

Welspun Living | BUY

Tariff weakness behind; new FTAs to drive earnings

Welspun Living reported an EBITDA of INR1.6bn, higher than JMfe of INR1.3bn. EBITDA decline of ~43% YoY was driven by lower EBITDA from flooring segment (down 83% YoY). Consolidated EBITDA margin remained muted at 7.3% in 3QFY26 vs. 11.3% in CQLY. However, margin increased sequentially by ~80bps QoQ given lower other expenses. Key takeaways from the concall are a) company expects margin recovery to start in 4QFY26, with a gradual upside in margins towards normal expected to begin 1QFY27 onwards b) domestic flooring business continue to perform well with 14% YoY growth while global flooring business declined by ~29% YoY amid tariff headwinds; soft flooring business expected to have a higher uptake while hard flooring will pan out gradually, and c) company sees a huge growth opportunity in the domestic business and expects 20-25% growth in the next financial year on the back of GST reforms. Company highlighted that the use of cotton does not go above 50% for towels and 30-40% for sheets (with +/- 10% for apparels) – reflecting minimal competitive advantage to Bangladesh for the recently announced 'zero tariff' on products with 70%+ of US cotton (as per media sources). Net Debt stood at ~INR13bn as at end of 3Q vs ~INR16bn as at end of 2Q. We believe multiple newer markets opening on the back of FTAs and GOIs focus on developing the textile ecosystem is likely to drive earnings trajectory for the company. Maintain BUY.

- Margins under pressure amid tariffs headwinds:** The Company reported net sales of INR22.6bn, down 9% YoY given tariff headwinds impacting the Home Textile segment revenue (-4.7% YoY) and Flooring revenue (-20.3% YoY). Consolidated EBITDA for Welspun Living stood at INR1.6bn vs JMfe of 1.3bn. EBITDA was down ~43% YoY driven by lower EBITDA from flooring segment (down 83% YoY). Consolidated EBITDA margin remained muted at 7.3% in 3QFY26 vs. 11.3% in CQLY. However, margin increased sequentially by ~80bps QoQ given lower other expenses. Margins remained under pressure during the quarter due to lower volume offtake given continued tariff uncertainty. Adjusted PAT came in at INR192mn vs. INR1.2bn in 3QFY25, down significantly YoY. The global retailers maintain a cautious stance – weighing on demand visibility.
- Muted performance across segments:** Home textile revenue decreased YoY by ~5% to INR21.7bn. The flooring business revenue decreased by ~20% YoY to INR1.7bn. Home textile business reported EBITDA of INR1.6bn with margins at 7.3% during 3QFY26 vs 12.5% in CQLY. Flooring business reported EBITDA of INR29mn, down significantly by ~83% YoY. Domestic flooring business continues to perform well with 14% YoY growth driven by housing, hospitality and institutional demand. However, global flooring business declined by ~29% YoY amid tariff headwinds. Company believes soft flooring business (major part of flooring business) has a massive uptake in the coming time while hard flooring will pan out gradually. FTAs to aid flooring business growth. Bath Linen capacity utilisation decreased to 74% vs 76% in 2Q while Bed Linen capacity utilisation increased to 76% vs 75% in 2Q. Capacity utilisation for Rugs & Carpets came in at 75% vs 78% in 2Q.
- Tariff remained an overhang in 3Q; recovery expected going ahead:** In 3QFY26, company continued to face US tariff headwinds, muted discretionary demand and cautious retailer buying. However, company believes that recent deals / FTAs (US, EU, UK, Japan, Australia) represent a structural inflection for Indian exports. Company expects 4QFY26 to remain competitive, with a gradual upside in margins from 1QFY27 onwards.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	96,792	105,451	91,700	116,760	128,536
Sales Growth (%)	19.6	8.9	-13.0	27.3	10.1
EBITDA	13,689	12,985	7,274	15,012	17,785
EBITDA Margin (%)	14.1	12.3	7.9	12.9	13.8
Adjusted Net Profit	6,811	6,388	1,571	6,743	8,347
Diluted EPS (INR)	7.0	6.7	1.6	7.0	8.7
Diluted EPS Growth (%)	242.6	-5.0	-75.4	329.2	23.8
ROIC (%)	11.4	10.8	3.4	11.2	12.5
ROE (%)	15.8	13.7	3.2	12.8	14.1
P/E (x)	20.4	21.5	87.3	20.3	16.4
P/B (x)	3.1	2.8	2.8	2.5	2.2
EV/EBITDA (x)	11.4	12.0	20.9	10.0	8.5
Dividend Yield (%)	0.1	0.1	0.0	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 12/Feb/2026



Ashutosh Somani

ashutosh.somani@jmfl.com | Tel: (91 22) 66303083

Anirudh Nagpal

anirudh.nagpal@jmfl.com | Tel: (91 22) 66303263

Anuj Khandelwal

anuj.khandelwal@jmfl.com | Tel: (91 22) 66303018

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	180
Upside/(Downside)	26.1%
Previous Price Target	180
Change	0%

Key Data – WELSPUNL IN

Current Market Price	INR143
Market cap (bn)	INR136.8/US\$1.5
Free Float	33%
Shares in issue (mn)	959.1
Diluted share (mn)	959.1
3-mon avg daily val (mn)	INR803.6/US\$8.9
52-week range	155/105
Sensex/Nifty	83,675/25,807
INR/US\$	90.6

Price Performance

%	1M	6M	12M
Absolute	17.4	25.4	13.9
Relative*	17.3	20.7	3.6

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key Concall Takeaways:

■ Tariff impact:

- In 3QFY26, company continued to face US tariff headwinds, muted discretionary demand and cautious retailer buying. However, company believes that recent deals / FTAs (US, EU, UK, Japan, Australia) represent a structural inflection for Indian exports rather than a short-term cyclical bounce.
- Company expects 4QFY26 to remain competitive, with a gradual upside in margins from 1QFY27 onwards.

■ Flooring:

- Domestic flooring business continue to perform well with 14% YoY growth driven by housing, hospitality and institutional demand.
- However, global flooring business declined by ~29% YoY amid tariff headwinds. Company believes soft flooring business (major part of flooring business) has a massive uptake in the coming time while hard flooring will pan out gradually. FTAs to aid flooring business growth.
- Company highlighted that the use of cotton does not go above 50% for towels and 30-40% for sheets (with +/- 10% for apparels) – reflecting minimal competitive advantage to Bangladesh for the recently announced 'zero tariff' on products with 70%+ of US cotton (as per media sources).
- With GST reforms, company sees a huge growth opportunity and expects 20-25% growth for the next financial year.
- The previously outlined INR7bn capex is on track, focusing on sweating existing assets and productivity enhancement, with no additional capacity planned for the next two years.
- The advanced textiles business is expected to achieve strong double-digit margins with upcoming FTAs, despite a 3QFY26 decline of 20.9% YoY due to softer global demand.

Exhibit 1. Consolidated financial performance (INR mn)

(INR mn)	3QFY26	3QFY26E	Var (%)	3QFY25	YoY %	2QFY26	QoQ %	9MFY26	9MFY25	YoY(%)
Net Sales	22,622	21,761	4.0	24,896	-9.1	24,409	-7.3	69,637	78,992	-12%
Other op. income	-	-		-		-		-	-	
Total income from operations	22,622	21,761	4.0	24,896	-9.1	24,409	-7.3	69,637	78,992	-12%
Expenditure	21,019	20,482	2.6	22,092	-4.9	22,876	-8.1	64,246	69,196	-7%
Raw materials	12,010	11,182	7.4	13,079	-8.2	12,996	-7.6	37,347	44,025	-15%
Raw material cost (%) of sales	53%	51%		53%		53%		54%	56%	
Staff cost	2,830	3,049	-7.2	2,853	-0.8	2,990	-5.3	8,720	8,597	1%
Staff cost (%) of sales	13%	14%		11%		12%		13%	11%	
Other expenses	6,179	6,250	-1.1	6,160	0.3	6,890	-10.3	18,180	16,574	10%
Other expenses (%) of sales	27%	29%		25%		28%		26%	21%	
EBITDA	1,603	1,280	25.3	2,805	-42.8	1,533	4.6	5,391	9,796	-45%
EBITDA (%)	7.1	5.9		11.3		6.3		7.7	12.4	
Other income	144	180		385		148		581	1,536	
Depreciation	1,022	1,000	2.2	982	4.1	1,009	1.3	2,910	2,806	4%
EBIT	725	460	57.8	2,207	-67.1	672	8.0	3,061	8,527	-64%
Interest	391	447	-12.5	623	-37.3	434	-9.8	1,249	1,606	-22%
PBT	334	13	2436.6	1,584	-78.9	238	40.3	1,812	6,921	-74%
Tax	119	-		355		90		555	1,809	
Eff. Tax rate (%)	35.6	-		22.4		37.6		34	26	
XO items	(190)	-		-		-		(190)	-	
Minority Interest	24	1		20		19		60	39	54%
PAT- Reported	2.1	12	-82.7	1,208	-99.8	130	-98.4	1,007	5,073	-80%
PAT- Adjusted	192	12		1,208	-84.1	130	47.8	1,197	5,073	-76%
Diluted EPS (INR)	0.2	0.0		1.3	-84.1	0.1	47.8	1	5	-76%
Net debt (INR bn)	13	-		17		16		13	17	

Source: Company, JM Financial

Exhibit 2. Segmental performance (INR mn)

(INR mn)	3QFY26	3QFY25	YoY %	2QFY26	QoQ %	9MFY26	9MFY25	YoY(%)
Home textile:								
Revenue	21,752	22,818	-4.7	23,216	-6.3	66,203	73,819	-10.32
EBITDA	1,597	2,864	-44.2	1,523	4.9	5,352	10,090	-46.96
EBITDA (%)	7.3%	12.5%		6.6%		8%	14%	
Flooring:								
Revenue	1,719	2,157	-20.3	1,813	-5.2	5,467	6,933	-21.15
EBITDA	29	169	-82.8	38	-22.4	229	599	-61.85
EBITDA (%)	1.7%	7.8%		2.1%		4.2%	8.6%	

Source: Company, JM Financial

Exhibit 3. Target Price

	FY28E
EPS (INR/sh)	8.7
Multiple (x)	21
Fair value (INR/sh)	180

Source: JM Financial

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

Source: Bloomberg, JM Financial

Exhibit 5. Change in estimates

	Unit	Old		New		% Change	
		FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Net Sales	INR mn	1,21,156	1,27,978	1,16,760	1,28,536	-3.6%	0.4%
EBITDA	INR mn	15,390	17,545	15,012	17,785	-2.5%	1.4%
PAT	INR mn	7,092	8,323	6,743	8,347	-4.9%	0.3%
EPS		7.4	8.7	7.0	8.7	-4.9%	0.3%
Target Price	INR	180		180		0.0%	
Rating		BUY		BUY			

Source: JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	96,792	105,451	91,700	116,760	128,536	Shareholders' Fund	45,158	48,211	49,744	55,673	62,966
Sales Growth	19.6%	8.9%	-13.0%	27.3%	10.1%	Share Capital	972	959	959	959	959
Other Operating Income	0	0	0	0	0	Reserves & Surplus	44,186	47,252	48,785	54,714	62,006
Total Revenue	96,792	105,451	91,700	116,760	128,536	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	51,099	56,755	45,280	56,452	61,970	Minority Interest	973	996	996	996	996
Personnel Cost	10,274	11,515	12,398	14,391	15,838	Total Loans	26,322	27,620	24,620	21,620	21,620
Other Expenses	21,731	24,195	26,748	30,905	32,943	Def. Tax Liab. / Assets (-)	3,705	4,143	4,143	4,143	4,143
EBITDA	13,689	12,985	7,274	15,012	17,785	Total - Equity & Liab.	76,158	80,969	79,502	82,431	89,724
<i>EBITDA Margin</i>	14.1%	12.3%	7.9%	12.9%	13.8%	Net Fixed Assets	38,618	44,025	43,150	47,075	50,660
<i>EBITDA Growth</i>	81.9%	-5.1%	-44.0%	106.4%	18.5%	Gross Fixed Assets	75,931	81,724	83,724	90,724	97,724
Depn. & Amort.	3,945	3,734	3,875	4,075	4,415	Intangible Assets	1,882	1,916	1,916	1,916	1,916
EBIT	9,744	9,251	3,399	10,937	13,370	Less: Depn. & Amort.	39,683	43,417	47,292	51,367	55,782
Other Income	1,459	1,522	922	1,012	1,111	Capital WIP	488	3,803	4,803	5,803	6,803
Finance Cost	1,534	2,175	1,874	2,114	2,354	Investments	9,164	5,700	5,700	5,700	5,700
PBT before Excep. & Forex	9,669	8,598	2,448	9,836	12,128	Current Assets	47,068	52,948	49,054	53,490	59,110
Excep. & Forex Inc/Loss(-)	0	0	0	0	0	Inventories	20,718	21,834	18,998	21,711	22,434
PBT	9,669	8,598	2,448	9,836	12,128	Sundry Debtors	12,547	16,449	12,293	13,027	14,422
Taxes	2,942	2,162	828	3,045	3,732	Cash & Bank Balances	2,548	3,063	4,353	2,831	1,423
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	11,255	11,602	13,410	15,921	20,831
Assoc. Profit/Min. Int.(-)	-84	49	49	49	49	Other Current Assets	0	0	0	0	0
Reported Net Profit	6,811	6,388	1,571	6,743	8,347	Current Liab. & Prov.	18,692	21,704	18,402	23,834	25,746
Adjusted Net Profit	6,811	6,388	1,571	6,743	8,347	Current Liabilities	9,088	11,229	9,387	12,158	12,819
<i>Net Margin</i>	7.0%	6.1%	1.7%	5.8%	6.5%	Provisions & Others	9,604	10,475	9,015	11,676	12,926
Diluted Share Cap. (mn)	971.8	959.1	959.1	959.1	959.1	Net Current Assets	28,376	31,244	30,652	29,656	33,364
Diluted EPS (INR)	7.0	6.7	1.6	7.0	8.7	Total - Assets	76,158	80,969	79,502	82,431	89,724
Diluted EPS Growth	242.6%	-5.0%	-75.4%	329.2%	23.8%						
Total Dividend + Tax	97	96	38	814	1,054						
Dividend Per Share (INR)	0.1	0.1	0.0	0.7	0.9						

Source: Company, JM Financial

Cash Flow Statement (INR mn)						Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	9,669	8,598	2,448	9,836	12,128	Net Margin	7.0%	6.1%	1.7%	5.8%	6.5%
Depn. & Amort.	3,945	3,734	3,875	4,075	4,415	Asset Turnover (x)	1.1	1.1	0.9	1.1	1.2
Net Interest Exp. / Inc. (-)	0	0	0	0	0	Leverage Factor (x)	2.1	2.1	2.0	1.9	1.9
Inc (-) / Dec in WCap.	-5,105	-2,353	1,882	-526	-5,116	RoE	15.8%	13.7%	3.2%	12.8%	14.1%
Others	0	0	0	0	0						
Taxes Paid	-2,942	-2,162	-828	-3,045	-3,732						
Operating Cash Flow	5,567	7,818	7,377	10,340	7,694						
Capex	-2,904	-9,107	-3,000	-8,000	-8,000						
Free Cash Flow	2,663	-1,290	4,377	2,340	-306						
Inc (-) / Dec in Investments	-2,749	3,464	0	0	0						
Others	-855	-949	0	0	0						
Investing Cash Flow	-6,507	-6,592	-3,000	-8,000	-8,000						
Inc / Dec (-) in Capital	-16	-13	0	0	0						
Dividend + Tax thereon	-97	-96	-38	-814	-1,054						
Inc / Dec (-) in Loans	1,704	1,298	-3,000	-3,000	0						
Others	84	-1,899	-49	-49	-49						
Financing Cash Flow	1,674	-710	-3,086	-3,862	-1,103						
Inc / Dec (-) in Cash	734	515	1,290	-1,522	-1,408						
Opening Cash Balance	1,814	2,548	3,063	4,353	2,831						
Closing Cash Balance	2,548	3,063	4,353	2,831	1,423						

Source: Company, JM Financial



APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com