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India's current solar module capacity inadequate to meet annual demand: RBSA

According to an RBSA report, requirement of 5,00,000 MVA by 2022 will require an investment of Rs 43,000 cr

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The government's ambitious target of 60 Gw of solar power projects in the country is not void of challenges, especially in terms of funding and equipment.

As per a latest report by consulting and advisory firm RBSA on solar power in India, the requirement of 5,00,000 MVA by 2022 will need an investment of Rs 43,000 crore. However, at 5.6 Gw per annum, India's solar module manufacturing capacity would be inadequate to meet the annual demand for 15 Gw as of now. At the same time, India has mandated use of locally manufactured solar cells for 3,000 Mw installations (where developers have sought subsidies).

The US has challenged these norms at the World Trade Organization.

Laying out other key challenges in meeting the target, the report states that low bidding levels through reverse auctions have been a major concern at a time when the Indian banking sector is going through its own challenges, which could make borrowing much more difficult in the short-term.

According to the Reserve Bank of India (RBI) data, bank loans worth Rs 7 lakh crore (about $103 billion) were under stress as of the end 2015. Currently, 19 developers have bid for 2.9 Gw of solar projects below Rs 5 (about $0.0735). About 1.2 Gw of these projects have signed power purchase agreements (PPAs), the report stated.

As per the RBSA report, the ambitious target for solar power could also face funding blues.

At a capital cost of Rs 5.30 crore per Mw, the cost of setting up 1,00,000 Mw of solar plants works out to Rs 5.30 lakh crore. Even at a debt-to-equity ratio of 1:3, this will require debt to the tune of Rs 3.5-4 lakh crore. Promoters will bring in additional Rs 1-1.5 lakh crore, the report further states.

Going forward, grid infrastructure and equipment manufacturing would require additional capex of Rs 7-8 lakh crore.

As on March 31, 2016, Powergrid has 2,55,667 MVA. This needs to be increased to 5,00,000 MVA by 2022, which will require investment of Rs 43,000 crore, RBSA reported.