JULY 10, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long Term Bank Facilities	3,562.14	**CARE AA- (Double A Minus)**	Revised from CARE A+ (Single A Plus)
Short term Bank Facilities	394.85	**CARE A1+ (A One Plus)**	Revised from CARE A1 (A One)
Total Facilities	**3,957.00**		

Rating Rationale

The revision in the ratings factors in sustained growth in revenue, improvement in the profitability as well as capital structure in FY15 (refers to period April 01, 2014 to March 31, 2015), increasing level of vertical integration and timely progress made on its expansion-cum-backward integration project. Further, the ratings revision also takes into consideration the reduction in geographical and customer concentration risk to the overall business of the company.

The ratings 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 and WIL's exposure to inherent industry risks, such as volatility in raw material prices and fluctuations in foreign currency. However, the same is covered through Price variation/pass through mechanism with its major customers

WIL's ability to achieve the envisaged growth in the revenue and profit following successful completion of the ongoing project, deleveraging its capital structure and improvement in 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. In FY15, exports accounted for around 97% of total income. Over the past few years, the company has increased its presence in newer markets, such as Hong Kong, Canada, Germany, UAE, Australia, Japan, etc apart from being strong in the traditional markets of US and UK

As on March 31, 2015, terry towel capacity stood at 50,000 tonnes per annum (tpa), while the total capacity for bed linens and rugs was 600 lac meters p.a. and 15,000 tpa respectively at its facilities located at Vapi and Anjar, Gujarat.

During FY15 WIL reported consolidated total income of Rs5,391.91 crore and consolidated PAT of Rs544.29 crore as compared to total income Rs4,467.53 crore and adjusted PAT of Rs399.72 crore in FY14.

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

****For detailed Rationale 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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