

GIL/KOL/2017-18

March 27, 2018

The Manager Listing Bombay Stock Exchange Limited Floor 25, PJ Towers, Dalal Street, Mumbai-400 001. INDIA.	Mr. Hari K. – Vice-President Listing National Stock Exchange of India Limited “EXCHANGE PLAZA”, Bandra – Kurla Complex, Bandra (East), Mumbai-400 051. INDIA
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Dear Sir/Madam,

Sub: Credit Rating obtained for bank loan facilities (part rating/test rating)

We are pleased to inform you that M/s. CRISIL Limited has assigned Credit Rating (in part of the total facilities) of Gallantt Ispat Limited' bank loan facilities as under:

Facility	Limit (Rs Crs.)	Rating
Total Bank Loan facilities Rated	15.00	BBB-

You are hereby requested to take on record the above update on Credit Rating. This is only test rating/part rating out of the total bank facilities of the Company. We are assigning work of credit rating of entire bank facilities of the Company to CRISIL Limited.

We will update you with the credit rating for entire bank facilities once rating of entire facilities is done.

Copy of Ratings Letter released/published by M/s. CRISIL Ltd. is enclosed herewith for your kind reference.

Thanking you,

Yours faithfully,

GALLANTT ISPAT LIMITED**GALLANTT ISPAT LTD.**
Company Secretary

Nitesh Kumar

COMPANY SECRETARY

Encl: As above.

GALLANTT ISPAT LIMITED

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Factory : AL-5, Sector-23, Sahjanwa, District - Gorakhpur-Uttar Pradesh
Corporate Identification No. : L27109WB2005PLC101650

Ratings

Rating Rationale

March 27, 2018 | Mumbai

Gallantt Ispat Limited

'CRISIL BBB-/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.15 Crore
Long Term Rating	CRISIL BBB-/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its 'CRISIL BBB-/Stable' rating to the long-term bank facility of Gallantt Ispat Ltd (GIL; part of GIL group).

The rating reflects the established presence of GIL in the steel industry, comfortable financial risk profile, and sufficient liquidity. These strengths are partially offset by the geographical concentration risk in revenue, volatility in operating margins and demand risks related to the recent capacity expansion undertaken by the group.

Analytical Approach

CRISIL has consolidated the business and financial risk profile of Antarmukh Steel Manufacturer Pvt Ltd, Bhavika Smelters and Food Products Pvt Ltd, Shrinu Rolls and Milling Pvt Ltd and Satlaj Rolls and Milling Pvt Ltd with GIL, together referred to as Gallantt group, as the 4 companies are under merger process and will be merged with GIL once all the regulatory formalities are completed.

Key Rating Drivers & Detailed Description

Strengths

* **Established presence in the industry:** Though GIL was incorporated in 2005, it is a part of the Gallantt group that has been in the steel business since 1984. The group operates a primary steel plant and own private railway siding in Uttar Pradesh and has an established presence in the steel industry with its Gallantt brand. The GIL group has expanded capacities and also benefits from the integrated operations with captive power consumption.

* **Comfortable financial risk profile:** Large network of Rs 511 crore led to a strong gearing of 0.3 time, as on March 31, 2017. Further, despite availing of term loan of Rs 30 crore during fiscal 2018, gearing is expected to remain steady. Though the term loan will have a bearing on interest coverage ratio, it will remain healthy at 10-13 times. Also, the proposed capex of Rs 510 crore is expected to happen in a granular manner after 2 to 3 years, thereby providing stability to the financial risk profile over the medium term.

* **Adequate liquidity:** The accruals over and above repayments will aid the growing working capital requirements. As against the annual accruals of Rs 60-80 crore, the repayments are likely to remain in the range of Rs 8-10 crore per year, thereby providing cushion to the liquidity.

Weakness

* **Geographical concentration in revenue:** Since majority of revenue comes from Uttar Pradesh, business risk profile will remain exposed to any downturn or political disturbance in that state.

* **Volatile operating profitability:** Changing steel prices have led to fluctuations in operating margin to 12.3% in fiscal 2017 from 9.8% in fiscal 2016 and 10.4% in fiscal 2014. However, fully integrated operations and installation of private railway siding for easy movement of raw material and finished goods have led to lower logistic costs, which will improve profitability over the medium term.

* **Demand risk from the expanded capacities:** The group has expanded its sponge iron, ingot manufacturing and rolling mill capacities in fiscal 2018 and hence is expected to face demand risk for the sales of the rolling products since it is majorly present in Uttar Pradesh. However, the strong brand positioning under the Gallantt brand will aid the sales over the medium term.

Outlook: Stable

CRISIL believes that the GIL group will continue to benefit over the medium term from the extensive experience of its promoter and fully integrated operations. The outlook may be revised to 'Positive' if more-than-expected increase in revenue and profitability improves business risk profile, while maintaining working capital cycle. The outlook may be revised to 'Negative' if revenue and profitability deteriorate, or sizeable debt-funded capital expenditure affects financial risk profile.

About the Company

Incorporated in 2005 in Gorakhpur, Uttar Pradesh, and promoted by Mr Chandra Prakash Agrawal, GIL is a public limited company listed on the Bombay Stock Exchange and National Stock Exchange. The company with its fully integrated operations manufactures TMT bars under the Gallantt brand and also operates a flour mill.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs crore	430	535
Profit after tax (PAT)	Rs crore	44	29
PAT margin	%	10.3	5.3
Adjusted debt/adjusted networkth	Times	0.3	0.4
Interest coverage	Times	12.3	6.9

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
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CRISIL's Approach to Financial Ratios**CRISIL's Bank Loan Ratings - process, scale and default recognition****Rating criteria for manufacturing and service sector companies****For further information contact:**

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