

Aralco Industria e Comercio S/A

Aralco Creditors Approve Restructuring Plan to Swap Debt Into Equity

Aralco creditors approved the company's restructuring plan in a meeting on Monday in Araçatuba, Brazil, after months of negotiations, said Paulo Campana, partner at Felsberg Advogados, the law firm representing bondholders. The deal received approval from roughly 85% of the unsecured creditors represented at the meeting, said Bernardo Sobreira, an analyst at Virtus BR Partners, which has been advising the company.

The vote marks the end of several months of negotiations: After filing for judicial recovery in March, Aralco presented its initial restructuring plan in July. The company presented creditors with three different restructuring scenarios, and they eventually settled on the deal passed Monday, which provides for the conversion of up to 60% of the debt into equity while the remaining 40% will be swapped out for a new bond that carries a four-year grace period and a 10-year maturity. Any debt that is not swapped into equity will carry a 15-year maturity and an interest rate of 3%.

Creditors approved that deal in a convincing vote Monday. According to Virtus BR Partners' Sobreira, 165 unsecured creditors were present in the meeting, and 141 of them voted to approve the plan. Two secured creditors were also present, along with one labor creditor, he noted. They also voted in favor of the plan. Among the small enterprise creditors, 45 out the 48 creditors present at the meeting approved the deal.

Some changes were negotiated at the voting session, Sobreira said. Specifically, the size of a so-called creditors consulting group has increased to seven members from five. Four of those members will be unsecured creditors. The group will become effective Jan. 20, he said. Other changes negotiated Monday relate to strategic sugarcane suppliers, which negotiated better interest rates, increasing them from the prevailing interbank CDI to CDI+1%.

Aralco's plan - the agreement made public last week - will be amended to incorporate the new changes from Monday's meeting and will then go before the Second Civil Court in Aracatuba court for final approval.

Aralco has \$258 million in bond debt outstanding. The company's total debt was estimated at around 1.8 billion reais (\$700 million) at the time the plan was presented to creditors. More than half of that was denominated in dollars. Aralco mandated Virtus BR and DCA, a local law firm, to lead the restructuring. Creditors retained Felsberg and FTI Consulting.