

Pran Agro Limited

Bangladesh



USD 25m

(in LCY)

Bond guarantee



Finance



Provided a USD 25 million (BDT 2.1 billion) guarantee for a 7-year onshore bond to support Pran Agro Ltd (the Issuer) to fund infrastructure expansion including construction as well as acquisition of processing and packaging machinery required for a new factory in Bangladesh.

The transaction will help the Issuer increase production of staple products such as spices and noodles to the Bangladeshi consumer market of 165 million people and exports to India, Nepal and the U.A.E.

Investment Highlights

Significant market share:

Market leader in a highly fragmented market.

Strong brand and reputation:

Strong local corporate with a recognisable brand.

Extensive distribution network:

Leverage PRAN-RFL Group's distribution network of over 16,000 distributors to sell its products to urban and rural markets in Bangladesh.

Experienced management team:

Strong track record in the FMCG sector and deep knowledge of the local consumer market.

Impact

Developing Bangladeshi capital markets

Providing long-term local currency financing required for the financial viability of Pran Agro Ltd.'s infrastructure expansion plans.

- First domestic bond backed by a development financial institution in Bangladesh
- First to be subscribed by an institutional insurance investor (MetLife)

Job Creation and Gender Empowering

Enabling the provision of jobs for 780 workers in a DAC 1 country (including 260 women involved in the supply chain).

Increase sourcing from local farmers

Potential to increase sourcing of inputs from contract farmers (estimated at 86,000) by 20% in the next 5 years.

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Challenges

COVID-19 Impact

- Country lockdown from March to May 2020 and a few weeks in April 2021 due to the second wave
- Regulatory offices shut down during the country lockdown periods which delayed the regulatory approval process for the onshore bond
- Key personnel for the Issuer were exposed to COVID-19.

First-time bond issuance was a steep learning curve for the Issuer

- Learning experience for the Issuer as this was its first time working with a development finance institution that has thorough requirements for Due Diligence, KYC and HSES.

Solutions

Proactive transaction management

- Engaged a local counsel (Rouf & Associates) that played a hands-on role
- Worked closely with the Issuer on the revised financial model to ensure it reflects their change in short term business strategy
- Started to obtain documents required for conditions precedent (CP) in advance to overcome bottlenecks such as the second lockdown in April 2021.

Regular meetings with the client to explain our requirements and guarantee structure (GET, KYC and HSES teams all had key contributions).

Potential for TAF to support training and employment opportunities for female farmers and consulting costs to support its environmental and social action plan.