JANUARY 21, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF WELSPUN INDIA LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	3579.07 (enhanced from Rs.2,437.43 cr)	**CARE A+ (Single A Plus)**	**Reaffirmed**
Short term Bank Facilities	507.35 (enhanced from Rs. 429.85 cr)	**CARE A1 (A One)**	**Reaffirmed**
Total Facilities	**4,086.42**		

Rating Rationale

The reaffirmation of the ratings for Welspun India Limited (WIL) factors in sustained improvement in the profitability following restructuring of WIL's global and Indian operations as well as increasing level of vertical integration on the back of completion of phase 1 of expansion-cum-backward integration project and satisfactory progress made in the phase 2 of the ongoing project. The ratings also continue to draw comfort from the resourceful promoters (i.e. Welspun group) and extensive experience of the management, WIL's leading position in home textiles segment with global reach, its well-diversified product portfolio, strong brand image and established relationship with the large global retail chains.

The ratings are, however, constrained by fairly leveraged capital structure as well as restrained working capital position, residual project implementation risk and WIL's exposure to inherent industry risks, such as volatility in raw material prices and foreign exchange currency (though, mitigated to an extent).

WIL's ability to achieve the envisaged growth in the revenue and profit following successful completion of the phase 2 of the ongoing project and improve financial risk profile are the key rating sensitivities. Moreover, addition of any large-sized project impacting financial risk profile is also a rating sensitivity.

Background

WIL is a prominent company of the Welspun group promoted by Late Mr. G.R. Goenka, Mr. B.K. Goenka and Mr. R.R. Mandawewala. The company is one of the largest manufacturers and exporters of bed & bath textile products globally. WIL's portfolio comprises wide range of home textile products such as terry towels (cotton and blended yarn), bed linen (basic bedding and decorative bedding), bath rugs (cotton, nylon or micro fiber) and bath robes. WIL recently entered the carpet segment (decorative carpets and area rugs), with the carpet facility completed in FY14. Exports account for around 95% sales, with the U.S. market contributing around 60% of the exports, followed by the U.K. at 11%. Over the past few years, the company has increased its presence in newer markets, such as Hong Kong, Canada, Germany, UAE, Australia, Japan, etc.

As on March 31, 2014, terry towel capacity stood at 45,000 tonnes per annum (tpa), while the total capacity for bed linens and rugs was 550 lac meters p.a. and 12,000 tpa respectively at its facilities located at Vapi and Anjar, Gujarat.

During FY14, WIL posted consolidated total income of Rs.4,636.45 crore with a PAT of Rs.83.83 crore (after including additional depreciation charge of Rs.473.81 crore due to the change in the depreciation method provided for in FY14). Further, the company registered a total income of Rs.2,642 crore with a PAT of Rs.235 crore in H1FY15.

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

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

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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