alloy steel) pipes.
 - Stainless steel (welded and seamless) pipes.
 - UOE steel pipes.
2. Metallurgical Machinery
- Metallurgical kilns and smelters.
 - Foundry equipment.
 - Moulding m/c.
 - Mixers.
 - Core-blowing/shooting.
- Sand slingers.
 - Sand conditioning.
 - Sand blasting equipment.
 - Knock outs.
- Heavy equipment for metallurgical sector.
 - Gas producer plants and low temperature carbonisation plants.
 - Coke ovens.
 - Sintering plants and pelletisation plants.
 - Blast furnace slag granulation equipment.
 - Steel convertors/open-hearth furnace.
 - Continuous casting machines.
 - Rolling mills.
 - Pickling, annealing and galvanising lines.
 - Pig casting m/c.

- (d) Sponge iron plant.
- (e) Refining equipment for ferrous and non-ferrous metallurgical industry including VAD/VOD.
- (f) Other steel plant equipment such as ingot moulds, ladle cars, dump cars, slag cars, ladles, etc.

3. Earth Moving Machinery

- (a) Earth Moving Machinery including Bulldozers, dumpers, scrapers, loaders, shovels, vibratory compactors and drag lines (excluding Walking drag lines).
- (b) Walking drag lines.
- (c) Road rollers, Hot-mix plants and other road-construction and Bridge-construction machinery.

4. Agricultural Machinery

Tractors, power tillers, harvester combines and other tractor based derivators

5. Auto ancillaries

- (a) Auto electricals to include all types of automobile electricals like starter motors, generators, voltage regulators, distributors, flywheel magnetos, condensers, electronic ignition system, head lamps, wiper motors, wiper arms and rubber, auto bulbs and the like.
- (b) Suspension components to include shock absorbers, leaf springs, coil springs, front fork, meperson struts, pneumatic suspension and the like.
- (c) Transmission components to include :
 - (i) Steering gears, Tie-rod ends, automotive gears including crown wheel and pinions, gear boxes, propeller shafts, universal joints and the like.
 - (ii) Axle shafts, drums, wheels and the like.
- (d) Clutch and brake system to include clutch plates, clutch facing, clutch assembly, brake lining, air brakes, hydraulic brakes, brake assembly including hydraulic components and the like.
- (e) Fuel injection equipment to include fuel pumps, carburettors, spark plugs, nozzle holders, nozzles, elements, delivery valves, air and fuel filters and the like.
- (f) Cooling system to include radiators, water thermostats, water pumps, rubber hoses and the like.
- (g) Engine ancillaries and connected components like :
 - (i) Pistons, piston rings, piston pins, thin and thick valve engine bearings, valves and valve tappets, cylinder blocks, cylinder heads, cylinder liners, gaskets, hydro dynamic oil seals and the like.
 - (ii) Connecting rods, crankshafts, rocker shafts, timing gears, timing chains, camshafts, flywheel, flywheel ring gears and the like.

6. All types of instruments for automobiles

Dash board instruments, taxi meters, fare warning instruments and the like.

7. Diesel Engines

- (a) Engines upto 250 HP (except those reserved for small scale).
- (b) Engines above 250 HP.

8. Aerial Ropeways.

All types of aerial ropeways.

9. Marine freight containers.

Freight container industry which will include all types of containers viz. for use by marine freighters, railways, roadways and airways.

10. Railway wagons and coaches

Railway rolling stock including wagons of all types by whatever name called, coaches and special purpose wagons of all kinds and under frames.

11. Vacuum and Air brakes

All types of brakes used by railways.

12. Steel fabricated structures

Steel fabricated structures of all kinds namely light, medium and heavy but excluding sophisticated technology structurals such as masts for oil rigs and off-shore platforms and allied equipment. This will also include hand operated trucks and trolley, pen stocks, chemnies, hydraulic gates and gearing and generating structures with dia fabricated pipes, floating roof tiles.

13. Off-shore platforms

Technological structurals of all kinds being used in oil industry such as off-shore platforms masts for oil rigs but excluding ordinary structurals light, medium and heavy for use in industries other than oil sector.

14. Cranes

All types of cranes.

15. Automotive Industry

- (a) Motorised two-wheelers upto 350 cc engine capacity.
- (b) On-road automobiles having four or more wheels such as light, medium and heavy commercial vehicles, jeep type vehicles and passenger cars covered under Sub-heading (5) of Heading (7) of the First Schedule.

16. Pulp & Paper

- (a) All varieties of paper and paper grade pulp including paper board/straw board.

17. Chemical, Pharmaceutical, Petrochemical and Fertilizer machinery

- (a) Pressure Vessels/Reactors/Columns/Towers/Horton Sphere/Storage tanks including Glass lined equipment.
- (b) Heat transfer equipment and systems.
- (c) Chlor-Alkali Cells and Ion-Exchange Equipment.
- (d) Solid-Liquid-Gas separation plants including Filters and Filtration systems.
- (e) Mixing and homogenizing Equipment.
- (f) Natural Gas Cracker including Primary Reformer.
- (g) Concentrating and Drying Systems consisting of :
 - (i) Evaporators and Evaporation System.
 - (ii) Dryers of Drying system.
- (h) Water/Waste Water Treatment Plants.
- (i) Capsule and Tablet making machines.
- (j) Miscellaneous Group e.g., Sterilizers, Autoclave, Ampule Washing & Filling Machines, Quality Control Equipment, etc., to be specified in each case.

18. Machine Tools

- (a) Metal Cutting including Grinding Machines.
- (b) Metal Forming Machines including Rivetting, Forgings, Wire Drawing & Sheet Metal Working Machines.
- (c) Die Casting Machines.
- (d) Gas Cutting & Welding Machines.
- (e) Foundry & Moulding Machines.
- (f) Cleaning & Finishing Equipment.
- (g) Metal Testing Machines.
- (h) Plastic Processing Machinery including Extruders, Injection & Blow Moulding Machines.
- (i) Wood Working Machines.
- (j) Unconventional Machining Units such as EDM, ECM, Ultrasonic, Electronic, Beam and Lasers to be specified.

- (k) Portable Power Tools.
- (l) Inspection & Measuring Equipment.
- (m) Hydraulic & Pneumatic Equipment.
- (n) Heat Treatment Furnaces.
- (o) Machine Tool Accessories.

19. Typewriters

Typewriters—Manual, Electric & Electronic.

20. Particle Board, etc.

Particle Board, Fibre Board (hard board and insulation board) and Medium Density Fibre Board.

21. Synthetic Fibres

- (a) Synthetic Fibre Industry covering the three types of fibres viz., Polyester, Nylon and Polypropylene; and
- * (b) Synthetic Filament Yarn including industrial yarn/tyre cord.

22. Material Handling Equipment

- (a) Crushers, Ball Mills, Rod Mills & like.
- (b) Conveyors and Bucket Elevators.
- (c) Feeders.
- (d) Screens.
- (e) Flootation/Filtration Equipment.
- (f) Wagon Tippers and Marshalling Equipment.
- (g) Stackers, Reclaimers, Stackers-cum-Reclaimers, Trippers, Spreaders and Scrappers other than Tractor mounted; and
- (h) Shiploaders, unloaders and bucket wheel excavators.

23. Electronic Industry

- (a) Entertainment electronics covering radio receivers, tape recorders, two-in-one/three-in-one, amplifiers, record players, record changer CC TV systems, TV sets—black and white, and colour.
- (b) Electronic Toys, including radio-controlled ones and games.
- (c) Computer peripherals.
- (d) Electronic test and measuring instruments.
- (e) Discrete semi-conductor devices.

24. Electrical Industry

1. Circuit Breakers

- (i) Circuit breakers upto 660 volts unit rating.
- (ii) Circuit breakers above 660 volts unit rating.

2. Transformers

- (i) Transformers upto 66 KV unit rating.
- (ii) Transformers above 66 KV unit rating.

3. Motors/alternators/generators

- (i) Motors/alternators/generators upto 20 MW unit rating.
- (ii) Motors/alternators/generators above 20 MW unit rating.

**Applicable only to those units who set up their own polymer plant for the manufacture of synthetic fibre and filament yarn within a period of three years.*

4. Turbines

(a) Hydro turbines

- (i) Mini/micro hydro turbines upto 2 MW unit rating.
- (ii) Hydro turbines above 2 MW and upto 20 MW unit rating.
- (iii) Hydro turbines above 20 MW unit rating.

(b) Steam turbines

- (i) Steam turbines upto 20 MW unit rating.
- (ii) Steam turbines above 20 MW unit rating.

(c) Gas turbines

- (i) Gas turbines upto 20 MW unit ratings.
- (ii) Gas turbines above 20 MW unit ratings.

5. Furnaces

- (i) Induction furnaces/heating equipment.
- (ii) Arc melting furnaces.

6. Electric welding equipment

Welding and cutting equipment, accessories and systems excluding gas cutting and gas welding equipment.

7. Isolators

- (i) Isolators upto 33 KV.
- (ii) Isolators above 33 KV.

8. Switches

Switches and combination fuse switch units of all types.

9. Contactors

Contactors of all types.

10. Storage Batteries

Storage batteries of all types.

11. Electric lamps

Electric lamps of all types.

12. Relays

Relays of all types.

13. Capacitors

Capacitors of all types.

14. Rectifiers

Rectifiers of all types.

25. Air and Gas Compressors

Air and Gas Compressors of all types and ranges including reciprocal, centrifugal and rotary, etc.

26. Power Driven pumps

Pumps of all types, centrifugal, etc.

27. Compressors for Airconditioning and Refrigeration

Compressors used in domestic and industrial Airconditioning and Refrigeration including open type, semi-sealed hermetically sealed and other types.

28. Airconditioning and Refrigeration (other than industrial).

Domestic refrigerators, airconditioners (room airconditioners of different tonnage), car airconditioners, air-conditioners for light commercial vehicles, etc., water coolers, beverage coolers, freezers.

4.6 This re-endorsement facility is not, however, available for items reserved for the small scale sector, or for certain identified industries suffering from acute shortage of raw materials or infrastructure or characterized by high pollution, or for industrial undertakings in certain urban locales, or for MRTP/FERA companies in respect of non-Appendix-I industries. The applicability of the scheme to drugs and pharmaceutical units is also circumscribed by certain features.

4.7 Furthermore, in cases where, even after capacity increases through the re-endorsement facility, units are left at uneconomic scales of operation, the Government has invited undertakings to come forward with requests for expansion up to at least economic scales. Such requests will be granted on an automatic basis. The Government is formulating the initial list of industries for which this facility will be available.

4.8 To accelerate modernisation and replacement in industry, the Government announced a simplified procedure, in December 1985 for cases where modernisation/replacement or renovation results in increase in capacity upto 49 per cent of the licensed capacity. The locational constraints would not apply in these cases.

MRTP Provisions

4.9 The Government has also undertaken a set of measures to rationalise the MRTP Act. The asset threshold bringing a unit under the purview of the MRTP Act, which was set at Rs. 20 crores in 1969 was raised to Rs. 100 crores in March 1985 and takes into account the increase in prices since 1969. In May, 1985 the Government issued a notification exempting MRTP companies in 27 industries (listed in Table 4.1) from Sections 21 and 22 of the Act. In effect, this permitted MRTP companies to directly seek a licence under the IDR Act without first obtaining prior and separate clearance from the Department of Company Affairs for a new project or substantial expansion.

4.10 At the end of December, 1985 the Government notified a revised and expanded list of Appendix-I (Appendix to the Press Note of February 2, 1973) industries. The new list specifies 30 broad groups of industries in which MRTP and FERA companies are permitted to set up capacities, provided the concerned items of manufacture are not specifically reserved for the small-scale or public sectors (Table 4.3 gives the new Appendix-I list). Outside the Appendix-I industries, FERA and MRTP companies will continue to be permitted if the product is predominantly for export. This requires an export share of 60 per cent normally and 75 per cent if the item is reserved for the small-scale sector.

4.11 To promote the role of MRTP and FERA companies in the industrialization of backward areas, the conditions permitting these companies to establish non-Appendix I industries in backward districts has been liberalized. Hitherto MRTP/FERA companies setting up non-Appendix I industries were required to fulfil an export obligation of 50 per cent in backward districts of categories B and C, and 30 per cent in category A. The export obligations have now been reduced to 25 per cent for categories B and C and zero for category A.

4.12 All these measures have reduced barriers to entry into the high priority industrial sectors and thus buttressed the competitive forces operating to reduce costs and improve quality. The Government has also taken steps to ease exit of unviable units and restore the health of potentially viable enterprises going through a difficult phase. These policies are discussed in a later section.

TABLE 4.3

New List of Appendix I— Industries

1. **Metallurgical Industries**
 - (i) Ferro Alloys.
 - (ii) Castings and forgings.
 - (iii) Non-ferrous metals and their alloys.
 - (iv) Sponge iron and pelletisation.
 - (v) *Large diameter steel welded pipes of over 300 mm diameter and stainless steel pipes.
 - (vi) *Pig iron.
2. **Boilers and Steam Generating Plants.**
3. **Prime Movers (other than Electrical Generators).**
 - (i) Industrial turbines.
 - (ii) Internal combustion engines.
 - (iii) Alternate energy systems like solar, wind, etc. and equipment therefor.
 - (iv) Gas/hydro/steam turbines upto 60 MW.
4. **Electrical Equipment**
 - (i) Equipment for transmission and distribution of electricity including power and distribution transformers, power relays, HT-switch gear, synchronous condensers.
 - (ii) Electrical motors.
 - (iii) Electrical furnaces, industrial furnaces and induction heating equipment.
 - (iv) X-ray equipment.
 - (v) Electronic components including subscribers' and telecommunication equipment.
 - (vi) Component wires for manufacture of lead-in wires.
 - (vii) Hydro/steam/gas generators/generating sets upto 60 MW.
 - (viii) *Generating sets and pumping sets based on internal combustion engines.

- (ix) *Jelly filled telecommunication cables.
 - (x) *Optic fibre.
 - (xi) Energy efficient lamps.
 - (xii) *Midget carbon electrodes.
- 5. Transportation**
- (i) Mechanised sailing vessels upto 10,000 DWT including fishing trawlers.
 - (ii) Ship ancillaries.
 - (iii) (a) Commercial vehicles, public transport vehicles including automotive commercial three-wheeler jeep type vehicles, industrial locomotives.
 - (b) Personal transport vehicles;
 - (i) Passenger cars;
 - (ii) Automotive two-wheelers and three-wheelers.
 - (c) Automotive components/spares and ancillaries.
 - (iv) *Shock absorbers for railway equipment.
 - (v) *Brake system for railway stock and locomotives.
- 6. Industrial Machinery**
- (i) Industrial machinery and equipment.
- 7.**
- (i) Machine tools and industrial robots and their controls and accessories.
 - (ii) Jigs, fixtures, tools and dies of specialised types and cross land tooling.
 - (iii) Engineering production aids such as cutting and forming tools, patterns and dies and mining tools.
- 8. Agricultural Machinery**
- (i) Tractors.
- 9. Earth Moving Machinery**
- (i) Earth moving machinery and construction machinery and components thereof.
- 10. Industrial Instruments**
- (i) Indicating, recording and regulating devices for pressure, temperature, rate of flow, weights levels and the like.
- 11. Scientific and Electromedical Instruments and Laboratory Equipment.**
- 12. Nitrogenous & Phosphatic Fertilizers.**
- (1) Inorganic fertilizers under '18—Fertilizers' in the First Schedule to the I (D&R) Act, 1951.
- 13. Chemicals (other than Fertilizers).**
- (i) Heavy organic chemicals including petrochemicals.
 - (ii) Heavy inorganic chemicals.
 - (iii) Organic fine chemicals.
 - (iv) Synthetic resins and plastics.
 - (v) Man-made fibres.
 - (vi) Synthetic rubber.
 - (vii) Industrial explosives.
 - (viii) Technical grade insecticides, fungicides, weedicides and the like.
 - (ix) Synthetic detergents.
 - (x) Miscellaneous chemicals (for industrial use only).
 - (a) Catalysts and Catalyst supports.
 - (b) Photographic chemicals.
 - (c) Rubber chemicals.
 - (d) Polyols.
 - (e) Isocyanates, Urethanes, etc.
 - (f) Speciality chemicals for enhanced oil recovery.
 - (g) Heating fluids.
 - (h) Coal tar distillation and products therefrom.
 - (i) Tonnage plants for the manufacture of industrial gases.
 - (j) High altitude breathing oxygen/medical oxygen.
 - (k) Nitrous oxide.
 - (l) Refrigerant gases like liquid nitrogen, carbon dioxide, etc., in large volumes.
 - (m) Argon and other rare gases.
 - (n) Alkali/acid resisting cement compound.
 - (o) Leather chemicals and auxillaries.
- 14. Drugs and Pharmaceuticals**
- (i) For FERA drug companies
 - (a) Drug intermediates from the basic stage for production of high technology bulk drugs.
 - (b) High technology bulk drugs from basic stages and formulations based thereon with an overall ratio of bulk drug consumption (from own manufacture) to formulations from all sources of 1:5.
 - (ii) For Non-FERA MRTP companies

All bulk drugs and formulations with an overall ratio of 1:10 between the value of production of bulk drugs and of formulations.
- 15. (i) Paper and Pulp including paper products.**
- (ii) Industrial Laminates.
- 16. (i) Automobile tyres and tubes.**
- (ii) Rubberised heavy duty industrial beltings of all types.
 - (iii) Rubberised conveyor beltings.
 - (iv) Rubber reinforced and lined fire fighting hose pipes.
 - * (v) High pressure braided hoses.
 - * (vi) Engineering and industrial plastic products.
- 17. Plate Glass**
- * (i) Glass Shells for television tubes.
 - (ii) Float Glass and plate glass.
 - (iii) H.T. insulators.
 - (iv) Glass fibres of all types.
- 18. Ceramics**
- (i) Ceramics for industrial uses.
- 19. Cement products**
- (i) Portland cement.
 - (ii) Gypsum boards, wall boards and the like.
- 20. High Technology Reproduction and Multiplication Equipment**

- 21. Carbon and Carbon Products**
- (i) Graphite electrodes and anodes.
 - (ii) Impervious graphite blocks and sheets.
- 22. Pretensioned High Pressure RCC Pipes**
- 23. Rubber Machinery**
- 24. Printing Machinery**
- (i) Web-fed high speed off-set rotary printing machine having output of 30,000 or more impressions per hour.
 - (ii) Photo composing/type setting machines.
 - (iii) Multi-colour sheet-fed off-set printing machines of sized 18" x 25" and above.
 - (iv) High speed Rotogravure printing machines having output of 30,000 or more impressions per hour.
- 25. *Welding Electrodes other than those for welding Mild Steel.**
- 26. *Industrial Synthetic Diamonds**
- 27. *(i) Photosynthesis Improvers.**
- * (ii) Genetically modified free living symbiotic Nitrogen Fixer.
 - * (iii) Pheromones.
 - * (iv) Bio-insecticides.
- 28. *Extraction and upgrading of minor oils**
- 29. *Pre-fabricated Building Material**
- 30. Soya Products**
- (i) Soya Textured Proteins.
 - (ii) Soya Protein Isolates.
 - (iii) Soya Protein Concentrate.
 - (iv) Other specialized products of Soya bean.
 - (v) Winterized and deodorized Soya bean oil.
- *New items that have added now to Appendix-I industries.

Sectoral Policies

4.13 Aside from the general policy thrust summarized above, a number of important measures have been adopted in key sectors of industry.

4.14 In June, 1985 the Government announced the new Textile Policy. The main objective of this policy is to increase the production of cloth of acceptable quality at reasonable prices to consumers. This policy also seeks to protect the interests of handloom weavers through a series of measures. The policy statement encompassed far-reaching steps to free the industry from long standing curbs and compartmentalization and thus induce higher production of textiles at lower prices to consumers. Curbs on the expansion or creation of new capacity in the mill sector were removed. The policy envisages full flexibility as between the use of cotton and man-made fibres and yarn in the industry. The new policy also provides for

phased rationalisation in the fiscal levies on man-made fibres and on intermediates used as inputs in their production. A scheme for production of cheap blended fabrics by the mills under the management of the National Textiles Corporation using duty exempt polyester fibre, has already been launched. At the same time, the handloom sector is to be strengthened through a series of measures. These include programmes for modernization of looms, special efforts to ensure adequate availability of yarn and other raw materials to the handloom sector and improvements in marketing infrastructure and training. The entire production of controlled cloth is to be transferred to the handloom sector by the end of the Seventh Plan. To improve working conditions of handloom weavers the new policy envisages a contributory Thrift-Fund Scheme to provide assistance in times of need and a Worker-cum-Housing Scheme to improve living and working conditions.

4.15 As a follow up to the new textile policy, licensing policies for synthetic yarns and fibres have been liberalized. Existing units with sub-optimal capacities are now allowed to expand to 15,000 tonnes per year for polyester filament yarn, 12,000 tonnes in the case of nylon filament yarn, 30,000 tonnes for polyester staple fibre, and 12,000 tonnes for acrylic fibre. The Government has also decided that new units will be given licences only for these minimum economic capacities. Broad-banding has also been allowed in the filament yarn/staple fibre sectors. The changes in fiscal levies on textiles, undertaken thus far, are described in Chapter 6.

4.16 For another important industrial sector, sugar, the Government has recently announced a long term policy aimed at augmenting supplies of the basic raw material (sugarcane) and permitting a higher proportion of the manufactured product, sugar, to be disposed off in the open market. Thus, the statutory minimum price for sugarcane was increased from Rs. 14 per quintal to Rs. 16.50 per quintal for the 1985-86 sugar season and the levy proportion for sugar produced by mills was reduced from 65 to 55 per cent. These measures should boost sugar production and improve the financial health of the sugar industry.

4.17 The Government has also taken steps to strengthen the policy environment for the electronics industry. Electronics is a knowledge-intensive industry characterized by rapid innovation and concomitantly fast obsolescence. The industry calls for significant investments in technology acquisition through imports and/or indigenous developments. Due to short product life, such investments have to be amortized over a short period. The industry flourishes best in a competitive environment with high

volume production. For all these reasons, an extremely liberalised policy framework has been created for the electronics industry. Except for some consumer electronics, the industry, by and large, is not subject to upper limits on capacity. It has been permitted the facility of broadbanding and electronic components and certain office equipment operate in the regime of complete delicensing. Except for consumer electronics, most electronic products are exempt from clearance under Sections 21 and 22 of the MRTP Act. Besides, the Government permits liberal import of technology and foreign collaboration to upgrade the industry's technology base, helps keep costs of inputs and final products low through tariff rationalization and offers protection to indigenous industry through fiscal measures. However, Government policy must guard against perpetuating "screw-driver" assembly activities in this sector.

Response to Policy Initiatives

4.18 As noted earlier, it is far too early to attempt a definitive assessment of the response to the industrial policy initiatives taken during the year. Indeed, some of them have only been announced in the last two months, and the implementation of some of the changes announced earlier has only started recently. Nevertheless, the preliminary indications are quite encouraging.

4.19 By the end of December, 1985 about 1,196 registrations had taken place in the 25 broad industry groups delicensed in March, 1985. About 52 per cent of these registrations were in Centrally-declared backward areas. In terms of percentage of total registrations, the principal industries have been electronic components (20.1 per cent), industrial and medical gases (11.2 per cent), steel structurals (10.2 per cent), automobile components (10.3 per cent), metallurgical machinery (8.3 per cent), and industrial machinery (6.9 per cent). Data on investment intentions is available for 92 per cent of the total registrations in the 25 delicensed industries. The total value of investment associated with these registrations is about Rs. 3,936 crores, of which 30.1 per cent is in the metallurgical industry, 23.7 per cent in the electronic components, 10.5 per cent in the auto components, 5.3 per cent in ceramics and 5.2 per cent in industrial and medical gases (Table 4.4 presents further details)

4.20 As regards broad-banding, some 17 MRTP companies had availed of this facility by the end of December, 1985, mostly in the automobile sector. As for non-MRTP companies, 27 had taken advantage of this provision, with 8 companies in S/6 M of Fin./85—6

automobiles, 6 companies in earth-moving equipment, and 4 companies in the synthetic yarn and fabric sectors. The full impact of broad-banding is yet to

TABLE 4.4
Industry Groups Delicensed in March, 1985 :
Registrations upto December, 1985

S. No.	Industry	Number	Proposed investment (Rs. crores)
1.	Special alloys—sponge iron	97	1185
2.	Steel structurals	122	130
3.	Electrical equipment	69	156
4.	Electronic components	240	933
5.	Auto ancillaries	123	413
6.	Cycles	2	1
7.	Industrial machinery	83	170
8.	Machine tools	5	10
9.	Agricultural implements	42	22
10.	Misc. mechanical engineering industries	49	119
11.	Industrial sewing machine	19	..
12.	Office equipment	11	20
13.	Surgical, industrial & scientific instruments	134	10
14.	Industrial & medical gases	59	204
15.	Drugs & pharmaceuticals	15	130
16.	Paper & pulp	30	42
17.	Canned fruit & vegetables	16	73
18.	Vegetable oils	14	28
19.	Soaps & cosmetics	22
20.	Leather goods
21.	Surgical & medical rubber products	5	..
22.	Glassware	50	50
23.	Ceramics	209
24.	Insulating boards	11	..
25.	Printing	10
		1196	3936*

*Relates to 1073 case only.

be felt, especially in the case of MRTP companies which have not been exempted from Sections 21 and 22 of the MRTP Act. The broad-banding of electronics has been too recent to yield discernible results.

TABLE 4.5

New Investment Proposals from MRTP companies for Industries Exempted from Sections 21 and 22 of the MRTP Act.

S. No.	Industry	Number	Project cost (Rs. crores)
1.	Castings and forgings	2	1
2.	Alternate energy devices and systems	1	*
3.	Electric motors with starters	1	15
4.	Internal combustion engines	1	..
5.	Electronic components	50	318
6.	Motorised two/three/four wheelers	6	50
7.	Automotive components, spares and ancillaries	20	117
8.	Pollution control equipment	3	1
9.	Printing machinery	1	..
10.	Machine tools	1	..
11.	Industrial machinery for drilling and production of mineral oil/natural gas	3	20
12.	Industrial valves	1	*
13.	Oil-field services	10	365
14.	Inorganic fertilizers under '18—Fertilizers' in the First Schedule to the I (D&R) Act, 1951, excluding fertilizer industry dealing with single super phosphate	3	1680
15.	Portland cement	6	323
16.	Drugs/drug intermediates	1	1
		110	2889

*Negligible.

4.21 Table 4.5 presents information, industry-wise, on the number of investment cases (and the associated project costs) that have been proposed till the end of December, 1985 by MRTP companies in the industries exempted from Sections 21 and 22 of the MRTP Act, since May, 1985. The data suggest a strong response in terms of overall investment intentions in several exempted sectors, with inorganic fertilisers, oil field services, electronic components and automotive components leading the field in terms of project costs. The total investment proposed in these exempted sectors is in the order of Rs. 2,889 crores.

4.22 More general indicators show that the climate for industrial investment has also been quite buoyant (Table 4.6). A total of 1,457 letters of intent were issued in 1985, more than in any of the preceding three years. Term loans sanctioned by financial

TABLE 4.6

Indicators of Industrial Investment Climate

	1982	1983	1984	1985
1. Letters of intent granted	1,043	1,055	1,064	1,457
2. Foreign collaborations approved	590	673	752	1,024
3. Schemes registered with DGTD of which schemes in the backward areas	1,538	2,024	1,854	1,416
	704	1,155	1,106	788
4. Cases approved by the Capital Goods Imports (Main Committee) (Rs. crores)	502	607	713	747
5. *Consents given by the Controller of Capital Issues :				
(a) Number	472	459	712	713
(b) Amount (Rs. crores)	893	1,023	2,003	2,104
6. *Term loans sanctioned by financial institutions (Rs. crores)	3,184	4,044	5,624	4,510**
7. *Term loans disbursed by financial institutions (Rs. crores)	2,358	2,893	3,408	3,116**

*These data relate to April—March. The data against 1982 are for 1982-83 and so on. Data against 1985 relate to the period April—Dec. 1985.

**Excludes SFCs and SIDCs.

institutions cumulated to Rs. 4,510 crores in April—December, 1985, 26.2 per cent higher than the amount sanctioned in the corresponding period of 1984. Term loans disbursed by these institutions during April—December, 1985 show a higher increase of 31.1 per cent at Rs. 3,116 crores. The number and value of capital issues consents have also reached new heights in 1985, though some of this may be attributed to the liberalization of guidelines carried out in 1984-85. Foreign collaborations approved in 1985 also attained a new record. Approvals for capital goods imports (Main-Committee) amounted to Rs. 747 crores in 1985, higher than the amounts in the comparable period of any of the preceding three years.

4.23 The boom in share prices also attests to the buoyant industrial climate. Between the presentation of the Budget on March 16, 1985 and the end of 1985, the Reserve Bank's index of equity share prices (base : 1980-81) recorded a phenomenal increase of 42.3 per cent. The rise in share prices continued in the early weeks of 1986.

4.24 There is also evidence that the changes in policy are having a favourable impact on production in the manufacturing sector. The increase in

manufacturing during April—November, 1985, has been 6.8 per cent. This compares with an average growth of four per cent in the corresponding period of the preceding three years.

Competition, Sickness and Rehabilitation in Industry

4.25 Sporadic closures of industrial units and bankruptcies are a normal feature in the mixed economies all over the world. The incidence of closures tends to be high in the economies characterized by fierce competition and in the industries with a high degree of obsolescence. Developed economies, with their well established social security systems, easily absorb the ripples caused by such closures. Developing economies, with their limited investible resources, however, cannot easily afford their productive assets turning non-operational. The resultant loss of jobs, of possible production and of revenue to the exchequer are not easily absorbed, and, depending upon the numbers involved, may lead to significant socio-economic consequences. Industrial sickness has, therefore, to be handled carefully and every effort has to be made to revive the sick units and prevent other units falling sick.

4.26 Symptoms of sickness include failure to pay statutory liabilities like Provident Fund and ESI contributions, failure to pay timely instalment of principal and interest on loans taken from financial institutions and through public deposits, increase in inventories with a large number of slow or non-moving items, high rate of rejection of goods manufactured, low capacity utilization and frequent industrial disputes. The recent trend in industrial sickness is brought out in the following data based on the quarterly statements submitted by the public sector banks to the RBI.

TABLE 4.7
Number of Sick Units

At the end of December	(Numbers)		
	Small- scale industries	Medium and large industries	Total
1982	58,551	1,622	60,173
1983	78,363	1,747	80,110
1984	91,450	1,832	93,282

4.27 Funds of the public sector banks locked up in these sick units totalled more than Rs. 3,600 crores at the end of December, 1984. This amounted to 17 per cent of the outstanding credit to industry and about eight per cent of the gross bank credit outstanding. In order to provide a focal point to handle

the task of rehabilitation of such units, the Industrial Reconstruction Corporation of India has been reconstituted as the Industrial Reconstruction Bank of India (IRBI). The IRBI is now the principal agency for reconstruction and rehabilitation of the sick units.

4.28 The approach towards the rehabilitation of sick units has to be very selective and systematic. There is no point in throwing away further resources in support of the units which are irretrievably sick. Only such units as are found to be potentially viable need to be taken up for the formulation of rehabilitation packages to restore them to health. The package consists of concessions from banks, financial institutions, Government (Central/State), Government agencies, shareholders, labour, suppliers of goods and services or other creditors, as may be necessary. A unit may be regarded as viable if it would be in a position, after implementing a package of concessions spread over a period not exceeding seven years from the commencement of the package, to continue to service its repayment obligations as agreed upon, including those forming part of the package, without the help of any further concessions after the aforesaid period. The repayment period for restructured debts should not exceed ten years from the date of implementation of the package. A viability study has to be conducted in each case to determine whether or not a unit is potentially viable. Of the 93,282 sick units at the end of December, 1984, viability studies were completed only in respect of 82,870 cases. The bulk of these (numbering 75,860 and constituting 92 per cent of the total studied) were found to be non-viable. Outstanding bank credit to non-viable units amounted to Rs. 1,249 crores.

TABLE 4.8

Viability Status of Sick Units at the end of December, 1984
(Number)

	Small scale industries	Medium and large industries	Total
Units for which studies completed	81,252	1,618	82,870
Units found non-viable	75,001	859	75,860
Units found viable	6,251	759	7,010

4.29 In the past, the Government had been taking over selectively the management of a number of sick industrial undertakings under the provisions of the Industries (Development and Regulation) Act. The objective was to revive these units by providing management support and financial assistance through banks and financial institutions. While some units

have been nursed back to health, a number of others continue to suffer huge losses years after takeover. Some units had to be eventually 'denotified', resulting in their closure. It is necessary to guard against the managements 'looking forward' to the Government takeover of an industrial company, after fleecing and mismanaging it to the point of making it permanently sick. Accordingly, the Central Government has been very circumspect in its takeover decisions. The number of units taken over under IDRA declined from nine in 1979 to only one in 1982. No unit was taken over in 1983 or 1984. In fact the units taken over between 1967 and 1984 numbered only 80 of which 47 have since been nationalised by the Central/State Governments, while four have been denotified. Acknowledgedly, takeover is no remedy for the growing industrial sickness.

4.30 An important new initiative has been taken by the Central Government through the enactment of Sick Industrial Companies (Special Provisions) Act, 1985 which provides for establishment of a Board for Industrial and Financial Reconstruction (BIFR). It has been made obligatory on the part of the Board of Directors of a sick industrial company to report sickness of the company to the BIFR. The BIFR has been vested with powers to institute the necessary enquiries to determine whether or not a company is sick. If the BIFR comes to the conclusion that the company has become sick, it can either give reasonable time to the company concerned to make its net worth positive or it can devise suitable measures, including change of management, reconstruction of share capital, sale or leasing out a part or the whole of an undertaking or its amalgamation/merger with a healthy unit. Provisions also ensure that the MRTP Act does not stand in the way of modernisation, expansion, amalgamation or merger of a sick undertaking. By way of warning to unscrupulous managements, the Act also contains a provision that if the BIFR is satisfied that a person has been responsible for diversion of funds or for managing the affairs of a company in a manner detrimental to the interests of the company then the BIFR shall direct the banks and financial institutions not to extend any financial assistance for a period of ten years to such a person or to a firm in which such a person is a partner or to a company in which such a person is a director.

4.31 In the small scale sector industries, the incidence of sickness is quite high and still growing. However, the measures designed for the sickness in the organised large scale sector cannot be applied readily to the small scale units. In order to reduce sickness in the SSI sector, it would be necessary to

ensure adequate and timely availability of credit, timely payment by parent units for purchases made by them from the small scale units (or in its absence, earmarking a portion of the credit limits sanctioned by banks to the parent units for payment of bills of the small units) and introduction of seed capital schemes by banks on the lines of similar schemes of state finance corporations. A scheme of a National Equity Fund is proposed to be introduced to give support to small industries in raising their seed capital to facilitate increased borrowing from the banks

Technology upgradation

4.32 A reasonably good infrastructure of incentives and facilities has already been created to promote modernisation and technological upgradation in Indian industry. The Technical Development Fund (TDF) was created in the Ministry of Industry in 1976 to ensure that modernisation programmes were not affected by lack of foreign exchange to finance even small value imports, like balancing equipment, consultancy services and technical know-how, drawings and designs, etc. The coverage of industries under the scheme was gradually expanded from the original six, so that all industries are now eligible for assistance under the TDF. To ensure that lack of rupee resources do not prevent a unit from taking advantage of the TDF facility, the IDBI has been operating its own TDF scheme, under which it provides rupee resources by way of direct loans to industrial units which have secured import licence under the TDF facility. The upper limit of the value of import licence under TDF has been raised to Rs. one crore, from the earlier level of Rs. 50 lakhs.

4.33 A soft loan scheme was introduced in November, 1976 for providing assistance on concessional terms to units in five industries—cotton textiles, jute textiles, sugar, cement, and engineering with a view to encourage them to go in for modernisation. In July, 1980, the scope of the soft loan scheme was expanded to cover modernisation programmes of all industries. Originally, the 'soft' loans were provided for replacement of plant and equipment which had been in use for not less than ten years. The scheme has now been liberalised so that assistance can also be given for replacement of equipment which is less than ten years old, in cases where the rate of technological obsolescence is comparatively high.

4.34 The IDBI has also been financing purchase of machinery (other than for setting up new projects) under its Bill Rediscounting Scheme. The earlier ceiling limit of Rs. three crores per annum under the

scheme has been completely removed. Originally the scheme provided financing for the purchase of indigenous machinery and equipment, its scope has since been expanded to cover financing of machinery imported under OGL provided the Bill is drawn by the local agent of the foreign supplier.

4.35 Under its Equipment Finance Scheme, the IDBI finances the existing industrial concerns or cooperative societies having good record of performance and sound financial standing. Import of capital goods and/or equipment covered under OGL or for which clearance has been obtained from the Capital Goods Committee are eligible for assistance under this scheme. Assistance is normally restricted to the c.i.f. value of goods/equipment to be imported. Only Actual Users are eligible for assistance under the scheme.

4.36 To promote commercial application of indigenously developed technology the Long Term Fiscal Policy has announced the Government's intention to establish, on an experimental basis, a venture Capital Fund with an initial capital of Rs. 10 crores, to provide equity capital to pilot plants attempting commercial application of indigenous technology and to adapt previously imported technology to wider domestic applications. The Fund is to be administered by IDBI with the resources being raised by a small 5 per cent "R & D Levy" on all payments made for purchase of technology from abroad.

4.37 The basic urge for modernisation and technology upgradation must necessarily come from within an enterprise. Facilities and the policy environment can and are being created to enable the industry to modernise and upgrade its technology. Incentives already exist to encourage in-plant R/D. Substantial annual turnover of science and technology graduates provides a constant flow of personnel to man the R/D units. Only the enterprises with a command of substantial resources, however, can afford in-house R/D units. It is also possible to set up industry level R/D facilities through industry associations. A set of research laboratories are functioning under the auspices of the Council of Scientific and Industrial Research. Many universities, technology institutes, and research organisations have the necessary equipment and personnel to execute specific R/D jobs. So far these facilities have been grossly under-utilised. With the expansion of the environment of competition, domestic industry may be induced to utilise these facilities to the maximum.

Industrial Production

4.38 In the measurement of industrial production, data for a number of items in the manufacturing sector was not being reported for several years by the producing units. For these items the old data was being repeated month after month showing no change in their index numbers. To improve on this methodology the Central Statistical Organisation (CSO) dropped such items for which no data was being reported and redistributed their weights over the remaining items in the relevant sub-groups. The index of industrial production was computed with these adjusted weights for 1983-84, 1984-85 and the current financial year. The growth rate for 1984-85 has been computed using the adjusted weights and are shown in Table 4.9 for comparison with the old weights. Industrial production registered a growth of 6.8 per cent during 1984-85 according to the adjusted weights. In 1985-86, during the first eight months (April—November, 1985), the average index of industrial production shows an increase of 6.6 per cent over the average of the corresponding period in the preceding year. Going by the present indications, the growth in industrial production in 1985-86 will be higher still. It is likely, however, to be below the annual growth rate of 8 per cent per annum in the industrial sector, postulated in the Seventh Plan.

TABLE 4.9
Index of Industrial Production
(Base : 1970)

Year	Manu- facturing	Mining & Quarrying	Electri- city	General
Old Weights				
1980-81	3.7	5.0	5.8	4.0
1981-82	7.5	15.7	10.2	8.6
1982-83	2.5	11.4	6.8	3.9
1983-84	4.5	11.0	6.6	5.4
1984-85	4.4 (5.7)*	8.0	12.0	5.8 (6.8)*
April—Nov. Adjusted Weights				
1984-85	6.0	8.9	12.9	7.3
1985-86	6.8	2.9	8.4	6.6

*Figures in parentheses represent the growth rates for the year using adjusted weights.

4.39 In 1984-85, performance was particularly robust in electricity generation, with the index increasing by 12.0 per cent. Growth in the mining and quarrying sector was 8 per cent. The growth in manufacturing was a modest 4.4 per cent.

Manufacturing Industries

4.40 The pace of manufacturing sector growth this year (April—November), has been faster than in the corresponding period of 1984-85. This improvement has occurred despite the slower growth in electricity generation and coal production referred to in the previous chapter.

4.41 In the manufacturing sector, which accounts for a weight of 81.1 per cent in the general index of industrial production, 14 out of 18 industry groups showed positive rates of growth during 1984-85. Industries recording notable growth rates are paper products, chemicals and chemical products, basic metals, transport equipment and miscellaneous manufacturing industries (table 4.10).

TABLE 4.10

Trends in the index numbers of industrial production for industry groups under 'Manufacturing'

(Base : 1970)

Industry Group	1983-84	1984-85	1985-86	Percentage growth	
				(Apr.—Oct.) 1984-85	1985-86*
Food manufacturing	162.7	159.1	138.5	-2.2	3.1
Beverage industries	532.5	542.2	589.2	1.8	2.7
Tobacco industries	139.5	137.8	122.5	-2.2	-8.3
Textiles	111.7	115.9	116.4	3.8	1.5
Footwear	91.1	93.3	94.5	2.4	5.8
Paper products	150.4	172.0	186.0	14.4	8.9
Rubber	178.0	182.9	195.3	2.8	3.6
Chemicals & chemical products	231.5	249.8	254.2	7.9	3.3
Products of petroleum & coal	191.5	193.3	223.0	0.9	22.1
Non-metallic mineral products	189.8	193.8	249.0	2.1	32.1
Basic metals	160.8	170.3	175.4	5.9	6.9
Metal products	169.0	161.4	168.1	-4.5	1.6
Non-electrical machinery	258.9	266.7	278.8	3.0	3.3
Electrical machinery	184.7	192.6	195.2	4.3	9.7
Transport equipment	162.6	178.9	204.2	10.3	12.4
Misc. manufacturing industries	78.5	88.5	101.5	12.7	3.2

*Growth rates for April—October, 1985 over the same period of 1984 are on the basis of adjusted weights for both years. Indices for 1985-86 are also on the basis of adjusted weights.

4.42 About 13 manufacturing industries (with a weight of 0.5 per cent or more in the IIP) either recorded a decline in production or their rate of growth slackened in 1984-85, as compared to the growth rate in the preceding year. These 13 industries account for a total weight of over 25 per cent in the IIP. These industries are :—

TABLE 4.11

Industries showing Negative/Slackened Growth in 1984-85

Industry	Percentage growth over the preceding year	
	1983-84	1984-85
A. Negative Growth		
1. Cotton cloth* (mill sector)	+19.2	-2.0
2. Streptomycin	-0.5	-1.4
3. Steel castings	+1.4	-3.9
4. Radio receivers	-8.8	-6.7
5. Sugar	-16.9	-14.8
6. Railway wagons	+13.0	-25.1
7. Penicillin	-11.6	-30.6
B. Slackened Growth		
8. Tea	+6.7	+2.1
9. Flour milling	+1.6	+0.7
10. Soap	+4.7	+3.7
11. Power transformers	+24.4	+10.0
12. Cotton yarn*	+12.0	+5.5
13. Giant tyres	+6.5	+1.0

*Including mixed/blended.

4.43 Available data show that some of these industries continue to face adverse circumstances and have recorded a further decline in production during April—October, 1985. These industries include radio receivers, railway wagons, cotton cloth, penicillin, streptomycin and giant tyres (Table 4.12). Factors responsible for sluggishness or decline in production differ across industries. In some cases, the production has been shifting from the organised sector to the decentralised sector. The decline in the production of radio receivers is mainly because of the transfer of manufacturing from the organised medium/large sector to the small scale sector and the total production of radio receivers has been rising, even though the organised sector shows a decline. In the case of railway wagons, the units depend on the orders of the Indian Railways which have been curtailing their orders on the wagon manufactures due

to the paucity of resources. Penicillin and streptomycin are being replaced by more effective drugs and hence the continued decline in their production. As a result of the new textile policy announced in June, 1985 and the sugar policy announced in November, 1985, it is expected that the mill production of cotton cloth (including mixed/blended fabrics) and sugar may show an upward trend in the near future.

TABLE 4.12

Industries with Negative Growth in April—October, 1985

Industry	Per cent change
1. Aluminium	-7.1
2. Radio receivers	-0.3
3. Vanaspati	-3.9
4. Cigarettes	-7.3
5. Cotton cloth* (mill sector)	-1.3
6. Penicillin	-17.5
7. Streptomycin	-22.6
8. Machine tools	-4.8
9. Diesel engine (stat)	-2.3
10. Railway wagons	-52.7
11. Jute manufactures	-14.3
12. Giant tyres	-0.2

*Including mixed/blended.

The Current IIP Series

4.44 Even though it is widely used and the most-quoted indicator of industrial performance, the Index of Industrial Production, with the year 1970 as the base, suffers from various limitations. Industrial structure in India has undergone major changes since 1970. Many of the present critical growth areas like chemicals, petro-chemicals, garments, gem-cutting and electronics do not have a commensurate weight in the current index, (some of them do not find any place at all), while many of the traditional (but currently stagnant) industries, such as mill sector cotton textiles, command disproportionately high weights in relation to their share in the current industrial production. The IIP, therefore, tends to understate the rate of growth in industrial production.

4.45 It is interesting to compare the growth of manufacturing output as recorded by the Index of Industrial Production with that obtained from the Annual Survey of Industries. Indices pertaining to

the manufacturing sector recorded by the two sources are indicated below :

TABLE 4.13

Indices of Production in the Manufacturing Sector

(Base : 1973-74 = 100)

Year	Based on	
	Index of Industrial Production (C.S.O.)	Annual Survey of Industries
1974-75	101.8	105.0
1975-76	106.6	115.8
1976-77	117.4	127.6
1977-78	122.8	140.6
1978-79	132.1	156.5
1979-80	128.8	156.9
1980-81	133.6	159.0
1981-82	143.6	176.1
1982-83	147.1	199.1
*Growth rate 1974-75 to 1982-83	4.4	8.0

Note : ASI data are not yet available for the period beyond 1982-83.

*Annual compound growth rate 1974-75 to 1982-83.

The two series are not strictly comparable since their sectoral coverage is not the same. Nevertheless, the magnitude of growth revealed in the IIP series is 3.6 percentage points lower per annum in comparison to the rate of growth computed from the ASI data for the period 1974-75 to 1982-83.

4.46 Exclusion of the production in the small scale industry sector is another important limitation of the IIP. For instance, going by the IIP, the industry manufacturing radio receivers is a 'problem' industry, showing negative growth. In fact the production of radio receivers has largely shifted to the small scale sector. The overall growth rate in the SSI sector is believed to have been significantly higher than that in the registered factory sector. Therefore, when used as a proxy for the entire industrial sector, the IIP understates the rate of growth. Ideally, therefore, the new IIP series should consolidate the production in the factory and the small scale sectors. Considering the large number of SSI units spread throughout the length and the breadth of the country, the collection of data from this sector, on a meaningful sample basis, would be a time-consuming process, even if one were to ignore the costs and the stupendous organisation involved in collecting regular, monthly data

from a significant number of sample units. Consolidation of the factory and the SSI sectors would, therefore, involve a sacrifice in terms of timeliness of the availability of the index and may have to await further development of the required infrastructure for the collection of production data in the SSI sector.

Public Sector Industries

4.47 The index of industrial production of selected public sector undertakings displayed a growth of 7.7

per cent in 1984-85. In 1985-86 (April—November) the index has registered an increase of 8.2 per cent over the corresponding period of 1984-85.

4.48 During 1984-85 the production of public sector undertakings registered an all round improvement, the exception being the units engaged in the production of cement, cloth, zinc, lead and gold (Table 4.14).

TABLE 4.14
Production in Public Enterprises

Product	Unit	April—March		Percentage change 1984-85	April—September		Percentage change 1985-86 (half year)
		1983-84	1984-85		1984-85	1985-86	
1	2	3	4	5	6	7	8
Steel ingots	Lakh tonnes	59.55	62.46	4.9	28.87	31.70	9.8
Saleable steel	—do—	47.71	52.83	10.7	22.34	26.09	18.8
Coal	Million tonnes	121.47	130.81	7.7	56.49	55.16	-2.4
Lignite	—do—	6.63	7.11	7.2	3.59	3.50	-2.5
Aluminium	'000 tonnes	61.34	87.36	42.4	38.37	46.30	20.7
Zinc	—do—	53.76	50.80	-5.5	22.31	25.09	12.5
Lead	—do—	15.42	14.16	-8.2	6.47	7.15	10.5
Gold	Kgs.	1186.0	1091.5	-8.0	541	414	-23.5
Copper	'000 tonnes	35.37	41.02	16.0	18.79	10.95	-41.3
Iron ore (NMDC)	Lakh tonnes	59.17	71.97	21.6	29.79	32.57	9.3
Petroleum crude	Million tonnes	26.02	29.01	11.5	13.87	14.30	3.1
Petroleum refining	—do—	35.26	35.56	0.9	16.90	20.50	21.3
Cement	Million tonnes	20.10	19.38	-3.6	9.12	8.87	-2.7
Fertiliser N'	Lakh tonnes	16.61	18.45	11.1	7.56	9.75	29.0
Fertiliser P ₂ O ₅	—do—	2.87	3.45	20.2	1.73	1.50	-13.3
Textiles (N.T.C.)* :							
(i) Market yarn	Million Kgs.	153.7	148.4	-3.4	N.A.	N.A.	..
(ii) Cloth	Million Mts.	837.0	757.6	-9.5	N.A.	N.A.	..

*Excludes managed mills production.

N.A. Not available.

4.49 Available data for 1985-86 show maintenance of the positive growth in the production of public sector undertakings, except for the slippages in the production of copper, fertiliser (P₂O₅), coal, and lignite and the continued decline in the production of cement and gold.

Employment in the organised sector

4.50 Employment in the organised sector at the end—March, 1985 stood at 245.94 lakhs, showing a moderate increase of 1.4 per cent over the previous year. The increase in March, 1984 over the preceding year was still lower at 1.2 per cent. The

increase in organised sector employment during 1984-85 was entirely due to the higher employment in the public sector. Employment in the public sector recorded an increase of 2.3 per cent from 168 lakhs at the end of March 1984 to 172 lakhs at the end of March 1985. Employment in the private sector registered a nominal decline of 0.6 per cent *i.e.* from 75 lakhs at the end March 1984 to 74 lakhs at the end—March 1985. At the end of June, 1985, public sector employment at 173 lakh was 3.2 per cent higher than that a year ago, while the organised private sector employment was nominally lower by 0.2 per cent at 73 lakhs over the level of employment at the end of June, 1984.

4.51 The total number of job-seekers on the live register of the Employment Exchanges at the end of March 1985 was 239.15 lakhs, showing an increase of 5.8 per cent over the year. Number of job-seekers at end-August, 1985 shows a rise of 8.7 per cent from 233.34 lakhs at end-August, 1984 to 253.66 lakhs at the end of August, 1985.

Industrial Relations

4.52 Industrial relations situation, as reflected by the man-days lost in the first half of the year 1985-86 showed a considerable improvement, as there was no major industry-wide strike or lock-out. Mandays lost in 1984-85 amounted to 49.40 million which includes 15.40 million mandays lost in the Jute Textile Industry. Mandays lost in 1983-84 amounted to 38.25 million, excluding the Bombay textile strike. During April—June 1985, mandays lost recorded a figure of 8.30 million which is the lowest figure for the first quarter since 1980-81. The number of mandays lost declined further to 6.9 million in the second quarter, July—September, 1985. The data on mandays lost do not cover, however, the loss in industrial production caused by go-slow, work to rule or similar other factors.

TABLE 4.15

Man-days lost on account of strikes and lock-outs

Quarter	(In million)			
	1982-83	1983-84*	1984-85*	1985-86
I	9.51	8.87	28.15	8.30
II	8.10	9.39	6.48	6.90
III	7.70	7.07	7.58	
IV	7.86	12.92	7.19	
Total	33.17**	38.25**	49.40	

*Provisional.

**Excludes Bombay Textile Strike.

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4.53 Government has been making efforts to maintain cordial industrial relations. Adequate and fair wages, improved working conditions, and a quick acting machinery to attend to grievances and settlement of disputes are the various measures evolved to maintain harmonious industrial relations. Workers' participation in management is potentially a very powerful tool for promoting industrial harmony, curbing unfair labour practices, and to promote productivity gains. Schemes of workers' participation have already been implemented in a number of public sector units and the endeavour should be to promote similar schemes in the private sector units also. In the implementation of such schemes, it is necessary that the workers represent their interests on the Boards directly rather than through non-employee trade union leaders. Various amendments to labour laws have been carried out in order to protect labour interests, and these protective provisions are being constantly reviewed to provide effective safeguards for the interests of the workers.

4.54 Industrial Committees were constituted during 1982 and 1983 on jute, plantation, chemicals, cotton textiles and engineering industry to make indepth study into the working and living conditions of the workers in these industries. In March 1985, a decision was taken to constitute similar industrial committees on Building and Construction, Cement, Mines, Manufactures of tanneries and leather goods and Road transport. Simultaneously, efforts are being made to secure more effective implementation of labour laws and to strengthen the law enforcement machinery.

Small Scale Industries

4.55 The number of small scale industrial units increased from 11.58 lakhs in 1983-84 to 12.75 lakhs at the end of 1984-85. Over the same period, employment in this sector increased from 84 lakhs to 90 lakhs. It is estimated that the SSI sector turns out around 50 per cent of the total industrial production in the country. In 1984-85 the total production in the small scale industries was valued at Rs. 50,520 crores (at current prices) as compared to Rs. 41,620 crores in 1983-84. This marked an increase of 21.4 per cent over the value of production in the preceding year. The growth rates of production in the small scale sector have been significantly higher than the growth rates revealed by the Index of Industrial Production, which covers mostly the production in the medium and large scale sectors. The main strength of the small scale units, *vis-a-vis* the large/medium units lies in their widely-dispersed entrepreneurial base, relatively low capital investment, high employment intensity and its wide dispersal over urban, semi-urban and rural areas.

The SSI sector has also been making a significant contribution to exports. The total exports of the SSI products was estimated at Rs. 2,350 crores in 1984-85, registering an increase of 8.8 per cent over the preceding year. There is reason to believe that this segment of industry has grown faster than large and medium scale industry in recent years. Such growth is to be especially welcomed and encouraged in view of the high employment potential of small scale units and their role in fostering a wide base of industrial entrepreneurship in the country. Government policy must, therefore, continue to nurture the growth of small scale enterprise.

4.56 In view of the potential of the SSI sector the Government has introduced a large range of support policies and programmes for the sector. These include reservation of items for exclusive production and purchase, priority in the disbursement of loans by the financial institutions, concessions in the import of raw materials and machinery, supply of these materials through small industries corporations and other agencies and direct assistance like consultancy, training etc. through a wide network of promotional bodies namely Small Industries Service Institutes (SISIs), the District Industries Centres (DICs), Central Institute of Tool Design (CITD), Institute for Design of Electrical Measuring Instruments (IDEMI), the

National Institute for Entrepreneurship and Small Business Development (NIESBUD), etc. There has also been a spurt in the number and value of import licences issued to the SSI units. This sector has also benefitted from the expansion of the OGL list for actual users. Keeping in view the escalation in the costs of plant and machinery Government enhanced the investment limit, re-defining small scale to Rs. 35 lakhs and in the case of ancillary undertakings to Rs. 45 lakhs.

4.57 Although there has been a considerable increase in the number of small scale units and the range and total value of their production, there is, however, undue concentration of the SSI units in the urban conglomerates and near the industrial complexes. More important, these units are mostly located in highly industrialised states and there has been no appreciable penetration of small scale units in relatively less advanced states or in the backward regions of the industrially advanced states. This has tended to limit the spread of entrepreneurial base in the country to the desired extent. Shortage of critical raw materials, power, outdated machinery, lack of innovations and chronic labour problems are some of the major hindrances in the growth of the small scale sector.