

Welspun Captive Power Generation Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.00	CARE A+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	30.00 (Reduced from 50.00)	CARE A+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the bank facilities Welspun Captive Power Generation Limited's (WCPGL), which is operating a 123 MW thermal power plant in Gujarat, under the group captive mechanism factors in satisfactory operational performance as reflected by robust plant load factor (PLF), along with collections remaining timely.

The ratings continue to factor in the strong parentage of WCPGL by virtue of it being a subsidiary of Welspun Living Limited (WLL, rated CARE AA; Positive/ CARE A1+). Additionally, the strategic importance and business linkages of WCPGL with other Welspun Group entities is strong as the former sells its full power output within the group and the power generated from this project accounts for more than 80% of the group's overall power requirement. The fuel sourcing risk is also mitigated as the overall fuel requirements are managed by the respective offtaker/s and the company is only paid fixed/conversion charges on a per unit basis for the electricity generated. Moreover, the economic incentive for the offtakers to procure this power is high as the power from this project is cheaper than the grid tariffs for the respective entities. The ratings also consider the healthy financial risk profile characterized by nil external term debt, healthy liquidity position and comfortable coverage metrics.

The strengths are however, moderated by the absence of long-term PPAs which exposes the company to demand and price risk. In the event of a lower demand from the end user industries viz. steel, textiles etc. the offtake from WCPGL may remain muted thereby adversely impacting the cash flows.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Execution of long-term power purchase agreements at remunerative tariff.
- Improvement in the cost competitiveness of the power supplied from this project resulting in increase in PLF on a sustained basis.

Negative factors

- Significant increase in the leverage level of the company.
- Deterioration in operating performance as reflected by lower PLFs and elongation of collection period thereby adversely impacting the liquidity profile.
- Weakening of the credit profile of the parent, i.e., WLL, or any change in linkages/support philosophy between the parent and WCPGL

Analytical approach: Standalone plus factoring in parent support.

Outlook: Stable

The stable outlook on the CARE A+ rating of WCPGL reflects CARE Ratings' opinion that the company would benefit from its strategic and business linkages with the Welspun Group entities.

Detailed description of key rating drivers

Key strengths

Part of the Welspun group

Entire stake in WCPGL is held by the Welspun group with Welspun Living Limited (WLL) holding 77% share, Welspun Corp Limited (WCL) holding 21.4% share while other group entities holding the remaining share as on December 31, 2024. The Welspun group is a diversified conglomerate in the field of line pipes, steel and textiles. By virtue of being a part of the Welspun group, WCPGL draws strength from the experience of the management in implementation of projects and operation of industrial units and captive power plants. The project's ability to meet majority of the group's power requirement as well as clock profit demonstrates its strategic and economic importance for the group.

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

Entire power sold to group companies, however on short/medium term basis

Major part of the total contracted capacity is with the group companies which are engaged in textile manufacturing. Rest of the contracted capacity is for the group companies engaged in manufacturing of pipes and steel. WCPGL has entered into a 'Minimum Power Purchase Commitment' for three years from FY2025 to FY2027 for offtake of 5,85,632 MWh of electricity and 1,03,100 MT of steam. Offtake quantity and tariff is regularly revised. Given the healthy demand of power from group companies and their satisfactory credit profile, WCPGL continues to command satisfactory collection track record.

Healthy capital structure and comfortable liquidity position

WCPGL has a healthy capital structure with nil long-term loan. Furthermore, it maintains a strong cash position and holds ample liquid investments.

Key weaknesses

Significant dependence on the group companies for revenue generation

Since the company derives 100% of its revenues from the group companies, the financial performance of company would be contingent upon power off-take and timely payments by the group companies. Moreover, with increased consciousness about green sourcing, the group companies may shift their preference to renewable sources going forward. However, the group benefits from the assured power provided by WCPGL as such the plant remains important to the group.

Cyclical in textile and steel industry has impact on PLF and realization

The textile industry is cyclical and fragmented with high competition in the industry. The prices of raw materials and finished goods are also determined by global demand-supply scenario. Moreover, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. The capacity utilization of captive power plants like WCPGL, thus have linkage to the performance of their group companies.

Liquidity: Strong

WCPGL has free cash and cash equivalents of around ₹1.16 crore apart from other investments of around ₹201 crore as on December 31, 2024. Additionally, the company has CC limit of Rs.10 crore which is completely unutilized as of date. Considering that the company has nil external term debt the company does not have any long-term debt obligations and coupled with strong cash generation the liquidity position of the company is comfortable.

Applicable criteria

[Policy on Default Recognition](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Rating of Short Term Instruments](#)

[Financial Ratios – Non financial Sector](#)

[Notching by Factoring Linkages in Ratings](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Infrastructure Sector Ratings](#)

[Thermal Power](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

WCPGL is a captive power plant of 123 MW (1x80 MW and 1x43 MW) operating in Welspun city, Anjar, Bhuj Dist., Gujarat supplying power to Welspun Group companies. Power generated by WCPGL would generally be purchased by the shareholders as per the minimum power purchase commitment agreement.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	290.85	138.92
PBILDT	52.86	40.52
PAT	11.86	-44.97
Overall gearing (times)	0.11	0.00
Interest coverage (times)	14.78	11.93

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

Status of non-cooperation with previous CRA: NA

Any other information: NA

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE A+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	30.00	CARE A+; Stable / 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	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (06-Apr-22)	-
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	30.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (02-Apr-24)	1)CARE A+; Stable / CARE A1+ (06-Apr-23)	1)CARE A+; Stable / CARE A1+ (06-Apr-22)	-
3	Fund-based - LT-Cash Credit	LT	10.00	CARE A+; Stable	1)CARE A+; Stable (02-Apr-24)	1)CARE A+; Stable (06-Apr-23)	1)CARE A+; Stable (06-Apr-22)	-

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

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based- CC/WCDL/OD/LC/BG	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.

Contact us

Media Contact	Analytical Contacts
<p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in</p>	<p>Jatin Arya Director CARE Ratings Limited Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in</p> <p>Shailendra Singh Baghel Associate Director CARE Ratings Limited Phone: 91-120-4452020 E-mail: Shailendra.baghel@careedge.in</p> <p>Prajjawal Tyagi Analyst CARE Ratings Limited E-mail: Prajjawal.Tyagi@careedge.in</p>

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**