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Supermarket restructures to counter tough competition

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Argentine supermarket chain Coto has again restructured its debt package in the face of adverse economic conditions in the sector.

In September, Coto restructured a multilateral credit agreement from 2001, then worth US\$175 million. Previous amendments to the agreement took place in 2002 and 2004.

Federico Alfonso Barredo, an associate at [Marval, O'Farrell & Mairal](#) and counsel to the international banks, says Coto wanted to "modify its debt profile to continue its growth in the competitive and adverse environment currently affecting the supermarkets sector in Argentina."

In the most recent restructuring, the company amended and re-stated a US\$61 million syndicated credit agreement with Dutch bank Coöperative Centrale Raiffeisen-Boerenleenbank – known as Rabobank - and Credit Suisse International.

Coto also amended credit agreements with domestic banks, Banco Macro, Nuevo Banco Bisel and Banco Santander Río worth US\$9 million, US\$2 million and US\$7 million.

To enable the latest amendments, Coto's creditors had to waive a 'sharing of payments' clause that was written into the 2004 agreement, so that Coto could restructure agreements with its creditors on an individual basis. They did this through an inter-creditors agreement that allows each creditor to amend, collect or restructure its debt as it deemed appropriate – without the consent of the others. This agreement had to be executed simultaneously with each credit restructuring agreement and its guarantees.

Some of Coto's creditors decided not to enter into the amended agreement – including Banco Galicia Uruguay and various hedge funds that had bought its debts. Instead they sold credits worth US\$102 million back to Coto at a discount price of US\$80 million – a debt write-off for Coto of more than US\$20 million.

To finance this purchase, Coto drew fresh funds from a newly established US\$50 million trust run by Argentine credit company Nación Fideicomisos. It also entered into a new US\$29 million bilateral credit agreement with Barclays Capital – advised by a second team from Marval O'Farrell.

The amended credit agreements were mainly secured against real estate owned by Coto. All the transactions closed on 27 September. The 2004 restructuring was reported in [LATINLAWYER here](#).

Consistently high inflation in Argentina is affecting businesses in a range of

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sectors, but government price controls on food have meant supermarkets are facing tougher conditions than other businesses. **LATINLAWYER** discusses the effect of inflation on competition [here](#).

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