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Indiana Fertilizer Planning Bond Deal by April as Plant Advances.

A \$1.3 billion municipal-bond sale for a fertilizer plant in Indiana may come to market by April, two years after the state expressed concern that the product from the Pakistani company backing the project was linked to explosives.

Midwest Fertilizer Co. plans to build and run a fertilizer manufacturing facility in Posey County, in southwest Indiana. The company, majority-owned by Lahore, Pakistan-based Fatima Group, said it plans to break ground this quarter and start operating in 2018.

By April, Midwest Fertilizer also plans to offer bonds for the \$2.6 billion project, said its president, Mike Chorlton. The county's economic development agency has about \$1.3 billion of notes out for the project that must be redeemed by April 2.

"We're definitely planning to move forward on a long-term deal," Chorlton said in a telephone interview yesterday. "We're trying to get it done before April 2."

He declined to disclose other details about the borrowing plan.

If the securities are rated speculative grade, it would be the second-largest junk deal ever in the \$3.6 trillion municipal market, data compiled by Bloomberg show. It would eclipse a \$1.2 billion offering for a fertilizer facility in Iowa, ranked three steps below investment grade.

Yield Appeal

High-yield muni funds logged the market's biggest returns in 2014 as investors sought riskier debt with interest rates approaching generational lows. Junk-rated Puerto Rico issued \$3.5 billion in general obligations last year, a record speculative-grade muni deal.

Posey County stepped in to help finance the fertilizer plant after Governor Mike Pence pulled his support for the project in May 2013. The Pentagon had raised concern that the Fatima Group's products were ingredients in bombs known as improvised explosive devices that were used against U.S. soldiers in Afghanistan.

The state reopened discussions about incentives last year after getting assurances from the U.S. Defense Department that a formula being developed by Fatima Group was "more inert and less-detonable to limit its usefulness to extremists and terrorists," Pence said in an April statement.

Because of the support offered by Posey County, Midwest Fertilizer withdrew its request for about \$4 million in state incentives, Chorlton said.

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By Brian Chappatta and Mark Niquette

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To contact the reporters on this story: Brian Chappatta in New York at bchappatta1@bloomberg.net;
Mark Niquette in Columbus at mnikquette@bloomberg.net

To contact the editors responsible for this story: Stephen Merelman at smerelman@bloomberg.net
Mark Tannenbaum, Mark Schoifet

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