



Unsecured creditors make last-ditch effort to halt Noranda auction

Bankrupt US producer Noranda Aluminum is being accused by its unsecured creditors who are mounting a last-ditch effort to halt an auction of the company's downstream business of running a backwards reorganization and sale process for the benefit of Noranda's secured creditors.

In a July 1 filing with the US Bankruptcy Court for the Eastern District of Missouri in St. Louis, Noranda's official unsecured creditors committee asserted the downstream business, featuring three aluminum rolling mills in Tennessee, Arkansas and North Carolina, has been cash flow positive for the past several years. The mills produce heavy gauge foil products such as fin stock and semi-rigid container stock, light gauge converter foils, consumer foils and light gauge sheet products such as transformer windings and building products.

Citing US Securities and Exchange Commission filings by Noranda, the unsecured creditors said the company's downstream business reported a profit of \$60.1 million in 2015, \$55.9 million in 2014 and \$50 million in 2014. Noranda, based in Franklin, Tennessee, filed for Chapter 11 bankruptcy reorganization on February 8 having talked for months about serious liquidity issues.

On February 4, just days before the filing, Noranda projected the downstream business would generate positive cash flow of \$46.3 million for fiscal year 2016, the unsecured creditors said.

"Moreover, the estimated \$46.3 million cash flow positive amount

included negative cash flow amounts from January and February 2016 totaling \$13.9 million and forecasts positive cash flow for the remainder of 2016," they added.

Noranda's upstream business, meanwhile, posted a \$25.8 million loss in 2015, "which does not include \$30.4 million in costs of corporate operations," the unsecured creditors said.

The upstream business includes the 263,000 mt/year New Madrid primary aluminum smelter in southeastern Missouri that was idled in mid-March, the 1.2 million mt/year Gramercy alumina refinery in Burnside, Louisiana, and a bauxite mining operation in Jamaica.

Until the third quarter of 2015, however, the upstream business was reporting a profit, the unsecured creditors said. But Noranda's financial challenges, they suggested, were exacerbated by a molten metal explosion on August 4, 2015, that damaged the cast house at New Madrid. The unsecured creditors said Noranda should be required to submit a formal reorganization plan to the court instead of moving to sell its most valuable assets.

"In short," they argued. "The debtors are running a backwards reorganization and sale process for the benefit of the secured creditors to the detriment of all other creditors and constituencies in these Chapter 11 cases. The purpose of the Chapter 11 process is to maximise value for a debtor's estate and its creditors by allowing the debtor to efficiently reorganize its operations and shed wasting assets in order to free up cash and energies for future operations."

Noranda, they concluded, is doing the exact opposite in these Chapter 11 cases. By agreeing to sell the downstream business now, the debtors are causing their most valuable and profitable assets to be stripped away, leaving no possibility of maximizing the value of the upstream business through a reorganization or sale. Noranda recently asked the court to approve a sale of its upstream business as well in September. The court has not yet ruled on that request. Granges, a Swedish aluminum rolled products producer, has submitted an offer of \$302.5 million for Noranda's downstream business and agreed to serve as the stalking horse bidder in the recent auction.

POSCO plans to invest in Titanium for future growth

POSCO, South Korea's biggest steelmaker, plans to heavily invest in titanium as a new growth engine. An official at POSCO said that "The use of titanium is expanding and the value addition is high, which will boost profitability in the future."

Titanium is a metal used widely in industries ranging from aviation to munitions. It boasts 43 percent lighter weight than steel, while it has the double the strength of aluminum alloy. With the advancement of technology, titanium is now used in cars, golf clubs, outdoor gears and kitchen utensils. However, producing titanium is energy-intensive and costly, which is seen as one reason for its relatively slow growth rate, industry experts say.

POSCO jumped into titanium business in 2008. The company, after completing product development, began production and sales in 2010, with the establishment of a titanium slab plant in the eastern Kazakhstan with a Kazakhstan company.

This year, POSCO is planning to increase sales of cold rolled titanium coil by 13 percent from 2,300 tons to 2,600 tons.

