
Bank underwrites loan for Al-Tuwairqi Group to build a steel plant

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MEED reported that National Commercial Bank is to underwrite SAR1.4 billion in project finance for Saudi Arabia's Al-Tuwairqi Group to build a steel plant in the kingdom.

As per report, the deal is one of the first project finance deals to have been closed in Saudi Arabia since the signing of the USD 5.5 billion Saudi Kayan deal in June, although that deal had been carried over from late 2007.

The Al-Tuwairqi financing was signed in September and a limited syndication of the debt to 2 or 3 Saudi banks is expected in early 2009. NCB anticipates it will hold about 60% of the debt which has a 7 year tenor on its balance sheet.

One source at NCB said that "We are optimistic that we can generate a good response to this financing. It has a relatively short tenor and we are not looking for huge commitments."

The ability of NCB to syndicate the deal to other banks will depend to some extent on how much the financial markets recover between now and 2009. Sources in project finance departments in the region say even local currency liquidity is tight in the current climate and deals are being done on a highly selective basis.

NCB hopes that by inviting a small number of banks into the syndication group, it will be able to persuade them to accept lower margins to finance the deal. The deal should also benefit from being structured entirely in Saudi riyals and having strong guarantees from the Al-Tuwairqi Group.

The plant will produce iron ore pellets which are used in the production of steel and steel billet an intermediary product used in refined steel production.

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