6. Industry

The industrial sector is a driver of economic growth. Industrial sector is important in terms of its contribution to Gross State Domestic Product (GSDP) and employment. This sector which is vital in stimulating growth of the economy is closely interconnected with primary and tertiary sectors through its forward and backward linkages. The percentage share of secondary sector in GSDP at constant prices during 2004-05 in the State was about 22 per cent and manufacturing (registered and unregistered) shared 72 per cent of the total income originating within the secondary sector.

Industrial policy initiatives in the State are designed in the backdrop of the increasing multifaceted globalisation of production systems, especially, in terms of technology transfers and development of physical infrastructure for higher growth. Recognising the importance of industry, Tamil Nadu formulated the dynamic New Industrial Policy 2003 and evolved strategies to make the State a leading industrial destination in India. The New Industrial Policy has its focus on optimal use of resources, upgradation of managerial skills and administrative, technical improvement and modernisation in the fields of manufacturing and infrastructure sectors for higher growth in Tenth Five Year Plan Period. In the Information Technology sector, the State is a leader. Chennai has become a hub of software industry. Besides Information Technology, the State has made strident progress in automobile sector and is poised to record significant growth in the Textile Sector in view of the abolition of the Textile Quota regime.

Industrial Scenario : Tamil Nadu vis-a-vis All India:

As per the latest Annual Survey of Industries* published by the Central Statistical Organisation Tamil Nadu holds a prominent position in the industrial map of India. In 2002-03 among the 15 major States, Tamil Nadu was at the top in terms of number of factories. It ranked second in providing employment and third in fixed and productive capital, gross value of output and net value added by contributing towards National Income. In terms of number of factories, the percentage share of Tamil Nadu to all India was 15.28 per cent, 11.25 per cent of employment, 9.56 per cent of gross value of output and 8.76 per cent of net value added during 2002-03.

Table - 1 : Tamil Nadu in All India : By Select Characteristics : ASI

Sl. No.	Characteristics	All India			Tamil Nadu's (Share %)		
		2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
1.	Number of Factories	131268	128549	127957	15.69 (1)	14.71 (1)	15.28 (1)
2.	Fixed Capital (Rs. crores)	399604	431960	444759	9.37 (3)	8.31 (3)	9.78 (3)
3.	Productive Capital (Rs. crores)	504813	532366	544880	9.30 (3)	8.61 (3)	9.54 (3)
4.	Employment (Lakh Nos.)	79.88	77.50	79.36	14.22 (2)	14.14 (2)	11.25 (2)
5.	Gross Value of Output (Rs. crores)	926902	962457	1130561	11.17 (3)	9.80 (3)	9.56 (3)
6.	Net Value Added (Rs. crores)	143621	144302	172340	11.51 (3)	10.13 (3)	8.76 (3)

Note: Figures in brackets indicate the position of Tamil Nadu among the States at National level.
Source: Central Statistical Organisation, New Delhi.

* Note : ASI data are brought out by the CSO with a time lag.

Plan Investment in Industrial Sector:

Investment of additional funds into the industrial sector is a pre-condition for quickening the pace of industrialisation. The share of Plan investment for industries and minerals in the State had increased to Rs.14.08 crores (7.50%) of total investment during the Second Five Year Plan from Rs.1.53 crores (1.90%) in the First Five Year Plan. The Plan investment for this sector in the subsequent five Plan periods had increased. During the Eighth Five Year Plan period also, it was hiked to Rs.1160.24 crores (8.28%). However, it declined to Rs.864.6 crores during Ninth Plan and further to Rs.555 crores of the total outlay of Tenth Five Year Plan Period. Here it is also relevant to note that Tamil Nadu has been one of the leaders in attracting investment from the private sector.

Table:2 Plan-wise Investment in the Industries Sector

Plan	Total investment (Rs. Crores)	Industries & Minerals (Rs. Crores)	% share
First Plan	80.39	1.53	1.90
Second Plan	187.76	14.08	7.50
Third Plan	347.15	23.73	6.84
Fourth Plan	558.96	33.00	5.90
Fifth Plan	833.61	50.54	6.06
Sixth Plan	3644.63	293.18	8.04
Seventh Plan	6316.07	504.84	7.99
Eighth Plan	14016.80	1160.24	8.28
Ninth Plan	24916.71	864.59	3.47
Tenth Plan	40000.00 (outlay)	555.00	1.39

Source: State Planning Commission, Chennai.

Spurt in Corporate Investment in Tamil Nadu:

As per the RBI study report on Corporate Investment, Tamil Nadu is placed at a comfortable position in attracting corporate investment in 2004-05. It reveals that the growth of fixed capital expenditure in private corporate sector in the State has gaining momentum. There is a remarkable pick up in the investment activities of major sectors like infrastructure, engineering, chemicals, metal products, textiles etc. The RBI study covered a total of 722 corporate projects in the State assisted by the term lending institutions and banks during 2004-05 and their aggregate cost of projects amounted to Rs. 97270 crores, spread over a seven year period spanning 2003-04 to 2009-10. A sharp rise over 2003-04 where 592 projects were covered by the study with a total cost of Rs.72490 crores. It is noted that there is a good flow of investment into infrastructure projects, the State has boosted its share to 10.2 per cent in 2004-05 with an estimated investment of Rs. 9929 crores covering 110 projects.

At the national level, Tamil Nadu claimed a share of 10.2 per cent during 2004-05 while Maharashtra had a share of 12.3 per cent with a corporate investment of Rs.11927 crores covering 103 projects and is followed by Gujarat (11.3 %).

Foreign Direct Investment:

Foreign Direct Investment has had a direct and positive impact on industrial growth. Strengthening, modernising and reinforcing of infrastructural facilities, such as highways to airports and seaports, railways and proposed IT-express ways and communication facilities are the primary target for attracting private investment in the industrial and power sectors in the State. As a result, the State has achieved a tremendous progress in attracting Foreign Direct Investment. The pro-active transparent policy, availability of world-class infrastructure, conducive industrial atmosphere and abundant supply of skilled and technical manpower have enabled the State to be one of the fore-runners in attracting Foreign Direct Investment with the following benefits:

- The FDI helps to tide over the financial crunch faced by the State;
- Gap in public investment is filled by this private investment;
- It accelerates the process of economic development;
- It helps to disseminate technical knowledge and expansion of employment opportunities and
- It enables to reap synergy and convergence in its impact.

The total number of FDI approvals granted between the period August 1991 and August 2004 for the State of Tamil Nadu was at 2656 with cumulative total investment of Rs. 22582.64 crores. The present level of FDI into the State has been in the order of Rs.10800.70 crores as per data/ feedback reported to Tamil Nadu Industrial Guidance & Export Promotion Bureau with gainful employment for 38783 persons can not be overlooked.

Out of 25655 industrial approvals with Rs.293109.68 crores of FDI at the National level between January 1991 and April 2004, the State had 2621 approvals and attracted Rs.25101.57 crores of FDI accounting for 8.56 per cent. Tamil Nadu ranked third next to Maharashtra and Delhi.

Table - 3 : State-wise Foreign Direct Investment
(From August 1991 to April 2004)

Sl.No.	State	No. of Approvals			Amount of FDI approved (Rs. crores)	% to total
		Total	Technical	Financial		
1.	Maharashtra	4847	1309	3538	51660.07	17.62
2.	Delhi	2678	304	2374	35308.88	12.05
3.	Tamil Nadu	2621	613	2008	25101.57	8.56
4.	Karnataka	2492	496	1996	24163.69	8.24
5.	Gujarat	1210	558	652	18846.75	6.43
	All India	**25655**	**7599**	**18056**	**293109.68**	**100.00**

Source: Secretariat for Industrial Assistance, GOI.

Industrial Entrepreneur Memorandum (IEM) and Letter of Intent (LOI) / Industrial Licence(IL):

Between July 1991 and May 2005, the total number of new IEM proposals filed in Tamil Nadu was 4821 with the total investment of Rs.117799 crores sharing 7.55 per cent and ranked fourth among the major States.

In the IOL/IL route, the number of proposals approved in Tamil Nadu till May 2005, was 764 with a total investment of Rs.11880 crores and ranked third (10.23%) next only to Gujarat (18.17%) and Maharashtra (14.77%).

Table - 4 : Investment Approved : IEM and LOI/IL Proposals
(Between July 1991 and May 2005)

State	Industrial Entrepreneur Memorandum			Letter of Intent / Industrial Licence		
	Number filed	Proposed investment (Rs. crores)	%	Number granted	Proposed investment (Rs. crores)	Share %
Maharashtra	11277	250069	16.03	567	17158	14.77
Gujarat	7296	262109	16.80	446	21111	18.17
Tamil Nadu	4821	117799	7.55	764	11880	10.23
Uttar Pradesh	5170	96746	6.20	358	9775	8.41
Andhra Pradesh	3967	148649	9.53	451	11607	9.99
All India	**58944**	**1559744**	**100.00**	**4042**	**116178**	**100.00**

Source: Secretariat for Industrial Investment, Government of India.

Information Technology:

The State has a long tradition of scientific and technological innovation. The distinct advantages enjoyed by the State are: a large reservoir of highly skilled technical manpower (an annual turnout of 79000 Engineering Graduates and 58500 Diploma holders), investor-friendly policies, sound infrastructure facilities, sustained efforts to attract foreign direct investment and State level IT Task Force to implement the IT policies. Management Information System is increasingly being introduced by the Government in all the State Government Departments.

The State has already formulated a policy on IT. The policy on Information Technology-Enabled Services (ITES) and a comprehensive Hardware Policy are being prepared. With the formulation of the new Hardware policy (under preparation), Tamil Nadu will have comprehensive policy initiatives in all three major areas of IT industry. The Hardware policy will enable the State to emerge as a major destination for investment in hardware manufacture also and will provide a boost to employment opportunities. The phenomenal growth in IT and ITES sectors brightens placement opportunities for the professionals and other graduates in Tamil Nadu.

Tamil Nadu has succeeded in establishing a state of the art IT infrastructure system. Facilities at TIDEL Park have been fully utilised. Because of continuous demand for infrastructure facilities the State has made an effort to establish two more parks viz. one at Siruseri and other in Mahindra City with 1000 acres and 1700 acres respectively.

Apart from Chennai, Coimbatore is emerging as a tier-2 exporter of software and BPO services. During 2003-04, Coimbatore exported software and IT-related services to the value of Rs.100 crores. It is expected to increase to Rs.1000 crores in the next few years. The Government is also proposed to develop Coimbatore and Hosur as hubs for ITES and BPO and companies such as HSBC and WIPRO are showing interest to set up companies in Coimbatore.

The State Government plans to create a Knowledge Industry Townships (KIT) with an aim to set up knowledge-oriented industries in the corridor on old Mahabalipuram Road and the Information Technology Corridor. The KIT is designed to provide high quality integrated township facilities with civic amenities and facilitate to set up new units.

Box-1

IT Enabled Services (ITES) Policy 2005

The Govertment of Tamil Nadu unveiled ITES Policy on 9th September 2005. The basic objectives of the policy are:

1. To get the maximum global ITES investments to Tamil Nadu;
2. To develop Human Resources specific to ITES Sector;
3. To create world class infrastructure for IT & ITES and an enabling framework for protection of intellectual property and data;
4. To generate employment and other ITES opportunities in major cities in Tamil Nadu;
5. To provide a conducive environment for the sector by reducing regulations and increasing Opportunities.

This policy seeks to establish the State as the global ITES capital and consolidate its leadership position by leveraging the inherent strengths of the State. IT Enabled Services are Human Intensive Services that are delivered over telecom networks or the internet with a range of business segments. The business segments include Medical Transcription, Legal Database Processing, Remote Maintenance, Back Office Operations, Data Processing, Call Centers, Human Resources Services, Insurance Claim Processing, Business Processing Outsourcing etc.

All administrative, physical and infrastructure incentives offered in IT Policy 2002 shall be applicable to ITES sector also. The highlights of the Policy includes enacting legislation to entire data security, customer privacy and deal with IT related violations in general and encouraging establishment of Information Technology Enabled Services (ITES) Parks in tier-2 and tier-3 cities. Strengthening the language capabilities of students will be a key sector the Government will focus on. The Government will encourage universities and institutions in the State to create institutional infrastructure for acquiring foreign language skills. Further the Policy states that taking computer literacy in schools to the next level, the Government will provide language and ITES skills to students. Being aware that the future manpower needed by the ITES sector is still in the schools, imparting of ITES skills at the level of standards 9 to 10 will be taken as a goal from academic year 2005-06 onwards. It is also proposed to celebrate the birth anniversary of the Mathematical Genius Ramanujam (Dec 22) an Information Technology day in Tamil Nadu.

Source: IT Enabled Services Policy 2005, Government of Tamil Nadu.

Software Exports:

In order to further spread IT, steps have been taken to promote Tier-2 cities like Coimbatore, Trichy, Salem, Madurai, Hosur. The State is a leading software exporter in the country. Since 1993-94, there is a phenomenal growth of software industry in the State, the number of software exporting companies in the State had increased from 10 in 1993-94 to 1095 in 2004-05 and exported the software related items to the tune of Rs.10730.30 crores. However, for the corresponding period 13 hardware industries exported hardware items to the tune of Rs. 357.05 crores.

Table - 5 : 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	2.4000	-	-
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
2003-04	992	7621.25	10	251.75
2004-05	1095	10730.30	13	357.05

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

Table - 6 : Software Export - Southern Leading States

(Rs. Crores)

State	2003-04	% share	2004-05	% share
Karnataka	18100	31.08	27600.00	35.28
Tamil Nadu	7621.50	13.09	10730.30	13.72
Andhra Pradesh	5025.10	8.63	8270.00	10.57
All India	58240.00	100.00	78230.00	100.00

Source:1. Economic Times dated 13.5.04. & Concerned Stare's STPI.

As per NASSCOM, the Southern States continue to account for more than half of the country's total export of software. During 2004-05 Karnataka, Tamil Nadu and Andhra Pradesh combined together accounted for 59.6 per cent of India's total software exports of Rs.78230 crores. Tamil Nadu was the second largest software exporter in the country next only to Karnataka sharing 13.72 per cent in 2004-05.

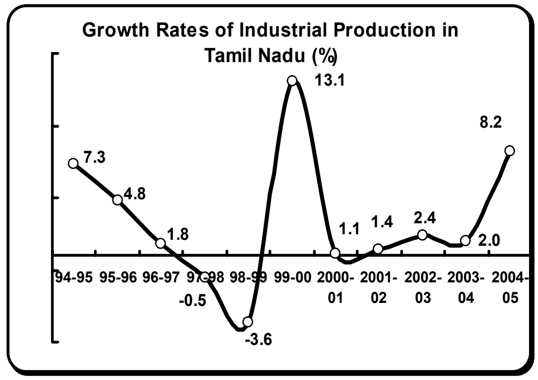
The ELCOT is the nodal agency for implementing the IT policy of the State. It also acts as a link between Government, industry and academic institutions. Recently, ELCOT re-organised its activities into four distinct entities viz.

- IT promotional and developmental Initiatives by organising conferences, exhibitions and participating national and international events to promote the State as a destination of choice for IT investment;
- Implementing special projects like IT corridor, Knowledge Industry Township, IT park at Coimbatore;
- IT procurement for Government Departments and SPSUs and services imparting Computer Education in Schools and Colleges and
- Tamil Nadu - e - Governance Services exclusively to work on the Policy and Planning of Information and Communication Technology initiatives of the Government.

It may be of interest to note that the State has established Tamil Virtual University and created facilities for learning and acquiring knowledge of Tamil language through internet and its social history of literature and culture for the Tamil communities living anywhere and other interested persons. For this purpose, it has created a rich Digital Library with resources of இலக்கணம், சங்க இலக்கியம், பதினென் கீழ்க்கணக்கு, காப்பியங்கள், சமய இலக்கியங்கள், சிற்றிலக்கியங்கள், திரட்டு நூல்கள், நெறி நூல்கள், 20ஆம் நூற்றாண்டு இலக்கியங்கள் (கவிதை), 20ஆம் நூற்றாண்டு இலக்கியங்கள் (உரைநடை), நாட்டுப்புற இலக்கியங்கள், கலைச் சொற்கள் தொகுப்பு மற்றும் அகராதிகள்.

Apart from conducting academic programmes to the aspirants, Tamil Software Development Fund is created for preparing Tamil Softwares like `Tamil Linux', `OCR for Tamil Handwriting', `Tamil Database Management', `Tamil Word Net to enhance Machine Aided Translation', `Tamil Text to Speech Synthesizer' etc.

Industrial Production:



The industrial growth as measured by the Index of Industrial Production was encouraging in the State during 2004-05. The performance of industry during the review year showed a spectacular rebound and registered a growth rate of 8.2 per cent. The positive growth in all the three sub-sectors was contributing to a higher industrial growth though electricity clocked at 3.0 per cent only. The manufacturing sector having the highest weight in IIP witnessed a growth of 8.7 per cent. Since there is a close linkage between agriculture and industry, the growth will be mutually reinforcing in each sector. Industrial production at the National level was also at 8.2 per cent during 2004-05. The manufacturing sector registered a growth of 9.0 per cent followed by mining 4.4 per cent and electricity 5.2 per cent.

Table - 7: 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(%)**
2002-03	142.8	6.3	127.9	2.4	161.0	0.3	130.3	2.4
2003-04	158.0	10.6	130.3	1.9	164.4	2.1	132.9	2.0
2004-05	171.2	8.4	141.6	8.7	169.4	3.0	143.8	8.2
All-India								
Year / Weight	**(10.47%)**		**(79.36%)**		**(10.17%)**		**(100.00%)**	
2003-04	146.9	5.2	196.6	7.4	172.6	5.1	189.0	7.0
2003-04	146.7	5.1	196.3	7.2	172.5	5.0	188.7	6.9
2004-05	153.4	4.4	214.2	9.0	181.5	5.2	204.5	8.2

Source:1.Tamil Nadu: Department of Economics and Statistics, Chennai-6.
2. Central Statistical Organisation, New Delhi..

Industries are categorised with reference to the following: raw materials usage; the specific productive process in which they engage; the skill-mix of labour force; the capital intensity; the finished products; the market that is being served etc. An analysis of industrial growth by use-based classification shows that basic goods industries producing bulk raw materials used for production and intermediate goods industries which have unfinished products for further production had performed well in the State during 2004-05 . They registered a growth of 10.3 per cent and 7.0 per cent, respectively. The growth recorded by the basic goods and intermediate goods industries is of utmost importance in that a rapid growth in these sectors is needed to exhibit good industrial growth. A salutary performance in these sectors had sustained marked industrial growth and drive overall economic growth in the economy.

Growth in the capital goods industries was very impressive. Plants and machineries used as investments included in this category registered the hefty growth of 29.1 per cent in 2004-05. In this Use-based classification, both sub-groups viz. machinery and equipment other than transport equipment and rubber, plastic, petroleum and coal products exhibited a substantial growth of 41.3 per cent and 27.3 per cent, respectively

However, the consumer durable goods industries producing final products such as refrigerators, electric fans, television, cycle, motor cycles and automobiles recorded a subdued growth of 3.4 per cent against 6.2 per cent registered in the previous year of 2003-04.

The consumer - non-durable items which are normally having short durability had a negative growth of 2.0 per cent during the review year. It is due to stiff competition from local brands which are not usually covered in IIP. The Fast Moving Consumer Goods (FMCS) Companies did not perform well as price wars cut into profit margins.

Table - 8 : Industrial Production - By Use-Based Classification

Industry Group	Weight (%)	Growth Rate (%)	
		2003-04	2004-05
1. Basic Goods	22.992	3.4	10.3
2. Capital Goods	12.081	17.2	29.1
3. Intermediate Goods	36.083	2.0	7.0
4. Consumer Goods	28.844	(-) 4.2	(-) 0.8
a. Consumer-Durable Goods	6.395	6.2	3.4
b. Consumer - Non-durable Goods	22.449	(-) 6.8	(-) 2.0
General	100.000	2.0	8.2

Source: Department of Economics and Statistics, Chennai - 6.

During the year 2004-05, a disaggregated analysis of manufacturing group of industrial sector at two-digit level shows that as many as 13 sub-groups with a total weight of 69.02 per cent had registered a positive growth against eight sub-groups in the previous year of 2003-04. Among them, robust growth rate was exhibited by 'machinery and equipment other than transport equipment' (41.3%). The robust growth rate was displayed by other eight sub groups viz. `rubber, plastic, petroleum and coal products' (27.3%),`basic metals and alloys '(17.0%), `wool, synthetic and fibre textiles' (15.3%), `leather products' (14.3%), metal products and parts except electrical machinery' (12.3%), `chemical and chemical products' (12.8%), `transport equipment and parts' (11.9%), beverages, tobacco and tobacco products (11.0%), and moderate growth by four sub-groups viz. `non-metallic mineral products' (7.6%) paper and paper products (6.5%), `other manufacturing industries' (4.7%) and food products (4.3%) . However, 'cotton textiles' (-5.2) and 'textile products other than mills' (-37.4%) witnessed deceleration during the review year.

In the wake of the WTO induced changes, the emergence of a quota free trading environment there are numerous challenges and opportunities for the textile sector in Tamil Nadu. The major issues and tasks as perceived by the industry are:

- to evolve a road map to promote the Indian handloom sector by focusing on skill up-gradation of workers and deliberate on strategies for repositioning, brand building, training, working and creating niche and export markets for the growth of handloom sector,
- self-sufficiency in cotton cultivation through adoption of innovative techniques,
- adoption of latest processing and environment-friendly technologies for increasing efficiency and productivity, especially in the woven and knit segment,
- Export opportunities in 'Technical Textiles' the unexploited non- apparel markets both in domestic and overseas in industrial application, home textiles, auto textiles etc. In India 93 per cent of polyester is used in apparel industry against the world's average of 41 per cent. It shows the level of unexploited markets in non-apparel sector.

Table -9 : Growth Rates in Manufacturing Sub- Groups at Two Digit Level (Base : 1993-94 = 100)

Ind. Code.	Sub-Groups	Weight (%)	2001-02	2002-03	2003-04	2004-05
1	2	3	4	5	6	7
20-21	Manufacture of Food Products	12.406	1.3	-6.1	-7.4	4.3
22	Manufacture of Beverages,					
	Tobacco and Tobacco Products	1.385	-5.8	-21.0	9.3	11.0
23	Manufacture of Cotton Textiles	18.400	-2.8	3.1	-2.1	-5.2
24	Manufacture of Wool, Silk and					
	Synthetic Fibre Textiles	1.492	18.4	7.7	-14.9	15.3
26	Manufacture of Textile Products					
	Other than Mills	4.590	16.7	31.9	-7.3	-37.4
28	Manufacture of Paper and Paper Products and					
	Printing, Publishing and Allied Industries	3.359	9.3	12.4	-6.4	6.5
29	Manufacture of Leather Products	5.025	9.8	-8.4	-8.0	14.3
30	Manufacture of Chemicals					
	and Chemical Products	8.695	2.6	-16.5	9.8	12.8
31	Manufacture of Rubber, Plastic,					
	Petroleum and Coal Products	9.404	-3.9	2.8	6.3	27.3
32	Manufacture of Non-Metallic Mineral Products	4.162	2.2	18.0	9.7	7.6
33	Basic Metals & Alloy Industries	3.831	12.6	3.1	-1.2	17.0
34	Manufacture of Metal Products and					
	Parts except Machinery	1.955	6.4	4.3	5.8	12.3
35-36	Manufacture of Machinery and Equipment					
	other than Transport Equipment	9.494	-6.7	9.0	11.3	41.3
37	Manufacture of Transport Equipment and Parts	6.294	-7.5	4.3	16.7	11.9
38	Other Manufacturing Industries	1.521	-5.5	26.7	20.4	4.7
	MANUFACTURING INDEX	**92.013**	**0.9**	**2.4**	**1.9**	**8.7**

Source: Department of Economics and Statistics, Chennai - 6

Annual Survey of Industries:

The industrial scenario in the State for the period ending March 2003 is made available at present by the CSO with reference to principal industrial characteristics viz. number of factories and their employees, fixed and productive capital, gross value of output and net value added. It revealed that the number of registered factories had increased by 638 from 18912 in 2001-02 to 19550 factories in 2002-03, the growth being 3.37 per cent. The number of employees also increased by 29556 from 10.96 lakhs in 2001-02 to 11.25 lakhs in 2002-03 by a growth of 2.65 per cent. The gross value of output and the net value added has recorded a growth of 14.53 per cent and 3.27 per cent, respectively. The factory sector in the State had contributed Rs.15100 crores in the form of net value added to the State GDP during 2002-03.

Table - 10 : Performance of Principal Industrial Characteristics - ASI Tamil Nadu

Characteristics	Unit	2000-01	2001-02*	2002-03*
Factories	Number	20601 (1.90)	18912 (-8.20)	19550 (3.37)
Fixed Capital	Rs. Crores	37430 (4.10)	35896 (-4.10)	43479 (21.12)
Productive Capital	Rs. Crores	46965 (2.10)	45823 (-2.43)	51962 (13.40)
Gross Value of Output	Rs. Crores	103540 (9.51)	94361 (-8.87)	108075 (14.53)
Net Value Added	Rs. Crores	16536 (11.82)	14622 (-11.57)	15100 (3.27)
Employees	Lakh nos.	11.36 (2.53)	10.96 (-3.52	11.25 (2.65)

Figures in brackets indicate percentage change over the previous year.
Source:1. Industrial profile of Tamil Nadu, Department of Economics & Statistics, Chennai - 6.
2. Central Statistical Organisation, New Delhi.*

Performance of Industry - A trend analysis:

Performance of industry (registered manufacturing units) has been analysed over a medium term period of 5 years and a long term period of 9 years with reference to the results of the Annual Survey of Industries (ASI) for the period 1993-94 to 2002-03. With a view to facilitating meaningful interpretation, the values at current prices have been deflated using the implicit ratios. Implicit ratios (built-in-deflators) have been worked out by dividing the value of GSDP at current prices of Registered Manufacturing Sector (1993-94 series) by that of at constant prices of the respective years. Then the values at current prices for fixed capital, productive capital, value of output and net value added were divided by the deflators of the corresponding years to arrive at values at constant (1993-94) prices. Both medium term and long term trend growth rates have been worked out for the above parameters and the results are presented below.

Table - 11 : Annual Survey of Industries (Trend Analysis)

Year	Value at Current Prices (Rs. Crores)			Net value added	Defla -tor	Value at constant (1993-94) prices (Rs. Crores)			
	Fixed capital	Produc -tive Capital	Output			Fixed capital	Produc -tive capital	Output	Net value added
93-94	17964	24321	45200	10198	1.00	17964	24321	45200	10198
94-95	27254	36691	57752	13388	1.05	25990	34989	55074	12767
95-96	28393	41523	67478	15278	1.10	25713	37604	61109	13836
96-97	35209	46721	74212	16653	1.18	29923	39706	63070	14153
97-98	36105	49924	89654	10363	1.22	29709	41080	73772	8527
98-99	35269	44120	73996	12321	1.36	25900	32399	54339	9048
99-00	35957	45999	94549	14788	1.37	26216	33537	68935	10782
00-01	37430	46965	103540	16536	1.42	26392	33115	73006	11659
01-02	35896	45823	94361	14622	1.44	24878	31758	65398	10134
2002-03	43470	51962	108075	15100	1.48	29348	35074	72949	10192
AAGR (9 yrs)	11.47	9.90	11.21	6.56		6.73	5.32	6.73	1.89
AAGR (5 yrs)	5.77	4.33	10.74	5.88		3.53	2.15	8.47	3.70

Deflator is derived from the income of Registered Manufacturing Group (GSDP) at Current Prices divided by corresponding value at 1993-94 Prices for the respective years.
Source: Department of Economics & Statistics, Chennai - 6.

Major findings are:

- In real terms that industrial investment (both fixed capital and productive capital) has declined during the recent past (medium term) and
- Deceleration / decrease is steeper during the latest medium term compared to the long term (1993-2003) in respect of the parameters viz. fixed capital and productive capital under consideration.

The above results exhibit that industrial investment has not been expanding in real terms. It points to the need for injecting substantial additional investment into industrial sector for accelerated growth.

Principal Characteristics of Factory Sector:

During 2002-03, factories were functioning with an average investment of Rs222.40 lakhs of fixed capital and Rs.265.79 lakhs of productive capital. The average contribution of per factory to GSDP was Rs.77.31 lakhs in 2001-02 decreased marginally to Rs.77.24 lakhs in 2002-03. However, the output increased from Rs.498.95 lakhs to Rs.552.82 lakhs for the corresponding period . The number of employees per factory remained at 58 for both the period of 2001-02 and 2002-03. Per employee contribution to gross value of output and net value added marginally improved during 2002-03.

Table - 12 : Annual Survey of Industries - Tamil Nadu Key Structural Ratios

Characteristics	Unit	Per Factory			Per Employee		
		2000-01	2001-02*	2002-03*	2000-01	2001-02*	2002-03*
Fixed Capital	Rs. lakhs	181.69	189.81	222.40	3.29	3.28	3.86
Productive Capital	Rs. lakhs	227.98	242.30	265.79	4.13	4.18	4.62
Gross Value of Output	Rs. lakhs	502.60	498.95	552.82	9.11	8.61	9.60
Net Value Added	Rs. lakhs	80.27	77.31	77.24	1.46	1.33	1.34
Employees	No.	55	58	58	-	-	-
Emoluments	Rs. lakhs	-	-	-	0.51	0.51	0.56

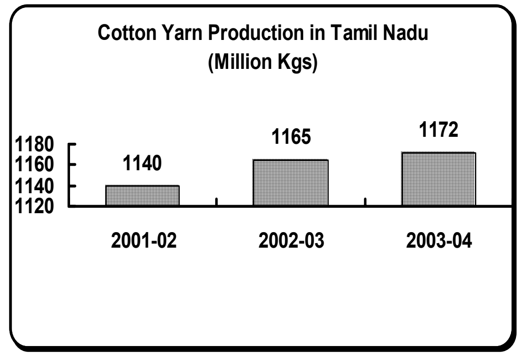
Source: 1. Industrial Profile of Tamil Nadu, Department of Economics & Statistics, Chennai - 6.
2. Central Statistical Organisation, New Delhi.*

Performance of Select Major Industries:
Textile Industry:

The textile industry occupies a prominent place in the economy in terms of its contribution to industrial output, generation of employment and earnings of foreign exchange. The textile industry in the State until recently faced hardships like general recession in the textile sector, fluctuation in the market trend, inadequate quality of cotton supply, paucity of funds and technological existence of obsolescence in many items and WTO induced post quota market changes. Consequently, the textile industry recorded modest growth.

As on 2004-05 (April - January) the spun yarn production in the State was in the order of 1053.2 thousand tonnes and 71.6 million sq.mts. of mill made fabrics registered a growth of 9.06 per cent and 7.47 per cent respectively as compared to the corresponding period of previous year.

Textile industry continues to be spinning-oriented in the State. However, there was a reduction of 24 spinning mills in the State during 2003-04. Total number of mills declined to 834 from 858 in 2002-03, comprising 814 spinning mills and 20 composite mills. The capacity of the composite mill sector has been stagnating over the years due to Government policy permitting only a marginal expansion in the weaving capacity of organised mill sector. The Textile Policy 1985 of GOI removed this restriction and however, it could not increase the weaving capacity of the composite mills. But it was compensated by emergence of the decentralised power loom and hosiery sectors in a big way. The spinning capacity of the textile sector in the State also declined to 154.58 lakh spindles in 2003-04 from 155.22 lakh spindles in 2002-03. However, it could not affect the yarn production in the State during the review year. The yarn production had increased by 7.58 million kgs. from 1164.64 million kgs. in 2002-03 to 1172.38 million kgs in 2003-04. But the performance of cloth production was not encouraging and registering a negative growth of 15.37 per cent It declined from 77.48 million sq.mts. in 2002-03 to 67.16 million sq.mts. during 2003-04.



During 2003-04, the State accounted for 46.67 per cent in terms of number of textile mills, 41.14 per cent of installed spinning capacity, 38.42 per cent of yarn production and 19.96 per cent of workers employed but only 7.73 per cent of looms installed and 4.68 per cent of cloth produced at the National level.

In the spinning sector, the challenges are the modernisation of spindles and sustaining the export momentum in yarn. The imperatives of modernization improving competitiveness and gardening higher market shares in the export sector along with higher unit value realization have been duly recognized in policy formulation.

Table - 13 : Performance of Textile Mills : Tamil Nadu & All-India

Parameter	Tamil Nadu			All-India		
	2001-02	2002-03	2003-04	2001-02	2002-03	2003-04
1.Number of Textile Mills	850 (45.70)	858 (45.76)	834 (46.67)	1860	1875	1787
a. Spinning	827	838	814	1576	1599	1564
b. Composite	23	20	20	281	276	223
2. Installed Spinning Capacity (lakh spindles)	150.68 (35.94)	155.22 (36.12)	154.58 (41.14)	357.52	360.95	370.33
3. No. of Looms Installed (`000' nos.)	6.46 (5.26)	6.08 (5.09)	6.87 (7.73)	122.79	119.45	88.90
4.Yarn Production (Million Kgs.)	1139.53 (36.75)	1164.80 (37.80)	1172.38 (38.42)	3101.06	3081.37	3051.80
5. Cloth Production (Million Sq. Mts.)	96.99 (6.27)	77.48 (5.18)	67.16 (4.68)	1545.94	1495.50	1433.61
6. No. of Workers (lakh nos.)	1.99 (19.92)	1.99 (19.84)	1.95 (19.96)	9.99	10.03	9.77

Note: Figures in brackets indicate percentage share of Tamil Nadu in all- India..
Source:1 The Southern India Mills Association, Coimbatore -18.
2.Compendium of Textile Statistics

Box - 2
WTO and Textile Sector
Phasing out of Multi Fibre Agreement – Implications

A series of bilateral and multilateral agreements on the imposition of tariff and non-tariff barriers by developed countries on textile imports from developing countries culminated in the Multi-Fibre Agreement (MFA) outside the ambit of the General Agreement on Tariffs and Trade (GATT) in 1974. Although MFA was devised as a temporary arrangement to enable the developed countries to restructure their textile industries for creating a level playing field in relation to the developing countries, it continued to be renewed several times. It was eventually replaced by the Agreement on Textiles and Clothing (ATC) of the World Trade Organisation (WTO) on January 1, 1995. The ATC mapped a three-stage phase out of quota restrictions by developed countries over a ten-year period ending 2004. Member countries are required to integrate 51 per cent of textiles products into the rules of the WTO during the interim phase before switching to complete integration by January 1, 2005. The ATC provides for flexibility for members in deciding the products they would integrate at each stage to reach these thresholds.

A market-driven quota-free system would unleash a wave of relocation and restructuring of the textile industry in a number of countries and throw up opportunities and challenges. Developing countries with competitive textile industries could benefit in terms of increased textile exports which were earlier bound by quotas. At the same time, international competition would impose adjustment costs and undermine external sector balances in those countries which have overly protected and less competitive textile industries. Gains from abolition of the MFA are estimated at about US $2 billion per year for the South Asian region. Industrialised countries would reap substantial welfare gains from lower consumer prices and efficiency in the longer run. Adjustment costs in the short or medium term may, however, push them to take greater recourse to other forms of protection (such as increased tariff rates) when the quotas are phased out.

Freedom from quantitative restrictions of the MFA would translate into significant gains for India's textile sector which accounts for nearly a quarter of India's merchandise exports. International competitiveness is based on inherent strengths such as relatively inexpensive and skilled labour force, abundant supply of quality raw material, design expertise and a competitive niche in outsourcing of textiles from India by global retail chain outlets. Freer international trade in textiles could also expose vulnerabilities embedded in the industry's excessively fragmented structure, application of inferior technology with low mechanisation, protection of the handloom industry and reservation of some textile segments for small sector industries. Rigidities in the existing labour laws and absence of good infrastructure have deterred large foreign direct investment in the textile sector. The Steering Group on Investment and Growth, 2002 (Chairman : Shri N.K.Singh) had estimated that modernisation of the textile sector would cost Rs.98,500 crore.

Several initiatives have been undertaken to improve India's position in world textile trade in a quota-free environment. These include catch-up with state-of-the-art standards in terms of quality, design and marketing, access to international financial markets for purchasing project machinery under the Technology Upgradation Fund Scheme (TUFS), a uniform duty structure, a mechanism for restructuring the debt portfolios of viable and potentially viable textile units and setting up of Apparel Parks with special infrastructural facilities. The garments segment has been de-reserved and FDI is freely allowed in the textile sector.

Source: Annual Report, 2003-04, Reserve Bank of India.

Handloom Sector:

The handloom sector in the State is the single largest cottage industry providing livelihood to a large number of rural people and promoting export earnings. The handloom sector and its related economic activities generate gainful employment for more than 4.29

lakh weaver households and 11.64 lakh weavers in the State. As on 28.02.05, 2.11 lakh handlooms were functioning in Tamil Nadu under 1247 Handloom Weavers Co-operative Societies which are existing mostly in rural and semi-urban areas where handloom weavers are concentrated. Out of 1247 Handloom Weavers Co-operative Societies, 1169 are Cotton Weavers Co-operative Societies and the remaining 78 are Silk Weavers Co-operative Societies.

The Handloom Weavers Co-operative Societies produced 1083.26 lakh metres of handloom clothes valued at Rs.559.72 crores in 2004-05 (upto 28.02.05) which was higher than Rs.467.61 crores in 2003-04. For the corresponding period, the value of sales was realised at Rs.696.58 crores against Rs.574.67 crores and the number of profit-making Handloom Weavers Co-operative Societies had also increased to 601 from 527.

Handloom Weavers Co-operative Societies numbering 377 were engaged in deemed export production scheme in the State and export sales were realised at Rs.264.30 crores as against the target of Rs.225 crores during 2004-05 (upto 28.02.05). Since marketing of handloom products is greatly influenced by sales promotion, marketable and exportable varieties have been identified and encouraged by the Department of Handlooms and Textiles. Special discounts and additional rebates on the sale of handloom varieties considerably helped to dispose of the stock of handloom fabrics held by Handloom Weavers Co-operative Societies and Co-optex. Co-optex marketed handloom and power loom products to the worth of Rs.295.60 crores during 2004-05 (upto 28.02.05).

Power looms:

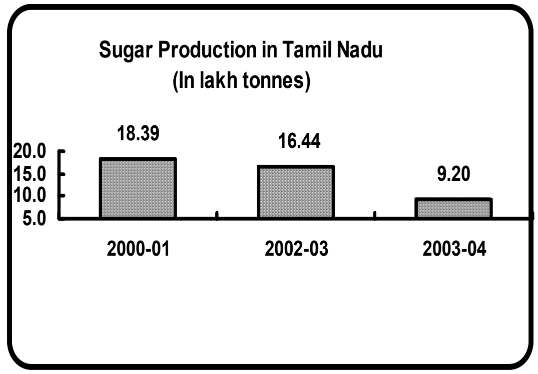
Out of 16.66 lakh power looms functioning in India, Tamil Nadu houses 4.00 lakh looms accounting for a share of 24 percent next to Maharashtra and Gujarat. Of which 3.34 lakhs were registered both under Co-operative fold and private sector. There were 132 Power loom Weavers Co-operative Societies functioning with 28376 looms during 2004-05 (upto 28.02.05) and had produced 1037.20 lakh metres of clothes valued at Rs.166.43 crores. These societies mainly produce the cloth required for the scheme of "Free Supply of Uniforms to School Children and Free Distribution of Sarees and Dhoties Scheme"

To upgrade the apparel manufacturing units in the State to international standards, steps have been taken for setting up Apparel Parks at Irunkattukottai (Rs.22.33 crores) and at Tiruppur with a cost of Rs.15.51 crores. The State has also proposed to set up Hi- tech (Shuttle less Power loom Weaving Parks) at Palladam, Komarapalayam, Andipatii and Erode aiming to produce quality fabrics to international specifications with export thrust. These projects will generate employment opportunities for nearly 4000 persons and they are under various stages of implementation. The concept of apparel parks and modernisation under TUFS offer opportunities for the sector. The rationalisation of duty structure also would holds the key for rabid growth in the sector.

Sugar Industry:

The sugar production depicts a somewhat volatile pattern of growth. The sugar mills in the country were not free from problems during sugar season (October - September 2003-04) also. Problems such as mounting stocks, ever-increasing loss, high cost of production and low selling price, coupled with inadequate supply of cane comparatively low during the current season due to recurring droughts and farmer's demand for increasing the cane procurement price inhibited the performance of the sugar mills both in State and the country to a great extent.

The sluggish demand in the open market and reduction in levy obligation by the Centre a few months ago had led to piling up of stock and the increasing loss. The industrial sources reveal that there had been a continuous increase in the cost of production without substantial rise in selling price.



The performance parameters for the sugar mills in the State are not encouraging. There were 34 sugar mills functioning in the State during 2003-04 comprising 16 mills in the public sector and 18 mills in the private sector. The installed capacity of these mills had fallen to 100150 TCD in 2003-04 from 102650 TCD in 2002-03. During the corresponding period the supply of cane to the sugar mills had come down to 92.82 lakh tonnes from 166.45 lakh tonnes registering a negative growth of 44.23 per cent due to the fact that registered area under sugarcane had drastically fallen to 157393 hectares from 214840 hectares. Consequently, the sugar production in the State had moved to 9.20 lakh tonnes from 16.44 lakh tonnes registering a negative growth of 44.04 per cent at the recovery rate of 9.91 per cent.

The sugar production at the National level was also low as it came down to 138 lakh tonnes during 2003-04 from 201.40 lakh tonnes in 2002-03. The State accounts for 8.06 per cent of sugar mills and 6.67 per cent of sugar production at all-India during the review year.

Table - 14 : Performance of Sugar Industry : Tamil Nadu and All India

Parameter	Tamil Nadu			All-India		
	2001-02	2002-03	2003-04	2001-02	2002-03	2003-04*
No. of Factories	37	35	34	433	453	422
a) Public sector	19	19	16			
b) Private Sector	18	16	18			
Installed Capacity(TCD)	103900	102650	100150	176.85 lakh tons	N.A	
Capacity Utilisation (%)	98	89	78	80-90	N.A	
Cane Crushed (Lakh tonnes)	191.90	166.45	92.82	1803.21		
a) Public Sector	64.24	52.87	28.05			
b) Private Sector	127.66	113.58	64.77			
Sugar Production (lakh tonnes)	18.39	16.44	9.20	185.27	201.40	138.00
a) Public Sector	6.09	5.26	2.78			
b) Private Sector	12.30	11.18	6.42			
Recovery Rate (%)	9.61	9.88	9.91	10.27	10.36	10.20
Min. Statutory Price (Rs.)				695	730	730
State Advised Price (Rs.)	-	-				

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

Fertiliser Industry:

The total number of fertiliser industries in the State had declined to 12 during 2003-04 with the exit of two phosphate industries. The installed capacity of these industries had also marginally declined to 13.02 lakh tonnes from the previous level of 13.07 lakh tonnes. However, on the production front, there was a slight improvement over the previous year because both nitrogenous and phosphatic industries marginally improved in their production performance. The production of fertiliser industries in the State witnessed a growth of 3.19 per cent in the reviewing year and production increased from 9.39 lakh tonnes in 2003-04 from 9.10 lakh tonnes in 2002-03. In contrast, at the National level the fertiliser production declined to 141.74 lakh tonnes in 2003-04 from 144.09 lakh tonnes in 2002-03 registering a negative growth of 1.63 per cent. The State shared 8.63 per cent in number of plants, 7.43 per cent in installed capacity and 6.62 per cent of fertiliser production in the country.

Table -15 : Performance of Fertiliser Industry : Tamil Nadu and All- India

Parameter	Tamil Nadu			All India		
	2001-02	2002-03	2003-04	2001-02	2002-03	2003-04
Number of Plants	15	14	12	142	141	139
Nitrogenous	5	4	4	57	56	55
Phosphate	10	10	8	85	85	84
Installed Capacity (Lakh Tonnes)	13.35 (8.25)	13.07 (7.45)	13.02 (7.43)	172.78	175.47	175.15
Nitrogenous	8.55	8.31	8.35	121.66	122.14	122.14
Phosphate	4.80	4.76	4.67	51.12	53.33	53.01
Production (Lakh tonnes)	9.59 (6.60)	9.10 (6.32)	9.39 (6.62)	145.26	144.09	141.74
Nitrogenous	6.41	6.31	6.51	106.90	105.08	105.57
Phosphate	3.18	2.79	2.88	38.36	39.01	36.17
Capacity Utilisation (%)	71.8	69.6	72.1	84.1	82.1	80.9
Nitrogenous	75.0	75.9	78.0	87.9	86.0	86.4
Phosphate	66.3	58.6	61.7	75.0	73.1	68.2

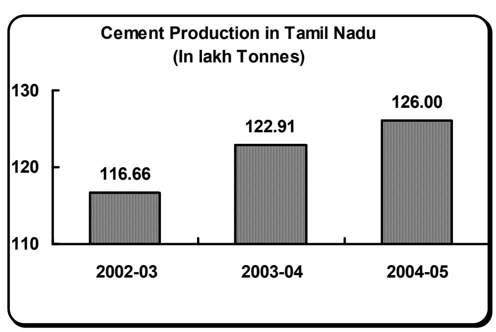
Note: Figures in brackets indicate percentage share of Tamil Nadu to All- India.
Source: The Fertiliser Association of India, Southern Region, Chennai-32.

Cement Industry:

The production performance of cement industry in the State is encouraging. The operational efficiencies of cement industries have improved because of concerted efforts taken by major industries through the process of mergers and acquisition of small and medium ones. Reduction in power and coal consumption, the savings effected in mining of limestone, transportation of coal and cement, optimisation of process utilities etc. helped to increase the cement production. Buoyed by the sops extended to the housing sector, concretisation of new major and rural highways by Government including pick-up in the rural construction activities increased the demand for cement during the review year.

Though the installed capacity of cement industries had increased both in the State and on all India basis, the rate of growth in all India was well ahead of the State. During the year under review there was no improvement in the installed capacity of public sector units in the State while the private sector units registered a growth of 2.11 per cent mainly through Dalmia Cements and Larsen & Toubro.

During 2004-05 the cement production in the State increased to 126 lakh tonnes from 122.91 lakh tonnes for the period of 2003-04 registering a growth of 2.52 per cent and the capacity utilisation was realised at 87 per cent.



Tamil Nadu has a share of 10.1 per cent in the total capacity and contributed 10.04 per cent to total cement production at the National level during 2004.05.

Table - 16 : Performance of Cement Industry in Tamil Nadu

(Lakh tonnes)

Sector / Category	Installed Capacity		Production		Capacity Utilisation (%)	
	2003-04	2004-05(P)	2003-04	2004-05	2003-04	2004-05
Private Sector	136.64	136.64	114.32	117.94	84	86
Public Sector	9.00	9.00	8.59	8.06	95	90
Total - Tamil Nadu	145.64	145.64	122.91	126.00	84	87
- All India	1440.99	1440.99	1174.36	1255.58	81	87

Source:1. Tamil Nadu Cement Corporation Ltd., Chennai - 2.
2. CMIE Monthly Review of Tamil Nadu, May 2005.

Among the major cement-producing States, Tamil Nadu came fourth in cement production next to Rajasthan, Madhya Pradesh and Andhra Pradesh during 2004-05.

Table - 17 : State-wise Cement Production 2004-05

State	Cement Production (Lakh tonnes)	% change	% share
Rajasthan	186.60	4.94	14.86
Madhya Pradesh	161.66	7.65	12.88
Andhra Pradesh	142.89	1.80	11.38
Tamil Nadir	126.00	2.52	10.04
Maharashtra	117.20	13.02	9.33
Gujarat	110.42	3.86	8.79
Karnataka	95.18	2.60	7.58
Chhattisgarh	83.29	14.13	6.63
Uttar Pradesh	42.28	22.26	3.37
Himachal Pradesh	41.10	2.93	3.27
Other States	148.95	12.15	11.85
All India	**1255.58**	**6.92**	**100.00**

Source: CMIE Monthly Review of Tamil Nadu, May 2005.

Paper Industry:

Tamil Nadu is an important paper producer in the country. Paper production in the State for the period of 2004-05 was 3.97 lakh tonnes registered a growth of 6.77 per cent as against the corresponding period of the proceeding year, sharing 14.90 per cent of paper production at the National level. Compared with the major paper produced States, Tamil Nadu placed second next to Andhra Pradesh. Tamil Nadu News Prints Papers Ltd., a Public Sector Undertaking of Tamil Nadu is manufacturing news prints, printing and writing papers having high sales performance. This paper industry entered into a tie up arrangements with six sugar mills to use bagasse on substantial basis. It has maintains ***'zero stock balance'*** and earning highest profit among the SPUs over the years.

Table-18 : Performance of Paper Industry in Tamil Nadu and Other States 2004-05

State	Paper production (lakh tonnes)	% Change	% Share
Andhra Pradesh	5.14	29.04	24.33
Tamil Nadu	3.07	6.77	14.56
Maharashtra	2.59	4.65	12.29
Assam	1.97	(-)6.05	9.35
Karnataka	1.93	0.81	9.15
Orissa	1.71	6.23	8.12
Utharanchal	1.47	12.09	6.96
Uttar Pradesh	0.86	6.86	4.09
Other States	2.36	5.70	11.16
All India	**21.11**	**9.30**	**100.00**

Source: CMIE - Monthly Review of Tamil Nadu Economy, June 2005.

Small Scale Industries:

The SSI sector occupies a pivotal place for its contribution to industrial production, employment generation, export and State income. In continuation of programme of reforms initiated in the New Industrial Policy, 2003, IT and ITES Policies, a new policy for SSIs is on the anvil. This will help to provide a support for common facilities with a package of measures for rehabilitating viable sick SSI units in the State.

During 2004-05, 15083 SSI units were given permanent registration and total number of SSI increased to 4.89 lakh SSI units with an investment of Rs. 14397.31 cores and employment to 35.26 lakh persons produced Rs.99496.77 crores worth of output. In the country, 118.53 lakh SSI units during 2004-05 comprising of 16.38 lakh registered units and 102.15 lakh of unregistered units as per the Department of Small Scale Industries and Commerce, GOI, had produced Rs.399020 crores worth of goods by employing 282.82 lakh number of persons. The State shared 4.13 per cent of SSI units, 24.94 per cent of output and 12.09 per cent of employment at the national level. As on 28.02.05, Rs. 7523.22 lakhs were sanctioned to 18127 educated unemployed youths under the PMRY Scheme.

Table - 19 : Performance of Small Scale Industry

Parameter	Tamil Nadu			All India*		
	2002-03	2003-04	2004-05	2002-03	2003-04	2004-05
Number of Registered SSI Units (Lakhs)	4.49	4.75	4.89	109.49	113.95	118.53
Investment in Fixed Capital (Rs. Crores)	12569.34	13291.50	14397.31	N.A	N.A.	N.A.
Value of Output (Rs. Crores)	89781.00	94939.80	99496.77	311993	357733	399020
Employment (Lakh Nos.)	31.42	34.18	35.26	260.13	271.36	282.82

Note: All India - Registered and Unregistered Units.*
Source: 1. Department of Industries and Commerce, Chennai - 5.
2. Economic Survey, GOI, New Delhi.

The New Anna Marumalarchi Thittam is being implemented in the State for the promotion of agro based, food processing and other related industries in rural areas to generate rural employment and thereby improve the rural economy. As on 28.02.05, 213 projects with total cost of Rs.138.43 crores had commenced production giving employment to 8335 persons of which 5638 are women. In addition to that, 165 projects are under various stages of implementation

Results of Third All India Census of Total Small Scale Industries Sectors - 2001-02 with focus on Tamil Nadu:

The latest All India Census of Small Scale Industries were recently released. SSI sector comprises Small Scale Industrial undertakings (SSIs) and Small Scale Service and Business (industry related) Enterprises (SSSBEs). Registration of these units with the respective District Industries Centres (DICs) is done on voluntary basis. So this sector will have the registered SSI sector as well as unregistered SSI sector.

As per the Third All India Census (2001-02), the total number of SSI units in the State was 787965 consisting of 307217 (including 127185 closed units) permanently regularly registered units and 607933 unregistered units. The combined total output of these units was estimated at Rs.18263 crores. It provided employment to 20.18 lakh persons and export was realised at Rs.2223.30 crores accounting for 15.67 per cent at the national level. In the State out of 3.07 lakh registered units, 1.27 lakh units were declared as closed. This works out to 41.37 per cent. It also implies that about 14 per cent of the all closed units in the country is found in Tamil Nadu.

The prevalence of sickness in SSI sector has been a cause for concern for quite some time. The definition of sickness in SSI sector has been undergoing changes. The Reserve Bank of India (RBI) has been appointing Committees from time to time to look into the issues of the sickness affecting the sector. As per the latest definition of sick units given by Kohli Committee of RBI,

- the number of units with erosion of net worth by more than 50 per cent or delay in repayment of institutional loan by more than 12 months, 5165 units were identified as sick in Tamil Nadu sharing 4.93 per cent of 104769 units at national level;
- in terms of incipient sickness which measures continuous decline in gross output over three consecutive years Tamil Nadu was in the order of 85605 units at the rate of 11.40 per cent of 750922 units for all India;
- combining the three criteria, i.e., units with erosion of net worth by more than 50 per cent or delay in repayment of loan by more than 12 months or continuous decline in gross output over three consecutive years 89202 units in the State were suffering from sickness/ incipient sickness at the rate of 10.84 per cent of 822896 for the country and
- number of sick units as per RBI criteria, i.e., those that are sick among units having outstanding loan with institutional sources the State sharing 3429 units out of 85290 for the nation as a whole.

Table - 20 : Highlights of Third All-India Census of Total SSI Sector in 2001-02

Parameters	Tamil Nadu	All India
Number of total SSI sector *	787965 (7.49)	10521190
Output (Rs. crores)	18263 (6.47)	282270
Employment	2018137 (8.46)	24932763
Export (Rs. Crores)	2223.30 (15.66)	14199.56
Closed Units	127185 (14.33)	887427
Sick Units:		
1. Erosion of net worth	5165 (4.93)	104769
2.Incipient sick units	85605 (11.40)	750922
3. Sick/ Incipient sick units	89202 (10.84)	822896
4.Sick units as per RBI criteria	3429 (4.02)	85290

** Including un-registered units which are substantial.*
Figures in brackets indicate percentage to all- India.
Source: Final Results : Third All India Census of SSIs 2001-02, GOI.

Keeping in view the scenario outlined above, the Government is working out a strategy for this sector. Global experience shows that the SME sector has great potential. Further the challenges in terms of access and competitiveness also presents new challenges and opportunities to SME sector in Tamil Nadu.

Khadi and Village Industry:

The khadi production units in the State had declined from 501 in 2002-03 to 460 in 2003-04 forming 67 khadi production centres, 27 silk production centres, 170 khadi crafts units, 183 rural textile centres and 13 Co-operative production units. It was noted that the overall performance of khadi industry was not well except khadi yarn production and sales. The khadi yarn production registering a growth of 7.95 per cent increased to 10.73 lakh metres in 2003-04, from 9.94 lakh metres in 2002-03. The khadi cloth production for the corresponding period had dwindled to 1.68 lakh metres from 3.28 lakh metres, silk khadi production to 1.46 lakh metres from 2.12 lakh metres and khadi polyester production shrank to 1.74 lakh metres from 2.14 lakh metres. The number of persons employed by the khadi units also went down to 7324 in 2003-04 from 10564 in 2002-03. However, value of the sales realised at Rs.18.81 crores during the review year was higher than Rs.15.81 crores in the preceding year, the growth being 18.98 per cent.

Village industries also did not fare well during the review year. The total number of village industrial units had fallen down from 92283 in 2002-03 to 74215 units in 2003-04 consisting of 1842 Industrial Co-operative Units, 86 Departmental Units and 72287 individuals. The value of production decreased to Rs.327.55 crores in 2003-04 from Rs.363.52 crores in 2002-03, decline being 9.89 per cent. Correspondingly, the value of sales also fell to Rs.362.44 crores from Rs.401.91 crores for the same period. The employment provided by these units had decreased from 9.92 lakhs to 9.04 lakhs.

Handicrafts:

The government is giving special thrust and direction for the promotion and development of handicrafts in the State. Government had established 'Tamil Nadu Handicrafts Development Corporation' with a view to giving focussed attention in the production and marketing of handicrafts. Production centres for handicrafts are established at Nachiarkoil, Madurai, Thanjvur, Vagaikulam, Swamimalai, Kallakurichi and Mamallapuram. The government focus is on training to artisans to upgrade their skills, productivity and quality of products. It also encourages innovations in design and provide socio-economic security to craftsman. The total value of sales of handicrafts by the Corporation is put at Rs.1430 lakhs during 2004-05 and about Rs.80 lakhs of foreign exchange was earned through selling of bronzes, brass, ornamental lamps, rosewood utility items, Thanjavur paintings to foreigners. Consistent with the requirement to facilitate empowerment of women in SHGs training in handicrafts for SHG members is an area with potential for empowerment and income generation. During the period, 1100 craftswomen belonging to various SHGs were trained in the production of lace embroidery, agarbathies,sea shellproducts etc.

Silk Industry:

Tamil Nadu is renowned for its silk and its related products. Tamil Nadu Co-operative Silk Production Federation (TANSILK) supports the development of sericulture activities in the State for supplying silk to Handloom Weavers' Co-operative Societies, Khadi

& Village Industries Board, Sarvodaya Sangh etc. During the year 2004-05, it has transacted 112 metric tons of silk as against the target of 150 metric tons and 278 metric tons of silk yarn valued at Rs.3280 lakhs. Additional employment opportunities are created in sericulture related activities in the State. The sericulture industry has potential for employment and income generation. Of late, the introduction of the silk mark is designed to boost marketing. Indigenous silk is also facing competition from Chinese silk. This issue calls for calibrating duties to safeguard domestic interests. Further the unique brand equity of Kanheepuram silk also is being promoted. Special G1 Protection for the product will be useful.

Industrial Sickness:

Industrial sickness manifests itself when the borrowing and repayment cycle is distorted, the credit flow into industry is also affected. The size of non-performing assets also increases. The poor credit recovery was followed by high interest rates and *`credit rationing'* unfavourable to the entrepreneurship and investment.

As per the new definition of RBI, the declaration of sick units is made in consultation with banks concerned and also issued guidelines to them for rehabilitation of viable sick units and also advised the bankers regarding measures to be taken to prevent SSI units becoming sick. Based on the guidelines of RBI, at the end of March 2003, the banks had identified 22082 units which were sick in the State. Out of which 14254 were classified as non-viable and viability was yet to be decided in 6456 units. Among the potentially viable sick units of 1372, 498 units were already put under nursing.

To improve the credit recovery and smoothen the credit flows from the units concerned, sustained efforts through institutional mechanisms and legal frame works have been taken. However, with globalisation of trade and opening up of the economy, the Centre has decided to remodel the laws relating to winding up of companies in tune with the international practices in this field.

The winding up process is slow and experience with BIFR for speedy revival of company has not been encouraging. Hence, the Companies Act 2002 Amendment was enacted by the Centre. It provides for the establishment of National Company Law Tribunal (NCLT) with branches in several States to decide the quantum of rehabilitation and winding up of sick units. It seeks to put in place a modern, efficient and time-bound insolvency law to provide both rehabilitation and winding up of sick units within a period of two to three years to the maximum.

Labour Relations:

Industrial harmony was seen in the State during 2004. The incidence of strikes and lockouts in the State during the year 2004 was only 86 which was comparatively lower than the previous year. The total number of workers who participated in strikes is 28861 and mandays lost was 1150416. As usual, textiles group witnessed the highest number of strikes and lockouts, workers involved and mandays lost.

Table - 21 : Incidence of Strikes and Lockouts

Industry Group	No. of Strikes and Lockouts		No. of Workers Involved		Mandays Lost	
	2003	2004	2003	2004	2003	2004
Textiles	78	55	21715 (68.62)	14090 (47.19)	1084659 (69.05)	672290 (58.44)
Engineering	12	10	5592 (17.67)	4917 (16.47)	238772 (15.20)	229496 (19.95)
Tanneries	5	2	1862 (5.88)	380 (1.21)	90435 (5.76)	7880 (0.68)
Plantations	1	5	111 (0.35)	7499 (25.11)	333 (0.02)	110627 (9.62)
Others	11	14	2363 (7.47)	2995 (10.02)	156664 (9.97)	130122 (11.31)
Total	107	86	31643 (100.00)	28861 (100.00)	1570863 (100.00)	1150416 (100.00)

Figures in brackets indicate percentage to total.
Source: Commissioner of Labour, Chennai - 6.

State Public Sector Undertakings (SPSUs):

There were 47 SPSUs functioning in the State during 2003-04. These SPSUs altogether employed 157101 persons as on March 31st 2004 as against 161279 persons for the corresponding month of the previous year. The total investment in all these undertakings in terms of share capital and loan put together by Government and other sources was Rs.9959.97 crores in 2003-04. It was higher than the previous year level of Rs.9393.25 crores by 12.46 per cent. A hike in investment was noticed in the five groups except passenger transport, goods transport, agriculture and allied activities, construction and miscellaneous groups. During the review year 31 Corporations had earned aggregate net profit of Rs.200.12 crores against the aggregate net profit of Rs.195.34 crores by 27 Corporations in 2002-03.

Regarding the overall performance, there is an improvement in the SPSUs of the State. It was noticed that all the groups earned aggregate profit during 2003-04. The aggregate profit of all the SPSUs put together was in the order of Rs.114.61 crores during the year 2003-04 comparing to the net loss of Rs.5.75 crores in 2002-03.

Table - 22 : Performance of State Public Sector Undertakings

Group of Undertakings	Number of SPSUs		Aggregate Investment (Rs. crores)		Net Profit (Rs. crores)	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Passenger Transport	18	7	1810.78	1686.83	(-)0.06	2.72
Goods Transport	1	1	52.66	48.16	(-)14.66	9.56
Mining and Minerals	2	2	67.10	72.69	0.81	0.54
Manufacturing	8	9	718.49	768.42	27.26	24.10
Trading	2	2	76.99	252.82	1.48	0.89
Development, Finance Industries	10	9	6008.23	6512.58	(-)26.35	63.86
Development Finance (Others)	5	5	76.78	84.52	(-)0.71	1.39
Agriculture & Allied	4	4	35.69	33.68	0.43	4.51
Construction	3	3	516.51	487.79	1.01	0.37
Miscellaneous	5	5	30.01	12.49	5.04	6.65
Total	58	47	9393.25	9959.97	(-)5.75	114.61

Source: State Public Sector Enterprise and Statutory Boards in Tamil Nadu 2002-03 & 2003-04. State Bureau of Public Enterprises, Chennai - 9.

Appropriate reform measures and administrative changes which have been taking place in the SPSUs could have yielded fruitful results in improving the financial performances of the some SPSUs during the review year.

Promotional Agencies:

Development of Industries is an integral part of development besides being an imperative. The industrial development is being fostered by the following promotional agencies with their unique objectives.

Table 23: Promotional Agencies

Agency	Main Objectives	Activities
(1)	(2)	(3)
1. TIDCO	1. Promotes industrialisation through public-private partnership.	As on 2004-05, it has over year commissioned as joint ventures more than 100 projects. 27 projects are at various stages of development.
	2. Promotes infrastructure projects such as	1. TICEL Park Taramani for Bio-technology Research and Development Facility. 2. Tamil Nadu Industrial Park (Rubber) - Kanniyakumari. 3. Tanflora Infrastructure Park - Hosur. 4. Six Lane IT Express way, Old Mamallapuram Road. 5. Special Economic Zone, Ennore. 6. Winery Unit, Cumbum.
	3. Promotes other projects like	1. Export oriented project for manufacture of Glass Fibre Fabrics and Geo-textiles at Siruvilliputhur. 2. Modern Textile Processing Unit, Erode. 3. World Class Convention Centre - a Multi-purpose Hall at Chennai Trade Centre, Nandambakkam.
2. SIPCOT	1. Developing, Marketing, Maintaining Indus-trial Complexes / Parks / Growth Centres for Promoting Medium and Large Scale Industries.	As on 28.2.05, SIPCOT had acquired 21689 acres of land for Industrial Development, out of it 7400 acres were allotted for 1227 units. Developed 17 complexes / parks / growth centres in 12 districts.
	2. Infrastructure Development Schemes	SIPCOT is implementing a. Government of India Schemes such as 1. Food Park - Nilakottai 2. Apparel Park - Irungattukottai 3. Leather Cluster - Ambattur 4. Coir Cluster - Salem & Dharmapuri. b. Government of Tamil Nadu Schemes such as 1. Eco-Enterprises Park, Nilakottai. 2. Integrated Knowledge Industry Township at Siruseri Information Technology Park. 3. Hazarduous Industrial Waste Disposal Project at Melakottaiyur.
	3. Upgradation of existing Industrial Estates.	For upgrading Ranipet and Hosur Industrial Complexes by incurring expenditure of Rs.450 lakhs and Rs.610 lakhs respectively.

(1)	(2)	(3)
3. TIIC	1. Promoting and Developing Small Scale Industries.	Financial assistance upto Rs.800 lakhs by way of term loan to small and medium industries. TIIC has assisted 4193831 units during the last two years and during the years 2004-05 it has sanctioned an amount of Rs.438.40 crores and generating employment to 33528 persons. It operates Refinance Scheme for Technology Development and Modernisation (RTDM) and Technology Upgradation Fund (TUF) for modernising SSI units. Under Equipment Finance Scheme 7 units benefited to the extent of Rs.2.11 crores and Modified Credit Linked Capital Subsidy Scheme of Technology Upgradation Fund Scheme (CLCSS-TUFS) 19 units had availed Rs.20.11 crores in 2003-04.
	2. New Anna Marumalarchi Thittam	TIIC is the nodal agency for this Thittam in the State to promote SSI units in 335 blocks with a minimum capital investment of Rs.1 crore per block. As on 28.2.05 213 projects at the cost of Rs.138.43 crores have commenced production and giving employment opportunities to 8335 persons of which 5638 are women.
4. TANSIDCO	1. Promotes and develop Small Scale Industries by developing Industrial Estates.	As on 2004-05 it has developed 41 industrial estates and manages 35 Government Industrial Estates on Agency Terms. It has also developed 4972 industrial plots, constructed 4222 sheds and 1841 tiny sheds.
	2. Industrial Parks for Women.	Out of five industrial parks for women, two parks viz. Thirumullaivayal and Vaszhavanthankottai were completed.
	3. Raw material distribution.	Upto Feb 2005, Scarce raw materials viz. iron and steel (19727 Mts), wax (1114 Mts) printing paper (143(Mts), potassium cholorate (33Mts) were distributed to the needy SSI units to the worth of Rs. 66.10 crores.
	4. Techno Parks	To establish three Techno-Parks during 2004-05 for Tiny Entrepreneurs in the semi-urban areas, lands are identified at Vinnamangalam, Mayiladuthirai and Theni.

Source: Policy Notes .