



BUSINESS PLAN · INDIA

ESCO / Energy-Services Company

Performance-based efficiency projects

ENERGY

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out an **ESCO / Energy-Services Company** in India — a firm that delivers energy-efficiency projects under **performance contracts**, where the ESCO designs, implements & (often) finances efficiency upgrades and is paid from the **measured, verified energy savings** it delivers. Unlike a fee-for-service auditor, the ESCO takes **savings/performance risk**: revenue is a share of (or guaranteed) savings under a shared-savings or guaranteed-savings model, over a multi-year contract — a long-contract annuity with M&V (measurement & verification) at its core. It monetises industry's & institutions' energy-cost pressure with a "savings pay for the upgrade" proposition.

Indian industry, commercial buildings, municipalities & institutions face rising energy costs but hesitate to invest capital in efficiency; the ESCO model removes that barrier — the ESCO implements the upgrade & is paid from the savings, aligning incentives. It is a **performance-contracting business**: it may fund the capex itself (balance-sheet/project-finance, higher return & risk) or use a client-capex model (lower risk, advisory-like), and lives on **identified & verified savings, M&V rigour, implementation quality & savings-risk management**. Revenue is **a share of/guaranteed savings over the contract**; success rests on savings delivery, M&V, implementation, savings-risk & (if self-funded) capital/DSCR — it is savings-, M&V-, execution- & capital-driven, with a multi-year annuity.

This is a performance-contracting business — funded by promoter equity plus debt/project-finance for ESCO-funded projects (or lighter WC for client-capex). This plan models an ESCO (mixed model) requiring **₹3 crore** (₹1.1 crore promoter + ₹1.9 crore debt/project-finance), targeting savings-based revenue of **₹2.5 crore** in Year 1 scaling to **₹8 crore** by Year 3. *(ESCO/performance-contracting; share-of-verified-savings over multi-year contracts, savings-/M&V-/execution-/capital-driven — figures illustrative; ESCO takes savings risk.)*

2. Business Description, Vision & Legal Structure

Concept: An ESCO / energy-services company - performance-contracted efficiency projects (shared/guaranteed savings), designing/implementing/(often)financing upgrades & paid from measured savings.

Vision: To cut India's energy waste & cost - with the savings paying for the upgrade.

Mission: Deliver guaranteed, verified energy savings through expert implementation & rigorous M&V - aligned, accountable & bankable.

Legal structure options

- **Private Limited** — recommended for capex/project-finance, performance contracts & credibility.
- **SPV** — sometimes for large ESCO-funded projects.

Regulatory anchor: an ESCO operates within BEE ESCO accreditation/frameworks, performance-contracting norms, M&V protocols (IPMVP), Energy Conservation Act, & (if funding) project-finance/contract structures & DSCR. Savings delivery, M&V rigour, implementation, savings-risk management & (if self-funded) capital determine success; it is savings-, M&V-, execution- & capital-driven, with a multi-year annuity — the ESCO takes performance risk.

3. Promoter & Ownership

Led by a promoter with energy-efficiency, ESCO, engineering or performance-contracting expertise & (for self-funded) capital access. The team includes energy engineers, M&V specialists, implementation/project engineers, finance (project structuring) & BD. Savings delivery, M&V, implementation & savings-risk are the differentiators. Ownership, equity &

project-finance are editable inputs.

4. Market Analysis — India

India's rising energy costs, efficiency mandates (PAT/BEE), net-zero/ESG & capital-hesitancy make the ESCO "savings pay for it" model attractive across industry, buildings, municipalities (street-lighting/water) & institutions. Demand is cost-/efficiency-/capital-barrier-driven & policy-backed. The market rewards savings delivery, M&V credibility, implementation, savings-risk management & capital; it is savings-, M&V-, execution-, capital- & trust-sensitive, met with savings, M&V, execution & structuring.

Demand drivers

- **Energy-cost pressure** & capital hesitancy.
- **Efficiency mandates (PAT/BEE)** & ESG.
- **Municipal (street-light/water)** & institutional.
- **"Savings pay for upgrade"** proposition.
- **Net-zero & decarbonisation.**

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	ESCO/efficiency in India	Large & under-penetrated
SAM	Sector/segment & geography	Substantial
SOM (Yr 1-3)	Projects / savings contracts	Scaling

Target segments

- Industry (process/utilities efficiency).
- Commercial buildings/hospitals/hotels.
- Municipalities (street-lighting/water/pumping).
- Institutions & ESG-led corporates.

5. Competition & Competitive Advantage

Landscape: other ESCOs, energy-audit/consultancies (fee-model), EPC/efficiency vendors & in-house. The ESCO competes on savings delivery/guarantee, M&V credibility, implementation, financing capability, savings-risk management & track record.

The business's edge

- **Verified savings delivery (guarantee).**
- **M&V rigour & credibility.**
- **Implementation & engineering quality.**
- **Financing capability (ESCO-funded).**
- **Savings-risk management & track record.**

6. Products & Revenue Model

Stream	Model	Basis
Shared-savings contracts	% of verified savings (multi-year)	Core annuity (ESCO risk)
Guaranteed-savings contracts	Fee + savings guarantee	Core (client-capex)
ESCO-funded (BOOT-like)	Savings over contract (capex)	Higher return/capital
M&V & O&M	Recurring	Recurring
Advisory / project fees	Fee	Ancillary

Revenue is **a share of (shared-savings) or a guaranteed portion of verified savings** over a multi-year contract; ESCO-funded projects earn more (capex + risk); M&V/O&M recur. Economics = savings delivered × ESCO share – implementation/capex/finance – M&V/O&M; savings delivery, M&V, execution & (if funded) capital/DSCR drive it — the decisive ESCO levers (savings-risk annuity).

7. Go-to-Market — Sales & Contracts

- **Savings/ROI & "no-capex" pitch** (aligned model).
- **Investment-grade audit → contract.**
- **Sector focus & track record** (verified savings).
- **Municipal/institutional tenders** (PPP/ESCO).
- **Financing structuring** (ESCO-funded/DSCR).

Sales approach

Target energy-intensive clients → investment-grade audit (identify savings) → structure performance contract (shared/guaranteed, ESCO/client-capex) → implement → M&V verify savings → earn savings share over contract → build track record & annuity. Savings delivery, M&V, execution & structuring build the ESCO; the aligned "savings pay for it" model wins hesitant clients.

8. Operations Plan (performance contracting)

- **Audit & design:** investment-grade audit, savings modelling, engineering.
- **Contract & finance:** performance-contract structuring (shared/guaranteed), financing (ESCO/project/client), DSCR.
- **Implementation:** efficiency upgrade execution (equipment/retrofit), commissioning.
- **M&V:** baseline, measurement & verification (IPMVP) — the core of getting paid.
- **O&M:** ongoing performance, maintenance, savings sustenance over contract.

ESCO workflow

Stage	Activity	Metric
Audit	Investment-grade/savings	Savings potential
Contract	Structure/finance	Model/DSCR

Implement	Upgrade/commission	Execution
Verify	M&V savings	Verified savings
Earn	Savings share/O&M	Annuity/realisation

9. Regulatory, Licences & Compliance (India)

- **BEE:** ESCO accreditation/frameworks; Energy Conservation Act; PAT.
- **M&V:** IPMVP protocols; baseline/verification standards.
- **Contracts & finance:** performance-contract structures; project-finance/DSCR (if funded); guarantees.
- **General:** company/SPV; GST; implementation safety/warranties.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / leadership	1	2	3
Energy engineers & M&V	5	10	16
Implementation / project engineers	4	8	14
Finance/structuring, BD & admin	3	6	9
Total	13	26	42

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	Entity, BEE-ESCO, team, financing tie-ups, first audits
Ramp	Month 4–12	First contracts, implementation, M&V, ₹2.5cr savings revenue
Build	Year 2	More contracts/sectors, ESCO-funded, annuity, ₹5cr
Scale	Year 3	₹8cr revenue; contract portfolio & savings annuity

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. They are not projections of guaranteed results. An ESCO takes savings/performance risk; ESCO-funded projects use capex/project-finance (higher return & risk), client-capex is lighter; revenue is verified-savings-share over multi-year contracts; M&V is central.

12.1 Capital & means of finance (initial)

Requirement	₹
Project capex (ESCO-funded upgrades — deployed)	1,80,00,000

Working capital (implementation + M&V cycle)	70,00,000
Team, tools, M&V & setup	35,00,000
Pre-operative & contingency	15,00,000
Total capital	3,00,00,000
Promoter equity	1,10,00,000
Debt / project-finance (ESCO-funded)	1,90,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Savings-share revenue (shared/guaranteed)	1,80,00,000	3,60,00,000	5,80,00,000
M&V, O&M & advisory	70,00,000	1,40,00,000	2,20,00,000
Total revenue	2,50,00,000	5,00,00,000	8,00,00,000
Implementation / project cost	1,00,00,000	2,00,00,000	3,20,00,000
Salaries, M&V & O&M	85,00,000	1,55,00,000	2,30,00,000
Overheads & BD	30,00,000	55,00,000	80,00,000
Interest (project-finance) & other	20,00,000	35,00,000	45,00,000
Total expenses	2,35,00,000	4,45,00,000	6,75,00,000
Net profit (before tax)	15,00,000	55,00,000	1,25,00,000
Net margin	6%	11%	15.6%

12.3 Unit economics & key ratios

- **Savings delivered x ESCO share:** the ESCO earns from verified savings over the contract; ESCO-funded projects earn more (recover capex + return) but carry capex & savings risk; guaranteed/client-capex is lighter but lower-return.
- **M&V & savings-risk:** rigorous M&V (baseline/IPMVP) is central to getting paid & to credibility; savings-shortfall risk (the ESCO's core risk) is managed by conservative estimation, quality implementation & O&M.
- **Annuity & capital:** multi-year contracts create an annuity; ESCO-funded needs capital/DSCR (project-finance); margins improve as the contract portfolio & annuity build.

12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	15,00,000	12,00,000	12,50,000	13,00,000
Savings & fee collections	50,00,000	60,00,000	68,00,000	72,00,000
Implementation, salaries & operating	53,00,000	59,50,000	67,50,000	71,00,000
Closing balance	12,00,000	12,50,000	13,00,000	14,00,000

ESCO cash lags: implement/capex first, then earn savings over the contract — the savings-realisation cycle & (if ESCO-funded) capex are the cash strain. Conservative savings estimation, M&V, project-finance structuring, guaranteed/client-capex mix & a WC buffer manage cash; the key risks are savings-shortfall (the core risk), M&V disputes, capex/DSCR, client-credit & long cycles — met with M&V rigour, conservative estimates, structuring & execution.

12.5 Key Performance Indicators to Monitor

- **Savings:** savings delivered vs. guaranteed; realisation; shortfall.
- **Contracts:** portfolio; annuity; ESCO-funded vs. client-capex mix.
- **M&V:** verification; disputes; baseline accuracy.
- **Finance:** margin; DSCR; capex ROI; contract IRR.

13. Funding Requirement & Bankability

This ESCO needs **₹3 crore** — **₹1.1 crore equity + ₹1.9 crore debt/project-finance** — for ESCO-funded project capex, implementation WC & team; a client-capex-heavy model would need less. Bankability rests on the savings track record, M&V credibility, contract portfolio/annuity, savings guarantees & (for funded projects) DSCR — lenders scrutinise savings certainty & M&V. Early years invest (implement-then-earn), improving as the annuity builds. Savings delivery, M&V, execution & capital underpin the model. *(Business model, not investment advice; BEE/ESCO & M&V frameworks apply.)*

13.1 Funding utilisation (₹3 crore)

Use of funds	₹	% of total
Project capex (ESCO-funded upgrades)	1,80,00,000	60%
Working capital (implementation + M&V cycle)	70,00,000	23.3%
Team, tools, M&V & setup	35,00,000	11.7%
Pre-operative & contingency	15,00,000	5%
Total	3,00,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
Savings shortfall (the core ESCO risk)	Conservative estimation, quality implementation, O&M, M&V
M&V disputes / baseline	IPMVP rigour, clear baselines/contracts, third-party M&V
Capex / DSCR (ESCO-funded)	Project-finance structuring, client-capex mix, DSCR discipline
Client credit / long cycles	Credit checks, guarantees, milestone/savings-linked, WC buffer
Execution / technology	Engineering, proven tech, implementation quality, O&M

15. SWOT Analysis

Strengths Aligned "savings pay for it" model; multi-year annuity; efficiency/ESG tailwind; M&V credibility; scalable.	Weaknesses Savings/performance risk; capex/DSCR (if funded); M&V/dispute risk; long cash cycles; execution-critical.
Opportunities PAT/efficiency mandates; municipal (street-light/water); net-zero/ESG; ESCO-funded projects; sector expansion.	Threats Savings-realisation risk; client-credit; competition; capex/finance constraints; policy changes.

16. Recommended AiSevak Tools for This Business

This ESCO would use AiSevak's Energy vertical tools in delivery:

- **Delivery ops:** investment-grade-audit/savings-modelling & implementation, M&V/IPMVP-verification & O&M, contract-structuring tools.
- **Finance & compliance:** project-finance/DSCR & savings-guarantee, BEE-ESCO & performance-contract tools (with Finance & Legal verticals).
- **Practice:** Business Plan, savings/M&V and DSCR/Break-even modelling tools to plan & monitor the ESCO.

17. Key Assumptions & Notes

- ESCO/performance-contracting: designs/implements/(often)finances efficiency & is PAID FROM VERIFIED SAVINGS (shared/guaranteed) over multi-year contracts — takes savings/performance risk.
- Savings delivered × ESCO share decisive; M&V rigour (central to getting paid), implementation, savings-risk management & (if funded) capital/DSCR are the levers; annuity builds over the portfolio.
- Funded by equity + debt/project-finance (ESCO-funded) or lighter WC (client-capex); BEE/ESCO, IPMVP-M&V, Energy Conservation Act apply.
- Savings, M&V, execution, contract mix & capital drive economics; figures illustrative; business model, not investment advice.

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