# #ANNUAL EASIDA 2016-17

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# KP ENERGY LIMITED













# **Message from Managing Director**

Dear Partners,

मिल सके आसानी से, उसकी ख्वाइसे किसे है ? जिद तो उसकी है, जो मुक्कदर में लिखा ही नहीं ।

Presenting the annual results and plans in 8<sup>th</sup> Annual Report, I would again wish to continue from where we stopped last year on *khwaise* – wishes we are pursuing relentlessly. Financial year 2016-17 have broken all the historic records of Indian Wind Industry with about 5.4GW of capacity addition.

Winds have virtually blown the numbers of Gujarat alone as a State adding 1392 MW, higher then sum total of last 04 years! It was certainly an exponential growth for industry as this spree was specifically driven because of removal of GBI benefits for non-balance sheet investors, reduction of accelerated depreciation benefits from 80 to 40% for balance sheet investors and probable input price increase due to ensuing GST regime from new financial year.



On 31<sup>st</sup> March, 2017, Team KP Energy too had to cheer about 112 crores top line, ~ 81MW wind assets energised and profits higher then turnover of first five years! And for you, the bonus issue of 3:2 multiplied your wealth. This year was also a year for maiden dividend of ~ 12% (Re 1 as interim, ratified in EGM and now Re. 0.20 added to aggregate as final dividend) began new innings of sharing cash profits as well. We would devise a dividend distribution policy in coming times to encourage our journey together for long term.

We want to convert those *khwaise* into reality. As a team also, we grew by leap & bounds. From 48 in beginning of the year, we are now 106 when I am writing this report slogging to harness as much wind possible. Team building exercise certainly is quite organic to keep pace with growth in business; so was need of addition of execution capabilities – addition of large scale construction machineries, special erection tools, management practices, everything armoured to paint on large canvass now.

We indeed welcome the move of Government of India to introduce the Auctions in deriving tariff as a long term sustaining measure to bring transparency, balance costs, infrastructure needs, and expectations of common man buying electricity. While there is disruption in wind industry from 1<sup>st</sup> April, 2017 on the order book continuity, consistency and viability perspectives, I am happy that; team KP Energy is quite flexible and tuned to these regulatory changes because of its unique model of operations.

# आँधियाँ हसरत से अपना सर पटकती रह गईं, बच गए वो पेड़ जिनमें हुनर झुकने का था ।

What Hon'ble Prime Minister told on 14<sup>th</sup> August, 1947 – "At the stroke of the midnight hour, when the world sleeps, India will awake to life and freedom" we cheered. Freedom from "Fit" is such turning point which will rejuvenate Indian wind industry to full blossom in long run, KP Energy is geared up to magnify its reach to propel in New India initiatives of PM Modi.

Faithfully yours, Faruk Patel



# **Message from CEO**

Dear Stakeholders,

Namaste.

We are grateful to Almighty for empowering us to deliver what we had committed last year. It was indeed a wonderful year for all of us to display trailer of full screen capabilities & skill sets, Team KP Energy will offer in coming times.

On behalf of Board, I thank all of our team members, channel partners, customers, consultants & our families to help us prove our mettle and personify that our growth is neither spontaneous nor sporadic. Some of the numbers would incarnate consistency, continuity & committed performance of KP Energy:



Parameter	Unit	2013-14	2014-15	2015-16	2016-17
No. of WTGs Energized (End-to-end BoP services by KPE)	Nos		11	14	39
Megawatts	Nos		23.10	29.40	81.90
Short term borrowings at year end	Rs Lacs	141.83	218.09	116.33	243.01
Total Annual Turnover	Rs Lacs	944.29	2,692.52	4145.25	11298.36
Long term borrowings at year end	Rs Lacs	352.00	19.76	769.20	1513.92
Net Cumulative Fixed Assets	Rs Lacs	87.92	985.09	2,541.11	5028.46

All of the above will tell you, loud and clear – there is something inimitable in working of your Company. And it is its unique business model. It is structured so painstakingly that it absorbs shocks & breaks from Regulators, it captivates growth opportunities during adversities, and it sustains economic viability challenges, exudes cosmic distracters and easily shrink or swell during thick & thins of Wind Industry!

Completion of 50.4MW projects for GIPCL, 14.7MW for GACL, 8.4MW for AS&SPL along with other clients within agreed timelines reflected our astute execution skills & managing depraved unrest from locals. Amicable conclusion of iniquitous opposition in name of "gauchar" at Matalpar Site, quashing of court cases raked up to earn ransom by some of the locals through conscientious legal battle, CRZ approval from State Government and successful presentation/node from CRZ Committee, Ministry of Environment, Forest & Climate Change, Government of India, Investment grade rating of stable outlook by CARE Ratings for debt plan of about 50 Crores, Historic plantation drive of sawing about 17000 trees on single day at Karmadia/Matalpar/Shevdivadar villages of Bhavnagar by hands of villagers and kids of all most 10 villages proximate to Matalpar Site were some of the most gratifying achievements of team KP Energy last year.

On 25th February, 2016 when stock was listed on BSE, the market capitalisation was Rs. 24 Crores and has today crossed Rs. 200 Crores, thanks to your trust, tireless efforts by ground team executing projects and mentors like Suzlon Energy directing us to destiny.

Business volume envisaged by Team KP Energy in State Sponsored Feed-in-tariff regime was **291.9MW** by 2019 year end in Red Herring Prospectus of its maiden IPO. It is now expanded to business plan of about **1000MW** in near-about same span by adding the entirely new sites of **800MW** proximate to Central Transmission Utility (Power Grid) built Green Corridor specially developed by Government of India to promote Renewable Energy & decongest Local Network of Windy States.



This will empower KP Energy to now cater both State business as well as ISTS (Inter State Transmission System) bids organised by SECI (Solar Energy Corporation of India), a Government of India Undertaking.

Certainly, 60GW wind power capacity target of Central Government would not have been absorbed by current eight windy states by all means and it was necessary to add participation from non-windy states through ISTS network. Aggressive bid prices of wind energy have already woken-up Discoms who were hitherto reluctant to consider RE so far. This has now given hope to wind industry to add 5-7 GW year over year and not just once in a decade!

Again, **FiT** (Feed in Tariff) is gone! It was comfortable for all and sundry. And now in Auction Driven Tariff regime, only **fit** (competent) players will remain! Year-end economics will now soon change to Bid specified dates. Economies to Scale will play a vital role to deliver projects at prices, very competitive, time specific and quality matching to international standards.

An old Jungle saying; "Tough One Rules" applies with us as well. Our USP has been windy site identification, in time acquisition, right partner proposition. Our 100% stake in India's highest windy State Gujarat (potential capacity higher then sum aggregate of much of Europe's windy countries) has given us ample business stability and recognition to overwhelm aspirant Multinational IPPs eying investments in India.

Cart follows, when Bullock is in Order! Once we had only land bank and a unique business model. Today, we have glittering track record, competent team, and 360 degree exposure in end-to-end Balance of Plant development solutions including most complex activities like wind turbine erection under one roof. Today we have our own 8.4 MW wind assets in generation. About 150MW assets under maintenance and ambitions to be sky high on performance.

We are quite certain; you will accompany us in our journey from 100s to 1000s of MW in coming years. We are also pursuing our equity capital addition program to ascertain migration to main board of BSE and write new rules to be successful in wind industry as independent wind farm developer.

I cannot stop myself to remember golden words of Gujarati poet Shri Anil Chavda;

અધીરો છે તને ઈશ્વર બધુંયે આપવા માટે, તું ચમચી લઈને ઊભો છે દરિયો માંગવા માટે?

Jay Hind, Gratefully yours, Ashish A Mithani





### ABOUT K.P. ENERGY LIMITED

K.P. Energy Limited provides complete solutions from concept till completion of the project life-cycle of a Wind Project. It develops wind power projects of utility scale right from siting, land acquisition, permits, power evacuation facilities like sub-stations, transmission lines, foundation works for wind turbines & electrical network as well as erection & installation of wind turbines. It also provides Operation and Maintenance services for internal 33kv lines and substation. It facilitates Power Sale Arrangement between investors and Power Utilities as well. KP Energy receives payment as Balance of Plant (BoP) for all of above implementation & services. Hence the Wind Farm Development project has two parts – BoP (K P Energy) and WTG (Any manufacturer of Wind Turbine Generator).

The Business model of development of Wind Projects by K.P. Energy Limited is as explained below:



The goal of the company is to bring together all the key stakeholders of a wind power project and ensure efficiencies of time, cost, quality and resources. Team KP Energy has successfully completed commissioning of all 32 Wind turbine Generators (WTGs) at Kuchhdi Site in Porbander Gujarat, including its own Suzlon make S97\_120 WTG of 2.10 Megawatts.

Team KP Energy has the composite exposure of 64 WTGs of 2.10 Megawatts each aggregating 134.40 Megawatts so far. In Financial year 2016-17, company have contributed from concept to commissioning of 81.9MW which is nearly three times of last year's performance.

Further total asset in Maintenance preview of the Company is 130.20 Megawatts (MW) as at the year under review.

In addition to the Wind Power Project Development business, Company became an Independent Power Producer in Wind Energy with own generating asset of 2.10 MW commissioned in FY 2016. Total installed Capacity of wind farm projects owned by the company stands at 4.20 Megawatts, double than previous year.

Further, Company has commissioned one more WTG of 2.10 Megawatts in its own wind vertical at Porbandar. Also one WTG of 2.10 Megawatts has been erected at Mahuva site at Bhavnagar in Gujarat.

So far, in the Feed in Tariff (FIT) regime, the business plan was scheduled in terms of execution capabilities with available resources (including man, machinery & money). However, in the Auction Driven Tariff (ADT) regime, the economies to scale play crucial role to adjust lower tariffs. The Financial Year End economics would change into bid determined delivery dates.

K.P. Energy have developed all the projects and sited its future projects with STU (State Transmission Utility) connectivity for offering to State Discoms. However, now with ISTS (Inter State Transmission System) bids initiated by GoI backed Utilities, there was an immediate need to site wind projects proximate to CTU (Central Transmission Utility). Such bids are viable of size around 250MW. Hence, Company is exploring and applied with CTU for connectivity for future projects.





