

WIL/SEC/2016

November 02, 2016

To

Bombay Stock Exchange Limited Department of Corporate Services, SP. J. Towers, Dalal Street, Mumbai – 400 001 (Scrip Code-514162)	National Stock Exchange of India Limited Listing Compliance Department Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 (Symbol: WELSPUNIND, Series BE)
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Dear Sirs/Madam,

Sub: Welspun India's credit rating by India Rating and Research

We are pleased to inform that India Ratings & Research, a Fitch Group Company has reaffirmed Welspun India Limited's credit rating of 'IND AA-/Stable'.

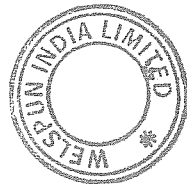
Please find attached herewith the article hosted on the website of India Ratings & Research.

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Welspun India Limited


Altaf Jiwani
Chief Financial Officer



Welspun India Limited

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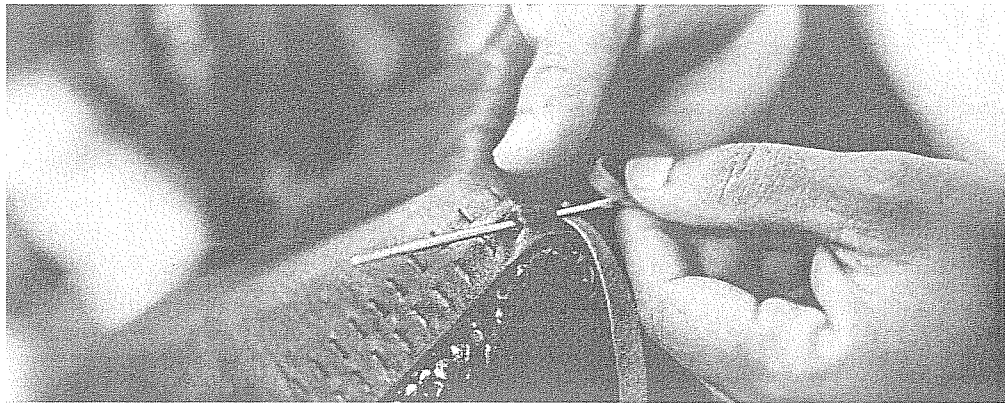
Corporate Identity Number: L17110GJ1985PLC033271

Target's Termination of Contract with Welspun India Credit Neutral

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By Bhavin Shah

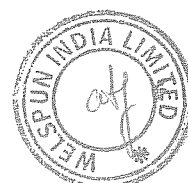
OCT 2016



Target Corporation (Target) the second-largest discount retailer in the United States terminated its contracts with Welspun India Limited (WIL: 'IND AA-/Stable) which may result in a one-time hit to profitability in FY17, however the long term credit profile of the company remains stable, says India Ratings and Research (Ind-Ra). WIL has initiated the review of the entire supply chain and processes through Ernst &Young and is in the process to strengthen its end to end systems for specialised products, namely from cotton procurement to spinning to processing and finishing.

As per discussions with the management, there will be a one-time impact on profitability in FY17, in case WIL bears the cost of the product recall and replacement or discounting. Ind-Ra believes that the one-time cost will not materially impact the credit profile of the company in the long term. The management has confirmed to Ind-Ra that other customers have continued their relationship / contracts with WIL.

Ind-Ra estimates that WIL's credit metrics will not breach the negative triggers, namely the net debt/EBITDA being sustained above 3.0x in FY17-18, even after factoring in the one-time payouts and the loss of revenues from Target. Ind-Ra draws comfort from WIL's strong liquidity, with cash and cash equivalent of INR6.26bn as at end September 2016 and low debt maturity of INR710m and INR1,990m in 2HFY17 & FY18 respectively. WIL's interest out go is also low since most of the term debt drawn in the past is for capex which is covered under the Central and State Technology Upgradation Fund Scheme. WIL also has adequate access to fund based lines of bank facilities to support its working capital requirements.



The reason for Target terminating the contract with WIL was following a product specification issue with respect to provenance of Egyptian cotton in bedsheets. Target contributed to around USD90m of WIL's revenues in FY16 (around 10% of WIL's revenues). The quality issue was with respect to Egyptian cotton in one of the program of bedsheets valued at around USD8.50m in FY16. WIL's overall shipment to Target under the said programme was around USD19m during the period July 2014 to August 2016. In FY16, the US geography contributed 70% of WIL's revenues, including sales through Welspun Global Brands Ltd (WGBL; 'IND AA-/Stable) its sales and marketing arm (Ind-Ra has taken a consolidated view of WIL & WGBL).

Ind-Ra will continue to monitor the development and outcome of Ernst & Young's review and any other action that may impact the credit profile of the company.

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Applicable Criteria

Rating criteria not available.

Analyst Names

Bhavin Shah

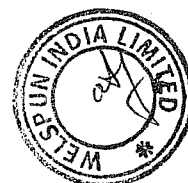
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