

SIMPA ENERGY INDIA

INNOVATION FOR UNLOCKING DOMESTIC COMMERCIAL CAPITAL

ACEF 2017, Manila



Simpa sells solar power systems on financing to households and shops in rural India.



The company is ready to replicate a proven model to create 2m+ solar rooftops in the next 5 years.

SIMPA'S SOLUTION TO THE ENERGY ACCESS PROBLEM

100-200w Solar Device + Point of Sale Financing + Doorstep Sales and Service
to address Affordability and Accessibility



INSTALL

Customers make a small
\$15-\$40 down payment
for installation



TOP-UP

Customers buy
prepaid energy days
@ \$0.20 to \$1.00 per day



UNLOCK

After 1-3 year contract,
it unlocks permanently
providing free energy

Proprietary IoT SmartPanel technology that provides Payments Assurance at Scale

WHAT SIMPA OFFERS

Meaningful amounts of power 100-200W with payment flexibility and service leading to asset creation for customers

LED lights
For indoor and outdoor safety & illumination



100-200W
Solar Panels



Fans
For cooling & mosquito control



17-100 Ah
Sealed Batteries



Satellite TV



Mobile
USB Charging

BARRIERS TO DOMESTIC COMMERCIAL CAPITAL

- 1. Understanding of Business Models:** Mainstream financial institutions have not invested in understanding the business models in the Energy Access space, either.
- 2. Understanding of Risk:** Mainstream financial institutions e.g. Banks don't understand the risk of underlying customers, which is why they have remained financially excluded
- 3. Scale:** The Energy Access sector is yet to produce scale repeatable lending opportunities, making it unattractive for most lenders to invest in learning about the sector now
- 4. No investment/ lending mandate:** No sectoral allocations, Govt. programmes for banks to lend to Energy Access. One program in India was dysfunctional and has now ended.
- 5. Risk-return profile:** Energy Access sector is uniquely young, unprofitable, and capital intensive for domestic capital to be a priority. Requires innovation.

CURRENT STATUS IN INDIA

DEBT

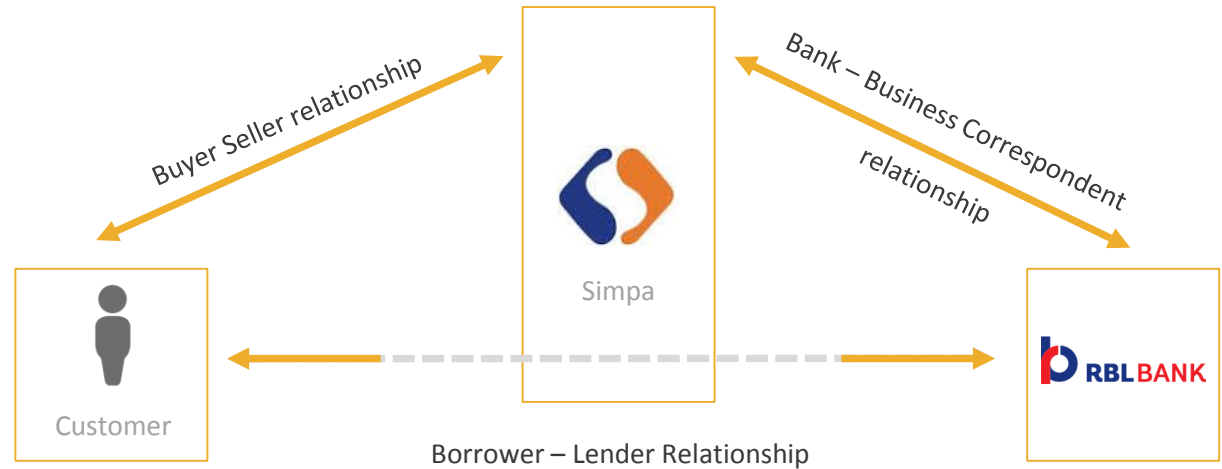
- **Banks:** Generally closed. USAID has made a start by successfully catalysing RBL Bank through a Credit Guarantee programme
- **NBFCs/ Specialist lenders:** Few development oriented lenders like Intellegrow, Oiko available but cost high and often limited mandates
- **Large institutional lenders:** e.g. IL&FS, IDFC, IREDA have funded utility scale projects but not distributed energy access

EQUITY

- **PE Funds:** Not available. See business as operations and asset heavy vs. internet businesses. Clean energy funds either invest in cleantech or utility scale projects
- **Family offices:** Few development oriented lenders like Intellegrow, Oiko available but cost high and often limited mandates

EARLY SUCCESS: RBL CASE STUDY

- 1 Simpa sells SHS to customer. Customer pays upfront deposit to Simpa
- 2 Simpa arranges financing from the Bank for remaining cost
- 3 Bank disburses loan to Simpa
- 4 Simpa provides service and effects collections on behalf of the Bank



ROLES

- *Simpa provides product, service to customer and collects on behalf of RBL*
- *RBL provides direct end-user financing*

CURRENT STATUS

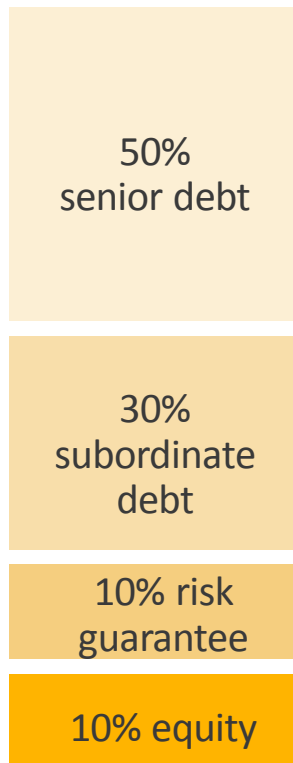
- *>50% financed sales for last 3 months*
- *RBL includes Simpa as preferred channel partner in its national [ad campaign](#)*

FUTURE

- *Use this financial inclusion to make available other banking products*
- *Finance appliances*

CONTINUING INNOVATION: **LOOKING AHEAD**

FinCo to provide end user financing FinCo's Cap Structure



- Ongoing need to create new channels of financing in a capital-intensive sector
- A FinCo structure secures capital for scaling and also removes operational risk for financial investors
- Concessional finance in the form of subordinated debt can help keep the blended cost of finance low, whilst catalysing senior
- Risk guarantees/ credit enhancement tools can increase flow of debt into the sector for the same amount of equity

IN SUMMARY

1. Dogged pursuit required to educate local debt and equity investors on business models and risks. Early successes show its possible.
2. Lets accept our requirements are unique. Innovation required to bridge risk profile gap.
3. Concessional capital and risk capital from DFIs and Donors may be required in early cycles to bridge the gap and engage domestic investors.
4. A programmatic approach from the Government for Energy Finance is required to support the 24x7 Energy Access agenda
5. MFIs, who are now becoming small finance banks, are the only lenders with understanding of the underlying customer risk, create Energy Lending Programs



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