

EQUITY RESEARCH REPORT

By Team FINGLE

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PS

The Green Energy Revolution becomes a defining geopolitical scenario, shaping the global balance of power, the economic fortunes of nations, and international relations in an era where sustainability and environmental consciousness take center stage. As the well-trusted analyst of your company, you have been asked to research and create an equity report to present to your advisors while considering the above scenario. A detailed report on why they should invest in that particular stock. You will have to create a document explaining the details of how you shortlisted the company and what factors you considered to shortlist it, and then make a detailed report on the company you have chosen (both the shortlisting analysis and the equity report should be present in the same document).



KPI GREEN ENERGY LIMITED

KPI Green Energy Ltd

NSE: KPIGREEN

Target Stock Price: ₹ 1,499.95

Investment Recommendation: BUY

Market Cap: ₹ 4,145.11 Cr

High / Low: ₹ 1,265 / 376

Dividend Yield: 0.13 %

ROE: 53.4 %

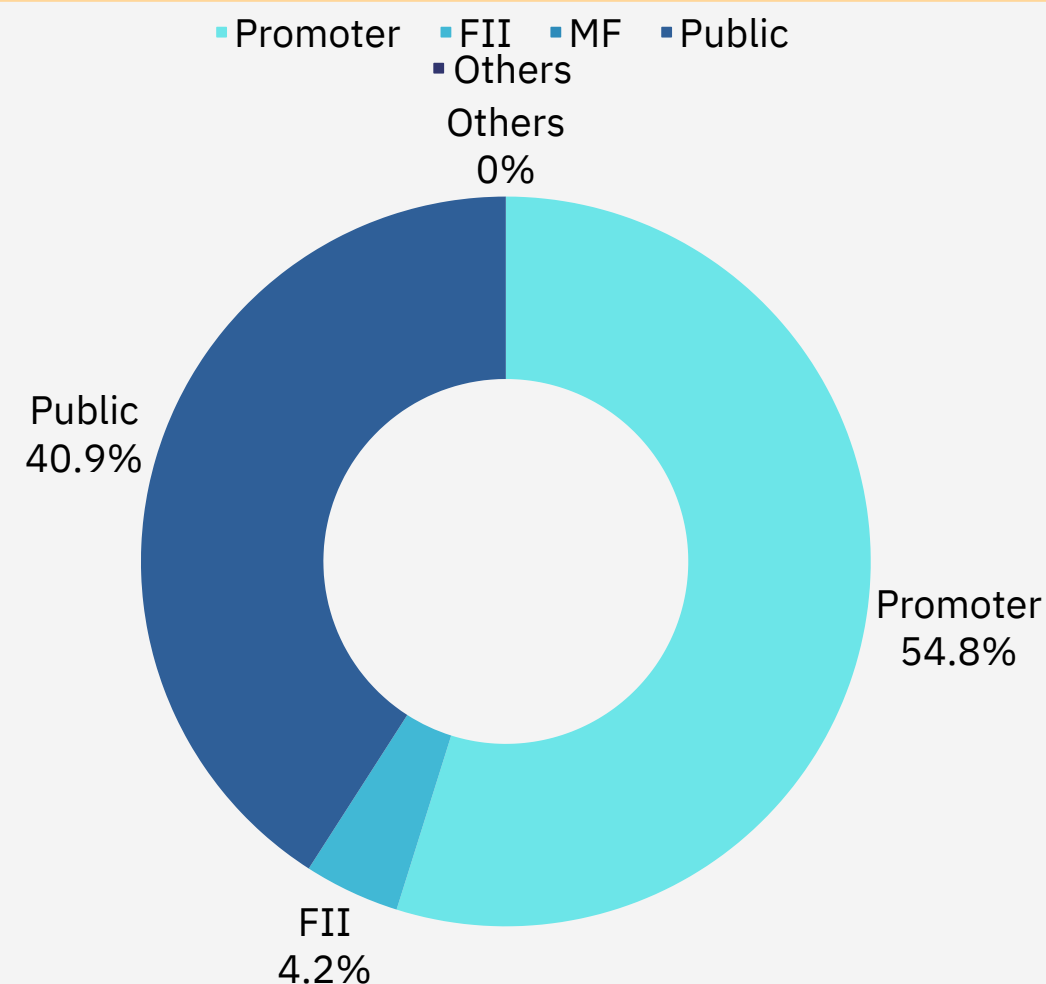
ROCE: 24.7 %

P/E: 30.8

Current Stock Price: ₹ 1,147

Sector: Power Infrastructure

Industry: Power Generation and Supply



Shareholding Pattern

ABOUT THE BUSINESS

- Incorporated in 2008, **KPI Green Energy Ltd** is in the business of solar power generation. Company provides solar power, both as an independent power producer (IPP) and Engineering, Procurement, Construction (EPC) services to Captive Power producers(CPP) customers. Company runs its entire business from its Bharuch plant. Currently, company has an installed capacity of 100 MW of solar power under IPP segment and 100 MW+ of EPC/CPP projects.
- Independent Power Producer (IPP): Company provides solar energy under third party sale business in Gujarat. It develops and maintains grid-connected IPP solar power projects under ‘Solarism’ brand. Company supplies power, generated from solar power plants to business houses through Power Purchase Agreements (PPA).
- Captive Power Producer (CPP): In CPP model, company develops, transfers, operates, maintains and sells grid-connected solar power projects to customers by providing them power evacuation infrastructure along with grid-connected land to generate solar power. Company also offers Operation & Maintenance Services (O&M) through a separate O&M agreement to customers.
- Industrial Plot Sale: Company sells land parcels to third parties which are taken back on lease for 25 years for developing solar power plant. Company pays a fixed lease rental to land owners as per lease agreement.
- In FY 2022-23, revenue from operations increased to Rs. 64,378.63 lacs from Rs. 22,994.11 lacs in the previous year - registering a growth of 179.98%. The EBITDA for the year was Rs. 21,125.18 lacs against Rs. 11,035.36 lacs in the previous year – an increase of huge 91.43%. The Profit After Tax (PAT) for the year was Rs. 10,962.79 lacs against Rs. 4,324.53 lacs in the previous year – an increase of massive 153.50%.

Industry Overview



- The Central Electricity Authority estimates India's power requirement to grow to reach 817 GW by 2030. Most of the demand will come from real estate and transport sectors.
- India launched the Mission Innovation CleanTech Exchange, a global initiative that will help accelerate clean energy innovation.
- Globally, India ranks fourth in renewable energy capacity and wind power and fifth in solar power capacity.
- As of October 2022, India's installed renewable energy capacity (including hydro) stood at 165.94 GW, representing 40.6% of the overall installed power capacity.
- Solar power installed capacity has increased by more than 18 times, from 2.63 GW in March 2014 to 49.3 GW at the end of 2021. In 2022, till November, India has added 12 GW of solar power capacity.
- The increasing usage of electric vehicles (EVs), along with the rapid industrialisation and expansion of residential sectors, are expected to amplify the country's electricity demand. In this context, renewable energy sources will play a pivotal role in fulfilling this heightened energy demand.

COMPETITIVE POSITIONING

	P/E	ROCE	ROA	ROE	REVENUE GROWTH
KPI GREEN ENERGY LTD	30.79	24.66%	10.82%	53.44%	179.5%
ADANI GREEN ENERGY LTD	168	7.81%	1.45%	22.8%	52%
ORIANA POWER LTD	73.44	27.1%	10.92%	46.8%	9.85%

- KPI Green Energy Ltd's Renewable Power business is focused on Providing Renewable power solutions that reduce Electricity costs, and Providing Commercial solutions like CPP, IPP, Industrial Plot Selling, Hybrid Energy.
- Successfully achieved the milestone of 300+ MW of cumulative capacity energized(IPP+CPP).
- Successfully achieved the milestone of 1205 MW Cumulative Power Evacuation Capacity.
- ICRA has upgraded their credit rating from BBB+ to A-(Stable).
- Successfully commissioned 26.10 MW first IPP Hybridized Project.
- 1000+ MW Ambitious Target to reach by 2025.
- Bagged single largest order of Hybrid CPP of 145.20 MW and have also won a 240 MW DC bid from GUVNL under the IPP Segment. With these the total order book on hand at gross level stands at 541+ MW inching the Company closer to its ambitious target of 1000 MW by 2025.

- By securing land within the vicinity of efficient power evacuation infrastructure, we streamline project development and minimize transmission losses. Having suitable land at advantageous locations can enhance the efficiency and profitability of the power plants.
- Ensuring authenticity and transparency in all business dealings fosters trust with customers, investors, and stakeholders. By maintaining high ethical standards and clear communication, we can attract more clients and gain a competitive advantage in the market.
- Recognizing that hybrid renewable energy projects are the future, we invest in integrating various renewable sources like wind, solar, and storage technologies. Such diversification not only enhances energy reliability but also opens up new revenue streams and improves margin prospects.

Revenue Growth
Annual YoY IS
179.5% (Highest in
Industry).

QUARTERLY PERFORMANCE

01

The Company during H1-FY23-24 have bagged single largest order of Hybrid CPP of 145.20 MW and have also won a 240 MW DC bid from GUVNL under the IPP Segment.

02

The total units generated during the Q2 of FY23-24 under the IPP segment have declined by 32% to 2.92 Crs as compared to that generated during Q1 of FY23-24 at 4.31 Crs due to the seasonal effect and the prolonged monsoon season. This has resulted in a seasonal reduction in the IPP Sales from INR 42.10 Crs in Q1-FY23-24 to INR 30.28 Crs in Q2-FY23-24.

03

Despite of seasonal reduction in the sale of Power, the Company performed well in the CPP Segment. The consolidated CPP Sales during Q2 of FY23-24 also grew by 25% from INR 146.98 Crs (Q1-FY23-24) to INR 183.89 Crs (Q2-FY23-24).

04

The consolidated net profit for the current half year is reported at INR 68.01 Crs (H1-FY23-24) as against that of INR 43.39 Crs as in H1-FY22-23 which shows an increase of 57%.

05

At consolidated level the increase in the balances of long-term borrowings of INR 27.45 Crs from INR 409.12 Crs as on 31st Mar-23 to INR 436.57 Crs as on 30th Sep-23 was majorly toward the capex of Hybrid plant, which is reflected in a corresponding increase of fixed assets of INR 61.26 Crs.

06

As a result of growth in net profit, the Company has recorded a quarterly EPS of INR 18.82 in H1-FY23-24 with that of H1-FY22-23 at INR 12.01.

Valuation Metrics

Price To Earning	33.9
Price To Book Value	14.0
Price To Sales	5.95
Price To Cash Flow	28.6
DIVIDEND PAYOUT CP TTM ANNUAL %	4.1%

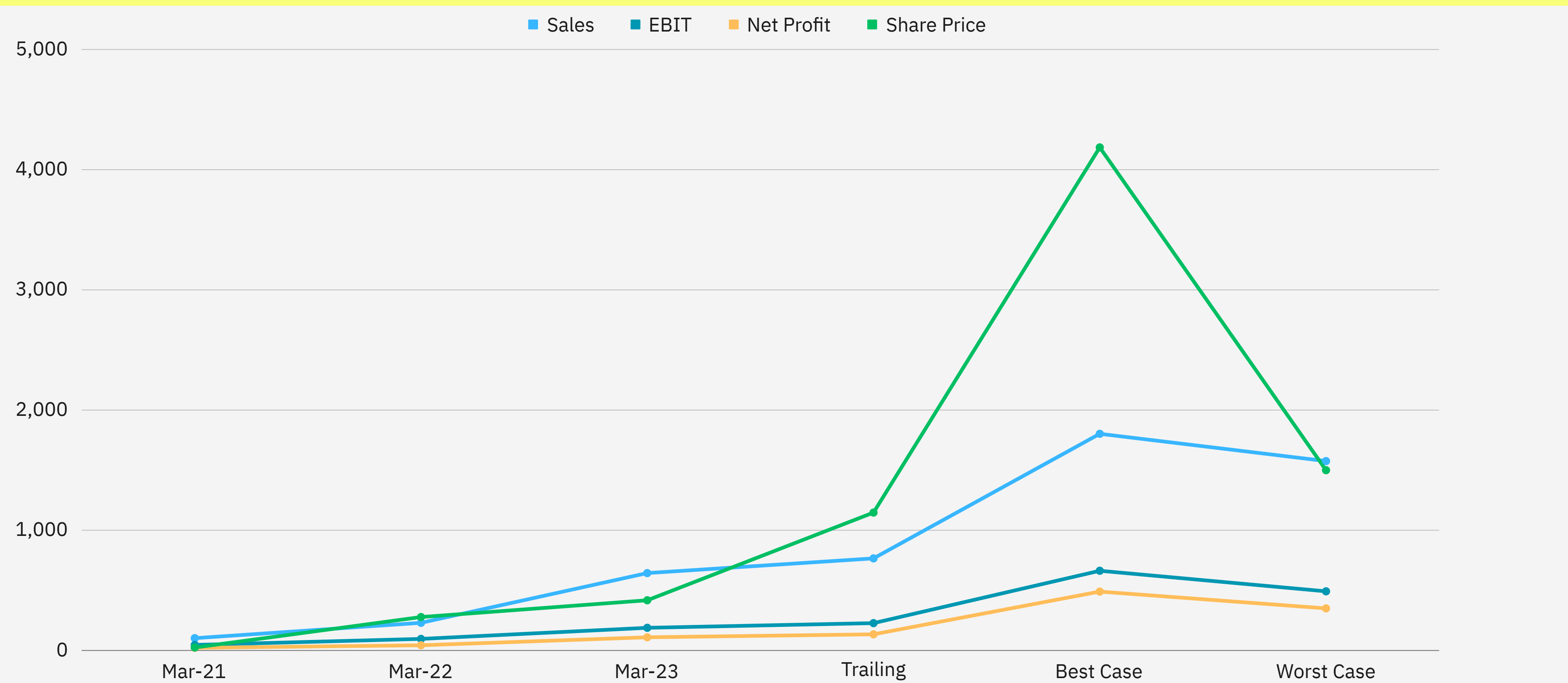
FINANCIAL STATEMENT

- KPI GREEN ENERGY LTD FINANCIAL STATEMENT

	March-20	March-21	March-22	March-23
Sales	59.12	102.28	229.94	643.79
EBIT	19.76	46.21	96.29	188.63
PBT	11.92	30.05	59.36	141.87
Tax	5.48	8.13	16.12	32.24
Net Profit	6.44	21.92	43.25	109.63
Net Profit Margin	10.89%	21.43%	18.81%	17.03%

UNITS: INR CRORES

Profit & Loss



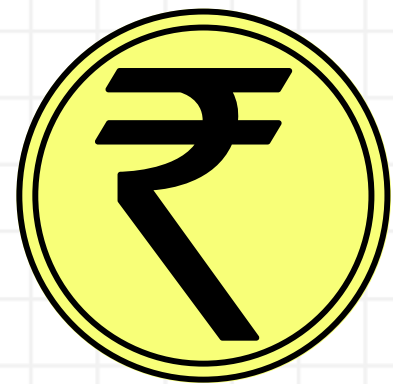
Compounded Comparison

	5 YEARS	3 YEARS	RECENT	BEST	WORST
SALES GROWTH	-	121.65%	179.98%	179.98%	121.65%
OPM	39.10%	38.50%	33.19%	38.50%	33.19%
PRICE TO EARNING	15.47	17.97	30.88	30.88	15.47

Balance Sheet

As of March-23

As per accounting principle,
ASSETS = LIABILITIES + EQUITY



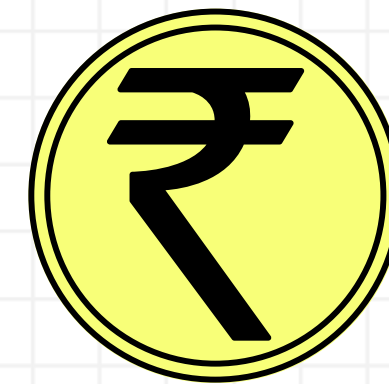
1254.98 Cr

Assets



997.07 Cr

Liabilities



257.91 Cr

Equities

Total Current Assets= 364.11 Cr

Total Non-Current Assets= 890.87 Cr

Current Assets include Receivables, Inventory, & Cash and Bank Deposits; whereas
Non-Current Assets include Net Block, CWIP, Investments and Other Assets.

Cash Flow Statement

	MAR-20	MAR-21	MAR-22	MAR-23
CASH FROM OPERATING ACTIVITY	39.87	-26.70	102.38	159.38
CASH FROM INVESTING ACTIVITY	-118.78	-63.11	-189.40	-309.43
CASH FROM FINANCING ACTIVITY	87.30	101.13	90.98	176.80
NET CASH FLOW	8.39	11.31	3.96	26.76

Detailed Ratio Analysis

ROE	ROCE	ROA	NPM	OPM	DIVIDEND YIELD	EBIT MARGIN
43%	25%	10.70%	17.03%	32.38%	0.13%	29.30%

CURRENT RATIO	DEBT TO EQUITY RATIO	DEBT TO EBITDA	DEBT TO EBIT	DEBT TO ASSETS	INVENTORY TURNOVER	FIXED ASSET TURNOVER
0.37	3.87	4.72	5.29	0.79	295.32	0.80

TOTAL ASSET TURNOVER	INTEREST COVERAGE	FINANCIAL LEVERAGE	QUICK RATIO	DEBT TO CAPITAL
0.51	4.03	4.87	0.20	0.97

DUPONT ANALYSIS

	MARCH-21	MARCH-22	MARCH-23
NPM	21.43%	18.81%	17.03%
ASSET TURNOVER	0.25	0.30	0.51
FINANCIAL LEVERAGE	3.41	5.06	4.87
ROE	18.28%	28.13%	42.51%

Recommended Investment Action: Buy

	MARCH-21	MARCH-22	MARCH-23
NPM	21.43%	18.81%	17.03%
ASSET TURNOVER	0.25	0.30	0.51
ROA	5.36%	5.56%	8.74%

- **DuPont Analysis** shows the exact reason why **ROE & ROA** of company is increasing or decreasing. It decomposes the ROE & ROA to its main cause, viz NPM, Total Asset Turnover & Financial leverage. Here is the decomposed ROE & ROA of **KPI GREEN ENERGY LTD**, as we can see that over the years, the increase in ROE & ROA was due to the fact that company paid off its debt substantially and in this process, their NPM has reduced from 21.43% to 17.03%, but equity multiplier has increased from 3.41 to 5.06 and then decreased to 4.87 times as of the latest financial years.
- We, further, believe that the company will become more profitable and it will expand its ROE and ROA on the basis of expansion in Net Profit Margin.

INVESTMENT RISKS

PROS

- Company is expected to give good quarter.
- Company has a good return on equity (ROE) track record: 3 Years ROE 38.8%
- Company is generating increasing cash from operations.
- Debtor days have improved from 107 to 83.2 days.
- Company's working capital requirements have reduced from 173 days to 76.1 days.
- Company is giving better long term returns than the Industry.

CONS

- Company might be capitalizing the interest cost.
- Stock is trading at 14.0 times its book value.
- Promoters have pledged 49.0% of their holding.
- Company has high Debt.
- Insiders have sold stock in the past 3 months.
- Company's NPM is decreasing even Sales Growth is high in Industry.

Thank you!

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