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Friday, 20th September, 2019

To,
The Manager, Listing Department,
National Stock Exchange of India Limited
"Exchange Plaza", C - 1, Block - G,
Bandra - Kurla Complex, Bandra (East)
MUMBAI - 400 051



SUNFLAG IRON & STEEL CO. LTD.

REGD. OFFICE :

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Website : www.sunflagsteel.com

CIN:L27100MH1984PLC034003

Sub : Reply to Clarification Sought vide mail dated 19th September, 2019- seeking reasons published by the Rating Agency for downward rating.

Ref : Sunflag Iron and Steel Company Limited – NSE Symbol : SUNFLAG

Dear Sir / Madam,

With reference to the clarification sought by the Exchange through email dated 19th September, 2019 on the disclosure submitted on 10th September, 2019 by the Company to the Stock Exchanges regarding the revised Credit Rating for the Long Term and Short Term Credit facilities from CRISIL Limited, under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requiring the Company to submit the reasons published by rating agency for downward rating. We hereby reproduce the 'Detailed Rationale' published by the rating agency for downward ratings on the Bank Facilities of the Company:

"Detailed Rationale:

CRISIL has downgraded its ratings on the bank facilities of Sunflag Iron and Steel Co. Limited (SISCL) to 'CRISIL A-/Stable/CRISIL A2+' from 'CRISIL A/Stable/CRISIL A1'.

The downgrade reflects the significant and unanticipated deterioration in SISCL's business risk profile on account of an unprecedented slowdown in auto industry which accounts for nearly 80% of SISCL's revenue. The top-line & volume were down by 12% & 19% respectively in Q1FY20 as compared to Q1FY19. Continued slowdown in the auto industry leading to declining volumes and pressure on realisations is expected to result into a sizeable y-o-y de-growth for the company in the current fiscal.

Operating margin has been severely impacted for the past two quarters due to volatility in raw material prices, discounts offered to push sales and cancellation of some large orders by customers. Operating margin for Q4FY19 & Q1FY20 were 6.8% & 5.7% respectively down from 11.8% & 14.3% respectively for Q4FY18 & Q1FY19. The top-line and profitability movement will be a key monitorable over the medium term, considering that gearing is expected to remain in control.

Visit us at www.sunflagsteel.com



Contd.....

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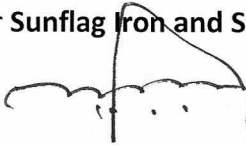
The ratings take into account SISCL's market position in the auto-grade micro-alloy steel business, and an above average financial risk profile. These strengths are partially offset by moderately large working capital requirement, susceptibility to changes in raw material prices and government regulations, and the exposure to cyclicalities in the steel industry and the auto segment (key end user).

We hope this information will suffice the purpose.

You are requested to place the aforesaid information on records, meanwhile acknowledge the receipt.

Sincerely,

For **Sunflag Iron and Steel Company Limited**



CS Ashutosh Mishra
Company Secretary & Compliance Officer
Membership No. ACS - 23011