
Fitch affirms A+(ind) rating to Usha Martin

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My Iris reported that credit rating agency, Fitch ratings affirmed India's Usha Martin National long term rating at A+(ind) with a Stable Outlook.

Fitch has simultaneously affirmed UML's bank loans, with enhanced limits, as follows:

Long term loans aggregating INR 14,215 million: A+(ind); Sanctioned long term non fund based limits aggregating INR 12,500 million: A+(ind); and cash credit limits aggregating INR 4,750 million: A+(ind).

The affirmations reflect UML's ability to maintain its operating margins during FY 2009 despite a challenging environment for steel products, reflecting the benefits of its integrated operations and value added product profile.

Fitch said that the impact of high cost inventory on its performance has been limited due to lower exposure to outside purchases and better inventory management. The overall capacity utilization for both its steel division and wire to wire rope divisions remained high during FY 2009, with value added products contributing 55% to its standalone revenues.

The impact of the global demand slowdown on its overseas subsidiaries was also limited, though a prolonged slowdown could potentially start impacting their profitability. The Indian operations are expected to continue to benefit from the thrust on infrastructure, though realizations could potentially remain under pressure.

Fitch added that the company's funding plans to meet its CAPEX of INR 21 billion have undergone a change with the inflow from preferential warrants being replaced by debt.

With the conversion price for its preferential warrants at a premium to the prevailing stock price, the sponsors decided not to exercise the option to convert to equity, consequently the funding gap was substituted by additional debt with the final mix envisaging INR 14 billion of debt, internal accruals of INR 4.65 billion and equity of INR 2.35 billion.

In addition, timely implementation of the CAPEX initiatives and the maintenance of financial leverage of 2x on a sustained basis will act as a positive trigger.

(Sourced from myiris.com)

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