

Case Study

# Kalpataru Ibn Omairah Company

HSBC steps in to secure the future of Kalpataru's major infrastructure contracts.



HSBC

Opening up a world of opportunity



**Case Study:** Kalpataru Ibn Omairah Company

HSBC and Kalpataru IBN Omairah Company have entered into an agreement to complete projects in Saudi Arabia. HSBC's ability to respond at speed, using its international network and connectivity, provided facilities to Kalpataru in the shortest time.

**Background**

Kalpataru Projects International Limited is a global leader in power transmission. It designs, fabricates and constructs transmission lines on a turnkey basis, as well as oil and gas and railway infrastructure. Headquartered in India, it operates in 63 countries.

In 2015, the business established a joint venture with Saudi Arabia-based Ibn Omairah Contracting Company. The joint venture, Kalpataru Ibn Omairah Company, is designed to meet the growing demand in the Kingdom for high-voltage overhead power transmission lines.

Early in 2021, the joint venture was awarded a US\$62m contract by the state-owned Saudi Electricity Company (SEC). The project involves overhead power lines between the Red Sea port city of Yanbu and Umluj, some 185km to the north. SEC later awarded the company three further linked contracts, taking the total value of the projects to around US\$150m.

**The challenge**

Financing for the first project was initially secured with another provider. However, as the effects on supply chains of the Covid-19 pandemic triggered delays, they were unable to continue to support the project. The provider also lacked appetite to commit

to financing the three additional contracts Kalpataru Ibn Omairah Company had secured from the same client.

With a three-month window to secure alternative funding, the business was under pressure to fill the gap urgently.

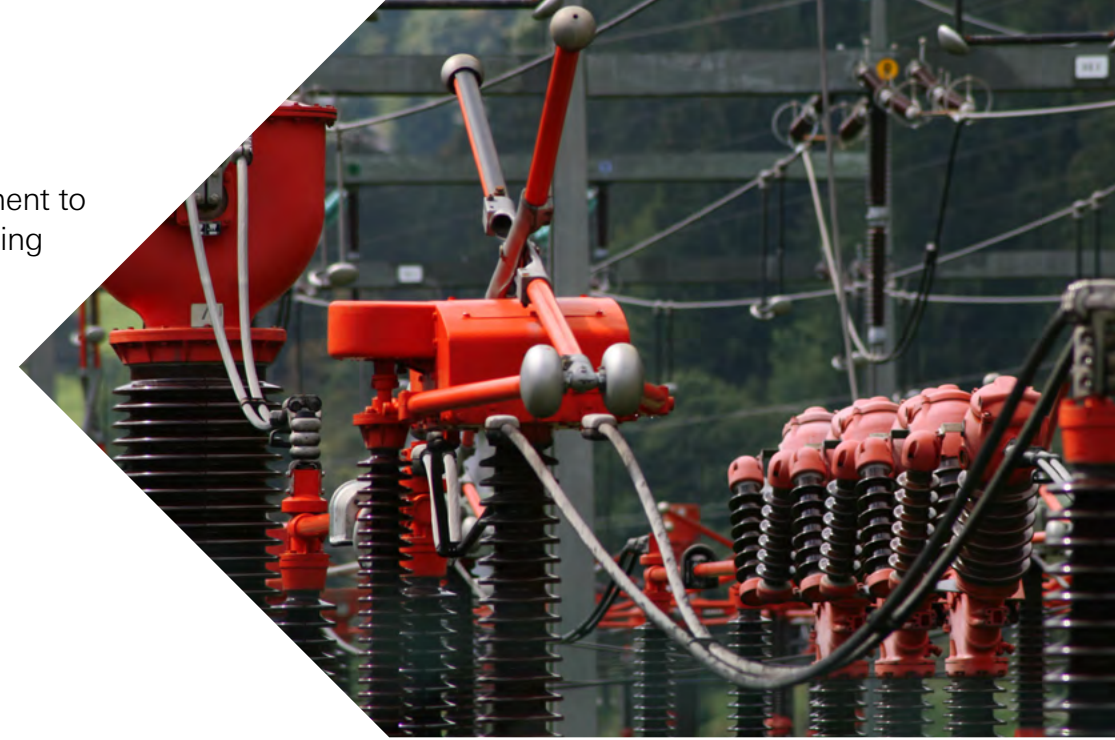
**The solution**

HSBC was a natural choice to step in. Not only had it been the banking partner of parent group Kalpataru Projects International Limited for a decade, it also had a strong presence on the ground in both the Middle East and India.

HSBC's global reputation in trade finance was also critical, explains the joint venture's Deputy General Manager, Bharat Mehta: "We were aware that HSBC is consistently voted Best Trade Bank, which reflects its understanding of the needs of businesses in fulfilling complex projects.

"Given the urgency of our immediate challenge and the potential for further pandemic-related disruption, we needed a bank that could step in swiftly and offer us flexibility. HSBC more than delivered on both counts."

With global consistency in digital channels, formats and implementation, the process of establishing new trade facilities moved



rapidly. The reach of HSBC's global network was critical, but so was its internal collaboration.

HSBC not only banks Kalpataru, but it also has a strong relationship with the project's end client, SEC. These multi-level relationships enabled the account teams across both businesses to provide the assurance to the International Banking team to underpin the award of a revolving credit facility, initially for US\$25m and currently for USD\$50m. Kalpataru's regional HQ is based in UAE and hence facilities were granted from HSBC UAE. However, they also bank with us in Saudi Arabia through Saudi Awwal Bank (SAB).

FX services were called on too. While purchases for the project are based in US dollars, the joint venture's

receivables are in Saudi riyal, leaving the business potentially open to currency risk – particularly given the volatility of commodity prices during the pandemic. HSBC's Global Markets team was able to provide timely support and competitive pricing to defuse that vulnerability.

With the construction projects now progressing apace, Bharat Mehta is pleased with the development of the new banking relationship. "The global power of HSBC is matched with personal service. We have regular meetings with the HSBC team in the UAE, where our regional headquarters is based, and a single point of contact if any issues arise," he says.

# The benefits

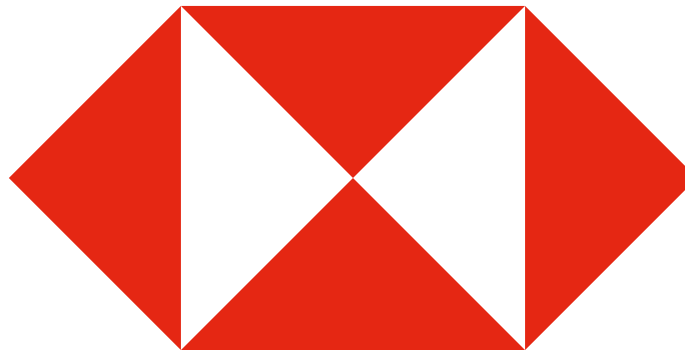
- A swift response to an emergency requirement, working across organisational and geographical boundaries
- Flexible facilities to support key contracts amid pandemic-related disruption
- FX services to overcome currency risk
- Regular engagement between client and bank at mastergroup and subsidiary level to ensure smooth progress.

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**Bharat Mehta**

Deputy General Manager,  
Kalpataru Ibn Omairah Company





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