
August 6, 2010

CARE ASSIGNS 'CARE AA-' RATING TO THE NCD ISSUE OF WELSPUN CORP LTD.

Rating

Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Non Convertible Debentures	1,000.00	CARE AA- (Double A Minus)	Assigned

Rating Rationale

The rating derives strength from the long-standing experience and dominant position of Welspun Corp Ltd (WCL) amongst Indian welded pipes manufacturers, presence of certifications and accreditations from customers, healthy order book position and the moderate utilisation of fund-based facilities.

The rating also takes into account the Qualified Institutional Placement (QIP) issue of USD 100 million coupled with prepayment of rupee term loans leading to an improvement in leverage position and improvement in debt coverage indicators, profitability margins and cash accruals.

WCL's long-term rating is constrained by the heavy dependence of WCL's revenues on the oil and gas sector in the export market, corporate guarantees extended by the company and the project execution risks associated with the ongoing projects. The rating also takes into account the decline in order book to sales ratio over the years. WCL's ability to execute the ongoing projects within the envisaged cost and timeframe is the key rating sensitivity.

Company Profile

Incorporated in 1995, WCL manufactures manufacturing HSAW, LSAW and ERW pipes, and M.S. plates and H.R. coils. WCL is part of the Welspun Group promoted by Mr. G.R. Goenka, his son Mr. B.K. Goenka and Mr. R.R. Mandawewala. The change in name of the company from "Welspun Gujarat Stahl Rohren Ltd" to "Welspun Corp Ltd" was approved at its EGM held on April 23, 2010.

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

WCL raised USD 150 million by way of FCCB issue during October 2009 and USD 100 million by way of QIP issue during November 2009. The company's current pipe capacity, on a standalone basis, stands at 1.15 million tpa while the plate-cum-coil mill has a capacity of 1.50 million tpa. On a standalone basis, WCL earned a PAT of Rs.540 crore on a total income of Rs.6,498 crore during FY10.

Analyst Contact

Name: Shailendra Gavali

Tel # 6754 3404

Mobile # 98199 71118

Email: shailendra.gavali@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>