APRIL 11, 2016

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF WELSPUN ENTERPRISESLIMITED (FORMERLY KNOWN AS WELSPUN PROJECTS LTD)

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities – Term Loan@	0.90 (reduced from 5.35)	**CARE A (Single A)**	Revised from CARE A- (SO)(Single A Minus) (Structured Obligation) and removed from Credit Watch
Long-term Bank Facilities – Term Loan$	10.64 (reduced from 14.31)	**CARE A (Single A)**	Revised from CARE A- (SO)(Single A Minus) (Structured Obligation) and removed from Credit Watch
Long-term Fund based Bank Facilities	55.00	**CARE A (Single A)**	Revised from CARE BBB+ (Triple B Plus) and removed from Credit Watch
Long-term/ Short-term Bank Facilities	165.00	**CARE A/A1 (Single A/ A One)**	Revised from CARE BBB+ (Triple B Plus)/ A3+(A Three Plus) and removed from Credit Watch
Total Facilities	**231.54 (RupeesTwo Hundred and Thirty One Croreand Fifty Four Lakhs only)**		

@ Rating is backed by first charge on escrow of toll receipt of Hosangabad-Harda-Khandwa (H-H-K) project
$ Rating is backed by first charge on escrow of toll receipt of Raisen-Rahatghar project (R-R)

Rating Rationale

The revision in ratings assigned to various bank facilties of Welspun Enterprises Ltd (WEL) and removal of "credit watch" factors in conclusion of hiving off of the non-core businesses and benefits of merger with its parent and fellow subsidiaries which has enhanced the balance sheet size, improved the capital structure and liquidity profile of the company. The ratings continue to derive strength from financially strong and experienced promoters (the Welspun group) with an established track record in executing BOT projects, diversified revenue stream from industrial, road and residential construction as well as BOT projects and its comfortable capital structure.

The ratings, however, remain constrained due low order-book position, delay in stabilization of revenue stream for Dewas Water Supply BOT project, inherent risk associated with execution of BOT projects and high degree of competition. Ability of the company to achieve the envisaged revenue growth and profitability as well any change in the capital structure of the company on account of any debt laden capex remain the key rating sensitivities.

Background

Established in 1994 in Vadodara (Gujarat), Welspun Enterprises Ltd. (WEL) (formerly known as Welspun Projects Ltd) is part of Welspun Group and is primarily engaged in construction, developing and maintaining BOT projects. It has two key segments – EPC business and BOT business. EPC business accounted for around 39% of total revenue in FY15 (refers to period from April 1 to March 31). The company undertakes EPC business for both Welspun Group companies and outside entities. Currently, WEL (including its subsidiaries and JVs) has five operational BOT projects, out of which four are in the road segment, and one pertains to industrial water supply.

During FY15, WEL posted a total income of Rs.889.39 crore with a net profit of Rs. 67 lakhs as compared to a total income of Rs.254.30 crore and a net loss of Rs.61.01 crore during FY14. Furthermore, during 9MFY16, the company posted a total income of Rs.204.19crore and adjusted net profit of Rs.41.22 crore.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

****For detailedRationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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