

6<sup>th</sup> July, 2023

The General Manager <b>BSE Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	The Assistant Vice-President <b>National Stock Exchange of India Ltd.</b> Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra Kurla Complex Bandra (East), Mumbai – 400 051
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Dear Sir,

**Sub: Intimation about revision in Credit Rating under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

We would like to inform that the Company has received intimation of revision in credit ratings from India Ratings & Research Pvt. Ltd. through their e mail dated 6<sup>th</sup> July, 2023 the details of which are as under:

<b>Instrument Type</b>	<b>Rated Amount (in Crores)</b>	<b>Existing Rating / Outlook</b>	<b>Revised Rating / Outlook (Refer Note below)</b>	<b>Rating Action</b>
Term Loan	Rs.578.30 Crore	IND BB / Negative	IND D	Downgraded
Non-Convertible Debentures	Rs.280 Crore	IND BB / Negative	IND D	Downgraded
Fund based Limits	Rs.185 Crore	IND BB / Negative	IND D	Downgraded
Non fund based limits <sup>^</sup>	Rs.140 Crore	IND A4+	IND D	Downgraded

<sup>^</sup> INR 40 Crore interchangeable with fund based limits.

**Note:**

The company is not agreeable to the above downgrading done by the India Rating & Research Pvt. Ltd. , the company is making necessary representation to appropriate authority to review \ revise the said credit rating.

The said downgrading is effected by credit rating agency on account of the deferment of payment interest, even though the same has done with the consent of the Debenture Trustee on Debentures which are privately placed. Actually there was no failure on the part of company in respect of payment obligation as the Debenture Trustee has granted the consent for deferment of payment of interest.

**Sanghi Industries Limited**

CIN : L18209TG1985PLC005581

Registered Office : P.O. Sanghinagar, Hayatnagar Mandal, R.R. District, Telangana- 501 511

Tel.: 08415-242240 E mail: companysecretary@sanghiment.com

Website : www.sanghiment.com

In this regard, we would like to clarify as under:

1. As per Federation of Kutch Industries Associations (FOKIA), “Biparjoy” Cyclone was one of the longest and devastating cyclone in Kutch District resulting in large scale destruction to industrial and social infrastructure and manufacturing capacities of industries in Kutch district. FOKIA has further represented to Government of Gujarat for announcing the revival package for manufacturing industries located in Kutch district in the aftermath of Biparjoy cyclone. As per reports published in newspaper the loss to the physical infrastructure was about Rs. 2500 crore but the production loss was mounted to Rs. 1.25 Lac Crore.
2. In anticipation of the very severe cyclone “Biparjoy which was predicted well in advance, the operations of the company were temporarily closed. The temporary closure of operations was beyond control of the Company. The Company had briefed the Trustee about potential impact of cyclone. As a gesture of support and considering the past history and track record of timely payment of interest on due date the Debenture Trustee had agreed for deferment of interest for the month of June 2023 .
3. The company had otherwise received adequate cashflow in June 2023. The intention for seeking the deferment of Interest is by no means to avoid any default or bankruptcy but to keep liquidity for potential alternate use in case of emergency arising out of Biparjoy.
4. The Company would like to clarify that there was no failure on company’s part to meet the payment obligation, the company has paid all the interest due on its various financial facilities till 30.06.2023 on or before due dates.
5. This deferment had enabled company to take up community service in the affected region before and after the cyclone. Further, the operations of the Company at the plant of the Company have been resumed from 28<sup>th</sup> June, 2023.
6. Thus, the decision for deferment of interest payment is to protect the interest of stakeholders at large and to meet any exigency and no default has occurred on the part of Company.

We are enclosing the report regarding revision in credit rating from India Ratings & Research Pvt. Ltd.

Kindly take the same on your records.

Thanking you,  
Yours faithfully,  
**For Sanghi Industries Ltd.**

**Anil Agrawal**  
**Company Secretary**  
**Encl: As above**

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## India Ratings Downgrades Sanghi Industries & its NCDs to 'IND D'

Jul 05, 2023 | Cement &amp; Cement Products

India Ratings and Research (Ind-Ra) has downgraded Sanghi Industries Limited's (SIL) Long-Term Issuer Rating to 'IND D' from 'IND BB'. The Outlook was Negative. The instrument-wise rating actions are as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	-	FY31	INR5,783	IND D	Downgraded
Non-convertible debentures (NCDs)	INE999B07036	23 February 2021	14/15/16/18*	23 February 2027	INR2,800	IND D	Downgraded
Fund-based limits	-	-	-	-	INR1,850	IND D	Downgraded
Non-fund-based limits <sup>^</sup>	-	-	-	-	INR1,400	IND D	Downgraded

<sup>^</sup>INR400 million interchangeable with fund-based limits

\*first 12 months/13-24 months/25-36 months/37th month onwards

The downgrade reflects SIL's rescheduling of its interest obligations on the rated NCDs due to liquidity issues. This is in line with Securities and Exchange Board of India's Operational Circular for Credit Rating Agencies dated 6 January 2023, which states that rescheduling of debt instruments by lenders prior to the due date of payment to avoid default or bankruptcy will be treated as default. The agency believes that the rescheduling has been due to liquidity challenges as the company did not have any material cash balance on 30 June 2023 and its available liquidity buffer in the form of unused fund-based limits (after considering devolved letters of credit) was only around INR20 million, lower than the interest obligations towards the NCDs.

### Key Rating Drivers

**Liquidity Indicator - Poor:** SIL intimated the stock exchange on 30 June 2023 that its lenders have deferred its interest obligations on the listed rated NCDs (first NCD; outstanding INR2.8 billion) for the month of June 2023 to 30 December 2023. The company has also intimated Ind-Ra that interest obligations on the second, unlisted NCD (outstanding INR5



billion) for June 2023 has been deferred to 30 July 2023. The rescheduling in both the cases has been approved by the debenture trustee as on 30 June 2023, while the stock exchange approval is pending for the listed NCDs. The agency believes that the rescheduling has been implemented as the company did not have sufficient liquidity to meet the interest obligations towards the two NCDs. Furthermore, there have been two instances on letter of credit devolvement in June 2023, which stand at less than 30 days overdue. According to the management, despite the promoter infusion of INR0.15 billion in June 2023, the liquidity issues were exacerbated due to the closure of plant operations for nearly two weeks starting 13 June 2023 due to the cyclone Biparjoy.

While SIL has minimal repayment obligations in FY24 as it had prepaid most of its principal obligations for the year, its interest obligations remain high (4QFY23: INR0.7 billion). Excluding redemption premium, the interest servicing obligations could be INR0.5 billion-0.6 billion each quarter. Ind-Ra opines that there is low cash flow visibility towards the servicing of SIL's debt obligations for July 2023 unless there is a substantial recovery in sale volumes and EBITDA.

In its last rating action commentary dated 9 June 2023, Ind-Ra had opined that considering the minimal unencumbered cash on the balance sheet (FYE23: INR9.2 million; FYE22: INR1.4 million) and limited operational cash flow generation, a significant fund infusion by the promoters would be essential for the company to timely service its debt obligations in FY24. The agency had noted that SIL's promoters infused over INR0.27 billion in SIL during April-May 2023 and the management had stated that additional funds would be infused as needed. The promoters in May 2023 monetised some assets, which provided visibility towards the immediate liquidity infusion. Furthermore, SIL had a small cushion of around INR0.2 billion in its fund based working limits at end-April 2023.

In November 2022, SIL raised INR5 billion through the issuance of NCDs to Kotak Special Situations Fund and INR0.5 billion through an equity infusion from the promoters, which were used for the reduction of its debt (prepayment of term debt: INR2.1 billion; the reduction of working capital debt: INR1 billion) and to fund the operational requirements. With the resolution of immediate liquidity challenges, Ind-Ra had expected SIL's performance to improve 4QFY23 and the company to be able to meaningfully ramp-up its volume and profitability FY24 onwards, which would have supported its interest obligations for FY24 and negligible repayments of INR20 million-25 million. However, against mid-single-digit growth at the industry level, SIL's sales volumes were down 44% yoy to 0.4 million tonnes in 4QFY23, indicating that the disruptions faced by the company over the past few months have affected the marketability of its product. This led to suboptimal variable costs as well as lower fixed cost absorption, which led to EBITDA losses in 4QFY23.

## Rating Sensitivities

**Positive:** Timely debt servicing for at least three consecutive months along with an improvement in the liquidity position could lead to a positive rating action.

## ESG Issues

**ESG Factors Minimally Relevant to Rating:** Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SIL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here.

For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

## Company Profile

Incorporated in 1985, SIL has a grinding capacity of 6.1 million metric tonnes per annum and a clinker capacity of 6.6 million metric tonnes per annum. It also has a 130MW captive thermal power plant, captive mines, a water desalination facility, and a captive port in Kutch which can handle 1mmtpa of cargo. SIL sells ordinary portland

cement, portland pozzolana cement and portland slag cement in Gujarat, Rajasthan, Maharashtra and Kerala and international markets of the Middle East, Africa and the Indian sub-continent.

## FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR billion)	9.3	11.3
EBITDA (INR billion)	-0.1	1.9
EBITDA margin (%)	-1.5	17.0
EBITDA interest coverage (x)	-0.1	2.4
Net leverage (x)	-108.4	6.9
Source: SIL, Ind-Ra		

## Non-Cooperation with previous rating agency

Not applicable

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## Rating History

Instrument Type	Current Rating			Historical Rating/Rating Watch/Outlook					
	Rating Type	Rated Limits (million)	Rating	9 June 2023	20 January 2023	23 September 2022	15 July 2022	17 March 2022	19 March 2021
Issuer rating	Long-term	-	IND D	IND BB/Negative	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB/Negative	IND A-/Negative	IND A/Negative
NCDs	Long-term	INR2,800	IND D	IND BB/Negative	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB/Negative	IND A-/Negative	IND A/Negative
Term loans	Long-term	INR5,783	IND D	IND BB/Negative	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB/Negative	IND A-/Negative	IND A/Negative
Fund-based limits	Long-term	INR1,850	IND D	IND BB/Negative	IND BB+/Stable	IND BB+/Rating Watch with Negative Implications	IND BBB/Negative	IND A-/Negative	IND A/Negative

Non-fund-based limits	Short-term	INR1,400	IND D	IND A4+	IND A4+	IND A4+/Rating Watch with Negative Implications	IND A3+	IND A2+	IND A1
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## Bank wise Facilities Details

Click here to see the details

## Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loan	Low
NCDs	Low
Fund-based limits	Low
Non-fund-based limits	Low

For details on the complexity level of the instrument, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Contact

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## APPLICABLE CRITERIA

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### Evaluating Corporate Governance

**The Rating Process****Default Recognition and Post-Default Curing Period****Short-Term Ratings Criteria for Non-Financial Corporates****Corporate Rating Methodology****DETAILED FINANCIAL SUMMARY**

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