

October 12, 2010

**CARE REAFFIRMS RATING ASSIGNED TO STD & FOR BANK FACILITIES OF USHA MARTIN LTD.**

**Ratings**

Facilities/instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Short-term bank facilities	1,975.0	'PR1+' (PR One plus)	Retained
Short-term debt programme*	375.0	'PR1+' (PR One plus)	Reaffirmed
Short-term debt programme	100.0	'PR1+' (PR One plus)	Reaffirmed

\* carved out of working capital bank limit

**Rating Rationale**

The ratings continue to draw strength from the long experience and satisfactory track record of the promoters, UML's leadership position in the domestic steel wire & wire rope industry, operating efficiency through backward integration initiatives taken by the company (captive iron-ore & coal mine) and significant presence of the company in the export market with strong overseas marketing set-up. Improving industry scenario leading to better profitability in Q1FY11 and improvement in gearing ratios as on Mar.31, 2010 also support the ratings. The ratings also factor in the decline in profitability in FY10, volatility in input & finished goods prices, risks associated with implementation & stabilisation of large ongoing projects, exposure in the group/associate companies and cyclicality in business. Successful implementation of the ongoing/proposed projects and increase in selling prices of UML's products in the context of gradual economic recovery after the recent economic slowdown will remain key rating sensitivities.

**Company Profile**

UML, the flagship company of Kolkata based Jhawar group, is India's largest and one of the top five manufacturers' of steel wire & wire ropes of the world. It is mainly engaged in manufacturing of steel wire rods, pig iron & billets (steel division), and steel wires, strands, wire ropes, bright bars & conveyor cords (wire & wire ropes division).

The company's expansion-cum-technology upgradation projects at an estimated cost of Rs.2,100.0 crore at all its manufacturing locations is almost complete, except the sinter plant & CPP at Ranchi, which are expected to commence production in Q2FY11 & Q4FY11, respectively. UML already incurred Rs.2040 crore till June 30, 2010 on the projects. The company is further planning for a cost optimising project to be implemented by December, 2012 at an outlay of Rs.1,200 crore, to be financed at a debt-equity ratio of 1:1.

During FY10, UML earned a PBILDT and PAT (after defd tax) of Rs.324.5 crore and Rs.92.2 crore respectively on aggregate net sales of Rs.1,722.6 crore, as against a PBILDT and PAT

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

(after deferred tax) of Rs.505.0 crore and Rs.146.6 crore respectively, on aggregate net sales of Rs.1,994.3 crore in FY09. The decline in net sales was mainly due to fall in Average Gross Sales Price Realisation (AGSPR).

Long-term debt-equity and overall gearing ratios improved significantly as on Mar.31, 2010 due to prepayment of debt out of QIP issue of Rs.468.2 crore in January 2010.

The unaudited working results for the quarter ended June 30, 2010 (Q1FY11) witnessed improvement in net sales and PBILDT over Q1FY10 due to increase in both quantum sales and AGSPR.

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