

5. INDUSTRY

Tamil Nadu is one of the leading industrial States with broad and diversified manufacturing base, the key sectors being automobiles, textiles, leather, chemicals and the sunrise IT industry. In the post liberalisation era, the State has emerged as one of the top ranking States in attracting industrial investment. In terms of Foreign Direct Investment (1991-2003) Tamil Nadu stood third next only to Maharashtra and Delhi. Of late, the State has emerged as the most preferred IT destination in India.

5.1. New Industrial Policy 2003:

The dynamic New Industrial Policy, ushered in September 2003 by the State lays its focus on optimal use of resources, upgradation of managerial skills and administration, technical improvement and modernisation in the fields of manufacturing sector and infrastructure.

To accelerate the industrial growth in the State, steps would be taken for reforming labour laws, fiscal incentives, restructuring public sector undertakings, deregulation of business procedures and promotion of export zones and industrial parks with private participation, easing stamp duties and registration for Government industrial parks and approved private parks and assistance to closed and sick units for their revival.

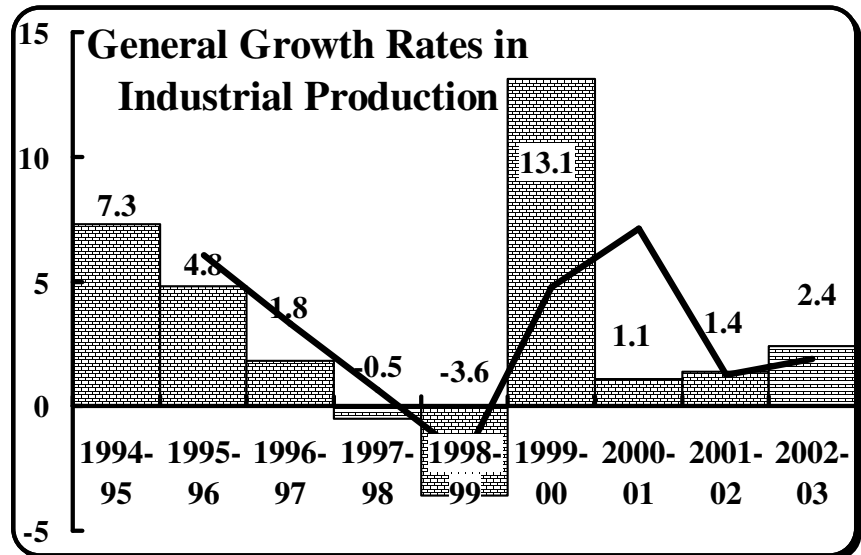
For effective consultation and policy review, Standing Consultative Groups would be formed by associating Industry Federations, Financial Institutions and Government Agencies on (i) WTO and Import-Export Issues; (ii) Industry, Labour, Laws and Procedural Issues and (iii) Infrastructure.

5.1.1. Salient Features of Policy :

- Target a growth rate of the order of 8 per cent over the Tenth Plan period.
- Re-orient its strategy to facilitate new manufacturing capacity building based on improved competitiveness.
- State will help to promote FDI into new manufacturing capacity.
- Assist the existing industrial base to consolidate its gains and promote its efficient growth in the highly competitive domestic and export markets and
- Encourage private public partnerships and create an environment which enables the flow of substantial domestic and foreign capital for infrastructure building.

5.2. Industrial Production, 2002-03:

Industrial production in Tamil Nadu which has been passing through a difficult phase in the recent past, showed some signs of recovery during 2002-03. The industrial growth as measured by the Index of Industrial Production registered a moderate growth of 2.4 per cent during 2002-03 as against 1.4 per cent achieved in the preceding year 2001-02. There was a marked recovery both in mining and manufacturing sectors compared with the previous year though electricity generation stagnated. To achieve the targeted growth of 8 per cent set in the Tenth Five Year Plan, the industrial sector in the State has to register an average growth of 9.4 per cent per annum in the remaining four year periods of the Plan to make up the leeway.



At the national level also, the overall industrial production is on the path of recovery : the IIP for all-India registering a growth of 5.8 per cent during 2002-03 as compared to 2.8 per cent in 2001-02. The relatively better performance of manufacturing sector with a growth rate of 6 per cent had contributed to the overall growth.

Table - 1: Index of Industrial Production - Tamil Nadu and All-India
(Index Base year : 1993-94 = 100)

Tamil Nadu								
Year / Weight	Mining (1.27%)		Manufacturing (92.01%)		Electricity (6.72%)		General (100.00%)	
	Index	Growth Rate(%)	Index	Growth Rate (%)	Index	Growth Rate (%)	Index	Growth Rate(%)
2000-01	135.5	(-)19.5	123.8	1.0	148.5	8.2	125.5	1.1
2001-02	134.3	(-)0.9	124.9	0.9	160.5	8.1	127.3	1.4
2002-03	142.8	6.3	127.9	2.4	161.0	0.3	130.3	2.4
All-India								
Weight	(10.47%)		(79.36%)		(10.17%)		(100.00%)	
2000-01	130.3	2.8	167.9	5.3	154.4	4.0	162.6	5.0
2001-02	131.9	1.2	172.7	2.9	159.2	3.1	167.0	2.8
2002-03	139.6	5.8	183.1	6.0	164.3	3.2	176.6	5.8

Source: 1. Tamil Nadu: Department of Economics and Statistics, Chennai-6.
2. All-India : Annual Report, 2002-03, RBI, Mumbai.

The decomposition of the manufacturing sector shows that as many as eleven sub-groups out of 15 sub-groups of manufacturing with an aggregate weight of 64.5 per cent had registered the positive growth during 2002-03. Of which four groups registering robust growth. They are: 'textile products other than mills' registered a growth of 31.9 per cent followed by 'other manufacturing' (26.7%), 'non-metallic mineral products' (18.0%) and 'paper and paper products' (12.4%). The other groups which registered positive growth are : 'machinery and equipments' (8.9%), 'wool, silk and synthetic fibre textiles' (7.7%), 'metal products and parts' (4.3%) and 'transport equipment and parts' (4.3%) . 'Basic metals and alloys' (3.2%), 'cotton textiles' (3.1%), 'rubber, plastics, petroleum and coal products' (2.8%) recorded a lower growth rate. The remaining four sub-groups with the weight of 27.51 per cent which registered the negative growth rates are: 'food products' (- 6.1%), 'beverages, tobacco, tobacco products' (-21.0%), 'leather products' (-8.4%) and 'chemical and chemical products' (-16.5%). It could be noted that as many as five groups which fared poorly during 2001-02 had revived during 2002-03. They are: 'cotton textiles', 'rubber, plastics and petroleum products', 'machinery and equipments', 'transport equipments and parts' and 'other manufacturing groups.' The performance of other three sub-groups suffered this year viz. 'food products', 'leather and leather products' and 'chemical and chemical products'.

5.2.1. Performance of Industry : Use Based Classification:

The industry groups are classified into four groups on the basis of products used by them viz. **a:** Basic goods (any bulk raw materials used for further production), **b:** Capital goods (plants and machinery are used as investments), **c:** Intermediate goods (any unfinished products used for further production) and **d:** consumer goods (goods used for final consumption) which is further divided into two such as consumer durable goods (final products having larger durability directly used by the consumers) and consumer non-durable goods (final products) having short durability directly used by the consumer. Since the data on use-based classification is available only for two years (i.e.) 2001-02 and 2002-03, the review is limited to these two years. It is seen that all the categories had performed well except basic goods industry. Production of capital goods industry which is a supply side indicator of investment in real terms registered a growth rate of 7.8 per cent. Eventhough, the intermediate goods industry had recorded a low growth of 0.8 per cent, the consumer durable goods industry posted a robust growth of 16.5 per cent.

Table - 2 : Industrial Production - By Use-Based Classification

Industry Group	Weight (%)	Growth Rate (%)	
		2001-02	2002-03
1. Basic Goods	22.992	4.1	(-)0.5
2. Capital Goods	12.081	(-)6.2	7.8
3. Intermediate Goods	36.083	1.8	0.8
4. Consumer Goods	28.844	1.9	4.2
a. Consumer-Durable Goods	6.395	(-)11.7	16.5
b. Consumer - Non-durable Goods	22.449	5.3	1.6
General	100.000	1.4	2.4

Source: Department of Economics and Statistics, Chennai - 6

5.3. Result of Annual Survey of Industries:

Annual Survey of Industries (ASI) is the principal source of industrial statistics which provide wide range of information to assess and evaluate the structural changes in the organised manufacturing sector. It covers all factories registered under Section 2m(i) and 2m(ii) of the Factories Act, 1948, i.e. those factories employing 10 or more workers using power and those employing 20 or more workers without using power. All electricity undertakings are covered under ASI irrespective of their employment status. Since there is a time lag for the results to be made available, the latest available results are related to the year 1999-2000.

The structure of industrial development in the State for period ending March, 2000 is analysed with reference to the six principal industrial characteristics viz. number of factories and their employees, fixed and productive capital deployed in the production process, gross value of output and net value added to the gross domestic product. Among the six industrial characteristics, there was a decline in number of factories and employees during 1999-2000 which are serious causes for concern. The number of factories declined by 261 from 20478 in 1998-99 to 20217 in 1999-2000. The number of employees accommodated by these factories had also declined by 5.22 per cent from 11.69 lakhs in 1998-99 to 11.08 lakhs in 1999-2000. However, fixed capital and productive capital had increased by 1.95 per cent and 4.26 per cent respectively during 1999-2000 compared to 1998-99. During 1999-2000, the gross value of output and net value added had registered a salutary growth rate of 27.78 per cent and 20.02 per cent respectively. The factory sector had contributed Rs.94549 crores in terms of gross value of output to GSDP and Rs.14788 crores by way of net value added.

Table - 3 : Performance of Principal Industrial Characteristics - ASI Tamil Nadu

Characteristics	Unit	1997-98	1998-1999	1999-2000
Factories	Number	19406 (1.06)	20478 (5.52)	20217 (-) 1.27
Fixed Capital	Rs. Crores	36105 (2.55)	35269 (-) 2.32	35957 (1.95)
Productive Capital	Rs. Crores	49924 (6.86)	44120 (-) 11.63	45999 (4.26)
Gross Value of Output	Rs. Crores	89654 (20.81)	73996 (-) 17.46	94549 (27.78)
Net Value Added	Rs. Crores	10363 (-) 23.16	12321 (18.89)	14788 (20.02)
Employees	Lakh nos.	13.48 (6.48)	11.69 (-) 13.28	11.08 (5.22)

Figures in brackets indicate percentage change over the previous year.

Source: Industrial profile of Tamil Nadu, Department of Economics & Statistics, Chennai - 6.

5.3.1. Technical Co-efficients:

The technical co-efficients are a measure to assess the operational efficiency of industry. This has been assessed with reference to certain select indicators. The capital-output ratio measures the quantum of capital required to produce one unit of net output i.e. net value added. Lower the ratio shows the higher efficiency with which the industrial units are functioning. The ratio of fixed capital to net value added had declined from 2.86 in 1998-99 to

2.43 in 1999-2000 indicates an improvement in capital efficiency. The ratio of fixed capital to gross output also declined to 0.38 in 1999-2000. However, the relative efficiency measured by the ratio of net value added to output had marginally declined from 0.17 in 1998-99 and stood at 0.16 in 1999-2000. The earnings of employees to net value added measured by the ratio of emoluments to net value added dropped to 0.44 during 1999-2000 from 0.47 in 1998-99.

Table - 4: Technical Co-efficients - ASI Tamil Nadu

Sl. No.	Parameters	1997-98	1998-99	1999-2000
1.	Fixed Capital to Net Value Added	3.48	2.86	2.43
2.	Fixed Capital to Gross Output	0.40	0.48	0.38
3.	Net Value added to Output	0.12	0.17	0.16
4.	Emoluments to Net Value Added	0.59	0.47	0.44

Source: *Industrial Profile of Tamil Nadu, Department of Economics & Statistics, Chennai-6.*

5.3.2. Structural Ratios:

The level of efficiency measured by the key structural ratios of principal characteristics showed the values based on investment and output had increased during 1999-2000. A factory was operated with an average investment of Rs.177.86 lakhs of fixed capital in 1999-2000 which had risen from Rs.172.33 lakhs in 1998-99 and productive capital also rose to Rs.227.53 lakhs from Rs.215.45 lakhs. The average contribution of per factory to GSDP by way of gross value of output had increased from Rs.361.34 lakhs in 1998-99 to Rs.467.67 lakhs in 1999-2000 and net value added from Rs.60.17 lakhs to Rs.73.15 lakhs. However, the average number of employees per factory had decreased to 55 from 57. It is also seen that fixed capital, productive capital gross value of output and emoluments per employee had increased during 1999-2000.

Table – 5: Annual Survey of Industries - Tamil Nadu Key Structural Ratios

Characteristics	Unit	Per Factory			Per Employee		
		1997-98	1998-99	1999-00	1997-98	1998-99	1999-00
Fixed Capital	Rs. lakhs	186.05	172.23	177.86	2.68	3.02	3.24
Productive Capital	Rs. lakhs	257.26	215.45	227.53	3.70	3.78	4.15
Gross Value of Output	Rs. lakhs	461.99	361.34	467.67	6.65	6.33	8.53
Net Value Added	Rs. lakhs	53.40	60.17	73.15	0.77	1.05	1.33
Employees	No.	69	57	55	-	-	-
Emoluments	Rs. lakhs	-	-	-	0.45	0.50	0.58

Source: *Industrial Profile of Tamil Nadu, Department of Economics & Statistics, Chennai -6.*

At the national level, Tamil Nadu accounted for 15.39 per cent of factories 13.51 per cent of employment and 10.54 per cent of total output. Among the major States, Tamil Nadu stood first in number of factories, second in providing employment and third in productive capital deployed, value of output and net value added.

Table – 6: Tamil Nadu in All-India : By Select Characteristics : ASI

Sl. No.	Characteristics	All-India			Tamil Nadu's (Share %)		
		1997-98	1998-99	1999-2000	1997-98	1998-99	1999-2000
1.	Number of Factories	135551	131706	131558	14.57 (2)	15.51 (1)	15.39 (1)
2.	Fixed Capital (Rs. crores)	421522	391151	401864	8.26 (4)	9.02 (5)	9.33 (4)
3.	Productive Capital (Rs. crores)	586531	493892	505649	8.22 (4)	11.50 (4)	9.34 (3)
4.	Employment (Lakh Nos.)	99.26	85.86	81.73	11.06 (2)	13.09 (2)	13.51 (2)
5.	Gross Value of Output (Rs.crores)	825423	783771	897938	10.01 (3)	9.78 (3)	10.54 (3)
6.	Net Value Added (Rs. crores)	155947	145461	154974	8.65 (4)	9.38 (3)	9.55 (3)

Note: Figures in brackets indicate the position of Tamil Nadu among the States at National level.

Source: Annual Survey of Industries 1999-2000, Summary Results of Factory Sector, CSO.

5.3.3. Estimated Results of Annual Survey of Industries:

The latest estimated data on Annual Survey of Industries is made available from Central Statistical Organisation for the years viz. 2000-01, 2001-02 and 2002-03 (as on 30.01.04). It revealed that during the year 2002-03, Tamil Nadu has been occupying the top slot in terms of number of factories among the major States, second in providing employment and third position in terms of value of output and net value added. At the national level, the State's contribution accounted for 15.21 per cent in number of factories, 14.37 per cent in employment, 9.88 per cent in output and 9.07 per cent in net value added.

Table – 7: Tamil Nadu in All-India : By Select Characteristics : ASI (Estimated Data)

Sl. No.	Characteristics	All-India			Tamil Nadu's (Share %)		
		1997-98	1998-99	1999-2000	1997-98	1998-99	1999-2000
1.	Number of Factories	131268	128549	128039	15.69 (1)	14.71 (1)	15.21 (1)
2.	Fixed Capital (Rs. crores)	399604	431960	NA	9.37 (3)	8.31 (3)	-
3.	Productive Capital (Rs. crores)	504813	532366	NA	9.30 (3)	8.61 (3)	-
4.	Employment (Lakh Nos.)	79.88	77.51	78.90	14.22 (2)	14.14 (2)	14.37 (2)

5.	Gross Value of Output (Rs.crores)	926902	962457	1087865	11.17 (3)	9.80 (3)	9.88 (3)
6.	Net Value Added (Rs. crores)	143621	144302	170757	11.51 (3)	10.13 (3)	9.07 (3)

N.A. = Not Available.

Note: Figures in brackets indicate the position of Tamil Nadu among the States at National level.

Source: Annual Survey of Industries (estimated data), CSO, New

5.4. Foreign Direct Investment:

Between August 1991 to October 2003, total flow of FDI into the country was of the order of Rs.289518 crores out of which Rs.24752 crores (8.55%) accrued to Tamil Nadu. Among the major recipients of FDI, Tamil Nadu occupied the third place next to Maharashtra and New Delhi and stood first among the Southern States.

**Table - 8 : State-wise Foreign Direct Investment
(From August 1991 to October 2003)**

Sl. No.	State	No. of Approvals			Amount of FDI approved (Rs. Crores)	Percentage to total
		Total	Technical	Financial		
1.	Maharashtra	4631	1271	3360	50249	17.35
2.	Delhi	2517	295	2222	34615	11.96
3.	Tamil Nadu	2487	598	1889	24752	8.55
4.	Karnataka	2334	480	1854	23954	8.27
5.	Gujarat	1172	548	624	18795	6.49
	All-India	24691	7484	17207	289518	100.00

Source: Secretariat for Industrial Assistance, GOI.

5.5. Information Technology:

The vision of Tamil Nadu Government is to make the State a major IT destination. To promote the Information Technology spread in the State, Government has been providing necessary infrastructure facilities and incentives. The New Information Technology Policy of 2002, is aiming at making the State as the prime destination for IT investment. The main thrust is to upgrade the quality of life for the citizens through e-governance and IT applications in Government to empower people in rural areas so as to bridge the digital divide, to develop research and development initiatives and to promote use of Tamil in Information Technology. It is an evergrowing industry seen from its performance over the years. Tamil Nadu is a leading software exporter in the country. The State is the second largest software exporter in the country next to Karnataka. The number of software companies which was 10 in 1993-94 and exported software to the tune of only Rs.2.4 crores expanded to 934 software units and exported software to the tune of Rs.6315.51 crores in 2002-03 accounting for 17 per cent share in all-India. It is noted that the global recession did not hinder the software export from Tamil Nadu.

Table - 9
Growth of Software / Hardware Industry in Tamil Nadu

Year	Software Industry		Hardware Industry	
	No. of units	Value of exports (Rs. crores)	No. of units	Value of exports (Rs. crores)
1993-94	10	2.400	-	-
1999-2000	601	1914.00	8	399.82
2000-01	766	3116.00	12	575.65
2001-02	865	5223.00	10	482.43
2002-03	934	6315.51	11	698.25

Source: Software Technology Parks of India, Chennai and SPC Note.

Tamil Nadu places high priority on providing IT infrastructure of International quality. The one million sq.ft. space at the State of the art technology park viz. TIDEL Park in Chennai city has been fully occupied. Further, to meet the increasing demand for such parks in the State, steps are being initiated to establish TIDEL Park II with a close space of 1.5 million sq.ft. in Chennai city. Another 1000 IT Park at Siruseri is being developed. It may be noted that a joint sector IT Park in an area of 1700 acres is being developed with participation of TIDCO, IL&FS and Mahindra near Chengalpattu is being established apart from the IT Park at Hosur.

The IT Policy 2002 announced in September 2002 by the Government has put Tamil Nadu on the growth path to capturing a very substantial portion of IT exports from the country. The ratio of exports from Tamil Nadu to all-India exports which was stagnant at 11 per cent during 1999-2000 and 2000-01 increased to 14.7 per cent in 2001-02 and 17 per cent in 2002-03. Tamil Nadu is forging ahead as a hub of Information Technology services as well as for Information Technology-Enabled Services. Chennai is perhaps the only city in India to have all the top 10 IT Indian Multi National Companies and the 3 IT majors viz. Infosys, Tata Consultancy Services Ltd. and Wipro which have acquired lands in excess of 70 acres in and around Chennai to meet their expansion plans. The private IT developers have been enthused to build enough IT space in the last 4 months and the Government is certain of creating 2.5 million sq.ft. IT space in private as well as in public in the year 2004 to meet the growing requirements of national and international clients. The first phase of Knowledge Industrial Township is being planned by a Special Purpose Vehicle viz. ELCOT Infrastructure Ltd. in Sholinganallur along the IT corridor. All this reflects the shape of the future of IT development to come when Chennai and Tamil Nadu will emerge as the number one IT State.

The State has today more than 40000 kms. of Optic Fibre Cable Connectivity in addition to the 8.4 Terabits per second International connectivity through the India to International -i-2-i- link with Singapore. The implementation of Tamil Nadu State Wide Area Network (TNSWAN) by the Government will further improve the communication backbone in

the State thus enabling the State administration to reach out to every citizen by way of effective, timely and transparent delivery of services.

In order to provide internet-based resources and opportunities for the Tamil Communities living in different parts of the globe, Tamil Virtual University (TVU) was established and is offering Certificate, Diploma, Higher Diploma and Degree Courses in Tamil. TVU has also got plans to provide course materials for P.G. Courses and Research Scholars.

5.5.1. IT-Enabled Services:

The new ITES Policy will guide and create immense employment opportunities and add value and wealth by leveraging the inherent strength of the State. Efforts have been initiated as part of Connect 2003 to position Chennai as the World Capital of BFSI, Health and transportation segments of ITES. Based on the reports prepared by Government of Tamil Nadu through ELCOT in association with Confederation of India Industry, lands have been identified in Coimbatore to promote IT in Tier II towns. ELCOT has signed a Memorandum of Understanding with Bharathiyar University (BU) to promote Research and Development Park in the 109 acres of land inside the University campus. Initial marketing in Bangalore IT.com and Incredible India show at Kuala Lumpur, Malaysia have met with an enthusiastic response for such an R&D Park. Government strives to put into a development mechanism for developing the infrastructure of BU ELCOT City, Coimbatore. The Government has also participated in a number of national and international exhibitions to create brand equity for Tamil Nadu as a Destination of Choice for IT and ITES investments and is also planning to appoint an international consultant through a transparent route and has directed ELCOT to start the process of identification of a consultant.

5.5.2. E-Governance:

E-Governance which ensures transparent, speedy and responsive delivery of Government services to the citizens will remain a focused thrust area for the State Government. The Government is creating the necessary infrastructure in the Information Technology Department to co-ordinate, advise and implement e-governance initiatives of the Government.

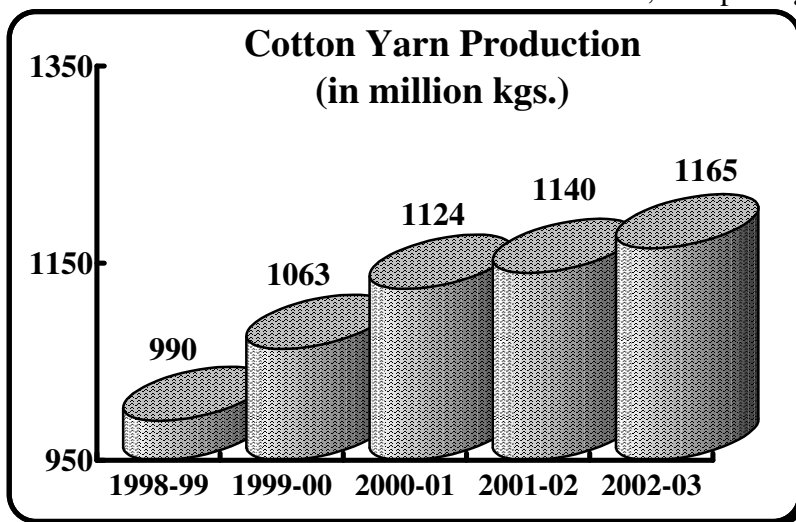
5.6. Performance of Select Major Industries:

5.6.1. Textile Industry:

Textile industry continues to dominate in providing large employment and earning substantial foreign exchange. A general pick-up in textile demand was taking place after a prolonged recession in this sector as confirmed by RBI. The textile industry had recovered some lost ground during 2002-03. As per the Southern India Mills Association, the year 2002-03 was considered as a watershed year for Indian Textile. In this year, the Government had initiated various policy measures to rejuvenate the Mill Sector to harness its potential. However, the drought like conditions affected the cotton production in most part of the country

and subsequently affected raw-materials supply to the textile sector presently in the State due to continued failure of monsoon. During 2002-03, the area under cotton cultivation in the State, had declined to 75572 ha. from 164169 ha. in 2001-02 and production of cotton also declined to 83922 bales (170 kgs. of each bale) from 229730 bales for the same period.

The textile mills in the State continue to be spinning-oriented. It was noticed that there was an addition of 11 spinning mills during 2002-03 and reduction of three composite mills. However, the total textile mills had increased in the State to 858 from 850 mills, comprising 838 spinning mills accounting for 97.67 per cent and 20 composite mills. The installed spinning capacity of the mills rose by 1.89 lakh spindles from 128.50 lakh spindles during 2001-02 to 130.39 lakh spindles in 2002-03. The yarn production increased to 1164.80 million kgs. in 2002-03 from 1139.53 million kgs. in 2001-02 by 2.22 per cent. On the contrary, the looms installed had declined by 5.88 per cent.



It may be noted that the cloth production also suffered with a decline of 20.12 per cent from 96.99 million sq.metres to 77.48 million sq.metres.

During 2002-03, the State accounted for 45.76 per cent in terms of number of textile mills, 36.12 per cent of installed spinning capacity, 37.80 per cent of yarn production and 19.84 per cent of number of workers employed but only 5.1 per cent of looms installed and 5.2 per cent of cloth produced at the national level.

Table - 10 : Performance of Textile Mills : Tamil Nadu & All-India

Parameter	Tamil Nadu			All-India		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
1.Number of Textile Mills	844 (45.72)	850 (45.70)	858 (45.76)	1846	1860	1875
a. Spinning	821	827	838	1565	1579	1599
b. Composite	23	23	20	281	281	276
2. Installed Spinning Capacity (lakh spindles)	126.00 (35.46)	128.50 (35.94)	130.39 (36.12)	355.30	357.52	360.95
3. No. of Looms Installed ('000' nos.)	6.46 (5.26)	6.46 (5.26)	6.08 (5.09)	122.91	122.79	119.45

4. Yarn Production (Million Kgs.)	1124.38 (35.58)	1139.53 (36.75)	1164.80 (37.80)	3160.22	3101.06	3081.37
5. Cloth Production (Million Sq. Mts.)	130.56 (7.82)	96.99 (6.27)	77.48 (5.18)	1670.00	1545.94	1495.50
6. No. of Workers (lakh nos.)	2.17 (21.05)	1.99 (19.92)	1.99 (19.84)	10.31	9.99	10.03

Note: Figures in brackets indicate percentage share of Tamil Nadu in all-India.

Source: The Southern India Mills Association, Coimbatore -18.

5.6.1.1. Handloom Sector:

Handloom sector is the traditional and major source of livelihood for a considerable proportion of population. Handlooms provide employment to 4.29 lakh weaver households and about 11.64 lakh weavers. As on March 2003, 2.16 lakh handlooms in the State were in the Cooperative fold managed by 1313 Handloom Weavers Cooperative Societies. Out of 1313 Handloom Weavers Cooperative Societies, Cotton Primary Weavers Cooperative Societies accounted for a number of 1125. Industrial Weaver's Cooperative Societies numbering to 103 and the remaining 85 were the Primary Silk Weavers Cooperative Societies. These Cooperative Societies were functioning in rural and semi-urban areas where there was a large concentration of handloom weavers.

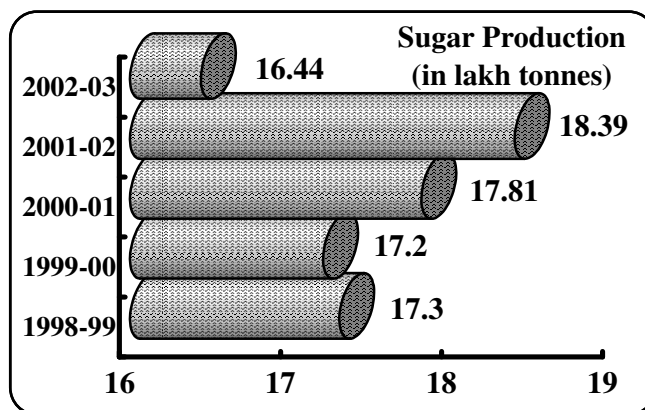
In 2002-03, the Weavers Cooperative Societies had produced 841.70 lakh metres of handloom cloth at the value of Rs.415.71 crores and sales were realised at Rs.571.67 crores against the target of Rs.500 crores. The profit-making Cooperative Societies had increased to 487 in 2002-03 from 320 in 2001-02. To augment the wages to weavers, the Department of Handlooms has given much thrust to handloom exports by encouraging weavers with focus on the export-oriented items. During 2002-03, Rs.179 crores worth of handloom goods were exported from the State as against the target of Rs.175.00 crores.

5.6.1.2. Powerlooms:

Powerloom sector occupies a dominant place in the textile sector of the State in terms of production, employment and contribution to export earnings. Out of 16.66 lakh powerlooms in the country, 4 lakh of powerlooms were in the State. Of which 3.20 lakh of power looms were registered including 22918 powerlooms working under 137 Powerloom Weavers Cooperative Societies.

5.6.2. Sugar Industry:

The sugar industries in Tamil Nadu like the country had been passing through a difficult phase in the recent past. With the closure of 2 mills in the public sector which was at 37 (18 in public sector and 19 private sector) during 2001-02 got reduced



to 35 during 2002-03. Consequently, the installed crushing capacity diminished to 102650 TCD during 2002-03 from 103900 TCD in 2001-02. Quantity of cane crushed fell to 166.45 lakh tonnes against 191.90 lakh tonnes by (-)13.3 per cent. Sugar production dropped by 10.6 per cent from 18.39 lakh tonnes to 16.44 lakh tonnes. Capacity utilisation was down to 89 per cent against 98 per cent in the preceding year. But for the improvement in the recovery rate from 9.61 to 9.88 per cent, the overall production would have suffered further. Tamil Nadu accounted for about 8 per cent in the Sugar mills and sugar production in the country.

Table – 11: Performance of Sugar Industry : Tamil Nadu and All-India

Parameter	Tamil Nadu			All-India		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
No. of Factories	37	37	35	437	433	430
a) Public sector	19	19	19			
b) Private Sector	18	18	16			
Installed Capacity(TCD)	103900	103900	102650	168.20 lakh tons	176.85 lakh tons	N.A
Capacity Utilisation (%)	95	98	89	80-90	80-90	N.A
Cane Crushed (Lakh tonnes)	184.83	191.90	166.45	1767.42	1803.21	
a) Public Sector	63.70	64.24	52.87			
b) Private Sector	121.13	127.66	113.58			
Sugar Production (lakh tonnes)	17.81	18.39	16.44	185.19	185.27	201.40
a) Public Sector	5.97	6.09	5.26	-		
b) Private Sector	11.84	12.30	11.18	-		
Recovery Rate (%)	9.64	9.61	9.88	10.48	10.27	N.A
Min. Statutory Price (Rs.)				595	695	730
State Advised Price(Rs.)	775.00	-	-	-		

Note: Public Sector includes Co-operatives. Source: South India Sugar Mills Association, Chennai-35.

Sugar industry in the State continued to face major problems such as high cane price, low sugar price, low recovery rate etc. Huge accumulation of arrears to farmers on one side and lobbying for higher price to supply of cane on account of high cost of production on the other affected the survival of sugar mills is under way. The Public Sector Sugar Mills viz. Arignar Anna Sugar Mills and Madura Sugar Mills managed by Tamil Nadu Sugar Corporation (TASCO) and Jawaharlal Sugar Mills managed by Perambalur Sugar Mills fell sick due to the reasons mentioned above were closed. Proposal to restructure / revive them had been made to Board for Industrial and Financial Reconstruction (BIFR).

5.6.3. Fertiliser Industry:

The production performance of fertiliser industry during 2002-03 was not encouraging. The continuing fluctuating trend in fertiliser consumption due to complete failure of monsoon on farm front during 2001-02 and 2002-03 reduced the off-take of fertiliser all over the country. The Indian Meteorological Department described 2002-03 as a year of *first ever* all-India drought since 1987.

With the exit of one nitrogenous unit, there were 14 number of fertiliser plants operated in the State during 2002-03, comprising four nitrogenous units and 10 phosphatic units.

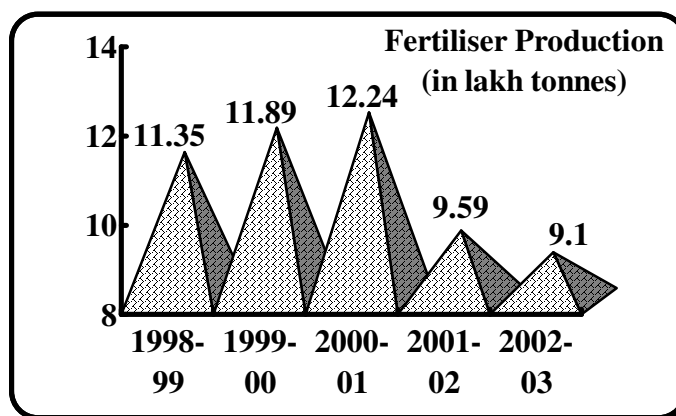
Table – 12 : Performance of Fertiliser Industry : Tamil Nadu and All-India

Parameter	Tamil Nadu			All India		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
Number of Plants	15	15	14	170	142	141
Nitrogenous	5	5	4	60	57	56
Phosphate	10	10	10	110	85	85
Installed Capacity (Lakh Tonnes)	13.35 (8.24)	13.35 (8.25)	13.07 (7.45)	160.20	172.78	175.47
Nitrogenous	8.55	8.55	8.31	110.32	121.66	122.14
Phosphate	4.80	4.80	4.76	49.88	51.12	53.33
Production (Lakh tonnes)	12.24 (8.34)	9.59 (6.60)	9.10 (6.32)	146.77	145.26	144.09
Nitrogenous	8.15	6.41	6.31	109.43	106.90	105.08
Phosphate	4.09	3.18	2.79	37.34	38.36	39.01
Capacity Utilisation (%)	91.7	71.8	69.6	91.6	84.1	82.17
Nitrogenous	95.3	75.0	75.9	99.2	87.9	86.02
Phosphate	85.2	66.3	58.6	74.9	75.0	73.15

Note: Figures in brackets indicate percentage share of Tamil Nadu to All-India

Source: The Fertiliser Association of India, Southern Region, Chennai-32.

The installed capacity of both nitrogenous and phosphatic units declined by 0.24 lakh tonnes, 0.04 lakh tonnes respectively compared to previous year. The overall production of fertiliser in the State had declined by 5.11 per cent. This was mainly due to fall in the production of nitrogenous and phosphatic fertilisers by 1.56 per cent and 12.26 per cent respectively during 2002-03. Consequently, the

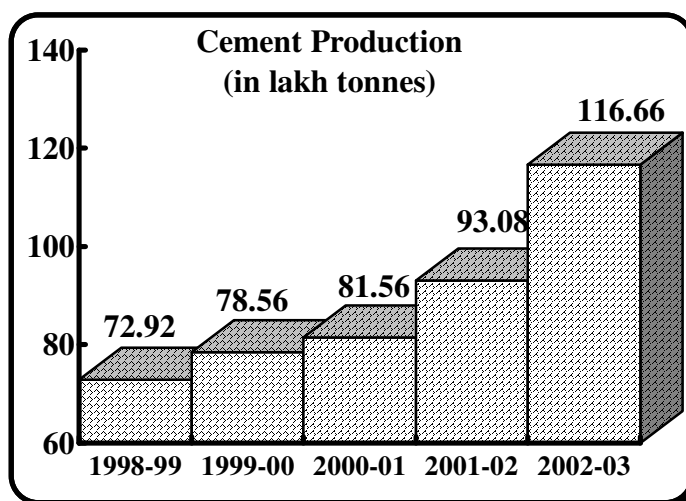


overall capacity utilisation of these plants also fell to 69.6 per cent in 2002-03 from 71.8 per cent in 2001-02. The consumption of fertiliser in the State registered a significant fall of 20.8 per cent to 7.43 lakh tonnes in 2002-03 from 9.38 tonnes in 2001-02.

5.6.4. Cement Industry:

The performance of cement industry has been impressive both at the State and all-India levels. Cement production and consumption continue to register a sustained growth in the economy. Pick-up in housing construction in urban and rural areas, initiation of major road works by Governments and export of cement and clinker are the demand side factors. Cost-saving measures on energy and materials are taken by these industries from the supply side factors. As a result, the combined effect of these helped to increase the cement production and productivity.

The installed capacity and production of cement industries had increased during 2002-03 both in the State and all India, the growth rate of them in the State is well ahead of the nation. In the State, the overall installed capacity of major cement industries in the private sector increased by 10.59 per cent. Output of cement in the State had increased from 93.08 lakh tonnes in 2001-02 to 116.66 lakh tonnes in 2002-03 registering a robust growth of 25.32 per cent. Regarding capacity



utilisation, Madras Cements, Dalmia Cements and TANCEM Ariyalur Units had operated over and above their capacities during the year.

At the national level, the installed capacity and production of cement had achieved the growth of 5.12 per cent and 8.74 per cent respectively and capacity utilisation was at 82 per cent during the review year. The State is well placed in the cement production map of all India sharing 10.46 per cent of installed capacity and 10.48 per cent of production during 2002-03.

Table - 13 : Performance of Cement Industry in Tamil Nadu (Lakh tonnes)

Sector / Category	Installed Capacity		Production		Capacity Utilisation (%)	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Private Sector	120.13	133.81	86.14	108.79	72	78
Public Sector	9.00	9.00	6.94	7.87	77	87
Total - Tamil Nadu	129.13	142.81	93.08	116.66	72	79
All India	1298.97	1365.45	1024.00	1113.48	79	82

Source: Tamil Nadu Cement Corporation Ltd., Chennai -2.

5.7. Small Scale Industries:

Small scale industries play a vital role in the development of the economy through its dispersal nature, low capital requirement and high employment quotient. As per the guidelines of Government of India, an industry with an investment not exceeding Rs.100 lakhs on plant and machinery is categorised as small scale industrial unit or ancillary units with effect from 24 December, 1999 and those with the investment on plant and machinery upto Rs.25 lakhs is classified as tiny unit. Further, Government of India has reserved production of 674 items exclusively by SSI units. Government Departments have been directed to procure from the SSI units for their needs on priority basis. During 2002-03, an addition of 28381 number of units had registered as permanent SSI units in the State. The total number of SSI units had increased to 4.49 lakhs in 2002-03 from 4.20 lakhs in 2001-02 recorded a growth of 7.0 per cent. The investment made in this sector had increased from Rs.12166.19 crores in 2001-02 to Rs.12569.34 crores in 2002-03 recorded a growth of 3.31 per cent. Consequently the output from SSI units had increased to the quantum of Rs.89781.00 crores in 2002-03 registered a growth of 7.00 per cent comparing the previous year. The employment provided by this sector had increased from 31.04 lakhs in 2001-02 to 31.42 lakhs in 2002-03 registered a growth of 1.22 per cent only. Between 1993-94 to 2002-03, the SSI units in the State had recorded a time growth rate of 10.69 per cent in terms of number of registered units, 13.10 per cent in the investment deployed, 16.34 per cent in output and 9.38 per cent in employment. At the national level, the State had accounted for 12.6 per cent of registered SSI units, 12.1 per cent of output and 15.7 per cent of employment during 2002-03.

Table - 14 : Performance of Small Scale Industry

Parameter	Tamil Nadu			All India		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
Number of Registered SSI Units (Lakhs)	3.88	4.20	4.49	26.14	34.42	35.72
Investment in Fixed Capital (Rs. Crores)	11567.22	12166.19	12569.34	N.A.	N.A.	N.A.
Value of Output (Rs. Crores)	78261.66	83904.80	89781.00	639024	690316	742021
Employment (Lakh Nos.)	29.02	31.04	31.42	185.64	192.23	199.65

Source:1.Department of Industries and Commerce, Chennai-5.

2.Economic Survey, GOI, New Delhi.

5.7.1. District Industries Centres:

District Industries Centres are established to act as nodal agency for implementing the single window scheme for the development of SSI units. DICs are catalytic in providing package of services for existing and new industries with special focus on revitalising the rural economy. It provides escort services to the entrepreneurs (i.e.) identification of industry and preparation of project profile, financial assistance from financial institutions. Under the Single Window Scheme, out of 860 applications received by the Single Window Clearance Committee, 758 (88%) applications were cleared during 2002-03.

Apart from issuing permanent registration certificate to 28381 number of SSI units during 2002-03, the DICs had also registered 7538 cottage industries and 4793 handicrafts units and those provided employment to 13360 and 8369 persons respectively. Under the monetary incentive schemes, out of Rs.2035 lakhs allotted, during 2002-03 for this purpose, Rs.1000 lakhs was distributed as capital subsidy to 267 units and LTPT subsidy to 2374 units with Rs.1000 lakhs and 97 units were benefited by Rs.35 lakhs as generator subsidy. Under the Centrally-sponsored PMRY scheme for educated unemployed youth, a total number of 38125 applications were recommended to banks and 19637 applications during the review year were sanctioned to the tune of Rs.85 crores.

5.7.2. Khadi and Village Industries:

Khadi and Village Industries had been established to provide large scale employment to the rural people. Most of the units working with simple technology are: environment-friendly and manually-operated. Various efforts are taken by the Government to safeguard these rural industries to promote the rural economy.

The khadi production units had declined to 501 units during 2002-03 from 527 in 2001-02 comprising of 79 khadi production centres, 33 silk production centres, 172 khadi kraft units and 204 rural textile centres and 13 were the Co-operative type of production units. Though, there was an marked improvement in the production of khadi products, the khadi sales were affected during 2002-03. Khadi yarn production had increased from 4.12 lakh hanks in 2001-02 to 9.94 lakh hanks in 2002-03. For the corresponding period, khadi cloth production had risen from 2.44 lakh metres to 3.26 lakh metres, khadi silk production from 1.85 lakh metres to 2.12 lakh metres and khadi polyester from 1.95 lakh metres to 2.14 lakh metres. However, the khadi sales declined by 29.42 per cent from Rs.22.40 crores in 2001-02 to Rs.15.81 crores in 2002-03.

5.7.3. Village Industry:

The village industry provides off-farm employment opportunities. There were 1860 Industrial Cooperative Units, 94 departmental units and 90329 units were owned by individuals artisans engaged in the production of village industries during 2002-03. The overall performance of village industries during the review year was not satisfactory. All the parameters taken for analysis showed a decline. The total value of production had decreased from Rs.411.46 crores in 2001-02 to Rs.363.52 crores in 2002-03 and sales declined from Rs.451.11 crores to Rs.401.91 crores. The employment provided by these units had also drastically went down by 53.21 per cent from 21.20 lakhs to 9.92 lakhs.

5.8. Industrial Sickness:

According to RBI, Industrial sickness is defined as the erosion of gross output over a period of three successive accounting years. The existence of industrial sickness adversely affects the growth of economy.

As per the latest data on industrial sickness made available by the Reserve Bank of India showed an increasing sickness both in SSI and non-SSI units in the State during 2001-02 compared to the previous year. As at the end of March 2002, 11513 SSI units and 334 non-SSI units came under industrial sickness in the State with a bank credit outstanding of Rs.675.11 crores and 1783.31 crores respectively. It is noted that within a short span of one year period, 1554 SSI units and 17 non-SSI units become sick in the State. The share of industrial sickness of the State at the national level was 6.49 per cent for the SSI units and 10.24 per cent in the case of non-SSI units. On the contrary, at the national level, the SSI sick units had remarkably decreased to 177336 units as at the end of March 2002 from 249630 SSI units as compared to March 2000. In the same period the non-SSI sick units considerably came down to 3261 from 3317 units.

In terms of State-wise break up, Maharashtra continued to top the non-SSI sick industrial list followed by Andhra Pradesh, Gujarat, West Bengal and Tamil Nadu in that order. Regarding SSI sick units West Bengal leads the list of 53957 units on its part and Tamil Nadu is placed in second position.

Table -15 : Incidence of Industrial Sickness (As on March 31st)

Type	Tamil Nadu		All India	
	Numbers	Bank Credit Outstanding (Rs. Crores)	Numbers	Bank Credit Outstanding (Rs. Crores)
I. SSI-Sick Units				
2000	9959 (3.99)	589.80 (13.09)	249630 (-) 17.95	4505.54 (-) 2.23
2001	11602 (3.81)	612.20 (13.28)	304235 (-) 0.65	4608.43 (6.84)
2002	11513 (6.49)	675.11 (14.01)	177336 (-) 28.96	4818.93 (6.96)
II. Non-SSI Sick/Weak Units:				
2000	317 (9.56)	1857.28 (8.73)	3317 (4.84)	21270.26 (11.67)
2001	285 (9.01)	1668.49 (8.75)	3164 (13.32)	19047.29 (25.72)
2002	334 (10.24)	1783.31 (8.39)	3261 (-) 1.69	21245.64 (-) 0.12

Note: 1. Tamil Nadu : Figures in brackets indicate the State's share at the national level.

2. All-India : Figures in brackets indicate the percentage change over the previous year.

Source: Reserve Bank of India, Mumbai.

Lack of demand and shortage of working capital are the principal reasons for sickness / incipient sickness for SSI units coupled with non-availability of raw materials, power shortages and to problems of labour, marketing, equipment and management systems. These problems interact upon one another mutually to reduce the gross output continuously, imbalancing their revenue and expenditure and finally fall in the trap of shut down. The third all India Census of SSI units conducted by Government of India shows that of the total number of 3.09 lakh permanently registered SSI units in Tamil Nadu, only 1.68 lakh are working, the remaining are closed as of 2001-02.

Of the total closed units in the country, nearly 16 per cent are traced to Tamil Nadu. This requires to be addressed.

5.9. Industrial Harmony:

The industrial relation in the State is relatively comfortable during the year 2003. Even though there is a marginal increase in the number of strikes and lockouts, there is a significant savings in the number of mandays lost. The number of strikes and lock-outs was relatively higher in textile with 73 per cent of lock-outs, 69 per cent of workers involved and 69 per cent of mandays lost.

Table - 16 : Incidence of Strikes and Lockouts

(January - December)

Industry Group	No. of Strikes & Lockouts		No. of Workers Involved		Mandays Lost	
	2002	2003	2002	2003	2002	2003
Textiles	61	78	16140 (52.17)	21715 (68.62)	1032227 (55.68)	1084659 (69.05)
Engineering	8	12	1289 (4.17)	5592 (17.67)	177309 (9.57)	238772 (15.20)
Tanneries	4	5	3349 (10.82)	1862 (5.88)	62846 (3.39)	90435 (5.76)
Plantations	14	1	8985 (29.04)	111 (0.35)	429227 (23.15)	333 (0.02)
Others	12	11	1176 (3.80)	2363 (7.47)	152155 (8.21)	156664 (9.97)
Total	99	107	30939 (100.00)	31643 (100.00)	1853764 (100.00)	1570863 (100.00)

Note: Figures in brackets indicate percentage to total

Source: Commissioner of Labour, Chennai-6.

5.10. State Public Sector Undertakings : Working Results:

There were 60 State Public Sector Undertakings functioned in the State during 2000-01 to discharge the social functions and services at affordable cost. These 60 SPSUs including TNPL are grouped into 10 functional categories. As per the details for 2000-01, the latest year for which data available, the aggregate investment (share capital + term loan + accrued interest) of these SPSUs had increased to Rs.8522.07 crores in 2000-01 from the previous year level of Rs.7777.39 crores registering a growth of 9.66 per cent. This was due to substantial amount of loan mobilised by the corporations under Development Finance Group, Construction Group and Passenger Transport Group. The investment made by the Government in all the 60 SPSUs towards share capital, loan and interest accrued was Rs.2222.35 crores.

The total turnover of these enterprises had increased by Rs.1046.42 crores from Rs.9782.17 crores in 1999-2000 to Rs.10828.59 crores in 2000-01. The export earning was at

Rs.109.91 crores in the review year as against Rs.75.56 crores in the preceding year. The gross resources generated during the year 2000-01 by the SPSUs was at Rs.1371.03 crores as compared to Rs.2463.66 crores in 1999-2000.

Steps have been taken to streamline the working of SPSUs. Eventhough the SPSUs have been making losses for the last several years, the net loss had declined from Rs.301.59 crores in 1999-00 to Rs.151.49 crores in 2000-01.

Table – 17 : Performance of State Public Sector Undertakings

Sl. No.	Group of Undertakings	Number of SPUs		Aggregate Investment		Net Profit (Rs. Crores)	
		1999-00	2000-01	1999-00	2000-01	1999-00	2000-01
1.	Passenger Transport	21	19	1728.92	1867.01	(-)312.08	(-)220.01
2.	Goods Transport	1	1	57.70	57.78	(-)7.98	(-)4.45
3.	Mining and Mineral	2	2	64.80	65.40	(-)4.48	7.60
4.	Manufacturing	8	8	744.37	676.82	(-)24.74	39.91
5.	Trading	2	2	221.05	141.26	1.27	1.12
6.	Development, Finance (Industries)	10	10	4441.88	5108.89	46.53	32.90
7.	Development Finance (Others)	8	5	69.38	56.08	(-)3.68	(-)1.09
8.	Agriculture & Allied	5	5	40.52	45.05	5.12	(-)11.44
9.	Construction	3	3	390.25	491.17	(-)5.00	(-)2.28
10.	Miscellaneous	5	5	12.52	12.61	3.45	6.25
	Total	64	60	7771.39	8522.07	(-)301.59	(-)151.49

Source: State Public Sector Enterprise and Statutory Boards in Tamil Nadu - 2000-01
State Bureau of Public Enterprises, Chennai-9.

During 2000-01, there were 27 profit-making SPSUs as in the previous year. The loss-making units numbered 33 SPSUs incurring a loss of Rs.319.01 crores as against a loss of Rs.403.27 crores by 38 undertakings in 1999-00. Appropriate policies are put in place to realise a turn-round in the loss-making SPSUs.

5.11. Promotional Agencies:

These promotional agencies meet the various needs of industrialisation and implement the schemes and programmes to make the State number one in industries.

5.11.1. TIDCO:

It promotes industrialisation through public-private partnership and now it also concentrates in building infrastructure. As on 31st March, 2003, TIDCO had promoted 75 projects under public sector, joint venture, associate sector, escort sector, BOT and BOOT system at the total cost of Rs.29177 crores with the employment potential of 1.38 lakh persons. TIDCO's equity investment in these projects was in the order of Rs.265 crores. Out of 75 projects, 49 projects were already commenced their production. As a registered non-Banking Financial Company, TIDCO had collected deposits from the public to the quantum of Rs.256 crores up to end March 2003.

5.11.2. SIPCOT:

It was established to nurture medium and major industries by rendering financial assistance, disbursing incentives to industries and developing Industrial Complexes / Parks and Growth Centres. Since Tamil Nadu Corporation for Industrial Infrastructure Development Ltd. (TACID) had been merged with SIPCOT in 1999, the term lending activities of SIPCOT had been transferred to THIC and presently it concentrates on creating industrial infrastructure facilities only.

As on 2002-03, SIPCOT had acquired 21214 acres of land at various places of the State to develop industrial complexes, parks and growth centres. Out of which 16012 acres had been developed by incurring an expenditure of Rs.31249 lakhs as at the end of 2003. Out of 16012 acres of developed area, 6428 acres were allotted to accommodate 1087 industrial units. SIPCOT has proposed to implement Food Park and Eco-Enterprises Park of Nilakottai, Apparel Park at Irungattukottai and Integrated Knowledge Industry Township in Siruseri Information Technology Park near Chennai City.

5.11.3. THIC:

The THIC is a premier State level financial institution to foster industrial growth. It has been extending term loan assistance upto Rs.800 lakhs for purchase of land, construction of building, purchase of plant and machinery for new industrial unit as well as for expansion / modernisation of existing units. The corporation's major lending operations are covered by term loan assistance to SSI units, medium scale industries and transport sector. Assistance also provided to IT sector, services sector like warehousing, nursing homes, community centres, commercial complexes, hotel industry etc. During 2002-03, out of Rs.151.40 crores sanctioned, Rs.126.68 crores were disbursed to 1778 persons. Major sectors benefited by this disbursement are transport, textile, food processing and engineering etc.

5.11.4. TANSIDCO:

The TANSIDCO develops SSI units in the State. Cumulatively upto March 2003, TANSIDCO developed 74 industrial estates, out of which 39 industrial estates manage on its own and further 35 Government Industrial Estates manage on agency terms. So far it had constructed 4244 sheds and allotted to 4077 industrial units with employment potential of 41450. In the 4097 developed plots, 3456 units were accommodated with 69120 employment potential and also constructed 1841 tiny sheds ranged from 200 sq.ft. to 600 sq.ft. Under raw materials assistance programme, during 2002-03 TANSIDCO had distributed 9628 metric tons of raw materials such as iron and steel (6841 metric tons.), wax (1373 metric tons.), paper (1381 metric tons) and potassium chlorate (33 metric tons) to needy SSI units at the total cost of Rs.23.74 crores. On behalf of SSI units, TANSIDCO floated tender to their products at competitive rates through marketing assistance scheme. Under this scheme, 2810 SSI units have registered with TANSIDCO and 88 lakhs worth of toys, lab equipments, sign board etc. had been sold during 2002-03. So far, 95 units had enrolled with TANSIDCO under export marketing assistance. For this TANSIDCO is in the process of creating an electronic data base on the SSI and tiny sector units to facilitate them to enter into e-trade and to keep them competitive in the domestic and international market.

5.11.5. ELCOT:

The ELCOT is a pioneer in implementing IT related projects in the State. It is the nodal agency for the Government of Tamil Nadu in implementing IT policy and programmes. As on 2002-03, it had promoted 39 projects at the cost of Rs.426 crores in the joint, associate and escort sectors covering a wide range of electronic products. The ELCOT has nominated an optional procurement agency by the Government for procuring IT related products, required by the Government Departments.