

Welspun India Limited

October 04, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	2901.65 (reduced from Rs. 3,228.55 crore)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	446.65 (enhanced from Rs. 365.75 crore)	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	3348.30 (Rs. Three Thousand Three Hundred Forty-eight crore and Thirty lakh only)		
Commercial Paper*	300.00	CARE A1+ (A One Plus)	Reaffirmed

*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) reflects the, demonstrated strong relationships with large global retail chains, steady revenues, 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 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.

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 been a regular supplier over many years to 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.

Steady revenue: The company has been reporting steady revenues on a YoY basis. Though the revenue of the company was impacted to an extent in FY18 on account of de-stocking by major retailers in the US, the situation is subsiding as evinced by recovery in revenue in Q1 FY19 and the current order book position.

Comfortable capital structure: The capital structure of the company has stabilized over the last few years. Consolidated gearing has improved from 1.48x as at end-FY17 to 1.34x as at end-FY17. Improvement in consolidated gearing level was on account of reducing debt and increasing accretion to reserves.

Key Rating Weaknesses

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

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 FY18 exports accounted for around 95% of sales, with the U.S. market contributing around 69% of the exports, followed by Europe at around 18. 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 FY18 WIL reported consolidated total income of Rs.6116.40 crore and consolidated PAT of Rs.398.19 crore as compared to total income Rs.6683.89 crore and PAT of Rs.362.37 crore in FY17.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	6,683.89	6,116.40
PBILDT	1,629.54	1,190.14
PAT	362.37	398.19
Overall gearing (times)	1.48	1.34
Interest coverage (times)	10.3	8.45

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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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.

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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	-	-	-	1099.88	CARE AA; Stable
Fund-based - LT-Term Loan	28-Dec-12	9.25-11%	26-Jun-24	62.4	CARE AA; Stable
	19-Jul-10		1-Oct-21	72.01	
	27-Dec-12		1-Apr-25	312.93	
	17-Aug-10		31-Dec-24	254.63	
	28-Dec-12		30-Sep-24	116.74	
	27-Jul-11		31-Dec-21	44.22	
	26-Mar-13		31-Mar-21	13.75	
	5-Mar-14		1-Apr-23	115.13	
	24-Mar-14		30-Sep-24	90.79	
	20-Mar-14		1-Apr-23	157.23	
	20-Mar-14		1-Apr-23	53.91	
	20-Mar-14		1-Apr-23	21.65	
	15-Mar-14		30-Jun-25	104.93	
	24-Feb-14		1-Apr-23	124.68	
	21-Feb-14		1-Apr-23	59.12	
18-Mar-15	30-Sep-24	79.88			
24-Mar-15	30-Sep-24	9.82			
24-Mar-15	31-Dec-24	107.97			
Non-fund-based - ST-BG/LC	-	-	-	446.65	CARE A1+
Commercial Paper	21-Sept-18	7.85%	20-Nov-18	75	CARE A1+
	1-Aug-18	7.60%	31-Oct-18	25	
	13-Aug-18	7.50%	12-Nov-18	100	
Proposed Commercial Paper	-	-	-	100	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.	Fund-based - LT-Term Loan	LT	1801.77	CARE AA; Stable	-	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)	1)CARE AA-(10-Jul-15)
2.	Fund-based-Long Term	LT	1099.88	CARE AA; Stable	-	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)	1)CARE AA-(10-Jul-15)
3.	Non-fund-based - ST-BG/LC	ST	446.65	CARE A1+	-	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)	1)CARE A1+ (10-Jul-15)
4.	Commercial Paper	ST	300.00	CARE A1+	-	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)	1)CARE A1+ (16-Nov-15)

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