

November 21, 2017

HSIL Limited

HSIL Limited has announced Scheme of Arrangement for Demerger of its Retail business and Selling, Distribution and Branding of Consumer Products and Building Products business on November 10, 2017.

The Scheme of Arrangement involves demerger of Selling, Distribution and Brands of Building Products division into a separate company Brilloca Limited while the Retail business and Selling, Distribution and Branding of Consumer Products will be demerged into a separate company, Somany Home Innovations Limited (SHIL). Post implementation of the scheme of arrangement, the shareholding of SHIL will be same as that of HSIL, (although currently a wholly owned subsidiary of HSIL). Brilloca will be a wholly owned subsidiary of SHIL.

The demerger has been proposed with a view to focus on operating efficiencies in manufacturing, procurement, and supply chain in the manufacturing businesses of HSIL and also the on the growth opportunities and brand building in SHIL and Brilloca. In ICRA's view, the debt coverage metrics of HSIL are expected to be impacted as the long term debt would be retained in HSIL (portion of short term debt of the residual businesses only will remain in HSIL) while the operating profits will be lowered post demerger of the profitable trading/outsourcing business of Building Products division. ICRA will continue to monitor developments in the same.

ICRA currently has outstanding ratings of [ICRA]A1+. The rating derives comfort from HSIL's operational strengths in its main business lines, namely building products and glass container. These strengths arise out of significant brand strength and an established market position in its building products business and location advantage and dominant position (in southern India) in its glass containers business. HSIL's focus on improving the product mix towards premium products is a key differentiator in the building-products business.

The previous rating rationale is available on the following link: [Click here](#)

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