DINNER WITH BS ▸ TULSI TANTI, CHAIRMAN & MANAGING DIRECTOR, SUZLON GROUP

Treading cautiously

Tanti tells Jyoti Mukul what the tumultuous years between 2011 and 2013 taught him

I am scheduled to meet Tulsi Tanti, chairman and managing director of Suzlon Group, for dinner a day before he is slated to fly to Ahmedabad for the Vibrant Gujarat summit. But I am told Tanti wants to wrap up his day early because of his flight early next morning. So we meet at 6 pm for an early dinner at the Regency Club in Hyatt, a few minutes' drive from the Pune airport. It is Sunday, but Tanti has some meetings at the Club's conference room before we catch up.

As we sit down and scan the menu, Tanti declares he doesn't want to eat anything. "It's all healthy food," he rues. After some dithering, he orders a cheese chilly toast, which is not on the menu. The waiter gets it nonetheless. "Are you a vegetarian," I ask him. "Hundred per cent vegetarian. No drinks, no smoking. We are a Gujju family from Rajkot," he announces proudly.

As I order a Mumbai masala sandwich and black tea, Tanti tells me how the world is moving towards vegetarianism because meat is expensive abroad when compared with India. "In India, people have money and food is not that expensive. Many countries have to import seafood like pomfret and prawns that are often exported from Gujarat. The transportation cost gets built into the price, but if you are a local, say, in Howrah, it wouldn't be so expensive."

He tells me those who believe in mitigating climate risks and reducing carbon footprint eat less of non-vegetarian food because it is processed and needs transportation, while vegetables can be procured locally. "Only three to four per cent of carbon footprint in food comes from vegetables, the remaining is from non-vegetarian food." A vegetarian, I had never thought of food in that fashion, but then Tanti represents a green energy company, so climate concerns are not simply highfalutin idealism for him, but part of everyday business.

'By selling assets... we have given away ownership but we have also protected the company,' says Tulsi Tanti

Tanti entered the energy business by buying two windmills at Upleta near Rajkot to mitigate the power cost at the family's Ankleshwar textile unit. What started off as a captive wind power project for his family's textile business in the 1990s has now grown into the $1.5-billion Suzlon Group, a major wind technology and project contracting provider. "Textile is more of a processing industry. It didn't give us much opportunity in engineering and manufacturing." So the family moved out of textiles and went on to build the Suzlon Group, which now has footprint in 19 countries and has, among other things, sold around 1,500 windmills to textile companies.

As Tanti narrates with passion the changes he has introduced to the textile units of Tiruppur in Tamil Nadu, food is served. He asks for the French fries from his plate to be removed, while I pour the much-needed hot tea for myself.

Tanti says his company has been able to change with the times with great success. "One has to change with the changing environment. Just like our wind turbines, which move according to the direction of the wind, we have to move our organisation in a manner that it is aligned with the market reality. In that sense Suzlon is agile," he adds with pride. After selling off the traditional textile business, the family moved cities also — from Rajkot to Ahmedabad and then to Pune. Stepping out of India thereafter, the company set foot in the US, Europe, China and Australia.

Some say success came too soon to Suzlon. In 2011, the group sold off Hansen, a Belgian company with the second-largest gearbox capacity, which it had acquired in 2006. Then in 2015, it had to sell German company REpower for □1.4 billion. It had bought REpower in 2007 and renamed it Senvion. The company's consolidated debt at that time was over ₹17,323 crore and it was unable to pay off creditors. "It took us two years and we suffered $300 million in losses while selling our assets," he says.

The same year, Dilip Shanghvi, promoter of Sun Pharmaceuticals, picked up 23 per cent stake in Suzlon Energy for ₹1,800 crore. The Tanti family holding come down to 20 per cent from 52 per cent. "By selling assets, the conversion of FCCBs, turning debt into equity and getting in Dilip Shanghvi, we have given away ownership but we have also protected the company," says Tanti.

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The restructuring phase had important lessons for Tanti. "I learnt a lot about the finance side of business. As an engineer, I understand technology and innovation but I started to understand financial engineering — things like how to reduce debt, manage cash flow — in three years from 2011 till 2013." From 3,000-Mw installations in 2008, the company is down to 400 Mw because of market and liquidity constraints.

The company was present in 32 countries and in the midst of two large acquisitions, when the global financial markets went into meltdown. In India, too, the government removed the accelerated depreciation benefit for wind power producers while German regulation did not allow Suzlon to get cash back to India to pay off debt. "All this complexity was the biggest learning. Now we have pure wisdom," he says gratefully.

Suzlon's new business in solar is more an extension of its existing portfolio than a new venture. Since the company is already into engineering, procurement and construction for wind and solar energy will be complementary revenue. Unlike wind, however, the company does not plan to be in manufacturing of solar panels and cells. Zero Custom duty on panels, surplus capacity in China, besides the huge requirement of energy along with the high cost of power and finance in India make manufacturing in solar difficult, he says.

Though the cost of renewable power is coming down, Tanti says the problem lies with the health of the utilities. "The solution is clear. There are 2,000 private utilities in the US, while in India, there are only four/five companies. Bring in more private utilities and the price of power will come down." Power, he thinks, should be a central subject and not a state subject. That will pave the way for privatisation and integration of the power market.

India is treading a difficult path with global uncertainty, he says. "We need to create sufficient jobs. We should not target more than seven per cent growth because we are not able to handle more. We should be happy to grow between six and seven per cent. We require cautious but quality growth."

Caution is also a virtue the three years of turmoil have taught Tanti. Suzlon will continue to invest in technology and excellence in manufacturing while simultaneously trying to reduce debt, rather than go in for fresh investment and acquisition over the next decade or so, he says.