

Saudi Arabia: Saudi Kayan's US\$10bn project

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The financing of Saudi Kayan's US\$10 billion petrochemical plant in Jubail Industrial City - touted to be the world's largest integrated petrochemical project - signed on 30 May 2008.

Noted for the diverse financing sources employed - comprising export credit agency, local, regional, international and Islamic debt - the US\$6 billion debt financing is testimony to the increasing sophistication of the Saudi project finance market.

The Saudi Kayan Petrochemical Company's six million tonne per annum plant is slated to go online in October 2010 when it should produce 1.4mtpa of ethylene and 2.6mtpa of completed products, including polyethylene, polypropylene, ethylene glycol, polycarbonates and amines [\[Projects Database\]](#), which is reported to be at least US\$20 billion, even a conservative debt-equity ratio of 60:40 leaves US\$12 billion of debt to raise. Even with an aggressive financing plan with US\$3bn in clean debt, you still need to raise US\$9 billion through other means of financing. So even taking into account the Public Investment Fund and Saudi Industrial Development Fund and whatever sukuks you want to raise you still have US\$3 to 5 billion to secure - either through ECAs or new actors on the market.

"Obviously the Islamic market is becoming key. But there is also a source of liquidity which for the time being remains untapped - the sovereign wealth funds. Perhaps future project financings will manage to attract investment from them."

The project at a glance

Project Name	Saudi Kayan Petrochemical Project
Location	Saudi Arabia
Description	Construction of a 6mtpa petrochemical complex located in Al Jubail Industrial City, Saudi Arabia. Products will include ethylene, propylene, polypropylene, ethylene glycol and butane-1. Downstream products will include aminoethanols, aminomethyls, dimethylformamide, choline chloride, dimethylethanol, dimethylethanolamine, ethoxylates, phenol, cumene and polycarbonate
Sponsors	Saudi Kayan Petrochemical Company: <ul style="list-style-type: none">• Saudi Shareholders - 45%• SABIC- 35%• Al Kayan Petrochemical Company - 20%
EPC Contractor	<ul style="list-style-type: none">• Halliburton: ethylene plant• Fluor Corporation: offsite facilities
Total Project Value	US\$10 billion
Total equity	US\$4 billion

Senior debt breakdown	<ul style="list-style-type: none">• US\$727 million conventional debt tranche• US\$1.03 billion Islamic debt facility• US\$644 million bilateral Islamic working capital facility• US\$1.5 billion ECA-covered tranche• US\$500 million Kexim direct loan• US\$1.07 billion Public Investment Fund loan• US\$533 million Saudi Industrial Development Fund loan
Senior debt pricing	<ul style="list-style-type: none">• Libor +50bps pre-completion• Libor+ 70-75bps post-completion
Debt:equity ratio	60:40
Export credit agency support	<p>US\$1.5 billion ECA-covered tranche divided equally between:</p> <ul style="list-style-type: none">• UK's Export Credits Guarantee Department (ECGD)• Italy's SACE• Korea Export Insurance Corporation (KEIC) <p>Korea Eximbank (Kexim) underwrote a US\$500 million direct loan</p>
Initial mandated lead arrangers	<ul style="list-style-type: none">• ABN Amro• Arab Banking Corporation (ABC)• BNP Paribas• HSBC• Samba Financial Group
Mandated lead arrangers	<ul style="list-style-type: none">• Al Rajhi Banking & Investment Corporation• Arab Petroleum Investments Corporation (APICORP)• Bank Al Jazira• Banque Saudi Fransi• Bank of Tokyo Mitsubishi UFJ• Citibank• Fortis• ING• JPMorgan• KFW• National Commerical Bank• Saudi British Bank• SMBC• Riyadh Bank• Emirates Bank International
Legal Adviser to sponsor	Clifford Chance and Al-Jadaan & Partners
Financial Adviser to sponsor	BNP Paribas, Samba and Arab Banking Corporation (ABC)
Legal adviser to banks	Allen & Overy
Date of financial close	Slated for August 2008

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