



Embracing

opportunities.

Exploring

possibilities.

Ankit Metal & Power Ltd. | Annual Report 2011-12

**At Ankit Metal & Power Limited (AMPL),
we continue to take tall strides in our
journey towards sustainable and**

responsible growth.

Embracing opportunities and exploring possibilities are not just words but a deep organisational culture that has enabled us to create a business model based on a solid foundation by which we bring value to our customers, stakeholders and the society at large.

As a result, though 2011-12 was a very challenging period, we reported good financial progress with operating revenue growth of 34.48% to ₹ 925.78 crores and net profit growth of 37.07% to ₹ 33.24 crores.

Vision

To continuously challenge past achievements and set new benchmarks as a producer of high quality steel while operating the business efficiently and effectively to deliver customer satisfaction and stakeholder returns

Brand

Our TMT bars are marketed under the widely accepted brand of 'Ankit TMT'

Legacy

Part of the ₹ 3,800 crores SKP Group

Who we

Credentials

One of eastern India's fastest growing Company engaged in the production and distribution of products like sponge iron, stainless steel billets, rolled products, ferro-alloys and captive power

Certifications

ISO 9001 : 2008 certified company, IS 1786 : 2008 (for Ankit TMT bars) and IS 2830 : 1992 (for billets)

Presence

Headquartered in Kolkata;
manufacturing facility located
in Jorehira, Bankura district
of West Bengal



Products and capacities

Sponge Iron (2x350 TPD),
Induction Furnace (181,290
TPA), Rolling Mill (100,000 TPA),
WHRB Captive Power Plant (16.5
MW), AFBC Captive Power Plant
(29 MW), Wire Rod Mill
(100,000 TPA) and 5.5 MVA
Submerged Arc Furnace (12,325
TPA)

Key financials, 2011-12 (₹ in lacs)

Revenue from Operations

34.48% >

2010-11	2011-12
68,840.99	92,578.32

EBIDTA

42.99% >

2010-11	2011-12
6,243.25	8,927.17

PAT

37.07% >

2010-11	2011-12
2,425.01	3,324.08



From the Chairman's Desk

At AMPL, our solid business strategy, focus on downstream assets, operational excellence and robust marketing insights enabled us to report good performance in 2011-12.

Dear fellow shareholders,

Steel is the most fundamental and core building block for world industry. It is used in almost every industrial process whether as a raw material resource or as a finished product and in most of these processes, there is no substitute for it. Deploying a process that has been perfected over the past 150 years or so, most global manufacturers today continue to create new varieties of steel for new applications and work to refine the manufacturing process in order to reduce energy consumption and CO₂ emissions. Though each region and nation has its own producers, today steel is a globally-traded product with many nations both importing and exporting large quantities of different types of steel.

The global economic slowdown and the tightening monetary policy in India towards curbing inflation has led to a fall in industrial production and consequently dampened steel demand and hurt realisation rates. However the long-term outlook for steel continues to remain bright and optimistic.

At AMPL, our solid business strategy, focus on downstream assets, operational excellence and robust marketing insights enabled us to report good performance in 2011-12.

Our three simple philosophies :

1

Manufacture high quality
TMT bars

2

Efficiently manage
customer inventory
through on-time
customer delivery

3

Spread prosperity
beyond our factory
gates.

When we commenced operations, most thought that we were just another small player that would soon be trampled by competition. This was strong motivation for us as we built an enterprise that would not be swayed by short-term challenges but would stand tall even in the face of the worst crises. So this is what we did :

- Established 16.5 MW WHRB (waste heat recovery boiler) and 29 MW AFBC (atmospheric fluidized bed combustion) captive power plants that optimised energy costs, made us self-reliant for our power needs and reduced dependence on state power grid.
- Installing pelletisation facilities, that enables us to extensively utilise iron ore fines, a precious national resource that is generally exported, for DRI operations and hence optimise raw material costs and circumvent dependence on iron ore lumps.
- Focused on understanding technical knowhow, and leverage this insight into making informed sales, thereby strengthening customer relationship.

- Located our manufacturing facility close to the coal belt of Raniganj (West Bengal) and proximate to ports, railway lines and arterial highways, thereby assuring cost-effective consistent supplies on the one hand and speedy end products delivery on the other.
- Generated robust demand of our Ankit brand of TMT bars that enable us to fetch a premium over competitor products.
- Embarked upon the creation of several value-added downstream facilities comprising enhancement of wire rod mill capacity (from 1,00,000 to 1,80,000 TPA), a 30 TPD sponge iron plant, railway siding, AOD convertor and RM pre-heater .

I would express my gratitude to our diverse stakeholders, our customers, vendors, bankers, all the staff members and the Board of Directors for their continued support, enthusiasm and guidance.

I look forward to your continuing patronage and trust in our mission.

Sincerely,

Suresh Kumar Patni
Chairman

Management Discussion and Analysis

Embracing opportunities. Exploring possibilities.

Creation of value-added facilities to

drive

integration benefits

- We augmented our DRI facility through the successful establishment of one more 350 TPD sponge iron plant, which enhanced our sponge iron producing capacity.
- We established a 59,400 TPA induction furnace with a billet casting plant taking our capacity to 1,81,290 TPA.
- Our 1,00,000 TPA rolling mill produces high quality TMT bars, which is sold under the Ankit brand.
- We established a 12,325 TPA submerged arc furnace to manufacture ferro alloys for captive consumption.
- We successfully commissioned a 1,00,000 TPA wire rod mill.
- Our 8.5 MW WHRB (which uses zero-cost waste heat gases from the DRI unit to produce power) and 4 MW AFBC (which consumes char generated from sponge iron production along with coal) operated successfully during the year thereby reducing the cost of power. We also successfully commenced operations of our 8 MW WHRB and 25 MW AFBC captive power plants thus increasing our power generation capacities to 16.5 MW (WHRB) and 29 MW (AFBC) respectively.

Reducing costs and driving economies-of-scale

At AMPL, we are engaged in the creation of assets that augment capacities to drive scale benefits and report financial sustainability.

- We are in the process of establishing a 6,00,000 TPA pelletisation facility that will utilise iron ore fines and optimise raw material costs for DRI operations and ultimately TMT bars production.
- We are also enhancing the capacity of our wire rod mill from 1,00,000 TPA to 1,80,000 TPA and modifying the wire rod mill from MS to SS.
- We are enhancing our sponge iron production capacity by setting up an additional 30 TPD sponge iron unit.
- We are also establishing a railway siding, AOD convertor and RM pre-heater.

Economic Overview

From a positive beginning in 2011, the global environment turned adverse in the second half of 2011 owing to the turmoil in the euro zone and monetary imbalances in emerging economies caused mainly by surging commodity prices. Capital flows to developing nations declined by almost half in 2011 compared to 2010.

Europe seemed to enter a recessionary phase. The euro zone severely impacted economic performance of its trade partners. Growth in several major developing countries (Brazil, India, to a lesser extent Russia, South Africa and Turkey) slowed partly in reaction to domestic policy tightening.

The world GDP, as reported by the International Monetary Fund, witnessed a moderate growth of 3.9% in 2011 as compared to a growth of 5.3% in 2010. The growth in the advanced economies slowed to 1.6% in 2011 in comparison to 3.2% in 2010, while the emerging and developing economies grew at 6.2% in 2011 compared to 7.5% in 2010.

Managing growth and price stability are the major challenges in macroeconomic policy making. In 2011-12, India found itself in the heart of these conflicting demands without corresponding initiatives towards economic growth. As a result, the Indian economy grew at 6.5% in 2011-12, down from 8.4% in 2010-11. The GDP growth in 2011-12 was the lowest in the past nine years. Global factors such as euro zone crisis, geopolitical disturbances and weather extremities contributed to the domestic economic slowdown. Domestic factors like monetary tightening and rising repo rate to control inflation slowed industrial investment and growth.

India enjoys the unique advantage of having multiple forces driving its economic growth engine in the form of a favorable demographic profile of population, relatively high savings and investment rates, a large domestic consumption base and the oft-quoted entrepreneurial spirit of its people, which would sustain India's position as one of the fastest growing economies in the world.





Steel Industry

Global steel industry : Overall the global steel industry witnessed steady growth during 2011. The growth in global steel demand was driven by increased demand from key steel end-user industries including infrastructure, construction and automotive, especially in the emerging markets; in spite of financial turbulence in the Eurozone, weak private demand in the United States and events in Japan and the Middle East. In 2011, the global steel demand is estimated to have increased by 6% to reach a new high of 1,373 million tonnes, 13% above the pre crisis levels in 2007. Growth was led by the emerging economies, notably China (6% up) and India (4% up), where new demand records were set. In the developed economies, demand levels remained 15-25% below 2007 levels.

Europe saw steel demand increase by 5% and North America by 9% in 2011, but steel demand in Japan fell by 3%, as the impact of the earthquake and subsequent tsunami was felt on the manufacturing activity.

Looking ahead, global steel market developments are likely to remain generally positive, but with lower growth in 2012 compared to 2011. For 2012 as a whole, global steel demand is forecast to grow by a further 4% to reach 1,422 million tonnes. China, India and other emerging markets will continue to drive demand but recent market developments suggest likely slackening of demand. This is primarily due to the recent changes in the monetary policy in China to reduce bank credit and improve asset quality as well as lower growth forecast in India. While USA and Japan is expected to continue it's recovery, steel demand in Europe is expected to fall by 1%.