

NATIONAL LAW UNIVERSITY, JODHPUR
End Term Examination May- 2024
Semester: UG X Semester (Business Law Honours)
Subject: Law of Project Finance

Marks: 100

Time: Three Hours

Instructions:

1. Attempt any five questions
2. Each question is of 20 marks
3. The number of pages of question paper is three

Q.1). India's rapidly growing economy and population are placing increasing demands on the country's already limited power supply. India has stated ambitious energy plans to meet this demand. Against this backdrop, Reliance Industries Ltd. decided to undertake one of the largest solar energy projects in India at Jaisalmer Rajasthan. Reliance Industries Ltd. is an Indian multinational conglomerate headquartered in Mumbai. Its businesses include energy, petrochemicals, natural gas, retail, entertainment, telecommunications, mass media, and textiles. Reliance is the largest public company in India by market capitalisation and revenue, and the 100th largest company worldwide. It is India's largest private taxpayer and largest exporter, accounting for 7% of India's total merchandise exports. The company has relatively little free cash flow and high corporate debt.

The objective of the initiated project aims to become the first project to use Compact Linear Fresnel Reflector technology from Areva on a commercial scale for power generation. The project will also contribute to the diversification of India's primarily thermal energy supply and ultimately contribute to the availability and increased reliability of power for the country as a whole. However, the corporation is quite concerned about the financial risk as well as the project risk. As a result, your project finance expertise is sought to determine the best financial structure for addressing the company's needs.

Given the foregoing concerns, what financial structure would you recommend, and what should be your major considerations and why? Explicate.

(Marks 20)

Q.2). ABC Corporation, a leading manufacturer of consumer electronics, has been operating successfully in the market for over a decade. To expand its production capacity and enter new markets, ABC Corporation availed a term loan of INR 100 million from a consortium of banks led by XYZ Bank five years ago. The loan was utilized to invest in new manufacturing facilities, upgrade technology, and expand distribution channels.

Key details of ABC Corporation's current financial situation include:

- a) Loan Tenure: The term loan availed by ABC Corporation has a repayment tenure of ten years, with five years already elapsed since the loan was disbursed.
- b) Interest Rate: The loan is subject to a fixed interest rate of 9% per annum, resulting in fixed monthly instalments for the repayment period.
- c) Financial Performance: ABC Corporation has maintained a steady growth trajectory over the past five years, with increasing revenues, profitability, and market share in its industry segment.

With the election around the corner, the prevailing market conditions, including interest rate trends, and liquidity availability are lucrative, and lender appetite for corporate debt, influences ABC Corporation's refinancing strategy and negotiation leverage with prospective lenders.

Accordingly, you are tasked with evaluating various refinancing alternatives, such as negotiating with existing lenders for better terms, investigating alternative financing sources such as non-banking financial institutions (NBFCs) and bond markets, and determining the feasibility of debt restructuring or syndication to optimise the company's capital structure and financial flexibility aligned with the company's financial goals and shareholder interests. As a result, list the various refinancing alternatives that you are aware of, and explain whether each refinancing leads to a financial gain. Also, elucidate, given that there is no explicit refinancing clause in the credit agreement, may they invoke the refinancing option?

(Marks 20)

Q.3). Write notes on the following:

- a) Traditional or Non- discounted cash flow techniques
- b) Method Modern or Discounted cash flow techniques

(Marks 10x10=20)

Q.4). In the context of Infrastructure Investment Trusts (InvITs), explore the following aspects:

- a) What are the regulatory requirements and investment conditions imposed by the Securities and Exchange Board of India (SEBI) for Infrastructure Investment Trusts (InvITs)?
- b) Define related party transactions in the context of InvITs and outline the regulatory framework established by SEBI to govern such transactions.

(Marks 20)

Q.5). "The anticipated occurrence must be specifically included in the contract's force majeure provision to be able to benefit from one." Do you concur with the statement? Explain your position, and if an occurrence occurs that is not covered by the force majeure clause, may the defaulting party utilise force majeure as a defence for non-performance? Describe the problem in the context of India citing relevant cases and offer a substitute for absolving people of accountability for this kind of performance failure.

(Marks 20)

Q.6). Tata Motors Limited, a flagship company of the Tata Group, is a leading global automotive manufacturer headquartered in Mumbai, India. With a rich legacy spanning over seven decades, Tata Motors has established itself as a pioneer in the automotive industry, renowned for its innovative products, cutting-edge technology, and commitment to sustainability. Tata Motors operates on an integrated business model, encompassing design, manufacturing, distribution, and after-sales service of a wide range of vehicles, including passenger cars, commercial vehicles, electric vehicles, and defence vehicles. The company generates revenue through vehicle sales, spare parts, accessories, financing, and related services, offering end-to-end mobility solutions to customers worldwide.

Tata Motors offers a diverse portfolio of vehicles tailored to meet the diverse needs and preferences of customers across different segments such as:- *Passenger Vehicles*: Tata Motors manufactures and markets a comprehensive range of passenger cars, SUVs, and utility vehicles under various brands, catering to individual consumers, families, and fleet operators. *Commercial Vehicles*: Tata Motors is a leading manufacturer of commercial vehicles, including trucks, buses, vans, and light commercial vehicles, serving diverse industries such as transportation, logistics, construction, and agriculture. *Electric Vehicles*: Recognizing the importance of sustainability and environmental stewardship, Tata Motors has invested in electric mobility solutions, developing electric cars, buses, and commercial vehicles powered by clean energy sources. *Defence Vehicles*: Leveraging its expertise in engineering and manufacturing, Tata Motors designs and produces defence vehicles, including armoured personnel carriers, military trucks, and combat vehicles, meeting the stringent requirements of defence forces worldwide. Tata Motors serves a global customer base, operating in over 175 countries and regions across six continents. The company's target market includes individual consumers, corporate fleets, government agencies, and defense organizations, seeking reliable, cost-effective, and technologically advanced transportation solutions tailored to their specific requirements and operating conditions. Tata Motors remains committed to its mission of delivering best-in-class vehicles and mobility solutions that enrich the lives of customers, enhance sustainable development, and drive economic progress in communities worldwide.

Explain the significance of the "business model" and, using the data supplied, draft a business model for Tata Motors Limited that incorporates the firm specifications from the nine building blocks business model.

(Marks 20)