

May 12, 2010

**CARE ASSIGNS 'PR2+' RATING TO THE CP PROGRAMME OF
ADHUNIK METALIKS LTD.****Rating Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper*	100.0	'PR 2+' (P R Two plus)	Assigned

carved out of working capital limits*Ratings Rationale**

The above rating draws strength from AML's satisfactory track record, experience of the promoters, its established position as an integrated alloy steel player in the domestic steel sector particularly in Eastern India, satisfactory capacity utilisation and initiatives undertaken for improving operating efficiency by integrating its operations through strategic acquisitions & various backward integration measures. The ratings are however, constrained by volatility in finished goods prices, moderate financial position with highly geared capital structure of the company, low current ratio, cyclicality in business, intense competition from unorganised sector players and slow recovery of the economy after the severe slowdown. Future outlook of domestic & global steel industry and sustainability of selling prices of AML's products vis-a-vis recovery of the industry after the recent economic downturn will remain the key rating sensitivities.

Company Profile

AML, incorporated in 2001, is the flagship company of the Kolkata based Adhunik Group with Shri Manoj Kumar Agarwal being the main promoter. It has its integrated speciality steel manufacturing facility located at Chadrihariharapur, Orissa, with an installed capacity of 0.45 mn tonnes p.a. (comprising carbon steel, alloy steel & stainless steel of billets and rolled products).

Financial performance of AML is characterised by steady growth in net sales and PAT (after defd. tax), improving profitability margin and comfortable cash accruals during FY07 and FY08. In FY09, though there was an adverse impact in the second half due to significant downturn in the steel industry, the net sales & PBILDT for AML registered an overall increase. Despite higher PBILDT, the company incurred an overall loss in FY09 due to incidence of higher capital charge and forex loss. Accordingly, GCA & interest coverage deteriorated. The gearing ratios were on the higher side mainly due to higher level of term borrowing to fund the recently completed capex and bank borrowings for increased level of operation.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

The performance during the half year ended Sept.30, 2009 (H1FY10) though a shade worse than H1FY09, was encouraging as the industry has started showing marginal recovery after the severe slowdown during H2FY09. Better operational efficiency, backed by increase in sales quantity for all its products is expected to aid in improvement in profitability and other financial parameters of AML.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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