

## **INDUSTRIES**

The Union Territory of Puducherry is an Industrially backward area classified as Category-A, Special District. Due to the pro-active investment policies, hassle free environment and industry friendly Administration, the Union Territory has made rapid strides in industrialization. As on 31.10.2008, there are 71 Large Scale, 170 Medium Scale and 7865 Small Scale and Micro Industries with an investment of Rs.2256.05 Crores providing employment to 94,488 persons. The Industrial Guidance Bureau networking the licensing and clearing agencies has been established to help the entrepreneurs to set up their units expeditiously. Puducherry Industrial Promotion Development and Investment Corporation (PIPDIC), a state owned Finance Corporation has been playing a catalytic role in the industrial development.

Village and Small Enterprises, which are mainly owner-run enterprises will be motivated to generate employment. Silk Villages with Silk Weaving Units and Coir Village will be set up in Puducherry. IT, Bio-technology and such other industries will be given importance. However, polluting industries will not be permitted. For the faster industrial growth, investment in the field of industrial infrastructure development will be encouraged with the PPP mode.

The major project proposed to be implemented during 2009-10 is setting up of a multi-product Special Economic Zone by converting Growth Centre, Karaikal. It is also proposed for setting up of an Integrated Textile Park in Puducherry. Formal approval of Govt. of India for setting up of a multi-product SEZ in Puducherry has been obtained. A Unit of Puducherry Distilleries Ltd. (Govt. of Puducherry undertaking) is to be set up in Karaikal. The existing Distillery unit in Puducherry is proposed to be expanded with diversified activity on commercial basis.

The Industrial Guidance Bureau with e-platform will be re-vitalized. An independent District Industries Center will be opened in Karaikal. It is proposed to form Small & Medium Enterprises (SME) Clusters in collaboration with the Confederation of Indian Industry (CII) and to provide modern marketing, appropriate technology and to achieve quality products. Financial support for setting up of sales emporia / exhibitions in important cities and rent subsidy for such sales emporia are contemplated. The employment potential in IT, ITES and other service sectors will be fully utilized by giving training to the educated youth. It is also

proposed to set up CAD/CAM/CAE Training Centres at Puducherry Management Productivity Council, Puducherry.

Establishment of mini industrial estates in the rural constituencies of UT of Puducherry ranging from 2 to 5 acres to promote native entrepreneurs to set up micro, tiny manufacturing and service enterprises to boost the local economy and to generate employment opportunities.

#### **PERFORMANCE DURING 2007-08**

- 2 Medium scale & 159 Small Scale industrial units have been registered with an investment of Rs 65.13 crores, providing employment to 2104 persons.
- Under **Industrial Guidance Bureau (IGB)** 7 red, 40 orange & 210 green category industrial units have been cleared for setting up of their projects in the UT.
- Under the Training Scheme, 2075 persons were given training in various trades in which 435 persons were SC.
- Under the scheme, 'Development of Handicrafts, 1575 persons were covered under Training to artisans, conduct and participation in exhibitions, Insurance coverage for artisans and pension to old aged artisans, in which 260 persons were SC.
- Under the PMRY Scheme, 662 persons were sanctioned loans through Nationalized Banks in which 128 persons were SC.

#### **LIKELY ACHIEVEMENTS DURING 2008-09**

- An Information Technology Park in the notified IT Corridor area in Puducherry is proposed.
- An Apparel Park is proposed in Puducherry.
- Conduct of Buyer-Seller Meet.

## **PROPOSED TARGET FOR 2009-10**

- Silk Villages with Silk Weaving Units and Coir Village will be set up in Puducherry.
- A Multi-product Special Economic Zone is to be set up at Karaikal.
- Setting up of Mini Industrial Estates in Puducherry.
- A Unit of Pondicherry Distilleries Ltd. is proposed to be set up in Karaikal.
- Re-vitalization of Industrial Guidance Bureau with E-platform.
- Opening of an independent District Industries Center at Karaikal.
- Conduct of Buyer-Seller Meet.

## **PUBLIC SECTOR UNDERTAKINGS**

### **Pondicherry Textile Corporation Limited (PTC)**

Anglo French Textiles, a Unit of Pondicherry Textile Corporation Limited was taken over by Government of Pondicherry under the Anglo French Textile Limited (Acquisition and Transfer of Textile Undertaking) Act 1986. The installed capacity of this Mill at present is 27568 spindles and 1050 looms. Anglo French Textiles, the 105 years old composite textile Mill, is exporting its fabrics to the countries such as U.K. Ireland, France, Belgium, Switzerland, Italy, Egypt, U.A.E. Singapore, Australia, Bangladesh, Sri Lanka, etc., The Company is exporting more than 50% of its production and it is an export house as recognized by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce. The Company is producing grey and processed fabrics and made-ups of cotton and polyester. The mill is earning foreign exchange to the tune of Rs.20 to 25 crores every year through its export of fabrics to foreign countries. Besides providing direct employment to 2948 persons, the activities of the mill generate indirect employment and business to various local manufacturers/suppliers in and around Puducherry. This mill is an ISO 9002 Company since July 1996 and it has got ISI mark for its three products namely, polyester blend shirting, cotton drill and cotton cellular shirting. The Company is supplying dropping parachute cloth and drill cloth to the Defence Department and is registered as a Preferred Manufacturing (Composite Mill) Supplier with Ordinance Cloth Factory, Ministry of Defence.

**Grant-in-aid/Loan/Share capital received from Govt. of Puducherry:**

(Rs. In lakhs)

Year	Grant-in-aid	Loan	Share Capital
From the date of starting up to 2001-02	1835.67	NIL	16833.18
2002-03	98.00	--	1550.38
2003-04	NIL	--	1764.00
2004-05	237.00	--	1254.08
2005-06	1470.00	--	1599.00
2006-07	NIL	--	1700.00
2007-08	NIL	--	2222.00
2008-09 (Budgeted Outlay)	NIL	--	2500.00

The Grant-in-aid of Rs.3340.67 lakhs received till 2005-06 for the purpose of Voluntary Retirement Scheme has been fully utilized for the purpose for which it was received. There were 101 applications received before 31.12.2005 and out of which 45 employees were relieved under VRS and 56 employees are yet to be relieved. The Corporation has requested grant-in-aid of Rs.2.40 Crs from Govt. of Puducherry for payment to the 101 employees who opted under VRS.

**Production and Sales Performance:**

Year	Production (Lakh Lr. Mtr.)	Sales Turnover (Rs. In lakhs)
2002-03	149.52	7781.73
2003-04	145.80	8041.12
2004-05	159.03	8729.46
2005-06	137.72	7582.55
2007-08	124.90	7233.00
2008-09 (Target)	127.00	8600.00

**Reasons for Loss incurred by the Mill**

The Mill has been incurring loss because of various problems, both external and internal. Externally, the primary reason for the loss had been the phenomenal increase in the cost of cotton and yarn since 1993-94. The cotton prices during 1993-94 increased by

nearly 74% over the previous year. In fact this sudden increase in the price of cotton had spelt doom to a large number of textile mills all over India during the subsequent period. Since the cotton and yarn costs constitute almost 40% of the total cost, this had hit the textile industry very hard.

Yet another external cause for the loss had been recession in both domestic and foreign textile market. Since 1993-94 the textile market abroad especially in Europe has been going through a recessionary phase. This has substantially affected the turnover of the Mill since at an average about 90% of the export turnover of the Mill comes from Europe. The most damaging phenomenon in the export market has been imposition of the anti-dumping duties by the E.E.C. on the grey fabrics from India on a provisional basis with effect from December 1996. This was followed by anti-dumping duty of 24.7% on bed linen (which constitute about 85% of the total export) with effect from the year 1997-98. This anti-dumping duty has been suspended for six months from 15.08.2001. Further due to the September 11 2001 incident in world trade centre in United States, severe recession continuous in the textile market both in export and home sales.

So far as the internal factors are concerned the prime reason for the loss has been the high cost of production resulting from the increase of raw material cost as well as increased employee cost. The employee cost consisting of salaries, wages, gratuity welfare benefits, bonus and ex-gratia constitutes nearly 45% of the total cost in this Mill. This increase in cost of production is required to be neutralized either by increase in the realization per mtr. of fabric sold and/or by continuously reducing the fixed cost so as to break-even. Because of the sluggish demand in the textile market the price realization per mtr. could not keep pace with the increase in the fixed cost. It had not been possible to substantially reduce the fixed cost due to various reasons. The other reasons for the high cost of production in the Mill are increasing rate of labour absenteeism which stands at 22% and the obsolescence of the machinery resulting in low productivity and high rate of damage.

### ***Action Taken by the Management***

The following are the various measures taken for the improvement of the mill.

#### ***Modernisation***

A Comprehensive Modernisation Programme as approved by the Govt. of Puducherry has been framed. The total cost of the modernisation programme was Rs.104/- Crs which shall be implemented in four phases. Government of Puducherry has given an amount of Rs.22.35 Crs for modernisation and the management has carried out modernisation activities to the tune of Rs.12.80 Crs.

#### *Personnel Reduction*

There is a self imposed ban on recruitment at all levels with effect from 1.1.94. As on 1.1.94, workers and staff strength was 6374, whereas as on 1.8.07 the total strength of workers and staff was 2948. About 3426 employees have left the service of the mill due to superannuation, resignation, death, dismissal and under VRS. About 1418 employees have left under VRS. Due to reduction of workforce, the company is able to contain the employee cost which is presently at 45% of the total cost.

#### *Constitution of Expert Committee*

Government of Puducherry has constituted 10 member Expert Committee under the Chairmanship of Secretary to Government (Industries and Commerce), Government of Puducherry on 10.2.2004 to study and suggest ways and means to improve the function of the PTC. Based on the report submitted by the said Committee, the Corporation has taken the following steps for the improvement of the mill as per the recommendation of the Expert Committee :

- i) Gradually the Narrow width looms in the Weaving A Unit is being closed by sending the workers on VRS and the no. of looms working in Weaving A Unit has been brought down from 180 to 144.
- ii) The Spinning Department in C units has been modernized with 10 Long Ring Frames and corresponding preparatory machines. Orders have been placed for the purchase of 2 Nos. of Auto Cone Winding Machine at a cost of Rs.1.80 Crores and Letter of Credit was also opened by paying 100% value of the machine.
- iii) Proposal to install 14 Nos. of Projectile Looms of 360 cms. width in Weaving B Unit which will produce high valued fabrics in finer counts suitable for export market.

- iv) The Processing Department has been modernized with wider width stenter and Calendering Machine and with this, the available capacity for processing wider width fabrics has considerably increased. The proposal to purchase wider width Merceriser machine is in process.
- v) The 7 days working in the production departments has been changed to 6 days working with Sunday holiday for all employees with effect from August 2005. This has reduced the cost at various fronts and reduced the labour shortage. The Production level has been maintained on the 6 days working.
- vi) In Marketing, trading is given more importance so that the fabric may be purchased from outside and processed in our Processing Department and can be sold with value added cost.
- vii) Recruitment of badli workers wherever there is labour shortage in the production department due to the retirement of workers by superannuation, death, resignation etc., is being done, so that the production is not affected.

#### ***Study by South India Textile Research Association (SITRA)***

Govt. of Puducherry has appointed the SITRA, Coimbatore to study the Techno-Economic viability of the AFT to suggest ways and means to turn around the Mill. The Association after having conducted the studies submitted its report on 6.9.07. The salient features of the recommendation is to increase the labour and machine productivity. Optimise the labour force to 1810 operating and 193 staff. The SITRA has also recommended that adequate working capital has to be provided to AFT for improving the performance of the mill. It is proposed to implement the recommendations to turn around the Mill.

#### **SWEDESHEE-BHARATHEE TEXTILE MILLS LIMITED**

M/s. Swadeshi Cotton Mill and Sri Bharathi Mill were established in 18<sup>th</sup> Century in the year 1829 and 1892 respectively. Both the mills were taken over by Govt. of Puducherry from 1.4.2005 with a view to safeguard the interests of the people working in the mills and as well as to make these mills viable. The company was incorporated on 1.7.2005 in the name of Swadeshee-Bharathee Textile Mills Ltd.

### ***General Activities***

The Company has manufacturing Yarn and Job work fabric processing. The mill is having a spinning capacity of 27652 Ring Spindles and Fabric processing capacity of 20,000 Mts. Per day. Due to extreme financial crunch, no replacement work was done for the past ten years but for breakdown maintenance works. Very old machineries and building provide poor work environment. The processing facility available in Sri Bharathi Mills is inadequate to process the wider width fabrics. Lack of funds for installing ‘CAPITAL INTENSIVE-HIGH SPEED-LOW MAN POWER MACHINES’.

### ***Present Status***

The company has incurred more loss during the year 2007-08. First half of 2008-09 when compared with that of previous year loss due to the following reasons:

- i) Due to the appreciation of rupee value, during the year, has affected the Textile Exports. In turn, the exporters have diverted their products in the local market which affected the selling price of our yarn. There was a difference of more than Rs.15/- of selling price when compared with that of previous year.
- ii) Abnormal increase of curde oil has affected the price of PSF. Similarly cotton price has also been increased during the year. The prices of furnace oil, Coal, Dyes and Chemicals have been increased substantially and affected the revenues in the process house.

This multiple problems affected the company’s performance by way of holding huge finished stocks leading to increase of cost of production lower realisation due to low selling price, delayed payment to suppliers involving interest payment, non payment of electricity charges in time involving interest payment, increase of fixed cost per unit of production, unable to renovate the machinery due to paucity of funds.

### **PUDUCHERRY INDUSTRIAL PROMOTION DEVELOPMENT AND INVESTMENT CORPORATION (PIPDIC)**

The Puducherry Industrial Promotion Development and Investment Corporation (PIPDIC) was established in 1974 with the object of developing industries in the Union Territory of Puducherry. This is the only Corporation under the administration for the development of industries. It has been playing a very useful role in the promotion and

development of industries. To cope-up with the increased industrial development and to facilitate the entrepreneurs to set up their industrial units, the corporation is providing Term loans. Besides the corporation has developed its own industrial estates/parks with all infrastructural facilities.

### **GROWTH CENTRE, KARAIKAL**

A growth centre has been established at Polagam village, Karaikal in an area of 597 acres and out of which 200 acres have been developed in Phase IA. As the demand for developed plots in the Growth Centre at Karaikal was not encouraging, PIPDIC has now decided to convert the same into a SEZ. Necessary application has been filed with the Ministry of Commerce, GOI for obtaining in principle approval for setting up the project under PPP mode.

### **SPECIAL ECONOMIC ZONE (SEZ)**

PIPDIC corporation has also established a SEZ at Sedarapet and Karasur Revenue villages with an extent of about 865 acres under PPP. The cost of the land acquired for the project is Rs.67.50 Crs. (excluding trees and other structures) and the entire land cost is borne by Government of Puducherry. The cost of the project is estimated at about Rs.300 Crs. For setting up the SEZ under PPP structure, PIPDIC and the private promoters (approved by the Govt. of Puducherry) formed a company in the name and style of M/s. Puducherry Special Economic Zone Company Ltd in June 2006. Govt. of India granted formal approval for the project in August 2006. Necessary application for notification of the project by the GOI as required under the SEZ Rules is filed with the Ministry of Commerce and the notification is expected shortly.

### **PONDICHERRY DISTILLERIES LIMITED (PDL)**

The erstwhile French Government Distillery run under the Distillery Department since 1916 was taken over by a government company incorporated on 8.12.1971 in the name and style "Pondicherry Distilleries Ltd" in 1971-72. The Company had closed its distillation operations at its Kurusukuppam site, Beach Road, Puducherry on 30.4.1997 in compliance with the order of the Hon'ble Supreme Court of India on a WP No.184/1996. After the closure of the distillery, Govt. of Puducherry has decided to dispense with the process of distillation and permitted PDL to take up the simpler process of blending and bottling of

arrack by purchasing rectified spirit from outside. The company has set up its unit at Ariyalayam village, Villianur Commune, Puducherry.

## **PUDUCHERRY KHADI AND VILLAGE INDUSTRIES BOARD**

The Board was established as a statutory body in 1981 by a statute called PKVIB Act, 1980. The Administrative expenditure of the Board is met from the grant-in-aid sanctioned annually by Govt. The main objective of the Board is to provide Rural Employment and Production/Sale of Khadi and Village Industries goods.

## **NOTE ON INDUSTRIAL POLICY**

### **Objectives**

- To promote sustainable industrialisation in the Union Territory of Puducherry.
- To gainfully utilize the human resource of the Territory and maximise employment.
- To improve the standard of living and quality of life of the people of the Union territory,
- To conserve the environment of Puducherry for sustained and rapid industrial growth.
- To participate in the globalisation of the economy with greater exports and imaginative imports.
- To take advantage of the special features of the Puducherry including its heritage and culture.
- To ensure balanced industrial development in all the regions of the Union territory.

## **STRATEGIES PROPOSED**

In pursuit of the above objectives, Puducherry Administration have decided to adopt the following strategies.

- 1) to promote sustainable industrialisation in the Union Territory of Puducherry in the following thrust areas :
  - (a) Agro Processing including Marine Products
  - (b) Electronics and Software Development

- (c) Leather Products and Footwears
  - (d) Light Engineering including Auto Components
  - (e) Textiles including Garments
- 2) to gainfully utilize the human resources of the Territory and maximize employment.
  - 3) to improve the standard of living and quality of life of the people of the Union Territory.
  - 4) to conserve the environment of Puducherry for sustained and rapid industrial growth.
  - 5) to participate in the globalisation of the economy with greater exports and imaginative imports
  - 6) to take advantages of the special features of Puducherry including its heritage and culture.
  - 7) to ensure balanced industrial development in all the regions of the Union Territory.

#### **CENTRALLY SPONSORED SCHEMES**

The following Centrally Sponsored Schemes are implemented :

(Rs. in Lakhs)

Sl. No.	Scheme Name	2008-09		2009-10 Proposed Outlay
		Agreed Outlay	Anticipated Expdr.	
1.	Collection of Statistics of Small Scale Industries	2.00	7.75	9.70
2.	PMRY	3.95	4.60	--
<b>Total</b>		<b>5.95</b>	<b>12.35</b>	<b>9.70</b>

## OUTLAY AT A GLANCE

Sector : INDUSTRIES

No. of Scheme : 15

Department : INDUSTRIES & COMMERCE

*(Rs. in lakh)*

Eleventh Five Year Plan 2007-12 Approved Outlay	:	40127.65
Annual Plan 2007-08 Actual Expenditure	:	4917.64
Annual Plan 2008-09 Approved Outlay	:	74300.65
Annual Plan 2008-09 Revised Outlay	:	41320.91
Annual Plan 2009-10 Proposed Outlay	:	12075.00

*(Rs. in lakh)*

Sl. No.	Name of the Scheme	Eleventh Five Year Plan 2007-12	Annual Plan 2007-08	Annual Plan 2008-09		Annual Plan 2009-10
		Approved Outlay	Actual Expdr.	Approved Outlay	Revised Outlay	Proposed Outlay
(1)	(2)	(3)	(4)	(5)	(6)	(7)

### ***VILLAGE & SMALL INDUSTRIES***

1.	Development of Handicrafts	1100.00	200.41	386.45	306.85	312.60
2.	Development of Khadi & village Industries	2100.00	390.00	600.00	500.00	500.00
3.	Development of Coir Industries	737.26	47.87	130.95	48.25	224.85
<b>Sub-Total</b>		<b>3937.26</b>	<b>638.28</b>	<b>1117.40</b>	<b>855.10</b>	<b>1037.45</b>

### **INDUSTRIES (OTHER THAN VILLAGE & SMALL INDUSTRIES)**

4.	Training	1900.00	218.91	305.45	420.90	468.00
5.	Marketing & Publicity	1200.00	123.53	128.00	128.00	159.00

Sl. No.	Name of the Scheme	Eleventh Five Year Plan 2007-12	Annual Plan 2007-08	Annual Plan 2008-09		Annual Plan 2009-10
		Approved Outlay	Actual Expdr.	Approved Outlay	Revised Outlay	Proposed Outlay
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6.	Strengthening of District Industries Centre	477.64	32.17	35.00	42.00	45.00
7.	Development of Silk Industries	500.00	--	16.55	6.00	16.20
8.	Motivation of entrepreneurs to start Industries & Fiscal Assistance to Industries	4500.00	943.10	175.00	332.90	300.00
9.	Share Capital / Grant-in-aid assistance to PDL	500.00	--	--	0.01	100.00
10.	Share Capital / Grant-in-aid assistance to PIPDIC	10312.75	181.62	100.00	100.00	525.00
11.	Share Capital / Grant-in-aid assistance to PTC	11000.00	2221.33	2500.00	2500.00	8388.85
12.	Share capital / Grant-in-aid assistance to Swadeshee-Bharathee Textiles Mills Ltd.	5700.00	526.72	700.00	700.00	1000.00
13.	Strengthening of Dte. of Industries	75.95	20.88	19.24	19.24	20.50
14.	Promotion Campaign for attracting foreign investment	--	11.10	25.00	17.50	15.00
15.	Panchayat Window	--	--	0.01	--	--
16.	Infrastructural Development - Negotiated Loan	--	--	69179.00	36199.26	--

Sl. No.	Name of the Scheme	Eleventh Five Year Plan 2007-12	Annual Plan 2007-08	Annual Plan 2008-09		Annual Plan 2009-10
		Approved Outlay	Actual Exptr.	Approved Outlay	Revised Outlay	Proposed Outlay
(1)	(2)	(3)	(4)	(5)	(6)	(7)
17.	Creation of infrastructure facilities in Tsunami affected areas	24.05	--	--	--	--
	<b>Sub-Total</b>	<b>36190.39</b>	<b>4279.36</b>	<b>73183.25</b>	<b>40465.81</b>	<b>11037.55</b>
<b>TOTAL</b>		<b>40127.65</b>	<b>4917.64</b>	<b>74300.65</b>	<b>41320.91</b>	<b>12075.00</b>