Performance of Selected Industries

Petroleum

22. In 1997-98, crude oil production registered an increase of 2.9 per cent to 33.86 million tonnes from 32.9 million tonnes in 1996-97. In the current year (April-November), however, crude oil production has suffered an absolute decline of -4 per cent to 21.67 million tonnes from 22.58 million tonnes during April-November 1997-98 (Table 7.8 and Figure 7.3).

23. During April-November 1998, the production of natural gas was 18.24 BCM, 6.9 per cent higher than the 17.06 BCM in the same period of the previous year. Natural gas production in 1997-98 was 26.4 BCM. In an effort to bridge the gap between demand and supply of natural gas, several measures have been taken. These include a joint venture between GAIL and British Gas for supplying gas to households in Mumbai, implementation of the Gas Flaring Reduction project by ONGC in western offshore area, expanding the capacity of HBJ pipeline by GAIL and the proposed commissioning of two new LPG plants in Assam and Maharashtra in the current year. The JVC Petronet Limited has been set up with GAIL, ONGC, IOC and BPCL having 50 per cent equity and balance by FIs for setting up LNG terminals at various points. To facilitate an optimal evolution of the sector, proposal for establishment of a Gas Regulatory Authority is under consideration.

24. During April-November 1998, total refinery production of 41.67 million tonnes registered an increase of 3 per cent over the production of 40.45 million tonnes during the same period in 1997. Total refining capacity in the country has been augmented to 68 million tonnes with the commissioning of 6 million tonnes grassroot refinery at Panipat in May 1998 which is likely to be fully operational in March 1999. Also, several projects for expansion in refinery capacity are under consideration, including the 9 MMTPA JV refinery at Paradeep and another near Bhatinda. In addition, proposals to set up power plants as JVCs at Cochin by CRL, Panipat, Koyali and Kosikalan by IOC and at Madras by MRL, based on refinery residues, have been formulated.

25. Total consumption of petroleum products during April-November 1998 at 54.9 million tonnes was 5 per cent higher than 52.3 million tonnes during the corresponding period of the previous year (Table 7.9). The total consumption in 1997-98 was 80.1 million tonnes (excluding 4.4 million tonnes imported by private parties).

TABLE 7.8

Trends in the Petroleum Sector

				April-November*		% Change over previous year		
Item	95-96	96-97	97-98*	97-98	98-99	96-97	97-98	98-99**
				(million tonnes)			(per cent)	
1. Crude oil production	35.17	32.90	33.86	22.58	21.67	-6.5	2.9	-4.0
(i) On-shore	11.88	11.41	11.52	7.69	7.85	-4.0	1.0	2.1
(a) ONGC	8.97	8.50	8.39	5.59	5.60	-5.2	-1.3	0.2
(b) OIL	2.88	2.87	3.09	2.06	2.20	-0.3	7.7	6.8
(c) JVC	0.03	0.04	0.04	0.04	0.05	33.3	0.0	25.0
(ii) Off-shore	23.29	21.49	22.34	14.89	13.82	-7.7	4.0	-7.2
(a) ONGC	22.67	20.18	19.87	13.42	12.24	-11.0	-1.5	-8.8
(c) JVC	0.62	1.31	2.47	1.47	1.58	111.3	88.5	7.5
2. Refinery throughput	58.74	62.87	65.13	43.11	44.41	7.0	3.6	3.0
3. Production of petroleum products $	55.08	59.01	61.31	40.45	41.67	7.1	3.9	3.0
				(billion cubic meters)				
4. Natural gas prodn.	22.64	23.26	26.40	17.06	18.24	2.7	13.5	6.9

* Provisional **April-November $ Excludes LPG production from fractionator

26. Gross imports of POL products during April-November 1998 was 39.3 million tonnes valued at Rs. 16,892 crore compared to imports of 35 million tonnes valued at Rs. 19,480 crore in the corresponding period of 1997. Gross imports in 1997-98 stood at 54 million tonnes. Two new LPG import facilities with handling capacity of 0.6 million tonne each, commissioned at Kandla and Mangalore during 1997-98, are expected to result in larger imports of LPG during the current year. Private and joint sector refineries have been allowed to import crude freely without Import License for actual use in their refineries.

27. The first phase of dismantling the Administered Price Mechanism (APM) in the petroleum sector commenced in April 1998. The cost plus formula for indigenous crude oil producers and for shipping of crude oil have been withdrawn with a minimum floor price fixed as temporary measure. Retention pricing for refineries have been abolished and refinery gate prices of controlled products like MS, HSD, SKO, LPG and ATF are being fixed on "Adjusted Import Parity Pricing" basis for existing refineries. However, consumer prices of MS, HSD, SKO for the PDS, LPG for domestic use and ATF are still administered. Price of HSD is being fixed on principle of Import Parity Pricing upto ex-storage point level. Prices of Naptha, FO, LSHS, Bitumen and Paraffin wax have been decontrolled from April 1998 and free market operation has been allowed to oil companies.

28. Other measures in the sector include a reduction in the customs duty on crude oil from 27 per cent to 22 per cent from June 1998. In order to boost refining capacity for meeting future needs, tax holiday has been extended upto 2003 for new refineries set up after October 1, 1998. In another major step, petroleum (other than crude) and its distillation products have been removed from the list of industries reserved for public sector and have also been delicensed.

29. A number of steps have been taken to curb vehicular pollution. These include country-wide mandatory introduction of unleaded petrol with maximum lead content of 0.013 gms/litre from April 2000, progressive reduction of sulphur content in diesel and installation of pre-mixed fuel dispensers to check the use of sub-standard/ improper quality lubricating oil in 2T Engines etc.

Coal

30. Coal production in 1997-98 recorded a growth of 3.6 per cent over 1996-97. Coking coal production experienced a growth of 7.4 per

TABLE 7.9

Consumption of Petroleum Products**

Item	1995-96	1996-97	1997-98*	April-November* 1997-98	April-November* 1998-99	% Change over previous year 1996-97	% Change over previous year 1997-98	% Change over previous year 1998-99@
	(million tonnes)					(per cent)		
1. Light distillates of which	13.1	14.4	15.8	10.1	11.3	9.9	9.7	11.9
(a) Naptha	3.7	4.0	4.7	2.9	3.9	8.1	17.5	34.5
(b) LPG	3.8	4.2	4.6	2.9	3.2	10.5	9.5	10.3
(c) Petrol	4.7	5.0	5.1	3.4	3.6	6.4	2.0	5.9
2. Middle distillates of which	45.5	48.5	49.9	33.0	34.0	6.6	2.9	3.0
(a) Kerosene	9.3	9.6	9.9	6.5	7.0	3.2	3.1	7.7
(b) Diesel oil	32.3	35.0	36.2	23.9	24.4	8.4	3.4	2.1
3. Heavy ends of which	13.9	14.3	14.4	9.2	9.6	2.9	0.7	4.3
Fuel oil	10.7	10.8	11.0	7.2	7.3	0.9	1.9	1.4
Total (1+2+3)	72.5	77.2	80.1	52.3	54.9	6.5	3.8	5.0
4. Import by private parties	2.2	2.0	4.4	2.1 @@	2.9 @@	-9.1	120.0	38.1
Total	**74.7**	**79.2**	**84.5**	**54.4**	**57.8**	**6.0**	**6.7**	**6.3**

*** Provisional @ April-November ** Excluding Refinery Boiler Fuel @@ April-October**

cent in 1997-98, much higher than the mere 1 per cent growth in 1996-97. But non-coking coal, which accounts for about 85.3 per cent of the total output, registered a growth of 3 per cent in 1997-98, lower than the 6.6 per cent growth in 1996-97 (Table 7.10 and Figure 7.3). Growth rates in underground and opencast mines were 0.4 per cent and 4.6 per cent respectively in 1997-98. Coal dispatches registered a growth of 3.4 per cent in 1997-98. Lignite production grew at a higher rate of 2.7 per cent in 1997-98 compared to 1.8 per cent in 1996-97. In 1998-99 (April-October), coal production has been to the tune of 154.7 million tonnes compared to 152 million tonnes in the comparable period of 1997-98.

31. Coal sector continues to suffer from the problem of low productivity in underground mines. Output per man shift has stagnated around 0.5 tonne for the last two decades despite massive investments made in mechanisation of underground mines.

32. In an attempt to promote greater investment in coal mining, the Government has delicensed coal & lignite and they have also been removed from the list of industries reserved for the public sector.

Steel

33. Finished steel production increased by 2.9 per cent in 1997-98 to 23.37 million tonnes. The production of pig iron in 1997-98 at 3.38 million tonnes was marginally higher than the 3.3 million tonnes in 1996-97. Secondary producers of pig iron have registered a growth of 7 per cent in production in 1997-98 over 1996-97 (Table 7.11). Sponge iron production in 1997-98 was 5.3 million tonnes, about 7 per cent higher than 5 million tonnes in 1996-97. The recessionary trend in steel production has continued in the current year (April-November) with finished steel output declining by -1.5 per cent to 14.84 million tonnes

TABLE 7.11
Output of Iron & Steel (million tonnes)

Item	1996-97	1997-98	April-November 1997-98	April-November 1998-99
Finished Steel				
Main Producers	10.54 (-0.4)	10.44 (-0.9)	6.75 (-1.9)	6.36 (-5.8)
Secondary Producers	12.18 (12.6)	12.93 (6.2)	8.32 (6.5)	8.48 (1.9)
Total	22.72 (6.2)	23.37 (2.9)	15.07 (2.5)	14.84 (-1.5)
Pig Iron				
Main Producers	1.73 (-4.4)	1.70 (-1.7)	1.22 (-1.2)	0.96 (-21.3)
Secondary Producers	1.57 (48.1)	1.68 (7.0)	1.17 (17.3)	0.97 (-17.1)
Total	3.30 (14.9)	3.38 (2.4)	2.39 (7.0)	1.93 (-19.2)

Note : Figures in brackets indicate percentage change over the previous year.

TABLE 7.10
Trends in the Coal Sector

		1996-97	1997-98	April-October 1997-98	April-October 1998-99*	% Change over previous year 1997-98	% Change over previous year 1998-99*
			(Million tonnes)			(per cent)	
1.	Production						
	(a) Opencast	214.8	224.7	113.6	117.4	4.6	3.4
	(b) Underground	70.9	71.2	38.4	37.3	0.4	-2.8
	Total	285.7	295.9	152.0	154.7	3.6	1.8
2.	Production (By coal grade)						
	(a) Coking coal	40.5	43.5	22.1	20.8	7.4	-5.8
	(b) Non-coking coal	245.1	252.4	129.9	133.9	3.0	3.1
	(c) Washed coal	11.0	10.0	3.9	**3.6	-9.1	-8.0
	(d) Middlings	6.8	NA	3.1	3.0	-	-2.6
3.	Pithead stocks (year-end)	30.0	29.2	17.0	22.5	-2.7	32.2
4.	Despatches	282.9	292.6	162.7	158.6	3.4	-2.5
5.	Lignite production	22.5	23.1	10.7	10.8	2.7	0.8
6.	Output per man-shift (OMS)						
	(i) CIL	1.9	1.9	1.8	1.9	0.0	8.6
	(ii) SCCL	1.2	1.3	1.2	1.2	8.3	-1.6

* Provisional ** Only CIL

compared to 15.07 million tonnes in the same period of the previous year.

34. Consumption of finished steel in 1997-98 at 22.6 million tonnes registered an increase of 2.2 per cent over 1996-97. The total volume of iron and steel exported during 1997-98 was 3 million tonnes valued at Rs 2937 crore as against 2.7 million tonnes valued at Rs 2396 crore exported during 1996-97.

35. The steel industry is facing problems due to sluggish demand in steel consuming sectors, lack of investment in major infrastructure projects, cost escalations in input for iron and steel and increasing competition from abroad. The Government is taking necessary measures for revival of the industry. Following recommendations of the Task Force set up for the steel sector by the Ministry of Finance, seven inputs crucial in steel manufacturing have been exempted from imposition of Special Additional Duty.

Textiles

36. Textile industry accounts for about 4 per cent of GDP, 20 per cent of manufacturing value added and one-third of total export earnings. It provides employment to millions of skilled and semi-skilled workers. The industry is characterised by wide diversity ranging from the organized mill sector to the decentralized powerloom sector and millions of artisans and weavers.

37. The production of man-made fibre and yarn has increased significantly from 223 million kgs in 1980-81 to 1,477 million kgs in 1997-98. However the ratio of cotton to man-made fibre in the Indian textile industry is quite high at 65:35 compared to the world average of 46:54. There is thus sufficient scope to increase the use of man-made fibres and utilize cotton for higher ends of the market, particularly for the export market.

38. The production of fabrics registered an annual growth rate of 7.6 per cent from 27,898 million sq meters in 1993-94 to 37,436 million sq meters in 1997-98. While the share of the mill sector in fabric production has declined from 7.1 per cent in 1993-94 to 5.2 per cent in 1997-98, the share of powerlooms (including hosiery) has increased from 70.4 per cent to 73 per cent during this period. The per capita availability of fabrics has increased from 26.22 sq meters in 1993-94 to 30.92 sq meters during 1997-98. During the current year (April-September), production of fabrics has, however, marginally declined to 18,139 million sq meters from 18,718 million sq meters in the corresponding period of 1997. The production profile of fabrics is given in Table 7.12.

39. Exports of textile items including jute and handicrafts increased from US $ 6600 million in 1992-93 to US $ 11,839 million in 1996-97, indicating a compound annual growth of 15.7 per cent. However, export growth decelerated to 4.7 per cent in 1997-98. In the current year, the East Asian economic crisis and sluggish growth of world trade have significantly contributed to decline in export of cotton yarn. But the export of readymade garments, the mainstay of textile exports and the export of cotton fabrics and made-ups, have increased during April-November 1998 by 8.3 per cent and

TABLE 7.12

Production of Fabrics (million sq.mtrs)

Sector	1993-94	1994-95	1995-96	1996-97	1997-98	April-September 1997-98	April-September 1998-99*
Mills	1990	2271	2019	1967	1948	991	973
Powerlooms (inc. hosiery)	19631	19724	22239	24885	27344	13524	13461
Handlooms	5851	6180	7202	7456	7604	3933	3435
Others	426	431	498	540	540	270	270
Total	**27898**	**28606**	**31958**	**34848**	**37436**	**18718**	**18139**
					Share in Output (per cent)		
Mills	7.1	7.9	6.3	5.6	5.2	5.3	5.4
Powerlooms (inc. hosiery)	70.4	69.0	69.6	71.4	73.0	72.3	74.2
Handlooms	21.0	21.6	22.5	21.4	20.3	21.0	18.9
Others	1.5	1.5	1.6	1.6	1.5	1.4	1.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Provisional

3.5 per cent respectively over April-November 1997.

40. In the face of progressive globalization, the textile industry requires improvement in product quality and cost efficiency. To this end, the Government has proposed two major initiatives, viz., Cotton Technology Mission (CTM) and Technology Upgradation Fund (TUF). While the main thrust of CTM will be on improving productivity and quality of cotton, the TUF will address the problem of technology obsolescence particularly in the weaving and processing sectors of the industry. These initiatives, when operationalised, are expected to enhance cost efficiency and improve quality of production in the textile industry. In July 1998, the Government also set up an Expert Group to review the existing Textile policy and recommend changes against the emerging imperatives of international competition.

Food processing

41. The production of processed fruits and vegetables declined by about 5.2 per cent in 1997-98. However, exports of processed fruits and vegetables are estimated to increase to Rs. 889 crores in 1998-99 as compared to Rs. 745 crore in 1997-98.Production of milk products is estimated to have increased to 306 thousand tonnes in 1998 from 290 thousand tonnes in 1997. Exports of animal products (including milk products) is expected to increase to over Rs 1100 crore in 1998-99 from Rs 910 crore in 1997-98. Marine fish harvest experienced a 2.8 per cent growth in production in 1997-98 and export of marine products is expected to increase to over Rs 5500 crore in 1998-99 from Rs 4643 crore in 1997-98.

42. Subsequent to the deregulation of food industry under the New Industrial Policy of 1991, 4676 IEMs have been filed till September 1998 in various sub-sectors of the food processing industry, envisaging investment worth Rs.53,490 crore. Besides, for setting up 100 per cent Export Oriented Units/Joint Ventures in various food processing sectors, 1078 approvals with a potential investment of Rs.18,664 crore, have been granted till September 1998. Out of total investment proposals worth Rs.72,154 crore approved in this industry, the amount of foreign investment is Rs 8940 crore. Till September 1998, 837 projects have gone into commercial production and the total foreign investment inflow in the sector till March 1998 is around Rs.1800 crore.

Electronics

43. Electronics is the fastest growing sub-sector of the Indian industry. It achieved a growth of 20 per cent in production in 1997-98. Production of electronic items is likely to register a growth of 40 per cent per annum during the 9th Plan period.

44. With delicensing of consumer electronics industry, liberalisation in foreign investment and Export-Import Policies, all renowned global giants have either established production facilities in the country or are present in the market through technical/financial collaborations, thus giving the consumer a wider choice in terms of product features, technology quality and competitive prices.

45. In software, the strength of the country with its abundant technical manpower skills is well recognised. To further harness this potential, the

TABLE 7.12
Production of Fabrics (million sq.mtrs)

Sector	1993-94	1994-95	1995-96	1996-97	1997-98	April-September 1997-98	April-September 1998-99*
Mills	1990	2271	2019	1967	1948	991	973
Powerlooms (inc. hosiery)	19631	19724	22239	24885	27344	13524	13461
Handlooms	5851	6180	7202	7456	7604	3933	3435
Others	426	431	498	540	540	270	270
Total	**27898**	**28606**	**31958**	**34848**	**37436**	**18718**	**18139**
				Share in Output (per cent)			
Mills	7.1	7.9	6.3	5.6	5.2	5.3	5.4
Powerlooms (inc. hosiery)	70.4	69.0	69.6	71.4	73.0	72.3	74.2
Handlooms	21.0	21.6	22.5	21.4	20.3	21.0	18.9
Others	1.5	1.5	1.6	1.6	1.5	1.4	1.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* **Provisional**

Government has taken several important initiatives to make India a global information technology superpower and a frontrunner in the era of information revolution. As a result, software industry has emerged as one of the standout sectors of the economy, recording a growth of 58 per cent in production and an increase in exports by 76 per cent in 1997-98.

46. Recognising the potential of information technology, top priority has been given to its promotion. A National Task Force on Information Technology and Software Development was set up in May 1998. The Task Force has submitted a 108-point Action Plan. Details of the recommendations of the Task Force are given in Box 7.3.

BOX 7.3

National Task Force on Information Technology and Software Development

- Recognising that the impressive growth achieved by the country since the mid-1980s in Information Technology is only a fraction of the potential, a National Task Force on Information Technology and Software Development was set up on May 22, 1998 under the chairmanship of the Deputy Chairman, Planning Commission.
- The Task Force submitted the Information Technology (IT) Action Plan comprising 108 recommendations on July 4, 1998. The recommendations have since been notified in the Gazette of India, dated 25th July 1998.
- While making recommendations, the Task Force has kept in view the objective that by 2008, the annual export of computer software will be US $ 50 billion and the export of computer and telecom hardware will be US $ 10 billion.
- The major recommendations of the Task Force are:
  — The compound annual growth rate of around 55 per cent observed between 1992-97 should increase to 80 per cent by 2008.
  — Schools, polytechnics, colleges and public hospitals in the country shall have access to computer and Internet by the year 2003.
  — A new paradigm in setting up IT software and hardware manufacturing units for making them viable for meeting both local demands as well as exports by creating a policy framework and investment climate in the country comparable to that in Taiwan, Malayasia and Singapore.
  — A policy framework and industrial strategy designed for making the Indian IT industry strong enough to meet the demands of a zero duty regime under the WTO-ITA by the year 2003.
  — Spread the IT culture to all walks of economic and social life of the country.
  — The 108-point Action Plan also includes opening of Internet Gateway access; encourage private STPs; zero customs and excise duty on IT software; income tax exemption to software and services exports; encouragement to set up venture capital funds; a fund to handle the Y2K problem; gift tax exemption on computers; 1-3 per cent of Budget of every Ministry/ Department for IT applications; networking of all Universities and research institutions; allowing US Dollar linked stock options to employees of Indian software companies; Sweat Equity; and new schemes for students including attractive package for buying computers etc.
- Government has accepted the Task Force recommendations and has directed all concerned departments to implement the recommendations.
- On the basis of the IT Action Plan, the Internet policy as well as licensing terms and conditions were modified and a large number of Internet service providers have been licensed.
- An ‘Operation Knowledge’ has been launched for universalising IT education and IT-based education in a phased manner.
- The second report on “Information Technology Action Plan Part II: Development, Manufacture and Export of IT Hardware” was submitted on November 3, 1998.