

# K.P. ENERGY LIMITED

CIN: L40100GJ2010PLC059169



E-mail : info@kpenergy.in  
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KPEL/BSE-MAT/OCT/2023/444

October 27, 2023

To,  
**BSE Limited,**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai- 400001

Ref: Scrip Code: 539686

**Sub.: Intimation regarding assignment of 'IND A2+' credit rating by India Ratings and Research (Ind-Ra) to Company's credit facilities.**

Dear Sir(s),

Apropos the captioned subject and pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform you that **India Ratings and Research (Ind-Ra), a Fitch Group Company**, has vide its communication dated October 27, 2023, has assigned a Short-Term Rating of **IND A2+** to the bank loans of K.P. Energy Limited (KPEL). The Summary of Rating is action is as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Bank Guarantee Limits	-	-	-	INR 100	IND A2+	Assigned

The aforesaid information is also being placed on the website of the Company at [www.kpenergy.in](http://www.kpenergy.in).

Kindly take the same on your record.

Thanking You,

Yours faithfully,

For K.P. Energy Limited

Affan Faruk Patel  
Whole Time Director  
DIN: 08576337

Encl.: a/a

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ISO 14001:2015, ISO 9001:2015 and ISO 45001: 2018 Certified Company

**BSE** Listed Company

# India Ratings Assigns K.P. Energy Bank Loans 'IND A2+'

Oct 27, 2023 | Civil Construction

India Ratings and Research (Ind-Ra) has assigned K. P. Energy Limited's (KPEL) bank loans a short-term 'IND A2+' rating. The detailed rating action is as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Bank guarantee limits	-	-	-	INR100	IND A2+	Assigned

**Analytical Approach:** Ind-Ra has taken consolidated view of KPEL and its wholly owned subsidiary KP Energy OMS Limited for arriving at the rating, due to the strong operational and strategic linkages between them.

## Key Rating Drivers

**Improved Operating Performance; Likely to Continue in FY24:** KPEL's operating performance improved significantly over FY21-FY23 with its revenue growing at a CAGR of 85% over these years. The company earned a revenue of INR4,338 million in FY23 (FY22: INR2,504 million) and INR1,130 million in 1QFY24. The revenue growth in FY23 was driven by an increase in the engineering, procurement and construction (EPC) income to INR4,239.3 million (FY22: INR2,370.6 million), along with an increase in the revenue from the sale of power to INR99.0 million (INR78.8 million). KPEL has a portfolio of power generation assets, including 8.4MW in wind energy and a newly commissioned 10MW dc solar power project. The availability of long-term power purchase agreements (PPAs) for the majority of the portfolio at fixed tariffs provides adequate revenue visibility over FY24-FY27. The company is expecting the revenue to be over INR5,000 million in FY24, supported by a healthy unexecuted orderbook of INR7,630.2 million at end-June 2023, a strong track record of execution and an increase in the revenue from the sale of power with KPEL's new solar power plant being commissioned during 1QFY24.

The company's return on capital employed (ROCE) and EBITDA margins were healthy at 32.27% and 15.9%, respectively, in FY23 (FY22: 15.54% and 13.7%) and are likely to remain at a similar level over the medium term, supported by an increase in the contribution of revenue from the sale of power wherein the margins are high in comparison to the EPC segment. In FY23, the company reported an EBITDA of INR692 million and INR210 million during 1QFY24.

**Comfortable Credit Metrics:** KPEL had a healthy interest coverage (EBITDA/gross interest cost) of 12.80x in FY23 (FY22: 7.93x) and an adjusted net leverage (gross debt including corporate guarantees excluding unencumbered cash/EBITDA) of 0.81x (0.62x), supported by an improvement in the scale of operations and EBITDA. The credit metrics are likely to remain comfortable over the medium term, supported by an improvement in the operating performance of the company.

**Experienced Promoters:** Ind-Ra believes the promoters' over two-decade-long experience in the renewable energy sector, along with KPEL's healthy relationships with suppliers and customers and its established track record, will continue to support the business.

**Liquidity Indicator - Adequate:** The company had unencumbered cash and cash equivalents of INR23 million at end-March 2023 (end-March 2022: INR58 million). The company has a fund-based working capital limit of INR308 million and a non-fund-based working capital limit of INR460 million, which were being utilised at an average of 34% and 88%, respectively, over the 12 months ended August 2023. The company has also availed various term loans for setting up the power plant and has a repayment obligation of INR63.83 million, INR70.58 million and INR65.52 million in FY24, FY25 and FY26, respectively, which can be met through the cash flow from operations. KPEL has to maintain an escrow account for the entire loan tenor, wherein the cash flow from the power asset will be deposited and utilised as per the waterfall mechanism. Also, the company has to maintain a debt service coverage ratio (DSRA) of three months of the principal and interest obligation. The cash flow from operations increased to INR420 million in FY23 from INR169 million in FY22, on account of a rise in the operating profitability.

The net working capital (inventory including unbilled revenue plus receivables including contract assets and retention money minus the payables including customer advances) as a percentage of revenue increased to 2% in FY23 (FY22: negative 7%), on account of an improvement in the inventory to 17% of the revenue (50%) and the repayment of advances to GE India Industrial Private Limited resulting in payables reducing to 30% of the revenue (67%). The agency expects the working capital to remain at similar level over the medium term.

**Equity Commitments for New IPP Project:** KPEL is planning to set up a new wind power plant project in Gujrat with a capacity of 19.6MW in 4QFY24; the project is likely to be commissioned by FY25. The total cost of the project is likely around INR1,700 million, and is to be funded through 60:40 debt equity. The company is planning to raise equity capital for the funding of the project. The process of project development entails various risks, ranging from obtaining building permits and acquiring a suitable land to managing logistics and right-of-way (RoW) challenges. These uncertainties expose the business to potential project delays, cancellations, or write offs, which can significantly impact its profitability. Since the company has not incurred any cost for the project till now, the timely arrangement of the funds and project completion without any cost overrun remains a key monitorable. Nevertheless, Ind-Ra derives comfort from the successful execution of KPEL's wind and solar projects in the past.

Moreover, the EPC business is characterised by high competition as it is tender driven, and is vulnerable to project execution risks, which are often outside the control of contractors, revenue and profitability thus totally depend on the successful bidding for such tenders.

**Concentrated Orderbook:** While the company has won a new order of INR6,930 million in FY24, the top two contracts constitute for over 90% of the unexecuted orderbook and are both located in Gujarat; thus, any delay in the orders or any disruption in the state will severely impact the operating performance of KPEL. The orderbook, counterparty and geographical concentration risk are partially mitigated by KPEL's strong execution capabilities, its long-term relationships with the counterparties and the availability of power plants. Furthermore, historically, the average order size of KPEL has been at similar levels, exhibiting similar concentration levels and given the scale of operations, the orderbook profile is likely to remain in line with the historical levels. The execution and diversification of the orderbook will remain a key monitorable for the rating.

**Vulnerability to Weather Conditions Affecting Wind & Solar Generation:** The cash flows of renewable power projects are sensitive to the plant load factor (PLF), which depends entirely on the wind and solar patterns that are inherently unpredictable. This could impact cash flow generation, thereby affecting KPEL's debt-servicing ability. The risk is, however, mitigated to some extent by the operational track record of the projects, with a majority of the assets having a track record of more than three years. The demonstration of performance in line with or above the P90 estimate remains important to improve the credit metrics and achieve the desired return indicators.

## Rating Sensitivities

**Positive:** An improvement in the scale of operations, coupled with a diversification in the orderbook, while maintaining the credit metrics will lead to a rating upgrade.

**Negative:** Delays in the project execution leading to a decline in the operating performance of the company and higher-than-Ind-Ra-expected debt-funded capex, leading to the adjusted net leverage of over 3x and deterioration in the liquidity position of the company will lead to a rating downgrade.

## Company Profile

KPEL is a leading provider of balance of plant solutions for the wind energy industry. The company is involved in the entire wind farm development value chain, right from conceptualisation to the commissioning of a project. KPEL plays a critical role in coordinating a wide range of activities related to utility-scale wind farm development.

### FINANCIAL SUMMARY

Particulars (INR million)	1QFY24	FY23	FY22
Revenue	1,130	4,338	2,504
EBITDA	210	692	342
EBITDA margin (%)	18.61	15.95	13.68
Gross debt	612	581	269
Net adjusted leverage(x)	-	0.81	0.62
Interest coverage (x)	11.06	12.80	7.9
Source: KPEL, Ind Ra			

## Non-Cooperation with previous rating agency

Not applicable

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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## Bank wise Facilities Details

[Click here to see the details](#)

## Complexity Level of Instruments

Instrument Type	Complexity Indicator
Non-fund-based working capital facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Contact

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## APPLICABLE CRITERIA

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Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

## **Corporate Rating Methodology**

### **The Rating Process**

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