Bright prospects

The emergence of clean and diverse alternative energy will see companies like Indowind grow by leaps and bounds

For the year ended June 2009, the Chennai-based Indowind Energy Ltd (IEL), an independent power producer (IPP) in the renewable energy field generating 'green power' through dedicated wind farms in Tamil Nadu, has come out with good numbers. On a revenue of Rs52.89 crore, up from Rs25.58 crore last year, it has made a net profit of Rs11.77 crore (last year: Rs7.2 crore). This has seen the scrip soar from Rs17 (trading in March 2009) to Rs40. "IEL is in the power generation space," says Prasad Kushe, analyst with Equitytrendz.com, setting a price target of around Rs70 in the next two months. "It is into making windmills. Fundamentally, the results look good. The stock can be bought with a stop loss of around Rs31, which is the last low. The scrip looks powerful. In case it happens to move above Rs47, one can buy it on a breakout also," he recommends. Like Kushe, there are other analysts watching this small-cap company, but not ready to stick their necks out.

IEL entered the renewable energy business in 1995 and over the years, developed wind farms to reach the present capacity of 57.71 MW in Karnataka and Tamil Nadu. Currently, the power generated is being sold to Tamil Nadu Electricity Board (TNEB) and various corporate clients like Hindusthan Coca-Cola Beverages, United Breweries, H&R Johnson India, Delphi Automotive Systems, Ashok Leyland and Wheels India, to name a few.

In the wind power business, IEL also undertakes project management – planning, development and installation of wind power projects on turnkey basis to third parties. "We do site selection with extensive wind study of the location for assessing the power generation potential through micro-sitting," explains Bala Kutti, chairman, IEL, who is actively pursuing the power evacuation business through interfacing with state grids and liaising with government departments. "This is a crucial and critical area of setting up wind farms in highly potential windy belts across the country. We also help in the land purchase and registration process offering a turnkey solution."

Having tasted success in Karnataka and Tamil Nadu, Kutti is taking IEL to Gujarat and has already signed an

Kutti: winds of opportunity

MoU with the state government for setting up a 100 MW wind farm at a cost outlay of Rs650 crore. "The company had already initiated the process of land acquisition for wind farms in the Kutch region," says Kutti, who is also looking at setting up solar farms in Gujarat.

Solar project

"We are looking at a 50 MW solar project at a total project cost of Rs1,000 crore and have appointed a leading solar power consultant to work out feasibility and site identification and selections," adds Kutti. "India is densely populated and has high solar isolation, providing an ideal combination for solar power in India. Much of the country does not have an electric grid. So, one of the first applications of solar power is for water pumping, to begin replacing India's four to five million diesel-powered water pumps, each consuming about 3.5 kilowatts, and off-grid lighting. Some large projects have been proposed, and a 35,000 sq km area of the Thar desert has been set aside for solar power projects to generate 700-2,100 gigawatts," explains Kutti. He is also considering establishing IEL's presence in the Middle East and Europe.

Currently, the amount of solar energy produced in India is merely 0.5 per cent of other energy resources. The grid-interactive solar power as of June 2007 was merely 2.12 MW. "As a result of the efforts made during the past quarter century, a number of devices have been developed and have become commercially viable," says Kutti's advisor. "India has started a wide solar photovoltaic programme for about two decades and has installed an aggregate 1.3 million systems. However, now the focus of the 11th Five-Year Plan is on the grid connected power generation." He points out that production during 2007-08 (till December 2007) is estimated to be over 40 MWp of solar cells and 60 MWp of PV (photovoltaic) modules.

In the near future, breakthroughs in nanotechnology promise significant increase in solar cell efficiencies from the current 15 per cent values to over 50 per cent levels. "These would, in turn, reduce the cost of solar energy production," Kutti hopes.

"However, capital costs have substantially decreased over the past two decades, with costs declining by a factor of two and are projected to continue for the next decade to compete with fossil fuel. But the realisation of cost reductions is closely linked to market development, government policies and support for research and development," he adds.

Here, he estimates the current capital cost of solar energy to be in the region of Rs20 crore/MW, as opposed to coal at Rs4.5 crore/MW. This high cost could slow down Kutti's plans, as finances could get constrained.

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