

5th February 2024

CMP – ₹156.80/-

View – Accumulate on Dips

Q3FY24 Performance

The company reported ~4% QoQ declined in net sales to ₹2411cr and grew ~29% y-o-y. Domestic Consumer Business grew by 10.5% YoY and stood at ~172cr in Q3FY24 (Highest ever quarterly revenue)

EBITDA for Q3FY24 up 67.1% YoY at ₹339cr and declined 5% QoQ and margin stood at ~14%.

PAT for Q3FY24 is ₹179cr grew more than 3x YoY and declined ~10% QoQ.

Home textile revenue grew ~28% YoY and declined QoQ by 4.3% to ₹2252cr while flooring business increased ~46% YoY and 1.5% QoQ to ₹246cr. Home textile business reported EBITDA of ₹347cr with margins at 15.4% during Q3. Flooring business reported EBITDA of ₹20cr in Q3 with EBITDA margin of 8%. Bath Linen capacity utilisation decreased to 84% vs 93% in 2Q, Bed Linen capacity utilisation decreased to 59% vs 81% 2Q while Rugs and carpets utilisation came at 87% vs 98% in 2Q

The company remains cautiously optimistic about operating performance in Q4 due to on-going red sea crisis company is witnessing increased turn time and container cost for East coast and Europe

Management has revised its guidance to 15% growth in top line (earlier target was ~12%) with an EBITDA margin of 15% for FY24.

Important Statistics

Nifty	21,854
Sensex	72,086
Mcap (₹ Cr)	₹15,165
52 Week H/L (₹)	172/62
NSE Code	WELSPUNIND
BSE Code	514162
Bloomberg Code	WLSI:IN

Shareholding pattern (%) Dec'23

Promoter Holding	70.5
FII	07.3
DII	05.3
Public	15.9

Key Con-Call Highlights

- Despite continued challenging global economic environment, the company has reported highest ever Q3 revenues, growing by 29%, with sustainable and consistent profitability in the last four quarters.
- The expected interest rate cut in 2024 and controlled inflation in US are positive signs, however, the increasing geo-political tensions across the borders leading to issues like Red Sea, may impact costs and demand, going forward.
- Flooring business also continues to reach newer heights and yet again reported its highest ever quarterly revenue in Q3, with sustained profits. Overall emerging businesses of domestic consumer, global brands, and advanced textiles & flooring grew 21% YoY and its contribution has significantly increased to 32% of the total revenue
- Retail market has remained subdued after the festive season, domestic consumer business recorded its highest ever quarterly revenue growing by 10% YoY. The brand 'Welspun' continues to be the most widely distributed Home Textile brand in the country with presence in 600+ towns and 17,000+outlets and brand recall for 'Spaces' & 'Welspun' has jumped substantially to 80% and 50% respectively for target audience, thereby leading in Premium & Mass HT category.
- The Board has approved an investment of ₹326cr for a new 6,400 MTPA Jacquard Towel facility at Anjar, expanding range to fashion and beach towels. This facility is expected to be operational by Q3FY25 and also approved an investment of US\$12.5 mn in setting up a 6.7mn Pillow manufacturing facility (to be operational by Q2FY25) at Ohio, USA for tapping into onshore opportunities, nearer to customers.
- Capacity utilisations dropped to ~70-80% levels in 3Q vs 85-90% in 2Q. Net Debt stood at ₹1542cr as on 31st December 2023 lower by ₹32cr as against the previous quarter. FTA with the UK will bode well for the company as the UK commands ~10% of the home textile demand along with high consumption.

Financials

(₹ cr)			
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)	29.2	25.9	77.6

Source: Company, Way2wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Welspun India	121	127	198
Nifty 50	23	46	98
Sensex	19	42	95

Source: Company, Way2wealth

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 View – **Accumulate on Dips**
Key Risks

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

View

Despite continued challenging global economic environment, the company has reported highest ever Q3 revenues, growing by 29% YoY. The expected interest rate cut in 2024 and controlled inflation in US are positive signs, however, the increasing geo-political tensions across the borders leading to issues like Red Sea, may impact costs and demand, going forward.

The company remains cautiously optimistic about operating performance in Q4 due to on-going red sea crisis company is witnessing increased turn time and container cost for East coast and Europe. However the management has revised its guidance to 15% growth in top line (earlier target was ~12%) with an EBITDA margin of 15% for FY24.

The stock has also witnessed a rise in inflows from the foreign institutional investors (FIIs). In recent months, FIIs have steadily increased their ownership in the company. The quarter ending December 2023 reveals that FIIs has increased their from 6.33% to 7.25%.

FTAs with UK/EU over time coupled with US ban on Xinjiang imports, relatively subdued cotton price outlook and market share gain on China+1 theme could likely increase the addressable market size, boding well for the company

At CMP of ₹156.80, the stock trades at a P/E of ~32.2x to TTM EPS of ₹5.1. We recommend investors to accumulate the stock on dips.

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Consolidated Financial Highlights

(₹ Cr)

Particulars	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Sales	2,410.87	1,869.15	29.0%	2,509.08	-3.9%	7,104.00	5,939.86	19.6%
Other Income	43.01	34.9		33.29		107.11	79.77	
Total Income	2,453.9	1,904.1	28.9%	2,542.4	-3.5%	7,211.1	6,019.6	19.8%
Total Expenditure	1232.31	956.58	28.8%	1343.38	-8.3%	3730.44	3337.01	11.8%
Raw Material Consumed	1290.17	941.65	37.0%	1376.34	-6.3%	3,866.70	3,135.55	23.3%
Purchase of stock in trade	40	7.55	429.8%	63.21		167.12	179.96	-7.1%
Stock Adjustment	-97.86	7.38	-1426.0%	-96.17	1.8%	-303.38	21.50	-1511.1%
<i>RMC as a %age of sales</i>	<i>51.11%</i>	<i>51.18%</i>	<i>-0.1%</i>	<i>53.54%</i>	<i>-4.5%</i>	<i>52.51%</i>	<i>56.18%</i>	<i>-6.5%</i>
Employee Expenses	268.08	199.47	34.4%	257.37	4.2%	751.57	594.23	26.5%
<i>EPC as a %age of sales</i>	<i>11.12%</i>	<i>10.67%</i>		<i>10.26%</i>		<i>10.58%</i>	<i>10.00%</i>	
Other Expenses	571.6	519.41	10.0%	550.33	3.9%	1,614.47	1,534.60	5.2%
<i>Other Expenses as a %age of sales</i>	<i>23.71%</i>	<i>27.79%</i>		<i>21.93%</i>		<i>22.73%</i>	<i>25.84%</i>	
Total Expenditure	2,071.99	1,675.46	23.7%	2,151.08	-3.7%	6,096.48	5,465.84	11.5%
EBIDTA	338.88	193.69	75.0%	358.00	-5.3%	1,007.52	474.02	112.5%
<i>EBIDTA Margins %</i>	<i>14.06%</i>	<i>10.36%</i>	<i>35.6%</i>	<i>14.27%</i>	<i>-1.5%</i>	<i>14.18%</i>	<i>7.98%</i>	<i>77.7%</i>
Interest	41.93	35.91		33.84		101.60	96.61	
PBDT	339.96	192.68	76.4%	357.45	-4.9%	1,013.03	457.18	121.6%
Depreciation	100.35	114.16	-12.1%	98.5	1.9%	298.26	328.61	-9.2%
Profit before share of associates	239.61	78.52		258.95		714.77	128.57	
Share of Associate's Net Profit/(Loss)	0.09	0.02		0.20		0.06	0.15	
PBT	239.70	78.54		259.15		714.83	128.72	
Tax	60.63	34.71	74.7%	58.74	3.2%	172.62	55.20	212.7%
Reported Profit After Tax	178.98	43.81	308.5%	200.21	-10.6%	542.15	73.37	638.9%
<i>PATM %</i>	<i>7.42%</i>	<i>2.34%</i>	<i>216.7%</i>	<i>7.98%</i>	<i>-7.0%</i>	<i>7.63%</i>	<i>1.24%</i>	<i>517.8%</i>
			-		-			-
Basic:								
EPS	1.81	0.44	308.5%	2.03	-10.6%	5.49	0.74	638.9%
Equity	98.8	98.8	0.0%	98.8	0.0%	98.8	98.8	0.0%
Face Value	1	1	0.0%	1	0.0%	1	1	0.0%

Source: Company, Way2wealth

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	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
REVENUES								
Revenue from Operations	2,497.7	1,925.9	29.7%	2,594.9	-3.7%	7,355.3	6,118.3	20.2%
Home Textile	2,251.4	1,757.5	28.1%	2,352.3	-4.3%	6,641.3	5,621.0	18.2%
% Mix	90.1%	91.3%		90.7%		90.3%	91.9%	
Flooring	246.3	168.4	46.3%	242.6	1.5%	714.0	497.4	43.6%
% Mix	9.9%	8.7%		9.3%		9.7%	8.1%	
Power	-	-	#DIV/0!	-	#DIV/0!	-	-	#DIV/0!
% Mix	0.0%	0.0%		0.0%		0.0%	0.0%	
Shrimp Hatchery	0.00	0.00		0.00		0.00	0.00	
%Mix						-	-	
Less : Inter Segment Revenues	86.8	56.8	53.0%	85.8	1.2%	251.3	178.5	40.8%
Total Segment Revenue	2,410.9	1,869.1	29.0%	2,509.1		7,104.0	5,939.8	19.6%
PROFIT								
Profit/Loss Before Dep, Interest and Tax	381.9	228.6	67.1%	379.5	0.6%	1,091.9	534.1	104.4%
Margin %	0.152888	0.118693		0.146229		0.148453	0.087297	
Home Textile	347.0	206.2	68.3%	359.4	-3.4%	1,018.7	505.4	101.6%
Margin %	15.4%	11.7%		15.3%		15.3%	9.0%	
Flooring	20.0	3.1	550.8%	20.1	-0.5%	58.4	9.4	520.7%
Margin %	8.1%	1.8%		8.3%		8.2%	1.9%	
Power	-	-	0.0%	-	#DIV/0!	-	-	0.0%
Margin %	#DIV/0!	#DIV/0!		#DIV/0!		#DIV/0!	#DIV/0!	
Add: Un- allocable Income net of Un-allocable Expenses	14.91	19.31	-22.8%	0.00		14.9	19.3	-22.8%
Margin %	3.9%	8.4%		0.0%		1.4%	3.6%	
Net Profit/Loss Before Int, Dep & Tax	381.9	228.6	67.1%	391.3	-2.4%	1,114.6	553.8	101.3%

Source: Company, Way2wealth

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Disclosure of Interest Statement Welspun Living Ltd. as on February 5th, 2024

Name of the Security	Welspun Living 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
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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