Performance of Selected Industries

Petroleum, Oil and Lubricants

7.22 In 2000-01, crude oil production increased by 1.5 per cent compared to 1999-2000. However, in the current year (April-November 2001-02), crude oil production declined by 1.9 per cent when compared to the corresponding period of last year (Table 7.9). In the current year (April-November 2001-02), natural gas production has increased by 0.5 per cent compared to the corresponding period of last year.

7.23 During 1999-2000, the country's refining capacity increased sharply from 69 Million Metric Tonnes Per Annum (MMTPA) to 112 MMTPA. This is because of the private sector Reliance Petroleum Limited refinery coming onstream. The refining capacity as on January 1, 2001 is 115 MMTPA and is likely to remain the same till the end of the Ninth Plan. With an increase in the refining capacity, the country has turned from a net importer of petroleum products to an exporter of select petroleum products such as Gasoline, Naphtha/ Natural Gasoline Liquid (NGL), High Speed Diesel (HSD) and Gas Oil. Liquified Petrolum Gas (LPG) is also exported in limited quantities to Nepal. The net imports of petroleum products were 15.9 Million Metric Tonnes (MMT) in 1999-2000, 0.9 MMT in 2000-01 and -1.7 MMT during April-November 2001-02.

7.24 During 2000-01, the country's refinery production increased by 20.4 per cent from 79 MMT to 96 MMT in 1999-2000. During the current year (April-November 2001), total refinery production at 66 MMT registered an increase of 4.1 per cent compared to 63 MMT during the corresponding period of last year.

7.25 The total consumption of petroleum products in 2000-01 was about 100 MMT (including 9.6 MMT imported by private parties), registering an increase of 2.6 per cent from 97 MMT (including 6.4 MMT imported by private parties) during 1999-2000. However, consumption of petroleum products (excluding import by private parties) during the current year (April-November 2001-02), however, registered a decline of 0.7 per cent (Table 7.10).

7.26 A major initiative taken for the import of Natural Gas is the promotion of a joint venture company, Petronet (LNG) Limited (PLL), by the four oil sector PSUs of ONGC, IOC, BPCL and GAIL to import Liquified Natural Gas (LNG)

TABLE 7.9

Trends in the Petroleum Sector

Item	1998-99	1999-00	2000-01	April-November*		Percentage change over previous year		
				2000	2001	1999-00	2000-01	2001-02**
			(million tonnes)				(per cent)	
1. Crude oil production	**32.72**	**31.95**	**32.43**	**21.66**	**21.24**	**-2.4**	**1.5**	**-1.9**
(i) On-shore	11.47	11.30	11.79	7.85	7.98	-1.5	4.3	1.7
(a) ONGC	8.10	7.92	8.43	5.61	5.76	-2.2	6.4	2.7
(b) OIL	3.29	3.28	3.28	2.19	2.17	-0.3	0.0	-0.9
(c) JVC	0.08	0.10	0.08	0.05	0.05	25.0	-20.0	0.0
(ii) Off-shore	21.25	20.65	20.64	13.81	13.26	-2.8	0.0	-4.0
(a) ONGC	18.28	16.73	16.63	11.17	10.56	-8.5	-0.6	-5.5
(b) JVC	2.97	3.92	4.01	2.64	2.70	32.0	2.3	2.3
2. Refinery crude throughput	**68.54**	**85.96**	**103.44**	**68.16**	**70.37**	**25.4**	**20.3**	**3.2**
3. Production of POL products #	**64.54**	**79.41**	**95.61**	**63.21**	**65.82**	**23.0**	**20.4**	**4.1**
4. Natural Gas Production (Billion.Cubic. Metres)	**27.43**	**28.45**	**29.48**	**19.62**	**19.72**	**3.7**	**3.6**	**0.5**

Notes :
* Provisional
** April-November
# Excludes LPG production from fractionator

TABLE 7.10
Consumption of petroleum Products

	Item	1998-99	1999-00	2000-01*	April-November*		Percentage Change over previous year		
					2000	2001	1999-00	2000-01	2001-02@
			(million tonnes)					(per cent)	
1.	**Light Distillates**	**18.0**	**20.5**	**21.8**	**14.1**	**14.9**	**13.9**	**6.3**	**5.7**
	of which								
	a) Naphtha	6.7	8.0	8.1	5.3	5.4	19.4	1.3	1.9
	b) LPG	5.0	6.0	6.6	4.2	4.7	20.0	10.0	11.9
	c) Mogas(petrol)	5.5	5.9	6.6	4.4	4.7	7.3	11.9	6.8
2.	**Middle Distillates**	**51.7**	**54.3**	**52.8**	**35.3**	**34.0**	**5.0**	**-2.8**	**-3.7**
	of which								
	a) Kerosene	10.6	10.7	10.7	7.1	6.7	0.9	0.0	-5.6
	b) Diesel Oil	37.2	39.3	37.9	25.4	24.6	5.6	-3.6	-3.1
3.	**Heavy Ends**	**15.1**	**15.9**	**15.4**	**9.9**	**10.0**	**5.3**	**-3.1**	**1.0**
	of which								
	Fuel Oils	11.3	11.6	11.4	7.4	7.7	2.7	-1.7	4.1
	Total(1+2+3) through PSUs	**84.8**	**90.7**	**90.0**	**59.3**	**58.9**	**7.0**	**-0.8**	**-0.7**
4.	**Import by private parties**	**5.8**	**6.4**	**9.6**	**n.a.**	**n.a.**	**10.3**	**50.0**	**n.a.**
	Grand Total**	**90.6**	**97.1**	**99.6**	**n.a.**	**n.a.**	**7.2**	**2.6**	**n.a.**

Notes :
* Provisional
@ April-November
** Excluding Refinery Boiler Fuel
n.a. Not available

and for that purpose, setting up LNG terminals at Dahej (Gujarat) and Kochi (Kerala). Import of LNG at Dahej is scheduled to commence by December 2003. Steps have also being taken to expedite the progress of the terminal at Kochi so as to commence import of LNG by 2005.

Pricing of Petroleum Products

7.27 The government is committed to dismantling the Administered Pricing Mechanism (APM) of petroleum products by the end of March, 2002. From April 1, 2002, prices of all petroleum products will be market determined. Only kerosene and domestic LPG will be supplied to target groups at subsidised rates.

7.28 The Government deregulated the import and pricing of Aviation Turbine Fuel (ATF) from April 1, 2001. The price of ATF is now market determined and fixed by the oil marketing companies. Deregulation has resulted in the consumer price of ATF at different aviation fuelling stations decreasing by Rs. 2-3 per litre.

7.29 The ex-storage point price of PDS kerosene was revised upwards on September 30, 2000 by Rs. 2.50 per litre, but was reduced by Rs. 0.89 per litre, i.e. from Rs. 7001.40/ KL to Rs. 6110.00/ KL from the midnight of November 21/22, 2000.

7.30 Similarly, the ex-storage point price of domestic Liquefied Petroleum Gas (LPG) was increased on September 30, 2000 by Rs. 31.00 per cylinder, but was reduced by Rs. 8.55/ cylinder from midnight of December 21/22, 2000.

Restructuring of Oil sector PSUs

7.31 To improve the viability of standalone refining companies, provide linkages and strengthen the competitiveness of the oil PSUs in the face of volatility in global oil markets mergers in the oil PSUs was carried out. Chennai Petroleum Corporation Limited (CPCL) and Bongaigaon Refinery and Petrochemicals Limited (BRPL) were made subsidiaries of Indian Oil Corporation Limited (IOC) and Kochi Refineries Limited (KRL) and Numaligarh Refineries Limited (NRL) were made subsidiaries of Bharat Petroleum Corporation Limited (BPCL). This restructuring programme was carried out by divesting the entire shareholding of the Government in these refining companies in favour of IOC and BPCL by March 31, 2001.

BOX 7.5
Oil Pool Account

The cumulative outstandings from the Oil Pool Account (OPA) were around Rs. 12,600 crore as on March 31, 2001. The estimated position of the OPA as on March 31, 2002, at average international crude prices of $ 25 and $ 28 per barrel and assuming that customs and excise duties continue at existing rates, would be around Rs. 14,500 crore and Rs. 21,200 crore respectively.

Factors affecting the surplus/ deficit of the OPA :

- Domestic prices of controlled petroleum products,
- Fluctuation in the international prices of crude & petroleum products,
- Foreign exchange variation in the Indian rupee,
- Materialisation of the quantities of estimated demand.

In March 2000, the ex-storage point prices of domestic LPG, SKO (PDS) and ATF were increased by Rs. 30 per cylinder, Rs. 2.50 per litre and Rs. 2 per litre respectively.

In order to partly offset the impact of higher international prices of crude and petroleum products, the Government in September 2000 increased the price of MS & HSD, SKO (PDS), domestic LPG and ATF, but a partial reduction was effected in the case of SKO (PDS) and domestic LPG in November 2000. These two petroleum products are subsidised to protect the interest of the vulnerable section of the society and to achieve inter-fuel substitution namely to wean away the kerosene users to LPG and users of forest fuel to kerosene.

Subsidies on Major Petroleum Products

Product	Subsidies during 2000-01 (Rs. crore)
Kerosene (PDS)	7,360
LPG (Domestic)	6,640
Diesel	9,130
Total	**25,129**

7.32 The strategic sale of IBP Co. Limited (IBP), a stand alone marketing PSU to IOC through competitive bidding by Ministry of Disinvestment has also been completed.

Green Fuels

7.33 In order to reduce pollution, unleaded petrol is being supplied throughout the country from February 1, 2000. Further, supply of diesel with 0.05 per cent (maximum) sulphur content and also unleaded petrol with sulphur content of 0.05 per cent (maximum) hitherto supplied in the National Capital Region (NCR), is now being supplied in all the four metropoliton cities.

7.34 Compressed Natural Gas (CNG) has already been established as a clean and environment friendly fuel. The retail network of CNG dispensing stations is being expanded in Mumbai and Delhi with 24 stations and 87 stations respectively. The number of CNG stations is likely to go upto 94 in Delhi by March 2002.

7.35 De-Methyl Ether (DME) is another environment friendly fuel, manufactured from natural gas, and has been recognized as a fuel for the future in the India Hydrocarbon Vision 2025 document. An Indian combine consisting of IOC, GAIL and Indian Institute of Petroleum have entered into a Joint Collaboration Agreement (JCA) with Amoco (now BP-Amoco) on a 50:50 basis to develop an integrated value chain to bring DME to India and to develop it as a power generation fuel, as an alternative to LPG and as an auto fuel for diesel engines. MOUs to the tune of 2,480 Mega Watt have been secured from independent power producers.

Oil sector PSU performance

7.36 Out of about 240 PSUs of the Government of India, 12 PSUs under the Ministry of Petroleum and Natural Gas have continued their outstanding performance. Out of 12, there are 5 Navratnas and 6 Mini-Ratnas and the twelfth has just commenced production. Moreover, out of top 10 PSUs in turnover, 6 are oil PSUs while out of top 10 PSUs in profit after tax, 5 are oil PSUs. The oil PSUs recorded profit after tax of Rs. 11,825 crore against paid up capital of Rs. 5,204 crore during 2000-01. The profit after tax was substantially higher than Rs. 9,683 crore recorded in the previous year.

Petrochemical Industry

7.37 The production of petrochemicals comprising Synthetic fibres, Polymers, Elastomers and Synthetic Detergents, increased by 17.9 per cent from 4.6 million tonnes in 1999-2000 to 5.4 million tonnes in 2000-01. The major capacity addition that took place during 2000-01 was that from Haldia Petrochemicals Limited. During the current year production of petrochemicals is expected to increase by 12.4 per cent to 6.1 million tonnes in 2001-02. The consumption of petrochemicals increased by 3.6 per cent from 5.1 million tonnes in 1999-2000 to 5.3 million tonnes in 2000-01. During the current year consumption of petrochemicals is expected to increase by 10.2 per cent to 5.8 million tonnes in 2001-02.

TABLE 7.11
Production and Consumption of Petrochemicals (in 000' MT)

Year/Group	1999-2000		2000-01		2001-02 *	
	Produ-ction	Consu-mption	Produ-ction	Consu-mption	Produ-ction	Consu-mption
Synthetic Fibres	1,515	1,535	1,567	1,547	1,668	1,618
Polymers	2,707	3,146	3,441	3,293	3,985	3,735
Elastomers	50	108	55	113	65	128
Synthetic Detergents	326	300	359	318	375	330
Total	**4,598**	**5,089**	**5,422**	**5,271**	**6,093**	**5,811**

Note :
* Estimated

Coal

7.38 In 2000-01 coal production increased by 3.2 per cent over the previous year. Non-coking coal, which accounts for almost 90 per cent of the total output, grew by 4.4 per cent, while coking coal, declined by 6.5 per cent. Lignite production increased by 3.7 per cent in 2000-01. Production in underground mines declined by 0.1 per cent but that from opencast increased by 4.1 per cent. Coal despatches also increased by 4.1 per cent in 2000-01. During the current year (April-October 2001-02), coal production has shown an upward trend as coal production stood at 169 million tonnes compared to 165 million tonnes for the same period of last year (Table 7.12).

TABLE 7.12
Trends in the Coal sector

		1999-2000	2000-01	April-October 2000-01	April-October 2001-02(P)	Percentage change over previous year 2000-01	Percentage change over previous year 2001-02(P) (Apr-Oct)
		(million tonnes)				(percent)	
1.	Production						
	(a) Opencast	233.83	243.53	127.42	132.52	4.15	4.00
	(b) Underground	66.14	66.10	37.44	36.53	-0.06	-2.43
	Total	**299.97**	**309.63**	**164.86**	**169.05**	**3.22**	**2.54**
2.	Production (by coal grade)						
	(a) Coking coal	33.25	31.08	16.64	13.55	-6.53	-18.57
	(b) Non-coking coal	266.72	278.55	148.22	155.50	4.44	4.91
	(c) Washed coal	9.26	8.60	4.95	3.92	-7.13	-20.81
	(d) Middlings	6.10	6.19	3.75	1.92	1.48	-48.80
3.	Pit-head stocks (vendible)	28.25	21.51	15.74	12.48	-23.86	-20.71
4	Despatch	300.82	313.23	174.72	177.16	4.13	1.40
5.	Lignite production	22.12	22.95	12.53	11.07	3.75	-11.65
6.	Output per man-shift (OMS)						
	(i) CIL	2.02	2.27	2.14	2.20	12.38	2.80
	(ii) SCCL	1.42	1.54	1.34	1.51	8.45	12.69

Note :
(P) Provisional

Steel

7.39 Finished steel production recorded a growth rate of 7.7 per cent in 2000-01 to 29.27 million tonnes. The finished steel production during the current year (April-December 2001-02) at 21.98 million tonnes, however, recorded a decrease of 0.3 per cent over the corresponding period of previous year. The production of pig iron at 3.40 million tonnes recorded a growth rate of 6.8 per cent in 2000-01. The production of pig iron by secondary producers at 2.11 million tonnes during the current year (April-December 2001-02) recorded a growth rate of 9.5 per cent over the corresponding period of previous year (Table 7.13). However, the growth of the industry has been slower than expected due to sluggish demand in the steel consuming sectors, overall economic slow down in the country, alleged dumping of finished steel by CIS and other countries, competition from cheap imports, concessional rate of duty on steel imports for infrastructure projects and anti dumping duty/ countervailing duty petitions against exports of Indian steel by European Union, USA and Canada.

TABLE 7.13

Output of Iron and steel

Item	1999-2000	2000-01	2000-01	2001-02
			April-December	
				(million tonnes)
Finished Steel				
Main Producers	11.27	12.49	9.32	9.50
	(13.7)	(10.7)	(14.4)	(1.9)
Secondary Producers	15.90	16.78	12.73	12.48
	(14.2)	(5.5)	(9.4)	(-2.0)
Total	**27.17**	**29.27**	**22.05**	**21.98**
	(14.0)	**(7.7)**	**(11.5)**	**(-0.3)**
Pig Iron				
Main Producers	1.23	0.96	0.72	0.78
	(-9.4)	(-21.3)	(-24.9)	(7.3)
Secondary Producers	1.95	2.43	1.92	2.11
	(18.9)	(24.5)	(36.0)	(9.5)
Total	**3.18**	**3.40**	**2.65**	**2.88**
	(6.1)	**(6.8)**	**(11.3)**	**(8.9)**

Notes:
Figures in brackets indicate percentage change over the previous year.
Totals may not tally due to rounding off.
Source : Joint Plant Committee (JPC)

7.40 The consumption of finished steel in 2000-01 at 26.53 million tonnes recorded a growth rate of 6.0 per cent over 1999-2000. The consumption of finished steel during the current year (April-December 2001-02) at 19.73 million tonnes was marginally higher (0.6 per cent) than the consumption during the corresponding period of last year. The total volume of iron and steel exported during the year 2000-01 at 3.1 million tonnes was lower than 3.3 million tonnes during 1999-2000. The total volume of iron and steel exported during the current year (April-December 2001-02) at 2.40 million tonnes was marginally higher than 2.38 million tonnes exported during the corresponding period of last year.

Textiles

7.41 The production of man-made fibre and yarn has increased significantly from 207 million kg. in 1981-82 to 1,824 million kg. in 2000-2001. The production of fabrics registered an annual growth rate of 2.7 per cent from 39,208 million sq. meters in 1999-2000 to 40,256 million sq. meters in 2000-01. The share of the mill sector in fabric production remained at 4.1 per cent in 2000-01 while that of powerlooms (including hosiery) has remained at 75.8 per cent. During the current year 2001-02 (April-October) production of fabrics has increased by 3.6 per cent as compared to the previous year (Appendix table 1.23).

7.42 Export of textiles items has shown a fall during the year due to slowdown in the economy of our major trading partners like the USA. In 2001-02 (April-September) exports were US $ 534.64 billion as compared to US $ 623.71 billion during the corresponding period of the last year. During this period exports of almost all textile items registered a decline as can be seen from table 7.14.

Table 7.14

Percentage change in the export of select textile items during 2001-02 (April-September)

Item	per cent
Readymade garments	-15.5
Cotton fabrics & made-ups	- 13.2
Silk	- 2.9
Handicrafts	- 25.8
Wool & Woolens	- 10.6
Manmade Textiles	- 5.7
Jute	- 6.9
Coir	+ 163.0

7.43 A number of both long term and short term measures were taken during the year to minimise the adverse effects of the external conditions on exports including:

- Concessions under the quota policy to reduce transaction costs for exports,
- Resolving of pending issues including finalisation of Duty Entitlement Pass Book (DEPB) rates for blended textiles & wool tops, revision in drawback rates, etc.
- Two new plan schemes for promoting textile exports were also formulated during the year

  "Apparel Parks" for exports for giving a thrust to setting up of apparel units of international standards and

  "Textile Center Infrastructure Development Scheme" for providing financial assistance to infrastructural facilities at established textile growth centres.

7.44 Under the Technology Upgradation Fund Scheme (TUFS), as on November 30, 2001, 1,376 textile units have applied for a loan with a total project cost of Rs. 13,272 crore and a loan requirement of Rs. 7,701 crore. Out of this, 1,154 units have been sanctioned loans for an amount of Rs. 4,948 crore out of which Rs. 3,151 crores have been disbursed in respect of 878 units.

7.45 The Technology Mission on Cotton (TMC) launched in February, 2000 to address the issues of low productivity, marketing infrastructure and availability of cotton which is the "core fibre" used by the industry. TMC includes four Mini Missions (MM) of which two i.e. Mini-mission-III for "improvement in marketing infrastructure' and Mini-mission – IV for "modernisation/ upgrading of ginning and pressing factories" are under the purview of Ministry of Textiles. As on December 31, 2001 proposals worth Rs. 73 crore (with Central share of Rs. 38 crore) under MM III and Rs. 165 crore (with Central share of Rs. 28 crore) under MM IV were sanctioned.

7.46 The major initiatives during 2001-02 in the decentralised textiles sector included the introduction of the "Baba Saheb Ambedkar Hastshilp Vikas Yojana" (BSAHVY) for mobilisation of artisans all over the country into craft clusters for the formation of self-help groups and Thrift & Credit societies, launching of the web based Geographical Information System (GIS) portal on Handicrafts for Uttar Pradesh called "indianhandicraft.org.in" from March 2, 2001, launching of specific improvement in quality and quantity of silk through introduction of higher yielding varieties of International standards. In the handloom sector also, progress was made under ongoing schemes including the "Deen Dayal Hathkargha Protsahan Yojana" (DDHPY). A special component to provide transport subsidy to North Eastern Region (NER) including Sikkim and the J & K was also incorporated under the scheme.

7.47 The implementation of the National Textiles Policy (NTxP) also took off during this year with announcement of a special Textile Package as part of the annual budget for 2001-02 including duty relief, concessions and special programmes aimed at accelerating modernisation and growth of textile industries. It has specially emphasised on modernisation of the weaving sector by launching a programme for induction of 50,000 shuttle-less looms and 250,000 semi-automatic and automatic looms in the decentralised powerloom sector. As it is also important to assess the impact of the growing recessionary conditions of international trade on our textiles sector, a Steering Group on Investment and Growth in Textiles was set up with PM's approval. The Group, apart from devising measures for attracting investment and growth in textiles, is also identifying measures to enhance export competitiveness and drawing up a fiscal and tariff road map to make the industry compete successfully in the changed global scenario.

7.48 The Draft Rehabilitation Scheme (DRS) proposed for revival of 44 viable and closure of 60 unviable National Textile Corporation (NTC) mills was approved by the Group of Ministers (GOM) on Action Plan for NTC in its meeting held on October 9, 2001. Efforts are being made to secure early approval of the DRS by the Board for Industrial and Financial Reconstruction (BIFR). Based on hearing fixed for February, 2002, BIFR will be taking a final decision on the DRS. Implementation of the approved package will be monitored and supervised by Official Group on Growth in Textiles (OGGTx) subject to the terms and conditions approved.

Apparel Parks for Exports Scheme

7.49 A centrally sponsored scheme titled "Apparel Parks for Exports Scheme" has been announced. A provision of Rs. 10 crores has been made in the current year's budget for the scheme. The scheme is intended to impart a focussed thrust to setting up of apparel manufacturing units of international standards at potential growth centres to give fillip to exports.

Textile Centers Infrastructure Development Scheme (TCIDS)

7.50 The development of infrastructure facilities at pre-dominantly textile/ apparel sector areas is one of the thrust areas of NTxP-2000. For attaining this objective, a new scheme titled Textile Centers Infrastructure Development Scheme (TCIDS) is being launched for upgrading infrastructure facilities at important textile centres. A provision of Rs. 15 crore has been made in the Budget 2001-02 for the scheme.

Electronics Industry

7.51 The Indian electronics & IT industry is the fastest growing sector of Indian industry. It has recorded a production of Rs. 68,450 crore during the year 2000-01, and is likely to achieve a production of Rs. 86,900 crore during 2001-02. The software industry, which was worth only Rs. 645 crore in 1991-92 and accounted for only 9 per cent of total electronics & IT production, has recorded a production turnover of Rs. 37,750 crore in 2000-01 and has surpassed electronics hardware production. The sale of personal computers has continued to increase substantially, estimated to be over 1.6 million in the year 2000. Prices of colour TV, computers and other electronic products have also come down in line with the world trends. During the Ninth Plan, the computer software industry is likely to witness a cumulative growth of over 52 per cent and the hardware industry is likely to grow by 11 per cent. There are problems in hardware production which may be summarised as:

- Distorted Tariff Structure
- Poor Infrastructure
- High Cost of Finance
- Industrial, Fiscal and EXIM policy, Labour laws and Inspector Raj
- Low volumes of production
- Low technology level/ upgradation of technology and high rate of obsolescence
- Inadequate investments in R&D

Very low investment is taking place in Hardware Industry and foreign investment is going to Taiwan, China, Brazil, Malaysia, etc.

Electronics Exports

7.52 Electronics hardware and computer software exports jumped to Rs. 33,138 crore in 2000-01 from Rs. 18,550 crore during the year 1999-2000, and is likely to be Rs. 48,500 crore during 2001-02. The computer software and services exports are among the fastest growing exports in the Indian economy. Even globally, India is recognized as a major software player. Indian software exports rose from Rs. 17,150 crore during 1999-2000 to Rs. 28,350 crore in 2000-01, a growth of 65 per cent. Software exports are likely to be Rs. 40,000 crore during 2001-02.

Policy initiatives taken during 2001-02

7.53 In the Budget 2001-02, a number of steps were taken to support the IT industry. These include:—

- Abolition of Customs duty surcharge of 10 per cent on all imports in general.
- On Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) customs duty has been reduced from existing 20-25 per cent to 15 per cent.
- Customs duty on Telecom components reduced to 5 per cent.
- Customs duty on parts, components and accessories of mobile handsets including cellular telephones reduced to 'nil' rate.
- 32 items (additional) of capital goods allowed at a concessional duty of 5 per cent for the manufacture of semiconductors.
- The Central Excise duty structure has been rationalised from multiple rates to a single rate of 16 per cent and a single rate of Special Excise Duty (SED) @ 16 per cent.
- Inputs for STP units like Diesel generating sets/ captive power plants, central air-conditioning equipments, uninterrupted power supply system, networking equipments, data transfer protocol equipments, EPABX, fax photocopier equipment and security system, imported/ procured by a STP unit have been allowed to be utilised by other unit(s) under the Software Technology Park Scheme belonging to the owner of the importer unit and located in the same compound or nearby/ adjoining premises.
- To reduce delays in export/ import clearances, the Ministry of Civil Aviation has finalised a scheme of known-shippers for doing away with the 24 hours cooling off period. Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Delhi and Goa.
- Second-hand computers and computer peripherals donated by an external donor to recognised schools run on a non-commercial basis by any organisation have been exempted from customs duties.
- The tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network Providers.
- Two-way fungibility has been permitted for ADRs/ GDRs. Local shares can now be reconverted into ADRs/ GDRs, subject to sectoral caps.

Software

7.54 Software development and IT enabled services has emerged as a niche opportunity for India in the global context. The software industry has emerged as one of the fastest growing sectors in the economy with a CAGR exceeding 50 per cent over the last decade and with a turnover of US $ 8.3 billion and exports of US $ 6.2 billion during 2000-2001. The consistent growth in export of software can be largely attributed to the comparative cost advantage enjoyed by India. Indian software companies have a unique distinction of providing efficient software solutions with cost and quality as an advantage by using state-of-the-art technologies. Indian software professionals have already created a brand image in the global market. Today, more than 260 of the Fortune 1,000 companies, i.e. almost one out of every four global giants, outsource their software requirements to India. The Indian software industry has not only been growing exponentially but has been moving up the value added chain as well. The industry has evolved from manpower provider to software development to integration and IT business consulting.

7.55 In export as well as in the domestic sector, computer software remains a thrust area and the fastest growing sector. The domestic software industry is likely go up to Rs. 15,200 crore during 2001-02 from Rs. 2,600 crore during 1996-97.

Emerging sectors in the IT software and service industry

7.56 As stated above the industry has evolved from staffing to software development to integration and IT business consulting. India's success in the software arena can largely be attributed to the industry's knowledge and expertise of cutting edge technologies. Indian software companies have constantly striven to stay abreast of global technology trends by embracing technologies that are gaining pre-eminence globally. The Indian IT Enabled Services sector has emerged as a key driver of growth for the Indian IT Industry. The IT enabled industry currently employs 70,000 people and accounts for 10.6 per cent of the total IT software and services industry revenues.

7.57 Research & Development (R&D) spending in the software industry in India increased from 2.5 per cent of total spending in 1997-98 to over 4 per cent during 2000-01. It is expected that in the years ahead, spending on R & D would increase to 10 per cent of the total spending.

Software Export Destinations

7.58 Out of the total software exports of Rs. 28,350 crore during 2000-01, almost 62 per cent was to North America (USA and Canada); 24 per cent to Europe; 4 per cent to Japan; and 10 per cent to Rest of the World. With the backdrop of slowdown in the US economy, Indian companies are actively expanding into newer markets, increasing their presence in Europe and setting up alliances in Asia, However, contrary to popular belief, in the last few months, many US companies have shown increased interest in the Indian software industry. Also companies in Europe and Japan are increasing their outsourcing to India.

Offshore Software Development

7.59 Off-shore services strengthened its dominance in the software exports sector. The offshore services increased to about 44 per cent of total exports in 2001-01, whereas on-site services contributed to about 56 per cent of export revenues. This was possible due to high speed (64 Kbps and 2 Mpbs) data communication links provided to the industry by STPI and VSNL. As of March 31, 2001, there are more than 1,400 leased lines operating from Indian software companies providing 64 Kbps and higher speed data communication links for offshore software development.

Domestic Market

7.60 Although the domestic software market has been registering a healthy growth rate, but has still not been able to catch up with the revenues of the software export markets. In fact, in the year 2000-01, the domestic software market was unable to meet the growth targets and registered revenues of Rs. 9,410 crore over its performance of Rs. 7,200 crore in 1999-2000. However, the proliferation of the internet, e-business, WAP enabled technologies and growth in the Small Office Home Office (SOHO) market will result in higher growth rates in the domestic market in the years ahead.

Major New Initiatives

Media Lab Asia

7.61 The Government has approved to set up the Media Lab Asia Project in collaboration with Masschussets Institute of Technology, USA for an exploratory period of one year with budgetary support of Rs. 65 crores. An agreement has since been signed with Massachusetts Institute of Technology (MIT), USA to set up Media Lab Asia as a non-profit organization.

Public Key Infrastructure (PKI)

7.62 In line with the global practices, the vital security needs of privacy, authenticity, integrity and non-repudiation over the Internet is being addressed in India by Public Key Infrastructure. The Information Technology Act, 2000 gives the legal framework for these technologies and raises electronic records to the level of conventional paper-based physical ones as primary evidence for all legal requirements. Moreover, based on Public Key Infrastructure technologies, Negotiable Instruments Act legalising various financial Instruments is being modified to enable secured financial transactions over the Internet, a basic requirement to enable e-commerce in the country.

Food Processing

Food Parks

7.63 As part of the strategy to develop food processing infrastructure, the Ministry of Food Processing Industries has been pro actively pursuing the task of setting up of food parks in different parts of the country. The idea behind setting up of food parks is that small and medium entrepreneurs find it difficult to invest in capital intensive activities, such as cold storage, warehouse, quality control labs, effluent treatment plant, etc. Assistance for development of such facilities can make the food processing units in the food parks not only become more cost competitive, but also have a better market orientation.

7.64 PSUs/ Joint/ Assisted/ Private sector/ NGOs/ Co-operatives are eligible for grants of upto Rs. 4 crore for common facilities such as uninterrupted power supply, water supply, cold storage/ ice plant, warehousing facilities, effluent treatment plant, quality control and analytical laboratory and major processing facilities like fruit concentrate/pulp making units, etc. as part of food park. So far 20 food parks have been sanctioned in different states of the country.