

FINANCING STRUCTURE

1. **Asian Development Bank (ADB) Financing.** The project cost is estimated at \$198.18 million to be financed based on a debt to equity ratio of 65:35. ADB will finance \$120.5 million in total as the development anchor money to take the lead for financial structuring for both debt and equity. ADB finance will comprise (i) \$50.5 million equivalent in various resources from Asian Development Fund (ADF), including a loan and a grant of \$25.25 million each, and (ii) \$70 million from ADB's ordinary capital resources (OCR). Of the \$120.5 million, \$70 million (OCR) will be used for the debt portion of the project, and \$50.5 million (ADF) for the equity portion. The \$50.5 million ADF (including the grant) will be routed through the government of Bhutan, and it will be relented to the Druk Green Power Corporation (DGPC) to be put as equity in the project special purpose company, Tangsibji Hydro Energy (THyE). OCR loan will be directly lent to THyE under the government's guarantee to ADB.

2. **Equity and Debt Structure.** The government will support the DGPC's equity to THyE with a leverage of ADB finance (\$50.5 million). DGPC will support the balance of the total equity (\$18.86 million) from its own internal finance sources, and 26% of the total equity can be diluted to any private joint venture partner. A parallel loan to THyE is proposed for up to \$58.82 million equivalent in Indian rupee terms from the syndication of Indian commercial banks to be led by the State Bank of India (SBI), on a project finance approach without sovereign guarantee. The project financing sources of THyE are in Table 1, and the fund flow diagram is in Figure 1.

Table 1: Financing Sources for THyE

Item	Amount (\$ million)
(Debt: Equity = 65:35)	
Debt (Total)	128.82
ADB OCR	70.00
Indian commercial banks	58.82
Equity (Total)	69.36
DGPC (ADB ADF)	50.50
DGPC (Internal finance sources)	18.86
Total	198.18

ADB = Asian Development Bank, ADF = Asian Development Fund, DGPC = Druk Green Power Corporation, OCR = ordinary capital resources.

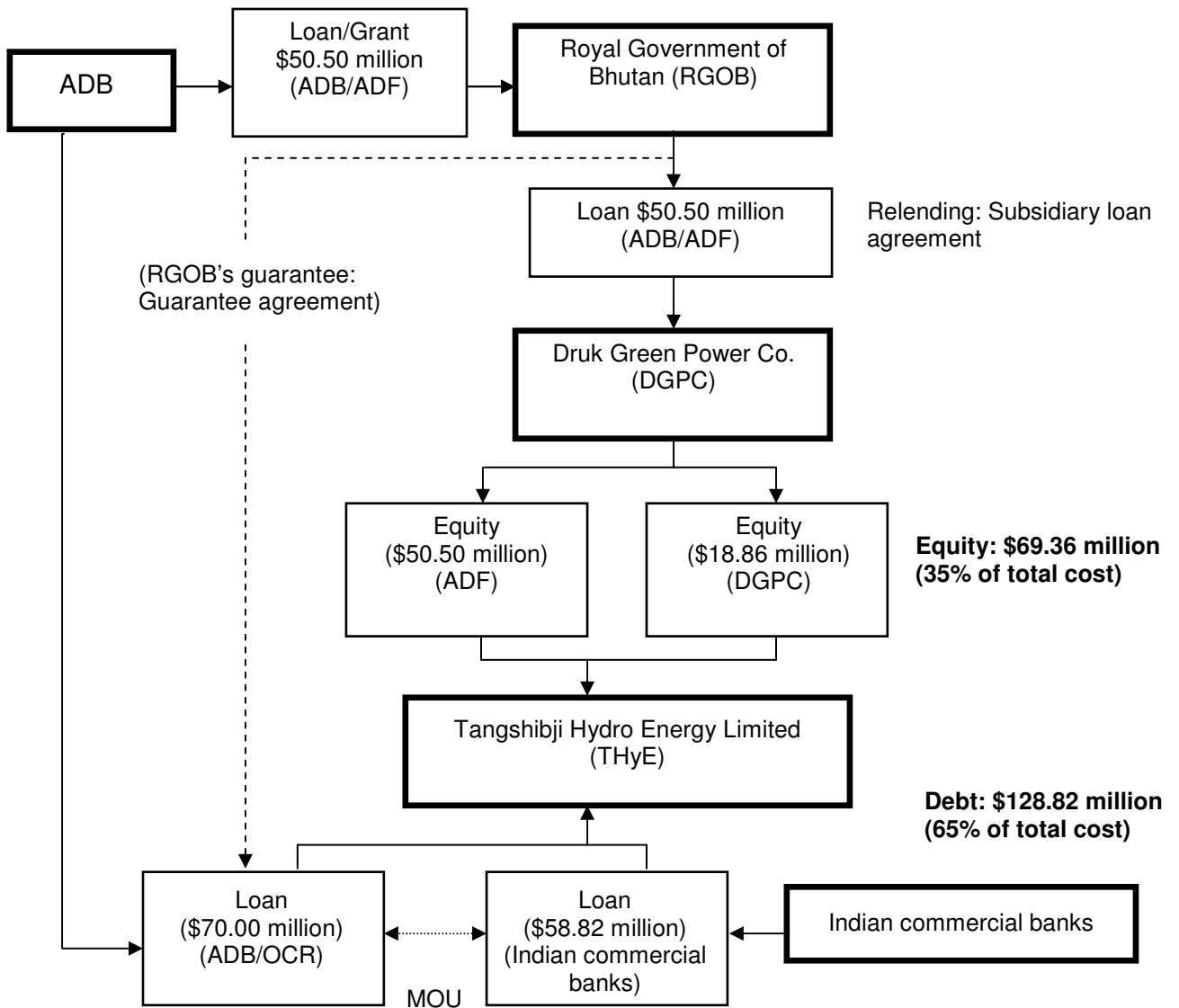
Sources: Asian Development Bank, Druk Green Power Corporation, and Tangsibji Hydro Energy.

3. **Cofinancing.** ADB and SBI (representing the commercial banks) will enter into a separate collaborative cofinancing arrangement in the form of memorandum of understanding (MOU) to ensure to apply for ADB policies and guidelines on safeguards, procurement, and anticorruption and their related requirements. The commercial bank loan is proposed to be secured by (i) a pari passu floating charge on the THyE's all assets, (ii) assignment by way of security in favor of ADB and the commercial banks of all rights under all the project-related documents and all benefits incidental to the project activities, and (iii) pledge of 51% of shares of the THyE held by DGPC, all of which will be required to ensure negative pledge provision of the ADB OCR loan, before signing the commercial bank loan. For all assets of the THyE to be provided as security to the commercial banks, the THyE shall create equal and ratable charge for the repayment of the principal and interest and other charges on the OCR finance.¹

¹ In accordance with project finance practice and in line with ADB's negative pledge requirements, THyE will grant pari passu security over its assets for the commercial bank loan and the OCR loan. However, THyE will not grant security over its assets for the ADF loan since it is used as an equity contribution to THyE. The government has

Figure 1: Financing Structure and Fund Flow diagram

Total cost estimated: \$198.18 million



ADB = Asian Development Bank, ADF = Asian Development Fund, DGPC = Druk Green Power Corporation, MOU = memorandum of understanding, OCR = ordinary capital resources, RGOB = Royal Government of Bhutan, THyE = Tangshibji Hydro Energy Limited.

Source: Asian Development Bank.

therefore requested a limited waiver of the negative pledge clause in (i) the ADF loan agreement, and (ii) any existing and future loan and guarantee agreements between ADB and the government, such that the assets of THyE are not considered government assets for purposes of the negative pledge clause in such agreements.