

# GEL Utility Funding SPV Plc.

¥13 billion 15-Year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034  
under the ¥50 billion Bond Issuance Programme

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## 2019 Corporate Bond Rating Report

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 **Agusto&Co.**

*Research, Credit Ratings, Credit Risk Management*

# GEL Utility Funding SPV Plc.

₦13 Billion 15-year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034 under a ₦50 Billion Bond Issuance Programme

Issue Rating:

**Aaa**

Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner

**Outlook:** Stable

**Issue Date:** 01 August 2019

**Expiry Date:** 28 August 2034  
(Subject to annual review)

**Guarantor's Rating:** Aaa

**Expiry Date:** 30 June 2020

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## RATING RATIONALE

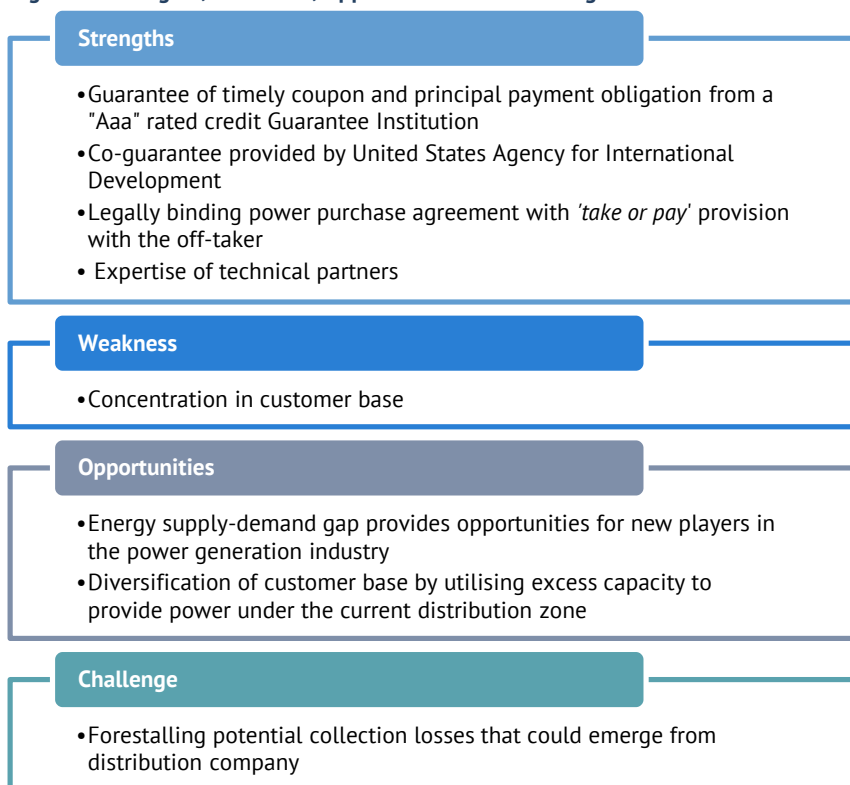
- Agusto & Co. hereby assigns a rating of 'Aaa' to GEL Utility Funding SPV Plc's ₦13 Billion 15-year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034 ("Series 1", "the Issue" or "the Bond") on the strength of the credit enhancement provided by Infrastructure Credit Guarantee Company Limited ('InfraCredit' or the 'Guarantor'). In addition, the United States Agency for International Development ('USAID' or 'the Co-guarantor') provides an additional guarantee ('Co-guarantee') to the Issue. The Bond is supported by the unconditional and irrevocable guarantee of all principal and coupon payment obligations to bondholders by InfraCredit further supported by a Co-guarantee provided by the USAID. The Issue rating reflects the "Aaa" rating assigned to the Guarantor by Agusto & Co. in July 2019.
- InfraCredit is a specialised credit guarantee institution sponsored by Nigeria Sovereign Investment Authority (NSIA) and GuarantCo Management Company Limited ('GuarantCo') with the core objective of guaranteeing obligations to enhance the credit quality of long-term infrastructure debt finance instruments issued by corporates and government entities to finance eligible infrastructure projects across Nigeria. In 2018, African Finance Corporation (AFC) joined as a second cornerstone investor, subscribing to the ordinary and preference shares of InfraCredit. The Guarantor has a core capital of \$50 million and a callable capital (contingent) of \$25 million from GuarantCo. InfraCredit will draw on contingent capital, should qualified core capital dip by 20%. In November 2018, KfW Development Bank provided \$35 million subordinated capital investment to enhance the Guarantor's capital base.
- USAID is the executive branch agency primarily responsible for carrying out the foreign economic and technical assistance programs of the United States (U.S.) Government. The Co-guarantor has the authority to provide loan and bond guarantees derived from programs contained in annual

appropriations acts Title III in the Development Credit Authority of the Department of State, Foreign Operations and Related Programs Appropriations Act of 2019. As at the financial year ended 30 September 2018, USAID's total assets stood at \$37.7 billion, with fund balance with the US Treasury accounting for the bulk of its asset base at 94%.

- GEL Utility Funding SPV Plc. ('GEL-SPV' or 'the Issuer') is a special purpose vehicle incorporated by GEL Utility Limited ('the Co-Obligor') with the aim of providing debt finance to Co-Obligor, which has an 84 megawatts (MW) dual-fired gas turbines and has entered into a 20-year power purchase agreement (PPA) with the off-taker–Nigerian National Petroleum Corporation (NNPC) to provide uninterrupted 24 MW power to the Port Harcourt Refinery Company Limited (PHRC) in Rivers State.
- GEL-SPV issued a ₦13 billion 15-year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034 under the ₦50 billion Medium Term Note Programme in August 2018. The Series 1 Bond will attract a fixed coupon rate to be determined through a book building process payable semi-annually over the 15-year period, while the Bond principal will enjoy a one-year moratorium from date of issuance and thereafter it will be amortised semi-annually over the remaining fourteen years.
- The net proceeds of the Series 1 Bond will be fully disbursed to the Co-Obligor in line with the Series 1 Trust Deed and Pricing Supplement. In turn the Co-Obligor will utilise the net proceeds to refinance existing bank loan, fund capital expenditure for the utilisation of excess power to industrial clusters under the Port Harcourt Distribution Zone.
- The Issue will constitute senior direct obligation of the Issuer and the Co-Obligor and the various Series in the Bond programme shall at all times rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under the Series 1 Bond and of InfraCredit under the Guarantee shall save for such exceptions as may be provided by applicable legislation, at all times rank at least equally for the purpose of security and claim to cash flow with all other unsubordinated indebtedness and monetary obligations of the Issuer and Co-Obligor.
- The coupon and principal on the Bond obligations will be repaid from the operating cash flow of the Co-Obligor. However, in an event that the Co-Obligor is unable to make the timely payments, InfraCredit shall continue to make timely payments of guaranteed amounts comprising principal and coupon as and when due with a non-acceleration clause in accordance with Series 1 Trust Deed and Deed of Guarantee.
- Based on Agusto & Co.'s review of the Co-obligor's financial forecast over

the duration of the Bond, we believe that the sensitised operating cash flow is good, evidenced by an operating cash flow capacity to meet interest payment and total Bond obligations of 1.52 times and 1.11 times respectively over the tenor of the Bond.

**Figure 1: Strengths, Weakness, Opportunities and Challenge**



## CO-OBLIGOR'S PROFILE

GEL Utility Limited ('GEL Utility', 'Co-Obligor' or 'GEL'), a member of the Genesis Energy Group, was incorporated as a private limited liability company in September 2012 with a primary objective to deliver innovative electricity solutions to communities across Africa. The Company's principal activity is to develop, operate and provide either grid-connected or off-grid electric power. GEL's business model is hinged on building modular, industrial-style power plants while offering fuel-efficient solutions across the generation and distribution value chain of the power sector.

The Co-Obligor is one of the captive power plants in Nigeria providing uninterrupted electric power to the Port Harcourt Refinery Company Limited. GEL has a dual-fired gas turbine with an installed capacity of 84 MW, of which the Company is required to provide 24 MW to PHRC and has a standby back-up of 24 MW, in a bid to avoid downtime.

As at 31 December 2018, GEL Utility was wholly owned by three institutional investors, of which 55% is Nigerian owned while 45% of the Company's equity is held by foreign interest. Engro Powergen Limited, a member of Engro Corporation Plc, one of the fully integrated energy companies listed on the Pakistan Stock Exchange is the Company's single largest shareholder.

**Table 1: Ownership Structure**

Names	Equity Stake
Engro Powergen Limited	45%
Genesis Power & Energy Solutions Nigeria Limited	33%
Genesis Energy Limited	22%
Total	100%

Subsequent to year end, the Issuer consolidated its ownership stake in GEL Utility to become the single largest shareholders, accounting for 55% equity stake in March 2019.

The Co-Obligor is governed by a seven-man Board of Directors, comprising five non-executive directors and two executive directors. Mr. Akinwale Omoboriowo II is the Chairman of the Board while Mr. Simon Shaibu is the Managing Director of GEL Utility Limited. Other Directors on the Board are representatives of the institutional shareholders of the Co-Obligor. Subsequent to year end, Mr James Boboye Fasaye and Prince Arthur Eze resigned from the Board.

**Table 2: Current Directors**

Names	Designation	Institution Represented
Mr. Akinwale Omoboriowo II	Chairman	Genesis Energy Limited
Mr. Felix Achibiri	Non-executive Director	Genesis Power & Energy Solutions Nigeria Limited
Mr. Simon Shaibu	Managing Director/CEO	Genesis Energy Limited
Mr. Shahab Qader Khan	Non-executive Director	Engro PowerGen Limited
Mr. Shamsuddin Ahmed Shaikh	Non-executive Director	Engro PowerGen Limited
Mr. Ahsan Zafar Syed	Non-executive Director	Engro PowerGen Limited

**GEL Utility Funding SPV Plc.'s ₦13 Billion 15-Year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034**

As at the financial year ended 31 December 2018 (FYE 2018), GEL Utility's total assets stood at ₦27.7 billion. During the year under review, the Company's total revenue amounted to ₦5.1 billion and reported a profit after tax of ₦1.5 billion. As at year end, GEL had an average staff strength of 30 persons.

Over the last three years, GEL has continued to record stability in revenue, given the fixed amount of electricity the Company is required to supply the off-taker in the executed power purchase agreement which incorporates a 'take or pay' clause. The Co-obligor has a 20-year power purchase agreement (PPA) with the off-taker– Nigerian National Petroleum Corporation (NNPC) which ensures timely payment after 45 days of invoice. In addition, the favourable payment structure in the PPA allows an escrow account to hold at least six months security to cover for the payment of power supplied, with a clause to replenish this account should the amount fall short at any point in time.

**Table 3: Background Information as at 31 December 2018**

Shareholders' Funds:	₦9.2 billion
Registered Office:	48 Anthony Enahoro Street, Jabi, Abuja
Principal Business:	Power Generation
Auditors:	PricewaterhouseCoopers (PwC)

## TRANSACTION STRUCTURE

### Background

GEL Utility Funding SPV Plc (“GEL-SPV”) was incorporated as a public limited liability company in September 2018 to operate as a special purpose vehicle with the objective of passing through funds to and receiving funds from GEL Utility Limited (Co-Obligor). The principal activities of GEL-SPV are to borrow or raise money in such a manner as the Issuer shall deem fit and to lend such monies to GEL Utility Limited and where applicable grant any security of the Co-Obligor’s assets for such purposes subject to and in accordance with the terms of the transaction documents.

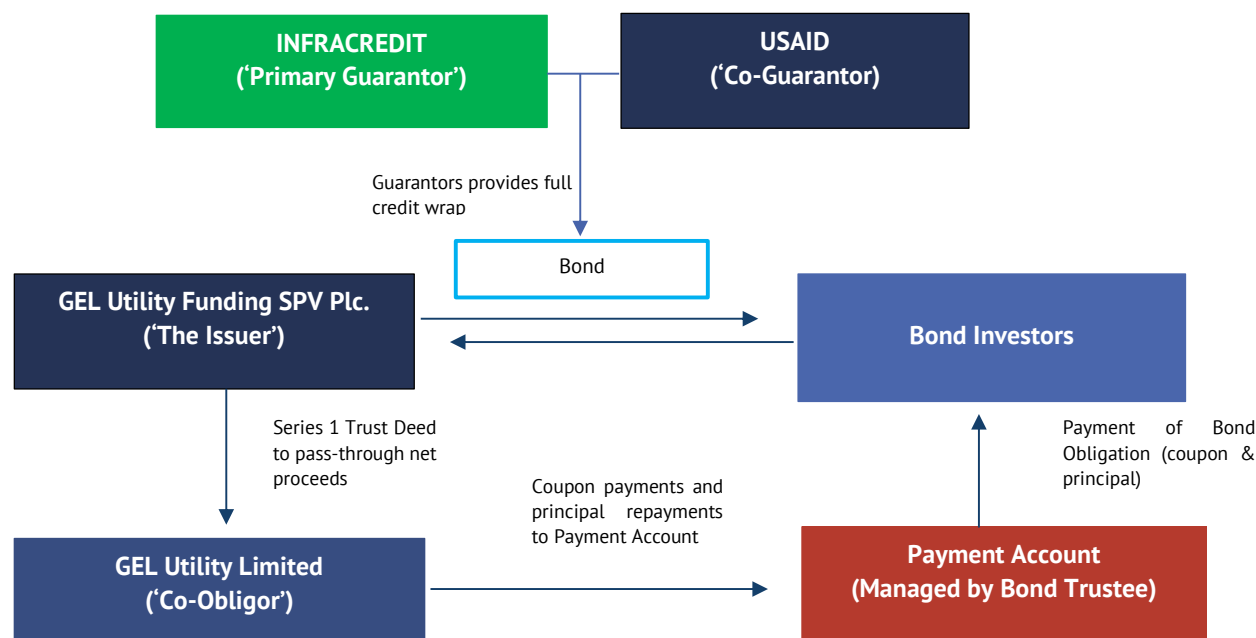
GEL-SPV raised ₦13 billion 15-year 15.15% Series 1 Guaranteed Fixed Rate Senior Infrastructure Bond under the ₦50 billion Bond Issuance Programme in August 2019. The Bond will attract a fixed coupon rate to be determined through a book building process payable semi-annually over a 15-year period, while the Bond principal will enjoy a one-year moratorium from issue date. Thereafter, the principal will be amortised on a semi-annual basis over the remaining fourteen years.

### Structure of the Issue

The Series 1 Bond issuance shall be fully guaranteed by Infrastructure Credit Guarantee Company Limited (InfraCredit). The Bond has a co-guarantee provided by the United States Agency for International Development (USAID). GEL-SPV will issue Bonds to qualified institutional investors and high networth individuals. The net proceeds from the Bond will be passed through to the Co-Obligor under the terms of the Series 1 Trust Deed and in accordance with the use of proceeds in the transaction document. The Co-Obligor is expected to transfer funds from its operating cash flow to the payment account to cover coupon payment and principal repayments throughout the life of the Bond. The payment account will be managed by the Trustees to the Bond.

The Trustees will pay the Bond obligations comprising both coupon and principal payment to bondholders as and when due. In line with the deed of guarantee, InfraCredit will irrevocably and unconditionally guarantee to the Bond Trustee, for and on behalf of the bondholders, by way of continuing guarantee, the due and punctual observance by the Issuer of all its payment obligations in respect of all scheduled principal and/or coupon payable on the Series 1 Bonds. The purpose of the Guarantee is to ensure that bondholders, under all circumstances and regardless of any factual and legal circumstances, motivations and considerations on the basis of which the Issuer may fail to effect payment, shall receive the scheduled principal and coupon payable in line with the terms and conditions of the Bond on the due dates in accordance with the coupon and principal payment schedule.

Figure 2: Overview of Transaction Structure



Source: Issue Documents

### Utilisation of Bond Proceeds

The proceeds of the Bond will be passed through by GEL-SPV to the Co-Obligor under the terms of the Series 1 Trust Deed and utilised as disclosed in the pricing supplement upon closure of the debt raising exercise. GEL Utility Limited jointly and severally will acknowledge receipt of the proceeds of the Series 1 Bonds as specified in the Pricing Supplement. The Co-Obligor jointly and severally undertake to the Bond Trustee that the net proceeds of the Series 1 Bond shall be utilised in accordance with the Pricing Supplement, and will jointly and severally repay the scheduled principal and coupon in line with the Series 1 Trust Deed.

The net proceeds of the Series 1 Bond will be utilised for the repayment of existing First Bank of Nigeria Limited loan amounting to ₦10.9 billion (70%), finance capital expenditure on power infrastructure of ₦2.7 billion and fund the Bond reserve account amounting to ₦1.5 billion. The schedule of the Bond utilisation is presented in the table below;

Table 4: Use of Proceeds

Purpose	Amount (₦ Million)	% of Proceeds	Estimated Completion Period
Refinancing of First Bank of Nigeria Limited Loan <sup>1</sup>	10,891	70%	Immediately
Capital Expenditure	2,729	18%	12 months
Funding Reserve Account	1,498	10%	Immediately
Cost of Offer	382	2%	Immediately
<b>Total</b>	<b>15,500</b>	<b>100%</b>	

Source: Bond Pricing Supplement

<sup>1</sup> Amounts required to fully repay bank loans may vary based on full and final amounts due to the banks as at the Issue Date

## Repayment

The Co-Obligor shall have a joint and several obligations to repay the aggregate principal amount outstanding and coupon payable on the Series 1 Bonds, and will directly, on a joint and several basis, fund the payment account with scheduled coupon and principal repayment. The Issuer shall pay the coupon and repay the principal amount outstanding from cash accruing to and standing to the credit of the payment account.

The Series 1 Bond shall be repaid in instalments and at the intervals on each scheduled redemption date specified in the coupon and principal payment schedule. The scheduled redemption amount shall be allocated on a pro rata basis amongst the bondholders on the relevant redemption date. The first scheduled redemption date shall be the next payment date occurring at the end of the moratorium period in June 2020. The Trustee shall maintain a repayment schedule as stated in the Series 1 Trust Deed.

**Table 5: Coupon and Principal Repayment Schedule<sup>2</sup>**

Period	Bond Obligation Repayment Date	Principal Repayment (₦)	Semi-annual Interest Payment (₦)	Bond Repayment (₦)	Principal Outstanding (₦)
<b>Bond Issuance</b>					15,500,000,000
1st Interval	Jun-19	-	1,204,350,000	1,204,350,000	15,500,000,000
2nd Interval	Dec-19	-	1,204,350,000	1,204,350,000	15,500,000,000
3rd Interval	Jun-20	168,979,504	1,204,350,000	1,373,329,504	15,331,020,496
4th Interval	Dec-20	182,109,211	1,191,220,293	1,373,329,504	15,148,911,285
5th Interval	Jun-21	196,259,097	1,177,070,407	1,373,329,504	14,952,652,188
6th Interval	Dec-21	211,508,429	1,161,821,075	1,373,329,504	14,741,143,760
7th Interval	Jun-22	227,942,634	1,145,386,870	1,373,329,504	14,513,201,126
8th Interval	Dec-22	245,653,776	1,127,675,727	1,373,329,504	14,267,547,350
9th Interval	Jun-23	264,741,075	1,108,588,429	1,373,329,504	14,002,806,275
10th Interval	Dec-23	285,311,456	1,088,018,048	1,373,329,504	13,717,494,819
11th Interval	Jun-24	307,480,156	1,065,849,347	1,373,329,504	13,410,014,663
12th Interval	Dec-24	331,371,364	1,041,958,139	1,373,329,504	13,078,643,298
13th Interval	Jun-25	357,118,919	1,016,210,584	1,373,329,504	12,721,524,379
14th Interval	Dec-25	384,867,059	988,462,444	1,373,329,504	12,336,657,320
15th Interval	Jun-26	414,771,230	958,558,274	1,373,329,504	11,921,886,090
16th Interval	Dec-26	446,998,955	926,330,549	1,373,329,504	11,474,887,135
17th Interval	Jun-27	481,730,773	891,598,730	1,373,329,504	10,993,156,362
18th Interval	Dec-27	519,161,254	854,168,249	1,373,329,504	10,473,995,107
19th Interval	Jun-28	559,500,084	813,829,420	1,373,329,504	9,914,495,023
20th Interval	Dec-28	602,973,240	770,356,263	1,373,329,504	9,311,521,783
21st Interval	Jun-29	649,824,261	723,505,243	1,373,329,504	8,661,697,522
22nd Interval	Dec-29	700,315,606	673,013,897	1,373,329,504	7,961,381,916
23rd Interval	Jun-30	754,730,129	618,599,375	1,373,329,504	7,206,651,787
24th Interval	Dec-30	813,372,660	559,956,844	1,373,329,504	6,393,279,127
25th Interval	Jun-31	876,571,716	496,757,788	1,373,329,504	5,516,707,411
26th Interval	Dec-31	944,681,338	428,648,166	1,373,329,504	4,572,026,073
27th Interval	Jun-32	1,018,083,078	355,246,426	1,373,329,504	3,553,942,996
28th Interval	Dec-32	1,097,188,133	276,141,371	1,373,329,504	2,456,754,863
29th Interval	Jun-33	1,182,439,651	190,889,853	1,373,329,504	1,274,315,212
30th Interval	Dec-33	1,274,315,212	99,014,292	1,373,329,504	0

Source: Transaction Documents

<sup>2</sup> The amortisation schedule is indicative and will be updated upon completion of the book building process



## Early Redemption

The GEL-SPV ~~€~~13 billion 15-year 15.15% Series 1 Guaranteed Fixed Rate Senior Infrastructure Bond under its ~~€~~50 billion Bond Issuance Programme has a callable option for an early redemption from Year 7 to year 10 in line with the Series 1 Trust Deed.

## Liability of Co-Obligor

The Co-Obligor, jointly and severally, irrevocably and unconditionally accepts as primary obligor and co-debtor, joint and several liability with the Issuer to the Bond Trustee in respect of the due and punctual payment of the principal and coupon on the Series 1 Bond and of any other amount payable by the Issuer under Series 1 Trust Deed (in immediately available funds, without any deduction, set-off, counterclaim or withholding of any kind (including without limitation, on account of taxes); and the performance of all the payment obligations which the Issuer may from time to time be obliged to fulfil under or pursuant to the Trust Deed.

## Bond Guarantee

The GEL Utility Funding SPV PLC. Series 1 Bond is supported by an unconditional and irrevocable guarantee of Infrastructure Credit Guarantee Company Limited ("InfraCredit" or "the Guarantor"), by way of continuing guarantee, of the due and punctual observance by the Issuer of all of its payment obligations in respect of all scheduled principal amounts and coupon due and payable by the Issuer under the terms of the Deed of Guarantee.

In the case of a claim under the Guarantee in respect of the Bond, payments of all amounts due under the Guarantee shall be made no later than the applicable scheduled payment date and, in any case, no later than the last day of any grace period granted to the Issuer, and only in the scheduled repayment instalments specified in the Coupon and Principal Payment Schedule in the Series 1 Bond Trust Deed.

In the event of a default on the Bond, the Guarantee cannot be accelerated unless the InfraCredit in its sole discretion elects to do so by notice in writing to the Trustee. If no such election is made, the Guarantor will continue to be liable to make timely payments of the guaranteed amounts in accordance with the coupon and principal payment schedule as if InfraCredit was expressed to be the primary obligor.

The aggregate amount payable by the Guarantor under this Guarantee shall be limited to 100% of the scheduled principal and interest payable on the Series 1 Bond issued and outstanding at any time, and the Guarantee by the InfraCredit shall solely be in respect of payment defaults. For the avoidance of doubt, the Guarantor is under no obligation to pay any portion of an unpaid amount stated under a Demand Notice which would, if paid, cause the aggregate amount paid to the Trustee by InfraCredit under and in accordance with the terms of this Guarantee to exceed 100% of the principal and interest payable on the Series 1 Bonds issued and outstanding at any time.

The United States Agency for International for Development (USAID) Development Credit Authority acting on behalf of the Government of the United States of America has entered into commercial negotiations with InfraCredit and the Co-Obligor in connection with its participation as a risk sharing partner by sharing risks on

the Guaranteed Bonds. Based on the provisions in the Agency's Guarantee Agreement, USAID requires 90 days' notice period to make any payment claim. The USAID guarantee provided under the terms and conditions of the Guarantee Agreement is intended to strengthen the Issuer's ability to issue the Bond and subsequently use the funds from such issuance to finance capital expenditure for the evacuation of excess power and refinance existing debt with the First Bank of Nigeria. As a result, USAID agrees to pay the guaranteed party an amount up to the applicable USAID principal guarantee amount plus the USAID interest guarantee amount and subject to InfraCredit bearing the first losses of principal and interest on the Bonds arising solely from a Guaranteed Event and subject to all of the terms and conditions herein, including that the total amount of payments made by USAID to the guaranteed party under the Agreement shall not exceed the guarantee ceiling.

To provide comfort to the Bond Trustee and Bondholders of timely payment of principal and interest on the scheduled date, InfraCredit will irrevocably and unconditionally undertake to be liable to make timely payments for the full amount of the Bonds outstanding under its Deed of Guarantee to bridge the 90-day notice period in the event of any claim and to make ultimate payment in the unlikely event of delayed or non-payment by USAID under its guarantee.

Upon the occurrence of a failure by the Issuer to fund the Payment Account with the scheduled principal and interest no later 10 business days before the relevant payment date, the Bond Trustee will submit a demand notice to InfraCredit and USAID following which InfraCredit shall by the scheduled payment date, pay all amounts due under the demand notice to the payment account.

## Guarantors Profile

### *Infrastructure Credit Guarantee Company Limited*

InfraCredit is a development credit guarantee institution co-sponsored by Nigeria Sovereign Investment Authority (NSIA) and GuarantCo Management Company Limited (GuarantCo), both of whom have infrastructure development as core objectives. NSIA was established by an Act of the National Assembly primarily to build a savings base for Nigeria, enhance development of infrastructure in Nigeria and provide stabilisation support in period of economic crisis. GuarantCo was established as one of the initiatives of Private Infrastructure Development Group (sponsored by the government of five of the G12 countries) to attract financing for infrastructure projects as well as deepen domestic financial markets in developing countries. In July 2018, Africa Finance Corporation (AFC) which was created to address infrastructure needs in Africa while providing returns to its shareholders signed a subscription agreement to join the cornerstone sponsors of InfraCredit, contributing core capital of \$25 million. In November 2018, KfW Development Bank provided \$35 million subordinated capital investment to enhance the Guarantor's capital base. Overall, InfraCredit has a core capital of \$50 million and a callable capital (contingent) of \$25 million from GuarantCo.

**Table 6: InfraCredit Capital Providers**

Institution	Status	Initial Capital
Nigerian Sovereign Investment Authority	Sovereign Authority	\$25 Million Core Capital
African Finance Corporation	Supranational	\$25 Million Core Capital
GuarantCo	Supranational	\$25 Million Callable Capital
KfW Development Bank	Supranational	\$35 Million Subordinated Capital

Source: Bond Pricing Supplement



### *United States Agency for International Development*

USAID was established in 1961 by President John F. Kennedy, as an independent U.S. Government Agency which provides economic development and humanitarian assistance to United States economic and political interests overseas. USAID is the executive branch agency primarily responsible for carrying out the foreign economic and technical assistance programs of the United States (U. S.) Government. The Agency has the authority to provide loan and bond guarantees derived from programs contained in annual appropriations acts Title III in the Development Credit Authority of the Department of State, Foreign Operations and Related Programs Appropriations Act of 2019. As at financial year ended 30 September 2018, USAID's total assets stood at \$37.7 billion, with fund balance with the US Treasury accounting for the bulk of its asset base at 94%.

### Guaranteed Event

In accordance with the Deed of Guarantee, a Guaranteed Event means a failure by the Issuer to fund the payment account with the specified scheduled interest and/or scheduled principal due on a scheduled payment date at least ten (10) business days prior to the relevant scheduled payment date.

### Recourse Deed

GEL-SPV, GEL Utility Limited and Infrastructure Credit Guarantee Company Limited signed a Recourse Deed which stipulates the rights, obligations and powers of the Guarantor. The Deed also has key clauses covering security, non-acceleration of payment obligation, and the financial covenants that the Co-Obligor is expected to meet and step-in rights of InfraCredit. The Guarantor undertakes to the Issuer to enter into, deliver the Guarantee, and thereafter irrevocably and unconditionally perform each of its obligations under the Deed of Guarantee, as required, in accordance with its terms upon the satisfaction of the condition's precedent.

### Security

The Recourse Deed protects the Guarantor with the establishment of a debt service reserve account wherein up to six months of interest and principal obligations will be set aside from the net proceeds of the Bond. The account will be in the name of and under the exclusive control of the Security Trustee who will hold funds standing to the credit of the account as security for the benefit of the Guarantor and who shall deal with such funds in line with the provisions of the Recourse Deed. ARM Trustees is the security trustees managing the reserve account and assets of the Co-Obligors in line with the recourse deed and All Asset Debenture Agreement.

### Payment Account

The Issuer will establish a payment account with the Account Bank in the name of the Bond Trustee solely for the purpose of effecting payments on the Series 1 Bond to bondholders as and when due. In accordance with the Recourse Deed, the Issuer will pay amounts that cumulatively equal the next scheduled coupon and principal due to the Payment Account as follows;

- 50% of next scheduled coupon and or redemption amount due payable on the Series 1 Bond not later

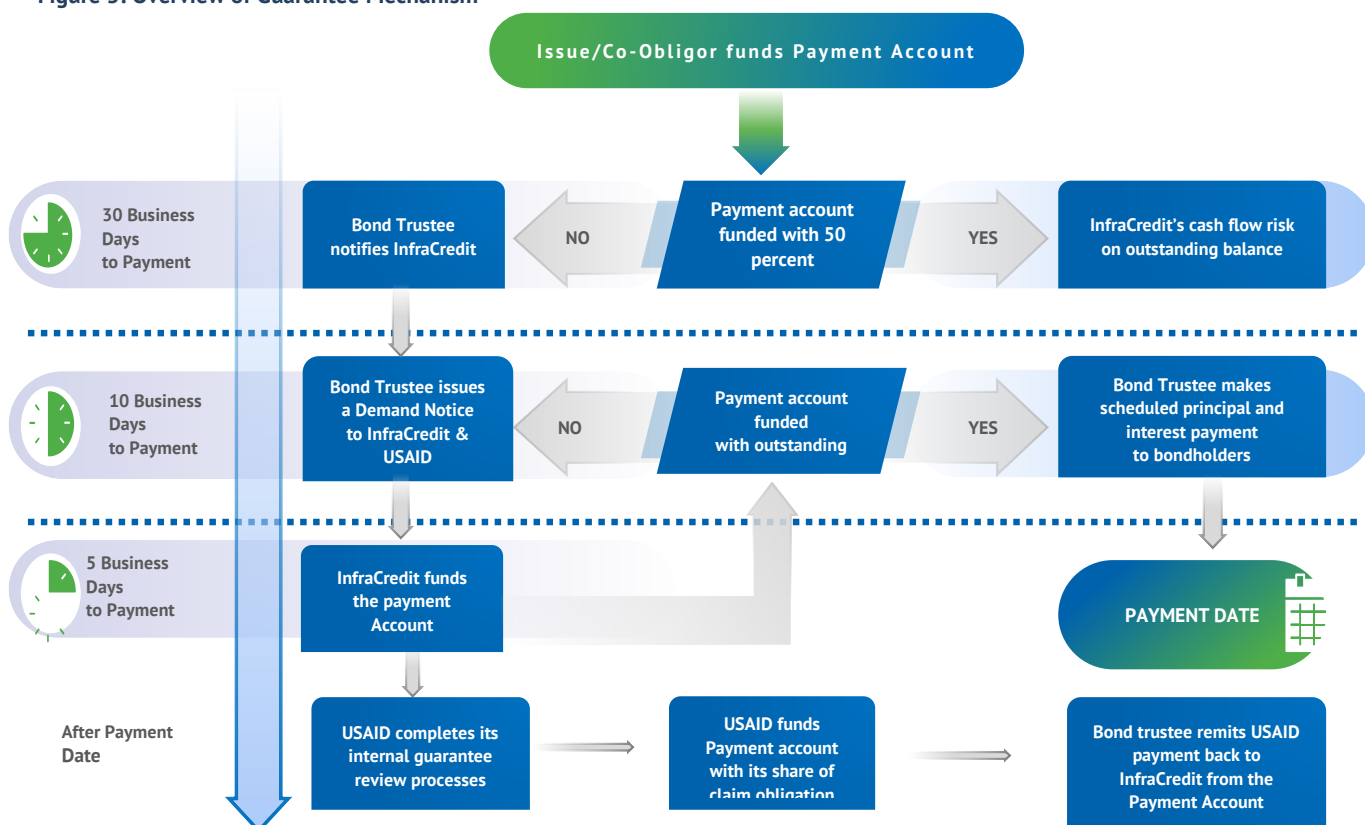
than one (1) month before the next payment date, and

- 50% of next scheduled coupon and/or redemption amount due payable on the Series 1 Bond (less coupon accrued on the Payment Account since the last payment date) not later than ten (10) business days before the next payment date, bringing total funding standing to not less than 100% of the next amount due.

In consultation with the Issuer and in accordance with the Trust Deed, the Bond Trustee shall invest the funds in the Payment Account in short term government treasury bills or fixed deposits/investments issued by the Account Bank or other investments issued by an investment grade rated Nigerian financial institution.

The Issuer irrevocably acknowledges and accepts that the funds in the Payment Account, and any other account opened by the Issuer (or the Bond Trustee as the case may be), either in addition or replacement of the Payment Account from time to time in accordance with the terms of Deed of Guarantee, shall be held by, or assigned by way of security to the Bond Trustee, for itself and the bondholders, upon similar trusts to those held by the Bond Trustee managed by Stanbic IBTC Trustee Limited under the Deed of Guarantee.

**Figure 3: Overview of Guarantee Mechanism**



Source: InfraCredit

## Reserve Account

In line with the Recourse Deed and/or Asset Debenture Deed, a Debt Service Reserve Account, Major Maintenance Reserve Account and Operating Expenses Reserve Account will be opened prior to closing the Series 1 Bond in the name of the security trustee for the benefit of the Guarantor.

- The **Debt Service Reserve Account** (DSRA) will be used to mitigate against payment delays and other identified payment/market risks associated with the Issuer and the Co-Obligor. The DSRA which is pre-funded from the net proceeds of the Series 1 Bond will have at a minimum, funds to cover one coupon payment of the Bond obligation estimated at ~~€~~1.2 billion.
- The **Major Maintenance Reserve Account** will be built up over three years and shall be used to offset the payments for the planned and unplanned maintenance requirements specified by General Electric under the Parts and Repairs Agreement as well as the Service Agreement. The Major Maintenance Reserve Account will be funded in the first month of every calendar year subsequent to the mortarium period of the Series 1 Bond and is required to have a minimum balance of \$1.5 million which will cover scheduled maintenance work on the Co-Obligor's power plant.
- The **Operating Expenses Reserve Account** shall be built up over two years and shall be used to offset payments relating to Operation and Maintenance of the Plant. The Operating Expenses Reserve Account will have a maximum of \$750,000 to cover three months O&M expenses.

Funds standing to the credit of the Reserve Accounts shall be invested in Authorised investments as defined in the Recourse Deed. Subsequent to the issuance of the Series 1 Bond, the Issuer and Co-Obligor will have continuing obligation to deposit into the Reserve Accounts such amount that ensure that the sum of the value of the Reserve Accounts is not less than the amount specified in the Recourse Deed.

To the extent that the performance-linked indicators have not been achieved and sustained or that minimum credit ratios (financial covenants) are not maintained, the Issuer and the Co-Obligor will be required to deposit into the Reserve Accounts additional amounts that have been specified in the Recourse Deed for the duration of the non-compliance. Should there be a shortfall in the Reserve Accounts at any point in time, the Issuer and the Co-Obligor will have a joint and several obligations to fully remedy the shortfall within 20 business days of receiving a request from InfraCredit. During the shortfall period, the Issuer and Co-Obligor will not make any payments to related parties nor pay, make or declare any dividends or other distributions in cash, kind or any payments whether interim or otherwise, except with the express prior approval of the Guarantor.

## Sponsor Support

The Sponsors shall ensure that the Issuer and the Co-Obligor perform their respective obligations under the Recourse Deed and the Series 1 Trust Deed failing which the Sponsors will be required to meet any shortfall on behalf of the Issuer and Co-Obligor. The Sponsors listed below are required to ensure that the Issuer and Co-Obligor are managed in line with industry standard in a bid to meet their obligations under the Deed of Guarantee and Trust Deed.

- Engro Powergen Limited
- Genesis Energy Limited (Seychelles)
- Genesis Power and Energy Solutions Nigeria Limited

In line with the Deed of Guarantee and the Series 1 Trust Deed, the Sponsors shall ensure that neither the Issuer nor the Co-Obligor enters into a voluntary liquidation arrangement with their creditors unless all the liabilities of the Issuer and Co-Obligor are fully discharged. The Sponsors are obligated to inject equity, subordinated debt of other similar financial instrument to Gel Utility Limited which is sufficient to bring the Co-Obligor's financial condition within agreed limits should the Co-Obligor have breached any of the agreed financial covenants in the Recourse Deed. To the extent that equity funding is required to support capital expenditure component of net issue proceeds of the Series 1 Bond, the Sponsors are obligated to inject equity, subordinated debt of other similar financial instrument to the Company which is sufficient to bring the Co-Obligor's financial condition within agreed limits.

The Deed of Guarantee prevents the Sponsors from establishing creating and/or operating an entity that competes with the Issuer's and Co-Obligor's business in a manner that in the opinion of the Guarantor could adversely impact the cash flow generating capacity of the Issuer and/or Co-Obligor.

### Performance Indicators

Given that part of the net proceeds of the Series 1 Bond will be utilised to finance capital expenditure for the evacuation of excess power from the Co-Obligor, the transaction document has highlighted the performance linked indicators as follows;

- Implementation of excess power evacuation programme with a charge over collection accounts domiciled with the project account bank.
- Funding agreed reserve accounts such as the minimum reserve account, major maintenance reserve account, operating expense reserve account with agreed amounts on or before agreed dates.
- Implementation of an acceptable corporate governance framework which could cover at least the adoption of a Board charter, maintenance of sufficient corporate policies and procedures.
- Ensuring the Escrow Account (as defined in the Escrow Agreement between the Nigerian National Petroleum Corporation and First Bank of Nigeria Limited) maintains at least the minimum Escrow Balance as defined therein.
- Implementation of new projects based on an annual business plan submitted to InfraCredit that specifies the targeted expansion plan of at least 2MW annually, which shall be assessed cumulatively

### Financial Covenants

The Co-Obligor is required by the Recourse Deed to provide a compliance certificate to the Guarantor that GEL Utility Limited has complied with the provisions of the financial covenants. The Bond will be subject to key financial covenants which will be reviewed on a quarterly basis by InfraCredit in line with the Recourse Deed. The financial covenants include:

**Table 7: Schedule of Financial Covenants**

S/N	Financial Covenants	Benchmark
1.	Debt to EBITDA Ratio	Maximum of 2.5 times
2.	Debt Service Coverage Ratio	Minimum of 1.2 times

Source: Recourse Deed

### Non-Acceleration of Provision

The Guarantor has included a non-acceleration provision in the Deed of Guarantee. In the event of a default on the Series 1 Bond, the Guarantee cannot be accelerated unless InfraCredit in its sole discretion elects to do so by notice in writing to the Bond Trustee. If no such election is made, the Guarantor will remain liable to make timely payments of the scheduled principal and coupon payment in line with the amortisation schedule.

### Step-in Rights

In line with the Recourse Deed, the Guarantor has step-in rights, taking control and responsibility of the overall direction, supervision and management of the Issuer and the Co-Obligors in line with the all asset debenture. The step-in rights may be exercised in the event that the Guarantee is called, or where the Co-Obligors fail to remedy a breach of an undertaking under the Guarantee, the Series 1 Trust Deed or the Recourse Deed within hundred (100) calendar days of notification. The effect of the step-in allows the Guarantor to appoint representatives and external consultants, giving full control over the projects, plants, or other assets responsible for generating the cash flows required to meet the Company's and the Co-Obligors' obligations in respect of the Series 1 Bond.

The primary Guarantor together with the Sponsors, Co-Obligor, the Issuer and Co-Obligors' shareholders entered a Customary Direct Agreement to enable InfraCredit step into and continue existing contractual relationships with relevant counterparties during the step-in period.

## GUARANTOR'S RATING RATIONALE- INFRASTRUCTURE CREDIT GUARANTEE COMPANY LIMITED<sup>3</sup>

In July 2019, Agosto & Co. assigned a **Aaa** rating to Infrastructure Credit Guarantee Company Limited ("InfraCredit" or "the Guarantor") reflects the expanding and implicit support of its sponsor base. InfraCredit is sponsored by the Nigeria Sovereign Investment Authority (NSIA), Africa Finance Corporation (AFC) and GuarantCo Management Company Limited (GuarantCo) which provide funded and unfunded capital for the Corporation's guarantee business. During the review year, AFC joined as a second cornerstone investor (including NSIA), subscribing to the ordinary and preference shares of InfraCredit. GuarantCo also provides a callable 15-year unconditional and irrevocable \$50 million contingent capital. In addition, these sponsors offer technical assistance to the Corporation based on their vast expertise in supporting infrastructure projects in African countries. AFC is rated **Aaa** (national) and **Aa** (foreign currency) by Agosto & Co while GuarantCo has an **Aa-** rating by Fitch and **A1** rating by Moody's. The assigned rating also recognises InfraCredit's good asset quality backed by an acceptable risk management framework as well as its strong capital base, liquidity profile and financing capacity. In 2018, KfW Development Bank, a German state-owned development bank extended a €31 million ten-year loan to the Corporation at a simple interest rate of 6% per annum, further enhancing its funding base and reflecting additional support (in terms of capital and technical know-how). However, the fragile state of the macroeconomic environment and its attendant impact on the availability of bankable and eligible projects remain a threat to the assigned rating.

The 2018 financial year marked InfraCredit's second year of operations. The Corporation continues to provide local currency guarantees to enhance the credit quality of debt instruments issued to finance creditworthy infrastructure assets in Nigeria. These guarantees moderate issuance costs for borrowers and spur investments from long term investors, thereby bridging the growing infrastructure gap. The Corporation's guarantee portfolio is concentrated in the power electrification sector given the large infrastructure deficit in Nigeria. As at June 2019, InfraCredit had extended guarantees totalling ₦18.5 billion on two long term bonds issued by power generating companies and intends to grow its guarantee portfolio by up to ₦30 billion by the end of the 2019 financial year

Given the small size and age of the portfolio, there has been nil impairment since inception. The Corporation's good risk management framework, supported by its sponsors, ensures that asset quality remains good, although this remains untested as it has limited track record.

Funds provided by InfraCredit's sponsors are invested in liquid assets with high national ratings, as well as sovereign and corporate Eurobonds. The investment income is used to support the operations of the Corporation while the guarantee portfolio expands. During the 2018FY, InfraCredit recorded its first profit of ₦171.1 million, up from a loss position of ₦402.8 million in the prior year. This feat was achieved on the back of the full-year income generated from its guarantee portfolio and a stronger investment income from its pool of liquid assets. In addition to its developmental role, InfraCredit operates on a commercial basis and is expected to optimise shareholders' value. As such, return on assets (ROA) and return on equity (ROE)

<sup>3</sup> Culled from the Rating Rationale of InfraCredit Issued by Agosto & Co. Limited in July 2019



strengthened to 0.5% and 2.2% respectively in 2018. Though low, we consider acceptable for a relatively new business.

InfraCredit's liquidity profile is strong with liquid assets to guarantee portfolio of 311.8%. In the same vein, its leverage ratio denoted by guarantee portfolio to capital at 0.25x as at FYE2018 was well below our internal benchmark of 5x. We consider the Corporation's capitalisation to be good and we expect additional funding from other multilateral agencies in the near term to support its funding base and business profile.

Based on the foregoing, we hereby affirm the **Aaa** rating assigned to Infrastructure Credit Guarantee Company Limited.

## FINANCIAL FORECAST

GEL Utility Funding SPV Plc has prepared a 15-year forecast (2019 to 2034) covering income statement, statement of financial position, cash flow statement together with the underlying assumptions. The forecast of the Co-Obligor covers the tenor of the Bond. In our view, the basis of the underlying assumptions and key parameters are largely reasonable, albeit we have made adjustments to certain aspects of the projected cash flow statement. The assumptions supporting the projections are stated below;

**Table 8: Bond Assumptions**

Description	Assumptions
Projected excess power	18 MW to be evacuated to Port Harcourt Electricity Distribution Company
Duration of projected excess power	3 years
Availability factor	99%
Payment security	Bank guarantee providing three months cover
Electricity tariff	₦23-25 per KWH
Gas price	\$5 per MSCF

Source: Financial Forecasts

Other than the income generated from the current 20-year power purchase agreement with the off-taker– Nigerian National Petroleum Corporation (NNPC), the Co-Obligor intends to utilise idle excess capacity to supply power to Port Harcourt Electricity Distribution Company (PHED) while securing a power purchase agreement with metered industrial clusters in the Onne region in Rivers State. This is in a bid to diversify the Co-Obligor’s cash flow and customer base. GEL Utility plans to demand a 3-month bank guarantee to forestall issues associated with collection losses in the power sector value chain.

The Co-Obligor’s revenue is projected to grow to ₦5.7 billion by Year 1 from ₦5.1 billion in 2018, largely driven by increase in exchange rate regime in the country<sup>4</sup>. Subsequently, revenue growth is expected to remain stable, projected to reach ₦6.5 billion by Year 15, premised on the utilisation of 18 MW excess power to industrial clusters under the PHED distribution zone and activation of power purchase agreement over the forecast period. Based on the consolidated Co-Obligor’s forecasts, cumulative revenue over the 15-year tenor of the Bond is projected at ₦104.5 billion, on the back of moderate growth in sales from electric power to third party customers.

The Co-Obligor’s forecast puts cumulative direct cost of sales largely comprising operating and maintenance costs at ₦37.5 billion, representing 36% of cumulative revenue over the forecast period. Thus, resulting in earnings before interest, taxes, depreciation and amortisation (EBITDA) to sales ratio of 64% over the life of the Bond, which is just above the 2017 level of 62.5% and the three-year average of 63% recorded for GEL Utility Limited between 2017 to 2015. The Co-Obligor’s estimated cumulative interest expense of ₦26.7 billion represents about 26% of total revenue over the 15-year Bond tenor, which is high in our view, however typical of companies operating in the power sector.

<sup>4</sup> Given that 70% of GEL’s revenue is denominated in the US dollars and NNPC is required to pay the Co-Obligor power tariff on capacity and energy generated which comprises investment recovery charge, fixed scheduled operation and maintenance charge and fuelling cost.

*GEL Utility Funding SPV Plc.'s ₦13 Billion 15-Year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034*

The Issuer projected a cumulative operating cash flow (OCF) of ₦66.9 billion, due to the growth in EBITDA, driven by utilisation of excess capacity. This level of OCF will provide a sufficient interest cover of 2 times, which is higher than the stipulated minimum interest cover of 1.2 times in the financial covenants as stated in the Recourse Deed and at par with industry standard.

Agusto & Co. has moderated the Issuer's expectation regarding its cash generating capacity, thus we have sensitised the Co-Obligor's operating cash flow over the life of the Bond, given the fixed power generation output supplied to the current off-taker. While we take into cognisance the projected utilisation of excess capacity, Agusto & Co. expects the excess power evacuation project to be completed by Year 1 therefore we expect cash inflows to positively impact operating cash flow by the start of Year 2.

Therefore, the Co-Obligor's adjusted cumulative OCF over the tenor of the Bond at ₦62.7 billion is sufficient to cover the proposed coupon payment<sup>5</sup> of 1.52 times and total Bond coverage ratio of 1.11 times over the 15-year tenor, both of which are above the financial covenants stated in the Recourse Deed. In our view, these ratios are reflective of the Issuer's past performance as well as expectation of future financial condition. We note that these ratios reflect the Company's satisfactory capacity to meet its obligations as and when due.

**Table 9: Adjusted Operating Cash Flow Statement**

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total
	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns	₦Bns
<b>Operating cash flow</b>	4.28	4.42	4.37	4.31	4.28	4.28	4.24	4.23	4.13	4.13	4.08	4.06	4.03	3.95	3.90	<b>62.7</b>
<b>Indicative Coupon</b>	(2.21)	(3.52)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(2.72)	(41)	<b>(41)</b>
<b>Bond Principal</b>	-	(0.35)	(0.41)	(0.47)	(0.55)	(0.64)	(0.86)	(1.00)	(1.16)	(1.35)	(1.57)	(1.82)	(2.12)	(2.46)	(15)	<b>(15)</b>
<b>Interest coverage (times)</b>	1.9	1.3	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	<b>1.5</b>
<b>Bond coverage (times)</b>	1.9	12.6	10.7	9.1	7.8	6.7	5.7	4.9	4.1	3.6	3.0	2.6	2.2	1.9	1.6	<b>1.1</b>

Overall, we expect the Co-Obligor's OCF to remain good and cover Bond obligations (interest and principal) over the life of the Bond. Nonetheless, in the event of default in meeting the Bond obligations in a timely manner, the guarantee provided by InfraCredit will be called upon to settle the amount due.

<sup>5</sup> Indicative coupon rate is 15.54%.



## PARTIES TO THE ISSUE

Some of the parties to GEL-SPV ₦13 billion 15-year Series 1 Guaranteed Fixed Rate Senior Infrastructure Bond under its ₦50 billion Bond Issuance Programme include;

### Issuing House

**United Capital Plc** is the lead issuing house to the GEL Utility Funding SPV Plc's Bond. United Capital Plc is one of Nigeria's leading issuing houses licenced by the Securities and Exchange Commission to act as Investment Advisers, Portfolio and Asset Manager. The company is publicly quoted on the Nigerian Stock Exchange with a focus on the provision of investment banking, issuing house, corporate investment advisory services, project finance, debt restructuring, mergers and acquisitions, debt capital markets. Through its subsidiaries, United Capital Plc. provides additional services such as trusteeship, asset management, securities trading and insurance. The company has a total asset base of ₦136.6 billion and a shareholders' funds of ₦16.8 billion as at 31 December 2017. United Capital Plc is located on the 12<sup>th</sup> Floor, UBA House, 57 Marina Lagos.

### Trustees to the Issue

**Stanbic IBTC Trustees Limited** is a wholly owned subsidiary of Stanbic IBTC Holdings Plc. (member of Standard Bank Group) and was licensed in 2009 by Securities and Exchange Commission (SEC) as trustees while it received the South African Reserve Bank (SARB) approval in 2010. Stanbic IBTC Trustees has a shareholders' fund in excess of ₦300 million, in compliance with SEC's new minimum capital requirement for trust companies in Nigeria. The registered office is located at the Wealth House, Plot 1678 Olakunle Bakare Close, Off Sanusi Fafunwa Street Victoria Island, Lagos.

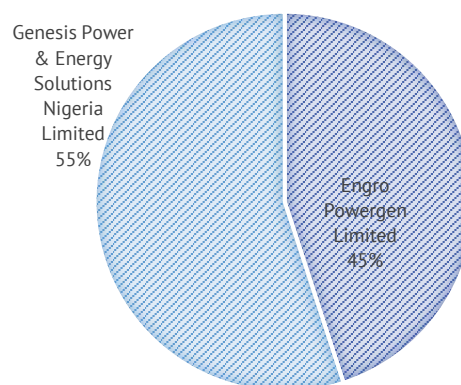
### Security Trustee

**ARM Trustees Limited** is a wholly owned subsidiary of Asset & Resource Management Holding Company's asset management business and licensed with the SEC. ARM Trustees Limited in almost two decades of existence offers a bouquet of services which can be catergorised into private trust, estate planning and commercial trust services. The registered office is located at 1 Mekunwen Road, Off Oyinkan Abayomi Drive, Ikoyi, Lagos.

## CO-OBLIGOR'S OWNERSHIP, MANAGEMENT & STAFF

As at 31 December 2018, the Company's issued and paid-up share capital stood at ₦3.3 billion. GEL is a privately-held company, owned by three institutional investors, with Engro Powergen Limited<sup>6</sup> being the single largest shareholder with a 45% equity stake in the Company. Other significant shareholders include Genesis Power & Energy Solutions Nigeria Limited (33%) and Genesis Energy Limited, Seychelles (22%).

Figure 4: Shareholding Structure of GEL



Subsequent to year end, Genesis Group consolidated its ownership interest in GEL Utility Limited to become the single largest shareholder, accounting for 55% equity stake in March 2019. While Engro Powergen Limited accounts for the balance of 45% in March 2019.

GEL Utility Limited has a seven-member Board of Directors comprising two executive directors and five non-executive directors. Mr. Akinwole Omoboriowo II – who represents Genesis Energy Limited is the Chairman of the Board. During the period under review, Messrs' Mohammed Alli and Farman A. Khan Lodhi resigned from the Board and were replaced with Shahab Qader Khan and Shamsuddin Ahmed Shaikh in August 2017.

The Co-Obligor's executive management team comprises seven members, with Mr. Simon Shaibu as the Managing Director. He is supported by one Executive Director and five other senior management staff who in our view are qualified personnel and have experience in the Nigerian power sector. The Co-Obligor had an average staff strength which stood at 30 persons as at 31 December 2018. GEL's average costs per employee stood at ₦0.06 billion, while net earnings per staff at ₦0.52 billion is 8.8 times the average cost per employees, which we consider to be an indication of good staff productivity.

### Executive Management Team

**Simon Shaibu**, is the Managing Director and Chief Executive Officer of GEL Utility Limited. He has over 20 years' experience in oil and gas and power generation industries. Prior to his appointment as MD/CEO in 2018, Mr. Shaibu was the Vice President responsible for Technical and Operations in the Genesis Energy Group which he joined in 2014. Prior to joining GEL, Mr. Shaibu worked as Maintenance Manager and O&M Engineer between 2007 and 2014 at AES Arlington USA. He has worked in Saipem S.A, Bouygues Offshore, Ponticelli in different capacities including Plant Manager, Mechanical Engineer, Turbine Technician amongst others. Mr. Shaibu obtained a Higher National Diploma in Mechanical Engineering from Kwara State Polytechnic in 1992 and a post graduate diploma in Project Management from the Federal University of Technology Owerri. He also holds a Master's Degree in Leading Innovation and Change from York St John University, UK.

<sup>6</sup> Formerly known as Engro Powergen Limited incorporated in 2008 as a fully owned subsidiary of Engro Corporation to develop power projects in Pakistan, with the Corporation listed on the Pakistan Stock Exchange.

**James Fasaye Boboye**, is the Chief Financial Officer of GEL Utility Limited. He has over 20 years accounting experience in Manufacturing, Service and Power and Energy sector. Mr. Fasaye holds a Higher National Diploma in Accounting and holds a post graduate diploma in Financial Management from the University of Ado Ekiti. He has a Master of Business Administration (MBA) in Financial Management from Federal University of Technology, Owerri. Mr. Fasaye is Associate member of the Institute of Chartered Accountant of Nigeria (ICAN); Associate member, Chartered Institute of Taxation of Nigeria (CITN) and SAP B1 trained Professional

**Table 10: Other members of the Leadership team include**

<b>Names</b>	<b>Position</b>
Mr. Adamu Abubakar	Chief Operating Officer
Mr. Haseeb Shaukat	Director, Technical
Ms. Amina Onifade	Director, Projects Development & Legal Services
Mr. Obaitor Mohammed	General Manager, Financial Operations
Mr. Dele Joseph	Manager, Finance & Admin

## OUTLOOK

GEL Utility Funding SPV Plc. plans to issue a ₦13 billion 15-year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034. The Series 1 Bond is expected to attract a fixed coupon rate which will be determined through a book building process payable semi-annually over the 15-year period, while the Bond principal will enjoy a one-year moratorium from date of issuance and thereafter will be amortised semi-annually over the remaining fourteen years.

The net proceeds of the Series 1 Bond will be fully disbursed to the Co-Obligor and utilised for refinancing existing bank loan, fund capital expenditure for the evacuation of excess power to the Port Harcourt Electricity Distribution Company to metered industrial customers in the Onne area of Rivers State and the balance of the net proceeds will be held in the debt service reserve account to cover one coupon payment upon issuance.

The Issue will constitute senior direct obligation of the Issuer and the Co-Obligor and the Bond shall at all times rank *pari passu* without any preference among themselves. The Issuer and the Co-Obligor are jointly and severally, irrevocably and unconditionally undertake to meet the Bond obligations as a primary obligor in line with the duly executed Trust Deed. The Co-Obligor will fund the Payment Account with the scheduled principal and/or coupon due on the Bond from the respective operating cash flows as specified in Coupon and Principal Payment Schedule in accordance with the Series 1 Trust Deed.

The Bond is supported by the unconditional and irrevocable guarantee of all principal and coupon payment obligations to bondholders by the Infrastructure Credit Guarantee Company Limited. The primary Guarantor has a core capital of \$25 million and a callable capital (contingent) of \$25 million from GuarantCo. The contingent capital is an unconditional and irrevocable line of credit from International Development Finance Institutions (IDFIs) with 15 years tenor. InfraCredit has a strong capitalisation level and will benefit from strong support from its sponsors, some of which are ultimately owned by highly rated European governments. In November 2018, KfW Development Bank provided \$35 million subordinated capital investment to enhance the Guarantor's capital base. In addition, USAID provides a co-guarantee to Bondholders, taking up 50% of the scheduled principal and coupon payment upon default after fulfilling the provisions of the Guarantee Agreement. As at 30 September 2018, USAID had a total asset base of \$37.7 billion, particularly as the Agency receives most of its funding from general U.S. Government funds administered by Treasury and appropriated by Congress for use by USAID.

Based on Agusto & Co.'s review of the Co-Obligor's financial forecast (assumptions & basis) over the duration of the Bond, we have made analyst adjustments to the Issuer's estimates where appropriate. Consequently, we believe that the sensitised operating cash flow is satisfactory, evidenced by an operating cash flow capacity to meet coupon payment and total Bond obligations of 1.52 times and 1.11 times respectively over the tenor of the Bond. Based on the aforementioned, we attach a **stable** outlook to the GEL Utility Funding SPV Plc.'s. Series 1 Bond.

***This rating report must be read in conjunction with the entity ratings of GEL Utility Limited and Infrastructure Credit Guarantee Company Limited.***

## PRIMARY GUARANTOR'S FINANCIAL SUMMARY

INFRACREDIT				
<b>BALANCE SHEET AS AT</b>	<b>31 December 2018</b> <sup>▼</sup>		<b>31 December 2017</b> <sup>▼</sup>	
	<b>₦'000</b>		<b>₦'000</b>	
<b>ASSETS</b>				
Cash & Equivalents	314,338	0.7%	82,391	0%
Government Securities	15,538,479	36.8%	784,506	4%
Bank Placements	15,324,151	36.2%	-	-
<b>CASH &amp; MARKETABLE SECURITIES</b>	<b>31,176,968</b>	<b>73.8%</b>	<b>9,363,008</b>	<b>45%</b>
Net Guarantee Fees Receivable	836,826	2.0%	-	-
Other Assets	135,440	0.3%	-	-
<b>FIXED ASSETS &amp; INTANGIBLES</b>	<b>124,512</b>	<b>0.3%</b>	<b>141,910</b>	<b>1%</b>
<b>TOTAL ASSETS</b>	<b>32,273,746</b>	<b>76.3%</b>	<b>10,685,955</b>	<b>52%</b>
<b>TOTAL COMMITMENTS</b>	<b>10,000,000</b>	<b>23.7%</b>	<b>10,000,000</b>	<b>48%</b>
<b>TOTAL ASSETS &amp; COMMITMENTS</b>	<b>42,273,746</b>	<b>100.0%</b>	<b>20,685,955</b>	<b>100%</b>
<b>CAPITAL &amp; LIABILITIES</b>				
TIER 1 CAPITAL (CORE CAPITAL)	9,681,621	22.9%	8,501,361	41%
TIER 2 CAPITAL	20,836,595	-	-	-
<b>TOTAL OTHER LIABILITIES</b>	<b>1,755,530</b>	<b>4.2%</b>	<b>2,184,594</b>	<b>11%</b>
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>32,273,746</b>	<b>27.1%</b>	<b>10,685,955</b>	<b>52%</b>
<b>TOTAL COMMITMENTS</b>	<b>10,000,000</b>	<b>23.7%</b>	<b>10,000,000</b>	<b>48%</b>
<b>TOTAL CAPITAL, LIABILITIES &amp; COMMITMENTS</b>	<b>42,273,746</b>	<b>100.0%</b>	<b>20,685,955</b>	<b>100%</b>

*GEL Utility Funding SPV Plc.'s ₦13 Billion 15-Year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034*

<b>INFACREDIT</b>				
<u><b>INCOME STATEMENT FOR THE YEAR ENDED</b></u>	<u><b>31 December 2018</b></u>		<u><b>31 December 2017</b></u>	
	<b>₦'000</b>		<b>₦'000</b>	
Guarantee Fees	340,000	40%	50,417	20%
Guarantee Fees Expense	(78,079)	-9%	(6,593)	
Impairment Charge				
<b>NET GUARANTEE FEE</b>	<b>261,921</b>		<b>43,824</b>	
Investment Income	524,154	61%	239,854	96%
Other Income/Expenses	(9,920)	-1%	(41,366)	-17%
<b>OPERATING INCOME</b>	<b>776,155</b>		<b>242,312</b>	
Personnel Expenses	(306,935)	(36%)	(170,067)	(68%)
Depreciation Expenses	(43,677)	(5%)	(19,879)	(8%)
Other Operating Expenses	(254,446)	(30%)	(455,176)	(183%)
<b>TOTAL OPERATING EXPENSES</b>	<b>(605,058)</b>	<b>(71%)</b>	<b>(645,122)</b>	<b>(259%)</b>
PROFIT (LOSS) BEFORE TAXATION	<b>171,097</b>	<b>20%</b>	<b>(402,810)</b>	<b>-162%</b>
Tax (Expense) Benefit	37,668			
PROFIT (LOSS) AFTER TAXATION	<b>208,765</b>	<b>20%</b>	<b>(402,810)</b>	<b>-162%</b>
<b>NET REVENUE</b>	<b>776,155</b>		<b>242,312</b>	
NON-OPERATING INCOME (EXPENSE) - NET				
<u><b>ADDITIONAL INFORMATION</b></u>				
Type of institution	<b>DGGI</b>		<b>DGGI</b>	
Number of offices	1		1	
Contingent Capital	9,000,000		9,000,000	
Callable Capital	-		-	
Realisable capital	18,681,621		17,501,361	

*GEL Utility Funding SPV Plc.'s #13 Billion 15-Year 15.15% Series 1 Senior Guaranteed Fixed Rate Infrastructure Bond Due 2034*

<b>INFACREDIT</b>		
<b>KEY RATIOS</b>	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>PROFITABILITY RATIOS</b>		
Return on average assets	0.5%	-1.9%
Return on average equity	2.2%	-4.7%
Impairment Charge/Guarantee Fees	NIL	NIL
Operating expenses/Operating Income	78.0%	266.2%
Gross revenue/Total assets & contingents (average)	2.0%	1.2%
Income Investments/Average Investments	1.7%	2.6%
<b>LIQUIDITY RATIOS</b>		
Liquid Assets/Future Commitments	311.8%	93.6%
Liquid Assets/Long Term Debts	243.3%	100.0%
Liquid Assets/Total Assets	73.8%	45.3%
<b>ASSET QUALITY RATIOS</b>		
PERFORMING GUARANTEES	10,000,000	10,000,000
NON-PERFORMING GUARANTEES	NIL	NIL
TOTAL GUARANTEES	10,000,000	10,000,000
Non-Performing Guarantees/Guarantees	NIL	NIL
Impairment Charge/Total Guarantee	NIL	NIL
Impairment Charge/Non-performing Guarantees	NIL	NIL
Investment loss provision/Investments	NIL	NIL
<b>CAPITAL ADEQUACY</b>		
Core Capital	9,681,621	8,501,361
Equity Cushion	72%	41%
Outstanding Guarantees + Net investments /Realizable Capital	54%	57%
Adjusted capital + Provisions/ Gross Guarantees+ Investments	395%	175%
<b>LEVERAGE RATIOS</b>		
Guarantees/Core Capital (times)	1.03	1.18
Guarantees/Total Capital	0.25	0.57
<b>STAFF INFORMATION</b>		
Average number of employees	13	10
Operating Income per staff (N'000)	59,704	24,231

## RATING DEFINITIONS

<b>Aaa</b>	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
<b>Aa</b>	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
<b>A</b>	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
<b>Bbb</b>	Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
<b>Bb</b>	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
<b>B</b>	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
<b>C</b>	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
<b>D</b>	In default.

### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.





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