Shareholders Should Reap Benefits Starting Next Year

ET Q&A

Suzlon, the renewable energy company that suffered severe setbacks in the recent past forcing it to sell large global assets, is in a turnaround and predicts its growth to outpace the industry this year. The Indian multinational is investing in improving efficiencies and **chairman Tulsi Tanti** tells **ET's CR Sukumar** that he expects shareholders to start reaping the benefits from next year. **Edited excerpts:**

What is the progress of turnaround after suffering setbacks owing to ill-advised overseas expansions?

The best part of the turnaround is that the Indian renewable energy industry is growing at 100% year-on-year, for last two years, which has never happened in the last 50 years. In (fiscal) 2015, the investment was $2.5 billion in India and in 2016 it has moved to $5 billion and in 2017, it moved to $10 billion. We have reduced our debt and uncertainty by selling two large subsidiaries –Hansen in Belgium and RePower in Germany. We have also raised equity of ₹1,800 crore. We have reduced our debt by 50%. The debt now is a billion dollar out of that $650 million is dollar debt at 3.5% interest cost. We are now very comfortable with cash flows. Last year we did 150% growth. This year also we will grow more than the market growth, or may be double than that. We have worked on cost optimisation in the value chain and enhanced our EBITDA margin. Industry normal average EBITDA is 12-13% and we moved to 15-16%. Two years before our market share was 18%. Last year we achieved 26% and, this year, we are quite confident of a 40% market share.

What key lessons did Suzlon learn from its costly mistakes of overseas acquisitions and selloffs?

The overall strategy of Suzlon is unchanged because this industry is heavily driven by the global and domestic policy framework. Whenever global economy is reasonably doing well, the investment flows. From 2010 to 2013, the sector was in negative growth because the global economy was in pressure and financial markets were in pressure. All this affected our company and most companies faced huge losses. What we learned from that is that if you want to sustain, then the cost of wind energy should be lower than conventional energy. We invested close to $250 million in the last five years towards R&D and will continue to invest. The aim is to reduce the cost of energy further by 25% in the next five years so that coal and other fossil fuel-led energy sources will not compete with renewables. In the next 20 years, the renewable space will see investments of around $6 trillion worldwide. Almost $400-500 billion will be invested in Indian market.

When can your shareholders hope to recover in terms of returns?

It is the time for shareholders now. The industry is growing and we will continue to grow. We are committed to our shareholders as they too have suffered along with us in the last four-five years. As a custodian, it's my responsibility towards my shareholders and they should earn their expected returns. They will reap the benefits starting next year. Once we start delivering good performance, the capital market will appreciate.

What are you seeking from the government in the budget?

The generation-based incentive (GBI) is expiring in March 2017. We strongly recommend it should be continued up to 2022 to achieve the government's target of 175 GW by 2022. Accelerated depreciation for local manufacturing companies should be continued. GST has to be zero. Currently, wind or solar doesn't have any excise or customs duty. If GST is more than zero, then cost of energy will increase and it will be passed on to consumer. This makes renewable energy more expensive.

FIVE-YEAR PLAN

The aim is to reduce the cost of energy further by 25 % in the next 5 years so that coal and other fossil fuel led energy sources will not compete with renewables