

WCL/SEC/2020

August 26, 2020

To,

<b>BSE Ltd.</b> <b>(Scrip Code-532144)</b> Listing Department, P. J. Towers, Dalal Street, Mumbai - 400 001.	<b>National Stock Exchange of India Ltd.</b> <b>(Symbol: WELCORP, Series EQ)</b> Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.
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Dear Madam/ Sirs,

**Subject: Disclosure under the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.**

We are pleased to inform that the Company has received ratings as detailed below from Brickwork Rating India Private Limited ("Brickwork"):

Name of the agency	Loan Facilities Rated (Rs.)	Type of Credit Rating	Existing	Additional/ Upgrade
Brickwork	Rs. 500 crs	Long Term - NCD	N.A.	BWR AA (Stable)
Brickwork	Rs. 90 crs	Long Term - NCD	BWR AA - (Stable)	BWR AA (Stable)

**Summary of Rating Rationale :** These ratings are based, inter alia, on improved operating performance of the Company for Indian, USA and Saudi operations in FY 20 combined with Q1-FY21, expected stability in operating performance for FY 21 supported by healthy order book position reflecting good revenue visibility, comfortable capital structure and strong liquidity with repayment of higher cost debts. Detailed rating rationale is attached herewith for your reference.

This is in compliance with Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and the Company's Code of Practices and Procedure for Fair Disclosure of Unpublished Price Sensitive Information.

Please take the same on record.

Thanking you.

Yours faithfully,  
For **Welspun Corp Limited**



**Pradeep Joshi**  
**Company Secretary and Compliance Officer**  
FCS-4959

**Welspun Corp Limited**

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**Brickwork Ratings India Pvt. Ltd.**

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**BWR/NCD/MUM/CRC/BP/0244/2020-21**

**August 21, 2020**

Mr. Percy Birdy  
**Chief Financial Officer**  
**Welspun Corp Ltd.**  
5th Floor, Welspun House, Kamala City,  
Senapati Bapat Marg, Lower Parel - West  
Mumbai – 400 013

Dear Sir,

**Sub: Assignment of Rating to Welspun Corp Ltd.'s NCD issue of Rs. 500 Cr (Rupees Five Hundred Crore Only) and upgrade of the rating of the existing NCD issue of Rs. 90.00 Crs (Rupees Ninety Crore Only) with a tenor of 10 years.**

Thank you for giving us an opportunity to undertake rating of NCD issue of Rs. 500.00 Crores of Welspun Corp Ltd. Based on the draft term sheet of the NCD shared with us, information and clarifications provided by your company, as well as information available in public sources, Brickwork Ratings is pleased to inform you that **Welspun Corp Ltd.'s NCD issue of Rs. 500.00 Crs** has been assigned a rating of **BWR AA (Stable)** and **rating of NCD issue of Rs.90 Cr is upgraded from BWR AA- (Stable) to BWR AA (Stable)**. Instruments with this rating are considered to have **high degree of safety** regarding timely servicing of financial obligations. Such instruments carry **very low credit risk**.

The Rating is valid for one year from the date of this letter and subject to the terms and conditions that were agreed in your mandate dated 17<sup>th</sup> August 2020 and other correspondence, if any and Brickwork Ratings standard disclaimer appended below. Brickwork Ratings would conduct surveillance every year till maturity/redemption of the instrument. Please note that Brickwork Ratings would need to be kept informed of any significant information/development that may affect your Company's finances/performance without any delay. **You are requested to provide No Default statement on monthly basis.**

Please let us have your acceptance for the above rating within two days of this letter. Unless acceptance is conveyed by the said date, the rating should not be used for any purpose whatsoever.

Best Regards,

**Bala Krishna Piparaiya**  
**Senior Director - Ratings**

**Note: Rating Rationale of all accepted Ratings are published on Brickwork Ratings website. All non-accepted ratings are also published on Brickwork Ratings web-site . Interested persons are well advised to refer to our website [www.brickworkratings.com](http://www.brickworkratings.com), If they are unable to view the rationale, they are requested to inform us on [brickworkhelp@brickworkratings.com](mailto:brickworkhelp@brickworkratings.com).**

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.



## Rating Rationale

Welspun Corp Ltd

24 Aug 2020

**Brickwork Ratings upgrades the ratings for the Non-Convertible Debentures Issue of Rs. 90.00 Crores and assigns the rating to the fresh NCD issue of Rs.500 Cr of Welspun Corp Ltd**

### Particulars

Instrument	Amt Rated (Rs in Crores)		Tenor	Rating History with BWR (August 2019)	Present Rating
	Previous	Present			
NCD	90.00	90.00	Long Term	BWR AA- (Stable)	BWR AA (Stable)
NCD	-	500.00	Long Term	-	BWR AA (Stable)
<b>Total</b>	<b>90.00</b>	<b>590.00</b>	<b>Rupees Five Hundred and Ninety Crore Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rating Upgraded and Assigned

The upgrade in rating follows improved operating performance of the company for Indian as well as US and Saudi Arabian operations in FY20 combined with 1QFY21, expected stability in operating performance for FY21 supported by good current and potential order book, comfortable capital structure and strong liquidity with repayment of higher cost debt during the last six months.

The rating continues to derive strength from WCL's position being one of the largest welded pipes manufacturing company globally, strong presence in markets like US and Middle East, experienced promoters with vast experience of the company in the industry and healthy order book position reflecting good revenue visibility.

The rating is however constrained by susceptibility of slowdown in end user industry, oil and gas and volatility in crude oil prices which is to some extent mitigated by uses of the company's products for the water and irrigation segment.

The Stable outlook indicates low likelihood of rating change in near term given the current operating performance and future estimates of the company depicting its sustainability.

### Analytical Approach

BWR has analyzed WCL on a consolidated basis taking into consideration its consolidated financial profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



## Description of Key Rating Drivers

### Credit Strengths:

**Group with strong Global Presence in Steel SAW Pipe market:** WCL is the flagship company which belongs to the Welspun Group. WCL offers complete pipe solution with a capability to manufacture line pipes ranging from 1/2 inch to 140 inches, along with specialized coating, double jointing and bending. With current capacity of 2.425 million MTPA in Dahej, Anjar and Mandya in India, Little Rock in the USA and Dammam in Saudi Arabia, WCL is one of the preferred supplier to most of the Fortune 100 Oil & Gas companies.

**Strong FY20 and 1QFY21 Performance:** There has been improvement in operating performance during FY20 with all time high global production and sales of 1629 KMT and 1502 KM with the growth of 17% YoY in sales on the back of healthy demand of pipelines across all the three geographies. US operations recorded the sales of 422 KMT with capacity utilization of 80%. Saudi JV recorded sales volume of 500 KMT, which is close to peak utilization as against 50% in FY19. Indian operations recorded sales volume of 600 KMT with good mix of domestic oil & gas, water and export orders. The consolidated EBITDA margin for FY20 was 12.9% on the back of higher realizations and lower steel prices.

During Q1 FY21, the company reported total consolidated revenue of Rs. 2069 Cr with EBITDA margin of 9.5% as against revenue of Rs.2047 CR with EBITDA margin of 11.8% during Q1FY20 . The results during the quarter was temporarily impacted due to lockdown. On Standalone basis, the company reported revenue of Rs. 1039 CR with the EBITDA margin of 9.9% as against revenue of Rs.538 Cr with EBITDA margin of 9.9%. Revenue for Q1FY21 showed substantial increase as compared to Q1FY20 as the company received major export order from Coastal Gas Link during FY20 to be executed over a period of 18 months.

**Order Book Position:** The company has gained the orders of 210 KMT in spite of the lockdown during 1QFY21 leading to the order book of Rs. 760 KMT (Rs.6600 Cr), providing revenue visibility for next three to four quarters. Active bids of the Company is at 1.8 million tons across geographies.

**Healthy Capital Structure in relation to the debt:** The company has tangible net worth of Rs.3273 Cr with outstanding fund based debt of Rs.286 Cr as on date, leading to the gearing of 0.1x. With the cash proceeds received from repatriation of dividend of Rs.635 Cr from US subsidiary during Q1FY21 and utilizing internal cash accruals, the company prepaid NCDs aggregating Rs.450 Cr during past six months along with the CPs of Rs.250 Cr. As on date, there is nil amount outstanding under the CP programmer of Rs.500 Cr.

### Credit Risks:

**Volatility in Crude Oil prices:** The Company derives approximately 50 to 55% of the revenue from oil and gas segment. Volatility in crude oil and very low gas prices create uncertainty for oil and gas producers, regarding viability of their new exploration. This in turn, could create an



uncertain future demand for line pipes in the oil and gas segment. However, there has been announcements of large gas pipe lines projects under the National Gas Grid Program in the domestic market by Government of India and City Gas distribution schemes which is favorable for Pipe manufacturing companies and Welspun is one of the beneficiaries of such announcement

**LIQUIDITY (Strong):** The company had cash and cash equivalent of Rs. 677 Cr as on June 30, 2020, which was utilized to the extent of Rs.200 Cr for prepayment of the NCD of that amount in August 2020. Further, there is unutilized Cash Credit limit of Rs.90 Cr along with Commercial Paper Programme of Rs.500 Cr against which outstanding is nil as on date. Debt service obligations during FY21 is Rs.27 Cr. Cash accruals of the company are more than sufficient to service the debt obligations. Further, the company is expecting cash inflow of Rs. 849 Cr in March 2021 from the sale of Plates and Coil division, wherein the as per mutual agreement by both the parties, the Business Transfer Agreement is committed to be consummated on or before March 2021.

#### **KEY RATING SENSITIVITIES:**

**Positive:** Substantial improvement in revenue, profitability and debt servicing profile with improvement in order book position with favorable mix will be credit positive.

**Negative:** Decrease in revenue, profitability and order book with economic downturn will be credit negative.

#### **About the Company**

Incorporated in 1995, Welspun Corp Ltd. (WCL) is the flagship company of the Welspun group which has an established track record in the fields such as line pipes and home textiles apart from presence in Steel, Infrastructure and Energy promoted by Mr B K Goenka. The company is engaged in manufacturing of HSAW, LSAW and ERW pipes. Its manufacturing plants are located at four locations in India (Dahej and Anjar in Gujarat, Bhopal in Madhya Pradesh and Mandya in Karnataka) with the production capacity of 1655 million tonnes per annum (MTPA). Further, the company through its 100% subsidiaries has set-up operations in US (Little Rock, Arkansas) and 50.01% subsidiary in Saudi Arabia, bringing its total pipe production capacity to 2555 MTPA. WCL's produces LSAW, HSAW and ERW pipes ranging from ½ inch to 140 inches, along with specialized coating, double jointing and bending.

The company enjoys a dominant position amongst global large diameter welded pipe manufacturers and has gathered several accreditations from major oil and gas companies worldwide. It has demonstrated excellent capabilities in supply of line pipes for complex projects in the oil and gas and water segments.

The company's client list in oil and gas sector comprises of – Shell, Saudi Aramco, TOTAL, Chevron, Energy Transfer, South Oil Company, Exxon Mobil, Kinder Morgan, TransCanada, Enbridge to name a few.

WCL is listed in NSE and BSE. As on June 30, 2020 49% shares were held by the promoters, 9.4% by Foreign Institutional investors, 9.8% by Domestic Institutional investors and 31.8% by general public.

### Company Financial Performance

Rs. Cr	Standalone		Consolidated	
	FY19	FY20	FY19	FY20
	Audited	Audited	Audited	Audited
Total Operating Income	4136	4253	8953	9957
Reported EBITDA	57	389	708	1276
Net profit from continuing Operations	-196	306	60	692
Net Profit	-277	268	-22	654
Total Debt	749	761	1305	995
Tangible Net worth	1626	1508	2782	3140
Debt to Equity	0.5	0.5	0.5	0.3
Current Ratio	1.64	1.5	1.6	1.5

During 1QFY21, on consolidated basis, the company earned net profit of Rs. 54 Cr (P.Y Rs. 119 Cr) on total income of Rs.2069 Cr (P.Y Rs. 2047 Cr) and on standalone basis the company earned net profit of Rs. 553 Cr (P.Y Rs. 54) on total income of Rs. 1039 Cr (P.Y Rs. 538 Cr). Net profit was substantially higher in 1QFY21 on account of repatriation of dividends from US subsidiary to India.

### Key Indicative Covenants of the prospective NCD of Rs.500 Cr:

Type & Nature of Instrument	Secured Redeemable Non-Convertible Debentures (“NCDs” or Debentures”)
Seniority	Senior
Mode of Issue	Private Placement
Objects of the Issue	To meet general corporate purpose including Long term working capital requirements, recouping of high cost NCDs prepaid by Welspun.
Tenor	Up to 10 Years

**Rating History for the last three years (including withdrawn / suspended ratings)**

S.No	Instrument /Facility	Current Rating (2020)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	August 2019	August 2018	August 2017
1.	NCD	Long Term	90	AA (Stable)	AA- (Stable)	AA- (Stable)	AA- (Stable)
2.	NCD	Long Term	500	AA (Stable)			
<b>Total</b>			<b>590</b>	<b>Rupees Five Hundred and Ninety Crore Only</b>			

**Status of non-cooperation with previous CRA (if applicable)-Reason and comments**

**Any other information**

**Annexure I**

**KEY COVENANTS OF THE RATED NCD:**

Instruments	Amt (Rs. Cr)	Issue Date	Coupon	Tenure	ISIN
NCD	90	9-Nov-12	11% (payable semi-annually)	10 years	INE191B07139

**Annexure II – Entities Consolidated**

	Name of the Entity	Stake (%)
<b>Direct Subsidiaries</b>		
1	Welspun Pipes Ltd.	100%
2	Welspun Trading Ltd.	100%
3	Welspun Mauritius Holdings Ltd.	89.98%
<b>Indirect Subsidiaries</b>		
1	Welspun Tubular LLC	100%
2	Welspun Global Trade LLC	100%
<b>Joint Venture</b>		
1	Welspun Middle East Pipes LLC	50.01%
2	Welspun Wasco Coatings Pvt. Ltd.	51%



3	Welspun Middle East Pipes Coating Company LLC	50.01%
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**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Consolidation of Companies](#)

**For any other criteria obtain hyperlinks from website**

Analytical Contacts	Investor Contacts
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**About Brickwork Ratings :** Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.