

Case Study 11

Financing the Mozal Project

Case Study Assignments

1. Should Alusaf/Gencor invest in the Mozal project? What are the greatest risks? Have they been adequately addressed?
2. Will the sponsors be able to finance the deal?
3. How does IFC involvement affect the deal? Will the IFC and the sponsors (Alusaf and IDC) share similar objectives? Should the IFC play an advisory role only or should it also invest in the Mozal project?
4. As an IFC board member, would you approve the recommended investment in Mozal?
5. What is the IFC's competitive advantage? To what extent does the IFC do something that is unique, valuable, and sustainable?

* **Note:** In early June 1997, the yield on 10-year U.S. Treasury bonds was 6.56%, the yield on the 10-year U.S. Treasury inflation-indexed bonds was 3.57%, the yield on Nigerian Brady Bonds was 13.35% with a range between 13.3%-15.0% over the previous year (Nigeria's *Institutional Investor* country risk rating in 3/97 was 14.8); and the average asset beta for the three major U.S. integrated aluminium producers (Alcan Aluminium, Alcoa, and Reynolds Metals) was 0.78.

Aluminium Futures Prices (\$/tonne)

	LME Cash Settlement Prices			
	Cash	3-Month	15-Month	27-Month
12/29/95	\$1,675	\$1,697	\$1,773	\$1,770
03/29/96	\$1,635	\$1,666	\$1,705	\$1,693
06/28/96	\$1,471	\$1,507	\$1,615	\$1,673
09/30/96	\$1,355	\$1,390	\$1,515	\$1,607
12/31/96	\$1,515	\$1,546	\$1,605	\$1,603
03/27/97	\$1,606	\$1,640	\$1,653	\$1,632
06/13/97	\$1,562	\$1,587	\$1,623	\$1,628