

GIL/KOL/2021-22
December 9, 2021

Bombay Stock Exchange Limited Floor 25, PJ Towers, Dalal Street, Mumbai-400 001. INDIA Scrip Code: 533265	National Stock Exchange of India Limited "EXCHANGE PLAZA", Bandra – Kurla Complex, Bandra (East), Mumbai-400 051. INDIA Symbol: GALLISPAT
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Dear Sir/Madam,

SUB: CREDIT RATING OBTAINED FOR BANK LOAN FACILITIES

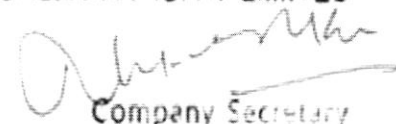
We are pleased to inform you that M/s. Brickwork Ratings India Pvt. Ltd. (Brickwork Ratings) has assigned Credit Rating of Gallantt Ispat Limited's bank loan facilities as under:

Facility	Limits (Rs Crs.)	Tenure	Rating
Fund Based			
Term Loan – Sanctioned *	30.00	Long Term	BWR A - (Credit Watch with developing implications re-affirmation)
Cash Credit - Sanctioned	60.00		
Non-Fund Based			
BG/LC/ILC – Sanctioned	60.00	Short Term	BWR A2 + (re-affirmation)
Total	150.00	Rupees One Hundred and Fifty Crores Only	

* Though the Company has been sanctioned a term loan of Rs. 30.00 Crore from HDFC Bank the same remains unavailed as on date. The Company does not have any fixed repayment obligation in FY 2022.

You are hereby requested to take on record the above update on Credit Rating.

GALLANTT ISPAT LIMITED



Company Secretary

GALLANTT ISPAT LIMITED

Registered Office : "GALLANTT HOUSE", I-7, Jangpura Extension, New Delhi -110 014

Telefax : 011-41645392, E-mail : gil@gallantt.com, Website : www.gallantt.com

Factory : AL-5, Sector-23, Sahjanwa, District - Gorakhpur, Uttar Pradesh

Corporate Office: 1, Crooked Lane, Second Floor, Room Nos. 222 & 223, Kolkata - 700069 Tel: 033-46004831

Corporate Identification No.: L27109DL2005PLC350523



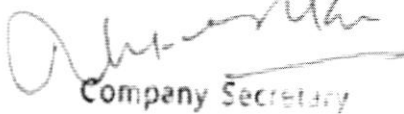
A copy of the press release issued/published by M/s. Brickwork Ratings India Pvt. Ltd. is enclosed herewith for your kind reference.

Thanking you,

Yours faithfully,

GALLANTT ISPAT LIMITED

GALLANTT ISPAT LIMITED



Company Secretary

Nitesh Kumar

COMPANY SECRETARY

Encl: As above

GALLANTT ISPAT LIMITED

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RATING RATIONALE

08Dec2021

**Gallantt Ispat Ltd.**

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 150.00 Crs. of Gallantt Ispat Ltd.

Particulars

Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (08 Sep 2020)	Present
Fund Based	90.00	90.00	Long Term	BWR A-/Rating Under Watch with Developing Implications Upgrade	BWR A - /Credit Watch with Developing Implications Reaffirmation
Non Fund Based	64.00	60.00	Short Term	BWR A2+ Upgrade	BWR A2 + Reaffirmation
Grand Total	154.00	150.00	(Rupees One Hundred Fifty Crores Only)		

#Please refer to BWR website www.brickworkratings.com (<https://www.brickworkratings.com/>) for definition of the ratings

**Details of Bank Loan facilities, consolidation or instruments are provided in Annexure

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the ratings for the bank facilities of Gallant Ispat Limited (GIL or the company) to BWR A-(Credit Watch with Developing Implications)/A2+. The reaffirmation of the rating takes into account strong financial risk profile of the company, marked by healthy profitability margins and comfortable solvency position, large capex funded through internal accruals and efficient working capital management. The ratings are, however, constrained by susceptibility of company's profitability margins to volatility in raw material prices and intense competition in the industry.

The ratings continue to remain under Watch with Developing Implications on account of the ongoing amalgamation of Gallantt Ispat Ltd., AAR Commercial Company Ltd., Hipoline Commerce Private Ltd., Richie Credit & Finance Pvt. Ltd. and Lexi Exports Pvt. Ltd. with Gallantt Metal Ltd. The amalgamation is subject to approval from various regulatory authorities, including the National Company Law Tribunal (NCLT), Securities and Exchange Board of India (SEBI) and other related parties to the transaction.

KEY RATING DRIVERS**Credit Strengths:**

- Strong financial risk profile :



The company reported a topline of Rs. 1097.14 Crs during FY21, against a topline of Rs. 1020.10 Crs during FY20. Though the volumetric sales during FY21 witnessed a decline, the increased revenues are driven by increased sales realisation in FY21. The PBILDT and PAT margins improved considerably to 14.36% and 9.45%, resp., from 6.33% and 5.70%, resp., in FY20. During H1FY22 (UA), the company has reported an operating income of ~Rs. 589 Crs, with a PAT of ~34 Crs., compared to an operating income of ~Rs.403 cr. and ~Rs.27 Cr. in the same period last year.

- **Healthy capital structure :**

The company has a strong capital structure, marked by low gearing levels. The gearing for the company continues to remain less than 0.50x over the last three FYs. On account of no major debt-funded capex, healthy profitability margins and the prepayment of the term loan during FY21, the gearing levels for GIL are expected to remain in a comfortable range going ahead. In the backdrop of low debt levels and healthy profitability, the interest service coverage ratio (ISCR) for the company has improved to 13.23x during FY21 from 5.54x in FY20 and is expected to remain comfortable going forward, since the company is not expected to avail any major long term debt. GIL's Net cash accruals to total debt for the company stood comfortably at 0.40x in FY21.

- **Large capex funded through internal accruals :**

On a standalone basis, GIL is expected to invest Rs.565 Crs in three phases. The first phase which was completed in April 2021 has increased the installed capacity for the rolling mill segment by 1,98,000 TPA. In the second phase, the company plans to increase the capacity of its Sponge iron unit by 2,47,500 MTPA, and also enhance its power production capacity by 25 MW (existing captive power generation capacity of 53 MW), which is expected to become operational by Mar-2022. While in the third phase, GIL has planned to undertake backward integration by setting up a Pellet plant of 792000 TPA which will help the company add more value to the production chain. The same is expected to achieve COD by Oct-2022. For all the three phases combined, the company has incurred a total cost of ~Rs.378 Cr., as on date. Going forward, the company's ability to stabilise profitability margins, complete the ongoing expansion within the expected timelines and quickly operationalise the expanded capacity will be the key rating sensitivities. The company's ability to ramp-up production from the expanded capacity and generate EBITDA as projected will also be a key monitorable.

- **Efficient working capital management :**

The conversion cycle for the company stood at 55 days in FY21 compared to 65 days during FY20. The shortening of the operating cycle was on account of relative decrease in the receivables and inventory holding days

Credit Risks:

- **Intense competition :**

The industry is marked by intense competition from the organised, as well as unorganised segment. Since the product is commoditised in nature, it lacks the capability to offer significant product differentiation and hence, brand recall.

- **Susceptibility to volatile raw material prices :**

The prices of key raw material, viz. iron ore and coal, have been highly volatile in the recent past which along with fluctuations in the realizations have impacted the PBILDT margins in the past. Stable demand in the region helps the company partially mitigate the risk to some extent.

ANALYTICAL APPROACH - Standalone



For arriving at its ratings, BWR has applied its rating methodology as in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has considered the standalone approach to arrive at the rating and has placed the rating under Watch with Developing Implications in view of the ongoing amalgamation with Gallantt Metal Limited.

RATING SENSITIVITIES

The Rating Watch will be resolved upon the completion of the amalgamation and full assessment of the credit profile of the amalgamated entity

LIQUIDITY INDICATORS - Adequate

The average cash credit limit utilisation of the company remained at a comfortable level of ~45% in the 10 month period, from Jan-21 to Oct-21. The company is undertaking a fairly large capex; however, the need for the same is being met majorly through its internal accruals. Though the company has been sanctioned a term loan of Rs.30 Cr. from HDFC bank, but the same remains unavailed as on date. The company does not have any fixed repayment obligation in FY22. The current ratio for the company stood at a comfortable level of 1.92x, as on March 31, 2021. The operating cycle of the company also remained at a comfortable level of 55 days, as on March 31, 2021.

ABOUT THE ENTITY

Gallantt Ispat Limited (GIL) is a public limited company, listed on both the premier stock exchanges of India viz. Bombay Stock Exchange Limited and National Stock Exchange. GIL was incorporated in 2005 with an objective to carry on the business of manufacturing of iron and steel products such as sponge iron, bars, rods, billets, and also have a Captive power plant. The Company was also engaged in the manufacturing and sale of Atta, Maid Suji and Bran till FY21. However, the same was discontinued in April-2021. The steel production in the company started in May-2009.

Registered office of the company is at "GALLANTT HOUSE", I-7, Jangpura Extension, New Delhi-110 014 and Head office is at Gorakhpur Uttar Pradesh. Company is part of Gallantt Group running primarily a steel plant with captive power plant and owned private railway siding in the state of Uttar Pradesh.

The Company has major presence in the state of Uttar Pradesh, Bihar, Uttaranchal, Haryana and Delhi. The group has about three decades of experience in steel industry and is well known by its brand name "Gallantt" which is ISO 9001:2008 & ISI certified. The plant of the company is situated in the Purvanchal region of Uttar Pradesh. Company has also set up a captive power plant of 53 MW to meet its requirement of power. 18 MW capacity is based on waste heat recovery and remaining capacity runs on other fuels like coal and bio fuels etc.

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
Operating Revenue	Rs.Crs.	1097.14	1020.10
EBITDA	Rs.Crs.	157.53	64.57
PAT	Rs.Crs.	103.66	58.12
Tangible Net Worth	Rs.Crs.	926.56	821.88
Total Debt/Tangible Net Worth	Times	0.35	0.29
Current Ratio	Times	1.92	2.68



NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY

Not Applicable

ANY OTHER INFORMATION

Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facilities		Current Rating (2021)		2021 (History)		2020		2019		2018	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	90.00	BWR A-/Credit Watch with Developing Implications (Reaffirmation)	NA	NA	08Sep2020	BWR A-Rating Under Watch with Developing Implications (Upgrade)	19Jun2019	BWR BBB+ Stable (Assignment)	08May2018	BWR Withdrawn (Withdrawal)
Non Fund Based	ST	60.00	BWR A2+ (Reaffirmation)	NA	NA	08Sep2020	BWR A2+ (Upgrade)	19Jun2019	BWR A2 (Assignment)	08May2018	BWR Withdrawn (Withdrawal)
Grand Total		150.00	(Rupees One Hundred Fifty Crores Only)								

Rating Advisory, as on 14Sep2021

As 12 months have lapsed since the last rating, BWR hereby informs that it has not been possible to review the rating within the stipulated time, mainly due to non-receipt of essential information required for review as the company is taking time to collate the data of all the units. The delay is arising from the prevailing disruptions owing to COVID19 widespread.

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](https://www.brickworkratings.com/download/ComplexityLevels.pdf) (<https://www.brickworkratings.com/download/ComplexityLevels.pdf>). Investors queries can be sent to info@brickworkratings.com (<mailto:info@brickworkratings.com>).

Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios \(https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf\)](https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf)
- [General Criteria \(https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf\)](https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf)
- [Manufacturing Companies \(https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf\)](https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf)
- [Short Term Debt \(https://www.brickworkratings.com/download/Criteria-ShortTermDebt.pdf\)](https://www.brickworkratings.com/download/Criteria-ShortTermDebt.pdf)



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Associate Director - Ratings

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SL.No.	Name of the Bank/Lender	Type Of Facilities	Long Term(Rs.Crs.)	Short Term(Rs.Crs.)	Total(Rs.Crs.)
1	HDFC Bank	Term Loan-Sanctioned	30.00	—	30.00
2	HDFC Bank	Cash Credit-Sanctioned	60.00	—	60.00
3	HDFC Bank	Letter of Credit-Sanctioned	—	—	0.00
4	HDFC Bank	BG/LC/ILC-Sanctioned	—	60.00	60.00
5	State Bank Of India (SBI)	Letter of Credit-Sanctioned	—	—	0.00
6	State Bank Of India (SBI)	Cash Credit-Sanctioned	—	—	0.00
7	State Bank Of India (SBI)	Bank Guarantee-Sanctioned	—	—	0.00
Total			90.00	60.00	150.00

TOTAL (Rupees One Hundred Fifty Crores Only)**Print and Digital Media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve



Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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