

INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR
POST GRADUATE DIPLOMA IN MANAGEMENT
PROJECT AND INFRASTRUCTURE FINANCE (FN609)
CREDIT: Full credit (3 credits)
SESSION DURATION: 60 Minutes

TERM: IV
YEAR: 2019-20
BATCH: II (PGDM)

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Office hours: 10 AM – 5.30 PM
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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.

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 Reading

Books:

1. Project & Infrastructure Finance: Srivastava V (2017): Oxford University Press. First edition.
2. Project Financing: Asset Based Financial Engineering: John D F (2007): Wiley India Pvt Ltd. India.

Additional Reading:

1. Modern Project Finance A Case Book: Benjamin C E (2004): John Wiley & Sons. USA.
2. Principles of Project Finance: E R and Yescombe (2002): Academic Press. San Digeo. USA.
3. Infrastructure Development and Financing: Towards Public Private Partnership: Raghuram G (1999): Macmillan. India.

Course Evaluation Criteria:

Component	Weightage	Learning outcome mapped
Class participation	10%	LO1-LO6
Quizzes	15%	LO2, LO4, LO6
Individual Project	15%	LO3, LO5
Group Assignment	20%	LO6
End Term	40%	LO2, LO3, LO5, LO6

Plagiarism:

We are committed to upholding the highest standards of academic integrity and honesty. Plagiarism is the use of or presentation of ideas, works that are not one's own and which are not common knowledge, without granting credit to the originator. You may refer the already available content just for your reference and to get the basic ideas. Only 20% of such content is acceptable, above that comes under the definition of Plagiarism which is unacceptable in IMI and will be treated seriously. All such cases will be referred to the appropriate body of the Institute for suitable disciplinary action.

Session Plan

Session No	Topic	Learning Objective	Readings / Case
1 & 2	Introduction and An Overview	<ul style="list-style-type: none">• LO1	Why Study Large Projects. Infrastructure Financing Instruments and Incentives.
3 & 4	Indian Scenario: Project and Infrastructure Finance in India and PPM Model	<ul style="list-style-type: none">• LO1• LO2	Analysis of Infrastructure Investment in India. A Report on Infrastructure by IBEF.
5 & 6	Structuring Projects: Difference Between Project and Corporate Finance	<ul style="list-style-type: none">• LO1	Case: Chad Cameroon Petroleum Development and Pipeline Project
7 & 8	Developing a policy for project finance	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• LO1• LO2	Case: B P Amoco (B): Financing Developments of the Caspian Oil Fields.
11 & 12	Valuing Projects: Methods of valuing projects	<ul style="list-style-type: none">• LO2• LO3	Reading Material
13 & 14	Social Cost Benefit Analysis	<ul style="list-style-type: none">• LO1• LO2	Reading Material

15 & 16	Calculating Project IRR and other important financials	<ul style="list-style-type: none"> • LO2 • LO3 	Case: GVMR Airport Concession: Mumbai vs Delhi
17 & 18	Calculating IRR for Debt Providers and Sponsors and interpretation thereof, Cost of Capital	<ul style="list-style-type: none"> • LO2 • LO3 	Reading Material
19 & 20	Cover Ratios and their significance, Calculating of Cover Ratios.	<ul style="list-style-type: none"> • LO2 • LO3 	Reading Material, Practice exercise
21 & 22	Managing Risky Projects: Risk Management: Identification, assessment, mitigation and allocation	<ul style="list-style-type: none"> • LO3 • LO4 	Reading Material
23 & 24	Financing Projects: Various financing instruments, Project Bonds, Agency Loans	<ul style="list-style-type: none"> • LO4 • LO5 	Case: Politics, Institutions and Project Finance: The Dhabol Power Project
25 & 26	Senior, Junior and Subordinated Debt, Loan Syndication- Types, Roles and Pricing	<ul style="list-style-type: none"> • LO4 • LO5 	Reading Material
27 & 28	Evaluating a Project: Consolidation of all the policy framework and Risk management of a project	<ul style="list-style-type: none"> • LO4 • LO5 • LO6 	Study Material
29 & 30	Final Inputs on all the important Financial and Non-financial Factors to be dealt with in a Project.	<ul style="list-style-type: none"> • LO2 • LO3 • LO4 • LO5 • LO6 	Summary

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