

Mesco Keen to Buy Struggling Steel Cos to Double Capacity

Rakhi.Mazumdar
@timesgroup.com

Kolkata: Rita Singh of the Mesco group is talking to “willing” promoters about acquiring mid-size struggling steel companies to double its steel capacity and emerge as strong mid-size player. With an M&A budget of around ₹1,500-1,700 crore, Mesco, which had acquired Maithan Ispat in 2015 and turned it around in two years, is also keen on debt-ridden Electrosteel Steels, now facing bankruptcy proceedings in National Company Law Tribunal.

The reason for her optimism is obvious. Steel prices have been on an upswing and thanks to government spending on construction and infrastructure, domestic demand is finally showing signs of an upturn. Banks, earlier shy of extending finance, are now coming forward with funds once again. “The market is getting better. It is the right time to ramp up now,” Singh told ET, in an interview.

A key part of her growth strategy rests on acquisitions. Singh made a strong pitch for medium-sized steel players, which can be a key driver in India’s target of achieving 300 million tonne (mt) steel capacity by 2030. However, a number of them are facing financial problems and have been forced to cut down capacity. Singh feels there is a business case in trying to

revive them by reaching out to the promoters.

Mesco has thus taken a strategic decision to engage with some of these companies and depending on the viability, try to acquire them,” she said. “We are talking to promoters of some of these companies,” Singh told ET, while refusing to share more details, but added her targets include one in Maharashtra and Odisha each. Mesco will be tapping finance companies to help fund these acquisitions as and when they fructify.

In its bid for Electrosteel, it has reportedly joined hands with private equity firm BanyanTree Finance.

The group is relatively debt-free, with flagship Mideast integrated Steels (MISL) showing a debt of ₹72.48 crore as on March 31, 2017 and hopes to maintain this position to access cheaper finance.

“We will look at low capex to grow all our businesses,” she said, citing the example of Maithan Ispat where she hopes to expand by investing around ₹270-300 crore. Singh, who started out with MISL, has had her fair share of controversies but has endured, over the years, as a rare woman entrepreneur in the steel sector. Between MISL and Maithan Ispat, it now has around 2.2 mt capacity with average utilisation ratio of 60-65%. It wants to double its volume to around 5.2 mt, by adding capacity in TMT, billets and heavy beam sections.