



Essar Steel to Raise USD Two Billion through Pre- Export Financing



"We are continuing with our strategy to dollarise our balance sheet, bring down interest cost and elongate maturity of our debt in line with our peers"

- ASHUTOSH AGARWALA
CFO & Director (Finance), Essar Steel India

Essar Steel is proposing to raise US\$2 billion through pre-export finance and the proceeds will be utilised for pre-payment of existing rupee debt, for which the company has received necessary approvals. This is in continuation of Essar Steel's strategy to dollarize the balance sheet. The company had earlier raised US\$1 billion through External Commercial Borrowing (ECB) route that has resulted in an annual saving of Rs. 450 crores.

The move to raise US\$2 billion will help de-risk the company's balance sheet as the revenues of Essar Steel are dollar denominated or dollar linked and hence provides as a natural hedge for dollar debt.

Essar Steel is in a unique position to benefit from the changes in the rupee-dollar exchange rate. The expansion of the facilities at Hazira was undertaken when the Indian Rupee was trading at Rs. 40 to a dollar and now with the

exchange rate near Rs.60 to a dollar, the company will save significantly by dollarising the balance sheet at the current exchange rate.

With this financing, the company would have dollarised US\$3 billion of its debt which will lead to significant benefits. These include reduction of average interest cost from rupee linked rate to average interest rate of 8.5 percent which will result in a large interest saving of approximately Rs. 1300-1500 crores annually. Further the company will elongate the average maturity of its debt from 3.5 to 6.5 years.

Essar steel has invested Rs 37,000 crores for setting up of a 10 million steel plant in Hazira, Gujarat. Once the entire Odisha Pellet Complex is commissioned fully, which is expected very soon. It will make Essar Steel one of the lowest cost integrated steel facility in the country.