

# JSL says demerger to reduce interest cost, idle capacity

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**DEBT-LADEN** Jindal Stainless (JSL) through its latest financial and operational restructuring is distributing the Rs 8,580-crore debt among four firms and at the same time is cutting down interest cost by 3.35 per cent.

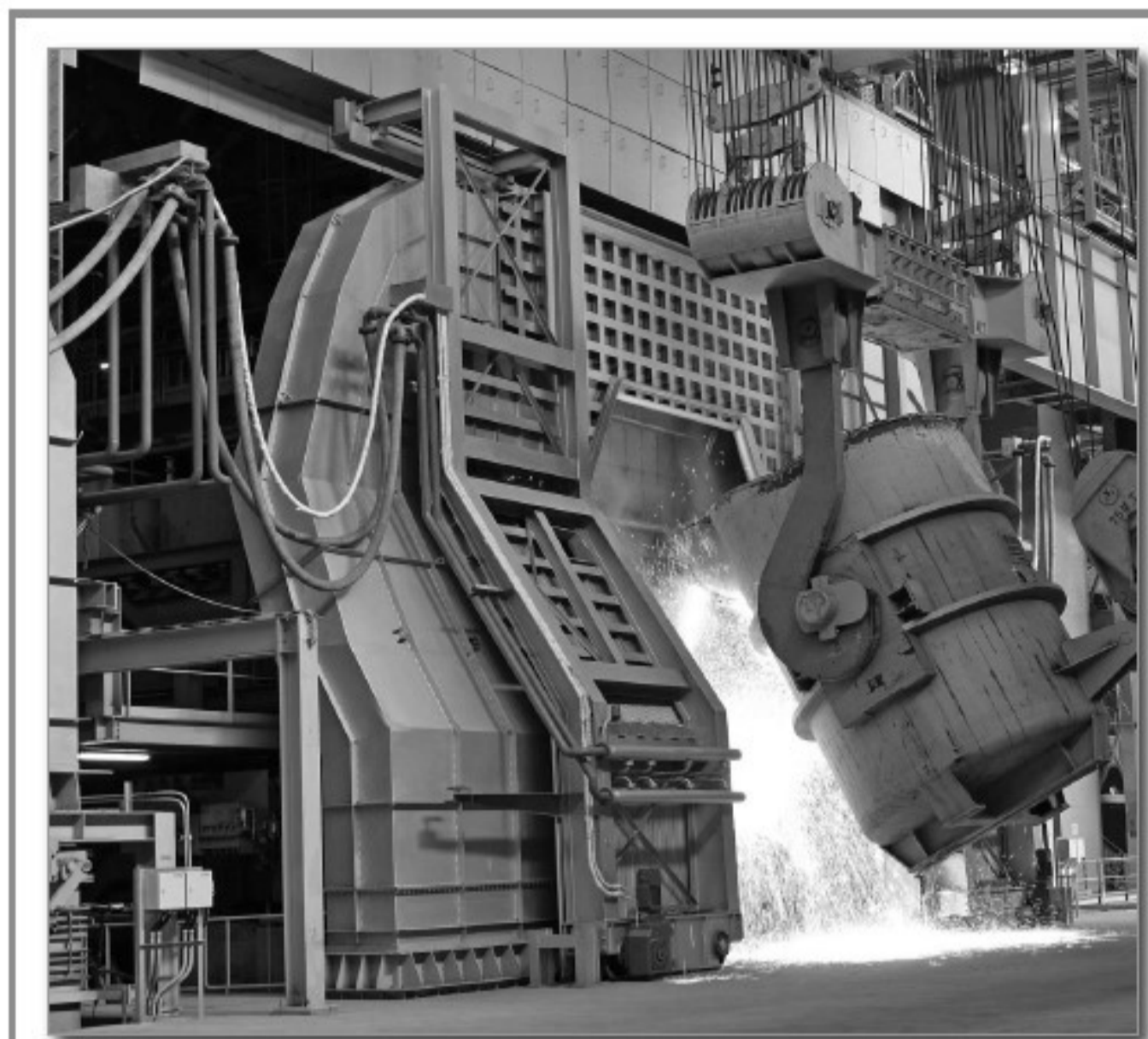
Besides, the country's largest stainless-steel maker is redistributing assets among its three entities in a bid to leverage idle capacity. It is also streamlining operations and economising production to optimise costs.

Asset monetisation will unlock more value for shareholders and enable optimum utilisation of idle capacity, Jindal Stainless senior vice-president (corporate strategy) Rajiv Rajvanshi told PTI.

Besides JSL, there are three other entities. Jindal Stainless (Hisar) (JSHL), which alongwith JSL will be in stainless steel business. Both JSL and JSHL will be listed. Jindal United Steel (JUSL) and Jindal Coke (JCL), the other two, will be private companies, he added.

On reasons behind hiving off, Rajvanshi said: "JSL was in corporate debt restructuring (CDR) twice. So there is no scope for further debt restructuring because that would have termed it as a non-performing asset. By this restructuring, all four entities will operate independently."

Jindal Stainless is undertaking "financial re-engineering", which is part of the restructuring scheme. It entails two aspects, one is cost, that is, interest reduction and the second is cash flow management. Another important point is that the three companies



## Optimum utilisation

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can now raise funds independently, he added.

Citing JSHL's case, he explained: "The firm is raising Rs 2,600 crore of debt. So whatever debt we had in Jindal Stainless this is the same. Original repayment schedule of this debt was eight years. So, JSHL is now raising this 12-year debt with two-year moratoriums.

Jindal Stainless paid 14.3 per cent interest and the rate on what JSHL is raising from the banks in 10.95 per cent. So there is a 3.35 per cent reduction in interest payment."

Likewise, JUSL has been transferred Rs 2,400 crore of the total debt with

JSL. On this, the company is opting for the RBI's new 5/25 scheme. "So by virtue of this new guideline, JUSL will raise Rs 2,400 crore of debt for 25 years. So, had it been in JSL we would have to repay it in eight years.

"Similarly, Rs 500 crore of coke oven debt is being hived off into JCL again for 25 years and the interest rate is 10.95 per cent," Rajvanshi said. That apart, there is a Rs 1,000-crore of funded interest term loan (FITL) on JSL's books and this is being converted into equity, he said.

"So there will be a further reduction on the in-

terest front as this loan will be converted into equity," he added.

The total debt of JSL is Rs 8,580 crore, of this Rs 5,500 crore is being redistributed among the three firms; Rs 2,600 crore has been transferred to JSHL, Rs 2,400 to JUSL and Rs 500 crore in JCL. The remaining Rs 3,080 crore is with Jindal Stainless. Besides, JSL has a working loan of about Rs 2,600 crore.

On utilising idle capacity, Rajvanshi said: "We have a hot strip mill of 1.6 million tonnes per annum (mtpa) capacity. Our stainless steel melt shop was 0.8 million tonnes (mt), leaving an idle capacity of 0.8 mt.

"Now, the hot strip mill is coming to JUSL, so this firm will put up a blast furnace, sinter plant and a melt shop making 0.8 MT-PA of carbon steel."

The existing hot strip mill, of 1.6 mtpa capacity, will now be utilized for 0.8 mt stainless steel and 0.8 mt carbon steel. So one benefit of the scheme is that all the idle capacities in the plant are fully utilised, he noted.

Jindal Stainless has hived off its coke oven to JCL, which is a recovery type, so there is almost no wastage, he added. "One, we recycle the by-products and also JCL's existing set up was designed for two coke ovens. Now only with a little investment in second battery our coke oven capacity will be doubled. "So existing 0.43 mtpa will become 0.86 mtpa capacity. Existing coke oven is a Rs 500 crore investment and with Rs 200 crore we will double the capacity," Rajvanshi said.

JSL/BSE Rs 24.05 ▼  
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