

DEAL ANALYSIS: FICCRCB 13

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Impulsora para el Desarrollo y el Empleo en América Latina closed a Ps10 billion (\$635 million) securitisation of four Mexican toll roads at the end of April. The Carlos Slim-controlled developer, known as IDEAL for short, leant heavily on Slim-controlled bank Inbursa to close the deal, after a first attempt to close a deal fell short in February.

The deal breaks down into Ps5 billion of 30-year Inbursa-led listed certificados bursátiles, with the ticker FICCRCB 13, and a Ps5 billion bank loan from Inbursa on substantially the same terms. The financing features a substantial bullet payment at maturity in 2043. The proceeds of the issue will be reinvested in IDEALs concessions business, primarily in Mexico.

The financing consists of a fixed element and a variable element. The fixed element consists of a 0.1% annual interest rate, and scheduled amortisation payments. The variable component involves splitting surplus revenues after the repayment of the fixed component, with 68% going to the issuer, and 32% going to the bank and bondholders. The amortisation payments are only target payments, and the certificates would only be in default if they miss the ultra-low interest payment.

The variable element to the repayment profile places the instrument somewhere between standard fixed-rate bonds, which have a long history in Mexican infrastructure, though a shorter history of being issued without monoline guarantees, and listed development certificates, or CCDs. Developers, starting with IDEALs arch-rival ICA, have used CCDs to spin off some or all of their infrastructure equity holdings.

The most recent issue, through the Banco Invex Fideicomiso 1302 trust, lies in priority between IDEALs shareholders, chief amongst them Slim, and the road portfolios existing bondholders. Fideicomiso IDEAL de Carreteras, the trust that lies closest to the four project companies, issued Ps9.4 billion in bonds between 2008 and 2009, in a combination of nominal and inflation-protected tranches. IDEAL itself has also issued about Ps3.5 billion in debt.

The senior debt covenants block additional debt issues if the debt service coverage ratio on the senior bonds drops below 1.75x, and blocks distributions if the DSCR falls below 1.2x. The documentation also includes restrictions on the ability of Promotora IDEAL, the IDEAL-owned intermediate holding company for the roads, issuing additional debt. The new issue had to be structured around this prohibition, though senior bondholders had to grant a waiver to approve the new issue.

The new Invex trust collects revenues that are left over after the repayment of the senior debt, and leaves holders of the new Invex cebures deeply subordinate to the senior debt. The Invex cebures, however, have a comparatively high rating (Aa2.mx (local) and Baa3 (global) from Moodys and AA (E) from local agency HR Ratings), because the mandatory debt service obligation is comparatively slight.

Nevertheless, investors would have a higher expected yield by taking the projected variable cashflows into account, and there is no proven market for this kind of instrument. IDEAL launched a Ps10 billion subordinated issue in February, but dropped the attempt in February in the face of poor demand, and investors discomfort with the structure. Inbursa stepped in to fill the gap, and IDEAL made some small structural tweaks to the issue.

Investors needed to be comfortable that the issuer for the Invex cebures, which is replenished with revenues left over after senior debt service, would still have access to revenues from the road once the senior debt is paid off by 2036 and that trust is dissolved. According to Moodys, what happens in the event of the senior debt trust being dissolved is not substantially defined."

But the underlying assets are performing strongly, as Moodys notes in its Aaa.mx rating on the senior debt. The portfolio consists of four roads Autopista Chamapa La Venta, Autopista Tijuana-Tecate, Libramiento de Toluca and Autopista Tepic-Villa Union. Two of the concessions run through Mexico state, while Tepic-Villa Union is in Nayarit, and Tijuana-Tecate is in Baja California.

The portfolio predates Mexicos FARAC privatisations, and is dependent on truck traffic, but throws off substantial amounts of cash. In 2011, traffic grew by 7.1% and in 2012 it grew by 6%. These rises came during a time of economic weakness, and a marked increase in drug-related violence in parts of Mexico. Without the prohibitions in the senior bond documentation, the road might have been able to support additional bond debt.

IDEALs use of these subordinated, equity-like instruments has few parallels in infrastructure finance, though in some circumstances US wind makes use of tax equity that occupies a similar position in a projects capital structure. But where infrastructure assets are subject to restrictive bond debt and sponsors want to maximise their available leverage the cebures could be echoed. At a time when many infrastructure developers have shifted their focus from listed to unlisted financing vehicles, IDEALs creation of a new, and potentially liquid, form of hybrid capital bears closer examination.

Banco Invex Fideicomiso 1302

Status

Closed April 2013

Size

Ps10 billion

Description

Subordinated securitisation of four Mexican toll roads

Sponsor

IDEAL

Debt

Ps5 billion in certificados bursatiles, Ps5 billion bank financing

Lead arranger

Inbursa

Trustee

Banco Invex

Common representative

Evercore

External legal adviser

Bufete Robles Miaja

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