

5th May 2023

CMP – 99.4/-

View – **Accumulate**
Q4FY23 Performance

A relatively higher order flows from retailers and a stellar performance from all emerging businesses resulted in a QoQ revenue growth of 15% in Q4FY23.

Domestic business reaching newer heights with a 31% Growth in FY23.

Consolidated EBITDA margin expanded from 10.4% to 12.9% QoQ in Q4FY23 due to operational efficiencies achieved due to reduction in cotton & freight cost.

The company is progressing towards making 'Har Ghar Welspun' a reality with continued focus and investment in domestic consumer business as well as in building global brands. On cost side, company have seen a marked reduction in cotton prices and ocean freights have levelled to about pre-pandemic levels. Coupled with this, sharp focus on value engineering and cost rationalisation, resulted in better bottom line, with the highest EBITDA % in last six quarters

EBITDA increased by 23% Y-o-Y to ₹279Cr while reported PAT improved by 153% Y-o-Y to ₹129Cr on account of higher other income and lower tax expenses. Net Debt stood at ₹1,534Cr vs. ₹2,229Cr (FY22), reduction of ₹695Cr YoY

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.

In FY23, revenues decreased by 13% y-o-y to ₹8,09Cr; EBIDTA margins declined by 529 bps y-o-y to 9.3% and PAT fell by 67% y-o-y to ₹202.5Cr on account of weak demand environment and higher input and freight cost. The management expects gradual recovery in the export demand

Important Statistics

Mcap (₹ Cr)	₹9,821
52 Week H/L (₹)	105/62
NSE Code	WELSPUNIND
BSE Code	514162

Shareholding pattern (%) Mar'23

Promoter Holding	70.4
FII	05.8
DII	05.7
Public	18.1

Key Con-Call Highlights

- Emerging business grew by 17% QoQ & 24% YoY in Q4FY23, contributing 34% of total sales in FY 23 vs.26% in FY 22. Advance textile business grew by 43% YTD.
- The company registered significant growth of 31% YoY in domestic consumer business with revenue of ₹ 5,502 mn. In FY23 'Welspun' brand is growing at 33% and it remains the highest distributed home textile brand in the country. Domestic consumer business' share in the overall revenues of the company has more than doubled from 3.7% in FY21 to 7.7% in FY23
- Branded business as % of overall business has grown from 16% in FY22 to 22% in FY23. Branded portfolio crosses \$100mn this quarter. Licensed brands have grown 27% and domestic own brands have grown 28% YoY on YTD basis
- Licensed brands have grown 65% and domestic own brands have grown 22% YoY on YTD basis
- Capacity utilisation for bed-linen, rugs & carpet and flooring business improved on q-o-q. Fall in the cotton prices and better mix aided the gross margins to improve by 424 bps y-o-y to 45.4%.
- All expansion projects now being over, any fresh capital outlays would only be towards setting up renewable energy facilities, in line with journey towards carbon neutrality. As informed last quarter, the company is planning to establish a 30MW Solar Power plant at its Anjar facility with an investment of

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	5.98	1.98
RoE (%)	14.80	15.13	4.86
RoCE (%)	17.98	17.03	7.21
P/E (x)	18.60	16.70	50.45
EV/EBITDA (x)	7.44	8.43	9.81

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₹2bn. The power plant should be operational by Q2FY24. In FY23 the company spent ₹275Cr towards Capex.

- Home textile revenue decreased 14.8% QoQ to ₹2017Cr and flooring business increased 23.7% QoQ to ₹208Cr. Home textile margins expanded QoQ from 279 bps to 14.5%. Flooring business EBITDA margin expanded QoQ 237 bps to 4.2%. Increase in margin are mainly due to operational efficiencies achieved due to reduction in cotton & freight cost.
- The management is cautiously optimistic on the near-term outlook and expects a gradual rise in order bookings amid inflationary pressures in the US & Europe. It targets 10-12% revenue growth and EBITDA margins to improve to 15% in FY2024.
- Average cotton cost during Q4FY23 was ₹65,000 per candy, as compared to ₹69,000 per candy in Q3FY23
- Board has approved Buyback for an amount of ₹195Cr at a price of ₹120 per share and announced dividend at ₹0.10 per share

Key Risks

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

View

FY23, though a challenging year due to historical high input costs and demand slowdown in key global markets, ended with a positive note with all the businesses showing improved performance in Q4FY23.

With cotton and freight costs reducing, the company expects the EBITDA margins to improve sequentially in the coming quarters. The management has also indicated that the company will continue to bring down its net debt position and aims to achieve net debt-zero by FY25. Further we believe improved capacity utilisations, lowering of domestic cotton premium over international prices, and 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

At CMP of ₹99.4, the stock trades at a P/E of ~64.5x. We recommend investors to Accumulate the stock.

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Consolidated Financial Highlights

(₹ Cr)

	Q4FY23	Q4FY22	YOY	Q3FY23	QOQ	FY23	FY22	YOY
Sales	2,154.0	2,227.0	-3.3%	1,869.0	15.2%	8,094.0	9,311.0	-13.1%
Other Income	41.6	20.0	108.2%	34.9	19.1%	121.3	65.8	84.3%
Total Income	2,195.6	2,247.0	-2.3%	1,903.9	15.3%	8,215.3	9,376.8	-12.4%
Raw Material Consumed	882.7	1,019.4	-13.4%	941.7	-6.3%	4,018.3	4,361.9	-7.9%
Purchase of stock in trade	21.6	174.9	-87.7%	7.6	185.6%	201.5	855.8	-76.5%
Stock Adjustment	272.7	117.1	132.9%	7.4	3595.0%	294.2	(123.6)	-338.0%
<i>RMC as a %age of sales</i>	<i>54.6%</i>	<i>58.9%</i>		<i>51.2%</i>		<i>55.8%</i>	<i>54.7%</i>	
Employee Expenses	200.1	198.5	0.8%	199.5	0.3%	794.4	866.7	-8.3%
<i>EPC as a %age of sales</i>	<i>9.3%</i>	<i>8.9%</i>		<i>10.7%</i>		<i>9.8%</i>	<i>9.3%</i>	
Other Expenses	498.2	490.8	1.5%	519.4	-4.1%	2,032.8	1,992.0	2.1%
<i>Other Expenses as a %age of sales</i>	<i>23.1%</i>	<i>22.0%</i>		<i>27.8%</i>		<i>25.1%</i>	<i>21.4%</i>	
Total Expenditure	1,875.3	2,000.6	-6.3%	1,675.5	11.9%	7,341.2	7,952.8	-7.7%
EBIDTA	278.7	226.4	23.1%	193.5	44.0%	752.8	1,358.3	-44.6%
EBIDTA Margins %	12.9%	10.2%		10.4%		9.3%	14.6%	
Interest	33.3	26.3	26.6%	35.9	-7.4%	129.9	131.3	-1.0%
PBDT	287.0	220.1	30.4%	192.5	49.1%	744.3	1,292.8	-42.4%
Depreciation	113.5	111.5	1.9%	114.2	-0.6%	442.1	420.5	5.2%
PBT	173.5	108.6	59.7%	78.3	121.4%	302.1	872.4	-65.4%
Tax	44.2	57.7	-23.3%	34.7	27.4%	99.4	266.3	-62.7%
<i>Tax Rate</i>	<i>25.5%</i>	<i>53.1%</i>		<i>44.3%</i>		<i>32.9%</i>	<i>30.5%</i>	
Reported Profit After Tax	129.3	51.0	153.7%	43.6	196.2%	202.7	606.1	-66.6%
PATM %	6.0%	2.3%		2.3%		2.5%	6.5%	
Basic:								
EPS	1.3	0.5	153.7%	0.4	196.2%	2.1	6.1	-66.6%
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 Details	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ	FY23	FY22	YoY
Home Textile								
Revenue	20,171	20,730	(2.7%)	17,575	14.8%	76,381	87,911	(12.1%)
EBITDA	2,930	2,404	21.9%	2,062	42.1%	7,984	14,111	(38.9%)
EBITDA Margin (%)	14.5%	11.6%	293 bps	11.7%	279 bps	10.5%	16.1%	(458 bps)
Flooring								
Revenue	2,083	1,892	10.07%	1,684	23.7%	7,057	6,611	6.7%
EBITDA	87	(29)		31	184.7%	181	(143)	
EBITDA Margin (%)	4.2%	(1.5%)	570 bps	1.8%	237 bps	2.6%	(2.2%)	474 bps

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Welspun India Ltd. as on May 5th, 2023

Name of the Security	Welspun India Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained Financial Interest	NIL
Analyst :	
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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