

Tata Steel Completes \$7 bn Debt Refinancing



Tata Steel has completed its \$7 billion debt refinancing exercise at group level as announced in the first quarter earnings, which will help the company to lower its interest cost and postpone repayments for 5-7 years as per reports.

The steel major recently announced that its subsidiaries in the UK and Singapore had together completed an exercise of raising \$5.4 billion worth of loans to replace existing loans. In July, the company had raised \$1.5 billion through dollar denominated bonds.

Tata Steel UK Holdings, a 100% indirect subsidiary of Tata Steel, has executed agreements for refinancing of its bank debt through term loan and revolving credit facilities of 3.05 billion, or \$3.9 billion. The debt was originally taken in relation with the acquisition of Corus Group plc in 2007. The new financing structure consists of a five-year loan of 370 million, a six-year revolving credit facility for working capital purposes of £700 million and a seven-year loan of 1.8 billion, with more favourable terms and pricing relative to the earlier debt, Tata Steel said in a statement.

While Singapore arm Tata Steel Global Holdings raised \$1.5 billion comprising a five-year loan of \$700 million and a seven-year loan of \$800 million. The proceeds of this loan will be used to repay term debts, term out working capital and fund investment needs of the Tata Steel Group outside India, the company said.

The Tata Group company however did not specifically mention likely interest savings from this transaction. Kaushik Chatterjee, group executive director (finance and corporate) of Tata Steel said, "I can't give you one number (on interest savings) as several loans have been raised. But I can say that rates are finer than earlier and there will be savings due to more favourable terms and pricing."

"The financing structure has been designed with flexible terms and better pricing that will provide financial headroom to the international business especially in Tata Steel Europe in the coming years. Along with the recent bond issuance of \$1.5 billion completed in July this year, this marks the completion of the restructuring and refinancing of the entire international debt portfolio and de-risking of the capital structure of the Tata Steel Group.

The overall capital structure and the consolidated leverage level will remain unaffected by this financing while the cost of the same will be lower," Chatterjee was quoted saying in the company statement.

Earlier in August at the company's annual general meeting in Mumbai, Chatterjee had indicated that the company was hoping to save 25-30 basis points in interest rate at the end of refinancing exercise.

"About 25 bps improvement interest cost can be seen for the company. More than lower rates, longer tenure would prove to be more beneficial for the company. Now, they

will not have immediate debt repayment challenge," an analyst from leading local brokerage said.

Longer duration of loans will also help the company to focus more on its ambitious greenfield Kalinganagar project in Odisha. First phase of 3 million tonne of this plant is expected to commence operation by March 2015.

Tata Steel's consolidated interest rate on debt is around 8%, which is a mix of foreign and Indian debt. Analysts said the company's interest rate on an average is around 6.2%. The steel major's debt refinancing exercise was mainly aimed at bringing down high European operations debt, which has been making losses for the past few years due to slowdown in that economy. European operations are improving but at a slower pace.

The five-year loan and revolving credit facilities for the UK and Singapore arms have been contracted as part of a joint \$3.1 billion mandate to 18 lead arrangers including ANZ, Bank of America Merrill Lynch, MUFG, BNP Paribas, Citi, Credit Agricole, Deutsche Bank, HSBC, Rabobank, RBS, Standard Chartered, Axis Bank, Emirates NBD, Mizuho, First Gulf Bank, Societe Generale, ING and SMBC.

Simultaneously, the seven-year loan of 1.8 billion for Singapore arm has been contracted with a set of seven banks – State Bank of India, ICICI Bank, Bank of Baroda, Bank of India, Exim Bank of India,