

July 01, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE COMMERCIAL PAPER OF HSIL LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper (CP) issue*	250 (enhanced from Rs. 200 crore)	CARE A1+ (A One Plus)	Re-affirmed

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

Rating Rationale

The rating continues 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 FY15.

However, these rating strengths are partially offset 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.1,843 crore in FY15 (Rs.1,733 crore in FY14), HSIL earned a PAT of Rs.100 crore (Rs.56 crore in FY14).

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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.

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

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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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