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We plan to invest Rs 12,000 cr to set up solar manufacturing capacity: Sharat Chandra, Shirdi Sai Electricals

Q&A with Sharat Chandra, Chief Executive Officer, Shirdi Sai Electricals

Sudheer Singh & Aarushi Koundal • ETEnergyWorld • April 05, 2022, 06:50 IST

*Shirdi Sai Electricals Ltd (SSEL) has been in news for winning the bids for setting up solar power manufacturing capacity under the government's ambitious Solar PLI scheme. The government may have opted for rebidding, but the company has drawn up an ambitious plan for long-term growth focusing on the solar manufacturing value chain. The time is ripe for India to establish itself as a solar hub and, to take part in that larger national solar power ambition, SSEL has plans to invest between Rs 12,000 crore and Rs 13,000 crore to set up 12 GW of Polysilicon and 5 GW of Ingots to Module capacity, Chief Executive Officer **Sharat Chandra** tells ETEnergyworld in his first media interview. Edited excerpts..*

Can you briefly share the key aspects of the company's history, business segments, and growth strategy?

Shirdi Sai Electricals Ltd. (SSEL) started operations in 1994. It was modestly started 27 years ago by our Managing Director, Mr N Visweswara Reddy. The ISO 9001 and 14001 certified company has since grown to be the second-largest distribution transformer manufacturer in the country. The key to success in our domain is to produce energy-efficient products along with the conventional oil filled transformers. We entered into a technical collaboration with Hitachi Metals, Japan, which helped us fast-pace our growth. Our next focus was to invest in backward integration that would enable us to deliver better quality and timely delivery of our products to our customers while ensuring improved cost optimization. We expanded to our own processing of copper, aluminium, electrical steel and transformer tanks. The next aspect was to integrate automation into our manufacturing line. This helped us gain further traction in our line of business.

After gaining a strong foothold in the 66 KV market, we decided to augment our product range with the 132 KV, 220 kV and 400 KV transformers. As a part of our expansion strategy, we acquired the majority shares from Prolec GE in 2019 in Indotech Transformers Ltd., Chennai. Indotech eventually merged with SSEL as a subsidiary and we now manufacture transformers of 132 KV & 220 KV capacity from our Chennai facility. In 2021, we signed a definitive agreement to take over the manufacturing facility of GE T&D India, Naini to venture into regional markets and into 400 kV segment. With these acquisitions, our current capacity has scaled to around 30 Gigawatt, which is almost the biggest capacity available in the country today.

Today, we are the largest manufacturer of distribution transformers in India and cover the entire spectrum of future-ready transformer solutions. As a leading EPC player in the Transformer & Distribution (T&D) sector, we are also present in HVDS and substations.

At what point did the renewable energy business start taking shape?

We considered moving into segments like renewables as a part of our sustainability efforts. Within renewable energy, we deliberated over hydro and solar projects, and decided to bid and develop solar parks. While working on solar parks, we started to explore the causes for fluctuating prices of solar panels. Our manufacturing expertise helped us look beyond modules into the entire value chain of manufacturing. This was coincidentally the period when the government started to actively promote the Atmanirbhar Bharat campaign.

With a vision to mark our presence in new product categories and markets, we decided to penetrate the solar panels business. The announcement of the Production Linked Incentive (PLI) scheme couldn't have been at a more appropriate time. As there was business scope beyond modules coming from transformers, inverters, and other equipment like cables; we decided to build a one-stop solution for the solar components and participate in the PLI scheme. Our commitment was not only to cover the entire value chain but also to manufacture most of the components indigenously. This proved to be a turning point with SSE emerging as L1. Our business ethos, agility and foresight aligned with the government's vision.

So, going forward, from a strategy point of view, you would want to be in manufacturing or development or both?

Our primary focus is in the manufacturing segment but if it makes business sense, there is always the possibility of picking up project development activities too. We have the modules, transformers and inverters, which definitely gives us an edge during bidding. Within the manufacturing area, in addition to modules, along with ingots or wafers, we are keen to bring polysilicon to the market.

What is the company's current capacity in each of these segments of the solar value chain and what is the larger plan to expand that base?

Anything less than 10-12 GW in Polysilicon would be an unviable proposition. This assessment is based on our study of economies of scale. In addition, we can ramp it up to 5 GW of modules and the rest of the 5-10 GW polysilicon can be sold in the market. While this plan seems feasible, there are always factors like market response and success in bidding that need to be considered too.

The government has called for re-bidding or fresh auction under Solar PLI scheme. It is now likely to introduce a minimum 90 per cent clause in the new bids. How do you look at this development?

I would like to reserve my comment on this but any attempt that helps in bringing more manufacturers for this market is good. When 90 per cent of the components are produced within the country, it provides a major impetus to the other downstream manufacturers and vendors. The government's commitment and support to our industry is indeed remarkable. Apart from China, I see India developing as a major hub for solar manufacturing. It is a golden and exciting moment for India where it can gain from this global opportunity.

Assuming everything goes well, what kind of investment would go into releasing this plan and setting up these large capacities for the solar manufacturing value chain?

Even before the PLI scheme was announced, we conducted a feasibility study to understand the requirements for this business. We have an estimate of the size - 12 GW of Polysilicon, 5 GW of ingots to modules capacity, etc. All of this capacity will come up in a phase-wise manner, depending upon the availability of manpower, machinery, etc. We believe we can scale up to 5 GW of module capacity and 12 GW polysilicon capacity within a timeline of three years. The cost of this capacity creation would be in a range between Rs. 12,000 crore and Rs. 13,000 crore. We are in discussions with several multinational company (MNC) funds but it's premature to share details now.

The focus on backward integration, processing of basic raw materials, would continue going forward?

Yes, this will be a significant aspect of our business. Today, we have a turnover of more than 270 MUSD of business annually. Over the next 3-4 years, we aspire to become a $1 billion company. We are also eager to explore manufacturing in developed nations and don't foresee any major challenges in our growth projections. We have added two large companies in the transformer business to our portfolio and expansion in the inverter space is in the anvil. Down the line, we visualize a $350-400 mn business in manufacturing, another $150-200 mn from EPC, and around $400-500 mn from the solar segment.

Can you share how you plan to go about raising the funds you talked about?

We are looking at 25 per cent equity and 75 per cent debt. As far as fund raising is concerned, we have multinational entities expressing interest by investing advances for modules with a multi-year agreement. We shall share these details at an appropriate time.