



“With steel, mining and power, we are already a business conglomerate”

Mr. Manoj Kumar Agarwal - Managing Director, Adhunik Group

Having three effectuate business verticals being steel, mining and power, Adhunik Group is fast pacing ahead on an increased growth line. Already on the league, and a lot more to offer, Mr. Manoj Kumar Agarwal - Managing Director, Adhunik Group discusses about the current business workings, company proceedings and upcoming plans with Iron & Steel Review Magazine.

Iron & Steel Review : What are your views about the present steel industry in India? How do you see the supply-demand curvature?

Mr. Manoj Kumar Agarwal : Indian Steel Industry has witnessed difficult times in recent past where raw material prices have risen to unprecedented levels where finished goods prices was not adequate to cover raw material price increase. However gradually, situation is improving with coking coal prices sharply coming down. Iron ore and coal prices have also come off a bit benefits of which will be reflected in coming quarters.

Demand has been steady in last few quarters which is expected to regain momentum going forward with interest rate easing expectation. Auto and Infrastructure will be directly and positively impacted with interest easing. Besides, the Government has also announced the slew of measures to kickstart the investment cycle which should create healthy demand for steel.

ISR : It has now become a universal term that ‘Steel Industry is on a Growth Path’- State your opinion about the statement.

MKA : Steel is a key product to industries like automotive, construction, transport and power. These are critical infrastructure segments on which the socio-economic development of any country depends. With the need of infrastructural development, the basic raw material, i.e. steel is bound to grow by leaps & bounds. The demand for steel is ever-increasing.

ISR : Raw material prices are going up which is affecting your bottomline. How do you validate this situation in reference to your company?

MKA : Raw material prices had been going up for last few quarters especially iron ore and coal prices due to supply constraints. Adhunik had witnessed the similar scenario of high raw material cost. Though finished goods prices had also increased but was not sufficient to adequately cover the increase in raw material prices. However gradually, raw material prices are coming down. Adhunik Metallik's captive iron ore mine have also started at ideal time in June 2012 and we are now ramping up the production from captive mines. We are procuring 25%-30% of our requirement of iron ore from captive mines resulting in substantial savings.

Besides raw material for captive use, the Adhunik Group has also acquired minerals resources for merchant sale through its mining subsidiary, Orissa Manganese & Minerals Ltd. (OMM). Any increase in raw material prices positively impacts our mining business which offsets the negative effect in steel business. Hence, the Group is not only secured from volatility in raw material prices for its steel and power business, but is also well placed to capture the upside in the mineral ores by merchant sale.

ISR : Please discuss about your three business verticals.

MKA : Steel: We manufacture special and alloys steel long products catering to automobile, engineering, power, oil and gas and construction sectors. However, our major focus is on automotive segment. Alloy steel market is niche market where quality is of utmost important. You need to obtain approvals from OEMs which is given after several plant visits and ensuring stringent quality norms are met by plant as well as products. We are now trusted suppliers of Tata Motors, Mahindra, Ashok Leyland, Bajaj Auto, Honda, Arvin Meritor, Maruti, Amtek Auto, Ramkrishna Forgings. In Non-Auto sector, we are supplying to BHEL, Power grid, BEML etc.

We cater to our customers through our 0.45 mtpa capacity plant in Sundergarh, Odisha, supported with captive iron ore mines of 1.8 mmt. Captive Iron ore mines have recently started in June 2012. AML is the only company in the region to have started the captive mines in last 10 years.

Merchant Mining: The mining business of the company is operational through its wholly owned subsidiary - Orissa Mining & Minerals Ltd. OMM has 6 manganese ore mines in the state of Odisha and 1 iron ore mine in the state of Jharkhand. OMM has been operating these mines for the last 5 years and has recently added one more iron ore mine to its list through a Joint Venture in Suleipat iron ore mine that has been operationalised in November 2012. OMM also commissioned a 1.2 mtpa pellet & beneficiation plant in FY'12 in Jharkhand. OMM is currently mining around 1.00 MTPA of iron ore which they intend to enhance to 3.00 - 3.50 MTPA in next three years.

Power: The power vertical of the group is operational through its subsidiary, Adhunik Power & Natural Resources Ltd. The company is expanding into power generation through a MoU signed with the Jharkhand Government for 1080 MW. The first unit, 270 MW has already commenced

operations in October 2012 and another units of 270 MW will commence in January 2013.

ISR : Recently, you have commissioned a pellet plant. How do you see the future of pelletisation?

MKA : Pellet is primarily used in steelmaking and is a better substitute for iron ore lumps in steelmaking. The country's iron ore requirement is going to increase substantially in line with domestic steel production requirement outlined in National Steel Policy. Limited reserves of high grade iron ore pose a great challenge in long-term sustainability of Indian iron & steel industry. Pellet production can fill this huge gap of demand and supply by converting low grade iron ore fines. Further, it is more prudent to use pellet in steelmaking as it is a customised product which increases the yield and utilisation levels of the furnaces. Usage of pellet also increases the life of furnace with lower maintenance cost. Given the shortage of iron ore and advantages of using pellet in steelmaking, the demand of pellet is increasing steadily. The demand is expected to remain healthy for next 3-4 years.

ISR : What is your present capacity? Up to what extent you would like to increase your production?

MKA : We have setup 1.2 Million tonne Pellet plant supported by beneficiation plant in Kandra, Jamshedpur, Jharkhand. For better logistics management, we also have railway siding and raw material handling system with stacker reclaimer. After undertaking a lot of research and visit to various pellet plants in India and abroad, the company chose to setup pellet plant with straight grate technology. The company has adopted wet grinding spirals and High Gradient Magnetic Separation (HGMS) route for beneficiation plant.

The beneficiation facility started operation during FY'11 and the pellet plant commenced operations from December 2011 (as against documented COD of April 2012). The pellet plant has commissioned way ahead of its schedule. With beneficiation facility, the company will be able to utilise even low grade iron ore fines of around 52 - 55% to convert them into pellets, making it a substantial value addition.

We are the first company to setup pellet plant in Jharkhand. There are no other pellet plants within radius of 150 kms. Hence, we enjoy the first mover advantage in the state.

We enjoy locational advantages as there are a lot of steel players in the vicinity hence we are near to end-use industry. Raw material sources are also available within radius of 100 kms where iron ore fines used in steelmaking is abundantly available.

We intend to enhance our pellet plant capacity to 1.6 Million tonne from current 1.2 Million tonne at existing locations. We also have plans to setup 2.0 Million tonne pellet plant in Odisha however that is at very initial stages.

ISR : Do you have any plans to diversify?

MKA : Fiscal year 2012 was a year of consolidation for the group as a whole. Adhunik strengthened its core focus following the divestment of its power transmission & forging business during the year, which helped the company mobilise around Rs. 35 crore, used for debt repayment. The group strategically continues to strive towards emerging as an integrated player in the business of mining, steel & power. Lately, with the commissioning of our 270 MW power plant in Jharkhand, we have successfully moved up the value chain from being a captive generator of power to entering into long-term PPAs. Henceforth, we would continue our sustained efforts in our core operations to scale greater heights.

We will continue our growth trajectory in mining and power business. In mining business, we target to achieve around 3.0 - 3.5 Million tonne iron ore and around 2.50 - 3.00 lac manganese ore. We intend to enhance our pellet plant capacity to 1.6 Million tonne.

In power business, we intend to enhance our power generation capacity to 1080 MW by setting up another 540 power units at same location in Jamshedpur, Jharkhand. We have signed MOUs with Bihar, Chhattisgarh and Odisha for setting up 1,000 MW in each state. However, we will secure raw material sources before making any investment in those projects.

With steel, mining and power, we are already a diversified business conglomerate. Steel business being backbone of infrastructure development for any economy, mining business being highly lucrative margins business and power business with fixed annuity returns. We will continue our growth trajectory in these businesses.

ISR : Comment on your CSR (Corporate Social Responsibility) activities which now form an integral wing of any organisation.

MKA : At Adhunik, sustainable development plays an integral part in our business philosophy. We, at Adhunik Group are committed to improve human development index of the population we serve and for the same, we have adopted 106 villages in the peripheral areas of our operations. We have a structured process of stakeholder engagement to incorporate their valuable suggestions for improvement. Their participation is ensured as well in our project execution, monitoring and review.

Moreover, we are committed to the welfare of the people in its vicinity as it firmly believes that 'human beings are at centre of all the developmental activities'. Being a corporate house, we, at Adhunik Group realises responsibilities towards society. We are proud to be a part of rural development activities and takes enormous amount of interest in the same. In an endeavour to act as a responsible corporate entity, the Group has been engaged in several philanthropic activities in and around its operational areas of Odisha and Jharkhand. All CSR projects are executed in partnership with Nav Nirman Sanstha, an NGO under Societies Registration Act, 1860, and respective Gram Panchayats. Nav Nirman Sanstha has been instrumental in providing healthcare, education, empowering women, developing infrastructure & utility and promoting sports & culture. They are also engaged in developing the economic and social status of the communities. These responsibilities have turned into corporate practices and are perceived as a critical process of the Group's integrated business.

Women empowerment stands as a major concern for the Group. A lot of attention is given to the empowerment of women especially those living in and around Adhunik Group facilitated areas of business. Understanding the power of women in today's society, the Group gives special attention to empower local girls and women. In order to strengthen their social condition and make them economically independent, several vocational training programmes have been organised with the assistance of Self Help Groups (SHG). They cover training on soap making, envelope making, phenyl making, domestic food products, candle, paper envelopes, stitching, tailoring and embroidery,

mushroom cultivation, pattals (plates made of leaves), incense sticks preparation, papad preparation, fishery and vermi-compost making etc.

Training in tailoring is provided to village girls at Don Bosco Vocational Training Institute, Rourkela, Odisha in different batches. The soap factory at Ghatkuri in Jharkhand has been opened to local girls and women for training and manufacturing purposes. We have also provided a market by consuming the products in our mines & plants while the remaining products are sold in the local market. The employment facility has supported the local women and girls in running their homes.

We believe in the education of youth for the upliftment of society. With the mission of facilitating education in rural areas, the group has taken several measures to eradicate illiteracy and drop-outs. Study materials like books & bags are provided as aid to students in different schools. Inter-school competitions on drawing, debate, etc. are organised to develop competitiveness among students. Apart from this, teachers have been recruited in the villages to pay special attention to the students and provide academic support. The group is working towards strengthening Anganwadi centers. Sponsorships are also given to academic institutions for infrastructure development such as building school boundaries, making classroom equipment, providing drinking water facilities inside school campus, renovating school buildings etc. Meritorious students are encouraged to go for higher studies through scholarships. Free bus service is also provided to college girls. The group also organises adult literacy classes in villages. The group is taking care of its employees and the neighbouring villagers by organising regular medical check-ups. Special health check-up camps are conducted for children and women. The health camps administer free medicines and treatment to those with no access to these via mobile dispensaries and door-to-door visits. Apart from the camps, emergency ambulance services are also running in the surrounding villages. The health service is led by a team of qualified doctors, pharmacists and paramedics. Patients who require referral are treated at the nearby hospitals and nursing homes. The entire cost of treatment

is sponsored by the Adhunik group. Execution of all the healthcare projects is done in partnership with the district health system and village development committee. The group's dedicated CSR team visits local inhabitants regularly and raises their awareness about various health hazards, their prevention and remedies through health awareness programmes. Mobile ambulances with doctor and medicines provide instant and door-step service in the remote areas.

The group also encourages sportspersons, both men and women, in its domain. In order to encourage sports, sports gear is provided to the local youth, playgrounds are maintained as well as sponsorship is given to the sportspersons to compete in national and international levels.

Villages in Odisha and Jharkhand, particularly around the periphery, face an extreme scarcity of water. To address this pressing issue, Adhunik group has constructed water treatment plants in association with Project Dewdrop, for the villages of Odisha near the areas of its plants and mines at Rourkela and Koira respectively. It is presently supplying 8000 ltrs of drinking water to the villagers. The same technology is also implemented across various units of the Adhunik group at Jharkhand. Various initiatives have been taken to cope with this situation including repair of malfunctioning tube wells.

Relatively, drinking water is supplied to all the villagers through tankers and deep boring is carried out at various villages near the periphery of all the units of the Adhunik group. At regular intervals, water kiosks are also erected. Other than this, several infrastructure related initiatives have been worked out in order to provide basic facilities like roads, drinking water, electrification etc. in surrounding areas. Roads and culverts have been constructed in the remote areas for better and faster communication. Apart from primary education, the group is focused on conducting various training programs in computers, painting, repair and maintenance of electrical and electronic home appliances, welding, nursing and tailoring activities in different adopted villages for providing extra income to the villagers.