

Welspun India Limited

December 11, 2020

Ratings

Instrument	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper*	300.00	CARE A1+ (A One Plus)	Reaffirmed

*Standalone

Other Outstanding Ratings

Facilities	Amount (Rs. crore)	Ratings ²
Long term Bank Facilities	2166.82	CARE AA; Stable (Double A; Outlook: Stable)
Short term Bank Facilities	404.17	CARE A1+ (A One Plus)
Total Facilities	2570.99 (Rs. Two thousand five hundred seventy crore and ninety nine lakh only)	

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the Commercial Paper issue of Welspun India Limited (WIL) takes into account resourceful promoters group (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 rating continues to remain constrained by 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 2.7 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 (including pending patents) and contribution from innovative products has been 41% in FY 20. About 20% 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.

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 three years. Long term Debt to equity ratio of the company has come down from 0.83x as on March 31st 2018 to 0.62x as on March 31st 2020.

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

The overall gearing has also reduced from 1.34x as on March 31st 2018 to 1.24x as on March 31st 2020. This is largely on account of reduction in debt and accretion of profits to reserves. The Company prepaid some of its high cost long term loans of around Rs.284.17 crore in September 2019. As a result other debt coverage indicators have also improved. However, the interest coverage indicators have remained stable as compared to FY19 levels as a result of higher finance costs. Any large debt funded capex not factored in will remain a key rating sensitivity.

Settlement of US Litigation

The Company received final approval from US trial court for its Settlement Agreement on 28th October 2019 which was intended to resolve all pending legal claims in the United States concerning past marketing and labeling of the Company's premium cotton home textile products. The company had provided Rs. 191.50 crs towards settlement of the liability. The management has since reversed the unutilized provision aggregating Rs.43.42 crore during FY20.

Key Rating Weaknesses

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

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. However, In FY 20, PBILDT margins improved to 18.71% from 17.20% in FY19. This has been primarily due to decline in input costs as a result of depreciation of USD. In H1FY21, PBILDT margins stood at 20% as against 21% in H1 FY20. PAT margin improved significantly in FY 20 to 7.75% from 3.44% in FY19. FY 19 PAT margins were impacted due to provisioning for one time settlement in the US litigation and restructuring of Welspun UK Limited (WUKL). In H1 FY 21 PAT margins were 7.53% as against 8.99% in H1FY20; primarily impacted due to Covid.

Liquidity: Adequate – The company's current ratio is 1.29x as on March 31st 2020. The liquidity is marked by cash and liquid investments(in, bonds and MFs) to the tune of approx.. Rs.599 crore as on September 30,2020. Against this the company has scheduled term debt repayment obligations of Rs.263.14 crore (of which Rs. 151 crore has been repaid till November 30, 2020) , CP repayments of Rs.50 crore and short term loan repayments of Rs.70.0 crore.

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](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

[Rating Methodology - Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology: Consolidation](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

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)	FY19 (A)	FY20 (A)
Total operating income	6580.34	6767.20
PBILDT	1131.89	1266.38
PAT	226.18	524.36
Overall gearing (times)	1.27	1.24
Interest coverage (times)	7.11	7.13

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

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	-	-	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	1080.99	CARE AA; Stable	-	1)CARE AA; Stable (02-Jan-20) 2)CARE AA; Stable (07-Oct-19)	1)CARE AA; Stable (04-Oct-18)	1)CARE AA; Stable (25-Sep-17)
2.	Fund-based-Long Term	LT	1085.83	CARE AA; Stable	-	1)CARE AA; Stable (02-Jan-20) 2)CARE AA; Stable (07-Oct-19)	1)CARE AA; Stable (04-Oct-18)	1)CARE AA; Stable (25-Sep-17)
3.	Non-fund-based - ST-BG/LC	ST	404.17	CARE A1+	-	1)CARE A1+ (02-Jan-20) 2)CARE A1+ (07-Oct-19)	1)CARE A1+ (04-Oct-18)	1)CARE A1+ (25-Sep-17)
4.	Commercial Paper- Commercial Paper (Standalone)	ST	300.00	CARE A1+	-	1)CARE A1+ (07-Oct-19)	1)CARE A1+ (04-Oct-18)	1)CARE A1+ (25-Sep-17)

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper	Simple

Annexure -4 : Subsidiaries consolidated

S.No	Name of companies/ Entities	% of holding
1.	Anjar Integrated Textile Park Developers Private Limited (AITP)	100.00
2.	Welspun Anjar SEZ Limited(WASEZ)	100.00
3.	Besa Developers and Infrastructure Private Limited(BDI)	100.00
4.	Welspun Global Brands Limited (WGBL)	98.03
5.	Welspun USA Inc. (WUSA)	98.68
6.	Welspun Captive Power Generation Limited (WCPGL)	77.00
7.	Welspun Holdings Private Limited (WHPL)	98.11
8.	Welspun Home Textiles UK Limited (WHTUKL)	98.11
9.	CHT Holdings Limited (CHL)	98.11
10.	Christy Home Textiles Limited (CHTL)	98.11
11.	Christy Welspun GmbH (CWG)	98.11
12.	Welspun UK Limited (WUL)	98.11
13.	Christy 2004 Limited (CL)	98.11
14.	Christy Lifestyle LLC (CLL)	98.11
15.	Christy UK Limited (CUL)	98.11
16.	ER Kingsley (Textiles) Limited(ERK)	98.11
17.	Welspun Mauritius Enterprises Limited (WMEL)	98.03
18.	Novelty Home Textiles Limited (NHT)	98.03
19.	Welspun Zucchi Textiles Limited(WZTL)	100.00
20.	Welspun Flooring Limited (WFL)	100.00
21.	Welspun Innovation Products Limited	100.00
22.	Welspun Nexgen Inc. (WNEX)	100.00
23.	TILT Innovations Inc. (TILT)	98.68
24.	Welspun Advanced Materials (India) Limited(WAMIL)	100.00
25.	Pure Sense Organics Mynamar Limited (PSOML)	51.00

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 : meenal.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**