



Working Capital Finance to RE SMEs

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Oikocredit

- Oikocredit is a Dutch Cooperative working in Development financing in more than 60 countries, through 8 regional offices
- Investment from more than 54000 investors
- Assets of > USD 1 billion, outstanding development portfolio of USD 850 million (Dec 2014), through about 835 partners. (Avg. 1 million / partner)
- Local Currency loans > 56%

Development Financing areas:

1. Microfinance
2. Agri Value Chain Finance
3. Renewable Energy

Maanaveeya (MV)

Maanaveeya Development and Finance Private Limited

Non Banking Finance Company (NBFC) registered with RBI and completed 10 years of operations in August 2014.

Active in development finance: Microfinance, Agri with focus on dairy and low cost housing, Renewable Energy Finance .

Priorities moved to 3 sectors from 2014.

Manage outstanding portfolio of about USD 90 million in India

With about 70 partners

Projects with IFC on Agri finance and with ADB on RE Finance

Why Renewable Energy at MV / Oikocredit?

- Contribute to the triple bottom line
 - People: clean electricity for underserved regions
 - Planet: reduce harmful emissions
 - Profit: long term, economically sound business
- Meet the growing demand for RE in our Regions
- Need to diversify our portfolio

MV Project with IFC on Energy, Water and Sanitation

IFC and MV designed and implemented a project on access to energy, Water and Sanitation during 2011-2014.

Used MFIs as a channel for reaching the end client.

Capital funding from MV and TA support from IFC.

Out reach target of 100,000 households and reached 188,000

Linking of MFIs with RE SMEs.

While funding the demand side, understood the constraints at supply side also.

Financing RE SMEs

ADB and New Ventures Stakeholder workshop on Dec 10, 2013 at Mumbai to understand and address Challenges in meeting Financial requirements of Energy SMEs.

To validate the perception that :

1. Renewable Energy Finance from Banks is (readily) available
2. At affordable interest rate

Financing RE SMEs-Findings

1. Not all SMEs get the Funding from Banks easily
2. Not all SMEs get the required quantum of Finance
3. For those, who got bank funding, cost of funding is around 13-14%
4. Collateral requirement is high, including PG

All Govt / Multilateral Funding is through Public Sector / Govt Banks.

Challenging to convince the local bank branch manager in the project!

Is there any role for Private Sector Funding to meet the above needs!

A Large Pvt company funded by DFIs, but extends large loans. .

Can Maanaveeya play a role in the small loan segment !!

SE4All - MV Project

So ADB and MV discussed and came out with the project to support RE SMEs with Working Capital Loans. Rationale:

1. Access to Energy challenges in India
2. Role of Pvt Sector with focus of supporting access to energy projects
3. Access to Working capital challenges for SMEs (Bank not comfortable with current assets, expansion)

This project envisages funding of 5-6 SMEs, with capital funds being from MV and ADB providing much needed TA and some grant support.

Well defined outputs, outcomes and Impact.

MV Loan Product Features

Loan Product: Term Loans and Working Capital loans

Tenures: Up to 3 years (Can be longer on very selective basis)

Rates: 14-15% p.a.

Loan Size : Up to USD 1 million

Security: First charge on current assets/ Pari-passu with existing lender

Working on CC limits!

Different other funding structures for the benefit of RE SME!

Funding Structures for Energy SME

1. MV – Lending to Energy SME (Plain vanilla product)
2. MV – Lending to Energy SME for portfolio creation to be securitized / assigned later to an interested buyer
3. MV – under partnership with RE SME, lending to the beneficiary, that could be a college, hospital or an industry for captive power
4. MV – under partnership with a RE SME will lend for an RE asset with ownership with a third party interested in accelerated depreciated benefit
5. Bringing small entrepreneurs into solar park (4 MW project divided into 20 SMEs of 200 kW projects)

MV Challenges

While MV will keep on supporting this sector, our challenges are

1. Cost of funds
2. Tenor of funds (our debt funds are upto 3 years)
3. Risk sharing (will help expand faster)
4. Building in house capacity
5. RE lending under PSL

Our motive is to support RE SME in the beginning / growth stage and make them bankable. We will exit at an appropriate time.

MV is working with ADB and New Ventures on addressing the above challenges.

MV Projects

Solar equipment manufacturers (heaters, lights / stoves, roof tops)

Off grid solutions, Mini solar parks, MFI funding

Oikocredit is considering participation in an Asia focussed fund!

Current Pipe line:

1. Solar utility / equipment manufacturer
2. House hold and commercial roof tops
3. Innovative solar park with small entrepreneur partnership (4 MW divided into 20 x 200 kW projects)

Thank You!

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