

# KP ENERGY LIMITED

Annual Report 2018-19



Let the wind of enthusiasm sweep  
through you.



# “SURVIVAL”



Here's the thing about survival, we must take life the way it comes at us and make the best of it and that's how we endure. Resilience is accepting the new reality, even if it's less good than the one we had before. We can either fight it or can do nothing but scream about what has been lost, or we can accept that and try to put together something that's better. This ascertained to be the quintessence for our business.

Forward-looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

INSIDE THE  
DOCUMENT

<b>Strategic Review</b>	
Fact-O-File: KP Energy	01
Our Journey	03
Message from Managing Director	05
Message from Chief Executive Officer	06
Closer Look at Our Performance	07
Management Discussion and Analysis	09
Corporate Sustainability Report	25
<b>Statutory Reports</b>	
Corporate Information	29
Notice	30
Director’s Report	38
Corporate Governance Report	61
MD/CFO Certification	70
<b>Financial Statements</b>	
Standalone Financial Statements	73
Consolidated Financial Statements	116

# FACT-O-FILE

## KP ENERGY

~200 MW

Capacity energised till date  
with an O&M under review

~214 MW

Power Evacuation Capacity

~200 MW

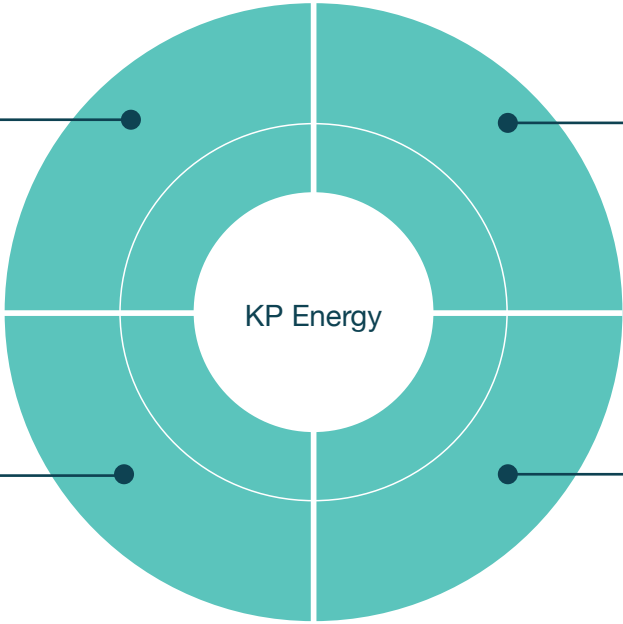
O&M Portfolio

8.4 MW

Wind Generation Assets'  
capacity

Order Book and  
Business Pipeline of  
**1,031.5 MW**  
for coming 3 years

Team strength of about  
**150 +**  
members



Gujarat  
focused player

BSE  
Main Board  
listed entity

# Diversified

revenue streams

Gujarat's  
**#1 BOP**  
solutions provider for  
Wind Farms

OUR  
JOUNREY

Incorporation  
of our  
company  
KP Energy  
Private Limited

2010

Allotted on  
a total of 56  
lease spots  
at various  
locations  
like: Ratdi,  
Baradia,  
Matalpar and  
Odedar.

2012

Allotted on  
lease spots  
at Kuchdi,  
Gujarat

2013

Executed  
30MW Joint  
Development  
agreement  
with Suzlon  
Energy Ltd for  
wind farm at  
Ratdi

2014

Executed  
31.50 MW and  
30 MW Joint  
Development  
agreement  
with Suzlon  
Energy Ltd  
for wind farm  
at Khuchdi  
and Matalpar  
respectively

Commissioned  
27.30 MW  
Wind Power  
Projects  
from Ratdi  
& Baradia  
Wind Farm at  
Porbandar

2015

Initial Public  
Offering of  
920,000  
Equity shares  
and Listing on  
SME Platform  
of BSE  
Limited.

2016

Commissioned  
81.9 MW,  
nearly 3 times  
it's last year's  
performance

2017

Won Bronze  
Award in  
category of  
"Portfolio  
Performance"  
Wind Developer  
of the year by  
IWEF

Tied up  
with world's  
prominent  
wind turbine  
technology  
provider for  
developing wind  
power projects  
of total 600  
MW(300MW  
each)

Migration to BSE  
Main Board

2018



# MESSAGE FROM MANAGING DIRECTOR



"At macro-levels, our policymakers have set an ambitious target of 175 GW of cumulative installed renewable capacity by the year 2022, out of which 60 GW has been specifically planned for wind energy alone. KP Energy is placed comfortably to gain from the installations and capital expenditure in wind energy space."

Dear Patrons,

“परिंदो को मंजिल मिलेंगी यकीनन  
ये फैले हुए उनके पर बोलते हैं,  
अक्सर वो लोग खामोश रहते हैं  
ज़माने में जिनके हुनर बोलते हैं!”

It gives me enormous pleasure to present to you the 10th Annual Report for the financial year 2018-19. This year, in particular, has been very important for your Company, we have not only learned to respond to fast changes but to come out of it all stronger than before. This year's theme, for our annual report, has been inspired by our experiences, obstacles, and rejuvenation, in the wind energy space in India in the past two years.

Your company has evolved and swiftly adapted to the rapid changes in industry dynamics over the past two years. This has involved revisiting our strategies to combat the obstacles and convert them into opportunities. Consequently, we have started developing large-scale wind farms to the tune of 300 MW in size under ISTS from erstwhile 30-50 MW capacities. We have also added new OEM partners like GE, acquired sites which are in proximity to the central grid and participated in consortium led bids. All of this hard work from your company and its employees have led to growth in the volume of business that we do and profits that we generate. We have recorded a 164% growth in total revenues from Rs. 60.23 crores in FY18 to Rs. 158.88 crores in FY19, and a 935% growth in profits after tax from Rs. 1.87 crores in FY18 to Rs. 19.43 crores in FY19. The financial performance for this year is not only comparable but much superior to the final year of the feed-in-tariff regime (FY17).

The transition from conventional energy dominance to large scale renewable energy future is both inescapable and urgent. It demands action at all scales and the participation of everyone. But to achieve this goal rapidly, equitably, and sustainably begins with exploring and unearthing new and creative ideas.

At macro-levels, our policymakers have set an ambitious target of 175 GW of cumulative installed renewable capacity by the year 2022, out of which 60 GW has been specifically planned for wind energy alone. The need for renewables as a power source cannot be overstated and moving ahead, cleaner energy will remain a top priority for any government. The quantum of auctions in Gujarat, along with a recent recovery in tariffs bodes well for your company. KP Energy is placed comfortably to gain from the installations and capital expenditure in wind energy space, for the foreseeable future.

“हज़ार बर्फ गिरे लाख आँधियां उठें  
वह फूल खिल के रहेंगे जो खिलने वाले हैं!”

Very truly yours,  
Faruk Patel

# MESSAGE FROM CEO

Dear Stakeholders,

The financial year 2019 results are direct fallouts of our strategies for the last two years, post end of feed-in tariff era in February 2017. Your company has posted the highest ever topline, bottomline and shareholder's funds. A dip taken last year, due to the lull execution fronts, posed doubts on our consistent growth journey. It exposed us to the risks of cyclonic thunders, which the Indian wind industry was undergoing, especially for small in size entities like us.

Change is the only constant mechanism that any business can undergo. And adoption to changes (regulatory or business process), migrating to new growth avenues, beating the adversities, staying committed to projects, withstanding survival threats are not prerogative of only oldies, biggies or treasuries. Comparatively young & developing entity like KP Energy stands out different in posing the highest positive numbers during dampening trends.

We are grateful to the almighty in enlightening us with the right strategies to overwhelm the change, we are now out of the dark. We would like to thank our suppliers, vendors, creditors for their faith, patience and support in testing times. We are poised for doing bigger and better things, and rewarding them with more opportunities as well.

Kudos to team KP Energy which did not bother about time, situations or resource availability, and made its die-hard efforts to achieve completion of the 50.4 MW Mahuva-I project with Suzlon. Devastation of all access & groundwork during a cloud-burst in monsoon of 2018, stiff opposition by locals for trivial reasons, fake assertions from goosy environment activists, politicking of genuine development initiatives by pseudo leaders, physical challenges in logistics & construction of wind project in extremely weak terrain, non-supportive internal as well as external cash flows, limited resources; the list of limitations is quite big. But it was smaller than the determination of team KP Energy to complete and energise all 24 wind turbines, which have now become a distinct reality, a reverberating and highly rewarding asset for our client.

Our struggle on the battlefield of Kutch with our first 300 MW SECI project will not end till project completion. Due to enormous regulatory changes that have undergone for securing project lands as well as challenges due to haphazard and inorganic development spree from multiple developers trying to establish projects to the tune of 3000 MW, in a span of just two years. It took about 18 years to develop just ~1000 MW in the same area till 2017! Here things can go wrong every-day and even one day of no-problem gives a heavenly feel! Well, this also is a must-learn to remain tolerant, pragmatic, genteel, suave and still tenacious whether challenges are posed from within or outside, during change mechanism. Lessons learned from this University will prepare us for our journey to the next decade!



Our learnings and earnings from our past will be soon visible in our new business alignments, contract, and endeavours for the forthcoming projects. Our selection of business partners or channel partners, methodical 'plan-organize-act-accomplish' strategy and striking growth drivers, as well as balance risks, is the next step to secure future growth journey. Our ambition of becoming an Indian Wind Industry conglomerate is not limited to any digits of topline or bottomline. It lies in faith, smiles, aspirations, hopes, and blessings from our ever-widening team, our extended family of shareholders and stakeholders like you. You deserve more, ought to expect more and we are here to deliver MORE.

Our endeavour is to take KP Energy to such a path, which can be best defined in words of Shri Rabindranath Tagore in Gitanjali,

Where words come out from the depth of truth,  
where tireless striving stretches its arms toward perfection.  
Where the clear stream of reason has not lost its way  
into the dreary desert sand of dead habit.  
Where the mind is led forward by thee  
into ever-widening thought and action.  
In to that heaven of freedom...

Here lies your expectations and our ambitions, together, well aligned for a better tomorrow.

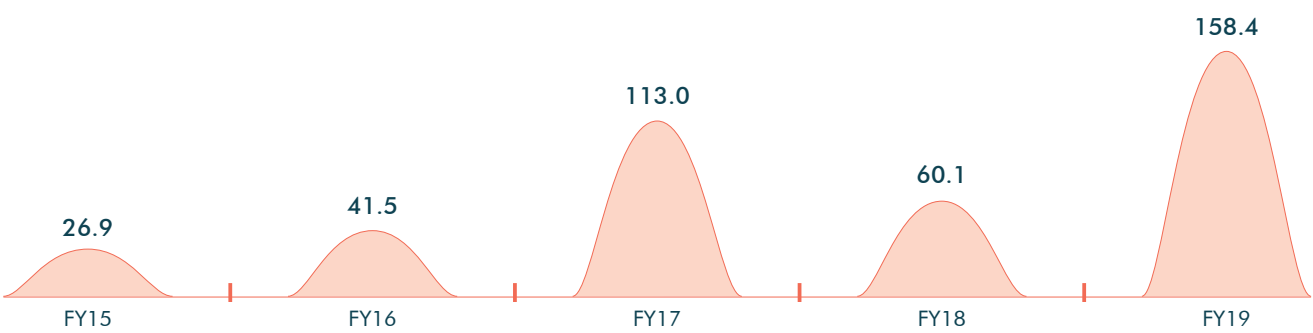
Sincerely yours,  
Ashish A Mithani

# CLOSER LOOK AT OUR PERFORMANCE

(Standalone)

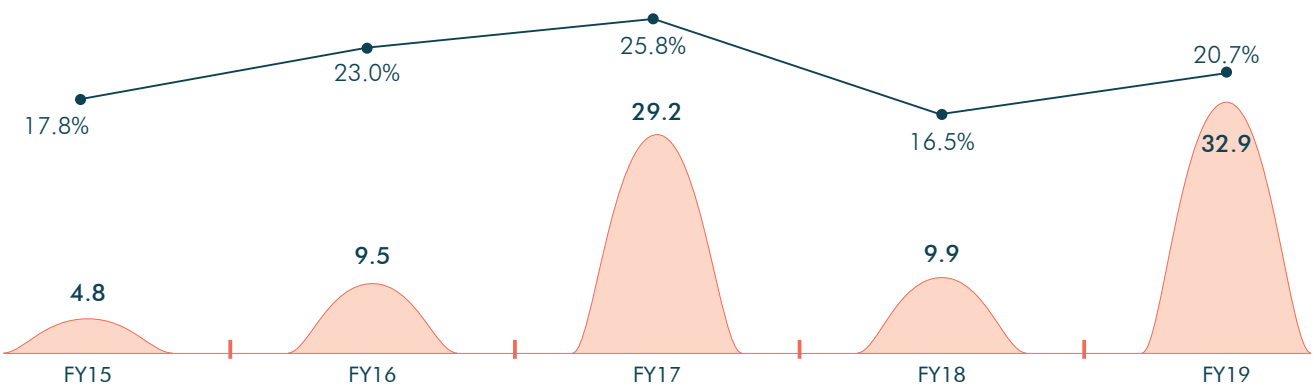
## Total Operating Income

(Figures in crores)



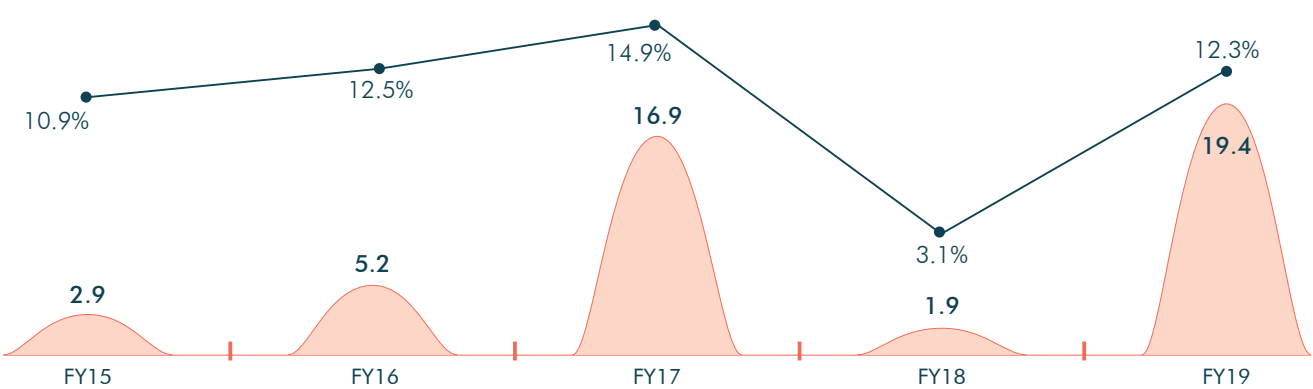
## EBITDA

● EBITA (in crores) ● EBITA Margin (in %)



## PAT

● PAT (in crores) ● PAT Margin (in %)



## Total Operating Income (FY19)

~158 Cr

## EBITDA (FY19)

~33 Cr

## PAT (FY19)

~19 Cr

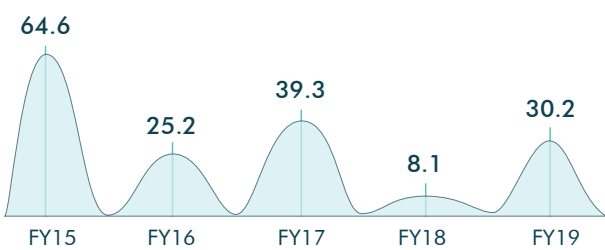
## Dividend History

2017- 1.2 /Share (Total dividend)

2019- 1.0 /Share (Recommended)

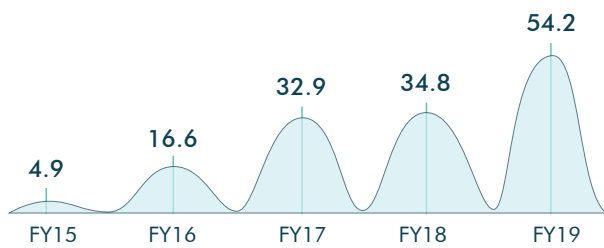
## ROCE

(Figures in %)

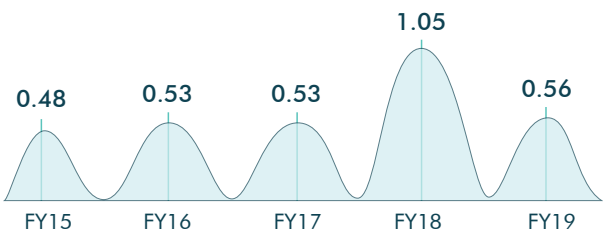


## Net Worth

(Figures in crores)

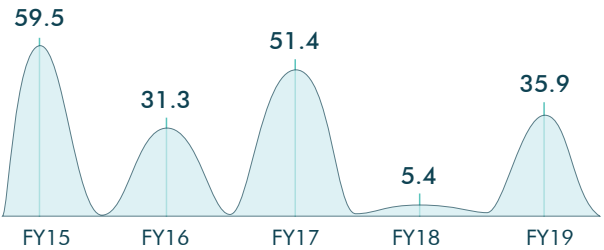


## Total Debt/Networth



## RONW

(Figures in %)



# MANAGEMENT **DISCUSSION** AND **ANALYSIS**



“A sense of  
clarity, renewal,  
and rejuvenation  
is essential in  
today’s complex  
business industry.”



# INDUSTRY OVERVIEW

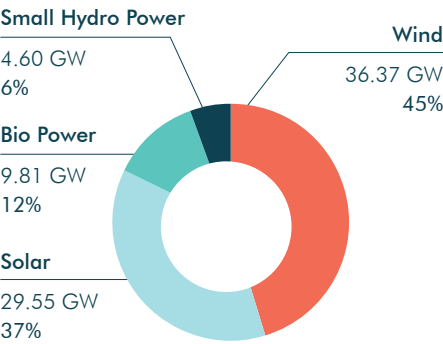
## Indian Energy Space

### Overview

Being a prevalent power manufacturer and consumer, India has been deployed at number three, subsequent to China and the United States of America. In spite of the aforementioned statistic, there is still a scarcity of power in India making it one of the lowest per-capita power consumption countries. India's per-capita power consumption is less than the world's average and is also reflected as the lowest among BRIC nations.

According to the statistics, 350 GW is the total installed electricity capacity of India as of February 2018 (Source: IBEF). Out of the total installed electricity capacity, renewable sources (RES) are accounted for 34%, within which, the large Hydro Power is accounted for 39% of capacity. Whereas the balance from other Renewable sources was 61% last year in July 2018, other renewable energy installed capacity was 70.65 GW.

### Other Renewables – Installed Capacity June 2019 (Source: NIWE)

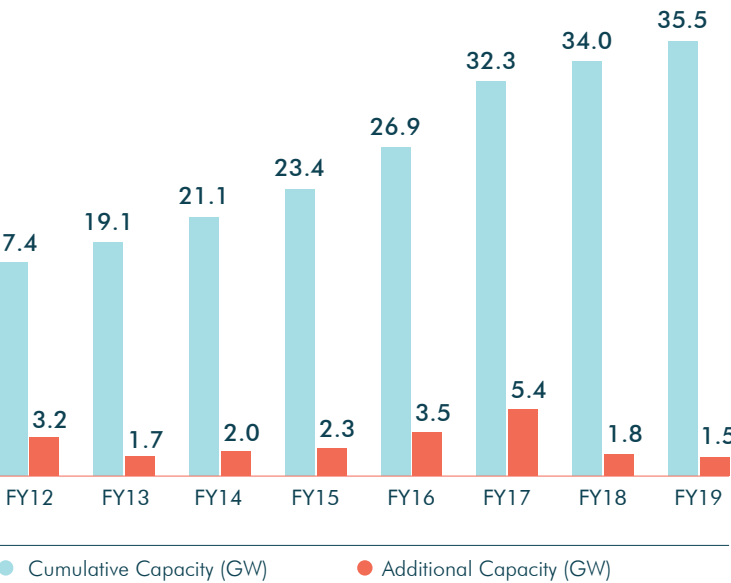


There is a need to rapidly move into a policy to reduce fossil fuel needs. A shift to alternative energy use and renewable energy sources that are used judiciously and equitably would bring about a lower dependency on the dwindling fossil fuel resources and carbon emissions. In order to do so, the government is introducing energy-efficient strategies and promoting Renewable sources (RES) at a very large level. Over the last year in July 2018, shares of RES in total installed capacity has come to 20.4% from >1% in 1997.

## Indian Wind Energy Space

### Overview

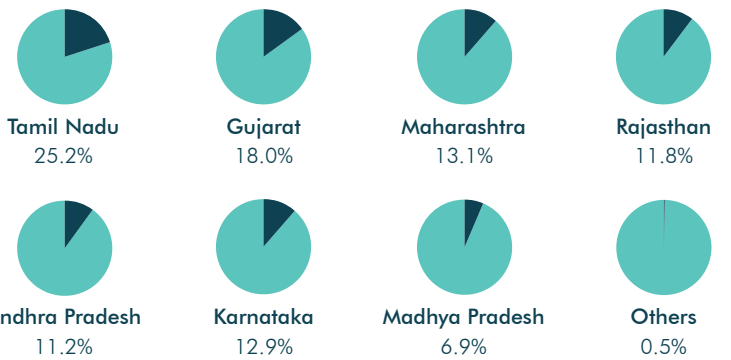
#### Wing Energy – Growth in Installed Capacity (GW) (Source: MNRE)



According to the MNRE based renewable source of energy, the wind is evident to be a prominent and the largest renewable energy source apart from Large Hydro. As of July 2018, almost 48% of the total RES capacity is accounted for the wind energy capacity in India. Between FY14 to FY19, wind energy capacity grew at a CAGR of ~11%. It reached a cumulative capacity of 35+ GW in FY19.

Considering the total installed wind energy capacity of India, Tamil Nadu is ranked in the first place, closely followed by Gujarat, Maharashtra, Rajasthan, and Andhra Pradesh respectively.

#### State-wise Installed Wind Energy Capacity (Source: RLDC)



## Regulatory Bodies

The Ministry of New and Renewable Energy (MNRE) is the nodal Ministry of the Government of India, it takes care of all the matters concerning new and renewable energy. Developing and installing new and renewable energy sources is the wider objective of MNRE. This facilitates the elevation of energy requirements in the country.

Under the administrative control of MNRE, the Government successfully pioneered the 'Solar Energy Corporation of India Limited' (SECI) in September 2011. SECI intended to expedite the implementation of Jawaharlal Nehru National Solar Mission (JNNSM). The scope of SECI increased thereafter, and now covers the entire renewable energy sector in India.

The scope of SECI now covers the entire renewable energy space.

## Recent Government Initiatives and Changes in Regulation

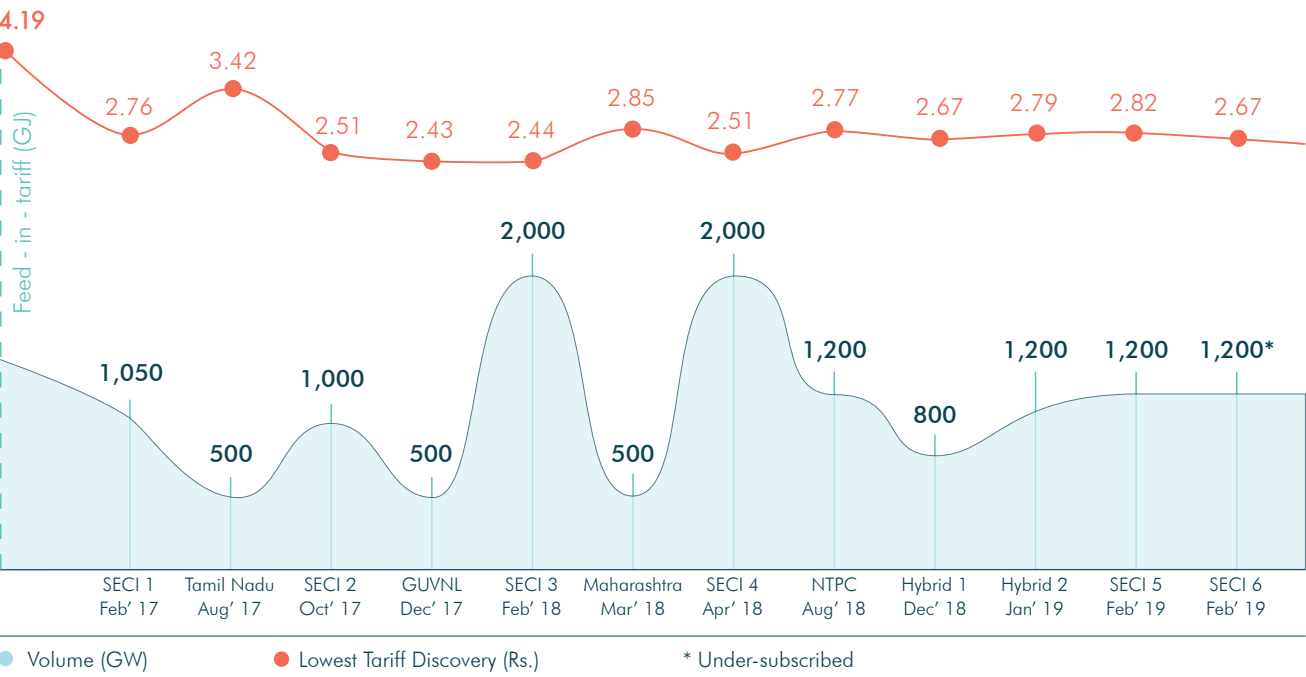
Indian Renewable Energy Space has been experiencing various regulatory fluctuations over the last few years. In the year 2017, there was a shift from feed-in-tariff to reverse auction-based price discovery. It is considered to be one of the most revolutionary modifications. Feed-in-tariff caters for wind power generators with a guaranteed price per unit. The cost would be covered and an assured rate of return is also delivered on their investments. Nevertheless, in case of reverse bidding, the entity quoting the lowest prices wins the bid. Due to the competitive price discovery, there has been a substantial fall of around 40% in price per unit.

SECI-I was India's first ever wind power auction held in February 2017, which witnessed a record of low wind power tariff at INR 2.76/kWh (Unit). It was 40% lower than the feed-in-tariff rates. The total volume auctioned in SECI was 1,050 MW. India has auctioned a total capacity of 13.1 GW, from the first auction in February 2017 to its 12th auction 2019.

There was a massive decline in tariff rates, reaching an all-time low of INR 2.43/kWh (Unit) during the GUVNL auction in December 2017. Over the previous 2 years, there has been a great deal of recuperation and the tariffs have also become fairly stable. With a moderate improvement in tariffs, in the auctions since March 2018, hopefully, there will be improvements in the capacity installation in the coming years.

### Auction Regime

February 2017 to February 2019



## CURRENT INDUSTRY SCENARIO - FAVOURING

<p>The government's emphasis on wind energy space resulted in the formulation of various initiatives such as hybrid solar-wind policy, the first-ever policy initiative in the offshore wind energy sector, construction of inter-state Transmission network, etc.</p>	From the Management's Desk
	<p>From 11.50% in FY17 to 17.00% in FY19, there has been an increase in the Renewable Purchase Obligations for both Solar and Non-Solar.</p>
	<p>A continuous flow of bids from Centre (SECI), NTPC as well as State Auction from Gujarat and Maharashtra.</p>
<p><b>Bids of about 13,000 MW already floated.</b></p>	
<p>New demands shifted from captive users (AD driven) to Third Party Sales post reduction in Accelerated Depreciation.</p>	<p>Development in WTG technology to harness more power and improve yields.</p>

## CURRENT INDUSTRY SCENARIO - UNFAVOURING

<p>Hardly few projects being developed due to many constraints listed above as well financial closure quite challenging due to weak tariffs and offtaker's risks along with site related RoW issues enhancing time &amp; cost overruns of the project.</p>	From the Management's Desk
	<p><b>Removal of Generation Based Incentives (GBI) and the reduction of Accelerated Depreciation benefits.</b></p>
<p>Good opportunity for retail investors, however poor implementation of Open Access Regulations and too many restrictive practices.</p>	
<ul style="list-style-type: none"> <li>• Land availability constraints.</li> <li>• Power Evacuation Capacity built up is lagging as compared to bids.</li> <li>• Stringent Bid Norms and penalties.</li> <li>• Very low windy state bid offers.</li> <li>• The financial health of Discoms.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor implementation of RPO amongst obligatories.</li> <li>• Long pending amendment in the Indian Electricity Act to improve the regulatory atmosphere in India.</li> </ul>
<p>Challenges to transport WTG to wind farm location with higher hub height and longer blades.</p>	