

# Infrastructure Finance

## Weekly Newsletter

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Note: Rs 1 crore = Rs 0.01 billion; Rs 1 lakh = Rs 0.1 million; Rs 1,000 million = Rs 1 billion

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## POLICY

### SEBI puts out disclosure norms for municipal bonds

Putting in place the disclosure norms for municipal bonds, the Securities and Exchange Board of India (SEBI) has asked municipalities to disclose all price sensitive information and financial results to the stock exchanges.

Municipalities proposing to issue debt securities on private placement basis would have to make certain disclosure to the stock exchanges. This includes financial as well as non-financial information. The issuer would have to inform its intention to raise funds through debt securities.

The issuer would have to submit unaudited financial results on a half yearly basis to exchange and debenture trustee, wherever applicable, within three months from the end of the half year. The audited financial results should be accompanied by the annual report.

The issuer would have to enter into a simplified listing agreement with all the exchanges where it proposes to list debts securities. Every credit rating should be reviewed at least once a year by the registered credit rating agency.

## LOANS

### Reliance Industries refinances \$2.3 billion loans to cut interest cost

Reliance Industries Limited (RIL) has refinanced \$2.3 billion of syndicate and club loans resulting in substantial interest savings.

The company had a gross debt of Rs 1,966.01 billion as on March 31, 2017, most of which was taken to fund its fourth- generation telecom venture, Reliance Jio Infocomm Limited (RJIL).

As per the annual report for 2016-17, the company invested Rs 1,147.42 billion (\$ 17.7 billion) during the fiscal, the highest ever by any corporate in India.

### World Bank, AIIB to grant \$380 million to Andhra Pradesh power project

The World Bank and Asian Infrastructure Investment Bank (AIIB) have together agreed to extend \$380 million loan to Andhra Pradesh towards helping the southern state build a reliable, quality and affordable power supply to citizens.

The World Bank has signed an agreement with the Government of India and Andhra Pradesh government to extend \$240 million loan. AIIB has also signed a \$140 million loan, which is considered the first such project in India to be co-financed by it.

The World Bank and AIIB will provide loans in a 60:40 ratio for all the components of the project that is aimed at providing 24X7 power for all. Under the project, Andhra Pradesh will build new transmission and distribution infrastructure, as well as put in place systems to improve the technical efficiency and commercial performance of its power sector utilities.

## BONDS/DEBENTURES

### Rural Electrification Corporation lists green bond in UK

Rural Electrification Corporation (REC) has launched its first green bond on the London Stock Exchange (LSE) and raised \$450 million to finance renewable energy projects in India.

The 10-year dated green bond carries an annual yield of 3.965 per cent on the LSE's new International Securities Market (ISM). The REC bond is ISM's first green bond listing since the market launch in May this year.

It was 3.9 times oversubscribed on the final order book and secured strong international investor interest, with Asian investors making up 68 per cent of the order book and investors from Europe, Middle East and Africa region making up 32 per cent.

The new bond will plug into REC's plans to provide affordable and accessible power to most

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rural parts of the country by 2020. Some of the projects will include solar, wind and biomass assets, as well as sustainable water and waste management projects.

### **NSPCL to make bond market debut, asks bankers for underwriting bids**

**NSPCL-SAIL Power Company Limited (NSPCL) is in the process of raising Rs 15 billion through its maiden bonds and has asked bankers for underwriting bids for the same. The first tranche would be for Rs 2.50 billion with a greenshoe option of another Rs 2.50 billion.**

The reason for hitting the bond market route is low cost of fund. The firm is already in the term loan arrangement with banks but wants to explore the bond market route to evaluate if this route is cheaper. The firm has secured “AA” rating from agencies.

### **Reliance Industries seeks shareholders' nod to raise Rs 250 billion via debt**

**RIL has sought shareholders' approval to raise Rs 250 billion through private placement of redeemable non-convertible debentures. The proceeds from the same will be used to fund the expansion of its telecom venture RJIL.**

Earlier in April 2017, RIL had proposed to increase its capital expenditure on RJIL by Rs 180 billion in the April-June 2017 quarter, adding to the Rs 1.79 trillion investment that it had already put into the venture so far.

## **EQUITY MOVES**

### **GE Energy Financial Services to invest \$90 million in RattanIndia's solar projects**

**GE Energy Financial Services, the investment arm of American conglomerate General Electric, has agreed to invest \$90 million (Rs 5.82 billion) to develop solar power projects in India with RattanIndia Group.**

As part of the agreement, GE Energy Financial Services and RattanIndia will develop 500 MW solar assets in the states of Rajasthan, Karnataka, Uttar Pradesh and Maharashtra. GE Energy Financial Services will hold 49 per cent in the assets while RattanIndia will hold the rest.

### **Cabinet approves proposal to sell government stake in Air India**

**The Union Cabinet has granted in-principle approval to sell the government's stake in state-owned airline Air India. The government has been exploring ways to privatise the loss-making national carrier, which was bailed out in 2012 with \$5.8 billion of federal funding.**

IndiGo has expressed unsolicited interest in buying a stake in the carrier. Several other airlines, both domestic and international, have also expressed an interest in buying part of Air India.

## **MERGERS AND ACQUISITIONS**

### **Lenders clear Rosneft-Essar Oil deal**

**The joint lenders forum of 23 lenders, led by State Bank of India (SBI) and ICICI Bank, approved and authorised release of shares of Essar Oil Limited (EOL) to facilitate the sale of 98 per cent stake to the Russian consortium comprising Rosneft Oil Company, Trafigura and United Capital Partners (UCP) at a cost of Rs 861 billion.**

With this approval, the takeover of India's EOL by Russia's largest oil producer Rosneft can now be considered as closed. EOL operates a 20 million tonne (mt) refinery at Vadinar in Gujarat, and the deal also involves transferring of over 3,500 oil retail outlets.

The refinery accounts for almost 9 per cent of the country's total refining output. The plant also has a 1,010 MW captive power plant, and a 58-million tonne deep draft port that helps in importing crude and exporting finished products for the refinery.

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## Government stitches rescue plan for Tata, Adani power plants

Lenders are, reportedly, in discussions with various stakeholders to take over three imported coal-fired generation stations of Tata Power (Mundra plant), Adani Power (Mundra plant) and Essar Group (Salaya power plant), located at Gujarat and transfer 100 per cent equity for Re 1 to consumers states, including Gujarat.

However the lenders have insisted that the corporate guarantees given by the promoters will continue even after the change in ownership. For now, this plan depends on the outcome of due diligence conducted by NTPC.

These projects became unviable after the Supreme Court denied compensatory tariff due to increase in fuel costs due to policy changes in Indonesia.

## MISCELLANEOUS

### Air India Express posts 18 per cent decline in net profit in 2016-17

Air India Express has reported an 18 per cent decline in its net profit from Rs 3.62 billion in 2015-16 to Rs 2.97 billion in 2016-17. However, the carrier's revenue has increased by 14 per cent to reach Rs 33.35 billion in 2016-17.

Prudent commercial and management interventions including better utilisation of its assets leading to a reduction in its unit costs by around 5-7 per cent have contributed to its positive financial outcome. Further, the airline has also reported an increase in its average daily aircraft utilisation from 11.3 hours to 12.2 hours.

### Tata Teleservices seeks debt restructuring from lender consortium

Tata Teleservices Limited (TTSL) has approached a lender consortium led by SBI for restructuring its outstanding debt of Rs 320 billion.

TTSL has reportedly sought an extended maturity of 20 years for repayments, and a request for a fresh loan of Rs 50 billion for its operational and capital expenditure needs.

### Tamil Nadu allots Rs 5 billion for upgrading highways

The Tamil Nadu government has earmarked close to Rs 5 billion for upgrading and constructing new highway projects during 2017-18.

Meanwhile, during 2016-17, the Ministry of Road Transport and Highways incurred an expenditure of Rs 7.98 billion for widening and construction of bridges in the state.

Also, an expenditure of Rs 0.51 billion was incurred for the development of state roads under the interstate connectivity scheme. Further, the state government incurred an expenditure of Rs 1.68 billion under the revamped central road and Bharat Nirman maintenance fund schemes.

### Kerala government approves formation of SPV for development of NW-3

The Kerala government has accorded sanction for the formation of a public limited company as special purpose vehicle (SPV) for facilitating timely development of the 225-km stretch of the Kerala inland water transport project (National Waterway [NW]-3).

As per the sanction, the SPV will be formed as a joint venture between the Government of Kerala (GoK) and Cochin International Airport Limited with 49 per cent equity each and remaining 2 per cent with other agencies.

GoK's commitment will be limited to land acquisition and contribution to 49 per cent equity in SPV alone. The SPV will be responsible for the supervision of land acquisition process, undertaking social and environmental impact assessments as required, all construction and developments including widening of canals, construction of new canals among others.