

JSW Group keen on acquiring troubled steel firms: Parth Jindal



JSW Cement MD Parth Jindal is son of JSW Group chairman Sajjan Jindal. Steel companies Monnet Ispat, Bhushan Steel and Essar Steel are facing bankruptcy proceedings at NCLT.
Photo: Indranil Bhoumik/Mint

JSW Group is looking for acquisition opportunities among troubled steel companies, a top executive at the group said on Wednesday.

The group will submit a revised proposal to acquire Monnet Ispat and Energy Ltd, Parth Jindal, son of group chairman Sajjan Jindal, told reporters. The group may also consider Bhushan Steel and Essar Steel if offered at the “right price”, he said.

“We are very keen on Monnet Ispat and Bhushan Steel,” he said. “At the right price, Essar Steel is also attractive... but we cannot buy both.”

Monnet Ispat could be bought even on “top of Essar or Bhushan”, he added. The JSW Group is, however, more keen on Bhushan Steel because of the location of its production capacity, according to Parth Jindal, who is managing director of JSW Cement.

The JSW Group is looking to raise capacity from 16 million tonnes (mt) to 40 mt over 8-10 years, according to a sector expert familiar with the group’s plans. To achieve its “stated objective of getting to 40 mt, it has to adopt a build-and-buy model”, this person said, asking not to be named. The group is eyeing additional capacity at a “blended cost” of around Rs3,500 crore because lenders may have to take at least 50% haircut on their exposure to these stressed companies, he added.

But lenders are not immediately impressed with the JSW Group as a suitor for Monnet Ispat—one of the 12 firms against which the central bank asked lenders to immediately initiate proceedings under the Insolvency and Bankruptcy Code.

State Bank of India (SBI), one of the major lenders, has already started insolvency proceedings against Monnet Ispat. Last week, lawyers for Monnet Ispat had submitted to the Mumbai bench of the National Company Law Tribunal (NCLT) that the JSW Group was considering investing in the company and that the launch of insolvency proceedings at this stage could hobble a potential deal.

But lawyers for SBI said the lender was not in favour of the JSW Group taking control of Monnet Ispat. To address lenders’ reservations, the JSW Group will submit a revised bid, according to Parth Jindal, who said there were a lot of opportunities in the steel sector because banks will have to take haircuts on loans extended to troubled steel companies.

Speaking about the US business of JSW Steel Ltd, which was acquired in 2008 for around \$1 billion, Jindal said the group was looking to sell it in 2011 but could not because of poor response from potential buyers.

However, the US unit has recently staged a turnaround and is generating cash at the operating level. The group is now looking to invest \$350 million (or Rs2,251 crore at current exchange rate) to expand its US unit, Jindal said.

Shares of JSW Steel rose 1.60% to Rs219.50, while those of Monnet Ispat increased 1.21% to Rs33.40 and those of Bhushan Steel rose 1.73% to Rs 64.85 on BSE on Wednesday, a day the benchmark Sensex rose 0.77% to 31,955.35 points.