

Price: 864

Recommendation: Buy

Industry: Iron & Steel Products

Sector: Industrials

Report Date: 03-Apr-2025

Welspun Corp Limited is driving growth through strategic initiatives and diversification. Recent efforts include brand campaigns like "Saaf, Safe, Sahi" and the 4P advantage, alongside a foray into the plastic pipes market. The company is expanding its product line with O-PVC and polymer pipes. With a robust order book over Rs.15,000 crores, Welspun is poised for growth in India, the US, and KSA, focusing on infrastructure and water sector demands.

Sales		Profit & Loss		Profitability Matrix	
Current Year	9432 Cr	Operating Profit(Year)	801 Cr	Operating Profit Margin	8.49 %
Previous Year	7731 Cr	Operating Profit(Quarter)	268 Cr	EBITDA Margin	10.01 %
Current Quarter	2449 Cr	PAT (Year)	459 Cr	Net Profit Margin	5.06 %
Previous Quarter	2033 Cr	PAT (Quarter)	156 Cr	EPS	21.6
Revenue (QYoY)	2323 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	40.0	Sales Growth	0.96 %	Sales Growth	20.46 %
PEG Ratio	0.73	PAT Growth	126.11 %	Sales Growth QYoY	5.42 %
EV/EBITDA	21.7	EPS Growth	18.68 %	PAT Growth	44.44 %
P/B	6.18	Dividend Yield	0.59	PAT Growth QYoY	612.33 %
Capital Allocation		Holdings		Leverage	
RoE	13.6 %	Promoter	50.0 %	Debt/Equity	0.34
RoA	5.69 %	FII	11.7 %	Debt	1248 Cr
RoCE	14.8 %	DII	20.2 %	Market Cap	22659 Cr
RoIC	18.5 %	Public	18.1 %	Enterprise value	23763 Cr
		No of Shares	26.2 Cr	Cash Equivalents	144 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Welspun Corp Limited's recent earnings call highlighted several key initiatives and strategies aimed at driving growth and diversification. The company has launched various campaigns for brand building, such as the "Saaf, Safe, Sahi" campaign, which has been well-received by customers. They have also introduced the 4P advantage campaign to boost visibility in select markets. A significant strategic move is the foray into the plastic pipes market, with plans to launch Plastic Pipes in Q1 of FY'26. This initiative is expected to tap into a burgeoning market with substantial demand anticipated in the coming years. Additionally, the company is expanding its product line with the introduction of O-PVC Pipes from its Bhopal manufacturing plant and polymer pipes from Chhattisgarh, marking a significant step in their diversification strategy.

The company's business strategies are focused on maintaining a premium segment presence, which has shown a growth rate of mid-teens in Q3. Welspun is also enhancing its distribution management system and Salesforce application to achieve a "one app per stakeholder" vision. The company is committed to its core geographies and products, with all announced projects in the USA, Saudi Arabia, and India progressing well. The ground-breaking for the HFW pipes in the US and the MoU with Aramco for the L-SAW pipe plant are notable milestones. The DI Pipe expansion project in India is ahead of schedule, with expanded capacity expected by March. These efforts are aligned with Welspun's investment strategy, which aims at significant value creation for stakeholders.

Looking ahead, Welspun Corp is optimistic about its growth and scaling prospects. The company has a robust order book exceeding Rs.15,000 crores, providing strong visibility in core geographies like India, the US, and KSA. The demand for TMT bars is expected to grow multi-fold over the next three to five years, driven by robust infrastructure demand. The company is also poised to benefit from the increasing demand for large diameter pipes in the water sector, driven by projects like river interlinking and urbanization efforts in states like Gujarat, MP, and Rajasthan. The US market is also promising, with a strong order book and improved visibility following the new administration's focus on deregulating the oil and gas sector.

While the company's performance and strategies are commendable, there are areas for potential improvement. The focus on execution is critical, as the next two years are seen as pivotal for capitalizing on the robust order book and market opportunities. The company must also navigate potential challenges in securing approvals and accreditations for new projects, particularly in Saudi Arabia. Additionally, while the premium segment strategy is yielding growth, maintaining this momentum will require continuous innovation and adaptation to market dynamics. Overall, Welspun Corp's strategic initiatives and market positioning suggest a promising trajectory, with opportunities for further growth and value creation.

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	92333.30	22.56	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	52271.39	63.75	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	49014.30	20.34	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	48946.66	16.82	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	43450.67	68.49	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with current year sales at 9432 Cr, up from 7731 Cr the previous year. Quarterly growth is also evident, with current quarter sales at 2449 Cr, compared to 2033 Cr in the previous quarter, indicating a positive trend in revenue generation.
Profit & Loss	Operating profit for the year stands at 801 Cr, with a quarterly figure of 268 Cr. The PAT for the year is 459 Cr, and 156 Cr for the quarter, reflecting a solid profit performance. This indicates effective cost management and revenue generation strategies.
Profitability Matrix	The company maintains a healthy operating profit margin of 8.49%, with an EBITDA margin of 10.01% and a net profit margin of 5.06%. EPS is at 21.6, suggesting efficient operations and profitability, supporting investor confidence.
Valuation Matrix	The trailing P/E ratio is 40.0, with a PEG ratio of 0.73, indicating potential undervaluation relative to growth. EV/EBITDA is 21.7, and P/B is 6.18, suggesting the market values the company favorably, reflecting growth prospects.
Growth (YoY)	Year-over-year growth shows sales growth at 0.96%, PAT growth at 126.11%, and EPS growth at 18.68%. Dividend yield is 0.59, indicating strong profitability and shareholder returns, with significant PAT growth highlighting operational success.
Growth (QoQ)	Quarter-over-quarter growth is robust, with sales growth at 20.46% and PAT growth at 44.44%. Sales growth QYoY is 5.42%, and PAT growth QYoY is 612.33%, reflecting strong quarterly performance and effective business strategies.
Capital Allocation	Return on Equity (RoE) is 13.6%, Return on Assets (RoA) is 5.69%, Return on Capital Employed (RoCE) is 14.8%, and Return on Invested Capital (RoIC) is 18.5%. These metrics indicate efficient capital allocation and strong financial health.
Holdings	Promoter holding is at 50.0%, with FII at 11.7%, DII at 20.2%, and public holding at 18.1%. The number of shares is 26.2 Cr, reflecting a balanced ownership structure, which can influence strategic decisions and market perception.
Leverage	The debt/equity ratio is 0.34, with total debt at 1248 Cr. Market cap is 22659 Cr, and enterprise value is 23763 Cr, with cash equivalents at 144 Cr. This indicates a manageable leverage level, supporting financial stability and growth potential.

Analyst viewpoint: Welspun Corp Limited is a compelling investment opportunity from a short to mid-term perspective, underpinned by stellar quarter-over-quarter growth and a robust valuation profile. The company's sales and PAT have increased notably by 20.46% and 44.44% respectively, which reflects exceptional operational execution and market demand fit. The strategic expansion into new segments like plastic pipes demonstrates foresight in capitalizing on emerging market demands, further bolstered by a substantial order book of over Rs.15,000 crores that ensures strong revenue visibility across key geographies such as India, the US, and KSA. The attractive valuations, with a trailing P/E of 40.0 and a PEG ratio of 0.73, suggest the company is well-positioned for continued stock appreciation, supported by efficient capital allocation with solid ROE and ROIC figures at 13.6% and 18.5% respectively.

Moreover, Welspun Corp maintains a competitive edge with strategic campaigns and a robust supply chain, granting resilience against peer competition in the industrials sector. While the company's strategic initiatives offer a promising trajectory, an area to watch is the need for agile adaptation to market dynamics to sustain premium segment momentum. This, alongside managing potential challenges in project executions, particularly in regulated markets like Saudi Arabia, will be critical for maintaining its growth trajectory. Nonetheless, the strategic foresight and operational agility position the company strongly as a leader in its domain, recommending a bullish stance on the stock.

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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