

SOLAR PANEL MAKERS EYE OVERSEAS MARKETS

SEPTEMBER 18, 2014

MINT

OVERCAPACITY ISSUE

Solar panel makers eye overseas markets

Centre's refusal to levy an anti-dumping duty on Chinese solar panel imports is unlikely to improve matters

By SWARAJ SINGH DHANJAL
swaraj.d@livemint.com

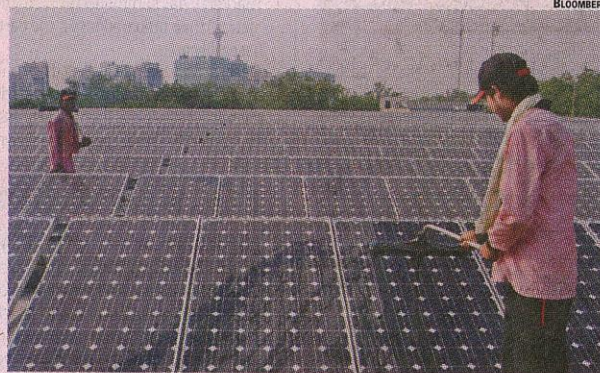
MUMBAI

Domestic overcapacity is prompting solar panel makers to turn their sights back to overseas markets although exports are unlikely to rise fast enough to absorb the spare capacity.

Industry demands for an anti-dumping duty on cheap solar panel imports from China has been turned down by the government, meanwhile, suggesting that the domestic market is unlikely to improve anytime soon.

Installed solar module manufacturing capacity in India stands at around 2.7 gigawatt (GW), according to the ministry of renewable energy. Solar power installations have stagnated at around 1 GW in the last two years, data from Mercom Capital Group LLC, a clean energy consultancy group, shows.

"Considering the current installation forecast of about 900-1,000 megawatt in calendar 2014, even if the entire market was laid open for do-



Market stagnation: Solar power installations have stagnated at around 1GW in the last two years, data from Mercom Capital Group, a clean energy consultancy group, shows.

domestic manufacturers, their capacity utilization will not be more than 35-40%," said Raj Prabhu, chief executive officer, Mercom Capital.

Current idle capacity in the industry is in the range of 40-45%, according to analysts.

Some of this excess capacity is being pushed into the export market with solar panel exports jumping by more than 150% to \$269.9 million in fiscal 2014. The pick-up in exports last year came after two years of steep decline.

As per the department of commerce data, exports fell from a high of \$511.6 million in fiscal 2011 to \$106.9 million in fiscal 2013, largely due to competition from China, which became aggressive in the solar

panel market in 2010.

In 2013, the US and Europe decided to impose anti-dumping duty on solar panel exports out of China, which brought demand back to Indian manufacturers, explained analysts.

"Manufacturers assumed that if India is going to install solar power plants, domestic manufacturers would get all the business. But it hasn't worked that way, so now they are having to compete and pursue export markets," said Prabhu, referring to the government's refusal to impose an anti-dumping duty on Chinese imports.

Manufacturers are now banking on the centre's plan to increase investment in the clean energy industry. As part

of this year's budget, the government announced an investment of ₹1,000 crore in so-called ultra mega solar power projects across the country.

"The new government has offered to support domestic industry on multiple fronts even without imposing any anti-dumping duty and is in process of deploying several policies and programmes," said Ajay Goel, chief executive officer, Tata Power Solar, which has a manufacturing capacity of 200 MW.

H.R. Gupta, managing director of solar cell manufacturer Indosolar, adds that recent announcements hinting domestic manufacturers will be bought given preference are a positive.

"The (power) minister (Piyush Goyal) has said that whatever can be made by domestic manufacturers will be bought. NTPC also announced a 1 GW tender that was purely domestic in nature," said Gupta, adding that between the Jawaharlal Nehru National Solar Mission and procurement by various central government agencies like defence and railways, existing capacity can be absorbed. "There is scope for 100% additional growth over the next five years."

But analysts are skeptical and say that any substantial pick-up in demand will be driven only by parity between the cost of producing solar power and cost of producing thermal power.

"When this happens there will be huge growth in demand for solar power and then the domestic manufacturing will start coming up, but they also have to come up with innovative ways to reduce their costs," said Vivek Vikram Singh, director, Grant Thornton India LLP.