

Hsil Limited

January 24, 2022

Update on slump sale of HSIL's BPD Undertaking to Brilloca Ltd.

The company has intimated the stock exchanges on Jan 15, 2022 regarding transfer of its business of manufacturing, on contract basis, of sanitaryware, faucets and plastic pipes (PVC and CPVC) and fittings (BPD Undertaking) to Brilloca Limited (Brilloca), on a slump sale basis, for a lump sum consideration of Rs 630.00 crore. With the proposed transaction, the Building Products division's entire operating facilities of HSIL will be transferred to Brilloca Ltd leaving apart some land parcels on which Brilloca Ltd. will continue to pay lease rentals to HSIL Ltd. Going forward, HSIL will completely be a packaging company.

The entire consideration will be paid by Brilloca in Cash to HSIL Ltd and HSIL will be utilizing the funds to repay long term and working capital borrowings which pertain to BPD division. This is expected to result in deleveraging of balance sheet of HSIL Ltd to an extent and will reduce the related party transaction at the group level and will aid in the re-alignment of business segments in order to reap synergistic benefits at the respective entity level.

The agreement for slump sale is yet to be executed. The transaction is subject to the satisfactory completion of the condition's precedent by the parties (including receipt of approval of the shareholders, lenders, and other necessary approvals required for the slump sale) in accordance with the provisions of the business transfer agreement to be executed. The transaction is expected to be completed by March 31, 2022.

CARE has taken into account the said announcement by the company and will continue to closely monitor the progress of the said deal.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of HSIL Limited (HSIL) continues to derive strength from its experienced promoters, its established track record of operations, its strong market position and established relations with its institutional clients in the container glass segment. The ratings also factor in the diversified presence in the packaging products segments and expansion done by the group in the security caps & closures to complement its container glass segment & its comfortable financial risk profile.

These rating strengths are, however, partially off-set by its moderate capital structure due to ongoing debt funded capital expenditure, susceptibility of HSIL's financial profile to raw material and fuel price fluctuation risk and foreign exchange fluctuation risk.

The previous press release is available on the following link: [Click here](#)

Analytical approach:

Standalone. The ratings however used to factor in the linkages with its group companies (SHIL & Brilloca rated CARE A+; Stable/A1+) owing to common management and strong business & operational linkages with them.

Note: Post this announcement, the approach for HSIL Ltd will be 'Standalone' going forward as the operational linkages will not be there as the BPD segment will not form part of HSIL.

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