CREATORS OF A NEW ORDER

IN THE MORE THAN 25 YEARS SINCE LIBERALISATION BEGAN, A NEW BREED OF ENTREPRENEURS HAS COME TO OCCUPY CENTRE-STAGE, ROCKING THE STATUS QUO DOMINATED BY PUBLIC SECTOR BEHEMOTHS AND A FEW BUSINESS DYNASTIES

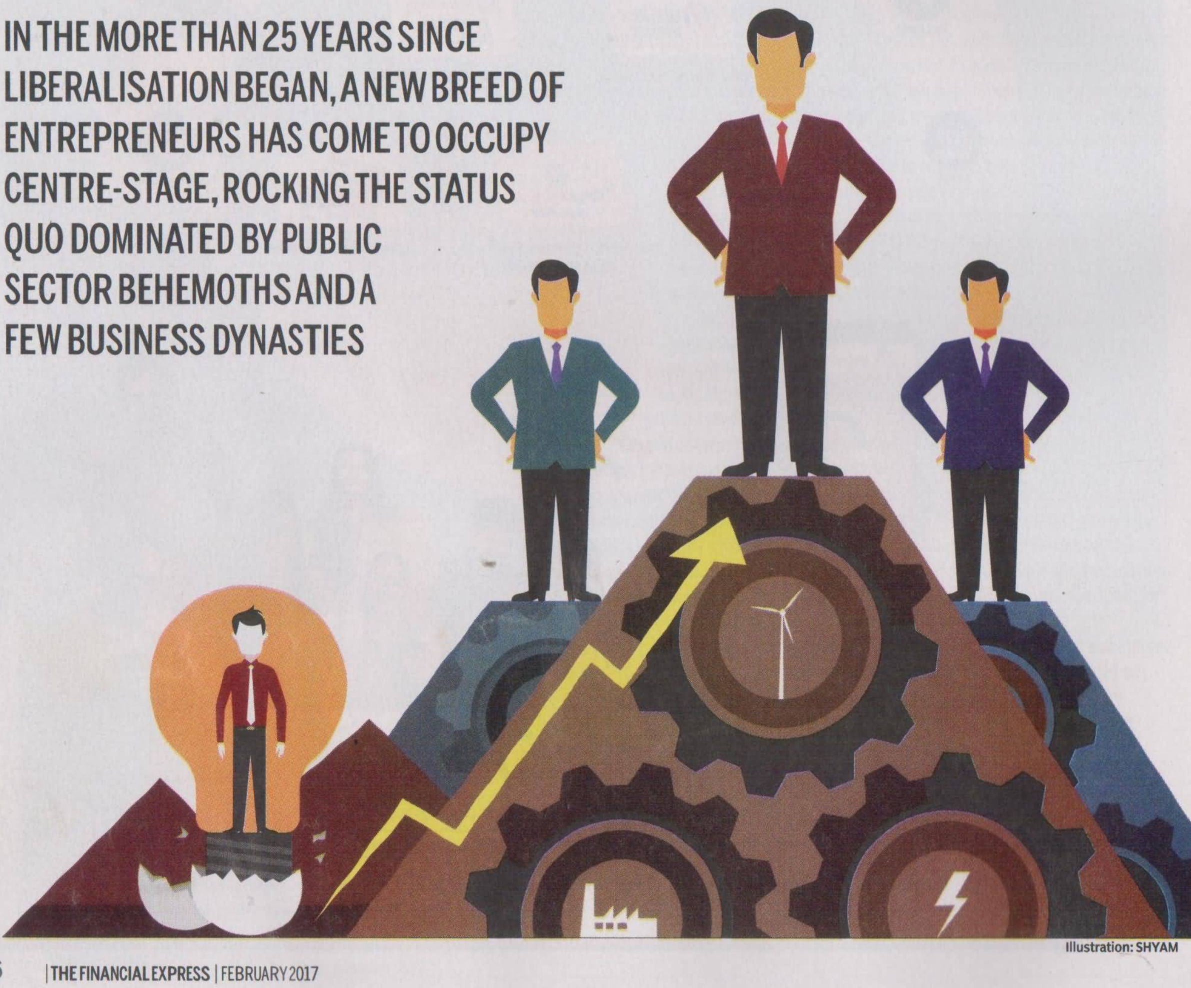


Illustration: SHYAM

SHAKTI PATRA

BEFORE the Indian economy was liberalised in 1991, almost 40% of the combined assets of all listed companies in the country lay in the kitty of just five state-owned names—NTPC, IOC, SAIL, MTNL and Nalco. And the top-20 list had just five private companies—three owned by the Tatas, one by the Birlas and one by the Ambanis. Just 25 years later, the 40% share had dropped to a tad over 12% and the top-20 list had 14 private names — three owned by the Tatas, three by the Birlas, two by the Ambanis, but more important, there were six new entrants.

Winds of Change

It was the end of fiscal year 1991. The Narasimha Rao government was yet to be formed and Manmohan Singh's path-breaking budget five months away. While the babus in South Block were trying to figure out ways to reduce the country's import bill, all a 33-year-old Tulsi Tanti, running a family textile business in Surat, was interested in was to prune his power bill. "With a profit margin of 5%, we were spending 40-50% on energy costs," Tanti told *FE*.

While looking for a solution to address this, Tanti decided to experiment with wind energy and installed two wind turbines. "The power went to the state electricity board and I got the credit for it in my factory," he said.

By the time it attained adulthood 18 years later, Tanti's idea had broken into the list of the top-20 companies in the country! Yes, in FY09, Suzlon Energy was among the top-20 listed companies in the country. However, it's not as if economic liberalisation gave anyone a free ticket to glory. The Tatas, Birlas and the Ambanis, already entrenched in the economic landscape, were at a vantage point. Global powerhouses had started making a beeline for India. What liberalisation, however, provided the likes of Tanti was a belief that the playing field was more level than before.

But when you are a startup — not a word very popular then — and that too trying to enter a very new industry, the challenges are immense. "Raising capital was a big challenge, as we had to convince lenders to finance and fund the renewable projects and our working capital requirement. We had to persuade the government and policy makers to promote renewable energy. We had to develop our own in-house technology without any technology licence," Tanti said.

Suzlon's journey, unfortunately, has hit a large speed bump in recent times. The debt-fueled inorganic growth strategy meant that while its revenue grew at a compounded annual growth rate (CAGR) of 72.5% in the decade to FY09, debt grew 96.1%. This led to its reporting losses for the following six years. Only a mixture of paring down of assets and cost rationalisation could see it returning to the black in FY16.

Tanti is not overly worried though. He expects the Indian economy to consume a lot of energy for the next many decades. "We will need to proactively adopt clean technologies to reduce our carbon footprint. I envision clean technology being at the heart of growth and creating sustainable jobs," he said.

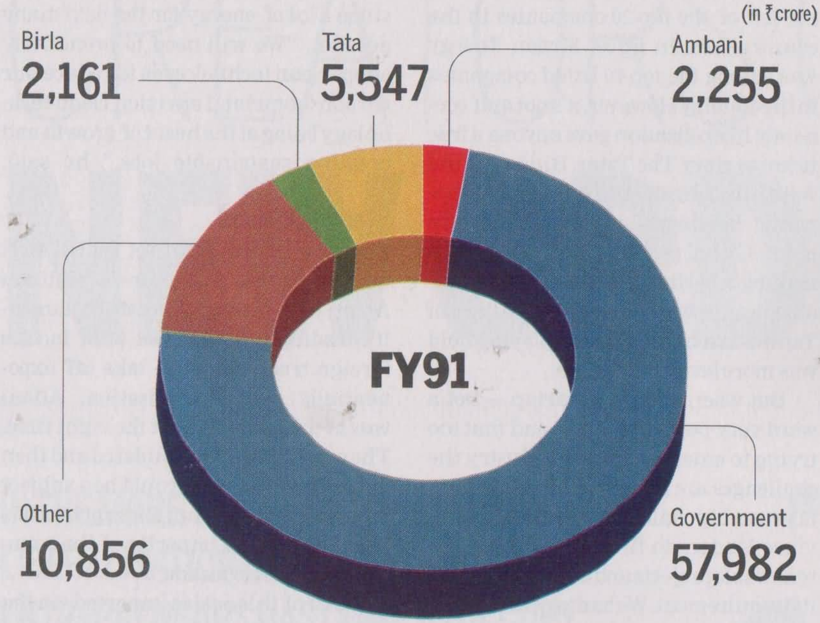
Black Diamond

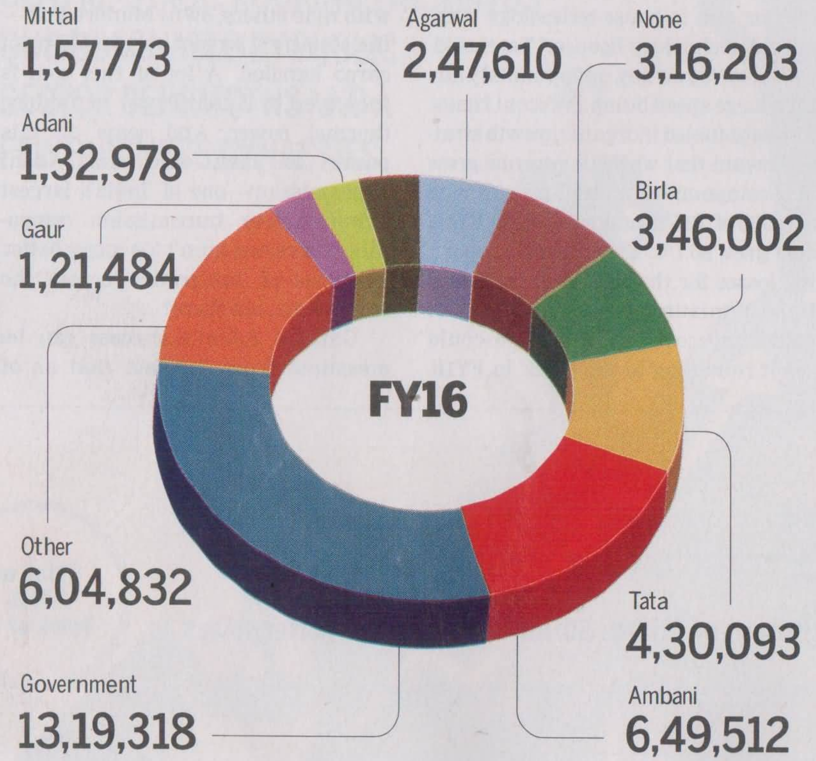
Not long before Tanti set up his first wind turbines, a 29-year-old Gautam Adani had set up a successful commodity trading business. So, with India's foreign trade all set to take off exponentially post liberalisation, Adani was at the right place at the right time. The way he grew, consolidated and then diversified, however, could be a subject matter of study. Adani Enterprises has been the top coal importer of the country for almost a decade.

Most of this coal is imported via the ports of Adani Ports and Special Economic Zone (APSEZ) which, along with nine others, owns Mundra Port—the country's largest port in terms of cargo handled. A lot of this coal is then used by Adani Power to produce thermal power. And some of this power is then sold via Adani Transmission—one of India's largest private power transmission companies. There just aren't too many better examples of integration across the value chain, are there?

Gautam Adani's success can be measured from the fact that as of

PROMOTER GROUP OF TOP 50 LISTED COMPANIES BY ASSET





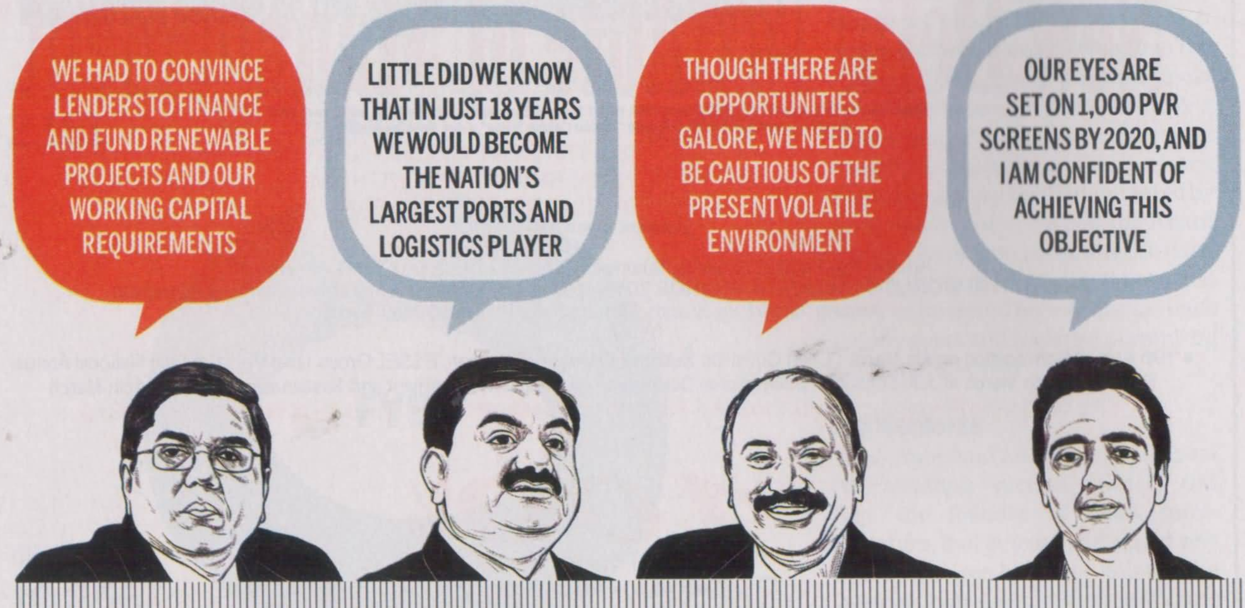
FY16, if one combines the assets of the four listed Adani Group companies, it would feature among the top 10 in the country. The Adani Group's most valuable company, APSEZ, is today a constituent of the Sensex and one of its ports is the largest in the country, despite being in a sector dominated by government ports. "When the Adani Group's foray into ports was initiated in 1998, little did we know that in just 18 years we would become the nation's largest ports and logistics player," he had noted last year.

Old Warhorse

While Tanti and Adani are mostly post liberalisation success stories, GM Rao, the founder of GMR Infrastructure, had entered and exited several businesses before he entered the infrastructure sector some years into the liberalisation era. When the National Highway Authority of India (NHAI) decided to try out the private sector, Rao picked up the gauntlet. "In the first phase, three roads were offered and we bid for all three. It was a BOT annuity model. We went into it very aggressively. Our group emerged as the lowest bidder for all three," Rao had said in an interview.

Today, GMR Infrastructure is the second largest company in the sector behind Larsen & Toubro and the GMR Group is a diversified conglomerate with interests in airports, highways, and power. It even owns an IPL team.

This rapid growth, however, has come at a cost. While GMR Infra's revenue has risen at a CAGR of 28.8% in the last decade, debt has grown 32.4%. The resultant pressure on the bottomline has seen the company trying to divest certain assets and bring down leverage of late. "Though there are opportunities galore, we need to be very cautious of the present volatile and uncertain environment and need to make prudent decisions," Rao noted a few months back.



TULSI TANTI
Founder, Suzlon Energy

GAUTAM ADANI
Chairman & Founder, Adani Group

G M RAO
Founder Chairman, GMR Group

AJAY BIJLI
CMD, PVR Limited

Irony personified

Anyone using Terminal 2 of the Mumbai airport—ranked as the best in the world by many bodies —would probably be surprised to know that the company that has built and is operating it, has reported losses for the last four successive years. Yes, GVK Power and Infrastructure (GVKPIL), the company behind T2, the Bengaluru airport, several large power plants, and some of the best highways in the country, has been experiencing a serious crisis for years now. This probably best manifests the volatile and uncertain environment in the Indian infrastructure sector that Rao spoke of. What might also surprise many is the fact that while the assets of GVKPIL and TajGVK Hotels and Resorts—the group's hospitality joint venture—if combined will ensure them a place among the top-50 listed companies, their combined market capitalisation is not even ₹2,000 crore! The reason for this is simple. Over leverage. It had ₹26,735.9 crore of debt as of FY16. A few months back, chairman of the group GVK Reddy had said some of the projects were in trouble for no fault of its own and that reducing debt remained the top priority.

Blockbuster

For a country crazy about movies, it's amazing how little organised the industry is in India. Be it production, distribution or anything in between, businesses are fragmented, scattered all over the place and for the most part, family owned. And then there's PVR.

When Ajay Bijli was barely 25, the demise of his father suddenly burdened his young shoulders with a thriving transport business and a movie theatre in New Delhi called Priya. By the time he turned 50, Priya had turned into Priya Village Roadshow and then metamorphosed into PVR Cinemas — by far the largest movie exhibition chain in the country with over 550 screens in 47 cities. In the 10 years since being listed, its revenue has grown at a CAGR of 30.5% and its market capitalisation is close to the billion dollar mark. But if you thought Bijli would be basking in the glory of his success, you would be mistaken. "I believe, we have reached an important inflection point, having laid the strategic groundwork for PVR 2.0. Our eyes are set on 1,000 PVR screens by 2020, and I am confident of achieving this objective sooner than later," Bijli had recently observed.

Trendsetters

There's no doubt that the first 25 years of liberalisation have broken the stranglehold of not only public sector companies, but also the pre-liberalisation dynasties. The reason for this is both the end of the licence permit raj and the emergence of a new breed of entrepreneurs. Gautam Adani, the most successful of this new breed of businessmen, could have been defining the pack when he said, "I could never take orders from anyone."