

Chinese solar module firms renegeing on India contracts

Chinese manufacturers said to seek upward revision in price of up to 6 cents per watt to supply equipment already contracted for as module costs firm up globally

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In what has come as a shock to India's solar power developers, Chinese module manufacturers are renegeing on their contracts and are demanding an upward price revision to supply the equipment already contracted for, said several people aware of the development.

Any price increase will impact the internal rate of return (IRR) from such projects, many of which have already signed power purchase agreements (PPAs).

Some Chinese suppliers have sought an increase of around 6 cents per watt in module prices in a market which they dominate. Module prices are currently around 37 cents per watt. Modules account for nearly 60% of a solar power project's total cost.

"Many Chinese manufacturers are going back on their contracts. They are completely renegeing on the contracts signed with Indian developers," said Hero Future Energies chief executive officer (CEO) Sunil Jain.

"We did a contract in June for a delivery in August. The Chinese have come for renegotiation seeking a price increase. The Chinese manufacturers are aware that we



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have a firm deadline and that the failure to meet it will result in penalties on us, so they have resorted to this strategy," alleged a New Delhi-based CEO of a firm that has been actively participating in India's solar auctions, asking not to be identified.

Module prices have firmed up with China extending the feed-in tariff regime—which ensures a fixed price for power producers—for the third quarter, and with US developers placing advance orders to shore up cell and module supplies amid demands for a cap in pri-

ces of cheap imports into the US.

"The new Chinese offer is either to accept the new prices or cancel the contract. One can't work like this," added a top functionary at the second firm who also didn't want to be named.

Major Chinese solar module manufacturers include Trina Solar Ltd, Jinko Solar, JA Solar Holdings, ET Solar, Chint Solar and GCL-Poly Energy Holdings Ltd.

"Developers have been complaining about Chinese manufacturers increasing their prices. Since the tariffs have already been dis-

covered and the PPAs signed they may have to take a hit on their IRRs," said a person involved in devising and running India's solar park bid process.

A Mytrah Energy spokesperson said in an emailed response: "We wouldn't like to name names due to obvious reasons but it is fair to say that we have witnessed top-tier and very large suppliers as well as smaller suppliers renegeing contracts in a fairly casual manner."

This comes at a time when states are now looking to renege on their offtake commitments for projects awarded at a comparatively higher tariff triggering concerns that it will precipitate a crisis in the Indian green energy space which has been attracting investors in droves. (bit.ly/2wvuuCA6)

Queries emailed to Trina Solar, Jinko Solar, JA Solar Holdings, ET Solar, Chint Solar and GCL-Poly Energy remained unanswered. Queries sent to India's new and renewable energy ministry spokesperson also went unanswered.

Some believe having long-term relationships with quality suppliers holds the key.

"There can be blips in terms of supply and demand. So one must think about one's procurement strategy with suppliers having long-term goals rather than ones with transactional approach," said Inderpreet Wadhwa, founder and CEO of Azure Power.



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