

*Incubation Approach
&
Process Overview*

SELCO INCUBATION CENTER (SIC)



- Background
- SIC Role
- SIC Approach
- Incubation process and phases
- Challenges
- Failures

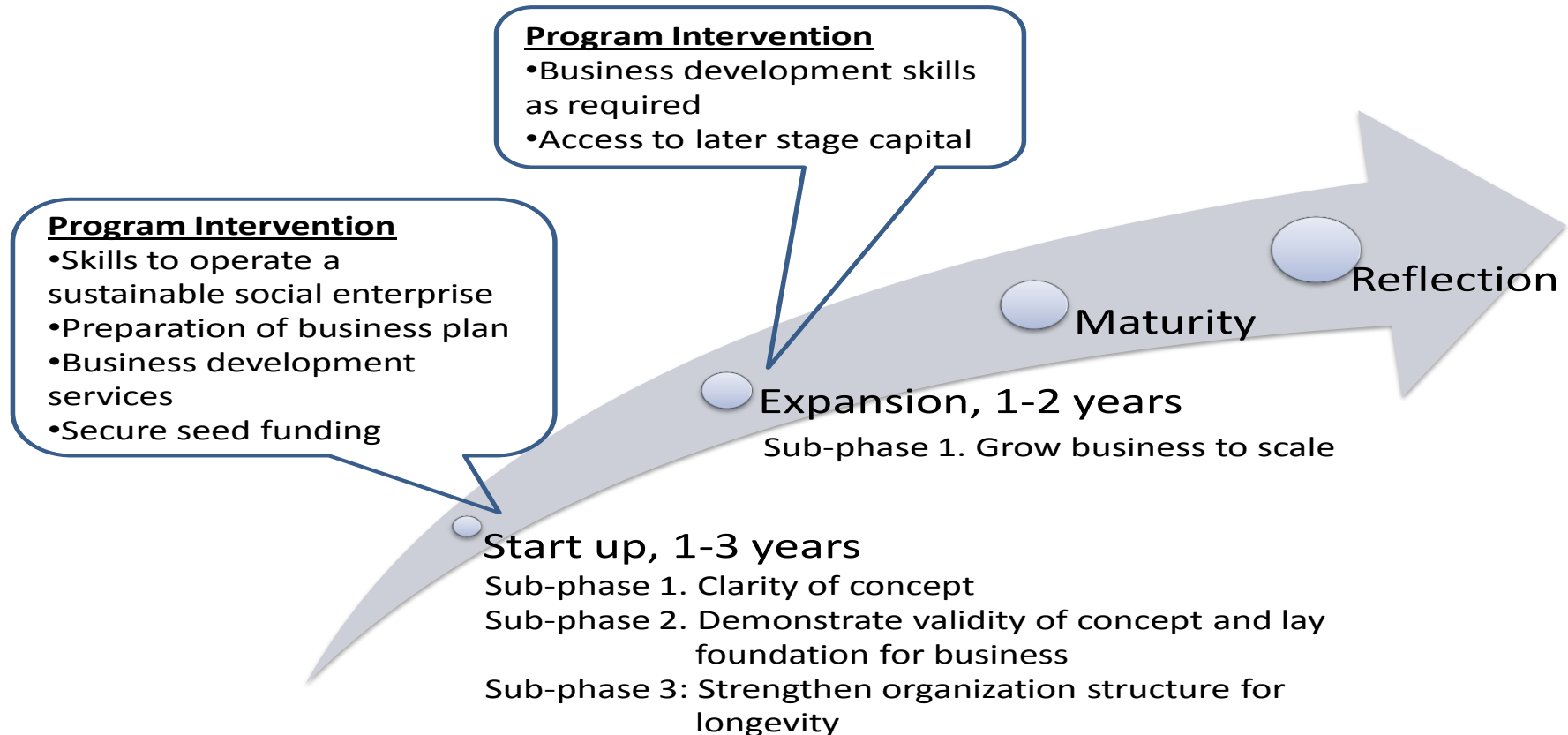
Background - BARRIERS TO SCALE UP

- Enabling Ecosystem
 - Lack of perception regarding requirements of poor households
 - Lack of defined products/ services for the poor
 - Subsidies
- Balancing social/commercial objectives
- Capital and custom designed rural credit
- Business development services
- Training facilities and trained personnel
- Investment structuring
- Language

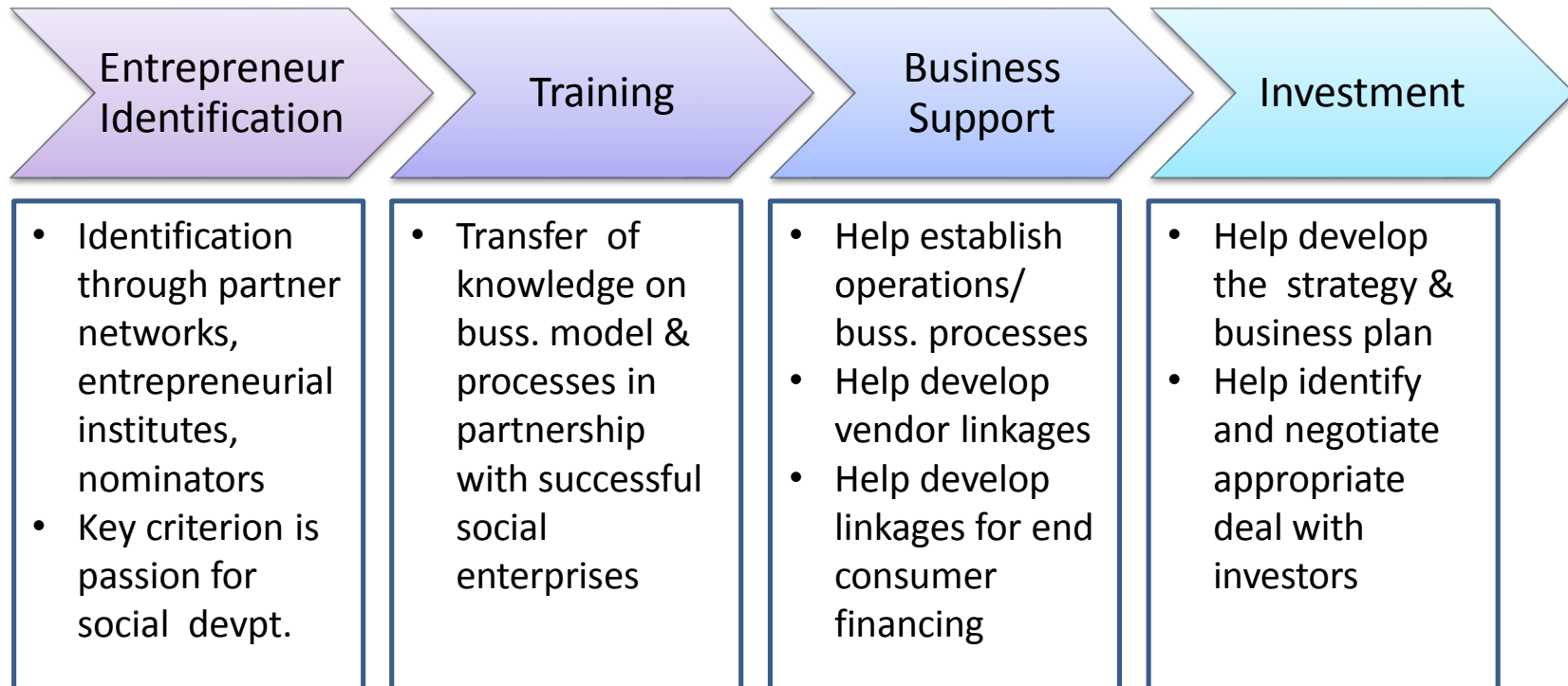
Incubation's role - Summary

- ✓ Replicating decentralized business models and processes
- ✓ Providing mentorship in social enterprise management and business planning support
- ✓ Assisting in developing the enabling conditions to support delivery of energy services
- ✓ Enabling access to seed and later stage capital
- ✓ Establishing a platform for networking, sharing of best practices, common sourcing , etc

Approach

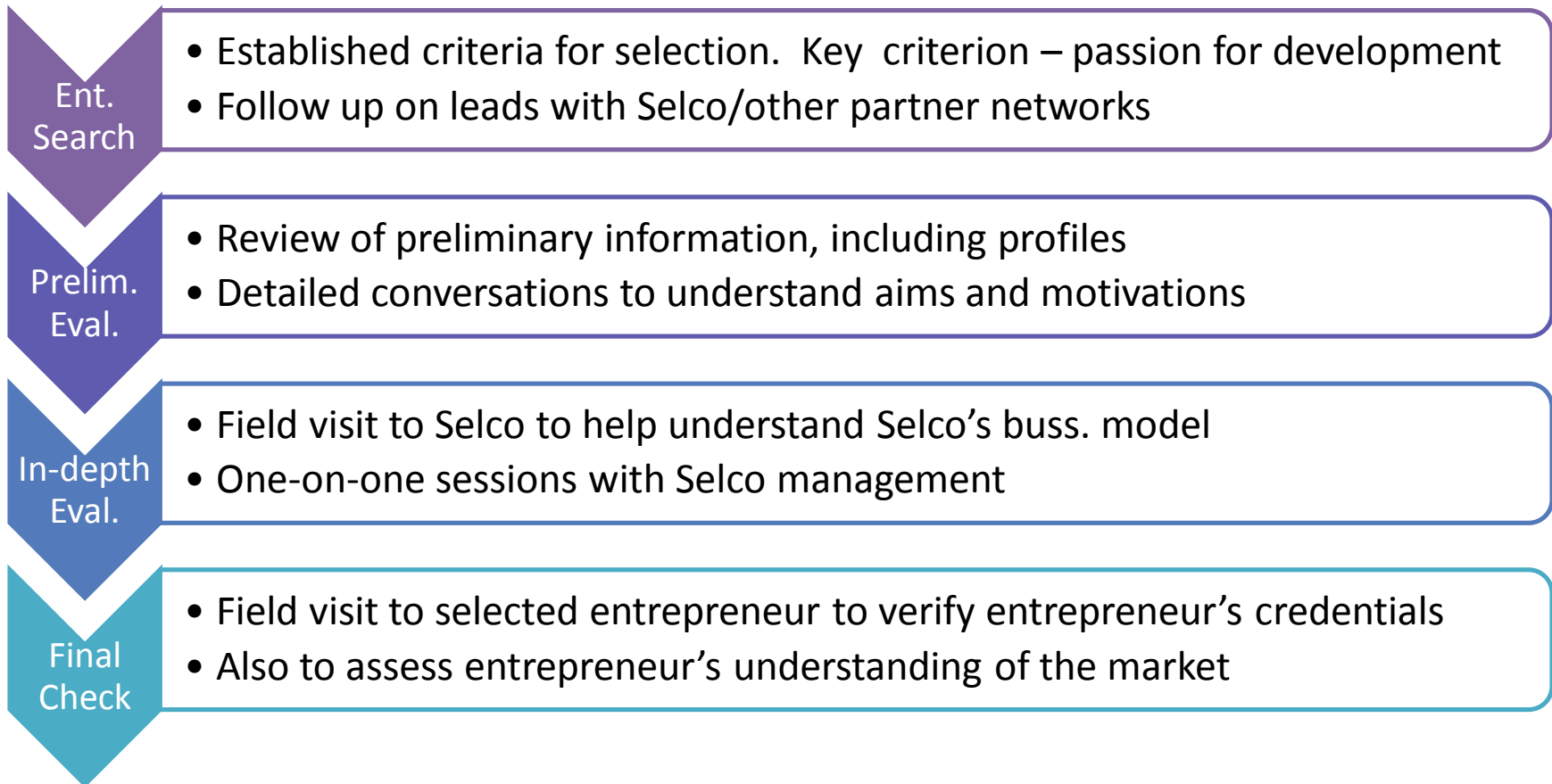


Approach



Key differentiator from other such incubation vehicles – Partnership with a successful enterprise to provide first hand experience on business model and processes

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Selection Criteria

- Education –relevant education a plus but not an essential criteria
- Experience – similar/relevant experience in social development
- Enthusiasm/Excitement – The passion/commitment that the entrepreneur brings to the development cause
- Entrepreneurial Spirit – Ability to take risks/be an entrepreneur
- Encourage/Elevate – ability to motivate a team
- Exchange – ability to network
- Equity – Ability to bring in financing. No minimum threshold set at this point

Entrepreneur Profiling

Type	Description	Support/ Steps to address fit
Misfit	Lacking the vision or the entrepreneurial spirit/ unreceptive to ideas, despite good intentions	--
Visionary	Socially motivated but either hesitant to take the plunge/premature or lacking the operational capacity	Moving forward, SICSA to provide the necessary security/ support to build operational capacity
Entrepreneurial	Lack the social motivation with emphasis on scale, margins, etc	Moving forward, SICSA to continue interactions/ mentoring to help impart the vision

Entrepreneur Profiling

Type	Description	Support/ Steps to address fit
Visionary & Entrepreneurial	Possess both the social motivation as well as entrepreneurial spirit. Exhibit willingness to learn.	Require significant support/ mentoring through the early stages
Visionary, Entrepreneurial & Experienced	Same as above, with significant market understanding and experience	While support is required in the early stages, this is likely to evolve as a partnership model where there is significant opportunity for reverse learning

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Strategy

- 1 day session with Selco Mgmt. on evolution of Selco & lessons for entrepreneurs

Technology

- 1 day session on solar home system basics
- 1 day field visit to installations

B-Plan

- 1 day session on elements of a b-plan
- 1 day session on survey and assessment of the market



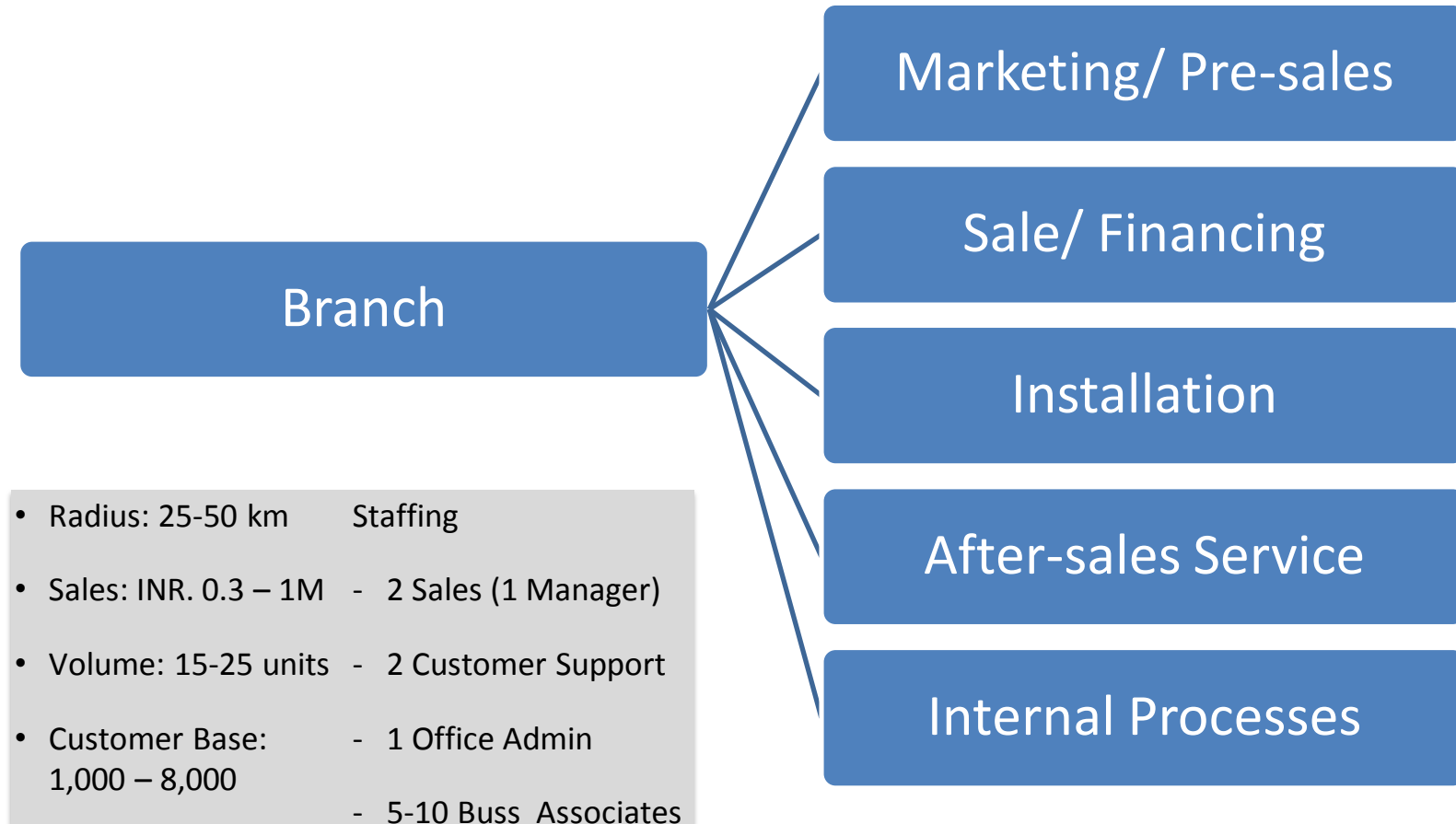
Process Mapping (1 week)

- Discussion with Selco on the evolution of various processes
- Discussion on the representative process map for a Selco branch

2 week Field Visit (3 to 4 weeks)

- Shadow the various functions – technician, sales executive, branch manager & office administrator
- Validate the representative process map discussed during the sessions

Key SELCO Branch Processes Studied



SELCO's process differentiators

- Pre-sales: Not very reliant on mass-marketing; mostly word-of-mouth; Customization
- Financing: Sales Executives facilitate financing (introduces customer to bank, provide quotation, follow up with bank, help obtain supporting documents)
- Installation: Customization
- Service: 2 free service visits in the year after installation followed by AMC
- Warranty: Offer a warranty of 5 years on the Panel, 3 years on the battery and 1 year on the rest



Recap

- Review of Phase 1 discussions
- Discussion on market assessments done to date

Regulatory Scenario

- Discussion with govt. officials on the existing and evolving policy (National Solar Mission) and regulatory scenario for solar PV

Investment Basics

- Discussion on the concept of unit economics and the need to achieve the same before seeking investments

Management Team

- Discussion on HR issues and the need to have a good management team to cover all aspects of the business



- **Business plan and management capacity**

- Mentor the entrepreneurs in key areas of business model to build management team capacity that can demonstrate personal and business skills
- Assist in developing a business plan through a collaborative approach of academic support to qualitatively improve the plan
- Provide a comprehensive analysis of the business opportunity with guidance from the Center management to keep core of the energy enterprise's mission intact
- Facilitate execution of business plans by providing a trained shadow team to guide early stage operational and management support that is critical when entering new markets



- **End Consumer Financing**
 - Enabled conversations with senior bank managers to help establish pilot programs for end consumer financing
 - Partnered with Bharatiya Vikas Trust (BVT) to conduct bank manager trainings on solar lending
 - 1 program across each entrepreneur location to train approx. 25 bank managers
 - BVT has undertaken similar programs in the past under which over 8,000 bank managers have been trained across India



- **Supply Chain**

- Help identify products and establish local supplier relationships
- Facilitate technical testing with SELCO Labs and recommend suitable products
- Guide in building customized logistics model depending on means and barriers in transport and other infrastructure

- **Broader access to business opportunities**

- Establish network hub among the entrepreneurs engaged in the program access to multiple stakeholders and partnerships
- Continuity in sharing SELCO's proven innovations in technology, financing, operations, and business models



- Support to raise the right mix of investments at different stages of growth
- Facilitate an investment committee assess the geography, operational context, quality of management and business potential of the enterprise
- Procure investment through an affiliated social venture fund, or 3rd party investments with a mix of Debt, Equity, Grants and Awards
- Support in proposal development and connections to investor network and intermediate the discussions between investors and entrepreneur

Challenges

- Lack of linkages to end consumer financing leads to an inclination towards lower cost solutions , e.g. lanterns
- Subsidy – bank financing needs government recognized supplier/distributor, hence bankers reluctant to work with start ups
- Building last mile supply chain – micro entrepreneur network, which needs a lot of patience capital
- Distorted tax structures across local governments giving rise to varied pricing
- Lack of economies in scale for sourcing material
- More often than not incubate organizations need a shadow operations team to set up initial processes in their base locations

Thank you!