


Proprietary 

Azmeel Contracting ties up restructuring - CRO

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Azmeel Contracting, a Saudi Arabia-based contractor, has officially tied up its debt restructuring deal and issued a perpetual sukuk to its creditors, according to Hisham Ashour, the company's chief restructuring officer (CRO).

Ashour is a managing director at **Haykala Advisors & Managers**.

Some 86% of creditors voted for the deal, according to Ashour, meaning it was passed by some margin.

“Under the Saudi insolvency law, at least 50% of creditors by weight need to vote in favour of the plan. Another requirement is that at least 66% of creditors in one of the tranches vote in favour of the deal,” continued Ashour.

Azmeel's debt was restructured through the Saudi Financial Restructuring Procedure (FRP).

The proposal sees the issuance of a perpetual sukuk - a first of its kind for the region, said Ashour.

The company has over SAR 7bn (USD 1.9bn) of debt, of which 92% was converted into a perpetual sukuk, as per the original plan, Ashour noted. The company's total debt stack is made up of SAR 5.5bn from bank lenders and SAR 2.1bn from trade creditors, *Debtwire* previously reported.

“When we first floated the idea of a perpetual sukuk in Saudi Arabia, people laughed. You might be able to do this in London, they said. So, we’re very proud that we got the deal over the line,” said Ashour.

The deal was effectively agreed six months on from the headline terms in June 2022, but there have been lengthy discussions with the regulators since then to officially get it over the line, said Ashour.

Debtwire reported in January 2023 that creditors were mulling over the final documentation.

The company's new perpetual sukuk will offer a small amount of interest, with different tranches receiving different amounts, he continued.

More importantly though, the sukuk acts like an equity instrument, Ashour noted.

“Creditors will be more interested in reclaiming their principal through a cash-sweep mechanism. The way that this essentially works is that creditors will be entitled to a certain proportion of the company’s profits beyond a certain point. That is how we’ve been able to have our cake and eat it,” said Ashour.

Maintaining a working balance sheet will also be essential for a contractor to take on more projects, he said.

“Such a structure is essential when dealing with a contractor, as you can’t have a hole sitting in your balance sheet. The contractors’ customers will require a working balance sheet for it to take on more projects,” added Ashour.

An important part of the sukuk is also that it’s tradeable.

“The sukuk is tradeable, which was essential for creditors. We haven’t seen any secondary trading yet, but we expect it to happen soon. We’ve seen a lot of interest,” said Ashour.

The main lenders to Azmeel are **Arab National Bank, Banque Saudi Fransi, Al-Rajhi Bank, Saudi British Bank, Bank AlJazira, Alinma Bank, Bank Albilad, Emirates NBD, Gulf International Bank and Saudi Investment Bank**, *Debtwire* reported in February last year.

Qualified investors will also be able to buy, sell and hold the sukuk, said Ashour.

“If you hold enough of the sukuk, then you can talk and meet with the company and the creditors committee,” he added.

Deloitte and **King & Spalding** were advising company-side as financial and legal adviser, respectively. **Latham & Watkins** were also advising a group of bank lenders

Azmeel ran into issues in 2018 due to changes in market dynamics, delayed payments from project owners and increased costs.

At the peak of the company’s performance, it had revenues of around SAR 5bn-SAR 6bn per annum, with a SAR 20bn project backlog and an EBITDA of around SAR 500m.

by Alex Dooler



Saudi Arabia Construction/Bldg Prods-Miscellaneous

Issuer Summary

Issuer
Azmeel Contracting & Construction Corp

Likely To Distress Location
 Jubail, Saudi Arabia

Relationships

- Issuer
Azmeel Contracting & Construction Corp
- Debt Providers
- Al Rajhi Bank
 - Alinma Bank
 - Arab National Bank - ANB
 - Bank Al-Jazira
 - Bank Albilad
 - Banque Saudi Fransi - BSF
 - Emirates NBD PJSC
 - Gulf International Bank BSC
 - SAB
 - Saudi Investment Bank
- Financial advisor
- Deloitte
- Lawyer
- King & Spalding
- Lender counsel
- Latham & Watkins LLP

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