

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

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TERM: IV
YEAR: 2016-2018
BATCH: II (PGDM 2017-18)

Course Introduction

Large scale 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. These needs a special attention in case of infrastructure projects which may have life of 50 years or more. They are therefore designed as separate entities and thus departs from corporate finance decisions.

Learning Objectives

This course intends to provide a useful insight into the intricacies of structuring, valuing, financing and managing risk of projects with special reference to infrastructure projects. The students will learn various project structuring and financing options including 'non-recourse' project finance, and learn tools and techniques of risk analysis and mitigation. By the end of the course the student will be able understand and apply concepts relating to

1. Structuring projects
2. Valuing Projects
3. Managing Risky Projects
4. Financing Projects

Learning Outcomes:

- LO1 – Understand Project finance and how it is different from corporate finance and how a typical project comprises of a network of contracts which cover execution in each phase of the project
- LO2 – Demonstrate a systematic understanding of how to use project finance methods to fund and value infrastructure and other large-scale projects
- LO3 – Assess how to mitigate specific risks and provide incentives in infrastructure projects, including optimal restructuring of projects in distress
- LO4 – Demonstrate a critical ability to analyse and structure project risks
- LO5 – Identify and analyse the key factors which sponsors, and lenders look for when assessing project finance proposals
- LO6 – Formulate a rigorous business plan to finance an infrastructure or large-scale project

Course Pedagogy

The course will be delivered through a combination of lectures, presentations and case studies.

Course Readings

1. Modern Project Finance A Case Book: Benjamin C Esty (2004): John Wiley & Sons : USA.

2. Project Financing – Asset Based Financial Engineering: John D Finnerty (2007), Wiley India Pvt Ltd: India
3. Principles of Project Finance: E. R. Yescombe (2002): Academic Press: San Digeo, USA.
4. Infrastructure Development and Financing: Towards Public Private Partnership: G Raghuram (1999): Macmillan, India.

Evaluation Criteria

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

Session Plan

Session No	Module	Topic	Learning Objective	Readings / Case
1 & 2	Introduction	An Overview	LO1	Why Study Large Projects. Infrastructure Financing Instruments and Incentives.
3 & 4	Indian Scenario	Project and Infrastructure Finance in India and PPM Model	LO1, LO2	Analysis of Infrastructure Investment In India May 2016 (ASSOCHAM). Public Private Partnership in India: Compendium of Case Studies. Case: Airport Express Metro Link
5 & 6	Structuring Projects	Difference Between Project and Corporate Finance	LO1	Case: Chad Cameroon Petroleum Development and Pipeline Project
7 & 8		Developing a policy for project finance	LO1, LO2	Case: B.P Amoco (A): Policy Statement on the use of Project Finance
9 & 10		Motivation for using project finance – Agency Cost, Debt Overhang, Risk Management	LO1, LO2	Case: B P Amoco (B): Financing Developments of the Caspian Oil Fields.
11 & 12	Valuing Projects	Social Cost Benefit Analysis	LO1, LO2	Case: Airbus A3XX: Developing the World's Largest Commercial Jet (A). Reading - An Economic Framework for Assessing Development Impact, (B1)
13 & 14		Calculating Project IRR	LO2, LO3	Case: GVMR Airport Concession: Mumbai vs Delhi

15 & 16	Managing Risky Projects	Risk Management: Identification, assessment, mitigation and allocation	LO3, LO4	Case: Petrolera Zuata, Petrozuata C.A. (B1)
17 & 18	Financing Projects	Project Bonds, Agency Loans, Senior, Junior and Subordinated Debt, Loan Syndication- Types, Roles and Pricing	LO4, LO5	Case: Politics, Institutions and Project Finance: The Dhabol Power Project
19 & 20	Evaluating a Project	Consolidation of all the policy framework and Risk management of a project	LO4, LO5, LO6	Case: Iridium LLC (B1)

Note: Additional reading and cases may be provided as the course flows to reinforce the concepts.