
CIC invests USD 1.9 billion in PT Bumi

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Xinhua reported that China Investment Corporation has agreed to buy USD 1.9 billion of debt from Indonesian coal miner PT Bumi Resources to increase its access to commodities.

Sources with CIC said that the deal came days after CIC reaching an agreement to take stake in the Hong Kong based commodities trader Noble Group for approximately USD 850 million.

Mr Zhuang Jian a senior economist with the Asian Development Bank said that "These deals show that CIC is attaching more attention to commodities and intends to diversify its assets arrangement."

Bumi Resources Indonesia's largest thermal coal producer said in a statement that CIC has purchased the firm's debt like instruments for USD 1.9 billion with USD 600 million repayable in 4 years, USD 600 million in 5 years and USD 700 million in 6 years. CIC's cash injection would enable it to grow quickly and give it a stable capital structure, and the partnership with CIC would create a platform for both sides to jointly pursue investment opportunities. It said that CIC would receive a return of 12% each year and a total internal rate of return of 19%.

Mr Zhuang said that "Under the forecast of excessive fluidity and devaluation of the US dollars under global economic stimulus policies, CIC's investment in commodities will be a better option to mitigate risks in China's huge foreign exchange reserves."

He said that "Investment decisions in 2009 demonstrate CIC is more mature and makes more efforts in assets diversification."

According to Mr Liu Yuhui researcher with the Institute of Finance and Banking of the Chinese Academy of Social Sciences, CIC's investment in natural resources also matches China's long term strategy for resources security. He said that "As the world's largest manufacturer, China is becoming more and more sensitive to price fluctuations of commodities in the global market."

A senior official with CIC when the sovereign fund released its 2008 annual report in August said that "CIC slowed its investment pace since July 2008 in the face of the global economic downturn. But as the world economy improves, CIC would become more active investing overseas."

Mr Lui said that "Opportunities emerge in crisis. Investment in assets with better quality and better prospects may bring profits in the long run.

(Sourced from Xinhua)

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