

FIs dump 5000-cr bailout package for steel majors

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THE RS 5000-crore bail-out package for the steel industry announced by the Industrial Development Bank of India (IDBI) in March 1999, has apparently fallen apart. The promoters as well as some of the financial institutions have expressed their inability to meet their part of contributions.

The major jolt to the bail-out package has come from one of the leading financial institutions, Industrial Finance Corporation of India (IFCI), which has refused to extend any loan in the steel sector. IFCI has decided not to participate in the current bail-out package as the corporation has already reached the sectoral limit of 15 per cent.

According to a senior IFCI official, "Since the corporation has almost reached their sectoral disbursement limit of 15 per cent, we are not in a position to give any fresh loans", he said. When asked whether it will have detrimental effect on their existing exposure in the steel sector as there are all

chances that these loans will become sticky, he asserted, "The corporation is vigilant and it would ask the promoters to meet the gap from whatever sources it can."

It may be re-called that in March 1998, IDBI had approved a bail-out package for seven steel majors. These included Ispat Industries, Ispat Metallics, Essar Steel, Jindal Vijaynagar Steel, Usha Ispat, SJK Steel and Bellary Steel.

As per the package, total additional fund requirements for all these projects are little over Rs 5000 crore. Of this, IDBI share was around Rs 1200 crore. The bail-out packages also envisaged that promoters had to contribute 20 per cent of the total fund requirement. The additional fund requirement of Ispat group was Rs 1500 crore, Jindal Vijaynagar- Rs 492 crore, Usha Ispat -Rs 368 crore, SJK Steel-Rs 354 crore, Bellary Steel-Rs 541 crore and Essar-Rs 1625 crore.

However, in case of Essar group, the requirements include Rs 1247 crore of international borrowing falling due in July 1999.

It is understood that the IFCI portion of contribution was nearly

Rs 1000 crore. IFCI official admitted that they were not in a position to meet these requirements as the corporation had almost reached the sectoral limit of 15 cent. In fact, there is move in the institutions to bring down this sectoral limit to 12 per cent.

Sources said that all the three major financial institutions IDBI, ICICI and IFCI are agreed on reducing this sectoral limit to 12 per cent. In case of those sectors where institutions have already reached the ceiling, it would be their endeavour to bring it down to 12 per cent.

It may be recalled that as per the package, the promoters were supposed to bring in one third of their contribution up-front before institutions will make any disbursement. Apart from this, the promoters were also asked to bring back the diverted funds to the company before availing the additional loan from institutions.

Institutional sources said that none of the promoters, till now, has even managed to bring the diverted fund to the company which was one of the first conditionalities.