



Usha Martin Limited

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UML/SECT/

November, 30 2017

BSE India Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001
[Scrip Code: 517146]

Societe de la Bourse de Luxembourg
35A, Boulevard, Joseph II
L-1840, Luxembourg
[GDRs – US9173002042]


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 A4+', 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

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Usha Martin Limited

November 29, 2017

Ratings

Facilities	Amount (Rscore)	Ratings ¹	Rating Action
Short-term Bank Facilities	2,275	CARE A4+ (CARE A Four plus)	Revised from CARE A3 (CARE A Three)
Total Facilities	2,275 (Rupees Two Thousand Two Hundred and Seventy Five Crore only)		

Details of instruments/facilities in Annexure- 1
Detailed Rationale and Key Rating Drivers

The revision in the rating assigned to the short term bank facilities of Usha Martin Ltd (UML) takes into account the stretched liquidity position of the company due to cash loss incurred in FY17 (refers to the period April 1 to March 31) and H1FY18, delay in planned equity infusion and monetisation of non-core assets alongwith delay in receipt of dues relating to deallocated coal mines. The rating continues to be constrained by the susceptibility of profitability to volatility in input and finished goods prices.

The rating continues to draw strength from the long experience & satisfactory track record of the promoters, backward integration with captive iron-ore mine, presence in the export market and availability of forward integration. The rating also takes note of the appointment of a consultant by the company to evaluate the possibility of sale of the wire and wire rope business of the company.

Improvement in cash flow position by improving profitability, infusion of equity, receipt of dues for deallocated coal mines and sale of non-core assets as envisaged along with outcome of the plan to sell the wire and wire rope division are the key rating sensitivities.

Detailed description of key rating drivers
Key Rating Weaknesses
Deterioration in financial performance in FY17 and H1FY18 leading to stretched liquidity

The total operating income declined by about 5% in FY17 due to lower sales realization in steel business and lower volume and prices in the wire rope division. The lower capacity utilisation and increase in coking coal prices impacted the PBILDT margin, though it witnessed improvement over FY16. The subdued operating profitability led to cash loss in FY17. In H1FY18, though there was an improvement in sales realisation, PBILDT margin was impacted due to stretch on working capital leading to operational inefficiencies and increase in input cost. UML incurred cash loss in H1FY18.

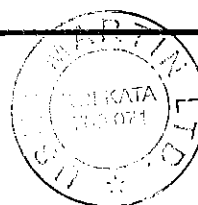
Delay in planned equity infusion and monetization of non-core assets alongwith delay in receipt of dues relating to deallocated coal mines

Due to the subdued operational performance of the company vis-à-vis the debt servicing obligations in the last 3 years, UML had raised debt in FY16 and FY17 to meet capital commitments and working capital requirement along with plans to raise equity and sale of non-core assets. The company got sanction for term loans of Rs.1685 crore and also raised Rs.145 crore till FY17 through sale of non-core assets and reduction in investments which supported the liquidity. However, there has been delay in raising equity and sale of some of the non-core assets. Further, the company is yet to receive substantial amount of dues pending in relation to the coal mines of the company deallocated in FY15. The liquidity position of the company has been impacted due to these reasons.

Susceptibility of profitability to volatility in input and finished goods prices

Raw-material (incl. stores & spares) is the most important cost driver, accounting for approximately 63% of cost of sales in FY17. UML is considerably insulated from volatility in iron ore prices for steel production by virtue of having captive mines. However, it is exposed to the volatility in coking coal, non-coking coal for power and DRI and finished goods prices.

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



Key rating Strengths

Long experience and satisfactory track record of promoters

Kolkata-based Jhawar group is one of the major industrial groups of Eastern India, with interests in long-steel products, wire ropes and cables wires. UML, the flagship company, has been in operation since 1961 and gradually through various backward and forward integration initiatives has attained significant level of integration in operations.

UML's leadership position in the domestic steel wire ropes industry

UML operates end to end integrated facilities for value added specialty steel and related products. UML is India's largest wire rope manufacturer and one of the largest wire rope manufacturers of the world.

Backward and Forward integration de-risks business model to a certain extent

UML has a captive iron-ore mine which assures continuous supply of raw-material at relatively lower prices. Further, UML has forward integration for its long-steel products in the form of manufacturing facility for wire ropes.

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](#)

About the Company

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 has appointed a consultant to evaluate the possibility of sale of the wire and wire rope business of the company.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	3828	3640
PBILDT	304	380
PAT	-419	-355
Overall gearing (times)	6.76	12.84
Interest coverage (times)	0.58	0.69

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not Applicable

Rating History for 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.

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****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 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

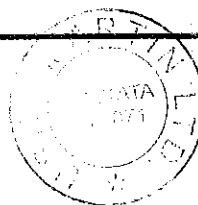
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Annexure-1: Details of Instruments/Facilities

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 A4+
Non-fund-based - ST-BG/LC	-	-	-	1500.00	CARE A4+
Fund-based/Non-fund-based-Short Term	-	-	-	175.00	CARE A4+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
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)
2.	Fund-based - ST-Working Capital Demand loan	ST	600.00	CARE A4+	-	1)CARE A3 (10-Feb-17)	1)CARE A3+ (27-Nov-15)	1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14)
3.	Non-fund-based - ST-BG/LC	ST	1500.00	CARE A4+	-	1)CARE A3 (10-Feb-17)	1)CARE A3+ (27-Nov-15)	1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14)
4.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (10-Feb-17)	1)CARE A3+ (27-Nov-15)	1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14)
5.	Fund-based/Non-fund-based-Short Term	ST	175.00	CARE A4+	-	1)CARE A3 (10-Feb-17)	1)CARE A3+ (27-Nov-15)	1)CARE A1 (29-Oct-14) 2)CARE A1+ (Under Credit Watch) (01-Oct-14)



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