

Client : Jaiprakash Power Ventures Limited (JPVL)

Project : Receivable Financing of 400 MW Vishnuprayag Hydro Power Project of JPVL.

Description : JPVL is a subsidiary of Jaiprakash Associates Limited (JAL), the flagship company of Jaypee Group. JPVL was incorporated on May 18, 1995 to plan, develop, implement and operate power projects in India. JPVL currently operates the 400 MW (4 x 100 MW) run-of-the-river Vishnuprayag hydroelectric power plant on the river Alaknanda in Chamoli district of the state of Uttarakhand, India. Vishnuprayag Hydro power plant is the largest Independent Hydro Power Producer in India. The 4 units of the Plant commenced operations from June 2006 to October 2006. The project was implemented at a project cost of Rs. 1669.82 crore funded with a debt of Rs. 1160.82 crore and equity of Rs. 509 crore.

The power generated from the project is being sold to Uttar Pradesh Power Corporation Limited (UPPCL) under a Power Purchase Agreement entered into between JPVL and UPPCL, valid for a term of 30 years. The levelized tariff for the Project works out to Rs. 2.13/KWh, which is very competitive given the prevailing deficit conditions. The Plant has also been accorded 'Must Run' status by Government of Uttarakhand, Government of Uttar Pradesh and UPPCL. The Plant ranks high in the Merit Order Dispatch, thereby assuring offtake from the Project even in the unlikely situations of temporary power surplus in the state.

Since the inception of the Project, it has been operating at an average plant availability of more than 98% and has been consistently generating energy in excess of Design Energy, resulting in increased profitability.

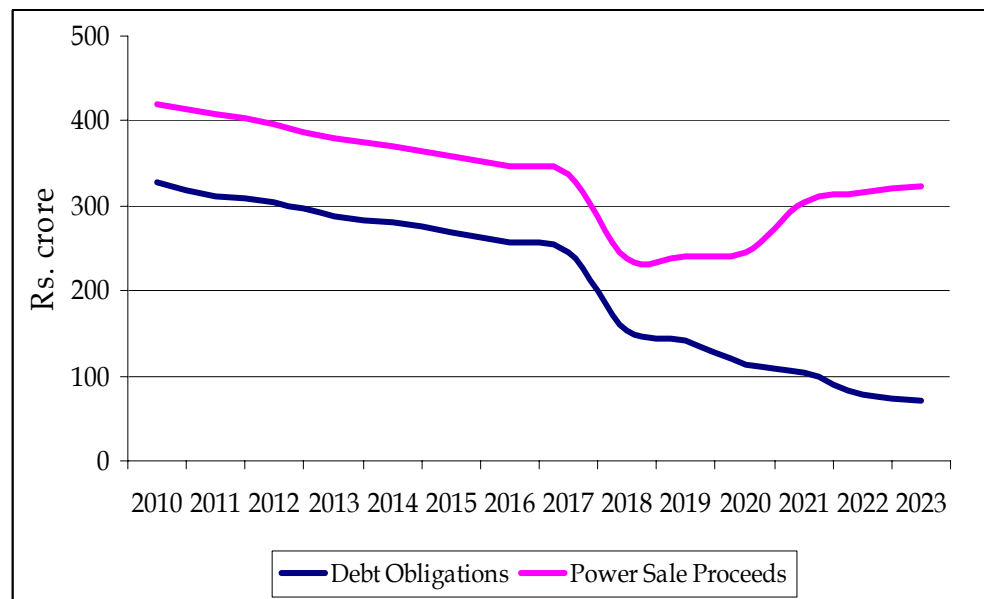
Pursuant to the successful and profitable operations of the plant and nullified risk of implementation, JPVL decided to take advantage of the substantially improved risk profile of the project and leverage its secured and steady stream of future cash flows to raise additional debt. Therefore a rupee term loan of Rs. 1650 crore has been raised against the future receivables of the project. The door-to-door tenure of the loan is 14 years. The Rupee Term Loan raised will be used to prepay the loan of existing consortium banks and for capital expenditure of other projects being implemented by the company.

Value : INR 16.50 billion

Significance : The debt raised is Rupee Term Loan and future receivables of the project for 14 years have been captured for the same. The interest rate for the debt is SBAR plus 25 bps with annual reset. The Rupee Term Loan is secured against a first charge on the future cash flows of the project along with a first charge on the entire fixed assets of the Project. The Lenders, under the current transaction, do not have any recourse to Jaiprakash Associates Limited, the parent company of Jaiprakash Power Ventures Limited.

It may be noted that the loan raised is almost equivalent to the cost of the project. This has been possible due to the firm long term PPA with provisions for substantial upside available to the project. The PPA allows for pass through of principal repayment and interest payment, with respect to the original project loan, in the Tariff charged. Also, during the first 7 years of operations of Plant,

the PPA allows for recovery of principal repayment and interest payment, with respect to the original project loan, even if plant is not able to generate energy due to reasons attributable to hydrology. As per the PPA, the Project is entitled to receive incentives on account of Plant Availability of more than 90% and generation of energy in excess of the Design Energy. Besides these incentives the Project has also qualified for sale of Verified Emission Reduction units. Based on the past operating record of the Project, these streams contribute more than Rs. 70 crore to the Project revenues annually. The loan amount of Rs. 1650 crore was arrived at by analysing the annual cash flow profile of the Project and ensuring adequate debt repayment comfort for the Lenders. Accordingly, the loan structure is front ended, with 70% of the Rupee Term Loan repaid in the first 8 years, to mirror the relatively higher cash flows in the initial years of the Plant life (on account of higher amount of interest charge and depreciation in Tariff in initial years). The same is depicted in the figure below:



Such transactions have earlier been done in the road sector but such an initiative has been taken for the first time in power sector in India. The debt was over subscribed and the transaction has been completed successfully with as many as 9 lenders participating in the new consortium. Pursuant to the successful completion of this transaction, the model and structure of the transaction can be used to raise funds in other similar projects which have firm long term PPA with substantial upside available and have mitigated risk profile with respect to the implementation risk of the project.