

More power to his blades

"Wind power is cheap, can be made cheaper," says Suzlon chief Tulsi Tanti in an exclusive interview to M Ramesh

Last year, the wind power sector saw record installations of 3,472 MW and the home-grown wind turbine manufacturer, Suzlon, surprised the market by doubling its installations to 900 MW. After three years in financial difficulties, Suzlon bounced back, and with consolidated turnover of ₹9,562 crore and net profit of ₹483 crore, it announced its turnaround.

The Indian wind power market today is fraught with difficulties on the ground. Wind energy companies are beset with payment delays in many States, notably Maharashtra. 'Wind' is also fast losing mindshare to 'solar'. How does the comeback Suzlon see the market that is full of opportunities as well as challenges? *Business Line* talked to the company's founder and Chairman and Managing Director, Tulsi Tanti, about this.

Excerpts from the interview:

How do you view the operating environment for wind sector today?

My view is that where there are problems there are opportunities. The mood towards renewable energy is very positive. With 350 million people still living in the dark, it is our responsibility to put up more projects, generate more power. In the last 20 years, the wind sector has

built 10,000 MW that has given access energy to 50 million people. We put up grids where there were none earlier. When the target of 175 GW was announced it looked very ambitious, but today it looks easily achievable.

However, we need to fix a few things. First, the utilities should pay on time. Most of the independent power producers (IPPs) are funded by foreign financial institutions and we need to build (their) confidence in renewables. A three to six month delay in payment is normal but beyond six months it is bad.

Second, there should be (wind and

solar) resource assessment in each state and grid infrastructure built accordingly in advance. Today, projects are getting ready, but the grid is behind, and states stop buying power. If we have to get 175 GW of installed capacity we should have the grid infrastructure ready. Today we don't.

If these two issues are fixed, then the industry will take care of the rest, be it competitive bidding, tariffs...

On tariffs, an often-heard comment is that while solar prices have come down steeply, wind power prices have not, and the wind industry is demanding more. How would you react?

That is not correct. Today, see where wind tariffs are - ₹4.20 in Gujarat, ₹4.78 or so in Madhya Pradesh, ₹4.84 in Rajasthan, ₹4 something in Karnataka, only in Maharashtra and Rajasthan it is higher than ₹5. Most of the tariffs are below ₹5. The ideal tariff for wind is ₹5 a kWhr.

As for comparison with solar, the cost per MW for wind includes ₹60 lakh that we pay as various taxes; solar pays zero. If we didn't have to pay this ₹60 lakh, tariffs can come down by 30 paise a unit. If the discoms pay on time and there is no curtailment (of energy purchase), tariffs can come down further.

But the IPPs say you turbine manufacturers are making big profits and refuse to drop prices.

No, wind turbine companies

are not really making big profits.

Take Suzlon. Your EBIDTA margin is above 15 per cent. Other capital goods companies don't have such margins.

Out of the 15 per cent if you take away 11 per cent interest cost, there is hardly anything left. How much did we make on the topline - ₹400 crore on ₹9,000 crore of turnover, is about 4-5 per cent.

You must understand - we sell in more than 20 countries - the cost per MW of installed capacity in India is the lowest in the world. India is \$1.2 million per MW, China is \$1.35 m, US is \$1.7 m, Europe is \$1.8 m, Brazil is \$2 m and Australia is \$2.25 m. Also, in India the government is not providing enough grid capacity. Every year, we build about 100-200 km of grid. Also, if we are profitable at \$1.2 million in India, we should be more profitable abroad. That also helps EBIDTA (implying that if exports are not counted, the margins are low in India.)

But isn't it true that the cost per MW of turbine has been going up in India? In Suzlon's own case, your price realisation has gone up from ₹6.13 crore in 2014-15 to ₹6.43 crore the next year.

That is bound to happen because the machines are getting bigger and taller. Earlier, we had 80-metre towers, now we have 120 metres. The weight of the structure increases from 100 tonne to 300 tonne. But the rated capacity of the turbine is the same. Therefore, cost per MW goes up.

The important thing to note here is the machines are generating more or are suitable for low wind sites. If you take Suzlon, between our S 97 and S 111 machines, the cost goes up by 25 per cent but the energy yield increases 63 per cent. And that too at low wind sites. Over the last 7-8 years, there has been a 30 per cent reduction in the (potential of) sites. With better machines we are opening up new areas for wind. When our S 128 machine comes, the entire state of Tamil Nadu will become viable - you can put up the machine even without doing

wind resource assessment.

Cost per MW is not important, what is important is the levelled cost of energy. In the last 10 years, cost of generation per kWhr has come down 20 per cent.

The comparison with solar is not proper, because only inferior panels are being sold in India at cheap prices. The same Chinese companies sell for higher prices in China and even higher in the US. And, for roughly the same amount of capex per MW, wind gives you far more energy. Let me ask you, why is no Chinese

company able to sell wind turbines in India?

With 350 million people still living in the dark, it is our responsibility to put up more projects, generate more power

Because you have a barrier in the form of the RLMM committee. (The 'revised list of machines and manufacturer' is the body that recommends approval

to the certifying agency, NIWE.)

No, no. RLMM Committee is in the interest of the country, for keeping good standards of the machines. Anybody is welcome to sell here.

But the committees members are industry players, isn't there a conflict of interest?

No, if anyone wants to bring a GL certified machine, no member can stop him. But if you see how many barriers are there in other countries, you'll go crazy.

I have a factory in China - last three years, zero production. Why? Because 90 per cent of the market is given to only Chinese companies. We were happy for a share of the other 10 per cent, about 2 GW, but they are not paying on time. Even now money is due to us. Can we fight the government there?

Then, take Brazil. We have built 1,200 MW there, our machines are giving 60 per cent PLF. But in Brazil if you want to sell turbines you have to get 'Finame registration'. (Those who buy from Finame-registered companies get cheaper loans from the Brazilian Economic and Social Development Bank, this gives registered companies an advantage.) One fine morning, they cancelled our Finame registration. Siemens and Vestas too. We asked them why, they don't even reply. The real reason was they wanted to help a

local turbine manufacturer called IMPSA.

In three years, IMPSA went bust. In Germany, a Turkish company placed an order on us for 150 MW. No German bank would fund him. They said, this company (Suzlon) has no track record here. We gave enough information about our presence in 20 countries, but still they wouldn't fund. Finally, we offered him Senvion machines (the German company that was then owned by Suzlon), which were 12 per cent costlier than ours, then the banks gave funds.

You have estimated the market for this year at 4,300 MW, but many think it is optimistic. Do you still stick to the projections?

Of course. We know what is happening on the ground. It will be 4,300 MW, hundred per cent.

The market seems to have attracted many new players. Vestas is back, Senvion is entering India with Kenersys, Acciona is bringing in Nordex machines and there are talks about Ming Yang getting serious about India. How does Suzlon see this competition?

First of all, the fact that many players are coming goes to show that our market is open to competition. Our Prime Minister is visiting many countries and communicating the 175 MW target. Now, 175 MW is a high number, and many players are attracted.

I am not worried about the competition. After all, I am picking up business in their countries, what can they do here? Siemens, GE, Vestas have all been here. India is a very complex market. Their products are not very competitive in India. Kenersys is even more expensive. It is an Indian company, part of the Baba Kalyani group, if they couldn't succeed, what will a foreign company do?

We will keep increasing the size of the cake and keep taking larger share of it, the rest of it will be divided among the other players. See, we were absent from the market for three years (due to financial difficulties) and that is when some others came in. (Gamesa was the market leader last year.) But last year, our installations grew 100 per cent. This year, the market will grow 30 per cent and we will capture most of the growth.



Tulsi Tanti