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# Working Capital Loans for Energy Access Enterprises

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- About Us
- Working Capital Financing
- ABD, Maanaveeya Partnership
- Current status & Pipeline projects
- Assessing Risk Profiles
- Future strategy

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# About Oikocredit

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As on 31 Dec. 2015

835 partners in 64 countries, 33 regional and country offices

547 microfinance partners (of total number of partners)

Total Capital Outstanding: \$ 1.02 billion

37 million clients reached by Oikocredit's microfinance partners\*

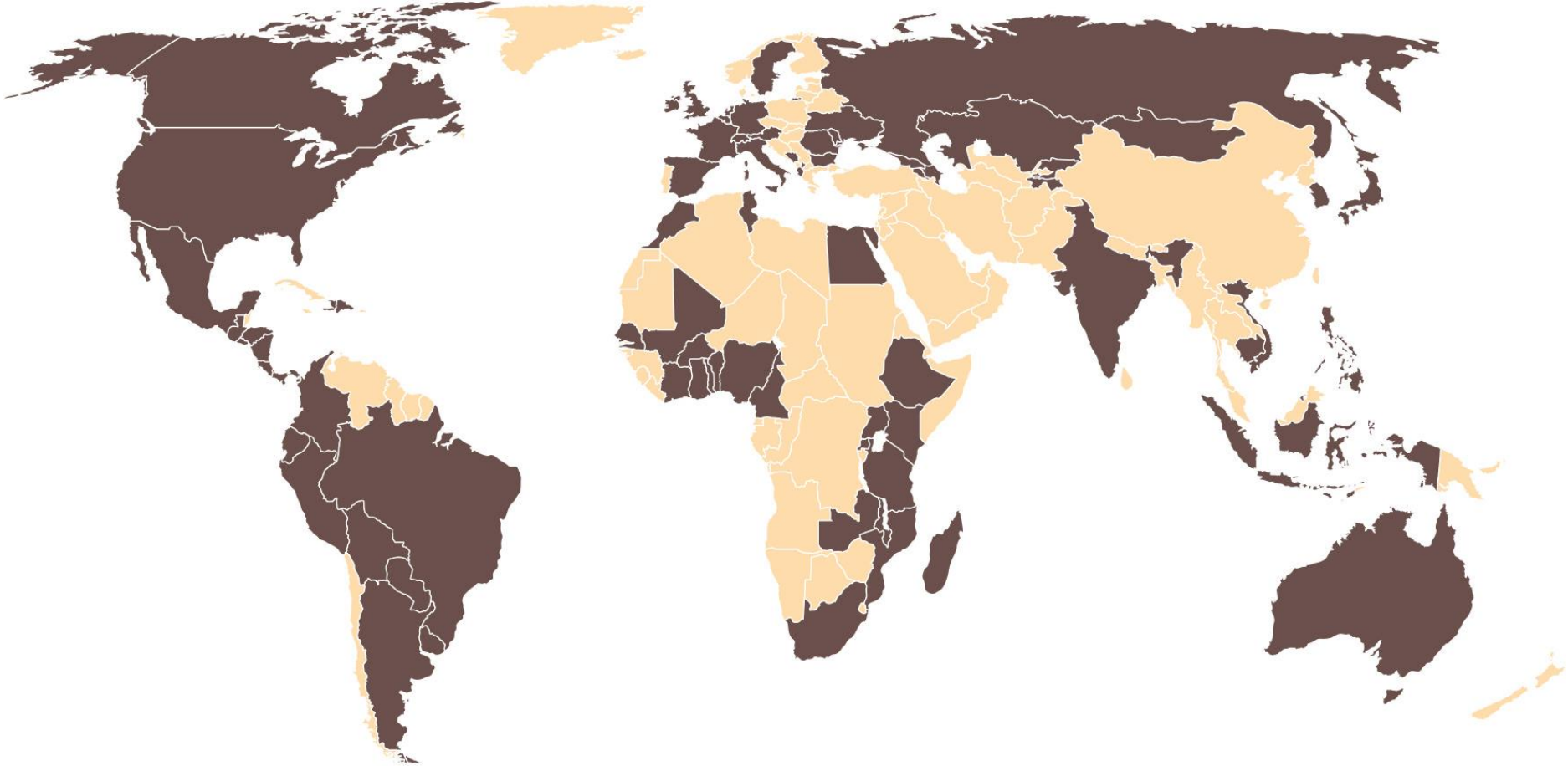
Development Financing areas: Microfinance, Agri Value Chain

Finance and Renewable Energy

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# Oikocredit presence worldwide

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- Oikocredit offers funding to partners in 64 countries and actively attracts investments in many countries worldwide.

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# Examples of funded projects

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**DEARS, First securitization deal for off-grid solar in Africa.**  
**Oikocredit funded a portfolio solar home systems in Kenya**  
**serviced by BBOXX**



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# Examples of funded projects

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Oikocredit participated with US\$ 11 million in senior loan facilities of International Finance Corporation (IFC) to construct and equip the Valle Solar plant in Honduras and put it into operation.



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# About Maanaveeya

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- Maanaveeya Development & Finance Pvt. Ltd. is the Indian subsidiary of Oikocredit, established in August 2004, registered as an NBFC.
- Active in development finance: Microfinance, Agri. Value chains, MSME and Renewable Energy Finance.
- Manage outstanding portfolio of about USD 106 million in India.
- With about 55 partners.
- Social Performance management is key to our success.
  - Client Protection Principles
  - Sustainable Financing for safe drinking water, sanitation and renewable energy.
  - Client outcome programs.

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# IFC Project implementation

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- 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 clients.
- Capital funding from MV and TA support from IFC.
- Out reach target of 100,000 households and reached 234,000
- Linking of MFIs with RE SMEs.
- While funding the demand side, understood the constraints at supply side also.





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# Why Renewable Energy at MV / Oikocredit?

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- 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 rural and semi-urban India
- Leverage our linkages with MFIs with SMEs targeting RE based energy access projects
- Diversification of our portfolio
- Support the country in its ambitious target to achieve 175 GW of RE by 2022.

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# Financing RE SMEs

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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



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# Financing RE SMEs-Findings

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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 !!

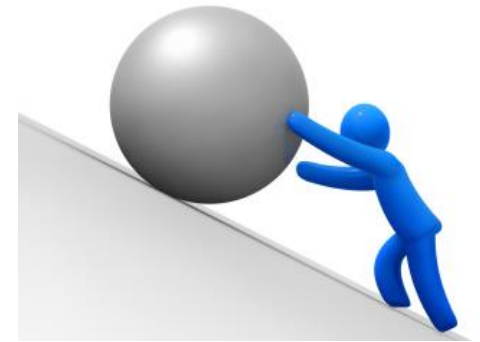
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# MV Challenges

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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 Priority Sector Lending



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.

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# Partnership with ADB

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Objective :

- To provide access to finance to energy access entrepreneurs who operate in rural areas who lack access to energy.
- To meet working capital needs of the entrepreneurs to scale up.
- To provide affordable cost of capital.



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# Outcomes

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1. Provide loan to at least 5 energy access companies.
2. Use the experience for extension of more working capital loan to energy access companies in future.
3. The working capital loans extended will allow energy access enterprises in India to scale up and expand their operations and enable them to service more people especially those without access to clean, modern, and reliable energy.
4. Dissemination of findings on financing and other business/operational needs of energy access companies and of the working loan extension scheme through knowledge documents and workshops.

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# Working Capital Financing

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## Need of working capital for:



- Expansion of existing projects
- Short term funds for operations

## Challenges faced by the industry

- Donors mostly finance up-front capital, whereas working capital is secured through social investors or commercial finance
- Firms lack credit history, a prerequisite for large loans.
- Commercial banks have strict collateral requirements, long timelines for approvals, typically provide shorter-term loans







# RE Organisations Engaged

| Organisation   | Purpose  | Amount          | Tenor   | Direct beneficiaries                                       |
|--|--|-----------------|---------|--|
|  | To scale-up operations in rural areas of east India  | \$ 0.3 million  | 3 years | Communities, households and institutes in rural east India |
|  | Phased geographic roll out into 6 states and 117 pre-identified energy-poor districts in India | \$ 0.61 million | 3 years | 1 million rural households and SMEs by 2019                |





# RE Organisations in Pipeline

| Organisation  | Purpose   | Amount          | Direct beneficiaries                        |
|---|---|-----------------|---|
|    | To scale-up solar micro-grid operations in rural areas of U.P.  | \$ 0.31 million | Over 40,000 Rural households                |
|    | To execute Solar pump projects to be implemented for Rajasthan Horticulture Development Society (RHDS). | \$ 1.00 million | Over 600 farmers in Rajasthan               |
|    | To scale-up solar water pumping operations across the country   | \$ 0.31 million | Over 25,000 households and rural businesses |
|  | Solar lighting solutions to rural households  | \$ 0.61 million | 75,000 rural households and SMEs            |

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# Risk Assessment

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- Assessment Tools
  - Project Variable Risk
    - New ventures
    - Asset Quality
    - Technology
    - Import / export sensitivity
    - Market stability
  - Environmental, Social and Governance
    - Benefit to the client
    - Environmental compliance
    - Benefit to the community



# Building sustainable business opportunities

The Low cost funding and subsidies can help us in reaching higher scales

Collaboration with multilateral agencies for Risk Guarantees and Technical Assistance

Co-financing of projects along with Banks and Development Finance Organisations

Support diversified RE Projects such as Commercial/ Industrial Solar Rooftops, Mini Grids, Solar parks, Off-grid solar projects, etc.,



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# Suggestions Please

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