

# Interview with K. Tarachandani

“We are doubling our capacities each year”



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Kenersys India has been taking significant steps to increase its presence in the wind power market. The company commissioned its first manufacturing facility in the country at Baramati in Maharashtra and started commercialisation of turbines in early 2011. It recently introduced two new turbines in the Indian market – the K98 1.8 MW and the K120 2.3 MW. Kailash Tarachandani took over as chief executive officer of Kenersys India in January 2011 and has played a key role in formulating and implementing the company's expansion plans. In an interview with *Renewable Watch*, he speaks about Kenersys' future strategies and long-term outlook for the Indian wind segment. Excerpts...

**What is the status of Kenersys' two recently launched turbines in India – the K98 1.8 MW and the K120 2.3 MW?**

Both products are currently at the testing and measurement stage. We expect to receive product certification in a year's time, post which we can commercially launch the two turbines in early 2014. As of now, no contracts for the sale of these turbines have been signed.

**Where are the company's manufacturing and R&D facilities located?**

We have one manufacturing site in Baramati (Maharashtra) and one in Germany. Our research and development (R&D) centre is located in Germany where turbine prototypes are developed. Commercialisation takes place in India as well as Europe as we have clients in both these regions. The India facility, which was commissioned in early 2011, has a manufacturing capacity of 500 MW per annum. In 2013-14, we expect to achieve sales of 160 MW of turbines from this facility. In case we plan a capacity expansion, the Baramati facility has enough space available to double its existing manufacturing capacity.

**Do you see a trend towards production of larger-sized turbines in India?**

The Indian market will mature at a turbine size range of 1.8 MW-2.4 MW; we will not be going for turbines with capacities like 3 MW, which is more of a trend in Europe. Moreover, as one moves to

low-wind-density sites, the strategy is to deploy lower-rated turbines in order to have better plant load factors (PLFs).

**Do you think the annual target of 3,000 MW per annum in the Twelfth Plan is realistic?**

In 2012-13, we expect a capacity addition of only about 1,600 MW. Even in 2013-14, the targets are unlikely to be achieved. However, the overall five-year target seems realistic and achievable as many independent power producers (IPPs) have entered the segment in the last few years and have set large capacity addition targets. Besides, with India being a power-deficit country, we do not see any reason why this target will not be met. However, it will take anywhere between one and three years for the impact of the discontinuation of accelerated depreciation (AD) to subside completely.

**How does Kenersys view the transition from captive/small players to IPPs in the Indian wind market?**

For players like Kenersys, it is a favourable scenario for the market to shift from the AD regime to one driven by generation-based incentives. Our turbines are designed in such a way that IPPs can obtain the best use of them in terms of availability, reliability and technological edge. A customer availing of AD benefits would not have appreciated this kind of technology.

Today, we commission projects on a turnkey basis but our preference is to supply turbines

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only. With a turnkey model, in general, turbine suppliers take significant levels of risk. There are many local issues to be addressed and at times we may not be the most competent entity to resolve those issues (such as land acquisition and obtaining approvals from the various ministries). As a result of this, the quality of the project goes down.

The players that entered India, say, around 10 years ago have pushed for the turnkey model. However, as we move towards the IPP market, the scenario is changing. As IPPs take over wind plant development, they will increasingly focus on the most efficient turbines. This will be a positive move for turbine suppliers; they can now concentrate on improving the quality and efficiency of turbines.

**Knowing that equipment providers in India are used to the turnkey model, will IPPs be willing to take that level of risk?**

There are IPPs that have much higher expertise in setting up power plants than turnkey service providers like us. They will definitely like to do some value addition instead of going for a turnkey methodology where there is little value addition by them.

**Are any joint ventures (JVs) or strategic tie-ups a part of Kenersys India's future plans?**

At present, we are not actively looking to form any JV as the Kalyani Group (our current partner in India) has been very supportive and shares many synergies with us, being a technology-oriented group. We will continue to focus on the development of advanced and more efficient turbines, and on maximising synergies with the Kalyani Group. We do not see much else happening for the next three-four years.

**What challenges does the company face in terms of logistics in India?**

Since we are moving towards larger-sized turbine blades (in terms of rotor diameter), delivering them from the manufacturing plant to the project site by road is very difficult. With respect to the towers though, transportation is easier as we manufacture steel tower sections at the plant and

then assemble them at the project site.

**Are we likely to see IPPs acquiring some of the existing wind farms and will they be keen to go in for repowering? Do you see demand coming from this segment as well?**

I would not rule out the concept but there are very few projects like this. If we talk about a 50 MW wind farm with 225 kW turbines installed, it would mean 100-200 developers. Aggregating the small developers and convincing them to sell their wind farms, which are still operational, will be a very big challenge.

**Your product portfolio currently comprises all onshore turbines. Do you see the offshore segment coming up in India? Does Kenersys plan to venture into the offshore segment?**

We are solely focused on onshore segment and have not ventured into the offshore segment yet. There are still large opportunities in the onshore segment where we can maximise returns with the kind of technology we are bringing, before we enter the offshore segment. The cost per MW is still nowhere close to what can be viable in India and we are struggling to get more enabling incentives from the government.

Getting the large incentives required for making the offshore segment viable is even more difficult. For this segment, the per MW cost will be around Rs 150 million to Rs 180 million (nearly three times the current per MW cost of onshore turbines). So we will focus on the offshore segment when it is more viable. There is potential for offshore but it will not come at par with the Indian onshore segment for at least the next 10 years.

**In the case of onshore turbines, do you see the cost per MW falling in the next few years?**

No. In fact, the cost per MW will go up as these turbines will be better designed and will have more advanced features to ensure higher PLFs. The same MW turbine will be able to generate higher levels of power. Due to higher generation, the sale volumes of wind power will increase and the cost of electricity will come down. This will result in a higher internal rate of

return for project developers.

**Regarding the choice of material for towers, are you focusing on concrete, hybrids or steel?**

We are manufacturing hybrid and concrete towers only in Europe. These towers require large wind farm sites, which are not easily available in India. Though concrete is cheaper than steel, its costs go up if you bring in the logistical challenges associated with delivering the towers from the manufacturing facility to the plant site. Hence, it is better to stick to steel. At present, we are producing only steel towers in India. However, we may opt for hybrid/concrete towers in the future in India as well as we have the required technology.

**There have been suggestions of launching a national programme, along the lines of the Jawaharlal Nehru National Solar Mission, for the wind power segment. What is your opinion on this and how will a national-level mission help the industry?**

The wind sector in India is fairly well established but there are still many opportunities to be explored. With some impetus from the government, this industry can go from 2,000 MW-3,000 MW installations to 8,000 MW per annum. If initiatives come through national missions, they can revive the industry. Having said that, even if no initiatives are taken, the industry will do reasonably well.

**What is the company's expected market share in turbine additions in 2012-13?**

We are still a small player in the Indian market as we started commercialisation of turbines in 2011 only. However, we are doubling our capacities each year. In the next three years, we expect to capture a market share of 20-25 per cent in terms of year-wise turbine installations.

**What is your outlook on the Indian wind market?**

Kenersys has a very positive view of the Indian market. We have the right turbines for the current market conditions. With some support from the government for the wind sector, we can help the country harness its wind energy potential. ■