

Welspun Steel Limited (Revised)

January 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	34.34 (Reduced from 144.12)	CARE A-; Stable/CARE A2	Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned
Long-term / Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Unsupported rating	Withdrawn [Withdrawn]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

Rationale and key rating drivers

Earlier in June 2021, Welspun Corp Limited (WCL) announced that it proposes to acquire the steel business division of Welspun Steel Limited (WSL), which manufactures steel billets and direct reduced iron (DRI), specialty steel and thermo mechanical treatment (TMT) bars, and other businesses directly or indirectly through its investments held in Welspun Specialty Solutions Limited, Anjar TMT Steel Private Limited and Welspun Captive Power Generation Limited.

The announcement of demerger was made on June 28, 2021; subsequently, the company received the sanction order from Ahmedabad Bench of NCLT on the scheme of arrangement between demerged company WSL with WCL on October 07, 2021, and the scheme was approved on March 16, 2022. As per the scheme, the demerged undertakings shall include steel business of WSL and investments held by WSL in Welspun Specialty Solutions Limited (50.03% held by WSL), Anjar TMT Steel Private Limited (100% held by WSL) and Welspun Captive Power Generation Limited (2.95% held by WSL). With the transfer of business operations and investments to WCL, CARE Ratings Limited (CARE Ratings) has resolved the "Rating watch with developing implications". In terms of the scheme, WCL has issued RPS of ₹351.51 crore repayable after 18 months to the shareholders of WSL and has paid ₹11.22 crore in cash in April 2022.

WSL was earlier operating a sponge iron plant with a capacity of 144,000 tons per annum (TPA), steel melting shop (SMS) for the manufacturing of steel ingots/billets (capacity of 288,000 TPA) and rolling mill for manufacturing of thermo-mechanically treated (TMT) bars (capacity of 60,000 TPA) in the Welspun City complex at Anjar, Gujarat. The company's key products included sponge iron and steel ingots/billets.

Considering the demerger and transfer of its business activities to WCL, the company has reduced its sanctioned facilities by (i) surrendering the facilities sanctioned by State Bank of India and Union Bank of India and (ii) transferring the facilities sanctioned by Punjab National Bank to WCL.

Currently, the company has sanctioned fund-based/non-fund-based facilities from Central Bank of India amounting to ₹34.34 crore. Furthermore, the company has cash and bank deposits with maturity of more than 3 months but less than 12 months amounting to ₹55.33 crore as on December 31, 2022. WSL currently earns interest on bank deposits and interest income on loan/advances extended to companies within the group.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- New business undertaken in WSL generating positive cash flow from operations without significantly impacting the capital structure.

Negative factors:

- Substantial reduction in available cash and bank balance deteriorating the liquidity profile.
- Any unforeseen debt-funded acquisition/capex impacting the capital structure.

Analytical approach: Standalone

Key strengths

Experienced and resourceful promoters

WSL is a part of the Welspun group, a diversified conglomerate promoted by Late G. R. Goenka, B. K. Goenka and R. R. Mandawewala; with a dominant position in line pipes and home textiles business and presence in the steel, energy and

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

infrastructure sectors. WSL draws strength from substantial experience and competence of the management and resourcefulness of the group.

Comfortable capital structure

The company has no term debt as on March 31, 2022. Furthermore, the working capital limits have been partly repaid and one limit has been transferred to WCL with the transfer of business. As on December 31, 2022, the company has non-fund-based limits of ₹34.34 crore. Furthermore, the company has cash and bank deposits with maturity of more than 3 months but less than 12 months amounting to ₹55.33 crore as on December 31, 2022. WSL currently earns interest on bank deposits and interest income on loan/advances extended to the companies within the group.

Key weaknesses

Exposure to group companies

The company has extended loans and advances to its subsidiary company – Welspun Energy Orissa Private Limited, and other companies within the Welspun Group (₹54.98 crore as on March 31, 2022). The company has also given corporate guarantee of ₹14.77 crore as on March 31, 2022. WSL continues to hold high exposure towards the group companies.

Liquidity: Adequate

The liquidity is marked adequate with nil repayment obligations, as the company does not have long-term debt. The cash and cash equivalents stood at ₹55.33 crore as on December 31, 2022. The company has transferred its entire business activities to WCL under the scheme of amalgamation.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

Established in June 2004, Welspun Steel Ltd. (WSL) is a part of the Welspun Group, promoted by Late G.R. Goenka, B.K. Goenka and R.R. Mandawewala. The Welspun Group, a USD 2.7 billion diversified conglomerate, has a dominant position in line pipes and home textiles business and presence in the steel, energy and infrastructure sectors. WSL is held by various promoter-held companies of the Welspun Group.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	-	-	-
PBILDT	-	-2.23	-
PAT	-1.27	1.84	-
Overall gearing (times)	0.01	-	-
Interest coverage (times)	-	-6.34	-

A: Audited; UA: Un-Audited, with the transfer of business to WCL, the company currently has no operations

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various 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 along with Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	34.34	CARE A-; Stable / CARE A2
Fund-based/Non-fund-based-LT/ST		-	-	-	0.00	Withdrawn
Unsupported rating-Unsupported rating (LT/ST)		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	34.34	CARE A-; Stable / CARE A2	1)CARE A-; Stable / CARE A2 (24-Jan-23) 2)CARE A- / CARE A2 (RWD) (27-Dec-22)	1)CARE A- / CARE A2 (CW with Developing Implications) (07-Jan-22) 2)CARE A- / CARE A2 (CW with Developing Implications) (26-Jul-21)	1)CARE A-; Negative / CARE A2 (30-Mar-21)	1)CARE A-; Negative / CARE A2 (12-Feb-20)
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	1)Withdrawn (24-Jan-23)	1)CARE AA (CE); Stable / CARE A1+ (CE) (07-Jan-22)	-	-
3	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST*	-	-	1)Withdrawn (24-Jan-23) 2)CARE A- / CARE A2 (RWD) (27-Dec-22)	1)CARE A- / CARE A2 (CW with Developing Implications) (07-Jan-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple
2	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 the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Hitesh Avachat

Phone: 9004860007

E-mail: hitesh.avachat@careedge.in

Relationship contact

Name: Saikat Roy

Phone: +91-22-67543404

E-mail: saikat.roy@careedge.in

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