

# DRUM RESOURCES LIMITED

## INSIDE AFRICA

Commodity Resource Management

*“Delivering a service, not just a certificate”*



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# DRUM RESOURCES LIMITED

**“The evolution of collateral management in  
African Supply Chain Management”**



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# CONTENTS

- The role of collateral management in limiting banking risk
- Outlining the benefits of providing a comprehensive solution package from start to finish
- How to best evaluate risk requirements such as insurance provision
- Providing case studies on previous failures and successes

# THE ROLE OF THE COLLATERAL MANAGEMENT IN LIMITING BANK RISK

- Range of services
  - Surveys: site, warehouse, factory, route, mine
  - Standard: stock monitoring, collateral management etc
  - Logistics' studies
  - Quality & Quantity certificates
  - Project Management
- Testing the viability of projects
- Turning the possible into the probable
- Small cog in range of risk mitigants – Basel 3

# THE ROLE OF THE COLLATERAL MANAGEMENT IN LIMITING BANK RISK

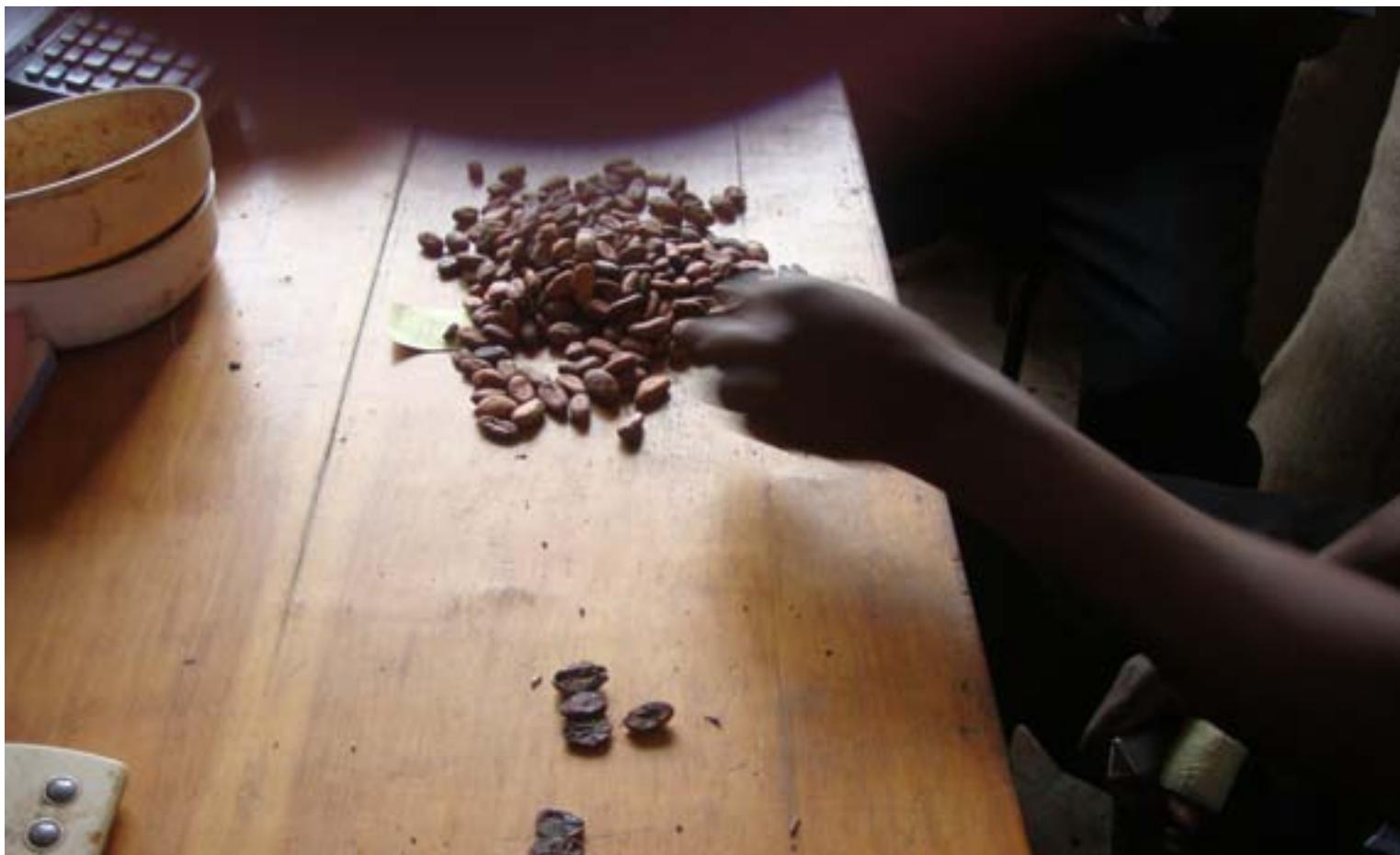
- Eyes & Ears for bank on the ground
  - weighing, sampling, quality analysis
  - fundamental stock control for the duration of the finance facility
  - point organisation for stopping fraud e.g. movement trucks from the port to inland warehouse

## Weighing



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# Sampling



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# Drying



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## Quality



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## Storing



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# THE ROLE OF THE COLLATERAL MANAGEMENT IN LIMITING BANK RISK

- Collateral Management services for more than one bank's financing of a specific customer's stock
- Structures in place for larger syndicated loans to a specific customer
- Audit function
- Dispute resolution
- Non-invasive monitoring during warehouse or factory operations
- Multi-commodity / Pan Africa

# THE ROLE OF THE COLLATERAL MANAGEMENT IN LIMITING BANK RISK

- Multi-commodity / Pan Africa

## Cement - Durban



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## Cement – Durban



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## Tank Farm – Dar Es Salaam



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## Tank Farm – Dar Es Salaam



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## Frozen Fish - Cameroon



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## Sugar - Ghana



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## Rice - Dakar



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## Wheat - Mali



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## Wheat - Mali



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## **BENEFITS OF PROVIDING COMPREHENSIVE SOLUTION PACKAGE FROM START TO FINISH**

- Security of product for bank: physical goods / collateral
- Provision of Warehouse Receipts to initiate the drawdown against the facility
- The release mechanisms – fundamental to the repayment of the facility
- Visual reporting
- Lock in costs for customer as part of the overall financing facility
- Financial status of bank's client (payment of fees)

## HOW BEST TO EVALUATE RISK

- Site Survey requirements
- Counter-party risk assessment
- Genuine viability of a business
  - copper in Dar
  - documentation ex-DRC
- Know the ground, the structures & the costs
- Know how to make it work
- Political & feedback to insurance markets e.g. Zimbabwe; North Africa to Nigeria pre-elections

## CASE STUDIES - FAILURES (AFRICA GENERAL)

PAN AFRIC – Coffee, Uganda

- Very poor site survey
- Poor back office controls – fast drawdowns
- Stock control (swimming pools)

## Pan Afric – Stock Control / Swimming Pools



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## Pan Afric – Stock Control / Swimming Pools



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## CASE STUDIES - FAILURES (AFRICA GENERAL)

AUDITS: Ghana, Mozambique & Tanzania

- Ghana cocoa cheque fraud
- Mozambique audit empty maize silos
- Tanzania audit on various imports: warning to tax authorities & warehouses closed prior to our arrival

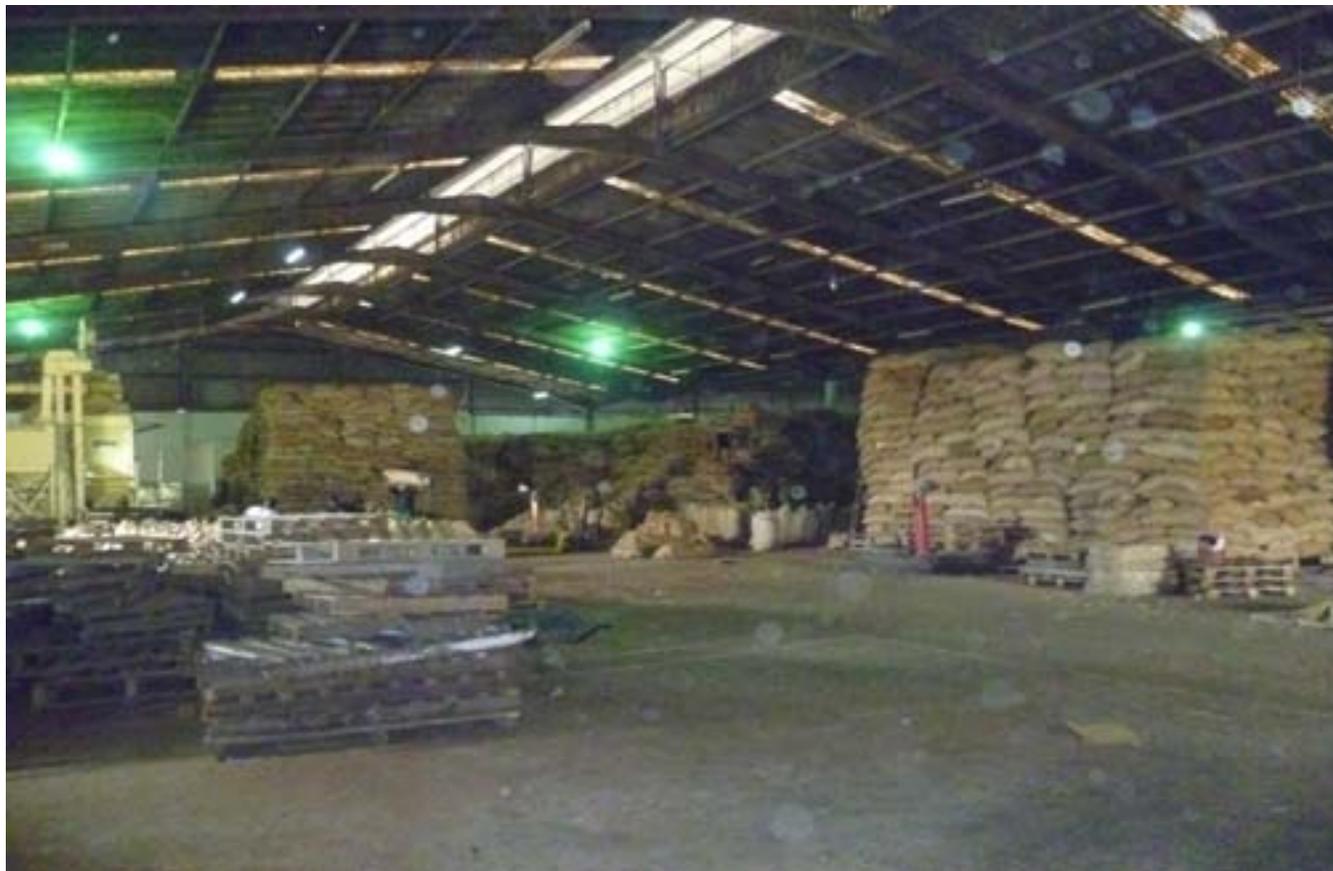
Recovery is limited by \$1 million trigger point for legal action

## CASE STUDIES - SUCCESSES (DRUM)

### NON-INVASIVE MONITORING & INSPECTION – Cocoa Nigeria

- Stock monitoring during working hours with degree of tolerance on quantities

## Cocoa Monitoring & Inspection Audit - Lagos



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## Cocoa Monitoring & Inspection Audit - Lagos



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## SUCCESSSES (DRUM)

### NON-INVASIVE MONTORING & INSPECTION – Cocoa Nigeria

- Checks included swimming pools, quality probes & perimeter security checks

## Cocoa Monitoring & Inspection Audit - Lagos



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## Cocoa Monitoring & Inspection Audit - Lagos



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## CASE STUDIES - SUCCESSES (DRUM)

### SUPPLY CHAIN / PIPELINE CONTROLS (fertiliser Nigeria)

- Ship to Port Warehouse; by truck & inland to warehouse / to blending plant; to finished product warehouse; to final release against sales

## Supply Chain Management / Pipeline Control



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# Supply Chain Management / Pipeline Control



# Supply Chain Management / Pipeline Control



## Supply Chain Management / Pipeline Control



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# Supply Chain Management / Pipeline Control



## CASE STUDIES - SUCCESSES (DRUM)

### SUPPLY CHAIN / PIPELINE CONTROLS

- Six receipts / warehouse warrants & six releases during the whole pipeline process

# Supply Chain Management / Pipeline Control



## CASE STUDIES - SUCCESSES (DRUM)

### TRANSPARENCY OF PRICING

- Enabled a West African fuel project to go-ahead



## CASE STUDIES - SUCCESSES (DRUM)

### INTRODUCTIONS FOR NEW BUSINESS TO BANKS

- \$30 million multi-commodity pan Africa facility
- \$30 million bespoke commodity in Nigeria for SA bank

The logo for DRUM commodities is located in the bottom right corner. It consists of the word "DRUM" in a large, white, sans-serif font, with the word "commodities" in a smaller, white, sans-serif font directly below it. The text is centered within a solid green rectangular background.

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**SUMMARY & QUESTIONS**



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