

African Petrochemicals Deal of the Year 2013: Indorama Eleme

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Indorama Groups financing for its \$1.2 billion fertiliser expansion shows that complex financings for downstream assets in Nigeria are possible. The \$800 million debt financing closed quickly, despite featuring no less than 10 policy lenders.

Indian petrochemical producer Indorama Group took control of the Eleme petrochemicals complex from Nigeria National Petroleum Corporation (NNPC) in 2006. Indorama owns 65% of Indorama Eleme Petrochemicals, NNPC 10%, the government of Rivers state 10%, host communities 7.5%, the Nigerian federal government 5%, and employees 2.5%.

The new lead sponsor has implemented a PET unit at the complex, and plans to develop methanol production capacity at a later date. For the fertiliser project it set up a new special purpose vehicle, Indorama Eleme Fertilizer & Chemicals, with the operating company for the existing complex as 51% shareholder, and Indorama as 49% shareholder.

This structure allowed Indoramas fellow shareholders to meet their equity commitments through the retained earnings of the existing assets. The existing operating company and Indorama will, however, guarantee the subsidiarys debt obligations. Despite the presence of these guarantees, lenders are reliant in the first instance on project company cashflows, have a security interest over project assets, and will keep the project company to cash management covenants.

The project would combine a 2,300 tonnes per day (tpd) ammonia plant, 4,000 tpd urea and granulation plant, an 84km gas pipeline, and power, utilities and jetty infrastructure. Daewoo and Fertilizer Project Services are onshore plant contractors, Toyo is offshore plant contractor, and Zakhem Construction is the pipeline contractor.

Indorama also split the financing work into more manageable chunks, mandating three lead arrangers to talk to three different debt markets. The International Finance Corporation would handle development finance institutions, Standard Chartered international banks and Stanbic IBTC local lenders. Having three types of lead arrangers smoothed out the process by allowing us to coordinate a diverse group of lenders, notes Munish Jindal, finance director at Eleme Petrochemicals.

The IFC provided a \$150 million A loan and sold down a \$75 million B loan to Bank of India. The remaining participants in the \$475 million 11-year policy lender tranche were FMO, with \$30 million, DEG with \$35 million, European Financing Partners with \$30 million, CDC Group with \$40 million, BIO with \$15 million, and the African Development Bank with \$100 million.

The providers of the eight-year international bank tranche were Standard Chartered, with \$60 million, and Afreximbank, with \$75 million. The local bank tranche lenders were Stanbic with

Indorama Eleme Fertilizer & Chemicals Ltd

Status

Signed 18 February 2013

Size

\$1.2 billion

Description

1.4 million metric tonnes-per-year nitrogenous fertiliser project in Port Harcourt, Rivers state, Nigeria.

Sponsors

Indorama Group (82.5%), Nigerian National Petroleum Corporation (5%), Rivers State Government (5%), host communities (3.75%), Nigerian federal government (2.5%), employees (1.25%)

Equity

\$400 million

Debt

\$800 million

Mandated lead arrangers

International Finance Corporation, Standard Chartered, Stanbic IBTC

International commercial tranche lenders

Standard Chartered (also financial adviser);

Afreximbank

Local commercial bank tranche lenders

Emerging Africa Infrastructure Fund; Stanbic IBTC; Guaranty Trust Bank; Ecobank; Access Bank;

United Bank of Africa

Development finance tranche lenders

\$50 million, Emerging Africa Infrastructure Fund, with \$30 million, Guaranty Trust Bank with \$40 million Ecobank with \$40 million, Access Bank with \$10 million and United Bank of Africa with \$20 million.

The policy lender tranche has a margin of 495bp over Libor until construction is scheduled to be complete in 2016, and 470bp after that, while the international tranche has margins of 475bp and 450bp, respectively, and the local tranche margins of 515bp and 500bp.

International Finance Corporation; Bank of India; FMO; DEG; European Financing Partners; CDC; BIO; AfDB

Financial adviser
Standard Chartered
Lender legal counsel
White & Case (international) and Olaniwun Ajayi (Nigeria)
Sponsor legal counsel
Allen & Overy (international) and Aluko & Oyebode (Nigeria)
Technical adviser
Jacobs
Insurance adviser
Charles Taylor
Environmental adviser
Mott MacDonald
Market consultant
Fertecon

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