



BUILDING TRUST

Four IDFC businesses tied up with infrastructure company Ashoka Buildcon, to win and finance two highway projects

The case:

Ashoka Buildcon Ltd. (ABL) is an emerging infrastructure company that builds highways and roads across India. As part of its business, ABL tied up with IDFC to bid for two contiguous national highway projects on NH-6 in Chhattisgarh and Maharashtra.

The National Highways Authority of India (NHAI) awarded both the projects to the ABL-IDFC consortium. The combined project cost of the projects was Rs. 1115 crore of which Rs. 320 crore was to be funded by equity, Rs. 785 crore through debt and Rs. 10 crore through an NHAI grant. IDFC held a 10% equity stake in each project.

The challenge:

The consortium won the bid around the same time that the global financial meltdown began. As a result, one of the key challenges faced by them was raising the equity in a market that had turned over-cautious. At this time it seemed like an uphill task to solicit proposals from equity investors to take equity stakes in the projects. Structuring and syndicating the debt portion of the Rs. 1,115 crore needed for the project was another challenge.

IDFC's 'one firm' solution:

Setting up an example of how IDFC's different businesses work as one whenever the opportunity arises, IDFC took the lead in structuring the debt and IDFC-Capital successfully syndicated the debt for the projects during the peak of the financial crisis in 2008-2009. IDFC-

Capital also assisted ABL in soliciting proposals from equity investors to take equity stakes in the projects. The India Infrastructure Fund (IIF), managed by IDFC Project Equity, offered the most competitive terms to ABL and acquired a 43.3% stake in each project. IDFC Private Equity also holds a 15.62% stake in ABL.

As a result of this joint effort by IDFC, IDFC Capital, IDFC Project Equity and IDFC Private Equity, ABL was able to begin working on a capital intensive project right in the middle of a global recession and implement it successfully.

How it worked at IDFC

- IDFC: lead in structuring debt
- IDFC Capital: Debt syndication and soliciting proposals from equity investors
- IDFC Project Equity: Acquired stake in each of the two projects on competitive terms
- IDFC Private Equity: Holds stake in ABL

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