



VEB/Bryansk Meat – ECA-backed finance

MLA:	HSBC Bank
Borrower and guarantors:	Vnesheconombank
Sub-borrower:	Miratorg
Amount:	\$48.5 million + \$100 million commercial loan facility
ECA:	EFIC (Australia)
Tenor:	8.5 years

The Bryansk Meat Plant Project in Russia is undoubtedly one of the most important agricultural investment projects to date within the country. It is also one where financial structuring by HSBC and Australian export credit agency (ECA) EFIC has paved the way setting a template for further ECA-backed agri-projects of this kind.

To set the record straight, this is a project which was first financed in 2011, and submitted to *Trade Finance Magazine* for a DoY award for that year. In our discussions with HSBC and EFIC it was abundantly clear that this project had several legs – and as such we did not award it last year, but rather agreed to wait until the other financings had been signed through 2012.

The financings are being used for the purchase of highly productive beef cattle stock primarily for meat processing in the Bryansk region of Russia from various Australian beef cattle exporters. In total the project requires approximately

100,000 head of breeding cattle.

These ECA-backed and commercial financings are part of an overall \$600 million Bryansk Meat project, which is not only a strategic agricultural development project in Russia, but it is the largest of its kind globally.

The overall package sees the initial ECA-backed funding of \$89.3 million signed in 2011, followed by the \$48.5 million EFIC-backed facility in 2012. On top of this HSBC's global specialised finance unit provided a complementary \$100 million loan facility, which was warehoused and subsequently syndicated. The ECA tranches are 100% covered by EFIC.

Financing was provided to Vnesheconombank (VEB), the Russian state development bank, and covered by EFIC. Funds are then on-lent to the Russian corporate Miratorg, which is the sponsor of the project.

The achievement of an 8.5 year tenor was a significant bonus for the client, and it is the longest tenor achieved for a financing of this kind, setting a new standard in ECA financing for agricultural projects. The tenor was worked out with EFIC in relation to the average useful life of breeding cattle.

The involvement in this project for VEB also meets the bank's strategic development bank role and status. It is envisaged that as the Bryansk plant develops it will not only be able to supply domestic demand, but also, by using state-of-the-art technology and techniques ultimately develop an export arm. ■