

Adani Power Tirora: Pulling power

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Despite the global liquidity crunch, and the ultra mega power project debt facilities near to launch or in the market, the Indian power sector continues to raise funds – and much of it from local lenders.

Most recently, Adani Power and junior partner Millennium Developers and Promoters signed and closed syndication on a Rs52.48 billion (\$1.05 billion) locally-denominated debt facility backing the 1,320MW (Phase 1) of their 1,980MW Tirora coal-fired thermal power project in Gondia, Maharashtra.

Phase 1 comprises a 2x660MW supercritical technology power plant, two double circuit 400kV transmission lines extending 360km and coal mine and transport developments. Coal is being sourced from the Lohara West and Lohara extension coal blocks under agreement with the Ministry of Coal.

Phase 2 will add a further 660MW and is already out to the syndication market under the same terms as Phase 1, with close expected in April.

The debt for both phases is sole lead arranged by SBI Capital (also financial advisor). The Phase 1 debt comprises a Rs49.2 billion 14.25 year term loan and Rs3.28 billion of 15-year sub debt.

The senior debt is priced at benchmark prime lending rate (BPLR) minus 125bp and the sub-debt at BPLR plus 75bp – both floating rate and paid monthly. The lenders offer different individual interest rates but Adani has agreed to pay all the banks the same rate and at the highest rate on offer from any member of the bank syndicate. Consequently, a number of banks in the syndicate with lower interest rates will benefit from higher margins.

Banks that joined SBI on the deal include – Bank of Baroda (Rs3 billion), Indian Overseas Bank Ltd (Rs2 billion), Power Finance Corp Ltd (Rs10 billion), Rural Electrification Corp Ltd (Rs10 billion), State Bank of Patiala (Rs1 billion), State Bank of Mysore (Rs1 billion), UCO Bank Ltd (Rs1.95 billion), Corporation Bank (Rs1 billion), Life Insurance Corp of India (Rs2.25 billion), Punjab National Bank (Rs4.5 billion), State Bank of Bikaner & Jaipur (Rs1 billion), State Bank of Indore (Rs500 million), Syndicate Bank Ltd (Rs1 billion) and Union Bank of India (Rs1.5 billion). Sub debt came from Punjab National Bank, IDBI Bank and State Bank of Patiala. Banks get front-end fees of 20bp, and commitment fees of 20bp on the senior debt and 50bp on the sub-debt.

Debt repayment is on a quarterly basis with the senior debt starting six months after COD and the sub-debt repaid 12 months after COD.

EPC contractor is Sichuan Machinery & Equipment Import & Export Co of China which takes care of all performance bond obligations while the sponsor provides a cost over-run facility. Construction started on 1 April 2008 funded by Adani equity and is due to finish in 2012. The project features Rs13.12 billion of equity based on a senior debt/sub-debt/equity ratio of 75/5/20.

The deal is backed by a 25 year PPA with Maharashtra State Distribution Company for 1320MW of net capacity – around two-thirds of output – at a tariff of Rs2.642 per kWh. The remaining generation will be sold on the local open market via Adani's power trading arm.

The deal is a measure of how strongly the Indian lending market is still performing and a testament to the Indian government's easing of lending guidelines. And the Indian local lending market appears able to sustain the debt appetite of Indian power as long as the project flow does not snowball. Given at least two UMPPs are expected to syndicate in the coming months, a rash of other power projects and Adani itself is expected to return this year with Phase 4 of its Mundra plant, snowballing looks likely.

Adani Power Maharashtra (Phase 1)

Status: Syndication close 30 January 2009

Description: 1,320MW coal-fired power plant financing

Sponsors: Adani Power Ltd (74%); Millennium Developers & Promoters Pvt Ltd (26%)

Lead arranger: SBI Capital

Participants: Bank of Baroda, Indian Overseas Bank Ltd, Power Finance Corp Ltd, Rural Electrification Corp Ltd, State Bank of Patiala, State Bank of Mysore, UCO Bank Ltd, Corporation Bank, Life Insurance Corp of India, Punjab National Bank, State Bank of Bikaner & Jaipur, State Bank of Indore, Syndicate Bank Ltd, Union Bank of India

Sub-debt providers: Punjab National Bank, IDBI Bank, State Bank of Patiala

Sponsor legal counsel: In-house

Lender legal counsel: India Law Services

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