

Oil & Gas Deal of the Year Award

SBI Capital Markets Ltd.

SBI Capital Markets Limited ("SBICAP"), was Awarded "Oil & Gas Deal" of the Year, 2008 by Euromoney for "The Kochi LNG Terminal of Petronet LNG Ltd" ("PLL") project. PLL will be the first "LNG terminal" in southern India and the fourth LNG terminal of country (after Dahej, Dabhol and Hazira).

SBICAP India's premier and leading Investment Bank, which is also ranked by PFI as Globally No.3 and Asia Pacific's No. 1 Mandated Lead Arranger for the year 2008, was the Sole Financial Advisor & Mandated Lead Arranger for the Rupee Term Loan and LC facilities for PLL. SBICAP was /associated with PLL throughout the transaction right from inception by carrying out the financial appraisal of the Project till the time of financial closure and the signing of the loan agreements for the rupee loans on 24th October 2008.

A Consortium of 10 Indian Lenders led by the State Bank of India committed on 24th October, 2008, a 13-year project finance term loan aggregating Rs 14000 million (equivalent to US\$ 280 mn) to PLL, for setting up the Kochi Project. The transaction is a unique Syndicated Project Finance deal and the Lenders to the Project are Canara Bank (Rs 2500 mn), J&K Bank (Rs 950 mn), Oriental Bank of Commerce (Rs 950 mn), State Bank of Hyderabad (Rs 950 mn), State Bank of India (Rs 4000 mn), State Bank of Indore (Rs 700 mn) , State Bank of Patiala (Rs 500 mn), State Bank of Travancore (Rs 950 mn), Syndicate Bank (Rs 2000 mn) and The Federal Bank (Rs 500 mn).

Salient features of the Kochi Project financing:

- ❖ Project finance loan of 13 year tenor without recourse to the Sponsors.
- ❖ Participation of multilateral funding agencies like the IFC (W) for the foreign currency portion of the debt which reflects the inherent strength of the Project and robustness of the contractual arrangements of Kochi Project.
- ❖ As many as 10 domestic lenders participated in the rupee debt with State Bank of India (SBI) being the Lead Bank
- ❖ Flexibility to the Borrower to reduce / refinance part of the rupee loan through further INR 6000 million borrowings from ECA /ECB/ Multilateral

Agencies without any penalty, in order to reduce the effective cost of funding.

- ❖ The pricing of the Rupee loan was structured keeping in view the interest of both the Borrower and the Lenders through linkage to the SBAR which is a well accepted benchmark and reflective of the credit situation prevailing in the economy. The Interest Rate was fully floating during construction period which meant that any change in SBAR would change the pricing of RTL. In fact, post signing the SBAR was reduced by 75 bps in turn passing the advantage to PLL. The interest rate post construction will be reset annually based on the SBAR prevailing at the time of reset.
- ❖ The structure framed so as to give the Borrower flexibility to pre-pay whole or part of the loan, post COD, without any penalty (i) at any time, out of its internal accruals; or (ii) on any of the interest reset dates; by giving a 60-day notice to the Borrower. Thus giving the Borrower the avenue to leverage its strong cash flows from operations and / or replace its rupee loan with cheaper borrowings, once the construction risk is over.
- ❖ The risk borne by the Lenders of the Kochi Project was significantly mitigated by (i) the robust contractual structure which allocated most of the risks to external competent counter-parties; & (ii) the gradually increase in share of spot / short-term sale arrangements which provided additional flexibility to operations.
- ❖ The Domestic Lenders Consortium also sanctioned DSCR LC facility of INR 1200 million, Stand by LNG LC facility of US\$ 120 million and Working Capital Facility of INR 2000 million for the Kochi Project.