Welspun Enterprises Ltd (Revised)

September 19, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	65.00	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	**Reaffirmed**
Long-term/Short-term Bank Facilities	560.00 (enhanced from Rs.360.00 crore)	**CARE AA-; Stable/CARE A1+ (Double A Minus; Outlook: Stable/A One Plus)**	**Reaffirmed**
Total	**625.00 (Rs. Six hundred and twenty-five crore only)**		
Commercial Paper	300.00 (enhanced from Rs.100 crore)	**CARE A1+ (A One Plus)**	**Reaffirmed**
Proposed Non-convertible Debentures issue	500.00	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	**Assigned**

Detailed Rationale & Key Rating Drivers

The ratings assigned to the proposed Commercial Paper issue, proposed Non-convertible Debenture issue and non-fund based 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 Delhi Meerut road project well ahead of schedule, comfortable capital structure and strong 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 projects.

The ratings strengths, however, remain constrained due to delay in stabilization of revenue stream for Dewas Water Supply BOT project, inherent risk associated with execution of HAM projects and high degree of competition.

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; debt free on net debt basis: 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. However, on net debt basis (including cash & liquid investments) the company was debt free.

Government's focus on HAM projects and strong balance sheet to drive WEL's future EPC revenue growth: NHAI is expected to bid out about 95 HAM projects in the near term, valued at approximately. Rs.1 trillion. WEL will continue to selectively bid for HAM projects. WEL is well positioned to take advantage of the envisaged growth in its EPC business.

Ahead of schedule progress of Phase I of Delhi Meerut Expressway Project: The appointed date for this Nizamuddin Bridge Delhi to UP Border (8.716 Kms) project was 28th November 2016 and the schedule completion date was 26th May

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

2019. However, the project was completed and received Provisional COD on June 28, 2018, which is 11 months ahead of schedule.

Key Rating Weaknesses

Delay in stabilization of revenue stream for Dewas Water Supply BOT project: The Dewas Water Pipeline is 120 km long between Narmada and Dewas for meeting water requirement in Dewas and adjoining areas, present outstanding term loan for the project is Rs 51.80 Crore. The project had been operating at very low efficiencies due to technical issues en route during transportation. WEL had put forward a preliminary proposal under the M.P. Swiss Challenge Policy to Government of Madhya Pradesh (GoMP) to develop a new BOT project from fresh source of water at Kshipra barrage located 8-9 Km from Dewas Industrial area to supply water to its industrial customers. The proposal has received final approval from the Cabinet awarding the Project to Welspun Enterprises Ltd. WEL has started the process and the project is being executed under SPV. Stabilisation of revenues from this project remains a key rating sensitivity.

Inherent risk associated with execution of HAM projects: The company currently has five HAM projects with an order book of over Rs.5800 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.

Analytical approach: 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.5800 Crore for 5 HAM projects. The company also has stake in Adani Welspun Enterprises 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: Not Applicable

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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
Commercial Paper	July 3, 2018	7.25%	September 27, 2018	July 3, 2018	CARE A1+
Proposed Commercial Paper	-	-	-	200.00	CARE A1+
Fund-based-Long Term	-	-	-	65.00	CARE AA-; Stable
Non-fund-based-LT/ST	-	-	-	560.00	CARE AA-; Stable / CARE A1+
Proposed Non-Convertible Debentures	-	-	-	300.00	CARE AA-; Stable
Proposed Non-Convertible Debentures	-	-	-	200.00	CARE AA-; Stable

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	1)CARE AA-;	1)CARE A+; Stable	1)CARE A	-

				AA-; Stable	Stable (06-Apr-18)	(12-May-17)	(11-Apr-16)	
4.	Non-fund-based-LT/ST	LT/ST	560.00	CARE AA-; Stable / CARE A1+	1)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-Apr-18)	-	-	-
6.	Debentures-Non Convertible Debentures	LT	300.00	CARE AA-; Stable	-	-	-	-
7.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA-; Stable	-	-	-	-

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