

To, The Manager Bombay Stock Exchange Limited Floor 25, P J Towers, Dalal Street, Mumbai- 400 001, INDIA Scrip Code: 532726	To, The Manager National Stock Exchange of India Limited "EXCHANGE PLAZA", Bandra - Kurla Complex, Bandra (East), Mumbai- 400 051, INDIA Scrip Code: GALLANTT
---	---

Sir/Madam,

**SUB: INDIA RATINGS AFFIRMED GALLANTT METAL CREDIT RATING- LONG TERM-
"IND A/STABLE; SHORT TERM "INDA1"**

In terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, we hereby inform that India Rating and Research, A Fitch Group Company has affirmed the Company a Long Term Issuer Rating of "IND A/Stable". The Outlook is stable.

Rating Actions on Credit Facilities are as under:

Instrument Type	Current Rating/Outlook		
	Rating Type	Rated Limits (Crores)	Rating
Issuer Rating	Long Term	-	IND A/Stable
Fund-based Limits	Long-term /Short-term	INR 50.00	IND A/Stable/IND A1
Non-fund based limits	Short-term	INR 128.80	IND A1

The same is being hosted on the Company website www.gallantt.com in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

A copy of Press Release is enclosed herewith.

Please acknowledge the receipt and oblige.

Thanking you,

Yours faithfully,
For **GALLANTT METAL LIMITED**
GALLANTT METAL LTD.



Company Secretary
Tarun Kumar Rathi
(CS & COMPLIANCE OFFICER)
Encl: As above

GALLANTT METAL LIMITED

Office : Ward-10 BC, Plot No. 123, Ground Floor, Gandhidham, Kutch, Gujrat-370 201, Tel. : 02836-395626 / 395636 Fax : 02836-235787

Works : Near Toll Gate Village - Samakhlyali, Taluka-Bhachau, Kutch - Gujrat, Tel. : 91 98 795 60878, Fax : +91 2837 283690

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

Telefax : 011-45048767, E-mail : gml@gallantt.com, Website : www.gallantt.com

Corporate Identification No. : L27109DL2005PLC350524

India Ratings Affirms Gallantt Metal at 'IND A'; Outlook Stable

04

OCT 2019

By Shradha Saraogi

India Ratings and Research (Ind-Ra) has affirmed Gallantt Metal Limited's (GML) Long-Term Issuer Rating at 'IND A'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based limits	-	-	-	INR500	IND A/Stable/IND A1	Affirmed
Non fund-based limits	-	-	-	INR1,288	IND A1	Affirmed

KEY RATING DRIVERS

GALLANTT METAL LTD.

 Company Secretary

Comfortable Credit Metrics: Despite a likely moderation in operations and margins with estimated interest coverage (EBITDA/gross interest) of around 10x in FY20 (1QFY20: 12.13x; FY19: 20.81x; FY18: 13.18x) and net leverage (adjusted net debt/EBITDA) of under 1x (1.43x; 0.41x; 0.63x), Ind-Ra expects GML to remain debt free. However, this is subject to the drawal of working capital debt of INR0.5 billion as and when needed.

1QFY20 witnessed a correction in realisations and volumes due to the overall subdued demand of steel products. Moreover, EBITDA margins almost halved (1QFY20: 5.9%; FY19:11.7%; FY18: 10.2%) on the back of falling thermo-mechanically treated (TMT) bars realisations but unchanged raw material prices. Ind-Ra expects GML's operating performance to remain subdued in FY20 in view of a further correction in domestic TMT realisations (by around 12% qoq) in 2QFY20. However, in FY20, Ind-Ra expects margins to improve marginally (in the range of 6.5%-7.5%) over 1QFY20 on the back of softening raw material prices.

Large Capex Entirely Self-Funded: GML is incurring a large capex of around INR1.7 billion over FY19-FY20 to enhance its TMT bars (95% of FY19 turnover of INR10,638 million) capacity by around 57% to 422,400 tonnes per annum (TPA) from 274,980TPA, which would make it a medium-sized player in the TMT industry on the back of increased scale in operations in FY21. The entire project will be completed by March 2020 using internal accruals. In FY19, GML incurred INR1.1 billion towards the same with no additional debt taken. Ind-Ra expects GML to generate EBITDA of INR0.6 billion-INR0.7 billion in FY20, which is likely to provide adequate internal accruals to complete the project.

Liquidity Indicator - Adequate: With no long-term liabilities on the balance sheet over FY16-FY19, GML does not have any repayment obligations. In FY20, the cash flow from operations (CFO) is likely to remain positive but free cash flow (FCF) might remain negative on the back of balance capex planned for the year. Further, GML's current fund-based limits' (INR500 million) average utilisation stood at around 56% over the 12 months ended August 2019. providing significant liquidity cushion despite marginal free cash balances (INR1.6 million). Ind-Ra expects GML's liquidity position to remain adequate in FY20 considering the absence of repayment obligations, consistent positive CFO and the low utilisation of working capital limits.

Partially Integrated Plant: GML operates an integrated manufacturing facility of TMT bars with captive sponge iron and mild steel billets plants resulting in better cost control and efficient operations. Its captive power plant (33MW) meets its entire power requirement ensuring uninterrupted supply. The plant's proximity to the port (Kandla Port is around 68km away) provides significant advantage in terms of importing coal and gives easy access to the southern and eastern markets. However, GML procures iron ore, coal, scrap, etc., together comprising 72%-82% of the total cost, on spot prices. The company does not have raw material linkages by way of captive iron ore mines or coal linkages, exposing EBITDA margins to raw material price fluctuation risk.

Unsecured Loans Extended to Unrelated Companies: In FY18, GML had extended unsecured loans of around INR700 million to unrelated companies (a real estate developer and a non-banking finance company) as corporate deposits, because it had excess funds. This money was available on call and was used by them for capex in FY19, reducing such loans to other body corporates to nil at FYE19. Ind-Ra will closely monitor unrelated diversion of funds.

Cross Shareholding in Group a Key Monitorable: Gallant Ispat Limited (GIL), an associate company, holds 48.53% in GML and GML holds 25.68% in GIL. Ind-Ra assesses the operating linkages between the two entities to be moderate given the common promoters, inter-company share holdings, common brand name, a few common board members and the exchange of loans and advances. However, sales and purchase transactions are minimal. Ind-Ra will also monitor GIL's standalone credit profile to assess the potential impact on GML's credit metrics. Overall, Gallant Group's credit profile is comfortable with interest cover at 20.0x in FY19 (FY18: 11.8x) and net leverage at 0.93x (1.63x).

GALLANTT METAL LTD.

Company Secretary

RATING SENSITIVITIES

Negative: A substantial decline in the scale of operations, operating margins and/or a sustained increase in the net leverage above 1.0x will lead to a negative rating action. Additionally, any unrelated diversion of funds and substantial deterioration in Gallant Group's credit profile may also lead to a negative rating action.

COMPANY PROFILE

GML, incorporated in 2005, is a partially integrated re-rolled products (TMT bars) manufacturer with an in-house sponge iron and mild steel billets production. The operations are backed by 100% captive power generation (33MW). GML is promoted by Chandra Prakash Agrawal and is listed on the Bombay Stock Exchange and the National Stock Exchange.

FINANCIAL SUMMARY

Particulars	1QFY20	FY19	FY18
Net revenue (INR million)	2480	10638	8456
EBITDAR (INR million)	145	1247	865
EBITDAR margin (%)	5.85%	11.72%	10.23%
EBITDAR interest coverage (x)	12.13	20.81	13.18
Net adjusted leverage (x)	1.43	0.41	0.63
Source: GML, Ind-Ra			

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	20 September 2018	10 July 2017	21 March 2016
Issuer rating	Long-term	-	IND A/Stable	IND A/Stable	IND A-/Stable	IND A-/Stable

GALLANTT METAL LTD.
[Signature]
Company Secretary

Fund-based limits	Long-term/Short-term	INR500	IND A/Stable/IND A1	IND A/Stable/IND A1	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+
Non-fund-based limits	Short-term	INR1,288	IND A1	IND A1	IND A2+	IND A2+

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

GALLANTT METAL LTD.

 Company Secretary

DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/rating-definitions). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE [WWW.INDIARATINGS.CO.IN](http://www.indiaratings.co.in). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

Shradha Saraogi

Analyst

India Ratings and Research Pvt Ltd Room No. 1201, 12th Floor Om Towers 32, Chowringhee Road Kolkata 700 071

+91 33 40302509

Secondary Analyst

Mahaveer Jain

Associate Director

+91 22 40001768

Committee Chairperson

Abhishek Bhattacharya

GALLANTT METAL LTD.
Abhishek
Company Secretary

Director and Co Head Corporates

+91 22 40001786

Media Relation

Namita Sharma

Manager – Corporate Communication

+91 22 40356121

GALLANTT METAL LTD.
Namita Sharma
Company Secretary