

32% of industrial units across India face power shortage of over 10 hours a week
Two-thirds of Indian firms losing competitive edge due to power shortage and erratic supply: FICCI-BRIEF Survey

61% of surveyed companies suffer over 10% production loss due to power cuts

NEW DELHI, January 12, 2013. As many as 61 per cent of the firms suffer above 10 per cent shortfall in production due to power cuts; 13 per cent suffer 2-5 per cent shortfall in production, 12 per cent suffer 6-10 per cent and only 14 per cent, mainly in Gujarat, Karnataka and Maharashtra, suffer less than 2 per cent production losses, assuming that the firms do not rely on power back up units to ensure continuous production activity. This finding is revealed by a ***Survey by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Bureau of Research on Industry and Economic Fundamentals (BRIEF), 'Lack Of Affordable and Quality Power: Shackling India's Growth Story'***.

The survey conducted over the last three months covering 650 large, medium and small industries in 20 states across India. Of the 650 companies interviewed, 67 per cent were privately owned and 28 per cent were either private partnership or individual ownerships. Only 3 per cent of the total sample was public sector or government run units and 2 per cent were from the multinational corporation category.

The survey reveals that companies in Gujarat incur low losses as power shortages in Gujarat are negligible. Companies in Karnataka are in the IT-enabled services sector which is not as power intensive as Iron and Steel, Aluminium etc. and hence suffer less production shortfall as compared to the electricity intensive sectors. It was observed from the survey, that Maharashtra, which as a mix of both IT and manufacturing companies, like Gujarat, does not suffer as acutely by power shortages as some of the other states around the country.

Based on these and other findings, **the survey recommends the following 10-point policy package to provide affordable and quality to industrial consumers:**

- Increase capacity of installed sources
- Ensuring communication to load dispatch centre and an extensive review and audit of the protection systems.
- Implementation of smart grid
- Grant of open access option to the consumers, which will allow all the bulk consumers to choose their distributors must be operationalised.
- Use of alternate sources of power generation must be encouraged
- Incentivize 'green' architecture or building such that conventional energy usage can be minimized to its lowest possible amount.
- Awareness and education programs on green technology
- Create industrial cooperatives that can source electricity or have a dedicated captive generation source

- Provide clear and public information on power cuts.
- Stricter laws and penalties for the theft and unsanctioned use of electricity
- In-depth study on the normal requirements of different sectors in the country

The survey notes that firms are facing cost escalation, losses in revenue, increased consumption of fuel, increased investment in captive facilities, higher inventory costs and loss in competitiveness and many other issues that are seriously detrimental to the health and stability of the Indian industry.

Almost two-thirds of the firms in the Indian industry feel that because of the power shortage and intermittent supply, they are losing to their international competitors and thus losing their previously captured international markets. Not only does this limit future expansion as companies remain wary of not being able to compete, the Indian economy which depends highly on firms trading in the international markets is affected as well.

The results show that approximately 37 per cent of firms, mainly in Gujarat, Maharashtra and Karnataka face less than 1 hour of power shortage in a week and at the same time 5 per cent suffer 21-30 hours per week and 21 per cent suffer more than 30 hours per week (primarily in Tamil Nadu and Andhra Pradesh). Further, it was also found that 16 per cent face 6-10 hours per week, while 15 per cent face between 1-5 hours weekly. This makes it evident that that no segment of the industry pan-India is safe from negative impact due to power losses and power outages. Overall, 32% of industrial units across India face power shortage of over 10 hours a week.

The survey notes that 54 per cent of companies were aware in advance of the load-shedding schedule. While more than half of the companies are aware and the information is available, the awareness of load-shedding should be far more widespread. Within the 46 per cent, the majority of companies that did not know the schedule were from particular states. This implies that the information though available is not as uniformly available as it should be and that stakeholders in certain states are hence unprepared for power cuts, increasing the negative impact of power outages on their operations.

A centralized information channel must be set up, such that the entire Indian industry, not just companies in a few states have the knowledge and information of schedules on planned power cuts or load-shedding.

The revenue losses due to power cut range between less than Rs. 1000 to above Rs 40000. Even small and medium firms incur losses above Rs. 40000, mainly in the poorer performing states. In states like Gujarat, Karnataka and Maharashtra, the majority lose less than Rs. 1000 implying that if the power scenario in the other states is made to mimic the scenarios in these three states, revenue losses can be brought down to as low as Rs 1000.

As per survey findings, 57 per cent of the firms are of the view that cost of electricity will increase in the next six months while 43 per cent believe that it will remain the same.

Note: Detailed Survey report- <http://ficci.com/Sedocument/20218/Power-Report2013.pdf>

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