# Welspun Specialty Solutions Limited

September 20, 2024

| Facilities/Instruments@ | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 16.87 (Reduced from 26.54) | CARE AA (CE); Positive | Reaffirmed; Outlook revised from Stable |
| Long Term / Short Term Bank Facilities | 285.00 | CARE AA (CE); Positive / CARE A1+ (CE) | Reaffirmed; Outlook revised from Stable |
| Short Term Bank Facilities | 15.00 | CARE A1+ (CE) | Reaffirmed |

Details of instruments/facilities in Annexure-1.
@ The ratings are based on credit enhancement (CE) in the form of unconditional and irrevocable corporate guarantee from Welspun Corp Limited (WCL, rated CARE AA; Positive/ CARE A1+)

| | |
|---|---|
| **Unsupported rating** | **CARE A+ / CARE A1 [Reaffirmed]** |

Note: Unsupported rating does not factor in the explicit credit enhancement.

## Rationale and key rating drivers for credit enhanced debt

The reaffirmation of the ratings assigned to the bank facilities of Welspun Specialty Solutions Limited (WSSL) factors in the credit enhancement (CE) in the form of an unconditional and irrevocable corporate guarantee (CG) extended by Welspun Corp Limited (WCL) towards the timely servicing of debt obligations. The above rating is solely based on CARE Ratings Limited's (CARE Ratings') view of the guarantor's (WCL's) credit profile, and accordingly, the rating rationale highlights the credit risk assessment parameters for the guarantor. The rating for WCL has been reaffirmed as per PR dated Sep 06, 2024, while outlook revised from Stable to Positive.

CARE Ratings expects WCL to efficiently manage WSSL to enable the latter to maintain adequate funds to meet the payment obligations in a timely manner.

## Rationale and key rating drivers of WCL

The reaffirmation of the ratings of the bank facilities and instruments of Welspun Corp Limited (WCL) continues to factor in its strong business risk profile, supported by its dominant position in the steel pipe business with a diverse geographical presence in India, the US, and Saudi Arabia.

The revision in the rating outlook from 'Stable' to 'Positive' factors in the strong cash generation and improvement in debt coverage ratios due to first full year of operations at the newly commissioned DI plant and acquired entities (Sintex-BAPL). Going ahead as well, CARE Ratings Limited (CARE Ratings) expects that the momentum will be maintained on the back of the healthy order book position and improvement in profit margins, primarily from DI Pipes segment. Additionally, strong reinvestments have also aided in improving in the financial health indicators, which had moderated during FY23 due to the debt availed for the capex and the acquisition.

The ratings further consider the strong order book position as on June 30, 2024, at 0.497 MMT for line pipes at both India and USA, 0.300 MMT for DI pipes and 6,791 metric tonnes for SS bars/pipes. This translates into cumulative order book of ₹8,508 crore as on June 30, 2024, thus providing medium-term revenue visibility. The order book across geographies has aided the group in diversifying its revenue profile over the years.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

In FY24 (FY refers to the period April 01 to March 31), WCL reported a total operating income (TOI) of ₹17,319 crore and Profit before interest, lease rentals, depreciation and taxation (PBILDT) of ₹1,541 crore (excludes Saudi operations as an associate). The performance has been robust for FY24 with net sales climbing 74% YoY, alongside volume demand surging 82%, coupled with moderate decline in the sales realization of 8%. The decline in sales realization was due to fall in the commodity prices of steel. The company has also increased its PBILDT/tonne (for steel) by 68% during FY24 due to the first full year of operations of DI Pipes and TMT bar, further aided by one large order execution in the USA. Even during Q1FY25, the PBILDT/tonne (steel) have increased from ₹ 11,079/tonne in FY24 to ₹ 12,328/tonne due to increased margins in DI Pipes business. The increased proportion of relatively higher value-added segment like DI Pipes and SS pipes segment to support the profitability margins going ahead.
Additionally for the Saudi Arabia operations (held via JV with ~31% stake), TOI and PBILDT was ₹ 3431 crores and ₹ 720 crores respectively for FY24. Within this entity as well, there is clear visibility for medium-term revenues due to having confirmed order book including multiple contracts being signed with Aramco of value exceeding ₹ 3,670 crores to be executed within the next 1-2 years.

The capital structure has improved marked by overall gearing and total debt (TD) to gross cash accruals (GCA), stood at 0.61x and 2.01x, respectively, as on March 31, 2024, recovering from 1.03x and 9.85x, respectively, as on March 31, 2023. The majority of the debt has been availed for the capex for PI, DI pipes and the TMT Bars manufacturing facility and acquisitions. Further, the liquidity profile of WCL is strong supported by cash and investments in bonds, mutual funds (MFs) and government securities of ₹1,090 crore as on June 30, 2024 (₹1,479 crore as on March 31, 2024). Though we expect the debt coverage ratios to moderate in the medium term with further capex being planned in the Sintex and DI Pipes segment, this is expected to be done in a phased manner.

The above rating strengths are offset by the volatility associated with oil and gas industry and steel prices impacting the demand for pipelines, the order book in the line pipe segment, and the regulatory risk in the geographies in which it operates. However, with the current order book, the operations in the US and Saudi Arabia will be occupied for the next 18-24 months, while the operations in India will continue to be benefitted from the government's thrust on initiatives like the 'Nal se Jal' project for the water pipelines and the city gas distribution project for the O&G sector in India. The export markets are currently driven by orders being executed for the Australia and Middle East regions and the prospective orders in the European markets.

**Outlook:** Positive

The revision in the rating outlook from 'Stable' to 'Positive' factors in the completion of the ramp-up of the operations at the newly commissioned plant/acquired entities resulting in strong cash accruals. Going ahead as well, CARE Ratings expects that the momentum will be maintained on the back of the healthy order book position and improvement in profit margins, primarily from DI Pipes segment. Additionally, strong reinvestments have also aided in improving in the financial health indicators, which had moderated during FY23 due to the debt availed for the capex and the acquisition. Though CARE Ratings expect the debt coverage ratios to moderate in the medium term with further capex being planned in the Sintex and DI Pipes segment, this is expected to be done in a phased manner.

## Key rating drivers of WSSL

The reaffirmation of ratings assigned to the bank facilities of WSSL considers the operational and financial linkages with the WCL (WCL holds 50.03% stake in WSSL with the completion of the scheme of amalgamation). The ratings derive strength from the redefined product mix, with the management primarily focusing on the production of stainless steel (SS) bars, seamless pipes, and tube products. The modernization capex undertaken by WSSL was completed in Q3FY22. With the start of Steel Melting Shop (SMS), the company has been able to improve sales for SS long products in FY24.

The company has reported TOI of Rs. 715.8 crores in FY24 (vs Rs. 431 crores in FY23) due to almost doubling of the total volumes sold with addition of new grades. 132% volume growth registered in SS bars, while 18% growth in SS pipes. Realisations have moderated in FY24 as compared to FY23 due to increase in the sales of the intermediate products like SS bars. However, PBILDT/tonne came strong at Rs.36,251/tonne in FY24 (vs Rs. 27,352/tonne in FY23). The company had stable orderbook of around Rs.150-170 crores over past few quarters, however the same has increased to Rs. 303 crores with order volumes of 6,791 tonnes as on June 30, 2024. WSSL has received approvals from PSU & has for the first-time bagged order of around 1,400 tonnes during the quarter at Rs. 117 crores (incl. tax), thus resulting in increase in orderbook.

The company has minimal term loan of Rs. 19 crores as on Mar 31, 2024, and the majority of the debt comprises loans from related parties amounting to Rs. 182.63 crores, while LC backed creditors were at Rs. 150.45 crores as on Mar 31, 2024. Being listed, the company has been an added advantage in terms of capital raising ability.

The above rating strengths are offset by the weak financial risk profile and liquidity position due to past losses which has led to dependence on group companies/parent for support. The ratings also remain constrained by the inherent cyclicality in the steel industry.

## Rating sensitivities of WCL: Factors likely to lead to rating actions.

**Positive factors- Factors likely to lead to positive rating action**

- WCL's ability to improve its consolidated operating profitability margin to more than 10% on a sustained basis.
- Low leveraged capital structure, with overall gearing (including the corporate guarantee [CG]) not more than 0.30x.
- Sustenance of return on capital employed (ROCE) above 25% and improvement in the interest coverage ratio (ICR) above 8.00x.

**Negative factors - Factors likely to lead to negative rating action**

- Lower than envisaged decline in the order-book position of the company.
- On a consolidated basis, Profit before interest, lease rentals, depreciation and taxation (PBILDT) per tonne for steel pipes business below ₹ 7000/tonne on sustained basis.
- Increase in the adjusted overall gearing (including CG) above 1.10x
- Net debt/PBILDT of more than 2.25x over the next 12-18 months.

**Rating sensitivities of Welspun Specialty Solutions Limited: Factors likely to lead to rating actions**

**Positive factors**

- Improvement in credit profile of WCL.

**Negative factors**

- Low demand for stainless steel and seamless pipes, resulting in lower-than-expected revenues and margin.
- Any deterioration in the credit metrics due to higher than anticipated debt-funded capex and/or withdrawal of support from group entities, particularly from WCL
- Deterioration in credit profile of WCL.

## Analytical approach:

**For Credit Enhanced debt:** The rating to the bank facilities of WSSL factors in the credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by WCL towards timely servicing of debt obligations.

**Unsupported/Standalone rating:** Standalone. Furthermore, the operational, financial and management linkages with WCL have been considered while arriving at the ratings.

## Detailed description of key rating drivers:

## Key strengths of WCL

### Strong business risk profile

WCL is one of the dominant players in the steel line pipe business, with an established track record of over two decades and demonstrated capabilities in the supply of line pipes for complex projects in the O&G as well as water segments. WCL has a global line pipe production capacity of around 2.155 million tonne per annum (MTPA), with an aggregate capacity of 1.255 MTPA at three locations across India and 0.525 MTPA capacity in the US. Additionally, DI Pipes and TMT bars capacity stood at 0.4 MTPA each, while 0.15 MTPA stainless steel bars capacity. Furthermore, 0.375 MTPA line pipes capacity operated through a JV in Saudi Arabia (~31% stake), which is consolidated under equity method. In FY24, the company sold 1.32 MMT of finished steel products of which line pipes was 0.98 MMT, DI pipes was 0.21 MMT and the remainder being TMT bars and stainless-steel bars/pipes. Over the years, the company has established strong relationships with reputed overseas and domestic customers with execution of multiple complex and large size orders. The requirement of sophisticated infrastructure in such business results in high entry barriers for new players, thereby limiting the competition, and thus, strengthening WCL's business risk profile.

### Satisfactory order book position, providing medium-term revenue visibility

WCL's globally confirmed order book position as on June 30, 2024, was 0.497 MMT for line pipes, 0.300 MMT for DI pipes and 6,791 metric tonnes for SS bars/pipes. This translates into cumulative order book of ₹8,508 crore as on June 30, 2024, thus providing medium-term revenue visibility. In addition to the above, the company has an active bid book, with orders in the O&G and water segments. For the Indian market, the demand for large-diameter pipes in the O&G segment is mainly driven by gas grid development and the oil pipeline network by domestic oil companies, while the demand for small-diameter pipes is driven by city gas distribution (CGD) projects. The US operations entirely supply to the O&G segment, while in Saudi Arabia, the order book is mainly driven by water orders from Saline Water Conversion Corporation (SWCC). The order book across geographies has aided the group in diversifying its revenue profile over the years.

### Strong performance alongside profitability boost

In FY24, WCL reported a TOI of ₹17,319 crore and a PBILDT of ₹1,541 crore. The performance has been robust for FY24 with net sales climbing 74% YoY, alongside volume demand surging 82%, coupled with moderate decline in the sales realization of 8%. The decline in sales realization was due to fall in the commodity prices of steel. The company has also increased its PBILDT/tonne (for steel) by 68% during FY24 due to one large order execution in USA, further aided by first full year of operations of DI Pipes and TMT bar plants. Further during Q1FY25, the PBILDT/tonne (steel) have increased from ₹ 11,079/tonne in FY24 to ₹ 12,328/tonne due to increased margins in DI Pipes business. The increased proportion of relatively higher value-added segment like DI Pipes and SS pipes segment to support the profitability margins going ahead.

### Positive momentum for debt coverage ratios for FY24 due to strong cash accruals

The financial risk profile, marked by overall gearing and total debt (TD) to gross cash accruals (GCA), stood at 0.61x and 2.01x, respectively, as on March 31, 2024, recovering from 1.03x and 9.85x, respectively, as on March 31, 2023. The majority of the debt has been availed for the capex for PI, DI pipes and the TMT Bars manufacturing facility and acquisitions. The term loans taken for capex have reduced from ₹ 2,083 crores as on Mar 31, 2023 to ₹ 1,533 crores as on Mar 31, 2024. Additionally, non-convertible debentures (NCD) amounting to ₹ 200 crores and redeemable preference shares (held by shareholders of erstwhile of Welspun Steel Ltd) amounting to ₹ 351 crores have both been redeemed upon maturity. Strong gross cash accruals of ₹ 1,622 crores and reduction in surplus cash & liquid investments during FY24 have helped with this deleveraging. The rest of the debt obligations comprise majorly LC (Letter of credit) acceptances and working capital borrowings.

**Strong revenue generation from the foray into ductile iron pipes and further capex plans.**

WCL completed its capex of DI pipes and TMT bars under its subsidiaries Welspun Di Pipes Limited (WDL), Welspun Metallics Limited (WML), and Anjar TMT Steel Private Limited (Anjar-TMT) in FY23. The projects were commissioned for commercial operations in December 2022. The project cost of ₹2,500 crore had been funded through a debt of ₹1,650 crore and the balance through equity. Under TMT bars, the company rolls steel billets supplied by WCL or purchased from outside into TMT bars and sells it to dealers or retailers. For FY24, the company has sold TMT bars of 1.2 Lakh metric tonnes for ₹621 crore.

For the DI pipes business, the stabilisation took time, but has been operating at optimum capacity utilisation during FY24, having delivered PBILDT/tonne upwards of ₹ 11,085 per tonne during first full year of operations in FY24. The hot metal or pig iron required for DI pipes production is captively generated resulting in better margins. Given the response, the company has announced further capex in DI pipes both domestically and in Middle East. Cumulatively, this capex is around ₹ 800 crores which is expected to be done in modular manner, basis the demand scenario.

Separately on the plastics business, SBAPL (Sintex BAPL) acquired in FY23 has been ramped up with revenues of ₹ 636 crores during FY24 as the operations stabilised. However, the company has announced large capex within this subsidiary to increase the domestic presence in the plastic pipes segment. Majority of the capex going over the next 3 years has been towards plastic products and DI pipes.

## Key weaknesses of WCL

**Susceptible to slowdown in end-user industries and to government policies**

WCL derives more than 50% of its revenue from the O&G segment. The significant volatility in crude prices can question the viability of new explorations, thereby impacting the demand for line pipes in the O&G segment. The revival of new projects in the O&G segment in the key markets of the US and the Middle East is critical to sustain the improvement in the overall operations. Any major and continued slowdown in end-user industries will weaken the demand for line pipes and impact the performance. Furthermore, the operations remain exposed to government policies and regulations in the geographies it operates.

**Foreign exchange fluctuation risk & commodity price risk**

WCL uses forward contracts to hedge its risk associated with foreign currency fluctuations related to certain firm commitments and highly probable forecast transactions and foreign currency required at the settlement date of certain receivables/payables.

More than 85% of the raw material costs is HR coils/plates including some proportion of iron ore/pellets and coal. The Company partly mitigates the commodity price risk by having pre-tender tie-ups with some of the steel suppliers at the time of bidding for a project or tender on price as well as quantity allocation. On being declared a successful bidder, the Company immediately confirms its order of steel to the suppliers.

## Key strengths of WSSL

**Strategic importance of WSSL**

Given that Welspun Corp has presence in carbon steel pipes, the product portfolio of stainless-steel pipes under WSSL offers product diversification benefits to WCL. Additionally, stainless steel commands better realisations due to higher value-addition as compared to carbon steel sold under WCL. Hence, the PBILDT/tonne also has been strong for WSSL. Both the carbon steel (under WCL) and stainless-steel pipes (under WSSL) find wide applications in oil & gas, thermal power sector wherein WCL has been already well established. Hence, sharing of the common customer base/end-use segment results in operational synergies with the parent.

**Relevant experience of the WCL in selling and marketing of steel products**

The Welspun group has relevant experience and established track record of two decades in selling and marketing of steel products. With WSSL now a subsidiary of WCL (since acquired on March 16, 2022), the former can leverage on the established distribution network of WCL to market its products. WSSL expected to have stronger presence across market segments, access to new markets and product offerings while having access to WCL's marketing capabilities. This could translate into better earnings predictability and improved operational cash flows.

**Stable performance with expected growth from new orders**

WSSL's past operational performance before FY23 remained sub-par with underutilisation of its capacities. Under the new management, the company discontinued production of alloy-based steel and has focused on stainless steel wherein realisation is more than alloy-based products. The company has reported TOI of Rs. 715.8 crores in FY24 (vs Rs. 431 crores in FY23) due to 89% growth in the total volumes sold with the addition of new grades. Domestic sales also increased to Rs.439 crore in FY24 from Rs.265 crore in FY23. The exports also improved for the company with Rs.257 crore of export sales in FY24 compared to Rs.153 crore in FY23. 132% volume growth registered in SS bars, while 18% growth in SS pipes. Blended realisations have moderated in FY24 as compared to FY23 due to increase in the sales of the intermediate products like SS bars. However, PBILDT/tonne came strong at Rs.36,251/tonne in FY24 (vs Rs. 27,352/tonne in FY23).

**Medium-term revenue visibility**

The company had stable orderbook of around Rs.150-170 crores over past few quarters, however the same has seen positive momentum reaching Rs. 303 crores with order volumes of 6,791 tonnes as on June 30, 2024. WSSL has received approvals from BHEL and NTPC & bagged order of 1400 tonnes during the quarter at Rs. 117 crores (incl. tax), thus resulting in increase in orderbook.

## Key weaknesses of WSSL

**Weak financial risk profile, leading to dependence on group companies**

The debt coverage ratios remain negatively skewed due to weak net worth seen historically. With the recovery in profitability and growth, net worth was the highest in FY24 at Rs. 54.29 crores as compared to past 5 fiscals (FY20-FY24). The company has minimal term loan of Rs. 19 crores as on Mar 31, 2024 and the majority of the debt comprises loans from related parties amounting to Rs. 182.63 crores and LC backed creditors at Rs. 150.45 crores as on Mar 31, 2024. Additionally, Rs. 56.42 crores of 12% non-cumulative redeemable preference shares (NCRPS) can be considered in its entirety as debt in our analysis. We expect stable cash flow generation to help in improving the debt coverage ratios going ahead.

Given that the pipe division with capacity of 10,000 TPA (tonnes per annum) has been operating at 48% capacity utilisation (CU), there is room for improvement in CU. Resultantly, we do not expect any expansionary capex or large debt-funded capex apart from sustenance capex over the next 2-3 years.

**Inherent cyclicity in the steel industry**

The prospects of the steel industry are strongly co-related to economic cycles. The demand for steel is sensitive to trends of particular industries, viz, automotive, construction, infrastructure, and consumer durables, which are the key consumers of steel products. These key user industries, in turn, depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates, and inflation rates, among others, in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand.

**Liquidity**: Adequate

WSSL's liquidity position is derived from the parent-level liquidity strength, which remains strong, supported by cash and cash equivalents with parent at ₹1,968 crore as on Mar 31, 2024. However, on standalone level, WSSL had nominal cash balance of ₹1 lakh while the quick ratio has been weak at 0.21x as on March 31, 2024. The average utilization of fund-based limits stands at 45% for the past 12 months ending June 2024, whereas for the non-fund-based, it stands at 70% for trailing 12 months ending July 2024. The company's liquidity draws comfort from expected support from WCL.

**Assumptions/Covenants** Not applicable

**Environment, social, and governance (ESG) risks**

| | **Risk factors** |
|---|---|
| **Environmental** | **Energy consumption and renewable transition: Moderate**<br>Electricity consumption has been 11.73 Lakh GJ. For the energy requirement, 99.8% reliance on non-renewable energy sources. Though the share of renewable power source is low currently, WCL has targeted 20% renewable energy mix by 2030. Installation of 2 MW of solar at Bhopal and 0.97 MW at Anjar works is in progress. But the major improvement in renewable mix is expected to come from setting up of 42 MW renewable project in collaboration with other group entities expected to be operational in 2026.<br>**Environmental emissions: High**<br>Total scope 1 & scope 2 GHG emissions has been 2.02 million CO2e. The increased emissions are due to inclusion of operations of metallics division (manufacturing of pig iron).<br>**Solid Wastage & recycling: Moderate**<br>Hazardous chemical waste at 234 metric tonnes in FY24. Mild steel scrap is sent to third party for recycling and co-processing. While Hazardous waste is carefully managed by authorized vendors designated by the pollution control board for co- processing/disposal.<br>**Sourcing and climate risks:**<br>WCL's Anjar facility falls under a water stress area. The group has setup a 30 MLD Sewage Treatment plant at the Anjar factory, which recycles sewage wastewater from the neighbouring towns, leading to zero intake of freshwater for manufacturing processes. Additionally, WCL's supply chain operations for raw materials and exports are heavily reliant on the Kandla and Mundra ports, where any climate related coastal flooding or any supply chain disruption could impact the operations. |
| **Social** | **Gender diversity- Low**<br>7% of the total workforce comprises women during FY24. This is due to the manufacturing and labour-intensive operations where the diversity ratio tends to be low. While 2 out of 8 board of directors are women as on June 30, 2024.<br>**Attrition rate: High**<br>Turnover rate has increased to 20% in FY24 from 16% in FY23 for the permanent employees. While the turnover rate has been moderate at 11% for workers.<br>**Safety standards: Adequate**<br>All sites are certified for ISO 45001:2018 safety standards. Lost-time injury frequency rate (LTFIR) per million person hours worked stood at 0.32 for employees and nil for workers. |
| **Governance** | **Board independency- Majority**<br>50% of the board consists of independent directors (4 out of 8) as on June 30, 2024.<br>**Participation of board members: Active**<br>Attendance rate for all the independent directors for all the meetings and AGM was adequate.<br>**Internal financial controls:** Adequate. No major adverse remark by auditor. |

Note: Refers to FY24 data for Welspun Corp (standalone).

**Applicable criteria**

[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)

[Rating Credit Enhanced Debt](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Iron & Steel](#)

**Adequacy of credit enhancement structure:**

The guarantee provided by WCL is unconditional, irrevocable and legally enforceable and binding on guarantor covering the entire tenor of the bank facility.

## About the Credit Enhancement Provider- WCL

WCL is the flagship company of the Welspun group. WCL is a welded pipe manufacturing company engaged in offering solutions in line pipes, with a capacity to manufacture longitudinal submerged arc welded (LSAW; used for onshore and offshore oil, gas transmission), spiral helical submerged arc welded pipes (HSAW; used for onshore oil, gas and water transmission), and electrical resistance welded (ERW; used for downstream distribution of oil, gas and water) pipes. The company also offers coating, bending, and double jointing facilities. WCL has the capacity to manufacture 2.155 MTPA of steel line pipes, with plants located in India and the US, while additional 0.375 MTPA in Saudi Arabia entity (associate company).

To expand its product portfolio from LSAW, HSAW and ERW line pipes, the company has incurred capex to manufacture Ductile Iron pipes (0.4 MTPA) and TMT Bars. Further the company has historically merged the steel business under Welspun Steel Limited, to include DRI, Steel billets, SS Pipes and SS Bars. WCL has entered the plastic/polymer business with the acquisition of Sintex BAPL Ltd.

| Brief Consolidated Financials (₹ crore) | FY2023 (A) | FY2024 (A) | Q1FY2025 (UA) |
|---|---|---|---|
| Total operating income | 9740.78 | 17318.89 | 3179.67 |
| PBILDT | 476.81 | 1540.62 | 416.39 |
| PAT | 199.17 | 1136.00 | 247.94 |
| Overall gearing (times) | 1.03 | 0.61 | - |
| Interest coverage (times) | 1.99 | 5.22 | 6.27 |

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'. Note: Financials have been prepared as per CARE Standards.

## About the company and industry

## Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Commodities | Metals & Mining | Ferrous Metals | Iron & Steel |

Incorporated in December 1980, Welspun Specialty Solutions Limited (WSSL; earlier known as RMG Alloy Steel Limited) was promoted by Mr. V.C Saraf and Mr. R.C Saraf along with Remi group of companies. WSSL is majorly held by Welspun Corp Limited (WCL holds 50.03%). WSSL operates an electric arc furnace (for alloy steel) and induction furnace (for stainless steel) based steel melting shop, a rolling mill and a seamless pipe manufacturing facility in Bharuch, Gujarat. It has a capacity of 150,000 tonnes per annum (TPA) in steel melting shop; 100,000 TPA in rolling mill along with 10,000 TPA in pipes division. The company manufacturers Stainless Steel (Ingot/Bloom) and Stainless Steel Seamless Pipe/Tube.

| Brief Financials (₹ crore) | FY2023 (A) | FY2024 (A) | Q1FY2025 (UA) |
|---|---|---|---|
| Total operating income | 430.99 | 715.84 | 168.03 |
| PBILDT | 29.89 | 75.00 | 16.78 |
| PAT | -13.74 | 62.47 | 1.95 |
| Overall gearing (times) | -44.59 | 8.25 | - |
| Interest coverage (times) | 0.99 | 2.26 | 1.63 |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | | - | - | 30-09-2025 | 16.87 | CARE AA (CE); Positive |
| Fund-based/Non-fund-based-LT/ST | | - | - | - | 160.00 | CARE AA (CE); Positive / CARE A1+ (CE) |
| LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | | - | - | - | 125.00 | CARE AA (CE); Positive / CARE A1+ (CE) |
| Non-fund-based - ST-Forward Contract | | - | - | - | 15.00 | CARE A1+ (CE) |
| Un Supported Rating-Un Supported Rating (LT/ST) | | - | - | - | 0.00 | CARE A+ / CARE A1 |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | LT/ST | 125.00 | CARE AA (CE); Positive / CARE A1+ (CE) | - | 1)CARE AA (CE); Stable / CARE A1+ (CE) (21-Sep-23) | 1)CARE AA (CE); Negative / CARE A1+ (CE) (29-Mar-23)<br><br>2)CARE AA (CE); Negative / CARE A1+ (CE) (24-Jan-23)<br><br>3)CARE AA (CE); Stable / CARE A1+ (CE) (30-Jun-22)<br><br>4)CARE AA (CE); Stable / CARE A1+ (CE) (16-Jun-22) | 1)CARE BBB- (CW with Developing Implications) (03-Dec-21) |
| 2 | Fund-based/Non-fund-based-LT/ST | LT/ST | 160.00 | CARE AA (CE); Positive / CARE A1+ (CE) | - | 1)CARE AA (CE); Stable / CARE A1+ (CE) (21-Sep-23) | 1)CARE AA (CE); Negative / CARE A1+ (CE) (29-Mar-23)<br><br>2)CARE AA (CE); Negative / CARE A1+ (CE) (24-Jan-23) | 1)CARE AA (CE); Stable / CARE A1+ (CE) (03-Dec-21) |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| | | | | | | | 3)CARE AA (CE); Stable / CARE A1+ (CE) (30-Jun-22)<br><br>4)CARE AA (CE); Stable / CARE A1+ (CE) (16-Jun-22) | |
| 3 | Un Supported Rating-Un Supported Rating (LT/ST) | LT/ST | 0.00 | CARE A+ / CARE A1 | - | 1)CARE A+ / CARE A1 (21-Sep-23) | 1)CARE A+ / CARE A1 (29-Mar-23)<br><br>2)CARE A+ / CARE A1 (24-Jan-23)<br><br>3)CARE BBB- / CARE A3 (30-Jun-22)<br><br>4)CARE BBB- / CARE A3 (16-Jun-22) | 1)CARE BBB- (CW with Developing Implications) (03-Dec-21) |
| 4 | Non-fund-based - ST-Forward Contract | ST | 15.00 | CARE A1+ (CE) | - | 1)CARE A1+ (CE) (21-Sep-23) | 1)CARE A1+ (CE) (29-Mar-23)<br><br>2)CARE A1+ (CE) | - |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| | | | | | | | (24-Jan-23)<br><br>3)CARE A1+ (CE) (30-Jun-22)<br><br>4)CARE A1+ (CE) (16-Jun-22) | |
| 5 | Fund-based - LT-Term Loan | LT | 16.87 | CARE AA (CE); Positive | - | 1)CARE AA (CE); Stable (21-Sep-23) | 1)CARE AA (CE); Negative (29-Mar-23)<br><br>2)CARE AA (CE); Negative (24-Jan-23)<br><br>3)CARE AA (CE); Stable (30-Jun-22) | - |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

### Annexure-3: Detailed explanation of covenants of rated instruments/facilities

| Name of the Instrument | Detailed Explanation |
|---|---|
| **A. Financial covenants** | |
| I.TOL/TNW to be maintained at 4:1 | |
| II.DER to be maintained at 3:1 | |
| **B. Non-financial covenants** | |
| I. Welspun Corp Ltd/Welspun Group directly/indirectly should maintain unencumbered shareholding of the borrower throughout the tenor of the facilities. | |
| II. Welspun Group to retain management control of the borrower through out the tenor of the facilities. | |

## Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Fund-based/Non-fund-based-LT/ST | Simple |
| 3 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | Simple |
| 4 | Non-fund-based - ST-Forward Contract | Simple |
| 5 | Un Supported Rating-Un Supported Rating (LT/ST) | Simple |

## Annexure-5: Lender details

| |
|---|
| To view the lender wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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