

fastFT JSW Steel Ltd

JSW Steel and Duferco agree \$700m cash-for-metal deal

Neil Hume, Natural Resources Editor 51 MINUTES AGO

India's [JSW Steel](#) has raised \$700m via a landmark cash-for-metal pre-payment deal with Swiss-based trader Duferco International.

Under the agreement — the largest trade finance facility to have been arranged for an Indian steel company — JSW will repay the loan with physical steel over a period of 5 years.

“This unique financing structure provides JSW long term funding to complement its plans for future growth secured by committed exports of steel products to Duferco,” the company said in a statement.

For Duferco, the world's biggest independent steel trader, the deal offers a secure supply of metal. “We look forward to facilitating JSW's existing and future steel exports to a diverse and multinational customer base,” said its chief executive Matthew De Morgan.

So called pre-payment deals have been rare in the steel industry, partly because the metal is difficult to hedge due to the lack of liquid futures market. However, JSW and Duferco have struck similar deals, albeit for lesser amounts and with longer terms.

Typically, prepayments are fronted by a large commodity trader, which wants a captive source of supply, with the cash provided by a group of banks.

This deal has been arranged and financed by BNP Paribas, Natixis, ING, Citibank, Credit Suisse, Société Générale, Standard Chartered and Mashreq Bank.

Indian steel companies have been battling cheap imports and low domestic prices, which have weighed on profits.

They have been seeking an increase in duties to check surging supplies from overseas.

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