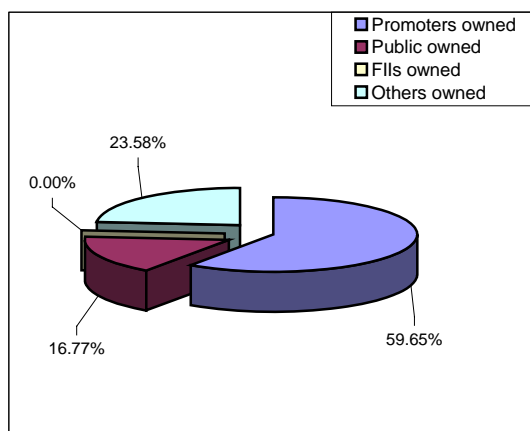


Stock statistics 14 January 2008

Market Cap (Rs Mn) :	3,407.79
52-Week high/low (Rs) :	51.85/8.90
Face value :	10
BSE Code :	532726
NSE Code :	GALLANT
Industry :	Steel
Shares outstanding :	7, 63, 22,324
Avg. daily vol. (30 days) :	8.90

Shareholding Pattern (as on Sep'07)



Key Statistics (as on 14 January 2008)

CMP :	45
BV (FY'07) :	13.18
PE :	16.13
PB :	3.41
Beta :	1.12
Turnover (Rs Mn) :	5.59
Net worth (Rs Mn) :	773.80

Gallantt Metal is a Gujarat-based integrated steel manufacturer. The company manufactures sponge iron, MS billets, re-rolled products (TMT bars). Sponge iron is obtained by direct reduction (elimination of oxygen) of iron ore and is consumed in-house for manufacturing MS billets. The company consumes the entire billets in-house for manufacturing rolling products. Re-rolled products are manufactured using MS billets as the main feed stock. The company has captive power plants in place with three waste heat recovery boilers, one fluidized combustion boiler and one 18 MW single condensing turbo generator.

(In million)

	Dec 2006	Mar 2007	Jun 2007	Sep 2007	Dec 2007
Sales	620.84	731.97	810.18	856.89	1,025.37
EBIT	51.00	39.16	79.78	97.06	176.07
EBITDA	65.14	67.04	110.00	132.91	208.38
PAT	25.11	(25.69)	30.68	57.57	124.91
EPS	0.33	(0.34)	0.40	0.75	1.64
Operating profit margin (%)	8.21	5.35	9.85	11.33	17.17
EBITDA margin (%)	10.19	9.16	13.58	15.51	20.32
Net profit margin (%)	4.04	(3.51)	3.79	6.72	12.18

The company has posted excellent results for the Q3FY08. The net sales grew up by 65% to Rs 1,025 million for the Q3FY08 as against the net sales of Rs 620.84 million for the Q3FY07. The operating profit rose to Rs 176 million for the Q3FY08 versus the operating profit of Rs 51 million for the Q3FY07. The EBITDA grew up by 220% to Rs 208.38 million as against the EBITDA of Rs 65.14 million. The company posted the net profit of Rs 124.91 million for the Q3FY08 versus the net profit of Rs 25.11 million. The operating profit margin, EBITDA margin and net profit margin gone up sharply to 17.17%, 20.32% and 12.18% respectively.

Firstly, the company commenced its Phase-II of the Projects i.e. 25MW Captive Power Plant from March, 2007. The company steel plant is backed up by this 25MW Captive Power Plant. Secondly, the excellent economic growth rates, human resource capabilities and thrust on infrastructure development and focus on rural development is likely to have a positive impact on industry in general and steel in particular. There is good potential for the Company, as in the western region there is a substantial gap between demand and supply of finished steel and the company has also expanded its market to sell its products within the state of Gujarat and Maharashtra.

VALUATION

The company has posted strong growth in the top line and bottom line with rising volumes. The company intends to go high on alloy and special steel. It also intends to raise its capacity and reach out to the export markets, mainly to China and Europe.

The stock at the current market price of Rs 45 is trading 16.13 times to its earnings and 3.41 times to its book value. The stock is expected to provide huge upside potential in short to medium term.

Therefore, we are initiating 'BUY' signal on the stock with the target price of Rs 78, which is approximately 73% up from the current market price of Rs 45.

E-Mail: research@hemonline.com

Disclaimer: This document is prepared on the basis of publicly available information and other sources believed to be reliable. Whilst we are not soliciting any action based on this information, all care has been taken to ensure that the facts are accurate and opinions given fair and reasonable. This information is not intended as an offer or solicitation for the purchase or sell of any financial instrument. Hem Securities Limited, Hem Finlease Private Limited, Hem Multi Commodities Pvt. Limited and any of its employees shall not be responsible for the content. The companies and its affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities there of, company (ies) mentioned here in and the same have acted upon or used the information prior to, or immediately following the publication