

Adhunik Metaliks Ltd.

INR:108

BUY

KRChoksey
wealth enhancement solutions

Company Introduction:

Adhunik Metaliks Ltd is the flagship of the Adhunik Group of companies. Adhunik Metaliks Ltd was incorporated in the year 2001 as Neepaz Metaliks Pvt Ltd with an aim of manufacturing value added steel products having application in automotive industry, engineering sector as well as the household sector. It is one of the leading player in the manufacture of alloy and special steel in Eastern India. They are the manufacturer of auto-grade alloy steel, stainless steel and engineering steel. They are also in the development of captive mines, leading to backward integration and development of mines to create a pipeline of manganese and iron ore. They are having their plant location at Rourkela in Orissa.

Key Investment Rationale:

Captive iron ore mines to enhance margin:

Adhunik metaliks Ltd. have received clearance from Ministry of Environment and Forest for its Orissa captive iron ore mines. Company will start mining iron ore from Q1 FY11. Company requires 0.7mn MT of iron ore. It meets 30% of its iron ore requirement from OMM and the balance from outside source. These mines are expected to supply 20% in FY11E and 70% in FY12E. Iron ore prices have increased 20-30% in the past few months, and going forward they are expected to increase further. In this scenario of rising iron ore prices Adhunik Metaliks will benefit from its captive iron ore mines.

Adhunik to enter into Power business:

Company's subsidiary APNRL is setting up a 540MW (2x270) independent power project at Jamshedpur with a capex of 2650 crore. Company has spent 350 crore on the project as of 31st march 2010. the units are expected to commence from January 2012 and march 2012 respectively. Power Purchase Agreement (PPA) for 100MW has been signed with Tata Power at minimum of Rs.2.75/kwh. Company will get 85% more, which is the difference between market rate and Rs.2.75/kwh on sale of power.

OMM's sales volume set to increase:

Company's fully owned subsidiary OMM has iron ore reserves of 97 mn and manganese reserves of 53 mn. Iron ore prices have increased significantly in the international as well as domestic market. This is expected to result in higher realisation for OMM. OMM's sales volume of iron ore and manganese to increase by FY 10-FY12 as company plans to increase its production.

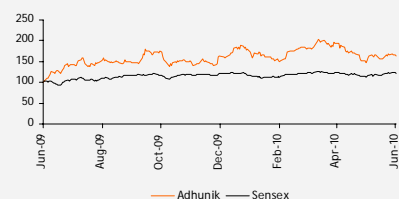
Company setting up pellet plant:

OMM is setting up a pellet plant with capacity of 1.2MTPA along with iron ore beneficiation plant to utilize the mines. Company is also planning low-grade materials and railway siding with a capex of Rs.450 crore.

Attractive Valuations: At current market price of Rs.108, the stock is trading at 8.9x of FY10 EPS of Rs. 12.2. We recommend a "BUY" on the stock with a target price of Rs.136 giving an upside of 26%

Price Target (INR): 136

Market Data	June 28, 2010
Shares outs (Cr)	12
Equity Cap (Rs. Cr)	120
Mkt Cap (Rs. Cr)	1354
52 Wk H/L (Rs)	137/66
Avg Vol (1yr avg)	800705
Face Value (Rs)	10



Market Info:

SENSEX	17,774
NIFTY	5333

Share Holding pattern (%)

Particulars	Mar-10	Mar-09	Chg
Promoters	55.52	64.02	-8.5
DIIs	14.77	3.85	10.92
FIIIs	11.44	9.65	1.79
Public & Other	18.27	22.48	-4.21
Total	100	100	

Analyst :

Ankeet Pandya
Ankeet.pandya@krchoksey.com
 ☎ 91-22-6696 5555

www.krchoksey.com

☎ 91-22-6696 5555
 ☎ 91-22-6691 9569

