

NOVEMBER 07, 2016

CARE REAFFIRMS THE RATINGS TO THE BANK FACILITIES AND CP OF HSIL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	867 (enhanced from 827.13)	CARE AA- (Double A Minus)	Reaffirmed
Short-term Bank Facilities	250 (enhanced from 150)	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	1,117 (Rupees One Thousand One Hundred Seventeen crore only)		
Commercial Papers*	250 (Rupees Two Hundred Fifty crore only)	CARE A1+ (A One Plus)	Reaffirmed

**carved out of sanctioned working capital limits of the company.*

Rating Rationale

The ratings assigned to the facilities of HSIL Limited (HSIL) continue to derive strength from the experience of the promoters, established track record, wide distribution network with recognized brand name in sanitary ware and established relations with institutional clients in the container glass segment. The ratings also factor in the diversified presence in the building products and packaging products segments, consistent growth in the faucet ware segment, comfortable liquidity position, healthy capital structure and comfortable debt coverage indicators. These rating strengths are, however, partially offset by susceptibility to raw material and fuel price fluctuation risk, foreign exchange fluctuation risk and high competition in the industry. The reaffirmation of the ratings also factor in the ongoing debt funded capital expenditure undertaken by the company as well as the growth in the consumer durables product segment and proposed merger of the retail business of Hindware Home Retail Private Limited (HHRPL) in HSIL.

The ability of HSIL to successfully execute its capital expenditure projects and derive the projected returns, maintaining its market position in sanitary ware segment while growing in faucet ware, consumer durables and container glass segment along with maintaining a comfortable capital structure would be the key rating sensitivities.

Background

HSIL (CIN: L51433WB1960PLC024539), incorporated in February 1960, was promoted by Kolkata-based Somany brothers and, currently, the management control vests with Mr R K Somany faction. HSIL operates in two divisions, namely, Building Products (BPD; includes sanitary ware, faucet ware and consumer durables) and Packaging Products (PPD; includes container glass) with about 52% of gross sales in FY16 (refers to the period April 1 to March 31) from BPD while PPD accounted for 48% of the gross sales in FY16.

The company has eight manufacturing units spread across Haryana (sanitary-ware), Telangana (container glass and sanitary-ware), Rajasthan (faucets), Karnataka (PET Bottles) and Uttarakhand (PET Bottles). The company also undertakes trading of consumer durables including Kitchen hoods and chimneys, water heaters, air purifiers and water purifiers.

During FY16, HSIL reported income from operations of Rs.1,941.54 crore and PAT of Rs.116.70 crore vis-à-vis income from operations of Rs.1,859.12 crore and PAT of Rs.104.15 crore in FY15. During Q1FY17 (refers to the period April 01 to June 30), the company has booked a total income of Rs.502.35 crore with PAT of Rs.28.11 crore vis-à-vis total income of Rs.436.20 crore with PAT of Rs.20.04 crore in Q1FY16.

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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