

Ref: HIL/SE/2024-25/076

March 12, 2025

To
BSE Limited
P.J. Towers, Dalal Street,
Mumbai – 400 001

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza, Bandra (E),
Mumbai – 400 051

Scrip Code: 509675
Through: BSE Listing Centre

Scrip Symbol: HIL
Through: Neaps Portal

Sub: Update on Credit Rating of the Company
Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)

Pursuant to Regulation 30 and other applicable provisions of the SEBI Regulations, we hereby inform that based on a request from the Company, M/s. India Ratings & Research Pvt. Ltd., (“**Ind-Ra**”), a Credit Rating Agency, has withdrawn the Long Term Issuer Rating of the Company vide its press release dated March 12, 2025 as no rated instrument is outstanding.

As per the said press release, Ind-Ra has downgraded the Company’s Long-Term Issuer Rating to ‘IND AA-’ from ‘IND AA’ before withdrawal. The Outlook continued to be negative before the said withdrawal.

Below are the details of the previous and current credit rating:

| Instruments/ Facilities | Previous Rated Amount (Rs. in Crores) | Current Rated Amount (Rs. in Crores) | Previous Rating/Outlook | Current Rating /Outlook | Rating Action |
|----------------------------|---|--|----------------------------|-------------------------------|--------------------------------|
| Long Term Issuer Rating | Nil | Nil | IND AA /Negative | IND AA- /Negative | Downgraded and withdrawn |

A copy of the said press release is enclosed herewith.

For **HIL Limited**

Nidhi Bisaria
Company Secretary & Compliance Officer
Membership No. F5634

Encl. as stated

Title**India Ratings Downgrades HIL's Bank Loans to 'IND AA-'/Negative; Withdraws Ratings****Brief**

India Ratings and Research (Ind-Ra) has downgraded HIL Ltd's Long-Term Issuer Rating to 'IND AA-' from 'IND AA' and has simultaneously withdrawn it. The Outlook was Negative. The detailed rating action is as follows:

Details of Instruments

| Instrument Type | Date of Issuance | Coupon Rate | Maturity Date | Size of Issue (million) | Rating Assigned along with Outlook/Watch | Rating Action |
|-----------------|------------------|-------------|---------------|-------------------------|--|--------------------------|
| Issuer Rating# | - | - | - | - | WD | Downgraded and Withdrawn |

WD – Rating Withdrawn

Downgraded to IND AA-/Negative from IND AA/Negative before being withdrawn.

#Ind-Ra has withdrawn the based on the company's request as no rated instrument is outstanding.

Analytical Approach

Ind-Ra continues to take a fully consolidated view of HIL and its wholly owned subsidiaries HIL International GmbH and Crestia Polytech Private Limited; along with its [wholly owned and step-down subsidiaries](#) on account of the strong operational and strategic linkages among them.

Detailed Rationale of the Rating Action

The downgrade and Negative Outlook reflect the persistent weakness in HIL's operating performance and credit profile, which is likely to continue over the near term. While HIL's performance in FY24 was broadly in line with Ind-Ra's expectations, the agency had expected a gradual recovery over FY25-FY26. However, the agency now believes that the company's performance is likely to be significantly weaker than its earlier expectations for FY25 given the prolonged weakness in the European business and a weakening in the domestic demand for roofing and building solution in FY25, resulting in a fall in realisations and profitability. The sharp fall in the EBITDA and the increase in debt due to the organic and inorganic expansions have led to sustained deterioration in credit metrics, which are likely to remain weaker than Ind-Ra's earlier expectations in FY26 despite some improvement. However, the company has sufficient cash and unused working capital limits. Nonetheless, Ind-Ra believes the achievement of the expected recovery in the EBITDA over FY26 would be critical to maintain an adequate liquidity profile.

The ratings continue to benefit from HIL's established market position and diversified revenue streams which will aid the recovery of the financial profile over the medium term. Ind-Ra expects an improvement in the performance in medium term supported by continued market leadership status in roofing segment, improved sales in building and polymer solution and recovery in flooring solution segment supported by geographic expansion. Furthermore, Ind-Ra takes comfort from HIL's parentage being a part of the CK Birla group which aids its financial flexibility.

Ind-Ra is no longer required to maintain the ratings as the agency has received a request from HIL for a rating withdrawal and the company has no rated instrument is outstanding. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

List of Key Rating Drivers**Strengths:**

- Diversified revenue streams
- Leading building materials player

Weaknesses:

- Sharp deterioration in FY25; EBITDA likely to remain weaker-than-expectations despite recovery in FY26
- Significant and sustained weakening in credit profile

Detailed Description of Key Rating Drivers

Key Rating Driver

Diversified Revenue Streams: HIL's revenue base is well diversified with its presence in four business segments: flooring, roofing, polymer and building, which contributed 34%, 34%, 16%, and 16%, respectively, to the revenue in FY24 (FY23: 38%, 32%, 15% and 15%, respectively). HIL's investments in flooring and polymer solutions businesses had led to its reduced dependence on its roofing solutions business with the latter's EBITDA contribution reducing to 50%-55% over FY20-FY23 (FY19: 72%). While the reliance has temporarily increased (FY24: 70%) owing to the losses in the overseas operations in FY24-FY25, Ind-Ra believes it is likely to reduce back to around 50% in the medium-term as the overseas flooring (Parador) and the domestic polymer solutions businesses pick-up.

HIL has been able to geographically diversify after acquiring Parador Holdings GmbH in FY19, generating around 40% of its revenue from overseas operations over FY21-FY23 before the share fell to 34% in FY24 due to the weak performance in Parador. While Germany remains its key overseas market, HIL's sales are spread across Austria, China and other European countries. Furthermore, the management plans to expand its presence in the flooring solution segment in the US and Asia. Also, with the acquisition of Crestia Polytech Private Limited in FY25, the company has been able to expand its product portfolio as well as geographic reach in Eastern India.

Leading Building Materials Player: HIL is one of India's leading building solutions operators. It has an established presence in the domestic fibre cement industry, with a healthy market share backed by a strong brand, pan India presence and a robust distribution network. Given that asbestos mining is banned in India, and its use is permitted in asbestos-cement products only, HIL has mitigated the impact of these risks by diversifying its revenue base into green roofing solutions and increased product diversification by providing different building solutions products. HIL has also introduced Fortune-branded roofing solutions, which are asbestos-free, in its sales mix. The company's dependence on asbestos-based products reduced significantly by increasing its non-asbestos sales to around 70% over FY20-FY23 (FY19: 58%). While the reliance on the roofing segment has risen weakening of other segments, it is likely to reduce in the medium term as other segments recover.

Sharp Deterioration in FY25; EBITDA likely to remain Weaker-than-expectations despite Recovery in FY26: HIL's operational performance has been affected by a slowdown in the Parador business in Europe due to a cutdown in discretionary spending owing to the high inflation which led customers in the renovation and do-it-yourself (DIY) market curtailing expenses. The resultant slowdown in the demand resulted in a sub-optimal plant capacity utilisation, leading to an under absorption of fixed costs. However, Ind-Ra had earlier expected some recovery in FY25 with the easing of inflation in Germany, initiatives being taken by the management to reduce costs and gradually diversifying outside Germany. While the EBIT losses had reduced to INR54 million in 4QFY24 (3QFY24: INR162 million, 4QFY23: INR150 million), they widened to INR909 million in 9MFY25 due to an increased employee and additional marketing related cost, contrary to the expectation of a continued improvement. Ind-Ra and HIL's management both expect a cash break even in FY26.

The weak infrastructure demand in India due to a reduction in government's capex spending in 9MFY25 led to a weakening of the domestic operations. With a weak demand resulting in a fall in prices, the EBIT from the roofing segment fell further to INR943 million in 9MFY25 (9MFY24: INR1,138 million, 9MFY23: INR1,448 million) after a cost-led reduction in FY24. Furthermore, the fall in demand in the polymer solutions segment led by a sharp fall in government spending on the Jal Jeevan Mission (JJM; FY25RE: INR227 billion, FY24: INR701 billion) and weaker prices restricted the revenue from the polymer segment to INR5,290 million in 9MFY25 (9MFY24: INR3,947 million) despite acquiring the Crestia business that had a turnover of close to INR3,300 million in FY24. Furthermore, the weak pricing and inventory losses led to a negative EBIT of INR346 million from the polymer segment in 9MFY25 (9MFY24: positive INR135 million). Ind-Ra believes a normal monsoon and an improvement in real wage growth in FY25 could lead to a recovery in rural demand in FY26, boosting the roofing segment. The polymer solutions demand is likely to witness some recovery at a low base and an increase in the JJM budget for FY26. Also, the DGTR's recommendation to impose anti-dumping duty on PVC resins would bring more stability to prices when implemented. Ind-Ra believes a combination of these factors would support EBITDA recovery in FY26. However, the management plans to spend on marketing and re-branding initiatives to boost medium-to-long term sales, which could increase costs in the near-term.

Ind-Ra believes HIL's consolidated EBITDA could fall to a decadal low in FY25 (9MFY25: INR272 million, 9MFY24: INR1,068 million, 9MFY23: INR1,852 million) given the simultaneous headwinds in all the segments. With a likely improvement in

demand and a stabilisation of prices, the EBITDA is likely to stage a recovery in FY26 (FY24: INR1,244 million, FY23: INR2,229 million) though remaining lower than the average of close to INR3,000 million witnessed over FY19-FY23 and expected earlier. A further recovery is likely in FY27 contingent to the turnaround of the Parador business.

Sustained Weakening in Credit Profile: After reporting a low net leverage (net debt/operating EBITDA) of less than 1x over FY21-FY22 and 1.5x in FY23, HIL's net leverage rose to 2.5x in FY24 with a fall in the EBITDA. While the deterioration in FY24 was largely in line with expectations, Ind-Ra had expected a gradual reduction in the leverage over FY25-FY26 with a recovery in the EBITDA. However, given the weak EBITDA and a spend of around INR1,800 million on capex and acquisitions, the consolidated net debt shot to INR6,351 million in 1HFY25 (FY24: INR3,109 million).

While the company had witnessed an even sharper increase in the net debt at the time of the Parador acquisition in FY19 (FY19: INR6,045 million, FY18: negative INR648 million), the peak leverage was 2.7x in FY20 with the sharp increase in the EBITDA, leading to a correction in the net leverage to 0.6x in FY21. The current situation, though, is different, with the weakness in most segments leading to the net leveraging shooting up to 10x in 1HFY25. With a recovery in the EBITDA, Ind-Ra expects a correction in net leverage in FY26 though it may remain elevated given the capex plan of around INR1,000 million and aggressive marketing spends. The pace of deleveraging thereafter will be contingent on the recovery of EBITDA and expansion plans. The EBITDA interest coverage (EBITDA/gross interest expense), which exceeded 10x over FY21-FY23, fell to around 4x in FY24 and could fall below unity in FY25 with a gradual recovery thereafter.

Liquidity

Adequate: HIL's liquidity is adequate as evinced by a free cash balance of around INR500 million at end-September 2024 and sufficient unused working capital lines. For the 12 months ended January 2025, the average utilisation of HIL's fund-based limits was around 70%, indicating some liquidity cushion. The company increased its working capital limits to INR2.8 billion (from INR2.4 billion) in HIL in August 2025, indicating its financial flexibility. The company has historically generated positive cash flow from operations given its robust EBITDA (FY24: INR1.73 billion; FY23: INR1.32 billion). However, with the fall in the EBITDA and an increase in the working capital requirements, the cash flow from operations could turn negative in FY25 (1HFY25: negative INR38 million). HIL expects to spend around INR1 billion towards its capital expenditure in FY26, funded through a mix of debt and internal accruals.

The company had long-term debt payments of INR1.2 billion in FY25 (including prepayment) of which only around INR181 million is due in 4QFY25 with the balance being paid by December 2024. Parador's debt was refinanced during 2QFY24 with a lower-cost debt having a moratorium of 18 months. The refinanced debt is backed by a corporate guarantee issued by HIL and will be repayable March 2025 onwards (FY25: INR122 million). According to the management, the parador business has sufficient cash and equivalents to service the obligations for March 2025. The consolidated repayments for FY26 stand at INR1,060 million including a working capital facility of INR300 million which the management is in discussion with the lender for a rollover. A large part of the scheduled repayment is in the parador business, and the management has indicated that support would flow in from the parent, as and when required, to ensure timely debt servicing. The management is also in discussion to increase its working capital limits and tie-up debt for the planned capex, to aid liquidity. Ind-Ra also draws comfort from HIL being a part of C K Birla Group which gives it additional financial flexibility. The management has indicated that while a need is not envisaged in the near term, group support would be available if needed.

Liquidity

Rating Sensitivities

Not applicable

Any Other Information

Standalone Financials: The company earned a standalone revenue of INR12,564 million in 9MFY25 (FY24: INR22,309 million; FY23: INR20,255 million), EBITDA margin of 4.33% (6.2%; 10.2%), and interest coverage of 5.48x (12.9x; 34.6x).

Disclosures for CE Rating

Disclosures for Provisional Rating

ESG Issues

Any Other Information

About the Company

HIL (formerly Hyderabad Industries Ltd.) offers roofing solutions, panels, wall blocks, plywood substitutes, high-quality pipes & fittings and industrial insulation. It is the flagship company of the C K Birla Group, which has diversified interests in auto, building materials and education. The company is in the process to change the name to 'BirlaNu Limited'.

Key Financial Indicators

| Particulars | 1HFY25 | FY24 | FY23 |
|----------------------------|--------|--------|--------|
| Revenue (INR million) | 18,811 | 33,750 | 34,790 |
| EBITDA (INR million) | 279 | 1,244 | 2,229 |
| EBITDA margin (%) | 1.5 | 3.7 | 6.4 |
| Interest coverage (x) | 0.8 | 3.5 | 11.4 |
| Net leverage (x) | 10.3 | 2.5 | 1.5 |
| Source: HIL, Ind-Ra | | | |

Applicable Criteria

- Evaluating Corporate Governance
- Parent and Subsidiary Rating Linkage
- Corporate Rating Methodology
- The Rating Process

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

| Instrument Type | Rating Type | Rated Limits (million) | Current Ratings | Historical Rating/Outlook | | |
|-----------------|-------------|------------------------|-----------------|---------------------------|------------------|----------------|
| | | | | 14 December 2023 | 10 November 2022 | 12 August 2021 |
| Issuer rating | Long-term | - | WD | IND AA/Negative | IND AA/Stable | IND AA/Stable |

Complexity Level of the Instruments

Not applicable

Annexure

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