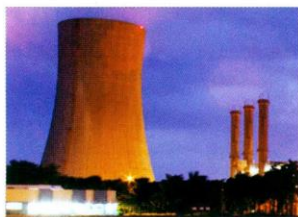


Innovative Financing

CLP India issues asset-specific bonds

CLP India Private Limited, one of the largest foreign investors in the Indian power sector, came out with its first bond issue in April 2015. The company raised Rs 4.76 billion



through the issue of corporate non-convertible debentures through its wholly owned subsidiary, Jhajjar Power Limited (JPL), which owns and operates a 1,320 MW coal-based power project in Haryana. This makes CLP India one of the first power companies in the country to issue asset-specific bonds.

CLP India is a wholly owned subsidiary of CLP Holdings Limited, which is one of the largest power enterprises in Asia and is listed on the Hong Kong Stock Exchange. CLP India has a total committed investment of over Rs 145 billion across generation projects based on wind, coal and gas, aggregating more than 3,000 MW.

The company has adopted innovative financing structures for their projects in the past as well. For instance, it had introduced a pooled financing model for its wind projects in September 2013 in order to mitigate risks and ensure security to lenders.

In a press statement, Rajiv Mishra, the company's managing director, said, "At CLP India, we have always looked at innovative ways to finance our projects to grow our portfolio and reinforce our commitment to the Indian power market."

Bond issue details

JPL issued secured, partially guaranteed (with 50 per cent backing from parent company CLP India), redeemable, non-convertible debentures on April 9, 2015.

The debentures carry a semi-annual coupon rate of 9.99 per cent and have a final maturity of 11 years. They were issued in two series of equal amounts that will mature in April 2025 and April 2026. Standard Chartered Bank and IDFC Limited were the lead managers to the issue.

Partial guarantee is a credit enhancement mechanism for debt instruments that provides stability to investors through an irrevocable assurance from the parent company to pay the principal and/or interest up to a predetermined amount. According to financial experts, such bond issues provide companies with an attractive option to access the debt market for raising long-term funds at competitive rates, especially for infrastructure projects.

Mishra says, "We believe that this bond issuance is a positive move. It will enable JPL to attract a wider array of investors, including insurance companies, mutual funds and foreign portfolio investors, in an efficient manner. This move also supports the Indian government's vision for growth through the deepening of corporate bond markets in line with equity markets."

The bond issue will allow CLP India to lower its debt-servicing cost by replacing its existing debt with a lower interest rate and a longer-tenor debt instrument, thereby leading to savings. In a press statement, Samir Ashta, director, finance, and chief financial officer, CLP India, said, "We believe that the JPL bonds present an attractive option for investors. By replacing existing bank debt with a capital market instrument, this bond

issuance will diversify our debt profile. The AA+ credit rating accreditation presents investors with a beneficial investment product."

CLP India's bonds have secured a high rating from various agencies. For instance, India Ratings and Research Private Limited assigned the bonds a rating of AA+(SO). The bonds will be listed on the wholesale debt market segment of the Bombay Stock Exchange.

Company operations

The CLP Group had entered the Indian market in 2002-03 by acquiring a majority stake in Gujarat Paguthan Energy Corporation (GPEC) Private Limited, which had set up a 655 MW combined cycle power plant at Paguthan near Bharuch in Gujarat. CLP now owns 100 per cent of GPEC's equity.

CLP India's largest asset is the Jhajjar coal-based power project, based on supercritical technology. It had won this project in July 2008 via the international competitive bids invited by Haryana Power Generation Corporation Limited. The project achieved financial closure in September 2009 after it tied up a debt of Rs 39 billion with a consortium of banks led by IDBI Bank. Part of the loan was refinanced in December 2010 after the project received \$288 million (about Rs 13 billion) as external commercial borrowings from a consortium of five foreign banks. It was fully commissioned in July 2012.

CLP India is also a leading independent power producer in the wind energy segment. It has a large portfolio of wind power projects aggregating over 1,000 MW spread across six states: Maharashtra, Gujarat, Karnataka, Tamil Nadu, Madhya Pradesh and Rajasthan.

Going forward, CLP India intends to invest in renewable energy and high efficiency coal generation projects. The company is expected to continue looking at advanced and better financing structures for its projects in the near future. ■

Neha Bhatnagar