

# *Infrastructure*

## *News*

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September 11, 2006 - September 17, 2006

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### Policy

■ **The Department of Telecommunications (DoT)** has **proposed** an extension, till **December 3**, to **telecom service providers** to **adhere** to the **revised guidelines** for **enhancing foreign direct investment (FDI) to 74 per cent**. This proposal, contained in a draft Cabinet note, will be placed before the Cabinet shortly. As per the proposed revision, the shares of a person residing outside India cannot be transferred to any other person overseas without the Foreign Investment Promotion Board's (FIPB) prior approval. The government will also allow foreign chief executives, chief technology officers, and chief financial officers in domestic telecom companies with FDI up to 49 per cent. However, companies with more than 49 per cent FDI can appoint foreign nationals to such positions subject to clearances from the home ministry.

### Loans and Credit/Assistance/Sanctions

■ The **port expansion project** of the **Adani Group-owned Mundra Port and Special Economic Zone Limited (MPSEZL)** has **achieved financial closure**. The expansion plan of the port, which involves expanding infrastructure facilities and augmenting mechanisation facilities is estimated to cost Rs 12 billion. Of the total project cost, Rs 8 billion has been arranged through debt and the balance Rs 4 billion is being raised through internal accruals. The company has arranged its Rs 8 billion debt from seven banks – State Bank of India, Canara Bank, Allahabad Bank, Syndicate bank, Corporation Bank and State Bank of Hyderabad. The expansion project is expected to be completed in the third quarter (July-September) of the calendar year 2007. The port expansion programme involves adding four bulk cargo berths and two container berths, acquiring two tugs and four mobile harbour cranes and increasing the port's cargo handling capacity to 50 million tonne per annum (mtpa).

■ **Haryana might borrow** from the **World Bank** an **interest-free loan** for **irrigation and power projects**. The state needs about Rs 40 billion to upgrade its transmission system and Rs 30 billion for modernising its distribution system. Meanwhile, the state is planning to add 2,000 MW capacity through two power projects with an investment of Rs 90 billion. One of the projects will be a 1,000-MW coal-based power generation plant at Hissar, which will be owned by the Haryana Power Generation Corporation Limited. The other project is a 1,000-MW coal-based plant at Jhajjar to be developed by the private sector. The cost of generation from the proposed projects is expected to be around Rs 2.75 per unit.

■ The **Indian Railway Finance Corporation (IRFC)** has recently **raised Rs 2.50 billion** in the **form** of a **term loan** from a **public sector bank**. With this, IRFC has raised Rs 12.60 billion from the domestic market this financial year. The Rs 2.50 billion was raised as a five-year term loan, with bullet repayment system, at a cost of 8.15 per cent. **Meanwhile** IRFC is **set to start financing third parties interested in investing in rolling stock**. This foray will begin with the funding of the railways' wagon investment scheme. IRFC is also keen on financing private container players who need investment in rolling stock. However, it has not been approached by any container operator yet. IRFC however, wants to have a phased investment plan, beginning with an approximate Rs 2 billion this fiscal.

■ **The National Highways Authority of India (NHAI)** has been able to **reduce** its **dependence on budgetary sources** and has increased **market borrowings** and **private participation**. It has also started negotiating directly with multilateral agencies. As compared to Rs 12.89 billion raised from the market in 2005-06, NHAI has already raised Rs 15 billion this fiscal, besides an approved temporary overdraft of Rs 21 billion. Budgetary support on

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the other hand declined from Rs 7 billion in 2005-06 to Rs 1.1 billion estimated for 2006-07. Moreover, the authority is finalising a deal with the Asian Development Bank (ADB) for a \$400-million loan for the National Highway Development Programme (NHDP) Phase-III, which will be provided in five tranches. The loan will be routed directly to it, instead of through the central government. The Centre will however continue to be the sovereign guarantor. The authority is seeking easier terms than what ADB has provided till now. The authority also received an in-principle nod from Life Insurance Corporation of India (LIC) for a Rs 60-billion long-term credit line. The loan would be in the form of long-term borrowing for a period of 20 to 25 years. The authority will be using the funds from next fiscal. Also, NHA has prioritised the way it will be inviting private players for NHDP Phase-III. NHA plans to use the BOT-toll model for all projects possible and BOT-annuity model will be the second option. Only in areas, where NHA does not receive any offers from the private sector, will the projects be awarded on engineering, procurement and construction (EPC) basis.

### **Debt and Bond issues**

■ **Yes Bank plans to raise \$50 million** through a mix of upper and lower Tier-II bonds during the second half of the current fiscal. It also plans to mop up \$100 million as primary Tier-I capital by a private placement or Global Depository Receipts issue. The capital raised will be used to fund loan growth and the bank's expansion plans.

### **Primary and Public issues**

■ **The government is set to launch an initial public offer (IPO) for National Hydroelectric Power Corporation (NHPC) by December 2006.** It is willing to sell up to 24 per cent of NHPC equity capital. The utility hopes to get at least Rs 26 billion from the IPO and the cash will be used to expand capacity to 6,297 MW by 2012. The Cabinet is also expected to approve a total capital expenditure of Rs 404.67 billion by NHPC.

### **Equity Moves**

■ **Reliance India Power Fund**, a 50:50 joint venture between the Anil Dhirubhai Ambani Group and Singapore-based Temasek Holdings, has **picked up 23 per cent** in the Mumbai-based **EMI Transmission**, an unlisted power equipment company, for **Rs 500 million**. EMI intends to use the proceeds to fund its growth plans. KPMG Corporate Finance was the advisor to this transaction.

■ **Hindustan Petroleum Corporation Limited (HPCL) has decided to offload around 26 per cent stake** in its **refinery-cum-petrochemical complex** at **Visakhapatnam** to an **international player**. Total SA of France along with Kuwait Petroleum International are said to be the forerunners in picking up the stake. HPCL and its foreign partner are expected to own 26 per cent each in the project, while the remaining will be held by financial institutions with the option of an IPO.

■ **Gujarat State Petroleum Corporation (GSPC) has shortlisted four global energy majors** including **Chevron, British Petroleum, BG and ENI** for **selling 30 per cent stake** in its gas rich **KG-OSN-2001/3 block off the east coast**. The companies have been asked to submit final bids by the third week of October. The four firms were shortlisted from about 13 firms, which had expressed interest in picking up a stake in the 20 trillion cubic feet gas discovery in the KG Basin.

■ **Phillips Carbon Black Limited (PCBL)**, an RPG Group company, is **raising approximately Rs 500 million of equity** for **funding its 30-MW power plant at Durgapur**

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in **West Bengal**. The total cost of the power plant is Rs 1.15 billion and it would be funded through a mix of debt and equity. While the equity contribution would be to the tune of Rs 400 million, the remaining Rs 750 million would come as debt. The board of directors of the company have decided to issue 7.5 million convertible warrants on a preferential basis of Rs 10 equity shares at a price of Rs 66. The issue is offered to promoters and their associates and the company would raise Rs 495 million. Out of it, Rs 400 million would be utilised as a capital investment for the power project and the rest would be used as working capital.

■ **National Asphalt Products and Construction Company (NAPC)**, a Chennai-based infrastructure and contractual mining company, **plans infusion of about Rs 1.2 billion of private equity to fund its expansion into coal mining, real estate and build, operate and transfer (BOT) roads and toll points**. The company plans to dilute about 20 per cent of its equity and is in talks with a few funds for this. The equity infusion is likely to take place by the end of this year.

■ **Reliance Logistics Investment**, a Reliance Group company, and **Jai Corporation**, have **bought a 51-per cent stake in Rewas port**. While Jai Corporation is owned by Anand Jain, the Rewas port belongs to Meka Vijay Papa Rao. There will be fresh issue of equity at par with the new partners. The first phase will cost Rs 25 billion, while future investments in the project will be tied up by the new partners. The port is presently awaiting environmental clearance from the Union Government. Construction is likely to begin in October 2006 and the total investments in the two phases will be around Rs 50 billion.

■ The **Jawaharlal Nehru Port Trust (JNPT)** is **planning to float a joint venture with Dubai Ports World** and a consortium of **Maersk India** and **Container Corporation of India** for a common rail operator service to ease congestion at the port.

■ **IVRCL Infrastructures and Projects Limited** has informed the stock exchanges that its **shareholders have authorised the board to raise funds** to the tune of **\$125 million** through issue of securities either in the domestic or global markets. The shareholders have also authorised the board to decide on the timing, premium, lead managers, route of issuing the securities and others details related to raising the funds.

### **Mergers and acquisitions**

■ **Patel Engineering** has **acquired a controlling stake** in the **Mumbai-based Michigan Engineers Private Limited (MEPL)** for an undisclosed amount. MEPL is an urban infrastructure company; its specialities include underground works and foundations, atypical dredging, bridges, specialised sewer rehabilitation works and other heavy civil works.

■ The **cut-off date** for the **proposed merger** of the **two state-run airlines, Air India and Indian**, has been **fixed as March 31, 2007** according to Praful Patel, Union civil aviation minister. Consultants are preparing both short-term and long-term reports of the proposed merger. The IPO of Indian has been temporarily shelved. Post-merger it would be a bigger and stronger entity. So, chances of getting a better valuation further increases. So, the IPO would come only after the merger.

■ **Industrial Development Bank of India (IDBI)** has **offered to pay Rs 28 per share** to the **shareholders of United Western Bank** for **their merger**. This is at a 30-per cent premium to its current market price. At this price, the purchase consideration works out to about Rs 1.50 billion. For IDBI, the merger would mean access to the branch network of UWB - a key to support its balance sheet growth.