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Essar Oil to dollarise ₹11K cr debt

Promit Mukherjee @promit07

Mumbai: After having successfully walked out of corporate debt restructuring (CDR) and stabilised its refinery, Essar Oil, the flagship oil and gas arm of the Essar group, is planning to convert ₹11,000 crore of rupee debt into dollars within six months.

This will help the company not only halve its interest cost but also extend the maturity period of the debt, said L K Gupta, MD and COO. He said Essar Oil is seeking to reduce its interest rate from the current 12% to between 6% and 7%.

"We are talking to a set of international lenders this time who can provide us a good in-

terest rate," he said.

Any deal towards this end would help the company dollarise almost ₹11,000 crore (\$2 billion) out of its total rupee debt of ₹19,000 crore.

He said this process should be over within six months and then the remaining ₹8,000 crore will be taken up for conversion to dollar debt.

The company has so far not fixed a specific deadline for the overall rupee debt conversion to dollar debt but that is the main priority of Essar Oil, Gupta said.

"Following the RBI approval to raise \$2.27 billion via ECBs (external commercial borrowings), it has converted \$481 million into foreign debt. With total

debt at ₹22,300 crore at FY13-end, debt reduction remains key," said analysts Niraj Mansingka and Kiran Tulasi from brokerage Edelweiss in a report published on May 13.

On April 4, Essar Oil had refinanced ₹2,611 crore of rupee term loans into equivalent foreign currency debt of \$481 million through ECBs of up to \$270 million and the remaining \$211 million was through swaps.

Gupta said out of an approval of \$2.27 billion (₹12,500 crore), \$0.27 billion (₹1,485 crore) has already been raised through the ECB route. Now, the remaining \$2 billion (₹11,000 crore) will be exhausted in the next six months.