

September 24, 2010

CARE REAFFIRMS 'CARE BBB-' AND 'PR3' RATINGS TO BANK FACILITIES OF SANGAM (INDIA) LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	737.59	'CARE BBB-' (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	60.00	'PR3' (PR Three)	Reaffirmed
Total Facilities	797.59		

Rating Rationale

The ratings continue to take into account the experienced management, long and established track record in the textile industry, integrated nature of its operations, improvement in the financial profile of SIL during FY10 & Q1FY11 marked by improved profitability and benefit accruing from its captive power plants (CPPs). The ratings, however, continue to be constrained by relatively high gearing levels, low bargaining power with raw material suppliers, fluctuations in prices of man-made fibre being closely linked to movements in crude oil prices, susceptibility of export realisation to foreign exchange fluctuation risk and cyclical & fragmented nature of the textile industry. The sustainability and further improvement in its profit margins especially in the backdrop of step up future instalment payments would remain the key rating sensitivity.

Company Profile

Incorporated in December 1984, SIL, the flagship company of the Sangam group, is engaged in manufacturing cotton yarn, polyester viscose (P/V) yarn and fabric, along with the fabric processing. It also undertakes job processing for various clients to utilise its processing capacities. All its manufacturing facilities are located in Bhilwara, Rajasthan. With successive expansions, SIL has become one of the largest producers of dyed P/V yarn as well as synthetic and blended dyed/grey spun yarn in the country. The company also has its presence in cotton yarn spinning and knitting, fabric-processing and flock fabrics manufacturing segments apart from a denim manufacturing plant.

¹Complete definitions of the ratings assigned are available at www.careratings.com in other CARE publications.



Press Release

During FY10 (Audited), SIL reported a total operating income of Rs.859 crore [FY09 (Audited): Rs.754 crore] and a PAT of Rs.17 crore [FY09 (Audited): Net loss of Rs.16 crore].

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