Imports & Bottlenecks Faced Developer’s Perspective

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Welspun Group Profile

A US$ 3.5 Billion fastest emerging global group with diversified portfolio - multiple countries strategy

Diversified business interests with leadership position in each business:

- Top 2 Large Diameter Pipe Company in World
- Globally renowned towel company

Key Markets - 80% export to US, Europe, Latin America, Africa, Middle East, etc

International Setup

- Christy, UK & Sorema, Portugal
- Textile facility in Mexico
- Office in Manhattan-NY, Huston-US
- Pipe & Coating Facility in Arkansas, US & Saudi Arabia
Welspun’s Growth Path & Recognition

- Welspun Corp: Top Indian Company under Metal Pipes-Dun & Bradstreet 2010
- Welspun Corp: Star Performer Award for the Year 2008-09 - EEPC 2010
- Welspun India: Vendor Excellence Awards 2009-2010 - Target
- Welspun India: Gold Trophy for “Best Exporter” - TEXPROCIL - 2008
- Welspun India: Sustainability Award - Wal-Mart in 2007

Mr. B.K. Goenka, CMD Welspun, accepting the ‘Emerging Company of the Year’ Award from the Prime Minister of India Dr. Manmohan Singh
Welspun’s Renewable Portfolio

- 30 MW – Operational
- 220 MW - Under development
- Successful bidder in
  - JNNSM Ph-1 Batch-2 – only bidder to have bagged 50 MW capacity
  - Karnataka Solar bid
  - MP Solar bid - only bidder to win 105 MW PV project in India
- Business plan by 2017
  - Solar – 1000 MW
  - Wind – 3000 MW

15 MW Project in Gujarat- commissioned in October 2011

5 MW project in Andhra Pradesh- commissioned in Dec’11
Solar Tariff - Trends in India

JNNSM & WEL is instrumental in bringing down solar tariff to Rs 8 level.
Bottlenecks & Challenges

Policy Challenges

Execution Challenges

Financing Challenges

Technical Challenges
Policy Challenges

- **Lengthy process involved to avail duty exemption**
  - Involvement of multiple agencies – State & MNRE
    - Issue one time BOM approval by MNRE
    - Allow duty exemption on CEO’s certification

- **Small capacity projects**
  - Capacity of 50 MW and above to drive down tariff
Policy Challenges

Allow SEBs to claim RECs for the purchase of RE power beyond the RPO limit

- RPO target – 15% from RE projects by 2022
- Solar RPO – 0.25% in 2012-13; to be increased by 3% per annum
  - Strict enforcement of RPO obligations by states
  - Promote REC bilateral trading
  - States with good resources should be allowed to take REC beyond the RPO target

Restriction on Solar plant CUF

- With evolving solar technology, CUF restriction in the PPAs is an obstacle
  - Restriction on upper CUF to be taken off
Financing Challenges

❖ Project financing
  • Less time available for project evaluation & financial closure –
    ✓ Lack of understanding of RE sector
    ✓ Need clarity on land & major contracts
  • Ovrall Sectoral Cap – Most banks reduced the allocation for power sector, considered as high risk area.
  • RE Sector – Low risk, but need separate allocation
  • DE ratio and Tenure a big concern -
  • Long duration requirement for international funding agencies

❖ Payment Security
  • A major concern for Investor & Lenders – Financial health of SEBs/Discoms
  • Timely payment - concern even on JNNSM
Execution Challenges

- **Land acquisition**
  - Delay in Land acquisition impacting basic design, procurement & construction
  - Time delay in NA conversion
  - Right of way

- **Enhancing grid infrastructure**
  - Advance execution of grid infrastructure

- **Infrastructure**
  - Poor infrastructure facilities – construction power, water, basic amenities, etc
    - State Govt. – develop large Solar Parks in advance with –
      - Land
      - Power evacuation
      - Construction power & water
      - Infrastructure
Technical Challenges

Local content requirement – Detrimental to growth of solar projects

- Technology
  - Non availability of advanced technology for thin film in India
- Demand supply Mismatch
  - Solar RPO target of India by 2022 ~ 40 GW; Existing Indian manufacturing capacity 1604 MW only – (Crystalline – 1504 MW & Thin film – 100 MW)
- Domestic supply is not cost competitive
- Raw Materials & Machinery – generally imported
- R&D – Negligible expenditure in R&D space
Technical Challenges

• Automated solar manufacturing industry requires less manpower
• Manufacturing accounts for only ~14% of solar jobs
• Installation, Sales & distribution accounts for ~57% & 21% of solar industry jobs
• 1 GW manufacturing line employs 300 manpower (i.e. 0.3 people/MW)
• Installation requires 55 people/MW
Technical Challenges

- Technology & quality of Indian modules still need to be proven compared to imported modules
- Imported modules are cost competitive – bring down tariff
- Imported modules are ready stock – No delivery concerns

Suggestions –
- Govt. subsidy in manufacturing sector for
  - Improved efficiency and R&D
  - Low cost manufacturing
- Remove all restrictions on domestic content to bring down tariff
Summary

- States should identify potential sites with good solar radiation
- Develop Solar Parks with Land, Infrastructure, Power, Water and evacuation facilities – In advance
- Implement RE capacity addition on long term basis
- RPO obligations should be enforced
- No restriction on import of equipment
- Simplify administrative procedures
THANK YOU