



CROSSROADS
ASIA PACIFIC

**PRODUCTION &
INTERNATIONAL
TRADE**

SINGAPORE
25-27 OCTOBER 2016

ifa
INTERNATIONAL
FERTILIZER ASSOCIATION

**Financing Fertilizer Operations
in Emerging Markets**
The IFC Approach

Kremena Tenev and Hayoung Lee
IFC – International Finance Corporation, USA



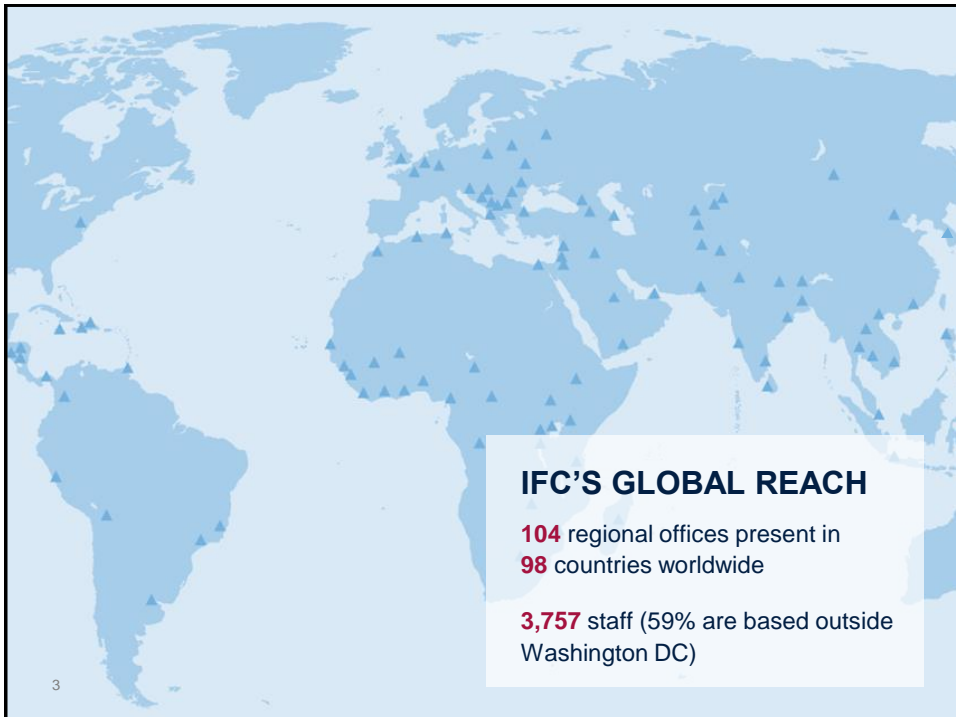
Our Mission:

The Mission of IFC, a member of World Bank Group, is to promote private sector investment in developing countries to reduce poverty and improve people's lives.

IFC: A MEMBER OF THE WORLD BANK GROUP



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HOLDING \$52BN PORTFOLIO

IFC in FY16

| | |
|-------------------------------------|------------------|
| S&P, Moody's | AAA, Aaa |
| FY16 Committed Portfolio | \$52.0 bn |
| FY16 Commitments¹ | \$18.8 bn |
| - Syndicated | \$7.7 bn |
| - Own Account | \$11.1 bn |
| # of projects¹ | 344 |
| # of countries¹ | 78 |

- Largest multilateral source of loan and equity financing for the private sector in emerging markets; owned by 184 countries
- Takes market risk with no sovereign guarantees
- Promoter of environmental, social, and corporate governance standards
- Resources and know-how of a global development bank + flexibility of a merchant bank
- Portfolio of over 2,000 companies worldwide

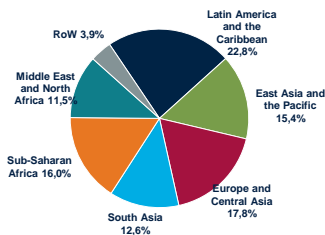
* Manufacturing includes the following subsectors: Chemicals & Fertilizers, Construction Materials and Energy Efficient Machinery

¹ Long-term investment commitments

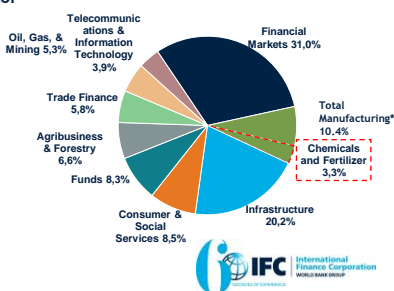
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FY16 Committed Portfolio: \$52.0bn (as of June 30, 2016)

By region



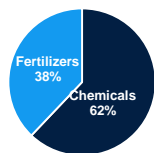
By sector



FERTILIZERS – STRATEGIC SECTOR FOR IFC

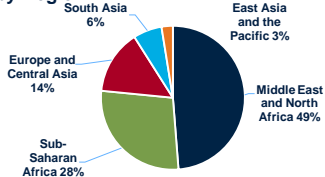
- **Food Security:** fertilizers are key to nutrient optimization and yield improvement
- **Infrastructure Development:** investments in fertilizers trigger investments in distribution and logistics
- **SMEs Development/Farmers Reach:** fertilizers are key for farmer productivity and sustainability
- **Opportunities to Contribute to Climate Change Mitigation:** through best application practices incl: precision farming, crop-centric approach, fertigation

Outstanding Portfolio Distribution by Sub-Sector



Chemicals & Fertilizers total = \$1.4bn in 65 different projects¹

Outstanding Portfolio Distribution by Region



Fertilizers total = \$517 million

¹ \$847mm were invested in 49 projects in the Chemicals sub-sector and \$517mm in 16 projects in the Fertilizers sub-sector, through IFC's own Account

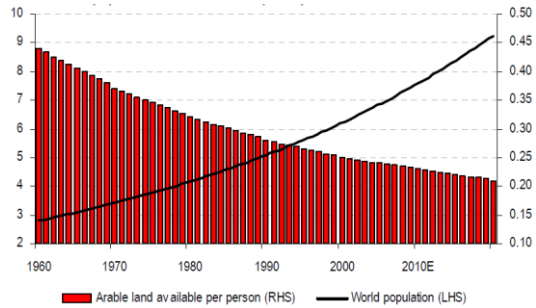
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KEY CHALLENGES

Fertilizers are needed to increase productivity & efficiency to meet food demand with limited arable land

- Across the globe, the number of underfed people already exceeds 1 billion.
- UN estimates that by 2050 the world's population will be 1/3 larger; In developing countries, food production would need to double to keep up with rising demand.
- Increasing competition for arable land.
- Economic growth leads to changing diets – increased demand for meat and animal feed needs much more land compared to vegetables and fruits.
- Biofuels add to land use tensions
- In addition, Climate Change stress that requires a more targeted use of fertilizer and precision farming to boost to crop yield and resilience.

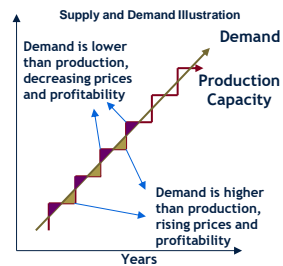
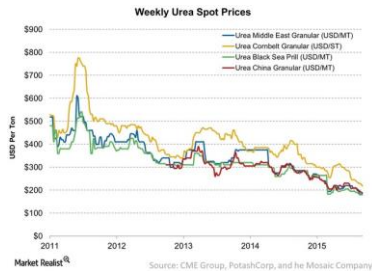


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KEY CHALLENGES

Plummeting fertilizer prices across all nutrients in 2015 - lower input costs and oversupply; price recovery is uncertain in the near term.



- Lower input prices: Natural gas prices have dropped; identified shale gas resources increase world recoverable gas resources by more than 40%; oil price slump
- A new MENA - MENA countries undergoing political unrest have significant feedstock resources – Algeria is a major player in the international gas market and has pipelines that connect directly with Europe
- Global oversupply in all three nutrients, chunky investments, 3-5 years to construct a new plant

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IFC'S RESPONSE

IFC is playing critical role in addressing the challenges by supporting effective and sustainable growth practices throughout the chain

IFC's focus for financially, environmentally and socially sustainable investments:

- Partnering with knowledgeable Sponsors with track record - key for success
- Watching the cost curve - supporting cost competitive producers with access to cheap feedstock and/or advantageous proximity to undersupplied markets.
- Focusing on growth potential markets: Africa and LAC
- Supporting best E&S practices, including precision farming and crop centric approach
- Supporting niche players with specialty products and solutions.
- Providing farmer financing and knowledge solutions.

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FERTILIZERS - PROJECTS WE FINANCE

Project Types

- Greenfield
- Expansions
- Modernization and rehabilitation
- Energy Efficiency
- Acquisition financing
- Financial restructuring
- Improvements in environmental, health, and safety performance
- Distribution and Supplier finance



Select Fertilizer Projects

1. KuAz, Russia: ammonia, urea
2. OCI, Egypt: ammonia, urea
3. Koyo, China: ammonia, urea
4. Abocol, Colombia: ammonium nitrate, NPK
5. Engro Corporate, Pakistan
6. ICS, Senegal: phosphoric acid
7. Indo Jordan, Jordan: phosphoric acid
8. Engro Chemicals, Pakistan: ammonia
9. Trigen II, Trinidad & Tobago: ammonia
10. Fosfertil, Brazil: SSP, TSP, MSP, DAP
11. GNFC, India: ammonia, urea
12. Deepak Nitrate, India: ammonia, Urea, DAP
13. PQB, Bolivia: ammonium nitrate
14. Indo Egyptian, Egypt: phosphoric acid
15. JIFCO, Jordan: DAP
16. JPMC, Jordan: phosphate
17. Engro Emergency, Pakistan: urea
18. Paradeep, India: phosphate
19. Itafos, Brazil: phosphate
20. Eleme, Nigeria: ammonia, urea
21. Bayer, Ukraine – agrochemicals
22. UPL, India: pesticides, herbicides
23. Atul, India: pesticide intermediates
24. PAU, Indonesia: ammonia
25. Nitron, South America/Africa Fertilizer Trading

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IFC HAS SOLID EXPERIENCE WITH KEY STAKEHOLDERS



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HOW IFC DIFFERS FROM OTHER PARTNERS

| | |
|---|---|
| Global Industry Expertise | <ul style="list-style-type: none"> - In-house engineers and industry specialists with global experience in the fertilizer & petrochemical sectors and benchmarking capabilities - Industry specialists on staff - Over half of IFC's 3,687 staff based in emerging markets |
| Long-term Competitive Financing | <ul style="list-style-type: none"> - One-stop-shop for financing: equity, debt, structured finance, based on client needs - Longer investment horizon and less cyclical than most financial investors: up to 10-12 years, both equity and debt |
| Capital Mobilization | <ul style="list-style-type: none"> - IFC can mobilize funding: debt from commercial banks and other DFIs (syndications), equity from investors (AMC), etc. |
| Country Risk Mitigation | <ul style="list-style-type: none"> - Reduced Political risk through government relations, preferred creditor status, neutral broker role - Withholding tax benefit |
| Global Presence & Regional Access | <ul style="list-style-type: none"> - Strong regional & global knowledge with high exposure in growing emerging markets: Brazil, India, China, Mexico, Russia, Thailand - Investment professionals in regional hubs and large country offices: 108 offices in 100 countries |
| Environmental & Social Risk Management | <ul style="list-style-type: none"> - Advice on Environmental and Social Best Practices - Equator Principles modeled after IFC Standards (60 international banks) - Local Consultation and Disclosure - Corporate Governance and Sustainability Toolkit |

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INVESTMENT PRODUCTS

Loans

- Project and corporate financing
- On-lending through intermediary institutions

Equity

- Direct equity investments
- Private equity funds

Trade and Commodity Finance

Guarantee of trade-related payment obligations of approved financial institutions

Syndications

- Capital mobilization to serve developmental needs
- Over 60 co-financiers: banks, funds, DFIs

Derivative and Structured Finance

Derivative products to hedge interest rate, currency, or commodity-price exposures of IFC clients

Blended Finance

Augmenting IFC resources with donor funds

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REPRESENTATIVE TRANSACTIONS

| | | | |
|---|---|--|---|
| <p>Indonesia</p>  <p>Panca Amara Utama</p> <p>A Loan of up to US\$94mm and B Loan up to US\$415mm</p> <p>Greenfield ammonia production plant</p> <p>Senior Lender</p> | <p>India</p>  <p>Rhodia</p> <p>Trade Supply Finance Facility US\$170mm</p> <p>"Trade Finance of the Year 2012" award by Euro Money</p> <p>Guar production</p> | <p>Nigeria</p>  <p>Eleme</p> <p>A Loan US\$150mm, B Loan US\$200mm</p> <p>Construction of 1.4 mtce of Nitrogenous Fertilizers</p> <p>Senior Lender</p> | <p>South America / Africa</p>  <p>GWFP Nitron</p> <p>Unfunded Partial Guarantee US\$50mm</p> <p>Working capital financing to farmers in LAC and Africa</p> <p>Guarantor</p> |
| <p>Ukraine</p>  <p>Bayer Ukraine Ltd.</p> <p>US\$70mm Risk Sharing Facility</p> <p>Crop protection</p> | <p>Egypt</p>  <p>Orascom (OCI)</p> <p>A Loan US\$200mm, B Loan US\$125mm Equity US\$50mm</p> <p>Refinancing</p> <p>Senior Lender and Investor Ammonia, Urea</p> | <p>India</p>  <p>Paradeep</p> <p>A Loan US\$50mm</p> <p>DAP, NPK Expansion</p> <p>Senior Lender Phosphate</p> | |

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REPRESENTATIVE TRANSACTIONS

| | | |
|---|---|---|
| <p>Colombia</p>  <p>Abonos Colombianos S.A.</p> <p>Project Loan-\$30mm</p> <p>Corporate loan to finance the Company's ongoing capital expenditure program</p> <p><i>Senior Lender</i></p> | <p>China</p>  <p>Dazhou Koyo</p> <p>Project Loan US\$20mm Equity Investment US\$10mm</p> <p>Greenfield ammonia/urea plant</p> <p><i>Equity Investor and Senior Lender</i></p> | <p>Jordan</p>  <p>Indo Jordan</p> <p>A Loan US\$30mm, B Loan US\$42mm</p> <p>Construction of a 224,000 tpa phosphoric acid plant and dedicated sulfuric acid plant at a cost of US\$189 m</p> <p><i>Mandated Lead Arranger Phosphoric Acid</i></p> |
| <p>Pakistan</p>  <p>Engro Chemical</p> <p>Various Financing Rounds</p> <p>Natural gas based ammonia and urea plant</p> <p><i>Mandated Lead Arranger Ammonia/Urea</i></p> | <p>Jordan</p>  <p>Jordan India Fertilizer Company</p> <p>A Loan US\$125mm B Loan US\$105mm</p> <p>Project Finance</p> <p><i>Mandated Lead Arranger Petrochemicals</i></p> | <p>Russia</p>  <p>KuibyshevAzot JSC</p> <p>Several Investment Rounds, Including Loans and Equity</p> <p>Corporate expansions, refurbishments/upgrades</p> <p><i>Senior Lender and Investor Ammonia, Urea</i></p> |

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IFC PROJECT – PT PANCA AMARA UTAMA (INDONESIA)

Project Description:

- PT Panca Amara Utama (“PAU” or the “Company”) is a private company that plans to set up a 2,000 metric tonnes per day greenfield ammonia production plant (the “Project”)
- The gas will be sourced from the Senoro-Toili gas fields in Central Sulawesi province of Indonesia
- Key associated infrastructure for this project includes a pipeline to transport the gas to the plant and a jetty to supply the ammonia to buyers

Sponsors:

- PT Surya Esa Perkasa Tbk. (“SEP”), a listed company on the Indonesian stock exchange, and its affiliates own a 60% stake in PAU
- Mr. Theodore Rachmat and Mr. Garibaldi Thohir: Established businessmen in Indonesia
- Mr. Vinod Laroya: A sponsor of SEP



Project Cost & IFC Investment:

- Total project cost is estimated at US\$830 million
- IFC A Loan of up to US\$94mm and Mobilization (B Loan) up to US\$415mm

IFC's Additionality:

- ✓ Long-term finance: Longer tenors, up to 12 years for the A Loan, than those available in the commercial markets
- ✓ Mobilization: Provided a stamp of approval for leading international lenders, resulting in successful mobilization of US\$415 million participated by 7 leading international banks, including HSBC, Standard Chartered, SMBC, ANZ, KDB, OCBC, and UOB
- ✓ Industry Knowledge: Shared experiences in project financing of large complex green-field plants in the chemical sector
- ✓ Application of international, best in class environmental and social standards



The PAU project was awarded the Asia Pacific Petrochemical Deal of the Year 2014, by Project Finance International

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IFC PROJECT – ELEME (NIGERIA)

Project Description:

- The project involves construction and operation of a 1.4 million metric tons per annum nitrogenous fertilizer plant within the client's existing petrochemicals complex in Nigeria. On completion, the plant will produce granulated urea that will both be sold domestically and exported. An 84km pipeline from the gas supplier's facility to the plant will be developed in conjunction. The plant will consist of a 2,300 metric tons per day ammonia plant and a 4,000 tpd urea production plant. The investment is expected to help improve farm yields and agricultural productivity in Nigeria, and address the strong domestic demand for urea, estimated to grow at 8% per annum over the next 20 years
- The project is located in Port Harcourt, the capital city of Rivers State, Nigeria
- Committed date: December 2012

Sponsors:

- The project sponsor is Indorama Corporation, an Indonesia based multinational

Project Cost & IFC Investment:

- The total project cost: over US\$1.2 billion
- IFC investment is up to US\$150 million in long-term project loans and up to an additional US\$200 million in parallel loans/syndication

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IFC PROJECT – ABOCOL (COLOMBIA)

Project Description:

- 2007 IFC facility helped Abocol to implement its 2008-2010 capital expenditure program aimed at increasing operational efficiencies and backward integration, replacing low margin fertilizer products with higher value-added ones and expanding production capacities to respond to growing demand in niche markets.
- The company's major production facilities are concentrated in the industrial zone of Mamonal, Cartagena, Colombia. In addition, Abocol has bulk blending plants in two cities in central Colombia –Villavicencio, and Espinal. The company also has trade subsidiaries Peru and in Costa Rica
- Board approval: July 10, 2008

Sponsors:

- Abocol, was one of the largest privately owned fertilizer companies in Colombia. Got acquired by Yara in late 2014

Project Cost & IFC Investment:

- Abocol's investment plan, implemented in the 2008-2010 period, was estimated at about \$90 million
- A Loan of US\$ 30 million

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IFC PROJECT – KUIBYSHEVAZOT (RUSSIA)

Sponsors

- Kuibyshevazot (KuAz) is the leading Russian manufacturer of caprolactam (the raw material for synthetic fibers, engineering plastics, automotive and other downstream products) and one of the top Russian producers of nitrogenous fertilizers
- Location: Togliatti, Samara region, Russian Federation

IFC Engagements

- 2002 Owned by management and employees, KuAz is identified by IFC as one of the few independent players in Russia's Chemicals industry
- 2003 IFC engages KuAz through IFC Russia Corporate Governance Project (RCGP); KuAz management is receptive to the RCGP recommendations and proceeds with implementation
- 2005 First IFC \$15mm senior loan approved
- 2008 IFC approves \$20mm equity investment in KuAz to support the Company's upcoming IPO planned for 2008 (equity negotiated with a put and a reset)
- 2009 In the midst of the financial crisis IFC extends \$20mm Energy Efficiency loan to support the cost-cutting measures planned by KuAz and targeting improvements in its competitiveness
- 2012 IFC extends a second EE loan (\$10mm) under the Cleaner Production Lending Facility
- 2014 IFC disburses \$75mm A-Loan and \$75mm B-Loan for corporate expansion/upgrades that include the construction & operation of a new ammonia plant, a 50:50 JV with Linde Germany

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IFC PROJECT – GWFP Nitron (SOUTH AMERICA / AFRICA)

Project Description:

- Unfunded partial credit guarantee of up to US\$50 million to guarantee a US\$150 million BNPP facility to a fertilizer trader – Nitron for working capital financing to farmers in LAC and Africa
- Help the development of the agriculture sector in LAC and Africa by increasing reliable fertilizer supply to farmers thus improving crop yields and boosting farmer profitability
- Committed Date: April 2016

Sponsors:

- Nitron Group is a private international fertilizer merchant company headquartered in Greenwich, CT, USA with more than thirty years of experience, and one of the largest suppliers of fertilizers to Latin America

IFC Investment:

- US\$50 million unfunded partial credit guarantee

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CONTACTS

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Annexes

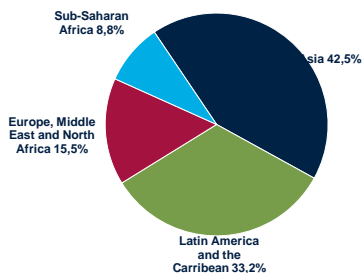
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IFC LOCAL CURRENCY FINANCING

Long-term loans available in several emerging markets

IFC has committed over **\$13.6 billion** of local currency loans in a variety of currencies as of October 2016



Asia:

- Chinese renminbi
- Hong Kong dollar
- Indian rupee
- Indonesian rupiah
- Korean won
- Nepalese rupee
- Philippine peso
- Sri Lankan rupee
- Singaporean dollar
- Thai baht
- Vietnamese dong

Europe:

- Czech koruna
- Kazakh tenge
- Polish zloty
- Romanian leu
- Russian ruble
- Turkish lira

Middle East / North Africa:

- Armenian dram
- Azerbaijani manat
- Georgian lari
- Jordanian dinar
- Kazakhstani tenge
- Kyrgyzstani som
- Moroccan dirham
- Pakistani rupee
- Tajikistani somoni
- Tunisian dinar

Latin America:

- Argentine peso
- Brazilian real
- Chilean peso
- Colombian peso
- Costa Rican colón
- Dominican peso
- Guatemalan quetzal
- Haitian gourde
- Mexican peso
- Paraguayan guarani
- Peruvian soles
- Uruguayan peso

Sub-Saharan Africa:

- Angolan kwanza
- Botswana pula
- West African CFA franc
- Ghanaian cedi
- Kenyan shilling
- Malagasy ariary
- Malawian kwacha
- Nigerian naira
- Rwandan franc
- South African rand
- Tanzanian shilling
- Ugandan shilling
- Zambian kwacha

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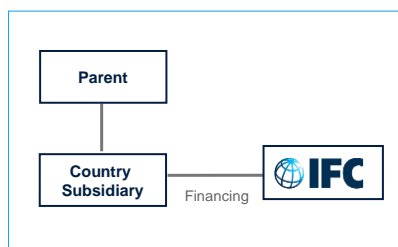
Project / Subsidiary Finance

Client Needs

- Long term project / subsidiary financing not available in local financial markets
- Local currency financing to provide natural FX hedge
- Comfort to penetrate new markets

IFC Solution:

Long term financing at project/ subsidiary level



Main Features

- Financing up to 25% (greenfield) or 50% (brownfield) of total project cost
- Possibility to include working capital financing
- Sponsor support at least until project completion
- Possibility of equity investment if there is strong growth strategy and clear exit

IFC Benefits to Clients

- ✓ Long Term funding - Maturity and grace period tailored to project needs
- ✓ Financing in US\$, €, and 50+ local currencies
- ✓ Diversified source of funding available across economic cycles
- ✓ Possibility to mobilize additional financing (syndicated debt, equity funds, etc.)
- ✓ No withholding tax
- ✓ World Bank Group reputation

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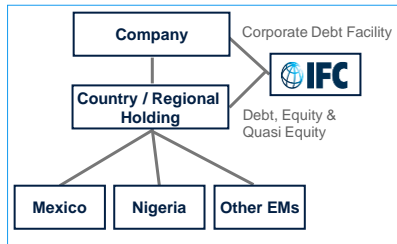
Corporate / Holding Finance

Client Needs

- Reputable partner to enter and expand in new markets
- Sharing risk of emerging market expansion
- Additional capital



IFC Solution:
Debt, Equity and / or quasi-equity financing in holding for country or regional operations



Main Features

- Equity: IFC can invest up to 20% equity (up to 49% with IFC subsidiary fund), with exit identified (IFC to be minority investor)
- Quasi-equity: high return mezzanine/high yield debt
- Corporate debt facility dedicated to emerging markets
- Client needs to keep sizable % of equity

IFC Benefits to Clients

- ✓ IFC has appetite for emerging market risk sharing
- ✓ IFC / World Bank Group reputation
- ✓ IFC stamp of approval
- ✓ Access to capital (IFC Equity + AMC)
- ✓ Access to IFC network and client portfolio
- ✓ Access to IFC market knowledge and expertise

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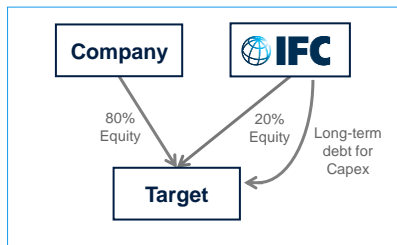
Acquisition Finance

Client Needs

- Long term capital to support strategic acquisitions that drive outsize growth and operational synergies
- Reliable financing partner to support expansion in emerging markets
- Opportunity to source additional capital through direct co-investments into the acquisition target by the financing partner



IFC Solution:
Equity and debt capital commitments to finance strategic acquisitions in emerging markets



Main Features

- Debt or equity financing for strategic acquisitions in emerging markets
- Direct equity investments in acquisition targets with strong growth potential
- Mobilization of additional capital through AMC (IFC's Asset Management arm) for compelling investment opportunities

IFC Benefits to Clients

- ✓ World Bank Group reputation
- ✓ IFC has appetite for emerging market risk sharing
- ✓ IFC stamp of approval
- ✓ Access to capital (IFC Equity + AMC)
- ✓ Access to IFC network and client portfolio
- ✓ Broad suite of equity and debt products

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HOW WE FINANCE PROJECTS

| Project Type | IFC Investment (own account) |
|---|---|
| Greenfield, total cost less than \$50 million | Up to 35% of project cost for IFC's account |
| Greenfield, total cost more than \$50 million | Up to 25% of project cost for IFC's account |
| Expansion or rehabilitation | Up to 50% of project cost for IFC's account |

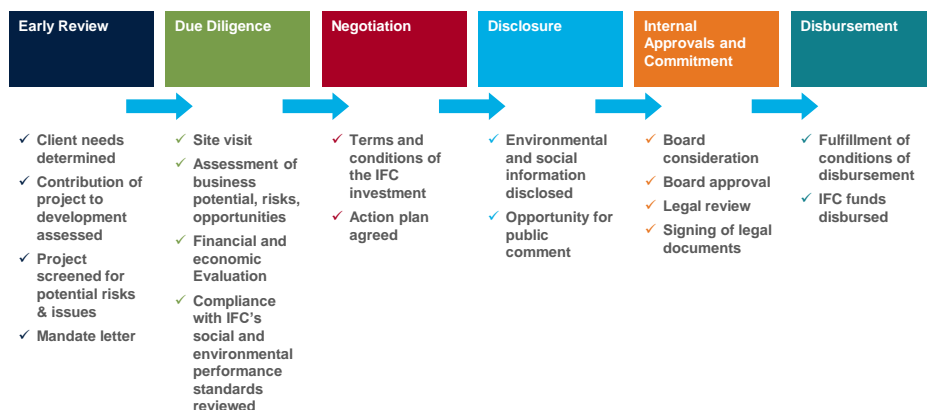
- Syndication for the rest - umbrella for participants in IFC's syndication program: IFC lender of record, immunity from taxation and provisioning requirements
- IFC's total financing must be less than 25% of total company capitalization, and IFC does not manage or own largest stake

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IFC'S INVESTMENT PROJECT CYCLE

We agree on a specific timeline to meet client's needs



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APPROACHING IFC

Foreign or Domestic Sponsors

- New venture or expansion; private sector majority ownership only
- Project must be developmentally sound and commercially viable

Sponsor Commitment is Required

- Equity participation; pre-completion support/guarantees

Submit Preliminary Business Plan or Feasibility Study

- Brief project description, incl. technical feasibility and market study
- Information on sponsors and operator
- Environmental studies
- Information on requirements, financing plan and cash flow projections

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