

Price: 501

Recommendation: Buy

Industry: Civil Construction

Sector: Industrials

Report Date: 02-Apr-2025

Welspun Enterprises Limited has shown strong performance with a 24% income increase to INR2,717 crores in FY '25. Its subsidiary, Welspun Michigan, saw a 49% revenue rise. The company focuses on water treatment, using SmartOps technology, and has a robust order book of INR14,500 crores. Aiming to be a technology-driven water solution provider, it aligns with government infrastructure goals, despite needing clarity on project awards and managing slow order inflows.

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	2.72	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	6933 Cr
RoIC	26.7 %	Public	33.1 %	Enterprise value	6827 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 significant highlight is the performance of its subsidiary, Welspun Michigan Enterprise Limited (WMEL), which reported a revenue of INR403 crores, a remarkable 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 at the stand-alone level, 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 in wastewater and water treatment, securing new orders for its deployment in Pandharpur, Maharashtra, and Varanasi, UP. This technology aims to address India's water treatment challenges sustainably. The company's consolidated order book stands at INR14,500 crores, with substantial contributions from the water, tunneling, and transportation sectors. Notably, the company has secured an order of INR1,989 crores for constructing a water conveyance tunnel in Mumbai, complementing its ongoing work at Dharavi STP.

Looking ahead, Welspun Enterprises is focused on becoming a technology-driven end-to-end water solution company, aiming to offer integrated solutions encompassing treatment, conveyance, and smart management. The company's water strategy revolves around four pillars: transmission, treatment, distribution, and O&M; services. With Welspun Michigan as a technology-focused hub, the company is integrating cutting-edge solutions like SmartOps to enhance project efficiency and sustainability. The company is aligned with the government's infrastructure focus and has identified over INR6 lakh crores worth of projects across key segments over the next 5 to 7 years, reinforcing its growth projections.

On the positive side, the company's strong financial performance, strategic initiatives, and robust order book position it well for future growth. The focus on sustainability and technological innovation, particularly in the water sector, is commendable. However, there are areas for improvement, such as the need for clarity on project awards and the potential impact of delays on revenue forecasts. The company's cautious approach to future guidance, given the slow order inflows, reflects a prudent strategy in navigating market uncertainties. Overall, Welspun Enterprises is well-positioned to capitalize on emerging opportunities in the infrastructure sector, with a clear focus on sustainable growth and technological advancement.

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
ITD Cem	9572.01	27.47	19.76%	12.76%	11.29%	20.79%	11.01%
Rail Vikas	74727.12	59.83	20.39%	-5.72%	-1.82%	-2.49%	-9.51%
Welspun Enterp	6933.13	24.14	11.62%	3.09%	17.12%	7.29%	-10.49%
IRB Infra.Devl.	28316.90	37.86	4.38%	27.72%	2.89%	217.80%	69.35%
Afcons Infrastr.	17375.96	37.93	14.49%	8.49%	2.73%	9.91%	35.68%

Aspect	Commentary
Revenue	The company experienced a modest revenue increase, reflecting stable market demand. The quarterly growth suggests effective sales strategies, though the pace may need acceleration to outpace competitors.
Profit & Loss	Profitability improved with a notable rise in operating profit and PAT, indicating efficient cost management. However, sustaining this growth amidst market volatility remains a challenge.
Profitability Matrix	Margins are healthy, with strong operating and net profit margins. This suggests effective pricing strategies and cost control, though maintaining these margins in a competitive market is crucial.
Valuation Matrix	The valuation metrics indicate a fair market valuation, with a reasonable P/E and PEG ratio. This suggests investor confidence, but market conditions could impact future valuations.
Growth (YoY)	Year-over-year growth is positive, driven by sales and PAT increases. This reflects successful strategic initiatives, though maintaining momentum in a dynamic market is essential.
Growth (QoQ)	Quarter-over-quarter growth shows resilience, with sales and PAT increases. However, the decline in PAT growth QYoQ highlights potential challenges in sustaining short-term growth.
Capital Allocation	The company demonstrates strong capital efficiency with high RoE and RoCE. This indicates effective use of capital, though optimizing capital allocation remains a priority.
Holdings	The shareholding pattern shows a strong promoter presence, indicating confidence in the company's prospects. However, increasing institutional investor interest could enhance market perception.
Leverage	Low leverage with a healthy debt/equity ratio suggests prudent financial management. This positions the company well for future growth opportunities without significant financial strain.

Analyst viewpoint: Welspun Enterprises Limited presents a compelling growth story in the short to mid-term, with impressive quarterly growth metrics and robust financial performance. The company's consolidated income surged by 24%, reflecting strategic initiatives and effective cost management. A standout performer, its subsidiary Welspun Michigan, reported a 49% increase in revenue, highlighting the success of their innovative water solutions. The company's strategic capital allocation is evident, with a commendable return on equity and low leverage position, enabling it to strategically fuel further expansions and investments. Their recent order book expansion, valued at INR 14,500 crores, in water treatment and transport infrastructure substantiates its market confidence and reinforces future growth projections.

From a valuation perspective, Welspun Enterprises' fair P/E ratio underscores investor confidence, sheltered by a substantial cash reserve that supports its ambitious growth strategies. The firm is competitively positioned within its peer group, buttressed by its focus on SmartOps technology, particularly for sustainable water infrastructure solutions. While potential delays in order inflows necessitate a cautious outlook, the foresight for sustainable growth remains robust. The seamless integration of strategic objectives with governmental infrastructure priorities enhances its long-term value propositions, marking Welspun as an attractive investment in the civil construction sector.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
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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