

Tongaat enters into voluntary business rescue

Tongaat Hulett has entered into a voluntary business rescue process (BRP) for two of its South African operations, Tongaat Hulett Limited and Tongaat Hulett Development Proprietary Limited, after lenders pulled their financial support.



Source: v.ivash via [Freepik](#)

These operations are planned to move ahead under the business rescue process.

In a [Sens statement](#) the JSE-listed company – which is currently suspended from trading due to a delay in publishing its latest financials – said that its debt levels are well in excess of what it can service after business recapitalisation plans took longer than expected.



Tongaat to be majority held by Mauritius-based firm amidst debt woes

Promit Mukherjee 18 Nov 2021



Botswana, Mozambique and Zimbabwe sugar operations will be exempt from the rescue process as they remain financially sound. These three businesses are funded independently from the company and should be largely unaffected by the adverse circumstances affecting the company. This is according to the group.

Facing financial difficulties

Tongaat has faced significant challenges following years of high and increasing debt levels, alleged financial misstatements and historic mismanagement under previous leadership.

The new leadership team and board have worked since 2019 on delivering a turnaround strategy. Good progress was made on a variety of fronts, including realising cost savings and improving available funding. Debt, specifically, has been reduced by more than R6.6bn from a high of R11.7bn.

Despite the good progress, there is a shortfall in the company's working capital facilities of approximately R1.5bn, largely driven by the impact of Covid-19 and the recent unrest in KwaZulu-Natal. This shortfall is necessary to fund the peak working capital requirements to complete the 2023 financial year.

The South African lender group has informed the company that they will not be able to continue supporting the company with additional funding in South Africa.

Without this funding, the board concluded that Tongaat is, or would be, facing "financial distress", as defined by the Companies Act and that the South African operations are no longer financially sustainable without further liquidity.

The board resolution and a sworn affidavit stating the reasons for going into business rescue have been filed with the Companies and Intellectual Property Commission (CIPC), with the finalisation of their processes in development.

Peter Van den Steen, Trevor Murgatroyd and Gerhard Albertyn of Metis Strategic Advisors will be appointed as the business rescue practitioners.



Tongaat Hulett suspends Zim sugar cane pre-payments

Nelson Banya 16 May 2022



Tongaat CEO Gavin Hudson says: "Although this is not the outcome we were hoping for, the start of business rescue is not the end for Tongaat Hulett's South African operations. Business rescue provides a legal framework that allows business rescue practitioners to work with key stakeholders to find optimal solutions to our financial difficulties.

"Tongaat has a proud 130-year legacy and is a significant player in agriculture in South Africa. We have dedicated people working very hard to find the best way forward, and the leadership team is committed to working closely with the business rescue practitioners to ensure a successful outcome to the restructuring of the company that protects those associated with Tongaat."

While the company has interest from both existing shareholders and potential new equity investors to support the recapitalisation and retain its existing operating footprint, no one has been able to provide the total funds required within the time needed to do so.