

CMP: INR 158

Rating: BUY

Target Price: INR 219

Stock Info

BSE	514162
NSE	WELSPUNIND
Bloomberg	WLSI:IN
Reuters	WLSP.NS
Sector	Other Textile Products
Face Value (INR)	1
Equity Capital (INR cr)	98.81
Mkt Cap (INR cr)	15,359
52w H/L (INR)	172/ 84
Avg Daily Vol (in 000')	3,979

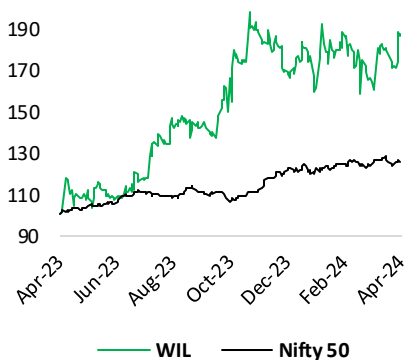
Shareholding Pattern %

(As on March 2024)

Promoters	70.50
DII	5.44
FII	7.14
Public & Others	16.93

Stock Performance (%)	1m	3m	12m
WIL	12.5	16.0	86.5
NIFTY 50	1.1	4.6	25.7

WIL vs Nifty 50



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Revenue grew 19.56% YoY to INR 25,752 Mn (+6.82% QoQ), beating our estimate of INR 25,201 Mn by 2.18%. Total income was up 19.2% YoY to INR 26,167 Mn (+6.6% QoQ). Gross Margin expanded 108 bps YoY to 46.43% (-245bps QoQ). EBITDA ex-OI grew 28.77% YoY to INR 3,587 Mn (+5.84% QoQ) and EBITDA Margin Ex-OI expanded 100bps YoY to 13.93% (-13bps QoQ), beating our estimate of INR 3,540 Mn, but barely missing our margin estimate of 14.05% by 12bps. EBITDA including OI was up 25% to INR 4,001 Mn YoY (+4.8% QoQ), implying a margin of 15.3%, which was up 71bps YoY and down 27bps QoQ. PAT grew 1.21% YoY to INR 1,306 Mn (-27.09% QoQ), missing our estimate of INR 2,000 Mn by 34.72%. PAT after minorities was up 16.43% to INR 1,460 Mn (-17.42% QoQ).

Innovations and emerging businesses continue their growth trajectory: The flooring business displayed an impressive growth of 31% via its key markets, followed by innovations which grew 65%. The flooring business came in with a ~8% EBITDA for the year which will scale up to the company level EBITDA and become margin accretive in the next 2-3 years. The growth of flooring

Red sea impact on trade: The red sea crisis impacted top line growth in certain businesses like advanced textiles, and has also led to a resurfacing container shortage which has pushed up container costs, however the company was able to mitigate this due to long standing relationships with trade partners.

Cotton inventories: Currently, the company has 6 months of cotton inventory priced at ~INR 59,000 per candy. Cotton prices per candy will remain range bound within the 59-62 range for this period, and post the next harvest, may see a small spike.

Guidance and capex: The previous guidance of 11-12% top line growth with 15.5-16% EBITDA Margin remains intact. They have planned of INR 860 Cr in FY25, which includes investments in a new pillow facility in Ohio, a brownfield expansion of terry towel production in Anjar, and a transmission line for renewable energy facilities. They aim to become net debt zero by FY27, and plan to maintain debt levels in FY25, and a ROCE of 20%.

Outlook and Valuation: We assign a TP of INR 219 valued at a P/E multiple of 20x the FY26E EPS of INR 11, yielding a 'Buy' rating and an upside of 39%. Given the current macroeconomic environment, we are cautiously optimistic. Despite persistent headwinds like dampened retail sentiment, the company is well positioned for growth, and has navigated well so far.

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Revenue	93,115	80,938	96,792	1,08,670	1,23,778
Growth YoY		-13%	20%	12%	14%
EBITDA	13,587	7,525	13,689	16,627	18,938
EBITDAM (%)	15%	9%	14%	15%	15%
Recurring PAT	6,010	1,989	6,811	8,912	10,642
Growth YoY		-67%	242%	31%	19%
FDEPS (Rs)	6.1	2.0	7.0	9.2	11.0
P/E	23.3	70.5	20.3	15.5	13.0
P/B	3.5	3.4	3.1	2.5	2.4
EV/EBITDA	11.5	20.8	11.5	9.4	8.3
EV/Sales	1.7	1.9	1.6	1.4	1.3

Source: Company Filings & Arihant Capital Research

INR Mn (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Revenue	25,752	24,109	21,539	6.82%	19.56%
Raw Material Costs	13,794	12,323	11,770	11.94%	17.20%
Gross Profit	11,958	11,786	9,769	1.46%	22.41%
<i>Gross Margin</i>	<i>46.43%</i>	<i>48.89%</i>	<i>45.35%</i>	<i>-245bps</i>	<i>108bps</i>
Employee costs	2,758	2,681	2,001	2.89%	37.83%
Other Expenses	5,613	5,716	4,982	-1.80%	12.66%
EBITDA	3,587	3,389	2,785	5.84%	28.77%
<i>EBITDA margin</i>	<i>13.93%</i>	<i>14.06%</i>	<i>12.93%</i>	<i>-13bps</i>	<i>100bps</i>
Other Non Operating Income	415	430	416	-3.56%	-0.22%
Depreciation	962	1,004	1,135	-4.11%	-15.24%
EBIT	3,039	2,815	2,066	7.95%	47.12%
Finance costs	518	419	333	23.56%	55.73%
Share of Associate's Net Profit/(Loss)	1	1	(1)	-44.44%	-150.00%
PBT	2,521	2,397	1,732	5.20%	45.59%
Tax Expense	1,216	606	442	100.54%	175.09%
<i>Effective tax rate</i>	<i>48.22%</i>	<i>25.30%</i>	<i>25.52%</i>	<i>2293bps</i>	<i>2270bps</i>
PAT	1,306	1,791	1,290	-27.09%	1.21%
PAT after minorities	1,460	1,768	1,254	-17.42%	16.43%

Source: Company Filings & Arianth Capital Research

Q4FY24 Operational Highlights:

- The company witnessed the highest annual pick up in exports (+25%).
- The unfavorable sales mix for the quarter impacted EBITDA by 1%.
- The total capacity utilization for the Anjar plant is ~85%, which should bring a turnover of ~INR 1,000 Cr in the next 2 years.
- The B2B home textile business grew 10-12%, and has a margin of ~17% which should scale up to 17.5% in FY25.
- Emerging business segments, including Flooring solutions, Advanced textiles, and Domestic consumer business, grew 16% YoY in FY24 and now contribute 33% of total revenue.
- The Flooring business achieved its highest ever annual revenue of INR 927 Cr, a 31.4% YoY growth.
- Despite subdued retail market sentiment, the domestic consumer business grew 12.2% YoY in Q4 and 3.7% YoY for the full year. Most of this demand came from hospitality and residency.
- Brand "Welspun" continues to be a leader in the Indian home textile market (now an INR 200 Cr brand), with a presence in over 600 towns and 20,000+ stores.
- Spaces has outgrown modern trade.
- Licensed brands like Martha Stewart, Creative Co-Lab, and Disney continue to grow and provide an edge in US and European markets as they open shelf space with retailers. WLL's owned brands, Christy and Welhome, also witnessed strong growth in global markets.

P&L (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	93,115	80,938	96,792	1,08,670	1,23,778
Op. Expenditure	79,528	73,412	83,103	92,043	1,04,840
EBITDA	13,587	7,525	13,689	16,627	18,938
Depreciation	4,205	4,421	3,945	5,133	5,133
EBIT	9,383	3,104	9,744	11,493	13,805
Interest Expense	1,313	1,299	1,534	1,058	1,058
Other Income	658	1,213	1,458	1,475	1,475
PBT	8,728	3,019	9,668	11,910	14,222
Tax	2,663	994	2,942	2,998	3,580
PAT bef. MI & Assoc.	6,066	2,025	6,726	8,912	10,642
Minority Interest	55	36	-84	-	-
Profit from Assoc.	-	1	1	-	-
Recurring PAT	6,010	1,989	6,811	8,912	10,642
Extraordinaires	-	-	-	-	-
Reported PAT	6,010	1,989	6,811	8,912	10,642
FDEPS (Rs)	6.1	2.0	7.0	9.2	11.0
DPS (Rs)	0.2	0.1	0.1	-	-
CEPS (Rs)	10.2	6.5	11.0	14.4	16.2
FCFPS (Rs)	1.7	7.4	13.4	13.9	12.7
BVPS (Rs)	40.2	41.4	46.5	55.8	58.1
EBITDAM (%)	15%	9%	14%	15%	15%
PATM (%)	6%	2%	7%	8%	9%
Tax Rate (%)	31%	33%	30%	25%	25%
Sales Growth (%)	27%	-13%	20%	12%	14%
Balance Sheet (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	988	988	972	972	972
Reserve	38,729	39,890	44,184	53,272	55,500
Networth	39,717	40,878	45,156	54,244	56,472
Total Debt	32,861	24,709	26,422	26,661	27,661
Def Tax Liability	6,680	7,247	9,147	500	-1,370
Minority Interest	1,046	1,082	973	998	998
Account Payables	9,566	8,697	9,088	16,077	18,651
Other Curr Liabi	4,499	3,888	4,712	5,175	5,894
Total Liabilities & Equity	94,369	86,501	95,498	1,03,656	1,08,308
Net Fixed Assets	38,222	37,318	36,248	31,322	27,190
Capital WIP	1,660	460	488	460	460
Others	5,986	4,543	5,595	5,662	8,856
Inventory	19,779	19,698	20,718	20,841	24,077
Account Receivables	9,993	9,605	12,547	12,802	14,921
Other Current Assets	9,133	6,718	8,268	7,218	5,136
Cash	9,595	8,161	11,636	25,351	27,667
Total Assets	94,369	86,501	95,498	1,03,656	1,08,308
Non-cash Working Capital	24,839.6	23,435.9	27,732.9	19,608.7	19,589.1
Cash Conv Cycle	97.4	105.7	104.6	65.9	57.8
WC Turnover	3.7	3.5	3.5	5.5	6.3
FA Turnover	2.3	2.1	2.6	3.4	4.5
Net D/E	0.6	0.4	0.3	0.0	-0.0
Revenue/Capital Employed	1.6	1.3	1.5	1.7	1.8
Capital Employed/Equity	2.7	2.5	2.3	2.3	2.1
Cash Flow (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	8,728	3,019	9,668	11,910	14,222
Depreciation	4,205	4,421	3,945	5,133	5,133
Others	-1,470	-	-	-	-
Taxes Paid	1,640	994	2,942	2,998	3,580
Change in WC	-3,958	1,404	3,749	78	20
Cash Flow from Op.	5,866	7,850	14,420	14,124	15,795
Capex	-5,060	-1,077	-3,781	-543	-1,001
Change in Invest	-5,185	234	-156	-	-
Others	4,244	-533	1,616	-759	-3,194
Cash Flow from Inv.	-6,002	-1,376	-2,320	-1,380	-4,195
Change in Debt	3,464	-8,153	1,714	239	1,000
Change in Equity	-	-709	-2,416	176	-8,414
Others	-4,011	3,134	-5,830	-3,719	-1,870
Cash Flow from Fin	-547	-5,727	-6,532	-3,304	-9,284
Key Ratios	FY22	FY23	FY24	FY25E	FY26E
RoE (%)	16%	5%	16%	18%	19%
RoIC (%)	9%	4%	10%	12%	14%
Core RoIC (%)	9%	14%	15%	15%	14%
Div Payout (%)	3%	6%	2%	0%	0%
P/E	25.3	76.5	22.0	16.8	14.1
P/B	3.8	3.7	3.3	2.8	2.7
EV/EBITDA	12.4	22.4	12.3	10.1	8.9
EV/Sales	1.8	2.1	1.7	1.6	1.4

Source: Company Filings & Arianth Capital Research

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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