

# Asia-Pacific Telecoms Deal of the Year 2007

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## Palapa-D: A new frontier

Indonesian telecoms operator PT Indosat reached financial close on a \$228 million debt package backing its Palapa-D satellite project on 29 November 2007. The debt was solely arranged by HSBC and comprises a \$27 million 9.5-year commercial tranche, and two 12-year ECA facilities: a \$157 million Coface facility and a \$44 million Sinasure facility.

Thales Alenia Space (TAS) of France is constructing the satellite, which will be launched using a Long March 3B rocket supplied by Beijing Talentway Technology Corp of China. Launch is scheduled for September 2009.

The use of Chinese launch technology in Indonesia sets an interesting precedent for the satellite community. Chinese launch vehicles are effectively excluded from most competitive bids because of the US government's refusal to sanction the export of US satellite technology to China. Given how prevalent US satellite technology is, the US bar led TAS to develop a product that did not use US components. The higher cost of developing a satellite without US components is thought to be offset by the lower cost of a launch aboard Chinese rockets.

The TAS bid included two options: a lower-cost satellite with US components that restricted the launch vehicles to suppliers from Europe, Russia or the US; and a higher-cost satellite without US parts that posed no restriction on the origin of the vehicle manufacturer. On 29 June Indosat and TAS announced that they had chosen the Chinese vehicle.

In terms of structuring, the deal is notable for featuring exceptionally long tenors in the Indonesia bank market and combining two ECA facilities. The deal is the first time Coface and Sinasure facilities have been used side-by-side: a feat that required close coordination between all parties. In particular, TAS assisted in helping HSBC structure its sub-contract with Beijing Talentway Technology Corporation – the latter does not have a direct contractual relationship with Indosat.

The deal is also notable for achieving competitive pricing, timely execution and withholding tax exemption for the offshore loans. The principal covenants constraining the borrower are linked to three ratios: debt/Ebitda, Ebitda/interest and debt/equity. All facilities have a two-year grace period. There was no syndication phase, as all of the financing is held for HSBC's book.

The Palapa-D satellite is a replacement for Palapa-C2, which comes to the end of its useful life in the first quarter of 2011. The new satellite has greater transponder capacity than its predecessor, carrying 24 standard C-Band, 11 extended C-Band and 5 Ku-Band. The satellite will provide services to TV broadcasters, VSAT providers and other corporate customers. Palapa-D will also provide a backbone to support other Indosat services, such as cellular, fixed voice telecommunications and fixed data services. The satellite will offer coverage over Indonesia, Asia, Middle East and Australia.

## Palapa-D Satellite

Status: Closed 29 November 2007

Size: \$300 million

Location: Indonesia

Description: Communications satellite that dispenses with US technology

Sponsor: PT Indosat

Lead arranger: HSBC

ECAs: Coface; Sinasure

Legal counsel to sponsor: Sidley Austin, (Singapore); De Pardieu Brocas Maffei (Paris); Assegaf Hamzah & Partners (Indonesia)

Legal counsel to lenders: Linklaters; China Global Law Office; and Hadiputranto, Hadinoto & Partners, (Indonesia)

Insurance Broker (for Thales): Marsh

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