



GROUNDVIEWS

COVID 19 and Enterprises

*Overview of the impact and plan of actions necessary towards **SUSTAINABLE ENERGY DISTRIBUTION ENTERPRISES AND TECHNOLOGY DEVELOPERS***

About this report

A week into the COVID-19 lockdown, SELCO Foundation reached out to its energy enterprise partners who are part of its incubation program to assess the immediate repercussions on their business and stakeholders. More than 30 enterprises were interviewed, over a phone call and google documents, in the last week. Some of the enterprises were in areas with weak to no internet or difficulty in accessing laptops, thus the interviews were conducted via a combination of phone calls and an online google form where applicable.

The enterprises are divided into two categories:

- (a) Distribution enterprises who are involved in system integration and door step delivery of solutions via end user financing and servicing;
- (b) Technology developers who are involved in designing and manufacturing of energy efficient products in agriculture, green buildings, health care, etc. and may or may not distribute the products themselves.

Both categories cater to underserved populations primarily in the states Odisha, Jharkand, Manipur, Assam, Meghalaya, Tamil Nadu, Karnataka and Gujarat. The purpose of this report is to assess the near and medium term impact, determine corrective measures based on practical situation of each enterprise and to develop a set of guidelines that would assist the enterprises to tide over this crisis and build in resilient processes in the long term.

Context

The immediate nationwide lockdown starting from March 25th, 2020 in India as a response to prevent community spread of COVID was largely seen as a welcome initiative given India's population and unreliable health systems. However, as days passed it became apparent that the socio-economic collateral damage will be a disastrous consequence.

Mass reverse migration into villages, loss of livelihoods especially in the informal sector, inadequate shelter and food were some of the immediate gaps observed. From experience during the Ebola virus SMEs in West Africa suffered from business interruptions whose repercussions lasted for as long as 2 years. Dependencies on global supply chains has exposed vulnerabilities in the current economic model with ripple effects down to the smaller businesses.

There are growing voices to use the opportunity to look at a "new economy" one that is built around boosting local supply chains, sustainable business practices, incentives local

manufacturing, safety nets that will have less vulnerability to sudden shocks. In the immediate aftermath of the lockdown, collating such insights will assist SELCO Foundation in being able to gear up its support and planning efforts in order to ensure that these enterprises are not forced to shut down or shift to completely alternate businesses in order to survive.

Observations and Insights

1. All enterprises have shut down operations till April 15th which has resulted in **loss of sales built from earlier months, inability to collect payments pending from completed installations and mid-way stall of installations.**
2. Unpredictability of the situation and lack of ability to map the timelines have compounded the scenario for many of these enterprises. **It will take more efforts to reignite conversations with customers on project pipelines** where purchase orders were not received or continuation of stalled installations. This is mainly because there is a sense that priorities have shifted and with that re-allocation of funds or subsidies. Example, orders that were supposed to be paid through CSR funds (streetlights, solar home lights) will now get re-routed or prioritized towards health.
3. **Pending payments to suppliers and pile up of stock** in their inventory. Given the local economies being activated through these local enterprises, even the suppliers belong to the small businesses category. In a few cases, suppliers were settled with partial payments to assist them in tiding over this crisis and as a show of solidarity in this unprecedented situation. However, there continues to be a fear of supply chain bottlenecks even after lockdown is lifted of about 2-3 months.
4. Those who **extended credit to people (in the absence of any financial institution) to pay over a certain period are doubtful of whether customers will now pay back.** Given that there has been a stagnation of livelihoods especially during this harvest season for agriculturists thus leading to loss of incomes. Moreover, this is compounded by the fact that every member of the household is out of work and a non-earning member with limited or no access to safety nets.
5. Given that **primary customer base are underserved populations** within the informal sector there will be a significant impact as the end users also come back to normal.
6. Many have **reserves to only pay till March however April** with funds to meet fixed costs is in doubt. Part time employees or contractors are going to bear the brunt of decisions not to be paid. At least 5 fairly mature enterprises have reserves for 2-3 months for salaries/office- of which 4 have "alternate" business channels that are keeping them afloat.
7. There is **distress among contract workers specially those in construction around the permanency of their jobs** and their ability to travel back in time to continue their work. Further, there is **uncertainty from the employer side on ability to get back workers** once they have gone to their villages.
8. Those who took **loans from banks, typically within the range of Rs.10-15lakhs are awaiting some flexibility measures from government such as moratoriums, interest subsidies.** However there was a general feeling that even once the moratorium is lifted, it will still be difficult for people to pay the old EMIs under current conditions and thus this contributes to

pressure felt within financial institutions which in turn will impact release of credit for further business.

9. **Mass arrival of people back into villages** potentially putting more people at risk. Lack of health care resources (isolation units, masks, sanitizers). But perhaps also an opportunity to encourage people to take up new livelihoods in their villages.
10. Some have complete dependencies on government schemes for aid (personal) and this can lead to a **personal crisis before business resumes**.
11. Since many enterprises deal in face to face business there is **difficulty adjusting to online/ virtual work spaces** with some suggesting they are completely out of work. While others are trying to use the time to do tasks related to brochure and communications design.
12. For agriculture processing technology developers Feb-Mar-April a lot of **seasonal sales that are lost** which will have long term implications on revenue this year like tamarind de-seeder.
13. Overall the timing was **unfortunate given the end of financial year** in India and therefore surge of sales opportunities were lost, closing of accounts has become difficult and also uncertainty if company compliances will be relaxed given the situation such as GST, audits etc.
14. Entrepreneurs from **Manipur** expressed that business interruptions were common place in Manipur with *bandhs* but there were always delivery of goods, transport services and other lifelines at the time. This is unusual given the length and total shut down making it more **complicated for hilly regions or tribal dominated states where remote locations make supplies even on a good difficult so in this situation will be worse**.

Immediate Action

1. Developing toolkits, webinars, one to one sessions with mentors that assist enterprises with practical advice on **delineating critical business functions that need to be prioritized, managing current cash flows- cash in hand, inflow and outflows**. Such cash flow management to stretch current resources to retain essentials- HR, office, stock. This is particularly relevant due to dependencies on financial institutions for end user financing and working capital. Ex. One enterprise took a decision to stretch resources like continuing to pay salaries but deducting from bonus/incentive paid later in the year. Others have seen to it that leadership takes a cut in salaries while lowest paid workers are paid in full. This also includes being able to tide over working capital crunch, lack of pipeline, inability to unlock end user financing and other rising outstanding debts that will arise from this crisis.
2. Also **assistance with laying out scenarios for Plan B**. This involves alternate supply chain channels that are closer to area of operations and also less dependencies on longer distances, responding to a post COVID phase in which new innovations and business models might emerge. Alternate product portfolio needs to be looked at especially one that can withstand this sort of disaster for future resilience planning.
3. **Understanding of moratoriums, reduced interests on outstanding loans from financial institutions for enterprises and end users**. Discussions with financial institutions- banks, MFIs, NBFCs on what sorts of schemes, relief measures, products are emerging that will help respond to the crisis within 3-5 months. This is true not only for the enterprises but also for the populations they serve who are also struggling with loss of livelihoods and health.
4. **Database that maintains announcements** of economic stimulus packages, end user, SME schemes (current, new) in order to increase awareness around support extended.

5. **Support to apply to CSR funds** and other funds being set up to support MSMEs in terms of writing up applications and submissions. This could also include opening opportunities to contribute to supply masks, sanitizers or in other ways to the ongoing health crisis
6. **Tapping into support and advice from medical professionals** on alternate business models and innovations that are emerging - some have already developed machinery to help with covid- UV lights, disinfectants, sanitize gate, washers, helmet, face protection shield and visor, bodysuit etc and need support in how to get monies, permission and awareness on the same.
15. Establishing and/or **develop local contacts at this time** with local govt. officials to get permissions and other support. At the same time matchmaking connects with local village councils, CSOs who have come out to be at the frontlines of COVID relief efforts.
16. Develop an **understanding of insurance or protection schemes** for health for unorganized sector and balance sheet during such crisis when all production is shut down.

Going forward SELCO Foundation intends to push back its annual plan by a quarter in order to focus its efforts on supporting energy enterprises in tiding over this crisis with the above mentioned action points.