HIL Limited

Instruments	Amount (Rs. Crore[1])	Rating Action
Long term: Fund based limits	105.0	[ICRA]A+ (Stable) / outstanding
Short term: Non fund based limits	14.0	[ICRA]A1+ / outstanding
Commercial Paper programme	75.0 (enhanced from 50.0)	[ICRA]A1+ / assigned, outstanding

ICRA has assigned a short-term rating of [ICRA]A1+ (pronounced as ICRA A one plus) to the Rs.75.0 crore (enhanced from Rs.50.0 crore) Commercial Paper (CP) of HIL Limited ("HIL" / "the company"). ICRA also has a long term rating of [ICRA]A+ (pronounced as ICRA A plus) with a stable outlook and short-term rating of [ICRA]A1+ (pronounced as ICRA A one plus) outstanding on the Rs.119.0 crore bank facilities of HIL.

The ratings derives comfort from the Company's dominant market position in the domestic Fibre Cement (FC) sheets industry with a market share of ~22.0%, strong parentage (being part of the CK Birla Group), professional management, its strong distribution network and comfortable financial profile characterized by healthy capital structure and coverage indicators. During FY2016, HIL reported a marginal de-growth in revenues (-1% YoY) owing to the slowdown in the asbestos cement-roofing segment which was impacted by the demand weakness in rural regions arising out of unseasonal rainfall and increased traction towards the low cost galvanized steel sheets in urban areas. Weakness in demand continued to impact HIL's revenues during Q1FY2017 too (-4.4% drop on Y-o-Y basis). However, the same can also be attributed to the fact that revenues during Q1FY2015 and Q1FY2016 were strongly aided by the pent-up demand in the market post the drop in demand during FY2014. ICRA also takes note of the shift in consumption towards better roofing products like Galvanised Iron sheets and RCC roofing, however, the recent foray into Galvanished Iron sheets and the Government's emphasis on low cost toilets and expected industrial expansion will provide growing revenue opportunity for the roofing segment. That said, the performance has been strong in the non-asbestos segments (like autoclaved aerated cement (AAC) Blocks, partition panels, heat resistant pipes) where the company has been incurring capital expenditure in recent years. The stagnation in overall revenues coupled with the higher contribution from lower margins segments like AAC blocks and heat resistant pipes resulted in moderation of the company's operating margin by 120bps during FY2016. Nevertheless, the company's capital structure continues to remain healthy with limited reliance on external debt for working capital as well as capital expenditure purposes.

The ratings remain constrained by the intense competition in the industry characterized by low entry barriers, ease of capacity addition, supply overhang and presence of alternative products leading to pricing pressures. Further, the Company's margins are exposed to foreign exchange fluctuations with ~50% of its raw material requirements being imported. The ratings also consider the potential threat of ban on usage of asbestos in the domestic market as well as ban on mining asbestos fibre at various producing countries. The company is currently deriving ~73% (in FY2016) of its sales from sale of FC sheets, despite the company foraying into other products like autoclaved aerated cement (AAC) Blocks, partition panels, heat resistant pipes among others; however the concentration levels have dropped from ~82% in FY2015. However, the same was due to marginal contraction in the FC sheets segment and also increase in revenues from newer products like autoclaved aerated cement (AAC) Blocks, partition panels and heat resistant pipes. Going forward, the company plans to reduce the revenue concentration on the FC sheets segment further by expanding its capacity in the AAC Blocks and partition panels segments.

Company Profile

Incorporated in 1946, HIL Limited (erstwhile Hyderabad Industries Limited) is the flagship company of the C.K. Birla Group. The company's main business is manufacture of asbestos fibre cement sheets. The company also manufactures new generation building products like Autoclaved Aerated Concrete (AAC) blocks (light bricks), which are used for walls in building constructions, and Aerocon panels, which are used as partition in residential and commercial buildings. These apart, HIL manufactures thermal insulation products, which find use in the cement, petrochemical, and fertilizer industries, among others and also heat resistance ePVC and uPVC pipes which find use in plumbing works of both commercial and residential segment.

[1] 100 lakh = 1 crore = 10 million

Recent Results

For the three-month period ending June 30, 2016, the company's profit after tax (PAT) stood at Rs.31.5 crore on an operating income of Rs.386.6 crore as against a PAT of Rs.39.3 crore on an operating income of Rs.404.4 crore during the similar period of last fiscal.

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