

Resilient Performance Amidst External Headwinds; Maintain BUY!

Est. Vs. Actual for Q4FY25: Revenue: **INLINE**; EBITDA: **BEAT**; PAT: **BEAT**

Change in Estimates post Q4FY25

FY26E/FY27E: Revenue: -2%/-2%; EBITDA: 7%/3%; PAT: 4%/3%

Recommendation Rationale

- Flooring Continues to Disappoint:** The company's Flooring division continues to face headwinds, with revenue for the quarter coming in at Rs 196 Cr, down 8% YoY and 9% QoQ, marking the second straight quarter of decline. The business faced challenges due to Red Sea disruptions, which affected transit times in Q3, along with ongoing uncertainty surrounding US tariffs that weighed on performance. However, management remains optimistic about recovery in the coming period, supported by strategic focus on the US Home Improvement, expansion in the Middle East, Australia and New Zealand, and UK FTA-driven growth.
- Strategic Business Buildup Continues:** The company has been consistently expanding its market share in emerging and Branded Business segments, which is expected to contribute to future margin improvements. On the domestic front, Welspun remains focused on strengthening its brand presence. Emerging business verticals, including Domestic Consumer, Global Brands, and Advanced Textiles & Flooring, contributed 30% to the total revenue.
- India-UK FTA – A Structural Positive:** On a positive note, the announcement of the India-UK Free Trade Agreement (FTA) is seen as a major catalyst for the Indian home textile industry. With this agreement, India gains a level playing field with regional competitors like Pakistan and Bangladesh in the UK market. Given India's scale, competitiveness, and political stability, the company is optimistic about leveraging this agreement to strengthen its presence in the UK.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: In light of the dynamic and uncertain external environment, the management has indicated that issuing definitive guidance for FY26 remains challenging at this stage. The company continues to closely monitor ongoing developments and intends to provide a more concrete outlook once greater clarity emerges. Despite the near-term uncertainty, the company reaffirms its long-term revenue target of Rs 15,000 Cr by FY27, acknowledging the possibility of minor timing deviations. Additionally, it continues to aim for EBITDA margins in the range of 15–16%, inclusive of other income, over the long term.

Current Valuation: 12x FY27E (12x FY27E)

Current TP: 170/share (165/share)

Recommendation: We maintain our **BUY** rating on the stock with an upside potential of 16% from the CMP.

Financial Performance: The company reported revenue of Rs 2,646 Cr, up 3% YoY and 6% QoQ, in line with our estimates. EBITDA stood at Rs 316 Cr, declining 12% YoY and up 13% QoQ, beating our estimate of Rs 278 Cr. EBITDA margins stood at 11.9% (from 13.9% in Q4FY24 and 11.3% in Q3FY25). Consequently, PAT stood at Rs 133 Cr, up 2% YoY and 8% QoQ, surpassing our estimate of Rs 117 Cr by 14%. The company reported an EPS of Rs 1.4 per share.

Outlook: The company has been steadily expanding its presence in emerging and branded businesses, a trend expected to positively contribute to the top line. Domestically, Welspun continues to focus on enhancing its presence and building its brand. We believe that Welspun's structural development across high-margin verticals and its retail domestic focus will help diversify the business and expand margins in the long term, although margin improvement may be delayed by a few quarters. We maintain our outlook on Welspun Living, as its strong brand, large capacities, and industry-leading position are likely to help it weather near-term headwinds.

Valuation & Recommendation: We marginally revise our estimates on several fronts, given our outlook on the sector and the management's commentary on the company. Our estimates account for the potential delay in margin improvement, with significant improvements expected in the longer term. Consequently, **we maintain our BUY rating on the stock, valuing the company at 12x FY27E. Our target price is revised to Rs 170/share, implying an upside of 16% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	2,646	3%	6%	2,620	1%
EBITDA	316	-12%	13%	278	14%
EBITDA Margin	11.9%	-199 bps	67 bps	10.6%	134 bps
Net Profit	133	2%	8%	117	14%
EPS (Rs)	1.38	3%	8%	1.2	14%

Source: Company, Axis Securities Research

(CMP as of 29th May 2025)

CMP (Rs)	147
Upside /Downside (%)	16%
High/Low (Rs)	213/105
Market cap (Cr)	14,188
Avg. daily vol. (1m) Shrs.	1,70,14,487
No. of shares (Cr)	97.18

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	66.24	66.24	66.24
FIIIs	7.08	5.90	5.35
DIIIs	7.67	8.31	8.93
Others	19.02	19.55	19.48

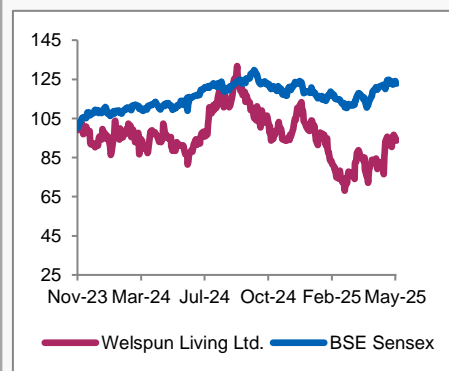
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	10,545	12,600	13,983
EBITDA	1,299	1,875	2,096
Net Profit	644	1,133	1,363
EPS (Rs)	6.7	11.7	14.0
PER (x)	13.0	7.5	6.2
P/BV (x)	1.7	1.5	1.2
EV/EBITDA (x)	12.9	8.9	8.0
ROE (%)	13.5%	21.2%	21.7%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-2%	-2%
EBITDA	7%	3%
PAT	4%	3%

Relative Performance



Source: ACE Equity, Axis Securities Research

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Key Concall Highlights

Major Business Updates:

- In FY25, the home textile export business grew by 11% YoY, achieving an EBITDA margin of 14.7%.
- Emerging businesses (domestic consumer, branded products, advanced textiles, flooring) contributed ~30% of total revenue.
- Innovation sales also grew by 4% YoY to Rs 2,267 Cr in FY25.
- Ohio pillow plant operated at 31% utilisation in Q4, generating \$15 mn revenue, expected to double next year.
- Global brand continues to be robust with 12% shares of total revenues in FY25
- **Acquisition of Drape Story Interiors Private Limited:** The Board has approved the acquisition of 84.3% stake in Drape Story (a company operating in product home furnishings like curtains, clothing, sofa, chairs, etc) at an investment of Rs 14.57 Cr. It is expected to reach a revenue of Rs 100 Cr in three years' time.
- **US Tariff:** The recent developments concerning reciprocal tariffs by the US have introduced a degree of uncertainty in global trade flows. Although a 90-day pause on the implementation of certain tariffs offers temporary relief, the long-term clarity hinges on the progression of the India-US bilateral trade discussions. The company remains cautious and anticipates continued short-term volatility in exports.
- **India-UK FTA:** The recent conclusion of the India-UK FTA is expected to be a significant enabler for India's home textile exports. This agreement places India on equal competitive footing with regional peers such as Pakistan and Bangladesh in the UK market. Leveraging its scale advantages, operational capabilities, and stable political environment, the company is optimistic about enhancing its market share and driving growth in the UK through this favourable trade framework.
- **Capex:** In Q4FY25, the company spent Rs 106 Cr (Rs 701 Cr in FY25 against capex estimate of Rs 860 Cr), primarily on towel projects in Anjar, with a total capex estimate of Rs 300 Cr for FY26 (Rs 100 Cr for maintenance capex and Rs 200 Cr for terry towel capacity expansion at Anjar).
- **Anjar Expansion:** The board had approved a Rs 997 Cr capital outlay in Anjar through Welspun Home Solutions Ltd., to be invested over FY25–27 in two phases. Of this, Rs 341 Cr for 6,400 MT terry towel capacity is nearing completion. An additional Rs 200 Cr is planned for FY26 to enhance capacity by 3,600 MT annually.
- **Net Debt:** Net debt stood at Rs 1,603 Cr as of March 25, an increase from Rs 1,354 Cr as of March 2024 (an increase of Rs 248 Cr) vs. Rs 1,658 Cr as on Dec 24 (lower by Rs 56 Cr). This rise compared to last year was due to investments in capex and higher working capital.
- **Guidance:** While near-term guidance is withheld due to volatility, management maintains its FY27 revenue target of Rs 15,000 Cr (with a little aberration of timing) with 15–16% EBITDA margins.
- **Dividend:** The Board has recommended a dividend of Rs 1.70 per equity share of the face value of Re 1 each for the FY25, subject to approval.

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	12,600	13,983	12,798	14,237	-2%	-2%
EBITDA	1,875	2,096	1,753	2,045	7%	3%
PAT	1,133	1,363	1,085	1,321	4%	3%
EPS	11.7	14.0	11	14	4%	3%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q4FY24	Q3FY25	Axis Est.	Q4FY25	YoY Growth (%)	QoQ Growth (%)	Axis Variance
Revenue	2,575	2,490	2,620	2,646	3%	6%	1%
Less:							
Net Raw Material consumed	1,379	1,321	1,412	1,401	2%	6%	-1%
Employee	276	285	301	292	6%	2%	-3%
Other Expenses	561	602	629	637	13%	6%	1%
Total Expenditure	2,217	2,209	2,342	2,330	5%	5%	-1%
EBIDTA	359	280	278	316	-12%	13%	14%
EBITDA %	13.93%	11.26%	10.60%	11.94%	-199 bps	67 bps	134 bps
Less: Depreciation	96	98	98	93	-4%	-5%	-5%
EBIT	304	220	219	225	-26%	2%	3%
Less: Net Interest	51.81	62.33	62.3	56.9	10%	-9%	-9%
Add: Other income	41	38	39.3	2.3	-95%	-94%	-94%
Less: Extraordinary Expense (net)							
Profit Before Tax	252	158	156	168	-33%	6%	7%
Less: Total Tax	122	36	40	35	-71%	-1%	-12%
Profit After Tax	131	123	117	133	2%	8%	14%
Shares Outstanding (Mn)							
Reported EPS (Rs)	1.34	1.28	1.22	1.38	3%	8%	14%

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	12,600	13,983
COGS	4,514	5,110	5,676	6,710	7,471
Employee Cost	794	1,027	1,152	1,305	1,411
Operating & Manufacturing Expenses	2,033	2,173	2,420	2,709	3,004
Total Expenditure	7,341	8,310	9,247	10,724	11,886
EBIDTA (Excl OI)	753	1,369	1,299	1,875	2,096
Other Income	121	146	153	156	227
EBITDA (incl Other Income)	874	1,515	1,451	2,032	2,323
Depreciation	442	394	373	389	390
EBIT	432	1,120	1,078	1,643	1,933
Interest	130	153	217	129	112
Exceptional Items	-	-	-	-	-
PBT	302	967	860	1,514	1,822
Tax	99	294	216	381	459
Profit After Tax	203	673	644	1,133	1,363
Minority Interest	-4	8	-5	-	-
Consolidated Net Profit	199	681	639	1,133	1,363
Diluted EPS (Consol Net Profit)	2.0	7.1	6.7	11.7	14.0
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	3,544	3,554
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	4,850	4,860
Current Assets					
Inventories	1,970	2,072	2,183	2,500	2,763
Financial assets					
- Investments	635	909	559	559	559
- Trade receivables	960	1,255	1,645	1,657	1,762
- Cash & cash equivalents	146	201	284	585	1,109
- 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	6,098	6,991
Total Assets	8,650	9,550	10,307	10,948	11,850
Equity and Liabilities					
Equity					
Equity Share capital	99	97	96	96	96
Other Equity					
- reserves and surplus	3,975	4,395	4,725	5,558	6,621
Total Equity	4,196	4,613	4,921	5,753	6,816
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
(b) Total outstanding dues of creditors other than micro-enterprises and small enterprises	805	890	1,043	1,232	1,371
- Other financial liabilities	53	54	82	82	82
Other Current Liabilities	139	122	98	72	72
Total current liabilities	2,667	3,096	3,253	3,361	3,501
Total liabilities	4,454	4,937	5,386	5,195	5,034
Total Equity and Liabilities	8,650	9,550	10,307	10,948	11,850

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Profit Before Tax	302	967	860	1,514	1,822
Adjustments					
Depreciation	442	394	373	389	390
Interest Expenses	130	153	217	129	112
Total Adjustments	203	178	245	518	502
Trade & Other receivables	40	-294	-384	-12	-105
Inventories	8	-102	-112	-317	-263
Trade & Other payables	-63	39	222	109	140
Net Change in Working Capital	341	-501	-247	-220	-229
Cash Flow after Changes in Working Capital	845	644	858	1,812	2,095
Tax Paid	-89	-111	-170	-381	-459
Cash From Operating Activities	756	533	688	1,430	1,636
Investing Activities					
Purchase of Fixed Assets	-275	-275	-713	-400	-400
Cash Flow from Investing Activities	243	-209	57	-400	-400
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	-729	-712
Net Cash Inflow / Outflow	-87	55	82	301	524
Opening Cash & Cash Equivalents	232	146	201	284	585
Closing Cash & Cash Equivalent	146	201	284	585	1,109

Source: Company, Axis Securities Research

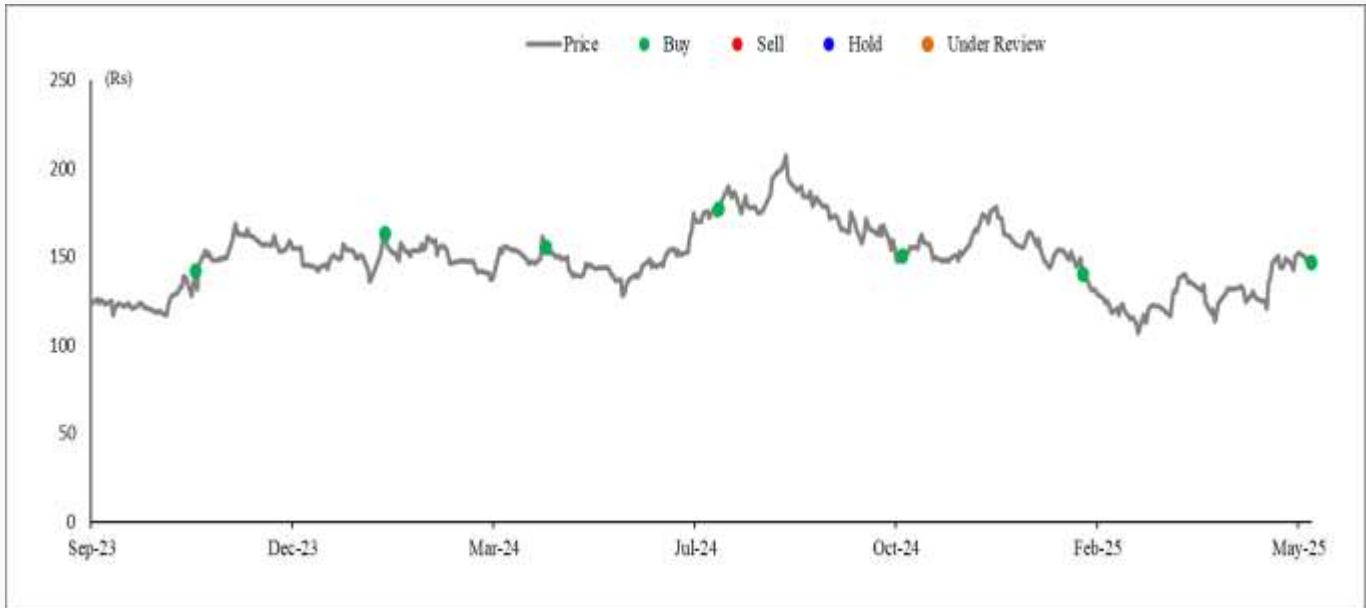
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Efficiency Ratios					
Asset Turnover (x)	0.94x	1.01x	1.02x	1.15x	1.18x
Inventory Turnover(x)	4.11x	4.67x	4.83x	5.04x	5.06x
Sales/Working Capital (x)	3.93x	4.00x	3.90x	4.31x	4.43x
Receivable days	44	42	50	48	46
Inventory Days	160	144	137	136	135
Payable days	73	64	65	67	67
Growth Ratio					
Net Sales Growth(%)	-13.1%	19.6%	8.9%	19.5%	11.0%
Core EBITDA Growth(%)	-44.6%	81.9%	-5.1%	44.4%	11.8%
EBIT Growth(%)	-57.0%	159.5%	-3.8%	52.5%	17.7%
PAT Growth(%)	-66.6%	232.2%	-4.3%	75.8%	20.3%
Adj. EPS Growth(%)	-67.1%	249.5%	-5.1%	73.9%	20.3%
Financial Stability Ratios					
Total Debt/Equity(x)	0.59	0.57	0.56	0.43	0.32
Total Asset/Equity(x)	2.06	2.07	2.09	1.90	1.74
Interest Cover(x)	5.79	8.92	5.97	14.49	18.76
Current Ratio(x)	1.66	1.72	1.68	1.81	2.00
Quick Ratio(x)	0.92	1.05	1.01	1.07	1.21
Operational & Financial Ratios					
Earnings Per Share (Rs)	2.02	7.06	6.70	11.65	14.02
DPS(Rs)	0.00	0	0	0	0
Book Value (Rs)	42.47	47.47	50.63	59.20	70.14
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%	14.88%	14.99%
EBITM (%)	5.33%	11.57%	10.22%	13.04%	13.83%
Pre Tax Margin(%)	3.73%	9.99%	8.16%	12.01%	13.03%
PATM (%)	2.50%	6.95%	6.11%	8.99%	9.75%
Performance Ratios					
ROA (%)	2.30%	7.13%	6.20%	10.34%	11.50%
ROE (%)	4.90%	15.27%	13.51%	21.22%	21.69%
ROCE (%)	6.86%	16.85%	14.29%	21.13%	24.12%
Valuation Ratios					
Adjusted PE (x)	43.1	12.3	13.0	7.5	6.2
Price / Book Value(x)	2.0	1.8	1.7	1.5	1.2
EV/Net Sales(x)	2.1	1.7	1.6	1.3	1.2
EV/EBITDA(x)	22.2	12.2	12.9	8.9	8.0
EV/EBIT(x)	38.7	14.9	15.5	10.2	8.6

Source: Company, Axis Securities Research

Welspun Living Price Chart and Recommendation History



Date	Reco	TP	Research
26-Oct-23	BUY	160	Result Update
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

Source: Axis Securities

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Ratings	Expected absolute returns over 12 – 18 months
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