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Post COVID recovery of MSME through Green Initiatives

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades with substantial contribution towards country’s GDP, exports and employment. As per annual report of 2017-18, published by the Ministry of MSME, there are close to 19.6 million MSME units which falls under the manufacturing industry. A significant portion of these units are energy intensive. Energy cost in manufacturing processes forms a major share of MSMEs’ overall production cost, with sometimes the share of energy cost being as high as 40-50% of total manufacturing cost. The Report of the Working Group on Power for Twelfth Plan (2012–17) provides an estimate of the energy consumption of the entire MSME sector. According to this report, the MSME manufacturing sector consumed about one-quarter of the total energy consumed by the industrial sector. The Bureau of Energy Efficiency’s (BEE) National Programme for SMEs and SAMEEKSHA (a collaborative platform supported by BEE, Ministry of MSME, SDC, Shakti Foundation and TERI) have also categorically mentioned about the energy usage pattern of the most energy-intensive MSME clusters in the country. As per BEE’s estimates, there are about 180 energy-intensive MSME clusters in the country, which consume approximately 40% of the overall energy consumption by industrial MSMEs in 400 clusters, estimated at 68 Mtoe in 2017.

Undoubtedly, it provides an enormous scope to transform these units to become more cost competitive through accelerated adoption of energy efficient technologies and practices. Most of the units lack financial capability to invest and adopt resource conservation measures. In addition, the major barriers identified for lower penetration of energy efficiency in the sector, are lack of awareness, skilled manpower and cluster-level institutional set-up to support the units to adopt and operate it efficiently.

Just to highlight, Energy Efficiency Services Ltd. (EESL), an entity under Ministry of Power, Govt. of India is already implementing the technology demonstration project in 10 MSME clusters under the GEF-5 program through UNIDO. The program aims to demonstrate around 30 technologies in these clusters with innovative financing models. EESL has already demonstrated 17 such technologies and other 13 technologies are in the process of demonstration. EESL would target to scale up the deployment of these technologies in next 5 years. The estimation shows that there is an investment potential of INR 800 – 1000 Cr in next 5 years in the MSME sector as an energy efficiency scale-up program. This would improve the energy efficiency by 20-30% in the targeted cluster (sector).

This sector deserves intervention from Govt., industry associations, financial institutions, philanthropic organizations, multilateral agencies, ESCOs etc. to become more resource efficient. It should not be limited to few pilots or demonstrations, but implementation of National Programs with suitable financing models/incentives. A voluntary market based mechanisms like “Perform, Achieve & Trade (PAT)” scheme might be a good option to encourage MSME units to be energy efficient, reduce fossil fuel consumption and minimize wastage. There is a need to promote “Bulk Procurement” of few standard technologies through appropriate demand aggregation which may result in price reduction of the technologies. EESL’s programs like National Motor Replacement Program (NMRP), Industrial LED program, Super-efficient AC Program etc. may be immediately leveraged by the MSME units as a low-hanging intervention.

While we are aiming for Industry 4.0 for overall sustainable development in the industrial sector, MSME sectors assumes similar importance in all fronts. What we need is a collective, collaborative and time-bound efforts to bring some tangible outcomes in the sector – and this is certainly NOT IMPOSSIBLE !!!
Micro, small and medium enterprises (MSMEs) form the core of India’s non-agricultural economy. MSMEs are seen as an important opportunity in the times when Government policies like Make in India and Start-ups India are promoting manufacturing and young entrepreneurship. It is critical to focus on medium and small enterprises for post Covid-19 recovery of economy.

The countrywide Covid pandemic lockdown had dealt a terrible blow to financial condition of MSMEs. While small businesses across the world might be suffering on similar counts, the MSMEs in India had faced a double whammy, payment of fixed electricity charges in spite of no production and increasing energy costs. If MSMEs have to survive—and thrive—the road to recovery must pass through a transition to efficient and clean energy.

The increasing energy cost now forces the sector to take a hard look at costs. Savings in energy expenses can become a pillar of renewed competitiveness.

It has been observed that MSMEs generally do not pay due attention to energy consumption. The lack of awareness stems from wilful or unwitting ignorance of energy consumption across industrial processes. Enterprises tend to only look at monthly energy bills and overall energy consumption without correlating the data with specific equipment efficiency or energy intensity of output. They often have no monitoring tools or energy-efficiency practices, nor any data on performance benchmarks of EETs used for different industrial processes in each sector.

It is time for a dedicated policy for energy efficiency in the MSME sector by developing a roadmap to identify opportunities and remove hurdles. The main hurdles for use of energy efficient technologies are trained man power and availability of finance. Dedicated pilots and technology demonstration platforms at a cluster level would increase awareness.

Easier borrowing would also help promote distributed renewable energy generation in MSMEs clusters.

Economic recovery cannot happen unless MSMEs prosper. While the temptation might be to dilute standards, the sector can seize this moment to become more sustainable, with lower energy footprint and sharper economic edge.

The present issue of Energy Manager is focussed on post covid economic recovery of MSMEs through energy efficient and sustainable practices. The guest editor of the present issue is Sh. S P Garnaik, Executive Director, EESL India.

Last but not the least, to honor the commitment made by Honorable Prime Minister towards Net Zero, we are moving towards electronic version of Energy Manager. Hope the electronic version will be well accepted by energy professional community as of our print editions.