

APRIL 09, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES AND COMMERCIAL PAPER OF HSIL LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1001.50 (Reduced from 1096.22)	CARE A+ (Single A Plus)	Reaffirmed
Short-term Bank Facilities	150 (Reduced from 185)	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	1151.50		
Commercial Paper (CP) issue*	200	CARE A1+ (A One Plus)	Reaffirmed

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

Rating Rationale

The ratings continue to derive strength from the experience of the promoters, established track record of operations of HSIL Ltd (HSIL) with a strong market position in building products and glass container segment, wide product portfolio, established brand name and strong marketing and distribution network. The ratings also derive strength from the continued earnings growth and improvement in margins during 9MFY15.

However, the ratings are constrained by exposure to raw material and power costs fluctuation, forex risk and high competition in the industry.

Going forward, the ability of the company to improve its profitability and overall gearing would remain the key rating sensitivities.

Background

HSIL, 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 (Sanitary-ware, Faucets) and Packaging Products (formerly known as Container Glass) with about equal revenue contribution in FY14 (refers to the period April 01 to March 31).

The Company has eight manufacturing units with total installed capacity of 3.8 million pieces per annum for sanitary-ware; 3 million per annum for faucets; and 1,600 tonnes per day for container glass and 9,500 tonnes per annum for PET bottles. On a total operating income of Rs.1,733 crore in FY14 (Rs.1,574 crore in FY13), HSIL earned a PAT of Rs.56 crore (Rs.99 crore in FY13). As per the provisional results for 9MFY15, HSIL reported a total operating income of Rs.1298 crore with PAT of Rs.64 crore.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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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