

Welspun Corp | BUY

Order book robust; outlook positive

Welspun Corp consol. EBITDA came in at INR3.7bn, up sequentially from INR3.3bn. Key takeaways from the call are – a) FY25 guidance maintained – Revenue : INR170bn, EBITDA : INR17bn; RoCE : 20% b) Order book for line pipe segment in Line pipes / DI pipes / SS Bars stands at INR57bn / INR25bn / INR3bn respectively (ex Saudi Arabia) c) EPIC (Saudi Arabia) has a confirmed order book for more than 2.5 years. d) US - firm order book till 3QFY25 and confident of booking new orders to ensure business continuity in CY2024 e) Sintex - aim to maintain the growth rates of FY24 and grow faster than the market – capex of ~INR23bn to be spent in two years with first phase to be commercialized by the end of the year. Consol. annual capex guidance maintained at INR15-20bn. Net debt stood at INR5bn vs INR3.8bn in 4Q. Improved scale across businesses buoyed by macros will help capitalize on operating leverage, while strong cash flows will further reduce financial leverage. Maintain BUY.

- Margins improve tracking lower costs:** Consol. sales came in at INR31.3bn down 29% QoQ primarily tracking lower volumes. EBITDA came in at INR3.7bn up 13% QoQ given lower raw material costs. Consequently Adjusted PAT came in at INR2.5 bn. Volumes for line pipe business stood at 165ktons vs 302ktons in 4Q given seasonally higher base in 4Q. DI pipe volume stood at 64kt vs 66kt in 4Q. Standalone sales came in at INR20.7bn down 28% QoQ. EBITDA came in at INR2.0bn up 52% QoQ, largely tracking lower raw material costs. Standalone PAT came in at INR1.1bn vs INR1.9bn in 4Q.
- Segmental order book remains robust, driven by favourable macro tailwinds:** (a) **Line segment:** Consolidated Order book stood for India and US stands at 497ktons valued at INR57bn vs 528ktons valued at INR61bn in 4Q (b) **DI Pipe:** Current order book for DI Pipes stands at 300ktons valued at ~INR25bn vs 328ktons valued at ~INR27bn during 4Q. (c) **Stainless steel pipes and bars:** With expansion in current as well as new geographies company continues to witness healthy turnaround with current order book at 6.8ktons valued at ~INR3bn vs 5.6ktons valued at ~INR2.1bn during 4Q. (d) **TMT Bars:** Steady growth expected given increased focus on infrastructure projects by Government and increasing supplies in Gujarat. Volumes stood at 57ktons up ~36% QoQ.
- Sintex to accelerate foray into Plastic Pipes:** Sintex continue to focus on improving market share with acquisition of Weetek Plastics Pvt. Ltd. (WPPL) to accelerate its foray into building materials and plastic pipes segment. WPPL is into manufacturing of plastic pipes (CPVC, UPVC, SWR) with a combined capacity of 19ktpa in Raipur, Chhattisgarh.
- Growth capex on track:** Company earlier approved brownfield expansion of DI pipe segment by 100Ktpa leading overall capacity to 500Ktpa to tap-in market share in smaller diameter pipe segment. In addition to above, company approved expansion of DI Pipes capacity by 100Ktpa without any additional capex. Consol. annual capex guidance maintained at INR15-20bn.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	725
Upside/(Downside)	12.0%
Previous Price Target	650
Change	11.5%

Key Data – WLCO IN

Current Market Price	INR647
Market cap (bn)	INR169.7/US\$2.0
Free Float	50%
Shares in issue (mn)	261.0
Diluted share (mn)	261.0
3-mon avg daily val (mn)	INR921.5/US\$11.0
52-week range	679/310
Sensex/Nifty	78,886/24,117
INR/US\$	84.0

Price Performance

%	1M	6M	12M
Absolute	5.8	12.1	93.7
Relative*	7.7	1.7	62.1

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	65,051	97,581	1,73,396	1,82,548	1,96,161
Sales Growth (%)	-9.1	50.0	77.7	5.3	7.5
EBITDA	4,660	4,846	15,614	17,653	20,768
EBITDA Margin (%)	7.2	5.0	9.0	9.7	10.6
Adjusted Net Profit	2,054	1,315	8,486	9,944	12,132
Diluted EPS (INR)	7.9	5.0	32.5	38.1	46.5
Diluted EPS Growth (%)	-66.5	-36.0	545.4	17.2	22.0
ROIC (%)	3.5	1.7	15.9	15.6	15.9
ROE (%)	4.8	2.9	17.1	17.3	17.6
P/E (x)	82.2	128.4	19.9	17.0	13.9
P/B (x)	3.8	3.6	3.2	2.7	2.2
EV/EBITDA (x)	36.2	37.5	11.1	10.0	8.4
Dividend Yield (%)	0.8	0.8	0.8	0.8	0.8

Source: Company data, JM Financial. Note: Valuations as of 08/Aug/2024

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

Exhibit 1. Quarterly performance – Consolidated (INR mn)

Y/E March (INR mn)	1QFY25A	1QFY25E	% Var	1QFY24	YoY %	4QFY24	QoQ %
Net Sales	31,372	45,504	-31.1	40,693	-22.9	44,612	(29.7)
Raw material cost	19,944	34,000	-41.3	28,405	-29.8	32,606	-38.8
Gross profit	11,428	11,504	-0.7	12,288	-7.0	12,006	-4.8
Gross margin (%)	36.4	25.3	44.1	30.2	20.6	26.9	35.4
Staff costs	2,198	2,377	-7.5	2,138	2.8	2,347	-6.3
Other costs	5,490	5,826	-5.8	6,462	-15.0	6,357	-13.6
Total expenditure	27,633	42,202	-34.5	37,005	-25.3	41,310	-33.1
EBITDA	3,740	3,301	13.3	3,688	1.4	3,301	13.3
EBITDA margin (%)	11.9	7.3		9.1		7.4	
Other income	424	502		495		825	
Depreciation	848	870	-2.5	859	-1.2	868	-2.2
EBIT	3,316	2,933		3,324		3,259	
Interest	664	750	-11.5	923	-28.1	746	-11.0
Income (loss) from associates	401	958		(120)		958	
PBT	3,052	3,141		2,282		3,471	
Tax	573	546		597		598	
Eff. Tax rate (%)	18.8	17.4		26.2		17.2	
XO items	-	-		-		-	
Reported PAT	2,479	2,595		1,684		2,873	
Adjusted PAT	2,479	2,595	-4.5	1,684	47.2	2,873	-13.7
EPS (INR)	9.5	9.9		6.4		11.0	
Key monitorables (INR bn)							
Net debt	5.0	-		1.7		3.9	

Source: Company, JM Financial

Exhibit 2. Quarterly performance – Standalone (INR mn)

Y/E March	1QFY25A	1QFY24	YoY %	4QFY24	QoQ %
Net Sales	20,725	21,033	-1.5	28,775	-28.0
Expenditure	18,658	19,284	-3.2	27,423	-32.0
Raw materials	15,408	16,261	-5.2	23,847	-35.4
Staff Cost	690	568	21.5	640	7.8
EBITDA	2,067	1,748	-	1,352	52.9
EBITDA margin (%)	10	8.3		4.7	
Other income	330	468		1,789	
Depreciation	438	380	15.2	435	0.7
EBIT	1,959	1,836		2,706	
Interest	431	672	-35.9	436	-1.2
PBT	1,528	1,165		2,270	
Tax	393	292		383	
Eff. Tax rate (%)	25.70	25.1		16.9	
XO items	-	-		-	
PAT	1,135	873	30.1	1,887	-39.8
Adjusted PAT	1,135	873	30.1	1,887	-39.8
EPS (INR)	4.3	3.3		7.2	

Source: Company, JM Financial

Exhibit 3. Volume breakup in different segments					(ktons)
Y/E March	1QFY25	1QFY24	1QFY24	1QFY24	1QFY24
Line Pipes	165	185	23.8	302	-24.2
DI Pipes	64	27	-100.0	66	-100.0
SS Bars	5	3	56.8	4	31.2
SS Pipes	1	1	-10.7	1	-3.5
TMT Bars	57	20	185.0	42	35.7

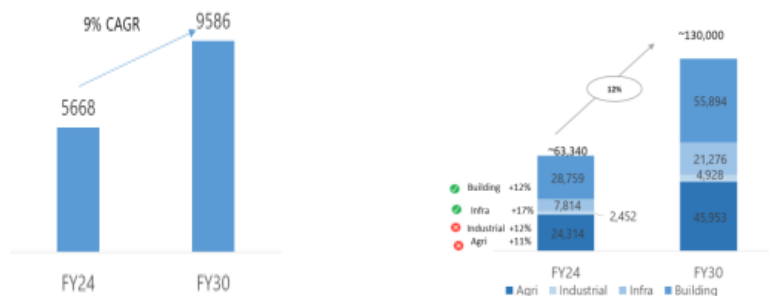
Source: Company, JM Financial, Line pipe includes India and US business

Exhibit 4. Saudi Arabia financials					(SAR mn)
Y/E March	1QFY25A	1QFY24	YoY %	4QFY24	QoQ %
Sales/Revenue	364	39	833.3	722	-49.6
Gross Profit	86	(6)	0.0	213	-59.6
Operational Profit	87	(12)	-825.0	203	-57.1
Net Profit after Zakat and Tax	71	(19)	-473.7	180	-60.6
Total Comprehensive Income	71	(18)	-494.4	180	-60.6

Source: Company, JM Financial

Exhibit 5. Projection: Guidance

Water Storage Tank Market Size (INR Crores) Plastic Pipe Market Size (INR Crores)



Source: Company, JM Financial

Exhibit 6. WLCO – valuation	(INR mn)
Pipes business	FY26
EBITDA (Incl. Line pipes / DI pipes / SS Pipes)	16,476
Multiple	8.5
EV	140,045
Net Debt/(Cash)	4,181
Mcap	135,864
No of Shares	262
Fair Value per Share	519
Saudi Business	
Market Cap (INR mn)	69,300
Welspun stake @ 31.5%	21,830
Hold Co discount - 25%	5,457
Implied Mcap (INR mn)	16,372
Fair Value per Share	63
Steel Business (TMT)	
EBITDA	1,528
Multiple	4.0
Value	6,113
Fair Value per Share	23
Sintex	
PAT	1,077
Multiple	30.0
Value	32,302
Fair Value per Share	123.5
SOTP TARGET PRICE	725

Source: JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	65,051	97,581	1,73,396	1,82,548	1,96,161	
Sales Growth	-9.1%	50.0%	77.7%	5.3%	7.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	65,051	97,581	1,73,396	1,82,548	1,96,161	
Cost of Goods Sold/Op. Exp	47,581	72,540	1,41,537	1,41,299	1,34,881	
Personnel Cost	3,835	5,411	5,586	5,847	6,233	
Other Expenses	8,976	14,785	10,659	17,749	34,279	
EBITDA	4,660	4,846	15,614	17,653	20,768	
EBITDA Margin	7.2%	5.0%	9.0%	9.7%	10.6%	
EBITDA Growth	-40.6%	4.0%	222.2%	13.1%	17.6%	
Depn. & Amort.	2,548	3,030	3,479	4,147	4,543	
EBIT	2,112	1,816	12,136	13,506	16,225	
Other Income	5,512	3,200	2,425	3,895	3,945	
Finance Cost	1,019	2,432	3,044	3,434	3,434	
PBT before Excep. & Forex	6,606	2,584	11,516	13,967	16,736	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	6,606	2,584	11,516	13,967	16,736	
Taxes	2,164	1,345	2,775	3,826	4,305	
Extraordinary Inc./Loss(-)	2,334	752	1,052	0	0	
Assoc. Profit/Min. Int.(-)	54	-75	256	197	299	
Reported Net Profit	4,388	2,067	9,537	9,944	12,132	
Adjusted Net Profit	2,054	1,315	8,486	9,944	12,132	
Net Margin	3.2%	1.3%	4.9%	5.4%	6.2%	
Diluted Share Cap. (mn)	261.0	261.0	261.0	261.0	261.0	
Diluted EPS (INR)	7.9	5.0	32.5	38.1	46.5	
Diluted EPS Growth	-66.5%	-36.0%	545.4%	17.2%	22.0%	
Total Dividend + Tax	1,305	1,308	1,307	1,308	1,308	
Dividend Per Share (INR)	5.0	5.0	5.0	5.0	5.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	6,606	2,584	11,516	13,967	16,736	
Depn. & Amort.	2,548	3,030	3,479	4,147	4,543	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	-1,253	-8,841	-3,335	-3,172	-780	
Others	2,334	752	1,052	0	0	
Taxes Paid	-2,164	-1,345	-2,775	-3,826	-4,305	
Operating Cash Flow	8,070	-3,819	9,937	11,116	16,194	
Capex	-9,791	-16,053	-1,321	-15,000	-15,000	
Free Cash Flow	-1,721	-19,873	8,616	-3,884	1,194	
Inc (-) / Dec in Investments	-5,941	7,696	4,386	0	0	
Others	-275	129	61	2,108	1,923	
Investing Cash Flow	-16,007	-8,229	3,126	-12,892	-13,077	
Inc / Dec (-) in Capital	3,516	3	0	0	0	
Dividend + Tax thereon	-1,305	-1,308	-1,307	-1,308	-1,308	
Inc / Dec (-) in Loans	6,844	13,038	-10,505	0	0	
Others	3,309	5,323	-2,557	-281	0	
Financing Cash Flow	12,363	17,057	-14,368	-1,588	-1,308	
Inc / Dec (-) in Cash	4,426	5,008	-1,305	-3,365	1,809	
Opening Cash Balance	2,589	7,015	12,023	10,718	7,353	
Closing Cash Balance	7,015	12,023	10,718	7,353	9,162	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	44,283	47,321	52,139	62,602	75,349	
Share Capital	1,305	1,308	1,308	1,308	1,308	
Reserves & Surplus	42,978	46,013	50,831	61,294	74,042	
Preference Share Capital	4,024	4,024	4,024	4,024	4,024	
Minority Interest	992	1,121	1,182	1,379	1,677	
Total Loans	16,545	29,583	19,079	19,079	19,079	
Def. Tax Liab. / Assets (-)	1,384	1,795	2,906	2,906	2,906	
Total - Equity & Liab.	67,228	83,843	79,329	89,989	1,03,035	
Net Fixed Assets	36,945	49,969	47,811	58,664	69,121	
Gross Fixed Assets	46,335	74,132	75,471	91,289	1,06,289	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	22,002	25,032	28,511	32,658	37,200	
Capital WIP	12,613	869	851	33	33	
Investments	23,067	15,372	10,986	10,986	10,986	
Current Assets	31,676	88,053	56,362	65,646	71,801	
Inventories	10,195	56,862	23,156	28,159	30,258	
Sundry Debtors	8,126	11,405	17,991	22,725	24,419	
Cash & Bank Balances	7,015	12,023	10,718	7,353	9,162	
Loans & Advances	6,341	7,764	4,498	7,410	7,963	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	24,460	69,550	35,830	45,307	48,873	
Current Liabilities	6,464	25,742	24,116	33,593	37,159	
Provisions & Others	17,997	43,808	11,714	11,714	11,714	
Net Current Assets	7,216	18,503	20,532	20,339	22,928	
Total - Assets	67,228	83,843	79,329	89,989	1,03,035	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	3.2%	1.3%	4.9%	5.4%	6.2%	
Asset Turnover (x)	1.1	1.3	2.1	2.2	2.0	
Leverage Factor (x)	1.4	1.6	1.6	1.5	1.4	
RoE	4.8%	2.9%	17.1%	17.3%	17.6%	

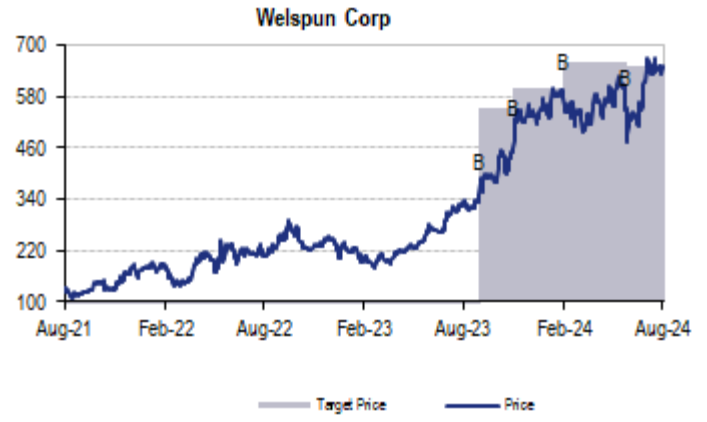
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	169.7	181.3	199.8	239.9	288.7	
ROIC	3.5%	1.7%	15.9%	15.6%	15.9%	
ROE	4.8%	2.9%	17.1%	17.3%	17.6%	
Net Debt/Equity (x)	0.0	0.2	0.1	0.1	0.1	
P/E (x)	82.2	128.4	19.9	17.0	13.9	
P/B (x)	3.8	3.6	3.2	2.7	2.2	
EV/EBITDA (x)	36.2	37.5	11.1	10.0	8.4	
EV/Sales (x)	2.6	1.9	1.0	1.0	0.9	
Debtor days	46	43	38	45	45	
Inventory days	57	213	49	56	56	
Creditor days	39	101	56	74	77	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
7-Sep-23	Buy	550	
9-Nov-23	Buy	600	9.1
7-Feb-24	Buy	660	10.0
1-Jun-24	Buy	650	-1.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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.
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* REITs refers to Real Estate Investment Trusts.

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