

Banks lukewarm as SAA seeks proposals to reorganise debt

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The decision by South African Airways (SAA) to request proposals to restructure its debt - months after it was forced to extend R7.2bn in loans due in June - has drawn a lukewarm response from some of the big four banks' investment arms.



Adrian Pngstone via [Wikimedia Commons](#)

The airline quietly published the request for proposals on Sunday, seeking R16bn in long-term funding - either secured or unsecured - for working capital, capital expenditure and for consolidation of its R15bn debt. The tender, which opened on Monday, requires the successful bidder to allow SAA to access the R16bn in three tranches from the end of October.

"We have received the SAA's request for long-term funding and we are considering it like all tenders," said Remo Moyo, divisional executive at Nedbank Corporate and Investment Banking. "This tender will be subjected to our internal approval processes, which would guide our response."

Standard Bank declined to comment because SAA is a client.

"We secured an extension on the loans that were due in June," said SAA spokesman Tlali Tlali.

A banking source said the tender would be handled in the same way the Gupta family's Oakbay Investments vehicle was. Oakbay had all its bank accounts with the big four banks closed after the banks declined to do business with it.

Confined tender process

SAA said earlier that the urgency of the June loans had compelled it to conduct a confined tender process after a funder appointed through open bidding earlier in 2016 pulled out. The confined tender was ultimately awarded to BnP Capital, an action that former SAA treasury head Cynthia Stimpel tried to stop, saying it had overquoted for its services.

BnP was later found not to possess a financial services provider licence. The airline terminated its services in July.

Tali said the request for proposals was merely a test of "the market for appetite following the termination of BnP Capital's mandate to source funds and consolidate debt on our behalf".

The rationale behind debt consolidation

He said: "The rationale behind debt consolidation is that it eliminates multiple creditors with varying interest rates on each debt and presents SAA with an opportunity to negotiate favourable interest rate on a single debt.

"This will reduce interest rates on loans compared to the rates SAA is currently paying to different lenders."

But the request for proposals has worried the DA, which has asked Yunus Carrim, the chairman of Parliament's standing committee on finance, for an emergency meeting to discuss SAA's affairs. "We need details of trading results, loans maturing, other liabilities, board restructuring and their reasons for saying business rescue is not needed," said Alf Lees, the DA's deputy finance spokesman.

Carrim did not respond to queries.

Source: Business Day

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