

AES: Bangladeshi double take

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AES's grip on the Bangladeshi power market tightened last month with the simultaneous financial closure of two deals backing the company's 360MW Haripur and 450MW Meghnaghat plants.

Syndication for both financings, totaling \$150.9 million, was launched on April 19 by lead arrangers ANZ Investment Bank.

The strong financing packages, each propped up by multilateral support, are said to pack ample appeal despite the Bangladeshi country risk.

The Haripur deal reached financial on April 4, with Meghnaghat following on April 11. Together they draw into the syndication market a total of \$150.9 million, with full close slated within the next six to eight weeks. A number of banks are reported to have approached lead arranger ANZ for details of the deals.

AES Haripur signed agreements with the World Bank and ANZ for financing of the combined cycle gas fired power plant, total cost \$180.3 million. AES pours \$120 million into a favorable debt/equity mix, with \$73.3 million equity already having been provided last year to expedite construction.

ANZ was brought on board the deal after AES last year dismissed the original financing team consisting of Citibank and IFC assistance. The ANZ structure apparently led to the more favorable debt/equity ratio ? a primary factor behind swift financial closure.

The final deal, as a result, reveals a neatly trimmed debt portion. The package comprises a \$60.9 million senior term loan facility guaranteed by the World Bank under its Partial Risk Guarantee program, a \$37 million AES partially subordinated loan and a precompletion revenue tranche of \$8.5 million. This latter portion, also guaranteed by AES, represents the projected revenue stream from the initial phase of plant operation. ANZ is underwriting the multilateral tranche, which carries a 14 year tenor, reduced from an initial 15 years. The margin is set at 200bp over Libor, with a repayment schedule requiring 26 equal semi-annual installments.

The World Bank's political risk guarantee tranche will guarantee against extended political risks, including default by the Bangladesh Power Development Board (BPDB), the offtaker, or the Government of Bangladesh.

The plant, to be developed under a 22 year build-own-operate (BOO) concession, is expected to be operational by October 2001.

The larger, and latter, of the two deals is AES Meghnaghat's transaction, which aims to develop a 450MW combined cycle gas fired facility at Meghnaghat, south of Dhaka. Total project costs are \$300 million, with AES providing an \$80 million equity contribution.

The remaining \$220 million debt package splits into four tranches: a \$50 million direct loan from the ADB, with a 16 year maturity; a \$20 million co-financing facility arranged under the ADB's complementary Financing Scheme (CFS), with a 12 year tenor and a margin of 350bp during construction and 325bp thereafter; a \$70 million, 15 year facility guaranteed by the ADB pursuant to its Partial Risk Guarantee Program; and an \$80 million Infrastructure Development Co Ltd (IDCOL ? a Government of Bangladesh lending institution sponsored by the World Bank) facility.

The IDCOL facility breaks into two parts- a 16 year, \$20 million senior facility and a 22 year, \$60 million subordinated facility.

Similarly, the ADB guaranteed portion splits into two: Tranche A, a \$20 million normal amortizing tranche, with a 200bp margin, and Tranche B, a \$50 million with an 8 year grace period, and a margin of 225bp.

Both the ADB guaranteed facility and the ADB CSF facility are being sold to the market by ANZ, which is also underwriting the total \$90 million amount.

Both plants are being designed and built by a consortium of Hyundai Engineering & Construction Co. Ltd. and Hyundai Heavy Industries Co. Ltd. Construction of the Haripur plant is close to completion, and the Meghnaghat plant is expected to be commissioned by October next year.

Supply and offtake agreements are similar for both deals: power will be sold to the BPDB under a 22 year power purchase agreement, with gas supplies coming from Titas Gas Transmission and Distribution Company. For both agreements, obligations from the state agencies are guaranteed by the Bangladeshi government.

Another distinguishing feature of both deals, and one which is likely to contribute to its market reception, is minimized construction risk ? Meghnaghat is roughly 80% complete and Haripur is around 90% wrapped up.

But perhaps most noteworthy about these deals is the fact that, taken together, they represent the largest ever cross border, non-recourse debt financing package arranged and raised for a private sector infrastructure development project in Bangladesh.

The projects are also the first large-scale independent power schemes in the country to be developed, financed and implemented under Bangladesh's private sector power generation policy.

Additionally, significant ADB and World Bank support highlights the advantages of multilateral assistance in places which might otherwise deter banks from taking political and project risks. Indeed, Meghnaghat is the first project finance transaction to date to benefit from the ADB's partial risk guarantee scheme, and to receive funding from the World Bank sponsored IDCOL.

The AES/ANZ relationship is further borne out in Sri Lanka, where AES is developing its 163MW combined cycle diesel-fired Kelanitissa project. There, ANZ has been mandated to arrange and underwrite a \$52 million ADB partial risk guaranteed term loan facility. Although the team had hoped for a more rapid close, and thus, with the Bangladeshi deals, a financing hat-trick, the deal is expected to reach financial close in the next few weeks.

Further afield, ANZ, together with ABC, is set to launch general syndication of yet another AES deal ? the \$348.6 million senior term loan facility for AES' Barka gas-fired power and desalination project in Oman.

Status: In syndication

Cost: \$180.3 million

Debt: \$107 million, including a 14 year, \$60.6 million World Bank PRG facility

Sponsor: AES

Lead Arranger and Underwriter: ANZ Investment Bank

Financial Adviser: Sanwa Bank

Lawyers to sponsor: Linklater & Paines, Kelley Drye & Warren

Lawyers to lender: Fulbright & Jaworski

AES Megnaghat

Status: In syndication

Cost: \$300 million

Debt: \$220 million: \$50 million ADB direct loan; \$20 million ADB CSF, \$70 million ADB guaranteed facility; \$80 million IDCOL facility (IDCOL underwritten)

Lead Arranger and Underwriter: ANZ Investment Bank

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