

CHAPTER-2

GROWTH IN THE TENTH PLAN AND PROJECTIONS

FOR THE ELEVENTH PLAN

OPPORTUNITIES FOR HIGHER GROWTH

2.1 The Indian textiles industry, on the eve of the Eleventh Five Year Plan, is in a much stronger position than it was at any point of time in the last six decades. The abolition of quota, a buoyant economy and a conducive policy environment provided by the Government, have contributed in placing the industry on the path of rapid growth. The increase in production levels at the rate of 8-9 percent, increase in exports at the rate of 22 percent, doubling of investment during the last two years under TUFS, and similar trend continuing during the current year, clearly indicate that industry has been able to face successfully the challenges of a globalised economy. The time has come to further strengthen this industry, enabling it to fully exploit available opportunities in the domestic & export markets, and realize its full potential. The proposals and recommendations for the Eleventh Plan are based on the objectives of achieving a higher rate of growth, with a larger share in the world market.

2.2 Before projecting the growth during the Eleventh Plan, it is appropriate to examine the achievements of the Tenth Plan vis-a-vis targets, and the reasons for shortfall, if any. Accordingly, these are discussed below:

TENTH PLAN TARGETS AND ACHIEVEMENTS

2.3 Review of the performance of the different segments of the industry is discussed in detail in the respective chapters relating to them. However, the summarised position with regard to Tenth Plan targets and achievements during the first four years of the Tenth Plan period are given below: (details are given in **Appendix – 1.1**):

Table – 2.1**Tenth Plan targets and achievements**

Sl. No.	Items	Units	2002-03		2003-04		2004-05		2005-06	
			Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
1.	Consumption of fibres									
(i)	Cotton (SSI & Non-SSI)	Mn. Kg.	2992	2699	3060	2652	3182	2886	3315	3222
		Lakh bales of (170 kg each)	(176)	(159)	(180)	(156)	(187)	(170)	(195)	(190)
(ii)	Man Made Fibres	Mn. Kg	1018	915	1080	940	1148	978	1220	961
2.	Production of Yarn									
(i)	Spun Yarn	Mn. Kg.	3450	3081	3610	3052	3780	3223	3960	3457
(ii)	Filament Yarn	Mn. Kg	1070	1100	1150	1118	1250	1109	1340	1180
3.	Production of cloth	Bn. Sq Mtr	44.5	41.9	47.1	42.4	49.9	45.4	52.8	49.5
4.	Per capita availability of Cloth	Sq. Mtr	30.35	31.37	31.33	31.01	32.35	33.51	33.35	36.53
5.	Textile Exports (incl. Jute, Coir, Handicrafts)	Bn. US \$	18.9	12.4	21.6	13.5	24.5	14.0	27.9	17.1
6.	Production of Textile Machinery	Rs. in Bn	16.7	11.8	19.1	13.4	21.9	16.8	25.1	21.5

Note: Cloth production targets as per the mid term appraisal of Tenth Five Year Plan

Analysis of Targets vis-à-vis Achievements during the Tenth Plan**Consumption of Fibres**

2.4 Cotton consumption has been lower than the target during the first four years of the Tenth Plan. Likewise, the consumption of man-made fibres has also been lower in the first four years of the Tenth Plan. The shortfalls for the year 2005-06 in the case of cotton and man-made fibres, respectively, were about 3 percent and 21 percent.

2.5 In the man-made fibre segment, the consumption of Polyester Staple Fibre (PSF) and Viscose Staple Fibre (VSF) has been below the target during each of the first four years, while the consumption of Acrylic Staple Fibre (ASF) and Polypropylene has exceeded the targets marginally.

Production of Spun /Filament Yarn:

2.6 The production of cotton yarn fluctuated in first four years of the Tenth Plan period, based on cotton production, but has been lower than the target.

2.7 The production of blended yarn also has declined in the first four years of the Tenth Plan period. However, the production of 100 percent non-cotton spun yarn has exceeded the target during first three years of the Tenth Five Year Plan, but has fallen short of the target in the fourth year.

2.8 The production of total filament yarn has exceeded the target during the first year of the Tenth Five Year Plan, but has not been able to achieve the target from 2003-04 onwards, for the next three years. The production of Polyester Filament Yarn (PFY) and Polypropylene Filament Yarn (PPFY) has also followed the trend of total filament yarn exceeding the target for the first year of the Tenth Five Year Plan, but fallen short of the target, thereafter. However, the production of Nylon Filament Yarn (NFY) has exceeded the target, during all the first four years of the Tenth Plan period.

Inter se Fibre consumption pattern:

2.9 The consumption pattern of cotton and non-cotton fibres/yarns has not been as projected. It was envisaged that in the terminal year of the Tenth Plan, the consumption ratio of cotton vis-à-vis non-cotton fibers/yarns would be 56:44. However, the actual ratio of cotton to non-cotton during the fourth year of the Tenth Five Year Plan is 62:38.

Per capita availability of cloth:

2.10 The per capita availability of cloth has exceeded the target during the first four years of the Tenth Plan period, except during 2003-04, when it fell short by one per cent.

Textiles Exports:

2.11 Textiles exports were significantly lower than the target in each of the first four years of the Tenth Plan period. In fact, the targets were not been met (except in jute and coir) during any of the first four years of the Tenth Five Year Plan. However, exports of Jute exceeded the target from the year 2003-04 and Coir from 2004-05.

2.12 This indicates that the growth rate estimated for working out the projections were too optimistic and support measures were inadequate. Apparently, the growth rates were targeted at a higher level under the assumption that the right kind of policy framework and other support would have been provided to the textiles industry. The proposals of the Ministry of Textiles were either implemented, or accepted for

implementation during the latter part of the Plan period. Perhaps this could have been the main reason for the drastic shortfall in achievement of the targets for textiles production and exports.

Textiles Machinery:

2.13 Actual production of textiles machinery was considerably lower than the target fixed for each of the first four years of the Tenth Plan. The production has been increasing with the increase in demand from the textiles industry. However, it will not achieve the target set for the Tenth Plan.

PROJECTIONS FOR THE ELEVENTH FIVE YEAR PLAN (2007-12)

2.14 The year 2006-07 has been adopted as a base year for working out the projections for the Eleventh Plan period. The figures for 2006-07 have been estimated on the basis of actual figures for the first quarter of 2006-07.

Cloth Production

2.15 Fabric production registered a compounded annual rate of growth of 4.15 per cent during the first four year of Tenth Plan. However, during 2005-06, there has been significant growth of 9 percent, and during the first quarter of the 2006-07, cloth production has recorded a growth of 9.65 percent.

2.16 The Approach paper of the Planning Commission for the Eleventh Five Year Plan has mentioned that, in order to achieve a GDP growth of 8.5 percent, the manufacturing sector should be targeted to grow at 12 percent. Further, the National Strategy for Manufacturing, prepared by the National Manufacturing Competitive Council (NMCC) has indicated that 2006-2015 will be the decade of manufacturing for India, and an average growth rate of 12-14 percent in respect of manufacturing should be aimed at.

2.17 In the backdrop of Approach Paper of the Planning Commission and the views of the NMCC, and also the growth rates achieved in cloth production during last two years, the Working Group has decided to target a growth in cloth production at 12 percent in volume terms and, accordingly, these projections have been made.

2.18 Based on the compounded annual rate of growth of 12 percent, cloth production in the terminal year of Eleventh Plan works out to 94,600 million sq. mtrs. on the base of 54,260 million sq. mtrs. for the year 2006-07.

2.19 To test whether production level will match the demand of fabric, an attempt was made to work out the demand for fabric, both as fabric and as garments /clothing, during the Eleventh Plan. The demand for cloth arises from three different segments

of the market, i.e., household demand, non-household demand, and demand for exports.

2.20 The major factors that increase the growth of household demand is to growth rate of GDP, the population, the per capita spending on textiles by households, and the price elasticity and the Inter-Fibre competition. Based on the estimated growth in these factors, household demand was estimated at 52,289 million sq. mtrs. Non-household consumption, as fabrics (and as garments and clothing), has been rising at 5 percent CAGR. Demand has been projected during the Eleventh Plan on this basis. Considering the export growth at 22 percent, the demand of fabrics (and as garments and clothing) for export is estimated at 23,472 million sq. mtr.

2.21 The total demand from all three sectors works out to 92,555 million sq. mtrs. by the end of the Eleventh Plan. The details are in **Appendix 1.2**.

2.22 It is seen that demand for the fabrics (i.e., 92,555 million sq. mtrs) is almost at par with the projected production of cloth based on the annualized rate of growth of 12 percent, (i.e., 94,600 million sq. mtrs.) by the end of the Eleventh Plan.

Fibre wise projection of cloth production:

2.23 On the basis of past trends in fibre-wise cloth production, and the expected trends in fibre/yarn consumption, fibre-wise projection of cloth for the Eleventh Five Year Plan has been projected in Table-2.2. The past trend of production is in **Appendix-1.3**.

Table – 2.2
Fibre-wise projection of cloth production
by the terminal year of Tenth (2006-07) and Eleventh Plan (2011-12)

(Mn. sq. Mtrs.)

Type of cloth	Estimated production (2006-07)	Projected Production (2011-12)
Cotton	25207	49629
Blended	6866	9630
100 percent Non-cotton	21487	34605
Khadi, Woollen & Silk	700	736
Total	54260	94600

2.24 The production of cotton cloth grew at an annual average growth of 4.73 percent during first four years of the Tenth Five Year Plan. However, it increased at the rate of 14.5 percent in 2004-05, and 15.13 percent in 2005-06, year on year. Continuing with this trend, it is projected that it will increase at the rate of 14 percent

during the Eleventh Plan period. The production of blended cloth did not grow during the first four years of the Tenth Five Year Plan, except during the year 2005-06 at a rate of 3.48 percent. It is estimated to increase at 7 percent now due to the removal of anomalies in excise duties. The production of 100 percent non-cotton cloth has shown an increase of 12.7 percent in 2001-02, and 9.16 percent in 2003-04, though the same growth was not maintained in the later years of the Tenth Plan. Considering this as a temporary phenomenon and after the removal of anomalies in excise duties and the consequent spurt in production, it is projected to grow at a rate of 10 percent during the Eleventh Plan period.

2.25 The year-wise, fibre-wise projected cloth production and per capita availability during the Eleventh Five Year Plan is given in the Table 2.3

Table – 2.3

Projection of year-wise, fibre-wise cloth production during the Eleventh Plan

(Mn. Sq. mtrs.)

Type of cloth	Tenth Plan		Assumed growth rate during the Eleventh Plan	Eleventh Plan projections				
	2005-06 Actual (Prov.)	2006-07 (Estimated)		2007-08	2008-09	2009-10	2010-11	2011-12
Cotton	23780	25207	14	28810	33026	37869	43313	49629
Blended	6242	6866	7	7347	7861	8411	9000	9630
100 percent Non-cotton	18747	21487	10	23636	25999	28599	31459	34605
Khadi wool & silk	693	700	1	707	714	721	728	736
Total	49462	54260	12	60500	67600	75600	84500	94600

Sectoral allocation of cloth production:

2.26 Cloth is produced in the country in the form of woven cloth and knitted cloth. The percentage share of knitted cloth in total cloth production is only 21 percent, the remaining 79 percent is produced in the form of woven cloth.

2.27 In a globalised economy, the mill sector has the advantage of maintaining/controlling its quality at each stage of production, and has a better chance of facing competition both domestic and international market. The decentralised handlooms and powerlooms sectors are vulnerable to international competition, and it

is assumed that they may lose some of their share to the organized sector during the Eleventh Plan.

2.28 The hosiery sector, which has registered a modest increase till 2003-04, has been showing significant growth from 2004-05 onwards.

2.29 Considering the present production trend it is expected that share of cloth production by the mill sector will increase slightly from 3 per cent in 2005-06 to 5 percent in the terminal year of Eleventh Plan. The expected sectoral share of cloth production in the terminal year of the Eleventh Plan is as below:

Table – 2.4
Projection of sector-wise share in cloth production by the terminal year of the Eleventh Plan

Sector	Percentage share in production	
	Existing (2005-06)	Terminal year of Tenth Plan (2011-12)
Mill sector	3	5
Powerloom sector	62	61
Handloom sector	13	13
Hosiery sector	21	20
Khadi / Wool & Silk	1	1
Total	100	100

2.30 The year-wise, sector-wise projected production of cloth during the Eleventh Five Year Plan is given in the Table 2.5 below:

Table – 2.5
Sector-wise and year-wise cloth production during the Eleventh Plan

(Mn. Sq. mtrs.)

	Tenth Plan		Eleventh Plan projections				
	2005-06 Actual (Prov.)	2006-07 (Estimated)	2007-08	2008-09	2009-10	2010-11	2011-12
Mill	1576	1729	3025	3380	3780	4225	4730
Powerloom	30537	33559	36803	41198	46151	51662	57916
Handloom	6263	6871	7865	8788	9828	10985	12298
Hosiery	10393	11401	12100	13520	15120	16900	18920
Khadi, Wool, Silk	693	700	707	714	721	728	736
Total	49462	54260	60500	67600	75600	84500	94600

Per capita Availability of cloth

2.31 Considering the domestic availability of cloth, the per capita availability of cloth is projected at 62.23 sq. mtrs. by the end of the Eleventh Plan period, as against 39.17 sq. mtrs. in 2006-07, registering an annual rate of growth of 9.70 percent per annum. The per capita availability is estimated based on the projected population and expected export trend. The year-wise projections are given in the Table – 2.6 below:

Table – 2.6

Projected per capita availability of cloth during the Eleventh Plan

(sq. mtrs.)

	Plan		Eleventh Plan projections				
	2005-06 Actual (Prov.)	2006-07 (Estimated)	2007-08	2008-09	2009-10	2010-11	2011-12
Per capita availability	36.53	39.17	42.84	46.99	51.60	56.62	62.23

Projections of Yarn Production

Spun Yarn

2.32 An analysis of the trend of production of spun yarn and filament yarn reveals that the growth rate of filament yarn has been faster as compared to the growth of spun yarn.

2.33 The dominant share in spun yarn production is that of cotton yarn, which accounts for about 73 of the total spun yarn production. The assumed growth rate in the production of spun yarn is given at **Appendix – 1.3**. The projected production of yarn on the basis of assumed growth by the terminal year of Eleventh Plan is given below:

Table – 2.7

Projected production of spun yarn during the Eleventh Plan

(Mn. Kg)

Type of spun yarn	Tenth Plan		Assumed growth rate during the Eleventh Plan	Eleventh Plan projections				
	2005-06 Actual (Prov.)	2006-07 (Estimated)		2007-08	2008-09	2009-10	2010-11	2011-12
Cotton	2521	2798	14	3187	3633	4138	4712	5364
Blended	588	594	5	621	654	686	719	752
100 percent Non-cotton	348	352	5	372	393	416	439	464
Total spun yarn	3457	3744	12	4180	4680	5240	5870	6580

2.34 Production of spun yarn increased at an annual average rate of 2.75 per cent during the last five years (2001-02 to 2005-06), and has shown the highest year on year growth of 7.26 per cent in the year 2005-06. Therefore, a higher growth rate of 12 per cent is projected for the Eleventh Plan period, considering the higher growth expected in fabric production.

Filament Yarn

2.35 As already mentioned, the increase among yarns, has been higher in the case of filament yarn. In the case of PFY and PPFY a fluctuating trend in production is noticed. Among the filament yarns, the most noticeable growth has been that of NFY, with 7.27 per cent. PFY and VFY showed growth of 5.57 and 2.37 during the first four years of the Tenth Plan period. Negative growth rate to the tune of 9.04 per cent is seen in respect of Polypropylene Filament yarn (PPFY) during the Tenth Plan period.

2.36 Production of filament yarn in 2005-06 shows an upward trend of 6.35 per cent over 2004-05, and 12.22 per cent in the first quarter of 2006-07. In the budget of 2006-07, the excise duty on man-made filament yarn was rationalized. Therefore, a significant upward trend was noticed in the first quarter of 2006-07. However, this growth rate may not be sustained. Therefore, a growth rate of 10 per cent is projected for the Eleventh Plan period. The production of filament yarn during the Eleventh Plan, and assumed growth rates are given in Table-2.8 below:

Table – 2.8

Projected production of filament yarn during the Eleventh Plan

(Mn.kg)

Type of yarn	Tenth Plan		Assumed growth rate during the Eleventh Plan	Eleventh Plan projections				
	2005-06 Actual (Prov.)	2006-07 (Estimated)		2007-08	2008-09	2009-10	2010-11	2011-12
Viscose	53	53	2	54	55	56	57	59
Nylon	37	38	5	40	42	44	46	48
Polyester	1076	1225	10	1348	1482	1630	1794	1973
Polypropylene	14	15	5	16	17	17	18	19
Total	1180	1331	10	1457	1596	1748	1915	2099

Requirement of yarn for fabric:

2.37 The total production of yarn is estimated at 8,679 million kg. (comprising 6580 million kg spun yarn, and 2099 million kg filament yarn) which is adequate to produce 94,600 million sq. mtrs. of fabric during the terminal year of Plan period. In fact, 7,310 million kg. of yarn is required to produce 94,600 sq. mtrs of fabrics. The remaining 1369 million kg. (8,679 million kg – 7,310 million kg.) of yarn will be used for export and for other purposes.

Projection of production for textiles fibres:

2.38 Adequate availability of raw material is a prerequisite for the growth of the entire textiles industry. The quality of textiles products is also dependent to a great extent on the kind of raw materials used in the production process. The Indian textiles industry produces a wide variety of fibres, from cotton to man-made to wool, silk, jute and multiple blends thereof, though cotton continues to be the predominant fibre for the production of textiles items.

2.39 The production of cotton fibre increased by annual average growth rate of 11.48 percent during the first four years of the Tenth Plan period. With a thrust being given to produce contamination-free, good quality cotton and an increase in the yield per hectare through TMC, there has been significant growth in cotton production. It is estimated that yield will increase to 700 kg./hectare by the end of the Eleventh Plan, and cotton production will increase to 390 lakh bales, recording an average growth of 8.28 percent in the production of cotton during the Eleventh Plan period.

2.40 Among the man-made fibres, the production of PSF has shown a growth of 3.31 percent during the first four years of the Tenth Plan period. However, it declined to 2.48 per cent in the year 2005-06. During the first quarter of 2006-07, it is again showing sign of higher growth because of a rationalization of excise duty on man-made fibre in the Budget of 2006-07. Therefore it is assumed that the production of PSF will grow by 10 percent during the Eleventh Plan period.

2.41 The production of Acrylic staple fibre has shown a marginal growth of 3.26 percent during the first four years of Tenth Plan period. However, it recorded a growth of over 11 percent during the last two years. Therefore, it is assumed that there will be a growth in the production of ASF to the tune of 10 percent during the Eleventh Plan Period.

2.42 The growth in production of PPSF is projected at six per cent during the Eleventh Plan period based on previous growth trends. The production of different fibres during the Eleventh Plan alongwith assumed growth are given in Table-2.9 below:

Table -2.9

Projected production of fibres during the Eleventh Plan

(Mn. Kg)

Type of fibre	Tenth Plan		Assumed growth rate during the Eleventh Plan	Eleventh Plan projections				
	2005-06 Estimate	2006-07 (Estimated)		2007-08	2008-09	2009-10	2010-11	2011-12
Raw Cotton (Cotton year)	4148 (244)	4454 (262)	8.28	4823 (284)	5222 (307)	5655 (332)	6123 (360)	6630 (390)
Man Made Fibre								
V.S.F.	229	230	5	242	254	266	280	294
P.S.F.	628	754	10	829	912	1004	1104	1214
A.S.F.	108	131	10	144	159	174	192	211
P.P.S.F.	3	2	6	2	2	2	2	3
Sub-total Man-made	968	1117	9	1217	1327	1446	1578	1722
Grand Total	5116	5571	7	5909	6240	6546	6848	7672

Note: Cotton production figures in brackets denote lakh bales of 170 kg. each.

Requirement of fibre for yarn production

2.43 It is seen that the total production of fibre is estimated at 7672 million kg. which is adequate to produce the 6580 million kg. of spun yarn.

Projected Exports:

2.44 Textiles exports have recorded an annualized rate of growth of 12 percent in dollar terms during the first four years of the Tenth Plan. However, after the phasing out of quotas, there has been significant growth in exports, and during the year 2005-06, they have risen by 22 percent.

2.45 Considering the growth in textile exports, subsequent to the phasing out of quotas, and the investment flowing in this sector to expand / modernize the capacity

in the entire value chain, the Working Group decided to project the overall growth for exports at 20 percent. Segment wise growth in exports has been projected based on the trend in growth, post MFA, in the respective segments.

Table-2.10

Projected exports of textiles and apparel during the Eleventh Plan

(Figures in million US\$)

Sl. No.	Items	2005-06 (Provisional)	2006-07 (Estimated)	Assumed Avg. growth rate during the Eleventh Plan	Eleventh Plan projections				
					2007-08	2008-09	2009-10	2010-11	2011-12
1.	Readymade garments	8403	10504	26.50	12987	17355	23593	31697	34025
2.	Cotton textiles	4493	5167	17.00	5645	7573	9185	10982	11328
3.	Man-made textiles	2000	2200	17.00	2574	3012	3524	4123	4823
4.	Wool & woollen textiles	84	97	13.50	110	124	141	160	182
5.	Silk textiles	430	456	9.00	497	542	590	643	701
	Total	15410	18424	22.61	21813	28606	37033	47605	51059
6.	Handicrafts	1239	1425	16.00	1653	1917	2224	2580	2993
7.	Coir & coir manufactures	134	168	18.00	198	234	276	326	384
8.	Jute	295	310	16.00	360	417	484	561	651
	GRAND TOTAL	17078	20327	22.07	24024	31174	40017	51072	55087

Projected Employment

2.46 The textiles industry is a labour intensive industry and contributes to 19 percent of the total factory sector industrial work force. In fact, it is the 2nd largest employment provider, next only to agriculture.

2.47 Textiles operations are widespread, embracing, activities including cotton ginning, spinning and manufacture in composite units, handlooms, powerlooms, processing, knitting clothing and made-ups to textiles marketing. The reach of this vast sector extends to the remotest rural areas, urban and semi-urban towns and to the large cities. The ramifications textiles activities have a multiplier effect on employment opportunities.

2.48 With growth in textiles production, employment in this sector is also expected to grow at the rate of 3.05 percent. The employment in textiles is expected to increase from 33.17 million persons to 45.19 million persons by the terminal year of the Eleventh Plan. The employment in allied sectors is also expected to increase from 54.85 million persons to 60.20 million persons. The details are given in **Appendix – 1.4**. The summarised position is given below:

Table 2.11

Projected employment in textiles and apparels during the Eleventh Plan

(Mn. Nos.)

Item	As on 31st March, 2006 (Estimated)	2011-12 (Projected)
Textile Industry	33.17	45.19
Allied Industry	54.85	60.20
Total Employment	88.02	105.39

2.49 To meet the challenges of a globalised economy and achieve the production and export targets fixed for the Eleventh Plan, the strategies and action plan are discussed in the respective chapters.