

India steel tycoon attacks bankruptcy regime after deal delay

Billionaire JSW boss warns new time limits on insolvencies not being met



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Benjamin Parkin in Mumbai SEPTEMBER 11, 2019

One of India's leading steel tycoons has hit out at the country's landmark bankruptcy law after a delay to his planned takeover of a collapsed rival, in a sign that protracted insolvency proceedings still risk discouraging deals.

Sajjan Jindal, head of the \$14bn JSW Group, told the Financial Times he was not yet ready to complete the \$2.7bn acquisition of Bhushan Power and Steel, saying his interest had "definitely receded" between his February 2018 bid and its approval by a court last week.

India's bankruptcy law was introduced in 2016 with the aim of expediting resolutions but despite mandating that cases be resolved within 270 days, multiyear delays have persisted.

Since the offer from JSW, which includes India's largest steelmaker by market capitalisation, the steel market has deteriorated because of a price correction and Bhushan has been implicated in several frauds, creating risks for any buyer.

Mr Jindal said that while he still wanted to go through with the purchase, JSW would appeal to a higher court seeking immunity to claims stemming from the frauds and claiming a right to the working capital Bhushan has accumulated since insolvency proceedings began.

He said he had become disillusioned with the law, which had "not been a success".

"I thought that this would be one reform which will really fix many, many things," he added in his first interview since the ruling. "But unfortunately it has also taken the similar fate as many other reform measures."

Supporters argue that the legislation, designed to protect lenders from negligent owners, has brought about an improvement.

“It’s shifted the power in favour of the lenders,” said Amit Tandon, founder of Institutional Investor Advisory Services in Mumbai. Even if a case takes more than 500 days, “it’s going to be a huge improvement from what I’ve seen all these years.”

JSW fought off both Tata Steel and Sanjeev Gupta’s Liberty House in its pursuit of Bhushan, previously run by tycoon Sanjay Singal. Key to its interest was Bhushan’s 3.5m tonne steel plant in eastern India.

But in July, Punjab National Bank, India’s second-largest state lender, said it had uncovered [an alleged Rs38bn \(\\$530m\) fraud](#) in Bhushan’s accounts. Days later another public-sector lender, Allahabad Bank, reported a separate Rs17.8bn fraud allegedly linked to Bhushan.

Steelmakers have figured frequently in India’s bankruptcy courts. Tycoons borrowed heavily in the early 2000s to fund bullish bets on rising demand, only for those investments to sour and [force several producers](#) into insolvency proceedings.

Tata Steel acquired Bhushan Steel, a separate company run by Sanjay Singal’s estranged brother Neeraj, while ArcelorMittal is in [the latter stages](#) of an attempt to buy out Essar Steel. JSW acquired Monnet Ispat last year.

But the global trade war and domestic slowdown in India have dimmed the sector’s appeal. This has made the Rs197bn (\$2.7bn) JSW offered for Bhushan look expensive, analysts say.

Mr Jindal said that while he was still interested in buying Bhushan, “the level of interest which was there at that time has definitely receded . . . We want the company on a totally clean slate. We don’t want to encounter any problems.”

Mr Jindal said JSW is ultimately banking on the sector’s long-term prospects. “We agreed to pay top dollar,” he said. “We are in the steel business for a long time.”

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