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Mukand Ltd to cut debt by Rs 1,200 crore post divestment in joint venture MSSSL



In May 2018 the company formed a joint venture (JV) with Sumitomo Corporation , Japan for the business of rolling, finishing and marketing of wire rods, bars, bright bars and wires made from blooms and billets procured exclusively from Mukand's Ginigera, (Karnataka) plant.

Mumbai: Specialty steel manufacturer , Mukand Ltd's debt levels will be coming down by more than Rs 1,200 crore as the divestment of up to 51 per cent equity stake held in Mukand Sumi Special Steel) to promoter group entities will be completed by next year.

"This divestment will be completed in tranches over the next one year. It will reduce the Company's debt by around Rs 1,200 crore," said the group's chairman, Niraj Bajaj, in his address to the shareholders of Mukand Ltd.

Mukand Ltd. holds a 51% stake in this JV, Mukand Sumi Special Steel Ltd. (MSSSL) and Sumitomo holds 49% stake. The company's board on September 21st, 2020 has approved the disinvestment of its share of up to 51% in the JV for a consideration of approximately Rs 1,200 crore to one or more promoter group companies.

"The company continues to retain ownership of its flagship alloy steel manufacturing assets in Ginigera (Karnataka) and its mutually exclusive relationship for the supply of alloy steel to MSSSL, thereby retaining all its existing capabilities of generating revenues and profits from its owned facilities," Bajaj said.

Mukand Ltd reported a net loss Rs 123 crore for the quarter ended June 2020, against a loss of Rs 36 crore in the year-ago quarter. The company's specialty steel segment reported a loss of Rs 52 crore, whereas the industrial machinery segment reported a loss of Rs 14 crore. To bring down Mukand Ltd's cost of borrowings, the company is also in talks to form a promoter-backed line of credit (LOC) facility.

Line of credit is an arrangement between a financial institution and a company that establishes the maximum loan amount the customer can borrow. The borrower can access funds from the line of credit at any time as long as they do not exceed the maximum amount set in the agreement.

"We are truly happy to inform you that the company is also negotiating a promoter backed line of credit at competitive rates of interest to replace our high cost borrowings," Bajaj said. We expect this will result in a substantial saving of interest every year, he added. In order to further reduce debt the Company is close to finalising the sale of around 100 acres of its surplus land at Dighe, Thane and has finalised the sale of 42 acres of its surplus land at Sinnar, Maharashtra. "We, at Mukand, are convinced that the year 20-21 will be the turning point for your Company," Bajaj said.