

PROJECT FINANCING SERVICES

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CRATONE SENIOR ADVISORY TEAM



PROJECT FINANCING

What is Project Financing

International Project Finance Association (IPFA) defined project financing as:

“The financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure where project debt and equity used to finance the project are paid back from the cash flows generated by the project.”

- Project finance is especially attractive to the private sector because they can fund major projects off balance sheet.

Key characteristics of Project Financing

- Financing of long term infrastructure and/or industrial projects using debt and equity.
- Debt is typically repaid using cash flows generated from the operations of the project.
- Limited recourse to project sponsors.
- Debt is typically secured by project’s assets, including revenue producing contracts.
- First priority on project cash flows is given to the Lender.
- Consent of the Lender is required to disburse any surplus cash flows to project sponsors.
- Higher risk projects may require the surety/guarantees of the project sponsors.

Advantages of Project Financing

- Eliminate or reduce the lender’s recourse to the sponsors.
- Permit an off-balance sheet treatment of the debt financing.
- Maximize the leverage of a project.
- Avoid any restrictions or covenants binding the sponsors under their respective financial obligations.
- Avoid any negative impact of a project on the credit standing of the sponsors.
- Obtain better financial conditions when the credit risk of the project is better than the credit standing of the sponsors.
- Allow the lenders to appraise the project on a segregated and stand-alone basis.
- Obtain a better tax treatment for the benefit of the project, the sponsors or both.

Highlights of Project Financing

- Independent, single purpose company formed to build and operate the project.
- Extensive contracting
 - As many as 15 parties in up to 1000 contracts.
 - Contracts govern inputs, off take, construction and operation.
 - Government contracts/concessions: one off or operate-transfer.
 - Ancillary contracts include financial hedges, insurance for Force Majeure, etc.
- Highly concentrated equity and debt ownership
 - One to three equity sponsors.
 - Syndicate of banks and/or financial institutions provide credit.
 - Governing Board comprised of mainly affiliated directors from sponsoring firms.
- Extremely high debt levels
 - Mean debt of 70% and as high as nearly 100%.
 - Balance of capital provided by sponsors in the form of equity or quasi equity (subordinated debt).
 - Debt is non-recourse to the sponsors.
 - Debt service depends exclusively on project revenues.
 - Has higher spreads than corporate debt.



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Procedures:

Here is the procedure that needs to be followed by a client seeking to raise project finance before a Term Sheet(s) can be issued by Lender(s)/Investor(s) founded by Cratone:

- Both sides - Cratone & Client signs the CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT (CNDA)
- The client shares Project's Company Information and Project Financial Documents below for Cratone team's review
 - Company & Management Profile
 - Financial feasibility & models studies
 - Project Cash Flow Report
 - Detail of Existing Loans from Other Banks
 - Pay-Back Plan and Income Sources
- After reviewing the data Cratone sends CLIENT AGREEMENT draft to be filled, signed, notarized and returned to Cratone and an initial, one-time fee to be paid by client at the commencement of Term.
- Through analysis of materials, Cratone asks questions to the materials, discusses with Company and formulating optimal goal, types of financing, amounts - optimal strategy how much money, in what type of instrument (equity, loans, binds, or a combination) to be arranged and from what type of investors, financiers, lenders.
- In Coordination of preparation of materials, including a teaser - Client will be responsible for preparation of the materials under guidance of Cratone.
- Cratone prepares initial long list of Investors and inform client. Cratone starts to present the Project by sending materials/contact the investors.
- Cratone prepares a short list of lender/ investors and organizes meetings with the client to finalize the submissions to actual lenders/investors.
- Once lender/ investor firms up, a Term Sheet will be released based on the submission of the Business Plan. Term Sheets are Project Specific and hence there is no general format.
- Upon acceptance of the Term Sheet by the client, due diligence will be conducted by the lenders at their own costs.
- Upon successful due diligence, the client enters into the Joint Venture or Loan Agreement(s) with individual lender/Investor.
- Loan disbursement will ensue as per the Loan Agreements signed between parties.

Important To Note:

- Cratone has a necessary expertise to approach numerous Banks, Investment Bankers, Non-Banking Finance Companies (NBFCs), Financial Institutions (FIs), Venture Capitalists (VCs), Private Equity Investors (PE), Ultra High Net Worth Individuals (UHNWIs), Family Businesses, Insurance Providers, etc. with great speed and efficiency. We understand how these fund providers and investors work and what are their main areas of interest. Targeting the right source is not just important but also crucial for achieving successful financial close.
- Cratone quickly responds to all inquiries.
- To ensure Cratone's Senior Advisors do not waste time on unrealistic inquiries and do not enter discussions in any form until having a full understanding of your project's potential and risks.
- The Funding Partner Companies provide finance to viable projects on precise terms. There are no general terms. Everything is specific to the project under consideration.
- All our official communications are in English. We do not offer a translation service.
- Cratone's project funding services DO NOT come free and Cratone Team is rather choosy about who Cratone serves. Cratone encourages only serious clients who understand what it takes to arrange finances for businesses.