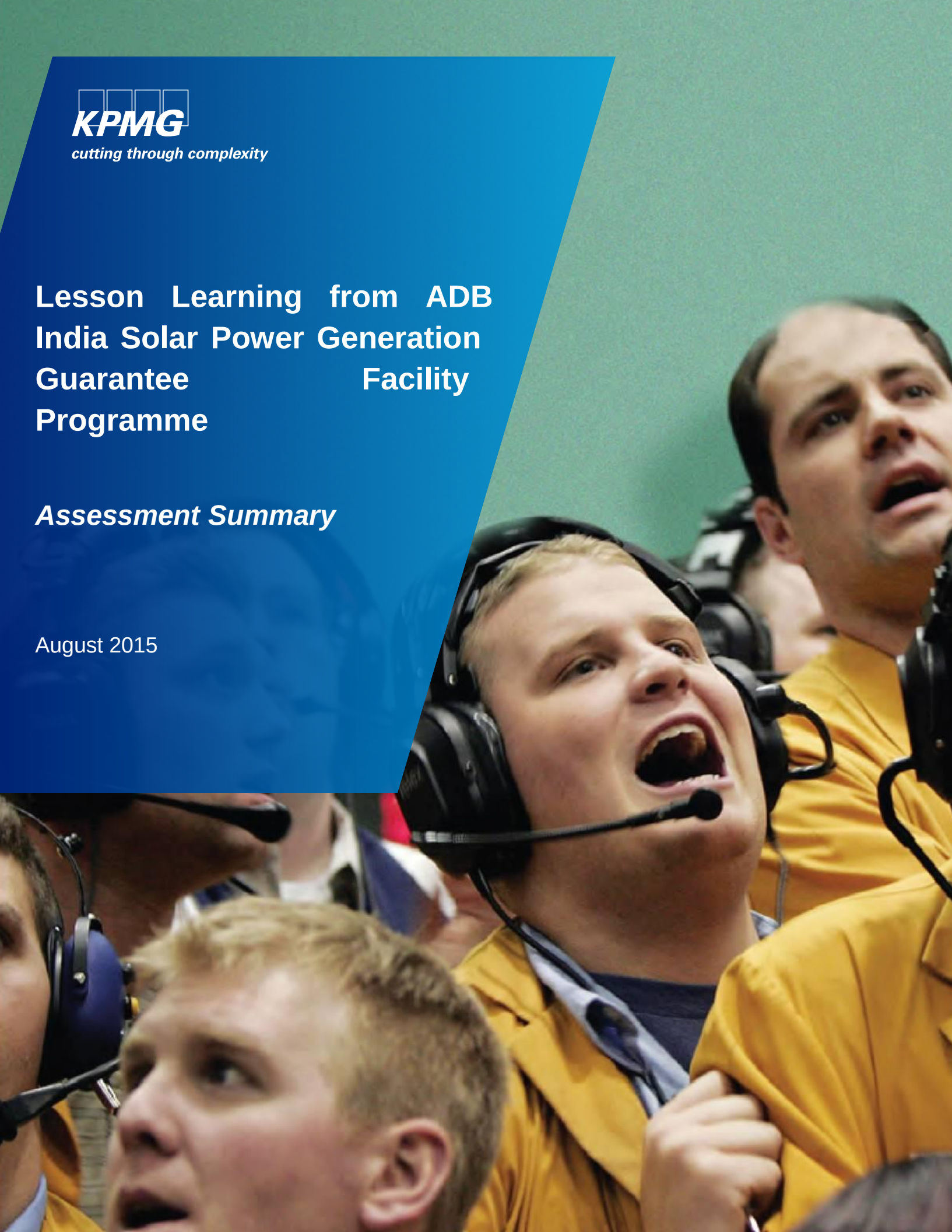
KPMG
cutting through complexity

Lesson Learning from ADB India Solar Power Generation Guarantee Facility Programme

Assessment Summary

August 2015



Disclaimer

This document is being submitted to Department of International Development (DfID) as the Summary Assessment for our engagement on "Lesson Learning from ADB India Solar Power Generation Guarantee Facility Programme" (dated 20th October 2014),

The report contains KPMG's analysis of secondary sources of published information and incorporates the inputs gathered through interactions with industry sources, which for reasons of confidentiality, cannot be quoted in this document. While information obtained from the public domain has not been verified for authenticity, we have obtained information, as far as possible, from sources generally considered to be reliable.

Our report makes reference to 'KPMG Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

In performing this engagement and preparing this Report (as per the Letter of engagement), KPMG has:

- used and relied solely on data provided by Client.
- not independently investigated or verified such Information.
- no responsibility for the accuracy and completeness of the Information and will not be held liable for it under any circumstances.
- neither conducted an audit, due diligence, nor validated the financial statements and projections provided by any of the quoted companies.

Collection of data for market assessment has been limited to such information as can be collected from resources on the published public domain and meetings with market participants.

Wherever information was not available in the public domain, suitable assumptions were made to extrapolate values for the same. We must emphasise that the realisation of the prospective financial information set out within our report (based on secondary sources, as well as our internal analysis), is dependent on the continuing validity of the assumptions on which it is based. The assumptions will need to be reviewed and revised to reflect such changes in business trends, cost structures or the direction of the business as further clarity emerges. We accept no responsibility for the realisation of the prospective financial information. Our inferences therefore will not and cannot be directed to provide any assurance about the achievability of the projections. Any advice, opinion and/ or recommendation indicated in this document shall not amount to any form of guarantee that KPMG has determined and/ or predicted future events or circumstances.

Introduction

The International Climate Fund (ICF) was set up to fund the United Kingdom's international climate finance commitments and provide funding of £3.87 billion (from April 2011 to March 2015) to the world's poorest people to help them adapt to climate change and promote cleaner, greener growth. It was jointly managed by the Department of Energy and Climate Change (DECC)[1], the Department for International Development (DfID)[2], Defra, Her Majesty's Treasury, and the Foreign and Commonwealth Office through the Cross-Whitehall Board.

The India Solar Power Generation Guarantee Facility ("The Facility") launched in October 2011, was one of the first initiatives funded under the ICF. The Facility was a Partial Credit Guarantee (PCG) where the Asian Development Bank (ADB) was the guarantor and ICF provided grant funding to decrease the cost of the Guarantees under the Facility. It was envisaged that the Facility would be able to play a critical role in successfully financing the first wave of solar power projects in India by transforming overall market risk perceptions and inducing banks to lend to the sector and over the medium term, developing local capacity and enabling long-term cost reductions for solar power.

Facility Design

Under the Facility, ADB offered PCG to international and local lenders to address up to 50% of any non-payment by borrowers in the solar segment. The Facility covered default of scheduled repayments of principal as well as accrued interest. Consequence of payment default was shared *paripassu* between the lender and ADB (and not on a "first loss" basis). Initially, as per the ADB Risk Evaluation Model, the guarantee fees to be charged from the lenders was in the range of 3-4%. As per the business case approved by DECC, it was highlighted that there was a gap between the Facility pricing estimated as per ADB's internal risk management policy (for private sector operations) and fee rates that solar developers and banks were willing to bear in India. Hence, a £6 million ICF grant to ADB was provided with the objective to reduce the cost of the guarantee thereby overcoming any potential market failures, which could inhibit private sector uptake of the Facility. It was expected that this would catalyse an estimated private investment of up to £265 million (130 MW of solar power) in clean energy generation, and result in 4.9 million tonnes of CO2e avoided over 25 years.

Objective of the Assessment

The Facility was launched in October 2011, however there was no uptake. Hence, post an interim review in January 2013 and a final review in June 2013, the Facility was withdrawn. In October 2014, KPMG Advisory Services Private Limited (KPMG) was engaged by DECC and DfID to undertake an independent assessment to identify the reasons for lack of uptake of the Facility and to recommend key considerations for designing a guarantee product in future. The findings of the assessment is expected to feed into the design of future similar programmes in India or other developing countries.

This document presents summary of the approach adopted by KPMG and key findings of the assessment.

[1] DECC is a UK Ministerial Department that works to make sure the UK has secure, clean, affordable energy supplies and promotes international action to mitigate climate change.

[2] DfID is the part of the UK government that manages Britain's aid to poor countries and works to get rid of extreme poverty.

Backdrop to the launch of the Facility

In early 2011, when the Facility was conceived, solar sector in India was at a relatively nascent stage and hence several risks pertaining to investments in the sector were perceived by both international and domestic lenders. Lack of established precedence and experience made lenders wary of lending to solar projects. Resultantly, commercial banks were primarily lending to the sector against alternate collateral or, if insufficient, against corporate guarantees as opposed to project cash flows (i.e. project financing). Banks relied on relationships with existing borrowers to grow their lending business in the sector. This practice made it difficult for new companies or borrowers to obtain financing on reasonable terms. The Facility was planned by ADB, with the above as the background and aimed to encourage commercial banks to lend to the solar segment by sharing a part of the credit risk. The Facility was also supported by a parallel capacity development technical assistance in early 2012.

Approach

KPMG conducted extensive discussions with DECC, DfID and ADB as principals of the Facility and reviewed the available documentation to understand the terms and conditions of the Facility and the process of its launch. Further, the Indian solar market evolution, during the period that the Facility was operational, was studied in detail. The aim was to review key aspects in terms of policies, regulations, solar power bids, solar financing landscape, acceptable risks, etc. in order to understand the shifting market sentiments since the Facility was designed.

Feedback was sought from the key stakeholders engaged in the solar industry, including developers, equipment suppliers, lenders, private equity players, Government entities etc. (refer Annexure 1) to test the hypotheses developed for possible reasons for the failure of the market to respond to the Facility.

Key Observations on the Facility

Shifting market risk perceptions since the Facility was designed

As discussed above, when the Facility was conceptualized, the solar industry in India was in an early seed phase with projects being executed with Government support, untested technologies in the Indian environment and ecosystem, inexperienced developers, implementation challenges and evolving regulations and policies. However, backed by Government of India's Jawaharlal Nehru National Solar Mission (JNNSM) programme and the state run programmes, improving economics with falling solar module cost, interest shown by independent power producers as well as large conglomerates, the solar industry began its transformation rapidly. Thus, by the time the Facility was launched the risk perceptions of the stakeholders had evolved (Figure 1).

Figure 1: Evolution of risks

Risk Category	At the time of conception of Facility			During the availability period of Facility		
	Foreign Lender	Domestic Lender	Developer	Foreign Lender	Domestic Lender	Developer
Country Risk	High Risk	NA	NA	High Risk	NA	NA
Sponsor Risk	High Risk	High Risk	NA	High Risk	Medium Risk	NA
Construction Period Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	High Risk	Medium Risk
Technology Risk	High Risk	High Risk	High Risk	Low Risk	Low Risk	Low Risk
Generation Risk	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk
Off-taker Risk	High Risk	Medium Risk	High Risk	High Risk	Medium Risk	Medium Risk
Financial closure risk	High Risk	High Risk	High Risk	Medium Risk	Medium Risk	Medium Risk
Foreign Exchange Risk	High Risk	NA	High Risk	High Risk	NA	High Risk

High Risk Medium Risk Low Risk

Source: *KPMG analysis supported by responses from Stakeholder Consultation*

As projects were awarded and operationalized, the sector was increasingly demystified, and several risks perceived as high (such as technology risk, financial closure risk) earlier, diminished in importance, over the availability period of the Facility. However, there were specific risks such as construction risk, generation risk and off-taker risk that continued to be pertinent for both domestic and foreign lenders, although in differing degrees.

The design of the Facility took into account the risk perceptions evident at that time and thus offered a comprehensive risk coverage[3] in terms of a credit guarantee with the aim to improve availability of funds to the sector. However, over the period of its availability, there was a moderation of risk perceptions of the stakeholders which led to a change in market expectations with respect to a facility such as the PCG. A key observation here was also that Facility did not cover foreign exchange risk, which was considered very pertinent for raising foreign currency debt. These aspects caused a dichotomy on several aspects such as cost of the Facility, timing, design vis-à-vis market requirements, which potentially resulted in a failure of the market to respond to the PCG.

Keeping the above and other analyses in view, the reasons identified for the lack of offtake are discussed below. These have also been tested extensively through one-on-one stakeholder consultations as well as stakeholder group brainstorming session.

[3] *Other than foreign exchange risk which was not addressed by the Facility.*

1. Cost of the Facility was high

The guarantee fee offered to the lenders, post the concessionary ICF grant, was in the range of ~1.65% to - 2.5% (on the guaranteed portion). Guarantee pricing was set in line with international market benchmarks, and varied within a set band based on exposure size and tenor.

The Facility fees was calculated assuming that banks will accord high risk rating to solar projects due to lack of lending experience to the sector and no proven developer experience and the same would be reflected in lending margins. The Facility was designed to mitigate project risk, as assessed by the lender, with ADB's AAA credit rating. It was also expected that the Facility could incentivize banks to reduce the cost of debt, provided that the guarantee fees did not consume the savings facilitated by the guarantee's risk sharing structure. However, possibly owing to the following reasons, the fees was considered unattractive:

- The domestic lenders were lending to the solar sector at interest rates of about 13 to 14%. The then prevailing Base Rate[4] (August 2011) was 10% and the 3% to 4% mark-up over base rate being charged for solar sector would include the components of operating costs, credit risk and tenor premium etc. Lenders perceived the cost of the guarantee too high in relation to the risk premium built into their margins.

  A possible reason could be that there was a mismatch between the risks sought to be addressed by the Facility and the actual risks perceived by the lenders. While the Facility was priced keeping in view the entire gamut of risks perceived during conceptualization of the Facility, possibly only a few risks were considered relevant by lenders over the period when the Facility was available (refer Figure 1). This caused a mismatch between the cost and benefit of the Facility, as perceived by lenders.

- On the other hand, it is also possible that during 2010, due to lack of established experience in the solar sector, lenders were not able to price the risks appropriately and underpriced risk. Table 1 presents a comparison of the different criteria used by different categories of the lender community to evaluate solar projects.

[4] Base Rate is the minimum rate of interest that a bank is allowed to charge from its customers in India. It includes all elements of lending rates common across all categories/ borrowers. Actual lending rate includes other customer specific charges as considered appropriate. For the solar borrowers, the borrower specific charges were to the tune of 3 to 4 %.

Table 1: Comparison Matrix of Lender's Criteria for Evaluating Projects[5]

Category	Financial Capability	Technology Quality	Operational Capability	Implementation Experience	Project IRR	DSCR	Overall Ratings[6]	Average Rating for Portfolio[7]	% of Portfolio with average rating
NBFCs	2	3	3	3	3	4	18	20	**65-70%**
Commercial Banks	3	3	2	2	3	4	20	21	**75-80%**
IFIs	3	4	3	4	2	3	24	24	**More than 95%**

Source: Criteria developed based on stakeholder feedback. While this would have varied from lender to lender, this is intended to give a broad overview of the key differences in lending criteria

The Table 1 highlights that while international lenders were placing higher emphasis on operational and technical aspects of the project, domestic lenders appeared to be giving the highest emphasis to project DSCR. This possibly indicates that Indian lenders did not have adequate experience in assessing the core aspects of the project. This could have been one of the reasons why risks could have been potentially under-priced.

Another reason for the under-pricing could have also been driven by the need to compete with other category of lenders such as international lenders and NBFCs, which were offering more competitive terms (Table 2).

Table 2: Interest rates and other financing terms across different categories of lenders

Category	Prominent banks	Interest rates (with hedging costs where applicable)	Debt-equity ratio	Loan tenure (years)	DSCR expectation	Timeline for processing
Export Credit Agency	US EXIM	**10.7% - 11.2%**	Up to 80% based on value of imports	9 – 16	Approx. 1.45	5-6 months
Development Finance Institutions (DFIs)	OPIC	**11.5-12%**	25:75	9 – 16	Approx. 1.45	6-7 months
	ADB, IFC, DEG	**10.7% - 11.2%**	25:75	9 – 16	Approx. 1.45	6-7 months
NBFCs	L&T Infrastructure Finance Company, PFC, SBICAPS, IL&FS Financial Services, Mahindra Finance	**12.25-13.00%**	30:70	9 – 15	Approx. 1.35	2-3 months

[5] The numbers give an indicative rating that a project developer would need in terms of qualifying for a loan. E.g. In case of NBFC, for financial capability, out of 5, minimum rating needed would 2, only then he would qualify for the loan

[6] the overall rating would mean, out of the all the parameters rated above the minimum rating of "X" (for NBFCs-18 is needed) for the project to qualify

[7] #average rating for sector portfolio would mean that a weighted average ratings for overall sector exposure should not be less this number.

Category	Prominent banks	Interest rates (with hedging costs where applicable)	Debt-equity ratio	Loan tenure (years)	DSCR expectation	Timeline for processing
Banks	SBI, ICICI Bank, Axis Bank, Yes Bank, IDBI Bank	**13-14.5%**	30:70	9 – 12	Approx. 1.40	3 months

Source: Bankability and Debt Financing for Solar Projects in India, Bridge to India (*Please note: These are indicative terms available during the Phase I, Batch 2 of JNNSM)*

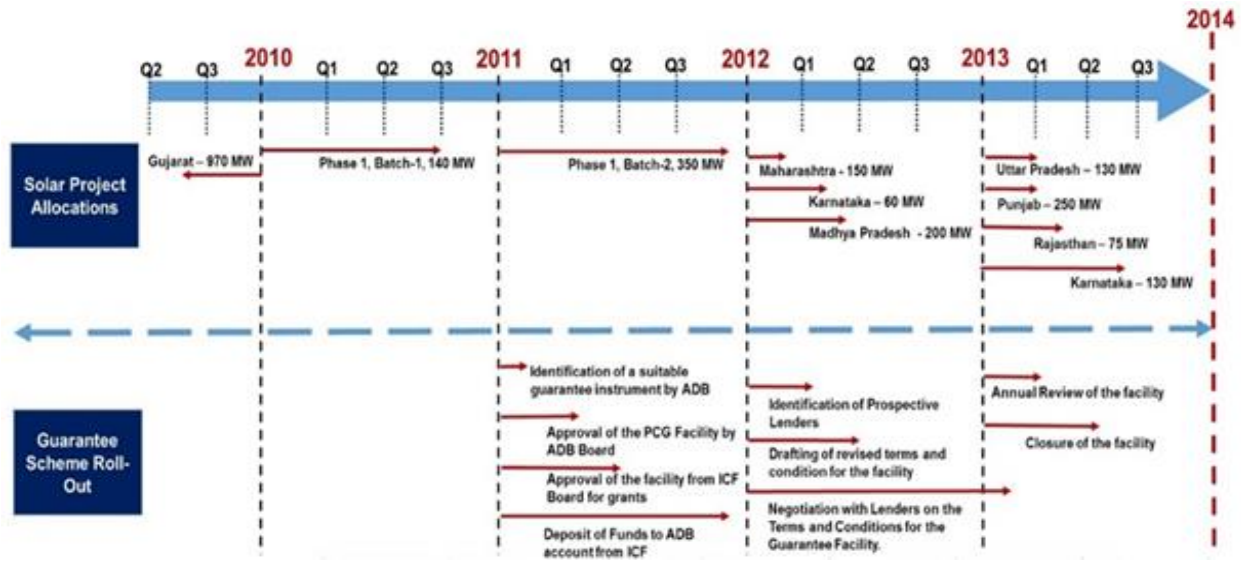
- Lastly, the prevalence of recourse funding would have enabled banks to mitigate some of the credit risk thus reducing the need for Guarantees especially at the cost at which it was offered. The lenders could not have even passed on the cost to the project since the lean equity IRRs (which where around 14% to 16%) did not permit a further claim on cash flows.

2. The launch of the Facility was delayed

Appropriate timing of introducing a financing product is essential to ensure that the instrument is used by the targeted segment. The risk profile/assessment of a market may differ significantly as a sector evolves from a nascent phase, which was witnessed with the rapid evolution in the Indian solar market.

Between the time when the Facility was conceptualized and its launch, domestic lenders had already achieved certain level of experience with solar PV technology since a few projects under Gujarat Solar Policy and JNNSM Phase-I, Batch 1 were operational (Figure 2).

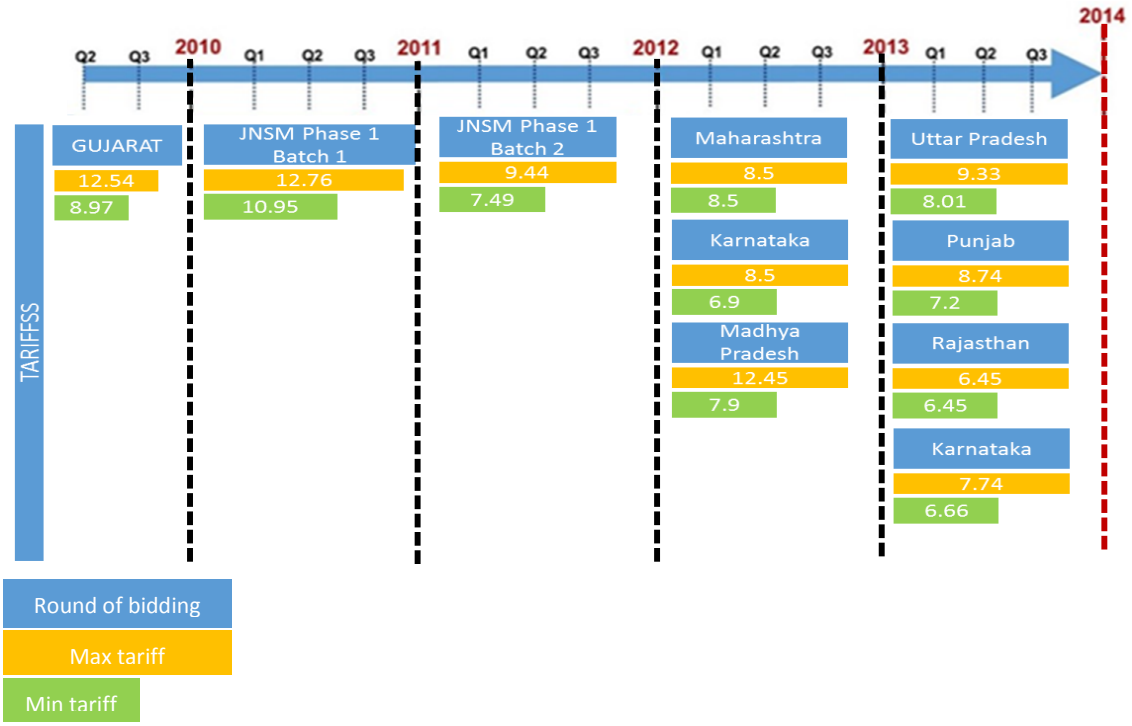
Figure 2: Timeline for solar market development in India & introduction of the PCG



Source: Industry Reports, ICF Business Case, Annual Review Report-January 2013, KPMG Analysis

Hence, with experience, some of the risk perceptions of lenders got diminished, increasing their willingness to lend to the sector. At the same time, in this time period from 2010-12, the cost of solar power and thus the tariffs fell significantly (Figure 3), increasing the confidence of the lenders in the future viability of the resource.

Figure 3: Solar Power Tariff under various schemes (in INR/kWh)



Source: Industry Reports

Hence, whilst the Facility was targeted to increase the availability of funds for developers, over time, availability of funds had ceased to be a big issue. In fact, the market required the Facility (or any such financial product) to act as a cost reducing product, given the lean project and equity returns.

3. There were design concerns with the Facility

The ADB Solar Loan Guarantee Facility was designed based on feedback received during extensive stakeholder consultation covering lenders and developers. However, certain elements related to Facility design impacted the market attractiveness for the Facility:

- **Criteria for selection of lenders:** There were limited domestic lenders who could qualify as per the selection criteria even after having significant exposure to the power sector. There were a number of criteria that were to be met by the lenders to qualify along with establishing processes in line with the ADB requirement that led to exclusion of some pertinent lenders.
- **Conversion of loan into foreign currency loan on default**: The conversion of INR to USD denominated loan on default attracted exchange management issues.
- **No first loss provision**: The guarantee amount that could be claimed by the lenders was on *paripassu* basis and not on first loss basis. Therefore, if there were defaults in scheduled payments, the lender even after availing the Facility will face the risk of the loan being declared as a non performing asset[8].

[8] A Non-Performing Asset as defined by the Reserve Bank of India (central bank for India) is loan on which interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. NPAs are a key concern of the Indian banking

- **Only Greenfield projects included**: The borrowers who intended to use the re-financing route for projects could not participate in this scheme since it targeted only Greenfield projects.
- **Terms of the Guarantee Agreement:** The Guarantee Agreement required the borrower to execute an acknowledgment to the Guarantee Agreement so that ADB could be subrogated into the loan to recover any amounts post exercise of the guarantee. However, the lenders were not comfortable involving the developer since they did not envisage any benefits of the Facility being passed to the developer through reduction in lending costs. At the developer end, there was ambiguity on the benefits that will accrue to the developer if the Facility was availed and guarantee provisions were also considered onerous.

These design concerns impacted the offtake of the Facility by the Indian lenders.

4. The process for availing the Facility was onerous

Majority of the stakeholders consulted agreed that the process for availing the Facility was cumbersome and involved significant costs. Certain aspects highlighted in this connection were the parameters for evaluating a project by the empanelled lenders, ADB Safeguard Policy Statement including the establishment and implementation of an environmental and social management system (ESMS) which was to be met by the lenders, the documentation process which required detailed legal vetting, etc.

5. There was limited awareness of the Facility

While the Financier community was broadly aware of the Facility, a feedback received from the Project implementers was that the Facility was not marketed well. This became an area of concern as the project implementer could have been a driver to push for the guarantee Facility with the lender if the benefits were evident.

Summary

Based on the above analyses, it is evident that there was a dichotomy on several aspects relating to the Facility structure/ processes and market requirements, which limited the attractiveness of the Facility. The table below summarizes the findings.

sector. The NPAs of the banks in Indian were about INR 3006 billion as on December 2014 which was around 4% of the total banking system in India.

Table 3: Mapping the Facility against the market requirement

Expectation of the market	Provided by the Facility	Required by the Market[9]
Improve availability of funds	Yes	Partially
Extend loan tenor	Yes	Yes
Risk reduction • **Default risk** • **First loss coverage** • **Foreign Exchange Risk**	 Yes No No	 Partially Yes Yes
Cost effectiveness relative to the market	No	Yes – Key parameter considered
Simple process	No	Yes
Adequate awareness in market	May be	Yes

The Facility aimed to improve availability of funds (through a comprehensive risk sharing mechanism) and extend loan tenor thereby catalysing a transformation in the Indian solar sector. However, its attributes were not considered attractive by a market that had already evolved considerably since its design. Moreover, the Facility did not have the flexibility to respond to the changing requirements of the market. Hence, the Facility lost its relevance. Additionally, the Facility also introduced new complexities such as 1) exposure to foreign exchange risk to the borrower (dollar denominated loan payable on default) 2) the requirement to satisfy exchange management guidelines, which further impacted its offtake.

Re-designing PCG to meet the future requirements

Facilities such as a PCG would always hold relevance for any sector as a transformational catalyst. This especially holds true for smaller developing countries, where the domestic financial ecosystem may not be large or strong enough to respond to the market requirements.

Such products are also relevant for India which is in a rapid growth phase, where, financing challenges are constantly thrown up with evolving design of solar programmes (revenue models, development modes (solar parks, roof top, off grid, etc.), changing incentive schemes and risk sharing arrangements, etc. Further, projects have increased in scale from ~5 MW in 2011 to 150 MW (single operational installation), and ultra-mega power projects of 750 MW are planned. Such factors emphasize the relevance of guarantee products to assist lenders in managing risks and to lend on a non-recourse basis.

Lessons learnt from the experience with the Facility, can facilitate in designing a more effective guarantee product (or similar instruments) aimed to address the above mentioned financing challenges both in the context of India or any other emerging market. In this section we present some principles that can be considered while formulating a PCG:

[9] Market requirements mentioned above are the expectations that the market had from a PCG

- **Flexibility:** It is important that the product is flexible and the design includes the ability to address transformational change in the sector and its associated impact on market requirements. During the design phase itself, interim review check points need to be created to ensure re-orientation of the product to address changing market dynamics. Flexibility is also important to address the diverse requirements of various target solar segments (solar rooftop, large ground mounted installations such as solar parks, off grid segment, etc).
- **Access to new sources of capital:** It is important that the PCG does not restrict itself to traditional lending channels but also facilitates access to new, large, cheaper and long tenor capital sources such as domestic bond market, international capital sources etc. This is especially relevant for the Indian solar sector, which has an aggressive solar target to be achieved by 2022.[10]
- **Risk Coverage**: It is imperative to gain an understanding of the evolving risks and design the PCG in a manner which ensures that only pertinent risks are covered and priced accordingly. For instance the Partial Risk Guarantee offered by the World Bank under the ASPIRE (Accelerating Sustainable Private Investment in Renewable Energy) Program provides for guarantee of partial payment on termination, commensurate with the structured obligation rating profile.

  Such a risk coverage could rationalize the costs of the PCG and at the same provide clarity on the benefits that are expected to accrue consequent to the Facility being availed. However, there is a trade-off between pricing of PCG addressing pertinent risk and the administrative costs of identifying the risk, structuring and administering the PCG. This trade-off will need to be considered while determining the risk coverage of a PCG.
- **Pricing:** Cost will remain as a critical factor in determining the uptake of any guarantee facility. A deeper understanding needs to be developed regarding the extent of guarantee fees that lenders would be willing to bear so that adequate margins are left on the table. To undertake such an analysis, a risk appetite assessment of the lenders, how they price risks, current exposure levels, etc. would need to be analysed. Also, as mentioned above, guarantee can be designed to cover specific risks to reduce costs. It is also important to ensure capacity strengthening of lenders so that they price risks adequately, especially in nascent markets.
- **Tenor:** Tenor of the partial credit guarantee needs to be closely tied with the risk it aims to address. For instance, if the facility is covering credit risk during the construction phase; then the expected duration of the facility has to be concomitant to the risk time period.
- **First Loss Provision**: It is important to incorporate a 'first loss' provision in any PCG to increase its attractiveness. However, we understand that while first loss provision is necessary for lenders to safeguard the risk of creation of a non performing asset, it would also come with a reasonably higher cost, which would further impact the margins for the lenders. Hence, detailed consultations are required on this aspect with lenders. Further, there can be flexibility built-in while designing PCGs, wherein, lenders have an option of a 'first loss' provision and the PCG can be priced accordingly if the option is availed.
- **Simplified Process & Eligibility Criteria:** The eligibility criteria should be simplified to enable higher participation in the facility. The number of procedures to avail the facility and the time required to

[10] The 100 GW ambitious target requires an investment of about USD 120 billion in solar sector itself (debt of approximately USD 84 billion), and to mobilize this level of investment shall be a challenge, given that India's overall power sector debt exposure is currently at about USD 80 billion.

complete these procedure should be kept to the minimum. A programmatic approach for implementing such a facility shall be one step in simplifying the process. Alternatively, guarantors should consider co-engaging with developers. They can create a platform, which enables developers to be pre-approved, who can then avail low cost loan on the basis of guarantor support. This would cut down the time frame as well as transaction costs.

- **Transparent Documentation:** The documentation should be simple and should transparently lay down the cost and benefit sharing framework between the three parties. Potential terms should be discussed with stakeholders during design stage itself and terms considered onerous should be reviewed and alternatives considered. In most of the international case studies examined, there is an agreement between guarantor, the lender and the beneficiary in some form and hence, the tri-partite nature of the arrangement cannot be dispensed with, since the loan needs to devolve upon the guarantor on default.
- **Exchange Management Issues:** Prior clarifications/ approval should be sought from the central bank, at the time of design of the facility for the exchange management issues arising from the conversion of the defaulted portion of loan or a pre-funded facility may be required which offers local currency loan payments in case of a default.
- **Timing and Marketing of Product:** Given the rapidly evolving nature of the solar sector, the time to market for any product needs to be shortened considerably. Further, it is important that a wider spectrum of stakeholders covering lenders and end user community should be targeted. In order to increase participation in a planned guarantee scheme, interventions are required at two levels (a) increasing the number of sectors (within the renewable and clean energy space) to be covered in the scheme and (b) planning eligibility criteria of the scheme in such a way that most financial institutions are included in it.
- **Participative Approach:** A credit guarantee scheme is a product aimed for risk transfer and diversification. Thus, it is essential that a participative approach is adopted by the guarantor and lender while designing the product. There needs to be an agreement on risk that is being covered by the scheme and the extent of the coverage.

From the above it emerges that guarantee instruments are relevant and can act as important transformational drivers by improving access to funds especially in other developing countries where the strength of the financial sector may not be sufficient to meet the evolving requirements. PCG would also play an important enabling role in India where the sector is again at the cusp of facing fresh financing challenges with new GoI targets, large scale projects and emerging development formats. However, the ask from such a product would be both in terms of increasing the availability of funds through access to both conventional and new capital sources as well as decreasing cost of funds. While designing any such product, the pre requisite would be that 1) a programmatic as well as participative approach needs to be adopted to simplify processes and obtain inputs on design 2) check points should be created to enable re-orientation to changing market needs 3) flexible bouquet of options should be provided (eg, first loss coverage, flexible risk coverage, ability to provide guarantees to new sources of capital, ability to cater to diverse requirements of various target solar segments etc.) 4) possible pitfalls such as exchange management risks should be assessed and resolved at design stage 5) cost effectiveness should be thoroughly tested, and 6) the time to market should be shortened.

Annexure 1: Category and number of stakeholders consulted

The table below presents a summary of the types of the stakeholders consulted.

Category of stakeholder	Stakeholder category	Numbers of stakeholders consulted
Financiers	Lenders (including international lenders)	6
	International Financial Institutions	2
	Private Equity/Venture Capital	6
Project Implementers	Large Developers	6
	Small Developers	1
	Equipment Suppliers	2
Others	Market Experts/Research Organizations/Think Tanks/ Government Agency	4

Contact us

Anish De

Partner, Head of Strategy & Operations, Infrastructure and Government Service (IGS), KPMG Advisory Services Pvt. Ltd.

T:+91 (0)124 3345001 **E:** anishde@kpmg.com

www.kpmg.com

KPMG