



# Equity syndication for Solar Town – Investment Teaser

March 2018

Private and Confidential

# Introduction to the opportunity

## About the company

- ❖ Established in 2012, Solar Town specializes in capital (debt + equity) syndication, installation and maintenance of rooftop solar assets for 'high quality' industrial and commercial off takers
- ❖ Solar Town has, to date, commissioned 7 + MWp of rooftop solar capacity, across 200 sites; Signed PPAs of another 6 MWp (to be completed in the next 6m) and built a pipeline of 25+ MWp pending financial closure
- ❖ With a solid execution track record, Solar Town, seeks to consolidate its positioning across the rooftop solar value chain by using its own capital to fund future installations; thereby becoming an IPP
- ❖ CEO : Vikram Dileepan (> 8 years of PME with TORM and Zen Power; COO : Dhanush Kutuva (> 10 years of operations experience)

## Company Evolution



**7 MWp**  
commissioned till date

- ❖ CapEx projects
- ❖ Mahindra, Infosys, RBL, Axis Bank, Walmart, Renault Nissan, Denso
- ❖ 563 KWp project for Mahindra

**6 MWp**  
to be commissioned in 6m

- ❖ OpEx projects w external equity funding
- ❖ 2 MWp of projects subsidized by SECI, resulting in > 20% gross margins
- ❖ 900 KWp project for [ ]

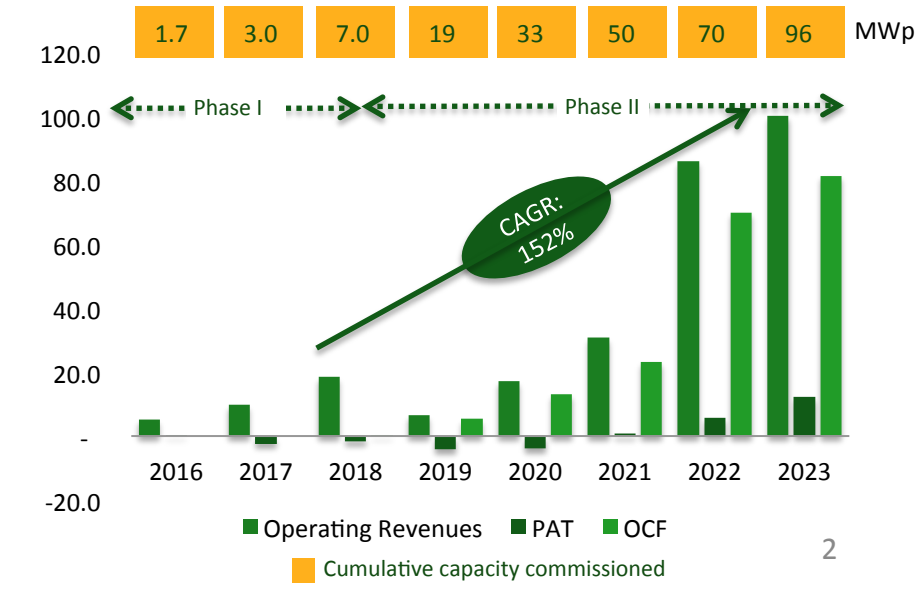
**25 MWp**  
of LOIs received

- ❖ OpEx projects w own equity
- ❖ Capture upside on tariffs, incentives
- ❖ Including a 9 MWp pan India contract (cumulative) for Mahindra

## About the Opportunity

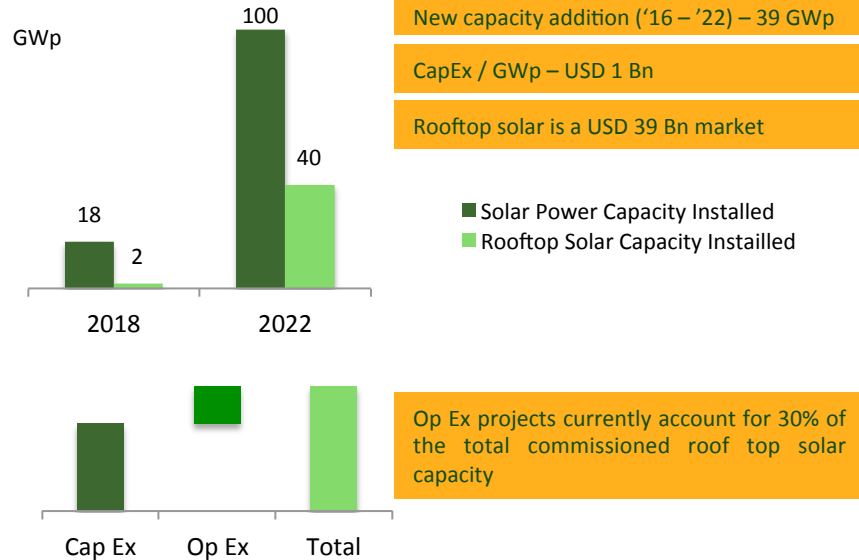
- ❖ Solar Town seeks an equity infusion of INR 20 Crores (USD 3 Mn) in order to catalyze its next phase of high growth
- ❖ INR 15 Cr (USD 2.5 Mn) would be used as equity financing for Op Ex projects (which is currently syndicated from external investors); would help Solar Town add ~ 10 MWp to its portfolio; resulting in FCFs of ~ INR 2.5 Cr per annum (10 MWp for 25 yrs), and an Equity IRR > 20%
- ❖ Owning and operating assets will help Solar Town augment revenue streams through Tariff based earnings, potential upside incentives in addition to EPC and O&M revenues; while making Solar Town a one stop platform for potential off takers
- ❖ The residual amount would be used to (1.) retire high cost debt (2.) onboard experience project management personnel

## Financial Evolution (INR Cr)

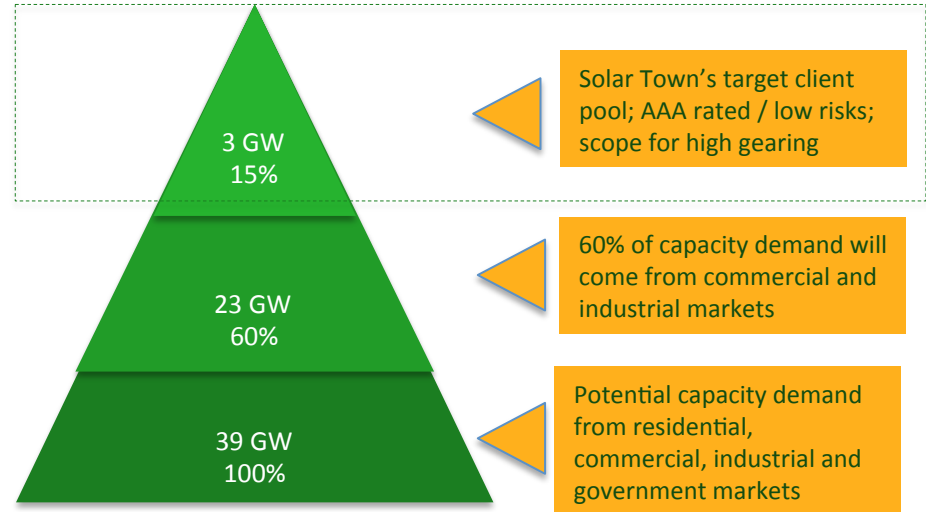


# Rooftop Solar : An imminent opportunity

## Rooftop Solar is a USD 39 Bn opportunity...



## ...with 60% of investments coming from C&I off takers



## The market is highly fragmented

- ❖ Op Ex projects have led the surge in roof top solar up take since the last 3 years; the share of Op Ex projects have surged 3x between 2015 - 18
- ❖ Top 5 developers account for 60% of the newly commissioned Op Ex projects (~ 160 MWp) – CleanMax (24%), Cleantech (12%), Azure (11%), Amplus (8%) and Rattan India (5%)
- ❖ The total equity raised in the market last year i.e. ~ USD 200 Mn (which includes Warburg's USD 100 Mn investment in Cleanmax) would provide equity capital for 600 MWp of addition
- ❖ This provides an opportunity for smaller players to quickly commission projects and create a portfolio of "high quality" PPA assets, which can be off loaded to larger players

## What Solar Town needs to win

*Solar Town aims to create a roof top portfolio of ~ 100 MWp by 2023 with tariffs of INR 4 to 5 per unit, with high quality off takers, that can be sold to secondary investors (Larger IPPs, Financial Institutions)*

### Implementation Engine

- ❖ Aim to capture as many projects with AAA rated off takers
- ❖ Aim to capture projects with high tariffs (INR 4 to 5 per unit)

### Investment Engine

- ❖ Raise capital for Op Ex projects
- ❖ Solar Town to own assets

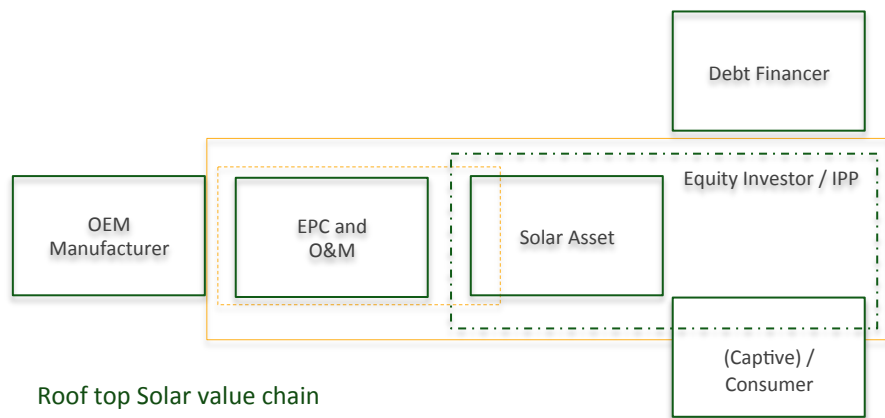
### Distribution Engine

- ❖ Capitalize on Solar Town's brand recall to attract large number of customers

# Strategy Evolution & Key Investment Merits

## Business Model : Current and Future (post equity infusion)

- Current Positioning across value chain
- ❖ Solar Town enters into a JV (SPV) with an external equity investor; SPV owns the asset
  - ❖ Solar Town brings in technical expertise; Investor provides capital, and earns tariff based revenues
  - ❖ Solar Town earns EPC revenues (5 – 10% margins), O&M revenues and performance linked incentives



- Post Equity infusion: Positioning across value chain
- ❖ Solar Town provides equity capital in addition EPC and O&M expertise
  - ❖ Solar Town would own the asset, and earn tariff based revenues or lease revenues from the off taker along with any performance incentives
  - ❖ Equity IRR on rooftop projects: 16 to 18%
  - ❖ Solar Town plans to sell its assets every 5 years to Secondary Investors, boosting Equity IRRs to 22+%

## Key Investment Merits

- Fast growth sector with strong government backing
- ❖ With strong tailwinds in terms of govt. backing (SECI providing up to 30% capital subsidies), AD benefits etc. Roof top solar has seen an 82% growth in projects commissioned in the last FY.
  - ❖ With the government’s aim to install 40 GW of rooftop assets, there is ample room for several new players to grow

- Timing
- ❖ Roof top solar tariffs have stabilized at in the range of INR 4 to 5 per unit; 2x compared to the INR 2.5 per unit paid by dis coms for utility projects. Aim to capture as many projects before tariffs decline.
  - ❖ At current tariffs, assets yield equity IRRs > 20% - which make for commercially compelling investment options
  - ❖ While the market is under penetrated; Solar Town aims to capture as many projects with the low risk / AAA rated clients to minimize delinquency risks

- Strategy
- ❖ By forward integrating, Solar Town is looking to augment revenues by acting as a financier and an owner of assets
  - ❖ By continually selling off asset portfolios to Secondary Investors, Solar Town would ensure (1.) self generation of Cash for future projects (2.) manageable gearing
  - ❖ Easy exit options for early investors – by creating a book of 100 MWp, Solar Town would be ripe for an acquisition by larger IPPs



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For incremental details, please contact –

Sunil Shirole	<a href="mailto:sunil.shirole@yencapital.com">sunil.shirole@yencapital.com</a>
Carl Saldanha	<a href="mailto:carl.saldanha@yencapital.com">carl.saldanha@yencapital.com</a>
Rachit Kewalramani	<a href="mailto:rachit.kewalramani@yencapital.com">rachit.kewalramani@yencapital.com</a>