

OH INFRASTRUCTURE !!

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THE INSTITUTIONS



Employees Provident Fund
(www.epfnepal.com.np)



Hydroelectricity Investment and Development Company Limited
(www.hidcl.org.np)

EMPLOYEES PROVIDENT FUND

About US

Nature of Business: Social Security

of Contributors: 5,25,000

Size of Fund: Rs.225 Billion (USD 1.5 Billion) growing @~17% Per Annum
[FC of 1325 MW growing @ 400 MW], Annual Profits (Distribute) –
Rs.1.25 Billion (FC of 8-9 MW)

Nature of Fund: Long Term (ideal for direct project finance, buyer of instruments)

Power Sector Exposure

Debt:

1. Historical Perspective: 20 MW Chilime (Rs.800 Million in 1999), 7.5 MW Sunkoshi, 1.5 MW Chakukhola
2. Current 775.8 MW [~27.5 Billion]
456 MW Upper Tamakoshi, 111 MW Rasuwagadhi, 102 MW Middle Bhotekoshi, 49.5 Super Dordi, 42.5MW Lower Sanjen, 14.8 MW Upper Sanjen

- Equity:**
1. 10% in Hydroelectricity Investment and Development Company Limited
 2. 10% in Electricity Generation Company



HYDROELECTRICITY INVESTMENT AND DEVELOPMENT COMPANY LIMITED

About US

Nature of Business: Financial Institution (financing (debt/equity) of mid-mega Hydroelectricity Generation, Transmission and Distribution Projects in Nepal), Public Company

Mandate: Generate long term resources both from domestic and international resource base to finance/invest in Projects [Borrowings, Instruments]

Capital Structure: Authorized-Rs.50 Billion, Issued/Paid Up – Rs.10 Billion

Share Holders: Government of Nepal (50%), Institutional Investors (30%), General Public (20%, 3,04,000)

Power Sector Exposure

Debt:

1. Projects Assessed = 25 HEPS of 15MW-86 MW, > 800 MW
2. Current: 526. (~ 10.02 Billion)
86 MW Solu Khola (Dudhkoshi), 82 MW Lower Solu (Solukhumbu), 52 MW Likhu, 42 MW Mristi (Myagdi), 37.6 MW Kabeli A, 30 MW Khani Khola (Dolkha), 27 MW Dordi Khola (Lamjung), 25 MW Kabeli B1 (Panchthar), 23.5 MW Solu Khola (Solukhumbu), 21.6 MW Lower Hewa (Panchthar) and 20 MW Bagmati (Lalitpur)

Equity:

1. Remit Hydro Limited [Projects: 71.2MW Ghunsa Khola and 53.7 MW Simbua Khola HEP]
2. 14% Power Transmission Company Nepal Limited
3. 4% Electricity Generation Company Limited



OBSERVATION # 1 GENERIC VS. SPECIFIC



The Ministry of Energy Website < Rs. 3 Billion Expression of Interest (> 15 Days)
The FPO of an insurance Company raised > Rs.50 Billion in 4 days

Observation : When talking about investments, being specific is the order of the day !

OBSERVATION # 2 MISSING ON THE GROWTH STORY



- We talk on absolute terms on the sizes of the available fund
- We are not talking about what is the potential of our funds to grow

OBSERVATION # 3 MISSING ON THE DIVIDE AND CONQUER STRATEGY

Project A

Project Size	300 MW
Per MW Cost	Rs.17.5 Cr
Total Cost	Rs.52.50 Billion

Equity	Rs.15.75 Billion
Debt	Rs.36.75 Billion



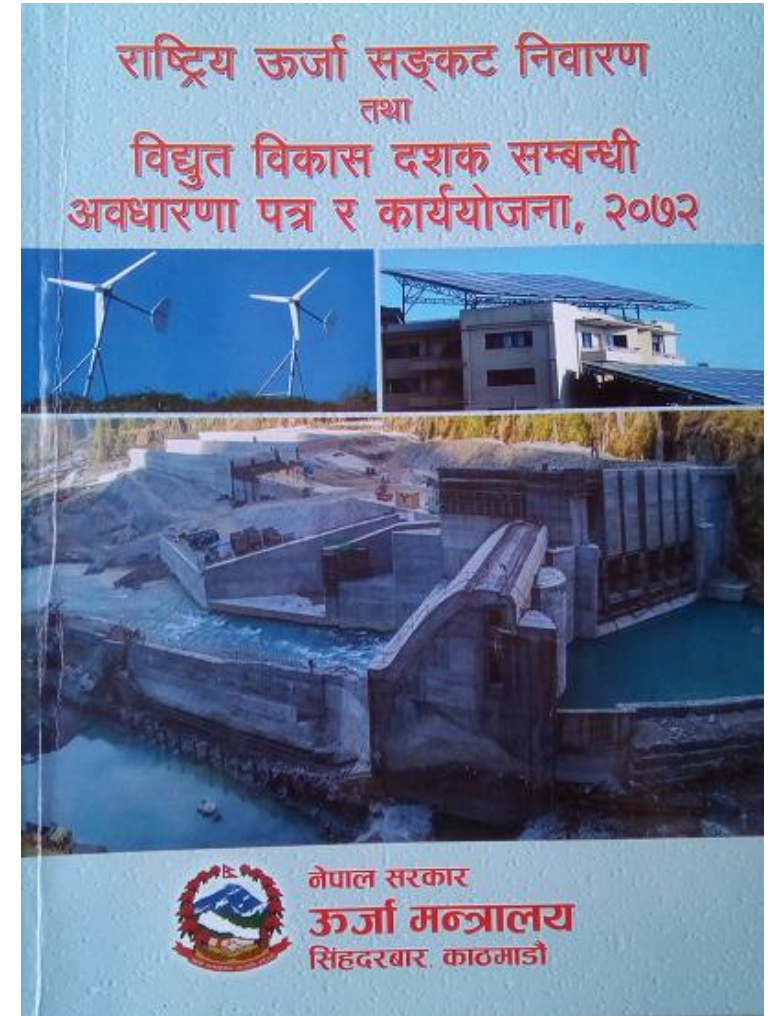
"Really? — my people always say multiply and conquer."

Holder	%	Equity	
		Total Equity (in Billion Rs.)	Avg Annual Equity (in Billion Rs.)*
A	25%	3.94	0.98
B	20%	3.15	0.79
C	15%	2.36	0.59
D	15%	2.36	0.59
Local	10%	1.58	
Public	15%	2.36	
Total	100%	15.75	

* 4 Year duration

OBSERVATION # 4 LIMITED FINANCIAL SLOGANS !

10000 MW in 10 Years !!



OBSERVATION # 5 THE MISALIGNED PUBLIC EQUITY

Existing
Investors

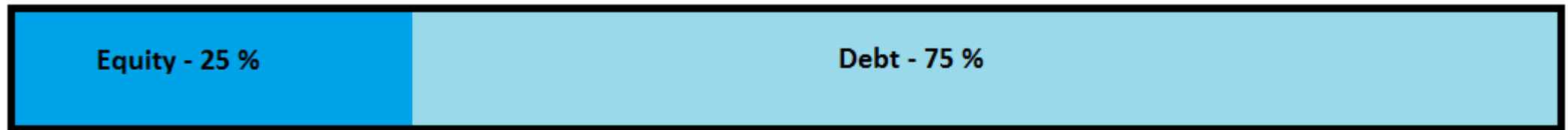


Needs

- Daily Need Support
- Social Security and Retirement
- Future Obligations of Children
- Insurance

OBSERVATION # 6 MISSING INNOVATION

Debt Equity Structure



Project A

Project Size	300 MW
Per MW Cost	Rs.17.5 Cr
Total Cost	Rs.52.50 Billion

ROE	22%
Payback	7 years

Nature

- Long Term Commitment
- Assured Cash Flows

The Package

- Recurring and Convertible Instruments
 - Rs.1000/Month*12 Months*4 Years*200000 Numbers = Rs.9.6 Billion
 - Insurance, Tax Saving
- Remit Hydro, Sanchaya Karta Hydro

WHAT IS HAPPENING IN NEPAL – PROJECTS AND FINANCIAL PERSPECTIVE

SLOW/NOT HAPPENING

Bigger Projects and Its Financing – Slow/Not Happening



PROJECTS

HAPPENING

- Mid Sized Project (<100 MW)
- Capacity/Interest of the IPPs – on the rise
- IPPs Attempting Innovation
- Governance



FINANCE

HAPPENING

- Monetary Policy Drive
- Enhance Interest/Capacity of Domestic BFIS
- Mid Sized Projects [up to 50 MW] entirely financed by Domestic Resource, tending to 100 MW
- Consortium is Shrinking in Size
- Lesser time, procedure, and conditions for Financial Closure (as against international finance)
- General public – increasingly being recognized as big source of equity
- Dedicated Financial Institution opening avenues for deploying instruments and channel for investment

A TYPICAL FINANCING ARRANGEMENT

Main Focus: The Project and the Project Sponsor

Capital Structure: 70:30 [75:25]

Interest Rate – Floating, Reviewed every Six Months

Tenure - 10 to 15 Years

Exchange/Interest Rate Risk – Born by Developer

Recourse/Non-Recourse – Recourse

Protection to Lenders – Collateral, Step-in-Rights

Independent Engineers – Technical/Finance

Cost Overrun - to be born by additional equity



Departure from international finance

- Country Risk
- Off Taker Risk, No Demand on Government Guarantee, Concession Agreements
- Demand on the Reform Agenda of the (Power Sector, Institutional, Electricity Tariff Revision, Policy etc.)
- No Domestic or Export project

THE INFRA – PUTTING THE NUMBERS-1ST SHOPPING LIST

1. Hydropower Projects – 1 500 MW [Total Project Cost: Rs.270 Billion]
2. International Airports – 2 Numbers [Total Project Cost: Rs.1 90 Billion]
3. 100 KM Fast Track – 1 Number [Total Project Cost: Rs.1 50 Billion]
4. Tunnel Road – 1 Number [Total Project Cost: Rs.40 Billion]
5. Cable Cars – 10 Numbers [Total Project Cost: Rs.7 Billion]
6. Five Star Hotels – 10 Numbers [Total Project Cost: Rs. 30 Billion]
7. Fertilizer Factory to Meet Domestic Demand – 1 Number [Total Project Cost: Rs. 20 Billion]
8. Various Industries – 20 Numbers [Total Project Cost: Rs.20 Billion]

Total Cost: Rs. 727 Billion



THE RESOURCES - UNDER OUR CONTROL AND TO BEGIN WITH

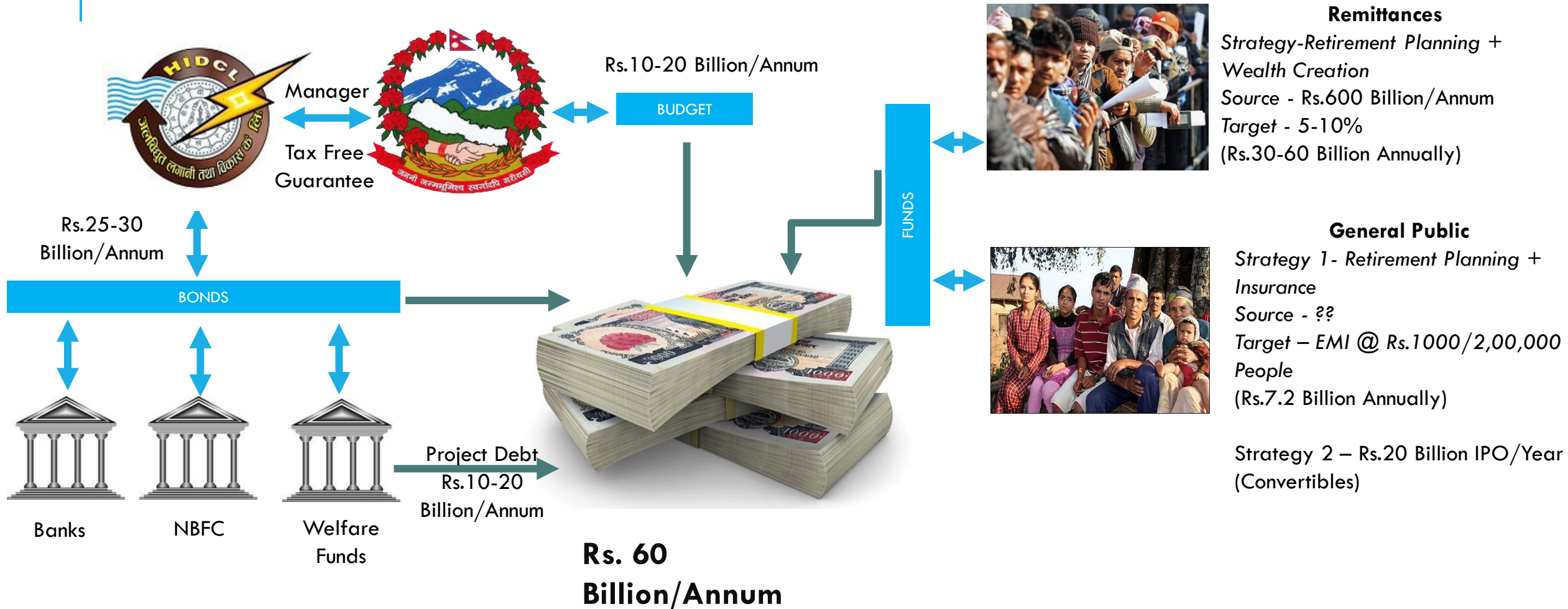
1. The Government
2. The Budget (growing annually)
3. Central Bank, Banks and Financial Institutions
4. Non-Banking Financial Institutions
5. Remittances
6. Institutions
7. The General Public
8. NRNs
9. Instruments
- 10....



THE STRATEGY

Time to put numbers also on the Rupees
(The 60 Billion Rs./Annum Strategy)

THE 60 BILLION RS./ANNUM STRATEGY !!



WHAT CAN BE ACHIEVED WITH THE STRATEGY?

S.No	Project	District	P Type	Capacity (MW)	Annual Energy (GWhr]	Cost (Billion Rs.)	Per MW Cost (Crore Rs.)
1	Upper Arun	Sankhuwa Sabha	ROR	335	2050	50	14.92
2	Lower Arun	Sankhuwa Sabha	ROR	400	2240	60	15.00
3	Arun 4	Sankhuwa Sabha	ROR	300	1787	45	15.00
4	Budhigandaki	Gorkha	Storage	1200	3383	250	20.83
5	Nalsingadh	Jajarkot	Storage	410	1406	73	17.80
6	Dudhkoshi	Khotang	Storage	300	1910	70	23.33
7	Uttarganga	Baglung	Storage	300	1210	51	17
8	Naumure	Puthan	Storage	245	1158	72	29.38
	Total			3,490	15,143	671	

MATTER OF PERSPECTIVE

