**Indowind Energy Ltd**
CIN : L40108TN1995PLC032311
E-mail : contact@indowind.com

16th September 2020

**NATIONAL STOCK EXCHANGE OF INDIA LIMITED**
Listing Department
Exchange Plaza,
BandraKurla Complex,
Bandra (E),
Mumbai- 400 051.

**Sub: Clarification for Financial Results**
**Ref: Your email dt.11th September 2020**

**Dear Sir,**

With ref to your mail, we wish to state that, Company does not have any other source of income other than power income. Therefore segment reporting is not applicable to the Company.

This is for your Information

Thanking you,

Your faithfully,
For **INDOWIND ENERGY LIMITED**

**Harsha J**
Company Secretary

## ANNEXURE I

Statement on Impact of Audit Qualifications (for Audit Report with modified opinion) submitted along with Annual Financial Results – (Standalone and Consolidated separately)

**Statement on Impact of Audit Qualifications for the Financial year ended March 31,2020**
**(See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016)**

(Rs. In Lakhs)

| Sl. No. | Particulars | Audited figures (as reported before adjusting for qualifications) | Adjusted Figures (audited figures after adjusting for qualifications) |
|---|---|---|---|
| 1. | Turnover / Total Income | 1,960.63 | 1,960.63 |
| 2. | Total Expenditure | 2,519.11 | 3,917.09 |
| 3. | Net Profit / (Loss) | 5.05 | (1,957.39) |
| 4. | Earnings Per Share (in Rs.) | 0.01 | (2.18) |
| 5. | Total Assets | 29,295.29 | 29,066.33 |
| 6. | Total Liabilities | 9,330.64 | 11,719.95 |
| 7. | Net Worth | 19,964.66 | 17,346.38 |
| 8. | Any other financial item(s) (as felt appropriate by the management)<br>- Exceptional Items | 564.47 | - |

## II) Audit Qualification:

### Basis for Qualified Opinion

i) a) We draw attention regarding impact on the Profit for the quarter and year ended March 31, 2020 where there is a legal dispute between the Company and the Exim Bank on non-release of the balance loan of $12.11 million as per the initial agreed terms and the matter is pending before Honourable High Court of Bombay. The Company has provided for the interest on the EXIM loan @4.4% (quarterly rests) after adjusting the fixed deposit, differential interest on fixed deposit and excess processing fee as against the 16% (monthly rests) rate of interest charged by the bank. The entire interest including the penal and additional interest for the year ended March 31,2020 amounts to Rs. 1480.03 lakhs which is determined based on the closing balance confirmation of EXIM bank. Accordingly, had the interest including the penal and additional interest been provided in line with the bank in the financial results, the loss before exceptional items and tax for the year ended March 31,2020 would have been higher by Rs. 1169.02 lakhs. Our opinion dated May 30,2019 on the standalone financial results for the year ended March 31,2019 and our review report dated February 14,2020 on the standalone and consolidated financial results for the quarter ended December 31,2019 was also qualified in respect of this matter.

b) We refer to Note 31 to the accompanying Statement, the Company has recognised interest income to the tune of Rs. 564.47 lakhs and the same was adjusted in EXIM loan outstanding in the financial results for the year ended March 31,2020. As the outcome of the case as referred above in point number (i)(a) is uncertain at this stage, the recognition of Contingencies in financial results is not in accordance with recognition and measurement principles laid down in the applicable Indian Accounting Standards prescribed under section 133 of the Companies Act 2013. Accordingly, had the interest income not been recognised, the profit before tax for the year ended March 31,2020 would have been lower by Rs. 564.47 lakhs.

c) We refer to Note 17 to the accompanying Statement, the Company's Long-term borrowings includes Rs. 7116.66 lakhs as at March 31,2020 representing the loan outstanding (principal and interest dues) obtained from EXIM bank. However, the closing balance confirmation of EXIM bank reflects Rs. 9505.97 lakhs as the total outstanding (principal and interest dues) as at March 31,2020.The Company has adjusted the fixed deposits charged against the loan from EXIM bank to the tune of Rs. 401.24 lakhs towards the principal outstanding during the year ended March 31,2020 whereas the bank had adjusted for Rs. 365.35 lakhs on February 22,2019 against the interest overdues. The derecognition of financial liability in part is not in accordance with the requirements of Ind AS 109 'Financial Instruments'. The Long term borrowings reflected under the Non-Current liabilities has been understated in the Statement to the tune of Rs. 2389.31 lakhs as at March 31,2020.

d) We refer to Note 7 to the accompanying Statement, the Company has accounted for reduction in the unamortized interest expense reflected under Other non-current financial assets to the extent of Rs. 46.74 lakhs which was adjusted in EXIM loan outstanding in the financial results for the year ended March 31,2020.The Company has taken a stand that the processing fees booked at the time of initial sanction of loan was based on the total amount sanctioned by the EXIM bank and 50% of the same has to be reversed since the entire sanctioned amount has not been released by the EXIM bank. However, there is no such clause mentioned in the terms and conditions stipulated in the sanction letter of the EXIM bank. Hence the stand taken by the Company for reversal of the

processing fees by 50% is not correct. The Company has accounted for amortization of processing fee under finance cost which is less by Rs. 12.42 lakhs due to this reversal. Accordingly, had the reversal not been done, the loss before exceptional items and tax would have been more by Rs. 12.42 lakhs and other non-current financial assets is understated by Rs. 46.74 lakhs.

e) The EXIM bank has recalled the loan vide letter reference No: EXIM: ChRO: 408:2018-19 dt: Jan 23,2019 for total of USD 12.12 million towards Principal outstanding, Interest overdue and liquidated damages as on December 31,2018. In the event of the Company not able to repay the loan recalled then the bank can recover from the 8 MW WEGs movable fixed assets on which the bank is having first charge by way of hypothecation against the loan sanctioned. These assets are the one which generate the income to service the loan and accordingly will have impact on the company's ability to continue as a going concern. Our opinion dated May 30,2019 on the standalone financial results for the year ended March 31,2019 was also qualified in respect of this matter.

a. Type of audit qualification:

Qualified opinion

c. Frequency of Qualification: Repeat

d. For the Audit Qualification(s) where impact is quantified by the Auditor, management views:

i. Quantified at Rs. 1,733.49 Lakhs

e. For Audit Qualification(s) where impact is not quantified by the auditors:

i. Management's estimation on the impact of audit qualification: a to e

Exim Bank had sanctioned a Term Loan of Euro 18 Mn / USD 25 m (INR of about 113 crores) during June 2010 for setting up a 20 MW project. The exchange rate as per the projected cost and means of finance was Rs.45.20 / USD. The company had also executed a Trust and Retention Account (TRA) with Exim Bank defining the priority order for apportionment of project collections as: Trust bank charges, Asset management expenses, Charges to lenders, Principal to lenders, Topping up of DSRM and Surplus to borrower.

The bank had released Rs. 44 crores in May 2011 and started delaying further payments. This resulted in completion of the 6 MW project with huge interest costs and other charges debited by the bank. The company offered to repay the loan without interest if the bank is not serious in completing the full

project. Subsequently, the bank agreed to release further payments by taking additional security deposit and lien on 40 lakh shares of the company. However, the bank released only 10 crore for completing additional 2 MW project and had unilaterally debited about INR 1 crore towards penalty and withheld a deposit of INR 3.3 crore meant for the balance 12 mw project. The company had objected to non-release of funds and also demanded to release lien on shares, release of FD to avoid financial burden on the project and damage to equity returns as the bank was not paying interest on the FD in line with the cost of funds. The company objected, as the additional costs imposed due to fees, penalty, FD etc. and not allowing the company to complete the balance project in time could affect long term IRR and financial returns from the project to the bank & shareholders.

The completed 8 MW project was to earn an IRR of about 9.2% only based on the supplier's long term performance guarantee and the tariff revision from Rs. 3.40 to Rs. 4.40 from the year 2019 as per the PPA with BESCOM. The balance 12 MW project in Tamil Nadu with private sale arrangement was to earn higher IRR of 16% and the combined project target IRR of 12% was to offset the expected rupee depreciation costs of about 5% pa and loan interest rate of 4.4%. Inspite of repeated representations by the company to bank to release balance funds and adhere to the TRA for apportioning the project collections, at a sustainable interest rate and repayments, pending completion of the balance project, the bank started threatening with penal interest rate of 16%. Hence, the company was forced to freeze the project account with a principal loan balance at Rs. 18 crore disputed interest account balance at Rs. 22 crore, disputed exchange loss provision at Rs. 28 crores, without agreeing to unsustainable penal charges etc., against equity returns claims on FD, fees paid, project preliminary expenses incurred on 12 mw costs and revene loss claim along with accrued interests, in line with the claims demanded by the bank.

Since the bank was not addressing the grievances to set-right its own project issues and complicating it further with its own unilateral decisions, the company had to approach the Hon'ble High Court of Mumbai for speedy remedy.

However, the company continues to discuss with the bank for early resolution to close the dispute and hopes it can be resolved if the bank agrees to adhere to the TRA and charge interest and repayments in line with the project earnings over the life of the assets of about 30 years and release balance funds to the project. Since the bank has already been repaid Rs. 40 crores on its partial disbursement of Rs. 58 crores in the last 8 years, the company has also offered to settle the loan account without interest & forex

currency loss to offset costs & damages to equity investment by the company in the project due to bank's failure in releasing full amount in time, to complete the full project.

ii) We refer to Note 4 to the accompanying Statement, the Company's Capital advances shown under Property, Plant & Equipment under Non-Current Asset of Rs. 3398.99 lakhs which is related to the compensation claim from Suzlon Energy Ltd for non-performance of the machines purchased by the Company. The Honourable High Court of Madras (Single bench) has passed an order on 26.11.2019 setting aside the Arbitral Award dated 22.07.2017 which was passed in favour of the Company. The Company has filed an appeal with the Honourable High Court of Madras (Division bench) against the order referred above. In view of the uncertainty associated with the outcome of the case, we are unable to comment on the recoverability of the claim made by the Company. Our opinion dated May 30,2019 on the standalone financial results for the year ended March 31,2019 was also qualified in respect of this matter.

Type of audit qualification:

Qualified opinion

c. Frequency of Qualification: First Time

d. For the Audit Qualification(s) where impact is quantified by the Auditor, management views:

i. Not quantified

e. For Audit Qualification(s) where impact is not quantified by the auditors:

i. Management's estimation on the impact of audit qualification:

The company has entered into a long term supply cum O&M agreement with Suzlon Energy Limited for an 18 MW project at Chitradurga, Karnataka with IREDA and Exim Bank term loan. Suzlon had provided a generation guarantee and commitment letter to IREDA for generation of 42 lakh units p.a. per machine. @ 95% machine availability.

Suzlon was to deposit this shortfall amount into the project TRA a/c to enable the company to meet the bank loan dues. However, Suzlon was not paying the dues in time and hence the legal proceedings are going on. The

company has also initiated arbitration proceedings (for the second time) against the supplier for claiming shortfall in generation.

iii) We refer to Note 8 to the accompanying Statement, the Company has other non-current assets with related parties of Rs. 1547.52 lakhs receivable in respect of sale of machines (2.50 MW consisting of 9 Machines) and expenses incurred with respect to make change / repowering of the 1.5 MW capacity. The repowering of the balance 1 MW is still pending and the Company has estimated that an amount of Rs. 250 lakhs is required to complete the repowering of the same. A condition was also stipulated in the agreement that this amount will be paid in 2 to 3 years' time without any interest from the date of the Company completing the repowering of the 2.5 MW project. Hence the provision is required. However, the management is of the view that the repowering of balance 1 MW will be carried out to make them in working condition and also collect part of the amount in the coming financial year. Our opinion dated May 30,2019 on the standalone financial results for the year ended March 31,2019 was also qualified in respect of this matter.

b. Type of audit qualification:

Qualified opinion

c. Frequency of Qualification: Repeat

d. For the Audit Qualification(s) where impact is quantified by the Auditor, management views:

i. Not quantified

e. For Audit Qualification(s) where impact is not quantified by the auditors:

ii. Management's estimation on the impact of audit qualification:

The company was to complete the repowering of 2.5 Mw machines by obtaining necessary approval from TANGECO which was getting delayed due the pending policy guidelines at TANGECO. However, during the year repowering of machines having capacity of 1.5 Mw has been completed repowering of balance 1 Mw wind form is likely to be completed during the course of the current year.

iv) We refer to Note 10 to the accompanying Statement, the Company has trade receivables to the tune of Rs. 394.59 lakhs out of which Rs. 228.96 lakhs relates to Interest recoverable from TNEB Thirunelveli and BESCOM. The amount is lying as receivable for more than 3 years. As both are the Government entities, the collection of the said amount was expected to be certain. The Company has filed the petition before the Honourable Tamil Nadu Electricity Regulatory Commission claiming the interest recoverable from TNEB, Thirunelveli for which the outcome is unascertainable at this stage. In our opinion the chance of recoverability is low and the provision shall be made for the same. Had

the provision been made in the financial results, the loss before exceptional items and tax for the year ended March 31,2020 would have been higher by Rs. 228.96 lakhs and the trade receivables is overstated by Rs. 228.96 lakhs.

c. Type of audit qualification:

Qualified opinion

c. Frequency of Qualification: First Time

d. For the Audit Qualification(s) where impact is quantified by the Auditor, management views:

i. Quantified at Rs. 228.96 Lakhs

e. For Audit Qualification(s) where impact is not quantified by the auditors:

iii. Management's estimation on the impact of audit qualification:

The company had provided compounded interest income on delayed payments @ 12% from TANGEDCO at Rs. 244 Lakhs- as per the Power Purchase Agreement. However, TANGEDCO did not pay the dues in time. Even after the Hon'ble Supreme Court's order to pay interest dues @ 12%, TANGEDCO got an APTEL order to pay 10% which was also not implemented. Consequently, TANGEDCO offered a proposal wherein the interest dues would be paid if the company is willing to take 6% simple interest rate. Since the company is doing business with TANGEDCO for more than 25 years and since it has to continue to work with the TANGEDCO in future and considering their final decision, the company accepted to take the settlement @ 6% amounting to Rs. 64 lakhs as against the amount due, on the condition that in case TANGEDCO pays interest to any claimant at rate higher than 6% consequent to any direction of any Court, Indowind shall be entitled to the same.

IIIJ Signatories

Chairman
Bala V. Kutti

WTD
K.S. Ravindranath

CFO
N.K. Haribabu

Audit Committee chairman
Niranjan R Jagtap

For Sanjiv Shah & Associates
Chartered Accountants
Firm Reg. No. 003572S

CA. Ramakrishnan. G
Partner, M.No. 209035
Statutory Auditor
Sanjiv Shah & Associates

SANJIV SHAH & ASSOCIATES • CHENNAI-7 Ph: 25610842 • CHARTERED ACCOUNTANTS •

Place: Chennai
Date: 7th August 2020