Jindal Stainless aims to cut debt by 64%

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Jindal Stainless (JSL), part of the $19-billion OP Jindal group, aims to cut its ₹8,580-crore of debt by 64 per cent, through operational and financial restructuring.

This would be the third such in seven years. The aim is do so via improved cash flow, reduction in interest cost and operational efficiencies. Presently, the country's largest stainless steel manufacturer, it has a factory each in Haryana and Odisha, with cumulative capacity of 1.6 million tonnes a year.

"The business restructuring would bring down debt from ₹8,580 crore at the end of March to ₹3,080 crore, help us utilise idle capacity and improve cash flows, through longer tenure of the restructured loan," Rajiv Rajvanshi, its director, told this newspaper.

The company had informed the BSE exchange last week that this Saturday would be the date of record for a Scheme of Arrangement that would involve, apart from JSL, subsidiaries Jindal Stainless Hisar (JSHL), Jindal United Stainless (JUSL), Jindal Coke and their creditors.

The plan includes demerger of its undertakings comprising the ferro alloys and the mining division and vesting these in JSHL, a wholly-owned subsidiary. JSHL will issue to the shareholders of Jindal Stainless one share of ₹2 face value each for every share held in JSL. It will also involve transfer of the stainless steel making facilities in Hisar to JSHL for ₹2,809 crore. Also, JSL will transfer a hot strip plant in Odisha to JUSL and a coke oven plant, also in Odisha, to Jindal Coke.

Rajvanshi said of the ₹8,580 crore of debt, about ₹5,500 crore would finally be off the JSL balance sheet. Of this, ₹2,600 crore was being transferred to JSHL, ₹2,400 crore to JUSL and ₹500 crore to Jindal Coke. "This debt continued in JSL with a tenure of eight years and 14.3 per cent annual interest. Now, in JSHL, the tenure of ₹2,600 crore is increasing to 12 years and the interest rate is seen coming down to 10.95 per cent," he said.

JSL's business restructuring plan was approved by its board of directors at end-December 2014 and was filed with the stock exchanges in January 2015. The draft scheme was amended and approved by the board in March, to accommodate the comments of the capital markets regulator, and the exchanges.

DEBT RECASTING

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