Low Solar Power Rates to Boost Equipment Import

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AMRITHA PILLAY
Mumbai, 12 May

With solar power bidding rates touched a new low of ₹2.44 a unit this week, sector experts say there will be a problem for equipment makers.

"The current bids are not viable if one was to consider the true cost of manufacturing, even for Chinese import. These bids are also forward looking, with an expectation that solar panel prices globally will fall further," said Santosh Kamath, partner at consultancy KPMG India.

Over 80 per cent of India's solar equipment requirements are met through import and Vimal Kejriwal, managing director at KEC International (into power transmission engineering), expects this to continue. "Modules will predominantly remain a market dominated by Chinese suppliers, unless there is major growth in the indigenous wafer and cell manufacturing industry. Structures and trackers are largely sourced from Indian players today and likely to remain that way. The balance systems equipment will be dominated by multinational companies, with last-mile assembling and/or localisation in India," he said.

According to a CARE Ratings report, as of December 2016, domestic solar cell making capacity was 1,450 Mw annually; total solar capacity addition in 2016-17 was 5,526 Mw. "Domestic manufacturers are yet to establish their competitiveness vis-a-vis the imported solar cells, panels and modules," the report said.

Withdrawal of domestic content requirement rules and reduction in indirect taxes on import of solar cells has further dampened the prospects for domestic sourcing.

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Power minister Piyush Goyal, earlier this week, stated the government would promote indigenous manufacturing of high quality solar equipment. However, falling supply rates isn't in line with the cost of production.

Even if one discounts oversupply-driven price dynamics in China and their subsidies, Indian manufacturers face a handicap of 25-30 per cent to Chinese manufacturers. Indian manufacturers are not able to compete due to lack of scale, Chinese subsidies and aggressive pricing due to oversupply in global markets," Kamath from KPMG added.

"Highly subsidised imported panels are a serious threat to the ambitious target of 100 Gw of solar energy by 2022. The government should explore ways to create and maintain a level playing field. However, since solar is a sunrise industry globally, there is ample scope for export and quality solar panels always find a market," says Ashish Khanna, chief executive officer, Tata Power Solar.

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Reduction in indirect taxes on import of solar cells further dampens prospects for domestic sourcing

Amritha Pillay | Mumbai
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With solar power bidding rates touched a new low of Rs 2.44 a unit this week, sector experts say there will be a problem for equipment makers. "The current bids are not viable if one was to consider the true cost of manufacturing, even for Chinese import. These bids are also forward looking, with an expectation that solar panel prices globally will fall further," said Santosh Kamath, partner at consultancy KPMG India. Over 80 per cent of India's solar equipment requirements are met through import and Vimal Kejriwal, managing director at KEC International (into ...