

Special Monitoring Report

**ATIBIR
INDUSTRIES
COMPANY
LIMITED**

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I Background Information

A brief snapshot about the borrower is as follows

Company name	Atibir Industries Company Limited ('AICL')/Company)
Constitution	Public Company (Limited by Shares), incorporated on 07 August 2000 Bihar
Company CIN	U00331WB2000PLC118392
Industry	Steel & Iron Industry
Activity	Manufacturer of Pig Iron, Pellet & Sinter (Unit II) and Sponge Iron (Unit I)
Regd. Office	20B, Abdul Hamid Street, 7 th Floor, Block 7B, Kolkata, West Bengal: 700069 (transferred from Jharkhand to West Bengal on 01 August 2007)
Corporate Office	Sarawgi Sadan Dumri Road, Giridih, Jharkhand - 815301
Promoter Directors [as on 31st March 2021]	Mr. Paras Kumar Sarawgi [DIN 00539243] Mr. Sandeep Kumar Sarawgi [DIN 00539285] Mr. Sharad Sarawgi [DIN 00727809], appointed with effect from 18 February 2019 Note: Mr. Samir Sarawgi [resigned with effect from 19 February 2019]
Independent Directors	Mr. Pradeep Goyal [DIN 02539253] and Suruchi Agarwal [DIN 08805924]
Authorized signatory (as per MCA)	Mr. Chidambaran Kuruganti (CEO) Mr. Bibhu Prasad Bhoi (Company Secretary)
Shareholding pattern (Details of the shareholder holding more than 5% of the equity shares of the company provided in Financial Statement for the FY 2021)	Arihant & Company (24.60%) Sandeep Kumar Sarawgi (11.55%) Paras Kumar Sarawgi (7.67%) Surendra Kumar Sarawgi (7.01%) Santosh Kumar Sarawgi (6.85%) Harish Kumar Sarawgi (5.96%) Samir Kumar Sarawgi (5.88%) Sandeep Kumar Sarawgi (5.54%)
Parent/subsidiaries	None
Related parties [As per Financials FY 2020 -21]	Key Management Personnel: Mr. Paras Kumar Sarawgi, Mr. Sandeep Kumar Sarawgi Mr. Sharad Sarawgi Entities where KMP and their relatives have significant influence with whom transactions have taken place HUF entities of above KMPs Atibir Hi-Tech (P) Ltd [a by-product of Unit II and finished product of Unit I is sold to this entity] Shikharjee Properties (P) Ltd [Rent; Maintenance Charges by the company] Sribir Marketing Services (P) Ltd [Rent; Maintenance Charges by the company] Quality Realtors & Dev (P) Ltd [Rent; Maintenance Charges Paid by the company] Samir Kumar Sarawgi (HUF) Sandeep Kumar Sarawgi (HUF)

Santosh Kumar Sarawgi (HUF)
 Prayag Chang Khetsi Dass [Procurement of Fuel and Capital Goods]
 Samir Kumar Sarawgi
 Mahabir Prasad Sarawgi (HUF)
 Paras Kumar Sarawgi (HUF)
 Harish Kumar Sarawgi
 Harish Kumar Sarawgi (HUF)
 Highlight Infrastructure (P) Limited
 Marvellous Construction (P) Limited
 Shikhar Realdev (P) Limited
 Shivansh Residency (P) Limited
 Shri Paras Finance (P) Limited
 Starmark Realcom (P) Limited
 Sumangal Residency (P) Limited
 Universal Residency (P) Limited

I.1 Factories of AICL

Below table gives a detailed overview about the operations of 2 factories: Unit I and II

Particulars	Unit I	Unit II
Address	Tundi Road, Manjhiladih Gadi Srirampur, Giridih	Tundi Road, Bhorandiha, Giridih
Key Plants	Sponge Iron (4 kilns) Capacity: 100 tons/day per line	Sinter plant (2 units) Blast Furnace plant (2 units) Pellet plant (1 unit) Foundry for stores and spares
Finished goods	Sponge Iron/Direct Reduced Iron (DRI)	Pig Iron
Key Raw materials	Iron Ore (+5 mm) Coal Dolomite	Sinter plant: Iron Ore, Dolomite fines, Limestone, Hard coke Fines, Iron ore fines (-5 mm), Mill scale Pellet plant: Iron Ore Fines, Coal (-10 mm), Bentonite Powder, Furnace Oil Blast Furnace: Sinter, Pellet Imported Hard Coke
Output	Sponge Iron By-product: Charcoal (Wastage) Iron Ore fines (transferred to Unit II)	Pig Iron and following by-products: Runner [unshaped, small pieces of pig iron] - sold to Atibir Hi-Tech Pvt. Ltd. Slag [input for Cement manufacturing companies]
Customer base	Export and Domestic	Domestic

Status of capacity and actual utilization of both the Units for the period October 2021

Plant	Quantity in metric tons for October 2021						INR crores
	Capacity (p.a.)	Capacity (Monthly)	Production (MT)	Utilization (%)	Sales (In mt.)	Rate/unit	Net sales
Sponge Iron (Unit I)	120000	10,000	1,488.59	14.89%	2,805.17	25,000.00	7.01
Pig Iron (Unit II: 300,000*2)	600000	50,000	1,760.00	3.52%	4681.69	34,303.42	16.06
Sinter (Unit II: 340,000*2)	680000	56,667	3,105.48	5.48%	-	NA	-
Pellets (Unit II)	300000	25,000	6,334.15	25.34%	3999.69	10,000.00	4.00
Slag / Unused Coal / Iron Ore etc.			1,406.00		-	NA	-
Subsidy					-	NA	-
Total			14,094.22		11,486.55		27.07

(*) Sales of Pig iron includes sale of runner

1.2 Debt position of the company

Working capital loans and facilities sanctioned (as per Sanction letters and CMA statement) is tabulated as below (INR in Crores):

1.2.1 Sanctioned debt position as on October 2021 [as per sanctioned letters]

Particulars	State Bank of India	Indian Bank	Punjab National Bank	Total
Sanction letter dated	27 January, 2020	08 July 2019	24 April, 2020	
1. Fund Based				
Cash Credit (Stocks)	155	30	40	225
Corporate Loan	20	10	0	30
Sub – Total (A)	175	40	40	255
2. Non-Fund Based				
Letter of Credit	170	33	48	251
Bank Guarantee	2	0	3.60	5.60
Derivatives	9	0.66	0	9.66
Sub – Total (B)	181	33.66	51.60	266.26
Grand Total (A+B)	356	73	91.60	521.26

1.2.1 Actual debt position as on October 2021 [as per trail balance as on October 2021]

Particulars	State Bank of India	Indian Bank	Punjab National Bank	Total
1. Fund / Non-Fund Based				
Cash Credit (Stocks, LC, BGs)	338.41	67.69	78.78	484.88
Term Loan	15.98	8.57	0	24.55
Sub – Total (A)	354.39	76.26	78.78	509.43

2 About the engagement

State Bank of India (SBI) / lender, Industrial Finance Branch, Kolkata, has appointed D&B-India as an Agency for Specialized Monitoring ('ASM') to monitor operations of AICL on a monthly basis

2.1 Date of Inspection

For the purpose of collecting first-hand information and to understand the Company's operations, a team from D&B-India conducted site visit and management discussion with the Company's key executives.

Schedule of discussions: We conducted multiple discussions and obtained understanding of procedures from various personnel of the company, including the following

Sn	Name	Designation	Location
1	Mr. Ravi Gadia	GM – Finance	Unit II
2	Other Key Executives	Various	Unit I & II

2.2 Team of Consultants

The engagement commenced with a review of October 2021, for which D&B-India team, as listed below, was engaged:

- Mr. Akhilesh Naik,
- Mr. Anirban Sharma
- Mr. Vaibhav Maheshwari

2.3 Scope of Work

An indicative scope provided by the Lender is as below

- Monitor the purchases/ invoices of the Company (about quantum and reasonableness of the rates) for procurement of raw material/spares/ transportation of raw material etc., on periodical basis and compare vis-à-vis monthly operation budget submitted by the Company on a quarterly basis.
- Review inventory build-up (including trade receivables and advances to the Company) for operation of the units to verify if it is commensurate with the funds released.
- Monitor the actual operations (production / supplies etc.) vis-à-vis projections.
- Verify the necessity of each high value payment as regards beneficiary and purpose.
- Assessment of financial information that has been and that will be provided by the Company to its lenders including information related to its short term and long-term cash flows.
- Identify key issues and submit a report along with the suggestions with regard to smooth operations of the project.

- vii. Additional verification of evidence of end use of facilities to company and its utilization as per the conditions laid down by the consortium of lenders.
- viii. Inspection / verification of stocks / book debts and submission of quarterly report about the inventory / receivables position of the Company including slow moving inventory, if any, to arrive at the correct drawing power to the Company.
- ix. Submit reports at stipulated interval:
 - Temporary /long term/unscheduled closure of operations.
 - Non-cooperation from Company/Borrower to provide general information.
 - Any untoward incident or suspicious business or unrelated activity
- x. Source of margin towards working capital / LC / BG.
- xi. Quality of Book Debt, their appropriateness, age wise classification and eligible Book Debts for Drawing Power.
- xii. To monitor status of borrowing with the member bank of consortium lending, conduct of accounts, business sharing etc.
- xiii. Confirmation on availability of adequate insurance for securities / stocks / assets with Bank clause noted

General parameters for monitoring:

a. Cash Inflow Monitoring:

- i. Sources of cash inflow based on estimates/projections.
- ii. Source of Unsecured loan/Non-Convertible Debentures (NCD), its tenor and Rate of Interest (ROI), if any/ Sale of Fixed Assets/Investments, Interest/Dividend received from Investments.
- iii. Profit ploughed back and any onetime windfall/exceptional cash inflow such as Profit on sale of Fixed Assets, Tax Refunds etc.
- iv. Sources of margin, whether it is through borrowing or through capital infusion and is bought as per sanction stipulation
- v. Monitoring of the payment transactions to / realizations from the group companies

b. Cash Outflow Monitoring:

- i. Utilization in inventory buildup/ acquisition of fixed assets/purchase invoices of the company (about quantum and reasonableness of rates) for procurement of raw material/spares/transportation of raw material etc., on periodical basis (to be determined by the Bank/Lenders) and compare vis-à-vis monthly operation budget submitted by the Company.
- ii. Utilization in Creditors repayment / repayment of term borrowing / Loans and advances to other firms.

iii. Capital drawings, if any, Interest / Dividend payouts / Redemption of Debentures, if any / Shares buy back, if any etc.

iv. Inter corporate transactions and/or related party transactions.

v. Timely and full payment of Government / Statutory dues / Analysis of any other kind of outflow

c. Fund Flow Analysis: To highlight on diversion of short-term funds in long term uses.

d. Non-Cash Parameter:

i. To keep watch in industry specific prevailing trends, cyclical changes, Government Policies and precautionary / mitigation measures, sustainability / sensitivity in Products / Business.

ii. High value vendor due diligence, market values vis-à-vis invoice price.

iii. Technological obsolescence and substitution measures.

e. To report on any litigation, court cases including asset classification of associate concerns

3 Executive Summary

D&B India performed review of the past observations noted and implementation status of the recommendations. We noted that for 8 out of 11 (73%) of the observations, recommendations have either been implemented/are under implementation or adequate justifications were provided by the Company. 1 observation/recommendation needs on-going monitoring (9%), 2 out of 11 (18%) recommendations are yet to be implemented are pending to be closed. Summary of implementation status has been tabulated below:

Sn	Observation	Status	Remarks
1	Break-up of stores and spares and ensure maintenance of proper register.	Implemented	AICL has appointed the software engineer for developing a customized software to generate the desired report which has been implemented from the month of July thereafter the value of stores & spares as per system stock report matches with the stock statement submitted to the Bank.
2	Actual consumption higher than standard norms	Needs Ongoing Monitoring	<p>Burden mix for the review period was within acceptable range. While actual consumption of key input material such as iron ore, hard coke was higher than standard the management informed that the same was on account of non-optimal utilization of blast furnace, increase in moisture, liquidity crunch etc.</p> <p>However, burden mix and consumption will be monitored on monthly basis to initiate corrective actions, if needed Further, AICL management has informed that it will review the overall consumption and bring down the consumption at earlier level.</p> <p>Proper measuring system should be installed instead of manual measurement to have proper estimation of the raw material consumed vis-à-vis output produced. Iron Ore, Coal, and Coke will constitute the major percentage of the total cost of production. AICL may evaluate on a continuous basis, the total Value-In-Use of each of the metallic input items. This evaluation will include the cost, yield, power consumption in process, productivity, etc., associated with use of each of these items. Such an evaluation process will help to arrive at the most economical metallic input mix for the Blast Furnaces and DRI units.</p>
3	Update on internal auditors	Implemented	M/s A. K. Kishorpuria & CO. have been appointed as the Internal Auditors for FY 2021 and received the report for the FY 2021 and noted no major observation in the report.
4	Updation and maintenance of fixed asset	Implemented	Fixed asset register has been maintained and updated by the Company in the detailed format as required by the Companies Act 2013.
5	Accounting of lump-sum round amount payments from customers	Not Implemented	<p>Payments are received from customer on lump-sum basis and invoices are knocked off on FIFO basis. In absence of specific identification method, dispute invoices might go unnoticed and ageing might not be true representation.</p> <p>It is recommended to institutionalize process of sending invoice lists against which receipts have been knocked off and confirmations are obtained from the customers.</p>

Sn	Observation	Status	Remarks
			<p>Further, company will be obtaining the balance confirmation form the top debtors to reconcile the balance.</p> <p>Also, company needs to Activate functionality in Tally to auto-generate ageing report to get an accurate picture of ageing.</p> <p><u>Likely Implementation Date: Jan 2022</u></p>
6	Valuation of inventory were not in line with the accounting policy as stated in the financial statement	Partially Implemented	<p>Company needs to adopt valuation method as stated in the accounting policy and should leverage on system for the same.</p> <p><i>Further, as informed by Management AICL is following the cost and NRV whichever is less method for inventory valuation.</i></p> <p><i>We have observed that the Company has implemented the valuation of Raw material as per the weighted average basis but the valuation of Finished Goods and Stores & spares needs to still be updated to cost and NRV whichever is less basis.</i></p> <p><i>D&B India has independently calculated the inventory valuation for DP purpose and noted RM and FG is undervalued by ~ INR 27 crore and INR 52 crore respectively. The company needs to enable functionality of accounting system rather than manual calculation to avoid such instances.</i></p>
7	No details of reconciliation of pig iron production	Implemented and ongoing monitoring	<p>D&B was informed that reconciliation of actual weight vis-à-vis production computed based on excel file is performed on daily basis.</p> <p>Further, as informed company has prepared the actual weight vis-à-vis quantity produced and the same is reviewed by us.</p>
8	Obtain self-combustion fire insurance	Implemented	AICL has obtained self-combustion fire insurance.
9	Debtors advances not considered for DP calculations	Implemented	AICL has advance receipt of ~ INR 7 crore from customer's which has been reduced from overall debtor's balance by considering liability for arriving at DP.
10	Compliance of E invoicing under the GST	Implemented	The Government of India (GoI) in his Notification No. 72/2019 made QR code compulsory to B2B transactions (supplying goods/ services or both by a register person to another registered person) whom e – invoicing is provision are applicable. However, D&B India noted that AICL has complied with the above provision, non-compliance may attract the penalty under section 125 of GST Act (i.e., INR 25,000).
11	Booking of Inventory movement in books of accounts on a regular interval	Not Implemented	<p>Trial balance provided to D&B India for Unit I and Unit II did not depict movement in inventory during the period. It only showed closing balances of each ledger.</p> <p>Further, during the discussion D&B India were informed as a practice AICL park the necessary adjustment during the finalization of books of accounts at the end of the year.</p> <p><i>It's recommended that, as per the best Industry practice, Company needs to book the inventory movement on a monthly and a quarterly basis to depict the correct picture of the Inventory Valuation.</i></p>

3.1.1 Other Key Observations:

- D&B India independently recalculated the drawing power for the month of October 2021 basis the details provided by the company and noted that DP has been undervalued by INR 58 crore.
- While there was some impact of Covid 19 (2nd wave) on the consumption & demand for Pig Iron, however the demand has been stable and is on an uptrend along with the increase in selling price of pig iron. However, the Company has not been able to take advantage of the same as reflected by lower capacity utilization due to liquidity issues, Sub-optimal efficiency in production reflected by higher sinter & hard coke consumption due to various reasons such as restarting of furnace, time required for stabilization as well as liquidity crunch and incurring of fixed costs. This has led to the Company reporting gross loss & EBITDA losses in October, 2021 as well.
- The company was not able to meet its obligation due to losses incurred by in FY 20 coupled with continuing losses in FY 21 due to revenue decrease of approx. 46% which led to continued liquidity challenges and irregularity in the WC. The external rating of the Company remained constant by CARE Ratings (as on April 2021) to D on account of continued delays in debt servicing.
- D&B India notes that the prices of pig iron have been on an uptrend which should aid in increasing the EBITDA going forward. However, the prices of raw material are also on uptrend and the company will have to keep monitoring the same closely along with prudent inventory holding practices to avoid inventory losses in the future
- Moreover, post scaling up along with stabilization and taking care of liquidity issue and non-working of the furnace, the Company needs to focus on getting the coke rate down to the levels it has achieved in the past (~500-550 kgs per ton) from the current rate of over 1270 Kg / per ton as it will aid in boosting profitability margins. Due to inefficient coke rate, the company has been incurring gross loss on a continuous basis.
- D&B India notes that Self-assessment tax INR 9.03 crore of 2018-19 was not deposited till date. The Income tax return for the FY 2018-19 has not been filed, basis discussion with Mr. Ravi Gadia (GM – Finance) and document provided to us the income tax return for the year will be filled by the end of the FY 2021-22.
Delay in filing of GST, ESI, EPF AND TDS were observed.
- D&B India was provided with most of the key data required for the study and the Management was cooperative in providing clarifications and justifications. **However, significant delay in receipt of the data and justification has been noted from the AICL.**
- **Further, on review and reconciling of the data provided by the AICL, D&B India noted inconsistencies in the majority of the data and post raising of the issue AICL has provided the revised set data. Hence, it's recommended to maintain correct data which provides the required level of confidence during reviews and to avoid delay in completion of the review.**

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4 Industry Overview

4.1 Pig Iron

Pig iron production in September 2021 was higher by 19% compared to the production recorded in the corresponding year-ago month. A total of 3,109 thousand tonnes of pig iron was produced during the six months ended September 2021.

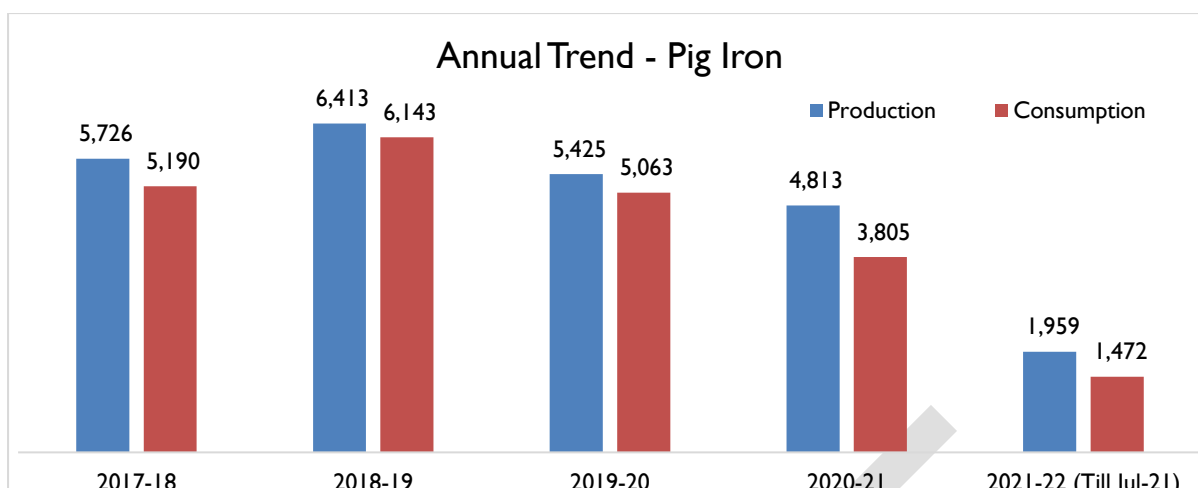
Pig iron production in September 2021 was higher by 82,000 tonnes compared to the production recorded in the corresponding year-ago month. This represented a 19.6% growth in output to 501,000 tonnes. A total of 990 thousand tonnes of pig iron was produced during the two months ended September 2021.

Exports of pig iron fell by 19.9% in May 2021 compared to May 2020. Export volumes stood at 49,200 tonnes during the month. It was lower by 12,200 tonnes compared to 61,400 tonnes exported in the corresponding year-ago month.

Table 1: Pig iron: Production & Consumption

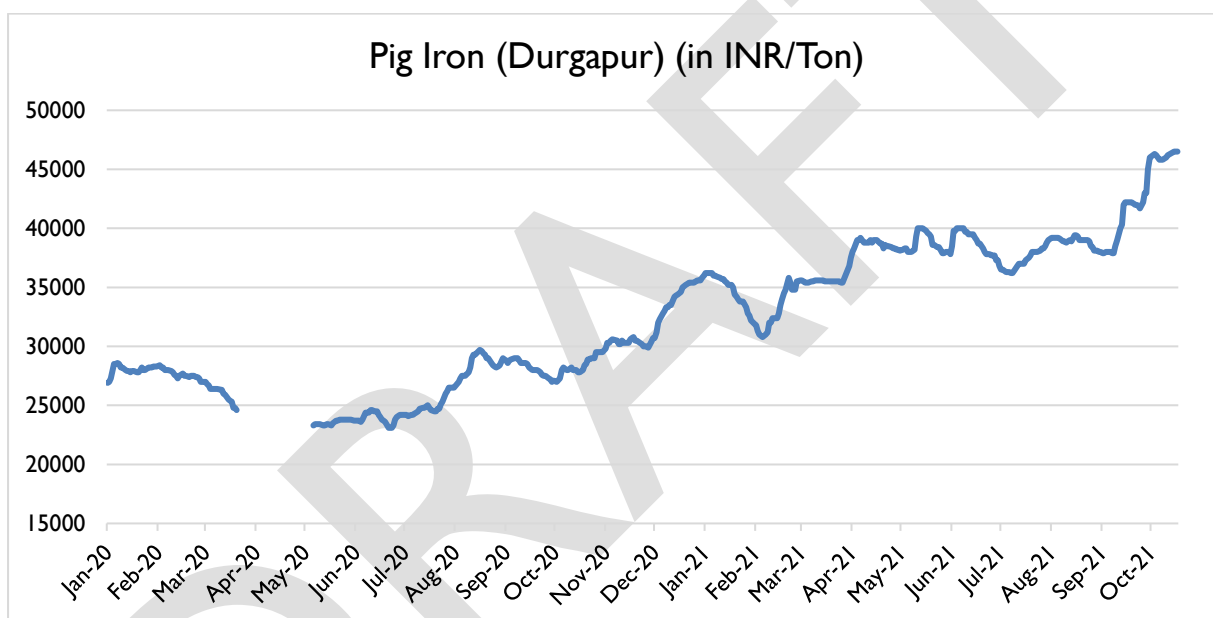
Month	Production		Consumption	
	'000 tonnes	Y-o-Y % change	'000 tonnes	Y-o-Y % change
Jan-20	408	-27.0%	398	-28.4%
Feb-20	440	-18.1%	376	-23.3%
Mar-20	257	-54.9%	222	-60.0%
Apr-20	139	-72.7%	74	-84.8%
May-20	329	-38.3%	85.3	-83.9%
Jun-20	346	-41.5%	259.7	-54.0%
Jul-20	439	-6.0%	324	-30.6%
Aug-20	436	-2.9%	341.7	-15.8%
Sep-20	419	1.5%	388.2	9.4%
Oct-20	456	0.0%	387	-15.5%
Nov-20	460	-2.5%	456.6	6.9%
Dec-20	413	-4.0%	416.5	12.0%
Jan-21	457	12.01%	335.6	-15.68%
Feb-21	462	5.00%	412.4	9.68%
Mar-21	457	77.82%	324	45.95%
Apr-21	434	212.23%	314	324.32%
May-21	573	74.16%	458	436.93%
Jun-21	456	31.79%	353	35.93%
Jul-21	496	12.98%	347	7.10%
Aug-21	489	12.16%		
Sep-21	501	19.57%		

Source: CMIE



Source: CMIE

The price trend for domestic pig iron prices is shown below:



Source: Steel Mint

4.2 Sponge Iron

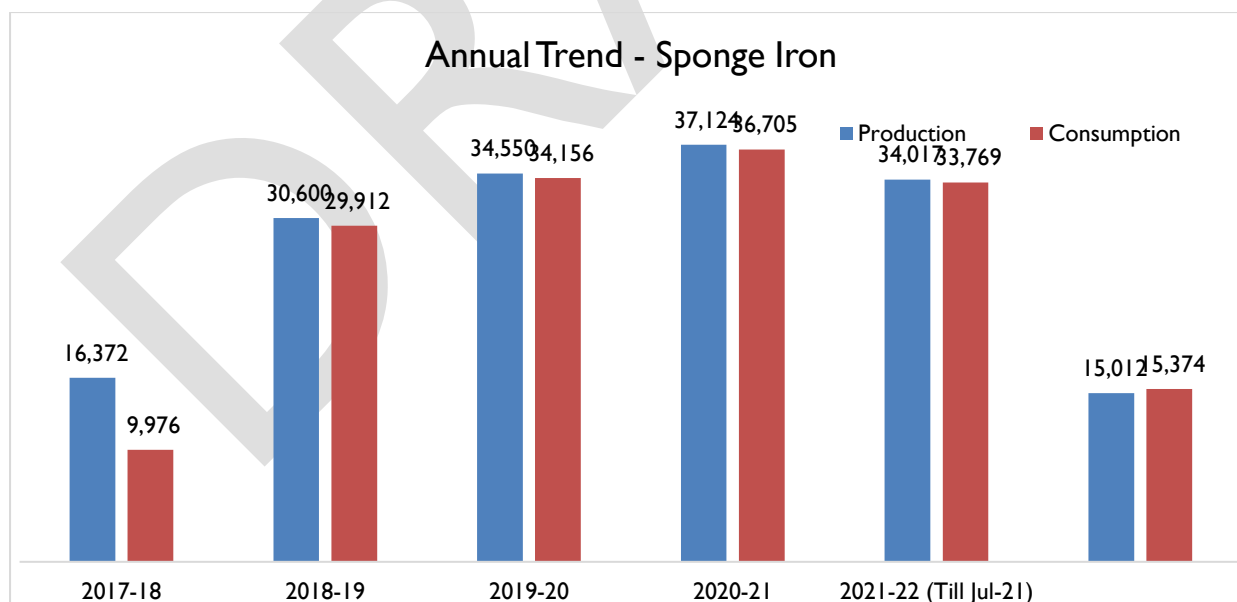
Early results of sponge iron industry indicate a 158.1% y-o-y growth in its sales revenues during the quarter ended June 2021. Its operating expenses corresponding to sales rose by an 80.6%. The industry's largest operating expense, raw materials, rose by 95.9%. Consequently, the industry's operating profit grew during the quarter.

Imports of sponge iron fell by 53.5% in May 2021 compared to the imports recorded in the corresponding year-ago month. A total of 3,900 tonnes of sponge iron was imported during the month. Exports of sponge iron rose by 19.9% in May 2021 compared to May 2020. Export volumes stood at 69,700 tonnes during the month.

Table 2: Sponge iron: Production & Consumption

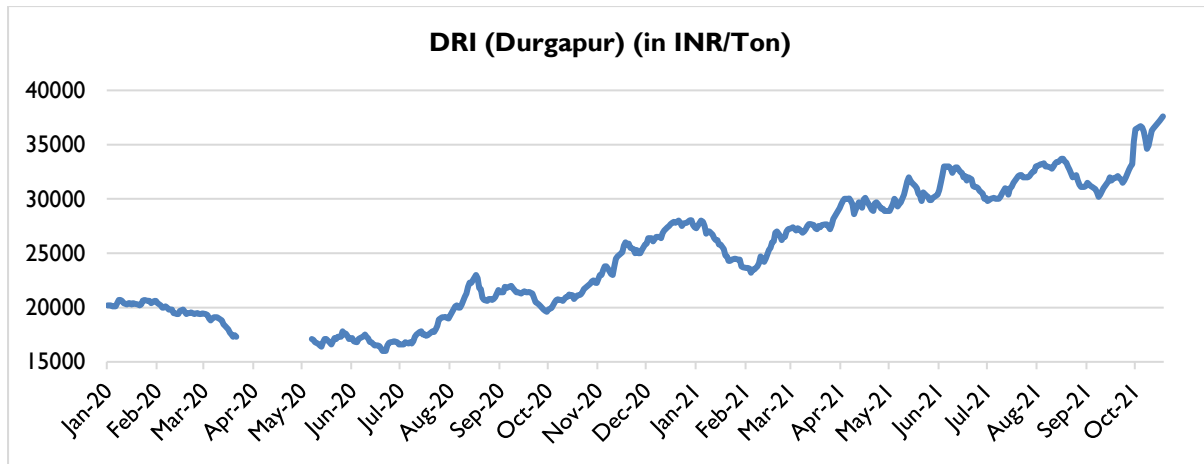
Month	Production		Consumption	
	'000 tonnes	Y-o-Y % change	'000 tonnes	Y-o-Y % change
Jan-20	3,410	14.80%	3,386	13.90%
Feb-20	3,192	13.20%	3,166	13.20%
Mar-20	2,465	-17.70%	2,515	-15.40%
Apr-20	433	-85.70%	333	-88.30%
May-20	2,122	-36.30%	1,967	-38.20%
Jun-20	3,113	-2.00%	3,027	-0.10%
Jul-20	3,114	4.60%	3,083	-1.00%
Aug-20	3,155	6.00%	3,129	12.10%
Sep-20	3,037	5.20%	2,967	-4.80%
Oct-20	3,089	3.10%	3,111	6.60%
Nov-20	3,124	-8.90%	3,118	-9.70%
Dec-20	3,313	1.70%	3,288	3.30%
Jan-21	3,365	-1.30%	3,289	-2.88%
Feb-21	3,000	-6.02%	3,195	0.93%
Mar-21	3,152	27.87%	3,263	29.74%
Apr-21	2,327	437.41%	2,442	633.33%
May-21	3,247	53.02%	3,180	61.67%
Jun-21	3,102	-0.35%	3,238	6.97%
Jul-21	3,131	0.55%	3,227	4.67%
Aug-21	3,205	1.58%	3,287	5.05%

Source: CMIE



Source: CMIE

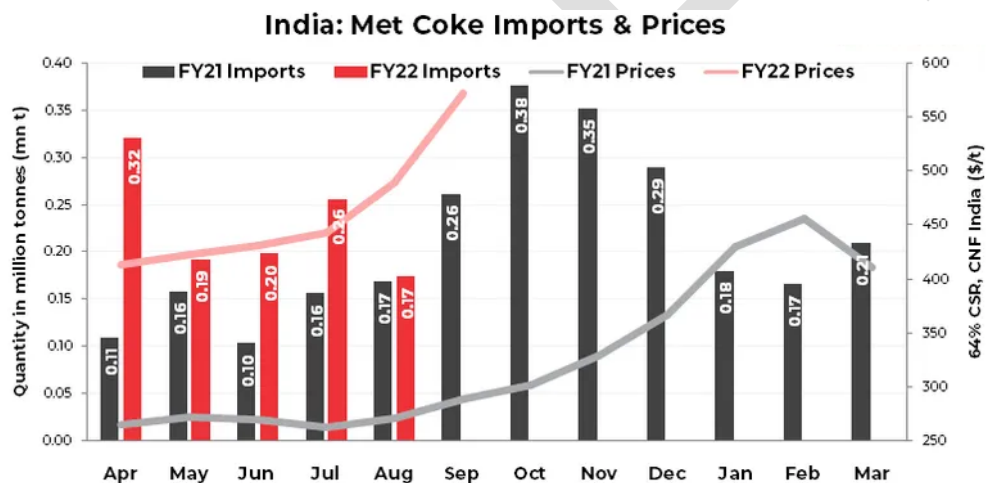
Sponge iron prices in Mumbai rose by 20.1% y-o-y to INR 27,500/ tonne in June 2021. As compared to the previous month, prices rose by 6.2%. The trend in sponge iron prices is shown below:



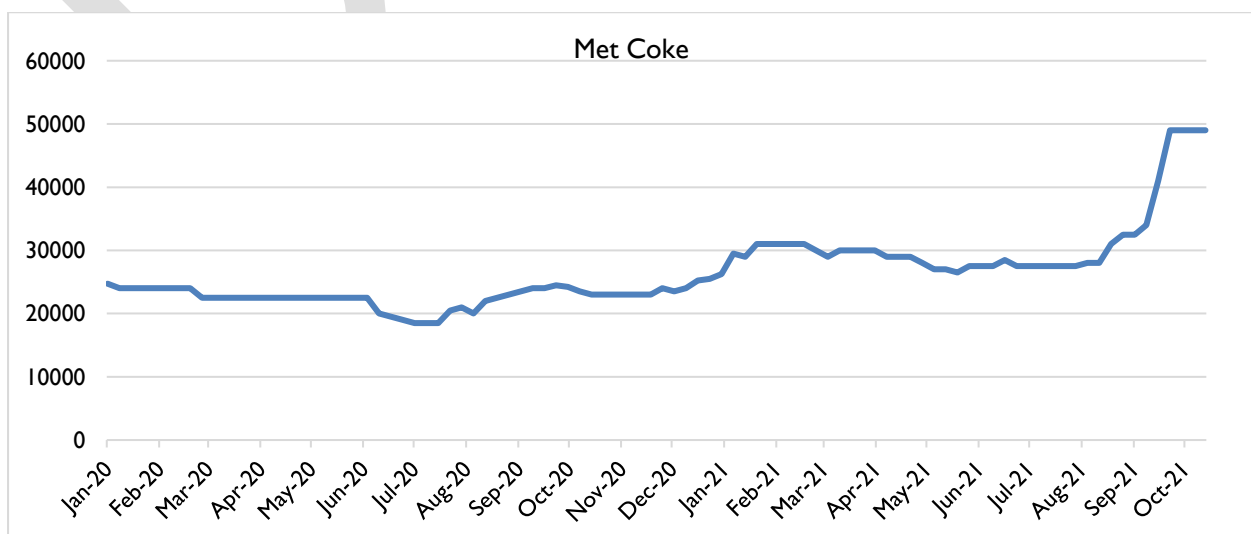
Source: Steel Mint

4.3 Met Coke

India's metallurgical (met) coke import prices continued with the upward trend this week, amidst continued tightness in global supply and increasing coking coal prices



The price fluctuation in imported met coke prices is shown below:



Source: Steel Mint

5 Site Visit Observations

D & B Team could not visit both the manufacturing units of AICL due to the 3rd wave of Covid 19 pandemic and will visit the units before finalization of the report.

Plant Operations: Basis the documentation, D&B India understands that the plant was operating. However, several units like BF 2, Sinter Plant 2 and DRI 1 & 2 were not operational. It was informed it was closed for repair maintenance work. The production logs were maintained manually.

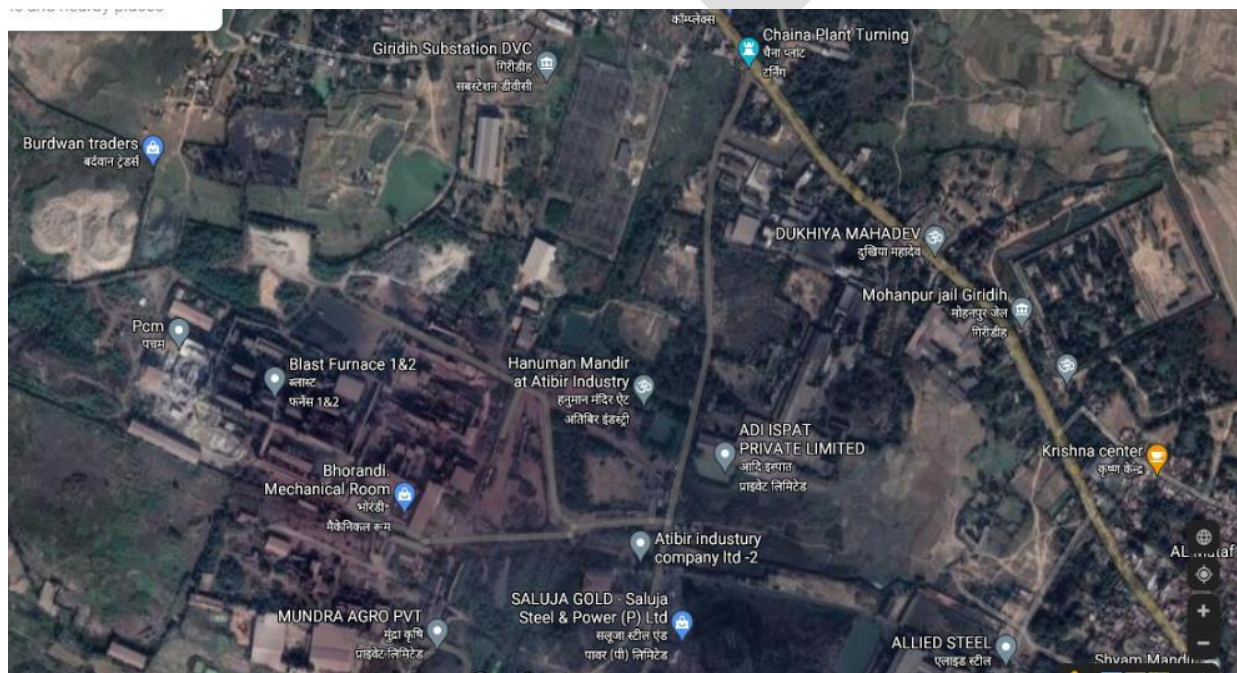
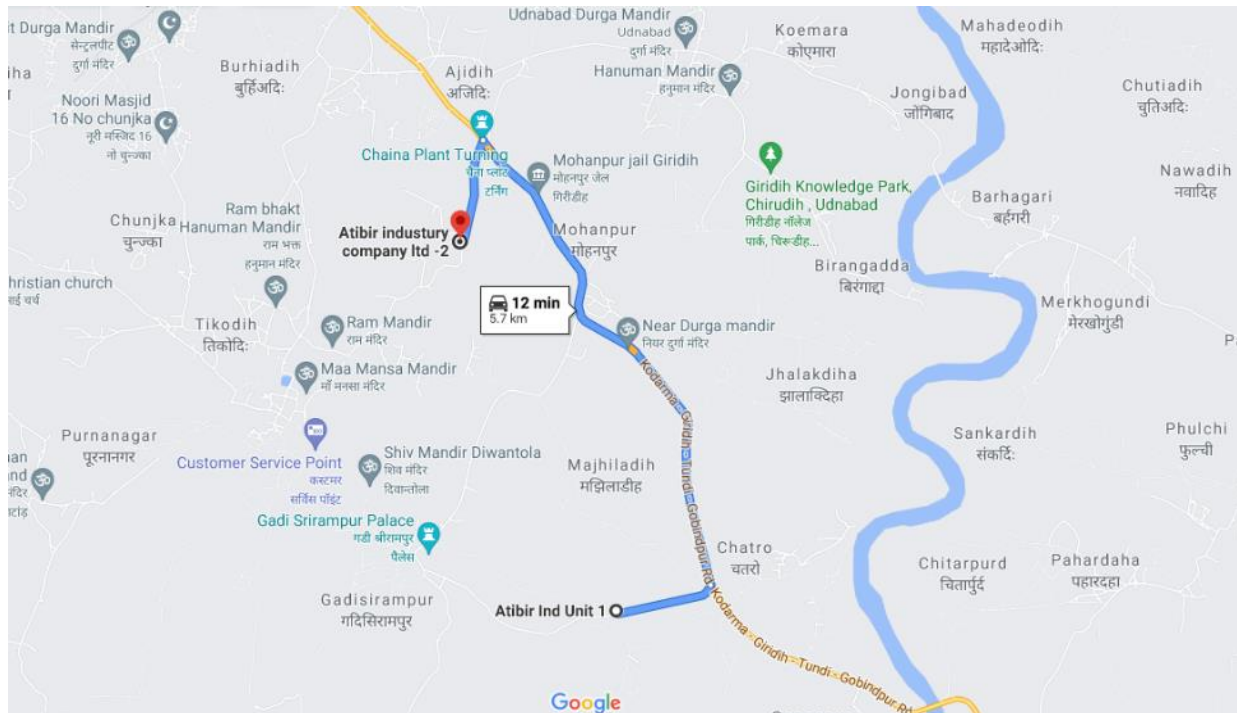
Particulars	Unit I	Unit II
Address	Tundi Road, Manjiladih Gadi Srirampur, Giridih	Tundi Road, Bhorandiha, Giridih
Key Plants	Sponge Iron (4 kilns)	Sinter plant (2 units) Blast Furnace plant (2 units) Pellet plant (1 unit)
Finished goods	Sponge Iron/ DRI	Pig Iron
Key Raw materials	Iron Ore (+5 mm) Coal Dolomite	Iron ore fines (-5 mm), Dolomite fines, Limestone, Hard coke Fines, Mill scale Coal (-10 mm), Bentonite Powder, Furnace Oil Imported Hard Coke
Output	Sponge Iron	Pig Iron and following by-products:
By-product:	Charcoal, Iron Ore fines	Runner, Slag

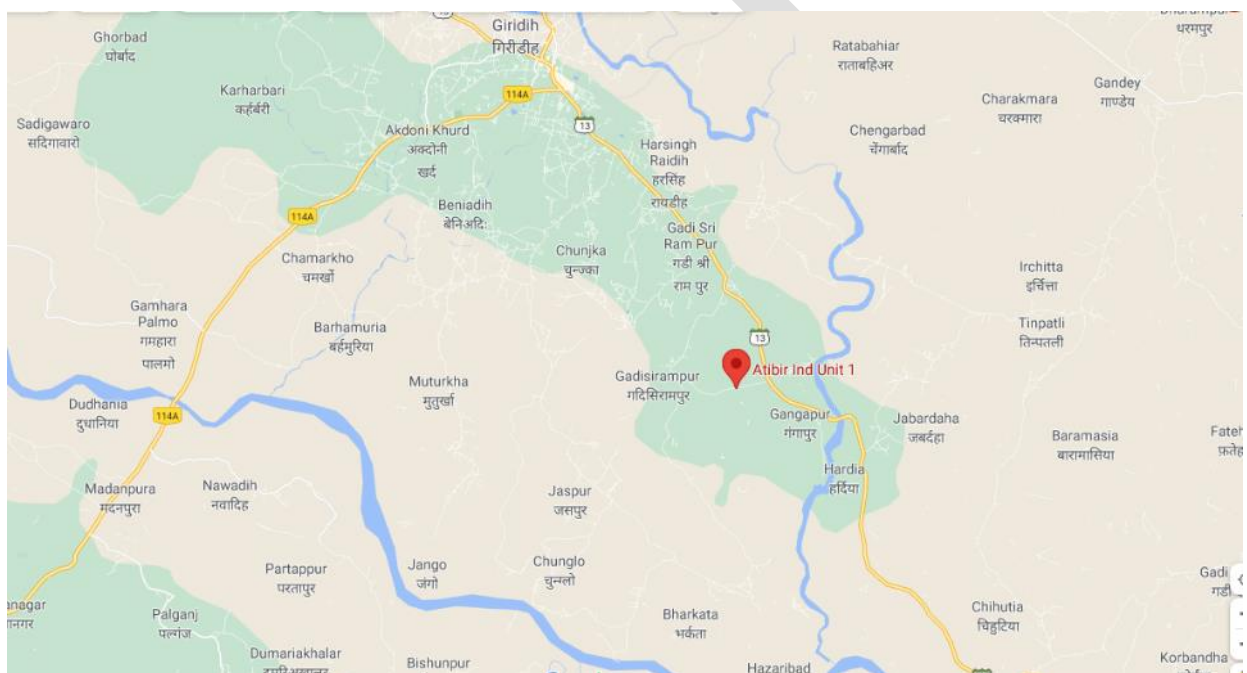
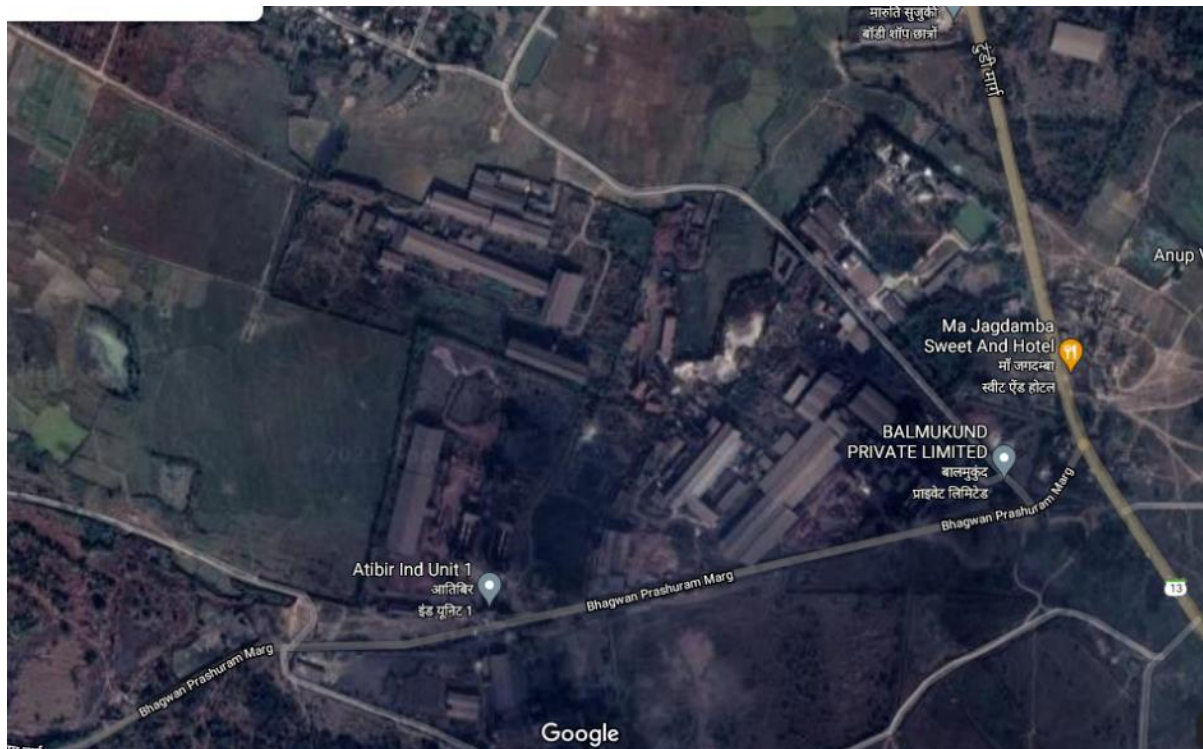
In unit I, DRI is produced and sold to market.

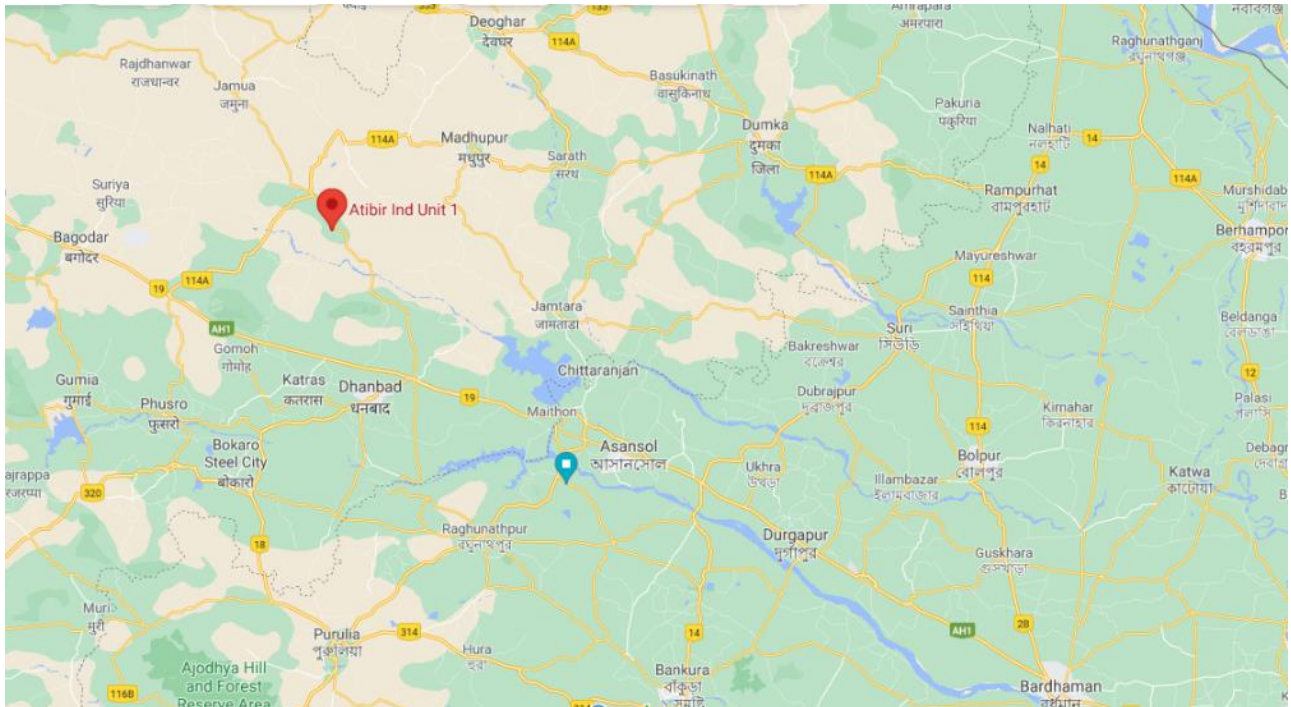
In Unit II, Blast Furnace tapped Hot Metal. It was then transferred to Pig casting machine. The pig iron then casted and sold to market.

Location: The manufacturing units are located at Gadi Srirampur and the distance between the units is 5.7 km. Most of the administrative works are done at unit II and most of the top management stationed in this unit. The units are well connected via rail, air & roads. The connectivity is as under:

Nearest pukka road	Kodarma - Giridih - Tundi - Gobindpur Road (800 m.)
Nearest highway	NH 114A (6 km.) NH 19 (45 km)
Nearest major city	Giridih (8 km.)
Nearest railway station	Giridih (6 km.), Dhanbad (46 km.)
Nearest airport	Ranchi (200 km.) Giridih (10 km)
Nearest River	Ushri – 3 KM, Barakar River – 9 KM
Forest Reserve	NIL within 2 km
National Park	NIL within 10 KM







Source: Google maps

Major Raw Material Sourcing: Raw Material Sourcing will not be a problem in this Iron and Steel zone of India, with their inhouse supply and external sources.

- Skilled labor and administrative staff are sourced from Asansol, Kolkata, Burdwan, etc. and other unskilled labor are locally available.
- Power is available Unit II from Damodar valley Corporation (DVC).
- Water is available through bore-well and supply by DVC.

Proper drainage, sewerage and water supply system is present to provide a congenial and hygienic working atmosphere. It is a fast-growing industrial area where many industries are situated and others are in progress to start production. Movement of Raw material and intermediate products are not challenging. Raw material is weighed at the entry and finished products are weighed at the dispatch. However, intermediate weighing system has lots of scope for improvement. For example, the log for hot metal production data was not available during site visit.

The advantages of the location of proposed plant are:

- The location is well connected by road and also near to rail head.
- The spacing between the facilities are adequate and space is available for expansion
- Proximity to source of raw materials and market for saleable products smoothens the operation.
- Availability of cheap and skillful worker.
- Adequate Power & Water is available.

6 Detailed Observations

D&B India was provided with stock statement and trail balance for the month October 2021. However, trial balance shared did not indicate any movement in the inventory value for the month of October 2021. D&B India independently recalculated the drawing power for the month of October, 2021 basis the details received from the AICL and noted that DP was under-valued by INR 58 crore (summary has been tabulated below)

Particular (INR in crore)	As per DP Statement				As per D&B			
	Market Value of Stock	Margin %	Margin Amount	Advance Value (A)	Market Value of Stock	Margin %	Margin Amount	Advance Value (B)
(i) Raw Material (Annexure IV, FSM-3/1, Part A [A+B])	65.04				91.53			
Less: O/s Unpaid Bills under Usance LCs vide Annexure – A	-				-			
LC against 1005 or more under usance LCs								
FDR against which LCs not yet opened								
Net o/s unpaid bills under usance LCs in excess those against 100% or more cash margin	-				-			
(ii) O/s Buyers credit / LoC					-			
(iii) O/s Sundry Creditors vide Annexure - A if any [excluding (i) & (ii) above] and Annexure D	27.41				28.66			
(iv) Advance from customer	7.22				7.22			
Net Value of RM eligible for DP [A]	30.41	25%	7.60	22.80	55.65	25%	13.91	41.74
(i) Stores and Spare Parts (Annexure IV, FSM-3/1, Part A [E])	14.85	25%	3.71	11.14	14.85	25%	3.71	11.14
(iii) Stock In Process (Annexure IV, FSM-3/1, Part A [C])								
(iv) Finish Goods (Annexure IV, FSM-3/1, Part A [D])	111.97	25%	27.99	83.98	164.09	25%	41.02	123.07
Total Inventory [B]	126.82		31.70	95.11	178.94		44.74	134.21
(v) Book-Debts within sanctioned cover period excluding bills discounted (FSM-3/2, Part B)	4.69	40%	1.88	2.81	4.69	40%	1.88	2.81
* Net value of Receivables [C]	4.69		1.88	2.81	4.69		1.88	2.81
Total (A+B+C) = D	161.91		41.18	120.73	239.28		60.52	178.76
FBWC Limits sanctioned by Banking system [E]	225.00			225.00				225
Eligible Drawing Power (Lower of D or E)	120.73			120.73	178.76			178.76

(*) Note: Review of the bank statement indicated that AICL has over utilized FBWC limits as compared to its eligibility. Below is the table for the status of FBWC for the period October 2021.

Bank	October, 2020	November, 2020	December, 2020	May, 2021	October 2021
State Bank of India	307.52	311.17	314.23	319.55	338.41
PNB	22.52	30.51	27.49	68.69	78.78
Indian Bank	62.83	63.65	64.51	74.69	67.69
Total	392.87	405.33	406.24	462.92	479.12

To understand the above irregularities, we conducted discussions with GM – Finance (Mr. Ravi Gadia) and we were informed that majorly irregularity was on account of devolvement of LCs

6.1 Notes to DP Calculation

- **Slow/non-moving inventory:** We noted inventory amounting to INR 191.86 crore (as per stock statement on 31st October 2021). As per the DP statement, Company has confirmed that there was no slow/non-moving inventory lying. However, inventory ageing was not shared with us for review.
- **Book debts:** Overall, receivables as on 31st October 2021 was INR 45.66 crore. Review of ageing summary indicated ~7% of book debts were aged for more than 180 days. (Refer para 6.1.4).
- **No movement of Inventory in books of accounts:** Review of the trial balance provided for the month October 2021 for Unit I and Unit II did not depict movement in inventory during the period. It only showed closing balances of each ledger. Due to which D&B India has relied on the Purchase register (along with the sample invoices) and excel production sheet to reconcile with the stock statement. Currently, as a practice AICL has prepared and maintained the physical register in which all the inward, issuance and consumption of the raw material has been booked on a daily basis.
- **Creditors:** We noted creditors amounting to INR 27.41 crore (as per stock statement on 31st October 2021) vis-à-vis INR 28.66 crore (as per trial balance as on 31st October 2021)

Our analysis and comments on each component of the stock statement is as under:

6.1.1 Goods-in-transit (GIT)

No movement was observed in GIT in the books of account as on 31st October 2021. We were given to understand that GIT is accounted in the books of accounts at year-end.

There is no standard method for quantification of stocks in transit. The company may incorporate a robust mechanism to track and account for stocks in transit on a real-time basis.

6.1.2 Valuation of Raw Material [INR 91.53 crores]

Workings to arrive at Raw Material valuation was shared with us. Further, on review of the financial statement we noted that RM is valued basis the Moving average.

Considering system deficiency and incorrect inventory valuations done by system, D&B India independently reperformed inventory valuation using moving averages of the unit and noted inconsistencies which will result in under-valuation of RM by INR 26.49 crore. Below are discrepancies noted in the valuation. INR in '000

Sponge Iron Plant (Manjhiladih, Giridih)	Opening stock (INR '000)			Stock In (MT) (INR '000)			Stock Out (MT) (INR '000)			Closing stock (D&B) (INR '000)			Closing Stock (DP) (INR '000)		
	Qty	Unit rate	Value	Qty	Unit rate	Value	Qty	Unit rate	Value	Qty	Unit rate	Value	Unit rate	As per DP	Diff
Raw Material: A. Indigenous															
a) Iron Ore Lumps	3,916	4,400	17,231	-	-	-	-	4,400	-	3,916	4,400	17,231	4,400	17,231	-
b) Coal	6,699	2,530	16,948	1,298	4,690	6,086	2,063	2,880	5,941	5,934	2,880	17,092	3,210	19,047	(1,955)
c) Iron ore fines	21,592	4,250	91,764	-	-	-	-	4,250	-	21,592	4,250	91,764	4,250	91,764	-
d) Dolomite	36	2,100	75	-	-	-	-	2,100	-	36	2,100	75	2,100	75	-
e) Pellet	109	9,000	985	4,000	10,000	39,997	2,488	9,973	24,815	1,621	9,973	16,166	10,000	16,209	(43)
f) Stock in transit (Iron ore)	162	4,200	682	-	-	-	-	4,200	-	162	4,200	682	4,200	682	-
f) Stock of Iron ore (Size Material)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Raw Material: B. Import															
a) Stock in transit – Coal	117	10,401	1,213	-	-	-	-	10,401	-	117	10,401	1,213	10,401	1,213	-

Total- RM	32,631		128,898	5,297		46,083	4,551		30,757	33,377		144,224		146,221	(1,998)
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Unit II (Blast Furnace/Sinter/Pellet Plant)	Opening stock (INR '000)			Stock In (MT) (INR '000)			Stock Out (MT) (INR '000)			Closing stock (D&B) (INR '000)			Closing Stock (DP)		
	Qty	Unit rate	Value	Qty	Unit rate	Value	Qty	Unit rate	Value	Qty	Unit rate	Value	Unit rate	As per DP	Diff
Raw Material: A. Indigenous															
a. Iron Ore	79,272	7,578	600,720	-	-	-	12,177	7,578	92,278	67,095	7,578	508,443	4,290	287,835	220,608
b. Hard Coke	2,879	29,500	84,943	1,267	13,200	16,730	2,233	24,518	54,752	1,914	24,518	46,921	13,200	25,261	21,660
c. Hard Coke Fines	2,190	18,000	39,420	317	6,500	2,059	-	16,547	-	2,507	16,547	41,479	6,500	16,293	25,186
d. Quartzite	18	238	4	-	-	-	-	238	-	18	238	4	238	4	-
e. Bentonite Power	180	5,850	1,052	-	-	-	110	5,850	646	69	5,850	406	5,850	406	-
f. Furnace Oil	12	39,765	471	228	49,451	11,291	200	48,972	9,794	40	48,972	1,968	39,765	1,598	370
g. Cooking Coal (For Conversion)	1,879	15,525	29,171	104	13,009	1,349	703	15,393	10,815	1,280	15,393	19,704	15,525	19,873	(168)
h. Lime Stone Powder	755	3,000	2,265	-	-	-	467	3,000	1,401	288	3,000	864	3,000	864	-
i. Quick Lime Powder	368	8,581	3,158	-	-	-	126	8,581	1,078	242	8,581	2,080	8,581	2,080	-
j. Dolomite Powder	4,849	2,500	12,123	1,557	2,500	3,891	725	2,500	1,812	5,681	2,500	14,202	2,500	14,202	-
k. Stock in Transit Hard Coke	-	-	-	21	13,200	272	-	-	-	21	13,200	272	13,200	272	-
i. Mill Scale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Raw Material: B. Import															
a. Coal	1,751	12,410	21,731	4,308	5,594	24,099	3,058	7,564	23,132	3,001	7,564	22,698	7,800	23,407	(709)
b. Hard Coke	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Dolomite Fines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Lime Stone Fines	2,431	3,100	7,535	-	-	-	-	3,100	-	2,431	3,100	7,535	3,100	7,535	-
d. Stock-in-transit (BKSC Siding)	81	10,634	863	-	-	-	81	10,634	863	-	-	-	-	-	-
e. Stock-in-transit Coal (Community HUB)	-	-	-	22,500	5,594	125,865	3,816	5,594	21,345	18,684	5,594	104,520	5,594	104,520	-
Total RM (A+B)	96,665		803,456	30,301		185,557	23,695		217,916	103,270		771,097		504,151	266,946

6.1.3 Valuation of Finished Goods [INR 164.09 crores]

Workings to arrive at finished goods valuation was not shared with us. Further, on review of the financial statement we noted that FG is valued basis the cost or net realizable value whichever is lower

D&B India was not provided with the standard cost / cost on the basis to arrive at FG. As noted by the stock auditor during our earlier review, the Company does not follow standard costing hence cost of production of each finished good could not be ascertained.

Considering system deficiency and incorrect inventory valuations done by system, D&B India independently reperformed inventory valuation using moving averages of the unit and noted inconsistencies which will result in under-valuation of FG by INR 52.12 crore. Below are discrepancies noted in the valuation. INR in '000

Sponge Iron Plant (Stock-in-process)	Opening			Stock In (MT) (INR '000)			Stock Out (MT) (INR '000)			Closing			Closing Stock (DP) (INR '000)		
	Qty	Unit rate	Value	Qty	Unit rate	Value	Qty	Unit rate	Value	Qty	Unit rate	Value	Unit rate	As per DP	Diff
a. Sponge Iron	5,185	22,500	116,673	1,489	22,600	33,642	2,805	22,522	63,179	3,869	22,522	87,136	22,600	87,437	-301
b. Charcoal	11,721	200	2,344	206	200	41	887	200	177	11,040	200	2,208	200	2,208	0
Total FG (D)	16,906		119,017	1,695		33,683	3,692		63,356	14,909		89,344		89,645	-301
Unit II (Blast Furnace / Sinter / Pellet)															
a. Pig Iron	22,726	35,500	806,775	1,585	35,500	56,268	1,356	35,500	48,148	22,955	35,500	814,894	25,000	573,869	241,025
b. Sinter	0	0	0	3,105	7,500	23,291	3,105	7,500	23,291	0	0	0	0	0	0
c. Iron ore pellet	2,920	9,000	26,280	6,334	9,000	57,007	4,197	9,000	37,773	5,057	9,000	45,515	9,000	45,515	0
d. Slag	61,930	1,400	86,702	1,406	1,400	1,968	0	1,400	0	63,336	1,400	88,670	1,400	88,670	0
e. Runner	23,274	30,000	698,206	175	22,000	3,850	3,325	29,940	99,563	20,123	29,940	602,492	16,000	321,970	280,522
Total FG (D)	110,849		1,617,962	12,606		142,384	11,984		208,776	111,471		1,551,571		1,030,024	521,547

On review of the above we noted that, AICL has inadvertently considered the incorrect unit rate for Pig Iron (i.e., INR 25000 / MT instead of INR 35500 / MT) and for Runner (i.e. INR 16,000 /MT instead of INR 29,940).

6.1.4 Sales made at lower than production cost

On review of the sales price vis-à-vis input cost (other production cost not factored), we noted that pig iron was sold at gross loss by ~ 17.75% (only RM cost has factored as other production cost details were not made available) against the ~19% gross loss in May 2021 and ~ 5% gross loss in December 2020 majorly due to increase in selling price of Pig Iron by ~18% as compared May 2021 coupled with decrease in the Hard coke consumption and price. Below is cost breakup of Raw Material against the production of 1 MT of Pig iron:

Month	Raw Material cost (basis the consumption pattern as provided)						Total Material Price	Selling Price	Gross profit / (loss) (%)
	Hard coke	Dolomite	Limestone	Iron Ore	Quick Lime	Mill Scale			
December, 2020	20,425	420	1,005	12,276	84.50	30	34,250	32,500	(5%)
May 2021	27,687	1,249	1,111.75	14,698.43	257.45	7	45,011	37,800	(19%)
October 2021	29,644	1,143	883	17,838	680.04	6	52,815	44,854	(17%)

6.1.5 Book Debts: [INR 45.66 crore]

Receivables increased by ~16.15% as of October, 2021 vis-à-vis May, 2021 (INR 39.31 crore) and decrease by ~25% as compared to December, 2020 (INR 60.88 crore). However, D&B India was unable to verify change in sticky receivables as invoice wise debtors were not available for review.

However, review of ageing summary as of October, 2021 indicates that INR 3.18 crore (6.97% of total receivables) against May 2021 4.55 crore (12% of total receivables) has been pending for recoveries for more than 180 days.

Below is the customer wise movement of receivables as on May 2021, July 2021, Aug 2021, Sep 2021 and Oct 2021

Particular	Oct-21	Sep-21	Aug-21	Jul-21	May-21
Sundry Debtors - Unit I	7.13	4.17	4.52	7.88	14.48
Baghaulti Sugar and Distillery Limited	-	-	-	-	0.06
Balajee Mini Steels & Re-Rolling Pvt. Ltd. (Unit-II)	0.21	0.21	0.21	0.21	0.21
Bhagyashree Steel & Alloys (P) Ltd	0.22	0.22	0.22	0.22	0.22

Mongia Steel	-	-	-	2.93	2.93
BTC Industries Limited	-	-	-	-	0.16
Hasan Steel and Alloys Pvt Limited	-	-	-	-	0.30
Kanpuria Steel	-	-	-	-	0.08
Kamakshi Ispat Pvt. Ltd.	-	-	-	-	0.01
Patwari Steel Pvt' Ltd'	-	-	-	-	0.00
Pushkar Steel (P) Ltd.	0.57	0.57	0.57	0.57	0.57
Rana Heavy Engineering Limited	-	-	-	-	0.20
Shree Ram Trading Co.	-	-	-	-	0.17
Supreme Electrocast Pvt. Ltd.	-	-	-	-	0.07
Trimurti Concast Pvt. Ltd.	-	-	-	-	0.05
Saluja Steel & Power Pvt. Ltd. (Unit-II)	1.83	1.83	1.83	1.83	6.34
Vikromatic Steels (P) Ltd.	0.27	0.27	0.27	0.27	0.27
Vishal Sponge Pvt. Ltd.	3.06	0.11	0.47	0.90	0.76
Ispat Damodar Pvt Ltd	0.00	-	-	-	-
Jai Salasar Balaji Industries Pvt.Ltd.	0.01	0.01	0.01	0.01	0.01
Manayata Trader (Sales A/C)	0.01	-	-	-	-
Shyam Sel & Power Limited	0.02	0.02	0.02	0.02	0.02
Sri Balajee Traders (Giridih)	0.00	0.00	0.00	0.00	0.00
BSRM STEEL MILLS LIMITED	0.92	0.92	0.92	0.92	2.05
Sundry Debtors - Unit II	37.37	37.62	32.61	39.30	24.84
Balajee Mini Steels & Re-Rolling Pvt. Ltd.(Unit-II)	0.31	0.31	0.31	0.31	0.31
Avinash Enterprise	-	-	-	-	0.66
Santpuria Alloys Private Limited	3.25	3.25	3.25	3.52	8.21
Bihar Foundry and Casting Limited	1.18	1.18	1.18	1.18	-
Chintpurni Steel (Pvt) Limited	0.31	0.31	0.31	0.31	0.31
Jai Durga Iron Pvt. Limited	0.05	0.05	0.05	0.43	-
Mongia Limited	15.05	15.07	16.11	11.90	10.94
Mahalaxmi Continental Limited	17.22	17.45	11.41	20.79	-
Bravo Sponge Iron Pvt Limited	-	-	-	0.86	-
Rungta Mines	-	-	0.00	-	-
Saluja Steel and Power (P) Limited	-	-	-	-	0.50
Shivam Iron and Steel Co. Limited	-	-	-	-	0.13
Shakambhari Ispat and Power Limited	-	-	-	-	1.50
Sri Langta Baba Steel Pvt. Limited	-	-	-	-	2.27
Sri Langta Baba Steel Pvt. Limited	-	-	-	-	2.27

On review of the above we noted no movement in the receivables were noted as below:

In case of Unit – I: Amounting to INR 1.30 for 7 customers out of total receivables of INR 7.13 crore

In case of Unit – II: Amounting to INR 0.62 for 2 customers out of total receivables of INR 37.37 crore

Recommendation:

- Activate functionality in Tally to auto-generate ageing report.
- Balance confirmation should be performed by AICL on annual basis for customers.

7 Production & Sales

Management is in the process of finalizing the CMA statement and hence the comparison of actual with the budgeted cannot be performed.

Below are the details of BF I and II operation during the review period (In days)

Month	BF I	BF II	Sinter I	Sinter II	Pellet	Kiln I	Kiln II
May-21	5	26	5	26	12	-	-
October 2021	(*)	26	(*)	26	(*)	-	-

(*) AICL has not provided with the daily wise production details hence D&B India couldn't able to analyze the stoppage of plant. Further, we were not provided with month-wise budgets/MIS/projections and budget v/s actual comparison analysis to analyze in further detail.

Further, D&B India has reconciled the sales (excluding GST) and production details as per stock statement vis-à-vis Sales Register vis-à-vis GSTR – 3B (as on 31st October 2021) and noted below:

Sales

Particular	Sales Value in crore	Sales Value in crore	Sales Value in crore
	(as per stock statement)	(as per sales register)	(as per GSTR 3B)
Sponge Iron (Unit I)	7.01	7.01	7.06
Charcoal (Unit I)	0.05	0.05	
Pig Iron (Unit II)*	16.06	16.06	20.07
Pellet (Unit II)	4.00	4.00	

* Including runner

Production

Particular	Qty in MT	Qty in MT
	(as per stock statement)	(as per production register)
Sponge Iron (Unit I)	1488.59	1488.59
Pig Iron (Unit II)*	1760.00	1760.00
Pellet (Unit II)	6334.15	6334.15
Sinter (Unit II)	3105.48	3105.48
Slag (Unit II)	1406.00	1406.00

* Including Runner

8 Key findings

8.1 Consumption norms of key raw material

- Deviations from standard range of consumption norms of key raw material were observed.
- Burden Mix: The standard burden mix ranges from 2.5 times to 3 times of hard coke consumed. Review of the same for the review period we noted that the average burden mix for the month of August 2021, September 2021 and October 2021 was (1.57, 1.53 and 1.48 respectively) which is below the acceptable range.
- Excess consumption compared to standard norms: D&B India performed standard norms vis-à-vis actual consumption for key input material and noted variances which has been tabulated below:

Particulars	Actual Consumption				Standard Input rate/metric ton*	Standard/Derived Consumption MT				Variation (Total)		Actual Input Rate		
	Aug-21	Sep-21	Oct-21	Total (A)		Aug-21	Sep-21	Oct-21	Total (B)	MT (A- B)	%	Aug-21	Sep-21	Oct-21
Pig Iron Produced (FG File)	10,694	5,329	1,760	17,783	1									
Sinter Consumed (FG File)	15,509	9,048	3,105	27,663	1.201	12,843	6,400	2,114	8,514	19,149	225%	1.45	1.70	1.76
Hard Coke Consumed (BF)	12,488	6,499	2,233	21,220	0.55	18,627	10,867	968	11,835	9,385	79%	1.17	1.22	1.27
IRON ORE PELLET	4,046	878	197	5,121	0.45	14,998	2,414	797	3,211	1,910	59%	0.38	0.16	0.11
Fine Coke (Sinter)	1,831	868	317	3,016										

D&B India was informed by Management that this is on account of lower than optimum utilization of blast furnace and liquidity issues due to working capital crunch. D&B India will monitor the consumption pattern on a monthly basis going ahead as this will be one of the key monitorable impacting cost of production and profitability.

8.2 Compensation cess refund: Compensation cess refund for export zone and zero-rated sales.

- AICL can obtain to either take credit or obtain refund of unutilized compensation cess in proportion to export sales / zero rate sales during the period.
- As per the Trial balance for the month of October 2021, INR 5.34 crore Input GST Compensation cess was available in Unit II. However, during discussion with GM – Finance (Mr. Ravi Gadia) we were Informed that the balance cess will be claimed by the Company in FY 2022.

8.3 Long outstanding subsidy receivable

- Long outstanding subsidy receivable from government of Jharkhand. As per Trial balance for the month of October 2021, AICL has accounted the receivable amounting INR 132.98 crore vis-à-vis 134.83 crore as on May 2021 from “Department of Industries (subsidy) receivable, Govt of Jharkhand”. *The receivable was relating to financial year 2016-17 – (INR 3.44 crore), 2017 – 18 (INR 41.29 crore), 2018 – 19 (INR 33.61 crore), 2019 – 20 (INR 33.94 crore) and 2020-21 (INR 20.70 crore) respectively under the provision of GST. However, during discussion with GM – Finance (Mr. Ravi Gadia) we were Informed that, Company has filed the refund claim application but government has not processed the same till date.*

8.4 Finance and Accounts

- The company uses Tally accounting system for book-keeping and maintenance of accounts. Finance and Accounts team are separate at Unit I and Unit II. Documentation is also maintained at respective locations. We were provided with unit wise trial balance, stock data and financial data.
- Trial balance provided to us for Unit I and Unit II did not depict movement in inventory during the period. It only showed closing balances of each ledger. Further, during the discussion D&B India were informed as a practice AICL park the necessary adjustment during the finalization of books of accounts at the end of the year.
- As per the best Industry practice, Company needs to book the inventory movement on a monthly and a quarterly basis to depict the correct picture of the Inventory Valuation.

8.5 Banking information

The company printed and provided us hard copies of bank statements. List of bank accounts as per Tally and as per hard copy bank statements provided to us by the company is as below:

Name of Bank	Facility	A/c no.	O/s as on 31.10.2021	Remarks
SBI	CC	38405967749	2,286,675,278 (Cr.)	Balance as per Bank statement
SBI	CC	39785083804	496,639,965 (Cr.)	Balance as per Bank statement
SBI	CC	40122319271	13,476,585 (Cr.)	Balance as per Bank statement
SBI	CC	39785083804	496,639,965 (Cr.)	Balance as per Bank Statement
SBI	CC	39031624720	83,573,336 (Cr.)	Balance as per Bank statement
SBI	CC	39699340534	82,827,158 (Cr.)	Balance as per Bank statement
SBI	CC	39699346025	82,827,158 (Cr.)	Balance as per Bank statement
SBI	CC	39705637054	82,827,158 (Cr.)	Balance as per Bank statement
SBI	CC	39760937131	81,828,889 (Cr.)	Balance as per Bank statement
SBI	CC	39761419733	81,828,889 (Cr.)	Balance as per Bank statement
SBI	CC	NA	77837249 (Cr.)	Balance as per Bank statement
SBI	Corporate Loan	37748374983	173,493,483 (Cr.)	Balance as per Bank statement
PNB	CC	225008700008666	787,825,602 (Cr.)	Balance as per Bank statement
INDIAN BANK	CC	775241252	676,859,295 (Cr.)	Balance as per Bank statement
INDIAN BANK	Corporate Loan	6641230498	85,807,105 (Cr.)	Balance as per Bank statement

Below are the details of unsecured loan (as per trail balance) as on 31st October 2021 the same:

Name of Parties	O/s as on 31.10.2021	O/s as on 31.05.2021	Remarks
Highlight Infrastructure Pvt. Ltd.	10,189,309.00	10,189,309.00	Balance as per Trail Balance
Marvellous Construction Pvt Ltd	20,367,304.00	20,367,304.00	Balance as per Trail Balance
Paras Kumar Sarawgi (Loan) A/c	18,562,844.31	18,562,844.31	Balance as per Trail Balance
Prayag Chand Khetsi Dass Auto Pvt Ltd	20,355,809.00	20,355,809.00	Balance as per Trail Balance
Quality Realtors and Developer Pvt Ltd(Loan)	30,369,265.00	30,369,265.00	Balance as per Trail Balance
Samir Kumar Sarawgi (Loan) A/c	8,910,850.00	8,910,850.00	Balance as per Trail Balance
Sandip Kumar Sarawgi (Loan A/c)	30,444,352.00	30,444,352.00	Balance as per Trail Balance
Shikhar Reaidev Pvt Ltd	20,362,651.00	20,362,651.00	Balance as per Trail Balance
Shivansh Residency Pvt Ltd	30,535,993.00	30,535,993.00	Balance as per Trail Balance
Shri Paras Finance Pvt Ltd	20,351,247.00	20,351,247.00	Balance as per Trail Balance
Sribir Marketing Services Pvt Ltd (Loan)	20,280,541.00	20,280,541.00	Balance as per Trail Balance
Starmar Buildhome Pvt Ltd	10,189,309.00	10,189,309.00	Balance as per Trail Balance
Starmark Realcon Pvt Ltd (Loan)	30,367,212.00	30,367,212.00	Balance as per Trail Balance
Sumangal Residency Pvt Ltd	20,369,493.00	20,369,493.00	Balance as per Trail Balance
Universal Residency Pvt Ltd	20,379,415.00	20,379,415.00	Balance as per Trail Balance

9 Overall Comments

Comments to the indicative ASM scope and checklist (in addition to above points) are as below:

Indicative scope/checklist	Our Comments																				
1 Monitor the purchases/ invoices of the Company (about quantum and reasonableness of the rates) for procurement of raw material / spares/ transportation of raw material etc., on periodical basis and compare vis-à-vis monthly operation budget submitted by the Company on a quarterly basis	<p>We selected sample purchase invoices for review of documentation and reasonableness of rates and noted that raw material prices are broadly in line with the market rates factoring in the quality grade.</p> <p>Iron ore: Central Coalfields Limited (CCL – Sales Realization) <i>The company procures Coal (1297.71 MT) during the month October 2021 from Central Coal Fields (CCL) at INR 4689.68 / MT (excludes coal cess and other freight charges) via bidding mechanism.</i></p> <p>Dolomite: Avinashi Enterprise <i>The company procures dolomite (1556.51 MT) during the month of October 2021 from Avinashi Enterprise at INR 2500 / MT (excludes GST). Company has entered into purchase agreement with the supplier basis which rates and quantities are mutually agreed which form part of the Purchase Order. D&B India noted that quantities were procured as per the contracted price.</i></p> <p>Furnace Oil: Kodarma Chemical Private Limited and BPCL <i>The company procures Furnace Oil (209.72 MT) from Kodarma Chemical Private Limited INR 48000 / MT and (18.61 MT) from BPCL at INR 49500 / MT (excludes GST). Company has entered into purchase agreement with the both the supplier during the month October 2021 basis which rates and quantities are mutually agreed which form part of the Purchase Order. D&B India noted that quantities were procured as per the contracted price. Further, D&B India seek the reason for procuring the furnace oil at higher price from the BPCL and we were informed that it's due to emergency requirement and LI supplier couldn't able to supply the same. Hence, D&B India recommends AICL prepare adequate planning to avoid the emergency purchase in future.</i></p>																				
2 Review inventory build-up (including trade receivables and advances to the Company) for operation of the units to verify if it is commensurate with the funds released.	<p>Inventory build – up</p> <p>There was increase in inventory level in October 2021 compared to inventory level in May, 2021 vis-à-vis FY 21, FY 20 and FY 19 respectively.</p> <p>There has been significant increase in both Raw Material in October 2021 (i.e., 2.48 months as compared to 1.12 months as on May 2021) and FG inventory in October 2021 (i.e., 4.27 months as compared to 2.94 months as on May 2021). Further, during the site visit and review of stock statement we noted the below:</p> <p>Unit I: Raw Material</p> <p>As per the stock statement D&B India noted no movement in below mentioned raw material:</p> <table><tr><th>Unit I</th><th>Jul-21</th><th>Aug-21</th><th>Sep-21</th><th>Oct-21</th></tr><tr><td>Iron ore fines</td><td>9.18</td><td>9.18</td><td>9.18</td><td>9.18</td></tr><tr><td>Dolomite</td><td>0.01</td><td>0.01</td><td>0.01</td><td>0.01</td></tr><tr><td>Stok in transit (Iron ore)</td><td>0.07</td><td>0.07</td><td>0.07</td><td>0.07</td></tr></table>	Unit I	Jul-21	Aug-21	Sep-21	Oct-21	Iron ore fines	9.18	9.18	9.18	9.18	Dolomite	0.01	0.01	0.01	0.01	Stok in transit (Iron ore)	0.07	0.07	0.07	0.07
Unit I	Jul-21	Aug-21	Sep-21	Oct-21																	
Iron ore fines	9.18	9.18	9.18	9.18																	
Dolomite	0.01	0.01	0.01	0.01																	
Stok in transit (Iron ore)	0.07	0.07	0.07	0.07																	

Indicative scope/checklist	Our Comments			
	Stock in transit – Coal	0.12	0.12	0.12
	Total	9.37	9.37	9.37
	Total RM Unit I	14.39	13.97	12.89
	%	65.11%	67.07%	72.69%
				64.09%

Finished Goods

Charcoal: Closing Stock as on October 2021 stood at 11040 MT valued of INR 22.08 lacs further purchase of 206 MT (amounting to INR 41,250) and 118.54 MT (amounting to INR 23,710) made during the October 2021 and September 2021 respectively. **However, no issue was made during the both months.**

Below is the Stock / Inventory Built-up of Raw material and Finished Goods for both the unit:

INR in crore

Particular	Jul 21	Aug 21	Sep 21	Oct 21
Raw Material - Unit 1	14.39	13.97	12.89	14.62
Raw Material - Unit 2	89.20	91.57	80.35	50.42
Total of Raw Material	103.58	105.54	93.24	65.04
Unit 1 - Finish Goods				
Sponge Iron	11.29	9.89	11.67	8.74
Charcoal	0.23	0.23	0.23	0.22
Unit 2 - Finish Goods				
Pig Iron	78.19	80.62	96.59	57.39
Sinter	-	-	-	-
Iron Ore Pellet	1.42	3.42	2.63	4.55
Slag (waste)	6.74	8.09	8.67	8.87
Runner	77.41	76.03	69.82	32.20
Total of Finish Goods	175.27	178.28	189.61	111.97

Review of the above table D&B India noted as below:

- Overall Inventory has been decreased by INR 105.84 (i.e Raw Material and Finish goods) crore of which major contributors are Pig Iron (i.e., INR 39.20 crore); Runner (i.e. INR 37.62 crore) and Iron Ore (i.e. INR 31.29 crore). **However, the above numbers cannot be relied upon due to incorrect valuation done by the Company which has led to a significant undervaluation.**
- However, D&B India has independently calculated the valuation basis the moving average and noted that Inventory has been undervalued by INR 78.62 crore. Below are the details:

Particular	As per stock statement	As per D&B	Difference
Raw Material - Unit 1	14.62	14.42	(0.20)
Raw Material - Unit 2	50.42	77.11	26.69
Total of Raw Material	65.04	91.53	26.49
Finish Goods – Unit 1	8.96	8.93	(0.03)
Finish Goods – Unit 2	103.00	155.16	52.15
Total of Finish Goods	111.97	164.09	52.12

Indicative scope/checklist		Our Comments																																			
		<p>Trade Receivables and Advances:</p> <p>Company has been able to manage its receivables well considering declining DSO (46 days in FY 2017 to 19 days in FY 2019). However, DSO increased to 43 days as on March, 2020 remained constant at 45 days in March 2021 which dropped to 25 days as on December, 2020 and further reduced to 20 days as on May 2021. However, it has been increased to 52 days in October 2021 majorly due to decrease in sales and increase in receivables. In days</p> <table><tr><th>Particular</th><th>Oct 21</th><th>May 21</th><th>Mar 21</th><th>Mar 20</th><th>Mar 19</th></tr><tr><td>DSO</td><td>52</td><td>20</td><td>45</td><td>43</td><td>19</td></tr></table>	Particular	Oct 21	May 21	Mar 21	Mar 20	Mar 19	DSO	52	20	45	43	19																							
Particular	Oct 21	May 21	Mar 21	Mar 20	Mar 19																																
DSO	52	20	45	43	19																																
3	Assessment of financial information that has been and that will be provided by the Company to its lenders including information related to its short term and long-term cash flows.	<p>While there was some impact of Covid 19 (2nd wave) on the consumption & demand for Pig Iron, however post wave 2 D&B India noted the demand has been normalized at pre-covid level and selling price also shown the upward trend. However due to the liquidity issue D&B India noted overall decrease in production activity coupled with decrease in overall sale by 60.46% (i.e., from July 2021 to October 2021) major contributor is Pig Iron (i.e., ~ 73% decrease in sales).</p> <table><tr><th>Particular</th><th>July – 21</th><th>Aug- 21</th><th>Sep - 21</th><th>Oct – 21</th></tr><tr><td>Sponge Iron</td><td>4.60</td><td>5.36</td><td>5.36</td><td>7.01</td></tr><tr><td>Pig Iron</td><td>59.40</td><td>38.71</td><td>26.18</td><td>16.05</td></tr><tr><td>Pellet</td><td>1.57</td><td>1.35</td><td>-</td><td>3.99</td></tr><tr><td>Slag</td><td>0.31</td><td>0.38</td><td>0.01</td><td></td></tr><tr><td>Other</td><td>2.66</td><td>-</td><td>-</td><td>0.05</td></tr><tr><td>Total</td><td>68.54</td><td>45.80</td><td>31.55</td><td>27.10</td></tr></table> <p>Further, the Company has not be able to take advantage of the increase in price of Pig Iron leads to lower capacity utilization, Sub-optimal efficiency in production reflected by higher sinter & hard coke consumption due to various reasons such as restarting of furnace post lockdown, time required for stabilization as well as liquidity crunch and incurring of fixed costs.</p> <p><i>This along with the continued liquidity challenges has led to irregularity in the WC account with the Company not being able to meet its obligations. Refer our assessment in Para 4.1.1</i></p>	Particular	July – 21	Aug- 21	Sep - 21	Oct – 21	Sponge Iron	4.60	5.36	5.36	7.01	Pig Iron	59.40	38.71	26.18	16.05	Pellet	1.57	1.35	-	3.99	Slag	0.31	0.38	0.01		Other	2.66	-	-	0.05	Total	68.54	45.80	31.55	27.10
Particular	July – 21	Aug- 21	Sep - 21	Oct – 21																																	
Sponge Iron	4.60	5.36	5.36	7.01																																	
Pig Iron	59.40	38.71	26.18	16.05																																	
Pellet	1.57	1.35	-	3.99																																	
Slag	0.31	0.38	0.01																																		
Other	2.66	-	-	0.05																																	
Total	68.54	45.80	31.55	27.10																																	
4	Additional verification of evidence of end use of facilities to company and its utilization as per the conditions laid down by the consortium of lenders	<p>D&B India reviewed bank statement for the review period and noted that all outflows were towards operational expenses (salaries, vendor payments, statutory expenses etc.).</p> <p>High value debit entries were verified on 100% for the month of October 2021 for appropriateness of payments made and the beneficiaries. No discrepancies were noted by D&B India in the samples reviewed.</p>																																			
5	Temporary /long term/unscheduled closure of operations	<p>On review of production sheet provided to us, we noted the plant operational as below: (In days)</p> <table><tr><th>Month</th><th>BF I</th><th>BF II</th><th>Sinter I</th><th>Sinter II</th><th>Pellet</th><th>Kiln I</th><th>Kiln II</th></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	Month	BF I	BF II	Sinter I	Sinter II	Pellet	Kiln I	Kiln II																											
Month	BF I	BF II	Sinter I	Sinter II	Pellet	Kiln I	Kiln II																														

Indicative scope/checklist		Our Comments							
		May-21	5	26	5	26	12	-	-
		October 2021	(*)	26	(*)	26	(*)	-	-
		<p>(*) AICL has not provided with the daily wise production details hence D&B India couldn't able to analyze the stoppage of plant.</p> <p>Further, during the discussion the reason for shut down we were informed that same were closed due to liquidity issue of the company the review period.</p>							
6	Any untoward incident or suspicious business or unrelated activity (in addition to aforementioned findings)	No Such instances were noted.							
7	Sources of margin, whether it is through borrowing or through capital infusion and is bought as per sanction stipulation	Source of Margin of Fixed Deposit for LC and BG is the maturity of previous Fixed Deposits.							
8	To monitor status of borrowing with the member bank of consortium lending, conduct of accounts, business sharing etc.	<p>Status of borrowing is tabulated in debt position in Para 1.2</p> <p>Review of bank statement indicated that AICL has over utilized FBWC limits as compared to its eligibility (sanction limits: INR 225 crore; availed: INR 479.12 crore).</p> <p>To understand the above irregularities, we conducted discussions with GM – Finance (Mr. Ravi Gadia) and we were informed that majorly irregularity was on account of devolvement of LCs.</p> <p>The loss incurred by the company in FY 20 increased with continuing losses in FY 21 & October 21 which added to the continued liquidity challenges which has led to irregularity in the WC account with the company not being able to meet its obligations. The external rating of the Company was downgraded by CARE Ratings (as on April 2021) to D on account of continued delays in debt servicing.</p>							
9	Confirmation on availability of adequate insurance for securities / stocks / assets with Bank clause noted	<p>As per the information provided to us, the company had following active policies during the review period:</p> <p>Marine Insurance Policy from Bharti Axa for export of Sponge Iron, Pig Iron, Iron ore pellet, Inland purchase and sales of RM and FGs for the period 20th December 2021 to 19th December 2022 for INR 250 crore vide Policy No. 1596974 All the banks are mentioned in the policy. [Transit type: Rail, Road and Sea]</p> <p>Burglary Insurance Policy for Stocks at Unit – I and Unit - II.</p> <p>Unit I: The coverage is of Reliance General Insurance for the period 09th December 2021 to 08th December 2022 and for a sum Insured of INR 20,000,000.00/- against the overall RM stock of ~ INR 14 crore and spares of INR 0.62 crore.</p> <p>Unit II: The coverage is of SBI General Insurance Company Limited for the period 20th December 2021 to 19th December 2022 and for a sum Insured of INR 97 crore. against the RM stock of INR 77 crore and Spars of INR 14 crore</p>							

Indicative scope/checklist	Our Comments
	<p>Standard Fire and Perils for Building, Plant and Machinery and stock at Unit – I and Unit - II.</p> <p>Unit I: The coverage is of Reliance General Insurance for the period 09th December 2021 to 08th December 2022 and for a sum Insured of ~ INR 19 crore.</p> <p>Unit II: The coverage is of SBI General Insurance Company Limited for the period 20th December 2021 to 19th December 2022 and for a sum Insured of ~ INR 394 crore.</p> <p>Public Liability Insurance (Unit I and Unit II): The coverage is of TATA AIG General Insurance Company Limited for the period 21st May 2021 to 20th May 2022 (Policy number 03040021140300.).</p> <p>Further, on review of the policies we observed that the company has obtained standard fire & Special perils insurance, Burglary and Marine Insurance. We suggest to include the Directors and officers (D&O) liability in coverage to reduce insurable risk.</p>
<p>10 Sources of cash inflow based on estimates/projections</p> <p>Cash Flow Adequacy vis-a-viz debt obligation</p>	<p>The company has not finalized with the CMA for the FY 2022 while drafting for the report due to which we couldn't ascertain the variance between budget vis-à-vis actual sales. Further on review of the bank statement D&B India were able to identify receipts amounting to INR 18.69 crores. Refer Annexure 2</p> <p>D&B India notes that sales were made at loss during the review period which were primarily high cost of production. However, to ensure cash flow adequacy, reduction in raw material consumption and improved gross margins would be key to the Company performance.</p> <p>The loss incurred by the company in FY 20 increased with continuing losses in FY 21 & October 21 which added to the continued liquidity challenges which has led to irregularity in the WC account with the company not being able to meet its obligations. The external rating of the Company was downgraded by CARE Ratings (as on April 2021) to D on account of continued delays in debt servicing.</p> <p>Moreover, post scaling up along with stabilization and taking care of liquidity issue and technical challenges of the furnace, the company needs to focus on getting the coke rate down to the levels it has achieved in the past (~500-550 kgs per ton) from the current rate of over 1.27 MT per ton (which is significantly higher) as it will aid in profitability margins.</p> <p>Moreover, Review of bank statement indicated that AICL has over utilized FBWC limits as compared to its eligibility (sanction limits: INR 225 crore; availed: INR 479.12 crore). To understand the above irregularities, we conducted discussions with GM – Finance (Mr. Ravi Gadia) and we were informed that majorly irregularity was on account of devolvement of LCs.</p>
<p>11 Source of Unsecured loan/Non-Convertible Debentures (NCD), its tenor and Rate of Interest (ROI), if any/ Sale of Fixed</p>	<p>Unsecured Loans (amounting to INR 5.8 crore) are from Promoter Directors and INR 25.40 crore from the other parties. Further, there are no incremental transactions during the review period.</p>

Indicative scope/checklist	Our Comments												
Assets/Investments, Interest/Dividend received	There are no Debentures, Sale of Fixed Asset, and income from Investments in the review period, except for Interest on FD kept as margin for LC and bank guarantee.												
12 Profit ploughed back and any onetime windfall/exceptional cash inflow such as Profit on sale of Fixed Assets, Tax Refunds etc.	Review of trial balance did not indicate any such transactions during the review period.												
13 Inter corporate transactions and/or related party transactions	<p>As per the customer and vendor ledger for month October 2021 we noted transactions between the 2 units (i.e., between Unit I and Unit II) and with Atibir Hitech Private Ltd.</p> <p>Break - up and nature of receipts made have been summarized below. However, D&B India noted that transactions were made at reasonable prices.</p> <table><tr><th>Party Name</th><th>Nature of Relation</th><th>Receipts (in crore)</th><th>Nature of transaction</th></tr><tr><td>Atibir Hi -Tech Pvt. Ltd.</td><td>Subsidiary</td><td>7.51</td><td>Realization of Receivables</td></tr><tr><td>Atibir Hi -Tech Pvt. Ltd.</td><td>Subsidiary</td><td>9.98</td><td>Sales</td></tr></table> <p>Further on review of the receivables D&B India noted reduction in O/s receivables by INR 11.48 crore (i.e., INR 18.35 crore in Oct 2021 against INR 29.83 crore in May 2021)</p>	Party Name	Nature of Relation	Receipts (in crore)	Nature of transaction	Atibir Hi -Tech Pvt. Ltd.	Subsidiary	7.51	Realization of Receivables	Atibir Hi -Tech Pvt. Ltd.	Subsidiary	9.98	Sales
Party Name	Nature of Relation	Receipts (in crore)	Nature of transaction										
Atibir Hi -Tech Pvt. Ltd.	Subsidiary	7.51	Realization of Receivables										
Atibir Hi -Tech Pvt. Ltd.	Subsidiary	9.98	Sales										
14 Utilization in Creditors repayment / repayment of term borrowing / Loans and advances to other firms	During the review period we noted the there is no LC exposure towards creditors												
15 Capital drawings, if any, Interest / Dividend payouts / Redemption of Debentures, if any / Shares buy back, if any etc.	<p>GM - Finance confirmed that there is no capital drawings/interest/divided during the review period.</p> <p>Our review of bank book did not indicate any such specific transactions during the review period.</p>												
16 Timely and full payment of Government / Statutory dues / Analysis of any other kind of outflow, if observed.	<p>Delay in filing of GST, ESI, EPF AND TDS were observed.</p> <p>We noted that Self-assessment tax INR 9.03 crore of 2018-19 was not deposited till date.</p> <p>The Income tax return for the FY 2018-19 has not been filled, basis discussion with Mr. Ravi Gadia (GM – Finance) and document provided to us the income tax return for the year will be filled by the end of the FY 2021-22.</p>												
17 To highlight on diversion of short-term funds in long term uses	D&B India reviewed bank statements for the review period and noted no such instances.												
18 Technological obsolescence and substitution measures	Fixed asset register has been maintained and updated by the Company in the detailed format as required by the Companies Act 2013.												
20 To report on any litigation, court cases including asset classification of associate concerns	The company confirmed that there are no litigations on/against the company as on the date of review.												

Indicative scope/checklist	Our Comments															
21 Bills including export bills O/s for more than period stipulated.	Refer our comments on the drawing power statement in Para 6.1.4 above. Further, due to non-availability of invoice wise debtors' adequacy and accuracy of ageing cannot be ascertained.															
22 Verification of transactions in operating account/TRA.	D&B India reviewed trail balance and bank statements on 100% and noted that payments were made for operational expenses, salaries, interest and statutory payments. Refer Annexure 3															
23 Verification of credits in the account vis-a-viz advances from customers Unbilled Revenue (Advance)	We noted high value receipts from the following 4 customers: <table><tr><th>Sn</th><th>Customer</th><th>Amt (INR in crore)</th></tr><tr><td>1</td><td>Atibir Hi-tech Pvt. Limited</td><td>7.51</td></tr><tr><td>2</td><td>Mongia Steel Limited</td><td>1.75</td></tr><tr><td>3</td><td>Rungata Mines Limited</td><td>8.11</td></tr><tr><td>4</td><td>Odisha Mining Corporation Limited</td><td>1.28</td></tr></table> We were unable to conclusively analyze this as our ledger scrutiny suggests that company has received lump-sum ad-hoc round amount sum from customers. We understand from the Company, that invoice knock-offs are done on FIFO basis. However, this in conjunction with the fact that balance confirmations are not obtained from customers will expose Company to unreconciled balances in long run. <i>It is recommended to institutionalize process of sending invoice lists against which receipts have been knocked off and confirmations are obtained from the customers.</i> Trail balance review of both units indicated that there were credit balances in 'Sundry Debtors' ledger in Unit II of INR ~ 7 crore.	Sn	Customer	Amt (INR in crore)	1	Atibir Hi-tech Pvt. Limited	7.51	2	Mongia Steel Limited	1.75	3	Rungata Mines Limited	8.11	4	Odisha Mining Corporation Limited	1.28
Sn	Customer	Amt (INR in crore)														
1	Atibir Hi-tech Pvt. Limited	7.51														
2	Mongia Steel Limited	1.75														
3	Rungata Mines Limited	8.11														
4	Odisha Mining Corporation Limited	1.28														
24 Sales T/O rotated through bank account vis-a-viz sales register.	Our review suggests that sales proceeds of the companies were routed through SBI. Below is the break-up of receipt in the account <table><tr><th>Particular</th><th># Count of Transaction</th><th>Value (INR in crore)</th></tr><tr><td>SBI Account</td><td>17</td><td>18.69</td></tr></table> We note high value receipts from the customers of the company. Refer Annexure 2 for break-up of receipts.	Particular	# Count of Transaction	Value (INR in crore)	SBI Account	17	18.69									
Particular	# Count of Transaction	Value (INR in crore)														
SBI Account	17	18.69														
25 Verification of Export Credit transactions	During our review no such transactions were been noted.															
26 Adequacy of ECGC & Hedging	We were not provided with any documented procedures around ECGC and Hedging. We were informed that banks have sanctioned Derivatives and Forward Cover to cover export and import transactions.															
27 Verification of Contingent Liabilities	Review of the financials for the FY 2021 we noted the contingent liabilities amounting INR 4.52 crore towards the O/s bank guarantees/ LC. As on October 2021 company has o/s bank guarantee and LCs amounting to ~ INR 4.08 crore.															
28 Change in Key Management Personnel	No change in key management personnel was noted during the review period. The same was validated basis discussion with the Company and review of MCA.															

Indicative scope/checklist		Our Comments																												
29	Change in shareholding pattern	No change in key management personnel was noted during the review period. The same was validated basis discussion with the Company and review of MCA																												
30	Comments on Key Financial Indicators	<p>Comments on Key Financial Indicators as per financial statements as at 31st March, 2021 are as below:</p> <p>Profitability Ratio:</p> <p style="text-align: right;">INR in Crore</p> <table><tr><th>Particular</th><th>March, 2019</th><th>March, 2020</th><th>March, 2021</th></tr><tr><td>Sales</td><td>1,513</td><td>1053</td><td>567</td></tr><tr><td>Gross Profit</td><td>138</td><td>24</td><td>-27</td></tr><tr><td>Gross Profit (%)</td><td>9%</td><td>2%</td><td>-5%</td></tr><tr><td>Other Cost</td><td>123</td><td>90</td><td>147</td></tr><tr><td>Profit Before Tax</td><td>15</td><td>-67</td><td>-174</td></tr><tr><td>Profit Before Tax (%)</td><td>1%</td><td>-6%</td><td>-31%</td></tr></table> <p>The net sales decreased by ~46% y-o-y in FY21 to INR 567 crore. This was due to both decrease volumes and average realizations of pig iron. The management has not yet finalized the CMA for review period therefore no comparison of budgeted vs actual was performed</p> <p>Further, gross margins indicate declining trend in FY 2021 (to gross loss of 5% from gross margin of 2% in FY 20) and EBITDA margins further deteriorated from Loss of 31% in FY 21 to 6% Loss in FY 20. We understand that above decrease is majorly due to decrease in pig iron prices and inventory losses.</p> <p>There was increase in inventory level in October 2021 compared to inventory level in May, 2021 vis-à-vis FY 21, FY 20 and FY 19 respectively.</p> <p>There has been significant increase in both Raw Material in October 2021 (i.e., 2.48 months as compared to 1.12 months as on May 2021) and FG inventory in October 2021 (i.e., 4.27 months as compared to 2.94 months as on May 2021).</p> <p>PBT margins dipped from 1% in FY 2018-19 to -6% in the FY 2019-20 which further dropped to -31% in FY 21 (based on the audited financial statement shared by the Management).</p> <p>Due to lower sales, coupled with lower EBDITA margins and increasing finance cost the reported net loss amounting to INR 174 crore in FY 2021.</p> <p>The capital structure of AICL is primarily marked by working capital borrowing, majorly LC backed acceptances. As on March 2021, considering the negligible term debt and working capital borrowing, the TOL/TNW stood at a level of 5.21 times which has increased from earlier 2.37 times to due reduction in TNW on account of losses.</p> <p>Working Capital Ratio:</p>	Particular	March, 2019	March, 2020	March, 2021	Sales	1,513	1053	567	Gross Profit	138	24	-27	Gross Profit (%)	9%	2%	-5%	Other Cost	123	90	147	Profit Before Tax	15	-67	-174	Profit Before Tax (%)	1%	-6%	-31%
Particular	March, 2019	March, 2020	March, 2021																											
Sales	1,513	1053	567																											
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Indicative scope/checklist	Our Comments																								
	<div>INR in Crore</div> <table><tr><th>Particular</th><th>March, 2019</th><th>March, 2020</th><th>March, 2021</th></tr><tr><td>Current Assets</td><td>749.68</td><td>698.69</td><td>601.34</td></tr><tr><td>Current Liabilities</td><td>667.53</td><td>684.95</td><td>611.87</td></tr><tr><td>Current Ratio</td><td>1.12</td><td>1.02</td><td>0.98</td></tr><tr><td>Current Assets (less Inventory)</td><td>283.65</td><td>315.2</td><td>285.54</td></tr><tr><td>Quick Ratio</td><td>0.42</td><td>0.46</td><td>0.47</td></tr></table> <p>Current ratio decreased to 0.98 as on March, 2021 from 1.02 as on March, 2020 depicting significant liquidity crunch.</p> <p>DIO (days inventory outstanding) dipped considerably from 309 days in FY 2017 to 124 days in FY 2019. However, DIO witnessed upward movement in FY 2020 (142 days) which significantly increase in October 21 (~219 days). However,, the error in valuation of inventory will lead to a further higher holding period.</p> <p>Company has been able to manage its receivables well considering declining DSO (46 days in FY 2017 to 19 days in FY 2019). However, DSO increased to 43 days as on March, 2020 which dropped to 25 days as on December, 2020 and further dropped to 19 days in May 2021. However, it has been increased to 52 days in October 2021 majorly due to decrease in sales and increase in receivables.</p>	Particular	March, 2019	March, 2020	March, 2021	Current Assets	749.68	698.69	601.34	Current Liabilities	667.53	684.95	611.87	Current Ratio	1.12	1.02	0.98	Current Assets (less Inventory)	283.65	315.2	285.54	Quick Ratio	0.42	0.46	0.47
Particular	March, 2019	March, 2020	March, 2021																						
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Current Ratio	1.12	1.02	0.98																						
Current Assets (less Inventory)	283.65	315.2	285.54																						
Quick Ratio	0.42	0.46	0.47																						
31 Comments on quarterly/half yearly reports/results.	Not applicable																								
32 Claims not acknowledged as debts	The company informed us that there are no such claims. Currently the Company's audited financials are not available, review of balance sheet as on 31 March 2021 did not indicate any claims not acknowledged as debts.																								
33 General observations	D&B India was provided with most of the key data required for the study and the Management was cooperative in providing clarifications and justifications. However, significant delay in receipt of the data and justification has been noted from the AICL.																								
Adequacy of replies/clarification/justifications for the queries raised by ASM	Further, on review and reconciling of the data provided by the AICL, D&B India noted inconsistencies in the majority of the data and post raising of the issue AICL has provided with the revised set of data base. Hence, it's recommended to maintain one set of data which can be provided to the review to avoid delay in completion of the review.																								
Level of Transparency in terms of disclosures and information made available	AICL was operating at gross loss (including other manufacturing cost) during review period indicating weak profitability and growth performance. The Company needs to reduce the coke consumption in line with earlier achieved norms & the same along with increase in																								
Non-cooperation from Company/Borrower to provide general information.																									
Overall assessment of the health of accounts & its likely performance																									

Indicative scope/checklist	Our Comments
	<p>market price of pig iron, company performance should improve. It is suggested to monitor trends on monthly basis.</p> <p>While all points from previous review have not been closed, Company has implemented few critical recommendations. D&B India will continue to monitor progress on open recommendations in subsequent reviews.</p>

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Annexure

Annexure I: Raw materials procured during October 2021

[as per stock statement and reconciled with Tally data provided]

Sponge Iron Plant (Unit 1)	Stock In (MT)		
	Quantity	Unit rate	Value (in 000)
<u>Raw Material: A. Indigenous</u>			
Coal	1,297.71	4,690	6,085.85
Pellet	3,999.69	10,000	39,996.90
Total- RM- A	5297.40		46082.75
PIG Iron Plant (Unit 2)	Stock In (MT)		
	Quantity	Unit rate	Value
<u>Raw Material: A. Indigenous</u>			
Hard Coke	1,267.42	13,200	16,730
Hard Coke Fines	316.76	6,500	2,059
Furnace Oil	228.33	49,451	11,291.04
Cooking Coal (for conversion)	103.72	13,009	1,349.33
Dolomite Powder	1,556.51	2,500	3,891.28
Stock In Transit Hard Coke	20.63	13,200	272.32
<u>Raw Material: B. Import</u>			
Coal	4,307.99	5,594	24,098.90
Stock In Transit Coal	22,500	5,594	125,865
Total RM- B	30,301		185,557

Annexure 2: List of high value receipts for the period (October 2021)

Bank Account	Date	Party Name	Remark	Amount	Amount INR in crore
00000040122319271	7-Oct-21	Rungta Mines Ltd (Chaibasa)	Customer	54,048,897.00	5.40
00000040122319271	11-Oct-21	Rungta Mines Ltd (Chaibasa)	Customer	27,024,448.00	2.70
00000040122319271	28-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	20,000,000.00	2.00
00000040122319271	28-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	20,000,000.00	2.00
00000040122319271	28-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	13,000,000.00	1.30
00000038405967749	7-Oct-21	Odisha Mining Corporation Ltd	Customer	12,135,647.79	1.21
00000040122319271	5-Oct-21	Mongia Steel Limited	Customer	10,000,000.00	1.00
00000040122319271	1-Oct-21	Mongia Steel Limited	Customer	7,500,000.00	0.75
00000040122319271	29-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	5,600,000.00	0.56
00000040122319271	27-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	5,000,000.00	0.50
0225008700008666	30-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	5,000,000.00	0.50
00000040122319271	25-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	4,000,000.00	0.40
00000040122319271	11-Oct-21	Atibir Hi-Tech Pvt Ltd	Related Party	2,500,000.00	0.25
00000038405967749	4-Oct-21	Odisha Mining	Customer	653,858.05	0.07
00000040122319271	21-Oct-21	Om Sai Enterprises	Customer	300,900.00	0.03
00000040122319271	8-Oct-21	Shankar Yadav*S	Customer	113,280.00	0.01
00000040122319271	26-Oct-21	Jay Durga Traders	Customer	23,246.00	0.00
Total					18.69

Annexure 3: List of bank accounts in Unit II

Ledger Name	Opening Balance	Debit	Credit	Closing Balance
Indian Bank, Strand Road, C/C A/c No. 775241252	619,312,368.89			619,312,368.89
PNB (Cash Credit) A/c No. 0225008700008666	777,686,909.15		10,138,693.00	787,825,602.15
SBI IFB KOL CC Deferred A/C:-38405967749	37,925,974.00	37,925,974.00		
SBI IND Finance Cash Credit A/c (00000038405967749)	2,273,885,771.97	130,388,443.47	143,177,949.31	2,286,675,277.81
SBI IND FINANCE CASH CREDIT A/C NO:- 40122319271	63,146,402.18	189,014,250.86	238,684,068.10	13,476,584.94
INDIAN BANK TIL A/C No-664123049-8	80,577,963.00	68,206.92		80,509,756.08
SBI TIL A/C NO -37748374983	159,780,075.77			159,780,075.77
SBI WCL IFB KOL A/C NO:-39785083804	484,387,068.00			484,387,068.00
SBI WCL IFB KOL A/C NO 39031624720	80,000,000.00			80,000,000.00
SBI WCLIFB KOL A/C NO 39699340534	80,000,000.00			80,000,000.00
SBI WCLIFB KOL A/C NO 39699346025	80,000,000.00			80,000,000.00
SBI WCL IFB KOL A/C NO 39705637054	80,000,000.00			80,000,000.00
SBI WCL IFB KOL A/C NO 39760937131	80,000,000.00			80,000,000.00
SBI WCL IFB KOL A/C NO 39761419733	80,000,000.00			80,000,000.00
INDIAN BANK Deferred A/C No:-775241252	57,546,926.00			57,546,926.00
INDIAN BANK TIL Deferred A/C No:-6641230498	5,229,142.00			5,229,142.00
SBI CC TIL Deferred A/C No:-37748374983	13,713,407.00			13,713,407.00
SBI SAMB. BR. FUND RELEASE FOR FITL CLOSURE	124,992,388.97	47,155,140.02		77,837,248.95
SBI WCL Deferred A/C No:-39031624720	3,573,336.00			3,573,336.00
SBI WCL Deferred A/C No :-39699340534	2,827,158.00			2,827,158.00
SBI WCL Deferred A/C No:-39699346025	2,827,158.00			2,827,158.00
SBI WCL Deferred A/C No:-39705637054	2,827,158.00			2,827,158.00
SBI WCL Deferred A/C No:-39760937131	1,828,889.00			1,828,889.00
SBI WCL Deferred A/C NO:-39761419733	1,828,889.00			1,828,889.00
SBI WCL Deferred A/C NO:-39785083804	12,252,897.00			12,252,897.00

Annexure 4: Letter of credit and bank guarantee as on October 2021
4A: Bank Guarantee (PNB Bank):

Details of BANK MARGIN KEPT BY PNB FOR ISSUANCE OF BANK GUARANTEE AS ON 31.10.2021							
PUNJAB NATIONAL BANK							
Sr.no	BG No. Issued by PNB	Date of Issue of BG	B.G ISSUED amount	STDR/ Fixed account No AGAINST Margin of BG Issuance	Date of Opening of Fixed Deposit	FD Value	% Of margin
1	0225ILG001419	21/02/2019	14,000,000.00	022500PU00033587	21/02/2019	1,400,000.00	10%
2	0225ILG002819	26/04/2019	14,000,000.00	022500PU00033903	04/05/2019	1,400,000.00	10%
3	0225ILG003219	24/05/2019	8,000,000.00	022500PU00034285	24/05/2019	800,000.00	10%
4	0225ILG0000620	21/05/2020	1,000,000.00	022500PU00039934	21.05.2020	1,000,000.00	100%
			37,000,000.00		TOTAL	4,600,000.00	

Details of BG AS ON 31.10.2021						
Sr NO.	Name of Bank Issued	BG No.	Date of Issue of BG	Date of Maturity of BG	BG Amount	Issued in the favour (Name of party)
1	PNB	0225ILG001419	21/02/2019	20/02/2023	14,000,000.00	DVC, KOLKATA
2	PNB	0225ILG002819	26/04/2019	25/04/2023	14,000,000.00	DVC, KOLKATA
3	PNB	0225ILG003219	24/05/2019	23/05/2023	8,000,000.00	DVC, KOLKATA
4	PNB	0225ILG0000620	21/05/2020	31/12/2023	1,000,000.00	Jharkhand Pollution Board Ranchi
5	SBI	0193619BG0000077	27/05/2019	26/05/2022	6,500,000.00	DVC, KOLKATA
6	SBI	0193620BG0000043	19/03/2020	18/05/2025	1,750,000.00	CCL, RANCHI
7	SBI	0193621BG0000192	22.04.2021	31.03.2022	2,787,750.00	PARADIP PORT
					48,037,750.00	

Annexure 5: List of licenses and certifications

Based on scanned copies provided by the company is as below

Unit I	Issue Date	Valid Date	Registration No.
Factory License	06/01/2021	31/12/2030	FCA1534900201701
GST Registration	01/07/2017	N/A	20AADCA1825BIZO
Employee Provide Fund		Paid till July	JHRAN0011353000
One Star Export House Certificate	24/08/2018	23/08/2023	020118000434
Pollution Control Board	28/07/2020	30/06/2022	JSPCB/HO/RNC/CTO
ISO Certificate	06/01/2021	05/01/2024	Q-9106012654
RCMC Certificate	31/08/2019		301/M18076
Unit II			
Factory License	06/01/2021	31/12/2029	FCA1534900196201
GST Registration	01/07/2017	N/A	20AADCA1825B2ZN
Employee Provident fund		Paid till October	JHRAN0031581000
Pollution Control Board	28/07/2020	30/06/2022	JSPCB/HO/RNC/CTO
ISO Certificate	06/01/2021	05/01/2024	Q-9106012644

Limiting Conditions

D&B India did not identify, address or correct any errors or defects in the Company's computer systems, other devices or components thereof ("Systems"), whether or not due to imprecise or ambiguous entry, storage, interpretation or processing or reporting of data. We will not be responsible for any defect or problem arising out of or related to data processing in any Systems.

During the review, D&B India did not:

Perform ongoing internal control monitoring activities or other control activities that affect the execution of transactions or require that transactions are properly executed and/or accounted for or perform routine activities in connection with the Company's operating or production processes that are equivalent to those of an ongoing compliance or quality control function.

Determine which, if any, recommendations for improving internal control should be implemented.

Authorize, execute or consummate transactions or otherwise exercise authority on behalf of the Company.

Prepare source documents on transactions.

Have custody of assets.

Approve, or be responsible for, the overall internal audit work plan, including the ultimate assessment of audit risk, determination of scope, project priorities and frequency of performance of audit procedures.

Act in any capacity equivalent to a member of management or an employee.

Source of information: D&B-India presumes that complete and correct information is provided to it by the owners. In case, if the information given to D&B-India is incomplete or incorrect, D&B-India shall assume no liability or responsibility for the same, and D&B-India may modify the report to that extent if so required.

Documentation: D&B-India does not normally read leases or documents of title. D&B-India assumes, unless informed to the contrary, that each Structure has good and marketable title, that all documentation are satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoing of an onerous nature which would have a material effect on the value of interest under consideration, nor material litigation pending. Where D&B-India has been provided with documentation, D&B-India recommends that reliance should not be placed on its interpretation without verification by legal advisors.

Physical surveys: D&B-India has not carried out Physical Survey and leveling exercise of the Structures and advice Owners to carry out actual Physical Survey of the site along with levels if desired. This report is based on documents forwarded to D&B-India by Owners, Government Records made available to D&B-India and on D&B-India's cursory inspection of site.

Structural surveys: D&B-India has not carried out a structural survey, nor has D&B-India tested the services of the Owners and D&B-India therefore does not give any assurance that any Structure or the immoveable assets are free from defects. In D&B-India's general observations, the Structures are erected normally and appear to have been maintained properly. However, no guarantee or opinion can be inferred about the conditions of Structure and Machinery about safe working of the same.

Deleterious materials: D&B-India does not normally carry out investigations on site to ascertain whether any Structure was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos). Unless D&B-India was otherwise informed, our report is on the basis that no such materials or techniques have been used.

Site conditions: D&B-India has not carried out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be put, to use, nor does D&B-India undertake archaeological, ecological or environmental surveys. Unless D&B-India is otherwise informed, D&B-India's report is on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these or any other matters related to site.

Environmental Contamination: D&B-India has not carried out physical site surveys or environmental assessments, or investigated historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, D&B-India's report is carried out on the basis that properties are not affected by environmental contamination.

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Terms relating to use of this Report

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The use of this Report or dissemination of contents hereof in part or full, is meant only for the purposes of the Transaction or matters relating thereto as deemed necessary by the Funding Entity, and not by any other party or for any other purpose.

D&B-India follows ethical practices in the discharge of its professional services and amongst others, as part of such ethical practices, it follows the general rules relating to honesty, competence and confidentiality, and attempts to provide the most current, complete, and accurate information as possible within the limitations of available finance, time constraint and other practical difficulties relating thereto and arising as a consequence thereof.

This Report has been prepared keeping in view the scope of work and the methodology as stated in this Report. Sources which form the basis of this Report could be broadly classified into two categories: (i) the facts gathered by D&B-India by way of a visit to the site of the Project relating to the Transaction, or the Government offices, to the extent possible, having regard to practical constraints, and (ii) documents and information as furnished by the Customer or the Funding Entity. D&B-India has not carried out any independent verification for the accuracy or the truthfulness of such information which is believed to be accurate, updated and complete based on the information as furnished by the Customer, the Funding Entity and partly on its own information as stated hereinabove. Accordingly, the said information is not warranted by D&B-India for its accuracy, completeness, or being up to date, and is subject to further verification.

This Report includes assessment made by D&B-India which are based on the aforesaid sources and the methodology as adopted by D&B-India. A variation in such assessment is possible due to changes in the obtaining facts and circumstances as they existed at the point of time this Report was finalized by D&B-India and the approach or methodology adopted in respect thereof. Differences between projected and actual results are possible as events and circumstances, as anticipated or contemplated, may or may not occur and such differences may be material in nature. Under the circumstances, no assurance can be provided or implied that these projections will actually materialize.

Therefore, such assessment and projections made, and views based thereon included in this Report should not be treated as the sole decisive factor for any decision to be taken by the Funding Entity relating to the Transaction, and the Funding Entity has to draw its own conclusions on making independent enquiries and verifications and D&B-India cannot be held liable for any financial loss incurred by anyone based on this Report.

No representation is made by D&B-India that the information contained in this Report is exhaustive or includes all such material information which may have a bearing on the future performance of the Customer. In case the Funding Entity needs any such additional information, documents, or analysis, which is not within the scope of work as included in this Report, D&B-India may, on the request of the Funding Entity, consider providing the same, subject

to such additional payment for the purpose as may be mutually agreed upon between D&B-India and the Funding Entity.

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The Report should be read as a whole so as to avoid any divergence with respect to the inferences on account of a partial reading of this Report where such inferences may be based on the entirety of this Report. Further, notwithstanding anything to the contrary, liability, if any, and the amount of claim by the Funding Entity in relation thereto against D&B-India or its associates for any inaccuracies in this Report or any cause whatsoever, and regardless of the form of the action in relation to this Report, will at all times be limited to the amount paid by the Customer to D&B-India for this Report.

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