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'India to be large market for storage batteries in 2 years'

With a thrust on clean energy in India and overseas markets, Sterling & Wilson Solar Pvt Ltd (S&W), the biggest global player in solar engineering, procurement and construction contracts, is planning to launch Rs 4,500 crore initial public offering (IPO). Company's chairman **Khurshed Daruvala**, in an interview with **Ateeq Shaikh**, talks about the challenges in India's solar market as well as the company's plans with regards to solar storage.

■ **It has been a few months since the Draft Red Herring Prospectus was filed. When do you plan to launch the IPO?**

We are waiting for the Securities and Exchange Board of India (Sebi) observations. The IPO will be an offer for sale by me and Shapoorji Pallonji and Company; two-thirds is held by SP Group and one third by me. The company will not receive any proceeds directly. All the proceeds will go to the promoters in proportion to the shares sold by them. The promoters shall utilise a portion of the net offer proceeds towards funding the partial repayment of the loans.

■ **How do you see the recent developments in the renewable space in India, particularly solar?**

Despite all the challenges faced by the domestic sector, the industry has been growing consistently and has been the third largest solar market for a few years after China and the US. The tariffs quoted by independent power producers (IPP) have stabilised in recent years, which is a positive sign. From an EPC perspective, a few years back there were many



competitors for every job. However, the industry has now consolidated.

■ **What are the problems plaguing the solar energy industry in India?**

The major issues being faced by the industry include challenges around land acquisition, the capacity of substations, payment delays from distribution companies (discoms), etc. Despite these, the solar industry continues to grow well. Recently, there has been some uncertainty due to a combination of the imposition of safeguard duty and tariff caps. I am sure that the industry and the government are working through this as there are a number of successful bids completed in recent months.

■ **What measures are needed to address these problems?**

The land and sub-station issues are global issues for the solar industry which are to be expected as a part of the industry. If these issues are reduced then the industry would grow at a faster pace. The delay in payments from discoms is a genuine issue but I understand that the IPPs would build this into their models. Even after building this in their model, the solar tariffs are very competitive versus coal, and hence, this should not stifle the industry.

■ **Any plans to start participating in the government's solar bids?**

No. We will remain a pure play EPC and will not be competing with our clients.

■ **What's the share of domestic and international in revenues? What's the debt level?**

In 2017-18 fiscal and in the nine months ended December 31, 2018, the revenue from abroad accounted for 59.11% and 65.13%, respectively. The total (secured and unsecured) fund based debt as on March 31, 2019, on a consolidated basis is Rs 2,230 crore.

■ **In India, are you looking at solar storage as a market?**

Yes, going forward the value of solar projects will go up because they will also come up with storage. We have started that globally. India isn't a large market for the next year or two, but after that, yes. We are expecting the cost of batteries to come down in the next two to three years. Even if it is viable right now, we would recommend our clients not to do it now. We would say wait for two years and then invest. That's where an uptick has not come yet but will come in a few years.

