

# Industrial View

First and only platform for MSMEs

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## ANDHRA PRADESH CRIPPLING POWER CRISIS



**Govt is keen in solving power crisis**

### INTERVIEW

**G Prasad Kumar**  
Minister for Handlooms & Textiles,  
Spinning Mills, SME





### ఆంధ్రప్రదేశ్ రాష్ట్ర చిన్న, మధ్య తరహా పరిశ్రమల సంఘం

### FEDERATION OF SMALL AND MEDIUM ENTERPRISES OF ANDHRA PRADESH

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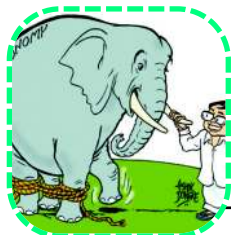
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*The jurisdiction of court cases pertaining to the items published in Industrial View will only be Hyderabad (the place of its publication). Cases of other jurisdictions will not be entertained.*

**- Editor**

## G. PRASAD KUMAR

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## MESSAGE

I am very glad to know that FSME - AP is coming out with a monthly magazine which will be starting from June 2013, first time on issues of MSME and other small entrepreneurs in Andhra Pradesh.

I congratulate FSME-AP for bringing out such a comprehensive magazine and all the best for success in this endeavor to protect MSME in industrial sector.

(G.PRASAD KUMAR)

*G. Prasad Kumar*  
9/5/13

# CHERLAPALLY CONVENTION CENTER



With the intention of fulfilling the growing needs of the Industrial fraternity for a suitable Convention cum Exhibition Center, the **Cherlapally Industries Association (CIA)** along with **Cherlapally Notified Municipal Industrial Area Service Society (CNMIASS)** has taken the initiative to conceive and realize this beautiful project on the land provided by the APIIC. The advent of this one-of-a kind Exhibition Center, rising in the eastern part of Hyderabad has been welcomed by the multitude of industrialists from all over the city. The Multi-crore Convention Center in 2,15,000 Sft area offers state-of-the-art meeting facilities with an uncompromising service for Exhibitions, conventions, board meetings and weddings. Air cooled & conditioned auditoriums, column free exhibit spaces nestled in serene, pollution free environs are well appointed to make every event enjoyable & successful.



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**Dr.RAJAT KUMAR, I.A.S**  
Commissioner



**Department of Industries,  
Commerce & Export Promotion**


## MESSAGE

I am happy to note that Federation of Small and Medium Enterprises (FSME-AP) is bringing out a magazine dedicated to MSME sector.

Medium, micro and small enterprises play a vital role in the economic development of the state and in the task of nation-building and also provide employment to both skilled personnel and unskilled labour besides opening up indirect employment avenues.

There are many magazines those cater to the needs of industries but very few dealing with the issues of MSME sector. I hope that this magazine acts as a voice for the sector and addresses all the relevant issues of the sector in a professional way.

I wish the magazine all success in the coming days.

  
RAJAT KUMAR

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## Energy Conservation in Industry

- Ch. Kameshwar Rao

- With the present Power crisis and acute shortage of Power for Industrial Sector herewith I am sharing some of my views on Energy Conservation.

More than 60% of the energy consumed in industrial application is for Motor driven applications. In that almost 30-40% power is getting wasted in underutilization or overrating due to occasional peak loads. In the past there was no step-less speed control device for AC motors. Now with the introduction of VFD's we can control the speed of the AC Motors as per our requirement and we can intelligently use the same VFD's for saving unused energy. In Fan and Pump application the energy is wasted in unproductive manner by throttling and restrictions. We can control the speed of the motors by using VFD's and save the power which is getting wasted in Throttling. Apart from this the power factor also improved to 0.99 when the motor is run with VFD.

In many applications the Motors efficiency is not taken in to consideration. By having energy efficient Motors which itself you can save around 5-8% without any additional equipments. Hence it is advisable to replace the existing low efficiency motors with EFF1 & EFF2 grade motors to save the energy.

In compressors the power consumption is cube root of for every increase in 1 bar pressure. In many industries the air pressure is stored at 10 bar and later at utility point the pressure is reduced to 6-7 Bar. Lot of energy is wasted in developing the pressure from 7-10 bar. Instead we can develop 7 bar and use it. If the screw compressor is fitted with VFD and a pressure sensor we can precisely maintain the pressure and save electrical energy. In screw compressors the idle running of motor also consumes sizable amount of energy. That also can be minimized by VFD's.

When it comes to lighting, the LED fixtures with solar power are a permanent solution for power saving and power factor improvement. In electrical appliances lighting chokes are the worst power factor killer. Hence LED lighting with good quality fixtures will make the lighting trouble free for min 25 years and saves lot of money for the industry.

### Solar Energy as an Alternative Source ...

One hour's sun energy more than one year's world's energy requirement.  
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to optimize the power consumption.**

**"Energy saved is Energy Generated"**



- Ch. Kameshwar Rao  
Managing Partner, Sri Sainath Plastek



## From the editor



**A.P.K.Reddy**

Every day we witness a new newspaper, magazine or a journal being launched. Also with proliferation of e-magazines and newsletters where is the need for another magazine, one may ask. Though many magazines are being brought out, there is not a single publication dedicated to SMEs.

We have been deliberating on the need for a magazine that can cater to the interests of the SME sector, that can note the voice of the people involved. A magazine that can go to depths and study problems that affect the sector. More importantly, it can act as a platform for the stakeholders who wish to be heard and take their problems to authorities.

Wherever I go, people approach me with their problems; there could be an issue with the commissioner of Industries, bank work or how to go about establishing a unit. These queries from a cross section of the people made me to think of coming out with a magazine.

In my three decades of experience as an entrepreneur, I have gone through every phase, from getting a foothold in the industry, understanding the bureaucracy, dealing with the babudom. During these years I have also witnessed the economic changes that have taken place in the country.

In a seminar on 'New economic policy' in 1993 a young post-graduate students had asked Montek Singh Ahluwalia 'you have been speaking about opening our windows to the world but please make sure that the roof does not get blown. The student of Economics was concerned about the industry, especially the small scale and cottage, which could get swept away by the advent of giant MNCs. The issue raised by the student is still relevant. The roof has not blown off with the entry of MNCs, but the small and medium industries have been ignored and relegated to the background.

There is no vote bank for the MSME sector. Perhaps that is why it is languishing. The industrial policy offers many sops, but in reality entrepreneurs are in trouble as there is not a single agency he can turn to. An entrepreneur is not being able to pay his loan to the bank. The bank instead of first going to the commissioner of Industries directly approaches a court against him. Good policies are in place but there is no implementation.

The industrial policy looks good on paper, but is far from it when implemented. There are several committees for promoting small-scale units, but they do nothing. Every month a district promotion committee under the chairmanship of the collector meets to discuss issues pertaining to a sector. The issue of non-performing assets (NPA) surfaces every time. Banks should be told to go soft on units and alternative means of repayment sought. The timeframe could be increased and strategies worked out to safeguard SMEs.

The State-level inter-institutional committee and the empowered committee of the RBI conduct quarterly meetings with the Principal Secretary for Industries and the RBI Regional Director. Sources in the industry say that the outcome of the meetings is far from satisfactory, as nothing is done to tackle issues like NPA.

The district promotion committee and SLIIC have become mere bodies. There is a need to take up issues facing SMEs and Industrial View plans to organize specific meetings, seminars and conferences to find solutions.

At its core, Industrial View is about transition; it is about homes and dreams of entrepreneurs. India is transforming and Andhra Pradesh too is going through a tough period. These changes are both invigorating and unsettling. Industrial View aims to help entrepreneurs tread this path by providing context, analysis, insight and perspective. Our aim is to single out the 'why',

'how' and 'when' of the issues that plague the industry. It is our goal to add value in a manner that allows new comers to the field to move seamlessly from information to intelligence to knowledge that will help them wade through the intricate paths of the sector. A new entrepreneur has to deal with 18 departments from Sales Tax, ESI, PF, Income-Tax, Central Excise, Factories Act, AP Pollution Control Board, just to name a few.

Thanks to globalization, today there is stiff competition among industries to excel. Although the country depends on agriculture, it is yet to be given the status of industry. India is the only such country which enjoys a unique status of possessing abundant natural resources, but its progress has not been matching and impressive. It still follows the British administrative practices and archaic laws. That is why perhaps neighboring China has become a world power, overtaking us in all major fields, including the industry sector. The major difference between the two nations is Chinese politicians, officials and people have accountability, where as we Indians lack it.

The Government of India does not seem bothered about improving the situation as far as the industry sector is concerned, despite the fact that it is a major contributor to nine per cent growth rate, provides 90 per cent employment and 40 per cent exports.

Gandhiji gave importance to cottage industries. Nehru likened all major industries to temples. Indira Gandhi nationalized banks to make them accessible to the common man. Rajiv Gandhi gave importance to Information Technology to take the country forward by leaps and bounds. P.V. Narasimha Rao and Manmohan Singh, as FM, implemented the economic reforms in the 90s. A.B. Vajpayee continued the reforms and gave top priority to the development of national expressway projects as a result of which property values peaked, surrounding villages developed. Dr. Manmohan Singh, as the PM, is taking the country further forward continuing the same tempo.

Every engineering college should promote entrepreneurship, have a scope for tie-ups with banks so

as to enable students to become entrepreneurs (self-employed) without depending on jobs. Instead, they should create employment opportunities in rural areas.

## INDUSTRIAL VIEW & ITS SCOPE OF COVERAGE

Importance will be given on updates on development of industrial parks in all viable mandals with stress on training facilities in mining, horticulture, aquaculture. These parks should have separate feeds for industries, agriculture and domestic categories, with a big boost for development of the non-conventional energy sources. Every town should have marketing link-up with the parks. Environmental issues would receive more attention. Harijan and Dalit-wadas should be developed by providing skill development centers/industrial training centers to promote entrepreneurs. Such centers should promote schemes for the benefit of SCs and STs, by having tie-ups with banks and enable them secure loans.

Industrial View will always support entrepreneurs. It looks forward to entrepreneurs to provide information to the magazine regarding any shortcomings in the administration, instances of harassment, and delays in extension of facilities (complaints regarding corrupt practices).

The magazine will take these issues to the notice of higher officials. They will be projected in the media if officials are indifferent to the demands of the entrepreneurs.

Industrial View will push policy-makers and the government to set up industrial parks in all mandals, with skill development centers. It will help entrepreneurs secure bank loans under the Credit Guarantee Trust (CGTMSMEs). It will also coordinate with MSME, NSIC, NIMSME, APIIC, APITCO, commissioner of Industries, Ministry of Handlooms and Textiles, food-processing, mining and hospitality industries, regarding their activities.



(A.P.K.Reddy)

**India is the only such country which enjoys a unique status of possessing abundant natural resources, but its progress has not been matching and impressive. It still follows the British administrative practices and archaic laws**

## COVER STORY

# Crippling Power Crisis

## Small Scale industry in doldrums

- Severe power shortage renders over two lakh SME workers jobless
- Government should provide package to industries
- Release pending incentives

### A P K Reddy

Over two lakh workers engaged in small and medium industries have been rendered jobless across Andhra Pradesh due to power scarcity. In all, 40 lakh workers are employed in SMEs. Since 2009 the units have been operating only for 15 days a month. Of the seven lakh units in the State, more than four lakh are in doldrums, as they are unable to repay bank loans.

At the review meeting on MSMEs held in RBI's Hyderabad regional office on January 8, 2013 it was estimated that the total number of sick units in the State were 6,290 by the end of September 2012. The outstanding credit extended to them is Rs 702.96 crore. According to the review report, total exposure of public sector banks to MSMEs in Andhra Pradesh is pegged at Rs 55,757 crore. The total non-performing assets in the sector stand at Rs 2,462 crore. Considering the state of affairs, the number would be much more today.

Most of the units in Jeedimetla, Nacharam, Cherlapally, Uppal and Medak in deep financial crisis are on the verge of closure. There are 28 industrial estates in and around Hyderabad and 35 across the State.

At least 100 of the 350 units in Medak are unable to continue production due to intermittent power supply and lack of it on most days. With the units told to use just 60 per cent of the contracted minimum demand, they de-

pend on HT. The industries needing continuous power supply such as foundry, pharma and forging are the most affected. Power-intensive industries such as steel, cement, pharma, ferro alloys suffer the most.

### Steep drop in production

With industries, including MSMEs, supplied only 50 per cent of power, there is almost 45 per cent drop in production. Many MSMEs are unable to pay salaries to employees. The affect is across the sector.

### Losing face, losing orders

With owners of industries unable to honour their promises on deliverables, orders from outside have stopped coming. Some industrialists who have been doing business with clients for years have lost face and are losing clients by the day.

During peak load adjustment, power was supplied between 6 pm and 10 pm daily. This apart there were 12 days of forced holidays by the three-day a week power closure and the four-hour shutdown between 6 pm and 10 pm. This amounts to 120 hours of closure. As a result the industrial units functioned just for 13 days a month.

An industrialist of Jeedimetla said, "In comparison to other States, specially Gujarat, we are way behind. When there is no power how can one expect us to deliver on time with quality. In business it is deliverables that matter and time is money."

### Workers badly hit

A majority of workers in the MSME sector are from outside the State. They live on small salaries and survive on basic needs. With many units paying salaries for half a month, workers are forced to go back home or look for greener pastures. Many units are forced to slash workforce by half.



Sai Prasanna Packaging Industry in Gandhinagar IDA was forced to reduce workforce by 50 per cent. No such thing has happened during the last 15 years.

How power crisis cripples a worker's life can be gauged from the case of Sampath Yadav of Sumanth Industries, Dhulapally IDA. He was drawing a salary of Rs 13,000 until January 2013, but now gets just Rs 5,000. Hailing from UP, Gitender Panday, another worker, left Hyderabad as he was unable to bear the expenses after his salary was reduced.

Hefty penalties imposed by the discoms and crop holiday for agricultural sector has had its affect on MSMEs. Nearly 6,000 units located in and around Hyderabad decided to go for a 15-day lock-out so that they need not pay full salary to workers. Nearly 13 lakh workers are employed in these units. They are receiving only half monthly salary since March.

## Affected industries in various districts

**Hyderabad, Ranga Reddy** : Ferro alloys, pharma, steel, foundries, Forgings biscuit-making units, plastics, industrial moulds, general engineering

**Nalgonda** : Rice Mills, cement, clinker

**Khammam, Warangal, Karimnagar, Prakasam** : Granite-related industries

**Anantapur, Kurnool** : Shahabad stone

**Mahbubnagar** : Handlooms, power looms

**Chittoor** : Food-procesmeng

**East Godavari** : Rice mills, paper recycling units, Sago mills

**Guntur** : Spinning mills

**Krishna** : Automobiles, ancillary industries

**Nellore** : Rice mills, Engineering

### Industrial growth badly hit

Industrial output in Andhra Pradesh touched rock bottom in 2012-13 registering a record low of 0.73 per cent. According to the advance estimates (at constant prices) prepared by the Directorate of Economics and Statistics. It is the lowest in the past nine years

and reflects a sharp fall from 7.71 per cent in the previous year. The primary reason is the power crisis. The industrial sector has been reeling under severe power cuts with the utilities imposing a power holiday of 3-4 days a week. A steep dip in natural gas production in the K-G basin has further aggravated this demand-supply mismatch. Industrial growth is the lowest in the past nine years and reflects a sharp fall from a growth of 7.71 per cent in the previous year.

This is the second consecutive year that AP is going through a two-percentage-point decline in GSDP (Gross State Domestic Product) growth from 9.66 per cent in 2010-11 (revised estimates) to 7.82 in 2011-12 and to the estimated 5.29 per cent for the current year.

### MSMEs in tight corner

The biggest issue that MSMEs face is lack of hand-holding. Right from establishing a unit, entrepreneurs are faced with single-handedly going through the hurdles of facing the bureaucracy to get sanctions at every level.

The greatest worry entrepreneurs face is penalties. Even though many small units use only 60 per cent power, because of FSA they are paying high amounts. The new industrial policy promises a lot for the MSME sector, but when it comes to implementation it is zero.

Need of the hour is for the government to come out with a package for the sector. Incentives should be released. Thirty per cent of the generated power should be allotted for the industry to save it from plunging in to darkness.

The Government should withdraw the R & C measures on power-incentive industries, waive penalties levied on these industries, provide additional load to the needy industrialists, restore LT-III B categorization (decrease power tariff) and devise a common power tariff for the MSME sector, irrespective of their power needs.

The Government should also immediately withdraw power cuts to all industries and fuel VAT on existing laser gen-set industries, allocation of Rs.25,000-crore in the budget to provide for repayment of dues of AP Transco, immediate release of Rs.700 crore pending incentives to industries and set apart Rs.1,500 crore budget for the MSME sector.

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# M SME

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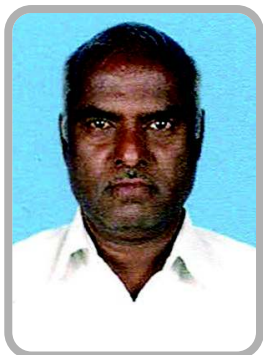
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## SME under LT-III-B struggle for survival



**D Shankara Chary**

The small scale Industries in the State of Andhra Pradesh are reeling under severe recession, high competition from large scale sectors, steep hike in the cost of raw materials and other inputs. Of late, the Government of Andhra Pradesh is slowly curtailing its support to Small Scale Sector. The combined effect of all these factors has made the SME sector to struggle for its survival.

The Government of Andhra Pradesh recognized the role of SME sector in eradicating unemployment and its considerable share of contribution to the State's Ex-chequer. Under the directions of Union Government, all the State Governments have evolved a separate policy exclusively to Small Scale Industries encouraging educated/experienced un-employed youth to establish their own SME units to eek their livelihood but also to provide employment to other un-employed. Accordingly, our State Government also formulated an Industrial Promotion Policy exclusively to Small Scale Sector from time to time, wherein several incentives like Subsidy on Capital Investment, Tax holiday, Price preference in the procurement of products manufactured by SME Units, Development of Industrial Parks and reservation to SME units etc.

As regards to power supply to SME units, the State Government in its exclusive policy towards SME sector is constructing 11 KV Sub-stations (through State Electricity Board) and according to the needs of individual units, erecting Power Distribution Transformers at the nearby locations and effecting power supply, thus totally eliminating the burden in meeting the capital cost in establishing a separate sub-station by SME units. The billing pattern to SME units is also very competitive when compared to Large Scale Units. All

the SME units used to have a common tariff and billing pattern under LT category. SME units consuming high power of more than 150 HP like Foundries having Induction Melting Furnaces, Heat Treatment units, Power Oriented units etc were categorized under H.T.

Over a period of time, SME units upto 150 HP were also sub-divided into categories like LT, LT-III B etc. so as to pass on the financial burden of the State Electricity Department to SME Units under LT-III B category. Owing to this decision, the SME Units under LT-III B category have been incurring huge financial expenditure in establishing a separate Sub-station, procurement of Distribution Transformer etc. In fact, the LT-III B category industries should have been given rebate in the power tariff, owing to additional capital expenditure incurred by them, if not they should have been treated on par with other LT SME Units. But a separate tariff lower to HT and higher to LT tariff was applied to LT-III B category.

**Shockingly, the SME units under LT-III B category instead of bringing them on parity with LT category, merged with HT category, by defeating the very definition of SME Sector.**

They are within the guide lines framed by the State Government for SME Sector. It is therefore, imperative that all SME Units irrespective of their power needs should have a common power tariff. The APCPDCL has been billing to LT units, under Demand Charges, Rs.50/- per H.P. for the Load sanctioned to them irrespective of whether the unit has utilised the sanctioned load fully or partially during the month. In the new tariff announced for the year 2013-14, the anomaly has been

rectified by proposing Rs.50/- per KVA recorded during the month.

The Demand charges which were hitherto prevailing at Rs. 150/- per KVA is exorbitantly hiked to Rs.350/- per KVA besides hiking the unit consumption charges. Apparently a considerable section of SME units has been taken out from LT category and merged with HT category. This has come as jolt to all SME units under LT-III B category since they are heavily burdened with newly announced tariff. Among all the industrial categories, LT-III B category is the worst hit as every unit has to bear an additional financial burden of a minimum of Rs.30,000/- on electricity bills alone which is beyond their imagination.



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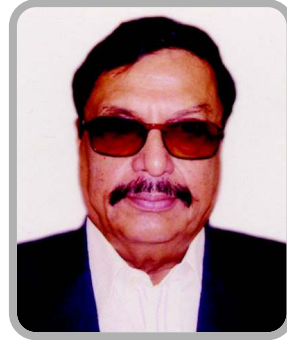
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# Why foundries in AP are lagging behind



V. Anand Reddy



There are about 4,500 foundry units across the country while Andhra Pradesh accounts for just 300. The number could well have been double but for the lack of support and vision by successive governments.

Most of the foundries in AP (90%) are jobbing foundries with hand moldings and cupolas which as melting units. In AP there are very few foundries in Grey Iron and Ductile Iron that are engaged in mass production with latest technology and equipment. Induction furnace melting (Electricity as fuel) is the only way to





produce high quality cashings. Today only 10% of the foundries have induction meltings that are engaged in mass production. Even these established by enthusiastic technocrats are struggling hard for want of electricity for the last 18 months or more and are on the verge of closure.

In comparison, other states are doing well and thriving as the respective governments are providing support and incentives. Tamil Nadu, Karnataka in South, Maharashtra, Gujarat, Punjab, Uttar Pradesh and parts of Bengal where large number of foundries are located are doing reasonably well with some being exceptional.

#### **Lack of mother industry hampering progress**

For any foundry industry to survive and grow there should be a 'Mother Industry' that can consume the production and also sustain growth. Take the case of states such as Tamil Nadu and Maharashtra they have an automobile industry for over five decades that sustain the foundry units.

There is a need for political will and the wherewithal to bring industries to the state. Tamil Nadu has Ashok Leyland (Trucks), TAFE (Tractors), Ford, Hyundai, TVS, Enfield India to name a few, Maharashtra has Mahindra & Mahindra (Jeeps, Tractors, Cars, 2 wheelers, Big Trucks, Buses, Light commercial Vehicles, Tata Motors (Cars & Trucks), Honda Motors, Bajaj, 3 wheelers and 2 wheelers, Premier cars (Fiat) are the prominently existing in the state since decades. Punjab has Punjab Tractors, Machine tool Industry, UP has Maruthi, Escorts Tractors etc...

Due to the establishment of the automobile industry, several foundries have come up in the above mentioned states which also employ hundreds of locals. There is an un-written law in those states that the manufactures of the automotive sector or other sector shall purchase their requirements in their own state only (Local). Thus the state has progressed rapidly industrially.

#### **State of affairs in AP**

No major industries have come up in the state after HMT, IDPL, IDL, BHEL, DMRL, DLRL, DRDL, Vizag Steel Plant in the public sector and USHA, Shriram Refrigeration, to name a few in private sector that provide work for locals.

M & M has taken over Allwyn Nissan for more than 25 years now and are producing LCV's 3 wheelers, jeeps and recently tractors. M&M has hardly developed and encouraged the local industries. 80% or more of their purchases are from outside the state.

The state government shall insist that M&M pro-

**History has shown that the states where an automobile industry thrived, foundries have done well. Gujarat, Maharashtra and Tamil Nadu are examples. Andhra Pradesh is endowed with facilities but there is a need to give a push so that the whole industry awakens. The sooner the government realises the fact, the better it is for the state and the industry**

vide local employment, develop local industries and purchase their products to the extent of 50%. As the government is giving land and power at subsidized price along with tax incentives for establishing and expanding their business, it can include a clause that it should employ locals. Only then will there be all-around development in the state and the foundry industry can also survive and grow like any new industry. The government needs to promote automobile industry in a big way. State Government should also put a condition of minimum 50% purchases with in the state.

# Foundries in quandary



**N Lakshman Rao**

The scene at the normally busy Patancheru and Pashamailaram area where the foundry units are located portray a sad state of affairs. Thanks to lack of power, owners of all units are in a quandary.

Over 40 foundry units in Patancheru and Pashyamilaram Industrial Estates which manufacture iron and steel alloy castings depend heavily on regular and quality power supply for achieving optimum production. Furnace and auxiliary machinery of these units will not run to their capacity and good quality products can't be produced if CMD in the power supply is less.

Ever since the power supply became erratic and the cuts increased in the recent past, on account of severe shortage facing the State, the consequent uncertain power supply and the tariff hike are causing heavy loss to the units. They are unable to estimate their cost of production, in view of the fluctuating power charges. As a result, the units are in deep trouble, having incurred losses because of their inability to deliver orders on time.

The units are unable to quote competitively on account of the uncertain power supply and hiked tariff. This is leading to diversion of orders to outside the State. If this trend continues, the industrial scenario will be in utter ruins, resulting a steep rise in unemployment.

Patancheru & Pashyamilaram Foundries Association member says, our members are already struggling with financial problems. With our production still at non-breakeven stage, the supplementary/piled up power bills have thrown them into a deeper crisis.

They are unable to survive with the problems/crisis, apart from the global recession.

He calls upon the Andhra Pradesh Electricity Regulatory Commission to immediately implement the R & C measures and waive the huge amounts of penalty charged to the units. The penalty calculations are purely based on time basis. Even a minute's difference will throw the consumer into the brackets of penalty. Due to variation in time-set meters the penalty calculations are turning out to be incorrect, resulting in levy of huge penalty.

Although the units have restricted their consumption to four days they are not being given uninterrupted quality power. This is resulting in financial and production losses. There is a need for waiver of penalty.

I appeal to the minister to intervene and initiate action to provide relief to the foundry units.

*(The author is secretary, Patancheru & Pashamylaram Foundries Association)*





# UPPAL INDUSTRIAL EMPLOYEES HEALTH CARE CENTRE



**Contact : Sri M.M. Reddy, Chairman - Uppal Industrial Employees Health Care Centre**





APK Reddy in conversation  
with Minister for MSME  
G. Prasad Kumar

"We will solve the power crisis in six months"

**G Prasad Kumar**, Minister for Handlooms & Textiles, Spinning Mills, SME, Khadi & Village Industries Board, Government of AP in an exclusive interview to **A P K Reddy**, spoke about the plans for providing assistance to small-scale industries, handlooms and textile units in particular

## INTERVIEW

### ***Tell us about your plans for the textile industry***

The government is keen on developing handlooms and textiles. We have sanctioned Rs 2 crore for the Malkapur Textile Park for the development of infrastructure. The focus is to develop industrial parks in rural areas. We believe that true development takes place when it begins from the bottom and in circles, as envisaged by Mahatma Gandhi.

The party is keen to carry forward the ideals of Mahatma Gandhi, Indira Gandhi, Rajiv Gandhi and Sonia Gandhi.

There are also plans for separate industrial parks for SCs/STs and women. There is a provision for 40 per cent subsidy for SCs/STs and women and 35 per cent for men.

### ***Handloom weavers are facing problems of marketing. What are the plans for APCO?***

There is good news for the weavers community. GO 24 has been passed which makes it mandatory for all government departments to procure material from APCO. This will give a fillip to weavers as well as the handlooms and textiles sector. Hostels and schools will have to get products from APCO. Priority is being given to the cottage industry. The government wants to safeguard traditional crafts.

### ***What steps are being taken to reschedule loans to industries?***

The Chief Minister has written to the

Reserve Bank of India for rescheduling of loans to industries in AP. A joint meeting with the Department of Industries, State Level Banking Committee (SLBC) will be shortly organized.

We are in talks with SLBC on a regular basis. The Government is also stressing the need to procure local products so that industrialists need not bother about marketing.

### ***What is the government doing to provide incentives to industrialists?***

The government has already released Rs 115 crore for the purpose. The disbursement of pending arrears to industries in the MSME sector will take place soon.

The government is keen to develop an industrial park for the Kapra Micro and Small Industries Association.

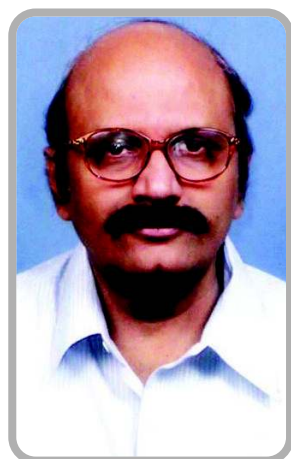
### ***What is the government doing to solve the power crisis?***

We have sanctioned Rs 200 crore for providing power to industries for two months in March & April 2012. We will solve the power crisis within six months. Discussions are on for lifting power cuts completely this month. The chief minister in touch with all departments. A delegation of industrialists from the State would be taken to New Delhi soon for talks with the Union Finance Minister and the Power Minister.

The power cuts which were earlier in force from 6 to 10 pm have been reduced by one hour. Even the working days have been increased by a day.



## State of Indian Economy - Whither we go



**D A Somayajulu**

The Government of India completed the annual ritual of presenting the Economic Survey 2012-13 and the Annual Budget 2013-14. The Finance Minister should be complimented for presenting the figures very honestly. Whoever bothers to read them carefully can understand that India which promised a great hope only some five years is now in deep troubles with no sight of light at the end of the tunnel.

1. India's GDP growth rate for FY 2012-13 fell to 5%, lowest in a decade.

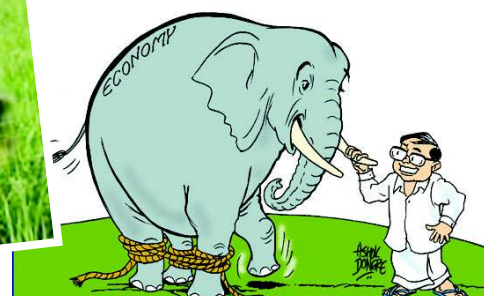
2. India's Trade Deficit has grown from \$ 20 billion in 2004-05 to \$ 180 billion in the year 2011-12, slowly taking our Country back to 1991 levels with the Current Account Deficit (at \$ 75 billion) as percentage of GDP rising to unsustainable levels of 4% of GDP; Five years ago India had a Current Account Surplus. No wonder the rupee has been falling against USD.

3. As per the FRBM Act 2003, from the year 2008-09, the revenue deficit should be zero and the fiscal deficit cannot exceed 3% of GDP. This means that the Central Government should be utilizing the entire borrowings for creation of capital assets. But, the truth is that revenue deficit which was just 1.1% of GDP in 2007-08 has now grown to 4.4% of GDP for 2011-12. The

fiscal deficit, which was just 2.9% of GDP for the 2007-08 has increased to 5.7% for 2011-12. The situation remains the same for the current year and next year also.

4. With the GDP growth rate falling substantially, the revenues that bear direct proportionality to GDP growth rate have naturally recorded lower growth rates leading to ever increasing revenue deficit and the consequential fiscal deficit, which represents borrowings. Our borrowings are going up by leaps and bounds, which is reflected in the fact that Interest payments at Rs 3,70,684 crores budgeted for the FY 2013-14 amounts to 35% of the annual revenues. If we spend 35% of revenues on interest payments, what hope is there for the country?

5. For the year 2011-12, for which audited accounts are available, the Revenue Deficit was Rs 3,94,346 crores which was 4.4% of GDP and the fiscal deficit was Rs 515990 crores; the entire fiscal deficit of Rs 5.55 lakhs crores should have been used for capital expenditure. Instead only Rs 1.58 lakh crores has been spent as capital expenditure for FY 2011-12.



6. It is everybody's knowledge that private investments grow in tandem with public investments. With public investment taking a dip thanks to ever rising revenue deficit, the private investments too remained sluggish. Naturally, the entire economic activity in the country is depressed getting into a vicious cycle of low investments leading to lower GDP leading to lower revenues leading to lower investments.
7. Despite having made rapid strides in post-independence era, as per the latest Human Development Report of UNDP, India is ranked 130th among various nations in terms of human development index, which is the weighted average of 74 parameters like health, housing, education, sanitation, empowerment, nutrition etc that define the quality of the life of people. India houses world's largest number of illiterates and people suffering from malnutrition. In certain categories, our position is more vulnerable than that of those in the Sub-Saharan African countries. In terms of per capita consumption, we are among the lowest in the world for various items like electrical energy, steel, cement, aluminum etc.

Why are we in such an unprecedented mess of increasing trade deficits, current account deficits, revenue deficits and the fiscal deficits? Not the entire blame can be placed at the doorstep of global economic situation. Indian economy is evidently less dependent of global economy. Our Exports are hardly \$ 300 billion per annum and our imports are \$ 500 billion. As against that China's exports are \$ 2000 billion and imports are \$ 1800 billion. Infact, China is many more times dependent on global economy. They are largest exporters in the world. Despite such an exposure, their GDP growth continues to be at 8% as against India's 5%. Where then lays the mistake?

The answer unfortunately is that there is substantial governance deficit. For fear of being hauled up by CAG, Media and Courts, the Central Government stopped taking decisions on all important issues. How sad! Despite India's huge endowments of coal, the country has been forced to depend on imported coal, which is pushing up the trade deficit. The imported coal is twice the cost of domestic coal even after taking into account higher calorific value

of imported coal. Coal imports were 80 million tonnes during 2012. The FM says they will go upto 185 million tonnes in the current and coming years.

The Coal production in the country has virtually stagnated in the last three years because of the Government's lack of initiative to resolve certain very routine and insignificant inter-ministerial differences on forest clearances; with the result many coal based projects in the country are in a quandary. The coal ministry has allotted 200 coal mines to private companies. The Forest and Environment ministry promptly stopped all those projects.

No action has been taken despite B K Chaturvedi committee coming out with facts and figures that



the total forest cover loss in respect of projects that can power about 200,000 MW additional power plants in the country and clasmedified as no go areas by MOEF constitutes just about 0.75% of the total forest cover. They suggested that the Government may impose a tax for the loss of this forest cover and afforest 100 more degraded forests in the country besides improving the lives of tribals. It is the PM who has to call for a meeting of Ministries of power, coal, mines, railways and forest and environment and resolve these issues.

Same is the case with natural gas. The Natural gas production has been falling with each day passing. Except Reliance none of the other three companies have produced even one cubic meter of gas; still no action is taken against them. There has been phenomenal delay in allotting gas locks for exploration. With the result, the country has to depend on

imports which are 3 times more expensive. If we do not have coal and natural gas, how can we expect to improve the power situation in the country? Without power, how can we hope to grow? And, without growth where is the social equity? If we are importing goods that can be manufactured within India, we are not only losing foreign exchange but also we are importing unemployment into the country.

Surprisingly, the FM feels all is well with agriculture in the country. He does not realize that despite the fertilizer prices going up by more than 250% in the last two years, the MSP has gone up by 25% only.

The mining sector has been reporting negative growth rate because the Government has not been able to tell various institutions that there is nothing wrong with the policy and that mining in the country need not stop because there are black sheep, who are there in every system.

The manufacturing sector has taken a severe beating not so much because there is no increase in the aggregate demand for various goods and services but because the decision making at all levels has become that much more lethargic;

Large infrastructure Projects were irrationally stalled half way through on ground that Tribals would be affected, without realizing that only economic and industrial development will pull the Tribals through. Those who have developed vested interest in the backwardness of Tribals have been using every institution to stall development of that area. What should be clearly understood is that if a project is delayed or closed midway through, no promoter individually loses any money. It is the nationalized commercial banks and small investors, who, relying on the preliminary approvals given by

the Government, have made huge investments in these projects that would suffer most.

In the 1990s, only 15 of India's 630 districts suffered from Maoist incidents, but today approximately 220 districts in twenty states of India accounting for about 40 percent of India's geographical area are affected. Despite big increases in anti-terrorism outlays, Maoists have become much stronger in most states. The escalation in Maoist activity in India is mainly because of the failure of the Country to take up large scale industrial and infrastructure development in Tribal belts; this has per-



**The government needs to have a clear cut policy on displacement of tribal communities**

petuated poverty in these areas. In fact, we have been doing things which are exactly opposite of what should be done for the development of the tribal areas.

It is shocking that senior ministers themselves, in some cases, are campaigning against projects coming up in their own Constituencies for apparently no sound reasons. None other than the Prime Minister himself has informed the country that certain foreign funded NGOs have been stalling the Kundankulam atomic energy plant. Is it not true of other projects also? Are we so helpless? Don't we need projects in the country?

These are very serious issues. The country has to



urgently do something to come out of this morass. Otherwise, I am afraid we will go back to Bengal famine days very quickly. I really wonder as to what happened to our Prime Minister. Why is he behaving like an umpire and not like a captain of the team? Why is he not taking timely decisions? Why is he putting everything in the court of E GOMS? It is time Dr Singh starts providing the much needed leadership for pushing the economic growth, lest the posterity curse all of us for our collective inertia.

The Governance which seems to have got bogged down because of several unfortunate developments that have rocked the country both from within and outside has to be given big boost to realize the imperatives of growth. The most important thing is that once a decision has been taken in respect of allocation of land and according other permiseons, come what may, there cannot be re-opening of these issues; if there is no finality for these issues, all the projects end up with unascertainable future liability.

That faster economic growth is the only remedy for faster reduction of poverty in developing countries having liberal democracy is an axiomatic truth. Higher GDP means higher revenues to the State. Higher revenues in the hands of democratic countries necessarily mean higher welfare for the poor. In the recent past we have seen this really happening in many states, the best example being Andhra Pradesh during 2004-09, when the State could end 50 year old Communist armed struggle beyond trace without firing a bullet, thanks to the implementation of a plethora of welfare and developmental programmes.

The Country has no choice except to implement large number of manufacturing and Infrastructure projects. If the country wants to achieve sustainable growth, the Country needs at least 200 additional power projects each with a capacity of 1000 MW to be implemented in the next 5 years. Similarly, the country needs to double the existing steel and cement capacities. Under pressure from NGOs and a

section of media, many large cement, steel, aluminium projects for which initial clearances were given and on which huge expenditure has been already incurred have been stalled mid-way through in the name of environment and in the name of forests. Uncertainties like this would damage the reputation of the country as a favourable investment destination. The industry will be very happy to contribute a share of their profits for the development of tribal areas, provided the Government is really interested to develop the tribal areas.

For giving push to economy, the Government must come up as quickly as possible with specific policies on important issues like;

#### **Mining in tribal and forest areas**

- State specific land utilization policy—this is required as every state has different geographical area, different levels of population density per sq.km, different terrains, different soils and different levels of irrigation potential; some states like AP which has a very low population density per sq.km can offer more land for industrial purposes compared to States like West Bengal, Tamilnadu, Bihar, UP, Punjab, Haryana etc.

- Value addition guidelines for mineral based industries so as to optimize value for our resources besides catalyzing huge capital investments offering massive employment potential in the downstream projects—for instance if it is mandated that India will not allow export of iron ore and that only finished steel will be allowed to be exported, say, after three years from now, then many industries for steel and alloy making with huge capital outlays will come up all over the country resulting in phenomenal value addition and employment generation; If we allow export of iron ore from India and import finished steel, it is not just the value addition and capital investments we are missing but also means importing unemployment into country..

*The writer was a former advisor to late Chief Minister Dr. Y.S. Rajashekar Reddy*

**Maoists have become much stronger in most states. The escalation in Maoist activity in India is mainly because of the failure of the Country to take up large scale industrial and infrastructure development in Tribal belts**

# State Budget reactions

**B**udget proposals/allocations Power Rs.1, 120 crore (only 0.69 per cent), Rs.125 crore more than last year. National Investment & Manufacturing Zones to be set up in Chittoor & Nellore districts. Of the Rs.6.4 lakh crore agreements signed during the Investment Summit held in January last year only 69 projects worth Rs.1.33 lakh crore have materialized, says



**Chief Minister  
N. Kiran Kumar Reddy.**



**T**here is discrimination against the Telangana region. Allocations to agriculture have not been increased despite suicides by farmers; it has been cut. Nine per cent of the total funds have been set apart for the Chief Minister's native Chittoor district. Higher allocations have been made too to

the Finance Minister's Nellore district. The CM did not show interest to allot Rs.100 crore to solve the fluoride problem in Nalgonda district.

**Etela Rajender,  
TRS Assembly floor leader.**

**T**he Government by indulging in jugglery of figures has resorted to cheating. It is adopting a negligent attitude despite the severe power crisis facing the state. It has not allotted sufficient funds to AP Genco to tide over the crisis. Only limited funds have been set apart for solar energy.



**K. Narayana,  
CPI State secretary.**

**T**he plan funds of Rs.59,000 crore have been shown through jugglery of figures as Rs.1.61 lakh crore. The speech of the finance minister is

cheating. The claim of special agriculture budget is only a drama. The aim is only to secure votes in the panchayat elections. The budget is fit to be thrown in dustbin. To include quotes of Mahatma Gandhi and Amartya Sen in the budge speech amounts to humiliating them.



**B.V. Raghavulu,  
CPI(M) State secretary.**



**A**llocation to the power sector, which is severely impacting the State's progress, is only minor. Only Rs,1,000 crore allotted to BC welfare, whereas we expected Rs.10,000 crores, as BCs constitute 50 per cent of the population.

**E. Lakshminarayana,  
BJP legislators.**

**N**o attempt has been made to increase the Government revenue and remove poverty. The budget figures seek to mislead the people. Although the allocations appear to be high, rising debts and the central funds together take away Rs.65,000 crore. I have to strive hard to put up a public dustbin and a library in Kukatapally. If the Government provides five to ten per cent funds local bodies themselves will can take care of infrastructure facilities like roads, water supply. The Government should stop its foolish policies.



**Dr. Jayaprakash Narayan,  
Lok Satta MLA.**

It is Anti-people; the common man has been cheated.  
—**Bhumana Karunakar Reddy,  
YSR Congress Party MLA.**



The budget is meaningful, attractive and promotes development. It reflects the Government's commitment and transparency

**P. Sudhakar Reddy,**  
*Congress MLC.*

The budget has been tabled keeping in view the ensuing elections to the local bodies and Assembly/parliament. It is an attempt to cheat the people as the promises can't be honoured. The government failed to secure more central funds and national status for the pranahita-chevella and polavaram projects. It is only because of our demand that the minorities welfare dept got Rs.489 crores.

**Akbaruddin Owaisi,**  
*MIM floor leader.*



Budget 2013-14 proposals will revive growth in rural economy. The measures initiated for generating 2,200 mw additional power in the coming year will certainly reduce the power cuts for the industry. The ten per cent increase in the Plan expenditure

will spur growth. The Government move to encourage solar pump sets for agriculture purpose will reduce dependence of farmers on grid power. Establishment of food-processing units will add value to various food products and help farmers get remunerative prices.

**Ashok Reddy, president,**  
*CII Andhra Pradesh.*

Budget fell short of expectations. Government has allocated only Rs.250 crore for the industrial sector. Industry had expected a major push for its growth. The current allocation is not sufficient to clear the huge backlog of incentives to be paid. Budget allocation for the power



sector is very low. The power subsidy increase of Rs.14,000 crore in the next fiscal will have to come from the budge.

**Devendra Surana,**  
*President, FAPCCI.*



It is totally election budget; not useful for the common man. It is totally disappointing for the four crore BCs in the State. No new scheme for BCs. It is only change of figures, won't benefit any body.. The allocations don't match the rising BC population.

**R. Krishnaiah, President,**  
*AP BC Welfare Association.*



No sufficient funds set apart for the industry sector. A special budget of Rs.2, 500 crore should be introduced to tide over the crisis caused by the severe power shortage, which ruined the sector. Loans of SMEs should be re-scheduled and interest-free credit should be provided to them. Otherwise, suicide is the only alternative to the small & medium entrepreneurs.

**A P K Reddy, president,**  
*Federation of Small & Medium Enterprises of Andhra Pradesh.*

It's only jugglery of figures. As against Rs.1.45 lakh crore-budget in 2012, the allocations have been increased to Rs.1.61 lakh crore. Despite the increase, there will be 15-20 per cent cuts in the allocations towards the 2013-end. Already there is a debt burden on the people of Rs.1.60 lakh crore. This is likely to go by Rs.25,000 crore. How the budget can be called welfare-oriented.?



**Yamala Ramakrishnu,**  
*MLC & TDP Polit Bureau member.*

## INFRASTRUCTURE

## Malkapur Textile Park crying for attention



**MKD Prasad**

Ten-year-old Textile Park at Malkapur, in Nalgonda district, is crying for attention. Spread over 50 acres in Malkapur village of Chotuppall Mandal, the park was inaugurated on June 29, 2003, with the objective of providing employment to 5,000-7,000 workers from the weaver families of Pochampally. The

Central Government released over Rs.2.63 crore and all 107 plots were allotted in 2005.

The government announced the setting up of the park with much fanfare but all promises remain on paper. Even after 10 years there is no progress.

The State Government, particularly the Commissioner of Handlooms and Textiles failed in providing infrastructure. Even after ten years, the park lacks even basic facilities like water, roads, a training centre, a CAD design centre, a bank, a post office and greenery.

The first unit was inaugurated in August 2008 by the Collector/Commissioner of Handlooms & Textiles. Its owner struggled for three years and wound up in October 2011, as he incurred huge losses due to lack of trained workers and basic amenities.

Another unit, facing all kinds of difficulties, ran for two years and finally closed. It tried managing to function with workers from Calcutta. Now only two of the 12 units are working, utilizing the

services of ten workers from a nearby village. Entrepreneurs are just about managing by resorting to heavy borrowings, clearing monthly installments.

MKD Prasad, Secretary, Pochampally Textile Park Entrepreneurs' Welfare Association, in his representation to Handlooms & Textiles Minister G Prasad Kumar on March 16, 2013 accused the department and the park administrator of failing to implement the Collector's orders to prepare a report to revive the park, in coordination with APITCO and a Government-appointed committee. The four-member committee was appointed by the Commissioner of Industries in June 2012. Among the members was Joint Director of Handlooms and Textiles. Among the three others two were from the Industries department another from APIIC.

A committee member, after the September 4, 2012 meeting, sent a letter to the Additional Director, Handlooms & Textiles to send estimates, instead of releasing Rs 1.5 lakh to APITCO, for the report 'as delaying tactics and to cover up for the lapses committed earlier and washed off his hands'.

Prasad pleaded for starting a training centre

immediately, sanction of funds for developing infrastructure, revision of land rates, selling of vacant plots for generating funds which can be used for creating infrastructure. He requested banks not to initiate any action against sick units and clearance of Rs.1.5 lakh dues to AP Transco and allotment of two acres for setting up a wholesale market complex.

Representatives of the Federation of Small and Medium Enterprises, AP, who visited the park recently, suggested to the Minister to invest at least Rs.10 crore for developing infrastructure in the park. If this is done it can attract investment of at least Rs.2,500 crore, paving the way for exports and development of more industries in the area.



**Malkapur Textile Park in a state of neglect**

# Agitation & relay fasts by political parties & industrial associations

Legislators of various Left parties, besides Telugu Desam, YSR Congress Party, BJP and several industrial associations launched agitations at the Old MLA Quarters in Hyderabad and at Charlapally opposing the State Government's decision to increase the power tariff to both domestic and industrial consumers on April 8 and 9.

Besides demanding withdrawal of the power tariff, the MLAs, leaders and representatives of the associations called upon the Government to immediately withdraw the power cuts, which have been having a devastating and crippling impact on industries, particularly the SME sector.

Leaders of nine Left parties, including CPI(M) State secretary B. V. Raghavulu and CPI State secretary K. Narayana led the hunger strike. They continued the fast for four to five days. Both the leaders blamed the State policies for the current crisis and wanted the Government to take steps for strengthening power utilities, like AP Transco, AP Genco, Discoms by allocating the required budget and clear the pending dues to AP Transco. They urged the Government itself to take up power production and distribution in place of private organizations.

The TDP protest was led by deputy floor leaders M. Narasimhulu and P. Keshav. A large number of the party MLAs took part in the programme, which was disrupted by the police on the fifth day, by forcibly removing the fasting leaders to a hospital.

A large number of YSRCP legislators and party activists, led by honorary president Y. S. Vijayamma, too went on a relay hunger strike. She and other leaders criticised the Government for its faulty policies which resulted in both the domestic and industrial power consumers facing severe hard-

ship on account of the shortage and unscheduled load settings.

Three BJP MLAs G. Kishan Reddy, E. Lakshminarayana and Srinivas Reddy undertook hunger strike to express their protest. Former national BJP President M. Venkaiah Naidu attended the inauguration of the hunger strike camp. FSME-AP president A. P. K. Reddy expressed the organisation's solidarity to the agitation. He submitted representations to the senior leaders of the parties, while supporting their respective demands and as also those of the SME sector.

On their part, various associations of many industrial estates in and around Hyderabad first observed a bandh on April 8 and extended their backing to the agitation by members and leaders going on fasts and organizing dharnas the next day. The fasts and sit-ins, besides bike rallies, were taken up in Charlapally and other industrial estates. The Telangana Industries JAC supported the fast as also the bike rallies taken out earlier.

Pashamailaram Foundry Association Secretary, Laxma Rao, Patancheru ILA Chairman Anand Reddy, Cherlapally Industrial Association President Chandrashekar Reddy, VP Sudhakar Reddy and his team. Nacharam Industrial Association President Chandrai. M, Furniture Association of AP, Secretary Venkata Raju, Uppal Industries JAC convener M.M Reddy and Automotive Park Association President Anand Reddy of YSRCP got together at new MLA quarters

Nacharam ex vice president M Chandriah, Automotive Park Association President Anand Reddy, Sudheer Reddy, Pashamallaram ILA Chairman Kishore, Mallapur- Cherlapally members of BJP also participated.

**Andhra Pradesh has been reeling under a power crisis for the last three years. Small industries have been affected badly. As a result, industries associations, political parties and associations came out in the open protesting at different forums**



TDP MLAs on indefinite hunger strike



CPM B.V. Raghavulu and Left Leaders on fast



A.P.K Reddy, Lakshman Rao, Anand Reddy, Venkata Raju extended their support to the fast



Cherapalli Leader Sankara Chary, Chandra Sekhar Reddy, G.S. Reddy, M.M. Reddy, Sudhir Reddy, A.P.K.Reddy and others at the agitation



P.Kesav, TDP MLA, speaks at a forum



APK Reddy at a camp organised by left party



Thummala looking at FSME representation



Sudhir Reddy, Telangana Industries Association



# When the left, right and centre agreed

## Our Bureau

Political parties rarely agree on an issue but all political parties irrespective of their ideologies came together to protest against the power crisis. The power crisis that enveloped the state did not spare anyone. Right from farmers, small and big industrialists to the daily wage earner all have been affected by the power cuts.

Political party leaders from almost all parties reached Dharna Chowk near Indira Park in Hyderabad when more than 27,000 entrepreneurs staged a dharna protesting against power cuts.

The left parties came out with a 23 point alternative power policy. They were vocal and wanted the state to look into the issues of the industry. Top leaders of left parties felt that power should be viewed as a public utility service and not as a commercial commodity. Allocation of budget is required for AP Genco projects and wanted it to generate 2,000 MW every year.

Some of the points of the left alternative power policy are:

- Scrap policy on merchant power projects
- Withdraw permissions and allotment of energy for such projects
- Not to privitise power distribution
- Drop Fuel Surcharge Adjustment
- Return land to farmers that were taken for Sompet and Kakarpally projects
- Give preference to Andhra Pradesh for KG Basin gas allotment

- ONGC must take over oil wells in Basin area
- Fix coal and gas price in proportion to production cost. Rate of gas should be finalized only in rupees and not dollars. Importance to research in alternative sources of energy like solar and wind

The Telugu Desam Party, YSRCP and BJP too took part actively and came out with their agenda. Both TDP and YSRCP were of the view that the power tariff should not be increased and uninterrupted power should be provided to the industries. Seven hours of power to the farmers also to be given



is what they demanded.

Leaders felt that the previous governments handled the power crisis better. Some leaders opined that during Y S Rajashekar Reddy's rule the reduced unit cost was 35 paise and the government scrapped nala tax to provide employment to thousands. The government then extended pavla vaddi to industries. Grants to the extent of Rs 320 crore was released and provided power subsidy of Rs 3 crore to 47 rice mills. Even during TDP rule the power supply good, felt the leaders.



Leaders of FSME & Kapra Micro Association Secretary Murali, Laxmi Kanthaiah, Sudheer Reddy taking out rally



FSME & Kapra Micro Association President Laxmi Kanthaiah, Sudheer Reddy, Damodharachary and other leaders taking out a rally



Kapra Micro Association members Kushaiguda take out a bike rally



Dharna by FSME-AP & Kapra Micro Association members and president Laxmi Kanthaiah along with Telangana Industries Association Sudheer Reddy at a protest



Members of Cherlapally Industries Association go on fast



FSME President APK Reddy speaks at a camp



CIA President Chandra Shaker Reddy and CPI leader K. Narayana talk to media



CPIML party leader Gade Diwakar, Govardhan and other CIA members





FSME-AP President A.P.K. Reddy extends support to agitation by BJP



A.P.K. Reddy garlands YSR's statue. A taskforce member Srinivas Reddy is also seen



APK Reddy submits representation to M. Venkaiah Naidu



YSRCP Hon'ble President Y.S. Vijayamma, Nacharam vice president M. Chandriah and A.P.K. Reddy join YSRCP hunger strike camp



Sudhir Reddy, Telangana Industries Association, A.P.K. Reddy, President, FSME-AP take centre stage



Anand Reddy, President, Automotive Park Industries Association and A.P.K. Reddy, President, FSME-AP, speak at YSRCP fast camp



FSME-AP leader A.P.K.Reddy and M.K.D. Prasad submit representation to G. Kishan Reddy, BJP State President



APK Reddy speaks at YSRCP fast camp. Federation members are seen in the background





# Nellore autonagar

## Industrial Park loses gear

**Sanappareddy Venugopal Reddy**

Vijayawada Automobile Engineering Works was started in Autonagar Industrial Park, Nellore with a lot of hope in the eighties. The unit which can employ 15 workers is today being run with just a turner and a welder. With just 30 per cent operating work, the unit is sick. The unit is owned by B Ramu who has been the president of the Autonagar Park for 15 years. If this is the state of affairs of a unit whose owner was a past president, one could well imagine the plight of 649 others.

B Ramu says, "In spite of the APSRTC zonal workshop and the Nellore town lorries parking lot in Nellore town, there has been no support in terms of orders. Coupled to that, the government too has not developed infrastructure. We started with lot of hope but today we are forced to shut down."

Land for the park was acquired during the period 1974-1979. The first phase, comprising 255 plots spread over 38.66 acre was developed in 1983. Full-

fledged development of the first phase was completed only after 17 years.

Land for the second phase, covering 399 plots in 60.46 acres, was set apart in 1986 and the work commenced in 1990, but no roads and drains were completed. The APIIC should have completed the infra facilities, but failed to do so.

### Lack of infrastructure

Even after three decades of establishment, the APIIC Autonagar Industrial Park, Nellore, is still not fully developed. The roads that were laid in the eighties have been washed out, pot holes and undulating terrain makes it difficult for vehicles to enter the park.

Even though the Central Government has allocated funds under CIBF, IIDF, ASAIDS for the growth/development of industrial estates in the country, no special allotment has been made to Autonagar so far. Given the present state of affairs, development of infrastructure may need an investment of Rs18 crore.

The Autonagar Park was established with the aim of developing automobile servicing micro and small industries with all basic amenities. Adequate drainage, roads, lighting and drinking water facilities were not provided for want of funds. As a result it became difficult for vehicles to enter the park as roads are not motorable and drainage system blocks the flow of the vehicles.

There is a defunct canal flowing right across the industrial park. Few owners have set up make shift tents and are continuing operations on the road. Due to the bad condition of the roads and lack of water and other basic amenities orders have reduced and units are turning sick.

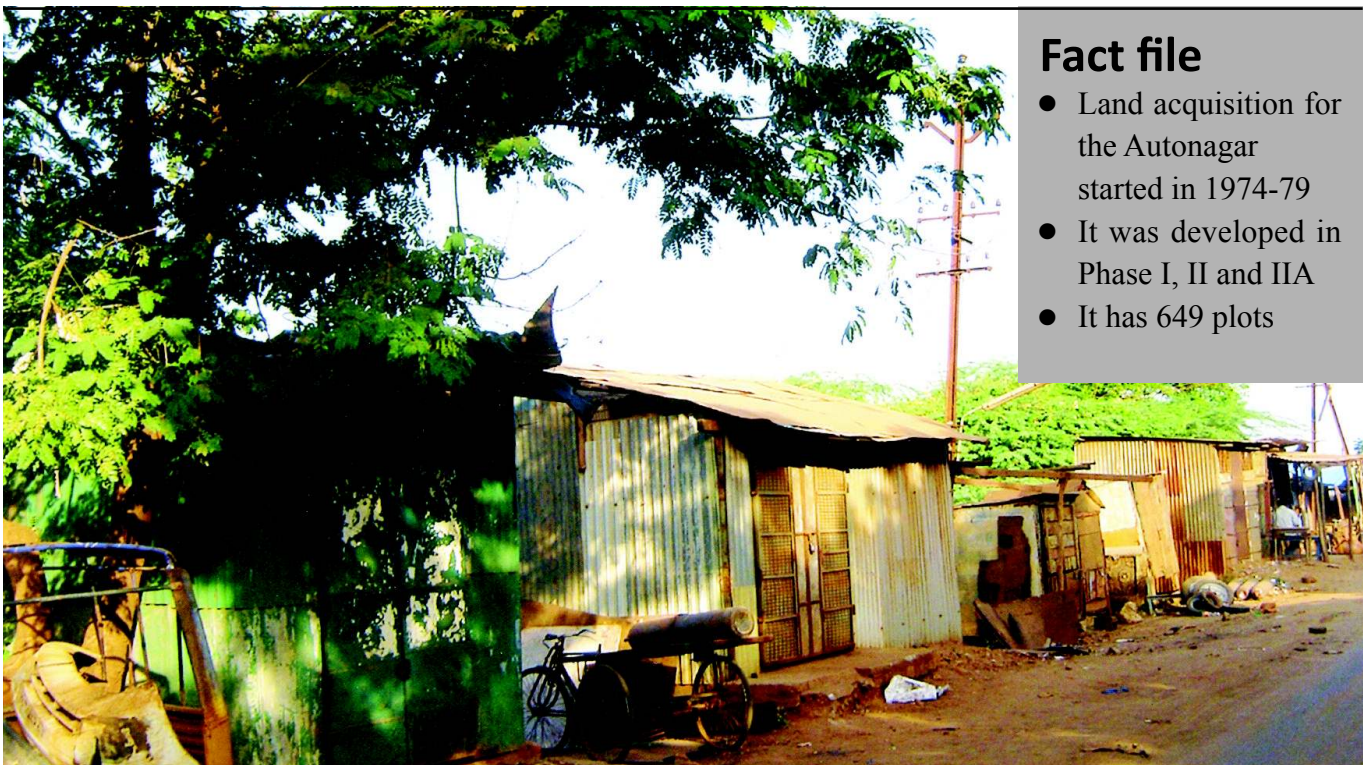
When the entire required infrastructure works are completed only then the aim of accommodating all town workshops on the park can be fulfilled. The town's traffic congestion will ease once the shifting is completed. Expeditious completion of the works will pave the way for full exploitation of several private sector projects like Krishnapatnam Port, AP Genco unit, Infra SEZ, say the development committee leaders. They feel that the Rs 13 crore set apart for infra works is clearly inadequate.

Such steps are necessary as it may not be possible for local bodies to meet this high cost unless a special allocation is made. Following the initiative

## Demands

- Skilled workers at Autonagar can be used for Krishnapatnam port works such as: Fabrication, automobile works, auto vehicles, logistics, cranes maintenance and engine overhauling works.
- Krishnapatnam port, Indian Space Research Organisation (ISRO) space station at SHAR and GENCO power projects can provide employment to locals but it is not happening.
- A diagnostic centre, bank, toilets and parking space are needed which can be developed in the six acres open space.
- A commercial complex can be built and all the people who are running units in make-shift tents can be accommodated.

taken by Ramanarayana Reddy, the APIIC Zonal manager, Nellore, in April 2012 who had submitted a proposal to the head office for a financial package of Rs.13.52 crore, which is still pending. If the APIIC releases the amount all the pending works can be taken up. Or a special fund can be made available to address the problems of Autonagar.



### Fact file

- Land acquisition for the Autonagar started in 1974-79
- It was developed in Phase I, II and IIA
- It has 649 plots

### Issue of property tax

There was a demand for property tax of over Rs 59 lakh till the end of 2012, but no entrepreneurs is paying as there is no adequate infrastructure. Tardy work and lack of maintenance resulted in wash out of roads in the park. They are full of potholes and are not fit for use by vehicles. Lack of drainage has added to water-logging. This is proving to be a health hazard, as no worker is willing to stay in Autonagar during off duty hours.

The micro unit holders who have been paying property tax are unable to meet the tax demand because of their poor financial status. They can't afford to contribute 30 per cent matching funds for taking up infrastructure works. They are not getting orders because of the incomplete facilities in the park. There is an urgent need for APIIC to complete all pending works.



(Above): Nageshwar Rao, Zonal Manager, APIIC Industrial Estate, Nellore with S K Rasool, chairman FSME Autonagar Development committee and vice chairman B Ramu Autonagar Development Committee at Nellore.

### Zonal manager and general manager plead for better facilities

The zonal manager of Autonagar Industrial Park- Nellore, Nageshwar Rao says after the industrial park was developed there was no effort to maintain, develop and upgrade infrastructure. Workers and unit owners have suffered for 25 years without water. Thanks to the efforts of Annam Ramnarayana Reddy, minister for finance, Annam Vivekananda Reddy, MLA, M Sridhar Krishna Reddy, Nellore town urban MLA, Anam Jayakumar Reddy's role water is available but then there is a need for water purifiers.

Due to the efforts of the minister, MLAs and APIIC, MD there is a ray of hope for the park. Rs 13 crore proposal was put up for the development of infrastructure and Rs 2 crore has been sanctioned. It is a minor victory, but if the park is to be up and running, it needs a complete makeover and for that an estimate of Rs 13 crore was proposed.

GM of Autonagar Industrial Park, Sudhakar is of the view that in spite of the existence of Krishnapatnam port and GENCO, locals are not getting employment. A joint meeting is proposed with top officials of Krishnapatnam port and GENCO to sort out the issue and see that locals are absorbed.



(Right) Sudhakar, General Manager DIC, APIIC Industrial Estate at his office in Nellore

At present hundreds of workers from outside the state are working at the port as well as at GENCO. “What is surprising is that the Krishnapatnam port and GENCO are just 20 kilometers away yet local talent is not getting chance.

### Ray of hope

S K Rasool, chairman, FSME Development Committee, and Ramu, vice-chairman, and legislators Anam Vivekananda Reddy and M Sridhar Krishna Reddy have initiated works worth Rs.13 crore. Besides, the APIIC, under the stewardship of Jayesh Ranjan, sanctioned Rs. 2 crore for providing infrastructure works.

When Anam Ramanarayana Reddy, now Finance Minister, represented the Nellore Assembly constituency in the State Assembly, certain basic needs, like water and power, were provided. The entrepreneurs want Minister Anam Ramanarayana Reddy and two MLAs to prevail upon the government agencies for taking steps to complete the various pending infra works, besides uninterrupted power supply to the park.

The ZM/Commissioner, Nellore Autonagar Industrial Park, had submitted proposal at an estimated cost of Rs 13 crore for providing essential infrastructure.

The Minister for Finance should save the micro and small unit holders of arranging necessary budget or from the APIIC “Corporate Social Responsibility Fund”. If funds are not provided and the infrastructure works not completed there is a danger of the SMEs in the park closing shop.

It may be added that under the leadership of



**Krishnapatnam port which is a stone's throw from autonagar can provide employment to thousands of workers**

Jayesh Ranjan there is a glimmer of hope that more funds would be allotted.

### Strategic location

Nellore is strategically located as it is close to Chennai and around the town there are many important development projects. With the Krishnapatnam Port and GENCO unit a stone's throw and the ISRO's space station close by there is a lot of scope for work.

According to estimates if the infrastructure inside Autonagar Park is developed, it can provide employment to more than 15,000 people in the area. The park which was developed with an intention to provide employment and give a boost to budding entrepreneurs has not lived up to its potential. It is not too late and there is a chance to undo the wrongs.

Infrastructure development is the key to the progress of the park. The sooner it is taken up and that too on a war footing, the better it would be for not just the entrepreneurs but for the whole region.



Andhra Pradesh chief minister N Kiran Kumar Reddy lighting the lamp at the TV5 Business Leader Awards function held in the last week of May. Also seen are Anam Rammanarayana Reddy, Finance minister, J Geetha Reddy, Minister for Major industries, IT minister P Laxmaiah and Pithani Satyanarayana minister for Social Welfare are also seen

## 2,500 MW of power for state

### CM, Kiran Kumar Reddy promises to solve power crisis

In a business leader awards function conducted by a media house recently, Chief Minister of Andhra Pradesh, Kiran Kumar Reddy promised that the power crisis would be solved.

Addressing the function several factors Andhra Pradesh will soon be in a comfortable position with regard to power, promised the Chief Minister even as he admitted that the power crunch this year was distinctly uncomfortable for industries

due to several factors that were not in control of the State.

He however, said that injustice has been done to AP in allocation of gas and the central government has promised to look into the issue. He added, the state would be getting 2,500 MW of power through thermal generation and 1000 MW from solar projects. "The central government assured help and Andhra Pradesh would not find itself in

such a situation,” he said.

Minister for Major Industries, J Geeta Reddy while speaking at the same awards function explained about the position of Andhra Pradesh as the most favoured destination for industrialists. “The World Bank rated Hyderabad as the best metro city in India and CII too rated AP as the best performing state in manufacturing among southern states,” She went to add that Associated Chambers of Commerce and Industry of India (ASSOCHAM) conducted a study in which AP emerged as a preferred investment destination. Even the prestigious Harvard Business School states AP as a preferred location.”

Andhra Pradesh is on growth radar and the department of industries policies, Government of India, survey shows AP in third position after Gujarat and Maharashtra.

Minister for Information and Technology, Ponnala Laxmaiah said that Hyderabad boasts of the best infrastructure and is the second most affordable place after Indonesia in the world.

He said that even New York Metro authorities evinced interest and enquired about the Metro project in Hyderabad. The London mayor too was impressed by the airport and wants to replicate the metro. Shouldn't we be proud of our infrastructure, he asks.

Those present included Ministers Anam Ramnarayana Reddy (Finance) and Pitani Satyanarayana (Social Welfare), while Sreya Broadcasting (TV 5) was represented by chairman B R Naidu, MD B Ravindranath and Vice-Chairman B Surendranath.

CM Kiran Kumar Reddy sounded confident that the central government would review the policy of gas allocation to states. The Prime Minister and other ministers including Veerappa Moily and Antony reacted positively. “When a state is facing acute shortage, more allocation shall be made from the central pool,” he informed. He said that the State was making plans to generate 2500 MW of additional power from thermal projects and 1000 MW from solar projects, in the next couple of months.

“The central government assured help and the power crisis in Andhra Pradesh would be solved. The state would not find itself in such a situation again.”

**- Kiran Kumar Reddy,  
CM, Andhra Pradesh**



“The World Bank rated Hyderabad as the best metro city in India and CII too rated AP as the best performing state in manufacturing among southern states.”

**- J Geeta Reddy,  
Minister for Major Industries**



“Hyderabad boasts of the best infrastructure and is the second most affordable place after Indonesia in the world.”

**- Ponnala Laxmaiah,  
Minister for Information  
and Technology,**





Based on the request of Kapra Small-Scale (Micro) Industry Owner's Association, A P K Reddy, President of FSME-AP along with Sudhakar, Joint Director, Commissioner of Industries visited Kushaiguda. Muralidhar Rao, secretary and Srinivas, treasurer, Narsimha Goud, VP, Abulu, advisor and association members took the officials around.



Sudhakar, Joint Director, Commissioner of Industries speaking at Kushaiguda

## Kapra micro entrepreneurs' woes to end soon

The problems of Kapra Small-Scale (Micro) Industry Owners' Association, Kushaiguda may end soon as the government has shown interest in looking into the problems





Over 2,000 micro entrepreneurs of Kushaiguda have been operating out of small rented rooms and sheds. The promised benefits for SMEs have not reached them on time. The payment of incentives and subsidies are enormously delayed. Consequent to the prolonged delay in the release of incentives and subsidies, the SMEs are unable to get financial assistance from the government and other agencies.

Members of the Kapra Small-Scale (Micro) Industry Owners' Association, Kushaiguda approached Federation of Small and Medium Enterprises of Andhra Pradesh (FSME-AP) with their problems. Institutional finance and land allotment are issues that the members have been fighting for years.

Meeting of these twin needs of the association will go a long way in solving their long-term problems. Besides, it would serve as a step in providing the support base for strengthening the SME sector in the State.

After a joint meeting with G Prasad Kumar, Minister for Handlooms and Textiles and SSI, Jayesh Ranjan, MD, APIIC, Uppal MLA, B Raji Reddy, A P K Reddy, FSME-AP, and Kapra Micro Industries Association President Lakshmi-kanthaiah, Secretary Murali, joint secretary, Srinivas and other executive members, a decision was taken by the government to provide assistance to the entrepreneurs.

The association lauded the fiscal benefits provided for the micro/small enterprises in the IIPP like investment subsidy, reimbursement of power tariffs, of VAT, of stamp duty, of skill upgradation, of training manpower, of quality certification/patent registration, of rebate on land cost, of seed capital

assistance to the first generation entrepreneurs, besides 'Pavala Vaddi'.

The joint meeting was called by the minister to discuss issues of creation of infrastructure in the Kushaiguda IDA and bank assistance to the entrepreneurs. Most units are engaged in manufacturing/ ancillaries dealing in components for bore wells. These units provide employment to 10,000 persons.

At the meeting A P K Reddy, President FSME-AP made a strong appeal for the allotment of land at the highest possible subsidy and 35 per cent reservation in land allotment for micro units in all industrial estates across the state.

The minister and MLA supported the plea and proposed policy decision on land allotment, a provision for skill training centre, setting apart open spaces and other infrastructure facilities in all IDAs.

The minister also agreed that bank loan facility should be extended to the 2,000 micro entrepreneurs without collateral. The state government decided to allot land to about 2000 micro industrial units in Kushaiguda Industrial Development Area (IDA). The MD of APIIC would inspect the area soon and identify sites.



**FSME-AP President A P K Reddy, APIIC MD, Jayesh Ranjan, MLA, B Raji Reddy, Uppal Constituency, Kapra Micro Industries Association President Lakshmi-kanthaiah and office bearers at the minister's chamber in secretariat**



V.Murali Krishna

## Recycled paper mills Andhra pradesh

### Suffer 50 % fall in production

**P**ower is a major input for the 38 recycled paper mills located in Rajahmundry which have a total installed capacity of 2,000 TPD, employ 22,000 persons and a turnover of Rs.1,700 crore. They contribute Rs. 85 crore as annual excise duty and Rs.55 crore as VAT/CST. With a daily consumption of 50 mw, they pay Rs.220 crore as annual power bill and significantly save 1.10 crore trees.

Due to non-availability of sufficient power the mills' average production is down to 50 per cent

and falling by the day. Consequently, there is a 50 per cent fall in excise duty, VAT and other revenue contributions. In addition to the two or three days a week power holiday, supply on remaining four or five days is marred by frequent unscheduled interruptions, severely affecting the continuous paper-making process.

Besides, due to power cuts and non-availability of lighting load, there is a possibility of thefts and accidents taking places. In some industries employees residing in accommodation provided by the companies don't get even water during power holidays. The power supply disruptions lead to non-supply of notebooks/textbooks to school students.

As the promoters' confidence is at all-time low about future in the state, bank NPAs will rise. If the situation is allowed to continue, there is no option but to close the mills, leading to layoff severely affecting the 22,000 employees' families, warns president of AP Recycled Paper Mills association R. Rajendran.

He suggests, as an immediate solution to the severe power shortage problems, that the mills be categorized as a continuous process industry with interrupted power supply on other days than power holidays, without peak-load restrictions. They should be allowed to pay the power charges on a prorated basis in proportion to the period of supply. The excess charges already paid should be adjusted in future bills. The additional consumption deposit should be waived/deferred by at least one year due to the severe financial crisis facing the recycled mills.

Venkat Reddy, honorary president, and Murali, secretary of the association, demand rescheduling of NPA and coal allotment. They charge that although there is enough supply in the Singareni Collieries it was being denied to the mills. The association had already submitted a representation to the general manager of DIC and the commissioner of industries, but no action has been initiated so far.

The leaders have also brought to the government the fact that notebooks/textbooks were not being purchased from local producers. They want the Government to immediately concede the demands.

# Govt is keen in solving power crisis

The chief minister of Andhra Pradesh, Kiran Kumar Reddy while speaking at a business leader awards function conducted by a media house recently spoke at length about the power crisis and the government's plan in combating the crisis.

The chief minister accepted that Andhra Pradesh faced one of the worst power crises in recent years but at the same time added that the government could not be held responsible wholly. Citing reasons he said that AP depends on hydro-electricity to the extent of 8,000-9,000 million units where as only 2,500 million units was produced.

He also said that there has been a shortage of power from other sources such as gas as well. There was a shortfall of 10,000-15,000 million units. Great injustice was done to the state of Andhra Pradesh in the power policy and the central government too has agreed in principle that the policy needs to be tweaked, he added.

The meeting with central ministers, Veerappa Moily, A K Antony and others was positive.

## Brighter days ahead

Speaking about the future plans the chief minister said that by November, 2,500 MW from coal would be produced. Two units by GENCO and one by a private firm are to begin production. At present the production is to the tune of 30-40 million units per day. 50-60 million additional million units would be produced in days to come.

The government is also keen on promoting electricity from solar and wind and has a policy in place.

## Grid connectivity

There is enough power in the North but due to the lack of grid connectivity to South India, AP is not able to get power he said. Plans are afoot in that direction and the central government too is keen to put it in place. He said that when that happens the state will not face a power



When we have the grid connectivity 3,000 MW can be got from the North and that would help a great deal.

crisis even if there is a monsoon failure.

When we have the grid connectivity 3,000 MW can be got from the North East and that would help a great deal.

Drawing the attention of the audience he said that Mahindra and Mahindra has set up a plant in Medak which has a capacity to produce 1 lakh tractors. Likewise, Tata Aerospace system would manufacture helicopter and airplane parts.

Similarly, Mitsubishi Isuzu has laid the foundation for manufacture of cars. "The government is keen on developing industry in the state and also by doing this there is the intention for increasing the employment potential in the state," he added.

A report in Times of India appeared about the power crisis in AP. In reaction to it, the the central government has taken note and the Planning Commission is looking into the matter. Going by the developments, it seems that the power crisis in AP will be solved i fnot totally but to an extent.



## Skill development need of the hour for SME sector

The Engineering Staff College of India (ESCI) and the National Institute for Micro, Small and Medium Enterprises (NI-MSME) regularly conduct skill development programmes for the benefit of small and medium entrepreneurs.

The ESCI, located in Gachibowli, Hyderabad conducts regular training programmes for entrepreneurs who are keen to upgrade their skills to be in touch with the fast-changing industrial scenario. The various wings of the college hold programmes which immensely benefit the participants, as experts conduct them.

The training programmes will be on civil and transportation engineering, environment management, information technology, management & technology, power, quality & productivity, water resources development. Various wings of the college can be contacted at [escihyd.org](http://escihyd.org) for details.

The NI-MSME, an organization of the Ministry of

MSME, Government of India, at Yousufguda, conducts programmes on industrial estates, for young engineers/technocrats, orientation courses on development of small industries, on production, control & on cluster development. Contact <http://www.nimsme.org> for details.

### Quantity but no quality

Andhra Pradesh has the largest number of engineering seats in the country and also has the distinction of the largest number of new colleges coming up every year. The state accounts for 22 per cent of the total intake of engineering students in the country. Industrialists however ask the question: But where the the quality engineers? Almost all engineering graduates have no practical knowledge and are raw when they enter the industry.

Even the polytechnic institutes are languishing for want of proper teaching staff and infrastructure. The students who come out of polytechnics and engineering colleges have to be trained and only then put on the job.

The industries whether large, small, medium or micro need people who can be absorbed immediately and most do not have the time or the funds to give training to people. In spite of all the districts in Andhra Pradesh having at least one engineering college, quality engineers are not coming out of these institutions.



Mekapati Rajagopal Reddy,  
CMD

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# Rehabilitation package for MSMEs a far cry

**D Chandra Reddy**

**A**s on 30 May, 2013 the total number of sick units in MSME sector stands at 7,352 out of which only 116 units are in for consideration. 831 units are viable and a staggering 6,206 units are non-viable. The state government has written to the Reserve Bank of India (RBI) regional director, Hyderabad listing proposals as part of the rehabilitation package for crisis-driven MSMEs and the measures to be adopted by the financial institutions (FIs).

In the letter, the Commissioner of Industries requested the RBI official to impress upon FIs to grant interest-term loans, repayable in three years with quarterly repayments. The loans should carry simple interest of 12%, with provision of one year as moratorium period. There should be no penal interest.

The suggestions included that the principal amount, both in cash credit and installments in term loans should be packaged as a second term loan, repayable in five years. Interest on this blocked term loan should be no more than 12%. It should be as per the original agreement. The original limits of sanction should be restored and cash credit or demand loan released immediately.

The other suggestions include provision of loans to all MSMEs for purchasing DG sets with simple interest to enable the industry to survive during the power crisis. For the benefit of recession-hit export units packaging credit facilities should be provided for accessing the markets again, wherever feasible.

Those units which need technology infusion should be granted separate fresh term loans for such

period as the technology access and its productive life demands, keeping in view the cash generation capabilities. All these packages should be covered under CGTMSE for all MSE units up to Rs1 crore limit. Since the units have no cash on hand, margin money or their contribution should not be insisted upon. The demand for collateral security should be need-based and for all units whose loan requirements are below Rs 1 crore external credit rating may not be insisted upon.

Such of those units located in clusters, where common infrastructure facilities exist and where the cluster agent is active, FIs may examine the prospect of extending concessional interest rates after they demonstrate the cohesion in their activities with assured markets.

Cash credit loans may be sanctioned based on the units' projected cash flows and assure work orders, instead of on balance-sheet ratio analysis and past performance. Loans should be rescheduled without affecting status of the industry and no unit should be made NPA during

the period.

The Commissioner stressed that cash crisis should be viewed as an opportunity and FIs should be very happy to extend any support in furthering the growth of MSE sector in the State. He noted that the DICs have been instructed to extend all the required support. The Union Ministry of MSME has special schemes for market promotion and technology development. The FIs should take up similar initiatives.

## **FSME-AP appeals to government to relax norms**

The Federation of Small and Medium Enterprises of Andhra Pradesh (FSME-AP) submitted a proposal and requested the government to consider re-scheduling of NPAs of Rs 55,000 crore of MSME sector and relax the norms.

**The Commissioner stressed that cash crisis should be viewed as an opportunity and FIs should be very happy to extend any support in furthering the growth of MSE sector in the State.**

FSME-AP requested the state government to withdraw power cuts and fuel VAT on existing Laser Genset industries. To allocate Rs 25,000 crore in the budget to provide for repayment of the dues of AP Tranco of the amount. It also requested for the release of Rs 700 crore pending incentives due to various industries.

In regard to budget, the federation suggested the government for allotting Rs 1,500 crore to SMSE sector.

The withdrawal of R&C measures of levying five times penalty if the power consumption limit crosses 60 per cent and allocate additional power in such an eventuality is what the federation pleaded.

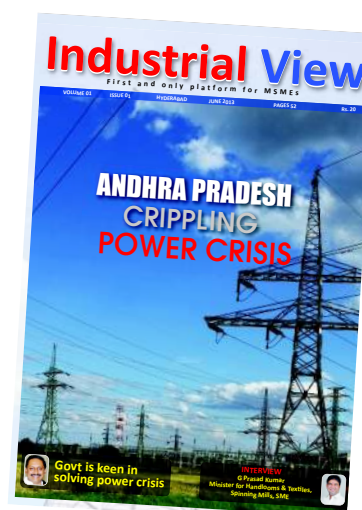
## Points to ponder

- In 2009, the government promised that there would be no increase in power tariff, but it is regularly increasing the charges and collecting FSA.
- Almost 30-35 per cent of generated electricity gets lost in transmission. There has been no plan to plug this.
- Gujarat and Maharashtra are reaping the benefits of gas from the Godavari Basin but Andhra Pradesh has been deprived.
- The state has failed to procure enough coal from Singareni Collieries which has coal reserves for at least 100 years.
- The state is unable to use its water resources to generate hydel generation. Small and medium industries are seriously affected by the power crisis. Maharashtra and Gujarat are encouraging private power plants with proper planning using their resources.
- The state has increased power tariff and aims to collect Rs 50,000 crore including Rs 12,723 crore as FSA. This is a burden on the people.

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## Point of View

# Tough times need to be tackled with tact

**Arani Sumanth Kumar Reddy**

**I**nefficiency of state government, political interference, failure to effectively manage the power sector, encouraging private power companies has been the bane of the sector. The lopsided policies have had their adverse affect on the industry.

The failure of Hindujas (Vizag 1,040 MW), BPL (Ramagundam 600 MW), Reliance (Krishnapatnam 4,000 MW) to produce power under PPA are reasons for the failure of the state in producing power. In the northern states power is made available at a unit cost of Rs 2-3. Due to the lack of transmission lines, the state is unable to secure this power. What is alarming is no new power project was taken up in the state between 1997-2003.

AP Genco failed to take up annual maintenance of its generators leading to their non-performance and resulted in inefficiency. AP Genco has been rendered ineffective by the government to encourage private power producers. Private companies have been allotted coal mines but they have failed to produce deliberately.

Private companies such as Lanco and GMR have been enjoying government subsidies and are selling power at Rs 7 per unit. The government is providing power to the agricultural sector for few hours as against the promise of seven hours.

The Jalayagnam projects have so far been able to create an ayacut of only 18 lakh hectares, where as farmers could create an ayacut of 42 lakh hectares, after mobilizing their own funds of Rs 200 crore to use bore well water for irrigation.

In Tamil Nadu, the government is supplying ISI motors at a cost of Rs 6,000 crore, thus saving a huge

amount of Rs 1,000 crore. It has promoted 3,500 MW of non-conventional energy (wind) in AP the state has managed just 900 MW.

The MSME sector has dues of Rs 55,000 crore to 48 banks as stated by RBI in January. As many as 12,000 MSMEs in the state are closed resulting in a loss of Rs 762 crore. Incentives of 700 crore are due to the MSME sector. These have been pending for years.

The AP Electricity Regulatory Commission has failed to discharge its duties effectively and is acting as an agent for AP Discoms. AP Tansco and AP Genco need to hold separate public hearings for industries. These meetings should be attended by representatives of the state government. It is also misleading for both public on the power situation. There is a need to have a comparison of the power tariff in neighbouring states.

The government should immediately concede the requests for supply of additional power by existing industries before the regulatory commission. A staggering Rs 12,000 crore due from the state government to AP Transco should be immediately cleared. 30 per cent of the new power purchased by the government should be reserved for MSME sector. The power generated by RIL should be allocated to the state.

It is the state that should first reap the benefit and not other states. Where is the logic? Charity should begin at home .

A complete revamp, paradigm shift is needed. Out-of-the-box thinking coupled

by a long term solution alone will pull the state out of crisis.

While other states have clear vision on power, Andhra Pradesh which is endowed with natural resources is lagging behind. Gas that is produced in the state is being given to other states while it reels under power crisis.

Alternate sources of energy is what the state need s to look at and have policies that would attract entrepreneurs to invest in clean energy.

India that has sunshine throughout the year does not produce solar energy while countries where sunshine is hardly seen most times of the year produce ten times more power.

**Alternate sources of energy is what the state need s to look at and have policies that would attract entrepreneurs to invest in clean energy**



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Place:

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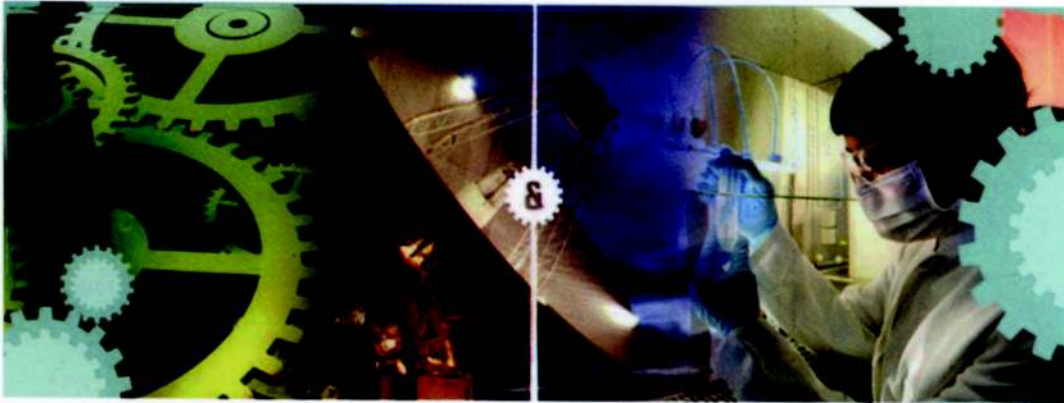
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