

September 14, 2010

**CARE ASSIGNS 'CARE IPO GRADE 2' TO THE PROPOSED IPO OF  
GYSCOAL ALLOYS LIMITED****Grading Assigned**

Particulars	Number of equity shares (in lakh)	Grading <sup>1</sup>	Remarks
IPO Grade	77 shares of face value Rs.10 each	'CARE IPO Grade 2' [Two]	Assigned

CARE has assigned a '**CARE IPO Grade 2**' to the proposed IPO of Gyscoal Alloys Limited (GAL). '**CARE IPO Grade 2**' indicates **Below Average Fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.

**Grading Rationale**

The grading is constrained by the inherent cyclicity of stainless steel industry and project execution risk associated with the proposed large sized expansion project of melting facility which is to be funded by the proposed IPO. Instances of overdraw of the working capital limits from banks, instances of delay in servicing term loan interest and statutory payments and moderate corporate governance practices also constrain the grading.

The grading positively factors in the experience of the promoters, growth in sales during last three years ended FY09 and stable demand outlook for stainless steel industry.

**Company Profile**

Gyscoal Alloys Limited (GAL), a closely held public limited company, was incorporated in 1999 as a private limited company. Initially, GAL started its business with the trading of iron and steel scrap, billets and steel long products. In 2005, company took over a steel rolling mill with capacity of 6,000 Metric Tonnes Per Annum (MTPA) from Shah Alloys Group at Ubkhal, Mehsana in Gujarat and entered into manufacturing of rolled products. The rolling capacity was increased by another 12,000 MTPA totalling to rolling mill capacity of 18,000 MTPA in 2005-06. In 2006-07, the company set up steel melting shop with a capacity of 12,000 MTPA which was further increased to 18000 MTPA in the year 2008-09.

<sup>1</sup> Complete definition of the grading assigned is available at [www.careratings.com](http://www.careratings.com)

GAL manufactures alloy ingots & billets and stainless steel long products including angles, flats, hexagonal and Round Corner Squares (RCS), primarily from stainless steel scrap. It also undertakes rolling business on job-work basis by purchasing ingots / billets. These products have principal application in automobile forging, construction activities, infrastructural, kitchen equipments & appliances etc.

Objects of the proposed IPO is to finance its expansion project to increase its melting capacity by 1,00,000 MTPA, fund the long term working capital requirements and other general corporate purposes.

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***CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.***

**DISCLAIMER:**

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

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