Welspun Corp Ltd — 02 Jul 2025 Credit Rating Summary

As an equity-focused credit analyst, I have summarized the CRISIL rating report for Welspun Corp Limited (WCL) below:

Credit Rating Analysis: Welspun Corp Limited (WCL)

Section	Details
Agency	CRISIL Ratings
Rating Change	**AA** → **AA+** (Upgraded by 1 notch)
Outlook (Current vs Prev)	**Stable** vs **Positive**
Key Drivers of Change	1. **Massive Deleveraging:** Gross debt slashed from ₹3,186 Cr to ₹924 Cr; Debt/EBITDA improved to **0.13x** (vs 0.3x). 2. **Product Diversification:** Non-pipe segments (DI Pipes, TMT, Sintex) now contribute **28% of Revenue**, reducing O&G cyclicality. 3. **Margin Expansion:** PAT margins doubled to **13.6%** (FY25) from 6.5% (FY24) despite lower top-line revenue. 4. **Strong Order Book:** 1,093 Kilo Tonne visibility ensures revenue stability for India and US arms.
Rated Instruments	• **NCDs:** ₹300 Cr
Key Observations	• **Strengths:** Market leader in large diameter pipes; successful integration of Sintex; net cash positive status. • **Financials:** Significant jump in PAT (**₹1,902 Cr** vs ₹1,136 Cr) even as Revenue dipped to ₹13,967 Cr. • **Liquidity:** Robust cash/marketable securities of **₹1,981 Cr** against debt of ₹924 Cr. • **Risks:** 70% of line pipe segment is tied to volatile Oil & Gas sector; susceptible to trade duties in US/ India. • **Governance/ESG:** Target to be Carbon Neutral by 2040; strong ESG committee oversight noted.
Investor Impact	• **Growth:** Shift toward Building Materials (Sintex/TMT) provides higher-valuation multiples than pure commodity piping. • **Margins:** Higher quality of earnings; move from 6.5% to 13.6% PAT margin indicates better pricing power. • **Leverage:** Exceptional balance sheet strength; no equity dilution risk for planned **₹1,500 Cr capex**. • **Cost of Capital:** Upgrade to AA+ will likely lead to lower interest outgo on future debt refinancing.
Agency / Cross Analysis	**Same Agency:** CRISIL transitioned from 'Positive' outlook to 'Stable' upgrade, confirming that diversification and debt-reduction targets were successfully met. **Cross Analysis:** Note that **Brickwork Ratings** maintains a "Non-Cooperation" status (Jan 2025). However, CRISIL's access to consolidated data for 11 subsidiaries suggests high transparency for Tier-1 lenders. **Conclusion: Significant Improvement** in credit quality driven by structural business changes.
Final Inference	**Real fundamental improvement.** This isn't just a "cycle" upgrade; the company has used bumper cash flows to permanently deleverage and diversify into higher-margin, non-cyclical consumer/infra segments (Sintex).

Financial Snapshot (FY25 vs FY24)

- **Revenue:** ₹13,967 Cr (Down 19.6% YoY)
- **PAT:** ₹1,902 Cr (Up 67.4% YoY)
- **Interest Coverage:** 7.7x (Improved from 7.1x)
- **Gross Debt:** ₹924 Cr (Reduced by ~71%)