



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED

BY COURIER

No.B&S/Shares/Cr.Rating/2017

January 3, 2017

The Secretary, The Stock Exchange, Mumbai, PhirozeJeejeebhoy Towers, 25th Floor, Dalal Street, <u>MUMBAI - 400 001.</u>	The Asstt Vice President, National Stock Exchange of India Limited, Exchange Plaza, BandraKurla Complex, Bandra(E) <u>MUMBAI - 400 051.</u>
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Sub : Revision of SAIL Rating by Credit Analysis & Research Ltd.(CARE).

Dear Sir,

Please refer to our letter of even number dated 2nd January 2017 on the above subject, intimating the revision in SAIL rating by Credit Analysis & Research Ltd.(CARE). CARE while revising the rating has provided the following rationale.


" The revision in the long-term rating of Steel Authority of India Ltd (SAIL) takes into account the lower-than- envisaged financial performance of the company in H1FY17 (refers to the period April 01 to September 30). Though the financial performance during H1FY17 was better than FY16 (refers to the period April 01 to March 31), it continued to be low leading to lower-than-expected recovery in its key credit metrics. The lower average sales realization and high cost structure has led to losses during the period. The average sales realization for SAIL, which had improved in Q1FY17 (refers to the period April 1 to June 30) post the imposition of Minimum Import Price (MIP), has declined in Q2FY17 (refers to the period July 1 to September 30). The ratings, however, continue to derive strength from the majority ownership by Government of India (GoI) in SAIL, its established position as one of the largest integrated steel producers in India with captive iron ore mines, geographical diversity of sales with strong marketing network and healthy cash and bank balance. The ratings also continue to factor in SAIL's comfortable capital structure and its healthy mix of value-added product. The ratings take cognizance of extension of Minimum Import Price (MIP) on various steel products which has resulted in firming up of steel prices and its impact on the profitability is likely to be seen gradually. The ratings also take cognizance of the risks associated with the implementation of the large ongoing Modernization & Expansion (M&E) project of the company and cyclical nature inherent in the steel industry. Going forward, the company's ability to improve its average sales realization amid the subdued steel demand, control the rising input cost while maintaining its capital structure and complete the ongoing M&E plan within the time and cost estimate shall remain the key rating sensitivities.

Outlook: Negative

The outlook for the rating is negative on account of expectations of subdued profitability given the sharp increase in coking coal prices and limited ability of the company to pass on the price increase to the customer given the muted demand and high competitive pressure. The outlook may be revised to 'Stable' if SAIL's profitability improves backed by structural revival in the steel sector translating into better net sales realization and improving debt coverage indicators".

Thanking you,

Yours faithfully,


(M.C. Jain)
ED (F&A) & Secretary

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हर किसी की जिन्दगी से जुड़ा हुआ है सेल

There's a little bit of SAIL in everybody's life