

**REPORT**  
OF THE  
**WORKING GROUP**  
FOR THE  
**COTTON TEXTILE INDUSTRY**  
**1960**

**Appointed by the**  
**National Industrial Development Corporation**



**BOMBAY**  
**PRINTED AT THE GOVERNMENT CENTRAL PRESS**

**1960**

**REPORT**  
OF THE  
**WORKING GROUP**  
FOR THE  
**COTTON TEXTILE INDUSTRY**  
**1960**

**Appointed by the**  
**National Industrial Development Corporation**

CONTENTS Shananjayarao Gadgil Library

CHAPTER	PAGE
I. Introductory	1
II. Assessment of the need and scope for rehabilitation and Modernisation.	4
III. Size of the Industry envisaged at the end of the Third Five-Year Plan.	10
IV. Problems and cost of rehabilitation and modernisation.	12
1. Machinery	12
2. Labour	18
3. Management	25
4. Finance	29
5. Minimum Economic Size of a Textile Mill Unit	34
6. Export requirements	37
V. Sources for financing Rehabilitation N.I.D.C. and I.F.C. loan and relaxation of terms and conditions, and external finance.	40
VI. Closed and Weak Units	47
VII. Industrial Relations and Training Schemes	57
VIII. Concluding remarks	61
IX. Summary of conclusions and recommendations	62
<hr style="width: 20%; margin: 10px auto;"/>	
Annexures I to VII	71

## REPORT OF THE WORKING GROUP FOR THE COTTON TEXTILE INDUSTRY.

### INTRODUCTION.

The National Industrial Development Corporation (Private) Ltd. (N.I.D.C.), working under the aegis of the Government of India in the Ministry of Commerce and Industry appointed us as a Working Group for the Cotton Textile Industry. The N.I.D.C. was considering measures for expediting the modernisation of the Industry. The Board of Directors of the Corporation agreed that the Industry was suffering from want of timely renovation and renewal of equipment and advantage had not been taken of new developments. Compared to any other countries, conditions in India are unsatisfactory. Elsewhere Governments have come forward with certain schemes for assisting and if necessary subsidising the modernisation and rationalisation of the cotton textile industry. The problem in India would have to be carefully examined. As the number of units in the Industry is very large, the work to be undertaken was of some magnitude and the N.I.D.C., therefore, set up a Working Group consisting of the following :—

- |   |     |                       |
|---|-----|-----------------------|
| (1) Shri D. S. Joshi, I.C.S., Textile Commissioner. | ... | Chairman.             |
| (2) Shri Krishnaraj M. D. Thackersey                | ... | Member.               |
| (3) Shri G. D. Somani                               | ... | Member.               |
| (4) Shri K. Sreenivasan                             | ... | Member.               |
| (5) Shri S. R. Vasavada                             | ... | Member.               |
| (6) Shri Ram Ratan Gupta                            | ... | Member.               |
| (7) Shri Trilokinath Sharma                         | ... | Member.               |
| (8) Shri N. Mujumder                                | ... | Member.               |
| (9) Shri K. R. Aravamuthan                          | ... | Member—<br>Secretary. |

2. It was envisaged that some of the members of the Group would visit countries like the U.K., Japan, U.S.A., and Switzerland where modernisation of the cotton textile industry had progressed well. The Group was asked in particular to examine the extent of finances necessary, the portion of foreign exchange required, the extent of finances which would be forthcoming from the industry itself, and how the balance of the needs may be met from public or private financing agencies including the question of increasing the resources of public financing agencies like the N.I.D.C., etc,

3. This is not the first time that problems of the industry have had to be reviewed. Apart from the Textile Enquiry Committee, 1954, the working Party which was appointed in 1950 and reported in July, 1952, had to review problems regarding rehabilitation of the industry. The Textile Enquiry Committee, 1958, had also to make observations regarding some of these problems.

4. The following observations of the Working Party, under the Chairmanship of Shri A. Ramaswamy Mudaliar would bear repetition :—

“Severe competition lies ahead of the Industry and rationalisation will be one of the methods by which the industry may be saved from such severe competition .....

“The Industry is working with plant and machinery most of which is not only old but completely outmoded and renewal of the machinery is an urgent problem with the industry .....

“It was particularly difficult to get spare parts during the war and the maintenance of the machinery was therefore quite inadequate .....

“It is true that in some textile units by careful attention to the maintenance of the plant and by timely renovation of the parts which were worn out the old machinery still functions satisfactorily .....

“But in other cases, it would not be an exaggeration to say grossly inadequate attention has been paid to the maintenance and the resulting evils are quite patent .....

“In the first place, the further life of the machinery is very limited .....

“In the second place, the production out of it is poor involving higher costs for the mill concerned .....

“In the third place, the worker is at a greater disadvantage in discharging proper workload owing to the nature of the machinery .....

“These facts suggest the very serious question as to how far the industry, on the basis of the present plant and machinery, has a future and how soon it ought to be renovated, repaired or properly rehabilitated .....

“To add to the complexity of the situation certain mills which have changed hands and come under the management of persons who have little knowledge of the industry and who are newcomers to it have suffered even worse during the last few years than other comparable units under old management. It is in the

interest of the consumer, in the interest of the general economy of the country and in the interest of the large labour population engaged in the industry that proper rehabilitation, renovation and replacement of this old and deteriorated plant and machinery should be undertaken .....

“At the beginning of the Second World War, Government issued a note of warning to Industrialists generally that they would find themselves in difficulty at the end of the War and that profits made during that period should not be frittered away by large dividends being distributed to shareholders. In spite of these warnings it is regrettable to note that, in many of the units of the Textile Industry, profits have not been conserved for the future benefit of the Industry and that large dividends have been declared during those years of abnormal profits.....”

5. The present position in the industry has worsened still further.
6. We issued a questionnaire in September, 1959 to all the mills—spinning as well as composite—in the industry. We also visited the important centres of the industry, like Kanpur, Jaipur and Beawar, Calcutta, Indore, Coimbatore, Nagpur and Ahmedabad between November 1959 and February 1960. At the various centres, we had discussions with representatives of the industry as well as labour. At Bombay, we had the benefit of discussing with representatives of Textile Association which is a body of technicians in the industry. We have also had the benefit of discussing with members of State Governments at some of the centres.
7. At our very first meeting, the Minister for Industry, Shri Manubhai Shah addressed us and guided us as to the scope of the terms of reference and also covered the many aspects which we would have to examine and report upon.
8. We held twenty-eight meetings at the centres we visited and at Bombay.

**CHAPTER II.****ASSESSMENT OF THE NEED AND SCOPE FOR  
REHABILITATION AND MODERNISATION.**

9. It is hardly necessary to go into the history of the development of the cotton textile industry in India. From small beginnings, it has now reached a stage where it not merely meets the almost entire requirements of cotton clothing of India but is also in a position to export cloth to the extent of about 800 million yards a year amounting to Rs. 50 to 60 crores. The industry has had to pass through ups and downs. It got a fillip during the war period and it has continued, to grow thereafter inspite of difficulties. In recent years, the expansion has been steady. In 1950-51, there were 94 spinning units and 268 composite units with a total capacity of about about 10.6 million spindles and 192,000 looms. The 94 spinning mills accounted for 1.86 million spindles. In 1945, the Government of India had prepared a plan for post-war development of the industry for the whole country, as it was then. Even after partition, however, the development has been falling broadly on the lines of the 1945 report. The weaving capacity has remained fairly stationary as the handlooms were encouraged to increase their output. The emphasis in the organised sector was therefore, on the expansion of spindleage including some expansion for balancing purposes.

10. In the year 1959, there was a total of 188 spinning mills with a capacity of 2.81 million spindles. In the composite sector, the number of units increased to 294, with 10.6 million spindles and 2.01 lakh looms.

11. For an industry of this size meeting the essential clothing requirements of the country, the picture of efficiency of its units is not uniform. While there are some units which are well-equipped and well maintained and can compare with good units anywhere, there is quite an appreciable sector covering easily perhaps about 100 units in a condition where the state of machinery and productive efficiency are very unsatisfactory. It is hardly necessary for us to go into the reasons for the same as the Working Party which reported in 1952 had already gone into these questions and the picture still holds good.

12. The country is set on a rapid programme of industrialisation and economic development. It is obvious that an industry like the cotton textile industry must also progress on the sides of efficiency

and equipment. It is true that in the present stage of economic development of the country, cottage industry has a significant place. In cottage industries, the production per person is low; they are labour-intensive and not capital-intensive. The Textile Industry, quite apart from its being an old established Industry, is contributing its significant share in the employment directly of about eight lakhs of workers, and also in paying a large slice of taxes both direct and indirect worked out at a figure of round about Rs. 90 to 100 crores. This Industry's contribution in the earning of Foreign Exchange also is substantial, and quite a large number of ancillary industries depend and flourish on this major Industry. The Industry is expected to earn substantial amounts of foreign exchange now and in the immediate future by exporting considerable quantities of cloth. It cannot accomplish this task on a long-term basis except by increasing its competitive efficiency and improving quality vis-a-vis other countries in the export field. If for no other reason, at least for this, it is essential that the industry is kept in good shape. The industry cannot count on the continued advantage on the side of cheap cotton or low labour cost. In fact, already the unit labour costs are on the high side compared with many other countries as will be seen from the following figures :—

	U.S.A.	Belgium.	U.K.	Japan.	India.
Average value per unit of out-put (1954) ...	100.0	100.0	100.0	100.0	100.0
Labour ...	29.2	24.0	24.0	16.1	26.6

[Source.—GATT Sectt (Pilot Study—1959) and TXC's Economic Branch].

13. A view has been expressed before the Group that to the extent of the country's dependence on exports of cotton textiles as an earner of foreign exchange, some units may be separately set up or ear-marked for the purpose and a very degree of modernisation and rationalisation may be accomplished in such units. We have considered the matter carefully and feel that it would not be possible to isolate the problem in this manner. Already one of the ills of the industry is the great disparity in the efficiency of various units. This is not desirable whether from the point of view of labour management or the consumer in general. We are firmly convinced that one of the important problems to be met is in narrowing down of this disparity.

14. Modernisation of an Industry is generally regarded as a replacement not only of old, worn out, uneconomic or obsolete machinery but also the introduction of modern techniques and methods so



as to enable the industry to be equipped with modern equipment for improving the quality of production, improving productivity, reducing unit costs of production and relieving the strain on the operatives. But the replacement of old machines by new ones involves a number of other considerations and these must be taken into account in any scheme of modernisation.

15. One of the major effects of modernisation is an increase in the capital cost of equipment and the advantages of modernisation depend on the extent to which this equipment is utilised and maintained. Full machine utilisation involves the adoption by managements of certain management skills which are the essential pre-requisites of a modern industry. These include maintenance of good working conditions, supply of appropriate raw materials and spare parts, a proper organisation of their man-power resources including maintenance of good industrial relations, production planning, training etc. The introduction of new management techniques such as Quality Control, Cost Control, Work Study, etc., are also essential. The implementation of these practices are important even in older units, but in the context of the high cost of modernisation, their adoption in modernised units is imperative.

16. Modernisation of machinery in a textile mill consist of one or more of the following changes :—

- (i) Higher drafts.
- (ii) Larger packages.
- (iii) Higher speeds.
- (iv) Automatic controls.
- (v) Processing and finishing in conformity with modern standards.
- (vi) Improvement in working conditions.

Whichever of these changes is adopted, the effect generally is a reduction in the number of workers required, the size of the reduction depending upon the degree of modernisation. If such a reduction were not possible, any attempt at modernising machinery would be futile as its effect would be to increase the cost of production rather than decrease it. Therefore, the problem of surplus workers is an important aspect of modernisation. As modernisation of equipment proceeds in mills re-organisation of the working force will become inevitable. Managements have to take into account the human problems involved in these changes, if they are to be brought about smoothly and without any dislocation of the industry. The co-operation of organised labour is an important pre-requisite for the successful implementation of these changes.

17. Very often, modern machinery cannot be accommodated in old and obsolete buildings without structural modification or changes. Occasionally, it may be necessary to construct new buildings. Such renovation or reconstruction of buildings should also be an integral part of modernisation.

18. Modernisation may also be undertaken from the point of view of improving the quality of the product or its diversification and marketability. The addition of combing equipment to a spinning mill or the installation of a finishing plant in a weaving mill will be under this category of modernisation.

19. Therefore, modernisation as we envisage it, is not only the replacement of old machinery by new, but also the bringing about of those conditions and practices in industry which would enable it to be strong and efficient and withstand successfully competition as well as any changes in market conditions.

#### **Level of Modernization.**

20. One of the problems we have had to consider is the level of modernisation that should be achieved during the next five years. Majority of the managements are naturally of the view that they should be permitted to modernise to the maximum possible extent, because they consider that only such modernisation would enable them to compete successfully, especially in foreign markets. They have drawn our attention to the degree of modernisation that has been achieved in other countries and are anxious that our country should not lag behind in any way.

21. Labour on the other hand is equally anxious that modernisation should not result in any unemployment among industrial workers.

22. But from the point of view of strengthening the economy of the country and that of the textile industry in particular, neither of these two approaches is helpful. Modernisation to the maximum possible extent on a national scale is not possible, because of the vast amount of finance involved and also because of the large percentage of the labour force that would have to be re-absorbed. On the other hand, failure to modernise in time may bring about the very conditions of distress and unemployment in industry that labour is so anxious to avoid. It is a well known fact that several mills in India today are running with old and obsolete equipment. Some of

them have been in difficulties and a few have closed down altogether resulting in total and permanent unemployment of workers in these concerns. If this state of conditions is to be prevented from spreading to other units also, then modernisation is rendered inevitable.

23. Another factor that is relevant to this discussion is the considerable variation in technological and managerial efficiency that exists in the textile industry today. In any large industry comprised as it is of over 480 units some of which are very large and others extremely small — some differences in efficiency and cost of production between the best and the worst units is inevitable. But this difference today is abnormally wide. While we have in India some mills which can stand comparison with the good mills in other parts of the world, there are many others whose efficiency is so low and production methods so inefficient, that they are a drag on the national economy. Therefore, one of the first objectives of any scheme of modernisation should be to ensure that these inefficient units are brought up to a minimum standard of efficiency and the gap between the most and the least efficient unit is considerably reduced.

24. In the light of the above discussion, the level of rehabilitation and modernisation from a national point of view should be governed by the following three factors :—

- (i) The finance that is available.
- (ii) The degree of labour displacement.
- and
- (iii) The need to ensure a minimum standard of efficiency in all units.

Taking these three factors into account, we are of the opinion that there should be a minimum level of modernisation in all units — a level below which no unit should be allowed to exist. This level should be such that it should enable the mill to stand on its own feet without any further assistance from external sources and without causing undue hardships to workers.

25. Secondly, mills which have already reached or even exceeded this level of modernisation may also modernise further provided they have the necessary financial resources and are in a position to accomplish modernisation by following the principles laid down at the Fifteenth Labour Conference.

### Pace of Modernisation.

26. It is necessary to set out some elementary facts. The machinery installed in different units of the textile industry is bound to get out of commission sometime or the other whether it is maintained properly or not. At the time of such replacement, the new machines which take the place of the old ones may necessarily be of the modern type. Nobody can suggest nor would it at all be practicable that the old machines should be replaced 'like by like' for the mere reason that the technological progress in the machinery making industry itself turns out only the modern machines invariably capable of being operated by less number of operatives. Thus, even on the basis of such inescapable replacement there is bound to be measure of rationalisation in the industry which is not to be questioned as to why but how much at any time. We see also that even in the highly developed countries with *per capita* income and labour productivity high, the urge to modernise is all the greater. This progress cannot be stopped.

27. In the U.K. which some of us visited recently, the industry had lagged behind with the result that its size continued to remain high at 24 million spindles and 245 thousand looms while the productivity could not be compared with that in other developed countries. The industry and Government had, therefore, to tackle the problem on unorthodox lines. We attach in Annexure 'I' a copy of the White Paper issued by the U.K. Government covering the recent scheme of re-organisation of the industry. After the re-organisation, the industry is expected to emerge highly modernised and rationalised. In Japan also after the devastation of the Second World War, both out of necessity and in accordance with the genius of the people, the cotton textile industry in company with many other industries is now highly modernised, rationalised and efficient. In our own country, in view of several factors the pace of modernisation and rationalisation has had to be slow and we cannot therefore afford to keep the Industry back from its legitimate urge and need for rehabilitation and modernisation.

**CHAPTER III.****SIZE AND WORKING OF THE INDUSTRY ENVISAGED AT THE END OF THE THIRD FIVE-YEAR PLAN.**

28. In discussing problems regarding rationalisation of units, the question of ways of absorbing surplus labour has inevitably cropped up. One of the ways suggested by both management and labour was that if some additional capacity could be licensed in the areas concerned, the problem of surplus labour could be met at least to some extent. We have had, therefore, to consider the question of all possible expansion of the industry during the Third Five-Year Plan period.

29. The expenditure on expansion will also have significance with regard to programme for manufacture of textile machinery and also the outlay of foreign exchange for purposes of importing some machinery.

30. We understand that preliminary discussion in the Planning Commission have already taken place regarding the size of the cotton textile industry in the Third Five-Year Plan period. We have also seen the estimates prepared by the Indian Cotton Mills Federation as also by the Working Group of the Handloom Industry in so far as that industry is concerned. We also learn that the programme for Khadi would not be for a larger quantity than the 300 million yards mentioned as the target for the Second Five-Year Plan.

31. We are informed that broadly speaking, the total cotton cloth requirements at the end of the Third Five-Year Plan may be placed around 9,300 million yards excluding Khadi. The requirements of yarn, whether for mills or decentralised handlooms and powerlooms have to be met by textile mills. As regards the plan for the weaving sector, the increase in production in the handloom and powerloom sector is envisaged roughly at 700 million yards leaving a balance of about 600 to 700 million yards to be met by the composite mill sector.

32. For the purpose of provision of the necessary yarn and the additional weaving capacity in composite mills it may be envisaged that apart from about 400,000 spindles of scrap or waste units which would have to be re-licensed, there would be another 800,000 spindles to be installed anew.

33. We have been informed that at the commencement of 1960 the position regarding the progress of licensing and installation of spindles during the Second Five-Year Plan was as under :—

(Figures in millions).

(A) Total number of spindles allotted to be installed.	2·100
(B) Additional spindles licensed till December 1959 for uneconomic units, co-operative societies.	0·530
(C) Total number of licences allowed so far	<u>2·630</u>
(D) Number of spindles actually installed up to the end of December 1959.	1·174
(E) Number of spindles remaining uninstalled	1·456
(F) Number of spindles revoked	0·576
(G) Valid licences in the field.	0·880

34. As regards the looms, there should be some improvement as a result of modernisation but the extent of this cannot be precisely calculated. There can be no doubt that some 15,000 looms excluding those in replacement of scrapped looms would have to be added to the present size of the composite sector. Annexure II gives the allocations of capacity under the organised Mill sector, Handlooms and powerlooms.

35. One view taken regarding the results of modernisation is that the production from the present licensed capacity after modernisation, would show some increase, partly as a result of better productive efficiency and partly as a result of additional shifts worked.

36. Regarding the number of shifts, worked in the Industry, the present pattern is that on the spinning side 2·48 shifts are worked on an average for the industry as a whole and the weaving 2·20 shifts. As a rule, the more modern units tend to work full 3 shifts. In the past two shifts working was adhered to. At the same time, the tendency in the new modernised units to work full 3 shifts cannot be left out of account. It becomes necessary in view of the large capital cost involved in the installation of modern machinery. Taking these factors into account and the fact that modernisation in itself would be a process spread over some years, we consider it advisable to take the broad pattern of shift working as it is with a slight tendency to work additional shifts.

## CHAPTER IV.

### PROBLEMS AND COST OF REHABILITATION AND MODERNISATION.

37. We have already covered some aspects concerning the pace and level of modernisation for the industry. It is necessary to refer to some other aspects of productive efficiency of the industry before we go on to the question of the cost of modernisation envisaged by us.

38. The present state of the industry is the result of neglect in various respects by a large sector. There has been neglect in the maintenance of machinery, neglect with regard to a programme of timely replacement and neglect with regard to the maintenance of high productivity as a result of lack of co-operation between labour and management. To some extent however the conditions prevailing during the 'war' years and immediately thereafter made it impossible for even the well managed mills to obtain the necessary spare parts and other items required for proper maintenance of their machinery.

#### (1) Machinery

##### (a) Maintenance Efficiency.

39. The Working Party which reported in 1952 had already drawn attention to the lack of proper maintenance of machinery. There has been no improvement in this regard. The Cotton Textile Advisory Committee has recently discussed this subject and proceeded to appoint a Central Maintenance Committee with regional sub-committees on which management and technicians are represented.

40. To a certain extent the problem is due to the technical backwardness in some regions and the want of good guidance in this regard. These deficiencies can be made good by the Maintenance Committee with its sub-committees. They can prepare schedules of maintenance after full consultation with the industry including management, technicians and labour. The Indian Cotton Mills' Federation and the Southern India Millowners' Association which together cover the entire industry can play a very effective part in this regard.

41. There remains the question of such managements as deliberately neglect the maintenance of machinery. We consider that every textile mill company should spend adequately on maintenance

of machinery and equipment on fairly good standards. We are confident that this step would be welcomed by the entire Industry. Quite apart from showing the expenditure on maintenance separately in the Manufacturing and Profit and Loss Account, there should be a watch exercised by those in charge of the mill that the money is spent on appropriate items of maintenance of machinery installed. The Maintenance Committee referred to above may be expected to work out the details on a satisfactory basis.

42. It has been represented to us that at present the provision of foreign exchange for import of essential spare parts is extremely inadequate. We are firmly of the view that essential expenditure on spare parts should be the first charge on foreign exchange resources, and should be adequately met. As the capacity of the indigenous machinery manufacture extends, the need to spend large amounts of foreign exchange on spare parts would naturally diminish. We would also suggest that units of the industry should keep separate accounts of expenditure incurred on maintenance.

*(b) Rehabilitation and Modernisation Estimates.*

43. We now proceed to make an estimate of the cost involved in modernisation of the industry to a reasonable level. As already stated previously, we have to take into account the limiting factors for this purpose in a country like India. The level of modernisation envisaged is not of the extreme type. In fact, it is nearer the minimum level. A background to what we are going to propose, it would be relevant to keep in mind the limits to which the programmes can be stretched. If the entire organised sector of the mill industry of the present size were to be set anew, the cost would be in the neighbourhood of Rs. 800 crores. It is true that in no industry can all the units of such a large nature be entirely new; but even keeping this factor in mind, it would be clear that the levels of modernisation which we are proposing would be fairly low and in keeping with the conditions in the country with the limiting factors regarding both finance including foreign exchange and labour.

44. There are a number of ways in which the estimated cost of modernisation can be worked out. In Annexure III (a to c) we give estimates prepared in accordance with the various ways.

45. The first method in Annexure III(a) obviously was to proceed on the basis of mills' own estimates for rehabilitation and modernisation. In our discussion with the representatives of the Industry,



the point was raised more than once by Management as to the level of modernisation which we envisaged. We have naturally not prescribed any pre-determined levels and left it to units to prepare fairly bold programmes. Comprehensive replies facilitating framing of estimates were not received from a number of mills. It may, however, be that units who have not replied either do not feel the need of public assistance or many of them are probably well-equipped already and a few may be in such a hopeless condition that they would not think it worth while to prepare plans for modernisation. To frame an estimate for the industry as a whole from the replies received by us should, therefore, allow for the above factors without resorting to an arithmetical projection.

46. Secondly, we have been furnished by the Office of the N.I.D.C. (C.T.L.A.C. which is its subsidiary organisation) with details regarding applications for loans from 112 mills received by it so far. It is quite true that these applications cover, broadly speaking, only the minimum requirements of most of the units. They had not come up to the full and desirable programme for modernisation of such units. Nevertheless, we have attempted in Annexure III(b) to prepare another approximation of the requirements of the industry for modernisation.

47. Thirdly, we have the Report of the Bombay Cotton Textile Industry (Rehabilitation Enquiry Commission) referred to by the Indian Cotton Mills' Federation. Only the mills in Bombay City were covered by the Commission and modernisation taken into account for this purpose was of very limited extent. The cost of introduction of Barbar Coleman machines or automatic looms was left out. Nevertheless, for the sector of the industry covering 32 lakh spindles and 64,000 looms, the Commission came to the conclusion that the replacement upto 1961 would be Rs. 44 crores and upto 1970 would be Rs. 68.5 crores.

48. Fourthly, fairly detailed estimates have been prepared by the Standing Committee on textile machinery. We append a note in Annexure III(c) giving these figures. The estimates have been prepared on a somewhat conservative basis by the machinery manufacturing interests who have in the recent past not received orders upto expectations. We have no doubt, however, that the period to come will be a brighter one from the point of view of orders for textile machinery because of the inevitable needs of modernisation upto any levels considered reasonably satisfactory, as well as for the modest expansion of the industry envisaged in the Third Five-Year Plan.

49. Lastly, we have also kept in view the normal Rehabilitation and Modernisation proportion for an industry on a rough estimate of Rs. 800 crores for the industry if its equipment were new. A normal proportion of 20 to 25 per cent. for a period of 5 to 6 years would not be high.

50. It will be seen that whichever way the problem is approached, we come to a total figure of between Rs. 150 and 200 crores. We consider that an estimate of about Rs. 180 crores would be a fair guide for the purpose of planning for finance for rehabilitation and modernisation. It should be remembered that we have in view only the period co-terminus with the end of Third Five-Year Plan viz., 31st March 1966. We shall discuss further in the context of supply of indigenous machinery, why this programme of modernisation which in our view, is modest and reasonable should not be put off any further. The programme would entail an average annual expenditure till the end of the Third Five-Year Plan, of only Rs. 30 to 35 crores. This is not at all heavy compared to the figures of value of textile machinery indigenously manufactured and the average value of machinery imported in recent periods apart from the imports of spare parts or of components for the machinery manufacturing industry.

51. We have estimated the requirements of machinery for a programme of modernisation covering the period upto 31st March 1966. In addition, machinery, will be required for the expansion of the industry envisaged to take place during the Third Five-Year Plan period. In Annexure III(c) we give a somewhat detailed estimate of the requirements of machinery for both the purpose divided into broad Heads of spinning machinery, weaving machinery and processing machinery.

*(c) Requirements of machinery—Indigenous and imported.*

52. We have next to consider the estimate of the proportion of machinery which would have to be imported during the period upto the end of the next Five-Year Plan from abroad. The figures in Annexure III(c) show that the estimate of the requirements of foreign exchange for the import of machinery. At present, the production of indigenous textile machinery is of the value of about Rs. 10 to Rs. 12 crores per year. The plan for production of additional items of machinery is being vigorously pursued and it is anticipated that at least about 75 per cent. of the machinery requirements at the end of the Third Five-Year Plan would be met by the indigenous manufacture. The manufacture of automatic looms under an arrangement

of collaboration with reputed makers is about to be started. Taking these factors into account, the estimate will be that for modernisation and rehabilitation Rs. 60 crores worth of machinery would have to be imported, for the period up to 31st March 1966. This will be in addition to spare parts for the existing machinery and components required by the indigenous manufacturers. We have already emphasised that the programme of modernisation we have envisaged is not an ambitious one but in fact the minimum that would require to be evolved. It cannot be put off except at the risk of making things worse for the textile industry and the community. It is essential, therefore, that this much of Foreign Exchange is made available for the Cotton Textile Industry for the import of machinery required by it.

*(d) Indigenous Textile Machinery making Industry.*

53. The foreign exchange on account of import of machinery has been assessed after giving due regard to the anticipated production by the indigenous Textile Machinery Manufacturing Industry. The anticipated production is based on a fairly ambitious programme of development during the next five years, which includes manufacture of a number of new items of textile machinery which have, up-till-now, no indigenous angle. It is to be noted that the development of new lines of production necessitates a substantial amount of imported components and raw materials at least in the initial stages and therefore the requirement of foreign exchange on this account cannot be ignored. Such requirement under various heads against anticipated phased production programme of the industry, is estimated to be about Rs. 22.6 crores up to the end of the Third Five-Year Plan.

54. The development of Textile Machinery Manufacturing Industry which is of a recent origin, got an impetus during the World War and post-War years, when it was difficult to procure the machinery from abroad. But for the protection granted by way of import restrictions which became more and more a necessity due to stringency in foreign exchange, this industry could not, have survived in the face of the severe competition offered by the imported items of machinery manufactured in the highly industrially developed countries like the U. K., Japan, Germany, Switzerland, etc. Thus while the indigenous Machinery Manufacturing Industry was provided with sheltered market, the consumers' interest in the matter of quality of indigenous machinery was not adequately safeguarded. In this respect one of the suggestions of the Tariff Commission while

examining the initial complaints made against the indigenous machinery in connection with their enquiry of 1953 is reproduced below :—

“Adequate arrangements should be brought into existence for an impartial investigation of all complaints from the consuming industry about the quality of indigenous products and for keeping a continuous watch over the programme of the Textile Machinery Industry as a whole”.

55. The *Ad Hoc* Committee set up by the Government to advise Government on various aspects of the Textile Machinery Manufacturing Industry also discussed the question in great details and submitted a proposal to the Government of India for the setting up of an Inspectorate in the Office of the Textile Commissioner. The proposed Inspectorate was expected to carry out the inspection of a certain percentage of machinery manufactured by the indigenous industry in respect of (a) material specification, (b) dimensions and tolerances, (c) assembly operations and (d) test for performance. The demand for such an inspection by an independent Government agency was supported by both the Mill Industry and the Manufacturing Industry and the latter has repeatedly assured of their fullest support to such an Inspectorate. We are of the opinion that the proposal for setting up of an Inspectorate deserves immediate consideration of the Government since such a body would develop the confidence of the consumers of the indigenous machinery. Apart from being a liaison between the manufacturers and consumers, the set up of such an Inspectorate would help in developing higher standards in the manufacture of machinery and, to some extent, eradicate the feeling to the effect that unsuitable indigenous machinery is being forced on them through import restrictions.

56. It would be observed that the indigenous textile machinery manufacturers have been allocated rather an ambitious programme. In order to fulfil the target of indigenous production of textile machinery to the extent of over Rs. 110 crores by the end of the Third Plan period, the Industry will have to increase its rate of production from the present level of Rs. 12 crores annually to Rs. 21 crores per year by the end of the Third Plan period. The anticipated phased production programme has been indicated in the statement in Annexure IV. It is to be noted that the increase in production of textile machinery during the next five years is not only in respect of the same items that are being manufactured today, but this also includes the manufacture of new lines of production for

which hitherto there have not been any indigenous angle. Past experience shows that the development of new lines of production necessitates a substantial requirement of imported components and raw-materials in the initial stages. Such requirements of imported components and raw-materials during the Third Plan period can safely be assessed at about 20 per cent. of the value of the machinery to be produced. As regards the indigenous production in respect of ventilation, humidification, etc., the imported components are anticipated to be to the extent of about 30 per cent. of the production of such equipment.

57. The requirement of foreign exchange against phased production programme in respect of textile machinery ventilation, humidification plants, etc. is indicated in Annexure IV. If the Textile Machinery Manufacturing Industry is to achieve the anticipated production, it would be necessary to provide the foreign exchange to the extent of Rs. 22.6 crores as indicated therein.

## **(2) Labour**

### *(a) Rationalisation.*

58. It is evident that any measures of modernisation must inevitably entail some steps towards rationalisation. Rationalisation is also in itself an important subject connected with the progress of the industry.

59. The picture of labour force employed and labour efficiency is not at all uniform in the country. Some centres like Ahmedabad, Bombay and Coimbatore have made good progress towards rationalisation; others are lagging very much behind. Although it may be true that there have been historical reasons for the uneven development in the country, it is obvious that for the healthy and even growth of the industry in various areas, the efficiency of labour as also of management should be fairly even. This is all the more necessary as the demand is towards uniformity in the labour remuneration at different centres.

60. In some areas like the old Madhya Bharat or Rajasthan which were previously parts of Indian States, the remuneration of labour was on the low side, the size of the labour complement did not so much matter and there was not the same urge for maximising labour productivity. All these areas have now got to adjust themselves to the new conditions in which there can be no discriminatory differences between the different areas of the country.

61. The reasons as to why the sections of the industry located in certain areas are facing this grievous problem of high complement of labour need not be gone in great detail. It is well known that the very location of the textile industry in some of the erstwhile Princely States was encouraged by substantial concessions extended by the Rulers of those States and in addition the mills were exempt from Income-tax and certain local levies. Further, the wages for labour in those areas were very much lower than what were prevailing in the rest of the country and it did not very much matter whether the labour complement was excessive or not. The integration of the States resulted in the withdrawal of the substantial concessions enjoyed by the mills in those areas and in addition, labour laws, minimum wages regulations etc., prevailing in the adjoining areas came to be extended by statutes to the industrial units in these areas. The resultant effect was that the pressure of high complement of labour caused a serious burden on the working of the economy of the units which intrinsically were not economic and could not have survived but for the concessions enjoyed by them previously. It was represented to the Working Group that in one centre (Beawar) as many as one-third of the total complement of labour remained outside and only two-thirds were working at a time. It was also explained that the working conditions were such that it would be physically impossible for workers to remain continuously at their jobs. The working Group would urge that this system should be remedied as it is a national waste to keep workers idle on such a colossal scale.

62. Most of the representatives of labour who met us at different places have agreed in principle that rationalisation is a necessary step. It is only when the question of pace of rationalisation is considered with reference to particular centres that some differences come up.

63. In this context, the experience of Ahmedabad is worth mentioning. Labour here is perhaps the best organised in the country. At the same time as a result of the enlightened policy followed and by constant negotiations with management it had been possible to achieve industrial peace which has brought about a degree of rationalisation and higher productivity. Even during the last five years between 1955 and now, the labour force has been reduced from 141,000 to 131,000. The actual reduction of labour force was 15,000 while additional 5,000 was employed in new jobs resulting in a net reduction of 10,000 men. During the last 10 years, it has been estimated that about Rs. 35 crores worth of new machinery has been installed in the Ahmedabad Mills. The representatives of labour at

Ahmedabad have already invited our attention to the fact that labour was responsible for preventing inefficiency and possible closure in three mills. Thus, the attitude of labour there has been always constructive.

64. Similarly, it is significant that at a centre like Indore, which was previously included in the Indian State areas, the labour force has been substantially reduced in recent years. These adjustments evidently reveal higher labour productivity brought about by the desired conditions and constructive approach. We commend this approach to continue unabated and other centres to adopt the same approach to the question of rationalisation.

65. In discussing questions regarding the phase of rationalisation, reference has constantly been made to the conclusions reached at the Fifteenth Labour Conference. It will be useful to repeat them here :

"It was emphasised and agreed that Government might make arrangements to ensure that measures of rationalisation which did not serve the real economic interest in the present conditions of the country, might be avoided. This principle and what follows would be applicable even in the case of units which had already taken steps to introduce rationalisation but had not completed the process. The following conditions were accepted as *sine qua non* in any scheme of rationalisation :—

(i) There should be no retrenchment or loss of earning of the existing employee, i.e. the existing complement should be maintained, barring cases of natural separation or wastage ;

(ii) There should be an equitable share of gains of rationalisation as between the community, the employer and the workers ; and

(iii) There should be a proper assessment of workloads by experts mutually agreed upon and also suitable improvements in the working conditions."

66. On the other hand, representatives of management have pointed out that the conditions incorporated in the conclusions at the Fifteenth Labour Conference are in many cases unnecessarily restrictive and prevent the introduction of proper rationalisation.

67. We would strongly suggest agreements with labour being entered into so as to facilitate implementation in an atmosphere of mutual understanding and trust. We feel, however, that even the

conclusions of the Fifteenth Labour Conference have not perhaps been acted upon in many places. The working arrangement in Ahmedabad has been within the frame-work of these conclusions and quite substantial results have been achieved.

68. At a minimum level, the natural wastage which occurs in the labour force provides some scope for the introduction of rationalisation. Labour representatives at all centres agreed that there is no objection to taking full advantage of this steady and sure though somewhat slow process. Natural wastage includes reduction in labour as a result of death, old age, superannuation or voluntary retirement. What is intended is that posts which fall vacant as a result of natural wastage should be reduced and do not have to be filled in. This should be done by agreement to be reached with labour. Where such an agreement is obstructed by a different union or party, the State Government should take steps to bring about an agreement and implement one already arrived at.

69. Labour is not inclined at present to go beyond the above level and accept any compulsory retirement in excess of this level in the absence of prospects of finding alternative employment opportunities. It is in this background that suggestions have been made to us both by management and labour particularly at centres where the labour complements are on the higher side as well as Government representatives that the process of rationalisation will be healthy if the industry is sanctioned additional capacity at such places.

70. Such additional capacity can firstly be against any units which are closed or scrapped. We agree and would recommend to the Government that this principle be immediately accepted that against capacity for which licences would be required on the ground of closure of the factory or on the ground of units being scrapped voluntarily or compulsorily, equivalent capacity be licensed. This should be as far as possible in the same centre. In order to meet the need and demand for absorption of surplus labour, it has also been suggested that the capacity in the alternative be allowed to be utilised in any other centre in the same State with the consent of the State Government. We accept this suggestion although surplus labour cannot be absorbed with the same ease.

71. We have tried to examine to what extent there is scope for putting in additional capacity so as to facilitate absorption of surplus labour from the units of the industry where labour strength is reduced as a result of introduction of rationalisation, work assignments, etc., following rehabilitation and modernisation. We have separately assessed the size of the industry at the end of the Third



Five-Year Plan. On principle we do not consider that allocation of additional capacity should be governed by the volume of surplus labour on account of rehabilitation and modernisation of the industry in the several parts of the country. This would only mean that in those centres or areas where already both labour and management have gone through the process of some amount of rationalisation of work assignments by mutual agreement, those centres or areas should be denied additional capacity, thus in effect giving a discount for a rational approach already implemented. We are dealing separately, in this report with the broad pattern which may be adopted for allocation of whatever excess capacity is available during the next Plan period for purposes of balancing, replacement of scrapped units, etc.

72. We have referred about the question of natural wastage. The estimate of this factor is not uniform at all places. It varies from as low a figure as 1.5 per cent. per year to as high as 7 per cent. Conditions at different centres vary. It is clear for instance, in an area like Coimbatore where the industry has come into existence recently, the labour force includes proportionately more young labour and the percentage of natural wastage is less. In well established areas, however, it is unlikely that the proportion would be less than 2.5 per cent. per year. If this is taken advantage of, it in itself would provide a fairly substantial measure for rationalisation. Over a 6-year period this would come to about 15 per cent. of reduction in the net labour force.

*(b) Effect of Modernisation on Labour Strength.*

73. We have also been told by some managements that they have more workers than are necessary even on the basis of their present machinery and mere modernisation without rationalisation of labour will not be of much help to them. While a part of this excess labour force might have been necessitated by poor working conditions in those mills, there are probably some excess workers recruited in times of prosperity without due regard to efficiency. However, that may be, when the mills are modernised, the working conditions will improve considerably enabling the workers to undertake higher work assignments. The best way of arriving at these work assignments is on the basis of work study and job evaluation taking into account the working conditions in each mill. It is best that such studies are undertaken by experts and independent bodies with the co-operation of both managements and workers. The Textile Research Organisations in the country have already done some work in this direction and their services may be fully utilised for this purpose.

in order to infuse confidence and enable smooth acceptance and implementation of the results of these studies and recommendations following these studies, it would be advisable to include two representatives of labour in the Governing Council of each of these Textile Research Organisations in the country.

(c) *Assessment of Surplus.*

74. It has not been possible for us to assess with any degree of accuracy the percentage of workers who are likely to become surplus as a result of modernisation during the next five years. From an analysis of replies from mills, it is found that about 15 per cent. are likely to be rendered surplus during the next five years. In the discussion with managements in the various centres also we have formed the opinion that if the minimum level of modernisation as envisaged by us were to be achieved in all mills, the number of workers rendered surplus is likely to be of the order of about 15 per cent. or approximately 3 per cent. per year. A reply received from the Indian Cotton Mills' Federation estimates the surplus at 9 per cent. of the total labour force of 1.95 lakh in Bombay City. While this may apply as an average for the whole industry, the figure for each individual mill would be different depending on the present conditions of machinery and the number of workers employed. In mills where machinery is obsolete and where there are surplus workers at present, the percentage would be higher and consequently the problem will be more acute.

(d) *Retirement, Resignation, etc.*

75. If the surplus labour for the industry as a whole is of the order of about 15 per cent. or even 20 per cent., then the problem of absorption of these workers is not a serious one, as natural wastage alone will be about 3 per cent. per year.

76. It has also been found that in some centres, there is no age of retirement while in other centres it has been fixed at 58 to 63 years. It will help reduce the size of the problem if provision is made for suitable gratuity on superannuation. In addition compensation by agreement may be provided for to achieve a further measure of rationalisation. It has also been found that in many cases workers who have not reached the age of retirement but who nevertheless wish to leave voluntarily by receiving compensation have been quite substantial in number. This type of voluntary retirement will also help in implementing the modernisation schemes.

(e) *Third Shift Working.*

77. Another suggestion that has been made to us in order to absorb surplus labour is the starting of a third shift. While a few workers' representatives were against the third shift on the ground that it has a bad effect on the health of the workers, the majority of union representatives complained that the managements merely started the third shift to absorb surplus workers, but did not continue it as a permanent measure and very soon the workers were sent out. This is not an acceptable practice. Labour has to be assured of continuity of service in third shift and if third shift is discontinued, the obvious course is to restore the *status quo ante*.

78. Modernisation involves an increase in the capital cost of equipment and obviously the advantages of installation of modern types of machines depend on the extent to which equipment is utilised and maintained.

79. It has been brought to our notice that mills started with latest types of machinery would be very economical if worked on three shift basis only. Three shift working has been advocated so that the high incidence of depreciation and overhead expenses could be spread over a larger output. As against this, views were expressed that the third shift working reduces efficiency and also to some extent adversely affects quality unless there is vigilant supervision and better maintenance. On balance of considerations, the Working Group would suggest that as far as possible, third shift working should be encouraged to enable a speedier rehabilitation and modernisation of at least some of the sections of the textile industry which require such a measure as a matter of urgency. We would emphasise that the industry should go ahead with third shift working only after providing for suitable working conditions and other relevant factors. A large number of mills who have replied to our questionnaire have stated that the surplus labour on rehabilitation and modernisation will be absorbed on third shift working.

(f) *Badli Workers and Decasualisation.*

80. The introduction of decasualisation scheme under which labour rendered surplus in mills could be pooled together for each area or centre for employment in other mills in the same area would be a good scheme to be followed by all the textile centres. The scheme is already in operation in some areas and in our discussion the consensus of opinion was that it should be possible to follow the same in other centres also. At any rate, the time has

come to cry a halt to any further recruitment of textile workers in the textile industry in the different centres as far as possible. A rigid Badli list should be maintained in each area and persons should be put in this list through the Employment Exchange where it exists. Simultaneously, the decasualisation scheme should be applied so that one could take stock of the position and ensure that workers found surplus are found alternative jobs. It was mentioned to us that in some cases recruitment goes on unregulated even without the knowledge of the management. It is very necessary that this should stop and some sort of centralisation of recruitment in the different centres in the industry introduced.

(g) *General.*

81. In this context the Working Group also have taken note of the broad recommendations of the Central Wage Board for the Cotton Textile Industry. The Working Group also note the emphasis rightly laid on the future increases in emoluments being related to increased productivity and a further emphasis laid on rationalisation giving rise to greater productivity to the benefit of the mills as well as to workmen. The working Group also agree on the subject of rationalisation with the relevant observation in the report of the Textile Enquiry Committee, 1958, and recommend that some machinery should be devised to settle questions of rationalisation unit by unit.

**(3) Management**

82. The Management of any industrial undertaking consists of two well defined tiers. The top-management looks, after the ways and means position for running the industrial undertaking, major policy decisions on measures of economy, expansions, marketing and development of the undertaking and overall control over the undertaking by a process of periodical meetings and discussions with Managers, Department Heads, etc., This top management function rests with the Board of Directorate in which the Managing Agents where they exist are duly represented. The day-to-day functions devolve on the Managing Agents and Managing Directors who are in closer touch with the General Manager, Departmental Heads, etc., and who really form the sinews of management. As already mentioned earlier in this report, the Working Party for the Cotton Textile Industry, (1952) drew attention to a major factor which disrupted the proper management of the industry by the replacement of management houses with new comers with little experience of managing the

textile industry. The Textile Industry is almost entirely in the private corporate sector and the changes in management referred to by the Working Party were inevitable.

83. *Efficiency and training.*—There are, no doubt, a number of Textile Management Houses working on fairly modern and efficient lines. However, the standards of management in a number of mills leave much to be desired at present. The enquiries and surveys conducted by the Textile Commissioner's organisation have revealed cases of inefficient management in some sections of the industry. While it is true that the machinery in most of these mills is very old and worn-out, nevertheless the lack of efficiency on the part of the managements has also been a contributing factor leading in some cases to closures. Even in the case of mills which are working, the abnormal variation in productivity is due only partly to machinery, another contributing factor being management.

84. The low efficiency of some of the managements may be due to—

- (a) ignorance of the problems of management; and
- (b) deliberate mismanagement.

(a) Some managements—particularly those who have newly come into the industrial field—are often ignorant of the problems involved in running an industry efficiently. If they happen to be in outlying areas with no other mills to act as an example, they have no source of information regarding the problems they have to face from day to day. It is also difficult if not impossible for them to get good technicians who could advise them on problems of production and maintenance and purchase of suitable equipment either for modernisation or for expansion. They are also not aware of the developments taking place in other parts of the country—much less in other parts of the world. These managements therefore take decisions with insufficient knowledge and information and the effect of these decisions go on piling up until a stage is reached when it is no longer possible for the mill to run as an economic unit.

(b) There have also some cases of deliberate mismanagement with no consideration on the part of these managements either for the shareholders or for the workers. Such managements have no place in the industry. It is in the interest of the industry if such people can be weeded out so that the industry can be built up on strong and stable foundations.

85. While improvement in management practices can be taken as a necessary part of modernisation, specific recommendations in this respect are difficult to make. Because such improvement depends not only on providing managements with necessary knowledge and information, but to bring about an attitude of mind and a new approach to problems among the people at the top. It depends on the social environments in which the management functions, the degree of industrialisation in the area and the philosophy of management that is generally accepted by the industry.

86. The need for better management must be realised by those in industry and the enthusiasm for the introduction of scientific management practices must come from within the industry. No amount of preaching from outside will have much effect. In this aspect the various Mill-owners' Associations and the Indian Cotton Mills Federation have an important role in educating their weaker members to improve themselves. It would be a good thing if leaders in industry who have evolved sound management policies and practices were to assist management of weaker units and enlighten them on problems of purchase, sales, production planning organisation, industrial relations, etc. It was explained to us in one of the centres that to a limited extent a few Mills had joined together to pool their knowledge at the top management level. This is a step in the right direction. The managements of weaker units and their technical staff should be encouraged to visit some of the best mills in the country and have discussions with the managements and technicians of those mills. Such frequent contacts would enable them to have a better understanding of their own problems and their solutions. Exchange of such visits and discussions is best arranged within the industry under the auspices of the various millowners' associations or through the Indian Cotton Mills Federation. In brief, the Working Group would suggest to the Industry itself to remodel their managerial standards and improve them by collective thinking and pooling of knowledge. The method of selection for Supervisory and Managerial positions should also require toning up.

87. The raw material forms the largest single item of cost in a textile mill. This is even more so in the case of spinning mills. It is also a highly variable commodity both as regards quality and price. Failure to use appropriate raw material for different counts and stores and fuel also results in poor working conditions and low productivity.

88. Successful management of a modern industry today involves the use of specialised techniques such as quality control, cost control and time study. The Textile Research Organisations set up in

Ahmedabad, Coimbatore, and Bombay are already doing some work in the direction of training workers and executives in the use of modern techniques. The Working Group would commend the facilities available in these institutions being fully utilised to the advantage of the industry, both by the technicians and the Management. In addition to these research organisations the facilities available and extended by the National Productivity Council should be utilised. The objective should be to make the management and technicians *au fait* with the basic principles of management and the application of these principles to existing situations.

89. Many of the smaller mills have stated that they cannot afford to pay high salaries and employ technicians of high calibre. Consequently, it has not been possible for them to maintain their machinery in efficient working condition. An incidental effect of modernisation is to increase the machinery cost in relation to other items of expenditure. To pay such a high cost for machinery and not to maintain it in really good working order is a waste of finance and effort from the point of view of mills as well as the national point of view. Therefore, whatever might have happened in the past it is very essential that managements should devote considerable attention to the proper maintenance of equipment.

90. It has also been found in many instances in the past that plans for modernisation and expansion have not been drawn up with due consideration to the requirements of the industrial units and to the economy and quality to be achieved. Lack of proper technical advice and guidance has also been responsible for this.

91. We should therefore, suggest that in cases where the industrial units cannot afford the services of good technicians, a group of mills in one locality should employ a technician of high calibre as a common technical adviser. This would enable them to have good advice on important technological problems and at the same time will not be a big item of expenditure. It would also mean that the maximum use is made of the services of good technical people available.

92. In the case of mills where such an arrangement is not possible we would suggest formation of panel of technicians in various branches of the textile industry such as spinning, weaving and finishing. The names of these technicians should be circulated to all mills and individual mills should be free to draw on their services as and when necessary.

93. Finally, we would like to emphasise once again that better management will have to come from an awareness from within the industry itself. Managements must realise that the future prosperity and stability of the industry and the extent to which it can sustain and contribute to the national economy depends ultimately on the best that they can contribute to the industry.

#### (4) Financial Structure and Resources of the Industry

##### (1) Capital formation — Plough-back of profits.

94. Investment of equity capital and for that matter the essence of capital formation in any industry proceeds on expectation of continued fair return. The return to the investors on risk capital should be after the satisfaction of the primary requirement of the industry to conserve within itself adequate resources to provide for—

- (a) Lean periods;
- (b) cost of replacement of block; and
- (c) provision for a regulated and limited programme of expansion.

The growth of a large number of textile units in the country reveals a story of small beginning with a low share capital, getting expanded by ploughing back the resources and increasing the capacity. The industry deserves to be complicated on the part it has played in its growth in the earlier periods. The industry did well in the war and after war periods, but as observed by the Working Party for the Cotton Textile Industry (1952), the profits were not adequately conserved by some units.

95. In recent years it is noticed that there has, however, been a progressive awareness on the part of the industry for a larger plough-back of resources. The analysis of Balance sheets and profits and loss accounts covering 230 composite mills accounting for a total of 8.9 million spindles and 1.66 lakh looms and of 93 spinning mills with a total capacity of 1.44 million spindles by the Economic Branch of the Textile Commissioner's Office discloses the following results :—

		(Rs. in Crores.)	
Composite Mills.		1956-57.	1957-58.
Managing Agency Commission	..	.. 4.21	1.70
Depreciation	... ..	.. 12.2	10.4
Net Profit	... ..	.. 25.0	6.5



Spinning Mills.	(Rs. in Crores.)	
	1956-57	1957-58.
Depreciation ... ..	0.54	0.20
Managing Agency Commission ... ..	1.77	1.90
Net Profit ... ..	3.20	1.18

From the figures given in the Working Party's report (1952) it is seen that the provision for depreciation for a ten year period for 196 mills analysed by them was about 16 per cent. of gross profit and about 20 per cent. for Managing Agency commission. The average for the two years 1956-57 and 1957-58 would, however, give 36 per cent. of gross profit for depreciation and 10 per cent. for managing agents. There has, therefore, been a larger provision by the industry for depreciation.

### (2) Financial structure.

96. The financial structure of the industry for the year 1957-58 projected on the basis of analysis for the 230 composite and 93 spinning mills accounting for 85 per cent. of the capacity is given below :—

	(Figures in Crores of Rupees.)		
	Composite Mills.	Spinning Mills.	Total.
Current Assets .. .. .	276.0	35.0	311.0
Current liabilities .. .. .	229.0	42.0	271.0
Working Capital (Excess of current assets over current liabilities.)	47.0	—7.0	40.0
Gross Block .. .. .	313.0	63.0	376.0
Depreciation .. .. .	173.0	26.2	199.2
Net Block .. .. .	140.0	36.8	176.8
Capital employed .. .. .	187.0	29.8	216.8
Investment .. .. .	25.0	1.8	26.8
Total capital employed .. .. .	212.0	31.6	243.6
Preference shares .. .. .	18.0	3.2	21.2
Debentures .. .. .	4.8	1.8	6.6
Net worth .. .. .	189.2	26.6	215.8
Reserves .. .. .	96.0	6.3	102.3
Equity capital .. .. .	93.2	20.3	113.5

97. Taking the industry as a whole, it will be seen that the current position is that the industry's paid-up capital including reserves capitalised by issue of Bonus shares is about Rs. 114 crores and "Reserves" about Rs. 103 crores which has been ploughed back for the creation of Block Assets, for working capital etc. etc. In addition, the total depreciation provision is nearly Rs. 200 crores as against the Gross Block of Rs. 376 crores. The net worth is about 190 per cent. of the book value.

(3) *Prospects of financing by industry.*

98. Many of the mills have not found it possible to furnish any categorical reply to the specific item in our questionnaire relating to prospects of their securing the finance needed for rehabilitation and modernisation. From our discussions and further information made available to us, it is clear that the number of mills who will be able to secure any sizeable funds by issue of fresh capital will be very small and most of them will be relying on outside assistance. The broad pattern, therefore, is that the financial requirement for rehabilitation and modernisation of the industry as a whole might probably be met from within the resources of the mill companies perhaps to the extent of Rs. 60 crores which, approximately, is the amount which should be available from the annual provision of depreciation itself for a period of five years. We have duly taken into account the investments by the industry itself which stand at about Rs. 27 crores and the net worth forming 190 per cent. of the book value in assessing the availability of internal resources at the figure of Rs. 60 crores. The resources are already tied up in the gross block but the industry may be in a position to gather about Rs. 60 crores which, with sustained effort, might go up to Rs. 80 crores.

99. In assessing the internal resources which could be secured by the industry during the next five year period, the additional savings or benefits of rehabilitation and modernisation would form a major factor. One of the items in the questionnaire was the envisaged benefits of rehabilitation and modernisation. The Indian Cotton Mills Federation are of the view that "there are many issues involved in the estimates of benefits accruing by rehabilitation and modernisation in terms of monetary savings and doubted whether replies from the mills will be of any guidance in assessing the benefits".

100. The replies from individual mills have, however, given an idea in general terms as to what a large section of the industry expects to achieve by rehabilitation and modernisation.

101. There is a great emphasis on improving quality of production by processing, increasing the average count, reduction in labour by rationalisation and reduction in wastage. The industry in general expects to go somewhat finer.

102. The Working Group appreciate the difficulty in measuring the future benefits in monetary terms on account of rehabilitation and modernisation. The burden of loan repayment and interest is a very decisive factor affecting the economics of working and we shall revert to this later in this Report.

(4) *Break-up of financial structure of the industry.*

103. While considering the internal resources of the textile industry we have necessarily to bear in mind the existing deficiencies in the standard of management, productivity and economics of working of the different units comprising the industry. The very location of the industry in certain centres was stimulated by certain privileges enjoyed by them by virtue of their location. There were also certain benefits enjoyed in particular centres on account of the availability of cotton in the nearby areas. In other centres the proximity to the port and to the main markets carried a decided advantage. Certain other centres had very low wage structure which, in the past could overcome the other cost disadvantages. The availability of technical personnel depended very much on the attraction offered by the industrial units in the different areas not only by virtue of the remuneration but also on the soundness and continued efficiency of the management and the attendant much needed security of service. A number of well-managed mills were, however, able to conserve their resources to the betterment of the industry by the management themselves taking a business-like interest in the industry as such from the point of view of its long term efficiency and strength. The conservation of resources has made the units more productive by a process of balancing of its machinery and equipment and addition of processing and finishing machinery to make the products better in quality and more attractive from the point of view of marketability. In this way, it has been a vertical growth. In some areas the growth has been one of expansion of the number of units thereby resulting in some of the old units still languishing without appropriate strength to stand on their own legs.

104. We give below a statement giving the broad position of the financial structure of the mills (1957-58) analysed which would generally reveal the strength and efficiency of the industry in each

centre. These on the whole relate to 230 composite and 93 spinning mills accounting for about 10.5 million spindles and 1.66 lakh looms :—

(230 Composite Mills and 93 Spinning Mills)  
Year 1957-58.

(Amount in Rs. Crores).

Centre.	Number of Mills.	Spindles (Lakhs).	Looms. Number.	Equity Capital.			Preference.	Debenture.	Reserves.
				Cash etc.	Bonus.	Total.			
A	62	20.0	41,000	5.2	7.6	12.8	4.0	0.6	24.4
B	53	29.0	58,000	12.7	9.2	21.9	3.3	0.6	25.7
C	16	5.0	9,700	3.8	1.9	5.7	1.2	0.6	3.2
D	25	4.7	8,000	4.9	1.5	6.4	1.9	0.8	3.4
E	29	12.4	6,800	4.8	4.0	8.8	0.7	0.8	11.1
F	11	4.3	11,000	2.1	5.6	7.7	1.3	0.1	3.3
G	6	1.1	2,100	1.2	0.8	2.1	0.3	..	0.9
H	52	12.5	24,000	7.1	4.9	12.0	2.5	0.4	6.5
I	53	9.9	..	4.1	1.2	5.3	0.3	0.4	2.6
Others.	25	6.1	5,400	4.3	2.9	7.2	0.7	0.7	3.3
	332	105.0	1,66,000	50.3	39.6	89.9	16.2	4.8	84.4

105. The All India figures for the capital structure expressed per spindle after conversion of looms into spindles will be as under:—

	Rs.
Equity share	51
Preference	10
Debenture	3
Reserve	47

111

106. The net worth is usually measured by equity capital and reserves. In assessing the internal resources of companies the position as reflected by the equity capital and reserves will indicate the ability of the companies to borrow or to get finances on their own.

We give below the percentage of reserves to equity capital which will determine the intrinsic strength :—

A	...	...	186 per cent.
B	...	...	120 per cent.
C	...	...	47 per cent.
D	..	...	77 per cent.
E	...	...	124 per cent.
F	...	...	45 per cent.
G	...	...	44 per cent.
H	...	...	56 per cent.
I	...	...	50 per cent.

107. The standards of intrinsic financial strength of the Industry in the different areas as given above also govern the extent of financial assistance which will be required from the Government sponsored agencies. This has also been corroborated by all the Millowners Associations to the Working Group during discussions in the various centres. The Uttar Pradesh, Madhya Pradesh and Rajasthan regions wanted almost the entire 100 per cent. of rehabilitation expenditure to be financed by Government agencies. The Bombay Millowners' Association and the Indian Cotton Mills Federation had estimated the financing from Industry's own resources to the extent or about 50 per cent. and this might well apply to Ahmedabad, Madras and Bombay City. West Bengal Millowners' Association brought it to our notice that most of the units in that area are imbalanced and financial help will be necessary to expand the size of the units and equip them with up-to-date processing machinery. While 50 per cent. might apply to Ahmedabad, Madras and Bombay, other centres might require financial assistance easily to the extent of 75 per cent. and sometimes more, Rajasthan and Madhya Pradesh areas demanding the maximum. It is also clear that modernisation required in the different departments of the mill may not be uniform in the country but would have varying emphasis depending upon the level of expenditure in the past.

##### (5) Minimum Economic Size of a Textile Unit

108. The Textile Industry has spinning units and composite units. For the purpose of fixation of minimum economic size, we are not now concerned with the minimum size purely of the weaving unit in the powerloom sector. Because of the restrictions on loomage in textile mills, we also exclude the loomage to balance the spinning capacity in a composite mill. The whole basic structure of the industry is so designed that there will be and there should be adequate number of excess spindles in the composite units as also the required

number of spindles in the spinning units to cater to the demand of yarn for the decentralised handloom and powerloom sectors. Therefore the question of fixing the minimum economic size revolves on two factors :—

(i) what is the minimum economic size of spindleage in a purely spinning mill ;

(ii) what is the minimum economic size of spindles and looms in a composite mill.

109. At present the textile industry, consisting of 188 spinning units and 292 composite units, is scattered in the different centres of the country. Taking the spinning units, all the post-war units have been licensed for not less than what has been hitherto considered as the minimum economic size of 12,000 spindles. The structure of the industry according to the number of spindles and looms is given below :—

Spindles in thousands.		No. of units.
6,000 and below	...	39
6,001 to 12,000	...	64
12,001 to 18,000	...	74
18,001 to 24,000	...	64
24,001 to 30,000	...	61
Rest	...	178
Looms.		No. of units.
300 and below	...	64
301 to 600	...	110
601 to 900	...	64
901 to 1,200	...	19
1,201 to 1,500	...	15
1,501 to 1,800	...	10
1,801 and above	...	10

110. The primary consideration which should govern the fixation of a minimum economic workable size of any industrial undertaking is the economic feed in the first process for the lowest capacity machinery operating in that process. This capacity should be such as to ensure a continuous economic feed to machines employed in the remaining processes right up to the ultimate product. In other words, if the machinery employed in the first process—and in this case, the blow room line—requires a complement of machines in other processes right up to the ring frame stage which can conveniently be expressed in units or multiples thereof, obviously one

blow room with its necessary complement may be considered as the minimum economic feed. Further developing this idea the lowest common multiple of the number of machines which have to be installed in the various stages will determine the minimum economic size purely measured by the technical aspect. This again hinges on the capacity of the different machines designed for the purpose as quite a number of varieties of machines with different capacities exist and are available for installation. This points to the fact that so long as technological developments are taking place, the basic concept for the minimum economic size even from a purely technical aspect has necessarily to change. Therefore, there can be no fixed idea or a norm which can be made applicable at all times. Even so, at present there is need for examining this position as the industry is to embark on large scale rehabilitation and modernisation.

111. There are two other equally fundamental aspects which have a vital effect on the concept of minimum economic size. The first is the point of view of efficient supervision at fairly top levels in the different departments and the second is the economic factors relating to purchases, sales, investments, returns, etc. From either or both these aspects, it follows that neither very small units nor very big units under one supervision can be said to be satisfactory. There is therefore a limitation placed even on big sized units. The technological improvements taking place in the textile machinery making industry in the different parts of the world carry the inevitable advantages of improvement in quality and larger production per machine per man than in the past. While the question of minimum economic size can easily be solved in respect of purely new units by the application of the above principles, the same becomes difficult when we apply the same principles to those units of the industry which are already working and where in some departments, a few machines of the latest type are to be introduced as a measure of rehabilitation and modernisation. In such cases, it will not be correct to say that the capacity itself has to be raised or lowered because of the introduction of a particular type of machine which itself would require the preceding or succeeding processes to be expanded or diminished. Abundant caution is therefore necessary in applying these principles to the existing units in the textile industry. At the same time, quite apart from these factors, there are a number of units which even under the present conditions are not economic because of the very small size of the units. Surely, measured by any standard, a spinning unit with 5,000 or 6,000 spindles will prove uneconomical to work when we apply any of the factors already explained in this paragraph.

112. Expert views on the subject of minimum economic size vary considerably. The technicians themselves have admitted difficulty in solving the problem and giving an expert view although the factors in general affecting consideration of the problem are very well-known. There are also certain other considerations not related to technical, supervisory and managerial aspects, which will have to be brought to bear on the solution of this problem. There are a number of mills recently established which although having less than 12,000 spindles, are showing good results while there are quite a large number of mills which, measured by any yard stick, could be intrinsically considered as economic, have been repeatedly suffering losses and brought to decay. According to the technicians "the industry is passing through from a stage of being labour-intensive to a stage of being capital-intensive and this also points out to a larger overhead by way of cost of financing and interest".

113. We are of the view that on balance of considerations, the minimum economic and workable unit of a textile mill in the present conditions should have 12,000 spindles and 300 looms. While this is the absolute minimum capacity, we would also suggest that the industry could as far as possible go up to the level of 18,000 spindles and 400 looms in due course with a further stage of increase to about 25,000 spindles and about 500 looms. In giving this opinion, we are guided by the fact that the industry is slowly going in for finer counts.

#### **(6) Export Requirements**

114. The problem of rehabilitation and modernisation of textile industry is undoubtedly one involving expenditure of considerable amount of money, both foreign exchange and Indian currency, in obtaining the necessary machinery and equipment. So far as imported machinery is concerned, the question is not only one of securing the necessary foreign exchange resources but also one of obtaining the required machinery from manufacturers at prices which are reasonable. There is, therefore, undoubtedly the necessity to stipulate priorities and in considering such priorities, the Group would give top-most place to equipping the industry with modernised machines and equipment to cater to the needs of the export market. In fact, a question has been posed in some quarters as to whether it will not be sufficient to limit the rehabilitation and modernisation to what is absolutely necessary in the interest of sustaining and developing the cotton textile exports, without going to the extent of hastening the rehabilitation and modernisation of the industry as a whole. There were also suggestions that those units which could



commit themselves for export might be given an opportunity in the matter of rehabilitation and modernisation in preference to the units which are catering to the home market only. We have carefully considered these suggestions. As a purely short term expedient, a measure of discrimination in the matter of much needed rehabilitation and modernisation by giving preference to the export aspect might serve the purpose. But the Group are firmly of the view that exclusive attention to exporting units would not be practicable or desirable in the long term interests of the industry or the internal consumer. The economy of the country cannot be considered in isolation by taking the export factor only. Nor would it be correct to think that the benefit accruing to the consumer is not going to have its own effect in reducing the cost of production as eventually a larger offtake of the products of the industry will go to reduce the cost of production by a process of spreading the overheads over a larger output. By and large, therefore, there is considerable merit in considering that the industry is one for purposes of both the internal and external sectors.

115. We would, however, recommend as an experiment the setting up of Five new units with a capacity of 25,000 spindles and 500 looms each and equipped with up-to-date type of machinery including processing equipment. These units will produce faultless quality cloth woven on automatic looms and the entire output will have to be compulsorily exported to one country or the other. Each such unit will produce on a three shift basis about 15 million yards of cloth per annum. Our estimate of the total capital cost for the installation of each of such mills is over Rs. 2 crores. The idea underlying in starting the mills is that these units will be set up at the best favourable locations irrespective of other considerations and should be capable of producing cloth for export at economic prices. We have considered the question of enforcing this condition of compulsory exports from such units. There is a genuine risk that some parties would offer to put up such units ostensibly agreeing to all the conditions but after a short while put out grounds for their inability to abide by the conditions. In that event, although closure of the unit would be the natural corollary, there would be pressures coming in from the point of view of continued employment and utilisation of resources. Having considered very carefully all the aspects, we recommend that provision should be made for the imposition of penal excise duty at suitable rates over the range of production of such units. This will act as a balancing factor in the export trade in textiles. We would recommend that the necessary licences are thrown open to the private sector to be met by way of

equity capital. If the private sector does not respond to the extent necessary, the question may be considered of Government or public financing agencies contributing some Share Capital in conjunction with the private sector in appropriate proportions. In this respect, highly rationalised spinning mills which abide by all the terms and conditions regarding export may also be allowed to participate in the scheme subject to adequate safeguards.

**CHAPTER V.****(a) Sources for Financing Rehabilitation.**

116. We have assessed separately that the industry would require about Rs. 180 crores for a modest level of rehabilitation and modernisation. Out of this, on a conservative estimate, the industry may be able to find about Rs. 80 crores from their own resources including borrowings from Directors, Banks, etc., on their own security. The balance has naturally to be found for the industry by way of loans from the National Industrial Development Corporation, Industrial Finance Corporation or similar bodies set up for financing development of industries in the country. We have also estimated that the foreign exchange requirement will be of the order of about Rs. 60 crores by the textile industry in addition to Rs. 23 crores required for the textile machinery making industry.

117. We are dealing separately in this chapter with the question of foreign exchange resources for financing the rehabilitation and modernisation programme of this magnitude.

118. The replies received from the mills in response to our questionnaire do not exactly give in concrete terms how and to what extent it would be possible for the industry to secure the necessary finances by the issue of fresh equity capital, debentures, preference shares, etc. In the present conditions it is doubtful if large amounts would be available to the cotton textile industry by way of equity share capital, debentures or preference shares.

119. This brings us to the next problem of obtaining the necessary additional finances required for rehabilitation and modernisation by borrowings. It has been expressed by some of the sections of the industry that even if the National Industrial Development Corporation and other financing institutions adopt a liberal policy, mills will not be eager to borrow. The reason for this is attributed to the time-lag which takes place from the time the loan is obtained to the time when the machinery installed goes into production and yields results. It has been stated that during this time-lag the interest accrues and often it proves a mill-stone on the finances of the unit. The Working Group concedes the validity of this argument. Borrowing on a large scale with conditions for repayment of loans in instalments together with interest, do cause a heavy burden on the finances of industrial units. To some extent, the pressure on the finances on account of interest having to be paid before the teething trouble is over can be remedied by re-adjustment of

recovery of interest by a process of calculation so that the total interest during the period of pendency of the loan calculated on a prescribed rate will be recovered without causing initial burden to the industry. But the more important factor is one which has to be squarely faced by the industry. If the loans have to bear interest, the net yield is bound to be less. But the ultimate benefit will be that the industry gets rehabilitated and modernised and the property is considerably increased thereby. The owners of the industry, therefore, have the benefit in the shape of increased capital value of the assets.

120. The general question as to what is a reasonable return on the total capital invested, capital employed, turn-over etc., is one which has been the subject matter of examination in the past by the Tariff Commission (Indian Tariff Board, 1948), and the Working Party (1952). We are not in a position to examine in detail the question whether any definite return to the investor in the industry can be assured. We consider that taking all circumstances into account, it would be both necessary and desirable to provide the necessary loan capital for rehabilitation and modernisation, at very reasonable rates, with liberal concessions in the matter of instalments of repayment.

121. If, for any reason, the necessary finance from public sources is not forthcoming, the programme of rehabilitation and modernisation is bound to be delayed. Our attention has been drawn to the relative returns on investments, in the textile industry compared to some other important industries. The figures quoted in annexure VII are from a study undertaken by the Reserve Bank of India. It seems clear, that unless the expectations of profitability of the textile industry improve materially, private capital would not be forthcoming in large amounts for investment in this industry.

122. It might be interesting in this connection to refer to the following extract from an article adapted from a paper read by Robert L. Garner, President, International Finance Corporation, Washington, which deals with the same problem although in a much wiser context :—

*“Capital Structure and Requirements.”*

Traditionally, in the industrialised countries new enterprises have been launched largely with equity capital. Only as they have attained some maturity have they incurred substantial long-term debt. In the developing countries, however, many new

enterprises are set up with a heavy proportion of borrowed funds. Generally, we in I. F. C. consider that equity should exceed or at least equal, debt.

It is the rule, rather than the exception, to encounter delays in construction and in attaining full operation. Costs of construction and of equipment are higher than expected; sales lag behind estimates; profits are easier to forecast on paper than to obtain in the factory. Share-holders must wait for dividends until these have been earned, but fixed interest charges are not easily postponed. Experience shows that new enterprises frequently founder in the early years because of excessive debt charges.

If too much debt is dangerous, short-term debt is doubly so. I believe that the most common financial weakness in projects presented to us is excessive short-term debt. Sometimes credits fall due before a plant can begin operations.

The risks involved in short maturities also represents risks to lenders; short-term maturities do not necessarily represent the safest investment. Unless creditors give borrowers sufficient time to repay, both may face unnecessary losses”.

123. At the same time, the Working Group would recommend that all authorities who have to deal with questions relating to textile mill finance, profit margins etc., should adopt a liberal and realistic attitude in regard to the performance of the industry and the service it renders to the national economy at large.

124. In regard to the financing of rehabilitation and modernisation of the industry by way of loan from one or the other Corporations sponsored by the Government, the Working Group would suggest that as far as possible for a project in a mill, the mill company should be facilitated to approach only one lending agency. At present expansions do not come within the purview of the National Industrial Development Corporation. It will also be necessary to include the cost of construction of necessary buildings as part and parcel of rehabilitation and modernisation as an admissible item for the purpose of grant of loan. In the matter of grant of loans, the approach should as well be one of constructive help sought to put the industrial units back on their footing by remedying the defects rather than one of rejecting the loans on account of such defects. The industry on its part should not hesitate to accept the remedial step suggested in whatever terms the loaning authority

clothes the terms and conditions. The possible lines of liberalisation which would require consideration appropriate to the merits of each case may be listed as under :

Loans may be granted to the extent of cost of machinery installed, construction of new sheds and buildings, compensation to redundant workers and for working capital ;

Loans may be granted subject to over-all security being available (market-value of the block being taken into consideration) and ensuring efficient management ;

Conditions such as restricting Companies' investments in other concerns and restricting the rights of withdrawing loans advanced by the Directors/Managing Agents may not be imposed ;

A climate should be created that by and large all companies who are in need of finance for rehabilitation and modernisation of the mills come forward to N.I.D.C. for financial assistance.

Legal mortgage may not be insisted upon ;

Equitable mortgage or simple deposit of title-deeds may be considered adequate ;

Procedure of searching title etc. may be made less elaborate.

#### **(b) Repayment capacity**

125. Earlier in this Report we have stated in detail how the capital structure of the industry in several centres stand at present the position in regard to ploughing back of profits, creation of reserves, depreciation, etc. We have also indicated the "net worth" for the industry which generally stands at about 200 per cent. of the "equity Capital". When we consider the industry as a whole, obviously the weak sectors, the medium sectors and the best sectors of the industry are all merged together. There are undoubtedly about 80 units distributed in the several areas of the country which are more or less on the higher level of which some can be considered as top-most units. One can be misled into a false assessment by taking the prospects of the top-most leading units of the industry in judging the general behaviour of the industry as a whole. These top units by virtue of the utilisation of the best talents on the managerial, technical and other sides of working of the mills, are able to easily weather the storms. These units will also be able to command adequate resources for modernisation. The problem,

therefore, is not of great magnitude for these units. We are, therefore, concerned mainly with the remaining units which would go to N. I. D. C. for assistance. Generally speaking, the provision of finance for rehabilitation and modernisation of these units to the extent of, say, about 150 crores (the remaining Rs. 30 crores may be taken as representing the expenditure of the top units of the industry) will inevitably act as a dead weight on the financial structure of the mill companies for some years to come. We have earlier assessed the resources of the mill companies to provide for rehabilitation and modernisation at about Rs. 80 crores. Out of these the medium and marginal units may not be able to arrange for large financial accommodation except by borrowings from either banks or one or the other of the lending institutions. These companies are already burdened with borrowings for working capital and other purposes. In addition, a reasonable margin should also be available to these units for payment of dividends to the shareholders. The turnover of the industry as a whole is round about Rs. 450 crores. The best year for the industry in the recent past was 1956, when the gross profit before allowing for depreciation and taxation worked out to about 9 per cent. of the sales. Out of this, the depreciation on the existing machinery would absorb 3 per cent., leaving the remaining 6 per cent. of the turnover as net profit subject to taxation. Taxation will be about 45 per cent., of this or in other words, another 2.75 per cent. will be absorbed, leaving a balance of 3.3 per cent. as net profit on the sales. On the equity capital this will work out to 13 per cent. which will be available as dividend, reserves, etc. We have taken the year 1956 as it was the year in which the industry made comfortable profits and with all the improvements in the market conditions and the benefit of rehabilitation which might be realised by the mills, the future level of profit may not be much more than what was achieved in 1956-57.

126. The next process is, therefore, to see how far this profit will suffer a reduction on account of the extra liability which will fall on the industry on account of the payment of interest on the borrowings for rehabilitation and repayment of loan instalments. This liability may roughly be worked out on an average of about 10 per cent. per annum spread over a period of 15 years on the total borrowing of about Rs. 150 crores. If we take only the first five years, this percentage will be 11.6 in the first year, 11.4 in the second year, 10.9 in the third year, 10.7 in the fourth year and 10.3 in the fifth year. On an average, during the next five years, the liability will be about 11 per cent. or about Rs. 16.5 crores per year.

127. Working out on the basis of the net profit after allowing depreciation on the existing assets for the year 1956 of Rs. 27 crores per year, it seems clear that the margins for depreciation, taxation, and profits are small. It would therefore be necessary and advisable for NIDC and public financing agencies to issue sizeable amounts by way of equity capital to mills. It is also obvious that simultaneously mills will have to reduce costs in all directions.

128. One of the important inducements offered by the Government to encourage investment on expansion and rehabilitation of industries is the Development Rebate which allows 25 per cent. of the fresh investment or new plant and machinery being admitted as a revenue expenditure, thereby enabling the industry to pay taxes on profits reduced by that amount. The Corporation Tax being about 45 per cent., it means that the company derives a saving of 45 per cent. of 25 per cent. of the total expenditure incurred on plant and machinery provided there are adequate profits. There is also provision for the unabsorbed Development Rebate being carried forward to future years subject to certain limits. In order to discourage companies distributing this fortuitous profit to the shareholders and to enable the same being utilised only for the purpose of the undertakings, there is also a restriction under which 75 per cent. of the Development Rebate should actually be debited to profit and loss account. We would also suggest for consideration that the third shift depreciation allowance may be restored.

### (c) External Finance

129. The Working Group have also been asked to examine the possibilities of securing external finance for the purpose of rehabilitation outside the framework of the plan if this becomes necessary. In other words, the idea was that if the textile industry could, after assessing the requirements for the industry as a whole negotiate collectively or through some agency like the Federation or some other similar body with the lending institutions such as I.C.I.C.I., I.D.A., Export-Import Bank, World Bank, it would facilitate speedier rehabilitation of the industry. The Working Group consider that individual agreements by private sector with their opposite numbers for supply of machinery on credit terms present certain difficulties. In a scheme of modernisation of the scale envisaged affecting the industry as a whole, the active assistance and blessings of the Governments concerned will be absolutely necessary. The Working Group also consider that for any tangible results to be achieved in this direction—even if it be for obtaining the collaboration with foreign suppliers of textile machinery or for tapping other



sources in the foreign countries including the recognised lending institutions—a small Committee consisting of representatives of the industry and Government should explore and assess the probabilities of securing assistance in the different foreign countries. We have separately assessed the foreign exchange requirement at about Rs. 60 crores in addition to Rs. 23 crores required by the indigenous textile machinery making industry to step up their production. The Indian Cotton Mills Federation and the Southern India Mill-owners' Association may be asked to process this recommendation further with the active assistance of Government.

## CHAPTER VI.

## CLOSED AND WEAK UNITS.

130. In the context of rehabilitation and modernisation, we have had specially to consider the question of closed units and others which may be termed 'sick' units. If the textile industry were an unregulated one, new units would come into existence and some old units disappear as a matter of course. The size of the textile industry is however a regulated one. We consider there are advantages in this regulation because it gives a certain stability to the industry and labour employed in it and regulation ensures that expansion of the industry does not take place haphazardly with consequent ill effects in times of depression. Without regulation, more national resources would be diverted to the industry than need be.

131. As we have mentioned elsewhere, the disparity between the units at the top and those at the bottom which may be sick or closed are somewhat large. One effect of the strict regulation of an industry is no doubt the continuance of such disparities and it should be the endeavour to see that the levels of efficiency of all units come nearer together.

132. Closure of mills raises two problems; firstly it means idle capacity in the industry which can be ill-afforded; secondly it means unemployment which also must be avoided. The Cotton Textile industry consisting of more than 480 independent units in the private sector must naturally present a somewhat uneven picture of efficiency. That some units would not be able to survive competition should not be a very unusual situation. It would be entirely out of keeping with the structure of the industry to expect that every single unit would also continue to run and run efficiently. The object should be to ensure that continuity of employment and production are assured as much as possible. Ordinarily persons in charge of the industry may be expected to see that units do not go to ruin. The working Party in their Report of 1952 had mentioned that the management in a number of cases had passed to undesirable hands. Obviously a change in management on account of changes in shareholding cannot be avoided. In an approach to the problem of closed mills it would therefore, be necessary to diagnose the maladies and provide for normal remedies.

133. The closure of units or sickness of units is due to various factors. From the point of view of mechanical equipment they may have come to a stage where it is not worthwhile rehabilitating them.

Ordinarily in a country like ours, every attempt should be made to rehabilitate old units wherever possible rather than start entirely new ones with large capital requirements. But where rehabilitation is not worthwhile it is necessary that units are compulsorily scrapped.

134. It is hardly of any use trying to run any unit a little while by make shift arrangements. This may be sometimes done with a cut in wages or with deferred wages; but this is no proper solution to the problem created by such units. Where the machinery and equipment are such as can be put into good shape, this should be attempted provided conditions regarding management and labour are suitable.

135. In the running of such weak units by or through Government, there are various dilemmas which come up. Sometimes the units are taken on lease but this can be only for short period and there has been recently one case in which Government has had to assure that any profits made in the running of the unit will go to the Company while losses will be borne by the Government. Even when an Authorised Controller is appointed, this can only be for a period up to 5 years or at the most 10 years and any betterment which is effected by the Authorised Controller goes to the benefit of the same management which in most cases has been bad. If the cause of the sickness is that labour costs are high because of surplus labour or want of appropriate rationalisation and if labour is not willing to accept reasonable form of rationalisation then too it is hardly suitable to run such units through public authority.

136. In all cases where management is reasonably good but there is need either of working capital or of some financial assistance for rehabilitation of the machinery, the assistance can be made available either through State Government or by loan through N. I. D. C. or similar organisation; but where security offered is not good, there is no doubt that some new party has to step in to run the unit but the new party will be unwilling to step in with all the loads of labour inefficiency if such exists.

137. In cases where rehabilitation cannot be effected by rendering financial assistance a major operation becomes necessary. The units may have to be closed for good and also following the example in U. K., the threat of such a weak unit reviving temporarily in periods of boom may have to be avoided; or the unit may be worked for good by better management with rationalisation of labour effected with proper working conditions and adequate remuneration.

138. Complete closure of unit for a long time hardly safeguards labour's interest. It should, therefore, be for the benefit of labour also if some major solution is found in such cases. The remedy should be that if a unit is worth running anew, a new party would be willing to come provided it is free of encumbrances attaching to the old units; the object can be accomplished by compulsory liquidation of the old unit simultaneously with a public authority running it pending some new party coming in to buy over the unit. This ensures continuity of employment and at the same time the old load is taken off the new management.

139. At present there are 39 textile mills (Annexure V) which are remaining closed, accounting for a total capacity of 6.8 lakhs spindles and 11,170 looms. This is about 5 per cent. of the total installed capacity of the industry.

140. We have carefully gone into the list of closed mills and have also got conducted technical inspection of the mills wherever necessary so as to decide which of the closed mills should straight-away be scrapped and considered as dead units, not possible of reviving. In our view the mills in Annexure VI are such as cannot be revived (except of course by an entire replacement and renovation of machinery). This list covers 20 mills with 2.36 lakhs spindles and 2,900 looms. We consider that even if some of the units in the list might sporadically reopen taking advantage of some short-term upswing, it would be a case of short-term revival. In our view these units should be scrapped whole-sale.

141. The remaining 19 mills from the list should be investigated into the assisted to the extent possible so that they could be rehabilitated and brought back to working. They account for a capacity of about 4.5 lakhs spindles and 8,200 looms.

142. The Textile Enquiry Committee 1958 had gone in detail into the problem of textile mill closure and had made certain broad recommendations which are as under :—

(1) Mills which have outmoded and obsolete machinery and are therefore intrinsically incapable of going into production should be scrapped and a new licence issued for starting a new mill at or about the same locality.

(2) Mills which for *bona fide* reasons are in financial difficulties should be helped by financial assistance through proper channels.

(3) Mills temporarily closed due to working losses should be examined one by one and be given proper advice and relief.

(G.C.P.) L-A Ya 703—4a

(4) Mills which suffered from mismanagement should be investigated and appropriate action taken to avoid recurrence of mismanagement and to ensure proper management by arrangements suited to each case.

(5) Mills of intrinsically uneconomic size should be made economic by proper balancing or by amalgamation with some other concerns which can afford to purchase its machinery and plant.

143. The various measures which are already being taken by Government such as (i) investigation into the affairs of mills under section 15 of the Industries (Development and Regulation) Act and (ii) *ad hoc* examination and financial assistance for rehabilitation assist in the solution of the problem of closed mills. In practice, however, so long as we have to recognise the indisputable element of inequalities in the managerial codes of practice, methods and standards of efficiency, there are likely to arise from time to time, cases where even good mills will lapse into disorder and decay. We would, therefore, take cognisance of this phenomenon in the industry. Remedial measures can always be taken in time to arrest such tendencies but any amount of such measures cannot entirely create a situation where closure of mills will be a thing of the past. It may be mentioned in this connection that even in the best of times a number of mills had remained closed due to various reasons.

144. In dealing with the problems of closed mills, there are two actions to be taken. The first is to ensure that the mills which have been classified as irretrievable should physically be scrapped so that with the least possible delay equivalent capacity is created in the country. The legal position as to whether under the existing law, Government can force the physical scrapping of the units has to be examined in this respect. Often it happens that even third rate machinery is sold and bought by working mills which only perpetuates the difficulty. To withdraw the registration licence under the Industries (Development and Regulation) Act, by issuing a show cause notice to the "licensee owner" of the mills is a fairly simple proposition. This will deprive the right of the licensee to work the mill. Continuation of the licence in regard to a closed mill only enables the licensee to adopt a 'dog in the manger policy' of neither working the mill nor giving up his right to possess the capacity. There is therefore every justification to deprive the owners of their licence of the undertaking. When once this is done, we may forget what happens to the owning company. We will then be concerned with the assets in the mill. National interest would justify scrapping of the machinery which cannot, and

should not be utilised elsewhere. The spindles and looms will mostly fall under this category of items to be scrapped. So far as the items such as Boilers, Blow-room, buildings, transmission equipments and cards etc. are concerned, forceful scrapping may not be so necessary as the buyers may be expected to exercise some amount of caution before utilising the same. We recommend the law on the subject being suitably amended so that compulsory scrapping may be enforced. Simultaneously it should also be made incumbent on licensees for new mills or for expansions to old mills, not to use any old machinery irrespective of their usefulness by including a suitable condition in the terms of licence.

### Second-hand Machinery

145. The Working Group also have considered the question as to how far utilisation of second-hand machinery or old types of machinery could be allowed against new licences or against normal or substantial expansions. In this connection the Working Group had the benefit of discussions with the Textile Technicians' Association. It is their view that utilisation of imported second-hand machinery from abroad or old machines replace in mills on account of modernisation and rehabilitation will be a retrograde step and should be discouraged. The objective should be to take this opportunity to instal new machines whether from indigenous or imported sources rather than follow the process of relegating old machines for use by less favourably placed mills. The Indian Cotton Mills Federation have also given their exert view on the question of utility of machinery installed in the textile industry in the past. They have taken into consideration the changes in the designs of machines and the changes in the process and the obsolescence factor also. According to the Federation, two cycles aggregating 20 years may be taken as a fairly workable index in throwing out old machines. In certain cases, according to the Federation, even automatic looms installed 10 years ago have become antiquated thus representing the fast changing techniques. Even patent rights are said to be given for only 12 years. By and large, however, the Working Group agree with the view that while existing mills having machines of less than 20 years old need not be forced to replace their machinery units which are newly set up under licences either against scrapped units or against fresh capacity (including substantial expansion) should not be permitted to instal outmoded old machines. For this purpose, the Group would classify machines prior to 1947 as outdated.

146. By this process, we will be ensuring that the new capacity created either in replacement of the scrapped unit or on account

of substantial expansion to the existing unit is really new and works with fairly modern types of machinery. Otherwise, a situation will arise that outmoded but perhaps useful machinery, is continued to be utilised, even in the new undertakings which will be a retrograde step.

147. There is legal provision for revocation of licences for good cause and this can be done after issue of a Show Cause notice; but such a procedure may tend to be delayed and may be accompanied by legal difficulties. After anxiously considering the matter we think that the best results can be achieved by offering some inducement for the old unit to go out. The solution we suggest is an element of compensation or 'Closure Fund'. In the U.K. where the capacity of the industry is unregulated and therefore there is no need of legal provision for cancellation of licences, it was considered necessary to pay compensation for units going out of existence. Although in our case, the proposed closure fund would merely be as an additional inducement we consider that it may be provided at somewhat corresponding rates at Rs. 10 per spindle and Rs. 400 per loom. This amount can be easily found by levying some kind of licence fee or premium on all new licences or expansions. This is possible in Indian conditions as there would be the need to licence additional capacity in the industry during the Third Five-Year Plan. The capacity going out is likely to be less than the additional capacity to be provided for and therefore the amount of premium or licence could be less. As, however, this is a matter of some guess work, we propose that the rate of premium of licence may be the same viz., Rs. 10 per spindle and Rs. 400 per loom. We are confident that suitable arrangement can be worked out in consultation with the industry for the levy of such premium on the one hand and payment of the closure compensation amount on the other, without legal formalities. Quite a number of units might be expected to take advantage of this scheme and it might be possible for the Indian Cotton Mills Federation and the Southern India Millowners' Association to take over operation of the scheme.

148. We consider, however, an essential condition of this arrangement that labour dues should be the first charge on the compensation amount or closure fund.

149. The arrangement proposed by us would also avoid any legal complication regarding cancellation of licence.

150. It was suggested to us that in order to ensure that now licensed capacity comes into existence before any unit is closed or

scrapped, there might be a little excess licence capacity to provide for the necessary overlapping in advance of anticipated closures. We consider, however, that it would be difficult to decide in advance exactly where units will be closed. It would therefore be better not to provide for over-lapping licensed capacity but to sanction additional capacity only as and when units close. There may be some break in the employment, but labour should also get compensation from the closure fund.

151. Any new licensee starting with a clean slate whether running the particular closed or weak unit devoid of old encumbrances would naturally have to build up good long term labour relations.

152. Apart from the mills which are actually closed for some time there are marginal or "sick" units which also are a drag on the industry and there would be no knowing when they too would not be closed. Our approach to the question of closed and sick units is that such units should be rehabilitated where this is possible and where this is not possible, they should be scrapped and their capacity utilised for starting additional units. Thus, it is necessary to keep a watch and prepare a list of scrappable units on the one hand and out of the closed or sick units prepare another list of units which could be rehabilitated. It becomes necessary therefore, to have a continued examination of the causes of closure and sickness. This diagnosis may best be done by a small representative group including persons at the top level management, top level technicians, labour representatives and Government representatives. The Group may not consist of more than nine persons and may be suitably designated, for instance, the Textile Mills Standing Advisory Group or Committee. This group or Committee should work independently and be staffed with appropriate personnel with a full-time Member-Secretary in-charge. The Member-Secretary would prepare studies, after a continuous appraisal of the Balance Sheets, production trends, etc. The Group or Committee would meet once a month to suggest timely action. If need be, the Committee might set up Regional Groups as may be considered desirable. It should have powers of even making spot investigations. The advice and recommendations of the Committee should be available to Government through the Textile Commissioner. We do not envisage that the action or deliberations or the recommendations of the Committee or any steps to improvement suggested to management should be made public. It would be open to the Committee, of course, to publicise the defects noticed in particular cases. The advice of the Committee may also lead



Government to order investigation into the affairs of a unit under the Industries (D & R) Act so that suitable steps may be taken to remedy the defects of the management or even take over the mill after issuing necessary directives to the management.

153. Incidentally we would like to refer to the considerable delays which are taking place in the publication of Balance Sheets and Annual Accounts of some units. We see no reason why the Company Law Administration should not enforce rigorously the relevant provision of the Companies' Act so that such delays are avoided. In fact in a number of cases such delays are pointers to the existence of inherent maladies of the Companies.

154. In cases where mills are taken over or where rehabilitation and modernisation is carried out with the assistance of loan sanctioned by the N. I. D. C., etc., the need arises for the appointment of efficient persons either to take charge as Controllers or to be Resident Directors of the mill companies. To start with, therefore, it would be advisable for the N. I. D. C. to have a small strength of selected personnel who could even be formed into a recognised cadre in due course for being deployed as Resident Directors or Controllers. The number of these men will necessarily be very much limited to the requirements so that all of them could be employed in the mills to whom loans are given by the N. I. D. C., or which are taken over by Government under the Industries (Development and Regulation) Act. This cadre may be borne on the strength of the N. I. D. C. so that the persons concerned will have the assured security of service and the independence necessary for discharging their duties as Resident Directors or Controllers of Mills. The pay and allowances of the personnel which will be initially paid by the N. I. D. C. will be recovered from the mills.

155. The causes of closures or sickness of units are of course many but as a result of the diagnosis by the Group or Committee which we have suggested, the particular causes in respect of independent units would be high-lighted. The remedies would correspond to the nature of the causes. Where units have remained closed for a long period, the position would be fairly clear. As we have suggested in respect of 39 closed units, 20 of them are such as should be scrapped outright; but it may also be that in respect of "sick" units which are somehow running, the real remedy may be scrapping. If the Committee considers that a sick unit is in fact scrappable, on its recommendation Government can take necessary steps by issuing notice of revocation of licence.

156. In both the lists of closed or "sick" units, there would be some which are not scrappable and which can be rehabilitated. Some units would need only financial assistance with suitable conditions wherever necessary. In others, it may be necessary, after formal investigation, to take over the units for some time with the object of returning them to the old management after a reasonable period. In yet others, it may be necessary to compulsorily liquidate the old Company while continuing to run the unit in the interest of employment and production. We shall revert to this a little later. Finally, there would be the case of sick units which could be rehabilitated but the managements are not willing; in the absence of the possibility of rehabilitation they should be scrapped by revocation of licences.

157. In respect of the process for compulsory liquidation or of revocation of licences, although the necessary legal powers may exist, it would considerably help the process of scrapping at the same time providing for payments of dues of labour, if a scheme of compensation is introduced as already suggested by us above. This scheme would avoid a number of legal difficulties. It would also be immediately available pending any formal amendments or introduction of new legislation to take the necessary legal powers for compulsory liquidation, etc. Any scheme which can be worked outside the formal legal provision would also smoothen the operation and be welcomed by the industry.

158. We are aware that recently there has been a case where a closed unit has been allowed to sell its equipment of spindles to other units which are being given *corresponding* expansion licences. In the absence of any other suitable provision the free "sale of licenced capacity" may have to be provided for; but we consider that the proposals which we have made would operate better in the interests of labour and the community.

159. We consider that some of the closed and sick units which are "scrappable" should be scrapped outright because at present the capacity of the industry is regulated and unless some of the licensed capacity is "out" by revocation of licences, it is not possible to licence correspondingly new units. Apart from this, there are certain other difficulties in the present situation which we have taken into account in making our proposals. If closed units are to be taken over by new management as continuing units, the old burdens of high labour cost and surplus labour, etc., and of old debts would continue. This definitely discourages newcomers to come and run units which can be

physically run with some measure of rationalisation and rehabilitation. In a number of cases where Government may appoint an Authorised Controller or run mills on arrangement of lease, etc. the benefits of any improved management, would merely go to the old management which was responsible for bringing the unit to ruin. This is hardly fair for the community. It is for these reasons that we are recommending that simultaneously with the continued running of such units, there should be a process of compulsory liquidation so that the assets and liabilities of the old unit, before it was taken over, are available to labour and other creditors and management and shareholders. In our view this is eminently fair, as in any case with the closure of such units, the various persons who have a stake in the assets would get their due share of such assets.

## CHAPTER VII.

## INDUSTRIAL RELATIONS AND TRAINING SCHEMES.

## (A) Management-Labour Relations

160. During the discussion with both management and labour in the several centres of the country the Working Group gained an impression that labour is largely entertaining a feeling that managements have not treated them fairly in the past in the matter of giving them an appropriate share in the benefits of rationalisation and modernisation to the extent it has been carried out in some of the centres and mills of the industry. On the other hand, the managements also have expressed a feeling that labour more often than not is recalcitrant and have not fully responded to the needs for economic working of the industrial units. Specific cases have not come to the Working Group's notice where either the management or labour have failed to implement the principles laid down in the Fifteenth Labour Conference which have been accepted both by the management and labour. But still the impressions both in the minds of the management and labour as explained above seem to be deep-rooted and therefore there is an urgent need for betterment of the management-labour relations in a number of centres in the country. In one centre (Kanpur) it was explained by both management and labour that the only contact which management has with labour and *vice versa* is through the Conciliation Boards. In centres like Ahmedabad where the labour organisation has been well developed, the Working Group could notice a better atmosphere of management-labour relations. Broadly, unless a congenial and healthy atmosphere of mutual understanding is created between labour and management, it will be difficult to attain useful results whatever be the improvements made in other directions, such as modernising the productive equipments, buildings and better working conditions. It was also accepted by Labour representatives in almost all the centres that improvement of the health of the textile industry is an indispensable "must" in the long-term interests of labour itself. Some of the points referred to by labour were (1) improving the working and living conditions of the employees, (2) better maintenance of machines on a scheduled basis, and (3) creation of a feeling in the minds of the labour that, when they put in their best, the results do accrue to the benefit of the industry, the consumers and labour itself. The management had brought to the Groups' notice that in some centres like Kanpur the labour laws permit recognition of more than one union and in fact each mill has to depend for

negotiations directly with their labour. In States like Bombay (now Maharashtra and Gujarat) and Madhya Pradesh the union commanding the majority of membership in the industry is the union with whom negotiations are conducted. The Working Group consider that as a measure of utmost urgency the labour laws would require to be amended in those States where more than one union is recognised at present so that the managements may jointly or severally be able to negotiate with only one union as the spokesman of labour. In this connection the Working Group would also suggest the adoption in all the centres of the system of inviting suggestions from operatives with monetary inducements following the acceptance of the suggestions. This will instil in the operatives a greater work consciousness and stimulate original thinking on the part of the workers which is very necessary if they are to be expected to operate the most modern machines and give their best. In foreign countries visited by some of the members of the Working Group, it has been found that many of the improvements on machines introduced in the mills have been brought about by the acceptance of the suggestions from the operatives.

#### **(B) Training of Labour**

161. There is very little provision in the textile industry today for the systematic training of workers and creation of work consciousness. New workers who are recruited to the industry generally learn their work by dilatory methods. They are not always in a position to realise the need of certain methods of working from the point of view of safety, quality and efficiency. Systematic training of workers would enable them to work with a certain amount of order and method thereby reducing useless effort and increasing their effectiveness. A knowledge not only of how things should be done but why they should be done in a particular manner will increase their understanding of their work and enable them to appreciate their own contribution to the overall efficiency of the organisation.

162. Such training is also important from the point of view of maintenance. Whatever care may be taken by management with regard to maintenance in the form of drawing up schedule of maintenance, provision of spare parts, etc., the actual job on the machine is performed by workers and first line supervisors and the standard of maintenance to a large extent depends on the way it is carried out. Further, adoption of modern techniques in production and employment of the latest machines invented by man presupposes an adaptability on the part of the operatives and the supervisory

personnel. An atmosphere of working under modern conditions and substitution in the operatives psychology of a feeling that his energy is being exercised on a better and more modern type of production method is very necessary quite apart from the other factors of incentives to produce more. In almost all the centres visited by the Working Group, the representatives of labour drew attention to the need for training of Workers at the plant level to improve their skill and to make them adapt themselves to the working on modern machines. In some of the centres, it was also expressed that a worker need not necessarily be confined to the particular section or department of the mill and that a certain elasticity should be there in his training so that, as conditions changed, he might switch over from one section to the other or from one department to the other. The Working Group are convinced that by and large as a matter of policy the Industry has not as yet introduced the system of training of their workers. Two questions were raised in this connection—one, the cost of training and two, facilities for training. It was apparent during discussions that at least some sections of the industry expressed concern at the expenditure involved in getting their men trained either within the same mill or outside. Another question was also raised as to the training to be imparted to the worker before he is recruited. Some of the mills have the system of training men as apprentices in mills. Such apprentices are paid at lower rates. It was the labour representative's view that a permanent worker regularly employed in the mill and who is selected for undergoing training in the course of his employment has to be paid his full pay and allowances, and only new entrant apprentices may be paid less under an agreed scheme. The Working Group agree with this view and do consider that if proper training courses are started and appropriate training is given to the operatives, it will eventually be to the good of the industry as productivity will go up. A small percentage of the machines in the different sections may even be kept separately to provide the necessary training as it will certainly be in the overall interests of the mills concerned. It would also be advisable for men in the Badli list to be given the necessary training so that such men become trained men.

### (c) Technicians' role in the Industry

163. The Working Group had discussions with representatives of the Textile Association in Bombay in order to ascertain their views about the various aspects governing the rehabilitation and modernisation of the Industry to put it on sound and healthier lines. The role of technicians contains in itself the two-fold aspects of tendering

technical advice to the management and looking after the successful operation of the machines and producing what is asked to be produced at the minimum cost and the best obtainable quality. In more than one important centres, the spokesman of the millowners pointed out to the shortage of duly experienced and capable technicians. The Group consider it as of paramount importance that quite apart from the management side, a sound cadre of intermediate leadership should be developed. This cadre undoubtedly is the supervisory cadre consisting of textile technicians and specialists who act as the vital link between the top management and the work force. To the extent to which properly trained technicians are reported to be short of requirements, there is a need for increasing the supply of such technicians. The selection and training of technicians are matters of considerable importance because it is good supervision that can create a proper atmosphere and psychology on the workers to give their best. It is also equally necessary that the technicians employed in the industry are given their due status and dignity in their profession with security of service, prospects of promotion, etc. It was also explained that a good number of relatively weak units are not able to pay for proper technical advice. The Working Group appreciate the difficulty of these weak units and would suggest an arrangement by which highgrade technicians actually serving the industry could be enabled to serve in a panel in each of the centres so that the weak units could draw on the advice of this panel *ad hoc* whenever such advice is necessary. The Technicians' Association are in favour of this arrangement and have suggested that the panel should be sufficiently large so that there is no undue interruption to the normal work of the technicians who are engaged in the mills. The Working Group would also suggest that there is a need for creating healthy conditions for the cadre of technicians in the matter of promotions, etc. and instilling in them an assured feeling of security of service.

## CHAPTER VIII

## CONCLUDING REMARKS.

164. We have been concerned with the examination of an important aspect of the Cotton Textile Industry, namely rehabilitation and modernisation; incidentally we have also had to cover in part some other questions. This examination was clearly necessary to highlight the problems facing the industry and indeed the community. The essential needs of clothing have to be adequately and efficiently met and the industry has to be geared for this. Those concerned with the industry are aware of the measures necessary; given the necessary conditions we are confident that the industry will emerge in an improved shape.

165. The response to our questionnaire was fairly satisfactory and the discussions we have had with representatives of management, labour and technicians were realistic and constructive.

166. Our task was made lighter by the able manner in which our Member-Secretary Shri K. R. Aravamuthan and his band of officers had carried out their work. Their marshalling all the materials before us has helped us in coming to clear conclusions.

Shri Aravamuthan has also borne the main brunt of drafting the Report and we acknowledge gratefully the willing and efficient services of himself and his officers.

167. We hope our recommendations will assist Government and industry in the important task of rehabilitation and modernisation.

168. We are happy to present a unanimous Report.

D. S. JOSHI.  
 KRISHNARAJ M. D. THACKERSEY.  
 G. D. SOMANI.  
 K. SREENIVASAN.  
 S. R. VASAVADA.  
 RAM RATAN GUPTA.  
 TRILOKINATH SHARMA.  
 N. MAJUMDER.  
 K. R. ARAVAMUTHAN.

Bombay.

Dated the 25th May 1960.



## CHAPTER IX.

### SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS.

(1) Since the report of the Working Party for the Cotton Textile Industry (1952), the present position in the industry has worsened still further (para. 5).

(2) The industry's contribution in the earning of foreign exchange is substantial and quite a large number of ancillary industries depend and flourish on this major industry (para. 12).

(3) The unit labour cost in the textile industry is on the high side compared with many other countries (para. 12).

(4) One of the ills of the industry is the great disparity in the efficiency of the various units and one of the important problems to be met is in narrowing down this disparity (para. 13).

(5) Modernisation of an industry is generally regarded as replacement not only of old, worn-out and uneconomic or obsolete machinery but also the introduction of modern techniques and methods (para. 14).

(6) Whichever changes are adopted, the effect of modernisation generally is a reduction in the number of worker required, the size of the reduction depending upon the degree of modernisation (para. 16).

(7) Renovation or re-construction of buildings should also be integral part of modernisation (para. 17).

(8) There should be a minimum level of modernisation in all units, a level below which no unit should be allowed to exist (para. 24).

(9) Mills which are already modernised may also modernise further provided they have the necessary financial resources and are in a position to accomplish modernisation by following the principles laid down at the Fifteenth Labour Conference (para. 25).

(10) Even on the basis of inescapable replacement of machines, there is bound to be a measure of rationalisation ( para. 26).

(11) In our country in view of several factors, the pace of modernisation and rationalisation has had to be slow and we cannot, therefore, afford to keep the industry back from its legitimate urge and need for rehabilitation and modernisation (para. 27).

(12) To a certain extent, the problem of lack of proper maintenance of machinery is due to the technical backwardness in some regions and want of good guidance in this regard (para. 40).

(13) The Working Group are firmly of the view that the essential expenditure on spare parts should be the first charge on foreign exchange resources and should be adequately met (para. 42).

(14) Whichever way the problem of assessment of the needs for rehabilitation and modernisation on a modest scale is approached, we come to a total figure of between Rs. 150 and 200 crores and a fair guide will be Rs. 180 crores for the purpose of planning for finance for the period up to 31 March 1966 (paras. 50 and 116).

(15) Plan for production of additional items of textile machinery in the country is being vigorously pursued and it is anticipated that at least 75 per cent. of the machinery requirements at the end of the Third Five Year Plan should be met by indigenous manufacture (para. 52).

(16) Taking all factors into account, it is estimated that for modernisation and rehabilitation Rs. 60 crores worth of machinery would have to be imported for the period up to 31st March 1966. This is in addition to spare parts for the existing machinery and components required by the indigenous manufacturers (paras. 52 and 116).

(17) The requirement of foreign exchange for stepping up the production of the indigenous textile machinery manufacturing industry is estimated at Rs. 22.6 or 23 crores up to the end of the Third Five Year Plan (paras. 53 and 116).

(18) In order to protect the interests of the consumers of the indigenous machinery and ensure proper quality of such machinery, the Working Group concur in the proposal of the *Ad Hoc* Committee for the setting up of an Inspectorate in the Office of the Textile Commissioner (para. 55).

(19) As far as possible, licences for new capacity issued on the ground of closure of units which should be scrapped voluntarily or compulsorily should be allowed at the same place or in the same centre or in the alternative in the same State in any other centre with the consent of the State Government concerned (para. 70).

(20) On principle, the working Group do not consider that allocation of additional capacity should be governed by the volume of surplus labour on account of rehabilitation and modernisation of the industry in each of the parts of the country (para. 71).

(21) Over a six-year period, the natural wastage in the industry would be about 15 per cent. of the total labour strength (para. 72).

(22) The best way of arriving at appropriate work assignment is on the basis of work study and job evaluation taking into account the working conditions in each mill (para. 73).

(23) It is found that about 15 per cent. of the labour strength are likely to be rendered surplus during the next five year as a result of rehabilitation and modernisation of the industry (para. 74).

(24) It will help reduce the size of the problem of surplus labour if provision is made for suitable gratuity on superannuation. In addition, compensation by agreement may be provided for to achieve a further measure of rationalisation (para. 76).

(25) If third shift working is resorted to to absorb the surplus workers, labour has to be assured of continuity of service in third shift and if third shift is discontinued, the obvious course is to restore *status quo ante* (para. 77).

(26) The working Group would suggest that as far as possible third shift working should be encouraged to enable a speedier rehabilitation and modernisation of at least some of the sections of the textile industry which require such a measure as a matter of urgency (para. 79).

(27) The time has come to cry a halt to any further recruitment of textile workers in the textile industry in the different centres as far as possible. A rigid Badli list should be maintained in each area and persons should be put in this list only through the Employment Exchange where it exists. Simultaneously the de-casualisation scheme should be applied so that one could take stock of the position to ensure that workers found surplus are found alternative jobs (para. 80).

(28) The working Group recommend that some machinery should be devised as recommended by the Textile Enquiry Committee (1958) to settle questions of rationalisation unit by unit (para. 81).

(29) Enquiries and surveys conducted by Textile Commissioner's organisation have revealed cases of inefficiency in management in some sections of the industry (para. 83).

(30) There have been also some cases of deliberate mismanagement with no consideration on the part of these managements either for the shareholders or for the workers. Such managements have no place in the industry. It is in the interests of the industry if such people can be weeded out so that the industry can be built on strong and stable foundations (para. 84).

(31) The Working Group would suggest to the industry itself to re-model their managerial standards and improve them by collective thinking and pooling of knowledge. The method of selection for supervisory and managerial positions should also require toning up (para. 86).

(32) In cases where the industrial units cannot afford the services of good technicians, a group of mills in one locality should employ a technician of high calibre as a common Technical Adviser (para. 91).

(33) In cases of mills where it is not possible to have independent technicians of high calibre, the Working Group would suggest formation of a panel of technicians in various Branches of the textile industry and the names of these technicians should be circulated to all mills and individual mills should be free to draw on their services as and when necessary (para. 92).

(34) The growth of a large number of textile mills in the country reveals the story of small beginning with a low share capital getting expanded by ploughing back the resources and increasing the capacity (para. 94).

(35) The industry did well in the war and post-war years but the profits were not adequately conserved by some units (para. 94).

(36) In recent years, it is noticed that there has been a progressive awareness on the part of the industry for a larger ploughback of resources (para. 95).

(37) The industry may be in a position to gather with sustained effort about Rs. 80 crores from their own resources (para. 98).

(38) The burden of loan repayment by the industry is a very decisive factor affecting the economics of working of textile units (para. 102).

(39) The modernisation required in the different departments of the mills may not be uniform in the country but would have varying emphasis depending upon the level of expenditure in the 'past (para. 107).

(40) The Working Group are of the view that on balance of considerations, the minimum economic and workable unit of a textile mill in the present conditions should have 12,000 spindles and 300 looms. While this is the absolute minimum capacity, the Working Group also suggest that the industry could, as far as possible, go up to the level of 18,000 spindles and 400 looms in due course with further increase to

(22) The best way of arriving at appropriate work assignment is on the basis of work study and job evaluation taking into account the working conditions in each mill (para. 73).

(23) It is found that about 15 per cent. of the labour strength are likely to be rendered surplus during the next five year as a result of rehabilitation and modernisation of the industry (para. 74).

(24) It will help reduce the size of the problem of surplus labour if provision is made for suitable gratuity on superannuation. In addition, compensation by agreement may be provided for to achieve a further measure of rationalisation (para. 76).

(25) If third shift working is resorted to to absorb the surplus workers, labour has to be assured of continuity of service in third shift and if third shift is discontinued, the obvious course is to restore *status quo ante* (para. 77).

(26) The working Group would suggest that as far as possible third shift working should be encouraged to enable a speedier rehabilitation and modernisation of at least some of the sections of the textile industry which require such a measure as a matter of urgency (para. 79).

(27) The time has come to cry a halt to any further recruitment of textile workers in the textile industry in the different centres as far as possible. A rigid Badli list should be maintained in each area and persons should be put in this list only through the Employment Exchange where it exists. Simultaneously the de-casualisation scheme should be applied so that one could take stock of the position to ensure that workers found surplus are found alternative jobs (para. 80).

(28) The working Group recommend that some machinery should be devised as recommended by the Textile Enquiry Committee (1958) to settle questions of rationalisation unit by unit (para. 81).

(29) Enquiries and surveys conducted by Textile Commissioner's organisation have revealed cases of inefficiency in management in some sections of the industry (para. 83).

(30) There have been also some cases of deliberate mismanagement with no consideration on the part of these managements either for the shareholders or for the workers. Such managements have no place in the industry. It is in the interests of the industry if such people can be weeded out so that the industry can be built on strong and stable foundations (para. 84).

(31) The Working Group would suggest to the industry itself to re-model their managerial standards and improve them by collective thinking and pooling of knowledge. The method of selection for supervisory and managerial positions should also require toning up (para. 86).

(32) In cases where the industrial units cannot afford the services of good technicians, a group of mills in one locality should employ a technician of high calibre as a common Technical Adviser (para. 91).

(33) In cases of mills where it is not possible to have independent technicians of high calibre, the Working Group would suggest formation of a panel of technicians in various Branches of the textile industry and the names of these technicians should be circulated to all mills and individual mills should be free to draw on their services as and when necessary (para. 92).

(34) The growth of a large number of textile mills in the country reveals the story of small beginning with a low share capital getting expanded by ploughing back the resources and increasing the capacity (para. 94).

(35) The industry did well in the war and post-war years but the profits were not adequately conserved by some units (para. 94).

(36) In recent years, it is noticed that there has been a progressive awareness on the part of the industry for a larger ploughback of resources (para. 95).

(37) The industry may be in a position to gather with sustained effort about Rs. 80 crores from their own resources (para. 98).

(38) The burden of loan repayment by the industry is a very decisive factor affecting the economics of working of textile units (para. 102).

(39) The modernisation required in the different departments of the mills may not be uniform in the country but would have varying emphasis depending upon the level of expenditure in the 'past (para. 107).

(40) The Working Group are of the view that on balance of considerations, the minimum economic and workable unit of a textile mill in the present conditions should have 12,000 spindles and 300 looms. While this is the absolute minimum capacity, the Working Group also suggest that the industry could, as far as possible, go up to the level of 18,000 spindles and 400 looms in due course with further increase to

possible so that they could be rehabilitated and brought back to working (paras. 139 to 141).

(56) In practice, so long as we have to recognise the indisputable element of inequalities in the managerial codes of practice, methods and standards of efficiency, there are likely to arise from time to time cases where even good mills will lapse into disorder and decay. Remedial measures cannot entirely create a situation where closure of mills will be a thing of the past (para. 143).

(57) The Working Group recommend the law on the subject may be suitably amended so that in cases where mills' plant and machinery are irretrievable, compulsory scrapping may be enforced. National interest would justify the scrapping of the machinery which cannot and should not be utilised elsewhere (para. 144).

(58) By and large the Working Group agree with the view that while existing mills having machines of less than 20 years old need not be forced to replace their machinery, units which are newly set up under licences either against scrapped unit or against fresh capacity including substantial expansions should not be permitted to instal out-moded old machines. For this purpose, the Group would classify machines prior to 1947 as out-dated (para. 145).

(59) After anxiously considering the legal provisions for revocation of licences for good cause, the Working Group think that the best results can be achieved by offering some inducement for the old units to go out. The solution suggested is an element of compensation or "closure fund". The Working Group consider a compensation at Rs. 10 per spindle and Rs. 400 per loom may be the inducement. This amount can be easily found by levying some kind of licence fee or premium on new licences or expansions. This is possible in Indian conditions as there will be the need to license additional capacity in the industry during the Third Five-Year Plan (para. 147).

(60) The Working Group consider it necessary that a continued examination of the causes of closure and sickness of textile units should be made. This diagnosis may be done by a small representative group consisting of top level management, top level technicians, labour representatives and Government representatives. This Group may be designated as Textile Mills Standing Advisory Group or Committee (para. 152).

(61) The Working Group do not see any reason why the Company Law Administration should not enforce rigorously the relevant provisions of the Companies Act so that delays in the publication of Balance Sheets and Annual Accounts are avoided. Such delays are, in the opinion of the Working Group, pointers to the existence of inherent maladies (para. 153).

(62) The Working Group consider that it would be advisable for the NIDC to have a small strength of selected persons who could even form into a recognised Cadre in due course for being deployed as Resident Directors or Controllers of mills wherever such appointments are necessary (para. 154).

(63) In a number of cases where Government may appoint an Authorised Controller or run a unit on arrangement of lease, the benefit of any improved management would merely go to the old management which was responsible for bringing the unit to ruin. This is hardly fair for the community. It is for these reasons that the Working Group are recommending that simultaneously with the continued running of such units there should be a process of compulsory liquidation so that the assets and liabilities of the old unit before it was taken over are available to the labour and other creditors, management and the shareholders (para. 159).

(64) Unless a continued and healthy atmosphere of mutual understanding is created between the labour and management, it will be difficult to attain useful results whatever be the improvements made in other directions (para. 160).

(65) The Working Group consider that as a measure of utmost urgency the labour laws would require to be amended in those States where more than one union is recognised at present so that the Management may jointly or severally negotiate a settlement only with one union as spokesman of the labour (para. 160).

(66) In foreign countries visited by some of the Members of the Working Group it has been found that many of the improvements on machine introduced in mills have been brought about by suggestions from the operatives. The Working Group would recommend the adoption of similar system of inviting suggestions from operatives with monetary inducements following the acceptance of the suggestions (para. 160).



(67) The Working Group are convinced that by and large, as a matter of policy, the industry has not as yet introduced the system of training of their workers. If proper training courses are started and if appropriate trainings are imparted, it will eventually be good to the industry as productivity will go up. A small percentage of the machines in the different sections may even be kept separately to provide the necessary training. The training of workers at plant level will improve the skill of workers and make them adapt themselves to working on modern machines and create better work consciousness (paras. 161 and 162).

(68) The Working Group would suggest that there is a need for creating a healthy condition for the technical cadre in the matter of promotions, etc., and instilling in them an assured feeling of security of service. High grade technicians actually serving in the industry should be enabled to serve in a panel in each centre so that weak units could draw on the advice of the panel *ad hoc* whenever such advice is necessary (para. 163).

## ANNEXURE I.

### REORGANIZATION OF THE U. K. COTTON INDUSTRY.

The Cotton Industry Bill was introduced in Parliament on May 13, 1959. A White Paper (Cmnd. 744) describing the proposals and entitled "Reorganization of the Cotton Industry" was published the same day. The Bill is designed to give effect to the Government's proposals for assistance towards the reorganization and re-equipment of the Cotton Industry which were announced in the statement by the President of the Board of Trade, Sir David Eccles, in the House of Commons on April 23, 1959, and referred to by the Prime Minister in his speech at Preston on that day.

The text of the White Paper is reproduced below :—

#### **Background**

1. The cotton industry is faced with an accumulation of difficulties arising out of the changes which have been taking place over the last 50 years in world production and distribution of textiles. Between 1912 and 1958, the industry's total annual production of woven cloth fell from 8,050 million yards to 2,030 million yards and its exports from 6,900 million yards to 455 million yards. At the beginning of this period, Lancashire supplied all the needs of the United Kingdom and dominated the export markets of the entire world; but competition became more and more severe until in 1958 we imported more cotton cloth than we exported.

2. The tremendous loss of business has been primarily due to the development of their own textile industries by our overseas customers. Year by year new mills have come into production and their output has first displaced British cotton goods in their domestic markets and later drastically reduced Lancashire's exports to third markets. The decline in our exports has been continuous since the early 1920s except for a temporary revival during the years of scarcity immediately after the Second World War. Since 1951 the volume of exports has again declined each year. As compared with our total exports of 455 million yards in 1958, our annual exports to India alone were some 2,500 million yards before 1914.

3. The capture by new-comers of its overseas markets has been the most severe blow suffered by the industry. But recently cheap cotton goods have been entering the United Kingdom in increasing quantities from the Commonwealth. The competition in the home

market has made all the greater impact because in the last two years the textile trade of the world has been in difficulties and nearly everywhere orders have been below capacity to produce.

4. The effect of this continuing shrinkage in markets can be seen in the contraction which has taken place in the industry. Since the peak achieved during the temporary post-war revival, more than 450 mills have closed, there has been much short-time working and employment in the industry has fallen by about one-third. It is a tribute to the resilience of the area and diversification of industry which has occurred that the big drop in numbers has not led to widespread unemployment.

5. Today a great deal of the industry's plant and machinery is idle or under-used. Much of it is out of date and, even on an optimistic view of the future, will never be required again. A point in the decline has been reached where, as a result of the cumulative effect of changed conditions, a major problem of adjustment has to be faced. A special and compelling reason for seeking a solution to this problem is the geographical concentration of the industry in one area and its deep roots in, and great importance to, the life of the communities whose industrial history it has so largely made.

6. No Government could stop the growth of cotton industries in other countries. But the industry enjoys tariff protection against cotton imports from all countries outside the Commonwealth. Imports from Japan and the Communist countries, notably China, are also drastically limited by quota.

7. On the other hand, imports of cotton goods from the Commonwealth come in duty free. This is our side of the Imperial Preference system which is of great political and economic benefit to the Commonwealth. We could not expect to dismantle this system at our end and at the same time keep the advantages which Commonwealth countries give us in their markets. Moreover, the Montreal Conference of Commonwealth Economic Ministers in 1958 stressed the importance of not placing obstacles in the way of the export of manufactured goods by the under-developed members of the Commonwealth. We are living at a time when the West must pursue liberal economic policies towards the younger countries of the emerging continents if they are to be convinced that our way of life is the best pattern for themselves. This is an issue of the greatest importance for the Commonwealth as a whole.

8. For these reasons the Government have not been willing to impose restrictions on Commonwealth imports. But they have given every possible support to the cotton industry in its effort to reach an agreement with the industries of India, Pakistan and Hong Kong on a voluntary limitation of exports of cotton textiles for retention in the United Kingdom market. The Hong Kong Industry's undertaking to limit exports to the United Kingdom for the next three years began to operate on February 1, 1959, and it is hoped that a similar limitation of exports from India and Pakistan will shortly come into effect.

**Discussions with the Cotton Industry :**

9. During the negotiations with Hong Kong the industry and the Government found themselves at one in thinking that if a voluntary arrangement for three years were concluded no time should be lost in making use of the period of stability for a drastic reorganization of the industry. With this in mind, the Prime Minister gave an assurance to the Cotton Board Conference at Harrogate in October 1958 that, if the industry put forward plans which involved a measure of direct help, the Government would be prepared to give such proposals the most sympathetic attention. In November, the Cotton Board set up a Development Committee, drawn from the main sections\* of the industry and the trade unions, to consider what might best be done. In January this Committee circulated a provisional assessment of the excess capacity in the industry to the various sections concerned who adopted it as the basis for their consideration of the problem and for discussions with the Government at the next stage.

10. These discussions quickly led to a wide measure of agreement about the basic problems—excess capacity, out of date machinery, widespread lack of confidence. Despite its shrinkage in recent years, the industry is still too large for the markets which it is likely to command in the years ahead. It is handicapped by an excess of plant, much of it obsolete, by a number of weak operating units barely able to pay their way, by possessing a smaller proportion of up-to-date machinery than most of its competitors, and by the fact that much of its capacity is not as effectively worked as comparable machinery in other countries. These factors—and the difficulties which have contributed to them have inevitable led to a serious loss of confidence.

11. Unless these problems are tackled vigorously and without delay the industry will continue to decline. The Government, however, believe that action can be taken to establish a compact

\*These sections were the spinners, the weavers, the finishers and the merchants.

up-to-date and efficient industry able to take full advantage of changes in demand and fashion at home and abroad

**Excess Capacity :**

12. Opinions vary about the extent of the excess capacity which needs to be eliminated in the different sections. The following estimates indicate the broad preliminary assumptions on which the Government's proposals are based :—

(i) *Spinning*.—According to the most recent figures available to the Cotton Board, out of some 24 million mule equivalent spindles in place in running mills, some 8 million were entirely idle in April 1959 (two ring spindles are normally taken as equivalent to three mule spindles). In addition, there were many which were only partly employed. The Federation of Master Cotton Spinners Associations believe the full measure of the extent of excess capacity to be in the region of 12 million mule equivalent spindles. The Cotton Yarn Doublers' Association have estimated that the amount of surplus capacity in the doubling section of the industry is of the order of 1.2 million spindles (i.e. 60 per cent.). The Condenser Spinners estimate that surplus capacity in their section is about 10 per cent.

(ii) *Weaving*.—The Cotton Spinners' and Manufacturers' Association have suggested that the aim should be to reduce capacity in the weaving section by at least 70,000 looms. There were some 240,000 looms in place in running mills in February 1959.

(iii) *Finishing*.—The position in the finishing sections (printers, bleachers, piece dyers, yarn dyers) is much more complicated owing to the variety of equipment and processes involved, and the fact that certain machinery is required at some times and not others owing to short-term change in requirements. The various Associations concerned assess the extent of excess capacity at from 25 per cent. to 40 per cent.

**Out of Date Machinery :**

13. The spinning and weaving sections alone have invested over £ 100 million since the war in capital equipment, but so great is the proportion of plant installed many years ago, they still fall considerably short of their major competitors in the extent to which they are equipped with modern machinery.

14. The Federation of Master Cotton Spinners have estimated that the full cost of re-equipping or completing the re-equipment

and modernization of the remaining spinning capacity might amount to £ 40 million and the Cotton Yarn Doublers' Association have suggested that the corresponding figure for their section would be £ 8 million. As regards the remaining weaving capacity, representatives of the weavers have indicated that the cost of re-equipping with automatic looms and modernizing existing looms might, with ancillary machinery, amount to £ 30—£ 45 million in all. These figures, which are only first estimates and may well be on the high side, are based on the assumption that excess capacity is eliminated to the full extent referred to in paragraph 12.

15. The finishing sections of the industry have indicated that their problem is primarily one of eliminating surplus capacity and reorganizing the remaining capacity rather than re-equipment.

#### **The Industry's Representations :**

16. The industry have represented that in these circumstances the most urgent task is to take organized measures for getting rid of the excess capacity. While this exists there is no possible way to restore the confidence necessary to modernize and re-equip on the scale needed to give the industry the strength to compete in world markets. The cost of such a reorganisation—and it is not worth doing if it is not done thoroughly—is very large. The industry could not finance the whole cost from their own resources. Unaided they would not have the confidence or the credit. They therefore asked the Government to provide substantial financial assistance towards the cost of both reorganization and re-equipment.

17. The Government did not reach their decision to single out the cotton industry for exceptional help without much thought. But they have been convinced that the circumstances set out in paragraphs 1-8 above justify help from public funds to bring about a reorganized and re-equipped industry which could compete with success in the markets of the world with the types of cloth that are wanted wherever living standards are high. The reduction of excess capacity will not mean that output will fall. Indeed, the industry will be left, after reorganization, capable of producing substantially more if markets can be won.

18. The Government agree with the industry that the first step must be to eliminate the excess capacity as quickly as possible and that direct help from public funds is required both for this purpose and for the re-equipment which must follow. Accordingly a Bill is being introduced to provide the necessary powers to meet the industry's request for help.

### **The Government's Proposals :**

19. The Government's proposals will be open to the whole of the industry as defined in the Order\* establishing the Cotton Board as a Development Council, thus including firms which use man-made fibres as well as those which exclusively or mainly process cotton.

20. The following paragraphs set out the Government's proposals in as much detail as is possible at the present stage. The essence of them is that the elimination of excess capacity must be assured before modernization and re-equipment are worth while and that the Government's assistance to reorganization is conditional upon the industry itself compensating operatives displaced as a result of the reorganization schemes.

21. The Government are ready to contribute two-thirds of the cost of compensating firms who eliminate excess capacity under schemes to be approved by the Board of Trade (see paragraphs 32-35). The other third will be raised by compulsory levies on the industry at the request of the section concerned. Once sufficient capacity has been eliminated the remainder of the industry will be compact and credit-worthy and should, therefore, be able to raise the funds necessary to modernize and re-equip. The Government consider, however, that the re-equipment is so essential a part of the whole process of reorganization in the industry that a clear demonstration is required of the public interest in securing that both the scrapping and the re-equipment should follow one another over the shortest possible time. Accordingly, provided that the Board of Trade is satisfied about the amount of the capacity to be eliminated, the Government will offer a grant of one-quarter towards the cost of modernizing existing, and installing new, equipment in those firms who remain in the industry.

### **Employment :**

22. If the present proposals are carried out, the large majority of those now employed in the industry will gain increased security in their jobs. The cotton industry would contract, whether it received Government help or not, and it is an essential part of the Government's offer that this inevitable contraction, now to be achieved deliberately in as short a time as possible, should result in the least possible hardship to workpeople who are displaced.

\* The Cotton Industry Development Council Order, 1948, as amended by the Cotton Industry Development Council (Amendment) Order, 1951, the Cotton Industry Development Council (Amendment No. 2) Order, 1953, and the Cotton Industry Development Council (Amendment No. 3) Order, 1957.

23. Even though the total effect will be to increase the efficient capacity of the industry and in some cases will lead to an increase in employment, the closure of mills no longer required is bound to cause some hardship. The Government have very much in mind the older men and women who have given a life-time to acquire the skills of their trade, some of them living in areas where it may be difficult to find alternative work near their homes.

24. The employers' representatives fully share this concern, and they have assured the Government both collectively and as individual firms the industry will do its utmost to absorb displaced labour in other jobs. The Government for their part will assist through the machinery of the Ministry of Labour and, where appropriate, by the use of their powers under the Distribution of Industry Acts. Judging from past experience (*See* paragraph 4) the numbers who will have a continuing difficulty in finding new work will be much less than might be feared.

25. In their discussions with the Government the industry have throughout recognized the need to compensate those who lose employment as a result of the reorganization schemes, and talks are now taking place between representatives of the employers and operatives on the necessary arrangements. It will be a condition of the Exchequer grant that compensation is paid to the displaced operatives under arrangements for the particular section settled between the employers and the trade unions. Power will be taken to enable the cost of such arrangements to be financed by compulsory levies upon firms in the section concerned.

#### **Administrative Arrangements :**

26. It is proposed that the Cotton Board should be responsible for the administration both of the reorganization schemes for the various sections of the industry and of the arrangements for giving financial assistance to modernization and re-equipment. After consultation with both sides of the industry, the Cotton Board will submit reorganization schemes to the Board of Trade for confirmation, and carry them out when approved by Parliament. The compulsory levies on the various sections will be collected by the Cotton Board, and it will make the compensation payments (otherwise than those to displaced operatives). Powers will be taken under which the Cotton Board can borrow as necessary in order to enable it to meet its liabilities pending the collection of the levies.

27. So far as modernization and re-equipment are concerned the Cotton Board will be responsible for certifying that applications for grant comply with conditions laid down by the Board of Trade and the Treasury.



28. As at present constituted, the Cotton Board consists of four persons representing the interests of the employers in the main sections, four representing the interests of the employees, and three independent members, including the Chairman, Lord Rochdale. The members of the Cotton Board recognise that it would not be appropriate for interested parties or their representatives to be responsible for administering arrangements involving the payment of Government grants.

29. It is, therefore, proposed that for the discharge of its duties in relation to the present proposals the Cotton Board should act through a special committee consisting of the three independent members of the Cotton Board with two other independent members appointed by the Board of Trade for this purpose. The existing independent members are men with wide experience in industry and it is contemplated that one of the additional independent members should also be a person with business experience and the other a trade unionist of standing, both to be drawn from outside the cotton industry. The special committee will keep the Cotton Board as a whole informed about the progress of the scheme.

30. The staff of the Cotton Board will be strengthened as necessary. Particular importance attaches to the appointment of a suitably qualified chief executive to act under the authority of the special committee. The Chief Executive will be able to draw on the experience and assistance of the Finance, Statistics and other existing Departments of the Cotton Board.

31. It is contemplated that for advice on technical questions the special committee will have the assistance of an Advisory Committee composed of representatives of the employers' organisations and the trade unions, and of experts in matters such as scientific research, technological development and productivity.

#### **Preparation of Reorganisation Schemes :**

32. The first task of the Cotton Board through the Special committee will be the completion of the reorganisation schemes for the various sections in consultation with the representatives of both sides of industry. The estimates at present in use of the capacity in the various sections in excess of present and foreseeable requirements will be re-examined, and the detailed arrangements for compensation necessary to get rid of the excess will be settled. All concerned are agreed upon the need for the utmost speed at all stages.

33. The preparation of reorganization schemes will involve a great deal of detailed work. Each of them will have to indicate the extent of the excess capacity to be eliminated, the time-table to be followed, the terms of eligibility for compensation, the payments to be made where machinery is scrapped or methods of arriving at such payments, the terms on which compensation will be payable and the compulsory levy arrangements.

34. No formal action can be taken until the Bill becomes law but in view of the importance of minimizing delay it is proposed that informal consultations between the Board of Trade, the Cotton Board and the sections should continue pending the enactment of the Bill so that no time may be lost when it comes into force. The Board of Trade have appointed Messrs. Binder, Hamlyn and Co., Chartered Accountants, to advise them in connection with the Government's proposals, and Mr. A. G. B. Burney, a senior partner in the firm, has been assigned to the Board of Trade for this purpose.

#### **Putting Reorganization Schemes into Operation :**

35. When reorganization schemes have been prepared after consultation with both sides of the industry, the following will be the procedure :—

(i) Submission to the Board of Trade for confirmation by Order.

(ii) Before a scheme is confirmed, the Order will be submitted in draft to both Houses of Parliament for approval by Affirmative Resolution.

(iii) It is contemplated that every scheme will provide for a closing date by which firms wishing to apply for compensation must submit their applications to the Cotton Board, and that the time allowed shall be short (say a month). No applications will be entertained after the prescribed date.

(iv) As soon as possible after the closing date, the Cotton Board will proceed to deal with the applications in accordance with the terms of the particular scheme. In all cases it will have to satisfy itself that displaced operatives will receive compensation under the arrangements in force for the section concerned (see paragraph 25) and that the machinery will be scrapped within a specified period. Normally this period will be short but the Cotton Board will have authority to agree to a longer period in exceptional circumstances. It is not proposed that the Cotton Board should purchase the machinery or assume the responsibility for disposing of it. The compensation payment will be in respect of an undertaking

physically to scrap it and the Cotton Board will take whatever steps may be necessary to ensure that this understanding is carried out.

**Scrapping after April 23, 1959 :**

36. With the subject of preventing delay in getting rid of surplus capacity pending the carrying into operation of reorganization schemes, firms which scrap machinery after the date of the Parliamentary announcement of the Government's proposals (April 23, 1959) will be eligible for compensation under any scheme relating to the section concerned provided that, in so far as they are applicable, the conditions laid down in the scheme are fulfilled. No compensation will be payable in such a case unless operatives who were displaced in consequence of the scrapping have been compensated under arrangements settled with the trade unions.

**Modernization and Re-equipment :**

37. As soon as possible after the closing date for applications for compensation under the reorganization schemes (paragraph 35 (iii)), the Board of Trade, with the advice of the Cotton Board, will decide whether the amount of surplus capacity which will be eliminated is sufficient to justify the introduction of the Government grant towards the cost of modernization and re-equipment.

38. This grant will only be available for modernization and re-equipment initiated within three years of the coming into force of the Act, with a view to completion within five years from that date. The Government will be able to bring the arrangements to an end earlier if this is justified by a change in the circumstances and, while normally the time limit of five years will be adhered to strictly, it may be extended in special circumstances such as failure to keep to it owing to conditions outside the applicant's control.

39. In order that modernization and re-equipment may not be held up pending the introduction of the grant, applications will be entertained in respect of orders for modernization and re-equipment placed after the 23rd April, 1959. In such cases grant will be payable subject to the application complying, as far as applicable, with the conditions to be brought into force under the necessary legislation when enacted.

40. The broad intention is to apply this grant to machinery and equipment used in productive processes, but to exclude, for example, vehicles and office equipment. The Government realize that the

nature and lay-out of buildings greatly affect the efficiency of the production carried on within them, but in view of the size in the other help which is being offered it is not proposed to extend the grant to new buildings.

41. It is important that the new equipment should be employed to maximum advantage. Success assumes that management makes full use of the results of scientific and technological research and development, and is ready to stand criticism on its adaptability to technical and other changes. The proposed Advisory Committee (para. 31) should play a constructive part in achieving these objects. A large responsibility must also fall on the operatives. The reorganization of the industry will fail unless management and labour are willing to co-operate in the introduction of new methods and in the extended shift working without which the installation of expensive new machinery will be uneconomic. This implies that full advantage will be taken of existing agreements and that no difficulty will arise over the introduction of extended shift-working in re-equipped mills in order that they may be operated as economically as possible.

#### **Compulsory Levies :**

42. As already explained, the reorganization schemes will set out the arrangements for making compulsory levies upon the sections concerned for the purpose of meeting the section's share of the cost of compensation payments where machinery is scrapped. Where this is the wish of the section, there will also be power for the Cotton Board on the sections behalf to make compulsory levies to meet the full cost of compensation for displaced operatives. The proceeds of these two levies will be accounted for separately.

43. The schemes will provide for the period over which the levies are to be collected. They will also have to deal with such questions as the method of computing the levy and the incidence of the liability to pay it. On all these matters, the Cotton Board will be principally guided by the wishes of the particular section. The object is to give each section as much freedom as possible within broad limits to decide how its own contribution shall be raised.

44. The levies upon the industry will also cover the administrative expenses of the Cotton Board in connection with these proposals. The cost will be apportioned among the various sections.

#### **Supply of Textile Machinery :**

45. The Board of Trade have been informed by the manufacturers of textile machinery that they are unlikely to have difficulty in meeting reasonably phased demands arising under the re-equipment

arrangements as well as in maintaining their valuable export trade. While the Government expect that the great bulk of the machinery required for re-equipment will be obtainable from United Kingdom manufacturers, it will not be a condition of the Exchequer grant that such equipment be purchased in this country. Firms will retain their freedom to buy the machinery which is best suited to their needs.

#### **Conclusions :**

46. The best estimate that can be made is that, given a favourable response from the industry, the cost to the Exchequer might be of the order of £ 30 million over five years. This is a large sum. But it is justified by the scale of the re-organisation required and the importance of the industry.

47. The Government are sure that it is best to proceed by voluntary methods. It would be a great mistake to force upon an unwilling industry an outside body with power to give directions as to the capacity which must be closed down, or to decide in detail what re-equipment particular firms must undertake if they are to qualify for financial assistance. To do so would contribute neither to the efficiency nor to the self-confidence of the industry. It would only be damaging to both.

48. But the use of the voluntary method places upon both sides of the industry, the Cotton Board and the Government the responsibility of meeting each other's point of view and relating individual interests to a definite objective of national importance namely, a compact up-to-date and efficient cotton industry. The Government have no doubt that this co-operation will be forth-coming.

## ANNEXURE II.

	Targets of cloth production (in million yds.).			Additional production (in M. Yds.).	Present installed capacity.		Proposed Additional Capacity		For Scrapping		Allotment in Third Five Year Plan.	
	Original Second Five Year Plan.	Revise Second Five Year Plan (Textile Enquiry Committee, 1958).	Third Five Year Plan.		Spindles (millions).	Looms ('000).	Spindles (millions).	Looms ('000).	Spindles (millions).	Looms ('000).	Spindles (millions).	Looms ('000).
<i>Decentralised Sectors :</i>												
<i>(a) Handloom—</i>												
(i) Out of Mill Yarn.	2,350	2,100	} 3,600									
(ii) Out of Amber yarn.	300	300										
(b) Powerloom Sector	250	*450										
<i>Total, Decentralised Sector.</i>	<i>2,900</i>	<i>2,850 or 2,900</i>	<i>3,600</i>	<i>700</i>								
(c) Mill Sector ..	5,000	5,100-5,200 (5,150) or 5,100	5,700	600	13.5	200	0.8	15	0.4	3	1.2	18
Additional for exports ..	350	....	....									
Unallotted ..	150	....	....									
<b>Grand Total ..</b>	<b>8,400</b>	<b>8,000</b>	<b>9,300</b>	<b>1,300</b>								

\*Includes powerlooms in the handloom sector.

## ANNEXURE III(a).

## ESTIMATE BASED ON REPLIES FROM MILLS.

**Rehabilitation Plan—Sectionwise Analysis.**

*Blow Room.*—The Industry carries with it about 65 per cent. of the machinery of over 20 years old, of which about one-third dates back to periods prior to 1920. The remaining 35 per cent. are mostly post-war machines. As a first essential at least all the machines in the blow room which were installed prior to 1920 would require to be replaced as a measure of urgency. This would come to about 20 per cent. of the total installations. In doing so, we have necessarily to give a greater encouragement to mills where there is a large preponderance of such old blow room lines. It has, however, generally been found by a scrutiny of the replies that those mills which have asked for replacements have asked for replacement of the blow room lines of the years prior to 1939, thus in effect proposing the scrapping up of the blow rooms existing for over 20 years. The total number of blow room lines included in our analysis is about 94 costing about Rs. 3.25 crores. But this represents only those mills which have replied to our questionnaire which form a total capacity of 3.7 million spindles, forming about 27 per cent. of the total capacity. If we project this figure to the total capacity, the amount will come to Rs. 11.5 crores for the industry. If we disallow the post-war spinning units, the net amount required would be about Rs. 9 crores.

*Cards.*—Taking the cards, the Industry carries with it about 70 per cent. of cards of prior to 1939 make of which about one-third is over 40 years old. About 25 per cent. of the cards are of post-war make. In the matter of replacement of cards, almost every centre seems to have uniformly progressed, replacement ranging from 20 to 30 per cent. From the replies received it is seen that by and large the industry wants to replace cards over 40 years old, that is of prior to 1920 make although some centres have asked for replacement of cards of later makes also. The total requirement as seen from the replies for replacement of cards is about Rs. 4 crores for a capacity of 3.7 million spindles which would mean a total requirement of Rs. 12 crores for the Industry.

*Speed Frames.*—Taking the Speed Frames, the Industry carries about 70 to 80 per cent. of its capacity with over 20 years old machinery of which again one-third is over 40 years old. A large portion of the mills in D area, almost 50 per cent. in B and H areas almost 40 per cent. in F, 33 per cent. in C, and in G areas, about 15 to 20 per cent.

require to be rehabilitated as a matter of great urgency. The total amount asked for by the mills who have responded to our questionnaire is about Rs. 3.6 crores for a total of one third capacity of the mills excluding the post-war spinning mills. It would mean a total requirement of Rs. 11 crores for the speed frames for the Industry as a whole. Many of the mills have also asked for the replacement of speed frames of later years to take advantage of the latest types of speed frames and skipping of processes.

*Ring Frames.*—As regards ring frames, the Industry is somewhat more favourably placed and has only about 15 per cent. of the capacity, on an average, of ring frames over 40 years old. But as much as 50 per cent. of the total capacity is represented by ring frames over 20 years old but not exceeding 40 years. About 30 to 35 per cent. of the capacity is of later makes, mostly after 1947. There is no doubt that all the frames prior to 1920 should be replaced as a measure of urgency. The mills have also asked for replacement of later year's make to take advantage of modernised ring frames available. The amount asked for by the mills who have replied to our questionnaire for the purpose of replacement of ring frames is about Rs. 14 crores which on projection, will give a figure of about Rs. 40 to 45 crores.

*Combers, Draw Frames, Doubling Frames, etc.*—The amount for replacement as given in the replies is about Rs. 7.2 crores. It is seen in this connection that there has been a large demand for combers in the various centres. The cost of high speed comber set as seen in the estimates given by mills is about Rs. 4 lakhs. The total number of combers required by the mills who have replied is about 146 sets. These mills have already got 126 sets and most of these requirements for combers is for additional installation as a large percentage of the existing combers are of the post-war make. Combers are imported items. Perhaps 25 per cent. increase of the combers for the Third Five-Year Plan period may be sufficient which would mean an expenditure of about Rs. 4 to 5 crores for the Industry as a whole. A further Rs. 4 to 5 crores may be provided for the draw frames and doubling frames. It would mean a total expenditure for the combers, draw frames and doubling frames to the maximum extent of Rs. 10 crores.

*Weaving Preparatory.*—The next department in a textile mill is the weaving preparatory department. An analysis of the replies received from the mills in response to our questionnaire shows that invariably textile mills want to go in for Barber Colman machines



and high speed winding and warping machines. The basic objective of the Industry in going in for these machines is two fold :

(i) substantial savings in winding charges by virtue of the fact that these machines are capable of winding relatively much larger quantity of yarn ; and

(ii) improvement in the quality which in turn enables a better efficiency in the weaving side.

The total requirement on the basis of the analysed figures will be about Rs. 15 crores for both winding and warping and sizing. The broad break-down of this amount would be about Rs. 10 crores for winding and warping and Rs. 5 crores for sizing.

Winding and warping acts as a pivot round which the efficiency of the weaving shed rests.

*Weaving.*—The replies received to our questionnaire have revealed that almost every one in the mill Industry would like the lid of restriction to be removed and installation of automatic looms, irrespective of other considerations, is allowed, rather as a forceful spurt in the tempo of rehabilitation and modernisation of the Industry. The Textile Enquiry Committee (1958) gave appropriate consideration to the several factors and recommended that " Government as well as the Trade Unions should create a proper psychological climate within the country and particularly amongst the labour so as to facilitate the introduction of automatic looms within a specified period".

The broad pattern of existing installation of automatic looms in the Industry is shown below :—

	Ordinary looms.	Automatic looms.	Percentage to the total.
All India ..	1,86,000	15,000	7.5%
A ..	39,300	2,100	5%
B ..	59,300	4,300	6.5%
H ..	32,600	300	0.9%
C ..	13,300	450	3%
D ..	8,600	400	4.5%
E ..	4,000	3,300	45%
F ..	12,500	200	2%
G ..	3,400	Nil.	Nil.

The broad split-up of the existing equipment in the analysed mills accounting for a capacity of 72,000 looms is as under :—

		Over 40 Years.	Between 20 and 40 years.	Between 10 and 20 years.	Less than 10 years.
All India	..	40%	44%	4%	12%
A	..	13%	67%	7%	13%
B	..	77%	18%	....	5%
H	..	40%	41%	3%	16%
C	..	22%	55%	15%	8%
D	..	50%	36%	....	14%
E	..	38%	23%	14%	25%
F	..	33%	57%	....	10%
G	..	14%	70%	4%	12%

On the whole if we take broadly on the basis of the replies furnished, it will be seen that about 80 to 85 per cent. of the looms in the Industry are more than 20 years old of which about half will be more than 40 years old. There is, therefore, an imperative necessity for replacement of looms which are over 40 years old. Even well-developed sectors of the Industry are still keeping as much as 70 to 80 per cent. of their looms, which are over 20 years old and in B area particularly there is 77 per cent. of looms which are even 30 to 40 years old. In this connection, it will be relevant to note that the very centres which have got a larger concentration of old looms, have kept them in working order by spending relatively larger expenditure than in the other centres. The amount spent by each of the centres is also given below :—

Centre.						Rs. per loom.
A	..	..	..	..	..	430
B	..	..	..	..	..	350
H	..	..	..	..	..	435
C	..	..	..	..	..	240
D	..	..	..	..	..	120
E	..	..	..	..	..	130
F	..	..	..	..	..	60
G	..	..	..	..	..	Negligible.

(G.C.P.) L-A Ya 703—7 (500—6-60)

It is seen from our analysis that an amount of Rs. 13.7 crores has been programmed for automatic looms by the 94 mills which have replied to our questionnaire. This provision for automatic looms covers 18 to 20 thousand looms, with an average cost of about Rs. 7,000. If this is taken as the guide, the Industry would like to replace 30 per cent. of their looms by automatic looms. Even assuming that automatic looms to this extent visualised are not allowed there is an imperative necessity for replacing at least 50 per cent. of the very old looms (over 40 years old). This would mean replacement of at least 40,000 looms which would cost about Rs. 8 to 10 crores.

A further provision of Rs. 10 crores may be made for replacement of ordinary looms by automatic looms, as also Rs. 5 crores for ancillary equipment.

Certain centres where practically no significant attention has been paid to the looms, may be going in for a substantial amount of expenditure on looms' replacement. Thus the total requirement for weaving side may be assessed at Rs. 30 crores for the Industry or about Rs. 6 crores per year for the next 5 year period.

*Processing.*—An analysis of the mills who have replied to our questionnaire shows that on the processing side, the expenditure in the past has been rather negligible in quite a large number of centres.

The replies given to our questionnaire show that the expenditure visualised by the analysed mills accounting for a capacity of 72,000 looms is nearly Rs. 13 crores which on projection to the entire Industry will give a figure of about Rs. 25 crores.

While this may be taken for the All-India estimate the mills which are at present not having any processing facility would require to be given appropriate priorities.

*Engineering and Humidification and Buildings.*—The total amount asked for by the 94 mills who have replied to our questionnaire is as under :—

	Rs.
Power Plant and Engineering ... ..	1.24 crores.
Electrical installations and others ... ..	2.58 crores.
Humidification ... ..	1.93 crores.
Buildings ... ..	3.55 crores.
Total roughly ... ..	10 crores

The total amount of requirement of the Industry will, therefore, be about Rs. 25 crores. The individual requirement will vary from mill to mill.

To summarise.—The Industry during the next five years would require the following amounts :—

*Rehabilitation and that part of modernisation which forms an indispensable element of rehabilitation.*

*Spinning—*

	Amount in crores Rs.
Blow Room	9
Carding Engines	12
Speed Frames	11
Ring Frames	42
Combers	5
Draw Frames and Doubling Frames.	5
	<hr/>
Total for spinning	84
	<hr/>
<i>Weaving Preparatory—</i>	
Winding and Warping	10
Sizing	5
	<hr/>
Total	15
	<hr/>
<i>Weaving—</i>	
Ordinary looms	10
Conversion of automatic looms for replacement.	10
Export	5
Ancillary items	5
	<hr/>
Total	30
	<hr/>
<i>Processing and Finishing</i>	25
<i>Building and Engineering</i>	25
	<hr/>
Total	179 crores or say 180 crores.
	<hr/>

**ANNEXURE III(b).****ESTIMATE GIVEN BY N. I. D. C.-COTTON TEXTILE LOAN  
ADVISORY COMMITTEE.**

The National Industrial Development Corporation has been receiving applications from Cotton Textile Mill Companies for loans for the last 3 years. As at end of March 1960, 112 applications have been received, the total value of which works out to about Rs. 48 crores. Most of these applications have been scrutinised and some of them have already been sanctioned loans. There have been some revisions in the process of examination of loan applications and the final figure of requirements for these 112 applications has been estimated at about Rs. 43 crores. It is quite true that these applications cover, broadly speaking, only the minimum requirements of most of the units who had not come up with full and desirable programme for modernisation of their units. The schemes submitted along with these applications do not also envisage five yearly requirements of these units as most of the schemes were intended to be implemented in about 2—3 years time. The applications received so far cover about 40 lakhs spindles and 66,000 looms which account for about 30 per cent. of the installed capacity of the entire industry and have been received from all types of units from the very weak units to relatively stronger units. Assuming that the applications are more or less representative of the Industry as a whole, if we project the value of the applications on the basis of 30 per cent. actual for assessing the requirements of the entire Industry we come to a figure of about Rs. 145 crores for the requirements of the entire installed capacity. The rehabilitation and modernisation schemes submitted along with the applications have included the requirements for new and modern spinning machinery, weaving machinery, processing machinery and other miscellaneous items such as power plant, conversion to electric drives, humidification, ventilation, lighting, mechanical handling workshop equipments and also modern buildings in particular cases. From an analysis of the schemes a general picture emerges regarding envisaged expenditure in different sections of the mills under broad headings such as spinning, weaving, processing and rest. It may be estimated that spinning accounts for about 50 per cent. of the envisaged expenditure with weaving and processing at 15 per cent. each the balance of 20 per cent. being envisaged for miscellaneous items including buildings.

**ANNEXURE III(c).****ESTIMATE BY STANDING COMMITTEE OF AD-HOC  
COMMITTEE FOR TEXTILE MACHINERY.**

1. The Standing Committee for the textile machinery industry constituted by the Central Government some time back worked out the requirement of various types of textile machinery during the third plan by taking into account the normal life of textile machinery working double shift and the rate of obsolescence of such machinery. The method adopted by the Standing Committee which was accepted unanimously by all members and was later approved by the Ad hoc Committee for Textile Machinery which has representatives from all the sectors of the Industry is described hereunder. The Standing Committee felt that although the normal life of machine could be expected to be of the order of about 40 years, yet in most cases, it was found, that on account of lack of finance etc., Mills were slow and often took a longer time in replacing their machines. Therefore, for a more realistic assessment of the rate of replacement, the Committee took the view that, by and large, 50 years should be taken as the life of machinery in general except for those where the rate of obsolescence is higher on account of the technological developments in respect of particular items of machinery. Thus, the committee took the average life of the different items of machinery as at Statement No. 1. The Committee was broadly of the view that about 50 per cent. of the preparatory machinery, viz., winding and warping machines, etc., used in textile mills is obsolete and their replacement would be effected half by fully automatic machines like Barbar Colman and the other half of high-speed winding and warping machines. Similarly, 50 per cent. of the existing high-speed winding and warping machines would be replaced by fully automatic.

2. The Committee also came to the conclusion that during the Third Plan Period, an all out effort has to be made to scrap all units, with machinery which are beyond redemption and in their place establish new modern units with latest labour saving machinery and up-to-date finishing plant capable of producing new varieties of cloth required for export market. It was estimated that about 3 lakhs spindles and some 4,000 looms at present existing with some of the permanently closed mills have to be scrapped and replaced by new ones.

3. So far as looms are concerned, the Committee's view was that, apart from the replacement of looms in the scrapped mills, replacement of other looms will proceed at the rate of 3,000 looms per

year by automatic looms and the rest of requirement for replacement would be met by installation of new plain looms.

4. As regards processing machinery, the view taken was that the life of the unit was not as important as its obsolescence. One another aspect that was not lost sight of was the trend in processing and the new developments that have taken place of late, in new methods and new techniques in finishing of the cloth.

5. The total requirement, as assessed by the Committee for replacement and rehabilitation purpose is detailed in Statement/No. 2.

6. At the time when the Committee considered the question, the concern of the Central Government for a bold approach to the problem was not anticipated and, therefore, the estimate did not reflect the extra keenness of the industry to modernise as speedily as possible or the relaxations in the method and amount of financial assistance that N. I. D. C. and other Government or semi-Government Financial Institutions might be contemplating for the future. It is therefore, proposed that the estimate of the Standing Committee should be increased by about 50 per cent. which will account for the lack of maintenance during the past 10 years which back-logged in rehabilitation, has to be met over and above the normal replacement during the next 5 years. The Committee also did not take into account the various ancillary and service facilities which would be required in the case of modernisation, neither did it provide for alteration to buildings, etc., or the cost of erection of machinery. Taking all these factors into consideration, the total requirement for the rehabilitation and modernisation of the cotton textile industry would work out to Rs. 142.5663 crores. Details are given at Statement No. 3.

7. The indigenous machinery industry is at present equipped to produce a number of textile machinery items particularly in the spinning and processing sections. Industrial licences have been issued to a number of manufacturers for the production of automatic looms in collaboration with reputed foreign manufacturers. Existing concerns are increasingly taking advantage of foreign assistance by entering into tie-up arrangements with foreign makers of machinery. It is expected that progressively more and more machines and new types of machines will be produced by the indigenous machinery industry. The textile machinery Manufacturers' Association has expressed the hope that by the end of the Third Plan period 75 to 80 per cent. of the total requirement of textile machinery will be met from indigenous sources. At present, indigenous manufacture comes to about Rs. 10 to 12 crores per annum

This is expected to go up to about Rs. 18 to 20 crores in the next five years. Thus the quantity of machinery that would have to be imported during the next Plan Period and the quantity that would be produced indigenously can be ascertained from Statement 4. In working out these details, consideration has been given to the expansion requirement of the industry.

## STATEMENT No. 1.

(Does not take into account obsolescence).

Items of Machinery.	Basis of life.	Remarks.
	Years.	
1. Blow room lines	.. 50	
2. Carding Engines	.. 50	
3. Comber Sets ..	.. ....	No replacement is anticipated in view of the fact that combers are comparatively recently installed.
4. Draw Frames ..	.. 50	
5. Speed Frames ..	.. 50	The number of roving frames installed has not been taken into account.
6. Ring Frames ..	.. 40	
7 Winding Machines—		
(a) Ordinary.	.. ....	50 per cent. of the existing capacity is assured to be of this category and it is expected to be replaced during the next 10 years.
(b) High Speed	.. 20	
(c) Fully Automatic	.. ....	Since this has been recently installed, no assessment has been made for replacement.
8. Warping Machines—		
(a) Ordinary	.. ....	50 per cent. of the existing capacity is accounted to be of this category and it is expected to be replaced during the next 10 years.
(b) High Speed	.. 20	
(c) Fully Automatic	.. ....	Since this has been recently installed, no assessment has been made for replacement.
9. Sizing Machines	.. ....	40 per cent. of the capacity is not expected to be replaced and would perhaps be renovated by mere replacement of cylinders. 15 per cent. of the capacity would be of modern type and shall not need any replacement and 45 per cent. of the capacity is expected to be replaced within the next 10 years.



## STATEMENT No. 1—contd.

Items of Machinery.	Basis of life.	Remarks.
	Years.	
10. Looms—		
(a) Plain	.. 50	
(b) Automatic	.. 50	
11. Processing Machinery	.. ....	On the basis of modern trend.

In addition to replacement based on life as indicated above, it is expected that 3 lakhs spindles and 4,000 looms belonging to some of the permanently closed mills would be scrapped and replaced by new ones.

## STATEMENT No. 2.

Items of Machinery.	Number of Units required per annum.	Value in lakhs rupees.
<i>Spinning and Weaving.</i>		
1. Blow Room Lines	.. .. 29	94.25
2. Carding Engines	.. .. 630	81.90
3. Comber Sets	.. .. 6	18.00
4. Draw Frames	.. .. 70	35.00
5. Speed Frames	.. .. 210	105.00
6. Ring Frames	.. .. 950	427.50
7. Winding Machines—		
(a) High Speed Winding Machine	.. .. 33	16.50
(b) Fully Auto Winding Machine	.. .. 14	70.00
8. Warping Machines—		
(a) High Speed	.. .. 14	11.00
(b) Fully Auto	.. .. 650	....
9. Pirn Spindles	.. .. 33	9.10
10. Sizing Machines	.. .. 1,150	66.00
11. (a) Looms (Plain)	.. .. 3,300	19.55
(b) Looms (Auto.)	.. .. ....	196.00
	Total	.. 1,149.80

STATEMENT No. 2—*contd.*

Items of Machinery.	Number of Units required per annum.	Value in lakhs Rupees.
<i>Processing Machinery.</i>		
1. Pressure Kier .. .. .	38	9.50
2. Bleaching Units .. .. .	6	36.00
3. Chemicking Machines .. .. .	32	3.84
4. Rope Washing .. .. .	14	2.10
5. Scutcher .. .. .	35	2.10
6. Open Width .. .. .	16	5.60
7. Water Extraction .. .. .	6	1.80
8. Drying all types .. .. .	28	11.20
9. Padding Machines .. .. .	23	9.20
10. Damping Machines .. .. .	7	0.70
11. Folding Machine .. .. .	54	8.10
12. Jiggers .. .. .	353	56.48
13. Mineral Khaki .. .. .	2	0.50
14. Batching Machines .. .. .	10	1.00
15. Colour Straining .. .. .	58	8.70
16. Agers .. .. .	9	4.50
17. Mercerisers .. .. .	3	1.05
18. Stenters .. .. .	42	147.00
19. Printing Machine .. .. .	11	11.00
20. Polymerizing-Curing .. .. .	13	13.00
21. Shearing .. .. .	22	15.40
22. Beaterless Scutchers .. .. .	28	3.36
23. Calenders .. .. .	20	34.00
24. Shrinkage Control .. .. .	11	44.00
		430.13
Total, Spg. and Wvg. ..		1,149.80
		1,579.93
Grand Total ..		1,579.93

## STATEMENT No. 3.

Serial No.	Items of Machinery.	Annual Requirement.		Require- ment in value for III Plan period.
		In Units.	Value in Rupees lakhs.	
1	2	3	4	5
1	Blow Room Lines .. ..	44	143.00	
2	Carding Engines . . . .	945	122.85	
3	Comber sets .. ..	9	27.00	
4	Draw Frames .. ..	105	52.50	
5	Speed Frames .. ..	315	157.50	
6	Ring Frames . . . .	1,425	641.25	
7	Winding Machines—			
	(a) High Speed .. ..	50	25.00	
	(b) Fully Auto. .. ..	21	105.00	
8	Warping Machines—			
	(a) High Speed .. ..	33	16.50	
	(b) Fully Auto. .. ..	21	....	
9	Pirn Spindles .. ..	975	13.65	
10	Sizing Machines .. ..	52	18.50	
11	Looms—			
	(1) Plain .. ..	1,725	29.33	
	(2) Automatic .. ..	4,950	297.00	
		Total ..	1,649.08	8,245.40
<i>Processing Machinery.</i>				
1	Pressure Kier .. ..	48	12.00	
2	Bleaching Units .. ..	8	48.00	
3	Chemicking .. ..	40	4.80	
4	Rope Washing .. ..	18	2.70	
5	Scutcher .. ..	44	2.64	
6	Open Width .. ..	20	7.00	
7	Water Extraction .. ..	8	2.40	
8	Drying all types .. ..	35	14.00	
9	Padding Machines .. ..	29	11.60	
10	Damping Machines .. ..	9	0.90	
11	Folding Machines .. ..	68	10.20	

## STATEMENT No. 3—contd.

Serial No.	Items of Machinery.	Annual Requirement.		Requirement in value for III Plan Period.
		In Units.	Value in Rupees lakhs.	
1	2	3	4	5
12	Jiggers .. ..	441	70.56	
13	Mineral Khaki .. ..	2	0.50	
14	Batching Machine .. ..	13	1.30	
15	Colour Straining .. ..	73	10.95	
16	Agers .. ..	11	5.50	
17	Mercerizers .. ..	4	1.40	
18	Stenters .. ..	53	185.50	
19	Printing Machine .. ..	14	14.00	
20	Polymerizing/Curing .. ..	16	16.00	
21	Shearing .. ..	28	19.60	
22	Beaterless Scutchers .. ..	35	4.20	
23	Calenders .. ..	25	42.50	
24	Shrinkage Control .. ..	14	56.00	
		Total ..	544.25	2,721.25

## SUMMARY.

Item of Machinery.	Requirement during III Plan Period in Rs. Crores.
Spinning and Weaving M/cy. .. ..	82.4540
Processing Machinery .. ..	27.2125
Auxiliary and service facilities such as humidifications, electrification, ventilation, etc. at 20 per cent. .. ..	21.9333
Modernisation and alterations to buildings, erection, cost of machinery, etc. at 10 per cent. .. ..	10.9665
	<u>142.5663</u>

[Plus 50 per cent.

vide paragraph 6.]

## STATEMENT No. 4.

*Total Requirement for Expansion, Renovation and Modernisation during Third Plan Period and availability from Indigenous Sources.*

	Expansion in value Rs. crores.	Replacement and Modernisa- tion in value Rs. crores.	Total in Rs. crores.	Maximum availability from indigenous sources Rs. crores.
Machinery (Spinning, Weaving and Processing).	25.92	109.67	135.59	81.26 @60%
Service facilities such as ventilation, electrification, etc. @ 20 per cent.	5.18	21.93	27.11	20.35 @75%
Building and Erection costs @ 10 per cent.	2.59	10.97	13.56	13.56 @100%
	33.69	142.57	176.26	115.27

## ANNEXURE IV.

PHASED PRODUCTION PROGRAMME AND REQUIREMENT OF FOREIGN EXCHANGE FOR THE TEXTILE MACHINERY MANUFACTURING INDUSTRY DURING THIRD FIVE-YEAR PLAN PERIOD.

Year.	Phased production programme (in value) Rs. crores.		Requirement of foreign exchange in Rs. crores for components and raw materials.		
	Textile machinery.	Humidification, Ventilation Plant, etc.	Textile machinery @20%.	Humidification, Ventilation, etc. @ 30%.	Total.
1961-62 .. ..	13	4	2.6	1.2	3.8
1962-63 .. ..	14	4	2.8	1.2	4.0
1963-64 .. ..	16	4	3.2	1.2	4.4
1964-65 .. ..	19	4	3.8	1.2	5.0
1965-66 .. ..	21	4	4.2	1.2	5.4
Total .. ..	83	20	16.6	6.0	22.6