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USHA MARTIN Limited: Unravelling the VERTICAL INTEGRATION STRATEGY[[1]](#endnote-1)

Professor Nitin Pangarkar wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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In May 2020, Usha Martin Limited (Usha Martin), a diversified engineering group based in India, was at a critical juncture in its history.[[2]](#endnote-2) In April 2019, the company had divested its steelmaking and related operations to reduce its debt load.[[3]](#endnote-3) Though the divestment meant a large decline in Usha Martin’s revenues for the financial year (FY) ended March 2020, the move helped the company to reverse the trend of losses incurred in several recent quarters and years to earn positive profits (see Exhibits 1 and 2). However, attaining future growth remained a challenge for the small, focused company, especially given the weak economic performance of the Indian and global economies as a consequence of the COVID-19 pandemic. Many developing countries, including India and Brazil, which formed key markets for Usha Martin’s wire and wire rope (WWR) business, were going through particularly difficult economic conditions as a result of the pandemic.[[4]](#endnote-4) As the world economy slowly limped back to post-lockdown normalcy in several countries, the near-term outlook for the scaled-down engineering group remained uncertain. With demand for its industry’s products negatively affected around the world because of a slowdown in end-use sectors such as construction and oil exploration,[[5]](#endnote-5) Usha Martin’s management would have to be strategically creative in growing the company. International growth would be especially critical for the company because it already enjoyed a large market share in India, making any further gains in market share difficult.

HISTORY

In 1961, two brothers, Basant and Brij Jhawar, partnered with the Scottish company Martin Black to form Usha Martin, with Martin Black providing critical resources including capital and technology to the joint venture. Usha Martin aimed to make WWR products in its plant in Ranchi, a city in an economically underdeveloped state in India that was rich in natural resources such as coal and iron ore. Wire ropes were used in numerous different sectors and products, including elevators, cranes, mining, construction, and fishing and oil exploration (rigs). Because of the anemic performance of the Indian economy in the 1960s, domestic demand for wire ropes was weak, but that did not stop Usha Martin from earning its maiden profit in the Ranchi plant’s first full year of operations. Environmental uncertainty was magnified over the next few years due to wars between India and China (1962), and India and Pakistan (1965), but the Jhawars and Usha Martin overcame the challenges brought about by wars and economic uncertainty by enhancing core operations and pursuing diversification and internationalization.[[6]](#endnote-6)

STRATEGY

Since its inception, Usha Martin had continuously enhanced its strategy in its core operations in two key areas: (a) reducing costs without compromising the quality of its products, specifically by deploying improvements and new systems such as automation; and (b) undertaking a variety of corporate social responsibility (CSR) initiatives, including the promotion of natural resource management, renewable energy, and women’s empowerment in the nearby villages, and even by opening schools. Its job creation in an economically underdeveloped area combined with its CSR activities earned Usha Martin co-operation from the local government as well as villagers, and helped in the timely and cost-effective implementation of projects such as capacity expansions of the plant.[[7]](#endnote-7)

Building and maintaining close relationships with governments was another pillar of the company’s strategy since inception. For instance, during the Indo-Pakistani war in 1965, the company went to great lengths to supply the special requirements of the Indian defence sector. In 1971, when India and Pakistan waged another war, the Indian government approached Usha Martin for the special ropes needed for its aircraft carrier *INS Vikrant*.[[8]](#endnote-8) Usha Martin completed this task in record time, earning praise and goodwill from the government and opening the path to future government contracts. In 1976, the company was given the contract for manufacturing cables for supporting another prestigious project, the Second Hooghly Bridge in Kolkata, one of India’s most populous cities.[[9]](#endnote-9) More recently, Usha Martin supplied cables for the Statue of Unity, (the world’s tallest statue) located in western India. As a result of close relations with the state and central governments in India, the company received a lease from the state government of Jharkhand (the state in which Usha Martin’s plants were located) to mine iron ore deposits.[[10]](#endnote-10)

The emerging nature of the Indian economy challenged Usha Martin in terms of securing the right quality of raw materials as well as reliable services such as electrical power. Though the company had pursued vertical integration since its early days, it intensified its pursuit after FY 2004–05, when it faced bottlenecks in production due to supply shortages and also experienced fluctuating profits because of volatility in the prices of steel. The company ramped up capacity in steelmaking and accelerated its plans for operating a coal mine. Interestingly, all of the key activities such as wire making, steelmaking, coal mining, and power plant operation were located within 100 kilometres of each other.[[11]](#endnote-11) By 2011, the company had scaled up its steelmaking capacity significantly and was supplying as much as two-thirds of its steel output to external customers in automobile and engineering industries.[[12]](#endnote-12) Lured by the profit potential in end uses of wire ropes, Usha Martin also utilized every opportunity to integrate forward into value-added products of steel wire and ropes, including accessories and telecom cables (e.g., jelly-filled and fibre-optic cables) (see Exhibit 3).[[13]](#endnote-13) In 2019, UM Cables Limited, a subsidiary of Usha Martin, achieved revenues of ₹1.031 billion[[14]](#endnote-14) and incurred a loss of ₹333 million due to intense competition, high input costs, and increased finance costs. The business had made small profits for the two prior years.[[15]](#endnote-15)

In addition to vertical integration, the company also developed and grew along two other directions. First, it established international operations, sometimes through joint ventures. Many of the international operations were for distributing products; a few had project-execution capability (e.g., engineering contracts); and only three (in Dubai, Thailand, and the United Kingdom) had their own manufacturing facilities.[[16]](#endnote-16) By 2020, the company’s reach spanned all of the key geographic regions, including Southeast Asia, the Middle East, Africa, Australia, Europe, and the Americas (see Exhibit 4).

Diversification formed the second key thrust of Usha Martin’s growth strategy. The company diversified into many areas unrelated to its core business. At various points in time, the company was involved in telecommunication (telecom) and outsourcing services, realty and construction, and the education sector. For some of these initiatives, such as the telecom services, the company was able to make an early and profitable exit. A few other initiatives (e.g., education and information technology) enjoyed some success at specific points in time and were part of the overall portfolio (as related companies), even in 2020. However, implementing a growth strategy along three different directions likely stretched the company’s managerial and financial resources.[[17]](#endnote-17)

The company’s expansionary strategy, in terms of entering different products or geographies, was fuelled by the optimism of Usha Martin’s leadership, which consisted of the founders and their families. The company’s leaders took special pride in Usha Martin’s vertical integration strategy and often spoke about it in their public statements. For instance, in its annual report for 2016–17, the company made the following comment:

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.[[18]](#endnote-18)

The strategy, which was viewed favourably by investors as well as lenders such as banks, led to good results when the environment was conducive (e.g., when the broader economy was growing and/or supply was unreliable because of the emerging nature of the Indian economy). For its golden anniversary year (ended March 2011), Usha Martin’s (consolidated) profits after tax stood at an impressive ₹1.4 billion (versus ₹32.3 million for FY 2003–04), a compounded annual growth rate of 30.39 per cent.[[19]](#endnote-19) However, this would prove to be the calm before the storm.

The flip side of the vertical integration strategy

Although the vertical integration strategy provided the company with predictability of supply volumes and prices, the strategy also exposed Usha Martin to a number of challenges and risks. One such risk was related to environmental concerns. Steel (especially older-generation steel plants) and coal (all aspects related to the mining and burning of coal in uses such as power plant operation) were considered environmentally unfriendly and were subject to regulation as well as environmental activism and negative publicity in the case of adverse events such as industrial accidents. Usha Martin’s end-to-end vertical integration strategy meant that it was involved in steel, mining, and power plant operations; thus, multiplying the possibility that it would run afoul of environmental regulations or activism.[[20]](#endnote-20)

High capital intensity posed another risk. The steel business, in which Usha Martin had rapidly expanded capacity between 2006–07 and 2010–11, was particularly capital intensive.[[21]](#endnote-21) The risk in investing large amounts of capital in steelmaking was magnified because of two factors: the cyclical nature of the demand for steel and the numerous external factors affecting the performance of the industry, over which the steelmakers had little control.

Demand for steel was sensitive to the performance of the Indian economy (e.g., expansion or contraction), in general, and demand for discretionary and durable goods such as cars and home appliances, in particular. The supply of steel was affected by the demand–supply balance globally as well as the trade policies of the Indian and foreign governments. For instance, domestic producers of steel could suffer from lower steel prices due to excess supply in other countries and/or fewer trade barriers for steel imports into India, which could imply a flood of cheap steel imports into India.[[22]](#endnote-22)

A third source of risk was political risk, especially with regard to acquiring licences for mining natural resources such as iron ore and coal. The acquisition process was often politicized in India, with frequent allegations of corruption or favouritism following the conclusion of any awarding of contracts.[[23]](#endnote-23)

For Usha Martin, many of the risks in the vertical integration strategy came to pass after 2010. In 2011, an environmental activist website, Down to Earth, accused Usha Martin of a poor occupational safety record and of causing severe pollution that had impacted the lives of the villagers residing near the mill in a multitude of ways, including by causing multiple health problems (e.g., respiratory problems among adults and children). The website accused Usha Martin of discharging untreated waste water into a nearby water source and of dumping solid waste near railway tracks, affecting many people’s lives and making the agricultural land unproductive.[[24]](#endnote-24) While Usha Martin acknowledged the problem of pollution (especially solid waste), it argued that it was in the process of upgrading the emission control equipment in its 25-year-old plant, which would reduce pollution by 2012. It also suggested that, with a slated increase in its steelmaking capacity to one million tons, it would reuse some of the solid waste and also dispose of the remaining waste in an environmentally friendly manner.[[25]](#endnote-25)

Political risks became a big issue for Usha Martin in September 2014. Because of alleged corruption during the licence-awarding process, the Supreme Court of India ordered the deallocation of one of Usha Martin’s key coal mines, (the Kathautia coal mine) which was considered a good mine in terms of the quality and quantity of coal. The company also lost another mine, (the Lohari coal mine) which was less consequential because it was non-operating. To further aggravate the situation for Usha Martin, the court directed the company to pay fines of ₹837.3 million as compensation for underpayment for the coal it had extracted from the Kathautia mine over the years.[[26]](#endnote-26)

The Fluctuating performance of the steel business, and the divestment decision

Between FYs 2006–07 and 2010–11, Usha Martin invested heavily in boosting capacity for steelmaking. For instance, while the value of its net fixed (i.e., depreciated) assets grew by 22.14 per cent between March 2003 and March 2007 (from ₹8.981 billion in March 2003 to ₹10.970 billion in 2007), this value grew by almost another 170 per cent by March 2010 to ₹28,575.3 million and to ₹31,299.9 million by 2011. Many of these fixed investments had been financed through borrowings, and the company’s debt level went up correspondingly.[[27]](#endnote-27)

Despite the massive investments in steelmaking, Usha Martin was a small player in India’s steel industry and even smaller on a global scale. In 2011, the global steelmaking capacity amounted to 1,527 million tons, with India accounting for 72.2 million tons.[[28]](#endnote-28) Usha Martin’s capacity was 1 million tons,[[29]](#endnote-29) just over 1 per cent of the capacity of ArcelorMittal SA, the world’s largest global producer, which had a capacity of 98.2 million tons. Tata Steel Limited (Tata Steel), India’s largest producer, had a capacity of 23.2 million tons, and Vizag Steel, also based in India, was the 46th-largest steel producer in the world and had a capacity of 3.2 million tons.[[30]](#endnote-30)

Over the next few years, the steel business would prove to be volatile due to a variety of factors, including downward pressure on prices from excess capacity both globally and in China (especially between 2014 and 2017) and the fluctuating performance of the Indian economy, in general, and the appliances and automobile industries, in particular.[[31]](#endnote-31) Usha Martin’s extensive usage of debt to finance expansion of steelmaking capacity also magnified the impact of demand and capacity utilization fluctuations on the company’s profits (see Exhibit 1).

The interest burden that resulted from the company’s high debt level caused Usha Martin to make negative net profits for each quarter between FYs 2013–14 and 2016–17. In FY 2017–18, there was a slight improvement in performance, driven by an improvement in Usha Martin’s steel business, which achieved higher revenues (a 16.57 per cent increase), and a marginally higher contribution to the overall sales of the company (63.35 per cent of revenue against 62.48 per cent).[[32]](#endnote-32) The improved performance, in turn, could be attributed to the global rise in steel prices resulting from China’s decision to reduce its steel capacity.[[33]](#endnote-33) The boost of firmer prices was sufficient to overcome the adverse effects of the loss of coal mines and the high prices of raw materials such as coking coal and ferro-alloys. The good results enabled the company to repay a small portion of its debt.[[34]](#endnote-34)

Pressured by numerous losses, Usha Martin attempted to deleverage its balance sheet through divestment of the WWR business. In January 2016, when the oil prices collapsed to US$30 per barrel from US$108 in 2014,[[35]](#endnote-35) the WWR business suffered, due to lack of demand from the oil and gas exploration sector. In its 2017–18 annual report, Usha Martin’s managing director, Rajeev Jhawar, noted the following:

The Company has also been working, albeit with moderate success, on the disposal of identified non-core assets as a short-term measure to meet its liquidity challenges. Our endeavour to address the debt burden of the Company by looking for a buyer for our Wire and Wire Ropes business has not met with success so far. We do realise that in the changed business environment, deleveraging the Company is imperative and we’ll continue to strive to achieve it in a manner which is in the best interest of all stakeholders.[[36]](#endnote-36)

After it failed to sell the WWR business, despite vigorous efforts over 18 months, the company’s top management considered the other possibility: divestment of its steel business. Though the company expected full recovery of its steel business over the coming years because of an anticipated uptrend in the Indian economy and automotive industry, the high debt load was causing extreme stress.[[37]](#endnote-37)

In June 2018, the board pressed the management for the sale of the steel division, which included a one-million-tons-per-annum specialty steel plant in Jamshedpur, a 135-megawatt captive power plant, a functioning iron ore mine, and a coal mine (in development). Clarifying the change in the strategy, a company representative said that initially the plan was to hive off wire rope, but the company realized later that valuation of the steel division could be better. Incidentally, the turnover of the steel business was ₹30 billion, while the WWR business had a turnover of ₹18 billion.[[38]](#endnote-38) A company source close to the development said, “Since, wire ropes is a global business and has historically been UML’s [Usha Martin’s] mainstay—the company started off in the 1960s as a wire ropes maker—the board felt it would be appropriate to retain it for the time being and instead scout for buyers for the steel unit.”[[39]](#endnote-39)

Usha Martin also expected that a global turnaround in the steel business cycle over the previous year would increase the valuation of its steel assets.[[40]](#endnote-40) However, selling the steel business would completely dismantle the end-to-end integration strategy, which could mean volatile input prices for Usha Martin’s WWR business. Despite this risk, the divestment strategy made sense to the company’s management.[[41]](#endnote-41)

Usha Martin’s board created a six-member committee to oversee the divestment process. Tenders were invited, and the process attracted interest from almost all of the major Indian steel manufacturers, including two of the biggest—Tata Steel and JSW Steel Ltd.. In September 2018, after evaluating all of the offers, Usha Martin’s board approved divestment of the fixed assets of its steel business to Tata Steel for approximately ₹46 billion. With the inclusion of nominal working capital of ₹6 billion, the sale was worth ₹52 billion. The Tata Steel–Usha Martin deal surprised many observers and analysts because it was a rare case of an Indian corporation opting for divestment to meet its loan obligations. After the deal approval, Rajeev said, “Ours is a unique case where lenders will get paid back without any haircut. . . . We had certain obligations to our lenders and we have kept our commitments despite the hardship.”[[42]](#endnote-42)

Further, Tata Steel would supply steel to Usha Martin at market price for five years, thus protecting Usha Martin’s WWR business from either potential shortages or high prices of raw material in the near future. Employees of Usha Martin’s steel business would also be transferred to Tata Steel. The transition for employees who had been transferred to Tata Steel was helped by the fact that the Tata Steel and Usha Martin plants were just 16 kilometres apart.[[43]](#endnote-43)

Post-divestment, the company was optimistic that the WWR business would get rejuvenated, as there would no longer be as much stress on the company’s cash flow, caused by the high debt burden.[[44]](#endnote-44) Having suffered from the ill effects of a heavy debt load, the company was looking to adopt a rather cautious approach, especially toward using debt to fund future expansion. In September 2019, Rajeev spoke about ambitious plans for the company. He said, “With the deleveraged balance sheet and healthy cash flows expected out of the business, we hope to grow both organically and inorganically over 3–5 years and rank among the top three players globally.” [[45]](#endnote-45) To this he added, “I would never like to grow on the strength of taking debt; it would be more on internal accruals and a very conservative financial commitment.”[[46]](#endnote-46)

The Road Ahead

With the divestment of the steel business, which had contributed the majority of the company’s revenues, the WWR business became the key driver of Usha Martin’s future growth (see Exhibit 4). Other than a few dips in performance over the years, the WWR business had generally performed well (see Exhibit 5). For instance, after hitting bottom in FY 2015–16 due to the oil price collapse, the WWR business was back on the recovery path by the end of 2016. In FY 2017–18, the WWR business showed significant growth over the previous year, with improvement in most end uses (with the exception of oil and offshore wire ropes), reflected in an impressive 41.95 per cent increase in earnings before interest, taxes, depreciation, and amortization. The WWR business continued to remain the undisputed leader in India, with 60 per cent market share. The sales volume also rose by 40 per cent, helped by a robust surge in demand.[[47]](#endnote-47)

However, the road ahead seemed challenging for several reasons. First, there was the short-term challenge posed by worldwide government-imposed lockdowns intended to help stop the spread of COVID-19, bringing industrial and commercial activity, including construction, to a halt. For an industrial product such as wire ropes, this could mean drastically reduced demand.[[48]](#endnote-48) Second, in the longer term, some of the end-user industries of the WWR division, such as mining and oil exploration, would face challenges posed by environmental concerns.[[49]](#endnote-49)

On the other hand, there was also a positive trend for some end-user industries. Increasing urbanization meant greater use of high-rise buildings for both office and residential use, which would lead to greater use of elevators, in turn boosting the demand for wire ropes. The construction sector, even in developing countries, was likely to use equipment such as cranes, which would give the demand a further boost. Though the COVID-19 pandemic had raised some short-term doubts about the trends of continued urbanization and high-rise office and residential buildings, the broader trend might remain intact as long as the pandemic did not last too long.

The smaller portfolio of businesses created several major challenges for Usha Martin. First, the company had to find new sources of growth in revenues, which was especially difficult considering the struggles of key end-user industries such as construction and oil exploration. Because of Usha Martin’s large domestic market share, gains in the domestic market were challenging as well. Second, fluctuations in demand for WWR products (especially negative), such as those that occurred after the oil price crash in 2015, would have large impacts on the sales and profits of the more focused Usha Martin, and the company had to find ways to achieve stability in revenues and profits—for instance, by growing its international operations. Finally, having reversed its end-to-end integration strategy, the company had to manage its exposure to fluctuating raw material prices. Regardless of the strategy through which the company chose to achieve profitable growth, Usha Martin would have to arrange resources and manage risks. Having suffered the negative effects of taking on a large amount of debt, the company would be careful to deploy debt, at least in the near future. In summary, Usha Martin’s management was faced with a number of key decisions that would have a bearing on its long-term future.

Exhibit 1: Usha Martin, STand-Alone results (₹ Millions)\*

|  | Year Ending | | | | |
| --- | --- | --- | --- | --- | --- |
|  | **March 2020** | **March 2019** | **March 2018** | **March 2017** | **March 2016** |
| **Revenue from Operations (Gross)** | **13,926.2** | **16,531.9** | **13,834.0** | **35,059.7** | **37,291.4** |
| Less: Excise and Service Taxes, and Other Levies | 0.00 | 0.00 | 31.02 | 359.39 | 383.01 |
| **Revenue from Operations (Net)** | **13,926,2** | **16,531.9** | **13,523.8** | **31,465.8** | **33,461.3** |
| **Total Operating Revenues** | **13,926.2** | **16,904.8** | **13,866.5** | **32,465.4** | **34,317.9** |
| Other Income | 298.9 | 472.0 | 751.5 | 1,167.6 | 343.6 |
| **Total Revenue** | **14,225.1** | **17,376.8** | **14,618.0** | **33,633.0** | **34,661.5** |
| **EXPENSES** |  |  |  |  |  |
| Cost of Materials Consumed | 7,409.0 | 11,552.9 | 8,806.8 | 14,277.7 | 13,804.4 |
| Operating and Direct Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Changes in Inventories of FG,WIP, and Stock-in-Trade | 761.2 | (674.3) | 325.0 | 25.2 | 1,878.1 |
| Employee Benefit Expenses | 1,275.1 | 1,138.7 | 1,044.6 | 2,320.1 | 2,301.1 |
| Finance Costs | 580.7 | 902.2 | 764.8 | 5,490.1 | 5,311.4 |
| Depreciation and Amortization Expenses | 277.7 | 281.0 | 289.6 | 2,685.8 | 2,731.1 |
| Other Expenses | 2,543.0 | 2,484.4 | 2,122.4 | 11,850.3 | 13,159.0 |
| **Total Expenses** | **13,078.0** | **15,736.8** | **13,404.6** | **37,182.5** | **39,450.6** |
| **Profit and Loss before Exceptional and Extraordinary Items and Tax** | **1,147.1** | **1,640.0** | **1,213.4** | **(3,549.5)** | **(4,789.1)** |
| Exceptional Items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Profit and Loss before Tax** | **1,147.1** | **1,640.0** | **1,213.4** | **(3,549.5)** | **(4,789.1)** |
| **Tax Expenses—Continued Operations** |  |  |  |  |  |
| Current Tax | 2,007.5 | 6.5 | 0.00 | 0.00 | 0.00 |
| Less: MAT Credit Entitlement | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Tax | 0.00 | (2376.0) | 0.00 | 0.00 | (594.2) |
| Tax for Earlier Years | 0.00 | 2.27 | 0.00 | 0.00 | 0.00 |
| **Total Tax Expenses** | **2,007.5** | **(2,346.8)** | **0.00** | **0.00** | **(594.2)** |
| **Profit and Loss after Tax and Before Extraordinary Items** | **(860.4)** | **3,986.8** | **1,213.4** | **(3,549.5)** | **(4,194.9)** |
| **Profit and Loss from Continuing Operations** | **3,954.0** | **3,986.8** | **1,213.4** | **(3,549.5)** | **(4,194.9)** |
| **Profit and Loss for the Period** | **3,954.0** | **590.0** | **(2,823.4)** | **(3,549.5)** | **(4,194.9)** |
| **Other Additional Information** |  |  |  |  |  |
| **Earnings per Share** |  |  |  |  |  |
| Basic EPS | 12.98 | 1.93 | (9.27) | (11.65) | (13.77) |
| Diluted EPS | 12.98 | 1.93 | (9.27) | (11.65) | (13.77) |

Notes: \*All figures (except per-share figures) are in ₹ millions; ₹ = INR = Indian rupee; The figures for 2018 and 2019 were restated to reflect the divestment of the steel business; The figures for 2017 and 2016 included the results for the steel business; FG = finished goods; WIP = work in progress; MAT = minimum alternate tax; EPS = earnings per share.

Source: “Usha Martin Ltd.,” Moneycontrol.com, accessed January 28, 2021, www.moneycontrol.com/financials/ushamartin/consolidated-profit-lossVI/um01#um01.

Exhibit 2: Usha Martin, Consolidated results

|  | **Year Ending** | | | | |
| --- | --- | --- | --- | --- | --- |
|  | **March 2020** | **March 2019** | **March 2018** | **March 2017** | **March 2016** |
| Revenue from Operations (Gross) | 21,538.2 | 24,246.7 | 20,589.1 | 41,489.8 | 44,144.6 |
| Less: Excise and Service Taxes, and Other Levies | 0.00 | 0.00 | 339.5 | 3731.6 | 3929.6 |
| Revenue from Operations (Net) | 21,538.2 | 24,246.7 | 20,249.6 | 37,758.2 | 40,215.0 |
| **Total Operating Revenues** | **21,538.2** | **24,695.2** | **20,657.2** | **38,819.4** | **41,122.4** |
| Other Income | 533.5 | 397.6 | 767.9 | 1199.1 | 325.1 |
| **Total Revenue** | **22,071.7** | **25,092.8** | **21,425.1** | **40,018.5** | **41,447.5** |
| **Expenses** |  |  |  |  |  |
| Cost of Materials Consumed | 11,495.6 | 15,904.7 | 12,827.8 | 17,376.3 | 17,251.5 |
| Operating and Direct Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Employee Benefit Expenses | 3,060.6 | 2,789.1 | 2,488.0 | 3,711.2 | 3,733.1 |
| Finance Costs | 7,41.8 | 1,135.3 | 924.8 | 5,642.4 | 5,466.3 |
| Depreciation and Amortization Expenses | 636.2 | 608.6 | 602.6 | 2,999.8 | 3,079.8 |
| Other Expenses | 3,912.4 | 3,819.7 | 3,198.8 | 12,874.6 | 14,417.4 |
| **Total Expenses** | **20,600.1** | **23,475.7** | **20,003.2** | **43,567.4** | **46,258.8** |
| **Profit and Loss before Exceptional and Extraordinary Items** | **1,471.6** | **1,617.1** | **142.19** | **(354.89)** | **(481.13)** |
| Exceptional Items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Profit and Loss before Tax** | **1,471.6** | **1,617.1** | **1,421.9** | **(3,548.9)** | **(4,811.3)** |
| **Tax Expenses—Continued Operations** |  |  |  |  |  |
| Current Tax | 2,097.3 | 76.7 | 51.8 | 78.1 | 75.0 |
| Less: MAT Credit Entitlement | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Tax | 0.00 | (2,374.0) | (0.7) | (25.1) | (622.2) |
| Other Direct Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total Tax Expenses** | **2,097.3** | **(2,274.6)** | **51.1** | **46.3** | **(547.2)** |
| **Profit and Loss after Tax and before Extraordinary Items** | **(625.7)** | **3,891.7** | **1,370.8** | **(3,595.2)** | **(4,264.1)** |
| **Profit and Loss from Continuing Operations** | **4,206.5** | **3,891.7** | **1,370.8** | **(3,595.2)** | **(4,264.1)** |
| **Profit and Loss for the Period** | **4,206.5** | **464.6** | **(2,687.9)** | **(3,595.2)** | **(4,264.1)** |
| Minority Interest | (22.4) | (13.2) | (32.8) | (13.5) | (13.7) |
| **Consolidated Profit after MI & Associates** | **4,188.4** | **479.8** | **(2,712.3)** | **(3,589.1)** | **(4,297.2)** |
| **Other Additional Information** |  |  |  |  |  |
| **EARNINGS PER SHARE** |  |  |  |  |  |
| Basic EPS | 14.00 | 2.00 | (9.00) | (12.00) | (14.00) |
| Diluted EPS | 14.00 | 2.00 | (9.00) | (12.00) | (14.00) |

Notes: \*All figures (except per-share figures) are in ₹ millions; ₹ = INR = Indian rupee; The figures for 2018 and 2019 were restated to reflect the divestment of the steel business; The figures for 2017 and 2016 included the results for the steel business; MAT = minimum alternate tax; EPS = earnings per share.

Source: “Usha Martin Ltd.,” Moneycontrol.com, accessed January 28, 2021, www.moneycontrol.com/financials/ushamartin/consolidated-profit-lossVI/um01#um01.

Exhibit 2 (Continued)

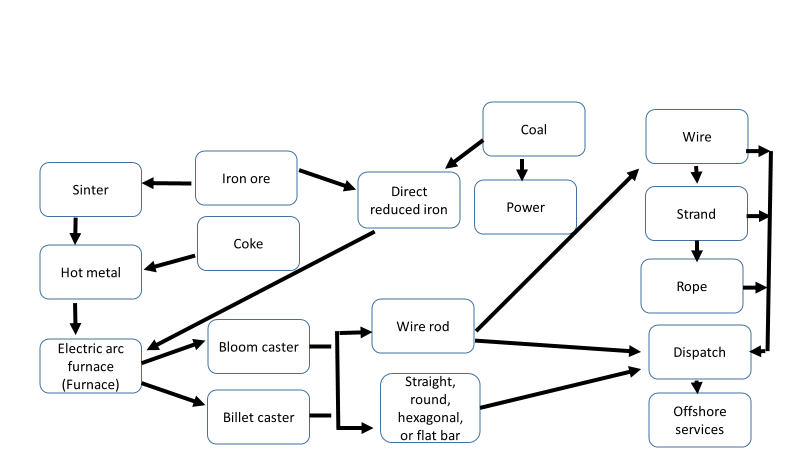
As at January 1 of the various years, the USD to INR exchange rate was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Exchange Rate (USD/INR)** | **Year** | **Exchange Rate (USD/INR)** |
| 2005 (March 28) | 43.70 | 2014 | 62.01 |
| 2008 | 39.28 | 2015 | 63.34 |
| 2009 | 48.25 | 2016 | 66.28 |
| 2010 | 46.52 | 2017 | 68.01 |
| 2011 | 44.83 | 2018 | 63.44 |
| 2012 | 52.89 | 2019 | 69.89 |
| 2013 | 54.65 | 2020 | 71.32 |

Note: Exchange rates are approximate and based on historical exchange rates for the date closest to January 1 of the year indicated.

Source: “U.S. Dollar to Indian Rupee Spot Exchange Rates for 2005 to 2021 from the Bank of England,” Pound Sterling Live, accessed January 28, 2021, www.poundsterlinglive.com/bank-of-england-spot/historical-spot-exchange-rates/usd/USD-to-INR.

**Exhibit 3**: **Usha Martin’s Vertically integrated model**

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Coal was a fossil fuel, and coke was a processed form of coal. Direct reduced iron (also called sponge iron) was a processed form of iron ore.

Source: Usha Martin Limited, *Annual Report 2009–10*, 10, accessed January 28, 2021, www.ushamartin.com/wp-content/uploads/2014/04/UMIL-AR-2009-101.pdf.

**Exhibit 4: List of Usha Martin’s subsidiaries and joint ventures**

Subsidiaries and shareholding as on March 31, 2019:

1. UM Cables Limited (100%)
2. Usha Martin Power & Resources Limited (100%)
3. Bharat Minex Private Limited (100%)
4. Gustav Wolf Speciality Cords Limited (100%)
5. Usha Martin International Limited (100%)
6. Usha Martin UK Limited\* (100%)
7. European Management and Marine Corporation Limited\* (100%)
8. Brunton Shaw UK Limited\* (100%)
9. De Ruiter Staalkabel BV\* (100%)
10. Usha Martin Europe BV\* (100%)
11. Usha Martin Italia SRL\* (100%)
12. Brunton Wolf Wire Ropes FZCo. (60%)
13. Usha Martin Americas Inc. (100%)
14. Usha Siam Steel Industries Public Company Limited (98%)
15. Usha Martin Singapore Pte. Ltd. (100%)
16. Usha Martin Australia Pty Ltd.\* (100%)
17. Usha Martin Vietnam Company Limited\* (100%)
18. PT Usha Martin Indonesia\* (100%)
19. Usha Martin China Company Limited\* (100%)

**Joint Ventures**

1. Pengg Usha Martin Wires Private Limited (40%)
2. CCL Usha Martin Stressing Systems Limited (50%)
3. Tesac Usha Wirerope Company Limited\*\* (50%)

Notes: \* Represents a step-down subsidiary; \*\* Represents a step-down jointly controlled entity.

Source: Usha Martin Limited, *Annual Report 2018–19*, 151, 2019, accessed January 28, 2021, www.ushamartin.com/report/annual-report-2018-19/.

EXhibit 5: pERFORMANCE OF USHA MARTIN’S WWR BUSINESS (₹ Millions)

|  | **Year Ended** | | | | |
| --- | --- | --- | --- | --- | --- |
| **March 2020** | **March 2019** | **March 2018** | **March 2017** | **March 2016** |
| WWR Revenues | 13,909.7 | 17,050.5 | 15,179.6 | 13,535.5 | 13,038.1 |
| Profits before Tax and Finance Costs | 1,995.9 | 2,511.5 | 2,093.8 | 1,410.7 | 1,457.2 |
| Assets | 10,485.6 | 10,745.2 | 10,622.4 | 10,674.4 | ….. |
| Liabilities | 3,191.8 | 2,687.8 | 3,068.1 | 3,113.0 | …… |
| Assets minus Liabilities |  |  |  |  | 7,701.9\* |

Note: For the year ended March 2016, the results announcement listed only the assets and net liabilities and did not list assets and liabilities of the WWR business separately; WWR = wire and wire rope.

Sources: Shampa Ghosh Ray (company secretary, Usha Martin Limited) to secretaries of the BSE Limited, the National Stock Exchange of India Ltd., and the Societe de la Bourse de Luxembourg, letter announcing results for the quarter and year ended March 31, 2020, with attachments, June 6, 2020, accessed January 28, 2021, www.ushamartin.com/wp-content/uploads/2020/06/SEIntimationBMOutcome06062020.pdf; Rajeev Jhawar (managing Director, Usha Martin Limited) to secretaries of the National Stock Exchange of India Ltd., the BSE Limited, and the Societe de la Bourse de Luxembourg, letter announcing audited financial results for the quarter and year ended March 31, 2019, with attachments, May 27, 2019, accessed January 28, 2021, www.ushamartin.com/wp-content/uploads/2019/05/UMLResultsQ4FY1819.pdf; Rajeev Jhawar (managing Director, Usha Martin Limited) to secretaries of the BSE Limited, the National Stock Exchange of India Ltd., and the Societe de la Bourse de Luxembourg, letter announcing audited financial results for the quarter and year ended March 31, 2018, with attachments, May 21, 2018, accessed January 28, 2021, www.ushamartin.com/wp-content/uploads/2018/05/FinancialResults.pdf; Rajeev Jhawar (managing Director, Usha Martin Limited) to secretaries of the National Stock Exchange of India Ltd., the Bombay Stock Exchange Limited, and the Societe de la Bourse de Luxembourg, letter announcing audited financial results for the quarter and year ended March 31, 2017, with attachments, May 31, 2017, accessed January 28, 2021, www.ushamartin.com/wp-content/uploads/2017/06/UML\_Results\_FY2016-17.pdf; Rajeev Jhawar (managing Director, Usha Martin Limited) to secretaries of the Bombay Stock Exchange Limited, the Societe de la Bourse de Luxembourg, and the National Stock Exchange of India Ltd., letter announcing audited financial results for the quarter and year ended March 31, 2016, with attachments, May 25, 2016, accessed on January 28, 2021, www.ushamartin.com/wp-content/uploads/2016/05/QuarterlyFinancialResults-31Mar16-.pdf; All announcements available at ushamartin,com.

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