

# Executive summary of Business Proposal

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Team 17: Individual summary



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# Executive Summary

## Product Description

SolarCity focuses on the design and installation of solar photovoltaic power system in South Africa. Research has shown that the demand for solar energy will keep rising and reach a factor of ten in the next fifteen years. This is due to the recent energy problems (load shedding) and the fact that the cost per kWh of energy from the grid will rise above inflation while the cost of photovoltaic system continue to decrease. We focus primarily on the Cape Town region as the Cape Town municipality made provision for excess energy from a solar energy user to be fed-back into the main electricity grid for a 57 cents/kWh return on the excess energy which would have been wasted. In comparison to energy from the main grid, the cost of the system for an off grid installation over its lifetime of 25 years (on average) is much less than the current kilowatt hour cost from the main grid. The customer is guaranteed a return on investment as the system break-even after 10 years. Thus, from that point onward, s/he can enjoy «free» energy for the rest of the system lifespan.

## Marketing Plan

Market research and analysis has shown that there are currently two companies offering the same service as SolarCity in Western Cape (PVI solar and Sokolic). However they have less emphasis on homes and their lead time is much longer than what we are offering. The whole process from request to system design and installation will be completed within one week while those other companies currently achieve this within months. Research all shows that by 2020, 50 % of Cape Town residents, which is about 550 000 households, will rely on solar energy, therefore although there are competitors, the market is still big enough for SolarCity to get its share. A typical household require a 1.5kW grid-tied system or 8 kilowatts off the grid system. The design for these two have been mostly done and this allows for the short lead time period of one week.

## Operation Plan

SolarCity is a venture started by four engineers who graduated from the University of Cape Town. The business is located at 15 Queens Road, Observatory, Cape Town. It consists of an office space, a conference room and a storage room. Our main operation

involve making installation of grid-tied or off grid solar system to customers. Therefore, we need to purchase all the components required for such a system. To minimise cost, we opted for local suppliers (Sustainable.coza). By the end of year five, we would have employed ten technicians and two engineers in full time positions. After these five years, we plan on expanding the business with completely off the grid solar system that generate energy for household directly in rural area where grid access is rather challenging. Our business focus on making the installation of solar panels easy for the clients by providing an aggregated service encompassing design and installation. Business setup operation will start from January 2017 and will last six month, thus sales begin from July 2017.

## Financial Plan

SolarCity expect to raise R 250 000 on its own and requires a R 6.45 million from its investor for 40 % share of the company. This will cover the bulk of the start-up capital required. Solar city anticipate sales of R R 1.55 million at the end of year 1, R 13 millions in year 2, R 27.31 millions in year 3, R 36.24 millions in year 4 and R 47.88 millions in year 5. The profit during the first five years is estimated as follows: a loss of R 623 000 for year 1 due high start-up costs, a profit of R 2.19 million at the end of year two, R 8.86 million by the end of year 3 after break-even in the 9<sup>th</sup> month of that year, R 19.17 million at the end of year 4 and R 33.33 million at the end of year 5. SolarCity does not anticipate cash flow problem as 70 % of sales are cash based with the remaining 30 % settle the following month. Figure 1 below depicts our projections. After 5 years, the initial share are worth 5 times their current values, thus the investors effectively earn 200 % of the capital invested or 40 % annually return on investment.

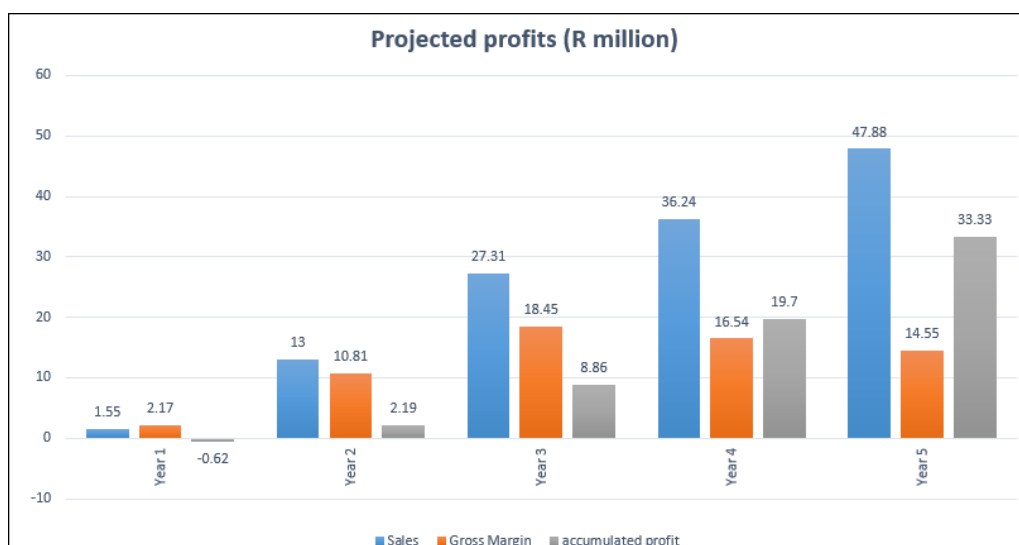


Fig. 1. Projected profit over the fist 5 years