Performance of Selected Industries

Petroleum, Oil and Lubricants

24. During April-February 1997-98 the crude oil production aggregated at 30.9 million tonnes compared to 29.9 million tonnes in the corresponding period of 1996-97 (Table 7.8). In 1996-97, crude oil production aggregated at 32.9 million tonnes as against the target of 38.0 million tonnes.

25. During April-February 1997-98, the production of natural gas was 22.6 billion cubic meters (BCM) compared to 20.7 BCM in the corresponding period of 1996-97. GAIL, IOCL, ONGCL and BPCL are exploring the possibility of importing LNG for bridging the gap between demand and supply of natural gas. Steps have been taken for importing gas from the Middle-East by signing agreements with Oman and Iran. The prices of natural gas have been revised from 1st October,1997 and they are currently linked to international prices of fuel oil. In April-February 1997-98 the total refinery throughput production was 59.4 million tonnes compared to 57.3 million tonnes during the same period in 1996-97.

26. The gross import of POL products during 1996-97 was 54.2 million tonnes, 13.6 per cent higher than 47.7 million tonnes in 1995-96. During April-February 1997-98, the gross import of POL products stood at 49 million tonnes valued at Rs.26,150 crore as against the import of 49 million tonnes valued at Rs.31,107 crore in the same period of 1996-97. The consumption of petroleum products during 1996-97 was 77.2 million tonnes. Private sector imports accounted for an additional 2 million tonnes. This was higher than the previous year's consumption of 72.5 million tonnes. During April-January 1997-98, consumption of petroleum products was 66.2 million tonnes, higher than the 63.5 million tonnes in the corresponding period of 1996-97 (Table 7.9).

27. Two new LPG import facilities having handling capacity of 0.6 million tonne each have been commissioned by PSUs at Kandla and Mangalore. With these, the import of LPG is expected to rise in 1997-98. As per available

TABLE 7.8

Trends in the Petroleum Sector

				April-February*		Change over previous year		
	94-95	95-96	96-97*	1996-97	1997-98	95-96	96-97	97-98**
				(Million tonnes)			(per cent)	
1. Crude oil production	32.2	35.2	32.9	29.9	30.9	9.1	-6.5	3.3
(i) On-shore	12.0	11.9	11.4	10.4	10.5	-1.1	-4.0	1.0
(a) ONGC	9.1	9.0	8.5	7.8	7.7	-1.8	-5.2	-1.3
(b) OIL	2.9	2.9	2.9	2.6	2.8	0.0	-0.3	7.6
(ii) Offshore (ONGC)	20.2	22.7	20.2	18.4	18.2	12.1	-11.0	-1.0
2. Refinery throughput	56.5	58.7	62.8	57.3	59.4	3.9	6.9	3.6
3. Production of petroleum products $	52.9	55.1	59.0	53.8	55.9	4.1	7.1	3.9
				(Billion cubic meters)				
4. Natural gas prodn.	19.4	22.3	22.8	20.7	22.6	15.1	2.0	9.2

* Provisional **April-February $ Excludes LPG production from fractionator

TABLE 7.9

Consumption of Petroleum Products**

					April-January*		Change over previous year		
		1994-95	1995-96	1996-97	1996-97	1997-98	1995-96	1996-97	1997-98@
		(Million tonnes)					(per cent)		
1	Light distillates	11.6	13.1	14.3	11.9	13.0	12.9	9.2	9.2
	(a) Naphtha	3.4	3.7	4.0	3.3	3.8	8.8	8.1	15.2
	(b) LPG	3.4	3.8	4.2	3.4	3.8	11.8	10.5	11.8
	(c) Petrol	4.1	4.7	5.0	4.1	4.3	14.6	6.4	4.9
2	Middle distillates	41.0	45.5	48.7	39.9	41.5	11.0	7.0	4.0
	(a) Kerosene	9.0	9.3	9.6	8.0	8.1	3.3	3.2	1.3
	(b) Diesel oil	28.3	32.3	35.2	28.6	30.2	14.1	9.0	5.6
3	Heavy ends of which	12.9	13.9	14.2	11.7	11.7	7.8	2.2	0.0
	Fuel oil	9.9	10.7	10.7	8.9	9.1	8.1	0.0	2.2
	Total	65.5	72.5	77.2	63.5	66.2	10.7	6.5	4.3

* **Provisional.**
@ **April-January**
** **Excluding Refinery Boiler Fuel**.

information, enrollment of new LPG consumers has increased from 23 lakh in 1996-97 to 40 lakh in 1997-98.

28. The major initiatives taken by the Government in the oil and gas sectors are illustrated in Box 7.3.

BOX 7.3

Major Policy Reforms in the Oil and Gas Sectors

New Exploration Licensing Policy (NELP):

- No mandatory state participation through ONGCL/OIL.
- ONGCL and OIL to compete for obtaining petroleum licenses.
- Open availability of exploration acreages to provide a continuous window of opportunities to oil companies.
- Freedom to contractors for marketing of crude oil and gas in domestic market.
- Royalty payment at the rate of 12.5 per cent ad valorem for on-land areas and at the rate of 10 per cent for off-shore areas. Half of the royalty from offshore area to be credited to a hydrocarbon development fund for investment in exploration activities.
- Royalty to be charged at half of prevailing rates for deep offshore areas (beyond 400 m bathymetry) for first seven years after commencement of commercial production.
- Cess, which was earlier levied on crude production, has been abolished for the blocks offered under NELP.
- Companies to be exempted from payment of import duty on goods imported for petroleum operations.

Coal Bed Methane (CBM) Policy:

- Contractors to pay royalty to State Governments at a flat rate of 10 per cent ad valorem as is applicable to natural gas. In addition, there will be biddable production linked payment (PLP) to the Central Government.
- Contractors to pay a commercial discovery bonus of US $ 0.3 million or its equivalent in Indian rupees (in case of Indian companies).

- Duration of contract will be 38 years for blocks located in normal areas and 40 years for blocks in frontier areas.
- Contract duration is to be divided in 4 phases i.e. exploration (3 years), prior assessment for commerciability of production and market identification (5-7 years), development (5 years) and production (25 years).
- Contractor will be free to market gas in domestic market.
- Foreign or Indian companies can have up to 100 per cent participating interest.

Revision of Prices of Natural Gas

- Prices of natural gas have been revised from 1.10.1997.
- Consumer prices of natural gas are now linked at the landfall point, to international prices of fuel oil.
- Linkage is to be increased from 55 per cent in 1997-98 to 65 per cent in 1998-99 and 75 per cent in 1999-2000.
- Concessional prices of natural gas have been fixed for the North-East region for encouraging local utilisation of the resource.

APM and Oil Pool Account

- Government has announced a programme for the phased dismantling of the Administered Pricing Mechanism (APM) in the petroleum sector over 1998-99 to 2001-02. Highlights of the phased programme for dismantling APM are :
  - — Phased dismantling of APM in petroleum sector begun w.e.f. 1.4.1998.
  - — Cost-plus formula for indigenous oil producers has been withdrawn w.e.f. 1.4.1998. Payment to indigenous oil producers linked to the weighted average FOB price of actual imports of crude oil during transition period.
  - — System of retention pricing abolished for all refineries w.e.f. 1.4.1998. Pricing of petroleum products at refinery gate level to move gradually towards import parity.
  - — Consumer prices of major petro-products are to move towards market prices. HSD price is being fixed according to the principles of import parity up to ex-storage point level. For LPG, ATF, SKO and MS, move towards import parity will be in a phased manner.
  - — Prices of paraffin wax, bitumen, naptha, FO and LSHS have been decontrolled w.e.f. 1.4.1998.
  - — Transition period to be utilised for amortising oil bonds.
  - — Import and export of all petroleum products, except crude, NGL, ATF, MS and HSD to be decanalised during the transition period.
  - — Over 1998-99 to 2001-02, duties on crude and petro products to be rationalised in a phased manner.
  - — Refining sector investments to be encouraged by providing reasonable tariff protection.
  - — Marketing rights for sales of transportation fuels (ATF, HSD and MS) after deregulation to be reserved for companies owning and operating refineries with a minimum investment of Rs 2,000 crore in oil exploration and production companies producing a minimum of 3 million tonnes of crude oil annually in India.
  - — Cost plus formula withdrawn for shipping of crude oil.
  - — Freight subsidy on supplies to far-flung areas to be met through Budget.
  - — A regulatory framework to be established for overseeing functioning of and enforcing a competitive framework in the hydrocarbon sector.

The Government has implemented a comprehensive package to end the oil pool deficit.

- Government has issued oil bonds totalling Rs 12,984 crore towards the outstanding receivables of the oil companies from the Oil Pool Account as on March 2, 1998.
- Increase in the ex-storage point prices of MS, LPG and HSD, effected on 1st/2nd September, 1997.
- Ex-storage point price of HSD linked to import parity.

TABLE 7.10 Trends in the Coal Sector				Change over previous year	
	1995-96	1996-97	1997-98*	1996-97	1997-98*
	(Million tonnes)			(per cent)	
1. Production					
(a) Opencast	199.7	214.8	224.7	7.6	4.6
(b) Underground	70.4	70.9	71.2	0.7	0.4
Total	270.1	285.6	295.9	5.7	3.6
2. Production (by coal grades)					
(a) Coking coal	40.1	40.5	43.5	1.0	7.4
(b) Non-coking coal	230.0	245.1	252.4	6.6	3.0
(c) Washed coal	10.9	11.0	10.0	0.9	-9.5
(d) Middlings	6.8	6.8	N.A.	0.0	—
3. Pithead stocks (year-end)	31.7	30.0	29.2	-5.4	-2.7
4. Despatches	267.0	282.9	292.6	6.0	3.4
5. Lignite production	22.1	22.5	23.1	1.8	2.4
6. Output per man-shift (OMS)					
(i) CIL	1.8	1.9	1.9	5.6	0.0
(ii) SCCL	1.2	1.2	1.3	0.0	8.8

* Provisional

Coal

29. In 1996-97, coal production in the country recorded a growth of 5.7 per cent over the previous year. Non-coking coal, contributing about 85.8 per cent of the total output, grew by 6.6 per cent, while coking coal production experienced an increase of 1 per cent. Non-coking coal production increased by 3 per cent during 1997-98 compared to 6.6 per cent growth of coking coal during 1996-97 (Table 7.10). The growth rate in underground and open-cast mines were 0.7 per cent and 7.6 per cent respectively during 1996-97. The open cast mines have shown a growth of 4.6 per cent during 1997-98. Coal dispatches registered a growth of 6 per cent in 1996-97 and 3.4 per cent during 1997-98.

30. Low productivity in underground mines continues to be an important constraint affecting the profitability of the coal sector. The output per manshift has stagnated around 0.55 tonne for the last two decades, despite massive investment made in mechanization of underground mines.

Steel

31. The production of finished steel in 1997-98 marginally declined to 22.6 million tonnes from 22.7 million tonnes in 1996-97 (Table7.11). This is attributable mainly to the sluggish demand in the steel consuming sectors such as construction, auto industry and infrastructure projects. The production of pig iron in 1997-98 at 3.5 million tonnes is 10.5 per cent higher than the production of 3.2 million tonnes in 1996-97. While the production of pig iron by the main producers was

TABLE 7.11
Output of Iron & Steel **(Mill. tonnes)**

	1996-97	1997-98
Saleable Steel		
Main Producers	14.12 (0.71)	14.14 (0.14)
Secondary Producers$	4.39 (-1.34)	5.06 (15.0)
Total	18.51 (0.27)	19.20 (3.67)
Finished Steel		
Main Producers	10.54 (-1.5)	10.44 (-0.4)
Secondary Producers	12.18 (12.6)	12.12 (-0.4)
Total	22.72 (6.2)	22.56 (-0.48)
Pig iron		
Main Producers	1.68 (-2.9)	1.71 (1.78)
Secondary Producers	1.47 (38.6)	1.77 (20.4)
Total	3.15 (12.9)	3.48 (10.47)

$ Estimated partly
Note: Figures in brackets indicate percentage change over the previous year.

only 1.8 per cent higher, the production by secondary producers showed an increase of 20.4 per cent in 1997-98. Production of sponge iron during 1997-98 was 5.3 million tonnes as compared to 5 million tonnes in 1996-97.

32. The consumption of finished steel in 1997-98 at 22.4 million tonnes showed an increase of 1.3 per cent over 1996-97.

33. The total quantity of iron and steel exported during 1997-98 was 3.4 million tonnes valued at Rs.2685 crore as against 2.3 million tonnes of Iron and Steel exported during 1996-97 valued at about Rs. 2231 crore.

Textiles

34. Textile industry has a unique place in our economy accounting for about 4 per cent of GDP, 20 per cent of manufacturing value added and one third of total export earnings and provides employment to millions of skilled and semi-skilled workers.

35. Fabrics cloth production has increased to 34018 million sq. meters in April-February1997-98 compared to 31,845 million sq. meters in April-February 1996-97 recording a growth rate of 6.8 per cent. The fibre mix pattern of fabrics has also undergone changes in as much as cotton fabrics now accounts for about 60 per cent of total fabric production and the remaining 40 per cent is blended/non-cotton fabrics. The increase in fabrics production has facilitated the emergence of a decentralised cotton sector which has made impressive progress and now accounts for about 15 per cent of total export earnings. The trends in production of fabrics in different segments of textile industry in recent years is given in the Table 7.12.

36. Textile items including handicrafts and jute not only account for about one third of the country's export earning but remain as a group, the largest net foreign exchange earner. Export of textile items have increased to $ 11,279 million or Rs.41,729 crore during April-February 1997-98, thus recording growth of 5.7 per cent in terms of dollar earnings and 10.8 per cent in terms of rupees. However, with the increasing integration of textile and clothing industry into the World Trading regime, export of textile items have to cope with new challenges in the form of growing non-tariff/non-trade barriers such as growing regionalisation of trade between blocks of nations, child labour, anti-dumping levies etc.

Food Processing

37. Production of processed fruits and vegetables grew by about 13 per cent in 1997. Estimated value of exports of processed fruits and vegetables in 1997-98 increased to Rs.689 crore as compared to Rs.460 crore in 1996-97. Production of different varieties of milk products is estimated to have increased to 285 thousand tonnes in 1997 as against 275 thousand tonnes in 1996. Export of milk products is expected to have almost doubled to Rs.64 crore in 1996-97 compared to Rs. 33 crore in 1995-96. Marine fish harvest experienced a growth of 6.3 per cent in 1996-97.

TABLE 7.12

Production of Fabrics (Million Sq.Mtrs)

Sector	1992-93	1993-94	1994-95	1995-96	1996-97	April-February 1996-97	April-February 1997-98(P)
Mills	2000	1990	2271	2019	1957	1789	1798
Powerlooms	14644	15994	15976	17201	19352	17747	18830
Hosiery	3182	3637	3748	5038	5533	5046	5541
Handlooms	5219	5851	6180	7202	7456	6781	7263
Khadi, Wool/Silk	430	426	431	431	515	472	486
Total	**25475**	**27898**	**28606**	**31891**	**34813**	**31845**	**34018**
				Share in Output (per cent)			
Mills	7.85	7.13	7.94	6.33	5.62	5.29	5.53
Powerlooms	57.48	57.33	55.85	53.94	55.58	55.35	55.73
Hosiery	12.49	13.00	13.10	15.80	15.89	16.58	15.86
Handlooms	20.49	20.97	21.60	22.58	21.42	21.35	21.29
Khadi, Wool/Silk	1.69	1.53	1.51	1.35	1.48	1.43	1.49
Total	**100.00**	**100.00**	**100.00**	**100.0**	**100.0**	**100.00**	**100.0**

(P) Provisional

38. Food processing industries have invited substantial investment attention. Till February 1998, 4356 memoranda have been filed in the food processing sector entailing an aggregate investment of Rs.51,649 crore and 525 of these projects have begun production. In the post-liberalisation period, 1056 proposals for setting up 100 per cent Export Oriented Units/ Joint Ventures in various sectors of food processing industry have been approved till January, 1998.The aggregate investment involved is Rs.19,266 crore including a foreign investment component of Rs.9,334 crore. 206 proposals envisaging an investment of Rs.3,836 crore including foreign investment of Rs.2,010 crore have already been implemented.

Automobiles

39. The automobile industry has witnessed significant technological advancement in recent years. World leaders in the industry have entered the Indian market along with their state-of-the-art technology.

40. During 1997-98, the automotive industry has witnessed almost no growth because of a general slowdown in the economy and decline in aggregate demand. The actual production of all types of vehicles during 1997-98 was 39,90,964 vehicles compared to 39,79,815 vehicles in 1996-97. There was a marginal increase of 1.3 per cent in the case of sales during April-February 1997-98 comparied to the corresponding figure of the previous year. The actual sales during April-February 1997-98 were 36,19,715 vehicles as against 35,74,051 vehicles during April-February 1996-97. The production of cars has decreased from 4,04,040 during 1996-97 to 4,00,174 during 1997-98. However, sales of car have recorded a growth rate of 3.6 per cent during April-February 1997-98 compared to the corresponding period of the previous year. In the case of two wheelers, production has remained almost stagnant during the period in both the years. Improvement in the growth rate is expected with an upturn in the economy.

41. Although export of vehicles has also been growing during the last few years, there is an overall decline in exports in 1997-98. Exports of cars have declined from 31,732 during April-February 1996-97 to 25,647 during April-February 1997-98. There was thus a negative growth of nearly 19 per cent. However, export of scooters has recorded an impressive growth of 26.4 per cent during the period.