Winner

Plastic fantastic

Octal Petrochemicals

THIS LOAN DEAL WAS STRUCK TO ASSIST THE RAPID EXPANSION OF THE BUSINESS WHILE EXTENDING THE TENOR ON EXISTING DEBT BY ALMOST THREE YEARS.

Octal commenced commercial operations in January 2009 at Salah in Oman, with an initial annual capacity of 292,000 tons to produce polyethylene terephthalate (PET) resin and sheets. The total projected cost of Phase I was $350m. The company subsequently raised financing of $397m in 2009-10 amid one of the worst ever financing climates.

The latest deal, completed in November 2010, was to refinance the full existing loan and raise additional financing for Phase II expansion, which will add a further 527,000 tons to annual capacity at a total project cost of $212m, with fundraising in the form of debt and equity.

The financing was closed with the participation of six lenders (five local, one regional) in the senior debt tranche, three investors in the subordinated tranche and eight local investors in equity as well as the promoters.

The promoters preferred dollar financing over Omani rials, primarily due to depressed Libor and the ability to achieve a fixed rate in dollars, as long-term fixed rate pricing is unavailable in rials. Local lenders were not willing to provide a long-term dollar financing due to their inability to do so at a competitive price. The senior debt financing was accordingly structured to include a two-year dollar tranche (in addition to a full-term dollar tranche) which could be retained in dollars or converted to rials at the end of two years at the discretion of the lenders. The solution helped the lenders to address the asset liability mismatch and Octal to secure dollar financing.

The financing involved a subordinated tranche to whet the lower risk appetite of lenders. It was brought in to substitute a part of the equity requirements for the project, as shareholders were reluctant to inject higher equity. With the subordinated tranche, Phase II financing was secured with equity of only 28%, against the lenders' requirement of a minimum of 35% equity.

PRINCIPAL TERMS
Loan: $122m in three different tranches, Omani rial, dollar long-term and dollar short-term
Date of completion: 22 November 2010
Tenor: seven years
Lead arranger: BankMuscat

Highly commended

Zain Iraq

The Zain group is a pioneer of mobile telecoms in the Middle East. It began life in 1983 in Kuwait as the region's first mobile operator and has grown steadily since then into a leading mobile and data services operator, active in seven Middle East and African countries.

Zain Iraq sought $400m in senior unsecured syndicated loan facilities, guaranteed by its parent group, for three purposes: to support its 2011 capital expenditure programme, to finance payments on its licence, and to refinance short-term bank debt and Zain group bridge loans.

International Finance Corporation (IFC) has been a key strategic partner to Zain for many years. The deal was achieved through an IFC A loan of $155m, an IFC B loan of $50m provided through the participation of Ahli United Bank, and an agented parallel loan for the remaining $195m for a tenor of seven years, with two years' grace.

Zain treasurer Michael Miller says: "We worked for about 18 months with the IFC and other development organisations. A lot of challenges remain around the Iraq market. It was important that the structure of the loan was right to ensure that the participating institutions were comfortable with that risk.

"We achieved seven-year finance at a very competitive price, which had previously been funded on the Zain group's balance sheet. This has been freed up to invest elsewhere and accelerate the roll-out of the network in Iraq."