



Should import duty on power generation equipment be raised?



India's ambitious target of setting 100 GW through solar capacity generation by 2022 may actually seek completion by end of 2017 as per the latest statement issued by Power Minister Piyush Goyal. However, the concern remains that the manufacturing capacity in India for raw material to finished goods is still very less compared to the large target which we have set for ourselves. Also, quality norms need to be established for these equipment thereby placing an emphasis to create sustainable infrastructure and projects execution on time. Raising import duty on power-generation equipment on an immediate basis may act as a deterrent to this growth as India's has still not geared up its manufacturing capacity for the said equipments to such levels. Import duty should be raised on non-standard equipment that operates on redundant technology but in order to promote the domestic manufacturing and assuring the proliferation of high-efficiency technologies in infrastructure projects, government should consider continuing zero per cent import duties on the same.

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Import duty raising for the power sector should be done selectively. Import duty can be raised for the equipment or technologies in which India has a strong domestic manufacturing base with access to global technology and capability to produce world-class products. This would safeguard not only the domestic manufacturers but also discourage the developers to use cheaper and inferior quality products. Thermal power developers have already realised this and are now preferring good quality domestic products. Other than lower CAPEX, access to foreign currency loan is also a reason for preferring foreign products. This angle should also be looked into. However, government should keep solar industry out of this ambit. The industry is still in the developing stage and equipment or technologies used are yet to be matured. Increase in import duty would increase the cost of the solar projects which in turn, would pose problems for both developers and consumers. Protectionism without structured development never helps any industry from long term perspective. Government has to empower the domestic manufacturers through suitable policies and incentives so that they become competitive both in terms of price and technology and can fight their global competitors.

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It is the power sector which will set the pace for the growth of the Indian economy. Over the next 20 years, the industry must add 6,00,000 MW of capacity to maintain the growth rate. For many years, the decision to impose safeguard duties on imported power equipment has been pending, causing resentment across the industry. Though imposing more duties will raise costs for the power sector, it will also allow India to increase its manufacturing capacity. In the fast growing solar industry Indian manufacturers are unable to compete with the giant manufacturing base of China on the basis of economies of scale and price. As a result, Indian manufacturers are reluctant to invest more. According to government estimates, the total investment required in generation, transmission and distribution for the 12th Five-Year Plan is \$230 billion. It presents a great opportunity for local manufacturers to grow in accordance with the concept of 'Make in India'. We are hopeful that in the upcoming Plan, the government would specifically have some special benefits in place for local manufacturers in terms of duties or other incentives so as to develop India as a strong manufacturing base.

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