

Net worth of small units in T N down by 40 per cent

T E NARASIMHAN
Chennai

The global recession, high-priced power, power cuts and scarce bank credit have brought down the net worth — or total assets minus total liabilities — of micro, small and medium enterprises (MSMEs) in Tamil Nadu by 40 per cent, from an estimated Rs 20,000 crore a year and a half ago, according to industry representatives.

They say that until a year ago about 60 lakh people were employed in the state's MSMEs, and this is now down by 25-30 per cent. Moreover, they add, industrial clusters in the state have begun losing their identity, since units here have started selling their land to other companies, especially IT companies.

K Gopalakrishnan, general secretary, Tamil Nadu Small and Tiny Industries Association (TANSTIA), told *Business Standard* that there were about six lakh registered and five lakh unregistered units operating in the state.

Till end-2007 the total net worth of MSMEs in the state was around Rs 20,000 crore. Things started changing in 2008, he said, starting with increases in raw material prices and wages, followed by a power cut and the recession.

G Krishnamurthy, managing director, SCG Ex d Tech

Pvt Ltd, manufacturer of control gears and lighting equipment, noted, "forget about profitability, we can't even talk about break-even today." Raw material prices have peaked, and despite knowing that order books are empty, employees have been asking for higher wages, he said, adding, "We are not able to reduce overheads thanks to the labour policies."

Restrictions on retrenching workers deter greater employment generation, according to Southern India Chamber of Commerce and Industry (SICCI). It has suggested that the government should form a high-level committee to look into the labour laws and said this would be the right time to reform the laws to attract greater investment into the state.

Infrastructure, especially power, is a big bottleneck for MSMEs across the state. Last year the state government imposed a 40 per cent power cut on high-tension industrial units and commercial establishments (since reduced to 20 per cent) and a 20 per cent cut on low-tension users, coupled with peak-hour restrictions.

Firms that were paying Rs 4 per unit for power earlier are now paying Rs 12 per unit. This has eroded profitability and, even more, quality, said representatives from a cluster.