

30th October 2023

CMP – 146/-

View – **Accumulate on Dip**
Q2FY24 Performance

Consolidated revenue grew (highest ever quarterly revenue) by ~19% y-o-y to ₹2509 crs, driven by 17% y-o-y growth in the textile business and 52% y-o-y growth in the flooring business (contributes ~10% to consolidated revenue).

The decline in cotton prices and improvement in capacity utilization led to a 490 bps y-o-y in gross margins. This along with better operating efficiencies led to 819 bps improvement in EBITDA margin to 14.3%. Reported PAT grew by 25x y-o-y to ₹200crs.

Home textile/flooring EBITDA margins rose sharply by 900bps/570bps YoY. The company highlighted that demand revival shall likely be seen from H2FY24 led by re-stocking from large retailers ahead of festive season.

The company remains cautiously optimistic about 2HFY24 due to the war situation in the Middle East and its direct/ indirect impact.

Management has maintained its guidance of 10%–12% growth in top line with an EBITDA margin of 15% for FY24.

Important Statistics

Mcap (₹ Cr)	₹14,188
52 Week H/L (₹)	157/62
NSE Code	WELSPUNIND
BSE Code	514162

Shareholding pattern (%) Sep'23

Promoter Holding	70.5
FII	06.3
DII	05.9
Public	17.4

Key Con-Call Highlights

- With the relatively increased order inflows from big box retailers with de-stocking being over at their and company have recorded revenue growth of 19% for Q2FY24. Similarly all emerging business are also on a growth path with flooring business growing by 52% YoY.
- Despite the challenging retail environment, Welspun's Domestic Consumer business continued strengthening its leadership position with expansion in newer areas adding more outlets to reach 15,500+ outlets across India.
- The company witnessed increased order flows from US due to festive demand, aided by a relatively larger market share of home textile in US. Export revenues for Welspun saw a growth of 22% YoY, with innovation products driving the sales with a growth of 67% YoY.
- Flooring business achieved record revenues of ₹243crs, growing by a 52% YoY. The plant reached a capacity utilization of 63% during the quarter. EBITDA also continued to grow reaching 8.3% in Q2FY24 on the back of increased revenues and better operating leverage.
- Overall Branded Business grew by 15% YoY and stood at ₹3,810mn in Q2FY24
- 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.
- Annualised ROCE has improved substantially to 14.6% from 5.7% last year
- Net Debt stood at ₹1,573crs vs. ₹1,815crs (Jun'23), reduction of ₹249crs 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.
- FTA with the UK will bode well for the company as the UK commands 10% of the home textile demand along with high consumption. Orders will kick in within six months of FTA.

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)	27.2	24.1	72.3
EV/EBITDA (x)	7.4	8.4	9.8

Source: Company, Way2wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Welspun India	86%	28%	20%
Nifty 50	7.3%	63.9%	87.1%
Sensex	6.6%	61.4%	88.7%

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 reported the best-ever quarterly revenue in 2QFY24 on account of higher capacity utilization across products as the company witnessed increased order flows from the US as company has relatively larger market share of its home textile in the US. The company also highlighted that the demand revival shall likely be seen from H2FY24 led by re-stocking from large retailers ahead of festive season

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

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 ₹146, the stock trades at a P/E of ~48.5x to TTM EPS of ₹3.01.

We recommend investors to Accumulate the stock on decline.

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Consolidated Financial Highlights

(₹ Cr)

Particulars	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
Sales	2,509.08	2,113.46	18.7%	2,184.05	14.9%	4,693.13	4,070.71	15.3%
Other Income	33.29	23.13		30.81		64.10	44.87	
Total Income	2,542.4	2,136.6	19.0%	2,214.9	14.8%	4,757.2	4,115.6	15.6%
Total Expenditure	1343.38	1234.82	8.8%	1154.75	16.3%	2498.13	2380.43	4.9%
Raw Material Consumed	1376.34	1120.75	22.8%	1200.19	14.7%	2,576.53	2,193.90	17.4%
Purchase of stock in trade	63.21	76.83	-17.7%	63.91		127.12	172.41	-26.3%
Stock Adjustment	-96.17	37.24	-358.2%	-109.35	-12.1%	-205.52	14.12	-1555.5%
<i>RMC as a %age of sales</i>	<i>53.54%</i>	<i>58.43%</i>	<i>-8.4%</i>	<i>52.87%</i>	<i>1.3%</i>	<i>53.23%</i>	<i>58.48%</i>	<i>-9.0%</i>
Employee Expenses	257.37	201.44	27.8%	226.12	13.8%	483.49	394.76	22.5%
<i>EPC as a %age of sales</i>	<i>10.26%</i>	<i>9.53%</i>		<i>10.35%</i>		<i>10.30%</i>	<i>9.70%</i>	
Other Expenses	550.33	548.68	0.3%	492.54	11.7%	1,042.87	1,015.19	2.7%
<i>Other Expenses as a %age of sales</i>	<i>21.93%</i>	<i>25.96%</i>		<i>22.55%</i>		<i>22.22%</i>	<i>24.94%</i>	
Total Expenditure	2,151.08	1,984.94	8.4%	1,873.41	14.8%	4,024.49	3,790.38	6.2%
EBIDTA	358.00	128.52	178.6%	310.64	15.2%	668.64	280.33	138.5%
<i>EBIDTA Margins %</i>	<i>14.27%</i>	<i>6.08%</i>	<i>134.6%</i>	<i>14.22%</i>	<i>0.3%</i>	<i>14.25%</i>	<i>6.89%</i>	<i>106.9%</i>
Interest	33.84	28.4		25.83		59.67	60.70	
PBDT	357.45	123.25	190.0%	315.62	13.3%	673.07	264.50	154.5%
Depreciation	98.5	109.51	-10.1%	99.41	-0.9%	197.91	214.45	-7.7%
Profit before share of associates	258.95	13.74		216.21		475.16	50.05	
Share of Associate's Net Profit/(Loss)	0.20	0.07		-0.23		-0.03	0.13	
PBT	259.15	13.81		215.98		475.13	50.18	
Tax	58.74	5.48	971.9%	53.25	10.3%	111.99	20.49	446.6%
<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>25.50%</i>	<i>25.50%</i>	<i>0.0%</i>
Reported Profit After Tax	200.21	8.26	2323.8%	162.96	22.9%	363.17	29.56	1128.6%
<i>PATM %</i>	<i>7.98%</i>	<i>0.39%</i>	<i>1941.7%</i>	<i>7.46%</i>	<i>6.9%</i>	<i>7.74%</i>	<i>0.73%</i>	<i>965.6%</i>
Basic:								
EPS	2.03	0.08	2323.8%	1.65	22.9%	3.68	0.30	1128.6%
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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Segmental Performance

(₹ Cr)

Particulars	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
REVENUES								
Revenue from Operations	2,594.9	2,171.0	19.5%	2,262.7	14.7%	4,857.6	4,192.4	15.9%
Home Textile	2,352.3	2,011.4	16.9%	2,037.6	15.4%	4,389.9	3,863.5	13.6%
% Mix	90.7%	92.6%		90.1%		90.4%	92.2%	
Flooring	242.6	159.6	52.0%	225.1	7.8%	467.7	329.0	42.2%
% Mix	9.3%	7.4%		9.9%		9.6%	7.8%	
Less : Inter Segment Revenues	85.8	57.5	49.1%	78.6	9.1%	164.5	121.7	35.1%
Total Segment Revenue	2,509.1	2,113.5	18.7%	2,184.1		4,693.1	4,070.7	15.3%
Add : Other Unallocable Income	-	-		-		-	-	
Net Revenue from Operations	2,509.1	2,113.5	18.7%	2,184.1	14.9%	4,693.1	4,070.7	15.3%
PROFIT								
Profit/Loss Before Dep, Interest and Tax	379.5	131.8	187.9%	330.6	14.8%	710.1	305.5	132.4%
Margin %	0.146229	0.060714		14.6%		0.146173	0.072874	
Home Textile	359.4	127.6	181.7%	312.3	15.1%	671.7	299.2	124.5%
Margin %	15.3%	6.3%		15.3%		15.3%	7.7%	
Flooring	20.1	4.2	375.8%	18.3	9.8%	38.4	6.3	506.2%
Margin %	8.3%	2.6%		8.1%		8.2%	1.9%	
Less : Interest	-	-	-	-	-	-	-	-
Add: Other Income	11.8	19.8	-40.3%	10.9	9.1%	22.7	19.7	15.3%
Add/Less: share of equity accounted investee	-	-		-		-	-	
Net Profit/Loss Before Int, Dep & Tax	391.3	151.7	158.0%	341.5	14.6%	732.7	325.2	125.3%

Source: Company, Way2wealth

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Disclosure of Interest Statement Welspun Living Ltd. as on October 30th, 2023

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
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