

Tisur Matarani port expansion, Peru

Rosie Fitzmaurice

03/09/2014

On 15 August 2014 Grupo Romero, the second largest conglomerate in Peru, signed a \$280 million non-recourse debt-financing for the Terminal Internacional del Sur (Tisur) [Matarani port](#) expansion project located in the Province of Arequipa in southern Peru.

While modest in size, the financing attracted 15 proposals from local and international lenders when Grupo Romero first tested the market for appetite. Currently the world's third largest copper miner, Peru is poised to become second by this measure thanks to increased Chinese investment in the mining sector. Upon completion of the \$300 million expansion of the Matarani port, Tisur's concentrate shipping capacity will more than double and it is expected to become the country's prime terminal for the exportation of copper, shipping 50% of production. Tisur has also signed offtaker agreements with three of the country's major copper mines, including Glencore Xstrata's former Las Bambas mine.

Grupo Romero, through subsidiary Santa Sofía Puertos, owns 100% of Tisur. The Peruvian government granted a 30-year concession to build, own and operate a container and bulk cargo terminal port in Matarani to project company Tisur in 1999, when it became the first private operator of a public port in Peru.

Santa Sofía Puertos began talks with Glencore Xstrata to develop an improved exclusive mineral port in 2010. By November 2013 Tisur had entered into three separate ship-or-pay agreements with the Cerro Verde, Las Bambas and Antapaccay mines. The contracts mature in August 2029, when Tisur's concession expires. Extension options are linked to the extension of the concession term.

Once operational, Tisur's concentrate shipping capacity will increase from 1,500 to 3,500 metric tonnes per hour. The expansion project will be dedicated to servicing the concentrates coming from large mines, while the existing infrastructure will focus on small and medium mining projects. The port will have a total storage capacity of 370,000 metric tonnes (MT) and a loading port capacity of 8.5 million MT per year. Expected demand by 2017 is 4.8 million MT.

Competitive terms

When Grupo Romero issued a request for proposal for the debt package in August 2013, it was met with fierce interest among lenders, receiving a total of 15 proposals from a combination of local, regional and international banks. Given the strong appetite for the deal, financing terms became competitive and pricing tightened, and by January 2014 six banks had been shortlisted for the financing.

In March 2014 financial adviser Sumitomo Mitsui Banking Corporation (SMBC) joined Mizuho, Natixis and Crédit Agricole Corporate and Investment Bank (CACIB) in signing letters of commitment. Grupo Romero expects to reach financial close on the 13-year debt package on 30 September 2014, when it will make first draw. The sponsor will make an equity contribution of roughly \$50 million, bringing the leverage ratio to 85:15.

Debt allocations are as follows:

- SMBC \$75 million
- Mizuho \$75 million
- CACIB \$65 million
- Natixis \$65 million

The facility was sized using only contracted cash flows and a minimum debt service coverage ratio (DSCR) of 1.20x. Lenders benefit from a security package that includes both existing and expansion-related assets under the concession agreement.

Chinese investment to boost copper production

Demand for raw materials from China has grown as the Asian superpower aims to spur economic growth amidst an apparent slowdown. Peru's Ministry of Energy and Mines (MEM) expects the Peruvian mining sector to benefit from the countries' strategic partnership and predicts a multibillion dollar pipeline of Chinese investments in the sector.

Earlier this month, [Glencore Xstrata completed the \\$7 billion sale of the Las Bambas copper mine in Peru](#) to a consortium led by MMG, the offshore arm of Chinese state-owned China Minmetals Corp. Following the acquisition, China is now behind around one-third of new mining investments in the Andean country according to the MEM, which anticipates that the sale will contribute towards doubling the country's copper production by 2016.

"This project (Las Bambas) will be an important step towards Peru doubling its copper production, along with other projects such as Toromocho, Constancia and Cerro Verde, among others, which reaffirm the sustained flow of investment into the country's mining sector" Guillermo Shinno Huamaní vice-minister of mines said in August 2014 in an official announcement. Las Bambas alone will increase copper production by an additional 400,000 MT per year when it begins operating in the second half of 2015, according to the MEM.

Tisur has signed a lump-sum turn-key engineering, procurement and construction contract (EPC) with Odebrecht Perú Ingeniería y Construcción and FLSmidth for the supply of the electro-mechanical equipment. Construction began in mid-2013 and is due to last around two years.

Advisers

White & Case and Estudio Hernandez provided legal counsel to the sponsor in the transaction, while Allen & Overy and Estudio Rubio represented the lender group.

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.