



TELANGANA SPINNING & TEXTILE MILLS ASSOCIATION

(CIN : U74900TG2015NPL098595)

To,

Dt: 30.3.2016

The Chairman

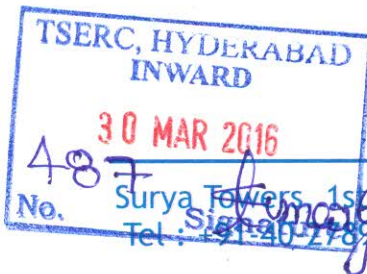
Telangana State Electricity Regulatory Commission,
#11-4-660, 5th Floor, Singareni Bhawan,
Red Hills, Lakdi-ka-pul, Hyderabad – 500 004

Sub: Proposal for Separate Tariff Category for Spinning & Textile Units

By means of this letter, I wish to place on record our key prayer for benign treatment in tariff and request for creation of a separate category for Spinning & Textile Mills in the retail tariff rate schedule for FY 2016-17, considering its unique nature of our industry and its contribution to the economy which has been elaborated below.

Macro Perspective – Role of Spinning & Textile Industry in the Growth of the State/ Country

- India is the largest cotton producing country in the world and contributes about 25% to the global cotton production.
- Textile and Clothing Units contributes around 4% to India's GDP and the contribution to Industrial production is around 14%.
- India's share in world yarn exports is 25% and the contribution to export earnings is around 11.5%.
- There are around 35 spinning mills in the Telangana State with around 10 Lakh spindles which constitute around 2% of the total capacity in the country.
- The State produces close to 60 lakh bales of cotton. Out of this, spinning mills have a capacity to consume close to 8 lakh bales. **The balance 52 lakh bales is going out of the State in raw form without benefitting the State economy in any significant manner.** If a concessional electricity tariff is provided to the spinning and textile units, it will facilitate more industries to come up in the State, thus ensuring job creation and industrial growth.
- Further, based on the agriculture estimates, the production of cotton in the State is likely to surge to 75-80 lakh bales by 2020. **Thus, in order for the State to consume all of its cotton production, the spinning capacity within the State has to be augmented significantly.** A total of almost 70 lakh spindles would need to be operational. This translates to a required addition of close to 60 lakh spindles by 2019-20.



1

Surya Towers, 1st Floor, Sardar Patel Road, Secunderabad - 500 003. Telangana State.
Tel : +91-40-27890041, Fax: +91-40-27846837, Mobile : 9849028556 (Public Relations Officer)
Email : telanganatextilemills@gmail.com



TELANGANA SPINNING & TEXTILE MILLS ASSOCIATION

(CIN : U74900TG2015NPL098595)

- Currently, around 1.25 lakh people are directly employed in the Spinning & Textile Units. The capacity addition can potentially create over 5 lakh jobs in the Spinning & Textile Industry alone and another 5 lakh jobs in forward integration across the Textile value chain.
- The spinning and textile units are generally set up in Tier 3/4 centres without any major demands for social infrastructure from the Government; thus facilitating inclusive growth in every respect.

Thus, the Spinning and Textile Industry plays a vital role both in terms of economic output as well as employment generation.

Challenges faced by the Spinning & Textile Units

- The announcement of the Industries Investment Policy in united state of Andhra Pradesh from 2005-10 and 2010-14 had led many cotton ginners, traders and others to set up spinning mills in the State. Most of the spinning units have gone to AP after state bifurcation and Telangana has only 35 Mills comprising of only 10 Lakh spindles which constitute only around 2% of the total capacity in the country. In order for Telangana to become dominant force in Textile industry, power tariffs have to reasonable and attractive to attract capital in the sector in the state.
- The input costs for the textile industry increased with the debt burden on account of capital expenditure undertaken after 2010 and with higher interest rate regime encountered in this period, it has led to worsening cash flows for the newly established units. The debilitating effect of high interest cost has crushed many spinning mills' working capital and led to crisis in liquidity and management of day to day operations. However, before the break even could be achieved, the global economic slowdown and subsequent commodity crash has severely impacted the business plans for the spinning industry in the State.
- Due to global commodity crisis and China Slowdown, the finished goods prices have reduced by almost 25-30%. The margins of textile industry have shrunk as a consequence, as the prices of the output could not be increased due to lower demand in the international market and domestic competition from Gujarat and Maharashtra mills who have lower power tariffs and Huge subsidy on interest rates.
- The power tariffs comprise around 45% of the production cost of the Spinning & Textile Units. Being power intensive in nature, the industry is affected significantly by



TELANGANA SPINNING & TEXTILE MILLS ASSOCIATION

(CIN : U74900TG2015NPL098595)

any minor change in cost of electricity. The tariff rate for the Spinning & Textile Units has increased from Rs. 3.50 per unit to Rs. 6.50 per unit in the last 5 years.

Rationale for Special Category for Spinning & Textile Units?

The key profile and characteristics of Spinning & Textile units are provided below:

- The Spinning & Textile units have a cumulative connected load of around 100 MW and consumer around 300 MU a year.
- Most of the consumers are at 33kV.
- They operate at an average load factor of over 85% and operate 24x7 all through the year.
- Load curve all through the day and year is uniform and hence are a beneficial factor to the Discom grid in the load management.

Major factors for a separate categorisation for the Spinning and Textile units are:-

- They are also power intensive and cost of power constitutes around 45% of the production cost.
- They operate at an average load factor of over 85% and operate 24x7 all through the year.
- Around 4 units with installed capacity of 2 lakh spindles have closed down in the last 5 years and most of other spinning units will close down due to unviable power tariff
- Most of units are already operating under huge losses and any further increase in tariff would be make them totally unviable and units cannot survive without such massive cross subsidisation.

We are pleased to inform you that the Govt. of Telangana has included our Proposal for separate categorisation of Spinning and Textile units from the general Industry categorisation in the Draft Textile and Apparel Policy 2015-12010 (T-TAP Policy).

Proposal for Spinning Mills & Textile Units – Single Part Tariff

Considering the load profile and consumption characteristic of the Spinning & Textile units, it is respectfully prayed that the Hon'ble Commission may be pleased to:



TELANGANA SPINNING & TEXTILE MILLS ASSOCIATION

(CIN : U74900TG2015NPL098595)

- i. Abolish the levy of demand charges and approve a Single Part Tariff.
- ii. Spinning & Textile units may be exempted from the Time of Day tariff as detailed in the succeeding section.

Abolition of Time of Day (TOD) Tariff for Spinning & Textile Units

The primary rationale for categorising the Spinning & Textile Units into a separate category and exempting them from Demand Charges is the higher Load Factor. Since the Load Factor of the Spinning & Textile Units is highest and uniform throughout, among the industries, the peak hour and off peak hours is non-existing proposition for the Spinning & Textile Units.

Technically it is not viable to reduce or regulate the load during, the so called peak hours, given the nature of processing, which requires constant load for the entire production cycle. Therefore, the industrial process has no peak and off-peak periods, as are there, for other conventional industries.

Therefore, the Spinning & Textile Units for any reason cannot vary their demands, which are not only high, but also consistent for all time zones of the day and night. Hence, the Spinning & Textile Units should be exempt from TOD tariff.

Our Association is very hopeful that our proposals and prayers would be sympathetically considered by this Hon'ble Commission in the larger interest of industry, cotton growers and all stakeholders involved.

Thanking You,

For Telangana Spinning & Textile Mills Association


R.K. Agarwal
Chairman