

Distributed Solar Survey: Key Findings

The Response of Rooftop Solar Developers to COVID-19

Updated: June 2020

Subjective Feedback from Respondents on the USICEF Program

1. "It has been a great program. It needs to extend the grant to cover transaction costs related to the refinancing of assets."
2. "The program has been tremendously beneficial to us and we wish the government to continue the same."
3. "It is a good program. We are engaging in project preparation services that span highly technical engagements such as the development of credit risk assessment tools to the development of a risk pricing framework. These pertain to highly strategic assignments such as the formulation of sales strategies and designing a comprehensive go-to-market strategy."
4. "The program has done great work with helping enterprises discover new capabilities and tools. It needs to be expanded to other types of technology companies and aggregators who share the same mission."
5. "The USICEF program was absolutely pivotal to our firm being able to successfully cross the bridge to transaction realization with international partners. As many new renewable technologies emerge (storage et al), we would recommend expanding the scope of the USICEF program to include pilot project financing... Successful pilots and realized POCs are key to successful closures with international as well as domestic investment partners."
6. "Our experience so far has been extremely positive. The USICEF representative has been quite helpful, responsive to all our queries and has supported us well throughout the process."
7. "The due diligence aspect was and is extremely helpful. The next stage is to help facilitate matching lenders and developers."
8. "This is a great initiative!"
9. This "has been a satisfactory experience. We look forward to coming back for more funding for future projects."
10. "The USICEF program is very well structured and organized. The implementation is also quite satisfactory. However, there should be a periodic evaluation of the empaneled service providers in terms of responsiveness and competence. There are many service providers who are not responsive to the RFPs and mails regarding them. This way of working with regards to the program should be discouraged, or CPI should ensure that they follow up and ensure that the minimum required RFPs are obtained."
11. "Additional grant funding for previous awardees."

12. It is a “lifeline for small companies. Extremely useful.”
13. “The USICEF program is a wonderful program that helps address the gaps in the market for rooftop project development. Any form of credit guarantee mechanism would go a long way towards addressing the capital deficit that is plaguing the sector.”
14. “The program helps small players like us to access key sources of funds to help develop capabilities that can accelerate our journey to become mid-tier players.”
15. The “USICEF program is tremendously supportive and relevant to small and mid-sized players like us.” We are “able to actually get the right service providers to support, analyze and handhold the developer until project completion, and get the right financing in place.”

Summary

The survey was sent to 40 distributed solar rooftop companies. Of these, approximately 70% were existing US-India Clean Energy Finance (USICEF) beneficiaries, while the other 30% were potential applicants.

The COVID-19 outbreak had a negative impact on the balance sheets and liquidity status of respondents with the majority reporting an increase in receivables amounting to 20% and above. A considerable number even reported payment defaults from almost 20% of customers. Defaulting customers primarily required a moratorium during the lockdown period citing the loss of their own revenues due to their operational shutdowns.

The lack of availability of working capital has proved challenging for those respondents that required capital. While banks have been largely agreeable to project term loan restructuring and moratoriums during the lockdown, they have been reluctant to increase sanction limits on working capital loans.

Respondents are concerned that an increase in due diligence timelines of lenders due to further lockdowns over the next year could become a significant bottleneck to access loans. Faster due diligence processes as well as reduced interest rates from lenders would provide the most benefit.

During the lockdown, delays in government approvals, such as net metering, have created the biggest execution bottleneck followed by labor shortages for engineering, procurement, and construction (EPC). Over the next one year, these factors could have a significant impact on order books as well as the sales pipeline, and result in business losses of 30% or more if the current situation of partial lockdowns and reduced economic activity continues. The respondents would benefit the most from positive government actions such as improved credit availability through credit guarantee schemes as well as reduced regulatory and compliance roadblocks like import duties and net metering approvals.

The majority of respondents assess the solar rooftop and energy storage market to be significantly attractive, and expect the viable cost of a typical distributed system (1MW solar + 250 kw/4hr storage) to reach INR 6-9/unit within the next few years.

An overwhelming number of respondents have found the USICEF program to be instrumental in their project development activities. They would benefit immensely from additional USICEF grants, especially in the area of transaction services such as market assessment or commercial feasibility studies and financial advisory support.