Teething problems shadow India's solar power dreams

REUTERS, *New Delhi*

From a lack of data and trained manpower to dealing with inexperienced investors, India's ambitious dream to boost solar power faces a host of problems that could slow plans to zoom production from near zero to 20 gigawatts by 2022.

Under its Solar Mission plan issued in 2009, India is to produce 1,300 megawatts (MW) of power by 2013, an additional supply of up to 10 gigawatts (GW) by 2017 and the rest by 2022 at an overall investment of about $70 billion.

Once implemented, the plan would see output equivalent to one-eighth of India's current installed power base, helping the world's third-worst carbon polluter limit reliance on coal and easing a power deficit that has crimped economic growth.

But, despite an encouraging start, several hurdles remain, clouding the possibilities of a sunshine sector that is seen as crucial to India's energy security plans, according to Debashish Majumdar, chairman and managing director of Indian Renewable Energy Development Agency.

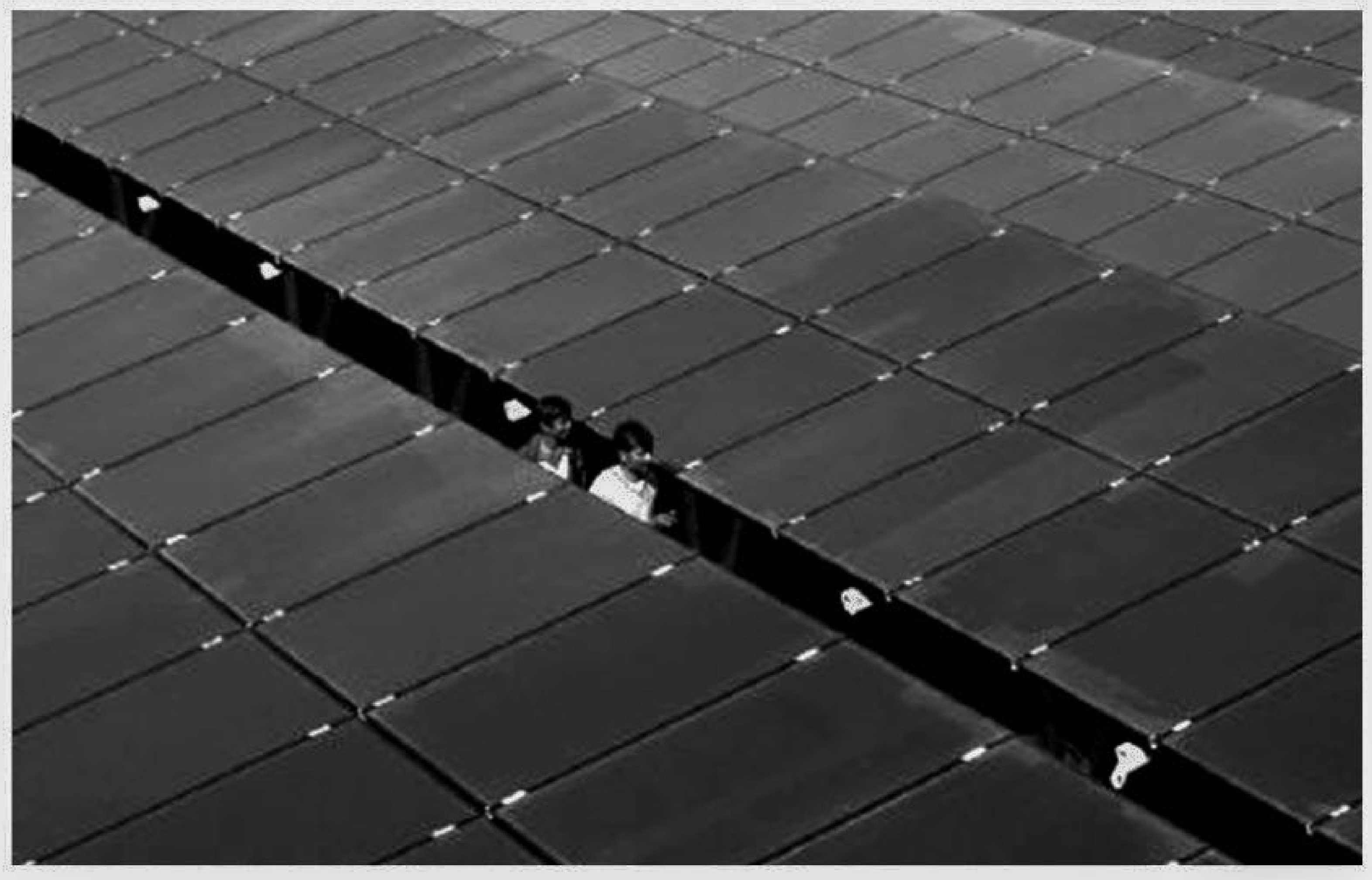
"The Solar Mission has created tremendous interest in the solar field. There are project developers, manufacturers, contractors - they all want to get into this big market that has been created," Majumdar told Reuters in a weekend interview.

"But there are roadblocks. The biggest problem is lack of data. If you set up a large hydro project, nobody would even think of shovelling the first spade of sand from the site unless there is 40 years of data.

"In the case of solar there is no primary data. There is a lot of secondary data (from meteorological offices, NASA satellite studies). From all that you can do some sort of an analysis and come to a certain educated guess about what your generation is likely to be. What we don't have is a correlation with the actual ground-level data."

"That is going to make or break the project viability, especially because the project cost is very high," he added.

This means banks and financiers of solar projects remain hesitant, not least because the field is an emerging sector where levels of uncertainty and risks are seen as high.



REUTERS

Workers walk in between rows of solar photovoltaics, after cleaning them, inside a solar power plant at Raisan village near Gandhinagar, in Gujarat.

QUICK BUCK

While the sector remains a high-risk venture in India, the promise of first-mover advantage and attractive returns in the long term is drawing a mixed bag of investors, many of them either inexperienced or in the game to make a quick profit.

Under the Solar Mission, investors have to bid to build solar power plants and the winning bids are determined by the electricity tariff that they accept as viable. Such has been the interest, that the government has been flooded investment pledges for the first batch of projects.

With about 250-300 clear sunny days in a year, India's solar power reception is about 5,000 trillion kilowatt hour per year, meaning just 1 percent of India's land area can meet the country's entire electricity requirements till 2030.

Such potential holds huge attraction for firms such as Tata BP Solar, a joint venture between Tata Power solar unit, BP Solar, and Bharat Heavy Electricals Ltd, a state-run power and engineering equipment firm, and Lanco Infratech.

"A whole lot of people have jumped into this taking this as the next big business opportunity in the country and they have jumped into this without any knowledge," Majumdar said.

"They are floundering around trying to find out which is the best thing they should do, where is the knowledge base, who are the experts, who is the consultant, who can give an accurate picture of what the issues are.

Such handicaps also come in the way of choosing the right technology, he said, a choice that has huge impact on project costs and the push to bring down the price of solar power.

POLICY RESPONSE IS KEY

While these are early days and solar's steep costs, much like that of nuclear power, are a deterrent, government policy seems to be on the right track, Majumdar said.

An Indian government panel has said renewables costs had to be brought down to near par with coal-based electricity, the cheaper form of energy in India, by 2020

Coal, available in abundance in India, provides power at about 2 rupees (4 cents) a unit, compared to a kilowatt hour of solar power at a range of 11 to 12 rupees.

"What time will tell us is whether these policies are right, whether the assumptions behind these policies are good enough to make it work," he said.

India faces a 12 percent power shortfall during hours of peak consumption, according to figures from the federal Planning Commission, which charts the country's growth path.

India still top in global consumer poll: Nielsen

REUTERS, *London*

Consumer confidence surged in the Middle East and North Africa in the first quarter in the wake of social uprisings, but deteriorated in the euro zone periphery as Portugal's financial woes came to a head, a survey showed on Sunday. India retained the top spot.

Portugal, which was finally forced to follow Greece and Ireland and seek an international bailout last month, ranked bottom in a quarterly global survey of consumer confidence by New York-based The Nielsen Company, a market information and analytics company.

Consumer morale globally improved slightly from the fourth quarter of 2010, helped by sharply rising confidence in fast-growing Asian economies and in Europe's biggest economy Germany. U.S. consumer sentiment also increased slightly.

Asia dominated the top 10 most optimistic markets while nine of the 10 most pessimistic markets were in Europe.

Sixty-three percent of consumers in the Asia Pacific said their job prospects over the next year were good to excellent, an 11 percentage point jump from the previous quarter and indicating Asians will step up spending in coming months.

Confidence levels in Asia, the Middle East and Africa and Germany reached the highest since the survey was launched in 2005. Egypt's confidence score surged 29 points to 102, the biggest increase among 51 markets surveyed, following the social uprising which toppled President Hosni Mubarak.

"The joy of gaining civil and political freedom and experiencing the first truly free voting has raised consumers' expectations and hopes for faster economic growth," said Khaled El Tohami, Managing Director, Nielsen Egypt.

Saudi Arabia, second behind India in the survey, and the United Arab Emirates also saw double-digit growth in their scores from the previous quarter's survey.

Confidence remained highest in India, maintaining its fourth-quarter score of 131.

Trinity shopping for more European fashion brands

REUTERS, *Hong Kong*

Hong Kong luxury menswear operator Trinity Ltd, which last year bought Italy's Cerruti fashion house, is looking to acquire more heritage brands in Europe to fuel its expansion in China, set to become the world's biggest luxury market within the next decade.

Retailers operating in greater China, such as Trinity and YGM Trading Ltd, have been acquiring European brands as increasingly wealthy Chinese consumers turn to expensive foreign brands for suits, handbags and shoes.

It is estimated that China's luxury products market will total 74 billion euros ($104 billion) by 2020 from just 9 billion euros in 2010, according to investment group CLSA, as shoppers snap up products from brands such as LVMH Moet Hennessy Louis Vuitton SA, Hermes International SCA and Tiffany & Co.

On Monday, shares of Milan Station Holdings Ltd, a seller of second-hand luxury handbags, rose as much as 77 percent on their trading debut, underlining investor enthusiasm for luxury products and related stocks.

While many companies, Chinese and foreign alike, are trying to develop Chinese luxury brands, Trinity believes long-established foreign brands are the way forward.

"We want to focus on heritage brands and, more importantly, we want to get more European brand names, which we believe Chinese customers like. This is the strategy of the company," Trinity's group managing director, Sunny Wong, told the Reuters Global Luxury Summit on Monday.

"Although we would not rule out the possibility of taking on some American brands, it seems that there are more such brands in Europe than in America," Wong said.

Companies trying to develop Chinese brands include Hermes, which has started a lifestyle brand called Shang Xia, and Richemont Group, which has been using its Shanghai Tang brand since its 1998 acquisition to burnish its Chinese credentials.

Trinity, sister company of consumer goods exporter and logistics consultant Li & Fung Ltd, in December bought Italian fashion house Cerruti for $70 million.

It also owns British clothing brand Kent & Curwen, Japan's D'Urban and Britain's Gieves & Hawkes brand.

In January, Trinity raised $95 million specifically to fund acquisitions.

Trinity has about 450 stores in total, with more than 300 in mainland China where the market is growing rapidly, especially in wealthier coastal cities.

"In terms of a net increase in shops, we are growing at a rate of around 60 shops. I think the speed of expansion is sustainable for next three years," Wong said.

Trinity, which has presence in Beijing, Shanghai, Wuhan and Chengdu, forecast same-store sales to grow at a mid-teens percentage rate. In 2010, Trinity posted a 22.3 percent rise in revenue to HK$2 billion ($258.8 million.)

Wong said the biggest challenge for the company is retaining staff. The company currently has an average annual turnover rate of 20-30 percent.

"Everybody is expanding and there is a scarcity of experienced staff, so I believe this is the biggest challenge," he said. "It is pretty much the case that you have to look at double-digit wage increases, in particular for the shop staff."

Trinity shares, which have fallen over 2 percent this year, were up 1.14 percent on Monday, outperforming the Hang Seng Index's .HSI 2 percent fall.

REUTERS

LiFung Trinity (Management) Group Managing Director Sunny Wong talks to reporters during the Reuters Global Luxury and Fashion Summit in Hong Kong yesterday.

Euro zone, China PMIs ease as policy bites

REUTERS, *London*

Manufacturers in Europe and China tapped the brakes this month and price pressures eased as tighter policy measures to control inflation began to bite, purchasing managers' indexes showed on Monday.

Preliminary purchasing managers' surveys pointed to marginally slower economic growth in the euro zone and China in the second quarter while growth in the common currency bloc's dominant service sector also slowed more sharply than expected.

But policymakers will take some cheer from the fact that prices did not rise so steeply this month.

"One good piece of news in the report was some waning of price pressures, with both the composite output and input price indexes declining in May, though they remain at relatively high levels," said Nick Kounis at ABN AMRO.

China's central bank has raised interest rates over recent months and in April the European Central Bank became the first of the big four to hike rates, upping its benchmark by 25 basis points from its record low of 1.0 percent in the battle to contain inflation stoked by food and fuel prices.

The euro zone's composite flash PMI, a broader measure of the private sector which combines the services and manufacturing data, fell to 55.4 from 57.8, below forecasts for 57.4 although still well above the 50 divide between growth

Sony to report $3.2b annual loss

AP, *Tokyo*

Sony Corp. is expecting an annual loss of $3.2 billion, reversing its earlier projection of a return to profit, as the electronics giant struggles with production disruptions from Japan's tsunami and a hacker attack on its online gaming service.

The Japanese maker of PlayStation 3 video game machines and Bravia flat-panel TVs said Monday that the projection of a net loss of 260 billion yen ($3.2 billion) for the fiscal year ended March 2011 was largely due to writing off 360 billion yen ($4.4 billion) related to a tax credit booked in the fourth quarter.

Sony's official earnings report is expected Thursday. The company had earlier projected a 70 billion yen ($860 million) profit.

Like many other Japanese manufacturers, Sony has been hampered by the production disruptions set off by the March 11 earthquake and tsunami that killed more than 25,000 people, destroyed many factories and sent the nation's economic recovery into reverse.

The company kept its operating profit forecast unchanged at 200 billion yen ($2.46 billion). It expects to report sales of 7.18 trillion yen ($88.2 billion), slightly down from an earlier projection of 7.2 trillion yen ($88.5 billion).

Tokyo-based Sony also faces a new challenge to its reputation following a massive security breach affecting more than 100 million online accounts.

After temporarily closing down its online gaming services last month, Sony began restoring its PalyStation Network services in the U.S. and Europe on May 15 mainly for online gaming, chat and music streaming services.

Sony has seen plunging sales of flat-panel TVs and other gadgets, and was likely to remain in the red in its TV business for the seventh year straight.

Sony has also taken a beating in music players and other portable devices to Apple's iPod, iPhone and iPad.

The company booked a 40.8 billion yen ($439 million) loss for the fiscal year ended March 2010 after a 98.9 billion yen loss the year before- Sony's first annual red ink in 14 years.

President of Japan's Toyota Motor Akio Toyoda (L) shakes hands with CEO of US cloud computing company Salesforce.com Marc Benioff (R) during their joint press conference at Toyota's showroom in Tokyo yesterday. The two companies announced that they formed a strategic alliance to build a private social network for Toyota customers and their cars 'Toyota Friend'.

AFP