Welspun Corp Ltd — 25 Oct 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd (Report Date: October 25, 2024)
Rating Change	**CARE AA (Reaffirmed)**; Outlook upgraded from **Stable** → **Positive**
Outlook (Current vs Previous)	**Positive vs. Stable** (Reflects expected momentum in high-margin segments and sustained deleveraging)
Key Drivers of Change	1. **Operational Ramp-up:** First full year of DI (Ductile Iron) plant and Sintex-BAPL acquisition; Revenue jumped 74% to ₹17,319 Cr. 2. **Profitability Boost:** PBILDT/tonne for steel increased 68% YoY (to ₹11,079) due to US orders and value-added product mix. 3. **Sharp Deleveraging:** Overall Gearing improved to 0.61x (vs 1.03x) and TD/GCA to 2.01x (vs 9.85x) as capex projects stabilized. 4. **Order Visibility:** Robust cumulative order book of ₹8,508 Cr (as of June 2024), providing medium-term revenue stability.
Rated Instruments	• **Bank Facilities (LT/ST):** ₹1,268 Cr
Key Observations	**Strengths:** • Global leadership in steel pipes (2.155 MTPA capacity) across India, USA, and Saudi Arabia. • Successful diversification into DI Pipes (0.4 MTPA) and Plastic pipes (Sintex) reduces O&G cyclicality. • Strong liquidity: ₹1,090 Cr in cash/liquid investments. • Saudi JV (31% stake) has visibility via ₹3,670 Cr Aramco contracts. **Risks:** • High sensitivity to crude oil prices and global O&G exploration capex. • Steel price volatility (raw material is 85% of cost). • High employee attrition (20%) and environmental exposure (high GHG emissions).
Investor Impact	• **Growth:** Strong; scaling Sintex and DI Pipes provides a non-cyclical growth engine. • **Margins:** Accretive; PBILDT margins expected to sustain >10% as DI pipe share increases. • **Leverage:** Debt-to-Equity is trending down despite planned ₹800 Cr modular capex. • **Risk:** Lower dilution risk as growth is currently funded through strong internal accruals (GCA: ₹1,622 Cr).
Agency / Cross Analysis	**Same Agency:** Major turnaround from Jan 2023 (when outlook was Negative) to Oct 2024 (Positive). CARE now acknowledges that the heavy capex of FY23 has successfully converted into cash flow. **External Context:** Brickwork Ratings has moved WCL to "Non-Cooperation," making CARE the primary benchmark. **Conclusion:** Clear **Improvement**. Financial ratios (Interest coverage 1.99x → 5.22x) confirm the fundamental shift.
Final Inference	**Real improvement signal.** Welspun Corp has successfully transitioned from a high-debt project phase to a high-cash-flow operational phase. The "Positive" outlook suggests a likely upgrade to **AA+** if margins hold above 10% and gearing stays below 0.3x.