

## Renewable Energy Company on Village Solar Services 2<sup>nd</sup> July 2012

*Launch a company that sells fully integrated standard kits of solar systems that can be easily installed in villages. The company operates a network of franchised village 'fundis' who will take care of standard servicing and replacements.*

### 1. Background

Amour and Bahat have been involved in the FEPA project and have gained experience in installing solar equipment and in training village fundis to take care of installed solar systems. They have seen the great potential for this. Now they intend to start an own company called "NewCo" that will specialize on providing electricity services in rural villages throughout Tanzania.

They also realize there is a potential for wind energy and small turbines in some areas. But initially they want to start with solar.

Amour and Bahat know each other since many years. They have been involved in various efforts together even before the FEPA project. So they understand each others strengths and weaknesses. They believe they can help each other to launch and operate the "NewCo". Amour will take care of the technical aspects and technical trainings. Bahat will take care of communication in the villages and marketing trainings.

### 2. Business Idea

#### Sales:

The company sells the following to clients in rural areas away from the main grid:

1. Solar systems of various types and sizes suitable for rural households and rural businesses
2. Installation of such systems on site
3. Servicing of the installed systems on site
4. Warranties for the equipment
5. Connections to financing possibilities

#### Unique selling proposition:

What is different of "NewCo" services from other solar companies operating in Tanzania?

1. "NewCo" sells fully integrated standard kits of solar systems that can be easily installed in the villages. This also allows for standard servicing and replacements in case of problems.
2. "NewCo" only works in areas where it can assure the clients that a knowledgeable solar fundi is available to service the system within 48 hours in case there is a problem, and who connects the client to "NewCo" for sorting out problems
3. "NewCo" provides warranties for the equipment
4. "NewCo" provides the connection to loans, etc.
5. "NewCo" is connected with the Transaction Security Services network. Where this is active clients can also pay for solar equipment by providing agricultural products as payment.
6. "NewCo" has a strategy of providing systems that have long duration. They are therefore not the cheapest, but also not the most expensive.
7. "NewCo" provides wherever possible systems that can be upgraded
8. "NewCo" will offer its clients to buy back systems and components that are still working in case clients want to shift to another system, or if they become connected to the grid, or if they decide to opt for other solutions.

### 3. Operations:

"NewCo" will train suitable people in villages to act as solar fundis at the Ward level. Then these fundis will run their own business as retailers and service agents franchised and licensed by "NewCo". The franchise includes regular training and updating of the skills and scope of business of the village fundis.

Fundis at a higher level will take care of a network of Ward-level fundis and provide the franchise services to them. They too operate as their own enterprises and are franchised and licensed to work as agents of “NewCo”.

“NewCo” will build the kits from high quality components it can source in Tanzania or import itself.

#### **4. Legal**

“NewCo” will start with a simple registration with two partners. Later partners are expected to join. Once shares will be required, the company will re-register as a shareholder company.

#### **5. Launching**

Amour and Bahat will together provide initial capital for making a first limited number of kits that will then be sold through the existing FEPA-trained village fundis. Sales shall then allow to have a regular assembly and then sales of kits at a small but regular level. The profits from the first sales shall pay for a contracted accountant who will track the economic figures. Once the economic tracking is assured, the profits shall also gradually increase the number of kits to be made ready for sale. This shall gradually build the stocks.

This operation shall then be analysed and a more detailed business plan made for submitting to investors for scaling up.

#### **6. Scaling up**

This is expected to happen after about 3-4 cycles of sales of kits and reinvestments for a next batch of kits. At such time Amour and Bahat will ask investors to provide either loans or equity. At such time the company will then also re-register as a share-holder company. The monies that Amour and Bahat invested will then be calculated as their shares.

#### **7. Role of RAVI**

RAVI will provide conceptual support to launch this company. RAVI will track the hours spent to do this work and then contribute these hours as shares in “NewCo” once it registers as a share-holder company. The hours will be calculated as 90 USD each. However, RAVI will only take maximum 33% of shares. Example: When Bahat and Amour together put in the equivalent of 1000 USD as launching capital, RAVI will only work for hours that amount to total 500 USD because  $1000+500=1500$ , and 500 is 33% of 1500

RAVI will only do this work if the financial books of the launching of “NewCo” are correctly managed. RAVI will submit invoices for the work done at 60 USD per hour, which can later be converted to shares.

Once RAVI is a shareholder, a new arrangement will be negotiated between RAVI and “NewCo” for the services that RAVI provides to the “NewCo”.

The present concept note is the work of 1 hour

#### **8. Next steps**

1. Bahat and Amour consider this concept note and agree with it or change it and then communicate with RAVI
2. Amour and Bahat then agree on who will keep track of the money during the launching phase
3. The company is officially registered
4. Amour and Bahat define the exact kits that they want to start with.
5. Bahat and Amour together then raise the capital to build the first set of kits
6. Then the first sales start
7. After 3-4 cycles of sales, the company is re-registered as a shareholder company with RAVI also as a share-holder

This concept note belongs to “NewCo”. RAVI will not be share it with anyone unless authorized by Amour and Bahat.