

# Spring Energy

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## Sprng Energy

**India's renewable power sector is growing rapidly, underpinned by the government's ambitions for the country to become a world leader in sustainable generation and between 5% and 7% annual growth in demand for electricity. Drawing on our experience of successfully creating and building renewable energy businesses across our markets, Actis established a new platform in India in 2017. Two years in, Sprng Energy is well on its way to becoming a major player in India's renewable energy space, helping to provide affordable, clean electricity to the country's homes and businesses.**

### The opportunity

Renewable power is now a critical part of India's energy generation capacity. Demand for electricity among residential and business users is on the rise, while a lack of domestic oil and gas supplies and growing concerns around the environmental impact of adding further coal-fired thermal plants to the energy mix prompted the Indian government in 2015 to set out an ambitious plan to develop and grow the country's renewable power capacity and expertise. Aiming to quadruple its renewable energy generation by 2022, to 175GW, the plan capitalises on India's high solar irradiance and areas that benefit from strong winds. Renewable energy is also an increasingly affordable power source – it can now produce electricity at between 20% and 40% lower cost than a new thermal plant in India.

Actis knows the sector well. Having already successfully created and built five renewable energy platforms of scale across Latin America, Africa and – vitally – India, the Actis energy team could see substantial promise in India. We had established Ostro in 2014, growing it to a 1.100MW renewable energy platform operating across several Indian states, and therefore benefited from a deep insight into the opportunities and challenges the market presents.

Armed with this experience, Actis embarked on the creation of a new, 100%-owned renewable energy platform through which we could deploy our replicable strategy of developing new wind and solar energy parks, while also keeping an eye on potential attractive acquisitions.

### What did we do?

Sprng was established in early 2017, with Actis making a significant equity commitment to build out and develop the platform. Our deep local networks enabled us to identify an experienced executive, Guarav Sood, to join as CEO. This was the first building block in what was to be a rapid transformation from start-up to a fully functioning and fast-growing business. With a CEO signed up, Actis set about filling Sprng's pipeline of potential opportunities. Having observed and participated in many energy auctions in India, we understood the importance of rigorous due diligence ahead of any process and a highly disciplined stance on pricing. This is vital in a market where development and execution challenges have the potential to make infrastructure projects unviable. With auctions taking place before Sprng's team was in place, the Actis team led and undertook the preparation and due diligence work, with the first solar park auction won in early 2017.

Actis's hands-on involvement in the beginning and our backing thereafter brought not only expertise in what can be a highly complex and time-consuming process, but also credibility. Our strong reputation in renewable energy development among government and regulatory officials increased Sprng's attractiveness as a bidder, in particular as we had an excellent track record for delivery through our investment in Ostro. These factors also assisted Sprng when it came to raising debt finance to fund development, enabling the business to reach first close on projects quickly and efficiently and at an attractive rate in a market where raising such long term capital can be challenging.

With the first auction won, Actis started building out the Sprng team. Our presence and experience in the market, combined with the CEO's solid networks, meant that we were able to draw on personal contacts to identify the right individuals. We initially recruited a skeleton team for functions as varied as finance, human resources, legal, accounting project finance, and ESG by the end of 2017, Sprng had 30 employees. This grew further during 2018, when we recruited a chief financial officer, a new head of wind and a new head of operations and maintenance to complete the senior hires as well as adding to other departments. Sprng now employs around 90 people.

Creating a new platform can present certain challenges, particularly when the expansion plans are highly ambitious. By 2018, Sprng had taken on significant further capacity, having won auctions for two more solar and two wind sites, yet was doing so with a relatively newly-assembled team. Our experience gained with Ostro was invaluable in ensuring that Sprng could scale up quickly and effectively. As Sprng was a new business, we were able to create the right culture together with the CEO from the outset. We were also able to put in place robust systems and procedures to support new growth and could avoid reinventing the wheel by bringing to Sprng a proven framework from day one.

Our relationships with contractors and equipment manufacturers have also been vital for Sprng's rapid growth. Across our portfolio, Actis is a regular, repeat and large customer for the suppliers our companies use. We leveraged the scale of our orders to Sprng's advantage, helping to secure attractive prices for equipment and development.

This strong focus on execution has paid dividends. Delays to projects are commonplace in India, an issue that can affect the viability of development. The Actis team monitored progress on a daily basis to identify any issues early on and help the team resolve them before they impeded progress. We were also able to insist on certain quality standards in contracts and put our weight behind regulatory approvals and negotiations.

### ESG

High environmental, social and governance standards are a hallmark of Actis investments as we believe strong sustainability credentials in a business are integral to its value. Sprng, in common with all our portfolio companies, has a head of ESG who is directly accountable to the board and who is responsible for identifying and managing any potential ESG issues and to develop initiatives for community engagement.

Construction work of any kind inevitably has an impact on local residents and the environment. However, careful management and community involvement can mitigate this considerably. At Sprng, we conducted a rigorous impact study, incorporating noise and shadow flicker work on wind turbines and biodiversity analysis – due diligence that is not usually conducted by other investors or businesses in the sector in India – to ensure that actions could be taken to mitigate any adverse findings.

Sprng also sought to create safe and healthy environment for all its workers as well as the local community. With our guidance, the company has put in place best-in-class health and safety standards across all sites and has insisted that contractors adhere to these – a move that helps raise benchmarks across the wider industry. Sprng's labour terms are among the best for the industry in India, offering fair wages and good working conditions in a market where these are often far from standard. Sprng has also established a solid healthcare programme for the local community near one of its projects and plans to replicate this initiative across other development sites.

### The future

In early 2019, Sprng acquired a 199MW portfolio of solar assets from a local conglomerate, adding substantially to Sprng's operational capacity. Just two years after its creation, Sprng is now a fully-staffed renewable energy platform with 1,790MW of capacity, and close to 600MW of operational assets and sites under development across India – an exceptional rate of growth. The business will now focus on delivering its existing projects, while also continuing to build out its pipeline of future opportunities, with the aim of becoming a 2GW renewable energy business over the coming few years.