



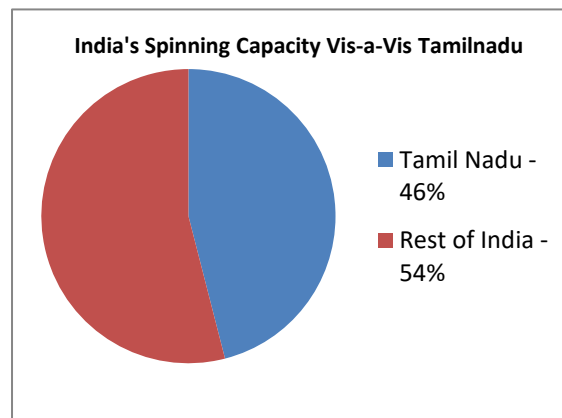
**JOINT MEMORANDUM SUBMITTED TO THIRU THANGAM THENNARASU,
THE HON'BLE MINISTER FOR FINANCE AND ELECTRICITY AND
THIRU. R. GANDHI, HON'BLE MINISTER FOR HANDLOOMS AND TEXTILES,
GOVERNMENT OF TAMILNADU, BY THE TEXTILE ASSOCIATIONS
IN TAMILNADU ON 21ST JULY 2023 AT CHENNAI.**

Most Esteemed Sirs,

Sub: Appeal to Save the highly distressed Textile Industry in Tamil Nadu.

We are extremely thankful to the Hon'ble Minister for Finance and Electricity and also to the Hon'ble Minister for Handlooms and Textiles, for convening the meeting on 21st July 2023, to hear and address the critical issues faced by the Textile Industry.

We humbly submit that the Textile Industry is the backbone of the State's economy, wherein, its contribution comes from 46% of the Country's Spinning Industry, 25% of weaving, 75% of the knitted garments and 45% of the made-ups textiles. The Sector provides direct employment to about 60 lakh people and fetches over Rs.75,000 crores of export earnings.



The Textile Industry in Tamil Nadu has been facing unprecedented losses for the past several months. For the first time, in the last 20 years, exports of yarn and textiles have declined by around 28%. Today's cotton price per candy (356 kg) is Rs. 58,000/-. The price of 40's yarn is Rs. 235/- per kg. Clean Cotton Cost is Rs.194/- per kg. As per guidelines of South Indian Textile Research Association (SITRA), the minimum conversion cost of Cotton to Yarn should be at least Rs.2/- per kg / count. In today's situation, the conversion cost from Cotton to Yarn is only Re.1/-. Hence, Spinning Mills incur a loss of Rs. 40/- per kg for 40's count of yarn. A mill having about 10,000 Spindles would produce 2,500 kg of yarn per day, which is now incurring a loss of Rs. 1,00,000/- per day.

In the Textile Value Chain, Spinning Sector is the most Capital and Power Intensive Industry. Next to agriculture, Textile Industry provides employment opportunities in rural areas to a large number of rural woman workers and migrant workers. The Spinning Sector is the mother industry of the entire textile value chain.

Due to the global economic recession, mostly triggered by post Covid-19 Pandemic factors and also due to the prolonging Russian-Ukraine War, there is less export of yarn and fabric. Due to the lack of exports directly, now the exporters of yarn, are selling their yarn in the domestic market, resulting in excess supply in the domestic market. The Spinning Mills are not able to get suitable prices for their yarns. Since, there is an excess supply of yarn coupled with the demand mismatch, it makes the Spinning Mills to sell yarn at the lowest price in order to maintain the cash flow to administer all other overheads of the Spinning Mills. Therefore, Spinning Mills are incurring heavy cash losses and they are forced to operate their mills, with low-capacity utilization in order to minimize the loss to the extent possible.

While things are placed so, the yarn and fabric are imported from Countries like China, Vietnam and Bangladesh in huge volumes. Traders are taking advantage of the situation and accordingly, demanding the domestic yarn at a much lower price. There is a great fear among the spinning mill entrepreneurs that the industry will face a situation, where it would not be able to operate the mills in future on the reason of continuous financial unviability.

As the mills are forced to incur huge and heavy losses, they are unable to meet the administrative expenses like bank loan repayment (principal and interest), cotton purchase payments, electricity bills, G.S.T., E.S.I., E.P.F., etc. Therefore, the mills are at a very critical situation during these months and they are almost placed at a standstill situation. If this situation continues, even for a month, the spinning mills will soon become Non-Performing Assets (NPA) and the mills will be at risk of permanent closure.

Therefore, taking into account of the present critical industrial scenario, we humbly seek the intervention of the Hon'ble Ministers to support the Textile Industry by considering the following reliefs, at a war footing approach. They are suggested both as urgent measures and short measures.

Urgent Measures: (Relating to Energy Areas)

- At present, the TANGEDCO is charging Demand Charges, either at 100% of the Sanctioned Demand or at 90% of the Sanctioned Demand, when the Recorded Demand is less than 90% of the Sanctioned Demand. Considering the extra ordinary critical situation long prevailing, which is worse than COVID-19 Pandemic situation for the Spinning Industry, we request the Government of Tamil Nadu to direct the TANGEDCO, to restrict the levy of Maximum Demand Charges, only up to the level of Recorded Demand, in respect of HT Textile Industrial Units, by invoking its powers made available under Section 108 of the Electricity Act 2003 by directing the TANGEDCO to comply with Regulation 6(b) of Tamilnadu Electricity Supply Code 2004. This will save the industry from unnecessarily paying Demand Charges to the extent of 90% of the Sanctioned Demand, even without proper utilization of the demand and would relieve the mills from a great burden.

- The Government of Tamil Nadu, should direct the TANGEDCO to withdraw the Electricity Tariff hiked through Retail Tariff Order dated 09.09.2022 on Maximum Demand from Rs. 350/- to Rs.550/- per KvA and may further direct to levy the Demand Charges at Rs. 400/- per KvA for HT Consumers.
- In the case of LT & LTCT Consumers, this raise of Fixed Charges from Rs.35/- to Rs.75/-, Rs.150/- and Rs.550/- should be completely withdrawn with effect from 10.09.2022, as they are highly exorbitant and does not fit with any rationality. Hence, it has to be placed to the original level of Rs.35/ KW.
- The TANGEDCO has increased the Electricity Tariff, by way of adopting a New Policy called Multi Year Tariff (MYT) from 01.07.2023 for Low Tension Consumers (LT & LT-CT) and High Tension Consumers (HT) to the extent of more than 3% on all Tariffs and all other Open Access Charges. This makes the entire Textile Value Chain not able to function properly due to the highly increased tariff structure. Therefore, we request the Government of Tamil Nadu, to kindly direct both the TNERC / TANGEDCO to cancel the Tariff increase effected from 01.07.2023 also.
- We request the Government of Tamil Nadu, to have Peak Hours fixed only from evening 6.00 PM to 9.00 PM, by withdrawing the peak hours notified during morning peak hours from 6.00 AM to 10.00 AM and also from evening 9.00 PM to 10.00 PM as they are not anyway demonstrated that there exists a peak hour during the periods. We also request the Government of Tamilnadu to direct to reduce the peak hour energy charges, from the raised level of 25% to 20% in line with the directions of the Ministry of Power, New Delhi as recently notified. We also request the Government of Tamilnadu to direct to exempt, the LT III-B category of Textile Units from the levy of peak hour charges and restore the practice that prevailed before 09.09.2022.
- The Rooftop / GISS Solar Network Charges are being collected by the TANGEDCO at the rate of Rs.1.48 per unit for Low Tension Consumers (LT & LT-CT) and Rs. 0.96 per unit for High Tension Consumers (HT). As the Rooftop / GISS Solar Projects are like DG Sets installed in the Industry on the own cost of the promoters, there cannot be any Network required as all the units generated are consumed by the consumers and this requires no Network arrangement with the Grid. We therefore, request the Government of Tamil Nadu, to kindly direct the TANGEDCO to withdraw the Rooftop / GISS Solar Network Charges from 22.10.2021 onwards from which date it was introduced. If at all, it needs to be continued, it can be continued only on the quantum of energy exported to Grid alone it can be levied and however, not on the entire energy generated.
- In respect of the Open Access Charges now getting collected from the HT Open Access Consumers, the Wheeling Charges should be directed to be reduced to Re. 0.27 per unit as it was increased from Re.0.21 to Re.0.96 with effect from 10.09.2022, with a further increase from 01.07.2023. In revising the Wheeling Charges, the TNERC has not followed any rationale as provided in the National Tariff Policy.
- As the Spinning Industry is 24' hours electricity consuming industry, off loading the power demand of the TANGEDCO by balancing it throughout the 24' hours, the night time rebate now provided at 5% for the consumption during the hours 10.00 PM-5.00 AM may be increased to at least to the extent of 20%.

- In the recent times, the TANGEDCO is making unnecessary and unwanted litigations before the Court of Law by making Appeals against the orders of the Hon'ble Courts at higher forums and the approach of the TANGEDCO is totally not encouraging the consumer-friendly strategy. Hence, before making any Appeal, the TANGEDCO should be advised to get a better Legal Opinion to avoid high expenditure on litigation costs.
- Further, the TANGEDCO is not permitting to adjust and bank the excess energy generated by Wind Energy Generators which have crossed the life time of 20/25/30 years, even though both the Hon'ble Single Judge and Hon'ble Division Bench have ordered to provide adjustments with banking. This issue is unnecessarily being agitated by the TANGEDCO without any sufficient reasoning. These kinds of approaches are making the TANGEDCO to appear before Courts on Contempt Proceedings. In order to maintain better relationships with all consumers, the TANGEDCO may be directed to follow the Court Orders for compliance as and when they are issued. This is a strong concern seen at all levels.

Urgent Measures: (Relating to Labour Administration Areas)

- The Government has constituted a Minimum Wages Committee and extended the tenure of the Committee by way of its GO (D) No. 252 dated 22.05.2023 and the Committee is making visits of all Textile Mills in recent times. Due to the unprecedented critical situation prevailing in the Textile Sector in Tamilnadu, we request that the Government may be pleased to suspend the operation of the Minimum Wages Committee, till such time normalcy is seen at Textile Sector. This should be urgently considered or otherwise it may add fuel to fire.

Urgent Measures: (Relating to the Release of Capital Subsidy pending for a long time under the New Integrated Textile Policy 2020)

- Based on the New Integrated Textile Policy 2020 as announced by the Government of Tamilnadu during the year 2020, as per the GO (Ms) No.40 dated 13.03.2020, many of the Textile Mills have applied for the Capital Subsidy, with the then existed un-bifurcated Handlooms and Textiles Department and however, no one has received the Capital Subsidy so far, due to the fact of the Department got bifurcated in to Handlooms and Textiles separately. Hence, the Government of Tamilnadu should consider to release the Subsidy amount pending for a long time based on the New Integrated Textile Policy 2020 and when these Subsidy amounts are released at present, it may ease the financial flows of the Textile Mills to a larger extent. This can be considered urgently.

Short Term Measures:

- Both the Central and State Government with an aim to encourage Renewable Energy to avoid GHG Emissions, should come forward to promote Green Energy by providing 45% capital subsidy on the capex with effect from 22.10.2021 so that the investments made in the Rooftop Solar Projects would be made viable and in future also such projects will be promoted by the willing consumers and thereby the demand of power for the TANGEDCO may be reduced to a larger extent.

- For the Industries having already Renewable Energy Projects, through Wind and Solar, a Scheme of providing and encouraging them to get Green Energy Certificates, may be implemented in Tamil Nadu so as to make such industries to market their products in export markets with a Green Energy Tag to find a priority in market.
- The Government of Tamilnadu in order to promote investments, may consider to provide Incentives to the Spinning Mills which make exports from Tamilnadu by way of an export incentive. The Government of Tamilnadu, may also consider to provide incentives to other value chains of the Textile Industry, when such value chains make use of the Tamilnadu-Made yarns for their further value added products, so that the yarn spun at Tamilnadu may be having better utilization in the State of Tamilnadu itself so as to provide a growth for both Spinning Mills and for other industries involved in the Textile Value Chain in Tamilnadu.

Matters to be taken up with the Government of India for urgent intervention:

- We request the Government of Tamilnadu to make a strong representation to the Government of India to immediately withdraw the 11% import duty imposed on Cotton when imported, considering the non-availability of raw cotton and also to make a level playing field in the matter of making smooth cotton availability for the operations of the Spinning Mills in Tamilnadu.
- We request the Government of Tamilnadu to make a strong representation to the Government of India to reduce the interest rates of the Banks to the previous level of 7.5% PA, considering the fact that the Textile Industry is the largest provider of employment next to agriculture, on a priority interest rate basis.
- We request the Government of Tamilnadu to make a strong representation to the Government of India to direct the RBI to make the outstanding Short-Term Loan of 'Emergency Credit Line Guarantee Scheme (ECLGS) provided during the Covid-19 Pandemic period, be restructured and provide fresh ECLGS loan, as given earlier considering the precarious situation of the Textile Industry. It can be also pressed to provide six months holiday period and seven years repayment period at a lower rate of interest.
- We request the Government of Tamilnadu to make a strong representation to the Government of India, by considering the strong demand recession existing, the RBI will be directed to provide extension of the Term-Loan with two years' moratorium and also to restructure the existing Term-Loan as given in the past. It may also be pressed that the RBI should come forward to advise the Banks that there should not be any stringent rules followed by the Banks in the matter of providing moratorium for the Spinning Sector.
- In India, the capacity of the Spinning Mills, is already very high as per several studies and reports made available in public domains. The Government of India may be pressed to immediately formulate an One Country-One Policy for the Textile Industry as a whole. Further, it can also be ensured through the said Policy that no more subsidy or concession, should be encouraged by any State Governments to increase the Spinning Capacity which is already not in proportion with the demand. Accordingly, the Government of India be pressed to direct the RBI to notify all the Banks, about the risk involved in funding and on any addition of new spindle capacities.

- We request the Government of Tamilnadu to make a strong representation to the Government of India to take appropriate measures to promote the Export of Yarn and Fabrics and to take necessary steps to monitor and prevent the ruthless import of Yarn and Fabric from Countries like China.
- We request the Government of Tamilnadu to make a strong representation to the Government of India to bring cotton yarn also under the Minimum Support Price (MSP) Schemes and the MSP has to be fixed in such a manner that at least Rs. 2.25 per Count of Yarn per kg should be ensured.
- We request the Government of Tamilnadu to make a strong representation to the Government of India to make necessary Notifications that from 01.01.2024 onwards, all types of Fabrics manufactured in India should print the precise weight on the Fabric.

We, therefore, fervently appeal to the Hon'ble Ministers to kindly consider our Appeal favorably and urgently, taking into account of the critical situation of the prevailing Textile Industry to make it viable to bring back their operations to normalcy.

We solicit the urgent orders of the Government of Tamilnadu on each and every item represented in this Joint Memorandum.

Thanking You Sirs,

Yours Faithfully,

1. Southern India Mills' Association (SIMA)
2. The South India Spinners Association (SISPA)
3. Tamilnadu Spinning Mills Association (TASMA)
4. India Spinning Mill Owners Association (ISMA)
5. Rajapalayam Spinners Forum (RSF)
6. Recycle Textile Federation (RTF)
7. Open End Spinning Mills Association (OSMA)

CC: **Thiru. DHARMENDRA PRATAP YADAV IAS.,**
Principal Secretary to Government
Department of Handlooms, Handicrafts, Textiles and
Khadi
Government of Tamil Nadu
Secretariat, Fort St. George
Chennai – 600 009
E-Mail: htksec@tn.gov.in

Dr. BEELA RAJESH, IAS.,
Principal Secretary to Government,
Department of Energy
Government of Tamil Nadu
Secretariat, Fort St. George
Chennai – 600 009
E-Mail: enersec@tn.gov.in

Dr. M. VALLALAR, IAS
Commissioner of Textiles,
Government of Tamilnadu,
34, Cathedral Garden Road
Nungambakkam
Chennai – 600 034.
E-Mail: commr.tex@gmail.com