

CLP Arm Raises ₹476 cr to Refinance Debt

Jhajjar Power issues corp non-convertible bonds at a coupon rate of about 9.99%

Our Bureau

Mumbai: CLP India's arm has raised ₹476 crore through issue of bonds, with partial credit enhancement, to refinance its existing debt, the company said on Thursday.

CLP's arm, Jhajjar Power, issued corporate non-convertible bonds for its 1,320 MW coal-fired power plant at Jhajjar in Haryana. The bond, which carries a 50% guarantee from CLP India, has a semi-annual coupon of 9.99% a year and has been issued in two series of equal amounts and will mature in April 2025 and April 2026.

"The Jhajjar plant was financed in 2009 right after the global financial crisis when the cost of funds was very high. That was limiting the profitability of the project. The fund raised now will help us refinance our most expensive rupee loan," Rajiv Mishra, managing di-

ON USAGE OF FUNDS

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RAJIV MISHRA

Managing Director, CLP India

rector, CLP India told ET.

The Jhajjar plant was set up at a cost of ₹6,300 crore, which included ₹4,000 crore of debt. The funds raised would replace a long term debt with an interest rate of 13.5% and give savings of almost 350 basis points on interest payment to the company.

"The innovative structure achieves the twin objectives of accessing long term funds at competitive rates for the issuer and an attractive long term investment opportunity for the investors. It opens up financing avenues for infrastructure projects, which has been a big thrust area for the government," said Kaustubh Kulkar-

ni, managing director & head debt capital markets — South Asia, Standard Chartered Bank.

Standard Chartered Bank and IDFC are the lead managers to the issue. Credit-enhanced bonds are debt instruments issued by lower-rated companies to improve the credit profile of their debt issuances. In this instance, Jhajjar Power first improved its credit rating to 'A+' from 'BBB' and then with the partial guarantee from parent CLP India, their rating was enhanced to 'AA+'.

"This is a first of its kind bond issuance and we see insurance companies are getting comfortable with such opportunity. Other companies may look at this route as well, but the success of it will depend on the operational performance of the company itself and the reputation of the company backing it," said Jayen Shah, head-debt capital market of IDFC.

CLP India is the wholly-owned subsidiary of Hong Kong-listed China Light and Power (CLP) Holdings. CLP entered the Indian power sector in 2002 with the acquisition of a 655 MW gas-fired power plant in Gujarat. Despite the government allowing 100% foreign direct investment (FDI) in power projects, India currently has only two for-

ON THE ISSUE

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KAUSTUBH KULKARNI

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eign players operating power plants — AES of the US and CLP. CLP had ambitious plans of expanding capacity when it entered India, but with the increased uncertainties in the sector in the last two years, it decided to go slow on its conventional energy plans and focus on wind energy.

However, it has now revived its plans for conventional energy sector and committed to invest \$2 billion on a 2,000 MW imported coal-based power plant in Gujarat. CLP operates 3,056 MW of power capacity in India, accounting for 13% of its global operations.