

Press Release

Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for the Bank Credit Facilities amounting ₹ 1646.87 Cr of Adhunik Metaliks Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Credit Facilities of ₹ 1646.87 Cr of Adhunik Metaliks Ltd.

Facility	Tenure	Existing Facility May'13 (₹ Cr)	Rating
Term Loan	Long Term	626.87	BWR BBB- (BWR Triple B Minus) Outlook: Stable
Working Capital (Fund Based)		490.00	
Working Capital (Non – Fund Based)		460.00	
Unsecured Loan	Short Term	70.00	BWR A3 (BWR A Three)
Total		1646.87	
(INR One Thousand Six Hundred & Forty Six Crores & Eighty Seven Lacs only)			

* Non fund based limits of LC/FLC/BG are interchangeable between Short term and long term

The rating has, inter alia, factored AML's established presence in steel, mining and power sectors in the eastern part of the Country. The rating is however constrained by high working-capital requirement, very low profitability and current ratio, high inventory level coupled with significant long term borrowings and the risks associated with the current expansion plans. The Rating has also factored the on-going amalgamation process of its group companies, OMML (Orissa Manganese & Minerals Ltd), AML (Adhunik Metaliks) and ZSL (Zion Steel Ltd) in to one entity i.e. OMML.

BWR has essentially relied upon the audited financial results of AML up to FY12 (15M), unaudited FY13 (9M), projected financials and clarifications/information provided by the Company.

Adhunik Metaliks Limited (AML) is the flagship company of the Adhunik Group and having more than ten yrs presence in the Industry. AML was incorporated in 2001 as Neepaz Metaliks Pvt. Ltd. and later renamed as Adhunik Metaliks Ltd. in 2005.

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

Adhunik group is an established player in the Iron & Steel and Ferro-Alloys industry with a presence largely in Eastern India. The group has various activities like manufacturing, processing, trading of iron & steel scrap and secondary as well as primary products and has set up manufacturing facilities in the States of West Bengal, Orissa, Jharkhand and Meghalaya.

AML is engaged in the manufacturing of alloy and carbon steel products catering to the auto, power, engineering, oil and gas sectors. Also, the Company is engaged in the merchant mining of iron ore, manganese ore and mineral value addition through pellet manufacturing through its 100% subsidiary Orissa Manganese and Minerals Limited. It also has power generation capacities through step down subsidiary i.e. Adhunik Power and Natural Resources Limited (APNRL).

Adhunik Group is in the process of amalgamating three of its Group companies, OMML (Orissa Manganese & Minerals Ltd), AML (Adhunik Metaliks) and ZSL (Zion Steel Ltd) in to one entity i.e. OMML. The amalgamation process will require 9 to 12 months for completion subject to obtaining the necessary approvals. With amalgamation of these three companies, the existing loans of the three amalgamating companies will get merged in the books of OMML.

On a standalone basis, the Company's operating revenue has witnessed a growth of ~29% to ` 1858.42 Crs in FY12 (15 Months) from ` 1440.77 Crs in FY11. However the figures are not comparable as FY12 consists of 15 months. PAT decreased substantially to loss of ` 0.52 Crs in FY12 from profit of ` 56.86 Crs in FY11 mainly due to high cost of raw material, increase in finance cost and higher depreciation. During FY13 (9M) on a standalone basis, revenue from operation stood at ` 1321.91 Crs as compared to ` 1128.03 Crs in FY12 (9M) and PAT remains low at ` 2.25 Crs in FY13 from loss of ` 11.45 Crs in FY12 (9M).

On a Consolidated basis, the Company's operating revenue has increased to ₹ 2285.47 Crs in FY12 (15 Months) from ₹ 1671.53 Crs in FY11. However the figures are not comparable as FY12 consists of 15 months. PAT decreased substantially to ` 8.79 Crs in FY12 from ` 162.98 Crs in FY11 mainly due to high cost of raw material, increase in finance cost and higher depreciation. During last six months December ending 2012, on a Consolidated basis, the Company's operating revenue has increased to ` 1211.95 Crs in FY13 (6M) from ` 928.74 Crs in FY12 (6M). PAT increased to ` 74.67 Crs in FY13 (6M) from ` 22.39 Crs in FY12 (6M).

AML is a flagship Company of Adhunik Group. It has a strategically located manufacturing unit in Sundergarh (Orissa) for raw material supply of Iron ore, Coal etc. It also has long term agreement with Orissa Mining Corporation for supply of 1.0 MTPA high grade iron ore fines. AML is in the process of building fully integrated and cost effective steel manufacturing unit. The on-going amalgamation process will require 9 to 12 months for completion after obtaining the necessary approval. It is expected that the merged entity will build significant economies of scale, improve operational efficiency by cutting inventories and smoothening the flow of operations and help the Company expand its presence in the industry.

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