



Near-Term Headwinds Create a Long-Term Opportunity; Retain BUY Rating

Est. Vs. Actual for Q1FY26: Revenue: **MISS**; EBITDA: **MISS**; PAT: **MISS**

Change in Estimates post Q1FY26

FY26E/FY27E: Revenue: -16%/-10%; EBITDA: -38%/-8% ; PAT: -49%/-8%

Recommendation Rationale

- **Tariff Related Uncertainties:** The company reported an 11% YoY decline in revenue to Rs 2,261 Cr in Q1FY26, with a decline in the Home Textile segment as well as the Flooring business. The subdued performance was primarily attributed to global trade uncertainties and ongoing tariff-related pressures. However, domestic operations remained resilient, with the Welspun brand continuing to gain traction in the retail market. While near-term challenges—particularly around US-India trade dynamics—persist, management sees these disruptions as potential catalysts for a long-term shift in global sourcing strategies.
- **Strategic Expansion in the U.S:** The company has approved a capex of US\$13 Mn for establishing a pillow manufacturing facility in Nevada, USA. This initiative aims to strengthen its presence in the U.S. home textile market, particularly on the West Coast. The unit will have an annual capacity of 10.8 Mn pillows and is expected to be operational by Q4FY26. At optimal utilisation, the facility is projected to generate an additional US\$50 Mn in revenue. The project will be funded through 70% debt and 30% internal accruals.
- **Focus on Growth beyond Near-Term Challenges:** Welspun is a global leader in the Home Textile space and holds the resilience needed to navigate through the tariff-related challenges. The company is likely to benefit in the longer run as retailers develop clarity around cost structures, with India possibly gaining a cost advantage over other countries competing in this space. The company is also expected to benefit from the India-UK FTA and any similar agreement with other European nations, where it was traditionally disadvantaged due to higher tariffs.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: Amidst a volatile external environment, the company has a conservative stance for Q2, anticipating continued pressure on both revenues and margins. With tariff and trade uncertainties persisting, the company remains focused on disciplined cost control, agile operations, and deeper customer engagement to navigate ongoing headwinds.

Current Valuation: 12x FY27E (unchanged)

Current TP: 150/share (Earlier 170/share)

Recommendation: We maintain our **BUY** rating on the stock, considering the attractive valuations and long-term growth prospects.

Financial Performance

The performance missed on all fronts. The company reported revenue of Rs 2,261 Cr, down 11% YoY and 15% QoQ, missing our estimates. EBITDA stood at Rs 225 Cr, declining 34% YoY and 29% QoQ, missing our estimate of Rs 312 Cr. EBITDA margins stood at 10% (from 13.46% in Q1FY25 and 11.94% in Q4FY25). Consequently, PAT stood at Rs 89 Cr, down 52% YoY and 33% QoQ, missing our estimate of Rs 147 Cr by 14%.

Key Financials (Consolidated)

| (Rs Cr) | Q1FY26 | YoY (%) | QoQ (%) | Axis Est. | Variance |
|---------------|--------|----------|----------|-----------|----------|
| Net Sales | 2,261 | -11% | -15% | 2,663 | -15% |
| EBITDA | 225 | -34% | -29% | 312 | -28% |
| EBITDA Margin | 10.0% | -349 bps | -196 bps | 11.7% | -173 bps |
| Net Profit | 89 | -52% | -33% | 147 | -39% |
| EPS (Rs) | 0.93 | -51% | -33% | 1.5 | -39% |

Source: Company, Axis Securities Research

(CMP as of 30th July 2025)

| | |
|----------------------------|-----------|
| CMP (Rs) | 133 |
| Upside /Downside (%) | 13% |
| High/Low (Rs) | 213/105 |
| Market cap (Cr) | 12,906 |
| Avg. daily vol. (1m) Shrs. | 40,06,660 |
| No. of shares (Cr) | 97.2 |

Shareholding (%)

| | Dec-24 | Mar-25 | Jun-25 |
|----------|--------|--------|--------|
| Promoter | 66.24 | 66.24 | 66.24 |
| FIIIs | 5.90 | 5.35 | 4.75 |
| DIIIs | 8.31 | 8.93 | 9.24 |
| Others | 19.55 | 19.48 | 19.76 |

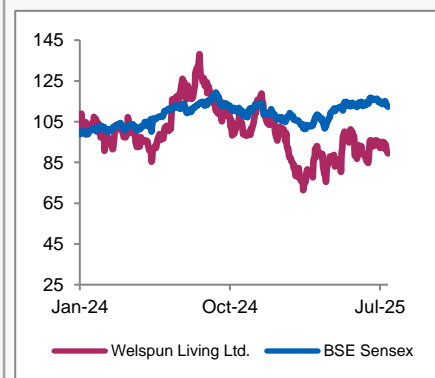
Financial & Valuations

| Y/E Mar (Rs Cr) | FY25 | FY26E | FY27E |
|-----------------|--------|--------|--------|
| Net Sales | 10,545 | 10,585 | 12,783 |
| EBITDA | 1,299 | 1,090 | 1,873 |
| Net Profit | 644 | 552 | 1,213 |
| EPS (Rs) | 6.7 | 5.7 | 12.5 |
| PER (x) | 19.9 | 23.4 | 10.7 |
| P/BV (x) | 2.6 | 2.4 | 1.9 |
| EV/EBITDA (x) | 11.8 | 14.1 | 8.2 |
| ROE (%) | 13.5% | 10.6% | 19.9% |

Change in Estimates (%)

| Y/E Mar | FY26E | FY27E |
|---------|-------|-------|
| Sales | -16% | -10% |
| EBITDA | -38% | -8% |
| PAT | -49% | -8% |

Relative Performance



Source: ACE Equity, Axis Securities Research

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Outlook

The company is consistently strengthening its footprint in emerging and branded segments, which is anticipated to support revenue growth going forward. In the domestic market, Welspun remains committed to brand-building and deepening its market presence. We believe the company's strategic focus on high-margin segments and domestic retail will aid in business diversification and margin expansion over the long term, though meaningful margin gains may take a few more quarters to materialise. We continue to hold a positive view on Welspun Living, backed by its strong brand equity, robust capacity base, and leadership position in the industry, which should enable it to navigate near-term challenges effectively.

Valuation & Recommendation

We have made downward revisions to our estimates, factoring in the sector outlook and the management's cautious commentary. Our projections reflect a potential delay in margin recovery, with meaningful improvement expected over the longer horizon. Despite the near-term pressures, **we maintain our BUY rating on the stock**, assigning a valuation of 12x FY27E earnings. We **revise our target price to Rs 150/share**, indicating a potential upside of 13% from the CMP.

Key Concall Highlights

Major Business Updates:

- In Q1FY26, the home textile export business declined by 11.8% YoY, achieving an EBITDA margin of 12.6%.
- Emerging businesses (domestic consumer, branded products, advanced textiles, flooring) contributed ~30% of total revenue.
- Innovation sales also declined by 14% YoY to Rs 549 Cr in Q1FY26, which contributed 27% of total sales.
- Brand 'Welspun' continues to strengthen its leadership position, penetrating deeper into households and is the most widely distributed Home Textile brand in the country
- Global brand continues to be robust with 12% shares of total revenues in Q1FY26
- Cash conversion cycle improved to 88 days.

US Tariff: The imposition of reciprocal tariffs between the US and India has led to volatility in trade flows, affecting retailer sentiment and order visibility. While the US-India Bilateral Trade Agreement remains under negotiation, management is optimistic that a favourable resolution will help restore clarity and improve trade stability.

India-UK FTA: The landmark India-UK Free Trade Agreement is expected to significantly boost India's textile exports, offering a strong tailwind for the company. With its scale, operational efficiencies, and a supportive political backdrop, the company aims to expand its presence and market share in the UK under this favourable policy environment.

Geographic Diversification: The company continues to deepen its international footprint, particularly in regions such as the UK, EU, GCC, ANZ, and Japan. As a result, the share of revenue from markets outside the US has increased to 40%, reflecting progress in its diversification strategy.

Capex: In Q1FY26, the company incurred capex of Rs 83 Cr (vs Rs 106 Cr in Q4FY25 and Rs 701 Cr in FY25). Additionally, the board has approved a fresh investment of US\$13 Mn (~Rs 112 Cr) for a new pillow and TOB facility in Nevada, USA, as part of its ongoing expansion in the home textile category.

Domestic Business: The Welspun brand sustained its strong growth trajectory in domestic retail, with increased household penetration. The domestic flooring segment also continued to gain traction, underscoring the effectiveness of the company's diversification strategy.

Net Debt: Net debt stood at Rs 1,401 Cr as of June 2025, a reduction of Rs 202 Cr from March 2025 levels and Rs 56 Cr lower than June 2024. The company aims to bring net debt down to Rs 1,300–1,400 Cr by FY26-end and remains committed to becoming net debt-free by FY28.

Outlook: The management expects Q2 to remain challenging, with ongoing pressure on both revenue and profitability. Retailers and suppliers have adopted a cautious stance, with inventory correction underway at the retailer level. Demand is expected to improve once tariff-related clarity emerges and cost structures are readjusted. For the US pillow business, the company expects to double its revenue in FY26 (from US\$15 Mn in FY25) and is setting up a new pillow facility in Nevada, which is expected to be operational by Q4FY26. In the medium term, the company anticipates stronger momentum in overseas business, supported by trade deals such as the UK FTA.

Key Risks to Our Estimates and TP

- Delays in capacity expansion and utilisation
- A global recessionary and high inflation environment, and the resultant slowdown in the US economy and other export markets
- Currency and key commodity fluctuations

Change in Estimates

| | New | | Old | | % Change | |
|---------|--------|--------|--------|--------|----------|-------|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Revenue | 10,585 | 12,783 | 12,600 | 14,237 | -16% | -10% |
| EBITDA | 1,090 | 1,873 | 1,753 | 2,045 | -38% | -8% |
| PAT | 552 | 1,213 | 1,085 | 1,321 | -49% | -8% |
| EPS | 5.7 | 12.5 | 11 | 14 | -49% | -8% |

Source: Company, Axis Securities Research

Results Review

| Particulars (Rs Cr) | Q1FY25 | Q4FY25 | Axis Est. | Q1FY26 | YoY Growth (%) | QoQ Growth (%) | Axis Variance |
|-----------------------------------|--------|--------|-----------|--------|----------------|----------------|---------------|
| Revenue | 2,536 | 2,646 | 2,663 | 2,261 | -11% | -15% | -15% |
| Less: | | | | | | | |
| Net Raw Material consumed | 1,360 | 1,401 | 1,419 | 1,183 | -13% | -16% | -17% |
| Employee | 282 | 292 | 298 | 290 | 3% | -1% | -3% |
| Other Expenses | 553 | 637 | 634 | 562 | 2% | -12% | -11% |
| Total Expenditure | 2,195 | 2,330 | 2,351 | 2,035 | -7% | -13% | -13% |
| EBIDTA | 342 | 316 | 312 | 225 | -34% | -29% | -28% |
| EBITDA % | 13.46% | 11.94% | 11.70% | 9.97% | -349 bps | -196 bps | -173 bps |
| Less: Depreciation | 97 | 93 | 93 | 88 | -9% | -5% | -5% |
| EBIT | 297 | 225 | 245 | 166 | -44% | -26% | -32% |
| Less: Net Interest | 43.37 | 56.91 | 50.0 | 42.5 | -2% | -25% | -15% |
| Add: Other income | 52 | 2 | 26.6 | 28.9 | -44% | 1179% | 9% |
| Less: Extraordinary Expense (net) | | | | | | | |
| Profit Before Tax | 253 | 168 | 195 | 124 | -51% | -26% | -37% |
| Less: Total Tax | 67 | 35 | 49 | 35 | -49% | -2% | -29% |
| Profit After Tax | 186 | 133 | 147 | 89 | -52% | -33% | -39% |
| Shares Outstanding (Mn) | | | | | | | |
| Reported EPS (Rs) | 1.91 | 1.38 | 1.53 | 0.93 | -51% | -33% | -39% |

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|------------------------------------|-------|-------|--------|--------|--------|
| Net Sales | 8,094 | 9,679 | 10,545 | 10,585 | 12,783 |
| COGS | 4,514 | 5,110 | 5,676 | 5,577 | 6,677 |
| Employee Cost | 794 | 1,027 | 1,152 | 1,330 | 1,365 |
| Operating & Manufacturing Expenses | 2,033 | 2,173 | 2,420 | 2,587 | 2,869 |
| Total Expenditure | 7,341 | 8,310 | 9,247 | 9,494 | 10,910 |
| EBIDTA (Excl OI) | 753 | 1,369 | 1,299 | 1,090 | 1,873 |
| Other Income | 121 | 146 | 153 | 148 | 249 |
| EBITDA (incl Other Income) | 874 | 1,515 | 1,451 | 1,238 | 2,122 |
| Depreciation | 442 | 394 | 373 | 371 | 390 |
| EBIT | 432 | 1,120 | 1,078 | 867 | 1,733 |
| Interest | 130 | 153 | 217 | 129 | 112 |
| Exceptional Items | - | - | - | - | - |
| PBT | 302 | 967 | 860 | 737 | 1,621 |
| Tax | 99 | 294 | 216 | 186 | 408 |
| Profit After Tax | 203 | 673 | 644 | 552 | 1,213 |
| Minority Interest | -4 | 8 | -5 | - | - |
| Consolidated Net Profit | 199 | 681 | 639 | 552 | 1,213 |
| Diluted EPS (Consol Net Profit) | 2.0 | 7.1 | 6.7 | 5.7 | 12.5 |
| Number of Shares | 98.8 | 97.2 | 97.2 | 97.2 | 97.2 |

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------------------|--------------|--------------|---------------|---------------|---------------|
| Assets | | | | | |
| Non-current Assets | | | | | |
| Property, Plant and Equipment | 3,611 | 3,512 | 3,533 | 3,712 | 4,022 |
| Capital work-in-progress | 46 | 47 | 375 | 375 | 375 |
| Goodwill on Consolidation | 186 | 188 | 192 | 192 | 192 |
| Other non-current assets | 29 | 44 | 41 | 41 | 41 |
| Total non-current assets | 4,232 | 4,233 | 4,838 | 5,018 | 5,328 |
| Current Assets | | | | | |
| Inventories | 1,970 | 2,072 | 2,183 | 2,215 | 2,470 |
| Financial assets | | | | | |
| - Investments | 635 | 909 | 559 | 559 | 559 |
| - Trade receivables | 960 | 1,255 | 1,645 | 1,595 | 1,611 |
| - Cash & cash equivalents | 146 | 201 | 284 | 244 | 773 |
| - Other financial assets | 319 | 430 | 457 | 457 | 457 |
| Other current assets | 345 | 391 | 309 | 309 | 309 |
| Total current assets | 4,418 | 5,317 | 5,469 | 5,411 | 6,210 |
| Total Assets | 8,650 | 9,550 | 10,307 | 10,429 | 11,538 |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Equity Share capital | 99 | 97 | 96 | 96 | 96 |
| Other Equity | | | | | |
| - reserves and surplus | 3,975 | 4,395 | 4,725 | 5,277 | 6,490 |
| Total Equity | 4,196 | 4,613 | 4,921 | 5,472 | 6,685 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Financials liabilities | | | | | |
| - Borrowings | 972 | 833 | 879 | 579 | 279 |
| Non-current tax liabilities | 221 | 224 | 223 | 223 | 223 |
| Deferred tax liabilities (net) | 324 | 435 | 454 | 454 | 454 |
| Other non-current liabilities | 180 | 255 | 298 | 298 | 298 |
| Total Non-Current Liabilities | 1,787 | 1,841 | 2,134 | 1,834 | 1,534 |
| Current liabilities | | | | | |
| Financials liabilities | | | | | |
| - Borrowings | 1,378 | 1,688 | 1,589 | 1,615 | 1,615 |
| - Trade Payables | 870 | 909 | 1,123 | 993 | 1,189 |
| - Other financial liabilities | 53 | 54 | 82 | 82 | 82 |
| Other Current Liabilities | 139 | 122 | 98 | 73 | 73 |
| Total current liabilities | 2,667 | 3,096 | 3,253 | 3,123 | 3,319 |
| Total liabilities | 4,454 | 4,937 | 5,386 | 4,957 | 4,853 |
| Total Equity and Liabilities | 8,650 | 9,550 | 10,307 | 10,429 | 11,538 |

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|--|--------|------|------|-------|-------|
| Profit Before Tax | 302 | 967 | 860 | 737 | 1,621 |
| Adjustments | | | | | |
| Depreciation | 442 | 394 | 373 | 371 | 390 |
| Interest Expenses | 130 | 153 | 217 | 129 | 112 |
| Total Adjustments | 203 | 178 | 245 | 500 | 502 |
| Trade & Other receivables | 40 | -294 | -384 | 50 | -16 |
| Inventories | 8 | -102 | -112 | -32 | -254 |
| Trade & Other payables | -63 | 39 | 222 | -130 | 196 |
| Net Change in Working Capital | 341 | -501 | -247 | -112 | -74 |
| Cash Flow after Changes in Working Capital | 845 | 644 | 858 | 1,126 | 2,048 |
| Tax Paid | -89 | -111 | -170 | -186 | -408 |
| Cash From Operating Activities | 756 | 533 | 688 | 940 | 1,640 |
| Investing Activities | | | | | |
| Purchase of Fixed Assets | -275 | -275 | -713 | -550 | -700 |
| Cash Flow from Investing Activities | 243 | -209 | 57 | -550 | -700 |
| Financing Activities | | | | | |
| Repayment of Long-Term Borrowings | -198 | -162 | 53 | -300 | -300 |
| Short Term Loans | -741 | 332 | -111 | - | - |
| Interest Paid | -167 | -153 | -219 | -129 | -112 |
| Cash from Financing Activities | -1,086 | -269 | -663 | -429 | -412 |
| Net Cash Inflow / Outflow | -87 | 55 | 82 | -39 | 528 |
| Opening Cash & Cash Equivalents | 232 | 146 | 201 | 284 | 244 |
| Closing Cash & Cash Equivalent | 146 | 201 | 284 | 244 | 773 |

Source: Company, Axis Securities Research

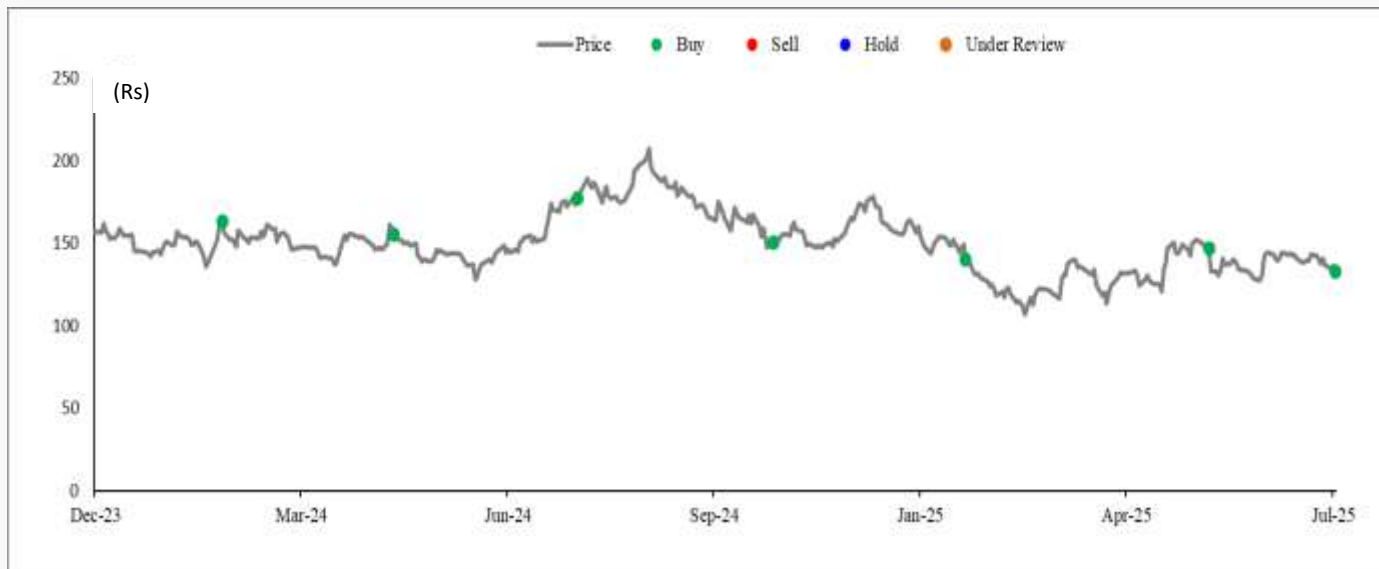
Ratio Analysis

(%)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|--------|--------|--------|--------|--------|
| Efficiency Ratios | | | | | |
| Asset Turnover (x) | 0.94x | 1.01x | 1.02x | 1.01x | 1.11x |
| Inventory Turnover(x) | 4.11x | 4.67x | 4.83x | 4.78x | 5.18x |
| Sales/Working Capital (x) | 3.93x | 4.00x | 3.90x | 3.76x | 4.42x |
| Receivable days | 44 | 42 | 50 | 55 | 46 |
| Inventory Days | 160 | 144 | 137 | 145 | 135 |
| Payable days | 73 | 64 | 65 | 65 | 65 |
| Growth Ratio | | | | | |
| Net Sales Growth(%) | -13.1% | 19.6% | 8.9% | 0.4% | 20.8% |
| Core EBITDA Growth(%) | -44.6% | 81.9% | -5.1% | -16.0% | 71.8% |
| EBIT Growth(%) | -57.0% | 159.5% | -3.8% | -19.6% | 99.9% |
| PAT Growth(%) | -66.6% | 232.2% | -4.3% | -14.3% | 119.8% |
| Adj. EPS Growth(%) | -67.1% | 249.5% | -5.1% | -15.3% | 119.8% |
| Financial Stability Ratios | | | | | |
| Total Debt/Equity(x) | 0.59 | 0.57 | 0.56 | 0.45 | 0.33 |
| Total Asset/Equity(x) | 2.06 | 2.07 | 2.09 | 1.91 | 1.73 |
| Interest Cover(x) | 5.79 | 8.92 | 5.97 | 8.42 | 16.76 |
| Current Ratio(x) | 1.66 | 1.72 | 1.68 | 1.73 | 1.87 |
| Quick Ratio(x) | 0.92 | 1.05 | 1.01 | 1.02 | 1.13 |
| Operational & Financial Ratios | | | | | |
| Earnings Per Share (Rs) | 2.02 | 7.06 | 6.70 | 5.68 | 12.48 |
| DPS(Rs) | 0.00 | 0 | 0 | 0 | 0 |
| Book Value (Rs) | 42.47 | 47.47 | 50.63 | 56.31 | 68.79 |
| Tax Rate(%) | 32.92% | 30.43% | 25.13% | 25.18% | 25.18% |
| Dividend Pay Out Ratio(%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Margin Ratios | | | | | |
| PBIDTM (%) (Core) | 9.30% | 14.14% | 12.31% | 10.30% | 14.65% |
| EBITM (%) | 5.33% | 11.57% | 10.22% | 8.19% | 13.55% |
| Pre Tax Margin(%) | 3.73% | 9.99% | 8.16% | 6.97% | 12.68% |
| PATM (%) | 2.50% | 6.95% | 6.11% | 5.21% | 9.49% |
| Performance Ratios | | | | | |
| ROA (%) | 2.30% | 7.13% | 6.20% | 5.29% | 10.51% |
| ROE (%) | 4.90% | 15.27% | 13.51% | 10.62% | 19.95% |
| ROCE (%) | 6.86% | 16.85% | 14.29% | 11.06% | 21.08% |
| Valuation Ratios | | | | | |
| Adjusted PE (x) | 65.8 | 18.8 | 19.9 | 23.4 | 10.7 |
| Price / Book Value(x) | 3.1 | 2.8 | 2.6 | 2.4 | 1.9 |
| EV/Net Sales(x) | 1.9 | 1.6 | 1.5 | 1.4 | 1.2 |
| EV/EBITDA(x) | 20.4 | 11.2 | 11.8 | 14.1 | 8.2 |
| EV/EBIT(x) | 35.5 | 13.7 | 14.2 | 17.7 | 8.9 |

Source: Company, Axis Securities Research

Welspun Living Ltd Price Chart and Recommendation History



| Date | Reco | TP | Research |
|------------|------|-----|---------------|
| 02-Feb-24 | BUY | 210 | Result Update |
| 26-Apr-24 | BUY | 210 | Result Update |
| 26-Jul-24 | BUY | 210 | Result Update |
| 29-Oct-24 | BUY | 202 | Result Update |
| 31-Jan-25 | BUY | 165 | Result Update |
| 30-May-25 | BUY | 170 | Result Update |
| 31-July-25 | BUY | 150 | Result Update |
| | | | |

Source: Axis Securities Research

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|----------------|--|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
| NO STANCE | We do not have any forward-looking estimates, valuation or recommendation for the stock |

Note: Returns stated in the rating scale are our internal benchmark