Trade barriers with China will adversely impact us: NTPC arm

DRHP lists several risks, of which China imports a major factor

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The green energy arm of India's largest power generator, NTPC, has said in its DRHP filing that the government's restrictions on trade ties with China will adversely impact its business, given that the neighbouring country is a leader in solar and wind equipment manufacturing.

NTPC Green Energy Ltd (NGEL), which filed for the IPO last week, is aiming to initiate the listing in the next two months.

The DRHP of NGEL enlisted several risk areas to their business, of which imports from China is a significant factor.

All the green energy projects of NTPC were housed under NGEL when it was formed in 2022. Solar and wind power projects, initiatives such as green hydrogen, energy storage form NGEL's portfolio.

"Any restrictions or additional duties imposed by the governments of India or China, or of any other exporting countries could adversely affect our business, results of operations and prospects. Any restriction on purchase of materials, components and equipment from outside India could have an adverse effect on our ability to deliver products to our customers, and our business, results of operations and financial condition," NGEL said in its filing.

According to the DRHP, NGEL imported ₹1,271 crore worth of solar and wind equipment, all from suppliers in China during the financial year 2023-24.

It purchased equipment worth ₹5,742 crore from Indian suppliers.

During the three months of the current financial year, it has imported ₹283 crore worth of equipment from China and equipment worth procured ₹2,250 crore from Indian suppliers. The company cited the decision by the Union government in March 2021 to impose custom duties on the import of solar modules and solar cells from March 31, 2022.

"As a result, we were subject to imposition of customs duties by government authorities for importing solar modules from China. There is no assurance that other such duties will not be levied in the future," NGEL said. It further added it cannot always pass through the cost on the customer which would thereby hit NGEL's bottom line.

"Though such duties instrumented by the GoI are a pass-through, there may be costs, which cannot be passed on to our offtakers and could have a material adverse impact on our business, financial condition and results of operations," it said.

TAKING STOCK

Solar & wind equipment procurement (in ₹ cr)

	FY24	FY25 *
Indian suppliers	5,742.2	2,250.8
China	1,271.6	283

*As of June

Source: NGEL DRHP

It cited another decision of the Centre launched in 2019, to have an approved list of module manufacturers (ALMM) who would be the eligible entities to supply modules to solar projects being developed through competitive bidding. The decision was widened to include open access and net-metering projects, effective from October 1, 2022.

"As a result of these regulations, our input costs and timeline for commissioning projects may be impacted" NGEL said.

A spokesperson of NTPC did not respond to emailed queries till print time.

Recently, the Ministry of New and Renewable Energy has proposed to include solar cells (a component of a solar module) as well in the ALMM scheme.

Public sector utilities such as NTPC and by extension NGEL are also mandated to procure locally for the projects that they build on their own. NTPC also sub-contracts several solar and wind projects which are then built by a private developer and the procurement norms do not apply.

Several players including state owned NTPC in the past have batted for the deferment of ALMM since it caused delays and cost spikes.

As the domestic capacity is far below the demand, most project developers face delay in project execution. NTPC's lowest bid of ₹1.99 per unit solar power project was struck due to ALMM, sources said, as no domestic player was able to match this low price.

Given its reliance on China, NGEL has acknowledged its inability to determine whether its Chinese suppliers comply with global labour norms.