

Q3FY23 Performance

Company reported 22.7% Y-o-Y declined in topline to ₹1869Cr on account of challenging global environment and slowdown across key markets.

Consolidated EBITDA margin expanded from 6.1% to 10.4% QoQ in Q3FY23 due to operational efficiencies achieved due to reduction in cotton & freight cost.

EBITDA declined by 38% Y-o-Y to ₹194Cr while reported PAT declined by 67% Y-o-Y to ₹44Cr. Net Debt stood at ₹ 1,909 crs vs. ₹2,542Cr (Dec 2021), reduction of ₹633Cr YoY

Despite the challenges, domestic consumer business continued to consolidate its leadership position with 'Welspun' brand footprint at over 10,600+ outlets and clocking its highest ever quarterly revenues during the quarter, growing in excess of 39% YoY YTD, taking closer to vision of 'Har Ghar Welspun'.

Company have further added to portfolio through a licensing agreement with Disney for the whole of EU & UK markets, which would open up different avenues with newer customers in that zone.

Important Statistics

Mcap (₹ Cr) ~₹6,713

52 Week H/L (₹) 112/62

NSE Code WELSPUNIND

BSE Code 514162

Shareholding pattern (%) Dec'22

Promoter Holding 70.4

FII 06.1

DII 05.7

Public 17.8

Key Con-Call Highlights

- Retail business grew 39% YTD to reached the revenue of ₹428Cr. 'Welspun' brand is growing in excess of 50% and it remains the highest distributed home textile brand in the country.
- Branded business as % of overall business has grown from 13% in FY20 to around 15% in FY21 & FY22 to 22% in 9MFY23. Branded portfolio crosses \$100mn this quarter. Licensed brands have grown 27% and Domestic Own brands have grown 28% YoY on YTD basis
- New brand license of Disney + Marvel + Lucas valid across whole UK & EU region creating additional revenue streams in different segments
- Home textile revenue decreased 12.6% QoQ to ₹1758Cr while flooring business increased 5.5% QoQ to ₹168Cr. Home textile margins expanded QoQ from 6.3% to 11.7%. Flooring business reported EBITDA of ₹3.1Cr vs EBITDA of ₹4.2Cr in 2Q
- On QoQ basis EBITDA margin increased by 491 bps and for home textile margin increased by 539 bps. Increase in margin are mainly due to operational efficiencies achieved due to reduction in cotton & freight cost.
- In 9MFY23 the company has spent ₹239Cr towards Capex. In line with its journey towards carbon neutrality, the Company is planning to establish a 30MW Solar Power plant at its Anjar facility with an investment of ₹2bn. The power plant should be operational by Q1 FY24 and about ₹50-60Cr is expected to be incurred in FY23, which would be funded through issuance of green bonds/debentures.
- Global consumer demand is expected to remain subdued due to high inflation and high cost inventory in key markets
- The retailers had raised prices due to high incidental cost and this led to drop in demand but retail prices have started falling with the easing raw material prices and logistics cost

Financials

(₹ Cr)

Particulars	FY20	FY21	FY22
Revenues	6741	7340	9311
EBITDA	1215	1352	1362
EBITDA Margin (%)	18%	18%	15%
Net Profit	524	551	607
EPS (₹)	5.05	5.37	5.98
RoE (%)	17.1%	14.8%	15.3%
RoCE (%)	13%	15%	15%
P/E (x)	13.7	12.8	11.5
EV/EBITDA (x)	3.9	7.4	8.4

2nd March 2023

CMP – 69/-

View – Accumulate

Key Risks

- Slower than expected demand recovery in its key markets
- Delay in capex implementation could impact financials of company

View

On QoQ basis EBITDA margin increased by 491 bps and for home textile margin increased by 539 bps. Increase in margin are mainly due to operational efficiencies achieved due to reduction in cotton & freight cost. Also company's Net Debt stood at ₹1,909Cr vs. ₹2,542Cr (Dec 2021), reduction of ₹633Cr YoY. Net debt /equity stood at 0.48x vs 0.65x (Dec'21)

The textile sector is on a path of recovery with prices of cotton softening 41% from last year's high of ₹50,530 per bale to ₹29,910 per bale. Further we believe improved capacity utilisations and better operating efficiencies demand rebound would act as tailwinds to the sector. FTAs with UK/EU over time coupled with US ban on Xinjiang imports and market share gain on China+1 theme could likely increase the addressable market size, boding well for the company.

The company plans to deepen its reach in the domestic market by tapping smaller cities through franchise model. It has enhanced its store count to over 10,600 by opening 1,000 stores in the last quarter and targets to reach 50,000 by FY26 and with signing of licensing agreement with Disney for UK+EU markets, the company is further strengthening brand portfolio and increasing footprint across global consumers.

At CMP of ₹69, the stock trades at a P/E of ~57x. We recommend investors to Accumulate the stock.

Consolidated Financial Highlights

(₹ Cr)

Consolidated (in cr)	Q3FY23	Q3FY22	VAR [%]	Q2FY23	VAR [%]	9MFY23	9MFY22	VAR [%]
Net Sales	1,869.2	2,418.2	-22.7%	2,113.5	-11.6%	5,939.9	7,084.4	-16.2%
Other Income	34.9	19.8	76.7%	23.1	50.9%	79.8	45.9	73.9%
TOTAL INCOME	1,904.1	2,438.0	-21.9%	2,136.6	-10.9%	6,019.6	7,130.3	-15.6%
Raw Material Consumed	941.7	1,122.2	-16.1%	1,120.8	-16.0%	3,135.6	3,342.5	-6.2%
Purchase of stock in trade	7.6	264.6	-97.1%	76.8	-90.2%	180.0	680.9	-73.6%
Stock Adjustment	7.4	(32.9)	-122.4%	37.2	-80.2%	21.5	(240.7)	-108.9%
<i>RMC as a %age of sales</i>	<i>51%</i>	<i>56%</i>		<i>58%</i>		<i>56%</i>	<i>53%</i>	
Employee Expenses	199.5	220.4	-9.5%	201.4	-1.0%	594.2	668.2	-11.1%
<i>EPC as a %age of sales</i>	<i>10.5%</i>	<i>9.0%</i>		<i>9.4%</i>		<i>9.9%</i>	<i>9.4%</i>	
Other Expenses	519.4	533.2	-2.6%	548.7	-5.3%	1,534.6	1,501.2	2.2%
<i>Other Expenses as a %age of sales</i>	<i>27.3%</i>	<i>21.9%</i>		<i>25.7%</i>		<i>25.5%</i>	<i>21.1%</i>	
TOTAL EXPENDITURE	1,675.5	2,107.4	-20.5%	1,984.9	-15.6%	5,465.8	5,952.1	-8.2%
EBIDTA	193.7	310.8	-37.7%	128.5	50.7%	474.0	1,132.3	-58.1%
<i>EBITDA Margins %</i>	<i>10.4%</i>	<i>12.9%</i>		<i>6.1%</i>		<i>8.0%</i>	<i>16.0%</i>	
Interest	35.9	20.8	72.6%	28.4	26.4%	96.6	105.0	-8.0%
PBDT	192.7	309.7	-37.8%	123.3	56.3%	457.2	1,073.2	-57.4%
Depreciation	114.2	106.7	7.0%	109.5	4.3%	328.6	309.0	6.3%
Minority Interest Before NP			-		-			-
PBT before share of associates & Exceptional Item	78.5	203.0	-61.3%	13.8	471.1%	128.6	764.2	-83.2%
Share of (Loss) of associates	0.0	0.0		0.1		0.2	(0.1)	
Exceptional items		35.9	-100.0%	0.0	-			-
PBT	78.5	167.1	-53.0%	13.7	473.9%	128.4	764.2	-83.2%
Tax	34.7	36.0	-3.6%	5.5	533.2%	55.2	208.6	-73.5%
<i>Tax Rate</i>	<i>44.2%</i>	<i>17.7%</i>		<i>39.9%</i>		<i>42.9%</i>	<i>27.3%</i>	
Reported Profit After Tax	43.8	131.1	-66.6%	8.2	434.3%	73.2	555.6	-86.8%
<i>PATM %</i>	<i>2.3%</i>	<i>5.4%</i>		<i>0.4%</i>		<i>1.2%</i>	<i>7.8%</i>	
Other Comprehensive Income	19.8	12.0		(16.4)		(24.6)	2.8	
Total Comprehensive Income	63.6	143.1	-55.5%	(8.2)	-876.8%	48.6	558.4	-91.3%
Basic:								
EPS	0.44	1.33	-66.6%	0.08	434.3%	0.74	5.62	-86.8%
Equity	98.8	98.8		98.8		98.8	98.8	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company Filing, Way2wealth Research

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Segmental Financial Highlights

	Q3FY23	Q3FY22	VAR	Q2FY23	VAR	9MFY23	9MFY22	VAR
REVENUES								
Revenue from Operations	1,925.9	2,441.7	-21.1%	2,171.0	-11.3%	6,118.4	7,190.0	-14.9%
Home Textile	1,757.5	2,250.8	-21.9%	2,011.4	-12.6%	5,621.0	6,718.1	-16.3%
<i>% Mix</i>	<i>91.3%</i>	<i>92.2%</i>		<i>92.6%</i>		<i>91.9%</i>	<i>93.4%</i>	
Flooring	168.4	190.9	-11.8%	159.6	5.5%	497.4	471.9	5.4%
<i>% Mix</i>	<i>8.7%</i>	<i>7.8%</i>		<i>7.4%</i>		<i>8.1%</i>	<i>6.6%</i>	
Power	-	-	-	-	-	-	-	-
<i>% Mix</i>	<i>0.0%</i>	<i>0.0%</i>		<i>0.0%</i>		<i>0.0%</i>	<i>0.0%</i>	
Shrimp Hatchery	0.00	0.00		0.00		0.00	0.00	
<i>%Mix</i>								
Less : Inter Segment Revenues	56.8	23.5	141.6%	57.5	-1.3%	178.5	105.6	69.0%
Total Segment Revenue	1,869.1	2,418.2	-22.7%	2,113.5		5,939.9	7,084.4	-16.2%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	1,869.1	2,418.2	-22.7%	2,113.5	-11.6%	5,939.9	7,084.4	-16.2%
PROFIT								
Profit/Loss Before Dep, Interest and Tax	209.3	322.9	-35.2%	131.8	58.8%	514.8	1,159.2	-55.6%
<i>Margin %</i>	<i>10.9%</i>	<i>13.2%</i>		<i>6.1%</i>		<i>8.4%</i>	<i>16.1%</i>	
Home Textile	206.2	312.6	-34.0%	127.6	61.6%	505.4	1,170.7	-56.8%
<i>Margin %</i>	<i>11.7%</i>	<i>13.9%</i>		<i>6.3%</i>		<i>9.0%</i>	<i>17.4%</i>	
Flooring	3.1	10.3	-70.3%	4.2	-27.3%	9.4	(11.5)	-181.7%
<i>Margin %</i>	<i>1.8%</i>	<i>5.4%</i>		<i>2.6%</i>		<i>1.9%</i>	<i>-2.4%</i>	
Add: Other Income	19.0	7.5	152.3%	19.8	-4.2%	38.9	18.9	105.8%
Net Profit/Loss Before Int, Dep & Tax	228.3	330.5	-30.9%	151.7	50.5%	553.7	1,178.1	-53.0%
Profit Before Tax	59.22	159.54	-62.9%	-6.02	-1083.7%	89.73	745.15	-88.0%
Home Textile	79.18	146.36	-45.9%	12.98	510.0%	147.51	798.25	-81.5%
<i>Margin %</i>	<i>4.5%</i>	<i>6.5%</i>		<i>0.6%</i>		<i>2.6%</i>	<i>11.9%</i>	
Flooring	-19.96	13.18	-251.4%	-19	5.1%	-57.78	-53.1	8.8%
<i>Margin %</i>	<i>-12%</i>	<i>7%</i>		<i>-12%</i>		<i>-12%</i>	<i>-11%</i>	

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Welspun India Ltd. as on March 2nd, 2023

Name of the Security	Welspun India Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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