

Salguti Industries Limited

Instrument	Amount In Rs. Crore	Rating Action
Fund Based Limit	49.11	[ICRA]D revised from [ICRA]B-
Non-fund based Limits, LT scale	0.15	[ICRA]D revised from [ICRA]B-
Non-fund based Limits, ST scale	8.14	[ICRA]D revised from [ICRA]A4

ICRA has revised the long-term rating assigned to the Rs 49.11 crore¹ fund based limits and Rs 0.15 crore non-fund based limits of Salguti Industries Limited (SIL/ the company)⁺ from [ICRA]B- (pronounced ICRA B Minus) to [ICRA]D (pronounced ICRA D). ICRA has also revised the short term rating assigned to Rs 8.14 crore non-fund based limits of SIL from [ICRA]A4 (pronounced ICRA A four) to [ICRA]D (pronounced ICRA D).

The revision in rating primarily takes in to account delay in debt repayment obligations by the company owing to stretched liquidity position following delays in receivables from major clients of the company. The ratings are also constrained by weak financial profile on account of high gearing of 4.72 times as at March, 31, 2016, weak coverage indicators as indicated by interest coverage of 1.38 times, NCA/Debt of 6% and Debt/OPBDITA of 5.27 times during FY 2016; SIL's exposure to significant customer concentration risk and high competitive intensity in the poly woven sacks & spinning industry also exerts pressure on the profitability.

The ratings however take comfort from the long track record of operations & promoters' experience in the packaging industry; and established relationship with major customers such as Coromandel International Limited & Venkat Polymers Private Limited.

Going forward, timely servicing of debt obligations will be the key monitorable. Further, the ability of the company to improve its profitability while managing its working capital requirements would remain key rating sensitivities from credit perspective

Company Profile

Salguti Industries Limited (SIL) was incorporated in 1984 and is engaged in the manufacturing of poly woven sacks for packaging of fertilizers, cement, food grains etc. In year 2005, SIL diversified into textiles segments and is engaged in the manufacturing of cotton grey fabric for garments, bed linen and furnishings. The manufacturing facilities for packaging division are located at Bollaram, Medak District and Rajapur, Mahaboobnagar District of Telangana and for textile division at Jadcherla, Telangana. Currently, the installed capacity of poly woven sacks is 10400 MT/annum and of textile unit is at 2600 MT/annum.

Recent Results

The company reported a net loss of Rs 0.40 crore on an operating income of Rs 116.46 in FY2016 as against a net profit of Rs 0.30 crore on an operating income of Rs. 124.95 crore in FY2015.

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For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500