Middle East Mining & Metals Deal of the Year 2011/Middle East Sponsor of the Year 2011: Ma'aden

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Last years $3.6 billion Maaden phases 2a and 2b financing, for special purpose company Maaden Bauxite and Alumina, covered the refinery and mining elements to Maaden and Alcoas $11 billion fully integrated aluminium complex project and concluded two years of major Maaden success in the project finance market.

The phase 2 deal follows the close in 2010 of phases 1a and 1b the $5 billion smelter and the $2.5 billion rolling mill projects which also won a Deal of the Year award.

Both phases 1 and 2 share the same documentation (resulting in just three months of documentation on phase 2), have much the same bank line-up, are almost exclusively backed by lenders from the GCC region and have major direct and indirect Saudi government support most notably from PIF and SIDF.

However, debt pricing on phase 2, although unconfirmed, is said to be around 20bp inside the phase 1 smelter deal, reflecting lender familiarity with the term sheet. Phase 2 also raised double the oversubscription of phase 1 phase 1 was twice oversubscribed and phase 2 four times. Although smaller in terms of volume than phase 1, the take up and pricing on phase 2 is a measure of the appetite for project debt in the GCC and more specifically the local Saudi bank market.

The common features of the deals are evident in the details. The $2.5 billion rolling mill financing in phase 1 comprised a $278 million riyal Islamic procurement tranche, $821 million loan from the Saudi Public Investment Fund (PIF) and a $160 million equivalent loan from Saudi Industrial Development Fund (SIDF). The debt was based on a sculpted 16-year repayment profile with an average life of around 12 years.

The $5 billion smelter was financed with a debt/equity split of 65/35. The debt consists of a $1.3 billion loan from PIF, two facilities worth a combined $320 million from SIDF and a $1.636 billion conventional debt tranche. All non-SIDF facilities have a 16-year tenor, and, unlike the rolling mill, a 25% balloon and a 30% cash sweep starting at year eight. The average life of the loan is around 12 years.

The $1.636 billion equivalent bank debt was split into five tranches: a $140 million dollar conventional tranche, a $143 million dollar Islamic procurement, a $50 million dollar Islamic wakala, a $943 million riyal Islamic procurement, and a $160 million riyal Islamic wakala.

The $2.151 phase 2 financing is very similar a $1 billion 16-year loan from PIF and a $160 million 11-year term loan from SIDF, and a $991 million equivalent of bank debt.

The bank debt is split between five tranches to accommodate the dollar/riyal funding and types of loan (conventional, procurement or wakala): a $50 million 16-year term loan from EDC; a R1.853 billion ($494 million) 16-year term loan from all the commercial lenders except EDC and Emirates NBD; a R71.3 million 16-year term loan from Emirates NBD; a $230 million 16-year loan from Riyad Bank, National Commercial Bank and Arab National Bank; a R768.8 million 16-year

Islamic tranche from Alinma, Al Rajhi and Bank AlJazira.

The debt-to-equity ratio is roughly 60:40. On the bank loans there is a 30% cash sweep starting at year eight making the average life of the loans around 12 years. There is no balloon payment at maturity.

The Maaden 2a and 2b phases all but conclude one of the biggest success stories in the diversification of Saudi industry away from oil and gas derived products, and the maximising of returns from raw materials.

The vertically integrated project will comprise:

A bauxite mine with an initial capacity of 4,000,000 metric tons per year

An alumina refinery with an initial capacity of 1,800,000 metric tons per year

An aluminium smelter with an initial capacity of 740,000 metric tons per year

A rolling mill, with initial capacity of 380,000 metric tons per year

Feedstock for the refinery will be transported by rail from a mine at Al Baitha, near Quiba, in the north of the country. First commercial production from the smelter and mill is scheduled for early 2013 and late 2013, respectively. First production from the mine and refinery is set for early 2014.

Maaden Bauxite and Alumina Company
STATUS: Signed 16 October 2011
TOTAL PROJECT COST: $3.585 billion
DEBT: $2.151 billion
EQUITY: $1.44 billion
DESCRIPTION: Multi-currency financing of the Al-Baitha bauxite mine located in the central northern area of Saudi Arabia, and an alumina refinery at Ras Alkhair. The projects are the second phase of the Maaden fully integrated aluminium complex.
SPONSORS: Maaden (74.9%), Alcoa (25.1%)
FINANCIAL ADVISERS: Standard Chartered, Riyad Bank
COMMERCIAL MLAS: Arab National Bank; Banque Saudi Fransi; Emirates NBD; Export Development Canada; Riyad Bank; Samba Financial Group; Saudi Hollandi Bank; National Commercial Bank; SABB; Saudi Investment Bank
ISLAMIC MLAS: Alinma Bank; Al Rajhi Banking Corporation; Bank AlJazira
SPONSOR LEGAL COUNSEL: Baker & McKenzie
LENDER LEGAL COUNSEL: Clifford Chance
CONSULTANTS: Behre Dolbear International (technical); CRU Strategies (marketing); PKF (model auditor); JLT (insurance)