



CASE STUDY - DOMESTIC EXPERIENCES IN PROJECT FINANCING



FARUKI PULP MILLS LIMITED

(Revival of first Bleached Kraft Paper Pulp Mill in Pakistan)

PRESENTED BY:

PAK BRUNEI INVESTMENT COMPANY LIMITED



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❑ Project Background

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FARUKI PULP MILLS LIMITED (“FPML” OR THE “PROJECT”)

- FPML is one of its kind and first Bleached Kraft Paper Pulp manufacturer in Pakistan, using Eucalyptus Wood as raw material;
- The Project has installed annual capacity of 68,000 tons per annum based on Kraft Sulphate Technology which is a chemical pulping process;
- Incorporated in October, 1991, Faruki Pulp Mills is located on the main Gujarat-Sargodha Highway at distance of 15km from Gujrat city and 126km from Lahore.

PROJECT FINANCING OF FARUKI PULP MILLS

- To revive the Project, Pak Brunei focused on the following key factors for revival of Faruki Pulp Mills:
 - PROJECT DYNAMICS:
 - ✓ Raw material;
 - ✓ Key conversion components;
 - ✓ Product marketability;
 - SPONSORS AND MANAGEMENT DEPTH.
 - CAPITAL AND FINANCING STRUCTURE:
 - ✓ Debt / Equity Mix;
 - ✓ Transaction Structuring.
 - VALUE ADDITION AND COMPETITIVE ADVANTAGE.

PROJECT DYNAMICS - RAW MATERIAL

■ AVAILABILITY:

- Around 1.4 million tons of Eucalyptus wood is available in the proximity of the Project whereas around 3.3 million tons is estimated in 18 Districts of Punjab

■ REQUIREMENT:

- Existing forest of Eucalyptus wood are sufficient to meet 10 year requirement of raw material for the Project.
- Eucalyptus matures in 5-6 years for Pulping and three (3) crops can be cultivated from same stem.
- FPML together with JDW Group has also initiated plantation of Eucalyptus wood to ensure continuous supply from own sources

PROJECT DYNAMICS - KEY CONVERSION COMPONENTS

- Electricity
- Chemical Recovery

PROJECT DYNAMICS - PRODUCT MARKETABILITY

- Domestic Demand;
- Eucalyptus Pulp Global Demand;
- Eucalyptus Pulp Price

SPONSORS AND MANAGEMENT DEPTH

SPONSORS:

- Project related experience;
- Commitment to the Project;
- Financial standing.

MANAGEMENT:

- Administrative and Financial Expertise;
- Technical Expertise:
 - Project Development;
 - Project Operations.

CAPITAL AND FINANCING STRUCTURE

- The cost of the Project is PKR 2,560 million which includes capitalized markup during the construction period.
- Financing Mix of the Project is as follows:

- Debt:

- ✓ Financial Institutions : 1,400 million

- ✓ Others : 80 million

- Equity : 1,080 million

Total : 2,560 million

Debt : Equity Ratio 58 : 42

TRANSACTION STRUCTURING

- Project Financing was undertaken with initiative of Sponsors.
- Sponsors executed Project Funds Agreement to support for cost overruns
- Disbursement of equity portion was mandatory before disbursement of debt financing
- Disbursements were made with prior verification of Technical Consultants

PROJECT'S COMPETITIVE ADVANTAGE

Inherent advantages of the Project are:

- **Import substitution;**
- **Hedging;**
- **Raw Material;**
- **Foreign Exchange earner;**
- **Plant location;**
- **Employment generation;**
- **Strong sponsor support.**

THANK YOU