

Ready For High Tide At Jakson Group

Highlights :

- The Jakson Group is set to ride the renewable energy wave for its next phase of growth
- With it's long legacy, and experience across solar and electrical contract work, the group is well placed to make the most out of the emerging opportunities in the space.

At the closely held Jakson Group, known until recently for its prowess in the diesel genset market rather than renewable energy, setbacks are usually taken in stride. The group has faced its share of challenges in a legacy almost as old as Independent India, thanks to its modest beginnings in 1947. The two big disruptions recently have been the 2007-8 market meltdown and more recently, the 2017-18 period, when the firm weathered both a slowdown in its core gensets business and growth pangs in its new EPC business. The covid pandemic, while not making it easy, allowed the group to assess and refocus, with the results finally beginning to show.



Sameer Gupta
Chairman & MD



Sundeep Gupta
Vice - Chairman & MD

Come 2021, the firm is primed to seize the moment and prepare for what it hopes will be some of its strongest growth years, riding the new wave of renewable energy. In doing that, it will vindicate quite a few industry watchers who have always looked at the group as an agile, well run set up. As Sameer Gupta, Chairman and Managing Director leading the second generation of the family in the firm reminds us, "Today, we have a board that is probably as good, or better than many public limited firms". Interestingly, the firm's move into solar happened on the basis of a recommendation from consultants at PWC, who the firm hired after the Lehman crisis and slowdown of 2007-8. "We realised it was not prudent to be so dependent on basically one line of business, and were eventually advised to get into three lines of business by PWC. Solar, Gensets and EPC broadly".

While stories about IPO plans for the 2600 crore group return, Gupta is quick to add that there are no immediate plans, perhaps waiting to see the groups' strategy play out a little before considering the big move. Just so you know, the management is hoping that the solar business, which delivered around RS 1200 crores to the firm in revenues till this year, will grow 3.5 to 4 times over the period to 2025. So just how has the [Jakson group](#) reinvented itself?

Perhaps the most visible move is the group's plans to build its cell manufacturing of 1 GW. Before that, it hopes to start production from its module plant from October, where capacity has been ramped up to 500 MW. Aggressive EPC plans, along with a focus on electrical contracts complete the picture for the firm.

"Rooftop solar, particularly in the C&I segment has massive potential, and we have always been clear about expanding there with tight control over our sourcing and quality", adds Sameer Gupta. Vice Chairman and Managing Director Sundeep Gupta adds "Our own cell manufacturing should provide an additional 5-6% cost advantage, which is vital in this competitive segment". He adds that considering India's ambitious 450 GW renewable targets for 2030, of which close to 300 GW should come from solar, the C&I segment will be key. "I don't see utility scale additions beyond 13-14 GW per annum. The gap will have to be filled by the rooftop C&I segment, and we are planning for that", he adds. The C&I segment is also an area of strength for the group, and its focus is on simply offering complete energy solutions that work for its clients, be it a genset, solar rooftop or a storage backed offering linked to either.

For the Jakson group, its positioning as distributed energy specialists and expert contractor is a natural evolution from its dominance in the genset business in the markets it operates in. A customer base of 60,000 previous customers also gives it unique insights, access and knowledge about the thinking in commercial and industrial firms across the country.

Which is one reason Sameer is still cautiously optimistic about the gensets business. "We see three levels in the genset business, the smaller variants between 5-75 kVA, the mid range till say, 500 kVa, and the higher range which can go upto 3 MW or even more sometimes. The improvement in power supply, availability will impact the smallest range the most, while the bigger variants will continue to see demand well into the next 15-20 years", he asserts. The only challenge to this continued growth for diesel gensets is ESG norms (Environment, Social and Governance) norms, where he expects to see more and more firms move to abide with better standards. That means lower, but still consistent growth of 4-5% CAGR over the next decade, according to Sameer. Sundeep adds that even as the use of gensets has gone down as the power situation has improved, they provide the kind of guaranteed, instant power that few options do right now. For critical back up, they will continue to have a use case for many firms until that changes.

The firm has plans for residential rooftop also, as its own module production ramps up. An interesting move here is the plan to build the latest, high output modules with output upto 600 W from its upcoming plants. Sharing their insights, Sundeep says that the bane of utility scale solar, low cost and an even lower (balance of system) price is not as much of an issue in the C&I segment. "Commercial firms do not necessarily have abundant land. So space is a constraint, making the case for better designed plants with higher output in the same space. Also, we urge them to take the long view, and not just the initial capex. Solar today delivers savings to you whatever way you look at it, whatever be its share in your total energy mix".

The long time presence and brand visibility is also an advantage when it comes to the still untapped residential segment, reckon the brothers. "We already have a strong presence on the ground, and will look to increase touch points as well as increase communication outreach as (module) production comes online, says Sameer.

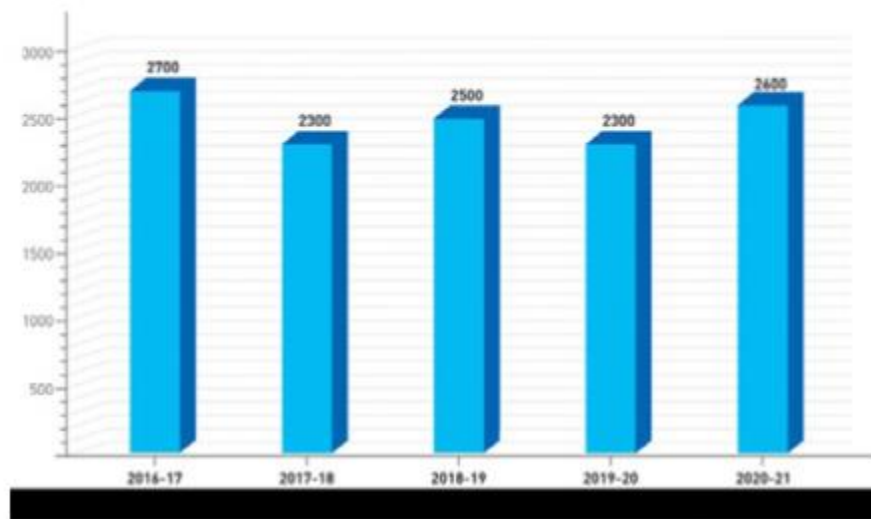
Sundeeep adds that the firm was constrained in the retail segment with a small manufacturing capacity. Like gensets, it prefers to make the key components here too, and with a larger manufacturing capacity, will expand presence across the country, moving beyond its stronghold in Northern India. "We will expand our network with channel partners, and what we bring there is a complete kit, so that we have complete control over quality. That frankly will also be the assurance for the end customer, because otherwise quality can be very inconsistent from many of the installers out there today". On the future shape of the residential rooftop market, Sundeeep adds that he expects strong regional players to dominate, even as there will be the odd TATA group that has a national presence.

An area the firm had entered very early, but has stayed away for the past couple of years is its IPP (Independent power producer) or developer plans. "Money is money, whether it comes from shareholders, banks, or even customers," says Sameer. "We have evaluated the recent bids for larger projects, and to us at least those prices were not delivering the kind of returns we look at", he adds. Sundeeep remembers how the solar plans started off slowly, with an initial focus on being developers. "It was the Manmohan Singh government that announced a 20 GW target for the country in 2010, I think, and we decided that the time was ripe to get in". The firm won in one of the initial bids, and got a 20 MW power plant, which it put up in Rajasthan along with a PPA with NTPC. From that PPA price of Rs 8.50 to the current price of well under Rs 3, the firm has quietly transitioned to a solutions provider from a developer.

Sameer also highlights the firm's plan in the Solar O&M space, as the installed base grows in the country. "From about Rs 25 crores last Financial year, we hope to generate Rs 35 to 40 crores in the coming year from Solar O&M. As the overall market ramps up to 100 GW and more of installed capacity, I don't see why O&M can't deliver 400-600 crores of revenue to us".

Financial Performance

(INR Cr.)



Like the move to solar O&M, the firm is also a convert to storage backed solutions, using Lithium-ion batteries for now. For now, because Sundeep is clear that in the medium to long term, other storage options will grow too, be it non Lithium options for batteries, or even Hydrogen to fuel their gensets and more. For now, the firm is clear that it will provide all the options that make sense for its clients needs. Sundeep informs us that “while we don’t plan to manufacture batteries per se, but we do plan to manufacture battery base systems. So what we will be doing is we will be buying the battery and then doing the packaging, the controlling software, the management system that complete the thing – that we will be doing in-house, but the battery or the cells per se we don’t plan to manufacture”.

“We have repositioned ourselves as a distributed energy firm. We are offering solar rooftop in C&I, energy storage solutions, and also hybrid solutions, where we ask our customers how we could optimise your energy needs and requirements. Our gensets team should be able to, and does offer complete solutions today, including rooftop solar where required”.

A lesser noticed but strong part of the growth mix for the group is its electrical contracting business and export markets. From sub stations to transmission lines, the firm does it all, and sees massive opportunities in the segment. “Between Solar (manufacturing), EPC, and our work with railways electrification and other electrical work, we have a clear pathway”, adds Sameer.

Both the brothers see immense opportunities for exporting services, especially in Africa and the Middle East. Sameer likens it to a ‘golden window of opportunity’ for the next 5 years, which India must grab. That is also the nub of their belief that the country must build a strong domestic manufacturing base across the value chain, to ensure that the opportunity is not squandered away. A recent project, executed in Togo in Africa, is just the beginning of what the firm hopes will be many such wins in Solar EPC.