

December 18, 2015

CARE REVISES / REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES AND CP OF HSIL LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	827.13 (Reduced from 1001.50)	CARE AA- (Double A Minus)	Revised from CARE A+ (Single A Plus)
Short term Bank Facilities	150.00	CARE A1+ (A One Plus)	Re-affirmed
Total Facilities	977.13 (Rupees nine hundred seventy seven crore and thirteen lakh only)		
Commercial Paper (CP) issue*	250 (Rupees two hundred fifty crore only)	CARE A1+ (A One Plus)	Re-affirmed

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

CARE Rating has applied its rating methodology for manufacturing companies to assess HSIL Ltd.

Rating Rationale

The revision in ratings takes into account financial flexibility emanating post QIP-issue of Rs.250 crore in March 2015 as reflected in the improvement in overall gearing (reduced to 0.69x as on March 31, 2015; PY: 1.44x) and profitability (PBILDT margin of 17.78% and PAT margin of 5.65% during FY15; PY: PBILDT margin: 14.89% and PAT margin: 3.24%). Further, 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. However, the ratings are constrained by exposure to raw material (29% of total cost of sales) and power costs fluctuation (~19% of cost of sales), forex risk and high competition in the industry.

Going forward, the ability of the company to scale-up operations, improve profitability and sustain its capital structure would remain 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 (Sanitary-ware, Faucets) and Packaging Products (formerly known as Container Glass) with about equal revenue contribution in FY15 (refers to the period April 01 to March 31).

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 brands in building product segments include Hindware Italian Collection, Hindware Art, Hindware, Raasi, Queo and Benelave (Faucets).

On a total operating income of Rs.1,843 crore in FY15 (Rs.1,733 crore in FY14), HSIL earned a PAT of Rs.104 crore (Rs.56 crore in FY14). As per the provisional results for H1FY16, HSIL reported a total operating income of Rs.842 crore with PAT of Rs.42 crore.

Analyst Contact

Name: Mr Gaurav Dixit

Tel: 011-45333235

Email: gaurav.dixit@careratings.com

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

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.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy

 401, Ashoka Scintilla, 3-6-502, HimayatNagar,
 Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 - 7665596136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

CIN - L67190MH1993PLC071691