

Duferco La Louviere Sales, Belgium



Bringing tolling to the west



We rarely cover trade in developed markets at GTR, preferring to concentrate on emerging markets. But the following deal did warrant a mention and indeed the title of a 'Best Deal of 2004'.

Deutsche Bank AG Amsterdam and UFJ Bank Ltd London closed syndication in December of a 364-day revolving collateralised credit facility for Duferco La Louviere Sales SA, in Belgium.

The deal replicates a highly structured tolling structure often seen for emerging markets borrowers but in a developed market in western Europe.

William Shaw from the deal's broker, Texel Finance, says: "By bringing in structured commodity finance expertise into a western European credit, where traditionally such facilities are provided by commodity trade finance relationship banks, it was possible to establish new liquidity and a more creative and effective solution to the needs of the borrower.

At a time when emerging market prices are falling

anyway, it makes every sense to utilise this expertise in an OECD country within a more transparent and comfortable legal environment."

"The real challenge with the structure of this transaction was to link it with the asset-backed securitisation programme Duferco was setting up for its production plants in Belgium. This was only possible with a sophisticated borrower and a great amount of team work," adds Kris Van Broekhoven, vice-president, Global Trade Finance, at Deutsche Bank. Due to the collection account being held in Belgium the borrower is able to use an electronic banking package to manage funds on the account, while the facility and collateral agent remain in control.

Duferco is a large multinational steel trading, steel production and steel distribution group, comprising over 100 entities and employing in excess of 10,000 people.

The tolling company, Duferco La Louviere SA, is the group's largest steel mill in Belgium, producing around 2 million tonnes of steel products per

DEAL INFORMATION

Amount: €80mn	Co-arrangers: Bayerische Landesbank; BCEN-Eurobank; Commerzbank; RMB International (Dublin)
Borrower: Duferco La Louviere Sales SA, Belgium	Tenor: 364 days
Guarantor: Duferco Participations Holding Ltd	Broker: Texel Finance, London
Mandated lead arrangers, bookrunners and underwriters: Deutsche Bank, Amsterdam (facility and collateral agent); UFJ Bank, London	Law firms: Lovells, London; Altius, Brussels
	Date closed: December 2004

year.

This is the first time a tolling structure has been used by Duferco. It is also the first time a syndicated structured commodity finance facility has been combined with an asset-backed securitisation programme.

This tolling facility improves the quality of security available to the lenders and allows them to increase the advance rate.

"Despite the limited timeframe allowed for syndication, the complexity of the structure and the impressive number of existing banking relationships of Duferco Group, the joint bookrunners managed to successfully sell the transaction to new lenders. The oversubscription of the syndication clearly shows that with the combination of structural innovation and a deep understanding of the investor market, new and inventive funding routes can be explored," comments Boris Jacquet, vice-president, Global Trade Finance, at Deutsche Bank.

The successful syndication launched on November 22, 2004, and closed on December 15.

The deal was oversubscribed and raised €90 million.

The facility will be available for short-term advances of up to 120 days. Advances are

made available against presentation of a borrowing base report, which calculates the inventory value. The collateral will be monitored via a twice-weekly revaluation of the inventory.

"This is an innovative transaction which allowed a secured commodity finance tolling facility to be serviced through a parallel five-year ABS programme. It provided Duferco with all the strengths and benefits of both styles of financing and maximised the level and stability of funding available to the group for a substantial part of its Belgian operations," says Joep Kockmann, head of commodity and structured trade finance at UFJ Bank. Repayment will take place using proceeds under a new five-year asset-backed securitisation programme led by Bayerische Hypo- und Vereinsbank.

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