

September 2, 2010

**CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF
PENG G USHA MARTIN WIRES PVT. LTD.****Ratings**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	21.0	'CARE BBB' (Triple B minus)	Reaffirmed
Short-term Bank Facilities	5.0	'PR3' (PR Three)	Reaffirmed
Total Facilities	26.0		

Rating Rationale

The above ratings continue to draw strength from the experience of promoters & their considerable support, use of proven technology (acquired from Austria based Joh Pengg AG - a leading manufacturer of oil tempered wires) and assured availability of major raw material from one of the promoters. Infusion of fresh funds by the promoters to make good the cash loss & improve the liquidity position, improvement in financial parameters in FY10, favourable outlook of the domestic automobile sector, company being the only player in the domestic industry and gradual acceptance of the product in the market also support the ratings. The ratings are however, constrained by the small size of the company with short track record in manufacturing activity, capital intensiveness of its operation, cash losses and complete dependence on the fortunes of automobile industry. Acceptability of the company's product in terms of pricing, future trend in Average Net Sales Price Realisation and continued support of the promoters remain the key rating sensitivities.

Company Profile

PUMWL, incorporated in May, 2006, is a 40:60 joint venture company between Usha Martin Ltd (UML) and Austria based Joh Pengg AG (JPA). Having commenced operation from March, 2008, the company is engaged in manufacturing of Oil Tempered (OT) wires (which finds applications in automobile industry) at plant at Ranchi, Jharkhand. The plant was set up with technology from JPA, an Austrian company having over 100 years of experience in OT wire manufacturing. OT wires is an import substitute and PUMWL is the only company in India producing such wires. In Dec. 09, the company commenced production of CO2 wires (also having application in automobile industry) with an installed capacity of 1,800 MTPA.

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

PUMWPL incurred loss of Rs.2.0 crore on net sales of Rs.15.5 crore in FY10 as against loss of Rs.5.5 crore on net sales of Rs.5.6 crore in FY09. Although the company has been incurring cash loss in the last three years (however, funded by the promoters by way of unsecured loans & equity), there has been an improvement in financial parameters in FY10.

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