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The easy and abundant access to sunlight in India implies that a company like Ujaas Energy will definitely keep getting stronger in the years to come

“We Wish To Remain An ‘Asset Light’ Company”

Ujaas Energy has been working in the field of engineering from more than three decades. It started its journey in 1979 in Indore under a proprietorship named M&B Switchgears. The company during its initial years was involved in manufacturing transformers and panel meters for energy controlling. At present, besides the transformer industry, Ujaas Energy Limited is putting its sincere efforts in contributing towards green energy. Excerpts from the interview:

Could you elaborate about your company's operations and the outlook going forward?

Ujaas Energy Ltd. is a one-stop solution provider for solar power plants, be

it a rooftop or a MW level plant or investment in a solar park. Ujaas has earned its goodwill as a top player in establishing solar parks where small to medium investors (starting as low as 200 KW) can invest in a solar power plant and can earn a decent inflation-linked IRR for 25 years and beyond. Most people in India have not yet considered investment in solar power plant as an asset class. However, it is time they look at it with the view of building an investment portfolio in the power segment. You can safely compare this investment with a debt fund. There are only two differences: a) It fetches a better IRR and b) Exit is possible by way of sale of plant.

We have ventured into the rooftop segment in a big way and it is fetching a good response with the promise of increasing returns in the coming years. We have a proper sales team placed on a

pan-India basis and we are very bullish on the same. Further, there are many government, PSUs and others installing huge solar capacities, pointing to the fact that there exists good potential ahead for those who can provide complete solutions. We have already tasted success in this sector.

How has the situation changed with the Narendra Modi-led government in power and the thrust towards generation of more renewable sources of energy?

In January 2010 when JNNSM (Jawaharlal Nehru National Solar Mission) was launched in India, no one was able to foresee the business potential this would unleash for the Indian business community. The then target of 20,000 MW (20 GW) till 2022 seemed to be a Herculean task. However, the

concerned ministries and bureaucracy began to start working in that direction and harnessing of solar energy came to the forefront. Some out-of-the-box thinking was brought into play and the country saw a few new concepts for the first time in history, including reverse bidding, REC mechanism, etc.

Given this background, the coming to power of a new government in 2014 has provided a renewed fillip to this mission with the revision of the solar target to 100 GW till 2022. I believe that the right steps are being taken in the right direction.

Here are some examples in terms of the existing tax structure and other benefits:

- Investors can avail of accelerated depreciation (AD). This implies that through AD an existing profit-making business/professional can set off the existing profit equivalent to the extent of the investment in solar energy. Say a business is earning ₹100 as taxable profit in a financial year, then if an investment of ₹100 is made in the solar energy sector the existing business need not to pay tax on ₹100. The same is applicable for any kind of solar project, including rooftop.
- There is a provision for benefiting under Section 80(I)A which provides an option to avail of tax-free income for a period of 10 continuous years. For example, if a business has installed a 100 KW rooftop solar plant on its premises, the electricity bill will be reduced from the amount of power generated through solar energy. The levelled cost of generation of per KWh of solar is in itself economical than the utility tariff and it makes business sense to use solar power. The cherry on the cake is that you can get a reduction in your tax liability through Section 80(I)A.
- Lending to solar is now under the priority sector with a loan limit of up to ₹15 crore. The benefit of being under the priority sector that it attracts a saving on interest rate of 1-2 per cent.
- Solar power installation is a valid

activity in CSR as defined in the new Companies Act. Hence, if business is not in need of the above said tax incentive, it still can go solar by classifying this expense in CSR.

- The buzz word now is 'Go Green' and your customer will definitely appreciate your initiative. It can be used as a direct marketing tool in an export-oriented business since the western world attaches great importance to energy conservation and it also helps to attract investors' confidence in companies that are in the listed space or looking toward being there.
- The cost of putting up a solar power plant can be added to a home loan. This helps in getting an interest rate that is lower than what is levied for a business loan. The tenure can be of 10-20 years.
- The solar cost has come down drastically in the last three years, so much so that now there is no need for subsidy. The government has reduced the subsidy to 15 per cent and this too is mainly available only for government buildings. Some states like Telangana provide subsidy for small home rooftop systems. An increasing number of states are opening up and releasing their tight control over the power sector and this will benefit the sector in the long run.

What is your current order book in terms of MW and how is the inflow of orders?

We are sitting on an order book of approximately 70-80 MW in the EPC space and 2,000-3,000 KW in the rooftop space. We hope that the same may be 3x to 5x of the existing position till we reach the end of FY16.

Can you please explain how does the cost matrix work for solar power compared to other sources of energy be it renewable (wind) or non-renewable (fossil fuels)?

Solar is very quickly achieving grid parity. The sole contributing reason is the

declining cost of solar PV modules. As our company operates in the EPC space all such cost advantages or disadvantages pass from us to the final investor.

There is a lot of volatility in your financials. After posting revenue of ₹525 crore in FY14, the company posted sales of ₹111 crore in FY15. What explains such erratic results?

I personally categorize the importance of 2014 to quite an extent and would compare it to the year 1947. Yes, there was quite an impact on the business since the first six months witnessed complete policy paralysis in the country and for the next six months our major market under the REC mechanism was stalled due to delayed orders from the CERC. The order came on December 31, 2014 and after that putting up a solar plant in the next three months was practically not possible. But now things have changed and you can see the effects from Q3 onwards.

What are the capex plans of the company for the next couple of years and how is it going to impact your topline and bottomline?

We operate in a segment which does not require much capex; hence our only requirement is opex or working capital. Therefore, our topline and bottomline move in sync. We wish to remain an 'asset light' company.

What are the current opportunities and challenges that you see in your sector?

India is a blessed country when it comes to solar energy because we have clear sunlight through most of the year. Even the worst place in India can generate more than the best place in Germany. I always compare solar with telecom because just as wireless telephony has made it possible to reach the last mile very quickly, so will solar power reach every place across India in a short time. ■