



SOLAR POWER DEVELOPERS ASSOCIATION

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Shri Praveen Kumar

Additional Secretary

Ministry of New and Renewable Energy, GoI

Block-14, CGO Complex

New Delhi

Subject: Request regarding delay in project SCODs due to imposition of safeguard duty on import of Solar cells / panels

Dear Sir,

Greetings from Solar Power Developers Association.

We are writing in reference to the imposition of safeguard duty on import of solar cells and modules for a period of 2 years vide Gazette notification (reference no. 01/2018-Customs (SG) dated 30.07.2018) issued by Ministry of Finance.

Year	Safeguard duty recommended
First Year	Safeguard duty @ 25% ad valorem
Second Year (for first 6 months)	Safeguard duty @ 20% ad valorem
Second Year (for next 6 months)	Safeguard duty @ 15% ad valorem

The implementation of safeguard duty has impacted the viability of on-going projects due to significant escalation in project costs as the same was not factored-in during the time of bidding. Out of all on-going projects, the most affected are the ones whose commissioning was scheduled during the month of August – October 2018 where developers not only faced financial stress but were also unable to commission their projects on time due to disruptions at ports.

The projects faced the following difficulties due to imposition of safeguard duty:

- **Delay in module supply:**

It is important to highlight the fact that supply of modules is generally lined-up during last three months from scheduled commissioning date of solar

projects. The construction work of projects (which were to be commissioned during August – October 2018) was at peak when safeguard duty notification was issued. The imposition of safeguard duty led to disruptions at all ports leading to halt/ slowdown, delay in clearance of modules thereby resulting into delay of commissioning of the projects.

The Ministry of Finance on the directions of Orissa High Court issued another notification F No 354/31/2018-TRU (Pt) on 13.08.2018 allowed for provisional clearance of module shipments by filing the duty bond and without upfront payment of duty charges. Multiple shipments carrying solar modules dispatched during this time period were in sea-transit towards various ports in India. These shipments didn't have any possibilities of timely clearances at custom clearances due to backlog created during 30.07.2018 to 13.08.2018 and had ripple-effect for next 3-4 months due to delay in arranging of funds and clarity on safeguard duty.

This situation impacted the custom clearances at ports significantly and therefore clearance of module shipments at various ports took 3-4 weeks' time as compared to average time of 7 days despite the provisional clearances of shipments. The notification of provisional clearance was finally withdrawn by Ministry of Finance on 13.09.2018 vide F no. 354/31/2018-TRU (Pt) and all the developers were asked for the payment of safeguard duty for all custom clearances from 30.07.2018. Entire sequence of events caused huge backlogs of modules shipments at the ports.

- **Financial stress:**

As per duty rates, the developers were compelled to shell out Rs. 60 Cr (Rs 60 lakh/MW) for clearance of every 100 MW of import of solar module. This resulted into massive squeeze in cash flow situation as the amount of duty was not budgeted and was way beyond the contingencies budgets of the projects. Even the banks also deferred the existing loan disbursements until safeguard duty amount was demonstrated through internal equity by the developers. This created a situation of turmoil in the solar industry as they had to arrange for the payment of duty charges; thereby incurring huge financial losses.

The banks were of the view that any cost-overrun shall be borne by the borrower through additional equity contribution without recourse to project assets in a manner to the satisfaction of lenders.

You may kindly appreciate the fact that arranging the funds for payment of such heavy duty charges would have taken reasonable time, cost & effort of solar power developers, especially when their entire funds were utilised for projects execution.

Some of the on-going projects of our members such as Acme, Soft bank, Phelen, Clean Sustainable Energy and Avaada Clean Energy got delayed due to imposition of safeguard duty.

Request - On behalf of solar industry, we earnestly request that the projects with SCOD during 30.07.2018 to 30.10.2018 may kindly be allowed minimum of 30 days' time extension in SCOD on account of disruption and backlog caused due to imposition of safeguard duty.

We shall be happy to provide any additional information if required.

Look forward to your positive consideration in the matter.

Thanking you

Yours sincerely



Praveen Golash
Joint Secretary
SPDA