MR. SAMIR ASHTA, DIRECTOR- FINANCE AND CHIEF, FINANCIAL OFFICER, CLP INDIA

"With the introduction of new pooled financing, financial covenants and defaults will no longer be measured at the individual project level"

Energetica India speaks to Mr. Samir Ashta to better understand the concept of Pool Financing and its implications

Energetica India: How does this innovative finance structure of "Pool Financing" work?

Samir Ashta: Wind power projects are typically project-financed, which means that the lenders lend to a particular project. In the Pooled financing structure, the security of each project is only pledged to the respective lenders of that project. One of the primary features and objectives of the Pooling arrangement is to make the cash generated from the pooled projects available to all the lenders in the pool. As such, if one project in a particular year is faced with a stressed situation due to low wind or other factors, due to the portfolio effect cash from other projects is available to mitigate the risk.

Energetica India: What are the major risk factors and challenges faced by the lenders and borrowers? How helpful will "Pool financing" be in eliminating these risks?

Samir Ashta: With the introduction of new pooled financing, financial covenants and defaults will no longer be measured at the individual project level. As such, if one project in a particular year is faced with a stressed situation due to low wind or other factors, due to the portfolio effect cash from other projects is available to mitigate the risk. Even though the security is ring fenced, default in any particular project will trigger cross-default across the entire CLPWF wind portfolio. A lender to a single project after first enforcing the individual project security in an event of default can bring down the entire CLPWF portfolio by filing a winding up petition. The distribution of surplus cash has to be done at individual project levels. The portfolio effect created by this structure will result in a significant reduction of risk.

Some of other benefits are:

- Extract maximum value from both debt and equity investors
- Ensure security for lenders as pooled cash flow would be accessible to all lenders
- Mitigates typical project level risks such as variability of wind

- Fuel CLP India's future growth as excess money from the pool can be accessed efficiently and used to fund additional projects
- Enhance CLP India's ability to attract new lenders, particularly ECB lenders
- Standardized documents for rapid fund raising

Energetica India: How will Pool Financing help CLP?

Samir Ashta: This innovative, pooled financing structure is expected to boost the growth of CLP India's wind portfolio and support our commitment to adding 250 to 300 MW of wind projects every year. It will help secure CLP India's current and future assets and mitigate the inherent risk arising out of the unpredictable nature of wind projects' output.

Also with pooled financing, our ability to manage SEB payment delays without the parent company's support will improve. The monitoring of Financial Covenants at individual project level will not be there as financial covenants will only be monitored for all projects at the pool level. This will further strengthen our competitiveness and business performance in the Indian market and will aid the growth we have planned for the future.

At CLP India, we have always believed that an innovative and dynamic approach to financing large infrastructure projects plays a vital role in improving profitability. This approach will minimize our financing costs and optimize the efficiency and performance of all our assets. With standardization of documentation as a result of this approach, there will be quicker financial closures for our projects in the future, which will significantly enhance the overall efficiency and effectiveness of the financing process too.

Energetica India: What are your immediate and future projects to be benefited from this unique finance structure?

Samir Ashta: Currently the pooling is being initiated with four projects; Andhra Lake, Saundatti, Hara and Theni which represent more than 250 MWs of installed capacity. Subsequently all the other projects in CLPWF; Samana, Sipla, Tejuva, Bhakrani, Yermala, Mahidad and Jath which will represent additional capacity of about 650 MWs will be brought in the pool. On a going forward basis, all new projects will also become part of the pooled structure.

Energetica India: How far you think this financial structure will be used in India's power/renewable energy sector?

Samir Ashta: With a number of existing challenges in the conventional power space, we are seeing a much greater focus on renewable energy not only amongst private investors, but also amongst lenders, policy makers and State Governments. With a wind portfolio of over 1000 MW today that forms 1/3rd of our total capacity in India, renewable energy projects will remain critical to our portfolio growth over the next few years. The pooled financing structure we have introduced now will play a vital role in fuelling this growth and will make the overall business model more robust and efficient for all stakeholders concerned. Our outlook for the renewable energy sector in India is very strong, as we believe that it will make a critical contribution towards Energy Security for the country.