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Business Profile 9M FY’12

Global Turnover
Rs 3,542 Crs
(USD 746 Mn)

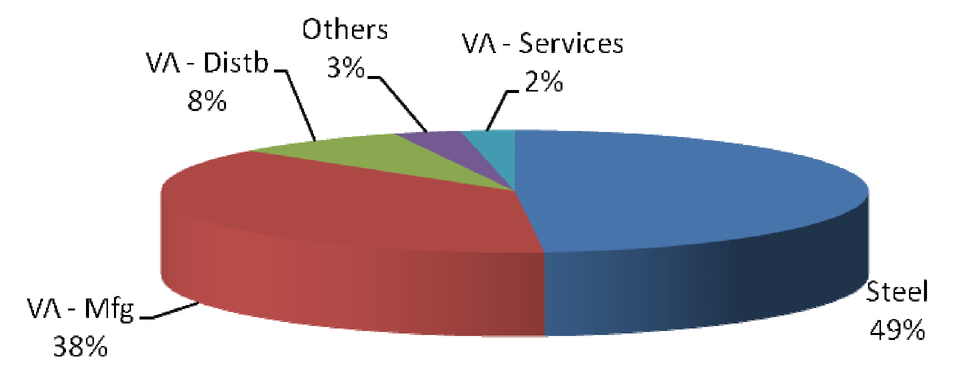
Value Added Products	Steel	Others
Rs 1,731 Crs	Rs 1,724 Crs	Rs 88 Crs
(USD 365 Mn)	(USD 363 Mn)	(USD 18 Mn)

Value Added Products:

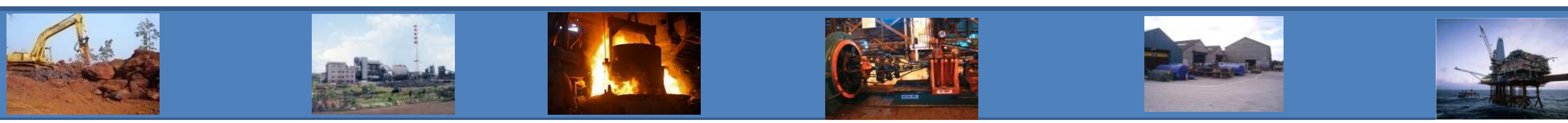
Manufacturing
Rs 1,340 Crs
(USD 283 Mn)

Distribution
Rs 282 Crs
(USD 59 Mn)

Services
Rs 109 Crs
(USD 23 Mn)



Net Turnover	
Stand Alone Rs 2,009 Crs (USD 423 Mn)	Consolidated Rs 2,409 Crs (USD 507 Mn)



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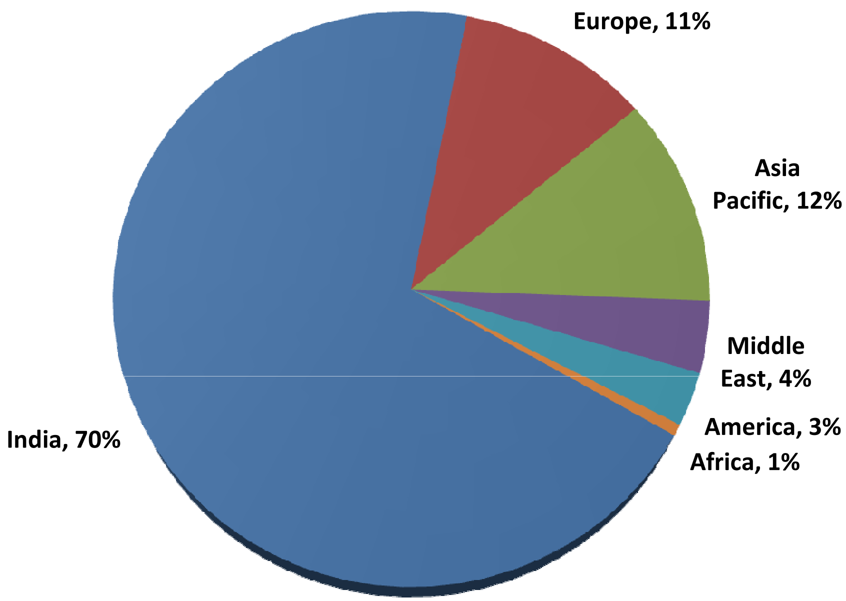
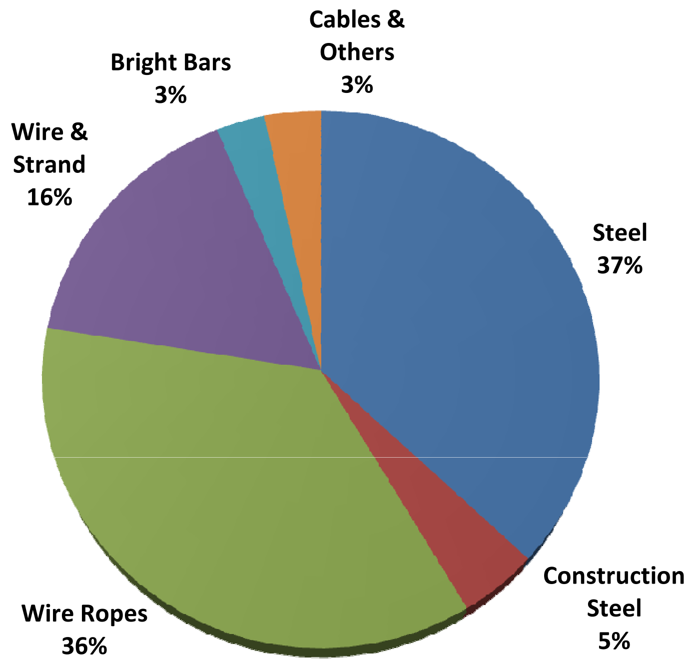
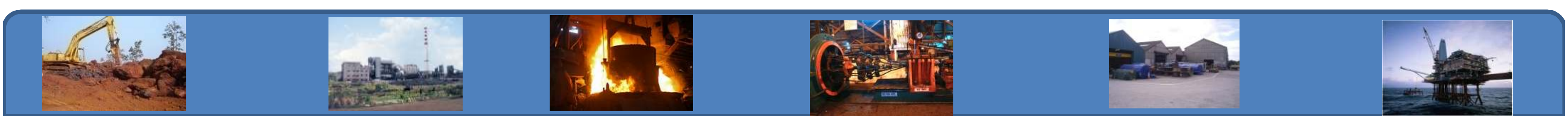
Revenue Distribution



By Geographies



By Product



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Architecture of Integrated Business

Mineral Resource

- Iron Ore Mine Est. Reserve 80 MnT Crushing & Screening
- Coal Block – "A- C" grade Est. Reserve 40 MT
- Washing Plant
- Beneficiation Plant

Power Module

- 18.3 MW WHRB
- 55 MW Thermal JSR
- 56 MW WHRB
- 9 MW Thermal
- 20 MW Thermal - Ranchi
- Total - 158.3 MW

Iron Making Module

- Blast Furnace 600 KT
- DRI 300 KT
- 200 KT
- Sinter Plant 800 KT
- O_2 & Lime Kiln Plant
- Coke Oven 400 KT
- Pellet Plant 1200 KT

Distribution Marketing & Service Module

Singapore	Netherland
Bangkok	South Africa
Indonesia	Glasgow (UK)
Vietnam	Houston/ (USA)
Australia	California (USA)
Dubai	Canada
	Aberdeen (UK)
	Norway

Value Addition Module

- Bright Bar 26 KT
- Cord 4 KT
- 10 KT
- OT Wire 6 KT

Ranchi	174 KT
Hoshiarpur	48 KT
Jamshedpur	30 KT
Bangkok	44 KT
UK	10 KT
Dubai	16 KT

VA Products – 50 KT

Steel Making Module

- SMS I & II EAF 35 T & 40 T LF & VD 150 x 150 & 110x110 Caster
- SMS III EAF 70 T LF & VD 360 X 300 Bloom Caster
- 1,000 KT Billets
- Wire Rod Mill 400 KT
- Blooming & Section Mill 275 KT
- Section Bar Mill 50 KT
- TMT Bars 72 KT

Under Implementation

Consolidated Key Financials

Rs in Crs

Particulars		05-06(A)	06-07(A)	07-08(A)	08-09 (A)	09-10 (A)	10-11 (A)	Trail 12M
Gross Turnover		1,969	2,148	2,528	3,147	2,630	3,268	3,515
Net Turnover		1,802	1,965	2,309	2,950	2,514	3,047	3,273
PBDIT		313	368	445	531	495	587	534
PBT		126	183	247	281	240	204	74
PAT		84	137	175	185	169	137	55
Cash Profit		207	243	278	271	347	383	276
ROCE	(%)	14.1%	16.9%	20.1%	24.1%	18.2%	13.7%	8.5%
RONW	(%)	20.3%	22.3%	21.6%	19.2%	13.7%	8.1%	3.1%
EPS (FV Rs 1/-)	(Rs)	4.2	6.1	7.0	7.4	6.5	4.5	1.8
Net Debt Equity Ratio	(x)	1.32	1.18	1.20	1.90	0.99	1.12	1.41
Net Debt / EBIDTA Ratio	(x)	2.5	2.5	2.6	4.1	3.4	3.4	4.8
Interest Cover	(x)	3.4	4.0	4.4	3.7	3.9	3.2	2.3

Note : Trail 12M figures are without exceptional item






Project Implementation

DRI IV

30 MW CPP with DRI

Major Projects	Expected Commissioning by
SMS Modification	March ' 12
DRI – 4	March ' 12
DRI – 5	Q1 FY ' 13
30 MW CPP (With DRI)	Q1 FY' 13
Coke Oven With Power Plant	Q4 FY' 13
Pellet Plant	Q4 FY' 13

SMS Modification

Coke Oven






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Performance Update

9M & Q3 FY'12






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Production Volume Growth Consolidated

Billets

Rolled Products

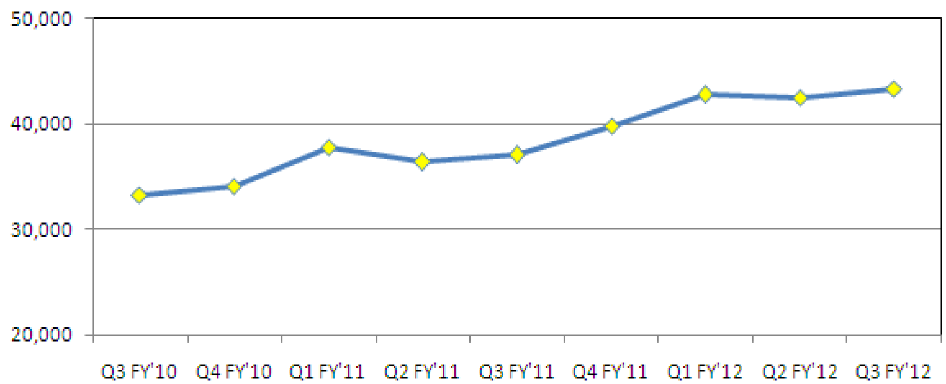
Bright Bars

Wires & Strands

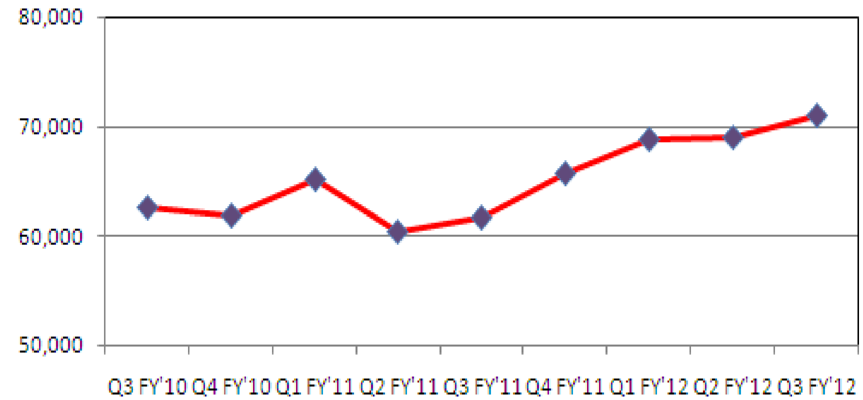
Wire Ropes

	Billets	Rolled Products	Bright Bars	Wires & Strands	Wire Ropes
Volume (Quarter)	140,266 MT	131,009 MT	3,385 MT	30,980 MT	21,697 MT
Q o Q	↑ 24 %	↑ 9 %	↓ 29 %	↓ 13 %	↓ 9 %
Q o PQ	↑ 13 %	↑ 9 %	↓ 8 %	↓ 3 %	↓ 21 %
Volume (9M)	379,585 MT	361,375 MT	11,825 MT	93,437 MT	73,995 MT
9M o 9M	↑ 5 %	↑ 1 %	↓ 19 %	↓ 11 %	↑ 4 %

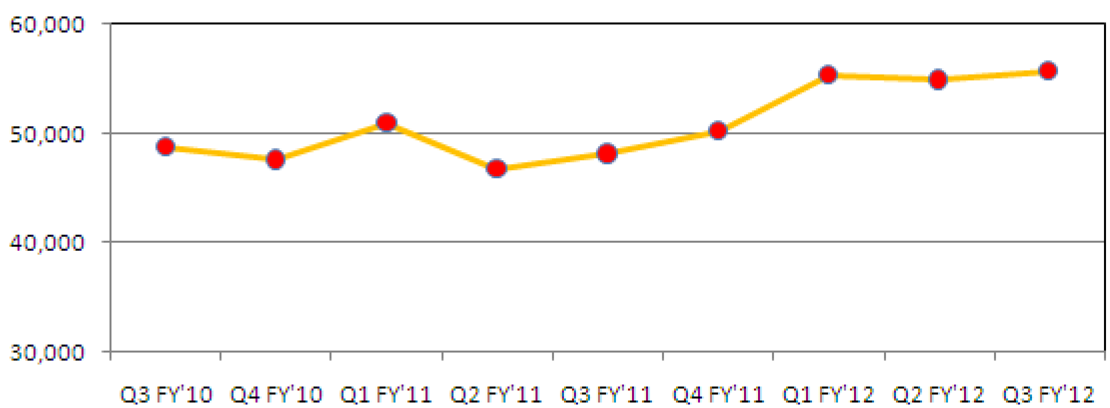
Sales Realisation Trend
Rs per MT (SA)



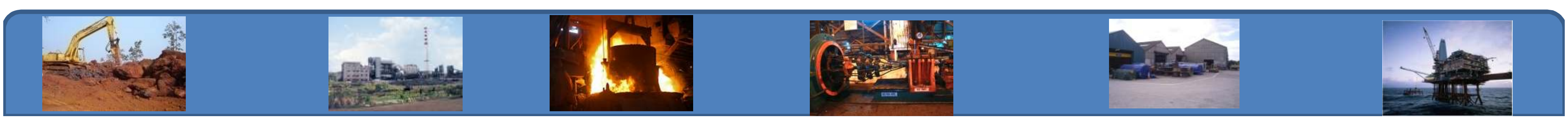
Wire Rods & Bar



Value Added Products



Integrated Business



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Consolidated Summary of Results

During Q3’ 12 UML has exercised option of capitalisation under AS – 11. Accordingly there has been a reversal of part of Exceptional items shown in Q2’12.

Considering such capitalisation having taken place in Q2’ 12, the summary of Stand Alone & Consolidated Results would be as under.

Stand Alone

Rs in Crs

Particulars	9M’ 12	Q2’ 12	Q3’12
Net Sales	2008.7	686.3	714.0
EBITDA	298.6	110.4	71.5
Forex Gain	9.9	12.9	0.9
Depreciation	150.3	48.0	53.4
Interest	177.5	58.2	66.8
PBT	(19.3)	17.1	(47.7)
Exceptional ★	(29.0)	(25.2)	(3.9)
Net PBT	(48.3)	(8.1)	(51.6)
Reported PBT	(48.3)	(103.3)	43.6

★ Representing un materialised FCY Losses

Consolidated

Rs in Crs

Particulars	9M’ 12	Q2’ 12	Q3’12
Net Sales	2409.3	828.4	817.5
EBITDA	360.0	133.8	75.9
Forex Gain	10.6	12.7	2.2
Depreciation	168.7	54.0	59.9
Interest	184.2	60.5	69.1
PBT	17.7	32.0	(50.9)
Exceptional ★	(29.8)	(24.7)	(5.1)
Net PBT	(12.1)	7.3	(56.0)
Reported PBT	(12.1)	(87.9)	39.2

★ Representing un materialised FCY Losses






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Factors affecting Profitability

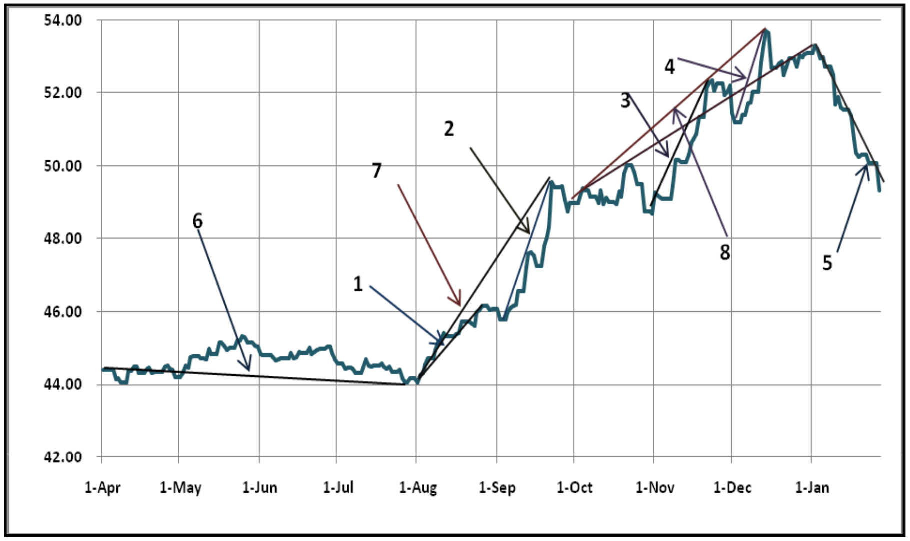
- Higher cost of coke, non availability of linkage coal forcing the Company to buy coal from market at higher rates along with increase in other input costs were the principal reasons affecting profitability of the Company.
- Slow down in key market segments and higher competition in steel business also kept margins under pressure and checked passing on of cost increase.
- Usha Siam, Thailand, a key subsidiary, was non functional due to floods since mid October'11, causing lower quarterly turnover and profitability in international business.
- Fixed expenses including interest and depreciation of Usha Siam charged during Q3, though insurance policy covers business interruption losses as well as damages to fixed assets and inventories.
- Hardening of interest rates resulted in higher interest charge.
- Depreciation charge was also higher.






Forex Environment

- While movements in \$/INR was stable from April ’11 to July ’11, it was too sharp and sudden in August ’11 onwards.



No	Period		Duration (working days)	Rate movement		Dep/App during the period		Average movement per day	Annualized (240 days)
	From	To		Rs. / US\$	Rs. / US\$	in paisa	%	in paisa	%
1	1-Aug-11	28-Aug-11	19	44.07	46.15	(208)	(4.72)	11	(60)
2	1-Sep-11	26-Sep-11	17	46.07	49.45	(338)	(7.34)	20	(104)
3	1-Nov-11	23-Nov-11	15	49.27	52.36	(309)	(6.27)	21	(100)
4	1-Dec-11	15-Dec-11	10	51.46	53.64	(218)	(4.24)	22	(102)
5	1-Jan-12	27-Jan-12	19	53.1	49.32	378	7.12	20	90
6	1-Apr-11	31-Jul-11	80	44.41	44.18	23	0.52	0	2
7	1-Aug-11	30-Sep-11	40	44.07	48.90	(483)	(10.96)	(12)	(66)
8	1-Oct-11	31-Dec-11	59	48.9	53.10	(420)	(8.59)	(7)	(35)

- ive figure denotes depreciation in Rupee

- Between April ’11 to July ’11INR/ USD movement was in a range of 44.41 to 44.18 and net difference was 23 paisa.
- Though domestic factors were to suggest INR depreciation, which could have been gradual, the sudden and sharp movement were more for external factors.
- High concentration of volatility and application of AS 11, even on loans for projects under implementation, distorted normalcy of operational performance and exaggerated impact during reporting periods.
- Accounting standards required to recognize effects of valuation based on closing rates.
- Earnings from ECB funds parked with banks could not be taken to P&L A/c whereas cover cost on such loans has to be charged to P&L A/c.
- Huge upfront payment of option premium resulting in shortfall in project funds and repayment being after 4/5 years also were consideration for keeping the ECB of \$ 125 mn open.



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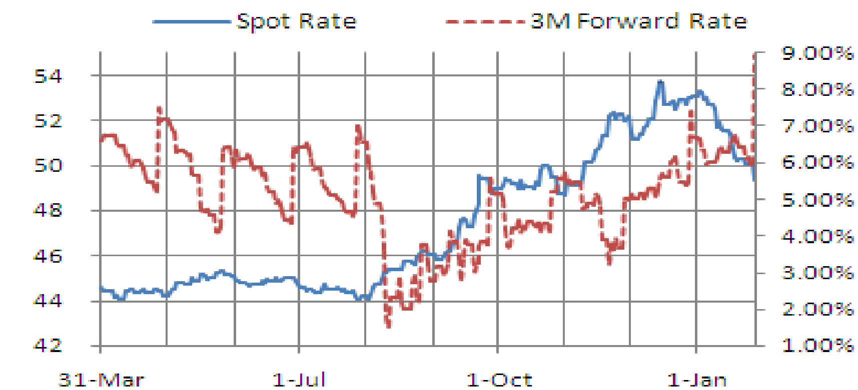
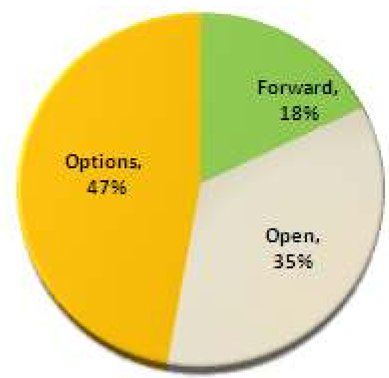
FCY Exposure

USD/INR witnessed sharp downward movements in FY'12, August 11 onwards. Forward rates also remained high.

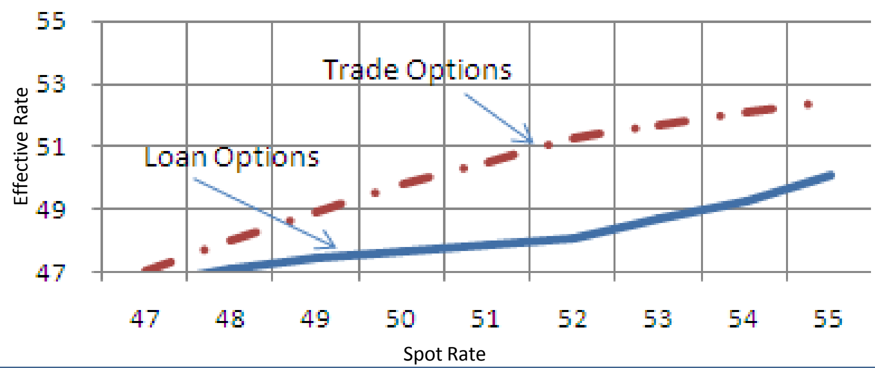


UML followed selective hedging largely through forwards, call spread options and plain vanilla options.

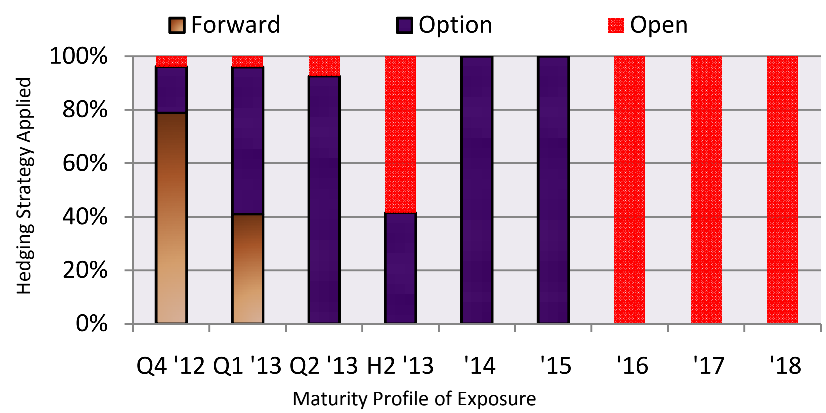


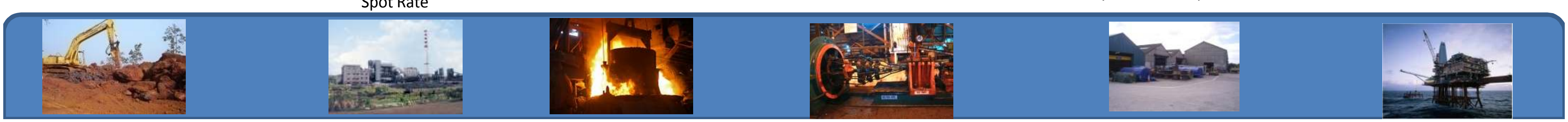
Effective rate of options for exposures were as under as on 31st December 2011 (spot of Rs. 53.10/USD)

- **Trade Options: Rs. 51.70/USD**
- **Loan Options: Rs. 48.68/USD**



While near term payable exposures were covered through forwards and medium term through options, loans payables after 3 years are open.



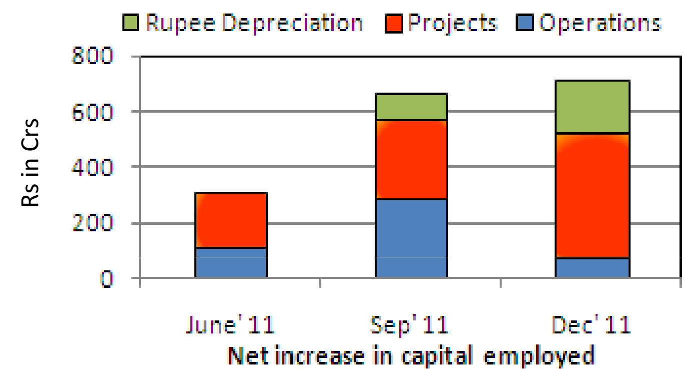


FCY losses as Exceptional Items

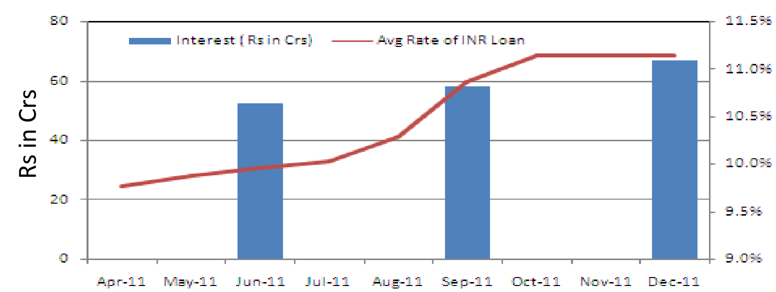
- **With a view to reflect operational performance without distortions, un-materialised Foreign currency losses arising due to volatile fluctuations are shown as Exceptional items.**
- **Exceptional items represent FCY losses on following exposures -**
  - ❑ **Exposures covered through options whereby gains of favourable movements will be available**
  - ❑ **Open exposures as these being with reasonable extended maturities.**
- **Following are not treated as exceptional**
  - ❑ **Losses already materialised or crystallised through forwards.**
  - ❑ **Forwards / Options premium**
- **As per Modified AS 11 –**
  - ❑ **Losses on restatement of project loans (Rs 95 Crs Q2 & Rs 92 Crs Q3) were capitalised and to be ammortised over life of assets.**
  - ❑ **Losses on other loans (Rs 7 Crs) were kept in FCMITDA, out of which remaining balance (Rs 3 Crs) to be ammortised over balance life of instruments.**

Debt & Interest

- **Net Debt including working capital loans and capex LCs as on 31st December, 2011 was**
  - **Stand Alone – Rs 2,507 Crs**
  - **Consolidated – Rs 2,565 Crs**
- **Increase in debt on account of projects and INR Depreciation**



- **Interest cost had significant impact on profitability, for reasons including hardening of interest rates on INR loans in FY' 12**








Thanks

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