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## JSW steel seeks \$1.5 billion war chest

By Saikat Das, ET Bureau | Feb 15, 2018, 09:23 AM IST

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The company is in discussions with investment bankers on whether to go for dollar-denominated bonds or syndicated loans, or a combination of both, they said.

MUMBAI : JSW Steel NSE -0.88 %, the country's most profitable major steel producer, plans to raise \$1.5 billion, or about Rs 9,620 crore, through overseas borrowings as it looks to buy stressed assets in the industry, multiple sources familiar with the matter told ET.

The company is in discussions with investment bankers on whether to go for dollar-denominated bonds or syndicated loans, or a combination of both, they said.

"The company has spoken with at least eight foreign banks," said one of the persons. To start with, JSW Steel

may just borrow about \$400 million, or about Rs 2,565 crore, via overseas syndicated loans, sources said. Citi Bank has already been approached for the same, and JSW Steel is now looking to rope in another two or three banks, they said. Both JSW and Citi declined to comment on the matter.

### Company Summary

NSE BSE

JSW Steel Ltd.	-3.20 (-0.88%)
Bhushan Ste...	-0.35 (-1.29%)
Monnet Ispat...	-0.80 (-2.20%)

Foreign banks that the company is in talks with want to assess the pricing part of the proposed bond issue, said the person quoted earlier. "With fluctuation in US Treasury yield, the company is buying time to finalise the issuance," the person said.

It also depends on how JSW manages to emerge successful bidder to acquire those companies.

JSW Steel is in the race to acquire assets of Monnet Ispat NSE -2.20 % and Bhushan Steel NSE -1.29 %, which are being sold in accordance with the Insolvency and Bankruptcy Code. For Monnet Ispat, JSW Steel's combine with Aion Capital has emerged the only bidder. JSW group is also seen as a potential bidder for many other stressed steel companies.



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"There are sophisticated and strategic set of investors globally for stressed assets," said

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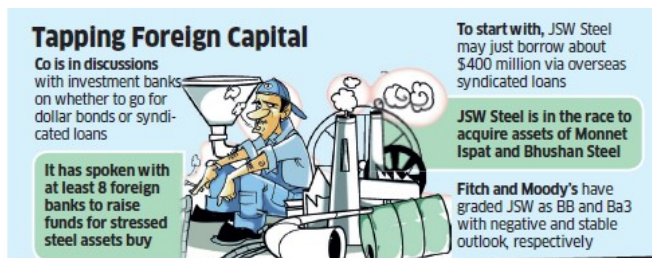
Babu Sivaprakasam, partner at legal process outsourcing company Economic Laws Practice. "Large corporates that are bidding big time under IBC resolution process need to raise funds to support their proposed acquisitions," he added. "Such funding may be either through dollar-bonds or overseas syndicated loans, though it can come in through ECB (external commercial borrowing) or FDI (foreign direct investment) route only," Sivaprakasam said.

Global rating companies Fitch and Moody's have graded JSW as BB and Ba3 with negative and stable outlook, respectively. An executive aware of the development said: "JSW may take another few weeks to decide on the shape of the overseas bond sales, which are likely to have 5-10-year maturities." Nearly a month ago, ET reported that Tata Steel had raised \$1.3 billion by selling dollar-denominated bonds to overseas investors, who rushed to grab the high-yielding securities. The company obtained oversubscription in excess of \$7 billion, reflecting strong investment appetite for such papers. The bonds were in two tranches -- \$300 million with 5.5 years maturity, and \$1 billion with 10-year maturity. They offered 4.45 per cent and 5.45 per cent, respectively.

During October-December quarter, JSW Steel reported record earnings with net profits exceeding analysts' expectations by a huge margin, aided by export growth.

During the period, JSW's consolidated net profit surged by about 148 per cent to Rs 1,774 crore from Rs 716 crore last year, beating Bloomberg estimates of 56 per cent.

"Looking ahead, we expect the company to continue to maintain a similar proportion of value-added products and export sales in its overall sales mix which will support its profitability," Moody's Investors Service said in a statement. During Q3 FY18, the company sold around 30 per cent of its volumes in international markets where prices are relatively higher than domestic steel prices.



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