



Minerals creating wealth

Adhunik Metaliks Limited | Annual Report 2007-08

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to know our product portfolio, business logic and direction and comprehend our prospects. This report and other statements — written and oral — that we periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘plan’, ‘project’ and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe that we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialise, or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated or projected. Readers may bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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During 2007-08, Adhunik Metaliks Limited made a significant transformation in its brand and industry positioning.

From a steel company with a reasonable backward integration into mining. To a principally mining company with a profitable forward integration into steel.

From a cyclical play into a relatively derisked organisation.

**Adhunik Metaliks Limited is
two companies in one.
A merchant-cum captive
mining company and a
downstream alloy steel
manufacturing company.
Progressively derisked.
Increasingly profitable.
A unique combination.**

Our story

- Adhunik Metaliks is the flagship company of the Kolkata-based Adhunik Group of Industries.
- The Company was incorporated as Neepaz Metaliks Private Limited on November 20, 2001, under the Companies Act, 1956 and became a public limited company from March 25, 2004.
- The name of the Company was changed to Adhunik Metaliks Limited on August 9, 2005.
- The Company went public in March 2006, to raise funds to set up a 0.45 million MT (Metric Tons) integrated steel plant.

Our reach

- Headquartered in Kolkata.
- Plants in Sundergarh, Rourkela (Orissa) and Jamshedpur (Jharkhand).
- Marketing network across 11 Indian states; marketing presence in five countries.
- NGO Nav Nirman Sanstha promotes rural socio-economic development.
- Shares listed on the National Stock Exchange and the Bombay Stock Exchange.

Our management

- A professionally qualified and experienced team of executives, each having over 25-30 years of experience in operations, mining and project implementation.
- Company headed by Mr. G.D. Agarwal (Chairman) and Mr. Manoj Kumar Agarwal (Managing Director).

Our recognition


- Certified under the ISO 9001:2000 norms.
- Certified under the TS 16949 norms.
- Certified by the Bureau of Indian Standards and Research Designs and Standards Organisation (RDSO).
- More than 20 brand-enhancing customers across India and beyond.

Our acquisitions in 2007-08

Orissa Manganese and Minerals Limited: Among the leading private sector merchant mining companies in India. It comprises an iron ore and six manganese ore mines with reserves of 90 million tons and 50 million tons respectively. These mines possess quality iron ore (more than 64% Fe content) and manganese ore (34-36% manganese content) in Jharkhand and Orissa respectively. These mines will facilitate captive consumption and merchant sales, making it one of the companies in India to possess a merchant sales license. The manganese ore excavation has been started and the iron ore mines are on the verge of commencing commercial production.

Neepaz V Forge (India) Limited: Manufactures forged and machined parts for automobiles and railways. Forging and machining facilities located in Pune and Aurangabad with an installed capacity of 24,000 TPA, to be increased to 60,000 TPA by FY10. The product portfolio of Neepaz is up to 30 kgs of forgings – comprising stub axle/steering knuckle, crankshaft, connecting rod, cam shaft, main shaft, gear, hub, pinions, link and brackets, etc. An additional installation of fully robotised 8,000 T press line will enhance product range up to 100 kgs of forgings, comprising front axle beams, six cylinder crankshafts, heavy-duty connecting rods etc. The Company's customers include major OEMs like Tata Motors, John Deere, Kinetic Engg, etc.

Unistar Fabricators and Galvanisers Limited: Engaged in the production of electrical and telecom towers having an installed capacity of 30,000 TPA for tower fabrication and galvanisation; located in Kolkata and Jamshedpur.

The background is an abstract composition of warm colors, primarily reds, oranges, and yellows, with dark, expressive brushstrokes in black and brown. The overall effect is one of energy and movement.

Our most valuable asset is not the investments in physical assets; it is the bouquet of products and our sincere customer-centricity.

In doing so, we have evolved our business model to transform one-off transactions into enduring business relations.

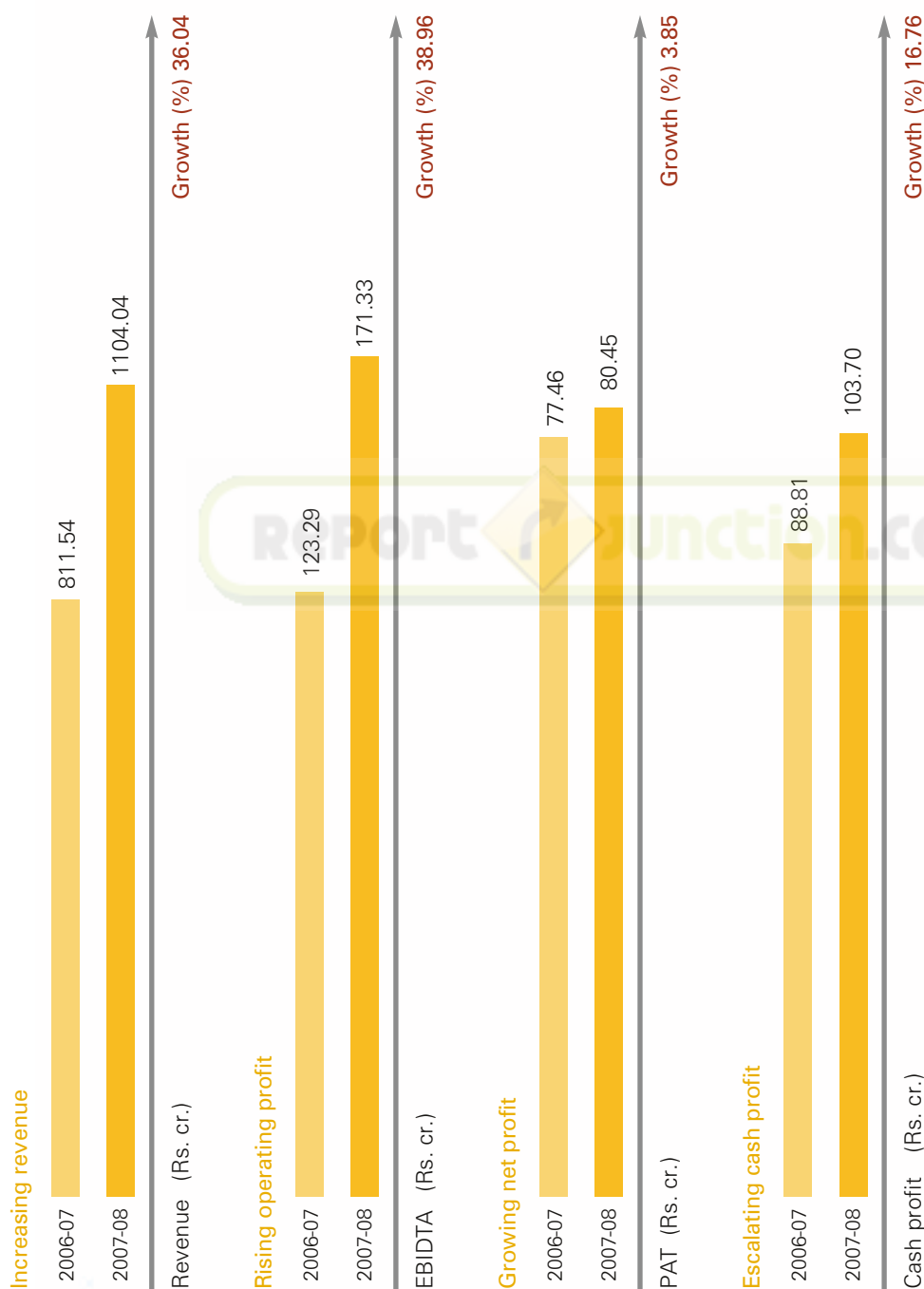
Our products

Carbon and alloy steel	Micro-alloyed steel
Carbon chrome	Forging quality and engineering grade steel
Chrome manganese	Case carburising
Boron steel	Free cutting steel
Chrome nickel	Transmission tower steel
Chrome moly	Spring steel
Chrome nickel moly	Boiler quality steel
Chrome vanadium	Ball bearing steel
Valve steel and many other high value steel	Tool steel, die steel and stainless steel

Our customers

Automobile	Construction	Telecom and Power	Forging and Engineering
Tata Motors	Tata Power	Tata Power	SKF Bearings
Mahinda & Mahindra	Power Grid Corporation of India	Power Grid Corporation of India	Shriram Rings & Pistons
John Deere	L&T	L&T	M.M. Forgings Ltd.
Bharat Earth Movers	Department of Telecommunications	Department of Telecommunications	Rane Engine Valves Ltd.
Ashok Leyland	NTPC	NTPC	Cummins India Ltd.
Amtek Auto	BHEL	BHEL	Ramkrishna Forgings
		Siemens (India) Ltd.	Trinity Engineering

Highlights, 2007-08



Increasing
shareholder
returns

Earnings per share
Rs. 8.82
2007-08

Book value
Rs. 35.40
(March 31, 2008)

Dividend
12%
2007-08

Operations

- Increased billet production from 1,78,000 MT (Metric Tons) in 2006-07 to 2,22,000 MT in 2007-08.
- Commenced rolling mill operations during the year, embarking on the production of 83,000 MT of rolled products in 2007-08.
- Reduced coke consumption from an industry standard of around 700 kgs per ton of hot metal to 560 kgs.
- Commissioned vacuum degassing unit, enhancing ductility, longevity and realisations.
- Commissioned the use of iron ore fines in the sinter plant in the last

quarter of the financial year, reducing the overall cost of production.

- Efficiently used waste by setting up a 17-MW captive power plant based on waste heat generated in DRI manufacture. Another 17-MW captive power plant based on rejects from coal washery is in process.

Marketing

- Evolved the product mix from 79-21 (semis-rolled) to 61-39, indicating enhanced value-addition.
- Supplied 1,28,847 tons of billets to vendors for auto-components, forged products and engineering industries.
- Billet realisations increased from

Rs. 20,513 to Rs. 25,341 per MT and rolled product realisations strengthened from Rs. 31,598 to Rs. 33,617 per MT.

Projects

- Completed the second phase of expansion by increasing production capacity from 0.25 million tons to 0.46 million tons.
- The third phase of the expansion project was undertaken, which will improve existing capacity and strengthen the Company's self-sufficiency of raw materials through backward integration.

From the Managing Director's desk



"Going ahead, we expect to unleash shareholder value through a progressive leverage of our mining business, enhanced utilisation of our steel business and the progressive acquisition of other mining assets, whenever opportunities arise."

Dear Shareholders

At Adhunik Metaliks Limited, we had enunciated our commitment to the enhancement of shareholder value when we had gone public in March 5, 2006.

I am pleased to state that we reported an increase in profits in 2007-08 as evidence of our commitment; more importantly, we acquired Orissa Manganese and Minerals Limited, enriching the intrinsic value of their holdings on the

one hand, and adding an entirely new business to their ownership on the other.

At Adhunik Metaliks, this acquisition will have a sustainably beneficial impact on our performance and shareholder value for a number of reasons:

- The acquisition has resulted in the Company's access to more than 250 million tons of iron ore, manganese ore, graphite ore, limestone and coal (thermal and coking).

- The Company's reserves of manganese ore are estimated to last an adequate number of years based on its extraction rate; the iron ore mines are expected to last a number of years based on the Company's existing consumption.

- These mines represent 'text book deposits', ideal balance of unmistakable ore evidence, ore richness and easy accessibility (low mine-strip ratio).

- These mines enjoy low gestation; manganese ore mining had already