Advertorial

FOCUS ON FINANCING POWER PROJECTS

HSBC: Energising the power sector

ONE of the world's largest banking and financial services organisations, the Hongkong and Shanghai Banking Corporation (HSBC) is working to develop infrastructure in markets where it operates.

HSBC's export and specialised finance team arranges export credit agencies (ECA)-supported facilities across diverse business sectors worldwide.

In line with HSBC's global strategy, the bank has arranged about $1.14 billion in financing to implement five major power projects in Bangladesh, which is one of the strategic sites for HSBC. Total power generation capacity of these five projects will be 1,371MW.

Of the five projects, four are government-owned. Those are -- Ashuganj Power Station's combined cycle power plant, south unit (450MW), Bangladesh Power Development Board's (BPDB) Ghorasal third unit repowering plant project (416MW), BPDB's Shahjibazar combined cycle power plant (330MW) and BPDB's Chapainawabganj HFO fired power plant (100MW).

The combined capacity of these four projects is 1,296MW, which is 10-12 percent of Bangladesh's total power generation capacity. Three of these projects are gas-based and the other is heavy fuel (HFO) based. The loan repayment period of these ECA-backed loans is 12 to 13 years.

Ashuganj Power Station's combined cycle power plant (south unit)

HSBC Bangladesh arranged $420 million in loans for Ashuganj Power Station Company Ltd to help the state-run electricity producer set up a 450MW combined cycle power plant. The project is the first transaction of its kind in the power sector in Bangladesh.

This is the first ECA-backed project in the country's power sector. Three ECAs -- HERMES of Germany, CESCE of Spain and ONDD of Belgium -- provided guarantee in this deal. The financing was also backed by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank.

The new unit of Ashuganj Power Station Company Ltd has already started production. The company is now producing about 700MW to 1,000MW of electricity from its 10 units, according to the company's website.

Ashuganj Power Station is the second largest power station complex in Bangladesh with installed capacity of 1,480MW and derated capacity of 1,401MW, meeting 10 percent of the country's electricity requirements.

Officials of HSBC Bangladesh said the credit arrangement is a reflection of the bank's ongoing efforts to support infrastructure growth in the public sector in Bangladesh, especially bolster government activities to enhance power supply in order to sustain the current economic growth momentum.

Implementation of the project commenced in December 2012.

BPDB's Shahjibazar combined cycle power plant

With total investment costs estimated at $338 million, the Shahjibazar 330MW gas-based combined cycle power plant is one of the largest gas-fired investments of BPDB in the power sector to date under the country's Power System Master Plan 2010. HSBC arranged $257 million of the ECA-backed credit for this project.

Long tenor financing, with a three-year availability period matching the construction period of the power plant and 10-year repayment period, is the longest tenor achieved by BPDB. Chinese ECA (Sinosure) provided the guarantee. This is the first ECA-backed financing received by BPDB.

The implementation began in March 2014 and the single cycle unit of Shahjibazar has gone into production.

BPDB's Chapainawabganj HFO fired power plant

With total investment costs estimated at $131 million, the Chapainawabganj 100MW Heavy Fuel Oil (HFO) power plant will be equipped with 12 HFO engines. HSBC arranged $112 million of ECA-backed facilities to finance the project. Chinese ECA (Sinosure) and Finnish ECA (Finnvera) provided guarantees. The project is part of the country's Power System Master Plan 2010 and will help improve the overall electricity supply in the northwestern part of the country, where the export processing zones have been set up.

The plant will be powered by HFO due to the absence of gas supplies in the northern part of the country.

The financing package covers 100 percent of the EPC costs, including the supply of goods and services from China and Finland by way of the Sinosure and Finnvera supported loans. Associated costs and expenses have been financed under an uncovered facility. The implementation began in May 2015.

BPDB's Ghorasal third unit repowering plant project

HSBC Bangladesh arranged $333 million of ECA and MIGA-backed credit facility for this project. Chinese ECA (Sinosure) and Swiss ECA (SERV) provided guarantee for this project.

This is the first repowering project in Bangladesh. BPDB will use the funds to implement its 416MW Ghorasal third unit repowering power plant project in Narsingdi.

After repowering, Unit 3 will be converted from a 210MW steam turbine with 27 percent efficiency, into a combined cycle unit with 416MW generation capacity and 54 percent efficiency.

The old existing plant of Ghorasal has a capacity of 175MW now, which consumes 52 million cubic feet of gas per day (MMCFD). Once the repowering project is completed and another 10 to 15 MMCFD gas will be made available for the project, the generation will be raised to 416MW.

The repowering project is important for another feature -- if a new power plant was to be set up at the existing Ghorashal plant, it had to be shut down, meaning the country would have received 175MW less electricity for at least three years.

Now, the old plant would continue to churn out the existing 175MW while the repowering continues.

The implementation started in February last year with the signing of the agreement.

Sustainability, to HSBC, means building business for the long term by balancing social, environmental and economic considerations in the decisions the bank makes. The bank is also interested in financing solar energy projects and has clearly stated that it will not invest in projects that harm the environment or the society.

The bank is a signatory to the Equator Principles (EPs) which is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risks in projects and is primarily intended to provide a minimum standard for due diligence to minimise the associated risks in the project.

HIGHLIGHTS

- ECA backed deals by HSBC will add new power generation of 1,371MW
- Major ECAs that supported Bangladesh are: Germany, Spain, Belgium, Finland, Switzerland and China
- ECA backed loans are of 12-13 years longer tenor
- Bangladesh deals won Best Deal award in 2012 and 2014 by Trade Finance

MANDATED LEAD ARRANGER OF ECA GUARANTEED FINANCE 2015 BY DEAL VALUE
(global ranking)

Rank Bank	Value $m	Deals	% Share
HSBC	5,233	53	10.1
Citi	4,926	37	9.5
Santander	4,165	36	8.0
ING	3,764	44	7.3
SG CIB	3,421	36	6.6
BNP Paribas	3,397	32	6.6
Credit Agricole CIB	2,682	29	5.2
SMBC	1,886	25	3.6
Mizuho	1,549	19	3.0
UniCredit	1,356	13	2.6

SOURCE: DEALOGIC

Senior Chinese banking regulator under investigation

REUTERS, Beijing

A senior official at the China Banking Regulatory Commission (CBRC) is under investigation for suspected links to a loan scandal, the financial magazine Caixin reported, citing sources close to the matter.

Yang Jiacai, assistant chairman of CBRC, has been under investigation since April 9 in connection with the scandal in Hubei province, Caixin said late on Saturday, following days of rumours circulating online that Yang had gone missing.

China's graft watchdog on April 9 also announced an investigation into the chairman of the country's insurance regulator, Xiang Junbo, the most senior financial regulator to be investigated as part of a government fight against graft.

Yang could not be reached for comment.

No official announcement of an investigation into him has been made. His name and profile were still accessible on the CBRC website on Sunday.

Caixin reported last Friday that Yang had been relieved of his duties, citing people with knowledge of the matter.

CBRC did not respond to a faxed request for comment on Friday or to a second fax on Sunday about the investigation.

Yang's last public appearance was on April 7 speaking at a news conference about new risk control guidelines for lenders as part of efforts to contain risks from a rapid build-up in debt.

China's top leaders have pledged this year to address financial risks and asset bubbles.

President Xi Jinping has pledged to wage war on deep seated graft in the ruling Communist party until officials at all levels dare not be corrupt.

The long, rough ride ahead for Made in America

REUTERS, Ruston, Louisiana

MINI motorcycle and go-kart maker Monster Moto made a big bet on US manufacturing by moving assembly to this Louisiana town in 2016 from China. But it will be a long ride before it can stamp its products "Made in USA."

The loss of nearly one out four US factories in the last two decades means parts for its bike frames and engines must be purchased in China, where the manufacturing supply chain moved years ago.

"There's just no way to source parts in America right now," said Monster Moto Chief Executive Alex Keechle during a tour of the company's assembly plant. "But by planting the flag here, we believe suppliers will follow."

Monster Moto's experience is an example of the obstacles American companies face as they, along with President Donald Trump, try to rebuild American manufacturing. US automakers and their suppliers, for example, have already invested billions in plants abroad and would face an expensive and time-consuming transition to buy thousands of American-made parts if President Trump's proposed "border tax" on imported goods were to become law.

When companies reshore assembly to US soil – in Monster Moto's case that took two years to find a location and negotiate support from local and state officials – they are betting their demand will create a local supply chain that currently does not exist.

For now, finding US-based suppliers "remains one of the top challenges across our supplier base," said Cindi Marsiglio, Wal-Mart Stores Inc's vice president for US manufacturing and sourcing. Wal-Mart partnered with Monster Moto and several other US companies in a drive to increase spending on American-made goods by $250 billion by 2023 in response to consumer demand for American-made goods. Their experience has shown Americans' patriotic shopping habits have limits, namely when it comes to price.

Take Monster Moto's bikes, which sell for between $249 to $749. Keechle, the CEO, says he can't raise those prices for fear his price sensitive prospective customers will turn to less expensive rivals made in China.

"Consumers won't give you a free pass just because you put 'Made in USA' on the box," Keechle says. "You have to remain price competitive."

Keeping a sharp eye on labor costs in their factory is one thing these US manufactures can control. They see replacing primarily lower-skilled workers on the assembly line with robots on American factory floors as the only way to produce here in a financially viable, cost-competitive way. It's a trend that runs against the narrative candidate Donald Trump used to win the US Presidency.

Since taking office, Trump has continued promises to resurrect US manufacturing's bygone glory days and bring back millions of jobs. On March 31, Trump directed his administration to clamp down on countries that abuse trade rules in a bid to end to the "theft of American prosperity."

But it's more complicated on the ground for companies like Monster Moto.

"It's almost as if people think you can just unplug manufacturing in one part of the world and plug it in to the US and everything's going to be fine," said David Abney, Chief Executive Officer of package delivery company United Parcel Service Inc (UPS), which helped Monster Moto reconfigure its supply chain to bring its Chinese-made parts to Ruston.

REUTERS/FILE

Workers construct mini-bikes at motorcycle and go-kart maker Monster Moto in Ruston, Louisiana.

"It's not something that happens overnight," he said. A White House official said that the Trump administration's efforts to encourage manufacturers to reshore production will be focused on cutting regulations and programs to provide new skills to manufacturing workers.

"We recognize that the manufacturing jobs that come back to America might not all look like the ones that left," a White House official said, "and we are taking steps to ensure that the American workforce is ready for that."

In Monster Moto's cavernous warehouse in Ruston, boxes of imported parts that are delivered at one end then become bikes on a short but industrious assembly line of a few dozen workers.

A solitary, long-bearded worker by the name of Billy Mahaffey fires up the bikes to test their engine and brakes before a small group of workers puts them in boxes declaring: "Assembled in the USA."

Helped by that label, Monster Moto has experienced a recent boom in demand from major customers that include Wal-Mart. The company expects to double production to 80,000 units and increase its assembly workers - who make $13 to $15 an hour - to 100 from around 40 in 2017.

The most likely components Monster Moto could produce in America first are black, welded-metal frames for bikes and go-karts, but they would have to automate production because human welders would be too expensive.

"We can't just blow up our cost structure," said Monster Moto President Rick Sukkar. "The only way to make it work in America is with robotics."

The same principle applies for much larger manufacturers, such as automotive supplier Delphi Automotive PLC's. Chief Financial Officer Joe Massaro told analysts in February that 90 percent of the company's hourly workforce is in "best-cost countries."

When asked about shifting production to the United States from Mexico, Massaro said depending on what happens to trade rules "it would have to be much more of the sort of the automated type manufacturing operations just given… the labor differential there."

That trend is already showing up in data compiled by Economic Policy Institute, a Washington-based think-tank. According to senior economist Rob Scott, not only did America lose 85,000 factories, or 23.5 percent of the total, from 1997 to 2014, but the average number of workers in a US factory declined 14 percent to 44 in 2014 from 1997. According to Scott, much of the decline in workers was due to automation.

"We're going to see more automation in this country because it makes good sense economically for every company," said Hal Sirkin, a managing director at the Boston Consulting Group. "You can spend a lot of time bemoaning it, but that's not going to change."

Manufacturers say automated production requires fewer, but more skilled workers such as robot programmers and operators. The National Association of Manufacturers (NAM) estimates because of the "skills gap" there are 350,000 unfilled manufacturing jobs today in a sector that employs over 12 million people.

In Ruston, Mayor Ronny Walker bet on Monster Moto by guaranteeing the company's lease because he wants to diversify the city's economy, and envisions suppliers setting up alongside Monster Moto's assembly plant. "Could it take a long time to bring manufacturing back here? Sure," he says. "But you have to start somewhere."

India plans $5.4b stake sales in state firms

REUTERS

INDIA plans to sell stakes worth $5.4 billion in seven state-run companies during the current financial year as Asia's third-largest economy looks to fund its fiscal deficit amid ramped-up spending on rural areas and infrastructure.

The part sale of government stakes in state-run and private firms is critical to meet the fiscal deficit target of 3.2 percent of gross domestic product in the year to March 2018. India aims to raise 725 billion rupees through stake sales during the year.

The Department of Investment and Public Asset Management has sought bids from merchant bankers and legal advisors to manage the sale of shares in firms including Indian Oil Corp Ltd, NTPC Ltd and Steel Authority of India Ltd (SAIL), according to bidding documents on its website.

The government will sell the stakes through the offer-for-sale route, meaning by auction on stock exchanges. The sales could fetch the government 345 billion rupees at the last closing price of the stocks.

The government plans to sell 3 percent of top fuel retailer Indian Oil Corp Ltd and 10 percent each of top utility NTPC, largest steelmaker SAIL and hydropower producer NHPC Ltd. It also plans to sell 5 percent of Rural Electrification Corp Ltd, 10 percent of Power Finance Corp Ltd and 15 percent of miner NLC India Ltd.

Some of these firms were listed for stake sale in the last fiscal year too but the programme faltered due to adverse market conditions.