usha martin

Annual Report 2016-17

Dhola Sadiya Bridge

INDIA'S LONGEST BRIDGE

Building Indian Infrastructure. Usha Martin LRPC used for Bhupen Hazarika Setu (Dhola Sadiya Bridge)

Contents

CORPORATE INFORMATION

Board of Directors

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

Key Managerial Personnel

Mr. Rohit Nanda	- Chief Financial Officer
Mrs. Shampa Ghosh Ray	- Company Secretary

Senior Management

India

Mr. Amitava Sircar	- Chief Operating Officer [Steel Division]
Mr. Ajay Sharma	- President [Sales & Marketing Steel]
Mr. Karun Kant Dave	- President [Mining Division]
Mr. D J Basu	- President [HR]
Mr. Debasish Mazumdar	- President [Steel]
Mr. Ashutosh Dixit	- President [Wire & Wire Rope Business]
Mr. Jayanta Bhowmik	- Sr. Vice President [IT]
Mr. Anoop Saxena	- Sr. Vice President [TPM]
Mr. Debasish Majumder	- Sr. Vice President [QA]

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 Branco 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	- Vice President [Sales & Marketing] – Brunton Wolf Wire Ropes, FZCo.

United States of America

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

Registered & Corporate Office

2A, Shakespeare Sarani
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

S.R. Batliboi & Co. LLP
Kolkata

Share Listings

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

Registrar & Transfer Agent

MCS Share Transfer Agent Limited
12/1/5, Manoharpukur Road, Kolkata – 700 026
Phone : +91 33 – 40724051-53
Fax : +91 33 – 40724050
Email : mcssta@rediffmail.com

CHAIRMAN'S MESSAGE

Dear Shareholders,

Indian economy is today the seventh largest in the world measured by nominal GDP and is also the third largest in terms of purchasing power parity. This definitely reflects the potential of Indian economy and its growth at 7% demonstrates that India is the next 'growth story' in the world economy. Not withstanding the initial hiccups, we are on the threshold of a long term sustainable high growth trajectory.

2016-17 has been a tough year for your company due to various national and international events affecting the steel industry. Steel industry continues to suffer due to global over capacity of 265 million tonnes. Even in India we are saddled with excess steel capacity resulting in continuous pressure on margins. The input raw material prices fluctuated widely affecting the steel industry worldwide. However, "green shoots" in the economy driven by increased infrastructure spending and simultaneous growth in the automobile sector, steel consumption is expected to touch 104 million tonnes by 2017. Implementation of GST and Insolvency and Bankruptcy Code demonstrate the Government of India's will to carry out fundamental structural reforms which will put the country on sound footing and accelerate the growth going forward.

The Company is focused towards driving operational efficiencies and cost reduction. A reputed international consultant has been engaged to prepare and help in implementation of a sustainable improvement plan for steel division. More actions to ensure sustainability of growth are being planned including possibility of sale of wire and wire rope division of the Company.

Wire and wire rope business is witnessing demand revival in most of the sectors both in India as well as internationally. Overall we are optimistic about growth in this business due to improvement in investment in various sectors of the economy.

The performance of the Company has to be seen in this macro-economic background. I am confident that the situation will alter with domestic economy picking up steam and with infrastructure development accelerating, it will generate demand for speciality grade alloy steel in this process.

I immensely value and acknowledge the support of all shareholders and other stakeholders as we ride through difficult times in the industry to a brighter future. The journey is challenging. Let us accept this challenge.

G N Bajpai
Chairman

MANAGING DIRECTOR'S OVERVIEW

Dear Shareholders,

Global steel markets continue to be afflicted with overcapacity and lack of demand growth. Indian market is one of the few sizeable markets which continue to witness positive growth in demand. Steps taken by the Government of India to create a level playing field for the domestic steel players has helped stabilise the prices in the domestic market.

During the last financial year, volatility in the coking coal prices in the international market was the biggest challenge that the Company had to grapple with. The spikes at times took the price of coking coal as high as two to three times the normal price in very short periods posing very serious challenge. This one factor resulted in substantial increase in cost of production and this was the largest drag on the Company's profitability. Overhang of global overcapacity continues to limit the ability of steel manufacturers to pass on increase in their cost to their customers.

The small diversions in the economy e.g. demonetisation created short term uncertainty in the market place impacting the demand for our products. It is expected that this initiative of the Government along with implementation of GST will do good to the national economy in the long run thereby positively impacting your Company.

You would have noticed that the prices of products mainly automobiles, subsequent to implementation of GST, have come down and is expected to drive the demand upwards. It is also expected that these economic reforms will give the required impetus to our economy to grow and improve the demand for our products. Your company is ready to harvest the benefits of this improvement.

While the steel industry continues to go through difficult times, in our wire and wire rope business we are already seeing demand revival in both the domestic and international markets. The National Steel Policy 2017, Sagar Mala Project and Affordable Housing programs of the Government of India coupled with robust push to infrastructure projects are further expected to improve the demand for our products which in turn will help the steel sector.

Overall, while the year gone by was very difficult due to cost escalations and softer demands, the early green shoots are visible now and the industry is looking forward to strengthening of this trend.

In my message last year I had informed you that the management team was working hard on cost control, operational efficiency and improvement in productivity.

While we were getting reasonable results on some of these initiatives we realised that the demand side pain is not going away in a hurry and decided to get external help to give impetus to these efforts and to identify and implement more robust initiatives for sustainability of company operations. We have engaged a global management consultancy firm to help our teams in the steel business and are confident of getting positive results.

While disposal of non-core assets has been underway for some time now we also realised that to ensure long term sustainability we needed to address our debt burden in a more significant manner. To this end an investment bank of international repute has been appointed to look at the possibility of sale of wire and wire rope business of the Company to ensure long term profitable survival of the Company in the best interest of all stakeholders.

Rajeev Jhawar
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

Economic and Industry Overview

The World Steel Association forecasts that global steel demand will increase by 1.3% to 1,535.2 MT in 2017, following growth of 1.0% in 2016. In 2018, it is forecasted that global steel demand will grow by 0.9% and will reach 1,548.5 MT.

In 2017 and 2018, steel demand is expected to see a cyclical upturn with a continuing recovery in the developed economies and an accelerating growth momentum in the emerging and developing economies. However, China, which accounts for 45% of global steel demand, is expected to return to a more subdued growth rate after its recent short uplift. For this reason, overall growth momentum will remain modest.

Global economy is gaining strength, but uncertainty escalates

The risk of global recession is receding and economic performance improving across most regions. A number of geopolitical changes still create some concern. US policy uncertainties, Brexit, the rising populist wave in current European elections, potential retreat from globalisation and free trade under the pressure of rising nationalism adds a new dimension of uncertainty in investment environments.

Oil and other commodities

The pickup in oil prices in 2016 helped the fiscal position of oil producing countries. In 2017-18 oil prices are expected to show a moderate gain but any spike in oil prices to the levels seen in 2010-12 seems unlikely despite the recent OPEC agreement on oil production cuts. The mildly rising oil prices may stimulate investment in economies worldwide.

Sector wise Outlook

The automotive sector has been the top performer among key steel using sectors thanks to the consumption driven recovery.

The construction, building and infrastructure sector, which accounts for 50% of global steel use, has been showing a divided picture between the developing and developed economies. This sector has been a major driver for steel demand in the developing countries driven by urbanisation, but activity in the developed economies since the 2008 financial crisis has been more subdued.

Depression in shipbuilding activities is expected to continue for some time given the global glut in shipping capacity.

Developed world

United States is expected to continue to lead growth in the developed world in 2017-18 related to fiscal stimuli and rising infrastructure spending. However, a rebound of investments in the oil and gas sector may be limited given the increased efficiency of shale producers.

Steel demand in the developed economies will increase by 0.7 % in 2017 and 1.2 % in 2018.

The Russian and Brazilian economies are stabilising and expected to show modest growth in 2017. After the demonetisation shock, the Indian economy is growing fast now. The ASEAN countries are expected to demonstrate solid growth in 2017-18.

Steel demand in the emerging and developing economies excluding China, which accounts for 30% of world total, is expected to grow by 4.0% in 2017 and then 4.9% in 2018.

India

Steel production and consumption in India is likely to remain higher in 2017-18 backed by an increase in infrastructure allocation in the Budget.

The National Steel Policy 2017 released by the Government, also aims to increase steel production.The New Steel Policy, 2017 aspires to achieve 300MT of steel-making capacity by 2030. This would translate into additional investment of Rs. 10 lakh Crore by 2030-31. The Policy seeks to increase per capita steel consumption to the level of 160 Kgs by 2030 from existing level of around 60 Kg.

For the infrastructure push, expenditure for transport sector has been raised to INR 0.64 trillion, taking it up to a total of INR 2.4 trillion in Union Budget for 2017-18. Around INR 1.31 trillion of capital expenditure is assigned towards Railways. This will clearly have a large effect on the demand for steel and the metals.

The budget also focuses on housing with schemes such as housing for all by 2022, Smart Cities etc. which is expected to revive domestic steel demand as it will push up demand for construction grade steel particularly those for roofing purposes.

Expectations of normal monsoon will further generate demand from agricultural sector.

All these factors in turn will generate multiplier effect in economy and especially for the transport sector. Automobile demand will show growth of 7-9% in 17-18 due to all these factors as per SIAM.

Domestic GDP Growth

	2015 (A)	2016 (E)	2017 (E)	2018 (F)
Agriculture	0.2%	1.1%	2.8%	4.1%
Industry & Infrastructure	5.9%	7.3%	7.2%	5.2%
-Manufacturing	2.5%	2.7%	2.4%	2.7%
-Mining	1.5%	1.7%	1.7%	2.2%
Services	10.2%	9.3%	9.5%	8.8%
Overall	7.2%	7.6%	7.1%	7.5%

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 operations of the Company's Brinda & Sasai Coal block in Jharkhand is 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 65% and 35% 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 U M 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.

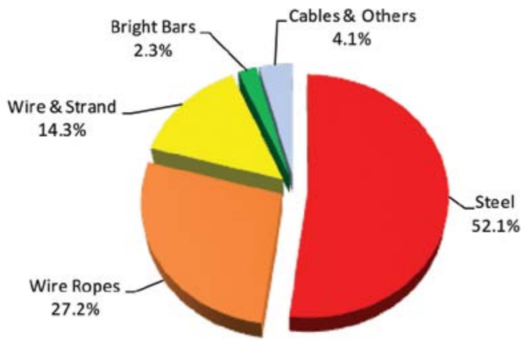
The strategy of integration places the Company in a unique position by combining both ends of value chain, from iron ore mining to high value wire ropes and further providing end use solutions on its key product applications. In addition to providing benefits of quality, consistency and self-sufficiency 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 2016-17 the Company generated 31.6% of its revenue from exports and overseas businesses as compared to about 22.7% last year. Similarly Steel contributed 52.1% of the revenue during 2016-17 as compared to 51% during 2015-16, corresponding percentage reduction being there in Wire Ropes revenue.

Revenue Distribution

By Product



WWR Business

Wire rope business continues to progress satisfactory despite many challenges. Oil prices started to firm up from mid November 2016. Enquiries from Oil & Offshore sectors have started trickling in since November and we expect some uptrend. Commodities (coal, metals) market have gained ground since November 2016 and demand in this segment have started to pick-up. Overall demand scenario for wire ropes saw an uptick across most geographies and across most product segments. Wire rope prices have also started to improve in view of improvement in demand.

Steel Business

The erratic variation in Coking coal prices has had a major impact on the steel production and margins. Our steel is mainly consumed by automobile and engineering industry, however the industry was not ready to absorb any price increase due to higher input costs of steel producers. This forced us to operate at lower capacity utilization. In order to stay competitive the Company continued to drive for lower cost through process optimization and other cost reduction initiatives.

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 44.5% as compared to the previous year. Due to reduction in prices of iron ore in the global and domestic markets, production in pellet plant remained 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 16-17	FY 15-16
Iron Ore	2,496,483	2,044,572
Coal	-	-
Coke	336,551	373,587
Hot Metal	542,295	565,114
DRI	390,593	402,653
Pellet	-	353,216
Sinter	815,850	840,919
Billets	670,405	693,699
Rolled Products	601,018	577,063

Operational Highlights

The Steel business achieved a sales turnover of Rs.2253.1 Cr in the current Financial Year against Rs.2398.74 Cr in the previous year, down by 6.1%. The Earnings before Interest, Depreciation and Tax (EBIDTA) and EBIDTA margins were at Rs. (159.64) Cr at (7.08%) during the year against Rs.(301.59) Cr at (12.57%) in the previous year.

During FY'17 the export turnover of Steel business was Rs. 102.70 Cr, which is 4.6% of its turnover, against Rs. 84.24Cr in the previous year.

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'17, the Wire & Wire Rope (WWR) business achieved gross production of Wire Ropes and Conveyor Cords of 51,524 MT against 54,360 MT in the previous year. The gross production of Strands, Wires and Bright Bars was 125,280 MT in FY' 17 against 126,766 MT in FY' 16. Total Value Added products production was down by about 24.4% in FY'17 compared to that in the previous Financial Year.

On standalone basis, the WWR business delivered turnover of Rs. 1346.97 Cr. in the current Financial Year against Rs.1405.51 Cr. in previous year. The EBIDTA and EBIDTA margins were at Rs. 114.13 Cr. and 8.47% during the year against Rs.116.34 Cr. at 8.28% in previous year respectively.

Production Volume VA Products–Standalone

Qty in MT	FY 16-17	FY 15-16
Wire Ropes	49,684	51,173
Strands	50,111	53,574
Wires	60,899	59,350
Bright Bars	14,270	15,404
Conveyor Cords	1,840	3,187

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 EBIDTA from international businesses fell to Rs. 750.60 Cr and Rs. (8.25) Cr in 2016-17 from Rs.892 Cr and Rs.54.47 Cr respectively, the year before. The Company's international business accounted for 17% of its consolidated gross activity level.

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

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

The consolidated turnover of UMIL was GBP 31.4 Mn in 2016-17 as against GBP 34.6 Mn in 2015-16. UMIL reported a consolidated loss of GBP 0.04 Mn as against a profit of GBP 0.8 Mn in the previous year.

			GBP in Mn
UMIL	**FY'15**	**FY'16**	**FY'17**
Turnover	46.3	34.6	31.4
Net Profit	3.3	0.8	(0.04)

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$ 4.8 Mn as against US$ 10.0 Mn in the previous year. The Company has reported a loss of US$ 1.5 Mn as against loss of US$ 0.1 Mn in the previous year.

			USD in Mn
UMAI	**FY'15**	**FY'16**	**FY'17**
Turnover	12.3	10.0	4.8
Net Profit	0.1	(0.1)	(1.5)

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$ 16.9 Mn and US$ 0.5 Mn respectively in 2016-17 as against US$ 18.1 Mn and US$ 0.6 Mn respectively in the previous year.

USD in Mn			
BWWR	**FY'15**	**FY'16**	**FY'17**
Turnover	24.0	18.1	16.9
Net Profit	0.8	0.6	0.5

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 97.98% of the equity.

The operations of USSIL achieved a turnover of Thai Baht 1,145.5 Mn during the year under review as against Thai Baht 1,155.1 Mn in the previous year. It reported a loss of Thai Baht 2.3 Mn against loss of Thai Baht 28.1 Mn in the previous year.

THB in Mn			
USSIL	**FY'15**	**FY'16**	**FY'17**
Turnover	1,308	1,155.1	1145.5
Net Profit	(46)	(28.1)	(2.3)

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.

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
- PT Usha Martin Indonesia, and
- Usha Martin China Company Limited.

UMSPL reported a consolidated turnover of US$ 15.2 Mn and net loss of US$ 2.8 Mn during the year under review as against US$ 22.9 Mn and net loss of US$ 2.5 Mn respectively in the previous year.

USD in Mn			
UMSPL	**FY'15**	**FY'16**	**FY'17**
Turnover	37.4	22.9	15.2
Net Profit	(0.4)	(2.5)	(2.8)

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. 154.9 Cr against Rs.127.3 Cr in the previous year. The net profit for the year was Rs. 9.7 Cr as against Rs. 3.7 Cr in FY 15-16.

Rs. in Cr			
UMCL	**FY'15**	**FY'16**	**FY'17**
Turnover	177.4	127.3	154.9
Net Profit	12.1	3.6	9.6

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 a Rs. 3881.94 Cr, which is 5.6% lower than Rs. 4,112.24 Cr in the previous year. On standalone basis, the Company's turnover decreased to Rs. 3246.54 Cr in the current Financial Year against Rs.3431.79 Cr in the previous year, down by 5.4%.

The EBIDTA achieved by the Company on consolidated basis was Rs. 509.33 Cr, being 13.12% of the reported turnover, and on standalone basis at Rs. 462.64 Cr, being 14.3%, for the reported turnover against Rs. 373.48 Cr and Rs. 325.34 Cr respectively in previous year.

The export sales dropped to Rs. 325 Cr, with share being 10% of net turnover on standalone basis against 10.4% in previous year, while share of domestic sales in the current year was 90% against 89.6% 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 2016-17, Indian Rupee appreciated by about 2.1% to close the year at 64.85. The main reasons for this appreciation included general US Dollar weakness and victory of the ruling party BJP in various state elections in India. After the announcement of state election results, FII's have poured in $3.4 billion into Indian financial markets, compared to an outflow of similar magnitude in the first ten months of FY'17. RBI also shifted its monetary policy stance from `accommodative' to `neutral', consequently the rise in bond yields has also led to an influx of foreign capital into the Indian debt market. Since large part of appreciation happened towards the end of the year, on the basis of average exchange rate, the depreciation was 2.5% during the year in FY'17 as against 7.1% in the FY'16. The hedging cost during FY'17 went below 5% per annum.

The Company has followed the practice of keeping its trade exposures hedged through forward contracts, after using natural hedge available through its export business.

The changes in the value of long term capex loans due to forex fluctuation have continued to be accounted for in the fixed assets, as in the previous financial years, in accordance with the notification issued by Ministry of Corporate Affairs. By exercising this option the Company capitalized effect of exchange rate fluctuations on foreign currency loans, amounting to Rs.4.38 Cr, 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/receipt of trade exposure and revaluation of trade exposures and MTM of outstanding forward contracts etc., the Company has incurred cost of Rs.24.71 Cr.

Finance Cost

The average cost of debt as on 31st March, 2017 was at 10.95%. The net interest charge [excluding other borrowing costs] of the Company increased from Rs.498.54 Cr to Rs. 522.80 Cr during the Financial Year mainly on account of reduction in proportion of FCY debt, which carries lower cost, from 17.8% to 8.7%.

Capital Expenditure

The Company, on a standalone basis, has incurred Rs. 60.45 Cr on projects and normal capital expenditure excluding effect of depreciation and valuation of FCY loans.

Debt Mobilization, Payments & Management

During FY'17, the Company on standalone basis, has raised long term rupee debt of Rs. 477 Cr. The Company has further sanctions of Rs.480 Cr of long term loans for funding development of new coal mine, normal capex and other requirements.The Company has repaid long term loans of Rs. 408.78 Cr and prepaid Rs.16 Cr of long term capex L/Cs and long term loans.

Overall, there is decrease in debt by Rs. 0.74 Cr. on standalone basis and Rs. 50.40 Cr on consolidated basis.

The Company had a net debt of Rs. 3,717.93 Cr (including working capital loans, current maturities of long term debt and net of cash & bank balance of Rs. 4.64 Cr) as on 31st March, 2017, with about 8.7% of it in foreign currency. The Company's Net Debt Equity ratio was 8.16 as on 31st March, 2017. On consolidated basis, the net debt level and Debt Equity Ratio were Rs. 3,943.44 Cr and 4.17 respectively at year end.

Ratings

The Company enjoys rating of "CARE A3" for short term bank facilities and other short term funds by CARE Ratings Limited (formerly known as Care Analysis & Research Limited [CARE]). India Ratings & Research Private Limited (formerly known as Fitch Ratings India Private Limited) has given rating of "IND BBB-" with negative outlook for long term bank loans and facilities.

Relationships

The Company continued to enjoy excellent relationship with all its lenders. During the year under review it has made all payments of loans and interest to banks and financial institutions.

Investor Services

The Company has an investors' complaint redressal system in place and all complaints are being attended to by the Company either directly or through it's registrars and transfer agents.

The Company has appealed to all shareholders and depositors who could not encash warrants/cheques for dividends, interest and fixed deposits for making claims with the Company before the same become due for deposit with the Government.

During the year, the Company deposited Rs.0.12 Cr with the Investors Education & Protection Fund constituted by the Central Government, being matured dues remaining unpaid for a period of 7 years.

The equity shares continue to remain listed at Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd. and GDRs at Societe de la Bourse de Luxembourg.

Internal Control System and Risk Management

The Company has an in-house audit team and also avails services of external firms of consultants and chartered accountants to help the Company to further strengthen the internal audit and risk management functions.

Human Resources

The Company continues to leverage the potential of Human Resources through Job rotation, Job enrichment and developing the competencies through various HR development programmes.

The Company identifies high potential and high performing individuals and focuses on their career development programmes for future succession planning.

The Company creates future talent pool by recruiting fresh graduate/diploma engineers and ensures proper training and mentoring for developing them into future leaders.

The Company's training institute (Usha Martin Training Institute, Jamshedpur) provides in-house training to freshers and functional personnel, on-the-job training, leadership training sessions, soft-skill grooming sessions and flexible job rotation enhances employee skills. Regular seminars and workshops are conducted on a pan-India basis.

The Human Resource Department in close coordination with Company's CSR arm, KGVK is working in the surrounding villages of its plants for sustainable development through Total Village Management in areas of livelihood, capacity building, new techniques in agriculture, health, natural resource management and education.

Appreciation

The Company has been getting all necessary support and cooperation from all sections of customers, suppliers, service providers, investors, authorities, lenders and all employees of the Company to whom the Company expresses its sense of appreciation.

Cautionary Statement

Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas market in which the Company operates, changes in the government regulations, tax law and other statutes and incidental factors.'