

Superior Overall Performance led by demand growth in emerging businesses.

CMP: INR 109

Rating: Buy

Target Price: INR 166

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)	11,022
52w H/L (INR)	115/ 62
Avg Daily Vol (in 000')	3,673

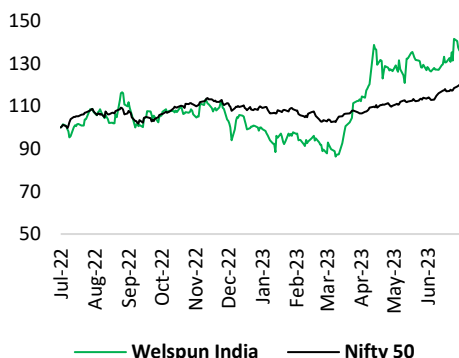
Shareholding Pattern %

(As on March 2023)

Promoters	70.50
DII	5.71
FII	6.34
Public & Others	17.44

Stock Performance (%)	1m	3m	12m
WIL	16.14	24.8	49.9
NIFTY 50	2.25	9.35	13.92

Welspun India Price Chart



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The company delivered a strong double-digit topline growth of 11.5% QoQ and 1.3% YoY to INR 21,840 Mn in Q1FY24 which was a beat to our estimates of INR 20,980 Mn, which was supported by relatively increased order inflows from big box retailers with de-stocking being over at retailer's end. The company achieved its highest EBITDA margin in the last seven quarters at 15.4% in Q1FY24 above our estimates of 13.6% and EBITDA of INR 3,107 Mn (up 104% YoY and 11% QoQ). Adjusted PAT saw a multifold-growth of 660.5% YoY at INR 1,627 Mn (up 26% QoQ) .

Increasing share of emerging businesses: The emerging businesses of advanced textiles and flooring have seen a strong pick up in Q1FY24: Advanced Textiles +11% YoY, and Branded Flooring +33% YoY. The flooring business is seeing an increase in demand from big-ticket players in the US and UK, and domestically from the institutional and commercial segments. During the quarter, the Flooring business recorded its highest-ever revenues at INR 2,251 Mn, while the Textile business registered a growth of 10% YoY at INR 20,376 Mn.

Major international retailers destocking spurs a significant uptick in demand: Previously faced with huge inventory hang-ups due to the global container shortage (over-ordering by retailers to avoid facing inventory shortages), major retailers are now seeing their inventories liquidate as container availability improved which has led to a resurgence in demand from key geographies.

Significantly lower commodity input costs and an uptick in consumer confidence: The four C's: Container, Coal, Cotton, and Consumer are starting to see better days. Container availability has improved, and the coal prices are also correcting. Consumer sentiment has also started to improve as retailers empty their inventories. All these factors which impacted margin in the previous quarters have to a large extent corrected.

Recovery in home textile business: The home textile consumer business, which reached a breakeven EBITDA in the last year posted a marginal post positive EBITDA for the first time, operating cash flows from the domestic business continued to improve due to efficient use of capital employed as a result of bringing down the net working capital and continuously inventory reducing from 80 days to 71 days of debt which has now reduced from 80 days to 53 days from Q1FY20 to Q1FY24.

Outlook and Valuation: The company has been focusing on increasing the share of WAMIL & the retail segment as they are highly margin accretive. We reasonably expect a growth of 10-12% on the top line and EBITDA Margins of 15% on a consolidated level. The home textile business will maintain normal margins in the range of 17-18%.

Supported by lower RM prices, the growing Retail /New business share in overall sales will lead to rerating of the stock. We maintain a Buy rating and value Welspun India at a PE of 20X to its FY25E EPS of INR 8.3, which yields a price target of INR 166.

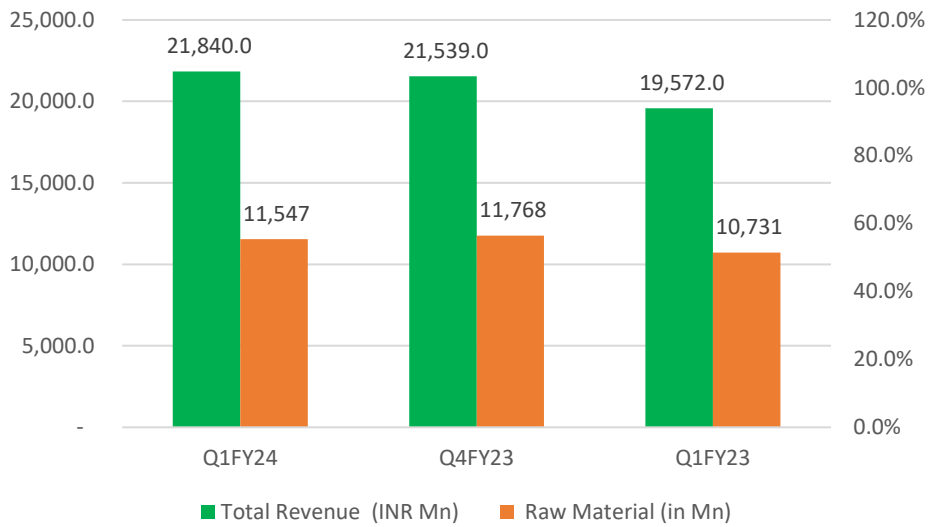
Particulars (in INR million)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Total Revenue (INR Mn)	21,840.0	21,539.0	19,572.0	1.4%	11.6%
Raw Material	11,547	11,768	10,731	-1.9%	7.6%
Employee cost	2,261	2,001	2,658	13.0%	-14.9%
Other Expenses	4,925	4,982	4,665	-1.1%	5.6%
EBITDA (INR Mn)	3,107	2,788	1,518	11.4%	104.6%
EBITDA margin %	14.2%	12.9%	7.8%	128bps	647bps
Depreciation	994	1,135	1,049	-12.4%	-5.2%
EBIT	2,113	1,653	469	27.8%	350.1%
EBIT margin %	9.7%	7.7%	2.4%	200bps	728bps
Other Income	308	415	217	-25.8%	41.9%
Finance costs	258	332	323	-22.3%	-20.1%
PBT	2,163	1,736	363	24.6%	495.2%
Tax Expense	532	442	150	20.4%	254.7%
Effective tax rate %	24.6%	25.5%	41.3%	-87bps	-1668bps
PAT (INR Mn)	1,631	1,294	213	26.0%	664.3%
PAT margin %	7.5%	6.0%	1.1%	146bps	638bps
EPS (INR)	1.7	1.3	0.2	29.7%	621.7%

Source: Company Filings & Arihant Capital Research

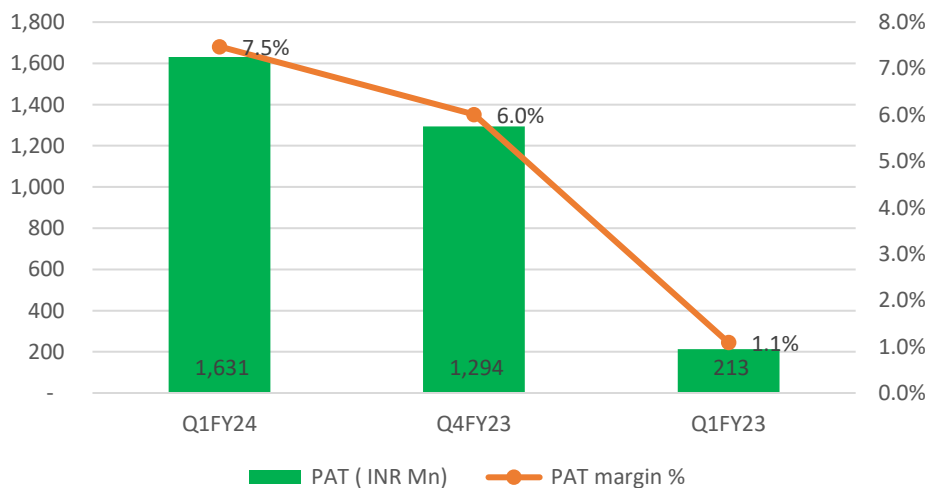
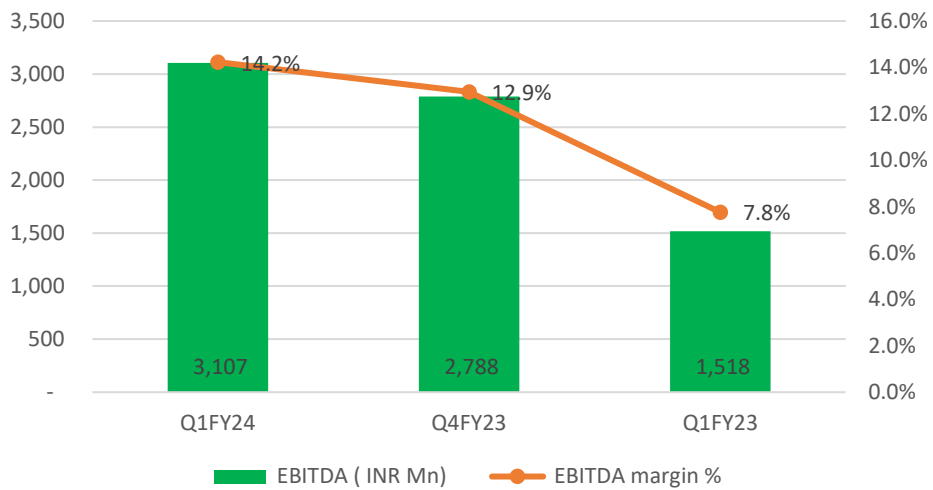
Q1FY24 Concall Takeaways:-

- Emerging business sales of Domestic Consumer business, Advanced Textiles & Flooring businesses grew 15% YoY.
- **Home Textile**- Recorded revenue of INR20,376 Mn Q1FY24(EBITDA margin of 15.3%) vs 18,521Mn Q1FY23(EBITDA margin of 9.3%).
- **Flooring**- Recorded revenue of INR 2,251Mn in Q1FY24(EBITDA margin of 8.1%) vs INR 1,694Mn Q1FY23 (EBITDA margin of 1.2%).
- **Debt**- As of June 30, 2023, Net Debt was INR18,153Mn, up from INR 15,343Mn on March 31, 2023. The Company spent INR 2400Mn (including tax of INR 450Mn) on buybacks during Q1FY24.
- **Domestic market flooring**- The company is continuing to see substantial growth and good demand buildup in commercial and institutional segments while the residential segment is continuing to pick up. **Domestic flooring grew by 24% in Q1FY24 YoY.**
- The company has also decided to merge the divestment flooring business into Welspun India to take advantage of the business synergies and value accretive.
- we are well towards achieving our guidance for the year. In quarter one financial year '24, we spent INR57 crores towards CapEx majorly towards the setup of a 30-megawatt solar power plant.
- The company's license brands grew by around 46% like Martha and Cocoa Cozy as these basically come in very seasonal.

Strong double-digit revenue growth of 11.5% QoQ and 1.3% YoY to INR 21,840 Mn



The company achieved its highest EBITDA margin in the last seven quarters at 15.4% in Q1FY24



Source: Company Filings & Arianth Capital Research

Financials

P&L (Rs Mn)	FY22	FY23	FY24E	FY25E
Revenue	93,115	80,938	87,866	97,492
Op. Expenditure	79,528	73,412	75,214	82,575
EBITDA	13,587	7,525	12,653	14,916
Depreciation	4,205	4,421	4,625	4,753
EBIT	9,383	3,104	8,028	10,163
Interest Expense	1,313	1,299	980	855
Other Income	658	1,212	1,475	1,475
PBT	8,728	3,018	8,523	10,783
Tax	2,663	994	2,145	2,714
PAT bef. MI & Assoc.	6,066	2,024	6,378	8,069
Minority Interest	55	-	-	-
Profit from Assoc.	-	-	-	-
Recurring PAT	6,010	2,024	6,378	8,069
Extraordinaires	-	-	-	-
Reported PAT	6,010	2,024	6,378	8,069
FDEPS (Rs)	6.1	2.0	6.6	8.3
DPS (Rs)	0.2	0.1	0.4	0.4
CEPS (Rs)	10.2	6.5	11.2	13.1
FCFPS (Rs)	1.7	7.4	12.8	14.1
BVPS (Rs)	40.2	41.1	45.8	53.6
EBITDAM (%)	15%	9%	14%	15%
PATM (%)	6%	3%	7%	8%
Tax Rate (%)	31%	33%	25%	25%
Sales Growth (%)	27%	-13%	9%	11%
FDEPS Growth (%)	13%	-66%	220%	27%

Balance Sheet (Rs Mn)	FY22	FY23	FY24E	FY25E
Equity Capital	988	988	972	972
Reserve	38,729	39,608	43,566	51,149
Networth	39,717	40,596	44,537	52,121
Total Debt	32,861	26,399	25,661	22,161
Def Tax Liability	6,680	8,242	4,980	4,480
Minority Interest	1,046	1,046	1,046	1,046
Account Payables	9,566	8,697	12,036	14,423
Other Curr Liabi	4,499	3,888	4,184	4,642
Total Liabilities & Equity	94,369	88,868	92,445	98,874
Net Fixed Assets	38,222	37,318	34,776	31,023
Capital WIP	1,660	460	460	460
Others	5,986	4,543	6,017	6,017
Inventory	19,779	19,698	18,055	18,697
Account Receivables	9,993	9,605	10,833	11,485
Other Current Assets	9,133	6,718	6,968	7,218
Cash	9,595	8,161	15,393	24,029
Total Assets	94,366	86,501	92,445	98,874
Non-cash Working Capital	24,839.6	23,435.9	19,634.6	18,334.1
Cash Conv Cycle	97.4	105.7	81.6	68.6
WC Turnover	3.7	3.5	4.5	5.3
FA Turnover	2.3	2.1	2.5	3.1
Net D/E	0.6	0.4	0.2	-0.0
Revenue/Capital Employed	1.6	1.3	1.4	1.5
Capital Employed/Equity	2.7	2.5	2.3	2.3

Cash Flow (Rs Mn)	FY22	FY23	FY24E	FY25E
PBT	8,728	3,018	8,523	10,783
Depreciation	4,205	4,421	4,625	4,753
Others	-1,470	-	-	-
Taxes Paid	1,640	994	2,145	2,714
Change in WC	-3,958	1,404	3,801	1,300
Operating C/F	5,866	7,849	14,804	14,122
Capex	-5,060	-1,077	-3,323	-1,000
Change in Invest	-5,185	234	-234	-
Others	4,244	-533	558	-0
Investing C/F	-6,002	-1,376	-3,000	-1,000
Change in Debt	3,464	-6,462	-738	-3,500
Change in Equity	-	-1,046	-1,950	-0
Others	-4,011	1,464	-3,748	-986
Financing C/F	-547	-6,045	-6,436	-4,486
Net change in cash	-684	428	5,368	8,637
RoE (%)	16%	5%	15%	17%
RoIC (%)	9%	4%	9%	11%
Core RoIC (%)	9%	14%	15%	15%
Div Payout (%)	3%	5%	8%	6%
P/E	14.5	43.0	13.4	10.6
P/B	2.2	2.1	1.9	1.6
EV/EBITDA	7.1	12.1	6.5	4.6
EV/Sales	1.0	1.1	0.9	0.7
Dividend Yield (%)	0%	0%	0%	0%

Source: Company Filings & Arihant Capital Research

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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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