

02nd August 2023

CMP – 115/-

View – **Accumulate**
Q1FY24 Performance

Company has achieved highest EBITDA margin in last seven quarters, clocking 14.2% in Q1, nearly doubling. With the relatively increased order inflows from big box retailers with de-stocking being over at their and company have recorded revenue growth of 12% for Q1FY24. Similarly all emerging business are also on a growth path with Flooring business growing by 33%.

Textile business revenue at ₹2038Cr grew 10.0% YoY and Flooring business revenue at ₹225Cr grew 32.9% YoY

Home textile/flooring EBITDA margins rose sharply by 606bp/688bp YoY. The company highlighted that demand revival shall likely be seen from H2FY24 led by re-stocking from large retailers ahead of festive season

Domestic consumer brand Welspun continued to be the most widely distributed Home Textile brand in the India with presence in 500+ towns and 13,265+ outlets (up by 2092 in Q1), a reach not hitherto achieved by any home textile player in India.

The company has cautiously guided for 10% annualised sales growth in FY24E with potential EBITDA margin of 15%.

EBITDA increased by 104% Y-o-Y to ₹311Cr while reported PAT grew 6.6x Y-o-Y to ₹163Cr. Net Debt stood at ₹1,815Cr vs. ₹1,534Cr (Mar'23), reduction of ₹695Cr YoY.

Key Con-Call Highlights

- Advance Textile Business grew by 11% YoY. Innovation Sales grew by more than 100% YoY
- Gross margins grew 566bp YoY/177bp QoQ to 47% in Q1 led by lower cotton and freight cost. The company reported its highest EBITDA margins over the past seven quarters. EBITDA margins grew 647bp YoY/129bp QoQ to 14% on higher operational leverage.
- Flooring Business grew by 33% YoY in Q1FY 24 to reach highest ever revenue of ₹225Cr. EBITDA of Flooring Business in Q1FY24 is ₹183Cr at 8.1% margin. Home textile EBITDA grew 82% YoY to ₹312Cr and margins grew 606bp YoY/80bp QoQ to 15.3%.
- In Q1FY24 the company has spent ₹57.1Cr towards Capex, mainly towards the setup of 30 MW Solar Power plant at Anjar facility
- All three Cs (Cotton, Container, and Customer) to a large extent have corrected to pre-Covid-19 levels and coal prices (the 4th C) has also started correcting.
- Net Debt stood at ₹1,815Cr vs. ₹1,534Cr (Mar'23), reduction of ₹695Cr YoY. This was majorly working capital debt led by inventory build-up ahead of the upcoming festive season. The company is confident that it would easily reach its net debt forecast of ₹10bn by FY24. During Q1FY24 the company paid out of ₹240Cr (incl. tax of ₹45Cr) towards buyback.
- Board has approved the Merger of Welspun Flooring Limited and other subsidiaries with Welspun India Limited subject to NCTL approval

Important Statistics

Mcap (₹ Cr)	₹11,176
52 Week H/L (₹)	116/62
NSE Code	WELSPUNIND
BSE Code	514162

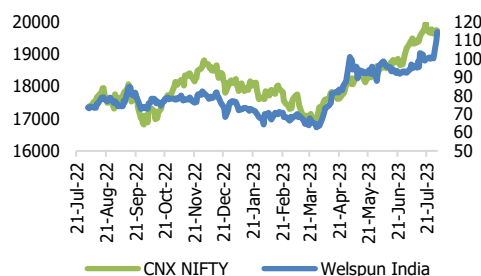
Shareholding pattern (%) Jun'23

Promoter Holding	70.5
FII	06.4
DII	05.7
Public	17.4

Financials

Particulars	FY21	FY22	FY23
Revenues	7340	9311	8094
EBITDA	1352	1362	753
EBITDA Margin (%)	18%	15%	9%
Net Profit	551	607	203
EPS (₹)	5.37	6.06	2.02
RoE (%)	14.8	15.1	4.9
RoCE (%)	17.9	17.0	7.2
P/E (x)	21.3	18.9	56.9
EV/EBITDA (x)	7.4	8.4	9.8

Source: Company, Way2wealth

Relative Performance


Source: Company, Way2wealth

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Key Risks

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

View

The company has cautiously guided for 10% annualised sales growth in FY24E with potential EBITDA margin of 15%. Q1FY24 delivered sequentially higher margins and continuing the trend since last few quarters.

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

At CMP of ₹115, the stock trades at a P/E of ~37x to TTM EPS of ₹3.03. We recommend investors to Accumulate the stock.

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View – Accumulate

Consolidated Financial Highlights

(₹ Cr)

	Q1FY24	Q1FY24	VAR	Q4FY23	VAR	FY23
Sales	2,184.05	1,957.25	11.6%	2,154.00	1.4%	8,094.00
Other Income	30.81	21.74		41.6		121.3
Total Income	2,214.9	1,979.0	11.9%	2,195.6	0.9%	8,215.3
Total Expenditure	1154.75	1145.61	0.8%	-	-	0
Raw Material Consumed	1200.19	1073.15	11.8%	882.7	36.0%	4,018.30
Purchase of stock in trade	63.91	95.58	-33.1%	21.6		201.5
Stock Adjustment	-109.35	-23.12	373.0%	272.7	-140.1%	294.2
<i>RMC as a %age of sales</i>	<i>52.87%</i>	<i>58.53%</i>	<i>-9.7%</i>	<i>54.60%</i>	<i>-3.2%</i>	<i>55.80%</i>
Employee Expenses	226.12	193.32	17.0%	200.1	13.0%	794.4
<i>EPC as a %age of sales</i>	<i>10.35%</i>	<i>9.88%</i>		<i>9.30%</i>		<i>9.80%</i>
Other Expenses	492.54	466.51	5.6%	498.2	-1.1%	2,032.80
<i>Other Expenses as a %age of sales</i>	<i>22.55%</i>	<i>23.83%</i>		<i>23.10%</i>		<i>25.10%</i>
Total Expenditure	1,873.41	1,805.44	3.8%	1,875.30	-0.1%	7,341.20
EBIDTA	310.64	151.81		278.7		752.8
<i>EBIDTA Margins %</i>	<i>14.22%</i>	<i>7.76%</i>	<i>83.4%</i>	<i>12.90%</i>	<i>10.3%</i>	<i>9.30%</i>
Interest	25.83	32.3		33.3		129.9
PBDT	315.62	141.25	123.4%	287	10.0%	744.3
Depreciation	99.41	104.94	-5.3%	113.5	-12.4%	442.1
Profit before share of associates	216.21	36.31		173.5		302.1
Share of Associate's Net Profit/(Loss)	-0.23	0.06		-0.1		
PBT	215.98	36.37		173.40		
Tax	53.25	15.01	254.8%	44.2	20.5%	99.4
<i>Tax Rate</i>	<i>25.50%</i>	<i>25.50%</i>	<i>0.0%</i>	<i>25.50%</i>	<i>0.0%</i>	<i>32.90%</i>
Reported Profit After Tax	162.96	21.30	665.1%	129.3	26.0%	202.7
PATM %	7.46%	1.09%	585.6%	6.00%	24.4%	2.50%
Basic:						
EPS	1.65	0.22	665.1%	1.31	26.0%	2.1
Equity	98.8	98.8	0.0%	98.8	0.0%	98.8
Face Value	1	1	0.0%	1	0.0%	1

Source: Company, Way2wealth

Segmental Performance

(₹ Cr)

	Q1FY24	Q1FY23	VAR	Q4FY23	VAR	FY23
REVENUES						
Revenue from Operations	2,262.7	2,021.4	11.9%	2,225.4	1.7%	8,343.8
Home Textile	2,037.6	1,852.1	10.0%	2,017.1	1.0%	7,638.1
<i>% Mix</i>	<i>90.1%</i>	<i>91.6%</i>		<i>90.6%</i>		<i>91.5%</i>
Flooring	225.1	169.4	32.9%	208.3	8.1%	705.7
<i>% Mix</i>	<i>9.9%</i>	<i>8.4%</i>		<i>9.4%</i>		<i>8.5%</i>
Less : Inter Segment Revenues	78.6	64.2	22.5%	71.5	10.0%	250.0
Net Revenue from Operations	2,184.1	1,957.3	11.6%	2,153.9	1.4%	8,093.8
PROFIT						
Profit/Loss Before Dep, Interest and Tax	330.6	173.7	90.3%	301.8	9.6%	816.6
<i>Margin %</i>	<i>14.6%</i>	<i>8.6%</i>		<i>13.6%</i>		<i>9.8%</i>
Home Textile	312.3	171.6	82.0%	293.0	6.6%	798.4
<i>Margin %</i>	<i>15.3%</i>	<i>9.3%</i>		<i>14.5%</i>		<i>10.5%</i>
Flooring	18.3	2.1	766.8%	8.7	109.3%	18.1
<i>Margin %</i>	<i>8.1%</i>	<i>1.2%</i>		<i>4.2%</i>		<i>2.6%</i>
Add: Other Income	10.9	(0.2)	-6881.3%	18.3	-40.8%	57.3
Net Profit/Loss Before Int, Dep & Tax	341.5	173.6	96.7%	320.1	6.7%	873.9

Source: Company, Way2wealth

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Disclosure of Interest Statement Welspun India Ltd. as on August 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
Way2Wealth ownership of any stock related to the information contained	NIL
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