

Case study – sugar plantation and milling facility

New strategic partner and debt refinancing



The challenge

Our client were an independent group of investors (from a diverse range of sectors including sugar, leisure, property and financial services) seeking to refinance a major investment in sugar growing and refining in East Africa. The project had commenced five years previous as a rehabilitation of a pre-war productive site. As well as rebuilding an industrial facility, an entire socio-economic infrastructure was developed around the plant, which for 17 years had been disused during the civil war.

The project was already generating over one million tonnes of cane each year, but additional investment was being sought in order to increase production capacity and maximise operating efficiency. At the same time, substantial changes in the European Union (EU) with regard to the importing and pricing of sugar had presented opportunities for low cost producers in Africa.

The challenge was therefore to achieve a successful refinancing, whilst identifying the best industrial partner to take advantage of the significant emerging market opportunity in Europe.

Approach

The EU reforms, regarded as the biggest restructuring of the sugar market in decades, promised to impose significant price cuts (up to 40%) on European sugar producers along with the opening of the EU market to “Less Developed Countries” under the “Everything but Arms” directive.

However, as the details of the reforms were not yet finalised, it was essential to align the project with a partner with the necessary vision to see how low cost sugar producers would benefit. Working with the client, Corven approached a number of major sugar producers before quickly focusing negotiations with a single trade partner with the appetite to invest in the project’s next stage of development.

As well as managing a complex sale process, Corven were engaged to manage a refinancing of the project debt package mid-term, with a view to ensuring a long-term financing structure to enable the project to continue its pace of growth.

Results

- Deal completed with one of Europe’s largest companies in the sugar sector before EU reforms finalised
- Joint-venture established with the incumbent project sponsors
- Existing banks reinvested in the project demonstrating their support
- Future development of the project accelerated through the addition of a significant trade partner