


**5.97 IS NOT UNREALISTIC BUT DEFINITELY AN AGGRESSIVE TARIFF QUOTE"- AJAY GOEL, CEO, TATA
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In a Telephonic Interview with Mr. Ajay Goel, CEO, Tata Power Solar speaks about the company performance, its outlook for current year, concerns over policies and lots more.

Exoerpts...

Can you brief about the performance of your projects for the year 2012?

Ajay Goel: Last year in 2012-2013, we do not disclose the financial numbers publicly. Last year has not been very good; that is for the solar industry, partly because of the delayed Jawaharlal Nehru Solar Mission and several other policies, for the industry in general and from there it boils one to one.

Can you name the projects or the capacity of projects commissioned?

Ajay Goel: We have done about 50 MW in 2011-2012 in EPC. But we cannot disclose the name of the projects.

Vineet Arya: The financial disclosure of Tata Power is ordered not to be disclosed publicly. We have signed Non Disclosure Agreement (NDA) with all our big customers. Unless given an OK from them, it is unethical from our side to disclose the names. For example we have large infrastructure companies, large IT companies and large manufacturing companies as clients. Until we get an OK from them or they release it from their own side, we cannot talk about it.

Ajay Goel: We can give you broad direction. We did about 50 MW -60 MW of EPC in 2011-2012 and last year the number has been of that.

Proceeding with the second question, what are your major plans for 2013?

Ajay Goel: In 2013, we have three segments; we have the large projects, industrial solutions and standard products. See our pipeline in the entire three segments look quite encouraging. There are large projects, corporate industrial solutions.

The biggest risk that remains on the project business development is the timing of these policies. Right Now, we are seeing a fair amount of delay in MNRE to release the latest version of Jawaharlal Nehru Solar Mission and some of the other policies are around encouraging and directionally right but the timing is the one that is taking longer. We are optimistic. I think that is we have to remain cautiously optimistic about the next year.

Now that Tata Power Solar is wholly owned subsidiary of Tata Power - have there been any strategically changes post restructuring?

Vineet Arya: Once BP has exited the Solar business, our focus typically has been more towards providing integrated solar solutions and we would want to see ourselves to focus on geography of India. When Tata BP was there we were largely solar export integrated unit globally, to Asia, Europe and USA but once that the partnership is over we want to concentrate on providing more solar solutions, though manufacturing still remains the key.

From the global to Indian market- Apart from India which Asian market you look to cover?

Ajay Goel: That's still not our primary target. We may look at neighbouring or SAARC countries besides India. We feel that India is the biggest opportunity with masses for solar. It provides large potential market among the Asian Countries. We would rather focus more in India than look outside for market.

Tata power is one of the few companies with knowledge of both crystalline and thin film modules - how do you see both these technologies expanding in India?

Ajay Goel: From a global perspective crystalline knowledge is dominating. And whereas when we come to Indian market thin film modules has much greater share of adoption than thin film modules in large projects and this is primarily not due to technical differences but cheap financing that some of the thin film providers bring to the market.

If we look at the global ratio thin film penetration, it's about 15-20% and if we look at India it is close to 70%. We have been really focussed on crystalline modules. In our 23 years history and we still believe that the crystalline products are better for the Indian environment than thin film and we remain committed to that in terms of manufacturing.

When it comes to project we are comfortable working with either one of them. But we are primarily demand is crystalline modules. Once the policy situation gets rationalized the crystalline modules we think are the ones which are going to dominate.

Could you comment on the domestic content requirement for the upcoming JNNSM policy?

Ajay Goel: Till now whatever is coming in the upcoming policy it is seen that there is one loophole. In the last day on domestic content policy which was of thin film MNRE had promised to remove the thin film loophole and at the same time they have not made a clear whole heartedly commitment to doing Domestic modules and cell.

We believe the domestic manufacturing is one of the two legs of Jawaharlal Nehru Solar Mission. MNRE should clarify and make a whole heartedly commitment to domestic manufacturing. Right now it seems we are hedging back a little bit and not being 100 % clear about the way they are going to implement that.

Most of the states are out with their own Solar Policies. So do you think State policies have fared better than JNNSM?

Ajay Goel: I would not say better or worse. They are different policies and there is room for both of them in the market place. One of the big values of Jawaharlal Nehru Solar Mission Policy when it first came out was because of their innovative mechanism and power; they were able to provide a very bankable, a less risky mechanism for project. That was a good feature. It was limited because they were relying on bungling on allocated power. Now when you look at the state policies they need more power and electricity being concerned subject states also need to issue their policy. There I think is some concern for our developer partners are about the bankability and risk involved. Several of the policies have financial problems and until those financial solvents and risk are addressed having large scale participation will be harder as you recently saw in the Tamil Nadu bidding. There was 1000 MW to be issued but only about 500 MW was issued because of the risk involved.

Can you tell us about the major challenges you have faced in executing your projects and how you overcame those.

So if the question is around executing, we have very rarely faced any challenges in the projects. Normally all the planning around the projects is done and while executing them we have very rarely faced challenges. I think the question is more about overall growth in the market place then it is more of the policy timing that remains our biggest challenge. Directionally we all agree that solar is the right thing for India and everybody from the MNRE to the Renewable states Agencies believe in it, I think it is just the tangible details have to be filled out, the timings have to be nailed down. That remains the biggest challenge in terms of growing of this market.

Financing is still a major issue in the sector. How difficult is raising finance for solar projects?

Ajay Goel: First of all to be clear we are the solutions provider, we don't raise the finance. Our customers are developers who raise the financing. At the same time we are side by side with them. I think the issue is not about the availability of the money. There is lot of money available for the project. It is the counterparty's risk who is going to pay for the energy that usually drives the financing. So if you are going for PPA from the Discoms, and as we all know many of the discoms have financial health issues, which are unlikely to give the interest rate at the best level. The banks are not likely to risk. Those kinds of challenges come into play. The money is there. It is the question of having the right counter party. The JNNSM policy is subscribed which makes the risk of default low with MNRE. In the states like Tamil Nadu they are undersubscribed the risk of default is higher.

Tata Power Solar has been focussing on off-grid systems too. Could you tell us more about your presence, projects and plans for this market?

Ajay Goel: The off grid projects we have been doing it for at least 15 years we have had various structure of off grid sector from towers, rooftops, building integrated solutions. As the oldest provider in India we have touched in as the pioneers in corporate solution provider.

What has happened lately is that the costs of solar panels have come down and the net electricity has also gone up and off grid projects have become more and more viable for more and more companies to deploy on a smaller scale of 1500 kw. For what we have started to see is the fair amount of resurgence in the market which has gone from an early adoption to becoming a more prominent place in market. I think there are few areas that we need to tackle issues firstly rooftop have limited space, certain building do not provide areas and financing is more of challenge than in the large projects. Those are all market maturity issues and we are working with a variety of partners to overcome. But overall it is a very encouraging development and is driving solar industry.

So what is your focus on – Off Grid or On Grid large projects?

Ajay Goel: We are focussing both on grid large projects as well as off grid industrial solutions. Also off grid standard products that are typically used in villages and microgrid systems. We do 1 KWh and 2 KWh power packs, small sunlight kits, solar lamps, solar based streetlights and a variety of things. We continuously give focus and have both areas in mind. We will play very healthy role in the Indian economy and drive in more penetration of solar power in the market.

Kerala is coming out to be one of the potential markets for off grid projects. Tell us about your presence in the state?

Ajay: Yes we are very much active in Kerala market with ANERT.

Rooftops vs utility scale EPC – your take on the future?

Ajay: I think the question is of the horizon of the market for the future. I think in the next 3 to 5 years I think utility scale would be fairly big market. Assuming the policies continue it will be larger megawatt. We have fair amount of land but as that the utility market gets saturated, the rooftop will start to become bigger in the market place. With roof top I am also including small ground mounted solar panels so that the people would prefer in the coming days.

Finally what are your expectations from the coming policy?

Ajay: I have sort of three very basic expectations from JNNSM Policy. One it should come out on time, because of the commitment made and I believe it comes by March so I am hoping that the commitment remains. It should come out sooner than later. I think the second is JNNSM policy is it should embrace the 100% domestic content policy envisioned in the original JNNSM Policy. In original policy was about promoting solar energy and promoting local manufacturing in the phase I and Phase II, I am hoping there is 100% commitment to domestic content manufacturing. I think the third one is coming up with a very bankable way of subsidizing and financing the solar projects. In the Phase I the bundling of solar power that there has run out of unallocated power so the proposal to replace that Viability Gap Funding and there are few question surround how it would get clarified.

I am looking forward to clarity on VGF because that will drive the market as well.

Before we conclude this interview, any message for all our readers, the small players in the market that should motivate them?

Ajay: I think when I look out at the solar market today in India it is cloud with silver lining. In short term its sort of looks a little bit dark with financially the companies looking in little trouble, but if they execute the projects both in terms of technically and financially and in terms of industry getting matured, we have a bright future and we just require a little bit of patience.

Anything to add on Mr. Vineet?

Vineet: As already said we are optimistic about the policy from the Govt. As Ajay said the domestic content remains very crucial not only for TATA Power Solar but also for the entire solar industry. I would say lets remain optimistic with little of patience because India is a country with high potential. So let us make good use of it.

(Mr. Vineet Arja is the Head Marketing & Communications.)