

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.



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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

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
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

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)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	96,792	105,451	91,700	116,760	128,536
Sales Growth	19.6%	8.9%	-13.0%	27.3%	10.1%
Other Operating Income	0	0	0	0	0
Total Revenue	96,792	105,451	91,700	116,760	128,536
Cost of Goods Sold/Op. Exp	51,099	56,755	45,280	56,452	61,970
Personnel Cost	10,274	11,515	12,398	14,391	15,838
Other Expenses	21,731	24,195	26,748	30,905	32,943
EBITDA	13,689	12,985	7,274	15,012	17,785
EBITDA Margin	14.1%	12.3%	7.9%	12.9%	13.8%
EBITDA Growth	81.9%	-5.1%	-44.0%	106.4%	18.5%
Depn. & Amort.	3,945	3,734	3,875	4,075	4,415
EBIT	9,744	9,251	3,399	10,937	13,370
Other Income	1,459	1,522	922	1,012	1,111
Finance Cost	1,534	2,175	1,874	2,114	2,354
PBT before Excep. & Forex	9,669	8,598	2,448	9,836	12,128
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	9,669	8,598	2,448	9,836	12,128
Taxes	2,942	2,162	828	3,045	3,732
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-84	49	49	49	49
Reported Net Profit	6,811	6,388	1,571	6,743	8,347
Adjusted Net Profit	6,811	6,388	1,571	6,743	8,347
Net Margin	7.0%	6.1%	1.7%	5.8%	6.5%
Diluted Share Cap. (mn)	971.8	959.1	959.1	959.1	959.1
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%
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)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	9,669	8,598	2,448	9,836	12,128
Depn. & Amort.	3,945	3,734	3,875	4,075	4,415
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-5,105	-2,353	1,882	-526	-5,116
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

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	45,158	48,211	49,744	55,673	62,966
Share Capital	972	959	959	959	959
Reserves & Surplus	44,186	47,252	48,785	54,714	62,006
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	79,502	82,431	89,724
Net Fixed Assets	38,618	44,025	43,150	47,075	50,660
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	47,292	51,367	55,782
Capital WIP	488	3,803	4,803	5,803	6,803
Investments	9,164	5,700	5,700	5,700	5,700
Current Assets	47,068	52,948	49,054	53,490	59,110
Inventories	20,718	21,834	18,998	21,711	22,434
Sundry Debtors	12,547	16,449	12,293	13,027	14,422
Cash & Bank Balances	2,548	3,063	4,353	2,831	1,423
Loans & Advances	11,255	11,602	13,410	15,921	20,831
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	18,692	21,704	18,402	23,834	25,746
Current Liabilities	9,088	11,229	9,387	12,158	12,819
Provisions & Others	9,604	10,475	9,015	11,676	12,926
Net Current Assets	28,376	31,244	30,652	29,656	33,364
Total - Assets	76,158	80,969	79,502	82,431	89,724

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.0%	6.1%	1.7%	5.8%	6.5%
Asset Turnover (x)	1.1	1.1	0.9	1.1	1.2
Leverage Factor (x)	2.1	2.1	2.0	1.9	1.9
RoE	15.8%	13.7%	3.2%	12.8%	14.1%

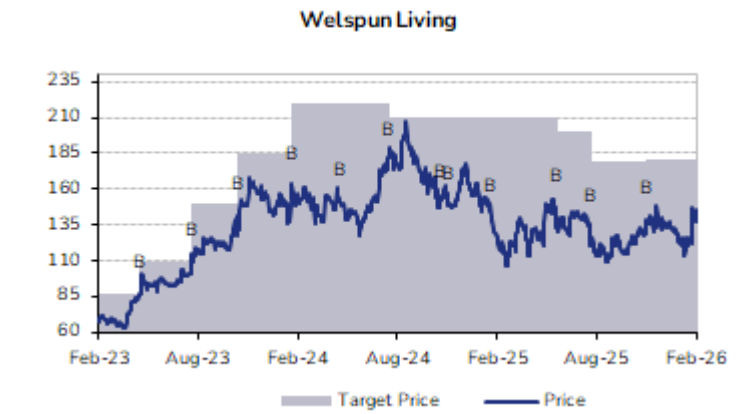
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	46.5	50.3	51.9	58.0	65.7
ROIC	11.4%	10.8%	3.4%	11.2%	12.5%
ROE	15.8%	13.7%	3.2%	12.8%	14.1%
Net Debt/Equity (x)	0.4	0.4	0.3	0.2	0.2
P/E (x)	20.4	21.5	87.3	20.3	16.4
P/B (x)	3.1	2.8	2.8	2.5	2.2
EV/EBITDA (x)	11.4	12.0	20.9	10.0	8.5
EV/Sales (x)	1.6	1.5	1.7	1.3	1.2
Debtor days	47	57	49	41	41
Inventory days	78	76	76	68	64
Creditor days	40	44	41	44	42

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
28-Jul-21	Buy	160	
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
29-May-25	Buy	200	-4.3
30-Jul-25	Buy	180	-10.3
12-Nov-25	Buy	180	0.2

Recommendation History



APPENDIX I

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
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