Start operations

Last but not the least, the unit should start its operations. The initial production/operation should be done on the basis of demand projection arrived at earlier in the project report/business plan. The inventory of the finished goods produced should be carefully planned to make sure that it is neither too high nor too less. As with raw materials, a large finished goods inventory unnecessarily ties up the working capital, while too less an inventory may result in customers going back disappointed due to non-availability of stock.

TULSI TANTI—THE WIND POWER ENTREPRENEUR

The same kind of venturesome spirit that drives Tanti now was what set the Suzlon train in motion. Spurning their father's construction business in Gujarat, Tanti and his three siblings moved into textiles in the late 1980s. They started processing polyester yarn, and then graduated to making furnishing fabrics.

The decision to shift again, into wind energy, was a brave one. The industry was in the dumps, as it had been given a bad name by unscrupulous companies that lured customers with the bait of tax breaks. But projects were ill-conceived, often left incomplete with no maintenance or service support to speak of. Banks wised up and stopped lending for wind power projects.

The brothers saw the opportunity for a producer, not only to build the wind turbine but to provide maintenance and service support—even operation—as well. The experience seems to have kept the brothers tight. "We have a common store, but our kitchens are separate," is how Tulsi Tanti puts it, though even today, they host each other daily at their respective flats.

Selling some family property, the Tantis put together $600,000 as seed capital to start Suzlon. They shopped around for technology in Europe, but no one was willing to give it without having an equity stake in the venture. Finally, Sudwind, a small German company agreed, provided Suzlon bought ten turbines. Tanti convinced IPCL, a petrochemicals company that had been supplying raw materials for his yarn business, to sign up as Suzlon's first customer. Suzlon completed IPCL's 3.5-megawatt project using Sudwind's turbines within the three-month deadline. Tanti claims that ten years on, this first wind farm continues to run at 97 percent efficiency.

But the brothers, all four engineers, wanted to prove their technical prowess by crafting their own turbine. Their research efforts got a boost when Sudwind went bust in 1997. They hired Sudwind's engineers and created an R&D center in Germany. The subsequent acquisition of a manufacturer of rotor blades in the Netherlands gave them access to technology for a key component.

By 1999 Suzlon had introduced its partly homegrown turbine into the market. Today the company has three research sites in Germany, the Netherlands, and India, which are linked together. One important mission is: To find ways of increasing output so that the cost per kilowatt of energy-generated decreases.

At the same time, Tulsi Tanti is shrewdly consolidating his hold on component supplies, a critical success factor in this business. Recently, Suzlon acquired Hansen Transmissions Intl., a Belgian maker of wind turbine gearboxes, for $565 million, thereby securing supplies of another key component. (Suzlon now makes two-thirds of its turbines in India; the remaining third are imported.)

Traditionally, wind power has depended on tax breaks to make it an attractive alternative to conventional energy. But Tanti insists that with the price of conventional power climbing, production costs today are almost the same. Suzlon's technology innovations and ability to substitute for expensive imports with cheaper domestic components has reduced costs in the last ten years. "We don't need government handouts to survive," he declares.

Wind power has its critics, one beef being the noise that neighbours of turbines have to endure. But densely populated India in fact has large tracts of open land, mostly in remote rural areas. About 15 to 20 acres are needed for a 1-megawatt installation.

Suzlon has built Asia's largest wind farm, with an installed capacity of 500 megawatts, near Kanyakumari, on India's southernmost tip, where trade winds of 15mph are common. The ministry of non-conventional energy has created a "wind atlas" for picking the best sites.

Suzlon Energy, the company Tanti founded in 1995, is already the world's fifth-largest wind turbine manufacturer, and Tanti himself, who is worth $3 billion (€1.9 billion), is one of India's richest men. In 2005, Tanti converted his advantages over the competition into cash when he orchestrated a brilliant initial public offering. Suzlon raised $340 million (€219 million) and, from one day to the next, catapulted its founder and his family in the realm of the subcontinent's ultra-rich. Tanti himself currently owns 16 percent of Suzlon, while the family owns 66 percent.

Acquisitions have made the company reach fifth place on the list, helped along by perhaps its greatest coup of all: In 2007, Tanti suddenly entered the bidding for Repower, a major German wind turbine producer, and ended up outbidding the French nuclear energy giant Areva. It wasn't cheap, but it was a sensation. In May 2007, Suzlon paid €450 million ($698 million) for 33.6 percent of Repower. It was the largest acquisition an Indian company had ever made in Germany. In December 2008, Tanti bought more shares of Repower held by Areva for $543 million. In addition, Tantis have quietly bought Repower shares on the market in recent days, bringing their stake in the company to 66 percent of its stock (Schiessl, 2008).

On 18 April 2009, Tanti received the CIF Chanchlani Global India award 2009, instituted by Canada India Foundation, from Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India for his pioneering work globally to promote non-conventional sources of energy.

Discussion questions

1. Do you think that tax breaks by the government in the wind power energy sector were instrumental in attracting Tanti to this business?
2. How important according to you is research and development to survive in this business of wind power energy?