

Sanghi Industries Ltd.

03 March, 2023

Reuters: SNGI.NS; Bloomberg: SNGI:IN

Company Update

Sanghi Industries Ltd (SIL) is the flagship company of The Ravi Sanghi Group dealing in the production and distribution of cement under the brand name "Sanghi Cement". SIL was commissioned in 2002 with one of the world's largest single stream cement plant located at Sanghipuram, in the Abdasa Taluka of Kutch District in Gujarat State. This plant is fully automatic with state-of-the-art technology from Fuller International, USA. The integrated manufacturing facility includes:

- 6.6 MMTPA capacity Clinker Plant
- 6.1 MMTPA capacity Cement Plant
- 143 MW capacity power plants (includes WHRS of 13.5 MW)
- 3 Bulk Cement Terminals each at Navlakhi – Gujarat, Dharamtar – Mumbai and Kochi – Kerala. SIL has entered into a tie-up with Zuari Cements Ltd for access to their Kochi terminal.

SIL has a limestone mining lease area of ~1,543 hectares with ~800 Mn tonnes of reserves. In 2017, the company added a 3km long conveyor belt system connecting the mine to the clinker plant for pollution free transportation of limestone. It has pioneered the usage of lignite as fuel in CPP by replacing coal. This has reduced the cost of fuel by 70%. SIL has a market presence in lucrative markets of Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Kerala.

According to recent reports, SIL is dealing with significant financial challenges, which has caused it to fall behind on payments to its most important suppliers, including IMR, Visa, Balaji Maltz, Trafigura and DB Tradelink. The company owes these vendors ~Rs1.5bn in total. Several companies have terminated their previous business dealings with SIL at this point in time. It has also come to light that SIL in the past had incorrectly exceeded the amount of bank guarantee that was offered by some of the equipment suppliers. Consequently, it is involved in litigations with global corporations such as L&T. SIL is in deep financial trouble.

According to reports, a major industrial group is likely to invest Rs200bn in its cement business over the next five years. To accomplish this, it will acquire several smaller sized cement companies. It is believed that a large company potentially investing in SIL will be able to help the latter meet its financial obligations, including those to its suppliers. *NBIE expects that the company will go to the NCLT. The company's stock is now trading at Rs60.35 with an EV/ton of ~USD57.9 (Market Cap: Rs15.4bn and Debt -Rs13.9bn). We think that cement industry participants such as Ultratech, Shree Cement, Dalmia, JSW and Adani would be interested in SIL due to its quality and location advantage. We think this asset would fetch a price anywhere US\$85-US\$100/ton.*

NOT RATED

Sector: Cement

CMP: Rs60

Jyoti Gupta

Research Analyst

jyoti.gupta@nirmalbang.com

+91 7738892292

Sanjit Tambe

Research Associate

sanjit.tambe@nirmalbang.com

+91 022-62738121

Key Data

Current Shares O/S (mn)	258.3
Mkt Cap (Rsbn/US\$mn)	15.6/188.3
52 Wk. H / L (Rs)	80/32
Daily Vol. (3M NSE Avg.)	775,963

Price Performance (%)

	1 M	6 M	1 Yr.
Sanghi Industries	7.8	11.9	29.2
Nifty Index	(3.1)	(0.2)	2.8

Source: Bloomberg

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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.

Board No.: 91 22 6273 8000/1; Fax.: 022 6273 8010