

Price: 500

Recommendation: Buy

Industry: Civil Construction

Sector: Industrials

Report Date: 22-Mar-2025

Welspun Enterprises Limited has shown strong performance with a 24% income increase to INR2,717 crores in the first nine months of FY '25. Its subsidiary, Welspun Michigan Enterprise Limited, reported a 49% revenue rise. The company is advancing in water treatment with SmartOps technology and has a robust order book of INR14,500 crores. Despite slower order inflows, it remains optimistic about future growth, focusing on sustainability and technological innovation.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2737 Cr	Operating Profit(Year)	327 Cr	Operating Profit Margin	11.9 %
Previous Year	2676 Cr	Operating Profit(Quarter)	79.0 Cr	EBITDA Margin	15.97 %
Current Quarter	683 Cr	PAT (Year)	284 Cr	Net Profit Margin	11.6 %
Previous Quarter	663 Cr	PAT (Quarter)	69.4 Cr	EPS	20.8
Revenue (QYoY)	584 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	24.1	Sales Growth	4.03 %	Sales Growth	3.02 %
PEG Ratio	1.59	PAT Growth	22.94 %	Sales Growth QYoY	16.95 %
EV/EBITDA	15.9	EPS Growth	0.97 %	PAT Growth	7.26 %
P/B	2.73	Dividend Yield	0.60	PAT Growth QYoY	-10.57 %
Capital Allocation		Holdings		Leverage	
RoE	11.6 %	Promoter	54.8 %	Debt/Equity	0.08
RoA	7.02 %	FII	4.58 %	Debt	202 Cr
RoCE	15.4 %	DII	6.31 %	Market Cap	6914 Cr
RoIC	26.7 %	Public	33.1 %	Enterprise value	6807 Cr
		No of Shares	13.8 Cr	Cash Equivalents	308 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Welspun Enterprises Limited has demonstrated a robust performance in the recent quarter, with a consolidated income of INR2,717 crores for the first nine months of FY '25, marking a 24% increase from the previous year. The company's EBITDA for the same period is INR523 crores, reflecting a 14% year-on-year growth. A key highlight is the performance of its subsidiary, Welspun Michigan Enterprise Limited (WMEL), which reported a revenue of INR403 crores, a significant 49% increase year-on-year. The company is optimistic about closing FY '25 with a consolidated EBITDA of approximately INR700 crores, supported by a cash reserve of INR840 crores, positioning it well for future growth strategies.

Welspun Enterprises is actively pursuing strategic initiatives and technological innovations, particularly in the water treatment sector. The company has made significant strides with its SmartOps technology, an innovative solution for wastewater and water treatment. This technology has been deployed in Pandharpur, Maharashtra, and Varanasi, UP, addressing India's water treatment challenges sustainably. The company's order book stands at INR14,500 crores, with significant contributions from the water, tunneling, and transportation sectors. Notably, the company secured an order of INR1,989 crores for a water conveyance tunnel project in Mumbai, complementing its ongoing work at the Dharavi STP.

Looking ahead, Welspun Enterprises aims to become a technology-driven, end-to-end water solution company, offering integrated solutions encompassing treatment, conveyance, and smart management. The company's growth strategy focuses on expanding from HAM projects to BOT and EPC models while maintaining an asset-light approach. Future projections are aligned with the government's infrastructure focus, with over INR6 lakh crores worth of projects identified across key segments over the next 5 to 7 years. The company anticipates a consolidated total income growth of 18% to 20% in the next three years, supported by a strong pipeline and a commitment to sustainability.

While the company's performance and strategic initiatives are commendable, there are areas for improvement. The order inflow has been slower than anticipated, leading to a cautious approach in revenue growth projections. The company has softened its revenue growth guidance to 15% to 20% over the next three years, down from the previous 20% to 22%. This cautious stance is due to the slow order inflows and bids over the past eight months. However, the company remains optimistic about future opportunities, particularly in the water segment, and is poised to capitalize on the government's infrastructure initiatives. The focus on sustainability and technological innovation positions Welspun Enterprises well for long-term growth, but the company must address the challenges of order inflow and execution to fully realize its potential.

WELENT Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
G R Infraproject	9865.09	10.51	15.58%	21.53%	-20.60%	43.85%	7.82%
ITD Cem	9524.76	27.31	19.76%	12.76%	11.29%	20.79%	11.01%
Rail Vikas	75342.20	60.34	20.39%	-5.72%	-1.82%	-2.49%	-9.51%
Welspun Enterp	6913.77	24.07	11.62%	3.09%	17.12%	7.29%	-10.49%
IRB Infra.Devl.	28262.52	37.88	4.38%	27.72%	2.89%	217.80%	69.35%

Aspect	Commentary
Revenue	The company shows a steady revenue increase, with a 4.03% YoY growth and a 3.02% QoQ growth. This indicates a consistent upward trend in sales, reflecting effective market strategies and possibly expanding market share. The revenue growth is a positive indicator of the company's operational health and market position.
Profit & Loss	Operating profit margins are healthy, with a 22.94% YoY PAT growth, indicating efficient cost management and strong profitability. The quarterly PAT growth of 7.26% further supports the company's robust financial performance, although the QYoY PAT decline suggests potential seasonal or market fluctuations.
Profitability Matrix	The company maintains strong profitability with an operating profit margin of 11.9% and a net profit margin of 11.6%. The EBITDA margin of 15.97% highlights efficient operational management. These metrics suggest the company is effectively converting sales into actual profit, ensuring sustainable financial health.
Valuation Matrix	The valuation metrics indicate a moderately valued company with a trailing P/E of 24.1 and a PEG ratio of 1.59. The EV/EBITDA of 15.9 and P/B of 2.73 suggest the market perceives growth potential, but investors should consider these alongside industry benchmarks for a comprehensive valuation.
Growth (YoY)	Year-over-year growth metrics are positive, with sales growth at 4.03% and PAT growth at 22.94%. The EPS growth of 0.97% suggests stable earnings performance. These figures reflect the company's ability to expand its operations and improve profitability over the past year.
Growth (QoQ)	Quarter-over-quarter growth shows a 3.02% increase in sales, indicating consistent performance. However, the PAT growth of 7.26% contrasts with a QYoY decline of 10.57%, suggesting potential volatility or external factors affecting quarterly earnings. This requires further analysis for trend identification.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 11.6% and RoCE of 15.4%. The high RoIC of 26.7% indicates efficient use of invested capital to generate returns. These metrics suggest strong financial management and strategic investment decisions, supporting long-term growth.
Holdings	The ownership structure shows a strong promoter holding of 54.8%, indicating confidence in the company's prospects. FII and DII holdings are moderate, reflecting institutional interest. Public holding at 33.1% suggests a balanced ownership distribution, potentially reducing volatility in stock performance.
Leverage	The company maintains a low debt-to-equity ratio of 0.08, indicating prudent financial leverage and a strong balance sheet. With a market cap of 6914 Cr and cash equivalents of 308 Cr, the company is well-positioned to manage its debt obligations and invest in growth opportunities.

Analyst viewpoint: Welspun Enterprises Limited has demonstrated remarkable growth in the recent quarters, showcasing a strong 24% increase in income, amounting to INR 2,717 crores for the first nine months of FY '25. The robust quarterly performance is further underpinned by the 49% revenue surge from its subsidiary, Welspun Michigan Enterprise Limited, highlighting its strategic focus on expanding operations and market presence. From a valuation perspective, the company's P/E ratio of 24.1 and a PEG of 1.59 suggest moderate valuation with significant growth potential, fostering investor confidence. The company's strategic initiatives and effective capital allocation, indicated by a high RoIC of 26.7%, align well with its ambitious growth strategy, focusing on technological innovation in water treatment under its SmartOps technology. These aspects, coupled with a robust order book of INR 14,500 crores, underpin our bullish outlook on the company's short to mid-term prospects.

Nevertheless, while the outlook remains positive, it's important to note that slower than anticipated order inflows slightly temper growth projections. The revised guidance places revenue growth at a conservative 15% to 20% over the next three years, down from previous estimates. This cautious stance is reflective of current market dynamics but is balanced by the company's strategic pivot towards becoming a leading technology-driven water solution firm. Despite this mild setback, Welspun Enterprises remains well-positioned to leverage future opportunities, especially with governmental infrastructure support, ensuring it maintains a trajectory of sustainable growth.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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