

Price: 507

Recommendation: Buy

Industry: Civil Construction

Sector: Industrials

Report Date: 03-Apr-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. EBITDA grew by 14% to INR523 crores. The subsidiary, Welspun Michigan Enterprise Limited, saw a 49% revenue rise. The company is advancing in water treatment with SmartOps technology and has a robust order book of INR14,500 crores. Future growth focuses on BOT Toll and tunneling, with a projected 18-20% income growth over three years.

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	24.4	Sales Growth	4.03 %	Sales Growth	3.02 %
PEG Ratio	1.61	PAT Growth	22.94 %	Sales Growth QYoY	16.95 %
EV/EBITDA	16.1	EPS Growth	0.97 %	PAT Growth	7.26 %
P/B	2.78	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	7020 Cr
RoIC	26.7 %	Public	33.1 %	Enterprise value	6913 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 and maintains 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 already secured two new orders for deployment in Pandharpur, Maharashtra, and Varanasi, UP. The consolidated order book stands at INR14,500 crores, with significant contributions from the water, tunneling, and transportation sectors. The company has also secured an order of INR1,989 crores for a water conveyance tunnel in Mumbai, complementing ongoing projects.

Looking ahead, Welspun Enterprises aims to become a technology-driven, end-to-end water solution company, focusing on transmission, treatment, distribution, and O&M services. The company is expanding from HAM projects to BOT and EPC models while maintaining an asset-light approach. Future growth strategies focus on BOT Toll and large diameter tunneling, with a robust pipeline of projects worth over INR6 lakh crores identified across key segments for the next 5 to 7 years. The company anticipates a consolidated total income growth of 18% to 20% over the next three years, supported by a strong balance sheet and cash-rich position.

While the company's performance and strategic direction are commendable, there are areas for improvement. The order inflow has been slower than anticipated, prompting a cautious approach to future guidance. The company is not expecting major orders in the current financial year, with a spillover of INR4,000 crores anticipated into the next year. Despite these challenges, the company's commitment to sustainable development and its recognition in the industry for excellence in project management and innovative project design are positive indicators of its potential for future growth. The focus on integrating ESG principles and strategic technology collaborations further strengthens its position in the market.

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	9600.34	27.53	19.76%	12.76%	11.29%	20.79%	11.01%
Rail Vikas	75050.27	60.03	20.39%	-5.72%	-1.82%	-2.49%	-9.51%
Welspun Enterp	7019.68	24.43	11.62%	3.09%	17.12%	7.29%	-10.49%
IRB Infra.Devl.	28763.81	38.46	4.38%	27.72%	2.89%	217.80%	69.35%
Afcons Infrastr.	17300.53	37.75	14.49%	8.49%	2.73%	9.91%	35.68%

Aspect	Commentary
Revenue	The company shows a steady revenue increase, with a current year figure of 2737 Cr compared to 2676 Cr the previous year. Quarterly revenue also rose from 663 Cr to 683 Cr, indicating consistent growth. This positive trend reflects effective sales strategies and market demand, positioning the company for future expansion.
Profit & Loss	Operating profit for the year stands at 327 Cr, with a quarterly figure of 79 Cr. The PAT for the year is 284 Cr, and 69.4 Cr for the quarter. These figures suggest strong operational efficiency and profitability, driven by effective cost management and revenue growth, enhancing shareholder value.
Profitability Matrix	The company maintains a healthy operating profit margin of 11.9% and an EBITDA margin of 15.97%. The net profit margin is 11.6%, with an EPS of 20.8. These metrics indicate robust profitability and efficient operations, supporting sustainable financial performance and investor confidence.
Valuation Matrix	The trailing P/E ratio is 24.4, with a PEG ratio of 1.61, and EV/EBITDA at 16.1. The P/B ratio is 2.78. These valuation metrics suggest the company is fairly valued, with growth potential reflected in the PEG ratio, making it an attractive investment opportunity.
Growth (YoY)	Year-over-year sales growth is 4.03%, with PAT growth at 22.94% and EPS growth at 0.97%. The dividend yield is 0.60. These figures highlight strong financial health and growth, driven by strategic initiatives and market expansion, ensuring long-term shareholder returns.
Growth (QoQ)	Quarter-over-quarter sales growth is 3.02%, with a significant QYoY sales growth of 16.95%. However, PAT growth is 7.26%, with a QYoY decline of 10.57%. This indicates strong sales momentum, though profit growth faces challenges, requiring strategic adjustments.
Capital Allocation	The company exhibits strong capital allocation with RoE at 11.6%, RoA at 7.02%, RoCE at 15.4%, and RoIC at 26.7%. These metrics reflect efficient use of capital, enhancing shareholder value and supporting sustainable growth through strategic investments.
Holdings	Promoter holding is 54.8%, with FII at 4.58%, DII at 6.31%, and public holding at 33.1%. The number of shares is 13.8 Cr. This ownership structure indicates strong promoter confidence and balanced institutional and public participation, supporting market stability.
Leverage	The debt/equity ratio is 0.08, with total debt at 202 Cr. The market cap is 7020 Cr, and enterprise value is 6913 Cr, with cash equivalents of 308 Cr. This low leverage indicates financial stability and flexibility, enabling strategic investments and risk management.

Analyst viewpoint: Welspun Enterprises Limited has been showcasing impressive growth, establishing itself as a significant player in the civil construction sector. The company's sales have demonstrated a consistent upward trajectory, with an impressive year-over-year rise of 4.03% and a notable quarter-over-quarter boost of 3.02%, indicating strong sales momentum and robust market demand. This growth is supported by effective strategic initiatives and a focus on technology-driven solutions such as the innovative SmartOps technology in water treatment projects. The company boasts a strong balance sheet with a market capitalization of INR 7,019 crores, reflecting investor confidence and stability. The valuation metrics, with a PEG ratio of 1.61 and a P/E of 24.4, suggest that Welspun is fairly valued with ample growth opportunities, making it an appealing investment.

Furthermore, Welspun's strategic capital allocation is evident from its superior return on investment ratios, showcasing an RoIC of 26.7%. The low debt/equity ratio of 0.08 underlines the company's financial health and its ability to invest strategically in new projects. Moving forward, the company's robust order book of INR 14,500 crores and a focus on BOT Toll and tunneling projects highlight its potential for accelerated growth in the short to mid-term. However, it's important to note a mild concern over the slower-than-expected order inflow, prompting a cautious outlook on next year's order book. Despite this, Welspun's commitment to sustainable practices and strategic partnerships is expected to sustain its growth trajectory and market position.

Please read detailed disclosure on next page.

