

Welspun Living | BUY

Margin pressure near-term; long-term story intact

Welspun Living reported an EBITDA of INR3.1bn, marginally higher than JMfe. EBITDA margin increased to ~11.9% vs 11.3% in 3Q. Margins remained under pressure during the quarter given lower offtake than expected given tariff uncertainty. Key takeaways from the concall are a) Company witnessed a cautious approach by customers in 4Q given tariff uncertainty – leading to margin pressure; consequently, company has refrained from giving any guidance for FY26 b) Company has maintained ~6 months of cotton stock – to help stabilize margins in situation of higher RM costs c) pillow plant ramp-up remains on track with current utilization at 31% - revenue from this segment at USD15mn in FY25 d) flooring business remains under pressure amidst tariff uncertainty - soft flooring to witness revival given India-UK FTA e) capex guidance for FY26 stands at INR3bn with ~INR1bn incurred in 4QFY25 and ~INR7bn incurred in FY25 – INR2bn to be spent towards additional terry towel capacity of 3,600 metric tons taking total capacity to 100ktpa. Net debt as at end of 4QFY25 stood at INR16bn compared to INR16.5bn as at end of 3QFY25. We believe relatively subdued cotton price outlook and GOI's focus on developing the textile ecosystem is likely to drive earnings trajectory for the company. Maintain BUY.

- **Margins under pressure given tariff uncertainty:** The Company reported net sales of INR26.4bn, up 6% QoQ driven by improved sales in the Home Textiles segment. Consolidated EBITDA margin marginally increased to 11.9% in 4Q vs 11.3% in 3Q. Margins remained under pressure during the quarter given lower offtake than expected given tariff uncertainty. This also led to inventory build-up in the Home Textiles segment during the quarter. Consolidated PAT increased sequentially to INR1.3bn (+10% QoQ).
- **Home textile margins witness decline sequentially:** Home textile revenue increased QoQ by ~7.5% to INR24.5bn. The flooring business revenue witnessed a decrease of ~9.3% QoQ to INR1.9bn. Home textile business reported EBITDA of INR2.8bn with margins at 11.5% during 4Q vs 12.5% in 3Q. Flooring business reported EBITDA of INR139mn vs EBITDA of INR169mn in 3Q. Bath Linen capacity utilisation increased to 91% vs 79% in 3Q, Bed Linen capacity utilisation decreased to 74% vs 78% in 3Q and Rugs & Carpets utilisation came in at 76% vs 84% in 3Q.
- **Capex guidance for FY26 at INR3bn; customers maintain cautious approach:** Capex guidance for FY26 stands at INR3bn with INR1bn to be spent towards maintenance capex. In 4QFY25, company incurred INR1.06bn of capex primarily towards Towel project at Anjar. 6,400 metric tons terry towel project at Anjar remains on track and is nearing completion – company plans to add 3,600 metric tons of additional capacity, taking total capacity to 100ktpa. Company witnessed cautious approach by customers in 4Q given tariff uncertainty – leading to margin pressure.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	96,792	1,05,451	1,11,570	1,22,720	1,31,374
Sales Growth (%)	19.6	8.9	5.8	10.0	7.1
EBITDA	13,689	12,985	16,976	19,557	21,930
EBITDA Margin (%)	14.1	12.3	15.2	15.9	16.7
Adjusted Net Profit	6,811	6,392	7,946	9,340	10,587
Diluted EPS (INR)	7.0	6.7	8.3	9.7	11.0
Diluted EPS Growth (%)	242.6	-4.9	24.3	17.5	13.4
ROIC (%)	11.4	11.1	12.3	13.9	14.6
ROE (%)	15.8	13.7	15.4	16.0	15.9
P/E (x)	21.0	22.1	17.7	15.1	13.3
P/B (x)	3.2	2.9	2.6	2.3	2.0
EV/EBITDA (x)	11.6	12.3	9.1	7.8	6.9
Dividend Yield (%)	0.1	0.6	0.9	1.0	1.2

Source: Company data, JM Financial. Note: Valuations as of 29/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	200
Upside/(Downside)	36.6%
Previous Price Target	210
Change	-4.5%

Key Data – WELSPUN IN

Current Market Price	INR147
Market cap (bn)	INR140.8/US\$1.6
Free Float	32%
Shares in issue (mn)	959.1
Diluted share (mn)	959.1
3-mon avg daily val (mn)	INR1,218.7/US\$14.3
52-week range	213/105
Sensex/Nifty	81,633/24,834
INR/US\$	85.5

Price Performance

%	1M	6M	12M
Absolute	12.8	-3.7	4.7
Relative*	10.9	-5.9	-5.3

* To the BSE Sensex

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Key Concall Takeaways:

- Capex guidance for FY26 stands at INR3bn with INR1bn to be spent towards de-bottlenecking, modernizing and balancing equipment. In 4QFY25, company incurred INR1.06bn of capex primarily towards Towel project at Anjar.
- Company witnessed cautious approach by customers in 4Q given tariff uncertainty – leading to margin pressure. Consequently, company has refrained from giving any guidance for FY26.
- Company has approved acquisition of 84.3 % stake in Drape Story at an investment of INR145.7mn. Current ARR of the company is at INR200mn and is expected to go up to INR1bn in 3 years.
- 6,400 metric tons terry towel project at Anjar remains on track and is nearing completion – company plans to spend another INR2bn of capex in FY26 for additional capacity of 3,600 metric tons taking total capacity to 100ktpa.
- Company expects ~30% growth in its Branded segment in the domestic market.
- Cotton prices during the quarter were at ~INR55-56k/candy. Company witnessed cotton prices to be up 7-8% in 1Q but has inventory till Sep'25 – hence, expects RM costs to remain flattish in 1HFY26.
- Company remains focused on diversifying its geographical mix – revenue from US has come down to 60-65% from erstwhile ~80%; UK at 9% and Europe at 12%

Exhibit 1. Consolidated financial performance

(INR mn)

(INR mn)	4QFY25	4QFY25E	Var (%)	4QFY24	YoY %	3QFY25	QoQ %
Net Sales	26,459	26,166	1.1	25,752	2.7	24,896	6.3
Other op. income	-	-		-		-	
Total income from operations	26,459	26,166	1.1	25,752	2.7	24,896	6.3
Expenditure	23,301	23,242	0.3	22,166	5.1	22,092	5.5
Raw materials	14,012	13,921	0.7	13,794	1.6	13,214	6.0
(%) of sales	53%	53%		54%		53%	
Staff cost	2,919	2,995	-2.6	2,758	5.8	2,853	2.3
(%) of sales	11%	11%		11%		11%	
Other expenses	6,370	6,326	0.7	5,613	13.5	6,025	5.7
(%) of sales	24%	24%		22%		24%	
EBITDA	3,158	2,924	8.0	3,587	-11.9	2,805	12.6
EBITDA (%)	11.9	11.2		13.9		11.3	
Other income	23	381		415		381	
Depreciation	928	982	-5.5	962	-3.5	982	-5.5
EBIT	2,252	2,323	-3.0	3,039	-25.9	2,203	2.2
Interest	569	654	-13.0	518	9.8	623	-8.7
PBT	1,683	1,668	0.9	2,521	-33.2	1,580	6.6
Tax	353	417		616		355	
Eff. Tax rate (%)	21.0	25.0		32.1		22.5	
XO items	-	-		(600)		-	
Minority Interest	10	20		(155)		20	
PAT- Reported	1,321	1,231	7.3	1,460	-9.5	1,204	9.7
PAT- Adjusted	1,321	1,231	7.3	2,060	-35.9	1,204	9.7
Diluted EPS (Rs)	1.4	1.3	7.3	2.1	-35.9	1.3	9.7
Net debt (INR bn)	16			14		16.5	

Source: Company, JM Financial

Exhibit 2. Segmental Performance

(INR mn)	4QFY25	4QFY24	YoY %	3QFY25	QoQ %
Home textile:					
Revenue	24,526	24,217	1.3	22,818	7.5
EBITDA	2,813	3,640	-22.7	2,864	-1.8
EBITDA (%)	11.5%	15.0%		12.5%	
Flooring:					
Revenue	1,958	2,129	-8.1	2,157	-9.3
EBITDA	139	182	-23.8	169	-17.8
EBITDA (%)	7.1%	8.5%		7.8%	

Source: Company, JM Financial

Exhibit 3. Target Price

	FY27E
EPS (INR/sh)	9.7
Multiple (x)	21
Fair value (INR/sh)	200

Source: JM Financial

Exhibit 4. WLSI: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

Exhibit 5. WLSI: 1yr forward PE valuation



Source: Company, Bloomberg, JM Financial

Exhibit 1. Change in estimates

		OLD		NEW			% Change	
	Unit	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Net Sales	INR mn	1,15,231	1,25,910	1,11,570	1,22,720	1,31,374	-3.2%	-2.5%
EBITDA	INR mn	17,848	20,318	16,976	19,557	21,930	-4.9%	-3.7%
PAT	INR mn	8,162	9,660	7,946	9,340	10,587	-2.7%	-3.3%
EPS		8.5	10.1	8.3	9.7	11.0	-2.6%	-3.3%
Target Price	INR		210		200			-4.3%
Rating			BUY		BUY			

Source: JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	96,792	1,05,451	1,11,570	1,22,720	1,31,374
Sales Growth	19.6%	8.9%	5.8%	10.0%	7.1%
Other Operating Income	0	0	0	0	0
Total Revenue	96,792	1,05,451	1,11,570	1,22,720	1,31,374
Cost of Goods Sold/Op. Exp	51,099	56,755	53,235	58,873	62,431
Personnel Cost	10,274	11,515	13,242	14,149	15,381
Other Expenses	21,731	24,195	28,117	30,140	31,632
EBITDA	13,689	12,985	16,976	19,557	21,930
EBITDA Margin	14.1%	12.3%	15.2%	15.9%	16.7%
EBITDA Growth	81.9%	-5.1%	30.7%	15.2%	12.1%
Depn. & Amort.	3,945	3,734	4,768	5,098	5,428
EBIT	9,744	9,251	12,208	14,459	16,502
Other Income	1,459	1,522	1,941	1,941	1,941
Finance Cost	1,534	2,175	1,968	2,228	2,488
PBT before Excep. & Forex	9,669	8,598	12,181	14,172	15,955
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	9,669	8,598	12,181	14,172	15,955
Taxes	2,942	2,162	4,199	4,796	5,331
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-84	53	37	37	37
Reported Net Profit	6,811	6,392	7,946	9,340	10,587
Adjusted Net Profit	6,811	6,392	7,946	9,340	10,587
Net Margin	7.0%	6.1%	7.1%	7.6%	8.1%
Diluted Share Cap. (mn)	971.8	959.1	959.1	959.1	959.1
Diluted EPS (INR)	7.0	6.7	8.3	9.7	11.0
Diluted EPS Growth	242.6%	-4.9%	24.3%	17.5%	13.4%
Total Dividend + Tax	97	1,071	1,443	1,722	1,971
Dividend Per Share (INR)	0.1	0.9	1.2	1.5	1.7

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	9,669	8,602	12,181	14,172	15,955
Depn. & Amort.	3,945	3,734	4,768	5,098	5,428
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-5,105	1,111	-2,971	-2,942	-4,587
Others	0	0	0	0	0
Taxes Paid	-2,942	-2,162	-4,199	-4,796	-5,331
Operating Cash Flow	5,567	11,285	9,779	11,532	11,465
Capex	-2,904	-9,107	-3,000	-8,000	-8,000
Free Cash Flow	2,663	2,178	6,779	3,532	3,465
Inc (-) / Dec in Investments	-2,749	0	0	0	0
Others	-855	23	0	0	0
Investing Cash Flow	-6,507	-9,085	-3,000	-8,000	-8,000
Inc / Dec (-) in Capital	-16	-13	0	0	0
Dividend + Tax thereon	-97	-1,071	-1,443	-1,722	-1,971
Inc / Dec (-) in Loans	1,704	1,298	-3,000	-3,000	0
Others	84	-1,899	-37	-37	-37
Financing Cash Flow	1,674	-1,686	-4,480	-4,758	-2,008
Inc / Dec (-) in Cash	734	515	2,299	-1,227	1,457
Opening Cash Balance	1,814	2,548	3,063	5,362	4,136
Closing Cash Balance	2,548	3,063	5,362	4,136	5,593

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	45,158	48,211	54,714	62,332	70,948
Share Capital	972	959	959	959	959
Reserves & Surplus	44,186	47,252	53,755	61,373	69,989
Preference Share Capital	0	0	0	0	0
Minority Interest	973	996	996	996	996
Total Loans	26,322	27,620	24,620	21,620	21,620
Def. Tax Liab. / Assets (-)	3,705	4,143	4,143	4,143	4,143
Total - Equity & Liab.	76,158	80,969	84,472	89,090	97,706
Net Fixed Assets	38,618	44,025	42,257	45,160	47,732
Gross Fixed Assets	75,931	81,724	83,724	90,724	97,724
Intangible Assets	1,882	1,916	1,916	1,916	1,916
Less: Depn. & Amort.	39,683	43,417	48,185	53,282	58,710
Capital WIP	488	3,803	4,803	5,803	6,803
Investments	9,164	9,164	9,164	9,164	9,164
Current Assets	47,068	58,648	63,494	68,445	76,342
Inventories	20,718	21,834	24,914	26,030	27,971
Sundry Debtors	12,547	16,449	16,609	19,905	21,389
Cash & Bank Balances	2,548	3,063	5,362	4,136	5,593
Loans & Advances	11,255	17,302	16,609	18,374	21,389
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	18,692	30,868	30,443	33,678	35,531
Current Liabilities	9,088	11,229	11,626	12,862	13,163
Provisions & Others	9,604	19,639	18,817	20,816	22,368
Net Current Assets	28,376	27,780	33,051	34,767	40,811
Total - Assets	76,158	80,969	84,472	89,090	97,706

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.0%	6.1%	7.1%	7.6%	8.1%
Asset Turnover (x)	1.1	1.0	1.0	1.0	1.0
Leverage Factor (x)	2.1	2.2	2.2	2.0	1.9
RoE	15.8%	13.7%	15.4%	16.0%	15.9%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	46.5	50.3	57.0	65.0	74.0
ROIC	11.4%	11.1%	12.3%	13.9%	14.6%
ROE	15.8%	13.7%	15.4%	16.0%	15.9%
Net Debt/Equity (x)	0.4	0.4	0.2	0.2	0.1
P/E (x)	21.0	22.1	17.7	15.1	13.3
P/B (x)	3.2	2.9	2.6	2.3	2.0
EV/EBITDA (x)	11.6	12.3	9.1	7.8	6.9
EV/Sales (x)	1.6	1.5	1.4	1.2	1.2
Debtor days	47	57	54	59	59
Inventory days	78	76	82	77	78
Creditor days	40	44	45	46	44

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
8-Sep-20	Buy	72	
30-Oct-20	Buy	84	16.7
14-May-21	Buy	111	32.1
28-Jul-21	Buy	160	44.1
27-Oct-21	Buy	188	17.5
3-Feb-22	Buy	188	0.0
10-May-22	Buy	100	-46.6
28-Jul-22	Buy	85	-15.6
9-Nov-22	Buy	87	2.6
23-Nov-22	Buy	87	0.0
30-Jan-23	Buy	87	0.0
27-Apr-23	Buy	110	26.4
31-Jul-23	Buy	150	36.4
25-Oct-23	Buy	185	23.3
1-Feb-24	Buy	220	18.9
29-Apr-24	Buy	220	0.1
25-Jul-24	Buy	210	-4.5
28-Oct-24	Buy	210	-0.4
13-Nov-24	Buy	210	0.0
30-Jan-25	Buy	210	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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