

'Suzlon on the verge of exiting corporate debt restructuring'

Amid increasing flow of investments in the renewable power (\$14 billion in FY17), and expectations of 50 GW wind energy capacity addition in the next 5 years in the country, Tulsi Tanti – the chairman and managing director of the Suzlon Group, believes that the tailwinds in the sector will help the company to move ahead. It expects to exit corporate debt restructuring process in the next 3 months. Suzlon currently has more than 35% of the equipment manufacturing market in the country. Recently it announced that one of its wind turbine generators achieved a plant load factor of 42% – a first in the industry. Here are a few excerpts from the interview with Tulsi Tanti with Anupam Chatterjee from the Financial Express.



What are your views on the recent trend of aggressive bidding? A certain section of the industry considers such practices to be reckless, and the low rates of R3.46/unit discovered at the reverse auction not sustainable.

I think this is a positive thing for the industry. Low rates would attract more buyers and consequently increase the volume of the overall industry. With volumes getting bigger, smaller margin and lower costs can become sustainable. The Ujwal Discom assurance yojana (Uday) scheme has provided the leverage to Discoms to buy more power. Falling rates should push up demand.

The industry has been mired in a situation of low power demand. How do you think can the current low-demand situation be tackled?

To encourage states to buy more renewable power, the industry has proposed the renewable energy ministry to come up with a performance based incentive scheme for buyers. As per the proposed scheme, regular payment to renewable generators would fetch an incentive of about 50 paise/unit (the rate renewable producers have been receiving under the generation based incentive scheme) to

state utilities. The incentive can be funded from the carbon cess fund. Since 90% of investment in the renewable sector is coming from foreign investors, regular payment mechanisms would ensure a steady inflow of foreign investments in the country.

Also, there is a need to increase industrial demand. In the current mechanism of cross subsidy, the industrial manufacturers bear the burden of low agricultural power costs. This adversely affects manufacturing in India. Chinese industries enjoy the two fold

benefit of lower interest and electricity rates, which has led to the manufacturing boom in the country. In order to boost the manufacturing sector, the government should come up with a strategy to lower industrial rates. Though the priority towards agriculture cannot be overlooked, we cannot undermine the necessity of creating jobs.

How do you think the upcoming GST regime affecting the renewable industry?

We look forward towards GST implementation. Going by what the finance minister said, I believe that GST would provide a neutral position for most of the industries. Negative impact, if any, would be easily outweighed by its positive effects. Cost will increase if wind turbine manufacturing attracts a GST of more than 5%. However, this might adversely affect domestic solar manufacturers. Domestic manufacturers, which meet only a small percentage of the requirement in the country, has practically been rendered unviable in the face of cheaper imported modules. The government has to come out with a policy framework to support the battered domestic solar manufacturing industry.

Apart from surge in equipment demand, how does Suzlon expect to benefit from the increase in wind capacity?

The company is very optimistic about the

performance of its maintenance and services business. The unit is growing at 20% annually with an Ebitda margin of almost 20%. It has almost 15GW of running assets in India and abroad. As the country prepares for 40-50 GW of wind assets in the coming 5 years, Suzlon plans to have a share of 15GW in that additional capacity. That will take the company's running asset figures to 30 GW after five years. In other words, our servicing business portfolio should be 30 GW in 2022.

When will Suzlon exit corporate debt restructuring?

Suzlon is nearly out of the debt restructuring process. The company has sold Germany's REpower (later renamed Senvion). It has also sold the Hansen gearbox company. The company has also raised ₹1,800 crore from Dilip Shangvi's Sun Pharma group. These initiatives have helped the company to reduce its debt by almost 50%. The present debt stands at about \$1 billion. The company hopes to pay majority of the debt, which are back ended, in parts in the next 5 or 6 years. Suzlon is now in a very comfortable position to service its debt. The company would submit its audited numbers to the banks in May. After that, banks would clear the proposals to come out of corporate debt restructuring. It should happen in the next three months, depending on how long the banks take to process the proposals.