Solar projects along with battery storage are poised to grow substantially in the near future.

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What is your current order book status and how do you expect the growth in the next couple of years?

In the last financial year, as of February 2021, we have booked orders aggregating to 1,755 MWp from domestic as well as international markets. More than 2 GW of the market has shifted owing to the delay in execution of PPA or developers facing challenges in procuring the land. The last financial year was an exception due to the pandemic. However, FY22 looks opportunistic as more than 10 GW of bids are in pipeline.

A lot depends on the PPA agreementsthat are pending owing to the exceptions from discoms as well as the module pricing. If all the auctioned projects get signed, we can expect good movement resulting in better order inflow.

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What is your assessment on the impact of newly proposed BCD on the sector?

The imposition of BCD at 25% on imported solar PV cells and 40% on imported solar modules from April 2022 is likely to see a hike in tariffs. It will help domestic module manufacturers in expanding their capacity additions as demand for imported modules will decrease considering the overall increase in the landed cost of modules at site. However, this will lead to increase in tariff as the overall capex for the solar plant will likely increase. Additionally, there are considerable projects which have been bid and PPAs are signed or likely to be signed and this demand would have to be addressed from the international market. Domestic manufacturers will try and ramp up the facility to optimize the economies of scale and would take time resulting in possible delay in execution of projects. It will be important for the government to address this proactively and transparently to ensure that projects do not get impacted. The government could extend the current implementation timelines to scale up domestic manufacturing facilities or increase the tariff for a smooth transaction.

What is assessment on the impact of ultra-low bids and cancellation of net metering on the solar industry as a whole?

With the increased prices of commodities and modules, developers are facing challenges in closing projects. Besides this, such low tariffs have vested the expectations from DISCOMs as more than 16 GW of bids are awaiting PPA signing. We hope this does not impact the previous bids and their PPA gets signed at the earlier determined tariff else it may have an adverse effect on the overall market and its sentiment. Global concentration of rooftop market is considerable and requires more friendly and encouraging open access policy. The net metering especially in connection to banking is critical for viability of captive solar projects and will result in reduction in capacity. State governments should promote net metering and provide conducive open access market to consumers to allow large-scale adoption of rooftop installations.

What regulatory / policy reform do you expect to scale up manufacturing in India on global standards?

Any technology needs platform, liaising and sustained policy to plan any manufacturing set up. The solar manufacturing industry is waiting for the PLI program for high-efficiency modules to come into effect. Government should provide a support framework to facilitate easy investment and technology development for a long-term competitive production. The incentives and support should be in terms of easy clearances, land reliable utility and infrastructure network / connectivity, financial incentives either in form of low-cost loans / tax benefits and holidays to boast indigenous manufacturing in India. Additionally, long term policy for a comprehensive feed in tariff regime with conducive open access policy will help give sustained demand for encouraging investment.

Government should also increase financial allocation on Alternate Investment Fund which could further help in reducing the financial cost of the project. Government may consider 5% interest subvention on the term loan and working capital, upfront central financial assistance of 30% on capital expenditure and increase export incentive from 2% to 8% under 'Remission of Duties or Taxes on Export Product' (RoDTEP) that will aid indigenous solar manufacturing.

What are the critical challenges the country is facing in bringing solar energy to scale?

Providing transmission infrastructure for efficient evacuation of renewable energy is one of the biggest challenges the industry is facing. Reforms should be brought in to improve the financial conditions of Discoms that will improve the overall value chain of the sector. A comprehensive and regulatory policy framework to encourage firms in investing more on innovation and technology should be laid by the Ministry. The skewed tariffs of downstream distribution utilities should be rationalized vis-à-vis the cost structure to optimize cross-subsidy and create competitiveness in the industry. Measures to facilitate timely payments from states to upstream utilities will take care of cash flow constraints. Government should bring up inclusive policies on captive and open access which would elevate the switch to clean energy.

What has been the impact of pandemic on the business prospects and how have you been able to sustain the pressures?

The Covid-19 pandemic has spread and affected countries and industries across the globe. Solar industry at large has also been impacted by this unprecedented crisis. The main challenge has been in terms of execution due to the disruption in supply chain caused by the lockdown and restrictions leading to labour shortage. Besides this, the metal price inflation is at an all-time high. Aluminium and steel have seen a jump of over 30% from May 2020. This has led to an exponential increase in the cost of projects.

Despite this, business acquisition has not been impacted significantly due to our geographical spread. We have secured major projects in the domestic as well as international markets, set up our Europe headquarters in Spain and boosted our presence in existing markets. Apart from this, we continue to leverage our EPC expertise to add projects in our O&M portfolio, which is an annuity-based business, and our focus on third-party O&M has also proven successful.

Brief us on your road map for the next couple of years?

The share of renewable energy sources in the overall energy mix has increased across the world – a crucial element in decarbonising the electricity sector and is expected to penetrate further. The solar business has been growing at a steady pace of around 20% CAGR globally and we expect it to be growing at the same rate, if notmore, for the next five years. We will continue to focus on the domestic market as well as important international markets of Australia, USA, and Latin America. The European market provides a good opportunity as we expect annual capacity addition of around 6-7 GW over the coming years. To address this growing market, we have set up a team at Seville, Spain.

Solar projects along with battery storage are poised to grow substantially in the near future. In India, the Government is introducing round-the-clock (RTC) tenders, wherein the project would need to provide power for 24 hours. This is possible if solar is coupled with other sources such as wind or hydro or with an energy storage system. We are developing our team to technically analyse bids as it requires lot of integration from design end. We are also studying the regulatory frameworks to integrate them. CT

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