

Usha Martin hopes to close Tata Steel deal in 3 months

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Usha Martin expects to close the sale of its steel business to Tata Steel in the next two-three months. The ₹45.2 billion, to be raised from the deal, would be used to repay the entire debt of Usha Martin.

"There has been zero sacrifice from any lender. We are paying them the full principal and the company is ensuring that there is no haircut," Rajeev Jhwar, managing director, Usha Martin, told shareholders. He was speaking at the extraordinary general meeting, where approval was sought for the deal. By June-end, Usha Martin's debt stood at ₹47 billion. The residual debt on Usha Martin's balance sheet would be just a working capital of ₹3-4 billion.

Rohit Nanda, the company's chief financial officer, said that the India business of the wire and wire ropes saw an Ebitda of ₹2 billion, and after including the international business, it was ₹2.5 billion. The wire and wire ropes business accounted for around 40 per cent of Usha Martin's business.

Proceeds of the deal would be kept in an escrow account with the State Bank of India, which is the lead bank.

"First, the debt, both long term and working capital, will be paid off. The residual and the wire ropes businesses will have working capital without any long-term debt and that should help us grow our business which is doing reasonably well. Investments required in the wire ropes business are significantly lower than what a steel asset



requires," Jhwar added.

Tata Steel has already sought the Competition Commission of India's (CCI's) approval for the deal. Once the CCI nod is received, the process for transfer of mines would start, said Jhwar on the sidelines of the event.

Apart from the steel manufacturing facility, the sale also includes an operative iron ore mine at Ghatkuri block, a coal mine under development in Brinda and Sisai districts and captive power plants. The steel facility is located on 450 acres and has an installed capacity of one million tonnes. But Tata Steel has bought an additional 115 acres adjacent to it from UM Cables, a subsidiary of Usha Martin, which would probably

DEAL STREET

- Transaction expected to close in 2-3 months
- Amount will be deposited in SBI's escrow account
- Usha Martin's balance sheet to have residual debt of ₹3-4 billion

help it ramp up further.

Jhwar also said with regard to long-term supply of steel for wire ropes, Usha Martin had agreed to a five-year supply contract with Tata Steel on a fair market price. "Even today, we are supplying from the steel division to the

rope division at market price so that it would continue," he said.

G N Bajpai, chairman of Usha Martin, reiterated to shareholders that the decision was taken because the company's balance sheet was stressed. "We have not been overwhelmed by the majority shareholders. Every stakeholder in this company has been taken care of," he said.

The Brij-Rajeev Jhwar promoter faction holds 25.5 per cent in Usha Martin. Last month, the Basant-Prashant Jhwar faction, that has an equal shareholding, said it would be voting in favour of the deal. For the resolution to go through, 75 per cent of the votes must be in favour of the deal.