

## Welspun Enterprises Ltd

March 22, 2019

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	65.00	<b>CARE AA-; Stable (Double A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Long-term/Short-term Bank Facilities	750.00 (enhanced from Rs.560.00 crore)	<b>CARE AA-; Stable/CARE A1+ (Double A Minus; Outlook: Stable/A One Plus)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>815.00 (Rs. Eight hundred and fifteen crore only)</b>		
Commercial Paper	300.00	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the Commercial Paper issue and bank facilities of Welspun Enterprises Limited (WEL) factor in demonstrated execution ability of the company with respect to Hybrid Annuity Model (HAM) projects as reflected in completion of the Welspun Delhi Meerut Expressway Private Limited HAM project well ahead of schedule. The ratings also factor in comfortable capital structure, strong order book position and robust liquidity profile of the company. The ratings continue to derive strength from financially strong and experienced promoters (Welspun group) with an established track record in executing projects.

The ratings strengths, however, remain constrained due to inherent risks associated with execution of HAM projects and susceptibility to intense competition.

Successful implementation of HAM projects without any cost and time over-run, ability of the company to achieve the envisaged revenue growth and profitability as well as any change in the capital structure of the company on account of any debt laden capex remain the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced and resourceful promoters:** WEL is part of Welspun group, a USD 2.3 billion diversified conglomerate promoted by Late Mr. G.R. Goenka, Mr. B.K. Goenka and Mr. R.R. Mandawewala and having an established track record in fields like steel pipes, home textiles and steel manufacturing through various group companies.

**Financial flexibility with low overall gearing level:** WEL's overall gearing (including acceptances) as on March 31, 2018 stood at 0.34x as compared to 0.12x as on March 31, 2017. Although the overall gearing is expected to increase marginally going forward on account of addition to debt to fund other HAM projects, the capital structure is expected to remain comfortable due to EPC revenue accruing to WEL from the on-going projects.

**Strong Order book to drive WEL's future EPC revenue growth:** The Company has 6 HAM projects worth of Rs 5750 crore under execution. The company has been very selective in bidding HAM projects and it is well positioned to take advantage of the envisaged growth in its EPC business. The company has also 35% stake in Adani Welspun Exploration limited, which is currently exploring 5 Oil and Gas blocks. The company has estimated not more than Rs 175 Crore equity infusion requirement for the Oil & Gas business during next 2 years.

**Liquidity analysis:** The liquidity position of the company is comfortable as reflected by cash and cash equivalents of Rs.119.95 crore and current investments of Rs.589.24 crore as on December 31, 2018. Further, the company had unutilized fund based limit of Rs.55 crore and unutilized CP limit of Rs.200 crore as on December 31, 2018.

#### Key Rating Weaknesses

**Inherent risk associated with execution of HAM projects:** The company currently has six HAM projects with EPC order book of over Rs.5750 crore. Thus, the company remains exposed to the inherent risk associated with the execution of HAM projects. However, so far, the company has completed the Delhi-Meerut project well ahead of schedule and other projects under construction are in line or ahead of schedule.

<sup>1</sup> Complete definition of the ratings assigned is available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Analytical approach:** Consolidated (See Annexure 3 for entities which are consolidated)

**Applicable Criteria:**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for toll road projects](#)

**About the Company**

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/HAM projects. The company undertakes EPC business for both Welspun Group companies and outside clients. Under BOT assets, WEL owns three BOT projects, two in Road Infrastructure and One in Water Infrastructure. Currently the company has order book of Rs.5750 Crore for 6 HAM projects. The company also has stake in Adani Welspun Exploration Ltd (35% stake) which is an oil & gas exploration company and is currently exploring 5 Oil & gas blocks.

During FY18, the company reported consolidated total income of Rs.1146.41 crore and net profit of Rs.69.43 crore as compared with total income of Rs.382.40 crore and net profit of Rs.4.96 crore in FY17.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	382.4	1146.41
PBILDT	38.28	159.46
PAT	4.96	69.43
Overall gearing (times)	0.12	0.34
Interest coverage (times)	3.76	4.81

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	65.00	CARE AA-; Stable
Non-fund-based-LT/ST	-	-	-	750.00	CARE AA-; Stable / CARE A1+
Commercial Paper	March 1, 2019	8.60%	May 30, 2019	50.00	CARE A1+
Commercial Paper	March 5, 2019	8.60%	June 3, 2019	50.00	CARE A1+
Proposed Commercial Paper	-	-	7-364 days	200.00	CARE A1+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (12-May-17)	1)CARE A (11-Apr-16)	-
2.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (12-May-17)	1)CARE A (11-Apr-16)	-
3.	Fund-based-Long Term	LT	65.00	CARE AA-; Stable	1)CARE AA-; Stable (19-Sep-18) 2)CARE AA-; Stable (06-Apr-18)	1)CARE A+; Stable (12-May-17)	1)CARE A (11-Apr-16)	-
4.	Non-fund-based-LT/ST	LT/ST	750.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (19-Sep-18) 2)CARE AA-; Stable / CARE A1+ (06-Apr-18)	1)CARE A+; Stable / CARE A1+ (12-May-17)	1)CARE A / CARE A1 (11-Apr-16)	-
5.	Commercial Paper	ST	300.00	CARE A1+	1)CARE A1+ (19-Sep-18) 2)CARE A1+ (19-Apr-18)	-	-	-
6.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (25-Dec-18) 2)CARE AA-; Stable (19-Sep-18)	-	-	-

7.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (25-Dec-18) 2)CARE AA-; Stable (19-Sep-18)	-	-	-
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**Annexure 3- Entities which are consolidated**

Sr.No.	Name of the company
1	Welspun Natural Resources Private Limited
2	MSK Projects (Himmatnagar Bypass) Private Limited
3	ARSS Bus Terminal Private Limited
4	Welspun Delhi Meerut Expressway Private Limited
5	DME Infra Private Limited
6	Welspun Build-Tech Private Limited
7	Welspun Amravati Highways Private Limited
8	Welspun Road Infra Private Limited
9	MSK Projects (Kim Mandvi Corridor) Private Limited
10	Dewas Waterprojects Works Private Limited

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