



Usha Martin Limited

Regd. Office : 2A, Shakespeare Sarani, Kolkata - 700 071, India
Phone : (00 91 33) 39800300, Fax : (00 91 33) 2282 9029, 39800400/500
CIN : L31400WB1986PLC091621
Website : www.ushamartin.com

UML/SECT/

February 11, 2017

The Secretary
The Bombay Stock Exchange
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001
[Scrip Code: 517146]

Societe de la Bourse de Luxembourg
Societe Anonyme/R.C.B 6222
B.P.165, L-2011, Luxembourg

The Secretary
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
[Scrip Code: USHAMART]

Dear Sir,

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we wish to inform you that Credit Analysis and Research Limited (“CARE Ratings”) has downgraded the rating of the Company’s Short-term Bank Facilities from existing ‘CARE A3+’ to ‘CARE A3’, the press release made by CARE Ratings is enclosed herewith which is self-explanatory in nature.

Thanking you,

Yours faithfully,
For Usha Martin Limited


Shampa Ghosh Ray
Company Secretary

Encl: as above

Usha Martin Ltd.

February 10, 2017

Rating

| Facilities | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|----------------------------|--|------------------------------|---|
| Short-term Bank Facilities | 2,275 (reduced from 2,625) | CARE A3 (A Three) | Revised from CARE A3+ (A Three Plus) |
| Total Facilities | 2,275 (Rupees Two Thousand Two Hundred and Seventy Five Crore only) | | |

Details of instruments/facilities in Annexure-1
Detailed Rationale

The revision in the rating assigned to the bank facilities of Usha Martin Ltd (UML) takes into account the lower than expected profitability in FY16 (refers to the period April 1 to March 31) with cash loss and deterioration in leverage position due to reduction in net worth on account of loss incurred.

The rating also factors in the tie-up of debt to the extent of Rs.1685 crore vis-à-vis the estimated level of Rs.2,000 crore for capital expenditure and other commitments and infusion of Rs.135 crore in FY16 through sale of non-core assets and reduction in investments.

The rating also takes note of the marginal improvement in operating performance in H1FY17 and generation of significant amount of non-operating income resulting in cash profit for the period. Besides, the unavailed sanctioned term loans of Rs.685 crore is expected to provide liquidity support to the company.

The rating continues to be constrained by the susceptibility of profitability to volatility in input & finished goods prices and foreign exchange fluctuation risk.

The rating continues to draw strength from the long experience & satisfactory track record of the promoters, leadership position in the domestic steel wire ropes industry, backward integration with captive iron-ore mine, availability of forward integration and presence in the export market with overseas marketing setup reducing business concentration risk.

Improving profitability, equity infusion, receipt of compensation for deallocated coal mines and sale of non-core assets as envisaged to manage the cash flow position, venturing into any debt laden capital expenditure project in the medium term and outcome of the ongoing CBI enquiry regarding the iron-ore mines are the key rating sensitivities.

Detailed description of the key rating drivers

The total operating income declined by about 7% in FY16 due to lower sales realisation along with lower sales volume in steel and wire rope business. This also led to decline in PBILDT margin. PBILDT interest coverage was less than unity in FY16. The lower level of PBILDT vis-a-vis high level of finance charge led to cash loss in FY16. UML serviced its debt obligations partly through sale of non-core assets/reduction in investments.

The performance improved in H1FY17 with improvement in realisations and demand scenario.

The overall gearing of UML deteriorated due to erosion of networth due to loss. In FY16, the loss led to overall gearing of 6.40x as on March 31, 2016 (4.32x as on Mar.31, 2015) despite reduction in overall debt level.

UML planned fresh availment of loans of Rs.2,000 crore and infusion of funds through liquidation of investments and sale of non-core assets. The company got sanction for term loans of Rs.1685 crore (availed Rs.698 crore in FY16) and also raised Rs.135 crore in FY16 through sale of non-core assets and reduction in investments which supported the liquidity. It further availed term debt of Rs.322 crore in 9MFY17 and the unavailed term debt will provide support in meeting the remaining principal repayment obligations for FY17 and FY18.

UML operates end to end integrated facilities for value-added specialty steel and related products. It is mainly engaged in the manufacturing of sponge iron, pig iron, billets, bars & blooms, wire rods & rolled products (at its steel division) and steel wires, wire ropes, strands, bright bars & conveyor cords (at its wire & wire ropes division).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

UML has a captive iron-ore mine which assures continuous supply of raw-material at relatively lower prices. However, UML has to resort to external sources to meet the high grade coal requirement post deallocation of its captive coal mine till the commencement of mining at the new mines (Brinda and Sasai coal block; expected to be operational by FY20) which has impacted the profitability.

UML has forward integration for its long-steel products in the form of manufacturing facility for wire ropes. In FY16, 32% of long-steel products were consumed internally for production of wires ropes and other value added products.

The company has developed an overseas market for its wire ropes to reduce dependency on demand in domestic markets. Gross exports were 11% of the total turnover in FY16 against 18% in FY15, due to global excess capacity and lower demand from the oil sector.

The company generally follows the practice of keeping trade exposures covered through forward contracts and option structures, after using natural hedge available.

UML is the flagship company of Kolkata-based Jhawar group which is one of the major industrial groups of Eastern India, with interests in long-steel products, wire ropes and cables wires. It has been in operation since 1961.

Analytical Approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology- Steel Companies](#)

Company Background

UML, the flagship company of Kolkata-based Jhawar group, is a mid-sized steel manufacturer with saleable steel capacity of around 1 million tonnes per annum. It operates end to end integrated facilities to manufacture long-steel products (bars, blooms, steel wire rods and rolled products) and specialty steel and related products (wires, wire ropes, strands and conveyors cords). The company has its manufacturing units at Ranchi, Jamshedpur, Hoshiarpur (Punjab) and Chennai.

UML incurred loss of Rs.404 crore on total operating income of Rs.3,484 crore in FY16. In H1FY17, UML reported net loss of Rs.97.92 crore (as against loss of Rs.169.71 crore in H1FY16) on total operating income of Rs.1787.23 crore (as against Rs.1917.91 crore in H1FY16). The company achieved non-operating income (Rs.85.34 crore) mainly from sale of assets (Rs.25.42 crore) and recognition of cenvat credit against service tax paid (Rs.32.31 crore).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mamta Muklania

Tel # 033-4018 1651

Mobile #98304 07120

Email: mamta.khemka@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External

Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|------------------|-------------|---------------|-------------------------------|---|
| Fund Based - ST-Working Capital Demand loan | - | - | - | 600.00 | CARE A3 |
| Non-Fund Based - ST-BG/LC | - | - | - | 1500.00 | CARE A3 |
| Non-Fund Based - ST-BG/LC | - | - | - | 0.00 | Withdrawn |
| Fund Based/Non Fund Based-Short Term | - | - | - | 175.00 | CARE A3 |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|---|-----------------|--------------------------------|---------|---|---|--|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Short Term Instruments-STD/NCD/CP | ST | - | - | - | 1)Withdrawn (27-Nov-15) | 1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14) | 1)CARE A1+ (12-Nov-13) |
| 2. | Fund Based - ST-Working Capital Demand loan | ST | 600.00 | CARE A3 | - | 1)CARE A3+ (27-Nov-15) | 1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14) | 1)CARE A1+ (13-Nov-13) |
| 3. | Short Term Instruments-STD/NCD/CP | ST | - | - | - | - | - | 1)Withdrawn (12-Nov-13) |
| 4. | Non-Fund Based - ST-BG/LC | ST | 1500.00 | CARE A3 | - | 1)CARE A3+ (27-Nov-15) | 1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14) | 1)CARE A1+ (13-Nov-13) |
| 5. | Non-Fund Based - ST-BG/LC | ST | - | - | - | 1)CARE A3+ (27-Nov-15) | 1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14) | 1)CARE A1+ (13-Nov-13) |
| 6. | Fund Based/Non Fund Based-Short Term | ST | 175.00 | CARE A3 | - | 1)CARE A3+ (27-Nov-15) | 1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14) | 1)CARE A1+ (13-Nov-13) |

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajjan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajjan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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