

KOLKATA

**BusinessLine**

THURSDAY • SEPTEMBER 27 • 2018

## Usha Martin deal will make Tata Steel the largest producer

**OUR BUREAU**

Mumbai, September 26

Tata Steel's plan to acquire the steel division of Usha Martin Ltd is expected to contribute 3.5 per cent to the standalone Ebitda (Earnings before Interests, Taxes, Depreciation and Amortisation) by FY'20 while being credit neutral.

Tata Steel has signed a definitive agreement to acquire Usha Martin's steel division for ₹4,300-4,700 crore.

Usha Martin's Jamshedpur-based steel division has a manufacturing capacity of one million tonnes per annum of alloy-based long products.

**Tata's net leverage**

The proposed acquisition will lead to a modest in-

crease in Tata Steel's net leverage to about four times in FY'20 from 3.3 in FY'18, said India Rating in a statement on Wednesday.

"The acquisition will help Tata Steel improve the blended Ebitda per tonne of the acquired business to ₹8,000 by FY'21 from the current level of ₹6,800 a tonne on the back of captive coal supplies, optimisation of sales mix and other operational synergies", it added.

The rating agency assumes Tata Steel to incur an additional ₹300-₹400 crore capex in FY'20 to further improve the division's Ebitda per tonne. The acquisition will increase Tata Steel India capacity to 19.3 mtpa from 18.3 mtpa, making it the largest steel company by domestic production.