

# Asia-Pacific Power Deal of the Year 2013: Banten

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In 2013 Indonesia hosted a financing that has the potential to change the way future power plants in the country are financed. The \$998 million Banten coal-fired power plant in West Java is the first project in Indonesia to be financed on a limited recourse basis without any government guarantee for PLN's obligations under a power purchase agreement.

In 2011, the government launched several IPPs that lacked guarantees in an attempt to gauge international lender appetite for PLN as a standalone credit. The government had been seeking to wean lenders off demanding additional comfort as memories of the Asian financial crisis recede and the creditworthiness of PLN improves.

Genting, the majority shareholder in Banten, was the first sponsor to close a deal without a guarantee, and the most unlikely. International lenders know Genting best as a casino and luxury hotel operator, although it has developed power projects in its home market of Malaysia and a coal trading business in Indonesia.

Banten also the first major Indonesian IPP to use Chinese technology, though PLN has procured plans directly that featured Chinese content. Genting owns 95% of the project, while local developer Hero Inti Pratama owns the remaining 5%. It did not pick an engineering, procurement and construction contractor until 2012, but by then it had already settled on using a Chinese firm, and had shortlisted three contractors: Shandong, Harbin Electric and Shanghai Electric before settling on Harbin.

Genting drew comfort from the fact that Harbin is a specialist in coal-fired technology and has an installed capacity comparable to a German or Japanese manufacturer. But using a Chinese contractor would not help Genting increase the comfort of lenders, and also narrowed its options in using export credit agency (ECA) debt.

Chinese ECA Chexim declined to lend to the project, because its offtake agreement lacked a government guarantee, leaving Genting at the mercies of its various relationship lenders. When commitments from these lenders came in the sponsor faced a funding gap of about \$140 million and turned to Citibank to fill it.

For the last ten years Citi has not been a top-tier project finance lender in Asia, but it does have capital markets capabilities, and leading bond issues for PLN has helped it grasp the risks attached to the utility. The bank stepped up to meet around \$100 million of the remaining funding requirement and its involvement helped convince the Malaysian lenders to provide the rest.

The two sponsors signed the deal in May 2013, the project company drew on the working capital facility in July, and the term loan closed in December. The sponsors had to ask lenders

## Lestari Banten Energi

### STATUS

Signed 10 May 2013,  
financial close 5 July 2013

### SIZE

\$998 million

### DESCRIPTION

Financing for construction of a 660MW coal-fired power plant in Banten province, West Java, Indonesia

### OFFTAKER

PLN

### SPONSORS

Genting (95%), Hero Inti Pratama (5%)

### EQUITY

\$268 million

### DEBT

\$730 million

### MANDATED LEAD ARRANGERS

Citigroup (coordinating bank, documentation bank, administrative agent, offshore security agent, hedging bank, ESRM bank, working capital facility bank), Maybank (onshore account agent, offshore account agent, modeling bank, hedging bank), CIMB (insurance bank, hedging bank), RHB

### ECA

Malaysia Ex-Im (technical bank)

### SPONSORS LEGAL ADVISERS

Milbank, Tweed, Hadley & McCloy, Makarim & Taira

### LENDERS LEGAL ADVISERS

for some waivers, particularly regarding land acquisition, to allow Banten to fund, and have yet to appoint a coal supplier, although sponsors typically do not have to do this until about six months before commercial operations.

The debt comprises a \$504 million 11.5-year term loan from four banks CIMB, Citi, Maybank and RHB, a \$26 million revolving credit facility from the same four lenders, and a \$200 million 17-year loan from Malaysia Ex-Im. The sponsors are also providing \$268 million in equity, in addition to some completion support.

Shearman & Sterling, Ali Budiardjo, Nugroho, Reksodiputro

SPONSORS INSURANCE ADVISER  
AON

SPONSORS TAX ADVISER  
PwC

SPONSORS TECHNICAL ADVISER  
Black & Veatch

LENDERS INSURANCE ADVISER  
Willis

LENDERS TECHNICAL ADVISER  
Mott MacDonald

LENDERS FEEDSTOCK SUPPLY CONSULTANT  
Dargo Associates

LENDERS MODEL AUDITOR  
Ernst & Young

ENVIRONMENTAL CONSULTANTS

ERM Indonesia, Widya

ONSHORE SECURITY AGENT

Bank DBS Indonesia

EPC CONTRACTOR

Harbin Electric International Co

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