# Welspun Corp Limited

ISIN :INE191B01025 | NSE :WELCORP

**Price:** 809
**Recommendation:** Buy
**Industry:** Iron & Steel Products
**Sector:** Industrials
**Report Date:** 13-Mar-2025

Welspun Corp Limited is advancing growth through strategic initiatives, including the "Saaf, Safe, Sahi" and 4P campaigns. The company is entering the plastic pipes market, expanding O-PVC production, and focusing on premium segments. With a robust order book over Rs.15,000 crores, projects in India, the US, and Saudi Arabia are progressing well. Financially, Welspun shows resilience with improved profitability and reduced net debt, positioning it for future growth.

| Sales | | Profit & Loss | | Profitability Matrix | |
|---|---|---|---|---|---|
| Current Year | 14514 Cr | Operating Profit(Year) | 1538 Cr | Operating Profit Margin | 10.6 % |
| Previous Year | 9758 Cr | Operating Profit(Quarter) | 434 Cr | EBITDA Margin | 13.44 % |
| Current Quarter | 3614 Cr | PAT (Year) | 1021 Cr | Net Profit Margin | 6.02 % |
| Previous Quarter | 3302 Cr | PAT (Quarter) | 672 Cr | EPS | 56.4 |
| Revenue (QYoY) | 4750 Cr | | | | |
| **Valuation Matrix** | | **Growth(YoY)** | | **Growth(QoQ)** | |
| Trailing P/E | 14.3 | Sales Growth | -14.4 % | Sales Growth | 9.45 % |
| PEG Ratio | 0.16 | PAT Growth | 585.23 % | Sales Growth QYoY | -23.92 % |
| EV/EBITDA | 9.42 | EPS Growth | 33.02 % | PAT Growth | 130.14 % |
| P/B | 3.52 | Dividend Yield | 0.60 | PAT Growth QYoY | 130.14 % |
| **Capital Allocation** | | **Holdings** | | **Leverage** | |
| RoE | 19.8 % | Promoter | 50.0 % | Debt/Equity | 0.37 |
| RoA | 7.71 % | FII | 11.7 % | Debt | 2262 Cr |
| RoCE | 20.2 % | DII | 20.2 % | Market Cap | 21220 Cr |
| RoIC | 19.1 % | Public | 18.1 % | Enterprise value | 22828 Cr |
| | | No of Shares | 26.2 Cr | Cash Equivalents | 653 Cr |

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

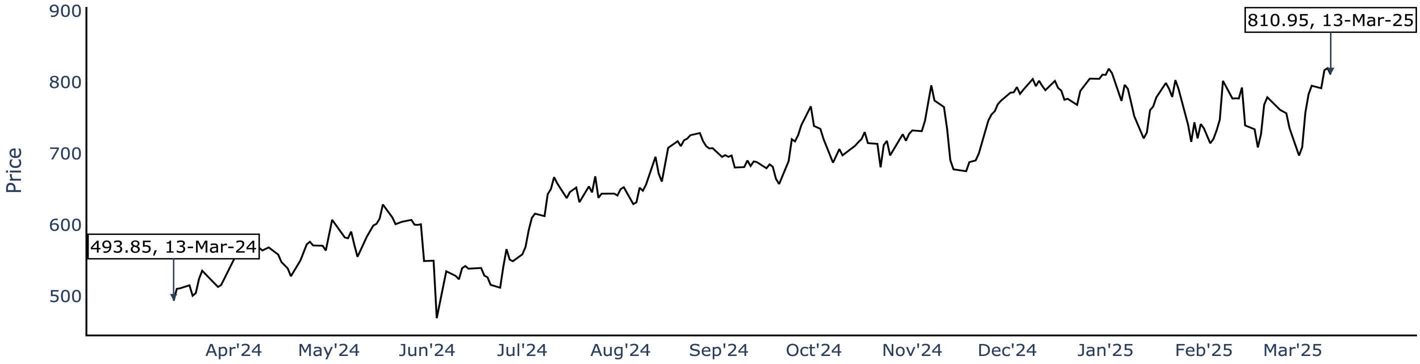
Welspun Corp Limited's recent earnings call highlighted several strategic initiatives and business strategies aimed at enhancing growth and diversification. The company has launched the "Saaf, Safe, Sahi" campaign, which has been well-received by customers, and the 4P advantage campaign to boost visibility in select markets. A significant move is the foray into the plastic pipes market, with plans to launch Plastic Pipes in Q1 of FY'26, seeing it as a substantial market opportunity. The company is also expanding its O-PVC Pipes production from its Bhopal and Chhattisgarh plants, indicating a strategic push into new product lines. Additionally, the company is focusing on the premium segment, with its premium portfolio showing a growth rate in the mid-teens in Q3.

The company's future growth and scaling perspectives are promising, with a robust order book exceeding Rs.15,000 crores and a strong focus on core geographies like India, the US, and Saudi Arabia. The projects in these regions are progressing well, with the US HFW pipes groundbreaking completed and an MoU signed with Aramco for the L-SAW pipe plant. The DI Pipe expansion project in India is ahead of schedule, with expanded capacity expected by March. The company is also increasing its renewable energy share in overall consumption, aligning with its sustainability goals. The management expressed confidence in significant value creation for stakeholders in the coming years.

From a financial perspective, Welspun Corp has shown resilient performance with improved profitability. The line pipe sales volume in India and the US rose by 16% quarter-on-quarter, and the DI Pipe order book remains strong at approximately 350,000 tons. The company's EBITDA for Q3 FY'25 was Rs.478 crores, with a consolidated EBITDA of Rs.1,356 crores for the nine months, indicating a likely surpassing of the full-year guidance. The net debt was reduced to Rs.104 crores, with a net debt-to-EBITDA ratio of just 0.06X, reflecting strong financial health.

While the company's strategies and financial health are commendable, there are areas for potential improvement. The company could enhance its market share in India, where there was a slight slowdown in orders due to budget anticipation and cash crunch issues. Additionally, while the company is well-prepared for potential project cancellations in the US, maintaining flexibility and readiness for unforeseen market changes will be crucial. Overall, the company's strategic initiatives and financial performance position it well for future growth, with a focus on execution and market expansion.

WELCORP 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 |
|---|---|---|---|---|---|---|---|
| **Jindal Steel** | 91435.58 | 22.41 | 14.12% | 4.79% | 0.42% | 10.46% | -50.70% |
| **Tube Investments** | 56998.48 | 69.56 | 26.48% | -2.28% | 14.66% | -6.38% | 8.52% |
| **Jindal Stain.** | 51691.53 | 21.44 | 19.88% | 1.33% | 8.54% | 7.36% | -5.35% |
| **S A I L** | 44816.17 | 15.34 | 6.44% | -0.75% | 4.89% | -85.58% | -64.61% |
| **APL Apollo Tubes** | 38406.61 | 60.55 | 22.05% | 13.80% | 30.04% | 303.22% | 31.09% |

| Aspect | Commentary |
|---|---|
| **Revenue** | The company experienced a significant increase in revenue, with current year sales at 14514 Cr compared to 9758 Cr the previous year, indicating strong growth. Quarterly revenue also rose from 3302 Cr to 3614 Cr, reflecting a positive trend in sales performance and market demand. |
| **Profit & Loss** | Operating profit for the year reached 1538 Cr, with a quarterly figure of 434 Cr. The PAT for the year was 1021 Cr, and 672 Cr for the quarter, showcasing robust profitability. This indicates effective cost management and strong operational efficiency. |
| **Profitability Matrix** | The company maintains a healthy operating profit margin of 10.6% and an EBITDA margin of 13.44%. The net profit margin stands at 6.02%, with an EPS of 56.4, reflecting solid profitability and shareholder value creation. |
| **Valuation Matrix** | The trailing P/E ratio is 14.3, suggesting a reasonable valuation. The PEG ratio of 0.16 indicates potential undervaluation relative to growth. EV/EBITDA is 9.42, and P/B is 3.52, reflecting a balanced valuation profile. |
| **Growth (YoY)** | Year-over-year sales growth declined by 14.4%, but PAT growth surged by 585.23%, and EPS grew by 33.02%. This indicates a strong recovery in profitability despite sales challenges, highlighting effective cost control and strategic initiatives. |
| **Growth (QoQ)** | Quarter-over-quarter sales growth was 9.45%, with a significant PAT growth of 130.14%. This reflects a strong recovery and operational improvement, indicating effective strategies to enhance profitability and market presence. |
| **Capital Allocation** | The company demonstrates efficient capital allocation with RoE at 19.8%, RoA at 7.71%, RoCE at 20.2%, and RoIC at 19.1%. These metrics indicate strong returns on investment and effective use of capital resources. |
| **Holdings** | Promoter holding is at 50%, with FII at 11.7%, DII at 20.2%, and public holding at 18.1%. This diversified ownership structure suggests balanced investor confidence and potential for stable governance and strategic direction. |
| **Leverage** | The debt/equity ratio is 0.37, indicating low leverage and financial stability. Total debt is 2262 Cr, with a market cap of 21220 Cr and enterprise value of 22828 Cr. Cash equivalents are 653 Cr, reflecting strong liquidity and financial health. |

**Analyst viewpoint:** Welspun Corp Limited presents a compelling investment opportunity backed by notable growth and strategic expansions. The company's quarter-on-quarter sales growth of 9.45% and significant PAT growth of 130.14% demonstrate impressive operational performance and effective management strategies. With a trailing P/E ratio of 14.3 and a robust RoCE of 20.2%, Welspun is well-positioned in terms of valuation metrics, indicating potential for substantial returns. The strategic initiatives, such as entering the plastic pipes market and expanding O-PVC production, underscore the company's commitment to innovation and market diversification. These efforts are supported by a healthy order book exceeding Rs.15,000 crores, focusing on key geographies like India, the US, and Saudi Arabia, which are integral to its growth trajectory.

In a competitive landscape, Welspun stands out with strategic pricing and strong positioning. Peer comparisons reveal that while some competitors like APL Apollo show higher sales growth, Welspun's focus on profitability and effective capital allocation with a debt/equity ratio of 0.37 ensures financial stability and sustainable growth. Additionally, the management's emphasis on increasing renewable energy in operations aligns with long-term sustainability goals. However, there is potential for enhancing market share domestically, where a slowdown in orders was noted. Maintaining adaptability to market shifts will be essential, but overall, the company's strategic direction and robust financial health make it a strong candidate for bullish growth in the short to mid-term.

Please read detailed disclosure on next page.

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|---|---|
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| 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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