

EU introduces EUR 61/t duty for Metinvest flat steel supplies

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Analyst: "We remain neutral on METINV Eurobonds."

KYIV, Oct 10, 2017 - The European Commission introduced an anti-dumping duty on imports of Ukrainian hot-rolled flat products in the amount of EUR 60.5/t, Concorde Capital informed its clients based a commission report of Oct. 6. The EC's decision mentions 0.9-1.1 mln tonnes as annual volumes of the EU's imports from Ukraine of the product in question. Most of this volume is hot-rolled coil (HRC) sold by Metinvest (METINV) and produced by Zaporizhstal and Ilyich Steel. The duty has been imposed for five years. Concorde analyst Dmytro Khoroshun added: "Metinvest generated sales of about USD 400 mln from HRC export to Europe in 2016, or about 6% of its total revenue. We expect the holding will be able to redistribute its HRC sales to other markets so that the total negative effect on its revenue and ability to generate cash flow will be much less pronounced. "Ironically, this negative news for Metinvest's fundamentals is positive for the value of its Eurobonds. As we highlighted in our Sept. 26 report on Metinvest, the holding's ability to generate a strong cash flow adds a risk that it will be able to refinance (and repay at par) all its Eurobonds by the end of 2018. Any news that undermines its EBITDA and cash flow prospects increases the probability that Metinvest won't be able to refinance its bond which pays a high coupon. We remain neutral on METINV Eurobonds."

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