A New Dawn
Beckons

usha martin

Annual Report 2015-16

Our overseas subsidiary Usha Martin China Co. Ltd. supplied full locked coil galvanized ropes made in Usha Martin, India to the landmark project of Shanghai Disneyland, China, which has been recently commissioned.

Kolkata's longest flyover "Parama Flyover" was inaugurated recently which is amongst the longest elevated roads in India. Usha Martin's contribution apart from supply of LRPC Strands also involved critical prestressing work. Construction of this flyover marks another milestone for Usha Martin Limited in supplying to critical infrastructure projects.

Contents

CORPORATE INFORMATION

Board of Directors

Mr. B K Jhawar	- Chairman Emeritus
Mr. Prashant Jhawar	- Chairman
Mr. Brij K Jhawar	- Director
Mr. S Singhal	- Director
Mrs. Ramni Nirula	- Director (ceased w.e.f 04.04.2016)
Mr. G N Bajpai	- Director
Mr. Jitender Balakrishnan	- Director
Mr. P.S. Bhattacharyya	- Director
Mr. V. Ramakrishna Iyer	- Nominee Director
Mr. Rajeev Jhawar	- Managing Director
Mr. P K Jain	- Jt. Managing Director [Wire & Wire Rope Business]

Senior Management

India

Mr. Amitava Sircar	- Chief Operating Officer [Steel Division]
Mr. A K Somani	- Chief Financial Officer & Company Secretary
Mr. Rohit Nanda	- Chief Financial Officer [Designate]
Mr. Karun Kant Dave	- President [Mining Division]
Mr. D J Basu	- President [HR]
Mr. Debasish Mazumdar	- Associate President [Steel]
Mr. Ashutosh Dixit	- Associate President [Wire & Wire Rope Business]
Mr. Sanjay Nath	- Sr. Vice President [Sales & Marketing]
Mr. Jayanta Bhowmik	- Sr. Vice President [IT]
Dr. I N K Rao	- Sr. Vice President [Environment]
Mr. Anoop Saxena	- Sr. Vice President [TPM]
Mr. M A Dhere	- Sr. Vice President [SMS]
Mr. Debasish Majumder	- Sr. Vice President [QA]
Mr. A. K. Samanta	- Sr. Vice President [Sales & Marketing]

Europe

Mr. S Jodhawat	- Chief Executive Officer - Usha Martin International Limited
Mr. Simon Hood	- Director - Finance - Usha Martin International Limited, UK
Mr. Paul Scutt	- Divisional Managing Director - European Management & Marine Corporation Limited
Mr. Rajesh Sharma	- Operations Director - Brunton Shaw UK
Mr. Franco Clerici	- Director - Group R & D and Technical Services- Usha Martin Italia SRL
Mr. Dimitri Bracco Gartner	- General Manager - De. Ruiter Staalkabel B.V

South East Asia

Mr. Amogh Sharma	- Managing Director – Usha Siam Steel Industries Public Co. Ltd.
Mr. Tapas Ganguly	- Chief Executive Officer – Usha Martin Singapore Pte Ltd.

Middle East

Mr. S. Mazumder	- GM, Sales & Marketing – Brunton Wolf Wire Ropes, Fzco.

United States of America

Mr. Malay Vyas	- Chief Executive Officer – Usha Martin Americas Inc.

Registered & Corporate Office :

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Kolkata – 700 071, India
CIN : L31400WB1986PLC091621
Phone : 033 – 39800300; Fax : 033 – 39800415
Email : investor@ushamartin.co.in
Website : www.ushamartin.com

Works :

India

Adityapur, Jamshedpur
Tatilswai, Ranchi
Hoshiarpur, Punjab
Sri Perumbudur, Tamil Nadu
Silvassa, (U M Cables)

Overseas

Navanakoran Industrial Estate, Thailand (Usha Siam Steel Industries)
Jebel Ali Free Zone, Dubai, UAE (Brunton Wolf Wire Ropes)
Worksop, Nottinghamshire, UK (Usha Martin UK)

Mines :

Barajamda, Jharkhand
Brinda and Sasai (yet to be operational)

Bankers :

State Bank of India
Axis Bank Limited
ICICI Bank Limited
HDFC Bank Limited
IndusInd Bank Limited
Bank of Baroda
RBL Bank Limited

Auditors :

Price Waterhouse
Kolkata

Share Listings :

NSE – Scripcode – USHAMART
BSE – Scripcode – 517146
Societe de la Bourse de Luxembourg - GDRs - US9173002042
ISIN No. - INE228A01035

Registrar & Share Transfer Agent :

MCS Share Transfer Agent Limited
12/1/5, Manoharpukur Road, Kolkata – 700 026
Phone : +91 33 – 40724051-53
Fax : +91 33 – 40724054
Email : mcssta@rediffmail.com

CHAIRMAN'S MESSAGE

Dear Shareholders,

In 2015-16, economies of the countries with the highest steel per capita use were struggling. Concerns over excess capacity combined with slower economic growth worldwide are being reflected in the results of steel companies. Over the next decade, market forces will play a deciding role on how the steel industry develops worldwide. Significant factors will be the supply position of raw materials, their cost, technology development, national policies of governments on trade and investment in raw materials, infrastructure and logistics.

The domestic steel sector is not isolated from developments in worldwide markets. At Usha Martin our focus on domestic markets recognizes that steel is strongly driven by consumption. A healthy economy needs a healthy steel industry. Our government is focused on manufacturing growth and steel has a strong relationship with manufacturing and investment in fixed assets; specifically, on investments made in producing capital goods, housing, infrastructure like railways, ports and airports are good examples along with new segments of defense production. However, these trends have only just begun as our economy gears up to transformational growth.

So while the growth story of domestic steel has potential, your company as part of the domestic steel industry faces multi-dimensional challenges. In line with global trends, steel consumption faces challenges from substitute products developed with lower cost alternatives and energy options. Usha Martin is attentive to these trends and are moving to serve the needs of special steel in industry segments relevant to our product lines, assisted by our technical collaboration partners Aichi Steel.

The wire and wire rope division of Usha Martin was also impacted by the sharp downturn in oil prices leading to reduction in demand from this vital sector. The management have taken steps to enhance market presence in other sectors like elevators, cranes, etc. to partially offset the impact.

The growth potential of our domestic industry attracts the attention of worldwide players with overcapacities in raw materials and products. A pre-emptive levelling of the playing field through constructive trade policies of the government is encouraging and will go a long way towards managing related risks to our business.

Our competitiveness depends on many factors including efficiency in production, labour productivity, costs of raw materials and infrastructure to move raw materials and finished products at low costs. Our management team is making efforts in developing cost reduction and rationalization programs. These projects/programmes need to be pursued with full vigor inspite of the near term challenges that may arise.

Our confidence is in the potential of our economic growth and its beneficial impact on our company. I immensely value and acknowledge the support of all shareholders and stakeholders as we journey through difficult times in the industry to a brighter future.

Prashant Jhawar
Chairman

MANAGING DIRECTOR'S OVERVIEW

Dear Shareholders,

Worldwide, the Steel Industry has been witnessing a lack of growth in the aggregate demand and consequently it continues to be dogged by overcapacity. During 2015-16, Indian steel demand continued to grow at a moderate pace, but the margins were under constant pressure due to global overcapacities, some of the countries were indulging in unfair trade practices. Eventually, in a bid to create a level playing field for the domestic steel industry, Indian Government came forward and imposed Minimum Import Price (MIP) on various steel grades.

Going forward, Government's thrust on Infrastructure Sector, both Road and Rail,has the potential to be akey demand driver for various brick and mortar industries. Good monsoon and implementation of 7th Pay Commission recommendations are also likely to give a fillip to the economic growth of the country. All these factors combined with the Government's focus on"Make in India" can very well kick start a virtuous growth cycle for the Indian economy. Having said this, the global economic growth scenario continues to be constrained and is likely to be a drag on the overall growth. Some of the countries are adopting aggressive policies to generate economic growth through competitive devaluation of currency, fiscal and monetary stimulus and unorthodox methods like quantitative easing and negative interest rates.

Sluggish oil market and falling activity in mining industry has been a double whammy for Wire and Wire Ropes business. Sharp depreciation of currencies of Russia and Brazil amongst others has also been a dampener for the international business. Projects worth $270 billion have either been cancelled or deferred in oil sector alone over the last two years as the price of oil continued to tumble all this while. To counter all this, the business has focussed on expanding in the new end-use as well as geographical markets, and enhancing the customer base. This strategy has helped the company to partially offset the loss of sales and profitability arising from the fall in oil prices. Lately, we have been seeing some rebound in the oil prices which, if sustained, is likely to regenerate interest in some of the deferred projects going forward.

In a bid to improve profitability in the current environment, we at Usha Martin Limited have been focussing on enrichment of the product mix through rejigging of the sales mix, new product development and new market development. We have worked very hard on cost reduction through multiple initiatives and have managed to be successful in many areas through improvement in efficiencies of our plant & equipment and reduction in overheads. Cost reduction is a continuous journey and we continue our march on this path in this difficult environment. In order to bring efficiency in its systems and processes the company had decided to upgrade its ERP system by migrating to SAP, the exercise is likely to be completed in the next financial year 2016-17 in a phased manner.

Rajeev Jhawar
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

Economic and Industry Overview

Economic forecast of the World Bank projects the global economy to grow at 2.9% in 2016 against 2.4% during 2015. It expects the high income economies like US and Europe as well as the developing countries to grow at a faster pace in 2016 as compared to the last year. Based on domestic statistics, Indian economy is expected to grow at a faster rate of 7.7% in financial year 2016-17 as compared to 7.6% in 2015-16 and 7.2% in 2014-15. The Government continues to pursue fiscal consolidation path and the central government's budget deficit was contained at 3.9% of GDP in 2015-16. Lower oil prices helped the external balance of the country with current account deficit (CAD) contracting to about 1% of GDP, helping rupee to be relatively stable in a year of USD strength.

Global GDP Growth

	2014 (A)	2015 (A)	2016 (E)	2017 (F)
World	2.6%	2.4%	2.9%	3.1%
High Income Economies	1.7%	1.6%	2.1%	2.1%
- USA	2.4%	2.5%	2.7%	2.4%
- Euro	0.9%	1.5%	1.7%	1.7%
Developing Countries	4.9%	4.3%	4.8%	5.3%
Source : World Bank				

Consumer Price Index (CPI) which is the barometer of retail inflation and the Index which RBI is tracking to target inflationary expectations, maintained a broad downward trajectory and was hovering around 5% level towards the end of the financial year, helping the Central Bank to cut benchmark interest rates (Repo rate) by 75 basis points (0.75%) during the year. Though the macro-economic fundamentals for the Indian economy look poised for a leap-up in the economic growth, there is a debt overhang which is acting as a burden on the corporate balance sheets and the consequential drag on banks' ability to lend further. This seems to be holding back private capex cycle in the country.

On the external front, all major economies of the world are witnessing a sluggish growth, constricting the external source of demand for the economy. Indian exports had been contracting for a consecutive 16 months by the end of the financial year. Steel industry which witnessed a major upsurge post the Great Recession of 2008, due to economic stimulus measures of the Chinese Government, has now been bearing the brunt of the downturn for the last 2-3 years.

According to World Steel Association global steel demand contracted 3% in 2015, is expected to contract in 2016 as well, though, at a slower clip of 0.8%, projected to return to growth in 2017 at a meagre 0.4%. Demand in China is expected to continue to contract at 4% and 3%, whereas outside of China it is expected to show growth of 1.8% and 3%, during 2016 and 2017 respectively. Indian steel demand is expected to grow at 5.4% during both 2016 and 2017. India is now the third largest steel producer ahead of United States and behind only China and Japan. It is also one of the largest steel markets which still showed demand growth. Steel imports grew at around 26% during 2015-16, while steel exports declined by about 27%, leading to a decline in the capacity utilization of steel mills in India and a downward pressure on the prices. After months of what seemed like an endless fall in steel prices, towards the end of the financial year 2015-16, the steel market showed some signs of bottoming out. The Government, in the month of Feb'16, announced 'Minimum Import Price' for a 173 steel products, to help save the domestic steel industry from the onslaught of dumping of steel products. Internationally also most of the commodity prices have moved up sharply towards the end of the financial year, due to what seems like a restocking demand. The sustainability of this upsurge will be tested over the next couple of quarters or so.

Other Key Economic Indicators (YoY Growth %)

		2014 (A)	2015 (A)	2016 (E)	2017 (F)
Fiscal Deficit (Central Government)	% of GDP	4.4%	4.0%	3.9%	3.5%
Current A/c Deficit	% of GDP	1.7%	1.3%	1.2%	1.2%
WPI-Average	%	6.0%	2.0%	-2.5%	2.9%
Source : CSO, GOI					

Domestic GDP Growth

	2014 (A)	2015 (A)	2016 (E)	2017 (F)
Agriculture	3.7%	0.2%	1.1%	2.8%
Industry & Infrastructure	5.0%	5.9%	7.3%	7.2%
- Manufacturing	2.4%	2.5%	2.7%	2.4%
- Mining	0.9%	1.5%	1.7%	1.7%
Services	9.1%	10.2%	9.3%	9.5%
Overall	6.6%	7.2%	7.6%	7.7%
Source : CSO, GOI				

Company Overview

Business Configuration

Usha Martin is an integrated specialty steel and value added steel products Company, having business locations across the world including through its subsidiaries and/or joint ventures.

The Company has state-of-art integrated steel plant near Jamshedpur (Jharkhand) producing a wide range of specialty steel wire rods and bars, with captive iron ore mine in Jharkhand. The other/auxiliary products include iron ore pellet, coke, DRI, pig iron, sinter, oxygen and power generation, primarily for captive consumption. The Company has also successfully participated in coal mine bidding and won Brinda & Sasai Coal block in Jharkhand. Operations in this coal mine are likely to commence in FY'19.

The Company is one of the largest producers of specialty steel in India, catering to requirements of automotive, railways, defence and general engineering sectors.

The steel products manufactured at Jamshedpur facilities were sold in the market to the extent of 68% and balance 32% was for in-house production of value added products such as wire ropes, wires, strands and bright bars at Ranchi, Hoshiarpur, Chennai and Bangkok.

In wire rope manufacturing, the Company is the largest in India and one of the largest in the world. Its manufacturing plants are located at Ranchi and Hoshiarpur in India, Thailand, Dubai and United Kingdom. The wide range of wire ropes produced by the Company has applications in offshore oil exploration, mining, elevators, cranes, bridges, infra-structure, construction, fishing and variety of general purposes.

Besides wire ropes, other value added products include cords, strands, wires, bright bars and oil tempered wires. The Company also has a plant at Chennai to manufacture bright bars.

The global business of wire rope is supported by marketing, distribution and rigging facilities at various locations in the USA, Europe, Africa, Middle East and rest of Asia. The Company provides products and solutions for oil and gas sectors for anchoring, drilling and mooring applications from its facilities at Aberdeen in UK. Further, the Company has an R&D Centre in Italy.

The Company has an in-house machinery manufacturing facility at Ranchi for captive engineering requirements as well as to cater to external demand in India and export markets.

Through one of its wholly owned subsidiaries UM Cables Limited, the Company also manufactures a wide range of telecommunication cables meant for variety of applications and caters to requirements of domestic and export markets.

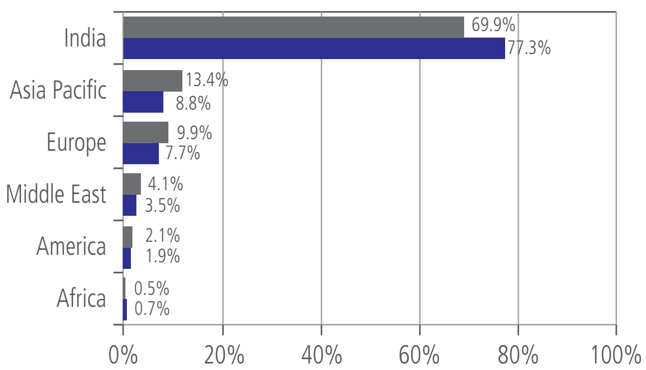
The strategy of integration places the Company in a unique position by combining both ends of value chain, from iron ore mining to high value wire ropes and further providing end use solutions on its key product applications. In addition to providing benefits of quality, consistency and self-sufficiency for principal raw materials, it provides captive markets for a sizeable portion of the finished products. Also it enables the Company to aspire to become truly competitive across the entire value chain of its chosen product range.

Business Environment

Both Steel and Wire Ropes businesses continued to be under pressure due to domestic as well as international factors. Global excess capacity, significant jump in imports and another bad year for agriculture sector weighed heavily on the steel business and steel prices. On the other hand, continued fall in oil prices and slackness in the mining sector the world-over lead to a fall in volumes and reduction in margins in Wire Ropes business. During 2015-16 the company generated 22.7% of its revenue from exports and overseas businesses as compared to about 30% last year. Similarly Steel contributed 51% of the revenue during 2015-16 as compared to 47% during 2014-15, corresponding percentage reduction being there in Wire Ropes revenue.

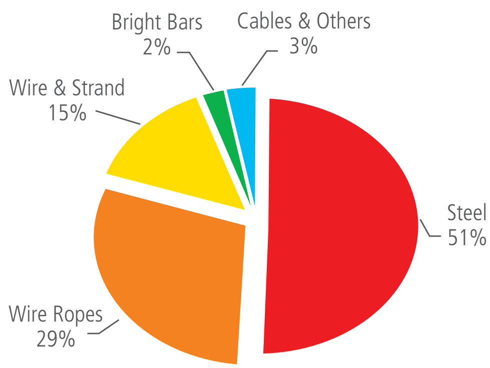
Revenue Distribution

By Geography (Integrated Business)



Revenue Distribution

By Product



Steel Business

Despite subdued steel market, the Company continued to push and achieve higher sales volume in the rolled products segment. Due to steep fall in prices, the sales volume of billets was lower by about 25% as compared to the previous year. Due to reduction in prices of iron ore in the global and domestic markets, production in pellet plant was suspended during the year. In order to stay competitive the Company continued to drive for lower cost through process optimization and other cost reduction initiatives.

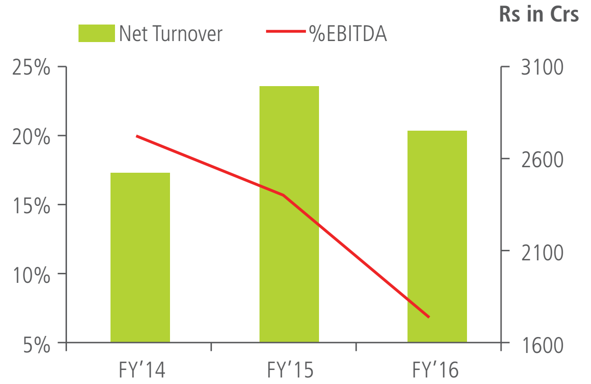
Steel Production Volume – MT

	FY-15-16	FY-14-15
Iron Ore	**2,044,572**	1,274,628
Coal	**-**	789,912
Coke	**373,587**	338,811
Hot Metal	**565,114**	515,091
DRI	**402,653**	431,940
Pellet	**353,216**	669,136
Sinter	**840,919**	745,002
Billets	**693,699**	710,967
Rolled Products	**577,063**	554,859

Operational Highlights

The Steel business achieved a sales turnover of Rs.2758.07 Crs in the current financial year against Rs.2996.68 Crs in the previous year, down by 8%. The operating profit and margins were at Rs.191.7 Crs at 6.95% during the year against Rs.467.95 Crs at 15.6% in the previous year.

Steel Turnover & Profitability



Share of Steel business stood at 67.7% of the Company's gross level of activity and 62.1% of reported net turnover in the current financial year.

During FY'16 the export turnover of Steel business was Rs.84.24 Crs, which is 3.05% of its turnover, against Rs. 251.69 Crs in the previous year.

Wire Ropes & Specialty Products Business

Wire ropes business of the company continued to be profitable despite incessant fall in oil prices and dwindling fortunes of the mining industry which however led to a fall in the turnover. The Company continued its push into other product segments like elevator ropes and LRPC to substitute loss of volume and profitability in oil and mining industry. Relative currency devaluation of other large developing economies also led to a fall in exports as well as revenue from international businesses.

At Usha Martin standalone level, during FY'16, the Wire and Wire Ropes (WWR) business achieved gross production of Wire Ropes and Conveyor Cords of 54,360 MT against 66,133 MT in the previous year. The gross production of strands, wires and bright bars was 126,766 MT in FY' 16 against 127,478 MT in FY' 15. Total Value Added products production was down by about 6% in FY'16 compared to that in the previous financial year.

On standalone basis, the WWR business delivered turnover of Rs.1303.81 Crs in the current financial year against Rs.1515.14 Crs in previous year. The operating profit and margin were at Rs.172.31 Crs and 13.2% during the year against Rs. 200.44 Crs at 13.2% in previous year respectively.

Production Volume

VA Products–Standalone **Qty in MT**

	FY-15-16	FY-14-15
Wire Ropes	**51,173**	63,653
Strands	**53,574**	53,394
Wires	**57,788**	59,350
Bright Bar	**15,404**	14,734
Conveyor Cord	**3,187**	2,480

Share of WWR business stood at 31.99% of the Company's gross level of activity and 37.63% of reported net turnover in the current financial year on standalone basis.

Focus Areas & New Initiatives

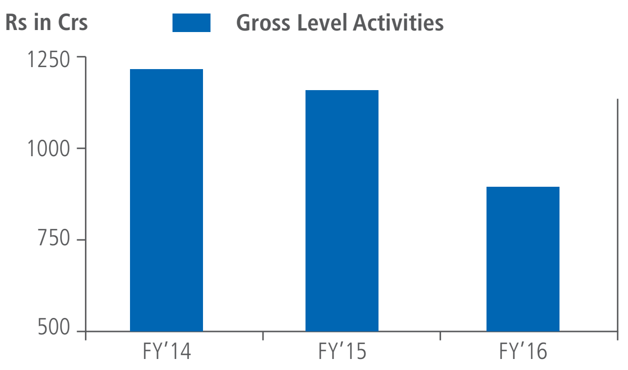
Main focus of the Company in current business environment would be in

- Increasing wallet share with existing customers
- Enrichment of product mix
- New market and customer development initiatives
- Process optimization and continuous cost improvement

International Business

Level of activity from the international businesses of the Company continued to fall. The turnover and operating profit from international businesses fell to Rs.892 Crs and Rs.40 Crs in 2015-16 from Rs.1158 Crs and Rs.74 Crs respectively, the year before. The Company's international business accounted for 18.5% of its consolidated gross activity level.

International level of activities



Usha Martin International Limited [UMIL]

UMIL enjoys a presence in the UK and parts of Europe through it's wholly owned subsidiaries, namely:

a. Usha Martin UK Limited, which comprises manufacturing distribution and end use solutions for wire ropes to offshore oil and gas sectors; and

b. De Reuiter Staalkabel B.V. Netherlands, which has end use solutions and distribution facilities for wire ropes.

Usha Martin Italy, which has set up R&D Centre for wire ropes.

The consolidated turnover of UMIL was GBP 34.6 Mn in 2015-16 as against GBP 46.3 Mn in 2014-15. UMIL reported a consolidated net profit of GBP 0.8 Mn as against GBP 3.3 Mn in the previous year.

UMIL — GBP in Mn

	FY'14	FY'15	FY'16
Turnover	47.9	46.3	34.6
Net Profit	3.4	3.3	0.8

Main reason for this year's lower profitability was the drop in oil price leading to rapid reduction in level of activity at the going project sites as well as shelving of planned projects.

Usha Martin Americas Inc [UMAI]

During the year, UMAI reported a turnover of US$ 10.0 Mn as against US$ 12.3 Mn in the previous year. The Company has reported a loss of US$ 0.1 Mn as against profit of US$ 0.1 Mn in the previous year.

UMAI — USD in Mn

	FY'14	FY'15	FY'16
Turnover	15.1	12.3	10.0
Net Profit	0.2	0.1	(0.1)

Decline in sales and profitability was mainly due to scaling back of offshore drilling activity in the Gulf of Mexico and elsewhere.

Brunton Wolf Wire Ropes FZCo [BWWR]

BWWR, a joint venture with Gustav Wolf of Germany, reported a turnover and net profit of US$ 18.1 Mn and US$ 0.6 Mn respectively in 2015-16 as against US$ 24.0 Mn and US$ 0.8 Mn respectively in the previous year.

BWWR — USD in Mn

	FY'14	FY'15	FY'16
Turnover	25.6	24.0	18.1
Net Profit	1.0	0.8	0.6

The business saw a decline in sales due to deceleration of industrial & trading activities in almost all the significant economies of Africa, Middle East & North Asia. However, the Company managed to limit the fall in profitability through various marketing and distribution initiatives.

Usha Siam Steel Industries Public Company Limited [USSIL]

USSIL is a subsidiary of the Company in which along with Usha Martin Singapore Pte Ltd., it holds 97.85% of the equity.

The operations of USSIL achieved a turnover of Thai Baht 1,158 Mn during the year under review as against Thai Baht 1,308 Mn in the previous year. It reported a loss of Thai Baht 30.7 Mn against loss of Thai Baht 46.0 Mn in the previous year.

USSIL — THB in Mn

	FY'14	FY'15	FY'16
Turnover	1,357	1,308	1,158
Net Profit	50	(46)	(30.7)

The Company registered a decline in its turnover but also managed to curtail its net loss. There was an improvement in operations because of better cost control and reduction in overheads. However, the Company still reported a loss mainly due to a drop in export sales volume and pricing pressure.

Usha Martin Singapore Pte Limited [UMSPL]

UMSPL a wholly owned Singapore based subsidiary of the Company is in business of warehousing and distribution of wire ropes in Asia Pacific region by itself and through its following wholly owned subsidiaries –

- Usha Martin Australia Pty Limited
- Usha Martin Vietnam Company Ltd
- Usha Martin Indonesia, and
- Usha Martin China

UMSPL reported a consolidated turnover of US$ 22.9 Mn and net loss of US$ 2.5 Mn during the year under review as against US$ 37.4 Mn and net loss of US$ 0.4 Mn respectively in the previous year.

UMSPL — USD in Mn

	FY'14	FY'15	FY'16
Turnover	41.0	37.4	22.9
Net Profit	0.2	(0.4)	(2.5)

Singapore and China business which caters largely to new built vessels, platforms, drill rigs, etc. was badly affected as the activity come to a standstill. Vietnam, Indonesia and Australia businesses held on as these are less oil and offshore dependent.

U M Cables Limited (UMCL)

UMCL a wholly owned Indian subsidiary of the Company, engaged in business of telecommunication cables achieved turnover of Rs.127.3 Crs against Rs.177.3 Crs in the previous year. The net profit for the year was Rs.3.7 Crs as against Rs.12.1 Crs in FY 14-15.

UMCL — Rs. in Crs

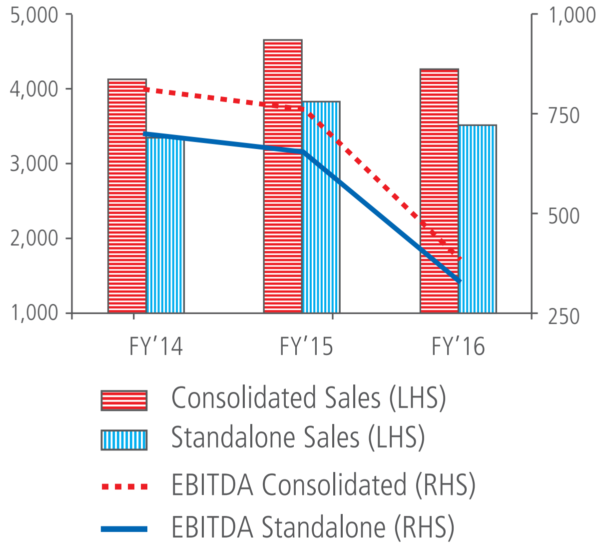
	FY'14	FY'15	FY'16
Turnover	170.0	177.3	127.3
Net Profit	8.3	12.1	3.7

Sales as well as profitability were adversely affected due to slow roll out of government spend on telecom infrastructure projects. However, the Company managed to stay profitable through efficient operations.

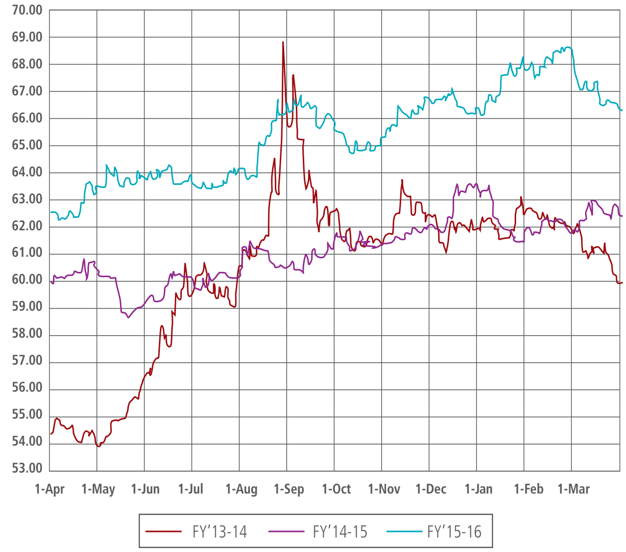
Financial Discussion

During the year, consolidated turnover of the Company stood at Rs.4,147.92 Crs, which is 9% lower than Rs.4,561.10 Crs in the previous year. On standalone basis, the Company's turnover decreased to Rs.3,447.47 Crs in the current financial year against Rs.3,746.05 Crs in the previous year, down by 8%.

Sales & Operating Performance



USD/INR Rate movement



Sales & Operating Performance

The operating profit achieved by the Company on consolidated basis was Rs.389.34 Crs, being 9.4% of the reported turnover, and on standalone basis at Rs. 335.57 Crs, being 9.7%, against Rs.753.48 Crs. and Rs. 646.38 Crs. respectively in previous year.

The export sales dropped to Rs.380.94 Crs, with share being 10.4% of net turnover on standalone basis against 17.85% in previous year, while share of domestic sales in the current year was 89.6% against 82.15% in previous year.

Fall in the turnover was a combined result of lower sales prices in Steel business and lower volumes and prices in Wire Ropes business. Steel prices were under constant pressure due to global excess capacity and surge in imports into India. Wire Ropes business suffered volume loss and price erosion, as billions of dollars of fresh capex into oil was put on hold and mining industry continued to weather rough waters as commodity guzzler Chinese juggernaut decelerated.

Forex Management

During 2015-16, Indian Rupee depreciated by about 6.1% to close the year at 66.26. The main reason for depreciation was the general US Dollar strength against all major currencies of the world. However, Rupee was stable on a relative basis as many of the other currencies were hammered badly against US Dollar. This was a far cry from the its vulnerability during 2013-14 when India was labeled as one of the fragile five emerging economies and speaks volumes about improved macroeconomic fundamentals of the economy. On basis of average exchange rate, the depreciation was 7.1% during the year in FY 15-16 against 1.2% in previous year. The hedging cost stayed high at 6-7% per annum.

USD/INR Levels & Depreciation

	FY'13	FY'14	FY'15	FY'16
Year End Levels	54.28	59.91	62.50	66.26
Depreciation %	6.7%	10.4%	4.3%	6.1%
Average Rate for the Year	54.37	60.40	61.10	65.43
Depreciation %	13.6%	11.1%	1.2%	7.1%

The Company has followed it's practice of keeping trade exposures mostly covered through forward contracts, after using natural hedge available through it's export business.

The changes in value of long term capex loans due to forex fluctuation have continued to be accounted for in fixed assets, as in the previous financial years in accordance with notification issued by Ministry of Corporate Affairs. By exercising this option the Company accounted for effect of rupee depreciation on FCY loans, amounting to Rs.44.18 Crs, in the fixed assets during the current financial year.

By way of premium on booking of forex trade exposures, losses on booking and cancellations of hedged positions, payment of trade and valuations of open trade exposures etc., the Company has incurred cost of Rs. 45.82 Crs.

Finance Cost

The average cost of debt as on 31st March, 2016 was at 10.52%. The net interest charge [excluding other borrowing costs] of the Company increased from Rs.493.69 Crs to Rs.501.65 Crs during the financial year mainly on account of reduction in proportion of FCY debt, which carries lower cost, from 20.1% to 17.7%.

Capital Expenditure

The Company, on a standalone basis, has incurred Rs.78.16 Crs on projects and normal capital expenditure excluding effect of depreciation and valuation of FCY loans.