

## Sanghi Industries Limited

Instrument	Amount (Rs Crore)	Rating Action
Long Term Fund Based-Cash Credit	85.00	[ICRA]BBB(Stable) Assigned
Long Term Fund Based- Proposed	70.00	[ICRA]BBB(Stable) Assigned
Short Term Non Fund Based Limits	15.00	[ICRA]A3+ Assigned

ICRA has assigned the long term rating of [ICRA]BBB (pronounced ICRA triple B plus) to the Rs 155 crore fund based facilities of Sanghi Industries Limited (SIL) . The outlook on the long term rating is 'Stable'. ICRA has also assigned the short term rating of [ICRA]A3+ (pronounced ICRA A three plus) on the Rs. 15 crore non-fund based facilities of SIL.

The assigned ratings take into account the favourable outlook on the cement industry and the benefits arising out of the integrated nature of SIL's cement operations by way of easy access/cost of raw materials, production scale economies given the large sized single kiln operations and access to captive power plant with multiple fuel options (lignite/imported coal/pet coke) which results in stronger control on manufacturing cost structure. Further, access to a captive jetty allows SIL to target the coastal regions on west coast at low per ton freight cost and diversify its domestic market in addition to export opportunities. The ratings also favourably factor in the expected improvement in contribution margins on the back of ramp-up in capacity utilization levels, cost reduction initiatives and increasing proportion and acceptability of its PPC product. Further, the ratings take into account the Improvement in performance during the last 3-4 years mainly driven by volume growth and the company's recent exit from CDR cell in March 2016, after settlement of all outstanding dues and recompense amount to banks, allows the company more freedom in planning its long term growth strategy.

The ratings are, however, constrained by the vulnerability of the cement industry to cyclical trends, geographical concentration related risks in the cement business given that over 80% of the sales are derived from Gujarat region; modest return indicators given the relatively moderate capacity utilization levels and the high capital cost of its plant ; High cost of funding results in modest projected coverage indicators and the execution risks associated with moderate capex plans over the next 2 years. Going forward, finalization of large expansion plans, significant increase in debt levels and working capital intensity, improvement in return indicators and reduction in overall funding costs will remain key rating sensitivities.

### Company Profile

Sanghi Industries Limited (SIL) is the flagship company of the Ravi Sanghi Group and is engaged in the production and distribution of cement under the brand name "Sanghi Cement". The manufacturing facility of the company is located at Sanghipuram in the Kutch district of Gujarat State. The clinker plant has a capacity of 3.0 million MTPA clinker and 4.1 million MTPA cement. The company produces superior quality 53 Grade OPC and PPC Cement. The company also has a captive jetty to handle its export/coastal cargo and a 63 MW captive power plant to meet its power requirements.

### Recent Results

During FY 2015 (July 1, 2014 to June 30, 2015), SIL reported operating income of Rs. 932 crore and profit after tax of Rs. 31 crores. Further, during 9M 2016(July 1, 2015 to March 31, 2016) SIL reported operating income of Rs. 777 crore and profit after tax (net of exceptional item) of Rs. 7 crores (as per unaudited provisional financials).

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