

RISK ASSESSMENT IN INFRASTRUCTURE PROJECT FINANCING



ALLAHDIN POWERS (PVT.) LIMITED

**Advisory & Strategic
Investment Group**

TRANSACTION BRIEF

TRANSACTION BRIEF

- Allahdin Steel & Rolling Mills (“ASRM”), located in Daska Small Industrial Estate near Daska City, district Sialkot is a typical SME sector company with little / no access to formal sector financing.
- It operates a 100 tons per day medium frequency, synchronous melting induction furnace for production of steel billets and castings using local and imported mild steel scrap.
- Due to severe power crisis in the country, ASRM is able to operate less than 12 hours a day; (44 % of its annual installed capacity – 33,000) usually during the night.

TRANSACTION BRIEF

- Further, escalating power tariff is eroding margins.
- To overcome the issue ASRM has decided to set up a 3.5 MW (Gross) Captive Power Plant (“CPP”) by the name of Allahdin Powers (Private) Limited (“APPL”).
- The Power Plant is will use husk and other agricultural wastes (rice straw, wheat straw and corn cobs as fuel) as the major fuel.

KEY RISK & MITIGANTS

TECHNICAL RISK

- Selection of Technology & Technical Experts →
- Project Documentation →
- Operation & Maintenance →
- Regulatory Requirements →

FINANCIAL RISK

- Project Cost →
- Availability & Cost of Biomass →
- Financial Feasibility →

COMMERCIAL RISK

- Supply of Raw Material & Off take of finished product →
- Cost saving (on existing & expected tariff) →

CREDIT RISK

- Transaction terms & conditions
- Structuring
- Security

THANK YOU