

# FIPI



Federation of Indian Petroleum Industry



## Training programme on **Project Finance and Environment, Social and Governance (ESG)**



28 - 30 September, 2022



Radisson® Hotel, The Mall, Cantonment, Varanasi

## Introduction:

Project Financing has proved to be a very powerful tool for financing the delivery of infrastructure investments and services around the globe over the last thirty years. Project financing comprises huge investments, where lenders take heavy financial stake. Lenders assumption of high risk and the financing structure revolves around a specific economic entity— commonly known as special-purpose vehicle (SPV), or the project company. In project finance lender considers projects cash flows as the only source of loan servicing and repayment, whereas assets represent only collateral.

The critical distinguishing feature of project financing is that the project is a distinct legal entity; project assets, project-related contracts, and project cash flow are segregated to a substantial degree from the sponsoring entity. The financing structure is designed to allocate financial returns and risks more efficiently than a conventional financing structure. In project financing, the sponsors provide, at most, limited recourse to cash flows from their other assets that are not part of the project. Also, they typically pledge the project assets, but none of their other assets, to secure the project loans.

Since in the project financing arrangement - lender-investors stakes are high, risk assessment and risk management is crucial aspects in these type of project. Risk is a crucial factor in project finance since it is responsible for unexpected changes in the ability of the project to repay costs, service the debt and pay dividend to shareholders. Hence risk management is an important dimension of project finance.

While we discuss about risk management from pure play financial dimensions, we cannot ignore the expectations of large investors about the outcome from these projects in addition to financial returns. Non-technical risks and the influence of Environmental, Social and Governance (ESG) factors, which are often overlooked or not fully accounted for. Emerging markets present a wide range of ESG challenges, but in fact research shows that the trend in severe delays and overruns is actually higher in developed countries.

This calls for another dimension of project finance that is - integration of ESG aspects. In recent years, ESG factors of the project investing has slowly and steadily made its way to becoming an investment strategy whereby investors put their money in companies and projects that are looking to make the world a better place. ESG investing requires balancing the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process. Investors are increasingly applying these non-financial factors as part of their evaluation process to identify material risks and growth opportunities.

The training program will also focus on the credit rating aspects related to projects and its impact on financing. Credit risk assessment and ratings, which have usually been an appropriate measure of credit risk for project finance, have a significant influence on the cost of finance which in turn impacts the returns and viability of projects.

In this context objectives of the programme have been set as:

- (a) Appreciating Project Finance and its nuances;
- (b) Financial Evaluation of Infrastructure Projects;
- (c) Project Risk Analysis and Management;
- (d) Public Private Partnership;
- (e) Social Sector Evaluation of Capital Investment Project
- (f) Emerging Governance Issues
- (g) Appreciation of ESG & Measuring ESG Matrix
- (h) Credit Ratings



This programme focuses on project-level implementation of ESG management; these could be part of a project finance model for infrastructure assets, but the underlying ESG issues and lessons learnt are likely to be applicable to all types of infrastructure investments, project developments and portfolio companies.

## Content of the Programme:

- Project Finance: Different from Corporate Finance- SPV- Contractual Schemes.
- Risk Analysis: Development Stage – Operational Stage and its Management;
- PPP- BOOT-BOT-BOO- BDO; Difference from Privatization;
- Social Sector Evaluation – Metrics-Business relationships with stakeholders-SEBI's disclosure requirements- BRSR;
- Governance Issues – ensuring and protecting stakeholders' wealth.
- ESG considerations in financing and credit ratings.
- Understanding the credit rating process, credit risk, impact of credit rating on project financing, credit rating scales of firms such as CRISIL/ICRA/S&P/Moody's etc.

## Methodology

A mix of presentation; case analysis; spread-sheet analysis; simulations will be followed - it would be participant centric. The Domain experts from the industry will also be associated to share their experiences on Rating and ESG issues.

## Who may attend:

Finance executives at any level and Executives handling investment decisions/projects evaluation.

## Non-Residential course fee

Rs 50,000/- plus GST per person

## Date & Venue:

28 - 30 September, 2022

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## Directors of the Programme



**Dr Ahindra Chakrabarti:** He is currently Professor of Finance at Great Lakes Institute of Management has decades of experience in teaching research and consulting. Has served in MOU committees of the Government of India nearly for a decade.. He has worked as visiting faculty in the leading management education institutions in India like IIM Lucknow, IIM Ranchi, FMS of Delhi University and ISB, Mohali. He was awarded UNDP Fellowship to pursue research at J L Kellogg

Graduate School of Business, USA and was visiting Faculty in the New Jersey Institute of Technology(NJIT) USA. He was visiting Faculty at Great Learning and taught finance in Business Analytics Programmes. He has successfully directed 8 (eight) Business Analytics & Data Science Programmes for Federation of Indian Petroleum Industries(FIPI); Indian Oil Corporation Limited (IOCL)and CESC Limited. He has earlier conducted Programme on Project Evaluation & Appraisal for companies and for SCOPE.



**Dr. Poornima Gupta:** Dr. Poornima Gupta is an Associate Professor , in the area of Statistics and Business Analytics , at Great Lakes Institute of Management. She has more than twenty years of experience in industry and academia. She is Post Graduate in Management and BSc in Statistics from Lucknow University. She has published more than twelve research papers and cases in various National & International journals. She has conducted several MDP's for executives of North Delhi Power

Ltd.(NDPL), Geospatial Research, CSIR and FIEO. She has successfully designed a project with Indian Oil Corporation Ltd. Developed an Analytical model for predicting the Role fitment of their new recruits.

# Tentative Schedule

	Session No	Topic	Content
Day-1	Session-1	Appreciate Cash Flows from Infrastructure Projects	Estimation of Cash Flow from Infrastructure projects
	Session-2	Appreciate Cash Flows from Infrastructure Projects	Case Study : Analysis with Spread Sheet Modelling
	Session-3	Cost of Capital : Equity , Mezzanine Finance; Debt	Cost of Equity and Debt : Case Study on Indian Company
	Session-4	Cost of Capital : Equity , Mezzanine Finance; Debt	Spread sheet Modelling on Weighted Average Cost Capital and Simulation Analysis
Day-2	Session-1	Regulatory Aspects of Project Financing	An overview of Legal and Regulatory Aspects of Project Finance.
	Session-2	Risk Management in Project Financing	Case Study on Port and Metro rail Projects
	Session-3	Risk Management in Project Financing	Foreign Exchange Risk assessment and its management
	Session-4	Evaluation Techniques of Infrastructure Projects	Examining viability of Infrastructure Projects.
Day-3	Session-1	Critical Aspects of Environmental Evaluation	Different aspects of environmental criteria for evaluating any environmental risks a project might face and its mitigation
	Session-2	Appreciation of social criteria	Project company's business relationships with buyer, supplier, local community, and tracking of working conditions and its employees' health and safety
	Session-3	Addressing stakeholders concerns about governance.	Addressing investors concerns about governance: assurances that companies avoid conflicts of interest in their choice of board members, don't engage in illegal practices and use accurate transparent accounting methods.
	Session-4	A Capstone Case Study Analysis	Covering Financial and ESG aspects of Project Evaluation

# **Contact details for submission of nominations/seeking clarifications:-**

**Mr. Praveen Rai**

Deputy Director (Economic Policy & Planning), FIPI

Email: [Prai@fipi.org.in](mailto:Prai@fipi.org.in)

Tel: 011-40886012

**Mr. Shijo Sebastian**

Asst. Director, FIPI

Email: [Shijo@fipi.org.in](mailto:Shijo@fipi.org.in)

Tel: 011-40886021

# **FIPI**



**Federation of Indian Petroleum Industry (FIPI)**

PHD House, 3rd Floor, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016

Tel: +91-011-40886000 | Website: [www.fipi.org.in](http://www.fipi.org.in)