

SOLAR MODULE MAKERS SOUND ALARM OVER RISING IMPORTS FROM CHINA

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Solar module makers sound alarm over rising imports from China



Mumbai: Indian makers of solar modules (a connected array of solar cells) looking to make a killing from the government's Make in India campaign and focus on solar power, are worried that they may lose out to inexpensive imports from China.

Eight out of the top 10 solar module suppliers in the Indian market are now from China as against just four last year, according to Bridge to India, a renewable energy-focused consulting firm. These firms have seen their market share rise to 75% from 50% last year at the cost of domestic manufacturers and suppliers from other global markets. Indian firms now hold about a 13% market share, down from 26% a year earlier, data from Bridge to India shows.

"There is a substantial price gap between products coming from China to India from the same manufacturer vis-à-vis products going to Japan, Europe or the US. For example, same firms are exporting same or similar products to Japan at a very different price compared with India," said Ashish Khanna, chief executive, Tata Power Solar.

The Indian companies are now demanding protection from the government.

"There is a huge dumping by China. Earlier, only tier-I and tier-II modules used to sell in India; but now, even low-quality modules are coming in as smaller Chinese manufacturers target India. Prices are unrealistic and this will definitely hamper the Indian module industry," said Sunil Rathi, director of sales and marketing at Waaree Energies Ltd, the largest module manufacturer in India by sales.

Typically, module makers are categorized by tiers in terms of size and the quality of the products they make (tier-I firms make the best modules and are also large).

Indian developers of solar power projects are keen to bring down costs, especially given the falling tariffs; but the larger ones are very quality-conscious, said Vinay Rustagi, managing director at Bridge to India. "But there are multiple tenders in India with some very small developers; and for them, the temptation to buy modules at low prices is strong and they lack the technical capability to assess quality."

Worryingly for the Indian companies, even the bigger developers are now looking at Chinese suppliers.

"Considering the fact that the Chinese are able to provide quality at a more competitive price (~10% lower on our last deal) than their Indian counterparts, it makes economic sense for us as well (to pick Chinese firms)," said Kartikeya Sharma, head of research and analytics at SunSure Energy, which develops solar projects for power producers.

A supply glut in China may lead to more Chinese suppliers focusing on the Indian market with aggressive pricing, Bridge to India said in a 29 August report.

"Going forward, we expect Chinese module companies to dominate the market, notwithstanding the Indian government's push for Make in India to the imminent announcement of a new manufacturing policy for the sector. A mix of factors, including the local supply glut and falling prices means the Chinese firms will compete hard for a growing share in the Indian market," the report said.

Indian module makers-the large ones include Waaree, Tata Power Solar Systems Pvt. Ltd and Vikram Solar-have a manufacturing capacity of about 6 gigawatts (GW). The Adani Group's renewable energy arm is setting up a 1.2GW module manufacturing plant in Gujarat.

Through its lobby, the All India Solar Industries Association (AISIA), the sector has lobbied the government for an anti-dumping duty on imported modules, said Gyanesh Chaudhary, managing director and chief executive at Vikram Solar. The firm is looking to expand manufacturing capacity to 2GW by 2020 from 500 megawatts (MW) now.

Chaudhary said that while there has been an increase in demand following India's focus on solar energy, the nature of the business (it has a long gestation period) requires a "long-term visibility for Indian" manufacturers and their "investors" and lenders.

The government has given some tenders with a so-called domestic content requirement (DCR) provision that requires projects to use domestically manufactured solar cells and modules. Earlier this year, the World Trade Organization (WTO) ruled against DCR following a dispute raised by the US. While the response to India's appeal against the WTO ruling is awaited, the sector has asked for alternative schemes to help promote locally-made modules. Most firms interviewed for this story said the government is likely to soon announce some incentives for domestic solar module makers.

These companies are also looking to exports. Waaree, Vikram Solar and Tata Power Solar already earn 10-25% of revenue from exports. Adani plans to export 30% of its total production from its work-in-progress plant, said Samir Vora, chief executive of solar manufacturing at Adani Enterprises Ltd. These companies also want to invest in technology, expand capacities and bring in financial investors to support their growth.

To catch up with Chinese competitors, Indian firms will need to ramp up their technology and reliability, and sell through more channels, said Sharma of SunSure.