

Rating Rationale

Brickwork Ratings up-grades Rating from BWR BB+ to ‘BWR BBB-’ for the Long term Bank credit facilities and BWR A4+ to ‘BWR A3’ for Short term credit facilities of Adhunik Industries Ltd for ₹ 148.18 Cr

Brickwork Ratings (BWR) has up-graded following **Rating**¹ for Bank Loan Facilities of Adhunik Industries Ltd. (‘AIL’ or ‘the Company’):

Facility	Tenure	Existing Facility (₹ Cr)	Previous Rating	Present Rating [^]
Term Loan	Long Term	21.18	BWR BB+ (BWR Double B Plus)	BWR BBB- (BWR Triple B Minus) (Outlook – Stable)
Cash Credit (Fund Based)		79.00	(Outlook: Negative)	
LC (Non – Fund Based)*	Short Term	37.00	BWR A4+ (BWR A Four Plus)	BWR A3 (BWR A Three)
Bank Guarantee (Non – Fund Based)		11.00		
Total		148.18	One Hundred & Forty Eight Crores and Eighteen Lacs only	

** There is 100% inter-changeability between LC & BG*

On February 02, 2015, BWR had downgraded the ratings for Adhunik Industries Ltd., on reviewing the performance of various Adhunik Group Companies. Since then, the Company has submitted details required by BWR to take a fresh view on the stand alone creditworthiness of AIL, notwithstanding the difficulties being currently faced by some of the Group companies, and their approach to Corporate Debt Restructuring. On a review of the impact of the present position of the Group, as also the current performance of AIL, BWR has restored the rating to the earlier rating, as detailed above.

Background:

Adhunik Industries Limited (AIL) is one of the ‘Adhunik Group’ companies. Incorporated in Aug 1979 as Orchid Trading & Investment Company Limited; after a couple of changes, the name changed to present name Adhunik Industries Limited on 5th

¹ Please refer to www.brickworkratings.com for definition of the Ratings

January, 2010. It has set up a rolling mill for manufacturing of hot rolled products such as rods, TMT bars etc. in Angadpur, Durgapur with a licensed capacity and installed capacity of ~2,22,000 MTPA and ~1,60,000 MTPA respectively, and there are no plans to expand the capacity. It is an ISO - 9001:2008, 14001:2004 & 18001:2007 certified Company. Further the Company has 1.50 MW wind farm power plant at Dhule, Maharashtra. It is having long term PPA with Maharashtra State Electricity Board (MSEB) for selling of power generated from wind farm.

Currently, the company is having capacity utilization of about 80%. ~ 94% of their sales are in domestic market and rest is sold to nearby countries. They have a strong marketing network within the industry, through recognized distributors who are directly selling their products in the market. Further, the Company is directly dealing with govt. organizations and makes direct supply to various big projects.

Adhunik Group is promoted by the Agarwal Family, settled in West Bengal. During the last 30 years the group has gradually grown in volume and size and established itself as one of the leading companies in the line of business in Eastern India. The Group is engaged in mining, steel, power, and value added steel products. The Group has mining resources including iron ore, coal, manganese ore and lime stone which are the key inputs of production. Adhunik Metaliks Ltd., Adhunik Power & Natural Resources Ltd., Adhunik Alloys & Power Ltd. and Adhunik Corporation Ltd. are some of the major group Companies. The Group financial position has been affected mainly due to debt driven capacity expansion plans, and there are reported delays/defaults to the lenders.

AIL has explained that the Company is having very less dependence up on the Group for its business, as also towards its current financial plans. It has confirmed that it is also not much dependent upon performance of the Group concerns. AIL is a listed company, governed by its Board of Directors.

Financial Performance (AIL)

During FY14, the Company's operating revenue has witnessed a growth of ~7% to ` 440.93 Cr in FY14 from ` 413.68 Cr in FY13. During the same period PAT has increased by ~14% to ` 4.35 Cr in FY14 from ` 3.82 Cr in FY13. Operating margins stood at 7.95% in FY14 as compared to 7.05% in FY13, and EBIDTA has shown an improvement at ` 35.05 Cr in FY14 from ` 29.15 Cr in FY13 mainly due to fall in prices of raw material. Net profit margin remained low at 0.99% in FY14 marginally up from 0.92% in FY13. Tangible Net-worth stood at ` 89.80 Cr as of FY14. While Long term borrowings (excluding current portion of long term debt) have decreased to ` 29.47 Cr in FY14 from ` 42.54 Cr in FY13, Short term borrowings have more or less remained at the same level,

viz., ₹ 78.20 Cr. Total Debt to Tangible Net-worth ratio stood at 1.28 in FY14 as compared to 1.49 in FY13.

As per un-audited financial for 9M FY15, the company's operating revenue was ₹ 323.79 Cr in 9M FY15 (₹ 322.05 Cr in 9M FY14), with PAT of ₹ 3.95 Cr (₹ 3.67 Cr in 9M FY14).

Rating Outlook

The Company's performance has marginally improved over previous year despite sluggish demand in the Steel Industry. FY performance also is expected to be similar to the past track record. The company has clarified and confirmed that its normal operations will not be impacted by Group's financial stress. Its business is also not much dependent upon the performance of group companies. The Rating up-grade reflects ability of the company to manage its affairs and take care of debt servicing, in the short to medium term. Any change in the capital structure of the company or Management, will result in a rating review.

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