



WSPF

Pooled Municipal Bonds

By

Water and Sanitation Pooled Fund

TNUIFSL

Water and Sanitation Pooled Fund

- Government of Tamil Nadu has created an SPV - Water and Sanitation Pooled Fund (WSPF, a Trust) in 2002 to implement the concept of pooled financing and to issue municipal bonds under pooled finance framework on a sustainable manner by bringing all investible grade ULBs
- Trust is managed by 5 member Board of Trustees (Secretaries MA&WS, Finance, Housing & Urban Development, Planning & Development and MD of TNUIFSL)
- Designated as State Pooled Finance Entity under Pooled Finance Development Fund scheme of Government of India in the year 2007
- Trust is functioning on not for profit entity and registered under the provisions of IT Act 1961 to claim IT benefits
- Functionally managed by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL)



Concept of Pooled Financing

- Medium municipalities do not have the institutional capacity as well as financial strength (Credit Rating) to access domestic capital market in a cost effective manner
- Under Pooled Financing Framework, an SPV is created to raise resources from capital market by pooling the requirement of participating ULBs
- Bond proceeds used to assist ULBs to create urban infrastructure assets
- Project revenues backed by the General Revenue of the participating ULBs will be escrowed to honour the bond service obligation
- The Credit Pool will be rated by the credit rating agency

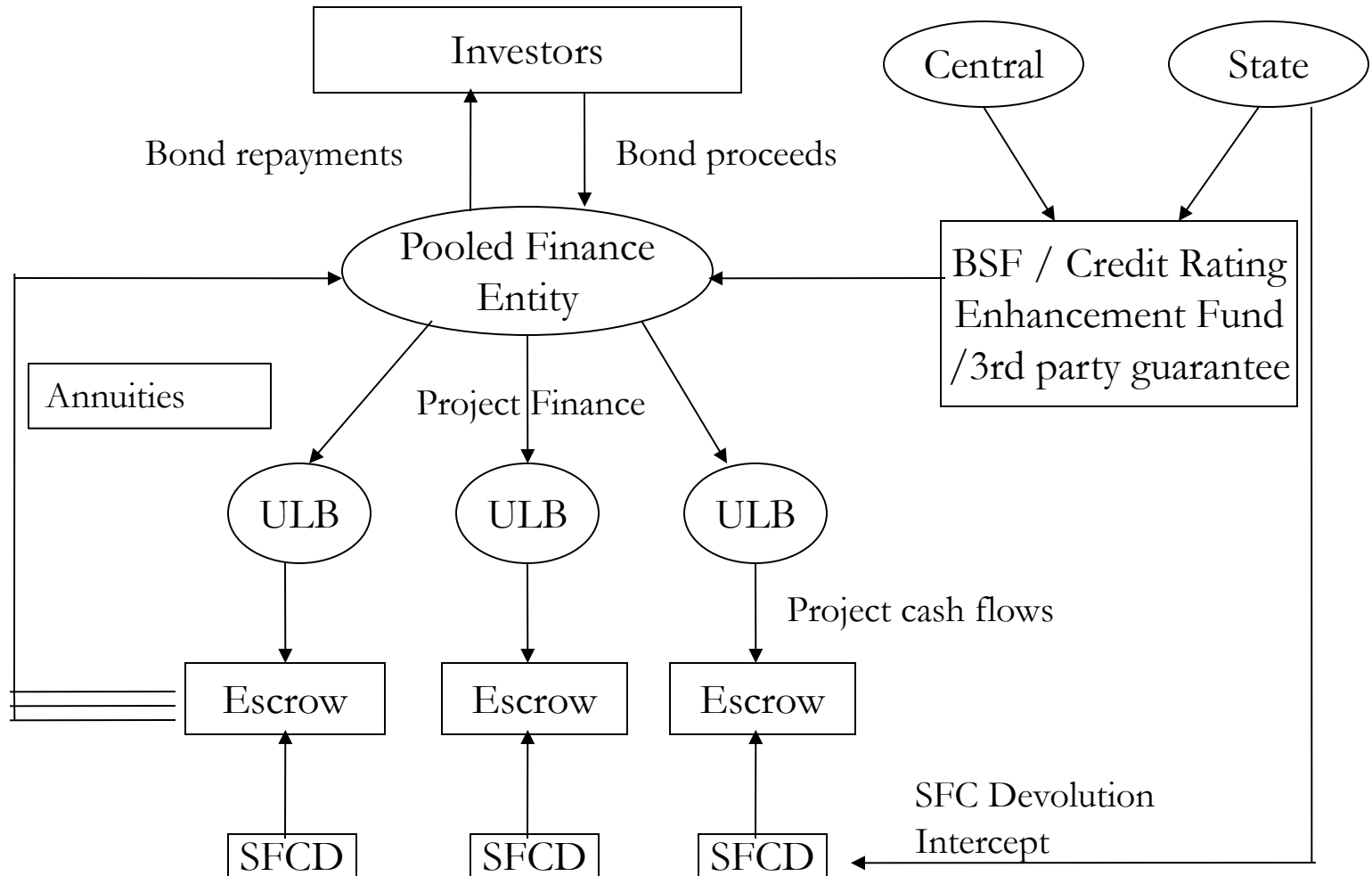


Concept of Pooled Financing

- Necessary credit enhancement measures (Debt Service Reserve Fund at ULB level, Bond Service Fund at SPV level and interception of SFC devolution in the case of non-payment of debt service by ULBs at the State Level) will be incorporated to obtain a minimum “AA” Rating
- Pooled bonds with necessary credit rating enhancement measures improves the credit rating, reduce the risk of default and improve the confidence among the investing public
- SPV responsible for mobilization, collection of debt service from the ULBs and bond service to investors
- SVP will adhere to all the regulatory, disclosure, administrative, rating and other procedural formalities
- Handholding support of State/Central Government will enhance the image of SPV in the capital market



Pooled Finance Funds Flow



Pooled Municipal Bonds in TN

- WSPF issued pooled municipal bonds six times (for Rs.302.20 crores in total) for medium ULBs having investment grade rating
- No. of ULBs benefitted 40 (25 due to merger & repetition)
- Bond service is supported by Escrowing of project revenue backed by General Revenue of the ULBs, Bond Service Fund and Credit Rating Enhancement Fund
- Mechanism to deal with Cash Flow Mismatch
- Bond Service Fund or Credit Rating Enhancement Fund by the State / Central Government
- Comfort facility (recovery from SFCD), in the case of default in payment of debt service by ULBs from State Government



Assistance by, USAID, GoTN, GOI & KfW

- USAID provided partial guarantee (50% of the principal bond value) for the first bond issue in 2002
- Government provided Rs.20 crore (11 by GoTN & 9 by GOI) as Credit Rating Enhancement Fund for the 2nd & 3rd Bond Issue in 2008 & 2010 under Pooled Finance Development Fund Scheme of GOI
- KfW, German Funding Agency, provided Euro 15 mn. repayable over a period of 40 years (with principal moratorium of 10 years) at an interest rate of 0.75% as subordinated loan to manage asset-liability mismatch for the 4th, 5th & 6th taxable pooled bonds in the year 2012, 2013 and 2017
- Government of Tamil Nadu have provided hand-holding support that in case if the ULBs fails to pay debt service to WSPF, the SFC devolution will be intercepted at source and paid to WSPF



Market Borrowings by WSPF

Total bonds mobilized for Rs.302.30 crores by pooling the requirement of 40 ULBs

1	Amount (Rs. In crs)	30.41	6.70	83.19	51.00	51.00	80.00	302.30
2	Status	Taxable	Tax free	Tax free	Taxable	Taxable	Taxable	
3	Coupon rate	9.20%	7.25%	7.50%	10.60%	8.71%	8.25%	
4	Rating	AAA(SO)	AA(SO)	AA(SO)	AA (SO)	AA (SO)	AA (SO)	
5	Tenor	15 yrs	10 yrs	10 yrs	10 yrs	10 yrs	12 yrs	
6	No. of ULBs /Projects	13	7		16		4	40
7	ROI to ULBs	9.20%	7.25%	7.40%	7.10%	6.40%	6.25%	
8	Month and Year	Dec. 2002	April 2008	Sep. 2010	August 2012	May 2013	May 2017	



Thank you