

Case study: DEM Group, Belgium

Mitsubishi HC Capital Europe provides the bridge to mining transaction



Challenge

To bridge the gap in the payment terms required to supply four Hitachi rigid dump trucks for a mine in the African market.

Solution

Mitsubishi HC Capital Europe (formerly Hitachi Capital European Vendor Solutions B.V.) provided the working capital needed to secure the sales agreement between the Hitachi dealer and mining company by utilising an extended terms finance solution.

Result

The finance product provided a bespoke facility that can be adapted and used again for significant transactions in any market.

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The perfect test case for the new facility



“It was a hugely beneficial arrangement – easy, efficient and transparent.”

Nicolas Grosjean, DEM CFO

Background

DEM Group (DEM) is the official distributor of Hitachi Construction Machinery (HCM), John Deere Construction & Forestry, and the Wirtgen Group for North, West and Central Africa. The Belgian company services the needs of the construction, mining and quarrying markets in these territories with an expanding network of subsidiaries, professionally trained technicians and well-equipped response vehicles.

One of its mining customers in Morocco, OCP Group (OCP), was interested in acquiring four new Hitachi EH3500AC-3 rigid dump trucks. The global leader in phosphate and phosphate derivatives needed the huge machines to operate at its Khouribga site – known as “the phosphate capital of the world” – which lies 120km southwest of Casablanca.

Business challenges

In order for DEM to reach an agreement with OCP, it had to find a solution for the finance required to bridge the gap of 60 days between when it had to pay HCM and receive the final payment from the customer. “With other large-scale mining deals, we invoice the customer directly in hard currency from our headquarters in Brussels,” says DEM CFO Nicolas Grosjean.

“However, in these special circumstances OCP wanted to receive a locally issued invoice in Moroccan dirham. This meant that we had to bear the risk of the currency exchanges. In addition, we didn’t have a letter of credit and faced the ‘headache’ of an incredibly complex administrative process associated with a large transaction of €6-10 million.”

The solution

DEM found the optimal bespoke solution with Mitsubishi HC Capital Europe’s extended terms finance arrangement. This was advantageous to the dealer in terms of the competitive cost, and flexibility of the facility with regard to the timing and allocation of charges and payments. Without a corporate presence in Morocco and the ability to recover the assets, Mitsubishi HC Capital Europe was also able to take advantage of HCM’s credit insurance, so that it didn’t have to rely solely on the value of the products.

It was able to refinance HCM’s invoice and transfer the funds directly to the manufacturer, before DEM settled the terms of the agreement within two months (after OCP had completed the transaction). Mitsubishi HC Capital Europe’s understanding of the mining industry and close working relationship with HCM enabled it to meet these unusual requirements.

“With little room for negotiation with the manufacturer or customer, we needed a supplier to provide a bridge financing agreement – and this is exactly what Mitsubishi HC Capital Europe did,” adds Nicolas. “We had been discussing various options together, and this was the perfect test case for the new facility.”

“Mitsubishi HC Capital Europe was not only willing to provide a service that was unavailable elsewhere, but it was also offering a product that responded to our specific needs. That was the real difference over our other finance partners, who focus too much on immediate profitability and risk, and don’t see the potential growth that may come from helping out at the beginning.”

The result

The extended terms finance offered by Mitsubishi HC Capital Europe allowed DEM to deliver the four Hitachi EH3500AC-3s to Morocco in line with its expectations and the transaction was completed to each party’s satisfaction. This arrangement has significantly enhanced the competitive position of HCM and DEM in the African mining market.

“We are certainly one of the main players in a challenging territory and our aim is to grab any possible areas for development,” concludes Nicolas. “The partnership with Mitsubishi HC Capital Europe certainly gives us an advantage. We will now be able to duplicate this process and use our experience to negotiate any new opportunities.”

“We would certainly use this product again due to the favourable terms, and the professional and friendly service offered by the Mitsubishi HC Capital Europe team. OCP really appreciated the way in which the transaction was realised and we believe that we will be in the running for any of its future large investments. It was a hugely beneficial arrangement – easy, efficient and transparent – and the perfect solution to our working capital needs.”

