



“We are running a **100 metre dash** for a 1,000 metre race”

In a freewheeling interview, **Ashish Khanna, Executive Director and CEO, Tata Power Solar** feels that the experts are being judgemental about the solar sector in India. He suggests, “They should first take into consideration all facts and figures, and then comment on how successful the sector is now.”

**B**eing one of the leaders in the solar sector, how do you see the current trends? Do you think they are disruptive?

In India, as a leading player in this segment, we are witnessing an unprecedented growth. Honestly speaking, nowhere else in the world have we seen such a growth that we are witnessing here in the last two years. Incidentally, it is the world’s biggest programme. Having said that, the Indian market has become one of the most competitive markets in the world, which in any case is good for us. I always say that we are running a 100 metre dash for a 1,000 metre race; hence, the players will find some pitfalls that can be dodged smartly. Meanwhile, players are now very serious about this sector. The solar sector has come to a level where it has the potential to compete even with other sources of energy, such as thermal power. For Tata Power Solar, being a late entrant in this sector is an advantage. It enables us to look back and learn from mature countries that have been active in this renewable sector for a long time.

One must learn from Germany. The way they have worked and developed the renewable energy industry is commendable. Importantly, despite harnessing renewable energy as early as seven or eight years ago, it is the enforcement of qualitative parameters that has enabled them to give a reliable source of power to the citizens.

**Do you think learnings from other established countries like Germany can be helpful for India?**

Yes, indeed. In fact, it is a learning opportunity for all countries. In the present scenario, India does not need to

compete with coal; but, in my view, when we look at the country’s need holistically, we must have a wind component too. It should not be optional, because India is only talking about solar and if we want to achieve grid parity, wind energy must be included.

Though, Tata Power Solar is mainly in the business of solar sector and it is not correct on my part to talk about wind, I am of the opinion that we should look at hybrid solutions and how plant load factor can grow from the current 20 per cent to 60 per cent level. And then, with the same set of infrastructure, we should decide how the country can achieve a steadier day time solar and night time wind energy, with a small component of storage. I think, we should look and invest in technologies, resources and resource optimisation, and stop chasing numbers.

**The sector is marred with a number of impediments – lower tariffs, lack of manufacturing, imports from China, anti-dumping duty and the DCR case that we lost at World Trade Centre. With all these hurdles, how will the sector progress?**

For you, they seem like hurdles, but for us, they are opportunities. Let me explain each of them in detail.

The good part about lowering tariff is that the solar industry is now being acclaimed as being competitive. I firmly believe that no business house ever takes commitment of a project, that too for 25 years, unless it is profitable in their model. Different private players make different assumptions here. Some players take higher risk, while some remain conservative. We will know in the next 12 months as to which assumption is likely to come true.



Importing solar panels is not in the interest of the country.

As far as tariffs are concerned, in the past three years, they have come down drastically from a level of Rs 4.63 per kWh to Rs 2.93 per kWh. You will hear some voices against or in favour of such disruptive tariffs. But one must understand that those who have made bids at a low tariff, are one-off, fly-by-night players. They are prepared for the worst case, if any. These players are taking a calculated risk and placing their bet on it.

When a company with a 1 GW profile bids for 100 MW and miserably fails or succeeds in the project, we must not attribute the success or failure of that one project to the entire sector, because we have 100 GW to achieve. The experts in this sector are being judgemental. They should first take into consideration all facts and then comment on how successful the sector is now. Success stories should not be based on a parameters like which project has commenced successfully, but on how this sector has provided power to those 300 million citizens of the country who were living without electricity. Success must be based on how players are harnessing technology for the betterment of the community.

Moving from tariff to employability and product quality, there is a feeling that importing solar panels is not in the interest of the country, which in any case is perceived as a nation for dumping. We need to pause and see what can make the projects successful. In India, the entire chain in the government is aware of the real issue, and hence a proactive call needs to be taken. If we have lost the case in World Trade Organisation (WTO), we should understand that the world does not end there. And, this includes USA for that matter! It is a wrong perception that WTO will end solar manufacturing in India. What we need is the entire ecosystem and supply chain to fall in place.

So if there is an apprehension about development control rules (DCR) in large-scale projects, the WTO has not ruled out the use of domestic content in rooftop projects. Here, the government needs to up the tempo or target

rooftop projects and provide business opportunities to domestic manufacturers. Let the legal course take its own way for large projects; but, why should we neglect a space where business opportunities are more and financial risks are less?

#### **How is the sector dealing with low tariffs, higher module price and GST confusion?**

Low tariff, according to me, is a short-term phenomenon. Prima facie, when we talk about tariff, we just consider the numbers and not the other components such as land cost, construction cost, transmission cost and risks. The financials of any project is based on these facts. And, as I said earlier, players are mature enough to take such decisions as some may have a strong balance sheet or deep pockets or approach to equity markets from where they can raise funds.

As far as Goods and Service Tax (GST) is concerned, yes, I agree with you completely that there is confusion and that it calls for some clarity. We are finding various interpretations. Overall, it will be around 5 per cent, but what has happened is most of the projects awarded are executed on a split contract basis, which is supply and service. In case of large solar projects, the GST rates are different for elements such as civil, mechanical and electrical works. Consider this: now it is bound that 90 per cent of a project will attract 5 per cent of GST, which falls under the supply side. And the remaining 10 per cent of the project will attract 28 per cent GST, which was 15 per cent earlier. Now, the difference of 13 per cent on the remaining 10 per cent of the project will increase the overall tax of the project by up to 7.4 per cent. So, from 5 per cent on an average, the overall project will have an impact of 7.4 per cent, which means, whatever project a developer undertook before has to pay an additional capital of 7.4 per cent on the project today.

- RAHUL KAMAT