



It#39;s advantage ArcelorMittal, as NCLT rejects Essar Steel promoters#39; plea to repay debt

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In a blow to the Ruias and their hope to retain crown jewel Essar Steel, the National Company Law Tribunal (NCLT) has rejected the promoters' plea to repay debt of the company.

The NCLT reportedly said there is no illegality in banks not accepting the plan of Essar Steel's promoters.

While the Tribunal had done nothing wrong in selecting the bid by ArcelorMittal, it added that a withdrawal of the insolvency case – as demanded by the Ruias – can only be done by the applicant who initiated the process.

In this case, the applicant is State Bank of India, the lead lender. The withdrawal is allowed under Section 12A of the Insolvency and Bankruptcy Code.

The Ruias had presented a Rs 54,389 crore proposal to withdraw Essar Steel from insolvency courts. The offer is higher than the Rs 42,000-crore bid from ArcelorMittal, which has the backing of lenders.

Sources said that the Ruias will move the National Company Law Appellate Tribunal, against today's order.

At present, the Essar promoters are sticking to their point.

"We continue to believe that our offer of Rs 54,389 crore is the most compelling proposal available to Essar Steel creditors. It seeks to repay all classes of creditors and fulfills the IBC's overriding objective of value maximisation that has been established time and again by courts at all levels," an Essar spokesperson said in a statement.

"We submitted the proposal under the recently introduced Section 12A of the IBC and the recent judgement of the Supreme Court has established that the section's provisions are applicable retrospectively. We are awaiting a copy of the full NCLT order, and will take a call on next steps after we have thoroughly gone through the contents," the spokesperson said.

The lenders have held that Ruias' offer will only be considered if they are directed to do so by the courts.

Advantage ArcelorMittal

Today's order will push the case of the LN Mittal-company, which already has the backing of the lenders.

"The chances (for the Ruias) are now slim. I don't think that the NCLAT will interfere," said a lawyer at a leading legal firm.

At the same time, the Ruias can appeal to the NCLAT, and also to the Supreme Court.

"A borrower can argue that if they are ready to repay the entire debt including all dues to all the creditors then it's no more an IBC resolution, not even a settlement but repayment of all the dues by a borrower," said Babu Sivaprakasam, Partner, Economic Laws Practice.

"It will not be an easy proposition for any party to take a stand that a borrower or guarantor shall be barred from not paying their dues in entirety and once all dues including CIRP costs are fully paid the IBC petitions become infructuous as no resolution is warranted," he adds.

With the Government and the courts pushing to expedite the resolution process, the end to the biggest insolvency case, is nigh.

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2,832	2,961	2,574	10.0%	-4.4%	8,537	7
444	602	622	-28.7%	-26.3%	1,537	1
96	123	17	459.8%	-22.1%	326	
97	92	89	8.8%	5.6%	278	
144	142	129	12.0%	1.6%	421	
298	492	421	-29.2%	-39.3%	1,164	1
266	409	832	-68.0%	-34.9%	937	1
8.6	12.6	29.8	-71.1%	-31.8%	29.3	
15.7%	20.3%	24.2%	-850 bps	-467 bps	18.0%	2

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Q3 FY19	Q3 FY18	YoY	9M FY19	9M FY18
1,617	1,339	20.8%	4,590	3,860
236	223	6.0%	670	600
14.6%	16.6%	-200 bps	14.6%	15.7%
135	128	5.3%	387	340
8.3%	9.6%	-130 bps	8.4%	9.0%

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Q3 FY19	Q2 FY19	Q3 FY18	YoY	QoQ	9M FY19	9M FY18
19,789	19,275	14,414	37.3%	2.7%	56,363	49,871
2,673	2,928	1,992	34.2%	-8.7%	7,871	6,779
220	366	281	-21.6%	-39.8%	679	679
23	45	48	-52.7%	-50.2%	112	112
363	351	367	-0.9%	3.7%	1,093	1,093
2,507	2,897	1,858	35.0%	-13.5%	7,345	6,345
1,681	1,963	1,262	33.2%	-14.4%	4,903	4,903
7.5	8.7	5.6	33.2%	-14.3%	21.7	21.7
13.5%	15.2%	13.8%	-31 bps	-168 bps	14.0%	14.0%

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Other income	37	32	119	-68.9%	15.6%	192	296	-35.1%
Interest	202	181	111	82.0%	12.6%	558	373	49.6%
Depreciation	182	181	169	7.7%	0.6%	538	491	6.6%
PBT	591	457	555	6.3%	29.3%	1,618	1,516	6.7%
PAT	468	276	579	-19.2%	89.6%	1,256	1,293	-2.9%
EPS	9.1	5.3	11.3	-19.9%	72.2%	34.4	25.3	-3.7%
EBITDA Margin %	19.1%	18.5%	17.1%	199 bps	57 bps	18.9%	17.8%	111 bps

Source: Company, Moneycontrolresearch

Segment performance	Q3 FY19	Q2 FY19	Q3 FY18	YoY	QoQ	9M FY19	9M FY18	YoY
Revenue								
Agri activities	4,753	4,309	4,015	18.4%	15.7%	12,863	11,356	13.3%
Non-agri activities	240	230	207	15.9%	4.3%	675	599	12.7%
Profit								
Agri activities	918	729	833	10.2%	25.9%	2,525	2,325	8.6%
Non-agri activities	17	38	15	146.7%	-2.6%	95	53	79.2%

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