

CARE Due Diligence Services



Due Diligence Report

| | |
|--------------------|---|
| Name of the Entity | KKV Agro Powers Limited |
| Location | Vivagaa Building,637,Oppanakara Street, Coimbatore, Tamil Nadu, India – 641 001 |
| Operational Status | Operational |
| Report Date | June 10, 2016 |

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Key Strengths

- *Well-experienced promoters and management team having average experience of over 30 years in the industry*
- *Established track record of group with enduring relationship with clients.*
- *Infusion of fund by promoters through unsecured loans to support the operations*
- *Comfortable profit margins*
- *Favourable policy environment for wind power and solar power by the government*

Key weaknesses

- *Customer concentration risk*
- *Leveraged capital structure and moderate debt coverage indicators*
- *Working capital-intensive nature of operation*
- *Modest scale of operations with presence in highly competitive and fragmented industry.*
- *Project funding and execution risk within estimated time and envisaged cost*

Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring Prospectus.*
- *For undertaking the financial analysis, we have primarily relied on the following financial statements provided by the management:*
 - *Audited financials for the financial year ending March 31, 2013, audited by M/s Hari bakthi & Co. and signed by Mr. C. S. Sathyanarayanan (Partner) dated September 25, 2013.*
 - *Audited financials for the financial year ending March 31, 2014, audited by M/s Haribhakthi & Co. LLP and signed by Mr. C. S. Sathyanarayanan (Partner) dated September 03, 2014.*
 - *Audited financials for the financial year ending March 31, 2015, audited M/s Haribhakthi & Co. LLP and signed by Mr. C. S. Sathyanarayanan (Partner) dated July 06, 2015.*

DRHP consists of financials till March 31, 2015; thus, CARE has also considered financials till only March 31, 2015.

- *As a part of the due diligence exercise for NSE, CARE also*
 - *Reviews financials submitted by the company with Ministry of Corporate Affairs.*
 - *Undertakes Site visit and management discussion*
 - *Due Diligence with lenders and auditors*
 - *Due Diligence with customers.*
- *However, please note that*
 - *Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.*
 - *CARE does not guarantee the accuracy, completeness or adequacy of any information on which this report is based. CARE is not responsible for any error / omissions for the results/opinions obtained for the use of this report.*

BRIEF SNAPSHOT OF ENTITY

| | |
|--|--|
| Name | KKV Agro Powers Limited (KAPL) |
| Year of Incorporation | June 05, 2012 |
| Constitution | Public limited company |
| Nature of Business | Wind and solar power generation |
| Industry | Power Generation |
| Energy Produced | Wind mill power and Solar power |
| Registered Office | Vivagaa Building, 637, Oppanakara Street, Coimbatore, Tamil Nadu, India – 641 001. |
| Location of wind mill power plant | Polladam, Tirunelveli and Udumalpet |
| Location of Solar power plant | Tirupur |
| Key Promoters name | Mr. T. K. Chandiran (MD) and Mrs. C. Selvi |
| Key regulatory approvals, certifications and membership | NA |
| Major Brands | NA |
| Name of the Auditor | M/s Haribhakti & Co. LLP |
| Major Existing Bankers | Indian Bank |
| Total number of employees | 15 |
| Total income for latest year | Rs. 357.75 Lakh (FY15, Audited) Rs. 415.67 lakh (9MFY16) |
| Wilful defaulter as per CIBIL | No as on March 31, 2016 |
| Litigations | No litigations against KAPL |

Background

Incorporated in 2012 as Nachas wind energy private limited company, further its name changed to KKV Agro Powers Private Limited and later re-constituted on May 18, 2015, to KKV Agro Powers Limited (KAPL) is engaged into wind and solar power generation which are the main sources of renewable energy. The company is also into trading of renewable energy certificate (REC); however revenue from trading business contributed around 2% to total sales during FY15 and remaining 98% came from the power generation during the period.

KAPL has a registered office at Coimbatore, Tamil Nadu and has seven wind mills and one solar power projects in Tamil Nadu having aggregate installed capacity of 7.0 MW which comprise of 6.0 MW of Wind mill energy projects and 1.0 MW of solar power projects.

Details of windmill power projects and solar power projects are as follows

| Particulars | Location | Installed Capacity |
|-------------------------|-------------------|---------------------------|
| Windmills Power Project | Udumalpet | 1.5 MW |
| | Tirunelveli | 2.5 MW |
| | Polladam, Tirupur | 2.0 MW |
| Solar Power Project | Tirupur | 1.0 MW |

The company operates under group captive power schemes in which the company has to have at least 26% of the equity and has to consume 51% of the power produced and remaining can be sold to other stakeholders or customers. As of now, KAPL has signed power purchase agreement with 3 clients.

KAPL is planning to expand its capacity by setting up wind farm project of 0.8MW at Vaagaikulamphase II in Tamil Nadu. The overall estimated project cost is Rs.475.00 Lakh, which will be funding through IPO proceeds of Rs.358.40 lakh (not yet issued) and proceeds from preferential allotment made to promoter and Promoter group of Rs.586.24 lakh; however the company has already received funds from preferential allotments which are deposited in escrow account by the company. The project work has not yet started as the project is being funded through majorly from IPO proceeds which are yet to come. Additional funds would be utilized for repayment of term loan and other issue related expenses.

During FY15, the total operating income (TOI) of KAPL stood at Rs.357.75Lakh (compared with Rs.261.93Lakh in FY14), while net profit of the company stood at Rs.46.06 Lakh in FY15 (compared with Rs.63.88 Lakh in FY14). As per the management, during 9MFY16 (April 1, 2015 to December 31, 2015), KAPL has reported PAT of 56.47 lakh on total operating income of Rs.415.67 lakh.

ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

Details of key promoters

| Name | Age | Designation | Educational qualification | Total years of experience | Years of association with company | Details of the past experience | Responsibilities handled |
|---------------------|----------|-------------|---------------------------|---------------------------|-----------------------------------|--|--------------------------|
| Mr. T. K. Chandiran | 62 years | MD | M.Com | 40 years | Since incorporation | Long experience in the business of retail jewellery and textiles showrooms under various brand names like ‘The Chennai silks, ‘Sree Kumaran ThangaMaligai’, ‘The KTM Jewellery’ and others | Overall Management |
| Mrs. C. Selvi | 54 years | Director | Matriculate | 20 years | Since incorporation | NA | Day to day operations |

Comments:

- Mr. T. K. Chandiran has done masters in commerce and has more than four decades of experience in the renewable energy sector, textile sector and gems and jewelry industry. Mr. Chandiran is also a director in The KTM Jewellery Limited, SCM Global Brands Pvt. Ltd., Coimbatore Jewel Craft Infrastructure Foundation, SCM Garments Pvt. Ltd., Gajaananda Jewellery Maart Pvt. Ltd. And KKV Gold N Retail Limited.
- Mrs. C. Selvi has around 20 years of experience in administration and she looks after day to day operations of the company.

Details of key management personnel

| Name | Age (Years) | Designation | Educational qualification | Approx. total years of experience | Date of Appointment | Responsibilities handled |
|-------------------|-------------|---|---------------------------|-----------------------------------|---------------------|---|
| Mrs. C. Renuka | 47 | Company Secretary and Chief Financial Officer | MA, ACS | 23 | April 11, 2015 | Financial planning and analysis, reporting financial information and secretarial compliances. |
| Mr. C. Arun Kumar | 26 | Chief Operating Officer | B.Tech | 4 | April 1, 2015 | Operations of all plants of the company, installations and Erection of new plants. |
| Mr. Venkatesh | NF | Engineer | M.Tech | NF | May 1, 2016 | Energy audit and new projects |
| Mr. Prabhakar | NF | Engineer | M.Tech | NF | May 1, 2016 | Energy audit and new projects |

Comments:

- The second line of management consists of mix of recently appointed and past associated key personnel with relevant education and experience in the industry.
- Since the company is into growing phase, it is planning to hire more qualified personnel in the top management going further as and when required.

Details of the board of directors

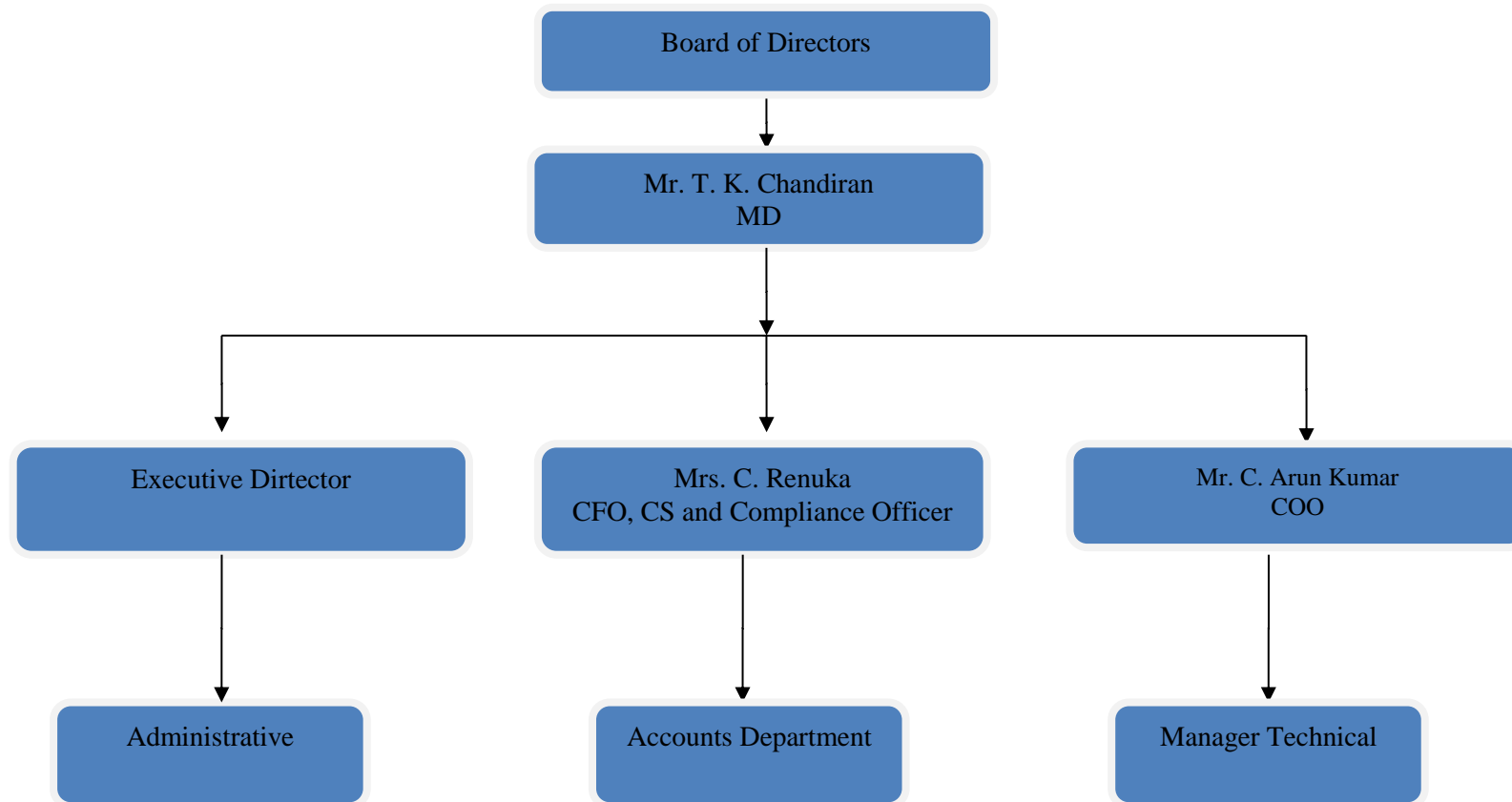
| Name | Age (Years) | Category | Education qualification | Total years of experience | Date of Appointment | Details of the past experience | Other directorships/ Association Chairman |
|---------------------|-------------|---------------------|-------------------------|---------------------------|---------------------|--|---|
| Mr. T. K. Chandiran | 62 years | MD | M.Com | 40 years | June 05, 2012 | Associated with KAPL since inception | -The KTM Jewellery Limited -SCM Global Brands Pvt. Ltd. -Coimbatore Jewel Craft Infrastructure Foundation -SCM Garments Pvt. Ltd. -Gajaananda Jewellery Maart Pvt. Ltd. -KKV Gold N Retail Limited |
| Mrs. C. Selvi | 54 years | Whole Time Director | Matriculate | 20 years | June 05, 2012 | Associated with KAPL since incorporation | -The KTM Jewellery Limited -SCM Global Brands Pvt. |

| Name | Age (Years) | Category | Education qualification | Total years of experience | Date of Appointment | Details of the past experience | Other directorships/ Association Chairman |
|-------------------------|-------------|--|-------------------------|---------------------------|---------------------|--|--|
| | | | | | | | Ltd. -Coimbatore Jewel Craft Infrastructure Foundation - KKV Gold N Retail Limited |
| Mr. A. C. Vineeth Kumar | 21 years | Director | Bsc | 1 years | December 14, 2013 | Associated with KAPL since incorporation | -The KTM Jewellery Limited |
| Mr. A. Velyutham | 71 years | Non-executive and independent Director | M.Tech | 50 years | September 07, 2015 | Associated with KAPL since incorporation | - |
| Mr. T. Gnanasekar | 44 years | Non-executive and independent Director | MBA | 25years | September 07, 2015 | Associated with KAPL since incorporation | -Comm trendz Risk Management Services pvt. Ltd. |
| Mr. V. Chanrasekaran | 61 years | Non-executive and independent Director | MBBS | 40 years | September 07, 2015 | Associated with KAPL since incorporation | - |

Comments:

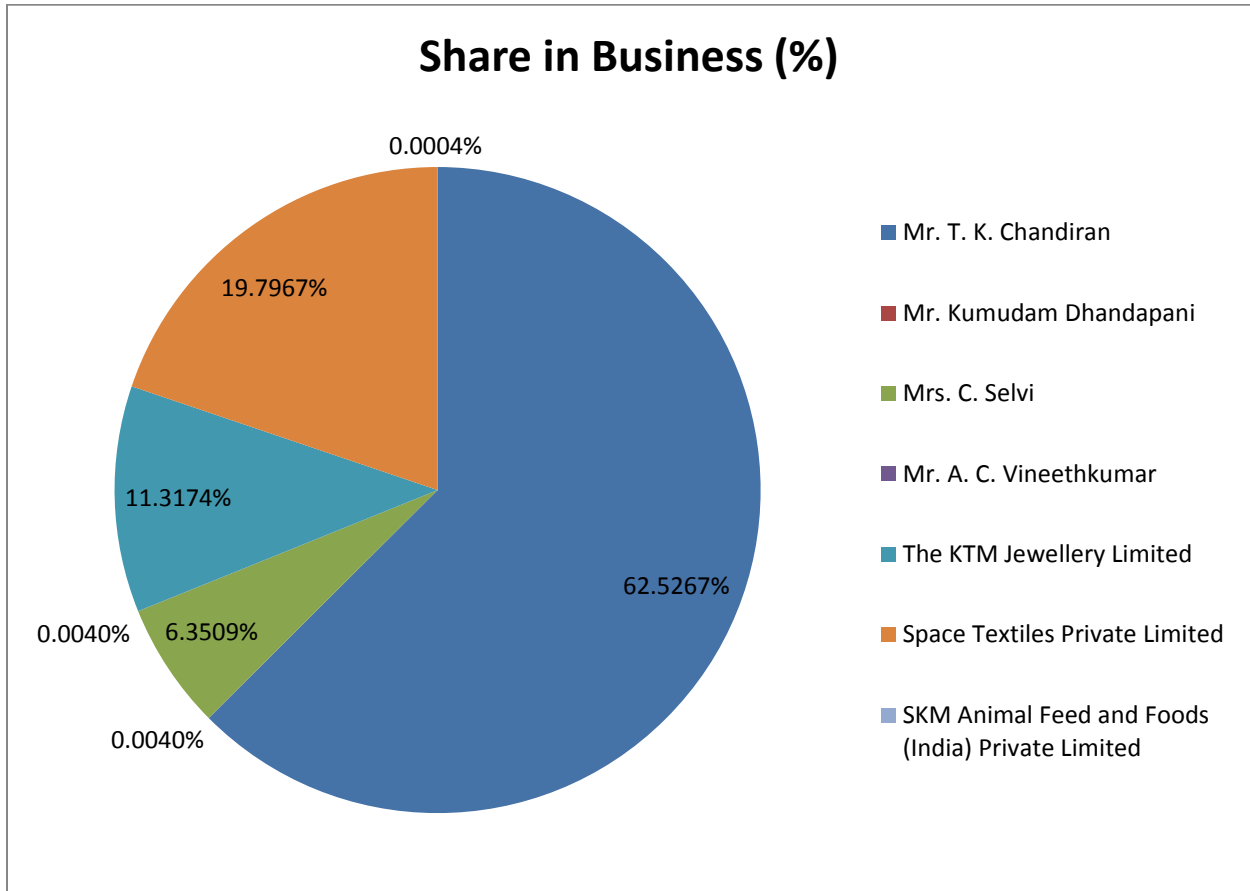
- KAPL has three executive and non-independent directors and three non-executive and independent directors.
- The average industry experience of all the directors is more than three decades in the fields of operations, finance, marketing and administration. However, the non-executive independent directors have been associated with the company for less than a year.

Due Diligence Report: KKV Agro Powers Limited



ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE

Share holding pattern as on May 31, 2016



| Name of share holder | No. of equity shares held | Share in business (%) |
|---|---------------------------|-----------------------|
| Mr. T. K. Chandiran | 156817 | 62.527% |
| Mr. KumudamDhandapani | 10 | 0.004% |
| Mrs. C. Selvi | 15928 | 6.351% |
| Mr. A. C. Vineethkumar | 10 | 0.004% |
| The KTM Jewellery Limited | 28384 | 11.317% |
| Space Textiles Private Limited | 49650 | 19.797% |
| SKM Animal Feed and Foods (India) Private Limited | 1 | - |
| Total | 250800 | 100.00% |

- The promoters of the company collectively holds approx. 68.88% stake in KAPL and remaining are held by group concerns.

Group Company details

(Rs. Lakh)

| Name of the group company | The KTM Jewellery Limited | | KKV Gold N Retail Limited | |
|---------------------------|--|----------|--|--------|
| Date of incorporation | July 14, 2000 | | December 27, 2012 | |
| Registered office | #636, Oppanakara Street, Coimbatore - 641001 | | #636, Oppanakara Street, Coimbatore - 641001 | |
| Nature of business | Engaged in the business of Manufacturing and retailing of Jewellery and retailing of textiles. | | Engaged in the business of Manufacturing and retailing of Jewellery and retailing of textiles. | |
| Financial Year | FY14 | FY15 | FY14 | FY15 |
| Total Income | 46602.00 | 40814.98 | 65.48 | 703.93 |
| Net Profit | 328.27 | 779.35 | -0.05 | 12.94 |
| Net worth | 2886.76 | 3666.11 | 4.56 | 17.5 |
| Total Debt | 6208.73 | 8054.67 | 11.60 | 155.87 |

| Name of the group company | KKV Gold N Jubilee Foundation | | SCM Associates | |
|---------------------------|-------------------------------|-------|----------------------------|------|
| Date of incorporation | August 03, 2012 | | December 12, 2010 | |
| Registered office | Dhalavai, Agraharan, Madurai | | Tirupur | |
| Nature of business | Khadi Retail Showroom | | Wholesale trading of Cloth | |
| Financial Year | FY14 | FY15 | FY14 | FY15 |
| Total Income | 136.86 | 61.71 | - | - |
| Net Profit | 5.31 | 1.23 | - | - |
| Net worth | 12.71 | 16.44 | 10 | 10 |
| Total Debt | 7.49 | 8.64 | - | - |

| Name of the group company | TKC Investments | |
|---------------------------|-------------------------------------|-------|
| Date of incorporation | April 1, 2004 | |
| Registered office | Kalidas Road, Ram Nagar, Coimbatore | |
| Nature of business | Financial Services | |
| Financial Year | FY14 | FY15 |
| Total Income | 8.86 | 4.08 |
| Net Profit | 0.71 | 0.49 |
| Net worth | NF | NF |
| Total Debt | 37.03 | 75.09 |

Comments

- KAPL has five other group companies namely The KTM Jewellery Limited, KKV Gold N Retail Limited, KKV Gold N Jubilee Foundation, SCM Associates and TKC Investments
- SCM Associates is not operational as it has not posted any sales during FY14 and FY15.
- All the group companies operate separately and have their own management team.

Employee Profile

| Particulars | Nos. |
|------------------------|-------------|
| Skilled Employees | 05 |
| Semi-Skilled Employees | 08 |
| Un-Skilled Employees | 02 |
| Total Employees | 15 |

Comment:

- The major decisions are taken by the MD and CEO Mr. T. K. Chandiran, who is further supported by other directors and the second line of management.
- Further, the company has a strong human resource pool with qualified personnel consisting of Engineers, management and post graduates having relevant industry experience. However, the key decisions are taken by the management only.

BUSINESS PROFILE: OPERATIONS OVERVIEW

BUSINESS PROFILE ANALYSIS

KKV agro powers Limited (KAPL) is engaged into wind and solar power generation which are the main sources of renewable energy. It is also into trading of renewable energy certificate (REC).

OPERATIONS OVERVIEW

| | |
|---------------------------|---------------------------------|
| Nature of activity | Wind and solar power generation |
| Industry segment | Power Generation |
| Products Offered | Wind mill power and Solar power |
| Plant locations | - |
| Area of the Plant | - |
| Ownership of Plant | - |
| Location advantage | Yes |
| Marketing Setup | No |

Comments:

- KAPL has a registered office at Coimbatore, Tamil Nadu and has 7 wind mills and 1 solar power projects in Tamil Nadu having aggregate installed capacity of 7.0 MW which comprise of 6.0 MW of Wind mill energy projects and 1.0 MW of solar power projects.
- Details of windmill power projects and solar power projects are as follows

| Particulars | Location | Installed Capacity |
|-------------------------|-------------------|---------------------------|
| Windmills Power Project | Udumalpet | 1.5 MW |
| | Tirunelveli | 2.5 MW |
| | Polladam, Tirupur | 2.0 MW |
| Solar Power Project | Tirupur | 1.0 MW |

- KAPL operates under group captive power schemes in which the company has to consume 51% of the power produced and remaining can be sold to other stakeholders or customers. As of now, KAPL has signed power purchase agreement with 3 clients.

Product-wise revenue analysis
(Rs. Lakh)

| Particulars | FY13 | FY14 | FY15 | 9MFY15 |
|--|---------------|---------------|---------------|---------------|
| Revenue from Wind mill Energy generation | 190.03 | 261.76 | 276.94 | 319.92 |
| <i>% y-o-y growth</i> | NA | 37.75 | 5.80 | 15.52 |
| % contribution to sales | 100.00 | 99.93 | 78.24 | 76.97 |
| | | | | |
| Revenue from Solar Power generation | - | 0.18 | 77.03 | 71.11 |
| <i>% y-o-y growth</i> | NA | NA | 42694.44 | -7.69 |
| % contribution to sales | - | 0.07 | 21.76 | 17.11 |
| | | | | |
| Total Revenue from renewable Energy Power Generation (A) | 190.03 | 261.93 | 353.97 | 391.03 |
| <i>% y-o-y growth</i> | NA | 37.84 | 35.14 | 10.47 |
| % contribution to sales | 100.00 | 100.00 | 98.88 | 94.08 |
| | | | | |
| Total Revenue from Trading of renewable Energy certificates (B) | - | - | 3.60 | 24.61 |
| <i>% y-o-y growth</i> | NA | NA | NA | 583.61 |
| % contribution to sales | - | | 1.89 | 5.92 |
| | | | | |
| Gross Sales (A+B) | 190.03 | 261.93 | 357.97 | 415.64 |
| <i>% y-o-y growth</i> | NA | 37.84 | 35.14 | 16.24 |
| | | | | |
| Add: Other operating income | - | - | 3.78 | - |
| Total Operating Income | 190.03 | 261.93 | 357.75 | 415.64 |
| <i>% y-o-y growth</i> | NA | 37.84 | 36.51 | 16.24 |

Comments:

- KAPL is engaged into wind and solar power generation which are the main sources of renewable energy. The company is also into trading of renewable energy certificate; however revenue from trading business contributed around 2% to total sales during FY15 and remaining 98% came from the power generation during the period.
- KAPL has a registered office at Coimbatore, Tamil Nadu and has 5 wind mill energy projects and 1 solar power projects in Tamil Nadu having aggregate installed capacity of

7.0 MW which comprise of 6.0 MW of Wind mill energy projects and 1.0 MW of solar power projects.

- KAPL is planning to expand its capacity by setting up wind farm project of 0.8MW at Vaagaikulam phase II in Tamilanadu which going forward, increase the installed capacity of the company.

PROJECT DETAILS

KAPL is planning to expand its capacity by setting up wind farm project of 0.8 MW at Vaagaikulam phase II in Tamilnadu. The overall estimated project cost is Rs.475.00 Lakh, which will be funding through IPO proceeds of Rs.358.40 lakh (not yet issued) and proceeds from preferential allotment made to promoter and Promoter group of Rs.586.24 lakh; however the company has already received funds from preferential allotments which are deposited in escrow account. The project work has not yet started as the project is being funded through majorly from IPO proceeds which are yet to come. Additional funds would be utilized for repayment of term loan and other issue related expenses.

The detailed cost of project and funding pattern are as follows:

| Purpose | Estimated Cost (Rs. Lakh) | Incurred as of June 08, 2016 | Means of Finance | Amount (Rs. Lakh) | Incurred as of June 08, 2016 |
|---|----------------------------------|-------------------------------------|---|--------------------------|-------------------------------------|
| Purchase of Wind Turbines | 396.00 | - | IPO Proceeds&proceeds from preferential allotment made to promoter and Promoter group | 475.00 | - |
| Transfer of Project approvals and Allotment of Land | 18.00 | - | | | |
| Civil Works for Installation, Testing and Commissioning | 46.00 | - | | | |
| Transportation Charges | 15.00 | - | | | |
| Total Project Cost | 475.00 | - | Means of Finance (Project) | 475.00 | - |

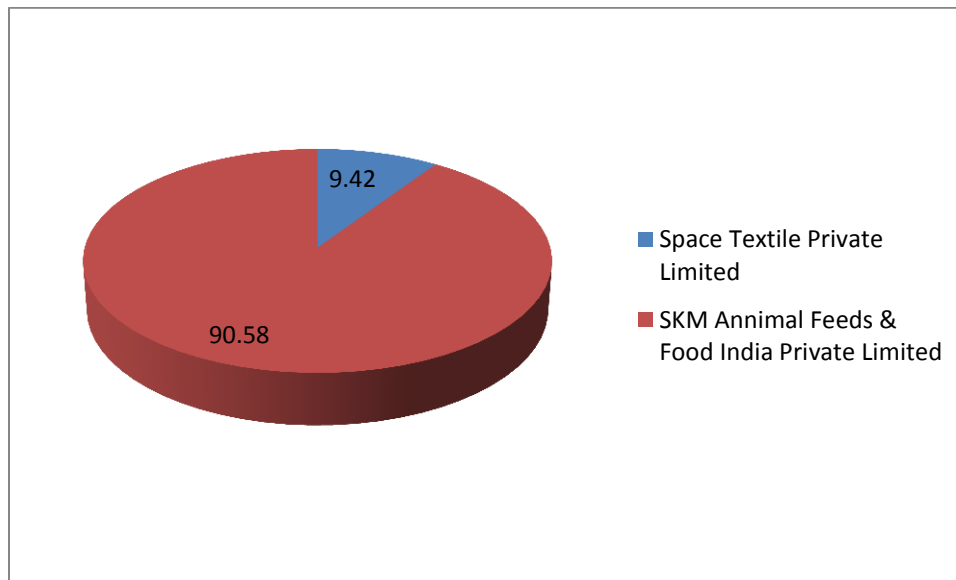
CUSTOMERS & SUPPLIERS ANALYSIS

CUSTOMER’S PROFILE

- The company operates under group captive power schemes in which the company has to consume 51% of the power produced and remaining to be sold to other stakeholders or customers.
- During FY15, KAPL has dealt with only two clients, SKM animal Feeds and Foods India Private Limited and Space Textile Private Limited. However it has added some more clients during FY16.
- KAPL has entered into contracts with 3 clients as of now, details of the same are as follows.

| Client Name | Date of signing of contract | Date of expiry of contract | Quantity and price terms |
|---|-----------------------------|----------------------------|---------------------------------|
| SKM Annimal Feeds & Food India Private Ltd. | July 15, 2015 | June 14, 2018 | 66 Lakhs Units & Price Rs.6.38 |
| Space Textile Private Ltd. | February 01, 2015 | January 31, 2018 | 40 Lakhs Units & Price Rs. 6.38 |
| The KTM Jewellery Ltd. | April 04, 2015 | March 31, 2018 | 15 Lakhs Unit & Price Rs.6.38 |

- Clients Contribution to total sales during FY15 as follows



CUSTOMERS FEEDBACK

| | |
|------------------|---|
| Name of Customer | SKM Annimal Feeds & Food India Private Ltd. |
| Contact person | Mr. Sudhakar, Vice President |
| Contact details | 99444 28888 |
| Feedback | Satisfactory |

| | |
|------------------|-----------------------------|
| Name of Customer | Space Textile Private Ltd. |
| Contact person | Mr. A.K. Muthusamy, Manager |
| Contact details | 9994933338 |
| Feedback | Satisfactory |

SUPPLIERS' PROFILE

Not Applicable

BUSINESS ACTIVITY DETAILS

| | |
|---|------|
| Key Raw materials | NA |
| Level of Raw Material Price fluctuation risk | NA |
| Quality Certifications | No |
| Level of value addition | High |

SUPPLY SIDE ANALYSIS

| | |
|-------------------------------------|---|
| Average Creditor Days | - |
| Raw Material Availability | - |
| Import as a % of RM Purchase | - |

INDUSTRY ANALYSIS

| | |
|------------------------------|--------------------------------|
| Name of the industry | Power Generation |
| Product portfolio | Windmill power and Solar Power |
| Overall Industry risk | Moderate |
| Level of competition | Moderate |

INDUSTRY WRITE-UP:
Background

Power is one of the most critical components of infrastructure crucial for the economic growth and welfare of nations. The existence and development of adequate infrastructure is essential for sustained growth of the Indian economy.

India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional sources such as wind, solar, and agricultural and domestic waste. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required.

Market Size

Indian power sector is undergoing a significant change that has redefined the industry outlook. Sustained economic growth continues to drive electricity demand in India. The Government of India's focus on attaining 'Power For All' has accelerated capacity addition in the country. At the same time, the competitive intensity is increasing at both the market and supply sides (fuel, logistics, finances, and manpower).

The Planning Commission's 12th Five-Year Plan estimates total domestic energy production to reach 669.6 million tonnes of oil equivalent (MTOE) by 2016–17 and 844 MTOE by 2021–22. By 2030–35, energy demand in India is projected to be the highest among all countries according to the 2014 energy outlook report by British oil giant, BP.

As of November 2015, total thermal installed capacity stood at 196.2 gigawatt (GW), while hydro and renewable energy installed capacity totaled 42.6 GW and 37.4 GW, respectively. At 5.8 GW, nuclear energy capacity remained broadly constant compared with the previous year. India's rooftop solar capacity addition grew 66 per cent from last year to reach 525 Mega Watts (MW), and has the potential to grow up to 6.5 giga watts (GW)¹. India's wind power capacity, installed in FY2016, is estimated to increase 20 per cent over last year to 2,800 Mega Watt (MW)², led by favourable policy support that has encouraged both independent power producers (IPP) and non-IPPs.

India's wind energy market is expected to attract investments totalling Rs 1,00,000 crore (US\$ 15.7 billion) by 2020, and wind power capacity is estimated to almost double by 2020 from over 23,000 MW in June 2015, with an addition of about 4,000 MW per annum in the next five years.

Investment Scenario

Around 293 global and domestic companies have committed to generate 266 GW of solar, wind, mini-hydel and biomass-based power in India over the next 5–10 years. The initiative would entail an investment of about US\$ 310–350 billion.

Between April 2000 and September 2015, the industry attracted US\$ 9.97 billion in Foreign Direct Investment (FDI).

Some major investments and developments in the Indian power sector are as follows:

- SunEdison, world's largest renewable energy company, plans to continue its focus on 'Make in India' by further reducing the cost of renewable energy and developing over 15 gigawatts (GW) of wind and solar projects in the country by 2022.
- ThyssenKrupp India, the Indian arm of the German engineering conglomerate, plans to make high-grade environment-friendly boilers which use less fuel, for the Indian power sector by collaborating with a foreign company.
- Aditya Birla Group has announced a partnership with the Abraaj Group, a leading investor in global growth markets, to build a large-scale renewable energy platform that will develop utility-scale solar power plants in India.
- Sterlite Grid, India's largest private operator of transmission systems, is joining hands with US major — Burn & McDonnell for its Rs 3,000-crore (US\$ 462.5 million) power transmission project in the Kashmir valley.
- Inox Wind Ltd, a subsidiary of Gujarat Fluorochemicals, a wind energy solutions provider, plans to double its manufacturing capacity to 1,600 MW at a total investment of Rs 200 crore (US\$ 31.6 million) by the end of the next financial year.
- The Dilip Shanghvi family, founders of Sun Pharma, acquired 23 per cent stake in Suzlon Energy, with a preferential issue of fresh equity for Rs 1,800 crore (US\$ 284.8 million).
- Reliance Power Ltd signed an accord with the Government of Rajasthan for developing 6,000 MW of solar power projects in the state over the next 10 years.
- Hilliard Energy plans to invest Rs 3,600 crore (US\$ 600 million) in Ananthapur district of Andhra Pradesh in the solar and wind power sector for the generation of 650 MW of power.
- Solar technology provider SunEdison signed a definitive agreement to acquire Continuum Wind Energy, Singapore, with assets in India. The company, headquartered in Belmont, California, would take over 242 MW of operating wind assets that Continuum owns and operates in Maharashtra and Gujarat as well as 170 MW of assets under construction.
- Japanese internet and telecommunications giant SoftBank, along with Bharti Enterprises (of Sunil Mittal) and Taiwanese manufacturing giant Foxconn, plan to invest US\$ 20 billion in solar energy projects in India.

Government Initiatives

The Government of India has identified power sector as a key sector of focus so as to promote sustained industrial growth. Some initiatives by the Government of India to boost the Indian power sector:

- The Union Cabinet has approved the Ujwal DISCOM Assurance Yojna(UDAY) for financial turnaround and revival of power distribution companies (DISCOMs), which will ensure accessible, affordable and available power for all.
- The Government of India has resolved the issues regarding transfer of mining leases and grant of forest clearances to the winning bidders of coal blocks. It expects operations to start in about 10 more mines by March 2016, easing coal availability to the projects attached to these mines.
- The Ministry of Power has planned to provide electricity to 18,500 villages in three years under the DeendayalUpadhyaya Gram JyotiYojana (DUGJY). Out of these, 3,500 villages would receive electricity through off-grid or renewable energy solutions.
- The Ministry of New & Renewable Energy is implementing two national level programmes, namely Grid Connected Rooftop & Small Solar Power Plants Programme and Off-Grid &Decentralised Solar Applications, in order to promote installation of solar rooftop systems, as per MrPiyush Goyal, Minister of State (Independent Charge) for Power, Coal & New and Renewable Energy.
- The Government of Odisha plans to set up a large 1,000-MW solar power park under public-private partnership (PPP) mode involving an investment of about Rs 6,500 crore (US\$ 1 billion).
- The Government of Telangana plans to set up an incubator centre, in collaboration with University of Austin, Texas, for start-ups in the renewable energy sector, to support new companies entering the renewable energy market.
- A Joint Indo-US PACE Setter Fund has been established, with a contribution of US\$ 4 million from each side to enhance clean energy cooperation.
- The Government of India announced a massive renewable power production target of 175,000 MW by 2022; this comprises generation of 100,000 MW from solar power, 60,000 MW from wind energy, 10,000 MW from biomass, and 5,000 MW from small hydro power projects.
- The Union Cabinet of India approved 15,000 MW of grid-connected solar power projects of National Thermal Power Corp Ltd (NTPC).
- The Indian Railways signed a bilateral power procurement agreement with the Damodar Valley Corporation (DVC). The agreement was signed between North Central Railway and DVC. This is the first time the Railways will directly buy power from a supplier.
- US Federal Agencies committed a total of US\$ 4 billion for projects and equipment sourcing, one of the biggest deals for the growing renewable energy sector in India.

The Road Ahead

The Indian power sector has an investment potential of Rs 15 trillion (US\$ 237 billion) in the next 4–5 years, thereby providing immense opportunities in power generation, distribution, transmission and equipment, according to Union Minister MrPiyush Goyal.

The government's immediate goal is to generate two trillion units (kilowatt hours) of energy by 2019. This means doubling the current production capacity to provide 24x7 electricity for residential, industrial, commercial and agriculture use.

The Government of India is taking a number of steps and initiatives like 10-year tax exemption for solar energy projects, etc., in order to achieve India's ambitious renewable energy targets of adding 175 Gigawatts (GW) of renewable energy, including addition of 100 GW of solar power, by the year 2022. The cumulative installed capacity of solar power in India has crossed the 4 Gigawatt mark as of June 30, 2015. The government has also sought to restart the stalled hydro power projects and increase the wind energy production target to 60 GW by 2022 from the current 20 GW.

Source: www.ibef.org.

SITE VISIT REPORT

| | |
|--------------------------|-------------------|
| Location of Plant | Polladam, Tirupur |
|--------------------------|-------------------|

| | |
|---------------------------------|--------------------------------|
| Sites visited | Polladam, Tirupur |
| Presence in a cluster | Yes |
| Area of the unit | 100 Sq. Ft. |
| No. of employees at site | 15 |
| Ownership of premises | Owned |
| Other facilities | Sign boards and boundary walls |

Adequacy of Warehousing Facilities

| | |
|--|-------------------------|
| Availability of land for future expansion | Adequate |
| Site layout | Structured |
| Adequacy of insurance coverage | Yes |
| Source of power | State Electricity Board |
| Adequacy of power | Good |
| Presence of labour union | No |
| Industrial relations | Good |
| Level of work safety | Adequate |
| Adequacy of storage facilities | Adequate |
| Operational status of plants | Operational |

Comment :

- KAPL has a registered office at Coimbatore, Tamil Nadu and has 7 wind mills and 1 solar power projects in Tamil Nadu having aggregate installed capacity of 7.0 MW which comprise of 6.0 MW of Wind mill energy projects and 1.0 MW of solar power projects.
- Details of windmill power projects and solar power projects are as follows

| Particulars | Location | Installed Capacity |
|-------------------------|-------------------|---------------------------|
| Windmills Power Project | Udumalpet | 1.5 MW |
| | Tirunelveli | 2.5 MW |
| | Polladam, Tirupur | 2.0 MW |
| Solar Power Project | Tirupur | 1.0 MW |

FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT
Rs. In Lakh

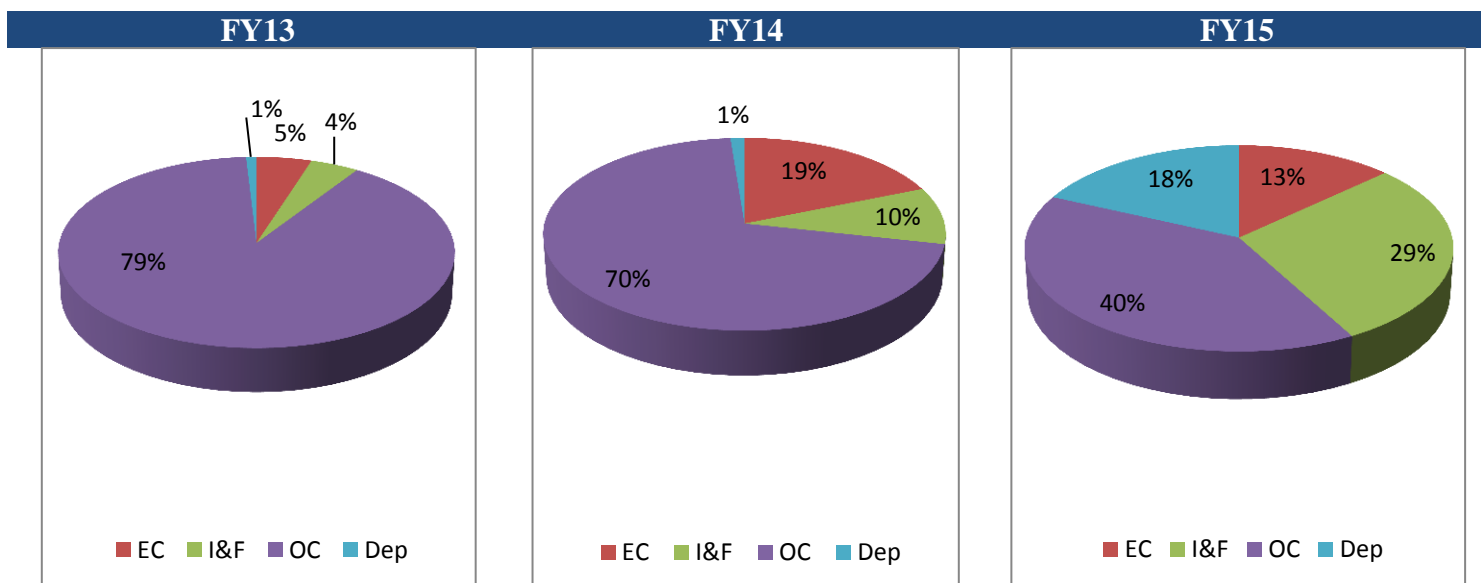
| Period Ends on: March 31, | FY13 | FY14 | FY15 | 9MFY16 |
|---|--------------|--------------|--------------|--------------|
| Result Type: | Actual | Actual | Actual | Actual |
| Number of months in current financial year | 12 | 12 | 12 | 9 |
| Net Sales | 190.03 | 261.93 | 353.97 | 415.64 |
| Other Income(related to operations) | - | - | 3.78 | 0.03 |
| Total Operating Income | 190.03 | 261.93 | 357.75 | 415.67 |
| Material Costs | - | - | - | - |
| Power and Fuel | - | - | - | - |
| Employee Costs | 7.26 | 31.53 | 38.07 | 41.23 |
| Other Manufacturing Expenses | 101.15 | 61.46 | 93.12 | 71.47 |
| Other Expenses | 18.19 | 51.05 | 16.65 | 110.3 |
| Selling Expenses | 2.32 | 5.29 | 5.84 | 4.13 |
| Cost of Sales | 128.92 | 149.33 | 153.68 | 227.13 |
| PBILDT | 61.11 | 112.60 | 204.07 | 188.54 |
| Depreciation | 1.37 | 2.10 | 52.89 | 55.98 |
| PBIT | 59.74 | 110.50 | 151.18 | 132.56 |
| Interest and Finance Charges | 6.39 | 16.04 | 83.97 | 41.93 |
| Operating Profit Before Tax (OPBT) | 53.35 | 94.46 | 67.21 | 90.63 |
| Operating Profit After Tax (OPAT) | 36.74 | 63.88 | 46.06 | 56.47 |
| Non-Operating Income / (Expense) | - | - | - | - |
| Profit Before Tax (PBT) | 53.35 | 94.46 | 67.21 | 90.63 |
| Adjusted Profit Before Tax (APBT) | 53.35 | 94.46 | 67.21 | 90.63 |
| Tax | 10.04 | - | - | 34.16 |
| Provision for Deferred Tax | 6.57 | 30.58 | 21.15 | - |
| ADJUSTED PROFIT AFTER TAX (APAT) | 36.74 | 63.88 | 46.06 | 56.47 |
| Gross Cash Accruals | 44.68 | 96.56 | 120.10 | 112.45 |

Comments:
Revenue analysis
Rs. In Lakh

| Parameters | FY13 | FY14 | FY15 | CAGR (%) (FY13- FY15) |
|--------------------------------------|--------|--------|--------|-----------------------------|
| Net Sales | 190.03 | 261.93 | 353.97 | 36.48% |
| <i>% y-o-y growth</i> | - | 37.84% | 35.14% | - |
| Other Income (related to operations) | - | - | 3.78 | - |
| <i>% y-o-y growth</i> | - | - | NM | - |
| Total Operating Income | 190.03 | 261.93 | 357.75 | 37.21% |
| <i>% y-o-y growth</i> | - | 37.84% | 36.58% | - |

- KAPL's total operating income (TOI) consists of revenue from the power generation and revenue from trading of renewable energy certificates. However revenue from trading business contributed around 2% to total sales during FY15 and remaining 98% came from the power generation during the period.
- The net sales of the company grew from Rs.190.03 lakh in FY13 to Rs.353.97 lakh in FY15, at CAGR of 36.48% owing to growing demand for the power.
- Other income includes revenue from trading of renewable energy certificates (Rs.3.60 Lakh in FY15) and interest income (Rs. 0.18 Lakh in FY15).

FINANCIAL PERFORMANCE - COST STRUCTURE



OC = other cost; EC = Employee cost; I&F = Interest and finance charges; Dep = Depreciation

Comments:

Other costs constituted the highest pie in the cost structure during FY13 to FY15. Other cost consists of transmission and Wheeling Charges, other operating power generating expenses and others miscellaneous expenses. While employee costs increased from Rs.31.53 Lakh in FY14 to Rs.38.07 Lakh in FY15. Fixed capital charges (depreciation and finance costs) covered 29% portions of the total costs for FY15.

Other cost analysis

| Parameters | FY13 | FY14 | FY15 |
|-----------------------|--------|--------|--------|
| Other Cost (Rs. lakh) | 121.70 | 117.80 | 115.61 |
| As % of TOI | 64.04% | 44.97% | 32.32% |
| As % to cost of sales | 94.37% | 78.89% | 75.23% |

- KAPL being engaged into wind mill and solar power production, power generation expenses, transmission and Wheeling Charges and other operating power generating expenses are the major expenses.
- Other cost remained constant at Rs.115.61 lakh during FY15 as compared to Rs. 117.80 lakh in FY14. It stood at 75.23% of total cost of sales during FY15.

Employee cost

| Parameters | FY13 | FY14 | FY15 |
|--------------------------------|-------|---------|--------|
| Employee cost (Rs. lakh) | 7.26 | 31.53 | 38.07 |
| <i>% y-o-y growth</i> | - | 334.30% | 20.74% |
| As % to total operating income | 3.82% | 12.04% | 10.64% |
| As % to cost of sales | 5.63% | 21.11% | 24.77% |

- KAPL employs considerable number of manpower for overlooking operations at wind mill and solar power projects and also qualified personnel for managing administrative, marketing, logistics and accounts and finance. The total number of employees with the company stood at 15 as on December 31, 2015.
- Employee cost increased to Rs.38.07 lakh in FY15 from Rs.31.53 lakh in FY14 on account of increased in the strength of the employees.
- The company outsources maintenance work of its power plants to other companies.

Depreciation

| Parameters | FY13 | FY14 | FY15 |
|---|-------|--------|----------|
| Depreciation (Rs. lakh) | 1.37 | 2.10 | 52.89 |
| <i>% y-o-y growth</i> | - | 53.28% | 2418.57% |
| As % of total operating income | 0.72% | 0.80% | 14.78% |
| <i>Depreciation rate (% of average gross block)</i> | 4.73 | 0.27 | 3.08 |

- Depreciation expense increased from Rs.2.10 Lakh in FY14 to Rs.52.89 Lakh in FY15 mainly due to additions to plant and machinery, installation of electronics equipment, computers and vehicles.
- Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the rates prescribed under the Schedule XIV to the Companies Act 1956, up to March 31, 2014. During the year ended March 31, 2015, pursuant to Companies Act, 2013 applicable from April 1,2014, management evaluated the estimates of useful lives of its fixed assets as per the requirements of Schedule II of the Companies Act, 2013 and depreciation has been provided in accordance with the useful life as specified in Schedule II of the Companies Act, 2013.

Interest and finance charges

| Parameters | FY13 | FY14 | FY15 |
|---|-------|---------|---------|
| Interest and Finance Charges (Rs. lakh) | 6.39 | 16.04 | 83.97 |
| <i>% y-o-y growth</i> | - | 151.02% | 423.50% |
| As % of TOI | 3.36% | 6.12% | 23.47% |

- The total interest and finance charges have increased significantly to Rs.83.97 Lakh in FY15 to Rs.16.04 Lakh in FY14 mainly due to interest expenses on term loan started during FY15.

FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS
(Rs. In Lakh)

| Period Ends on: March 31, | FY13 | FY14 | FY15 | 9MFY16 |
|---|---------------|---------------|-----------------|----------------|
| Result Type: | Actual | Actual | Actual | Actual |
| Gross Block | 28.98 | 756.46 | 962.01 | 1314.92 |
| Accumulated Depreciation | -1.37 | -3.46 | -56.34 | 112.32 |
| Net Block | 27.61 | 753.00 | 905.67 | 1202.61 |
| NET FIXED ASSETS | 27.61 | 753.00 | 905.67 | 1202.61 |
| TOTAL INVENTORIES | - | - | - | - |
| Receivables : More than 6 months | - | - | 4.87 | 11.25 |
| Receivables : Less than 6 months | 33.18 | 10.68 | 25.72 | - |
| TOTAL RECEIVABLES | 33.18 | 10.68 | 30.59 | 11.25 |
| Current Loans; Advances; current assets related to operations | - | 16.00 | 19.84 | 72.34 |
| Cash and Bank Balances | 18.20 | 162.96 | 270.18 | 29.76 |
| Advance Tax Paid | - | - | - | - |
| TOTAL OTHER CURRENT ASSETS | 21.63 | 178.96 | 290.02 | 102.10 |
| TOTAL CURRENT ASSETS related to operations | 54.81 | 189.64 | 320.61 | 137.31 |
| TOTAL ASSETS | 82.47 | 986.47 | 1,301.97 | 1339.92 |

Comments:
Fixed assets
Composition of net fixed assets

- KAPL's fixed assets primarily comprise of plant & machineries, buildings, vehicles, Furniture and fixtures, Land, Computers and other office equipment.
- During FY15, the company made additions to its fixed asset amounting to Rs.205.56 lakh, which majorly comprised plant and machinery worth Rs.156.17 lakh, computer worth Rs. 2.10 lakh, building worth Rs.7.13 lakh, vehicles worth Rs.37.11 lakh and others.

Sundry debtors

| Parameters: As on March 31, | 2013 | 2014 | 2015 |
|----------------------------------|--------|-------|-------|
| Total Receivables (Rs. lakh) | 33.18 | 10.68 | 30.59 |
| Average Collection Period (days) | 0 | 30 | 21 |
| As % of net sales | 17.46% | 4.08% | 8.64% |
| As % of total assets | 40.23% | 1.08% | 2.35% |

- KAPL's total receivables outstanding as on March 31, 2015 consist primarily of dues receivable from its clients that are offered a credit period of 30 days. During FY13 to FY15, collection period remained in the range of 21 days to 30 days.

Ageing analysis of debtors
(Rs. Lakh)

| Particulars | Less than 1months | 1-3 months | 3-6 months | 6-12 months | Total |
|------------------------------|-------------------|------------|------------|-------------|-------|
| Debtors as on March 31, 2015 | 25.72 | - | - | 4.87 | 30.59 |
| Debtors as on March 31, 2014 | 10.68 | - | - | - | 10.68 |
| Debtors as on March 31, 2013 | 33.18 | - | - | - | 33.17 |

- For the past 3 balance sheet dates ending March 31, 2015 most of the debtor receivables (around 98 %) are due for less than 1 months.

Other current assets
(Rs. Lakh)

| Parameters: As on March 31, | 2013 | 2014 | 2015 |
|---|--------|--------|--------|
| Other current assets | 21.63 | 178.96 | 290.02 |
| As % of total assets | 26.23% | 18.14% | 22.28% |
| Cash & bank balances | 18.2 | 162.96 | 270.18 |
| Cash on hand | - | 12.49 | 11.07 |
| Balances with banks in current accounts | - | 150.47 | 259.11 |

- Other operating current assets mainly comprise of prepaid expenses, security deposits, capital advances and deposits with government authorities.
- Cash and bank balance have increased significantly during FY15 to Rs. 259.11 lakh from Rs. 150.47 lakh in FY14.

FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES
Rs. In Lakh

| Period Ends on: March 31 | FY13 | FY14 | FY15 | 9MFY16 |
|---|---------------|---------------|---------------|---------------|
| Result Type: | Actual | Actual | Actual | Actual |
| Total Paid Up Equity Share Capital | 6.76 | 6.76 | 6.76 | 6.76 |
| GROSS RESERVES | 36.74 | 100.61 | 143.43 | 197.46 |
| Intangible Assets | - | - | - | - |
| NET RESERVES | 36.74 | 100.61 | 143.43 | 197.46 |
| TANGIBLE NET WORTH | 43.50 | 107.37 | 150.19 | 204.22 |
| Preference Share Capital | - | 90.00 | 90.00 | 90.00 |
| Rupee Term Loans | - | 569.79 | 508.88 | 378.05 |
| TOTAL LONG TERM DEBT | - | 659.79 | 598.88 | 468.05 |
| Less: Current portion of long term debt | | -100.00 | -120.00 | -120.00 |
| NET LONG TERM DEBT | - | 559.79 | 478.88 | 348.05 |
| Current portion of long term debt | | 100.00 | 120.00 | 120.00 |
| Loans & Advances from promoters ;other affiliated cos. | - | - | 480.32* | 480.32 |
| TOTAL SHORT TERM DEBT | - | 100.00 | 600.32 | 600.32 |
| Creditors for goods | - | 118.99 | - | - |
| Advances; deposits recd from customers: related to ops. | - | 15.00 | - | - |
| Other Current Liabilities: related to ops. | 25.78 | 32.15 | 9.54 | 14.34 |
| TOTAL CURRENT LIABILITIES | 25.78 | 169.94 | 9.54 | 14.34 |
| Provision for Taxes | 6.54 | 11.95 | 4.32 | 15.42 |
| TOTAL SHORT TERM PROVISIONS | 6.54 | 11.95 | 4.32 | 15.42 |
| TOTAL CURRENT LIABILITIES AND PROVISIONS; RELATED TO OPERATIONS | 32.32 | 178.09 | 13.86 | 29.74 |
| TOTAL OUTSIDE LIABILITIES | 0.08 | 660.05 | 1,079.61 | 948.37 |
| TOTAL LIABILITIES | 82.47 | 986.47 | 1,301.97 | 1339.92 |

*unsecured loan from the promoters (non-interest bearing)

Comments:
Equity share capital

- KAPL has an authorized share capital of 1,00,000 equity shares with nominal value of Rs.10/- each. And 90,000, 3% redeemable preference shares of Rs.100 each. It has an issued, subscribed and paid up capital of 67,600 equity shares of Rs. 10/- each fully paid up and 90,000, 3% redeemable preference shares of Rs.100 each as on March 31, 2015.
- During FY15, promoters of KAPL infused funds through redeemable preference share capital into the business to the tune of Rs.90.00, Lakh by issuing 90,000, 3% redeemable preference shares @ Rs.100/- each.

Long-term borrowings

- The long term borrowings of the company as on March 31, 2015 mainly comprise of only term loan which was taken for expansion purpose.
- The total long term debt outstanding as on March 31, 2015 consists of only term loans of Rs.478.88 Lakh.

Short term provision

| Parameters | (Rs. Lakh) | | |
|------------------------------------|------------|------------|------------|
| | March 2013 | March 2014 | March 2015 |
| Total short term provisions | 6.54 | 11.95 | 4.32 |
| Provision for income tax | 6.54 | 11.95 | 4.32 |
| Other Provision | - | - | - |
| As % of total liabilities | 7.93% | 1.21% | 0.33% |

- Total short term provision mainly comprises provision for income tax (as on March 31, 2015).

Dividend Policy

KAPL does not have a formal dividend policy. The company has not declared any dividend during last three financial years (FY13 to FY15).

FINANCIAL PERFORMANCE - SUMMARY OF RATIOS

| Period Ends on: March 31, | 2013 | 2014 | 2015 |
|---|--------|--------|--------|
| Result Type: | Actual | Actual | Actual |
| KEY FINANCIAL RATIOS | | | |
| Growth Ratios | | | |
| Growth in Net sales | - | 14.86 | 35.14 |
| Growth in Total Operating Income | - | 14.86 | 36.58 |
| Growth in PBILDT | - | 53.55 | 81.23 |
| Growth in APAT | - | 44.89 | -27.90 |
| Profitability Ratios | | | |
| PBILDT Margin | 32.16 | 42.99 | 57.04 |
| PBIT Margin | 31.44 | 42.19 | 42.26 |
| OPBT Margin | 28.07 | 36.06 | 18.79 |
| OPAT Margin | 19.33 | 24.39 | 12.87 |
| APAT Margin | 19.33 | 24.39 | 12.87 |
| Operating ROCE | - | 25.87 | 14.44 |
| ROCE (Total) | - | 25.87 | 14.45 |
| RONW | - | 84.68 | 35.77 |
| Average Cost of Borrowings | 0 | 4.86 | 10.2 |
| Turnover Ratios | | | |
| Operating Capital Turnover Ratio | - | 0.61 | 0.34 |
| Fixed Assets Turnover Ratio | - | 0.67 | 0.42 |
| Working Capital Turnover Ratio | - | 3.42 | 1.64 |
| Average Inventory Period (days) | - | - | - |
| Average Collection Period (days) | - | 30.14 | 20.99 |
| Average Creditors Period (days) | - | - | - |
| Working Capital Cycle (days) | - | 30.14 | 20.99 |
| Solvency Ratios | | | |
| Debt Equity Ratio | - | 6.15 | 3.99 |
| Overall Gearing Ratio (Including Acceptances / Creditors on LC) | - | 6.15 | 7.19 |
| Overall Gearing Ratio (Excluding Acceptances / Creditors on LC) | - | 6.15 | 7.19 |
| Adjusted Debt Equity Ratio | - | 6.15 | 3.99 |
| Adjusted Overall Gearing | - | 6.15 | 7.19 |
| Term Debt (including CPLTD) / Gross Cash Accruals | - | 6.83 | 4.99 |
| Total Debt / Gross Cash Accruals | - | 6.83 | 8.99 |
| Interest Coverage (PBILDT / Interest) | 9.56 | 7.02 | 2.43 |
| PBIT / Interest | 9.35 | 6.89 | 1.80 |
| Adjusted Interest Coverage | 9.56 | 7.02 | 2.43 |
| Current Ratio | 1.70 | 0.67 | 0.52 |
| Quick Ratio | 1.70 | 0.67 | 0.52 |

FINANCIAL PERFORMANCE – PROFITABILITY Analysis

Profitability Analysis

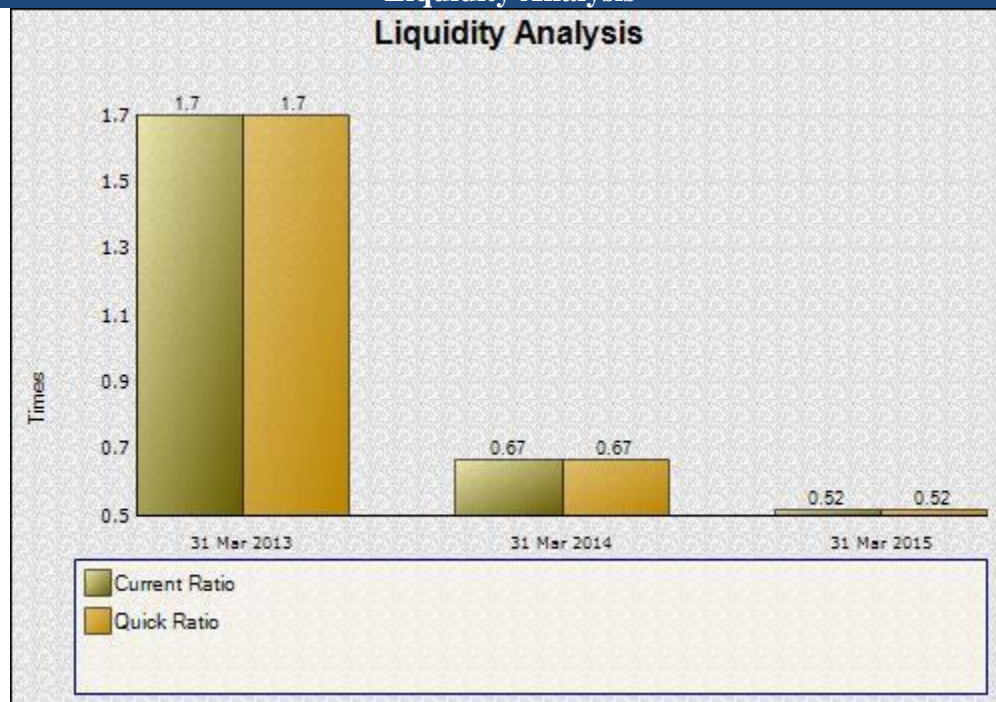


Comments:

- KAPL is engaged into wind and solar power generation which are the main sources of renewable energy. The company is also into trading of renewable energy certificate; however revenue from trading business contributed around 2% to total sales during FY15 and remaining 98% came from the power generation during the period. TOI grew from Rs.190.03 Lakh in FY13 to Rs. 357.75 Lakh in FY15 with increase in the demand for the energy.
- The PBILDT margins have witnessed a significant rise in the past three years (from 32.16% in FY13 to 57.04% in FY15) on account of higher sales realization and reduction in the operating cost.

| Particulars | FY14 | FY15 |
|-----------------------------------|--------|--------|
| Total Sales (Rs. Lakh) | 261.93 | 353.97 |
| Total units sold (in lakh number) | 48.38 | 62.53 |
| Sales realization (Rs. Per unit) | 5.41 | 5.66 |

- Despite of increase in TOI and PBILDT margins, PAT margin declined from 24.39 % in FY14 to 12.87% in FY15 on account of increase in the interest and depreciation cost

FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS
Liquidity Analysis

Liquidity Ratio

| Particulars | 31 Mar 2014 | 31 Mar 2015 |
|----------------------------------|-------------|-------------|
| Working Capital Turnover Ratio | 3.42 | 1.64 |
| Average Inventory Period (days) | 0 | 0 |
| Average Collection Period (days) | 30 | 21 |
| Average Creditors Period (days) | 0 | 0 |
| Working Capital Cycle (days) | 30 | 21 |

Comments:

- KAPL's liquidity position is marked moderate current ratio and moderate quick ratio. As both the current ratio and quick ratio remained moderately low at 0.52 times as on March 31, 2015.
- The operations of KAPL are working capital intensive in nature since considerable amount funds are required to spend on power generation expenses and transmission and Wheeling Charges, however KAPL funds its working capital requirement through its internal accruals.
- The company operates under group captive power schemes in which the company has to consume 51% of the power produced and remaining to be sold to other stakeholders or customers. KAPL has entered into contracts with 3 clients as of now and it offers around

30 days credit period. The company outsources maintenance work of its power plants to other companies.

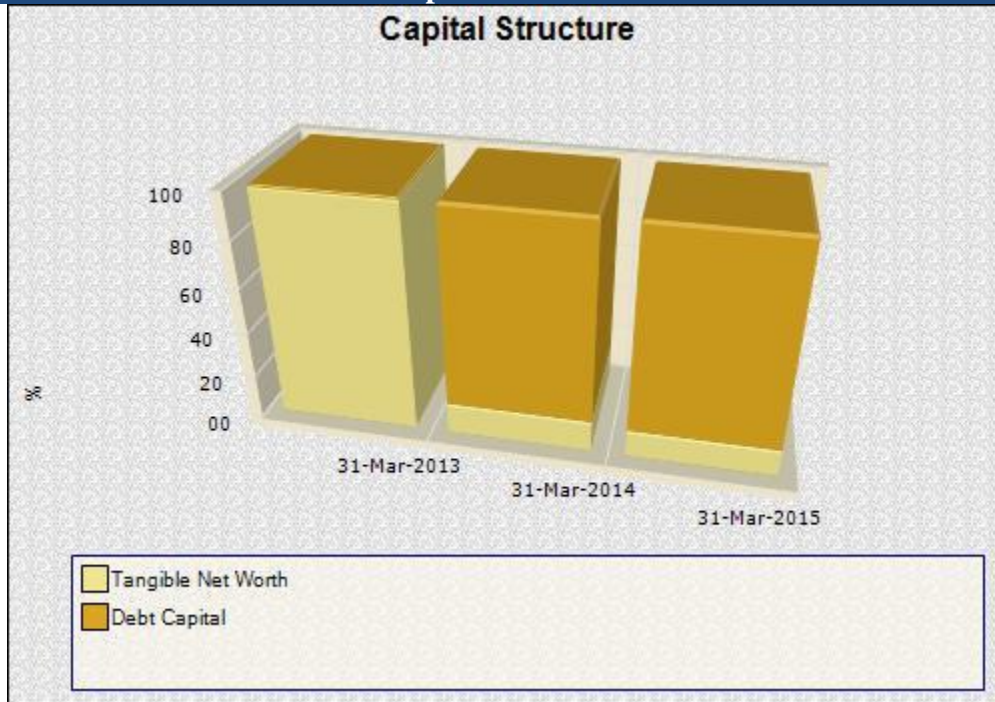
- KAPL is planning to raise Rs.358.40 Lakh through listing on NSE emerge platform and Rs.586.24 from preferential allotments to promoters.

It plans to utilize proceeds as follows

| Sr. No. | Particulars | Amount (Rs. Lakh) |
|---------|---|-------------------|
| 1. | Setting up 0.8 MW wind energy project in Tamil Nadu | 475.00 |
| 2. | Erection of 33 KV Electricity Transmission line | 50.00 |
| 3. | Repayment of Term Loan availed from Indian Bank | 320.00 |
| 4. | General Corporate Purpose | 67.64 |
| 5. | Issue Expenses | 32.00 |
| | Total | 944.64 |

FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY

Capital Structure



Capital Structure Ratio

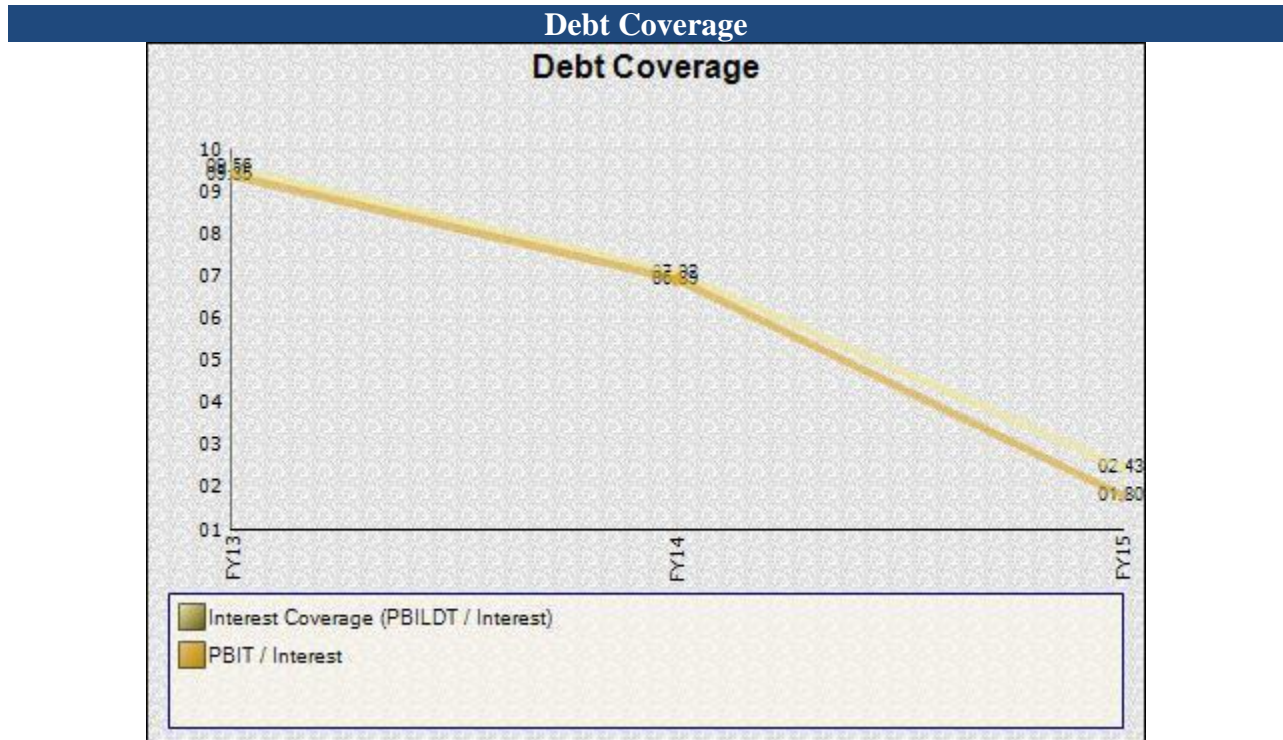
| Particulars | 31 Mar 2014 | 31 Mar 2015 |
|---|-------------|-------------|
| Debt Equity Ratio | 6.15 | 3.99 |
| Overall Gearing Ratio (Including Acceptances / Creditors on LC) | 6.15 | 7.19 |
| Overall Gearing Ratio (Excluding Acceptances / Creditors on LC) | 6.15 | 7.19 |
| Adjusted Debt Equity Ratio | 6.15 | 3.99 |
| Adjusted Overall Gearing | 6.15 | 7.19 |
| Average Cost of Borrowings | 4.86 | 10.20 |
| Total Outside Liabilities to Networth | 7.73 | 7.25 |

Comments:

The long term debt level seems to be leveraged marked by debt equity ratio of 3.99 times and overall gearing was moderate at 7.19 times as on March 31, 2015. Overall gearing has increased to 7.19 in FY15 as compare to 6.15 in FY14 on account of infusion of funds in form of unsecured loans by promoters during the period. With moderate high gearing level and comfortable creditor period of 30 days, total outside liabilities as compared to total net worth remained moderately high at 7.25 times as on March 31, 2015.

However, total debt of Rs.1079.2 Lakh also includes unsecured loans from promoters and related parties to the tune of Rs.480.32 Lakh (Non-interest bearing).

FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS



Comments:

The debt coverage indicators of KAPL stood moderate marked by total debt to GCA of 8.99 times as on March 31, 2015 (as against 6.83 times as on March 31, 2014) and interest coverage of 2.43 times in FY15 (as against 7.02 times in FY14)

RECENT FINANCIALS

As per the management, during 9MFY16 (April 1, 2015 to December 31, 2015), KAPL has reported PAT of 56.47 lakh on total operating income of Rs.415.67 lakh.

BANKERS & AUDITORS DUE DILIGENCE

| Stake holder | | Feedback |
|-------------------------------------|----------------------|--------------|
| Bankers & Lenders- Indian Bank | Mr. G. S. Gopu Kumar | Satisfactory |
| | Credit Manager | |
| | +91 422 2247787 | |
| Auditor M/s Haribhakti & Co. LLP | Mr. G. N. Ramaswami | Satisfactory |
| | Partner | |
| | +91 422 2237793 | |

Remarks

- The account was regular with Indian Bank. The banker had expressed satisfaction over the conduct of the account with timely servicing of interest and principal repayment in term loan.

Key Findings

| Key Findings | Company Comment | CARE Comment |
|---|--|---|
| High reliance on promoters in key decision making. | As per the management, KAPL employs considerable number of qualified professionals for overlooking operations. The total number of employees with the company at registered office stood at 15 which houses qualified professionals such as Engineers, management graduates and post graduates having significant experience in financial market. | <i>Though the KAPL has qualified personnel to manage operations but the key decisions are taken by promoters only. Going forward, the ability of the company to separate management and ownership function remains to be seen.</i> |
| Off take risks | As quoted by the management, KAPL has entered into Power purchase agreements (PPAs) with 3 customers. Where the company has to supply power for stipulated time at pre decided rate (per unit). | <i>CARE understands that signing the contracts with the clients show revenue visibility, however, going forward, the ability of KAPL to produce the energy and also successfully sign PPAs with clients while maintaining margins remains to be seen.</i> |
| Project Details | KAPL is planning to expand its capacity by setting up wind farm project of 0.8MW at Vaagaikulamphase II in Tamilnadu. The overall estimated project cost is Rs.475.00 Lakh, which will be funding through IPO proceeds of Rs.358.40 lakh (not yet issued) and proceeds from preferential allotment made to promoter and Promoter group of Rs.586.24 lakh; however the company has already received funds from preferential allotments which are deposited in escrow account by the company. The project work has not yet started as the project is being funded through majorly from IPO proceeds which are yet to come. | <i>CARE understands that to setting up new plant would help company to increase the power generation capacity going forward.</i> |

Credit Analysis & Research Ltd.

Head Office Mumbai

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

BENGALURU

Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

CHANDIGARH

Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222 Tel: +91-141-402 0213
E-mail: nikhil.soni@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110 Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331 Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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