

Renewable is as good as an IT industry for India: Ashish Khanna, MD & CEO, Tata Power Solar and President, Tata Power Renewables

He added that India is not taking advantage of it at the current level



[Ashish Khanna](#) in a recently-held media video round-table by [Tata Power Solar](#) spoke to journalists about the company's future plans, the current situation of the industry, and how to move ahead in these difficult times. Edited excerpts:

You had said earlier that operations are not hit as much. So post all the requisitions that MNRE and government has given to allow renewables and other power companies to operate. How has the new normal been for your sector? And how do you see it going from now on?

We were anxious, since it had caught us unaware we were more anxious. But if you ask me, being in the industry, watching very closely the developments of China, we will not be unaware that what is going to hit us is. Only how large it is going to hit us and how bad it is to hit us, which has been a surprise element. The other factor is that since we were observing how China is dealing with it, how quickly they are coming back.

We have pump business, which is in metros so rooftop is metros as well as in the cities as well as in very small cities too -- tier three and tier two types of cities too. We are working with industries in rooftop large projects EPC are all in the hinterland and so is when we are working in the pump segment too. Manufacturing again has a factor where many people gather together and manufacturing has been a hit out here. So, in a manner we are in a business, which is unique from a perspective that if the industry hit, we were hit, EPC we were hit too, metros hit, we have an impact. And if the villages or the hinterland have some impact there too, we are affected by it.

Having said that, I think the best thing which has helped us is the technology. So after making sure that our people are safe, our employees as well as our workforce, which is a contracted workforce is safe. Important factor I which has helped us is that in our large projects we have our own labor colonies. And it has been good for them, it has been good for us. Now when we look back, they have not been migrating back with this fear because they have a place to stay.

I also believe that the business will be hit on a short term basis because the industries will not spend their own capex on the rooftop segments, especially if you look at the current stage. Industry and commercials are the biggest players. If we see we have done around 470 megawatts of total rooftop, but in that route 70 per cent is coming from the megawatt

terms coming from the industry. And my sense is that once this manufacturing and the commercial and industrial will come back, rooftop will not be the first thing they are going to spend on. They will take some time to look back at how their industry and the liquidity has squeezed out.

So, I think that is where we feel our expectations are that the commercial and the industrial side of the business will take some time as well as a rooftop is concerned. As well as the pump segment is concerned we are hoping that with this, with this industry going down the government coming with an impetus we will have more of the pump business. Once it recovers, more and more farmers will try to have their own system of irrigation. So we will see some up swings there. Utility scale projects will go on. We have been fortunate to have a pipeline right now that we could have survived any shocks. We are in an amazing state as well. The order pipeline is concerned never before in the life of Tata Power Solar we have gigawatts of orders pipeline with us. It's on the gigawatt scale right now. I think we are India's biggest and in the coming year after executing this project, we will be in a very different league. So we are, I would say we are fortunate that our winning of EPC projects as well as utility scale is concerned in the last financial year will help us even without in the next three to four months even if there is a lull in ordering. I think we have more than enough orders with us to continue. I think we have enough orders in our fleet to continue and do a great job. For industry per se, other than utility scale projects, I think we'll face a challenge in the EPC segment.

The biggest worry I have is you know this force majeure has currently allowed the developers who are our clients for the time extension they can seek a time extension and the developer or the client can approve it and so is the state distribution company. But when you have a time extension, there is a cost of that time extension too for an EPC contractor or for that developer, there is a working capital cost which has gone into it there is a fixed cost which is being incurred in the project, which is not covered in this time extension, just if you give a time extension.

We are also seeing the big I would say surge on the foreign exchange and if the projects are delayed by three months, this particular impact of a foreign exchange, whether developer or EPC contractor as hedge staff, even there would be an impact of it. And this is a cost which I believe is

the implicit cost which no one is speaking about. But in times to come when a project will start. It will be a conversation between a EPC contractor and a developer, and then a developer and a discom on how to take care of this cost. Especially, when we are in such a competitive world. I'm not really sure how many of us can absorb that cost to the extent it is there. So, if it is a short duration, it is possible, but the longer duration of closure or work, it will be substantial.

Having said that, now we are starting recommencing our work on the large project, we are getting the approvals. But, the approvals are taking its time. And I would also say that, the way we work in EPC, we today complete a project in six to nine months time, primarily because we employ a number of workforce at the fag end of the project, so that we reduce the working capital cost. Now, if this migrant laborers or this class order, I would say transportation of individuals as well as goods become a hindrance, we would also have a challenge of not being able to work as per our plan. At a macro level. I think we all are safe.

What do you think about the discount payment mechanism? A lot has been clarified over the last few days. But still discounts continue to delay payment to the companies also the renewal companies, how do you see that issue being resolved? We understand that [PFC](#) and REC are going to lend to discomes soon, but that is yet to happen.

I do agree that we all are expecting some package to be announced soon. Soon it could be this week. We all are, we all are hearing about it. I think some of the discoms if you ask me are paying, there is a delay of a few days here and there. However, those discounts which otherwise also are not the best of the paymaster, this has come again, some sort of impediment in them and they are also finding difficulty in payments. So, if you ask me, the distribution companies today are paying those who are paying and those who are not have expressed certain challenges, but this is a continuous process which will happen even if [COVID](#) or no COVID. There are some distribution companies who are not paying. So I don't think so, we should correlate the legacy issues, while the weaker link will always have a problem. Whenever there is a pandemic like this will happen and it is more likely to be exposed or break off. But I think those distribution companies which are strong enough are paying on time. There have been some aberrations here and there on the late

payment charges as well as on the they are also asking for a discount. But by and large, I think it has not affected it to the extent we were fearing on this part.

We are also hopeful that the PFC or [IREDA](#) package, which has been in the news for quite some time will be discovered soon. But again, my sense is it is not going to solve the ultimate problem. However, you have to appreciate the fact that the developers, whether it is renewable, or it is fossil fuel, have been performing to the fullest of their capabilities. So we are very happy that this particular pandemic has not affected our performance to the extent we were fearing earlier or in any way any performance has not been affected. But yes, discom was a challenge, is a challenge, and unless something is done fundamentally will remain a challenge.

As we have seen what the government's stance towards China has been in the aftermath of COVID-19. The FDI rules have been in a way there have been curbs that have been put on investments from China, and China has a bearing on the renewable sector because solar panels and solar cells made in a major fashion are being manufactured there. How do you think this will impact this particular sector in terms of investments coming from China. Will this impede the growth of this particular sector in India?

And secondly, there is a feeling that India needs to decouple from China as far as the supply chain is concerned, and we remain very, majorly dependent on them for solar panels. Do you think it is possible for India in the short to medium term to reduce dependence on China? Your take on this.

My understanding about the recent Ministry of Commerce's policy changes with respect to taking over the companies. But in this industry, we have grown five times in six years, right? Something like that. And there has been great opportunities for any country or any company from outside the country to come and invest in the companies in the renewable segment, which has not happened. We have all been hearing about it, talking to them. It's not that people were not speaking to them, or they were no tie ups.

There have been major announcements too in one or two cases about

Chinese companies coming over here, starting the manufacturing. Nothing of that sort of materialised and now all of a sudden there has been a great change which has happened in the supply chain of this country or in China, which will actually make those guys come and flock here and start manufacturing. The important factor here is that there are enough safeguards in the country. And what was expected is like the technology comes from anywhere, and then that lets it grow. So I don't foresee this takeover anxieties.

Coming on to the renewal even though there has been some news which we have been hearing about it, but I think to me there were opportunities in the past and nothing big has changed.

I think on the renewal segment too, it was realized that the tariffs are critical and important for this industry to grow. And hence, the initial thought process was that the least cost option should be propagated, and hence, we have imports coming from China. To some extent there was an attempt to I would say curb that or constraint or ring fence it did safeguard duty which has not been very successful. So, I do agree with you that if it is just an immediate impact of saying all imports are difficult, then this country today is not in a position to self sustain. Because you know, it is not only the panels and cells, you need the complete system to first the polysilicon if you are using that technology, or then the wafers comes into picture, and then only the cells and the panels, and then the glass and for making the panels and even for making the cells too and then the machinery.

In a nutshell, I don't foresee a major threat to the renewable industry or most not forcing any major trade. In the past too the Chinese manufacturer will welcome to set-up the plants here, which has not happened for some reasons. If they will set up the plants in future it will be good for this country too, it will give employment, it will bring on new technology, maybe there will be competition at a better level. So, even the Indian manufacturer is going to upgrade to that competition with those technologies. I think the competition is always good.

However, having said that, I don't think so, India today is ready if we have abrupt closure of import. But if it is happens in a phased manner, which I have been foreseeing and this is what I have heard from the Secretary and the Minister of power and new and renewable energy,

speaking about that there will be a phased manner of enhancing the or nudging And incentivizing the Indian industry, and then curbing the import from China. I think that's how it will look.

You mentioned that domestic manufacturing needs to be nudged in a phased manner. That was probably the intention two years back when the safeguard duties were imposed on China. Now, there are reports that they may be extended going forward, what is your expectation?

And do you think, you know, in hindsight that the safeguard duties you mentioned that it hasn't had an impact from imports on China, I think the impact has only been to the extent of 10 percentage points, but has it helped the domestic industry in creating technical know-how, so that you can substitute imports from China or you need a more longer-term horizon and safety, higher duties on China for domestic industry to take off?

We have a safeguard duty which was imposed and all those projects, which were prior to the imposition of the safeguard duty, were given a pass. So, in a way, if those projects would have selected Indian manufacturers, they would have been at a disadvantaged position because you are not getting a pass-through for further modules, procurement.

So, you were actually in our disadvantageous position, let me repeat that. And all those projects, which have been bid during the safeguard duty time, were now being built in a manner where the safeguard duty is going to end in July. So generally you are given 18 to 21 months for any project to build as a developer, and this whole safeguard duty has been there only for this area or this with this respect. So what happened is respect. What happened is that most of the developers are now looking for importing after 31 July and hence, the safeguarding is also not affecting them. It's only the rooftop which happened in between those particular projects or some other projects, which were impacted with the safeguard duty. So if you look at it, even though we have added around 8 to 10 GW in this period, projects have been built, there is hardly any impact of those projects as far as the safeguard is concerned.

What I have heard from the ministry on an informal basis is that maybe

there will not be any extension of safeguard that has come on a formal basis, but we still have to see how things work. And if there is no extension of the safeguard, I think, we are not expecting any further support on that matter even though there is a BCD which is mentioned out there.

I think there has been support given to the Indian manufacturing especially when we have this new as we call CPSU scheme, Tata power has won projects worth more than Rs 3,000 crore on an EPC basis. We are going to utilize our own cells and modules and it mandates the Make in India cells and modules. Now, even if you look at the pump segment, which is there is no subsidy given even again we have India made in India cells and modules. I think those initiatives have supported the manufacturing lot more than in isolation with the safeguards. Now, those initiatives are somewhere where you have been mandated to use and you have been using it. So, re-fencing the current manufacturing. The second part which you asked the question is about having able to compete with them, I think it is the technology is no different. Now, when we will go for an expansion in our manufacturing, of course, we will go with the latest technology and it is not a prototype of China. The technology is available for anyone and everyone. The Chinese advantage is their scale and their whole supply chain has all been aligned in that manner of making the most cost-effective products, whether it is panels or in any other product, I think in India we have to also then have that sort of support system on all the elements which goes into a panel including our energy cost, and logistic cost which we have out there. It is also important for India to invest in our own manufacturing because if we are looking for an expansion of 10 MW per year even in solar. I think it's not a difficult task to complete. And now we are looking for storage and are also looking for enough opportunities for us to compete.

Recently the MNRE secretary mentioned that all this COVID incidence is a wake-up call and domestic manufacturing is important because growth has been impacted from China. Do we see companies taking up manufacturing?

He also mentioned that we don't need to limit ourselves to only cells and modules. Can Indian manufacturer do it?

Now today when these Chinese have gone off from the radar screen for some time. Yes, there was a major issue with many of us who are EPC contractors as well as a developer primarily because of our dependence on China. Now, even if we have our cells and modules, I need wafers from somewhere, someone needs to produce wafers. So Mr. Anand Kumar, the MNRE secretary is very right that it is a wake up call.

If there are returns of the business why will people not invest? We have seen across developers, competing with each other. Some of the reverse auctions in the past used to go for 16 hours, so there was so much eagerness to develop a project... why wouldn't anyone keep on investing while there is only Tata which has started manufacturing in 1989, and for 30 years are still there, but are still at a 400-500 MW level. Because of the fact that manufacturing is not a transaction, you have to look for a long-term horizon.

I think it is a wake up call. I do agree. But then we just can't work on it because of our emotions, or because we had a bad incident. All of us are keen to invest, provided, we have a long term certainty of our products being sold on a profitable business. And I think that is most critical part and if we can sell it on a profitable business, I think this country has the potential to even export it. I have a firm belief, renewable, is an IT as far as India is concerned. It's as good as an IT industry. We are not taking advantage of it at the current level, so if we have a policy change, which happens with you know, unlike the developers or unlike the EPC business manufacturing is a long-term commitment. It is not one project or two projects. It's a capital expenditure, which requires products to be sold on a long-term basis. And in this particular field, the technology changes so fast unlike automobiles, that you need long-term commitment of investment in technology and inward investment in capital that can only come once you have a long-term view of whether the products can be sold in this country or not.

I think once we have that policy framework in place, there is no reason why we only talk about cells or modules, even the wafers and the glass, the steel and aluminum can always be produced, it's not rocket science.

Also, SECI comes up with a manufacturing-linked bid. And also, as you also mentioned about basic custom duty. So both put together, wouldn't that also give a boost to domestic manufacturing?

I do agree that once we have a basic custom duty coming into place and we have SECI tenders, which are made in India, there will be enough uptake.

When we have these policy changes coming into place, we look for them for a long-term horizon. It cannot be a one-off tender and the SECI tender which are coming now, if you look at it has given us the impetus, the CPSE tender which we keep on saying that today I have a Rs 3,000 crore from two EPC projects and more are in the offing, its definitely giving us an impetus out there. But even on those projects, all I need is cells I don't need Made in india. So, I think it's a chicken and egg story. Someone has to invest in the manufacturing to make it cost effective and that can come when we look at long term horizons. If the basic custom duty comes on and that remains for long, even for a longer duration, of course, the manufacturing will get an upswing.

In fact, two weeks back I heard Trump... I think it was shared in [Chinese Stock Exchange](#), or one of the companies which has announced the manufacturing capacity enhancement to 16 GW. Now if that it's true, we are talking of the half of the world requirements being met by one company that is the competition we have. Now, that is a competition which we need to deal with. I think the renewables are here to stay. But then when we speak about manufacturing, we have to look at the scale which is very critical for us and it will not come with one tender, two tenders two CPSUs, three CPSUs it means the whole support system to the manufacturing. Chinese give power subsidies, give land subsidies, give capital subsidies and then you have a scale, which helps.

I think we need to work on a lot of things. Industry would be very happy to invest, provided we have the longevity of the uptake and the profitability of that offtake. It's important to have companies which will sustain for 25 years because each one of us is guaranteeing our products as a panel for 25 years. I'm not really sure how many across the border will remain for 25 years, even if you haven't got any papers from them, for these companies to honor that. So I think they are all the reasons why we should have made in India. Having said that, you have to look at it as a long-term policy framework to support it.

Are there plans from your side to increase your manufacturing

capacity? How much is your order pipeline now?

Tata Power Solar today has more than 2.65 gigawatt of power value in large projects, which is unprecedented. None of our competitors are anywhere close to it. On the pumps we have done three times more than any competitor as well as the agricultural pump is concerned. Last year, I think we did three times more than our nearest competitor. We remained number one EPC rooftop player for the sixth year in a row.

Our solar team is the flag-bearer in all those three segments where we are working. We are also looking at the enhancement of all manufacturing. And currently we are looking more from a technology standpoint rather than the capacity standpoint, but here we have the plan.

But then we need board approvals for those plants to fructify.

On the technology line, do you plan to add more products to it?

While we are looking at various technologies, that's not something which we are immediately going forward unless we see what comes from a policy framework to support it because in the current framework, it is not cost-competitive to make wafers or poly on a short term.

Can we assume that we have reached a point where the changes in technology would be very minutely incremental? So you can invest a significant amount in the current model and scale up operations.

But there is always a chance, as you said with the other technologies that are in the nascent stages right now to become more competitive and cost effective in the future. Which would also mean that if you invest too much right now in contemporary technology as it has been with the sector. So does that also not deter the industry to invest significantly in manufacturing? And does this phenomenon not in line with the government thinking that we should be expanding the manufacturing base?

In my view, the industry should be given the option to invest where they are most comfortable, but they are the one who should take the risk. It's a business risk as far as any technology is concerned in case of

manufacturing. So you're very right, that in this current frame of work, we don't see much change in technology on module manufacturing. We see a lot of change of technology on the cell part. So, the module can be the little modifications, with a little size increase here and there can go on for reasonably 5 to 10 year horizon cell is something that... the typical capital expenditure which we do in thermal cycle or in any other manufacturing, if anyone has put across that particular part, you look for depreciation for many, many years.

I think it's safe to say that in between 7-10 years the module industry will not change, your investments can come back between 5-10 years period. And on the cell part, between 3-7 year period. If you can take a call that this technology will remain cost effective for the next few years and you have enough scale in place to get your returns.

Rooftop solar has taken a hit. But with a current situation as you said the companies will not be investing in the rooftop solar at all. So do you think of taking a step back from the rooftop for the time being and focus more on EPC?

I think there are two key factors like Tata Power Solar has always been focusing on EPC and manufacturing. We are very proud of what the team has achieved. Again, the rooftop in a shorter period will have some de-acceleration, but not a long-term period. I think it is going to remain beneficial.

A long-term because the fundamentals of the C&I segment as well as rooftop is concerned is very strong after a short period of three to six months, it will again bounce back.

Do the companies' solar pumps come under the KUSUM scheme and are you also into their manufacturing and if yes, then are linked with the solar-manufacturing in some way?

Our company did 12,500 pumps in FY20, which is three times more than anyone else. It is a business on which we are focussed as far as manufacturing is concerned, it is not our core strength today. Secondly, government policies say that for subsidy you need your own modules and you cannot participate in the recent tenders unless you are a pump or a power manufacturer. So, we participate there as a panel

manufacturer. For pumps, we have OEMs which have been certified with our system so it is as good as our own manufacturing. In fact, we are now developing even more OEMs and their productions are coming to us.

How are you focussing on the rooftop and storage side?

It is the future. For the country, it has been a good solution. We have created solutions and we have been supplying it too. We expect more business coming our from the storage part. On the residential rooftop part, it is going to be our focus.

What is your take on the recent MNRE decision on the 30-day extension for renewable energy projects beyond the lockdown?

The MNRE has been very proactive. I think the 30-day period will not be enough. I feel 30 days is a constraint and a strain on the project. I think it will not help primarily because in renewable projects, we ramp up very quickly at the fag end. If the period is only up to 30 days then we are expecting ramp up within that period, which is not feasible in the way the current lockdown has been. So, while the initial stage of the project, the total duration being seven to eight months, for the first three to four months, we hardly have two to 300 people at the site. But in the last three months, we have 800 to 1200, workforce at a site and that is where we are making these projects so cost effective and reducing our working capital in shortening the time frame. It is going to be a major challenge.

Realistically, it should be 60 to 90 days.

No one is really keen to extend the project because we have already invested in it. Why would we add any developer or EPC contractor who will take more time than required and invest their own money in the interim period. I think everyone likes to complete the project ASAP. And then the developer would like to earn from it and EPC contractors would like to work somewhere else. So there is no reason for a EPC contractor to extend beyond a requirement. But, the 30-day expectation is too much to ask for in the current scenario when there is so much uncertainty.

MNRE should have been more gracious in understanding the realities of life.

This force majeure has to be discussed between the discoms and developers and then the developers and the EPC contractors . We have a situation in place where everyone should be aligned in place to minimise the loss to anyone of them in this food chain rather than coming to a negotiation framework where one is over other . Whenever we put pressure, the gaps will emerge and it will harm the industry and there is no reason for anyone to gain by having more time to be spent on a project they have conceptualized.

Do you expect the Aditya package soon for discoms? And do you see the draft amendments to the Electricity Act affecting the RE business?

For the Aditya package, we are expecting certain announcements from the Ministry. We have been hearing about it, which will be a sort of, I would say payments to directly to the disk comm with certain financial support coming from IREDA or PFC. That's We still have to see in what form and when it will come, if at all it will come. But we have been hearing about it. I have personally not heard of any revised Aditya-II or Aditya-III on that matter. But, the fact remains that we do need to address the challenges and the issues of the distribution company.

Till that time, all of us will be doing our bit, which is not going to help us because the buck stops with the distribution companies. And unless we address that challenge. It is going to be a major impediment in the growth of the power segment, especially renewables.

Regarding the draft amendments to the Electricity Act. We have been reviewing it, there are certain welcome changes which are coming, even for the RE segment. It is only going to help the sector. We have been keenly looking for an amendment for quite some time, especially the RE business.