



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/

November, 29 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 India Rating and Research Pvt. Ltd. (India Ratings) has downgraded the Company Long-term Issuer Rating from existing 'IND BBB-' to 'IND BB+' and placed it on Rating Watch Negative, the press release made by India 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



India Ratings Downgrades Usha Martin to 'IND BB+'; Places on RWN

28

By Rohit Sadaka

NOV 2017

India Ratings and Research (Ind-Ra) has downgraded Usha Martin Limited's (UML) Long-Term Issuer Rating to 'IND BB+' and placed it on Rating Watch Negative (RWN). The Outlook was Negative. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Term loan	-	-	January 2018 – October 2029	INR33,392.5 (reduced from INR38,807.5)	IND BB+/RWN	Downgraded; placed on RWN
Fund-based limits	-	-	-	INR6,000	IND BB+/RWN	Downgraded; placed on RWN
Non-fund-based limits	-	-	-	INR1,500	IND BB+/RWN	Downgraded; placed on RWN
Proposed term loan	-	-	-	INR3,150	WD	Withdrawn (the issuer did not proceed with the instrument as envisaged)

KEY RATING DRIVERS

The downgrade reflects UML's inability to improve its standalone as well as consolidated EBITDA margins in 1HFY18, indicating further stress on liquidity with interest cover remaining below 1x UML's consolidated EBITDA margin was sustained at 10.7% in 1HFY18 (FY17: 10.9%; 1HFY17: 13.64%) as against management's expectation of an improvement, thereby making cash flow insufficient to meet interest expenses. This led to weak credit metrics for the



company with interest cover at 0.83x in 1HFY18 (FY17: 0.76x; 1HFY17: 0.86x) and net leverage at 7.93x (10.1x; 8.73x). However, the company had been able to meet debt obligations through other non-operational cash flows and stretching creditors during 1HFY18, which includes sale of non-core asset as envisaged.

The RWN follows the company's intention to sell its wire and wire rope business including subsidiaries and JVs, for which it has appointed a consultant. Ind-Ra lacks clarity regarding the implications of the aforesaid transaction on UML's liquidity and credit profile. UML's already tight liquidity may worsen, if the transaction is not concluded by December 2017, which will be negative for its ratings. However, if the transaction is finalised, most of the sale proceeds may be used for the retirement of debt to ease of liquidity, depending on the final sale consideration.

UML nearly fully used its working capital limit during the 12 months ended October 2017. It reported negative fund flow from operations both in FY16 (INR1,344 million) and FY17 (INR992 million) but cash flow from operations was positive due to the release of working capital by reducing inventory period and stretching creditors.

RATING SENSITIVITIES

Ind-Ra is likely to resolve the RWN once there is clarity on the likely impact of the asset sale transaction on UML's liquidity and credit profile. Ind-Ra will review the rating in January 2018.

The RWN indicates that the ratings may be downgraded or affirmed.

COMPANY PROFILE

Founded by the Kolkata based Jhawar family, UML commenced operations in 1960. It is an integrated steel producer with captive iron ore mines in Jharkhand.

FINANCIAL SUMMARY

Particulars (Standalone)	FY17	FY16
Net revenue (INR million)	32,792	34,495
EBITDAR (INR million)	3,785	3,085
EBITDAR margin (%)	11.5	8.9
EBITDAR interest coverage (x)	0.69	0.58
Net adjusted leverage (x)	10.8	13.4

Source: UML, Ind-Ra

RATING HISTORY

Instrument Type	Current Rating/Rating Watch	Historical Rating/Outlook/Rating Watch



	Rating Type	Rated Limits (million)	Rating	20 December 2016	27 November 2015	27 March 2015
Issuer rating	Long-term	-	IND BB+/RWN	IND BBB-/Negative	IND BBB/RWN	IND A/Negative
Long-term Loan	Long-term	INR33,392.5	IND BB+/RWN	IND BBB-/Negative	IND BBB/RWN	IND A/Negative
Fund-based Limits	Long-term	INR6,000	IND BB+/RWN	IND BBB-/Negative	IND BBB/RWN	IND A/Negative
Long-term non-fund-based Limits	Long-term	INR1,500	IND BB+/RWN	IND BBB-/Negative	IND BBB/RWN	IND A/Negative

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER



ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: <HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS>. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE <WWW.INDIARATINGS.CO.IN>. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

Rohit Sadaka

Associate Director

India Ratings and Research Pvt Ltd Room No. 1201, 12th Floor Om Towers 32, Chowringhee

Road Kolkata 700 071

+91 33 40302503

Secondary Analyst

Khushbu Lakhota

Senior Analyst

+91 33 40302508

Committee Chairperson

Abhishek Bhattacharya

Director and Co Head Financial Institutions

+91 22 40001786

Media Relation

Mihir Mukherjee

Manager Corporate Communications and Investor Relations

+91 22 40356121

