

## Highlights of some Industries

### Automobiles

7.7 During 2003-04, automobile production grew by 15.1 per cent (Table 7.4). This was on top of a growth of 18.6 per cent during the previous year. Commercial vehicles witnessed a sharp growth of 35.1 per cent, while passenger cars grew at 38.3 per cent. A major development in Indian manufacturing has been the success in exports of automobile components and finished vehicles. The export of vehicles grew by 56 per cent in 2003-04.

7.8 The growth of commercial vehicles and passengers cars segments was assisted by the reduction in excise duty on passenger cars from 32 per cent to 24 per cent, reductions in tariffs, and improvements in the availability of retail credit. The liberalisation of the norms for foreign investment and import of technology

for manufacturing of vehicles, permission of 100 per cent foreign direct investment under automatic route in this sector have helped it to restructure, absorb new technologies, and get integrated into global production chains.

7.9 Automobile exports have increased to 4.8 lakh units and registered a robust growth of 55.9 per cent during 2003-04 (Table 7.5). Over the last four years, the exports of automobiles (of all kinds) has grown by roughly three and a half times. Alongside the hectic growth in export of finished automobiles, there has also been a major upswing in the export of automobile components which grew by 26 per cent from Rs. 2,775 crore in 2001-02 to Rs. 3,496 crore in 2002-03 and further grew by 30.1 per cent in the year 2003-04 to Rs. 4,550 crore. A host of major international automobile companies are increasingly harnessing India as a production base, either

**Table 7.4 : Automobile Production in Numbers**

Category	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Passenger Cars	3,90,709	5,77,243	5,13,415	5,64,052	6,08,851	8,42,437
Multi Utility Vehicles	1,13,328	1,24,307	1,27,519	1,05,667	1,14,479	1,46,103
Commercial Vehicles	1,35,891	1,73,521	1,56,706	1,62,508	2,03,697	2,75,224
Two Wheelers	33,74,508	37,78,011	37,58,518	42,71,327	50,76,221	56,24,950
Three Wheelers	2,09,033	2,05,543	2,03,234	2,12,748	2,76,719	3,40,729
<b>Total</b>	<b>42,23,469</b>	<b>48,58,625</b>	<b>47,59,392</b>	<b>53,16,302</b>	<b>62,79,967</b>	<b>72,29,443</b>
<b>Percentage Growth</b>	<b>5.40</b>	<b>15.00</b>	<b>-2</b>	<b>11.70</b>	<b>18.60</b>	<b>15.12</b>
<b>Source : Ministry of Heavy Industry &amp; Public Enterprises (Department of Heavy Industry)</b>						

**Table 7.5 : Automobile Export in Numbers**

Category	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Passenger Cars	25,468	23,271	22,990	50,088	70,828	1,26,249
Multi Utility Vehicles	2,654	5,148	4,122	3,077	1,177	3,067
Commercial Vehicles	10,108	9,912	13,770	11,870	12,255	17,227
Two Wheelers	1,00,002	83,237	1,11,138	1,04,183	1,79,682	2,64,669
Three Wheelers	21,138	18,388	16,263	15,462	43,366	68,138
<b>Total</b>	<b>1,59,370</b>	<b>1,39,956</b>	<b>1,68,283</b>	<b>1,84,680</b>	<b>3,07,308</b>	<b>4,79,350</b>
<b>Percentage Growth</b>	<b>-16.63</b>	<b>-12.18</b>	<b>20.2</b>	<b>9.74</b>	<b>65.35</b>	<b>55.98</b>
<b>Source: Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industry).</b>						

directly through FDI, or indirectly by contracting with firms operating in India.

## Gems and Jewellery

7.10 The exports of gems and jewellery registered a buoyant growth of 19.1 per cent (Table 7.6) during 2003-04. At US\$10.5 billion, the share of gems and jewellery in total exports rose to 17.0 per cent. This is a particularly

Years	Billion US Dollar	Percentage increase	% share in total exports
1997-98	5.3	-	-
1998-99	5.9	10.9	17.8
1999-00	7.5	26.5	20.4
2000-01	7.4	-1.5	16.6
2001-02	7.3	-1.1	16.7
2002-03	8.8	21.1	16.9
2003-04*	10.5	19.1	17.0

Source : Ministry of Commerce and Industry (Department of Commerce)  
\* Based on provisional data by DGCI&S

interesting industry from an Indian standpoint, since it involves imported raw materials, domestic value added, and global markets. Indian gems firms are tightly integrated into global production chains.

7.11 In order to give a boost to exports of gems and jewellery, Government of India took major policy initiatives during 2003-04, focused on reducing the barriers to imported raw materials.

## Textiles

7.12 During 2001-02 the textile industry performed well, and the production of fabrics touched the peak of 42 billion square meters. Though production declined to 41.9 billion square meters in 2002-03, in 2003-04 despite an initial sharp decline attributed to strikes by powerloom units and truck operators, rise in cotton prices and poorer demand for textiles, it picked up again and touched 42.2 billion square meters by the close of the year (Table 7.7). The share of the powerloom

Sector	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Mills	1,948	1,785	1,714	1,670	1,546	1,496	1,425
Powerlooms (incl. Hosiery)	27,345	26,966	29,561	30,499	32,259	33,835	34,586
Handlooms	7,603	6,792	7,352	7,506	7,585	5,980	5,536
Others	545	584	581	558	644	662	662
<b>Total</b>	<b>37,441</b>	<b>36,127</b>	<b>39,208</b>	<b>40,233</b>	<b>42,034</b>	<b>41973</b>	<b>42209</b>

  

Sector	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Mills	5.2	4.9	4.4	4.2	3.7	3.6	3.3
Powerlooms (incl. Hosiery)	73.0	74.7	75.3	75.7	76.8	80.6	82.0
Handlooms	20.3	18.8	18.8	18.7	18.0	14.2	13.1
Others	1.5	1.6	1.5	1.4	1.5	1.6	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : Office of Textile Commissioner, Mumbai.

sector in the total production of fabrics increased to 82 per cent compared to 80.6 per cent during the previous year.

7.13 Textile exports performed well during the year. Upto April-February 2003-04 (latest available) textile exports was valued at US\$ 10.1 billion, as against US\$ 9.6 billion during corresponding period of 2002-03 (Table 7.8). All sectors performed well except cotton textiles which fell marginally by 0.54 per cent. The increase in silk exports is noteworthy, as falling prices has pushed down unit value realisation.

7.14 Major reforms took place on the indirect tax treatment of the textile sector in 2003-04, seeking to remove tax-induced distortions. A key theme was the completion of the CENVAT chain to improve compliance, reduce the extent to which taxation influences the decisions of firms on choice of technology, and encourage modernisation and global competitiveness. The excise exemption for power looms was removed, except for the first annual clearance of Rs.25 lakhs for tiny power loom units. Exemption benefits on readymade garments were limited to the first annual clearance of Rs.30 lakhs. Duty on polyester filament yarn was brought down to 24 per cent and that on blended yarns to 12 per cent. The

general rate duty on fabrics and garments was reduced to 10 per cent. Weavers/readymade garment manufacturers undertaking job work were relieved from excise formalities and duty payments. These were shifted to traders who get these goods manufactured. For exempted power loom units, a facility was provided to pass on the credit of yarn duty to the processors by endorsement on the duty paying document. In addition to these steps, the customs tariff on specified textile machinery, apparel grade raw wool and paraxylene was cut to 5 per cent.

7.15 These developments have helped set the stage for large-scale investments in the Indian textile industry and improvements in export competitiveness.

7.16 Indian textile exporters face stiff competition from low cost suppliers like Bangladesh, China and Pakistan. In addition, Indian textile exports have also faced anti-dumping and other non-tariff barriers from importing countries. Presently, the exports of cotton and bed-linen and polyester staple fiber to the European Union, polyester texturised filament yarn to Turkey and acrylic blankets to South Africa are subject to anti-dumping duties imposed by importing countries. Similarly, changes introduced by the USA in

**Table : 7.8 Export of Textiles**

(in US\$ million )

Sl.No.	Item	2001-02	2002-03	2002-03 (April-February)	2003-04 (April-February) (Provisional)	Percent Variation 2003-04 (April-Feb)
1.	Textiles(i-v)	9515.2	10367.8	9621.75	10100.87	4.98
	(i) Ready made Garment	4618.7	5031.5	4702.34	4759.21	1.21
	(ii) Cotton Textiles	3081.9	3281.0	3005.38	2989.1	-0.54
	(iii) Wool& WollenTextiles	289.1	266.4	248.32	316.26	27.36
	(iv) Manmade Textiles	1088.5	1360.1	1257.89	1571.83	24.96
	(v) Silk	437.0	428.8	407.82	464.46	13.89
2.	Others@	1249.6	1474.4	1417.02	1154.15	-18.55
<b>Total (1+2)</b>		<b>10764.8</b>	<b>11842.2</b>	<b>11038.71</b>	<b>11255.03</b>	<b>1.96</b>

@ : Includes Handicrafts, Coir & Coir Manufactures and Jute Goods

Source : DGCIS

the "Rules of Origin" criteria affect the exports to third countries like Sri Lanka and members of European Union.

7.17 Two major plan schemes of the government, namely; the Apparel Parks for Exports and the Textiles Centres Infrastructure Development Scheme (TCIDS) have made considerable progress during the year. Up to March, 2004, eleven projects were cleared under the Apparel Parks Scheme: two in Uttar Pradesh (Tronica city, Kanpur) two in Tamil Nadu (Kancheepuram, Tirupur), one each in Kerala (Trivanandhapuram), Andhra Pradesh (Vishakapatnam), Karnataka (Bangalore), Gujarat (Surat), Punjab (Ludhiana), Madhya Pradesh (SEZ, Indore), and Rajasthan (Mahal-Jaipur). Under the TCIDS Scheme, a total 13 projects were cleared : three in Andhra Pradesh (Warangal, Pashmylarlam and Sircilla), two each in Gujarat (Narol-Shahwadi, Pandesara-Surat), Maharashtra (Bhiwandi, Solapur), and Tamil Nadu (Kancheepuram, Tirupur) and one each in Kerala (Kannur), Hayrana (Panipat), Madhya Pradesh (Indore) and in Rajasthan (Jassol Balotra Bithuja). Work has already been initiated on many of these projects.

7.18 As part of a Rehabilitation Scheme, 61 unviable NTC mills have been closed after giving VRS to nearly 36,544 workers upto April, 2004 at a cost of Rs. 1,226 crores. Resources of Rs.1,250 crore were obtained for this VRS program by floating NTC bonds guaranteed by the government. In addition, government guarantee has also been extended to NTC for mobilisation of an additional Rs. 330 crores. NTC has sold surplus assets worth Rs. 390 crores, which has also helped fund the rehabilitation schemes.

## Steel

7.19 The steel industry continued to remain buoyant due to strong growth in demand, propelled by the demand for steel in China and a strong domestic market. Both production and exports continued to rise. During 2003-04, the total finished steel production increased to 36.19 million tonnes and recorded a growth of 7.5 per cent (Table 7.9). Domestic consumption increased to 30.27 million tonnes and grew by 4.7 per cent during 2003-04. The exports

**Table 7.9 : Output of Iron and Steel**

(million tonnes)

Item	2000-01	2001-02	2002-03	2003-04 (prov.)
<b>Finished steel</b>				
Main Producers	12.49 (10.8)	13.05 (4.5)	14.38 (10.19)	15.193 (5.6)
Secondary Producers	16.78 (5.5)	17.58 (4.8)	19.28 (5.6)	21.000 (8.9)
<b>Total</b>	<b>29.27</b> (7.7)	<b>30.63</b> (4.7)	<b>33.67</b> (9.9)	<b>36.193</b> (7.5)
<b>Pig Iron</b>				
Main Producers	0.96 (-21.3)	1.02 (5.4)	1.107 (7.8)	0.971 (-12.3)
Secondary Producers	2.43 (24.5)	3.06 (25.5)	4.17 (36.2)	4.250 (1.7)
<b>Total</b>	<b>3.39</b> (6.8)	<b>4.08</b> (19.8)	<b>5.28</b> (29.4)	<b>5.221</b> (-1.2)
<b>Exports</b>				
Finished steel	2.664 (0.22)	2.704 (1.50)	4.506 (66.6)	5.3 (17.6)
Pig Iron	0.232 (-20)	0.312 (34.48)	0.629 (101.60)	0.552 (-12.2)
<b>Apparent Consumption</b>				
Finished Steel	26.52 (5.6)	27.43 (3.43)	28.89 (5.32)	30.265 (4.7)
Pig Iron	3.24 (7.2)	3.79 (16.97)	4.64 (22.42)	4.687 (0.9)
<b>Note : Figures in brackets indicate percentage change over the previous period/year.</b>				

of finished steel increased to 5.3 million tonnes and grew by 17.6 per cent during 2003-04.

7.20 World steel prices rose from December, 2001 onward. In the case of hot rolled (HR) coils, the price increase in January, 2002-November, 2003 was from US\$199 to US\$300 (ex-Europe). Domestic steel demand rose due to greater construction activity such as road construction under the NHAI. There was considerable increase in domestic steel prices as well.

7.21 The government actively responded to these market developments, and came out with a stream of "industrial policy" actions which would affect the prices of steel. In the 'interim budget' of January, 2004, three changes were announced: (a) reduction in the peak rate of customs duty from 25 per cent to 20 per cent, (b) abolition of SAD of 4 per cent, (c) reduction in customs duty on non-coking coal and nickel from 25 per cent to 15 per cent, and from 10 per cent to 5 per cent, respectively. On February 24, 2004, customs tariffs were cut as follows: (a) on met coke from 10 per cent to 5 per cent, (b) on all carbon steel items

from 20 per cent to 15 per cent, and (c) on pig iron from 20 per cent to 10 per cent. On February 28, 2004, excise duty on steel was reduced from 16 per cent to 8 per cent, and the following changes were made to customs duties: the tariff on pig iron was reduced from 10 per cent to 5 per cent, the duty on coking coal from 5 per cent to 0 and on non-coking coal from 15 per cent to 5 per cent. The DEPB scheme was suspended for iron and steel items.

## Tourism

7.22 During 2003-04, the tourism industry has registered a robust growth of 18.5 per cent (estimated) in foreign tourist arrivals (Table 7.10) compared with the modest growth of 1.7 per cent registered in 2002-03. In absolute terms, the estimated foreign tourist arrivals during 2003-04 increased to 2.9 million compared with 2.5 million during the corresponding period of the previous year. The estimated foreign exchange earnings also increased by 26.5 per cent compared with 4.1 per cent during the corresponding period of the previous year. In absolute terms, estimated foreign exchange earnings increased to US\$ 3.8 billion during 2003-04 from US\$ 3.0 billion in 2002-03.

**Table 7.10 : Foreign Tourist Arrivals and Foreign Exchange Earnings**

Year	Foreign tourist arrivals (in lakhs)	Growth (Percent)	Estimated foreign exchange earnings (in million US\$)	Percent change
1996-97	23.34	6.6	2878	6.1
1997-98	23.71	1.6	2914	1.3
1998-99	23.97	1.1	2993	2.7
1999-00	25.05	4.5	3036	1.4
2000-01	26.99	7.7	3168	4.3
2001-02	24.28	-10.2	2910	-8.1
2002-03	24.70	1.7	3029	4.1
2003-04	29.25*	18.5*	3833*	26.5*

\* Estimated  
Source : Ministry of Tourism

## Oil and Gas

7.23 Turbulence in the international crude oil market has brought back to prominence the questions of dependence on oil, progress in exploration in India, better utilisation of natural gas, and improvements in energy efficiency.

7.24 Natural gas production was 31.40 billion cubic metres (BCM) during 2002-03, up by 5.7 per cent from 2001-02. In 2003-04, production went up by 1.8 per cent to 31.96 BCM (Table 7.11).

7.25 To explore a new source of natural gas from coal bearing areas, Government of India signed 16 contracts for exploration and production of CBM. Exploration activities in these blocks are in progress. Preparatory activities for the Third Round of CBM are under way.

7.26 Petronet LNG Ltd. (PLL), a joint venture was formed for import of Liquefied Natural Gas (LNG) to meet the growing demand of natural gas. PLL has constructed an LNG terminal at Dahej in Gujrat for 5 MTA capacity and plans to construct another at Kochi (Kerala) for 2.5 MMTPA capacity. An LNG sale and purchase agreement between Rasgas of Qatar and PLL was signed on July 31, 1999 for supply of 7.5 MMTPA of LNG for the Dahej and Kochi projects. The Dahej terminal was dedicated to the nation in February, 2004 and commercial supply of re-gasified LNG (R-LNG) commenced from April, 2004. The R-LNG is being supplied to consumers in Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, Haryana, Delhi and Uttar Pradesh. At Kochi LNG terminal, all pre-project activities have been completed, but the progress of the project is conditional on the marketing tie-up. In addition, Shell India Pvt. Ltd. is setting up a 2.5 MMTPA LNG terminal at Hazira in Gujarat, to be completed by end-2004 to supply gas to Gujarat and Maharashtra.

7.27 For enforcing pollution control for automobiles, the Ministry of Petroleum and Natural Gas had set up an expert committee headed by Dr. R. A. Mashelkar, in August 2001 to formulate a National Auto Fuel Policy. Based on its recommendations, the Auto Fuel Policy was finalised by the Government. The Policy,

**Table 7.11 : Trends in the Petroleum Sector**

Item	percent change over previous year						
	2000-01	2001-02	2002-03	2003-04*	2001-02	2002-03	2003-04
	<i>(million tonnes)</i>						
1 Crude oil production	32.43	32.03	33.04	33.38	-1.2	3.2	1.0
i) On-shore	11.79	11.89	17.47	11.46	0.8	-3.9	-0.1
a) ONGC	8.43	8.64	8.45	8.39	2.5	-2.2	-0.7
b) OIL	3.28	3.18	2.95	3.00	-3.0	-7.2	1.7
c) JVC	0.08	0.07	0.07	0.07	-12.5	0.0	0.0
ii) Off-shore	20.64	20.14	21.57	21.92	-2.4	7.1	1.6
a) ONGC	16.63	16.07	17.56	17.68	-3.4	9.3	0.7
b) JVC	4.01	4.07	4.01	4.24	1.5	-1.5	5.7
2 Refinery crude throughput	103.44	107.27	112.56	121.84	3.7	4.9	8.2
3 Production of POL products	95.61	100.00	104.14	113.46	4.6	4.1	8.9
<i>Of which</i>							
Production from fractionator	2.05	2.21	2.37	2.32			
4 Natural gas production (Billion cubic metres)	29.48	29.71	31.40	31.96	0.8	5.7	1.8

Source : Ministry of Petroleum & Natural Gas.

inter-alia lays a road map for changes in fuel quality and vehicular technology to attain a given level of emission.

- (i) Bharat Stage-II emission norms implemented in Agra, Ahmedabad, Bangalore, Hyderabad, Kanpur, Pune and Surat with effect from April 1, 2003, and to be implemented throughout the country by April 1, 2005.
- (ii) Euro-III equivalent emission norms in the four metros and the seven cities mentioned above to be implemented with effect from April 1, 2005, and in all other areas of the country by April 1, 2010.

7.28 In the fourth round of New Exploration Licensing Policy (NELP-IV) to accelerate the pace of exploration of oil and gas in the country, Government signed contracts for 20 blocks in February, 2004. With these blocks, in the first four rounds of NELP, contracts for 90 blocks covering 9.1 lakh square kilometers have been signed and the area under exploration has gone up by over 250 per cent from 0.35 million square kilometers to 1.24 million square kilometer. Today, as much as 74 per cent of the area under Exploration and Production belongs to the NELP blocks. With

the implementation of NELP, 9 discoveries have been made. Of these, the gas discovery in the Krishna Godavari basin, announced in October, 2002 is the most significant with an initial estimated availability of 7 trillion cubic feet (198 BCM of gas).

7.29 ONGC Videsh Limited (OVL) has acquired 25 per cent interest in the Greater Nile Oil Project (GNOP) in Sudan as part of the process of acquisition of equity oil and gas abroad. The field is already producing, and OVL's share in production works out to about 3 million metric tonne per annum. In addition, OVL has acquired interest in 2 exploration blocks in Sudan, 2 exploration blocks in Libya and 1 block in Syria.

7.30 Government introduced the Petroleum Regulatory Board Bill, 2002 in Lok Sabha on May 6, 2002. The Bill was referred to the Department related Parliamentary Standing Committee for examination. The Committee presented its report to Lok Sabha on May 8, 2003 and recommended that the Bill may be passed subject to its recommendations and observations. The Ministry has examined the recommendations and accepted them with minor modifications.

## Electronics & Computer Technology

7.31 The information technology (IT) industry has shaped up as a major success story in India's economy. Exports of computer software and IT-enabled services have become a large component of the exports of the country. This is also an area where the government's role has been very different from that in some other industries. The important contribution of the government in the growth of this industry consists of telecom policies, which enabled low cost computer networking in the country, and investments in human capital such as through the IITs.

7.32 The Indian IT and electronics industry recorded a robust growth of 21.6 per cent during 2003-04. In absolute terms, production has increased to Rs. 97,000 crore and 1,14,650 crore during the year 2002-03 and 2003-04, respectively, as compared with Rs. 80,124 crore during 2000-01 (Table 7.12). In spite of global difficulties in the information, communication, and technology (ICT) sector, the export of Indian software and services is estimated to have increased to Rs. 55,500 crores in 2003-04, a growth rate of about 20.4 per cent in rupee terms and 28 per cent in dollar terms (Table 7.13).

**Table 7.12 : Electronics production**

(Rs. crore)

Item	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04*
1. Consumer Electronics	9,200	11,200	11,950	12,700	13,800	15,200
2. Industrial Electronics	3,300	3,750	4,000	4,500	5,550	6,100
3. Computers	2,300	2,500	3,400	3,550	4,250	6,800
4. Comm. & Broad. Equip.	4,400	4,000	4,500	4,500	4,800	5,350
5. Strategic Electronics	1,300	1,450	1,750	1,800	2,500	2,750
6. Components	4,750	5,200	5,500	5,700	6,600	7,600
<b>Sub-Total</b>	<b>25,250</b>	<b>28,100</b>	<b>31,100</b>	<b>32,750</b>	<b>37,500</b>	<b>43,800</b>
7. Software for Exports	10,940	17,150	28,350	36,500	46,100	55,500
8. Domestic Software	4,950	7,200	9,400	10,874	13,400	15,350
<b>Total</b>	<b>41,140</b>	<b>52,450</b>	<b>68,850</b>	<b>80,124</b>	<b>97,000</b>	<b>1,14,650</b>
<b>*Estimated</b>						
<b>Source : Ministry of Communication &amp; Information Technology (Department of Information Technology).</b>						

**Table 7.13 : Electronics Exports**

(Rs. Crore)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04*
1. Consumer Electronics	400	300	64	700	750	-
2. Industrial Electronics	160	200	50	950	1,400	-
3. Computers	400	240	1,250	1,800	550	-
4. Comm. & Broad. Equip.	70	50	55	150	500	-
5. Strategic Electronics	10	10	-	-	-	-
6. Components	760	600	1,840	2,200	2,400	-
Sub-Total	1,800	1,400	4,788	5,800	5,600	6,000
7. Computer Software	10,940	17,150	28,350	36,500	46,100	55,500
<b>Total</b>	<b>12,740</b>	<b>18,550</b>	<b>33,138</b>	<b>42,300</b>	<b>51,700</b>	<b>61,500</b>
<b>* Estimated - Not available</b>						
<b>Source : Ministry of Communication &amp; Information Technology (Department of Information Technology).</b>						