

INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR
POST GRADUATE DIPLOMA IN MANAGEMENT
PROJECT AND INFRASTRUCTURE FINANCE (FN609)
CREDIT: Full credit (three credits)
SESSION DURATION: 90 Minutes

TERM: V
YEAR: 2016-2017
BATCH: II (PGDM 2015-16)

FACULTY: Prof. S.K. Chaudhuri

Introduction

Capital investment and financing decisions are perhaps the most strategic decisions for public/private firms and for the government. Their importance stems from three interrelated factors: (i) capital investment involves substantial outlay of funds; (ii) the investment consequences extend far into the future; and (iii) there are risks of project failure to deliver the desired output/results. Financial viability of the investment project depends to a great extent on project's ability to generate adequate cash flows, means and cost of financing, and risk mitigation measures. The latter factor is extremely important for infrastructure projects. The economic and financial viability of infrastructure projects hinges critically on how the various risk factors are being identified and the risk mitigation systems designed. Resource mobilisation for project financing and various contractual agreements (among the project participants) also depends on soundness of the risk management systems.

Learning Outcomes:

1. This course intends to provide a useful insight into the intricacies of financial and economic appraisal of projects with special reference to infrastructure projects.
2. The students will also understand and appreciate various project financing options including 'non-recourse' project finance.
3. Students shall learn tools and techniques of risk analysis (sensitivity analysis, and simulation).

Pedagogy

The course will be delivered through a combination of lectures, exercises, and case studies. In addition, the students will learn relevant application of excel including simulation technique for risk analysis.

Session Plan

Attached separately

Evaluation Component and weightage

Class participation: 10%
Quizzes: 20%
Assignments: 30%
End Term: 40%

Reference Books

1. Project Financing by Peter K Nevitt and Frank Fabozzi (Euromoney Publication)
2. Henry A Davis, Project Finance: Practical Case Studies (Euromoney Publication)
3. Project Financing, Finnerty, John Wiley and Sons

Session No.	Topics/ Learning-Outcomes	Readings
1 - 4	<ul style="list-style-type: none"> Review of capital budgeting process, tools and techniques (LO 1) DCF techniques (IRR/NPV/APV) Cost effectiveness analysis Inflation and capital budgeting 	1. Using APV: A better tool for valuing operations 2. Least-cost analysis for project selection 3. Economic justification of investments 4. A note on inflation and capital budgeting
5 - 6	<ul style="list-style-type: none"> Estimation of WACC (LO 1) Cost of debt Cost of equity (estimation of share beta using excel; estimation of project beta) 	5. CAPM & estimation of beta
7 - 10	<ul style="list-style-type: none"> Financial appraisal of project (LO1, 2) Economic appraisal of project 	6. Cogeneration plant (case study) 7. Minor oil field exploration project (case study)
11 – 16	<ul style="list-style-type: none"> (LO 1, 2, 3) <ul style="list-style-type: none"> Domestic sources of project financing (including structured obligation and subordinated debt) International sources of project financing (syndicated loans, bonds, export credit, GDRs/ADRs) Challenges of infrastructure financing Project financing through securitization Discussion on select cases of project financing by the World Bank and ADB 	8. Primary issue in the capital market 9. Structured obligation (RIICO bond issue for RSEB) 10. A note on international sources project financing 11. ECB guidelines in India 12. Long term financing of infrastructure 13. Innovative financing 14. Project financing through securitization (L&T case study)
17 - 18	<ul style="list-style-type: none"> BOT projects and non-recourse project financing (LO 1, 2) 	15. Privatized infrastructure – the BOT approach 16. Non-recourse or partial recourse project financing
19 - 20	<ul style="list-style-type: none"> Risk analysis and risk mitigation (LO 1, 3) 	