

Welspun India Limited (Revised)

January 2, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	2166.82 (reduced from Rs.2523.77 crore)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	404.17	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	2570.99 (Rs. Two thousand five hundred seventy crore and ninety nine lakh only)		

Other Outstanding Ratings

Instrument	Amount (Rs. crore)	Ratings ²
Commercial Paper*	300.00	CARE A1+ (A One Plus)

*Standalone

Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to the long term facilities and Commercial Paper issue of Welspun India Limited (WIL) takes into account resourceful promoters (i.e. Welspun group), extensive experience of the management, WIL's leading position in home textiles segment with global reach, strong relationship with leading global retailers, well-diversified product portfolio, strong brand image, integrated operations, comfortable capital structure and healthy debt coverage indicators. The ratings also taken into account the partial commencement of operations of its subsidiary Welspun Flooring Limited. The ratings are, however, constrained by declining trend in PBILDT margins, anticipated outflow towards settlement of Rs.191 crores. WIL's exposure to inherent industry risks, such as volatility in raw material prices and fluctuations in foreign currency.

Rating Sensitivities

Positive Factors:

- EBIDTA margins of above 21% on a sustained basis
- Total Debt/GCA improving to 2.5x

Negative Factors:

- Increase in gearing beyond 1.50x on a sustained basis
- Any further decline in ROCE from current level of 8.02%

Detailed description of the key rating drivers**Key Rating Strengths**

Resourceful promoters: WIL is a prominent company of the Welspun group, a USD 2.3 billion diversified conglomerate with established track record in fields such as line pipes, steel and textiles. By virtue of being a part Welspun group, the company draws strength from the experience and competence of the management.

Diversified product portfolio: WIL's product portfolio comprises wide range of bath and bed linen products such as towels, bed sheets, bath rugs, bath robes etc. The Company has over 30 global patents and contribution from innovative products has been 38% in FY 19. About 17% of its revenues is contributed by its own brands such as Christy, Spaces etc. The Company has also entered carpet flooring business through its subsidiary Welspun Flooring Limited

Leading position in home textiles segment with global reach: WIL is among the largest home textiles company in Asia and amongst top three home textiles manufacturers in the world. The company is the largest exporter of home textile products from India with presence in over 50 countries and supplies to the top global retailers.

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

Established relationship with the large global retail chains: WIL has been a regular supplier over many years to leading retail chains such as Walmart Stores, CostCo, Kohls, Bed Bath & Beyond, Ikea , Macy's etc, which provides revenue stability.

Comfortable capital structure: The capital structure of the company has improved continually over the past two years. Long term Debt to equity ratio of the company has come down from 0.73x as on March 31st 2019 to 0.46x as on September 30, 2019. The overall gearing has improved from 1.27x as on March 31st 2019 to 0.99x as on September 30, 2019. This is largely on account of prepayment of term loans of ~Rs.284.17 crore. The company is not envisaging any significant capex over the next two year period. Any large debt funded capex not factored in will remain a key rating sensitivity.

Key Rating Weaknesses

Declining profitability

In FY 19, PBILDT margins contracted to 17.20% in FY19 from 19.46% in FY 18 and 24.38% in FY 17 owing to higher input costs and forex fluctuations which on account of competitive nature of business the company is not able to fully pass on to the customers.

Settlement of US Litigation

The Company and its subsidiaries have been facing litigation in the USA surrounding the Company's premium cotton home textile products. The Company received final approval from US trial court for its Settlement Agreement on October 28,2019.The Company had already provided for Rs. 232 crore in FY 19. Of this Rs. 41 crores has already been expended in FY 19 and the balance Rs.191 crore is expected to come up for payment in a staggered manner. A successful settlement within the envisaged amount would remain a monitorable.

WIL's exposure to inherent industry risks: The Company's margins are susceptible to volatility in raw material prices and currency fluctuation risk.

Liquidity: Adequate – WIL has scheduled repayment obligations of Rs.348.71 crore in FY 20(of which Rs. 160 crore has been repaid by August 2019) and liquid investments to the tune of Rs.168 crore as of September 30, 2019 on a consolidated basis. The company has also prepaid term loans of around Rs.284 crore in September 19. The company's average working capital utilisation has been around 80% for 12 months ended November 2019.The Company has no significant capex planned in next two years.

Analytical approach: Consolidated. Welspun India Limited has strong operational linkages with its subsidiaries.

Applicable Criteria:

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

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

[Criterion for Short Term Instruments](#)

[Financial ratios - Non-Financial sector](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-Factoring Linkages in Ratings](#)

About the Company

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. WIL is the largest home textiles company in Asia and amongst top three home textiles manufacturers in the world. With global reach of more than 50 countries, the company is the largest exporter of home textile products from India. The Company supplies to top global retailers from its manufacturing facilities at Anjar and Vapi, both in Gujarat, India.

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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	6,116.40	6580.34
PBILDT	1,190.14	1131.89
PAT	398.19	226.18
Overall gearing (times)	1.34	1.27
Interest coverage (times)	8.45	7.11

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

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 - LT-Term Loan	28-Dec-12	-	30-Sep-24	63.83	CARE AA; Stable
Fund-based - LT-Term Loan	17-Aug-10	-	31-Dec-24	116.82	CARE AA; Stable
Fund-based - LT-Term Loan	27-Dec-12	-	1-Apr-25	182.24	CARE AA; Stable
Fund-based - LT-Term Loan	26-Mar-13 20-Mar-14 20-Mar-14 24-Feb-14	-	31-Mar-21 1-Apr-23 1-Apr-23 1-Apr-23	165.52	CARE AA; Stable
Fund-based - LT-Term Loan	5-Mar-14	-	1-Apr-23	83.05	CARE AA; Stable
Fund-based - LT-Term Loan	24-Mar-14	-	30-Sep-24	75.13	CARE AA; Stable
Fund-based - LT-Term Loan	20-Mar-14	-	1-Apr-23	130.20	CARE AA; Stable
Fund-based - LT-Term Loan	15-Mar-14	-	30-Jun-25	81.43	CARE AA; Stable
Fund-based - LT-Term Loan	21-Feb-14	-	1-Apr-23	47.42	CARE AA; Stable
Fund-based - LT-Term Loan	18-Mar-15	-	30-Sep-24	70.98	CARE AA; Stable
Fund-based - LT-Term Loan	24-Mar-15	-	31-Dec-24	56.86	CARE AA; Stable
Fund-based - LT-Term Loan	24-Mar-15	-	30-Sep-24	7.15	CARE AA; Stable
Fund-based-Long Term	-	-	-	1085.83	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	404.17	CARE A1+
Commercial Paper	-	-	7-364 days	300.00	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	1080.99	CARE AA; Stable	1)CARE AA; Stable (07-Oct-19)	1)CARE AA; Stable (04-Oct-18)	1)CARE AA; Stable (25-Sep-17)	1)CARE AA-; Stable (12-Dec-16) 2)CARE AA-(Under Credit Watch) (15-Sep-16)

								3)CARE AA- (08-Aug-16)
2.	Fund-based-Long Term	LT	1085.83	CARE AA; Stable	1)CARE AA; Stable (07-Oct-19)	1)CARE AA; Stable (04-Oct-18)	1)CARE AA; Stable (25-Sep-17)	1)CARE AA-; Stable (12-Dec-16) 2)CARE AA- (Under Credit Watch) (15-Sep-16) 3)CARE AA- (08-Aug-16)
3.	Non-fund-based - ST- BG/LC	ST	404.17	CARE A1+	1)CARE A1+ (07-Oct-19)	1)CARE A1+ (04-Oct-18)	1)CARE A1+ (25-Sep-17)	1)CARE A1+ (12-Dec-16) 2)CARE A1+ (Under Credit Watch) (15-Sep-16) 3)CARE A1+ (08-Aug-16)
4.	Commercial Paper	ST	300.00	CARE A1+	1)CARE A1+ (07-Oct-19)	1)CARE A1+ (04-Oct-18)	1)CARE A1+ (25-Sep-17)	1)CARE A1+ (12-Dec-16) 2)CARE A1+ (Under Credit Watch) (15-Sep-16) 3)CARE A1+ (08-Aug-16)

Annexure -3 : Subsidiaries consolidated

Name of companies/ Entities
Anjar Integrated Textile Park Developers Private Limited (AITP)
Welspun Anjar SEZ Limited(WASEZ)
Besa Developers and Infrastructure Private Limited(BESA)
Welspun Global Brands Limited (WGBL)
Welspun USA Inc. (WUSA)
Welspun Captive Power Generation Limited (WCPGL)
Welspun Holdings Private Limited (WHPL)
Welspun Home Textiles UK Limited (WHTUKL) (Held through WHPL)
CHT Holdings Limited (CHTHL) (Held through WHTUKL)
Christy Home Textiles Limited (CHTL) (Held through CHTHL)
Christy Welspun GmbH (Held through CWG)
Welspun UK Limited (WUKL)(Held through CHTL)
Christy 2004 Limited (Held through WUKL)
Christy Lifestyle LLC (Held through WUKL)
Christy UK Limited (CUKL)(Held through CHTL)
ER Kingsley (Textiles) Limited(Held through CHTL)
Welspun Mauritius Enterprises Limited (WMEL)
Novelty Home Textiles S A DE C V(Held through WMEL)
Welspun Zucchi Textiles Limited(WZTL)
Welspun Flooring Limited (WFL)

Welspun Advanced Materials Limited (WAML)*
Welspun Nexgen Inc. (WNI)
TILT Innovations Inc. (TII)** (Held through WUSA)

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.

Contact us

Media Contact

Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Pulkit Agarwal
Group Head Contact no.- 022-67543505
Group Head Email ID- pulkit.agarwal@careratings.com

Relationship Contact

Name: Meenak Sikchi
Contact no. 022-67543455
Email ID : meenak.sikchi@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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