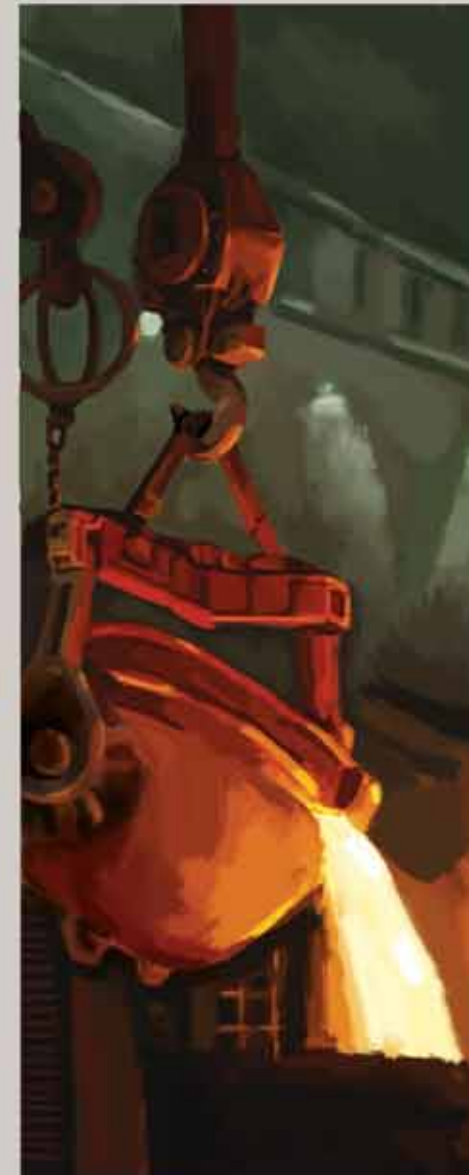




'CONSOLEADATION'

CONSOLIDATING TODAY FOR LEADERSHIP TOMORROW

ADHUNIK METALIKS LIMITED | ANNUAL REPORT 2011-12



ADHUNIK METALIKS LIMITED
Lansdowne Towers
2/1A Sarat Bose Road, Kolkata-700020
www.adhunikgroup.com

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, 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 we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should 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.

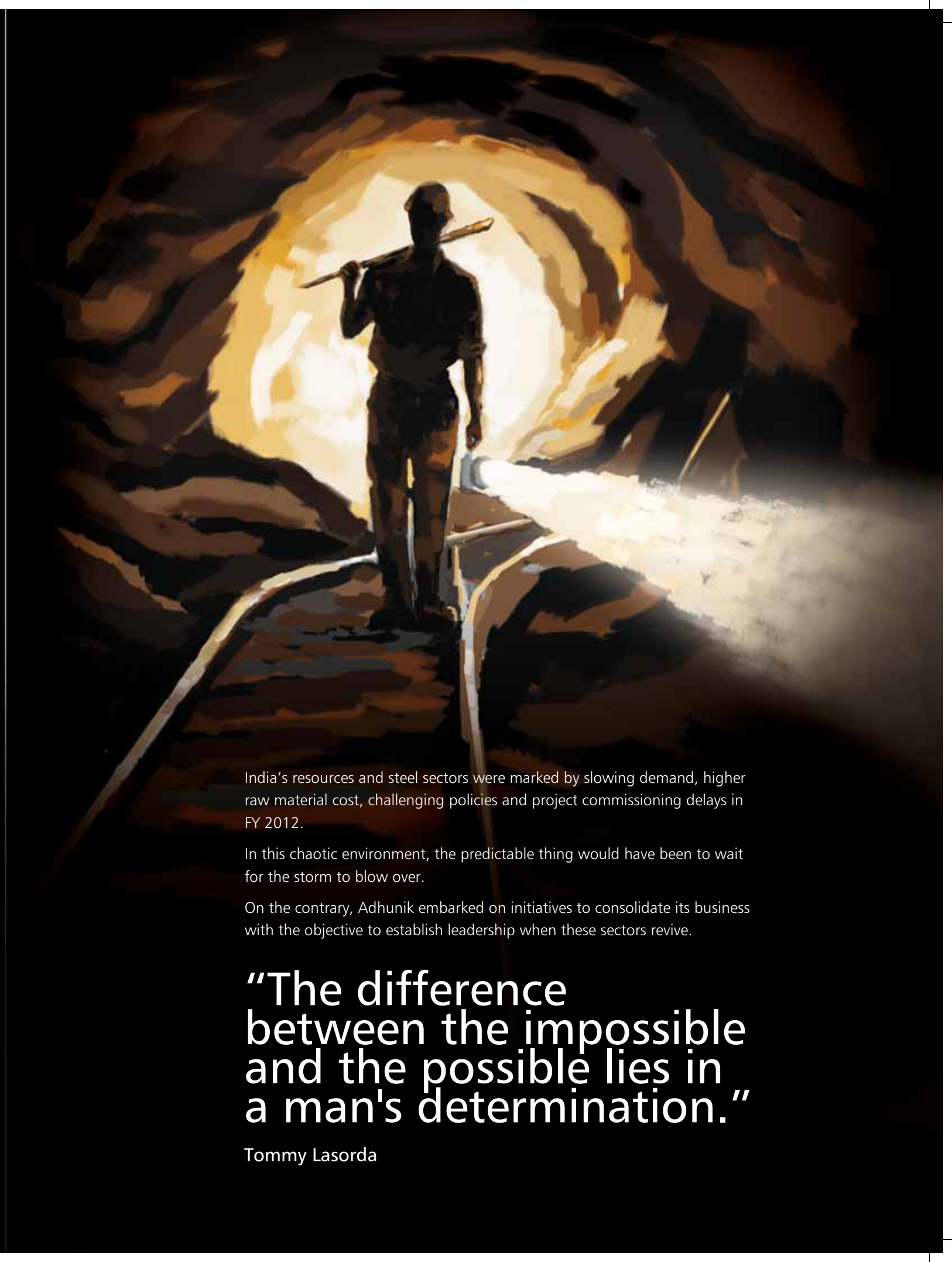
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Corporate identity	Highlights	Managing Directors’s Statement	Strengths
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Strategic Blueprint	Management discussion and analysis	Risk management	Corporate social responsibility
26	39	55	
Directors’ report	Report on corporate governance	Financial Section	

 Mr. Ghanshyamdas Agarwal Chairman	 Mr. Jugal Kishore Agarwal Director	 Mr. Nirmal Kumar Agarwal Director	 Mr. Mohanlal Agarwal Director
 Mr. Mahesh Kumar Agarwal Director	 Mr. Nihar Ranjan Hota Director	 Dr. Ramgopal Agarwal Director	 Mr. Lalit Mohan Chatterjee Director
 Mr. Nandanandan Mishra Director	 Mr. Raghaw Sharan Pandey Director	 Mr. Surendra Mohan Lakhotia Director	 Mr. Manoj Kumar Agarwal Managing Director

CORPORATE INFORMATION

Board of Directors Shri Jugal Kishore Agarwal Shri Ghanshyam Das Agarwal Shri Nirmal Kumar Agarwal Shri Mohan Lal Agarwal Shri Mahesh Kumar Agarwal Shri Manoj Kumar Agarwal Shri Surendra Mohan Lakhotia Shri Nihar Ranjan Hota Shri Lalit Mohan Chatterjee Shri Nandanandan Mishra Dr. Ramgopal Agarwal Shri Raghaw Sharan Pandey	Bankers Allahabad Bank Bank of Baroda Bank of India Bank of Maharashtra Canara Bank Corporation Bank Dena Bank HDFC Bank ICICI Bank Indian Overseas Bank IndusInd Bank Oriental Bank of Commerce Punjab National Bank State Bank of Bikaner & Jaipur State Bank of India State Bank of Mysore State Bank of Patiala	State Bank of Travancore Syndicate Bank UCO Bank Union Bank of India Auditor S. R. Batliboi & Co. Chartered Accountant Registered office 14, N. S. Road , Kolkata - 700001 Tel - 033-2242 8551 / 8553 Fax - 033 2242 8551 Corporate office Lansdowne Towers, 2/1A Sarat Bose Road, Kolkata-700020 Tel - +91 33 3051 7100 (30 lines) Fax - +91 33 2289 0285
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India's resources and steel sectors were marked by slowing demand, higher raw material cost, challenging policies and project commissioning delays in FY 2012.

In this chaotic environment, the predictable thing would have been to wait for the storm to blow over.

On the contrary, Adhunik embarked on initiatives to consolidate its business with the objective to establish leadership when these sectors revive.

**"The difference
between the impossible
and the possible lies in
a man's determination."**

Tommy Lasorda

Adhunik Metaliks is two companies in one.

It is among India's fastest growing resource companies (minerals and power) on the one hand. And one of India's largest alloy steel companies on the other.

This uniqueness will enable Adhunik to reconcile size, security and profitability.

Parentage

Adhunik Metaliks Limited was incorporated in 2001 by Mahadeo Prasad Agarwal as Neepaz Metaliks Private Limited (renamed in 2005). The Company is presently headed by Ghanshyam Das Agarwal (Chairman) and Manoj Kumar Agarwal (Managing Director) with a team of experienced management professionals.

Products

Adhunik is engaged in the manufacture of alloy and carbon steel products catering to the auto, power, engineering, oil and gas sectors. The

Company is also engaged in the merchant mining of iron ore and manganese ore and mineral value addition through pellet manufacturing (through its 100% subsidiary Orissa Manganese and Minerals Limited) and power generation industry (through Adhunik Power and Natural Resources Limited). This extends Adhunik's integration from resources to alloys steel.

Pride

- Certified for ISO 9001:2008 and TS 16949 across all manufacturing units

- Accredited with ISO 14001:2004 and BS OHSAS 18001:2007

- Awarded first prize in the 10th Mines Environment & Mineral Conservation

- Awarded second prize in the 10th Mines Environment & Mineral Conservation Week for waste dump management in the Ghatkuri iron ore mines

Awards

- Awarded with "Star Performer" (Large Enterprise) for Export Excellence 2009-10 in product group-Basic iron & steel by EEPC.

ALLOY STEEL CLIENTELE

- TATA Motors
- Mahindra & Mahindra
- John Deere
- BEML
- Rane Group
- Indian Railways
- Ashok Leyland
- Amtek
- PowerGrid Corporation

- BSNL
- Cummins
- Maharashtra Seamless
- NTPC
- SKF Bearings
- Sriram Pistons
- MM Forgings
- Ramkrishna Forgings
- Jindal Saw Pipes

■ The Company's contribution towards supply of safe & pure drinking water to the villagers was recognised by 'Interface-Asia CSR-2012' when Adhunik Metaliks received the 'Think Odisha Leadership Awards-2012' for its activities in that category. The award was given away by the Hon'ble Chief Minister of Orissa Mr Naveen Patnaik. The Company received 'Think Odisha Leadership Awards' in 2011 & in 2010 for its contribution towards "Health Services" and "Women empowerment"

respectively.

■ Greentech Environment Award 2011, one of the most prestigious award was conferred to Adhunik Metaliks Limited in Silver category (metal & mining sector) for its outstanding achievement in Environment management.

■ Awards received by OMML, Koira during MEMC WEEK-2011-12:

For SOIL MANAGEMENT- 1st position

For Waste & Dump Management -2nd position

For Noise & Vibration Study- 2nd position

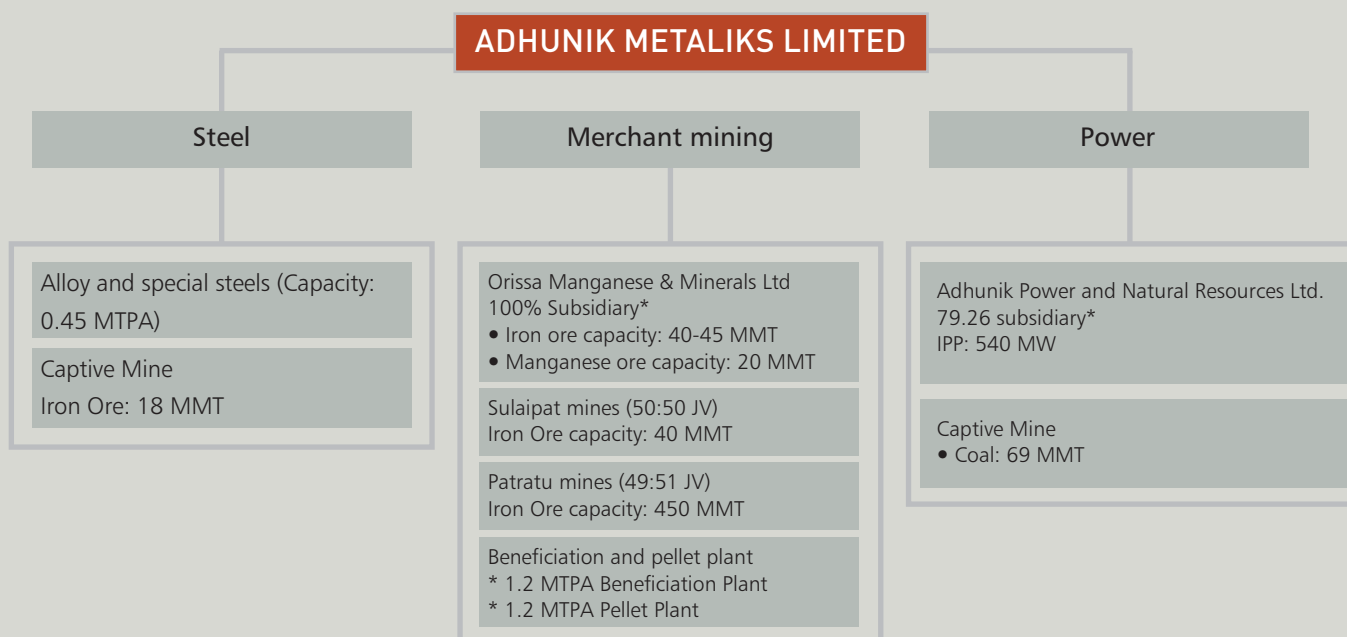
For Overall Performance 2nd position

■ Awards received by OMML, Ghatkuri during MEMC WEEK-2011-12:

2nd prize for Community Development & Publicity & propaganda



BUSINESS DIVISIONS



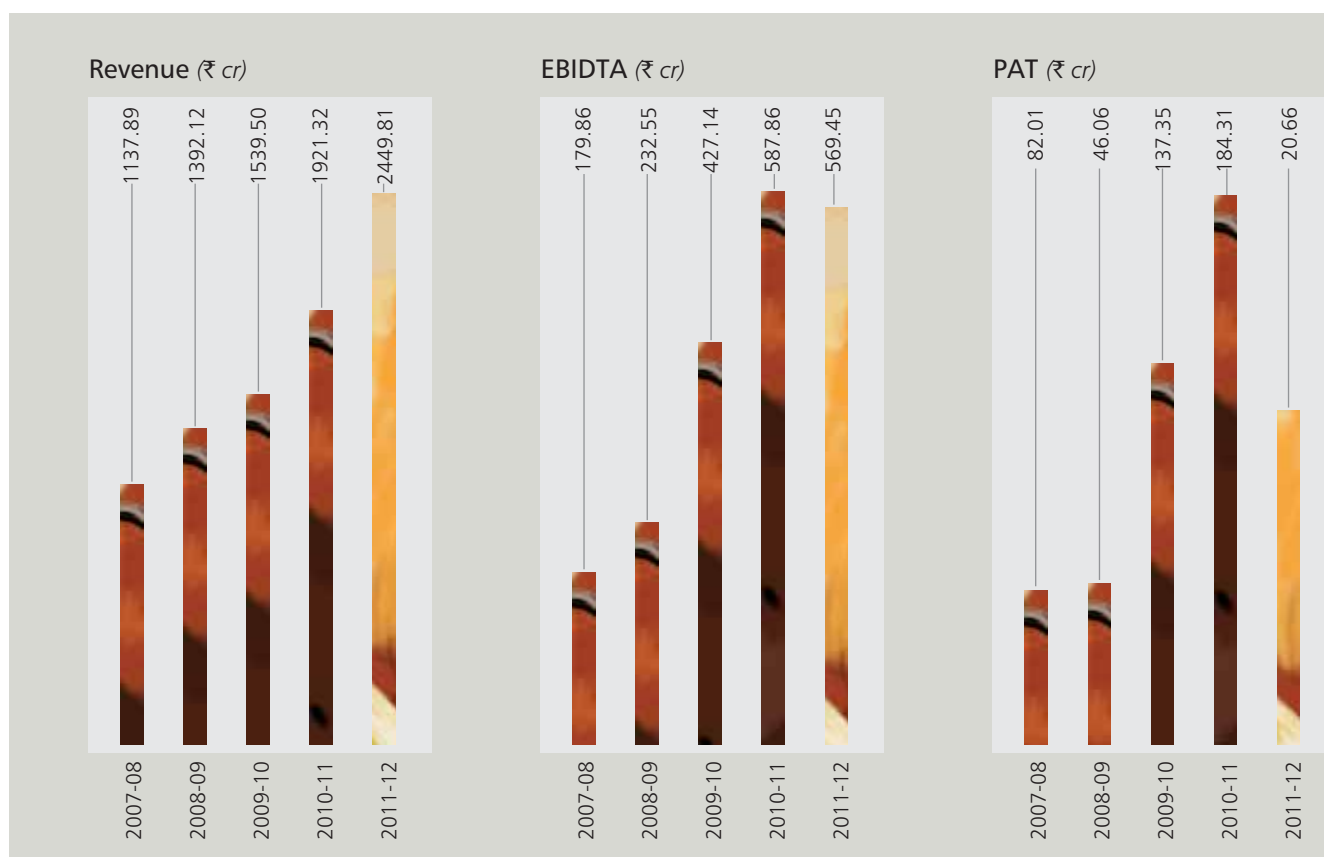
HIGHLIGHTS, 2011-12*

*Fifteen months

Operational performance

Steel	Mining
■ Production achieved during the period was 3,82,269 tons ■ Average billets realisation increased from ₹ 30,032 per ton in 2010-11 to ₹ 31,294 per ton ■ Average rolled products realisation decreased from ₹ 46,905 per ton in 2010-11 to ₹ 45,654 per ton ■ Commenced captive iron ore mining	■ Strengthened merchant iron ore realisations (OMML) from ₹ 2,703 per ton in 2010-11 to ₹ 2,857 per ton ■ Decreased merchant manganese ore realisations (OMML) from ₹ 9,010 per ton in 2010-11 to ₹ 7,115 per ton ■ Commenced Sulaipat mine operations ■ Commenced integrated pellet plant with 3,61,781 tons of sales in seven months of operation

Our performance snapshot



*Figures for 2011-12 comprises of 15 months ** All figures are consolidated figures

Financial highlights

Achieved consolidated revenues of ₹ 2,449.81 crore

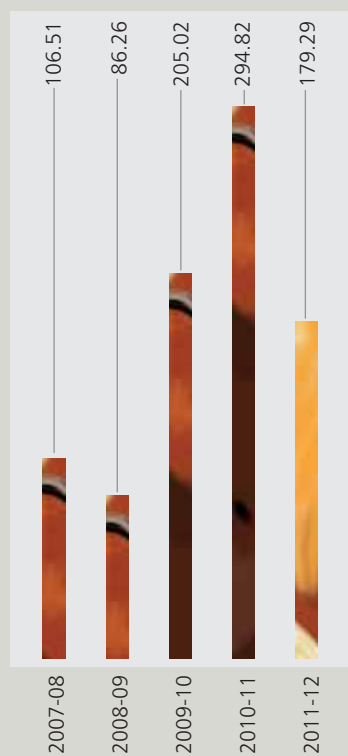
Achieved consolidated EBIDTA of ₹ 569.45 crore

Achieved consolidated post-tax profit of ₹ 20.66 crore

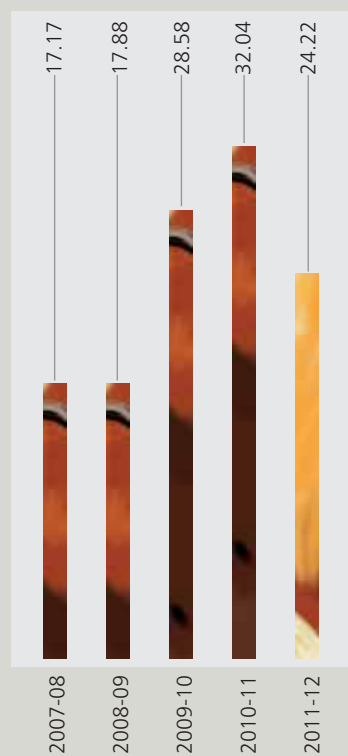
Achieved consolidated EBIDTA margin of 24.22%

Achieved cash profit of ₹ 179.29 crore

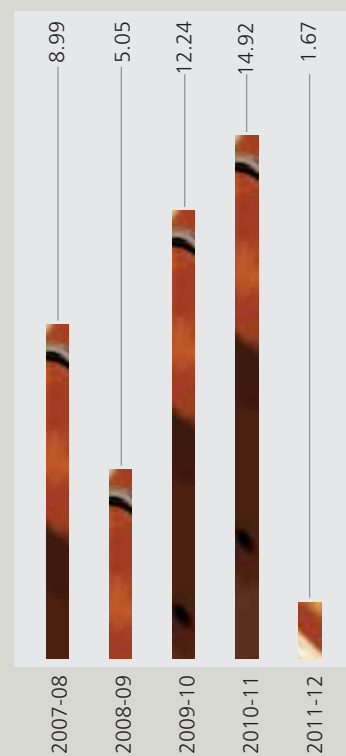
Cash profit (₹ cr)



EBIDTA margin (%)



Earning per share (₹ cr)





MANAGING DIRECTOR'S STATEMENT

The year 2011-12 (15 months) was one of the most challenging ever for our Company.

Never in our existence have a number of challenges combined concurrently in the space of a single year as they did during the year under review:

The alloy steel industry is resource intensive; during the year under review, there was a decline in resource availability following regulatory action that stopped mining in Karnataka and Goa leading to a concurrent increase in costs. The increase in the cost of finished goods was not adequate to

cover the increase in raw material costs, impacting our margins.

The resources and steel businesses are capital-intensive; during the year under review, India suffered high interest rates, which directly affected our margins on account of our borrowings and indirectly impacted the demand for downstream products (automotive and infrastructure). This dual impact increased our interest outflow on the one hand and reduced our ability to cover this with enhanced revenues.

The resources business is regulation-driven; during the year under review,

the government made regulatory approvals based on environmental considerations more stringent. This staggered the approvals process by six months during the year under review and operations commenced nearly six months behind our projected schedule. Besides, the government also initiated the verification process of various approvals of all the mines in the region. During this period, mining operations were stalled which hampered despatches from our existing operational mines.

This is the cumulative impact: even as revenues grew 10% over 2010-11, there

- We have appointed Badische Stahl-Engineering GmbH (“BSE Germany”) of Germany (“BSE Know How Agreement”) for providing consultancy services, including technical know how, for improving the productivity of our plant located at Chandrihariharpur, Sundargarh, in Orissa.
- Kulum iron ore mines are the first captive iron ore mine in the last 10 years to have started mining operations in Orissa.
- Our pellet plant is the first merchant pellet plant with straight gyrate technology in India.
- Our ongoing 540 MW power plant is the first IPP in Jharkhand.
- Our technical up-gradation and realigning of refractories in our Mini Blast Furnace (MBF) will enhance the efficiency and capacity from 213,792 tones per annum to 231,608 tones per annum while reducing our cost of production
- Adhunik Metaliks is progressing well in its TPM journey. Our TPM agenda is being navigated by Mr. T Tachibana from JIPM, Japan

was a 21% decline in our EBIDTA and a 91% decline in our profit after tax.

Counter-challenges

At Adhunik, we recognised that the most effective way to counter the impact of the industry’s severe downturn was through a superior management of factors within the Company’s control.

One, even as we suffered high e-auction costs of raw materials, we commenced our captive iron ore mining in June 2012, raised monthly production to 10,000 tons during the year and engaged in enhancing throughput to 35,000 tons per month in two years which will meet around 50-60% of our iron ore requirement.

Two, we strengthened our core focus following the divestment of our power transmission and forging business during the year under review, which helped us mobilise around ₹ 35 crore. (entire sales proceeds were used for

debt repayment) that will help us reduce ₹ 5 crore in annual interest outflow. Besides, we swapped high-cost debt with low-cost alternatives.

Three, we enhanced yields without compromising product quality, which helped us generate higher throughput for the same costs that we incurred.

Culture of urgency

Adhunik, a company in the formative years of its sectoral presence, will always be engaged in the process of expansion and integration. Consequently, there is always a premium for the ability to commission projects on or ahead of schedule, which can translate into a control on our capital expenditure or a reduction vis-à-vis projected cost. In our view, timely project commissioning gets us into income mode with speed; when such projects are commissioned ahead of schedule, we benefit in two ways: quicker revenue inflow on the one

hand and lower project cost, strengthening our overall viability.

During the year under review, even as the external environment appeared bleak, we had the following positive developments to report:

- We commenced operations and ramp-up of our captive iron ore mine in June 2012.
- We commissioned our pellet plant four months ahead of schedule; we achieved 80% asset utilisation within four months of launch.
- We commenced mining operations at our Sulaipat iron ore mine.
- We expect to commission the first phase of our 270 MW power plant by October 2012 and second phase by January 2013 supported by a captive coal mine and linkages.

Enhancing value

At Adhunik, we recognise that winners are companies that ride out of sectoral

slowdowns faster than the others. Our multi-level blueprint comprises initiatives in the area of value-addition, integration and throughput maximisation.

First, Adhunik will focus on its core businesses of steel, merchant mining and power. This will ensure that all our available cash flows are bought back into strengthening our competitive advantage in chosen areas.

Second, in its alloy steel business, Adhunik will focus on niche, value-added and customised products with the objective to escape competitive pricing on the one hand and enter into extended customer relationships on the other. In the mining business, Adhunik will enhance throughput leading to higher revenues.

Third, we will focus on rightsizing our Balance Sheet through the following measures: swap high-cost loans with low-cost alternatives, evaluate alternative funding routes (like ECB) to fund our upcoming pellet plant and mobilise an additional ₹1,000 crore through a public offer of our mining business coupled with an equity dilution of our steel and power business.

Four, we are tying up with Orissa Mineral Corporation for the supply of iron ore fines that enable us to enhance value from waste material,

Five, we plan to set up a second pellet plant (1.6 mn TPA) utilising low grade iron ore fines for conversion.

Six, we are focusing on the

manufacture of niche auto grade steel, enjoying approvals from leading OEMs, which will translate into a first-mover's advantage when the market rebounds.

Optimism

What bolsters me with optimism is despite the steel sector problems and resources availability still down, our various projects and investments are nearing fruition. When commissioned, they will generate attractive cash flows that progressively reduce our gearing. Once this trend begins, we expect to accelerate our turnaround and enhance value for our shareholders in a secure and sustainable way.

Manoj Agarwal
Managing Director

Natural resources profile

Business segment	Mineral	Resources	Location	Status
Steel (captive)	Iron ore	18 MMT	Keonjhar, Orissa	Dispatches from June 2012
Merchant mining	Iron ore	40-45 MMT	Ghatkuri, Jharkhand	Operational
	Manganese ore	15 MMT	Patmunda, Orissa	Operational
		5 MMT	Koira, Orissa	Operational
Merchant mining (JV company)	Iron ore	40 MMT	Mayurbhanj, Orissa	Commenced operations
	Coal	450 MMT	Patratu, Jharkhand	Recently allocated
Power (captive)	Coal	69 MMT	Ganeshpur, Jharkhand	Commencement by Q2 FY2014