

Welspun Living | BUY

Tariff remains an overhang in near-term; long-term story intact

Welspun Living reported an EBITDA of INR1.5bn, lower than JMfe of INR1.7bn. EBITDA was down ~57% YoY driven by tariff related impact and higher other expenses (+12% QoQ). Margins remained under pressure during the quarter due to lower volume offtake given continued tariff uncertainty. Key takeaways from the concall are a) company witnessed lower shipments in 2Q; realizations were also impacted as discounts were given to retailers (only ~1 month ops were impacted in 2Q) – full impact of tariffs to come in 3Q b) flooring business performance continue to be impacted given subdued housing activities and projects leading to muted demand for hard flooring – however, soft flooring remains on track for a growth of ~20% c) company's pillow and TOB facility in Nevada is expected to be operational by Feb'26 while the Ohio facility currently runs at ~50%+ utilisation levels. Capex during the quarter stood at INR870mn – primarily towards efficiency enhancement and the ongoing hybrid wind and solar power transmission line. Net Debt stood at ~INR15.7bn as at end of 2Q vs ~INR14bn as at end of 1Q. Company has appointed Mr. Manish Bansal as the President and CFO of Welspun Living. We believe near-term tariff headwinds are going to weigh on the company's earnings for FY26. However, long-term outlook remains stable given company's strong presence in the Home Textiles segment. We revise our earnings downwards by 65% / 13% / 4% for FY26E / FY27E / FY28E. We roll-forward our TP to FY28E at a multiple of 21x. Maintain BUY.

- **Margins under pressure amid higher tariffs:** The Company reported net sales of INR24.4bn, down 15% YoY given tariff headwinds impacting the Home Textile segment revenue (-14% YoY). Flooring revenue was also down 59% YoY. Consolidated EBITDA came in at INR1.5bn, down 57% YoY driven by tariff related impact and higher other expenses (+12% QoQ). Consolidated EBITDA margin remained muted at 6.3% in 2QFY26 vs. 12.4% in 2QFY26. Margins remained under pressure during the quarter due to lower volume offtake given continued tariff uncertainty. Adjusted PAT came in at INR130mn vs. INR2bn in 2QFY25, down significantly YoY. The global retailers maintain a cautious stance and are currently focused on correcting their inventory levels.
- **Muted performance across segments:** Home textile revenue decreased YoY by ~14% to INR23.2bn. The flooring business revenue decreased by ~27% YoY to INR1.8bn. Home textile business reported EBITDA of INR1.5bn with margins at 6.6% during 2QFY26 vs 13.8% in CQLY. Flooring business reported EBITDA of INR38mn, down significantly by ~83% YoY. Flooring business continues to be impacted given subdued housing activities and projects. Soft flooring remains on track for a growth of ~20% however, hard flooring demand remains impacted. Bath Linen capacity utilisation decreased to 76% vs 88% in 1Q while Bed Linen capacity utilisation increased to 75% vs 67% in 1Q. Capacity utilisation for Rugs & Carpets came in at 78% vs 81% in 1Q.
- **Tariff remains an overhang in near-term; long-term story intact:** Company witnessed lower shipments in 2Q and realizations were also impacted as discounts given to retailers (only ~1 month ops were impacted in 2Q). Company believes the full impact of tariffs to come in 3Q with a further visibility on 4Q to come in the next 1 month. Overall towel and sheets exports to the US declined by 44% and 8% respectively over Jan-Jul'25. However, company has maintained its market share amidst this challenging environment. Company had earlier approved a capex of USD13mn towards setting up a pillow and TOB facility at Nevada, USA – to be operational by Feb'26.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	180
Upside/(Downside)	29.4%
Previous Price Target	180
Change	0.0%

Key Data – WELSPUNL IN

Current Market Price	INR139
Market cap (bn)	INR133.6/US\$1.5
Free Float	33%
Shares in issue (mn)	959.1
Diluted share (mn)	959.1
3-mon avg daily val (mn)	INR514.1/US\$5.8
52-week range	188/105
Sensex/Nifty	84,467/25,876
INR/US\$	88.6

Price Performance

%	1M	6M	12M
Absolute	13.5	-7.5	-9.9
Relative*	10.8	-9.7	-16.1

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	96,792	105,451	94,584	121,156	127,978
Sales Growth (%)	19.6	8.9	-10.3	28.1	5.6
EBITDA	13,689	12,985	8,110	15,390	17,545
EBITDA Margin (%)	14.1	12.3	8.6	12.7	13.7
Adjusted Net Profit	6,811	6,388	2,151	7,092	8,323
Diluted EPS (INR)	7.0	6.7	2.2	7.4	8.7
Diluted EPS Growth (%)	242.6	-5.0	-66.3	229.6	17.4
ROIC (%)	11.4	10.8	3.9	11.1	12.0
ROE (%)	15.8	13.7	4.4	13.3	13.8
P/E (x)	19.8	20.9	62.0	18.8	16.0
P/B (x)	3.0	2.8	2.7	2.4	2.1
EV/EBITDA (x)	11.1	11.7	18.3	9.5	8.3
Dividend Yield (%)	0.1	0.1	0.1	0.5	0.7

Source: Company data, JM Financial. Note: Valuations as of 12/Nov/2025

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:** Company witnessed lower shipments in 2Q and realizations were also impacted as discounts given to retailers (only ~1 month ops were impacted in 2Q). Company believes the full impact of tariffs to come in 3Q with a further visibility on 4Q to come in the next 1 month.
- Current geographical mix stands at ~60% for US, ~20% for UK and Europe, 13% for India and ~17% for RoW. Company expects this kind of a mix to continue to grow and remains well placed in UK and Europe with ongoing conversations with multiple top retailers.
- Overall towel and sheets exports to the US declined by 44% and 8% respectively over Jan-Jul'25. However, company has maintained its market share amidst this challenging environment.
- Capex during the quarter stood at INR870mn – primarily towards efficiency enhancement and the ongoing hybrid wind and solar power transmission line.
- Flooring business continues to be impacted given subdued housing activities and projects. Soft flooring remains on track for a growth of ~20% however, hard flooring demand remains impacted. Company plans to cap capacity for hard flooring for cost optimisation.
- India business was impacted by change in GST regime as customers procrastinated / delayed orders till 1st week of October given they awaited more clarity on GST.
- Company's Nevada facility is expected to be operational by Feb'26 while the Ohio facility currently runs at ~50%+ utilisation levels.

Exhibit 1. Consolidated financial performance (INR mn)

(INR mn)	2QFY26	2QFY26E	Var (%)	2QFY25	YoY %	1QFY26	QoQ %	1HFY26	1HFY25	YoY(%)
Net Sales	24,409	23,347	4.6	28,731	-15.0	22,606	8.0	47,015	54,096	-13%
Other op. income	-	-		-		-		-	-	
Total income from operations	24,409	23,347	4.6	28,731	-15.0	22,606	8.0	47,015	54,096	-13%
Expenditure	22,876	21,633	5.7	25,155	-9.1	20,352	12.4	43,227	47,104	-8%
Raw materials	12,996	12,406	4.8	16,082	-19.2	12,341	5.3	25,337	30,946	-18%
Raw material cost (%) of sales	53%	53%		56%		55%		54%	57%	
Staff cost	2,990	3,045	-1.8	2,925	2.2	2,900	3.1	5,890	5,744	3%
Staff cost (%) of sales	12%	13%		10%		13%		13%	11%	
Other expenses	6,890	6,182	11.5	6,148	12.1	5,110	34.8	12,001	10,414	15%
Other expenses (%) of sales	28%	26%		21%		23%		26%	19%	
EBITDA	1,533	1,713	-10.5	3,576	-57.1	2,254	-32.0	3,788	6,992	-46%
EBITDA (%)	6.3	7.3		12.4		10.0		8.1	12.9	
Other income	148	300		629		289		437	1,149	
Depreciation	1,009	900	12.1	856	18.0	879	14.8	1,888	1,823	4%
EBIT	672	1,113	-39.7	3,350	-79.9	1,664	-59.6	2,336	6,317	-63%
Interest	434	430	0.8	549	-21.0	425	2.1	858	982	-13%
PBT	238	683	-65.1	2,802	-91.5	1,240	-80.8	1,478	5,335	-72%
Tax	90	171		779		347		437	1,454	
Eff. Tax rate (%)	37.6	25.0		27.8		28.0		30	27	
XO items	-	-		-		-		-	-	
Minority Interest	19	18		14		18		36	18	97%
PAT- Reported	130	495	-73.8	2,008	-93.5	876	-85.2	1,005	3,863	-74%
PAT- Adjusted	130	495	-73.8	2,008	-93.5	876	-85.2	1,005	3,863	-74%
Diluted EPS (INR)	0.1	0.5	-73.8	2.1	-93.5	0.9	-85.2	1	4	-74%
Net debt (INR bn)	16	-		18		14		30	34	

Source: Company, JM Financial

Exhibit 2. Segmental performance (INR mn)

(INR mn)	2QFY26	2QFY25	YoY %	1QFY26	QoQ %	1HFY26	1HFY25	YoY(%)
Home textile:								
Revenue	23,216	27,128	-14.4	21,235	9.3	44,451	51,001	-12.84
EBITDA	1,523	3,742	-59.3	2,232	-31.8	3,754	7,226	-48.05
EBITDA (%)	6.6%	13.8%		10.5%		0	0	
Flooring:								
Revenue	1,813	2,498	-27.4	1,935	-6.3	3,748	4,776	-21.53
EBITDA	38	220	-82.9	162	-76.8	199	430	-53.64
EBITDA (%)	2.1%	8.8%		8.4%		5.3%	9.0%	

Source: Company, JM Financial

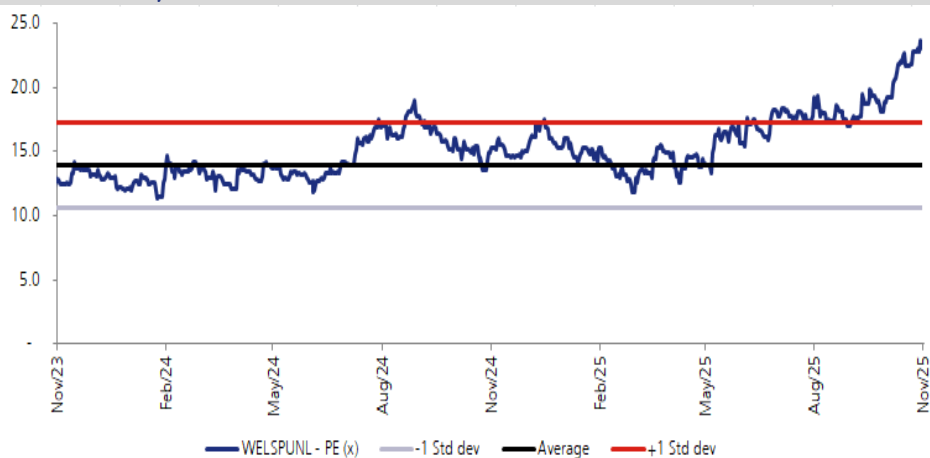
Exhibit 3. Target Price

	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. WLSI: 1yr forward PE valuation

Source: Bloomberg, JM Financial

Exhibit 6. Change in estimates

	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	109,234	120,983	128,678	94,584	121,156	127,978	-13.4%	0.1%	-0.5%
EBITDA	INR mn	14,641	17,821	19,234	8,110	15,390	17,545	-44.6%	-13.6%	-8.8%
PAT	INR mn	6,311	8,124	8,700	2,151	7,092	8,323	-65.9%	-12.7%	-4.3%
EPS		6.6	8.5	9.1	2.2	7.4	8.7	-65.9%	-12.7%	-4.3%
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	94,584	121,156	127,978
Sales Growth	19.6%	8.9%	-10.3%	28.1%	5.6%
Other Operating Income	0	0	0	0	0
Total Revenue	96,792	105,451	94,584	121,156	127,978
Cost of Goods Sold/Op. Exp	51,099	56,755	46,872	59,235	61,918
Personnel Cost	10,274	11,515	12,657	14,901	15,838
Other Expenses	21,731	24,195	26,946	31,630	32,677
EBITDA	13,689	12,985	8,110	15,390	17,545
EBITDA Margin	14.1%	12.3%	8.6%	12.7%	13.7%
EBITDA Growth	81.9%	-5.1%	-37.5%	89.8%	14.0%
Depn. & Amort.	3,945	3,734	4,199	4,499	4,799
EBIT	9,744	9,251	3,911	10,891	12,746
Other Income	1,459	1,522	1,522	1,671	1,836
Finance Cost	1,534	2,175	2,156	2,228	2,488
PBT before Excep. & Forex	9,669	8,598	3,277	10,335	12,094
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	9,669	8,598	3,277	10,335	12,094
Taxes	2,942	2,162	1,077	3,194	3,722
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-84	49	49	49	49
Reported Net Profit	6,811	6,388	2,151	7,092	8,323
Adjusted Net Profit	6,811	6,388	2,151	7,092	8,323
Net Margin	7.0%	6.1%	2.3%	5.9%	6.5%
Diluted Share Cap. (mn)	971.8	959.1	959.1	959.1	959.1
Diluted EPS (INR)	7.0	6.7	2.2	7.4	8.7
Diluted EPS Growth	242.6%	-5.0%	-66.3%	229.6%	17.4%
Total Dividend + Tax	97	96	125	866	1,051
Dividend Per Share (INR)	0.1	0.1	0.1	0.8	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	3,277	10,335	12,094
Depn. & Amort.	3,945	3,734	4,199	4,499	4,799
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-5,105	-2,353	988	-705	-3,897
Others	0	0	0	0	0
Taxes Paid	-2,942	-2,162	-1,077	-3,194	-3,722
Operating Cash Flow	5,567	7,818	7,387	10,934	9,274
Capex	-2,904	-9,107	-3,000	-8,000	-8,000
Free Cash Flow	2,663	-1,290	4,387	2,934	1,274
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	-125	-866	-1,051
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	-3,173	-3,915	-1,099
Inc / Dec (-) in Cash	734	515	1,214	-980	174
Opening Cash Balance	1,814	2,548	3,063	4,277	3,297
Closing Cash Balance	2,548	3,063	4,277	3,297	3,471

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	45,158	48,211	50,237	56,463	63,736
Share Capital	972	959	959	959	959
Reserves & Surplus	44,186	47,252	49,278	55,504	62,777
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	79,996	83,221	90,494
Net Fixed Assets	38,618	44,025	42,826	46,327	49,528
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	47,616	52,115	56,914
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	50,497	55,981	60,894
Inventories	20,718	21,834	19,643	22,579	22,331
Sundry Debtors	12,547	16,449	12,710	13,547	14,356
Cash & Bank Balances	2,548	3,063	4,277	3,297	3,471
Loans & Advances	11,255	11,602	13,866	16,558	20,736
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	18,692	21,704	19,027	24,787	25,628
Current Liabilities	9,088	11,229	9,706	12,644	12,761
Provisions & Others	9,604	10,475	9,321	12,143	12,867
Net Current Assets	28,376	31,244	31,470	31,194	35,266
Total - Assets	76,158	80,969	79,996	83,221	90,494

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.0%	6.1%	2.3%	5.9%	6.5%
Asset Turnover (x)	1.1	1.1	0.9	1.2	1.1
Leverage Factor (x)	2.1	2.1	2.0	1.9	1.9
RoE	15.8%	13.7%	4.4%	13.3%	13.8%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	46.5	50.3	52.4	58.9	66.5
ROIC	11.4%	10.8%	3.9%	11.1%	12.0%
ROE	15.8%	13.7%	4.4%	13.3%	13.8%
Net Debt/Equity (x)	0.4	0.4	0.3	0.2	0.2
P/E (x)	19.8	20.9	62.0	18.8	16.0
P/B (x)	3.0	2.8	2.7	2.4	2.1
EV/EBITDA (x)	11.1	11.7	18.3	9.5	8.3
EV/Sales (x)	1.6	1.4	1.6	1.2	1.1
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.
14-May-21	Buy	111	
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
29-May-25	Buy	200	-4.3
30-Jul-25	Buy	180	-10.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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