

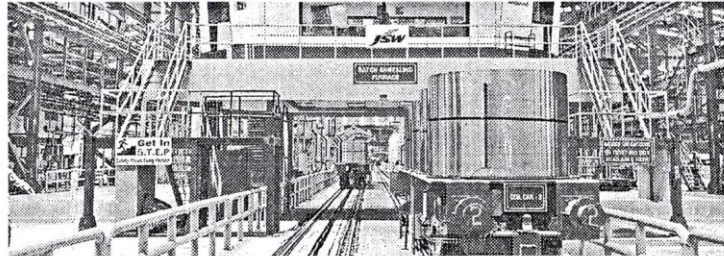
# Why JSW Steel is interested in Bhushan Steel

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Much before Parth Jindal said JSW Steel was keen on Bhushan Steel, the Sajjan Jindal-controlled company had made an unsolicited offer to lenders to take over around ₹22,000 crore of its debts.

Towards the end of January, JSW had approached lenders with a proposal that included taking over a part of the debts of Bhushan Steel which stood at ₹44,477 crore in FY16. The Bhushan Steel management which was discussing a loan recast with lenders under the Reserve Bank of India's Scheme for Sustainable Structuring of Stressed Assets, however, was not on board with the proposal. Much water has flown under the bridge since.

The RBI has recommended insolvency for 12 stressed accounts including Bhushan Steel under the Insolvency and Bankruptcy Code (IBC). Bhushan Steel's case is now being heard in the National Company Law Tribunal. But, JSW Steel has made it quite clear that it is keen on bidding for the company. What exactly makes Bhushan Steel an attractive bet for JSW Steel? Parth Jindal had recently said that Bhushan Steel was preferable because of its location.



## WEIGHT OF DEBT

Consolidated figures in ₹ crore

	FY	Net sales	PAT	Interest cost	Total debt
Bhushan Steel	FY16	11,803	-2,911	4,582	<b>44,478</b>
	FY17	13,249	-3,127	5,458	<b>42,356</b>

FY17 figures are according to unaudited results filing; PAT: Profit after tax

Source: Capitaline

Compiled by BS Research Bureau

Jayanta Roy, senior vice-president and group head, corporate sector ratings, ICRA, said, Bhushan Steel's operating profitability at close to 20 per cent in the second half of 2016-17 was healthy for a non-integrated player. "Additionally, a presence in the mineral-rich state of Odisha and a number of reputed clients especially in the automobile and white goods industries could be added attractions for a potential buyer. The company has also bagged an iron ore mine in Odisha in an auction conducted recently."

According to Bhushan Steel's 2015-

16 annual report, the company is a long-term supplier to Maruti Suzuki, Tata Motors, Honda, Mahindra & Mahindra and Ashok Leyland. In fact, it was one of the first companies to supply outdoor skin panels for automobiles in the late 1990s when it was largely imported. In the consumer durables space, its customers include LG, Samsung, Videocon, Haier.

Sources close to Bhushan said, in the consumer durables space it has an 80 per cent market share while in the supply of auto grade steel, it would have a 40 per cent market share.

But, all these advantages apart, Bhushan has a significant stake in a company called Orissa Sponge Iron & Steel Ltd which has a high grade iron ore mine. The reserves of the mine is around 122 million tonnes and it has a life of around 15 years. Monnet Ispat & Energy Ltd, the other company, which JSW is eyeing, also has a stake in Orissa Sponge.

The shareholding of Orissa Sponge is, however, a matter of dispute between Monnet Ispat and the board of Orissa Sponge and is in the NCLT.

JSW's latest annual report says backward integration and raw material security have always been important to the company's strategy.

The company has secured the Moitra coking coal block, at Hazaribagh, via an auction process. The mine has extractable coal reserve of around 30 million tonnes and is in advanced stage of development.

JSW has also won five mines in the auctions of C-category iron ore mines in Karnataka. Of these, two mines will be operational by the first half of FY18 and the remaining three will be operational by the end of FY18. All five iron ore mines are expected to produce 4.7 million tonnes per annum. The Orissa Sponge iron ore mine is much bigger than all of these put together.