

Price: 134

Recommendation: Buy

Industry: Other Textile Products

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

Welspun Living Limited is focused on sustaining growth and enhancing market presence, aiming for 10-12% revenue growth and INR 15,000 crores by FY '27. The company is expanding in Domestic Consumer, Global Brands, Advanced Textile, and Flooring sectors. With a strong emphasis on brand growth, Welspun is diversifying product offerings and market reach, while maintaining a robust supply chain and focusing on sustainable practices to achieve 100% ROE and ESG targets by 2030.

Sales		Profit & Loss		Profitability Matrix	
Current Year	8592 Cr	Operating Profit(Year)	940 Cr	Operating Profit Margin	10.9 %
Previous Year	5655 Cr	Operating Profit(Quarter)	189 Cr	EBITDA Margin	13.52 %
Current Quarter	1970 Cr	PAT (Year)	594 Cr	Net Profit Margin	7.35 %
Previous Quarter	2396 Cr	PAT (Quarter)	87.8 Cr	EPS	5.71
Revenue (QYoY)	1865 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	23.4	Sales Growth	16.2 %	Sales Growth	-17.78 %
PEG Ratio	1.48	PAT Growth	309.66 %	Sales Growth QYoY	5.63 %
EV/EBITDA	13.4	EPS Growth	-6.85 %	PAT Growth	-50.11 %
P/B	3.50	Dividend Yield	0.07	PAT Growth QYoY	-15.58 %
Capital Allocation		Holdings		Leverage	
RoE	16.3 %	Promoter	66.2 %	Debt/Equity	0.59
RoA	8.81 %	FII	5.90 %	Debt	2194 Cr
RoCE	17.1 %	DII	8.31 %	Market Cap	13019 Cr
RoIC	13.8 %	Public	18.5 %	Enterprise value	15085 Cr
		No of Shares	97.2 Cr	Cash Equivalents	128 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Welspun Living Limited outlined several strategic initiatives and business strategies aimed at sustaining growth and enhancing market presence. The company is committed to achieving a 10% to 12% revenue growth for the year, with a vision to reach INR 15,000 crores by FY '27. This growth is driven by maintaining market leadership in core businesses while scaling up emerging sectors such as Domestic Consumer business, Global Brands, Advanced Textile, and Flooring. The company emphasized the importance of brands in its growth strategy, with Christy expanding globally as a luxury brand and Welspun brand achieving a 12% YTD growth as the most distributed home textile brand in India. Spaces is also on track to offer a complete home experience to the mass-premium Indian consumer.

Welspun is actively diversifying its product offerings and market reach. The Advanced Textile business is expanding into new categories like home care, personal care, medical, and high-performance filtration, growing 11% YTD. The company is also focusing on strategic partnerships to diversify value-added product applications. In the flooring segment, despite a 12% decline in Q3 revenue, the company is optimistic about recouping growth in the upcoming quarters, aided by lower expected freight rates and restocking by distributors. The domestic flooring business showed a strong 17% YTD growth, with a focus on home improvement chains and hospitality segments.

Looking ahead, Welspun is optimistic about future growth and scaling opportunities. The company is well-positioned to capitalize on the resilience of the U.S. economy and the growing demand in the Middle East and other regions. The fully automated pillow factory in Ohio, USA, is expected to increase capacity utilization, enhancing the company's footprint in the largest market. The company is also committed to sustainable practices, with ESG embedded in every aspect of operations, aiming for 100% ROE and ESG targets by 2030. The company is confident in its ability to navigate challenges such as fluctuating cotton prices and geopolitical issues, maintaining a robust supply chain and market presence.

While the company is on track to meet its revenue growth targets, there are areas for improvement. The impact of one-time costs and external factors on EBITDA has been acknowledged, with expectations of normalization in the coming quarters. The company is also addressing challenges in the flooring business due to the Red Sea issues, with plans to mobilize growth by the end of Q4. The focus on branded sales and strategic investments in domestic markets is expected to drive profitable business growth. Overall, Welspun's strategic initiatives and diversification efforts position it well for sustainable and profitable growth, with a strong emphasis on innovation and market expansion.

WELSPUNLIV 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
Garware Tech.	8667.91	37.69	18.52%	-16.61%	21.20%	-27.50%	10.40%
Jindal Worldwide	7584.59	92.48	11.05%	9.37%	42.61%	6.40%	-12.27%
Raymond Lifestyl	6366.88	43.83	11.69%	1.87%	-0.85%	-30.82%	-61.36%
Go Fashion (I)	3908.95	45.11	14.56%	2.97%	6.23%	17.89%	3.93%
Jindal Poly Film	3105.69	18.04	1.74%	4.59%	39.38%	-96.48%	121.15%

Aspect	Commentary
Revenue	The company shows a strong revenue increase from the previous year, indicating robust growth. However, the current quarter's revenue is lower than the previous quarter, suggesting potential seasonal fluctuations or market challenges. Overall, the year-on-year growth remains positive, reflecting effective business strategies and market expansion efforts.
Profit & Loss	Operating profit and PAT have increased significantly year-on-year, demonstrating improved operational efficiency and profitability. However, the quarter-on-quarter figures show a decline, which may be due to temporary market conditions or strategic investments. The company should focus on maintaining consistent quarterly growth to ensure long-term profitability.
Profitability Matrix	The company maintains healthy profitability margins, with an operating profit margin of 10.9% and a net profit margin of 7.35%. These figures indicate efficient cost management and strong pricing strategies. The EPS, although slightly decreased, remains competitive, suggesting stable earnings performance amidst market dynamics.
Valuation Matrix	The valuation metrics, including a trailing P/E of 23.4 and a PEG ratio of 1.48, suggest the company is fairly valued with growth potential. The EV/EBITDA and P/B ratios indicate a solid market position. Investors may find the current valuation attractive, given the company's growth prospects and strategic initiatives.
Growth (YoY)	Year-on-year growth metrics are impressive, with significant increases in sales and PAT, highlighting the company's successful expansion and market penetration strategies. The slight decline in EPS growth suggests room for improvement in earnings efficiency. Overall, the company is on a positive growth trajectory.
Growth (QoQ)	Quarter-on-quarter growth shows a decline in sales and PAT, indicating potential short-term challenges. However, the year-on-year quarterly growth remains positive, suggesting underlying strength in the business model. The company should address short-term issues to sustain momentum and capitalize on growth opportunities.
Capital Allocation	The company demonstrates effective capital allocation with strong returns on equity, assets, and capital employed. These metrics reflect efficient use of resources and strategic investments. The focus on maintaining high returns will be crucial for sustaining investor confidence and supporting future growth initiatives.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. Institutional and public holdings provide a balanced investor base, supporting market stability. The number of shares suggests adequate liquidity, facilitating trading and investment activities in the market.
Leverage	The company's leverage is moderate, with a debt/equity ratio of 0.59, indicating a balanced approach to financing. The manageable debt levels and strong market capitalization suggest financial stability. Maintaining this balance will be key to supporting growth while minimizing financial risk.

Analyst viewpoint: Welspun Living Limited has strategically positioned itself for a robust short to mid-term growth trajectory, underscored by its commitment to achieving a 10-12% revenue growth for the year and a long-term target of INR 15,000 crores by FY '27. The company's diversified expansion into emerging sectors such as Advanced Textile, Flooring, and Global Brands, alongside its market leadership in core businesses, highlights its adaptive market penetration strategies. The recent quarter-on-quarter revenue growth may show temporary headwinds; however, the YoY growth direction remains promising, with a noteworthy 5.63% increase indicating strong underlying fundamentals. The brand's expansion notably with Christy and Spaces, echoes a strategic leap into higher-income consumer segments, emphasizing brand strength as a growth catalyst. Furthermore, leveraging a moderate debt/equity balance of 0.59 and strong capital allocation efficiencies with RoE at 16.3% reinforces investor confidence in sustainable financial health.

Compelling valuation metrics like a P/E of 23.4 and a PEG ratio of 1.48, coupled with a firm market presence, suggest the stock is attractively poised for growth. While the company faces near-term challenges such as fluctuating cotton prices and external cost pressures, it maintains a robust strategy to counterbalance these with anticipated recovery cycles in the flooring segment and operational upgrades, notably in their U.S. factory. The floor for further innovation and market expansion is well laid out, ensuring continued resilience against potential setbacks. Such strategic foresight ensures the company's adaptability, with promising market opportunities ahead offsetting any temporary hurdles.

Please read detailed disclosure on next page.

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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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