PowerSmart delivers Solar Systems in the Pacific

NZEC solution: Secure Export Sales / Access Trade Finance

NZEC product: General Contract Bond Guarantee

Sector: Manufacturing

Trying to secure a $32 million contract is no small feat for any company. What do you do when a potential contract is not only a significant step-up in terms of size, but also requires large performance bonds or bank guarantees?

This was the scenario facing PowerSmart, a Tauranga-based company, who were bidding for the supply of solar systems to the Cook Islands and Tuvalu, with performance bond requirements in excess of $20 million. The opportunity would enable PowerSmart to establish their credentials as a leading provider of grid-connected solar systems. However, PowerSmart faced the challenge of convincing all necessary parties that they were capable of performing the contracts.

It was not the first time Mike Basset-Smith, Managing Director of PowerSmart, had faced similar opportunities and barriers in growing the business. Mike contacted the BNZ and New Zealand Export Credit (NZEC) to see if they would be able to issue the performance bonds on behalf of PowerSmart.

Nathan Dolman, Senior Associate with BNZ Partners in the Bay of Plenty, says PowerSmart was an established client and they had a strong working relationship. "We understood what they did and they had the right people – good guys who run a good business. They were a growing company and our main question was, 'Can they deliver?' We also needed to understand all the risks."

PowerSmart had already prepared detailed project planning and cashflow forecasts as part of its bid and shared this information with BNZ and NZEC. After undertaking due diligence, including a detailed analysis of cash flows, both BNZ and NZEC were satisfied that PowerSmart had demonstrated technical, managerial and financial capabilities to perform these projects.

BNZ and NZEC also took comfort in each party agreeing to risk-share, with NZEC indemnifying BNZ for 60% of the $20 million bonds.

NZEC's Head of Business Origination, Peter Rowe, says NZEC had already supported PowerSmart on a previous project supplying solar systems to Tokelau. "We had seen the growth in the company and were confident they could ramp up further. We wanted to help accelerate their growth and support a company that was developing renewable energy in the Pacific Islands."

"It is a good example of how NZEC's contract bond guarantee can help exporters really step up and deliver larger projects."

Mike Bassett-Smith cannot overstate the importance of NZEC's help. "PowerSmart simply would not have been able to secure this contract without NZEC's role in supporting BNZ issuing the bonds" says Mike. "Solar Systems are new, specialised technology and our company is limited by the opportunities in the market.

"This deal is also very important for the market as a whole. It's one of only a number in the world and the first to provide 100 percent solar power."

Aid agencies estimate that about 80 percent of energy in the Pacific is generated from diesel and about 10 percent of the region's GDP goes towards importing fossil fuel.

Shifting to solar power means transport of diesel drums to the extremely remote northern Cook Islands will no longer be required. Diesel will only be used for short periods to help maintain optimum battery life.

Nathan says BNZ are proud to be supporting both a project that will have a big impact in the Pacific Islands and a company that is "working in innovative ways and has a great success story."

The solar systems should be in operation by April 2015. Construction will be monitored using a drone PowerSmart has purchased to take aerial views of the islands.

Future prospects for PowerSmart include a project in the southern Cook Islands. Mike says PowerSmart was set up to make a difference in the world. "We want to leave something behind."

www.powersmartsolar.co.nz