SIMPA ENERGY INDIA

BLENDED FINANCE IN ACTION: FROM STARTUP TO SCALE

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

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

WHY ACCESS TO ENERGY IS A FINANCING PROBLEM

1. Technology to take power quickly to homes exists, but cost is high
2. Energy excluded people are also financially excluded so can't get loans directly
3. Projects with underlying risk of these customers are also not rated creditworthy
4. Practitioners are not yet profitable in this young sector to meet lenders' criteria
5. Mainstream lenders (e.g. banks) do not know end-user risk so can't price it either

BLENDING FINANCE: AS A STARTUP

Total Financing Stack (2013)

50% Debt for Capex

By 2015, local specialist lenders were providing 20% of the debt that mitigated currency risk

30% Equity for Opex

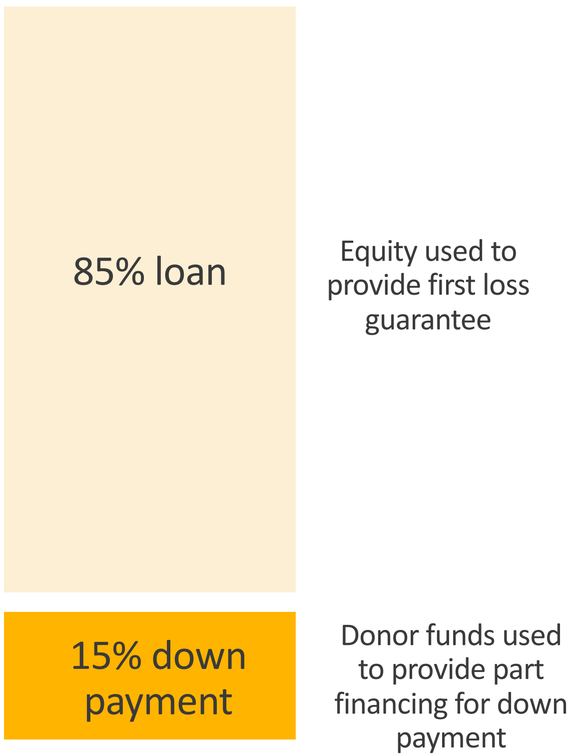
20% Grants for Capacity Build

By 2015, capacity building costs were also seen as a +ve ROI investment and funded by equity

- Progressive DFIs were willing to fund capex through term loans but needed to see matching equity to:
  - secure their debt in an unprofitable business, and
  - meet opex of the Project
- Equity investors were wiling to fund opex of a project but not capacity building costs and wanted to see matching financing for capex
- Donors were willing to fund the capacity building costs but only if project funding tied up, and required development outcomes in return

BLENDING FINANCE: WHEN SCALING

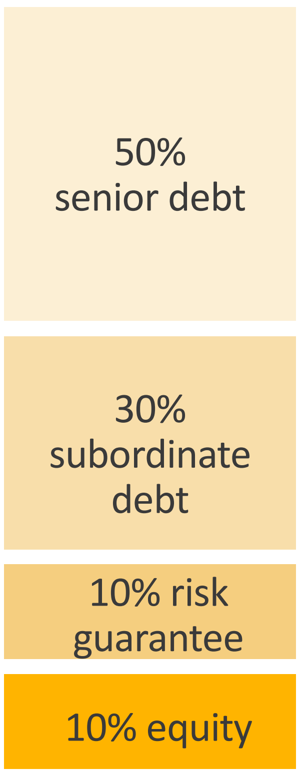
An innovative end-user financing model
End User Cost (2017)



- Highly scalable off-BS asset financing partnership with a local commercial bank for providing 85% LTV on customer's purchase of SHS; supported with a first loss guarantee by Simpa's equity
- Customers find a 15% deposit burdensome so donor funds recycled to bridge the timing difference
- Equity being deployed for growth of the corporate platform and to provide first loss guarantee to the bank
- On-balance sheet loans from DFIs provide assurance on capital availability and confidence to banks

BLENDING FINANCE: LOOKING AHEAD

Simpa FinCo to provide end user financing
FinCo's Cap Structure (2017)



- 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. Each type of finance has its own risk-return profile
2. Each project has its own risk-return profile
3. Blending finance can help achieve a match between the project and financing
4. Blending finance can optimise Availability as well as Cost of finance for a project
5. Examples already exist in the sector so can be cross-referred to give confidence to l

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