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Brickwork assigns 'AA-' rating to Welspun Corp's NCD issue

Brickwork Ratings (BWR) has assigned "BWR AA-" rating with a Stable outlook for [Welspun Corp Ltd.](#)'s (WCL) proposed NCD Issue of Rs 1000 Crore. The rating "BWR AA-" stands for instruments are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

The rating factors, inter alia, WCL's one of the largest welded steel pipe manufacturing capacity globally, strong presence in the high growth markets like US & Middle East, high level of accumulated cash and cash equivalents, lower gearing level with higher current ratio. However, the rating is constrained by pressure on the margins, global slowdown and newly started infrastructure and steel business.

Background

Welspun Corp Ltd (WCL), the flagship Company of the Welspun Group was incorporated in 1995 and is engaged in manufacturing HSAW, LSAW and ERW pipes from its facilities with total pipe capacity of 2.2 million tonnes (MT) at Dahej and Anjar (India), Arkansas (USA), and Dammam (Saudi Arabia).

In Aug-2011, Apollo Global Management picked up significant minority stake in WCL for Rs 1,305 crore by way of Compulsory Convertible Debentures (Rs 788 crore) and GDR (Rs 517 crore). It also picked up minority stake (12.5%) in Welspun Maxsteel for Rs 140 crore.

Financial Performance:

For FY12, WCL's consolidated revenues increased by 11.9% y-o-y to Rs 8,977 crore from Rs 8022 crore in the previous year. Consolidated PAT for FY12 declined by 62.3% y-o-y to Rs 223 crore from Rs 623 crore (FY11) mainly due to notional foreign exchange provisions of Rs.152 crore and provision for one time out of court settlement with customer of Rs. 65 crore.

During the year, the company sold 835,059 metric tonnes (MT) of pipes (-8% y-o-y) and 531,068 MTs of plates (+9% y-o-y). Export market has been gaining prominence as WCL has been catering towards the growing market of LSAW and HSAW pipes for the deep offshore projects across the globe including USA, Middle East, Africa etc.

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