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GIBSS takes green steps to reduce energy costs

After helping many hotels save on operating expenses, the company plans to grow & enter the residential segment



In 2007, Arun Shenoy and Mandar Kaprekar met while working at Trane, a US-based manufacturer of large air-conditioning systems. While Shenoy worked at the buildings systems division, Kaprekar led the division's contracting portfolio in India.

The duo spent about a year discussing its entrepreneurial venture. In April 2010, it incubated its start-up, Green India Building Systems and Services (GIBSS), at the Indian School of Business, Hyderabad. "As we both came from the same

domain (building systems), we entered this space to create environmentally and commercially viable technologies," says co-founder Shenoy.

Since then, the Mumbai-based start-up has helped many hotels, including those under the Marriott and Leela groups and Four Seasons in Mumbai, and the Indian School of Business (Mohali campus) cut energy and operating costs through its hot water cogeneration, lighting and indoor air quality systems.

Last year, GIBSS energy-saving products and solutions led to annual savings of eight million electrical units and 150 million litres of water consumption and cut up to 77 per cent in direct energy consumption.

This financial year, the company grew 600 per cent, compared to 2011-12.

GIBSS caters to three product verticals and offers a portfolio of 16 products in lighting and indoor air quality systems, four hot water cogeneration variations and 13 geothermal cooling ones. While geothermal cooling uses the earth's temperature to help cool the indoor environment, the lighting one provides electricity for 50,000-100,000 hours, against traditional units that last 1,000-5,000 hours. The hot water cogeneration system lasts 20 years, compared to 12 years for traditional ones. The geothermal air conditioning lasts 50 years.

Shenoy says installing a geothermal project takes three to eight months and costs Rs 2-30 crore, depending on the requirements. GIBSS has carried out three geothermal installations. And, advanced discussions are under way for another 13 across the country.

For a 300-room hotel, installing geothermal air conditioning costs Rs 2-2.5 crore, hot water system Rs 60 lakh and lightings Rs 80 lakh-1.5 crore. To tackle the costs, GIBSS offers a pay-per-savings model, a zero initial investment scheme, bank guarantees on savings and buy-back services.

"The move from traditional lighting to LED (light-emitting diode) and halogen bulbs would help save up to 30 per cent costs," Shenoy says, adding air conditioning, lighting and hot water make up 70-80 per cent of a building's operating costs.

"If the annual operating expense of Four Seasons Hotel is Rs 10 crore, geothermal and lighting systems can help reduce this to Rs 4 crore," he says.

Shenoy isn't keen on sharing the turnover. He aims for a turnover of Rs 350 crore for 2015. GIBSS believes geothermal would be a major revenue driver. It estimates it to account for Rs 200-250 crore of the turnover by 2015.

The company employs 60 people and aims to double the figure the next financial year.

Early days

Shenoy, who has an MS degree in buildings systems, has more than 10 years of experience, while Kaprekar, an alumnus of IIM-Bangalore and one of the three geothermal experts in Southeast Asia, has 17 years. Still, the going wasn't easy. Before starting GIBSS, the duo started developing product specifications.

"When we launched GIBSS, market acceptance was very low, as the awareness on energy conservation was not much. It took us a few months to convince clients. This was quite challenging, as we did not have any reference on the technology, its application and the engineering," says Shenoy.

"In disruptive technology, awareness about any innovation is low. But we have tried to remove this concern by offering the pay-per-savings model. The innovation in product offering reduced the adoption barrier," he added.

After the initial struggle, GIBSS gradually started gaining momentum and expanded its reach by bringing more hotels under its fold. These included the Hyatt and Novotel hotels.

The fact that the sector started experimenting with various technologies and products to reduce costs came as a boon to their venture. For instance, Marriott Hotel in Hyderabad installed a heat pump that reused the heat generated, along with solar panels and a condensate recovery system, said Sharad Datta, the hotel's general manager. Some Marriott Hotels also use wind power to generate energy.

"We are seeing huge potential in the segment. Demand has picked up and we are also seeing interest from residential buildings. Our goal is to grow quickly," Shenoy says. GIBSS, which started with the hotel segment, now caters to eight building verticals, including hospitals, pharma, auto, IT and business process outsourcing and data centres.

"We are in discussions with residential developers for luxury air-conditioning," adds he.

The start-up has completed 60 projects under the eight verticals.

The venture received the Parivartan Sustainability Leadership Award for 2012 for addressing energy resource challenges through its geothermal air-conditioning innovation.

The venture raised Rs 2.25 crore from TiE-ISB in the first round of funding. It also saw a strategic series-A investment of Rs 2 crore from Hyderabad Angels, a network of angel investors focused on early-stage businesses. Now, it is planning to raise series-B funding of Rs 25-30 crore from venture capitals by the next financial year.

"This could be from a single or a couple of investors," Shenoy says.

He estimates India's addressable market in this segment at about Rs 60,000 crore in the next five years.

**EXPERT TAKE:** Sashi Reddi

GIBSS is serving a very important market segment - people who would like to use energy-efficient technologies to reduce overall energy costs. This is important in India. The company has developed expertise in these areas and it is now one of the few firms that can execute large-scale green projects.

The potential is huge, since many new constructions and existing buildings can benefit from energy-efficient technologies. Now, it is an execution and capital-efficiency challenge. If it can get the right execution teams, GIBSS can grow rapidly.

As with all high-growth segments, there would be a lot of competition and for a short time, it would be hard to distinguish between the good and the bad ones. No team has the execution record of GIBSS. The challenge is to be heard above the noise. One way to tackle this is to establish the brand as one that stands for the highest quality.

The company also needs to gain scale to ensure the financing terms they secure for projects enable them to carry these projects out in a capital-efficient manner.

Arun and Mandar are outstanding entrepreneurs. Their passion for this area is infectious. I think they have the potential to change the face of this industry.

Sashi Reddi is an entrepreneur and founder & managing trustee of SRI Capital. His company, AppLabs, was acquired by Computer Sciences Corporation in September 2011