

**GOVERNMENT OF INDIA
TEXTILES
LOK SABHA**

STARRED QUESTION NO:186
ANSWERED ON:01.08.2003
COTTON TEXTILE INDUSTRY
RATNA SINGH;SHIVAJI MANE

Will the Minister of TEXTILES be pleased to state:

- (a) whether the Cotton Textile Industry in the country is facing a serious crisis and a number of mills are on the verge of closure;
- (b) if so, whether the Government have made any assessment of the situations which have led to the crisis in this industry;
- (c) if so, the outcome thereof;
- (d) the steps taken by the Government to provide relief to this industry; and
- (e) the extent to which the Government have achieved success as a result thereof?

Answer

THE MINISTER OF TEXTILES (SHRI SYED SHAHNAWAZ HUSSAIN)

(a) to (e) A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION. NO. 186 FOR 1.8.2003

No Sir. The cotton textile industry is not facing any serious crisis, which is also evident from the increased domestic production and also growth in exports. However, owing to various internal and external factors some units have become sick or are on the verge of sickness. A number of units are also referred to the Board for Industrial and Financial Reconstruction (BIFR).

2. On the basis of quick studies conducted in the cotton spinning sector reveal that about 35% units are operating profitably, 38% are such which need corrective measures to prevent them from moving towards sickness and have potential for revival while remaining are in such a situation that their revival may not be possible unless promoters come forward with significant investments.
3. The main reasons for units becoming sick or moving towards sickness are obsolete technology, lack of economies of scale, poor management and heavy burden of debt servicing (interest payment), low productivity and poor quality of cotton and earlier distortions in the fiscal policy regime.
4. In the Budget 2003-04, fiscal corrections were carried out providing a level playing field to all sub-sectors of the textile industry. Basic customs duty was reduced from 25% to 5% across the textile sector to encourage modernization and technology upgradation under the Technology Upgradation Fund Scheme. Technology Mission on Cotton (TMC) was launched in year 2000 to improve productivity and quality of Indian cotton. In addition, Finance Minister also announced that the Government is considering a mechanism for restructuring the debt portfolios of viable/potentially viable units in order to prevent sickness of the textile industry.
5. As on June 30, 2003 under TMC, launched with the objective of increasing the productivity and reducing the contamination, 109 Agricultural Produce Marketing Committees (APMC) are being modernized and 262 Ginning & Pressing units have been assisted. In order to provide organic linkages between farm and industry, the Government has taken initiatives to popularize integrated cotton cultivation.
6. The Budget 2003-04 announcements will accelerate the pace of investment specially in the weaving/processing and also in the organized sector. In order to finalize the mechanism for debt restructuring, as promised in the Budget 2003-04, Government is in consultation with all stakeholders.