DSRA SAVES THE DAY
STRUCTURED FINANCE DEAL OF THE YEAR

Transaction: Financing of a floating LNG unit for Exmar
Winners: Bank of China (Dalian Branch), Bank of China (Jiangsu branch), Bank of China (Luxembourg), Deutsche Bank, Sinosure

So, here is the deal.
Exmar is close to taking delivery of a state-of-the-art floating LNG unit worth $200 million. This is a significant construction project for China’s Wison (Nantong) Heavy Industry Co. and Wison Offshore and Marine Ltd. The project won the silver award of the Eighth International Exhibition of Inventions and National Key Products issued by China’s Ministry of Science and Technology.

There is a lot riding on this delivery.

It is also an important part of Exmar’s continuing transformation into a major energy player beyond tankers on the global stage.

The challenge: While Exmar’s vessel is soon to be delivered, the current employment market stinks, and financing is still to be completed. To be clear, the unit has no lease on delivery.

For developing a flexible financial structure, executing rapidly across times zones in a difficult offshore energy market, and closing the financing where no immediately profitable lease was available, the Bank of China, Deutsche Bank and the team of supporting financial institutions well deserve Marine Money’s Structured Finance Deal of the Year.

Any one of the above challenges could easily have derailed this worthy project. Yet the professionals at Bank of China found solutions — creative solutions — to ensure delivery and a successful future for the unit.

Of course, we tip our hat to the execution. $200 million involving multiple parties, with ECA guarantees for a specialized energy unit built in China without employment is no small accomplishment.

Deutsche Bank and the involved branches the Bank of China established what was effectively a 24-hour, no time difference service to minimize communications cost, improve the efficiency of due diligence and speed the approval process — effectively giving Exmar the perfect customer experience.

Execution is one thing; however, the task of securing the necessary credit committee and internal approval processes and completing due diligence with a financing of $200 million for an unemployed state of the art Chinese-built unit was nothing short of fantastic.

This was an innovative financing structure, one with a tailor-made liquidity support and release mechanism to cope with the variable employment requirements, the optionality of which Exmar sought to protect. Convinced that the market would improve, Exmar was reluctant to sign a lease just to satisfy the requirements of its financiers.

In this case, the financiers found a structure to give Exmar its flexibility, and the lenders the security they sought.

The solution was called Debt Service Reserve Account (DSRA). Under the DSRA margin model, the borrower or guarantor deposits 30 months of debt service in advance, equivalent to five scheduled repayment installments plus the interest payable on the advance for a duration of 30 months from the utilization date. The Bank of China dug deeply into its client Exmar’s reputation and resources, and came up with this solution.

The DSRA amount may be reduced to an amount equivalent to the aggregate of one repayment installment and six months interest payable on the loan outstanding if the borrower and a charger execute an employment contract with a duration of more than five years.

This was just the sort of flexibility and creativity Exmar sought in its financing and the team delivered.

The Bank of China both supported its shipyards in the delivery of a new sophisticated unit, and delivered for its client. For this reason, Marine Money is proud to acknowledge their work with this award.