# Analyst hails PPC's debt rescheduling at DRC plant

By Mark Allix

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PPC says it has finalised a capital-repayment moratorium with funders of its new plant in the Democratic Republic of Congo (DRC), improving liquidity.

Image source: www.pexels.com

It says that as conveyed at its interim results presentation in November 2017, total capital requirements for its PPC Barnet DRC operation will be limited to interest payments from January 2018 to January 2020. But there will also be a new additional interest-rate spread of 2.5% on resuming capital repayments.

PPC owns 69% of PPC Barnet DRC, with DRC local partner Barnet Group owning 21%, and the International Finance Corporation 10%. "This latest development is a major achievement in addressing our capital structure," PPC chief financial officer Tryphosa Ramano said on Friday, 19 January. "The rescheduling of debt firstly reduces the capital requirements [and] will improve cash flows for the DRC business, which in turn will allow the business additional liquidity during this ramp-up phase."

The new plant is 60% project-debt funded by the International Finance Corporation and the Eastern and Southern African Trade and Development Bank. PPC has first sponsorship obligation under a project funds and share retention agreement. The existing terms of the PPC Barnet DRC project debt are dollar-denominated capital and interest payable biannually starting in July 2017 and ending in July 2024, and a loan secured by PPC Barnet DRC for property, plant and equipment. The interest rate is six-month US dollar Libor (London interbank lending rate) plus 725 basis points.

"I think it's the first real bit of good news PPC has had for some time, which helps improve sentiment," Mish-al Emeran, an analyst at Electus Fund Managers, said on Friday.

"It gives PPC some breathing space and improves the DRC's liquidity position - especially during the ramp-up phase, which has been challenging due to lower market demand and poor pricing."

But he said the $180m DRC project debt still had to be paid at some stage. If the DRC regional cement market did not improve by 2020 when capital repayments resumed PPC would be back at square one. The group said agreement had now been reached with the International Finance Corporation and the Trade and Development Bank over rescheduling project debt. A two-year capital repayment moratorium would kick in, commencing with the repayment scheduled for January 2018, which would now take place in January 2020. This would be at an additional interest rate spread of 2.5%, making the new rate six-month US dollar Libor plus 975 basis points.

*Source: Business Day*