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K.P. ENERGY LIMITED

CIN: L40100GJ2010PLC059169

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June 11, 2019

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

Ref: **Scrip Code: 539686**

Sub: **Transcript of the Introductory Conference Call held on June 05, 2019**

Ref.: **Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir/ Madam,

With reference to our letter dated June 03, 2019, intimating you about the conference call with Analyst/Investor held on June 05, 2019, please find attached the transcript of the aforesaid conference call.

This is for your information and record.

Thanking You,

Yours faithfully,
For **K.P. Energy Limited**



Karmit Sheth
Company Secretary & Compliance Officer

Encl.: a/a



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ISO 14001 : 2015, ISO 9001 : 2015 and BS OHSAS 18001 : 2007 Certified Company

BSE Listed Company

KP Energy Limited

Introductory Conference Call

June 05, 2019

Moderator: Ladies and gentlemen, good day and welcome to the introductory Conference Call of KP Energy Limited. As a reminder, all participant lines will be in the listen-only-mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' and '0' on your touchtone phone. I now hand the conference over to Sayam Pokharna from The Investment Lab. Thank you and over to you, sir.

Sayam Pokharna: Thank you Neerav. Welcome everyone and thanks for joining this introductory Conference Call with the management team of KP Energy Limited. The results and presentations have been uploaded on the stock exchange in case anyone does not have a copy of the same, please do write to us and we will be happy to provide due to the same. To take us through the results of this quarter and answer your questions, we have with us today Mr. Ashish A Mithani Whole Time Director and CEO, Mr. Pravin Radhekanth Singh – CFO, Mr. Karmit Sheth – Company Secretary and Compliance Officer, Mr. Harsh Shah – Internal Auditor.

We will be starting the call with opening remarks from Ashish ji followed by a Q&A, before that just a short disclosure over to you Mr. Karmit Sheth.

Karmit Sheth: Thank you Sayam. Hello everyone, thanks for joining this introductory Conference Call. I would like to remind you all that everything said on this concall that reflects any outlook for the future which can be constituted as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that they face. These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus with SEBI, subsequent annual reports and other documents. Note that this conference call is being recorded and archived. The transcript of the conference call will be uploaded on BSE website and same will be made available on website of KP Energy. With that said, I now hand over this call to Mr. Ashish Mithani. Over to you, sir!

Ashish Mithani: Thank you, good afternoon everybody. I Ashish A Mithani warmly welcome you all and heartily thank you all for sparing your time and investing your time today with us on this Eid and celebrating this Eid together, I wish that we all keep on celebrating the years together and these moments of achieving the numbers, these moments of doing good projects as well as on this world environment day of 5th June it is the fortune and privilege that we are talking all the environment related activities which KP Energy is undertaking in India. I am just for the

brief knowledge and perusal of everybody who might not be very keen, who might not be conversant with what KP Energy exactly is doing and might be confused with so many other players in the wind energy, for the sake of knowledge I just wish to explain KP Energy is primarily working on the balance of plant side of a wind project means other than manufacturing a turbine, running a turbine rest all activities which are required to energize that particular turbine and keep the turbine energized are the activities which KP Energy is undertaking.

And when it started this activity it was one of the unique and the first ever model in the country where such kind of organized planned services under one roof were offered and this was the model with which KP started working and that is one of the reasons that we have been progressing throughout the course in all the regimes, in all the regulatory prospective we have adjusted ourselves very fast. Today as on date, we have close to 200 megawatt which are in operation right from citing of the project and till it is energized, commissioned, erected, constructed and completed by KP Energy. We have more than 200 megawatt of evacuation infrastructure owned by us in operation today maintained by us. This evacuation infrastructure means the sub-station and the extra high voltage transmission lines which we have laid and which we are offering for evacuating the wind power from our project.

We also have a privilege to be working on the generation side also while working with the development of the projects we have strategically invested certain part of that particular project as our own turbines and because of that today we have four wind turbines of 2.1 megawatt each of Suzlon make, all aggregating to 8.4 megawatts and this revenue has also been streamlined thankfully from the last financial year and it is today working on the full length of the canvas. I mean the entire units generated from these turbines are commercially build and the receivables or the recoveries have been made.

We have a fair good order book today on the service side looking to the current projects which are happening, the current projects which are under the bid regime. These projects and the pipelines and the land banks which we have we have already accumulated and displayed it to most of the stakeholders today and it is also aggregating or more than 1 gigawatt today and this is considered to be one of the most sizable and the diamond part of this organization which keeps this organization always under discussion in mindset of the IPPs and the other stakeholders of the company. This organization as you all know is working on the service side and therefore, we have almost about 1.5 of century, 150 plus people who are dedicatedly full time working with us and supporting us in carrying out this development and construction activities.

We are primarily a Gujarat focus player, Gujarat in country of India has highest wind potential today more than 55 gigawatt and as on date only 6 gigawatt are operational therefore the highest potential in India lies in Gujarat and we have completely focused ourselves in Gujarat, we have not diverted our attention anywhere and we see a long future and a long time

working in the state with the numbers and the plants which we already acquired and as you all know thanks to your support that we have today migrated from the SME platform to the main board.

We just wish that we had a long journey together, we started as an organization with just a small mindset and a small team, we started working, but we had a long vision we understood where the wind industries coming from, where the progress can be achieved and how we can manipulate or how we can adjust ourselves and make our project or make our organization scalable that is how we started and from 2010 to 2019 today we have grown from almost a 1 lakh equity to an equity of 1.11 crores and it is all not just the turbine erection or development it is also installation of faith and trust with you all. We certainly look forward that our main business streamline, our main revenue stream is our engineering, procurement, construction and commissioning activities which is primarily focus on the wind sector. This brings about more than 90% of our revenues, we do have the recurring incomes also just to safeguard our operating expenditures and the fixed cost.

So, we have an O&M streamline whatever projects we have developed the entire project balance of plant services are maintained by us only that is how we have been working and as you are aware that we have a power generation income which now is fairly contributing to the overall revenue stream. I now look forward to see that we have question and answers from our valued investors and one by one we will take the questions. So, I think we will start the first question please.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question is from the line of Pranav Sachdev an Individual Investor. Please go ahead.

Pranav Sachdev: Sir, I have two questions. Sir the first one is, I would like to know the reason for the fall in the operating margins of the EPCC business in financial year 19 because both in sales and financial year 17 the blended EBITDA percentage is back to about the 20% levels I believe that this has been due to the contribution from the power generation business right that is my first question?

Ashish Mithani: Yes and second.

Pranav Sachdev: My second question is since inception the company has set up roughly around 200 megawatt energized rather roughly 200 megawatts of capacity, but our order book the companies order book for the coming three years is exceeding about 1,000 megawatt, so I would like some clarity or rather some sort of a roadmap of how this is going to be managed operationally execution wise, manpower, capital structuring with some sort of roadmap on how the company plans to do at these are my two questions?

Ashish Mithani:

Excellent questions Pranav, I must thank you for really putting your mind and brain inside the numbers which you have seen. Regarding your concern about the dropping percentages, you may please appreciate that the erstwhile projects what you are correlating is 2017 results, 2017 results KP Energy was operating KP Energy did about 89 megawatt of projects about 39 wind turbines at that time the wind tariff was 4.19 what we were serving to our customer. Today we are serving our customers with a tariff of close to 2.44 and slightly closer to that. So, with this the operating margins will definitely shrink and this is the place where we need to improve upon the total volumes and optimize overall cost economies to scale should play its own role and we are like any other players we are also adjusting ourselves with the new regime with the improved numbers. Yesteryears we used to do about 30, 40, 50 or may be sub 100 megawatt. Today we are doing projects of the size of 300 megawatt and fortunately we did only or we started with one project, but in the coming years we will be doing one, two or maybe more than two projects at a time of 300 megawatt size and so we are improving on every other aspects, but yes this is the changing phase, this is the changing phenomena and we are adjusting to that. This percentage which you are seeing today which are lesser in numbers will certainly improve over a period of time and your second question that the so far delivery was 200 megawatt and we are talking about 1 gigawatt and more than that. So, this clearly definitely you are absolutely right that with such a small number how can we touch to the Mountain Everest. I do agree but may kindly appreciate that what numbers we have achieved are not just doing a small part of a project. We have done complete 0 to 100 all the activities which are required under balance of plant of the wind farm project and this exposure and this experience is sufficient enough to take us along to a larger and a longer journey. So, today my team is completely equipped to handle more numbers at a time, more sites at a time they have been tuned up because they have been working close to one decade now within this roof within the culture and we are capable of. Yes you are right that doing maybe 1500 or 200 megawatt and doing 1000 megawatt is definitely a long journey and it requires lot of capital, it requires lot of manpower, it requires lot of other resources and this is what is the game that we undertake a project today we have a clarity from day 0 that we are going to deliver this wind turbine this many numbers this is the deadline, this is not like earlier projects of hidden tariff where the entire projects deadlines were skewed to 31st March. Today we have a separate deadline for separate project and all the activities are tuned up to that particular date to tuned up to that particular committed deliveries and based on that we are accustom, we have lot of time to power or plan or manpower, plan or resources this is one. Second is because of the lower margins the recovery period has phenomenally improved in yesteryears we used to expect about 60 to 90 days anytime and even sometimes more than 100 days for recovery of our achieved milestone from the players. Today the situation is different today we expect or we actually realize within 15 to 20 days of our achievement of the milestones we realized the money which we have spent on the achievement of that milestones. So, our recovery period has phenomenally improved and further to this we are looking forward to improve on the overall board, we are improving upon, we are looking forward to improve upon so many aspects of the capital structure of the

company for a better tomorrow, for greener tomorrow and we will definitely work out a plausible plan in coming times once we have more and more projects on the board.

Pranav Sachdev: Please do continue such conference calls in the future it really helps communication from the investor perspective as well.

Ashish Mithani: Certainly we are learning. we are students and we all are learning so we definitely would like to take lot of inputs from our investors also like we are practically on the field, but you are sitting on the board and you might be having access to so many other activities and we will definitely take your inputs and this interactive calls definitely help each other to understand the activities, the people and the future plan definitely.

Moderator: The next question is from the line of Prasenjit Paul from Paul Asset. Please go ahead.

Prasenjit Paul: So, my first question is like at the end of FY19 in the balance sheet I can see that we have a long term debt of around 25 crores and short term debt of around 10 crores, so approx. total borrowing stands at around 35 crores, so if you can provide a road map for the next one year, so how much is the fund raising plan, how much debt you are planning to take or what are the other ways of fund raising plans for the next one year this is my first question?

Ashish Mithani: This is only question sir or any other question in queue.

Prasenjit Paul: I have second question, but it would be better if you can address it.

Ashish Mithani: You want to base on your first reply you want to ask the second question no problem. I just want to tell you that our long-term debt is all what we have borrowed for the wind turbines. These are the generating assets. So, this particular borrowing or this debt is getting served by the project revenue itself so that exactly is not a burden on the actual other EPC revenues it is a self-sustaining, it is working on autopilot part. Now about the short term borrowings which we have been doing for the working capital though this is an EPCC company, it is an EPCC tilted organization this might that fact because of the turnaround time and our probably there are certain parameters which we are enjoying today we are able to recover the investments or the activities much faster than the other players and therefore we have been able to work with very less cash credit or the liquid funds, but certainly with more number of projects coming up and two big sizes of projects coming up we are looking forward to enhance our working capital requirements in the coming times and we want to continue our model of asset like management, we would not be liking to make huge investment in the plant and machinery we would certainly continue to work on the liquid capital and this is our plan that we will be from the present cash credit limits or the present liquid capital we plan to improve or we plan to enhance this particular short term limits or non-fund based limits from the present level to about three or four times.

Prasenjit Paul: So, short term debt may be raised by three or four times from the current level that you are saying?

Ashish Mithani: Yes.

Prasenjit Paul: And we have any plan of raising equity capital?

Ashish Mithani: We look forward to see and if you see we had a plan earlier also, we had given a hint also that we are looking forward, but at the same time we also wanted to see that whatever equity we improve upon we need to maintain the deliverables to our stakeholders and for that only we have stalled for a small period of time let the balance-sheet speak on its own, investment will definitely flow on its own. We do not want to practically induce the equity capital; we want that equity capital should be going in line with what we are developing today.

Prasenjit Paul: So, as an investor also we also do not want to increase I mean issue the new shares, financial shares and all because it dilutes the existing holder's equity, so as of now you do not have any kind of plan of raising preferential equities for similar lines?

Ashish Mithani: As I told you again that if my revenue is Rs. 100 and if the stakeholders are 10 it is divided between 10 for that same revenue of 100 I do not want to increase from 10 to 20 and divide the same revenue. So, let me work out my bottom line and top lines based on that equity will definitely match.

Prasenjit Paul: And my last question is I want to talk about the net profit margins, so what I can see in the last quarter and in the Quarter 4 FY19 the net profit margin comes around 10% which was around 14%, 15% in the Q3 and Q2, so that reduction in net profit margin is mainly because like in this quarter the Quarter 4 we have and other expenses of around 15 crore so this is like a margin dropped to around 10% in Q4 so if you can provide a little bit of guidance or what is an internal target or the net profit margin for the next one year or the next few quarters is it we had in like in the Quarter 4 of 10% or it can move up around the 14%, 15% which we had noticed in Quarter 3, Quarter 2 in this FY19?

Ashish Mithani: Sir I must tell you, of course you will be well versed with what is happening in the market and what is happening in the industry, but I still take the liberty of educating you that the entire wind industry today is struggling hard to survive, for them margin is a distant fact. We are not even closer to 0.01% margin. Your company has been able to work out some margins because it is working only on the operating side it does not have large fixed expenses. What you see as other expenses or these expenses are actually onsite expenses which we have spent the money to continue the activities and certain times like I had seen a reply which has been sent to you today on your query on this other expenses, but certainly what we see sir that this all activities which we schedule which we plan may not happen in the exact format of the plant. It is always eventually dependent on the physical or the concurrent situations and to that

situations we have to add up, we need to have that flexibility, we need to have that adaptability to make out the situations and make out the ways out of it for that you have invested on this company and for that only we are known. So, this is what is the change that certain times, certain quarters may give higher profit margins certain times it may not be equivalent to the previous quarter margins this will fluctuate because there are EPC activities certain times the activities go in a much higher, certain activities within the overall scope are profitable, certain activities are not profitable. So, depending on that particular quarter what activities are happening this margins will vary, but I definitely look forward to see that over a period of time the margins will come back to what you had been seeing earlier it may not be exactly be same numbers, but certainly this organization is quite jubilant, it is quite active in working out the overall bottom lines.

Prasenjit Paul:

So, do you have any like internal target in your mind or the net profit margin will move in this range any kind of rough range for the next one year or so?

Ashish Mithani:

Sir there cannot be a fixed, of course we always target for a better margin, but what happens is in the erstwhile period the wind industry was working on a gross profit margin of around say 20% to 30% anytime it was working on that model, but then later on most of the companies which were working on service side of the wind power projects were certainly well-tracked because of either higher cost investment on the non-performing assets or may be lands or certain other activities or the regulatory changes and all and because of that the net profit or the gross profit margins had finally shrink today. So, we look forward to see that over a period of time we also want to maintain at least double digit number, but today I may not be able to give you an exact number or an exact count we are still stabilizing with the changing regime and it should take maybe not less than 1 to 1.5 years where we will be in a position to tell that okay we are working with a profit this is our target, this is our guidance and probably that guidance we should be in a position to completely abide by.

Prasenjit Paul:

Sir lastly like if you can provide some kind of current status or the progress of the last two project like the Dwarka project which is around 400 megawatt and which that needs a 300 megawatt in the industrial presentation those are mentioned as under negotiation and the expected companies and that is 2021 so if you can provide some kind of like what is the status right now and within how much time you are planning to I mean it is expected to get some confirmation on all?

Ashish Mithani:

Today in the entire Gujarat we are blessed to have lands in hand for doing about 600 megawatt of wind projects. So, this are the assets, these are the USP of the projects and this cannot be traded fast, we are taking time to negotiate, we have a chance to choose the customer, we have a chance to choose the terms for the development and therefore we have taken some time, but sooner or later you will find very aspiring news. We are just working out the modalities it is under due diligence from the client side also and since the projects are all close to 2000 crores investment definitely client will also like to make the sharpest due-

diligence and it is under process. So, it is sometime left now for the announcement, but yes this is working on.

Moderator: The next question is from the line of Parth Agarwal an Individual Investor. Please go ahead.

Parth Agarwal: My question is since you said that you are majorly focusing Gujarat so do not you have any kind of geographical concentration let us say from regulatory changes particularly to the Gujarat or something like that?

Ashish Mithani: You see that because we are geographically concentrated to one part of the country if there are any regulatory risk definitely this will turn the tables, but in fact this is one reason that we have stayed together only one state so that with all the changes which might happen on regulatory side also we are in a position to defend. First of all, as I explained you Gujarat in the country has the highest wind potential so this makes this state as a unique position. When there will be any wind project happening there will be a project happening in Gujarat. If you see the trajectory of last 10 years in Gujarat also not a single year it has gone without addition of more than at least 100 megawatts. If you see the similar history, if you see Maharashtra, if you see Karnataka, if you see Andhra Pradesh, if you see Madhya Pradesh, if you see Rajasthan you cannot compare it. At certain times it has done 300, 400 megawatt and so many times it has not done more than even 40, 50 megawatts. So, this kind of unsecured or maybe highly secured results are not expected. Gujarat has given a consistent number, this is one reason and one another aspects is today most of the projects are happening from the Central government organized bids that is SECI bids. I mean the Central government organization, the IPP which is Solar Energy Corporation of India that is actually taking the bids from the ISCA side that is the central grid network. So, this particular grid network is actually working on Pan India basis and they are able to sell the power, send it from Gujarat anywhere. So, does not make much difference you set up the project in Gujarat or you set up the project in Karnataka it can be sold anywhere to any discom in the country actually the regulatory risk has been phenomenally reduced because of that.

Parth Agarwal: Another question is apart from General Electric and Suzlon are you working with any other manufacturers?

Ashish Mithani: Sir it is already on the public announcement that we are presently working with General Electric (GE) for the first turnkey project which is their first turnkey project also as well as the first project of 300 megawatt. We are doing it presently under SECI-3 trench. So, we are already working with two manufacturers and yes in the previous times we wanted to work with one manufacturer, we want to align completely with one manufacturer. Now today we are in a position to work with more than one manufacturer, with more than one client, with more than one sites and we are equipped to work, there is no big change ultimately, we are not manufacturing the turbine, we are installing turbine. So, on service side of it not much of

the rules changed and almost all the activities are done with more or less same uniform code. So, we do not have much issues working with more players.

Parth Agarwal: That is what I am asking any other players Suzlon and General Electric are already been your clients so any other manufacture that you are working with apart from them in the last changes that has been made in last few years, two, three years?

Ashish Mithani: Of course, we are talking with everybody and we are talking with all what you can count today who are working in India, we are in touch with them and they are in touch with us. So, it is all now depended on the bids being warn or the projects being closed with the IPP so there is absolutely now there is no probably the system has been so flexible that anybody will be keen to work today in Gujarat. Gujarat is the place where most of the show is going on and we are one of the prominent developers in Gujarat so naturally we will be having that level of comfort with almost all the manufacturer. I cannot name because of certain understandings which we have, but certainly I can tell you, you name a manufacturer we are in touch with them.

Moderator: The next question is from the line of Shankar Dutt from Kanav Capital Advisors Private Limited. Please go ahead.

Shankar Dutt: Sir as per FY18 balance sheet you had invested almost 53 crore into wind, turbine, generator this is equivalent to almost 63% of your net gross block and way more than your net worth, what is the reason for having investment then the ROE generated to power generation is less than EPC business?

Ashish Mithani: I just want to tell you that we are working in wind sector and within the wind sector we are working on the service side of the project. What we have adopted and it has been already well presented in our presentation also that why we have invested in the turbines like there is a recurring income, this income definitely gives a level of confidence to meet our operating expenditure or the fixed cost also. Second part is that it also helps us in the depreciation which we can claim against the expenditures and this revenues of EPC can definitely be set off against the accelerated depreciation benefits which are offered by the government and this particular investments are practically funded by the banks, your input is say 25% to 30% rest 70% is invested by the bank, but against your 25% you get an accelerated depreciation for the overall project cost say 40% to 80% this was one of the reason that we invested and we are working the same field, we are working the same area. We have phenomenal fair level of experience and exposure to the industry and weakened industry. It is not an investment being made in a real estate or any other diversified field where we may not the forte of understanding and probably see the changes this is our own field and we have invested and we are getting good revenue and margins of that.

Shankar Dutt: Sir I understand you must be measuring the return by IRR, so what kind of IRR have you been recording on power generation in FY18 and 19 respectively and is this the IRR that you are going to generate going forward?

Ashish Mithani: Out of these four wind turbines which are operating one turbine has a long term PPA with the state discoms. The three turbines are being the power generated from the other three turbines is being sold in under open access and bilateral arrangement with various industries in the state. This is one of the unique features which KP Energy has initiated and we are definitely getting almost revenues at par with what we were getting in the feed-in tariff regime also. So, this is certainly a high revenue generating income and I may not be able to exactly tell you what are the IRRs, but certainly I can tell you that they are far better than any other bid project.

Shankar Dutt: So, you are confident that you would be able to generate the same returns in going future?

Ashish Mithani: These are not spot sales, these are done under the arrangement for a period of time may be 3 years, 5 years, 10 years, 12 years, these are not spot sales. So, it is not that I generate the energy today and sell it to somebody else. It is a long-term management happening with an industry. So, this revenue should continue that should not be a problem and it is not subjected to frequent changes here and there.

Shankar Dutt: And sir my second question is can you please explain in more details the unit matrix of your business sir as in what your revenue realization per megawatt, per BOP services and as a percentage of total set of cost of a 2.1 megawatt turbine what is the cost of plant and BOP?

Ashish Mithani: I can just give you of back of the envelope calculations that if a turbine if you see a wind turbine ranging cost range of around Rs. 15 crore you can presume that between 22%, 24% should be the cost of balance of plant and remaining should be the cost of plant and machinery this is the overall matrix of cost of the wind turbine. So, we are working on that service side which is ranging between 20% to 24% and here is what we are working on if we have the complete scope of work then we can enjoy the entire balance of plant services if we partially take the scope then it is partially reduced and above the margins what you see on the net profit or the gross profit is actually because we do not have so many other businesses or multitude based business. We are EPC players only for wind, we do not do EPC for any other activities for road construction or any other infrastructure development so you can correlate directly the percentage which you see in the balance sheets are the same numbers what we actually are.

Shankar Dutt: Sir what is the O&M realization 400 megawatt over what period of time?

Ashish Mithani: If you see the overall O&M cost for a wind turbine should range between 1.5% to 1.7% of their capital cost. This is for the complete maintenance of the entire wind turbine and my

part is again I am telling you that balance of plant is say 20% to 24% of the entire capital cost. So, the share of O&M revenue also is equally shared between me and the manufacturer.

Shankar Dutt: What is your normalized operating profit EBITDA per megawatt?

Ashish Mithani: Sir it is very much visible on the balance sheet. It is changing because engineering, procurement, construction is some activities which is not tuned up for one particular style of business for one particular period that I keep on doing the same activity at same place, I keep doing activities at different places and different stages. Therefore, you cannot have an exact percentage of EPC margin what we can tell you is that over a period of time say in a span of 12 months or in a span of three months this is what I am earning, this is what is visible. You cannot have a complete dedicated number working on a different site, you understand say there can be two different sides this two sides we will be working on two different stages so there will be variance in involvement, variance in cost, variance in the margins also. So, there cannot be a very fixed quantified number, but I can tell you that fairly the industry is operating on a margin ranging between 5% to 15% and we are also within the same range.

Shankar Dutt: Sir as per your presentation Slide #14 capacity executed was 81.9 and then it reduced to 18.9 and 17.2 in 2018 and 9 month 2019, so what is the reason for such decline and there was spike 81.9 of capacity executed what was the reason behind?

Ashish Mithani: What happens is at 2017 31st March India did the highest number of projects on wind side it was about 5.5 gigawatt and Gujarat also did about 1.3 gigawatt out of this entire contribution in the country and this was primarily because this was the last feed-in tariff project. Thereafter like in the end of that year itself the bid activity started so most of the projects which were supposed to come were supposed to come only through bid and once the bid is declared bid there is a participation means there is a specific period for delivery of the period. So, in a feed-in tariff regime any project can be signed up and can be energize within a period of the term in which this particular feed-in-tariff is applicable vis-à-vis in a bid the price is determined in the bid between the buyer and the seller and the projects definitely have a lead time of 18 months to 24 months' time. So, therefore, there were no projects actually happening in the year 2018 or 2019 the numbers which you see are the numbers which you have carried forward rolled over and this is the reason. Now if you see the present 2019-2020-2021-2021, 2022 are the years where this projects which were decided under a bid are getting delivered. So, now you will find the numbers stacking up or these things will happen and you will find lot of megawatt on the presentation.

Moderator: The next question is from the line of Shikhar Mundra an Individual Investor. Please go ahead.

Shikhar Mundra: So, actually, I have a very fundamental basic question I just want to understand this step-by-step the various steps involved in the wind execution and where do we fit in the value chain, so can you walk me through that?

Ashish Mithani: You are from Rajasthan correct.

Shikhar Mundra: Yeah that is right.

Ashish Mithani: Now in a wind project what happens is when we work out the starting is where the wind is because the raw material is free of cost. So, we try to see from differential portals available in the world that where the wind is from this applied studies based on that where the wind is from this applied studies based on that we focus or concentrate where we can step a project. This project has to be evacuated so where the infrastructure grid network is available and in the present state of things even if the grid infrastructure is available whether that particular grid infrastructure is available for you for completion of the project because today in this state there is huge network which is available, but state is not organizing too many bids. So, the infrastructure even if it is available to you it may not be energize and in this state there are certain places where there is grid infrastructure available. So, the project happening under that particular regime will definitely see lot of energization. So, you see land, you see the connectivity I mean the evacuation possibilities and the third is the energization I mean the revenue models. So, these putting together makes a project considering a project, but before the project actually comes on the ground or visible to the people it takes at least a journey of two to three years when you buy a land, when you install a met mast, you study the data based on that data you may have to install more numbers of mast based on that you run that particular data on a specific software and you run with different wind turbines, based on that you understand that what is the economic viability of the side, based on that economics you either approach a manufacturer which we are doing erstwhile or we approach an investor final investor, you have a pre-way tie up and based on this particular numbers the investor will put up his bid in the wind and you can develop the project this is the entire cycle of development of a wind project.

Shikhar Mundra: So, we are present across the whole cycle except for the manufacturing part is that right?

Ashish Mithani: Not on the manufacturing side and again not on the investor side we are asset-light company so we actually develop the projects and from the start of the project till the end of the project we participate as developer and not just as a contractor, not just as an investor. So, our risk is also fairly materialized or fairly organized that we develop an activity, we achieve a milestone and we recover the money for that, but it is not we stay for the project throughout the project till the completion we stay with the project and therefore we enjoy and we reached the benefits of the projects as well as the command over the project.

Shikhar Mundra: So, just wanted to understand so when the time that the wind is affected in some much trouble so even the wind turbine generator are reporting losses, the power generation people itself are not doing well how are we as a company able to report such a good numbers, so are we not getting squeezed by our supplier or are we not getting squeezed by our clients?

Ashish Mithani:

You are right if you would have done the magic of maybe manufacturing a wind turbine or any manufacturing any part of the wind turbine we would also have been following in the same cycle that we are subjected to bids, we are subjected to the sales orders booked and till the time the sales order book we have to keep continuing the activities, we have to keep continuing paying to the staff and all. So, we do not have huge fixed expenditure. First of all, this is the flexibility which we have which has enabled us to take the projects and take only these activities which are fairly remunerative so this is one thing and second part is we are working from right from beginning at conceiving stage of the project. So, when you are involved, when you are focused and we are focused only on this activity I am putting underlying this word only on wind sector this means we are fairly focused on what is happening, what is going to happen. So, we understand we invest on the right place and that is one reason that we have a command over the project and we have a command over upcoming revenues also. So, this is one aspect I must say that we are able to bring numbers, we are able to display good numbers. This is not just a onetime activity yes, we are also subjected to the regulatory mechanism, we are also subjected to the phenomenal changes which would happen, but because of the flexibility we can have a very shorter turnaround and we can immediately adjust to the new equities.

Shikhar Mundra:

So, just wanted to understand your outlook on the wind sector because now things are started turning around it seems like with a management commentary and stuff, so just wanted so the main reason for the wind sector coming into trouble was the change in the auction based from feed-in tariff to auction based, but that has not turned reversed then why is the wind sector coming back to the golden days like when do you expect the wind sector to return back to the gold days?

Ashish Mithani:

Sir any change is definitely going to test only efficient will survive, only fittest will survive so one part when there is a change in the regulatory mechanism there was a challenge of survival of so many players who are working only on inefficient or selling off because of the flow of the feed-in tariff so that consolidation has already happened or it is on the process. Second part is adjusting to the new and all new prices which is 30%, 40%, 45% lower than the previous tariff. India was one country like it is not an exception even in US also it happens that ultimately the numbers of the turbines were fixed based on the remuneration or the IR or the actual revenues which an investor was supposed to get. So, because of that the turbine prices definitely were working on based on not on the actual cost of manufacturing, but on the revenue. Now because of the new regime now everybody has started working on the improvement of the efficiencies, reduction of the cost and how matching to what is actually happening in the world. So, every manufacturer has completely changed the way it is working and is one reason that wind industry is improving. Second is these in the fee-in tariff regime may be certain times we used to do 2 gigawatt, certain times 5 gigawatt but otherwise sub-2 gigawatt so this was a change. Today manufacturer has a plan before 18 months if they have a complete sales they have an order in the place, they know how much of turbine, how much

of blades, how much of shelf, what parts, how much to be manufactured, how many gear box is to be imported, how many castings to be managed. So, they have a very clear number based on that they can probably identify the resources, align the resources. This certainly also will be an added advantage just this is a changing time it should take further more time for the testing on consolidation it should take further time, but overall I see that now India is moving from 1, 2 or 3 gigawatt, India is going towards, 5, 6 and 10 gigawatt this is a market size if this is a size you can imagine the opportunities are too much, the growth opportunities are too much, the development scope is too much, sky is a limit and how much ever we can adopt this is what is available. Wind industry is definitely going to shine tomorrow.

Shikhar Mundra: So, basically, if I need to conclude so now things have become more predictable you expect higher volumes, but may be not as much as profitable for the other players as it was in feed-in tariff but more predictable is that the right conclusion?

Ashish Mithani: Sir do you think that we can keep supporting the inefficiencies throughout the life, we can keep supporting the subsidies throughout the career, we can keep telling that we have just got freedom so we need to take some more time, we cannot have that kind of liberty. Today this industry is more than two decade old, so it is matured enough to understand and the change is imperative and based on that change the improvement of efficiency or the turnaround time has to be improved and everybody has to fall in that same line. So, I definitely see that the volume has to compensate, the need of the bottom line. Ultimately bottom line should not be viewed from percentage basis, bottom line should be viewed from the quantum basis and I think the apportionment of the bottom line between the stakeholders is what you are concerned and what I am concerned.

Moderator: The next question is from the line of Stavan Ajmera from Veer Capital Management. Please go ahead.

Stavan Ajmera: Recently this SECI's 1.2 gigawatt wind tender was under subscribed by 50% owing to the direct gap and land, so do you think due to such low response our future order book will be affected?

Ashish Mithani: Actually this is the propose response what industry has given, it is a message which industry has given to the organizers of the bid and the ministry that particularly it is not just that bid is sufficient, we need to have sufficient evacuation, infrastructure available to encompass the bids and the projects under the development. We have close to 10 gigawatt of bids and about 5 to 6 gigawatt of projects under execution or development even that is bid standard because of other or maybe the scarcity of the resources or maybe clarity on different aspects of the development phases. So, what industry has given a hint is that the new numbers will definitely vary, old numbers will not work with the change in schedules or change in the rules the availability of land has been a big question, quantum of expenditure which is being made which was propose is also a big questions. So, these all differences are definitely getting out

of the ground today and this is what is visible. It is not that this is going to continue, but government of India has also erstwhile if you are taking about SECI 1 or 2 bid only 1 or 2 substations were available today there are more number of substations which are available, more projects are also getting in, more states are also coming inside the SECI regime. So, more and more bids will come, more and more projects will come, more and more substations will get energize and more and more green projects will come in different states. So, overall, I see that today under subscription or poor response or either response is not what is going to be the trend of future it is reflection of the current affairs.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Sayam Pokharna from The Investment Lab. Please go ahead.

Sayam Pokharna: Thank you all joining you may now disconnect your lines.

Moderator: Thank you very much, on behalf of KP Energy Limited. We conclude this conference. Thank you for joining us, you may now disconnect your lines. Thank you.