Welspun India Limited
September 25, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings**[1]	**Remarks**
Long term Bank Facilities	3,228.55	CARE AA; Stable (Double A; Outlook: Stable)	**Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)**
Short term Bank Facilities	365.75	CARE A1+ (A One Plus)	**Reaffirmed**
Total Facilities	**3,594.30 (Rs. Three Thousand Five Hundred Ninety Four Crore and Thirty lakh only)**		
Commercial Paper*	300.00	CARE A1+ (A One Plus)	**Reaffirmed**

**Standalone*

Detailed Rationale & Key Rating Drivers

The revision in the rating on the long term facilities of Welspun India Limited (WIL) reflects the steady growth in revenues, demonstrated strong relationships with large global retail chains, comfortable capital structure and healthy debt coverage indicators.

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 increasing level of vertical and backward integration.

The ratings are, however, constrained by WIL's exposure to inherent industry risks, such as volatility in raw material prices and fluctuations in foreign currency. However, the same is largely 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 planned capex in the flooring division is a rating sensitivity. Moreover, addition of any large-sized project impacting financial risk profile is also a rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Resourceful promoters: WIL is a prominent company of the Welspun group, a USD 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.

Leading position in home textiles segment with global reach: WIL is 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 and supplies to 17 of the Top 30 global retailers.

Established relationship with the large global retail chains: WIL has long term contracts with a few leading retail chains such as Walmart Stores, Kohls, Bed Bath & Beyond, Ikea Trading Hong Kong Ltd., Macy's Merchandising Group Llc, which provides revenue stability.

Sustained growth in revenue: The company has been reporting steady growth in revenue YoY and has reported 11.5% growth in the top-line in FY17. This is despite the fact that sales to Target Corp were made only for the first 5 months of FY17, thereby reducing the revenue share from Target to 6% in FY17 from ~11% in FY16.

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

Comfortable capital structure: The capital structure of the company has stabilised over the last two years. Consolidated gearing has improved from 2.77x as at end-FY15 to 1.48x as at end-FY17. Improvement in consolidated gearing level was on account of reducing debt and increasing accretion to reserves.

Key Rating Weaknesses

WIL's exposure to inherent industry risks: The company's margins are to an extent susceptible to volatility in raw material prices and currency fluctuation risk. However, the same is largely covered through Price variation/pass through mechanism with its major customers.

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-Manufacturing Companies]
[Financial ratios – Non-Financial Sector]

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 17 of the Top 30 global retailers from its manufacturing facilities at Anjar and Vapi, in Gujarat.

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 FY17 exports accounted for around 95% of sales, with the U.S. market contributing around 69% of the exports, followed by Europe at around 18% wherein sale to UK market contributed 10% to the total revenue. Over the past few years, the company has increased its presence in newer markets, such as Hong Kong, Canada, Germany, UAE, Australia, Japan, etc.

During FY17 WIL reported consolidated total income of Rs.6683.89 crore and consolidated PAT of Rs.362.37 crore as compared to total income Rs.5995.22 crore and PAT of Rs.749.12 crore in FY16.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	5995.22	6683.89
PBILDT	1672.19	1629.54
PAT	749.12	362.37
Overall gearing (times)	1.94	1.48
Interest coverage (times)	7.06	10.3

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

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	March 2010	-	April 2019	76.10	CARE AA; Stable
	May 2011	-	December 2021	33.31	
	September 2011	-	March 2019	20.65	
	September 2011	-	April 2019	15.23	
	March 2012	-	September 2021	217.51	
	March 2012	-	October 2021	94.75	
	April 2012	-	March 2021	18.75	
	April 2012	-	October 2021	80.04	
	February 2013	-	April 2023	138.29	
	March 2013	-	April 2023	447.94	
	April 2013	-	April 2023	67.67	
	June 2013	-	April 2023	127.98	
	September 2014	-	September 2024	83.69	
	October 2014	-	October 2024	86.28	
	December 2014	-	September 2024	89.51	
	December 2014	-	September 2024	10.81	
	January 2015	-	September 2024	66.27	
	September 2014	-	June 2025	78.08	
	November 2015	-	June 2025	200.00	
	December 2015	-	June 2025	214.00	
Fund-based-Long Term	-	-	-	1061.68	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	365.75	CARE A1+
Commercial Paper	July 2017	-	September 2017	150.00	CARE A1+
	September 2017	-	December 2017	150.00	

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015

1.	Fund-based - LT-Term Loan	LT	2166.87	CARE AA; Stable	-	1)CARE AA-; Stable (12-Dec-16) 2)CARE AA- (Under Credit Watch) (15-Sep-16) 3)CARE AA- (08-Aug-16)	1)CARE AA- (10-Jul-15)	1)CARE A+ (21-Jan-15) 2)CARE A+ (24-Dec-14)
2.	Fund-based-Long Term	LT	1061.68	CARE AA; Stable	-	1)CARE AA-; Stable (12-Dec-16) 2)CARE AA- (Under Credit Watch) (15-Sep-16) 3)CARE AA- (08-Aug-16)	1)CARE AA- (10-Jul-15)	1)CARE A+ (21-Jan-15) 2)CARE A+ (24-Dec-14)
3.	Non-fund-based - ST-BG/LC	ST	365.75	CARE A1+	-	1)CARE A1+ (12-Dec-16) 2)CARE A1+ (Under Credit Watch) (15-Sep-16) 3)CARE A1+ (08-Aug-16)	1)CARE A1+ (10-Jul-15)	1)CARE A1 (21-Jan-15) 2)CARE A1 (24-Dec-14)
4.	Commercial Paper	ST	300.00	CARE A1+	-	1)CARE A1+ (12-Dec-16) 2)CARE A1+ (Under Credit Watch) (15-Sep-16) 3)CARE A1+ (08-Aug-16)	1)CARE A1+ (16-Nov-15)	-

CARE Ratings
Professional Risk Opinion

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