Welspun Living

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	WELSPUNL IN
Equity Shares (m)	945
M.Cap.(INRb)/(USDb)	151 / 1.6
52-Week Range (INR)	175 / 107
1, 6, 12 Rel. Per (%)	-9/17/41
12M Avg Val (INR M)	522
Free float (%)	33.6

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	94.0	111.3	125.0
EBITDA	7.9	13.3	16.5
EBITDA (%)	8.4	11.9	13.2
Adj. PAT	2.2	6.5	9.1
EPS (INR)	2.3	6.7	9.4
EPS Gr.%	(65.0)	189.3	40.0
BV/Sh. (INR)	51.3	57.0	65.0
Ratios			
Net D/E	0.3	0.2	0.3
RoE (%)	4.6	12.4	15.5
RoCE (%)	4.3	9.4	11.4
Payout (%)	4.3	15.0	15.0
Valuations			
P/E (x)	68.7	23.7	17.0
P/B (x)	3.1	2.8	2.5
EV/EBITDA (x)	21.4	12.5	10.2
Div. yield (%)	0.1	0.6	0.9

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	66.4	66.2	66.2
DII	11.4	11.2	9.3
FII	5.6	5.3	5.1
Others	16.7	17.2	19.4

CMP: INR160 TP: INR215 (+35%) Buy

Home textile drives growth; high RM costs hurt gross margin

Welspun Living (Welspun)'s revenue surged 24% YoY, led by the home textile portfolio, which grew 26% YoY and the flooring revenue, which rose 7% YoY. Gross margin dipped 246bp YoY to 45.2% because of an increase in raw material costs, while EBITDA margin settled higher at 11.5% (+151bp YoY), led by volume recovery, improving business mix, and cost-saving initiatives. We expect Welspun to continue delivering double-digit revenue growth, fueled by volume recovery in the home textile segment. Further, we expect its EBITDA margin to expand to ~13%, the business mix to improve in the home textile segment, and margins to recover in the flooring business. Welspun's operations at the Vapi facility were hit by floods and are being restored in a phased manner. 2QFY27 is expected to be hurt by the plant closure, while recovery is expected in 2HFY27.

Robust home textile growth, driven by bath and followed by bed

Welspun's revenue grew 24% YoY to INR28b in 1QFY27, driven by robust growth in the home textile segment to INR26.8b (+26% YoY). Bed linen volumes increased 2% YoY, while bath linen volumes declined 11% YoY. The pillow business is ramping up, with management expecting FY27 revenues to be double of FY26 at USD60m. The Ohio facility is currently at 81% utilization while the Nevada facility is ramping up. The flooring business declined 3.1% YoY to INR1.8b. Management expects the flooring business to scale up with the company focusing on soft flooring and geographic expansion in Australia, New Zealand, and Canada. Management expects utilization to be ~80% across all segments, driven by improving demand due to easing US tariffs, UK, and EU FTAs, and geographical expansion in flooring.

EBITDA margin improves in the flooring business; RM pressure continues

In 1Q, gross margin contracted 246bp YoY to 45.2%, because of higher raw material costs. EBITDA grew 42% YoY to INR3.2b, with EBITDA margin at 11.5% (+151bp YoY), driven by an improving business mix, volume recovery, and cost-saving initiatives. The margin in the flooring business improved to 10.4%, supported by a shift towards soft flooring, a better business mix, and operating leverage. Management expects gross margin to remain at similar levels, hit by higher raw material prices, while guiding for a low-teens EBITDA margin.

Valuation and view: Reiterate BUY

We expect Welspun's core business, home textiles to improve and grow at a 15% CAGR over FY26-28 and drive a better margin mix. Within home textiles, Bath is expected to grow in the high-teens, followed by high-single-digit growth in Bed and Rugs & Carpet. The emerging business is expected to grow at 17% over the next couple of years. We expect a CAGR of 15%/44%/101% in revenue/EBITDA/PAT over FY26-28, led mainly by growth in the emerging business, followed by the home textile portfolio. We raise our earnings estimates, led by better visibility and **reiterate our BUY rating with a TP of INR215,** valuing the stock at 12x FY28E EV/EBITDA. Key risks: customer and geographical concentrations, and commodity price movements (refer to our IC note dated Jun'26).

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Consolidated - Quarterly performance (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	1Q FY27E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	**22,606**	**24,409**	**22,622**	**24,354**	**27,955**	**28,315**	**27,350**	**27,715**	**93,991**	**1,11,326**	25,770	8%
YoY Change (%)	-10.9	-15.0	-9.1	-8.0	23.7	16.0	20.9	13.8	-10.9	18.4	14.0	
Gross Profit	**10,774**	**10,739**	**10,362**	**11,584**	**12,637**	**12,883**	**12,663**	**12,888**	**43,459**	**51,099**	12,112	4%
Total Expenditure	20,352	22,876	21,019	21,863	24,744	24,973	24,062	24,330	86,059	98,058	23,312	6%
EBITDA	**2,254**	**1,533**	**1,603**	**2,491**	**3,211**	**3,342**	**3,288**	**3,385**	**7,932**	**13,268**	2,459	31%
Margin (%)	10.0	6.3	7.1	10.2	11.5	11.8	12.0	12.2	8.4	11.9	9.5	
Depreciation	879	1,009	1,022	1,031	1,004	1,050	1,060	1,076	3,941	4,205	1,040	-3%
Interest	425	434	391	366	344	345	340	330	1,615	1,336	300	15%
Other Income	289	148	144	158	327	200	200	200	688	891	200	64%
PBT before EO items	**1,240**	**238**	**334**	**1,252**	**2,190**	**2,147**	**2,088**	**2,179**	**3,064**	**8,617**	1,319	
Extraordinary Loss	0	0	-190	0	0	0	0	0	-190	0	0	
PBT	**1,240**	**238**	**145**	**1,252**	**2,190**	**2,147**	**2,088**	**2,179**	**2,875**	**8,617**	1,319	66%
Tax	347	90	119	190	578	537	522	545	746	2,154	330	75%
Rate (%)	28.0	37.6	82.2	15.2	26.4	25.0	25.0	25.0	25.9	25.0	25.0	
JV and Associates	-18	-19	-24	-25	-32	0	0	0	-85	0	0	
Reported PAT	**876**	**130**	**2**	**1,037**	**1,580**	**1,610**	**1,566**	**1,634**	**2,044**	**6,463**	989	60%
Adj PAT	**876**	**130**	**192**	**1,037**	**1,580**	**1,610**	**1,566**	**1,634**	**2,234**	**6,463**	989	60%
YoY Change (%)	-52.8	-93.5	-84.0	-21.6	80.5	1,140.5	716.6	57.6			13.0	
Margin (%)	3.9	0.5	0.8	4.3	5.7	5.7	5.7	5.9	2.4	5.8	3.8	

Exhibit 1: Changes to our estimates (INR m)

INR m	Old		New		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	1,08,149	1,22,006	1,11,326	1,25,024	2.9%	2.5%
EBITDA	12,737	16,296	13,268	16,539	4.2%	1.5%
EBITDA margin %	*11.8*	*13.4*	*11.9*	*13.2*		
PAT	6,140	8,626	6,463	9,051	5.3%	4.9%
EPS	6.4	9.0	6.7	9.4	5.3%	4.9%

Source: MOFSL, Company

CONFERENCE CALL

Key takeaways from the management commentary

Industry & Demand

- Global home textile demand remains healthy, with consumer spending supported by occasions; the US retail sales grew ~5.2% YoY.
- India remains well-positioned in the US market as tariffs normalize, with the company seeing continued preference for Indian sourcing.
- UK home textile market is estimated at USD5-7b, with Pakistan holding ~50% share; the company is leveraging retailer relationships and FTAs to gain share in the UK and Europe.
- Textiles dispatches typically take 50–60 days, while strong freight-carrier relationships helped avoid any impact from container shortages.

Home Textiles

- Home textile growth was driven by a combination of volume recovery and value growth, with B2B and B2C businesses both delivering double-digit growth.
- B2B remains the anchor business, supported by a diversified global retailer base.
- US is expected to contribute ~50–51% of revenues.
- Management expects utilization across verticals to reach ~80% going forward.
- Pillow business remains on track to double revenue to USD60m, with Ohio at ~81% utilization and Nevada ramping up.

Flooring

- Flooring delivered 10.4% EBITDA margin in Q1, supported by a shift towards soft flooring, better business mix and operating leverage.
- Management expects ~10% margin to be sustainable, with margins viewed as sustainable due to focus on soft flooring and geographic diversification.
- Partnerships are being expanded across Australia, New Zealand and Canada, supporting further growth.

Domestic Business

- Domestic business grew 21.3%, with retail growth of ~20% and the business approaching breakeven.
- Management targets INR10b revenue from domestic retail over the medium term.

Tariffs & Raw Materials

- Tariff refunds have started to be received, while the ultimate tariff burden is being shared across the company, retailers and consumers.
- Higher raw material costs drove gross margin pressure and are expected to remain elevated over the next few months.
- Management intends to pass through raw material cost increases to customers rather than absorb them.

Margins & Outlook

- Long-term margin target is to gradually reach ~15%.
- Management remains confident of double-digit revenue growth and low-teens EBITDA margins in FY27.
- Q2 performance is expected to be impacted by plant closures due to floods, with recovery expected in Q3–Q4.

Capex & Operations

- FY27 capex is targeted at INR400–500cr, primarily towards modernization, debottlenecking and productivity improvements.
- An INR120cr project at the Anjar facility commenced in July, expected to add ~10–20 tonnes/month of incremental capacity.
- Management indicated that the broader capex program will remain focused on debottlenecking, with incremental towel capex to be considered if attractive opportunities emerge.

Key exhibits

Exhibit 2: Quarterly sales trend

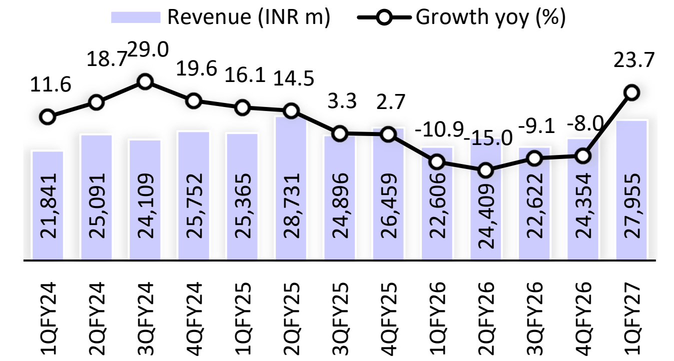


Exhibit 3: Quarterly margin trend

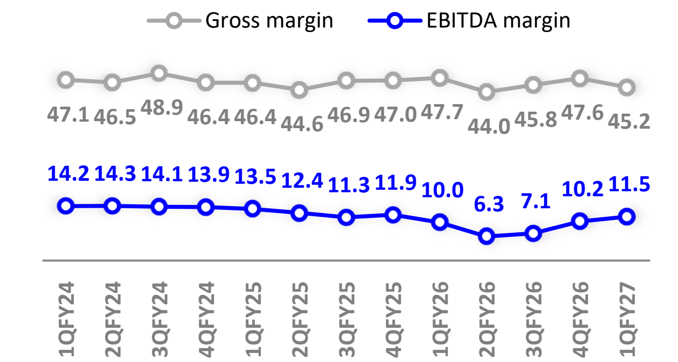


Exhibit 4: Quarterly EBITDA trend

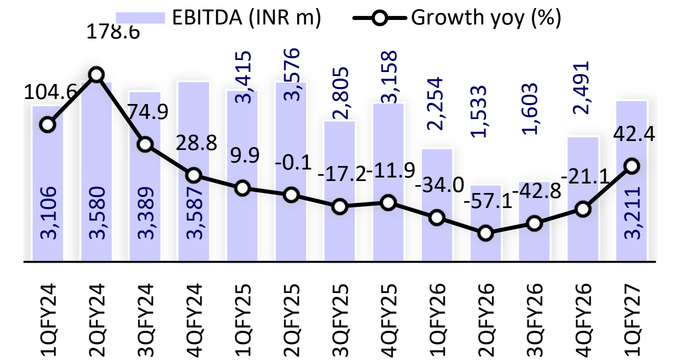


Exhibit 5: Quarterly PAT trend

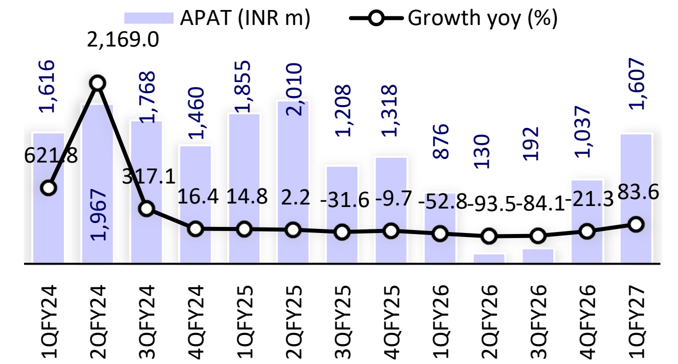


Exhibit 6: Quarterly revenue mix trend

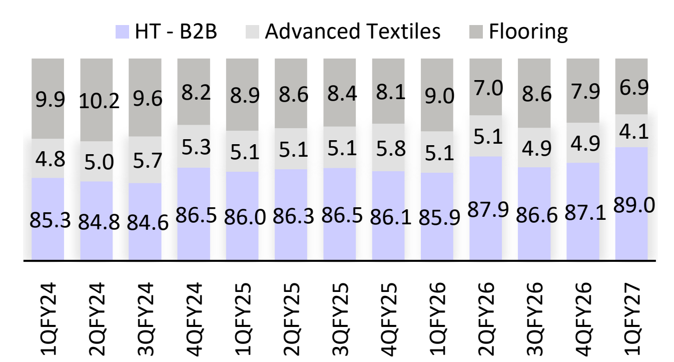


Exhibit 7: Quarterly home textile revenue trend

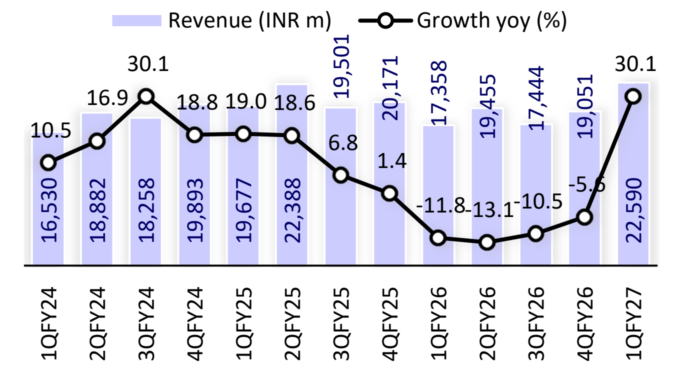


Exhibit 8: Quarterly advanced textile revenue trend

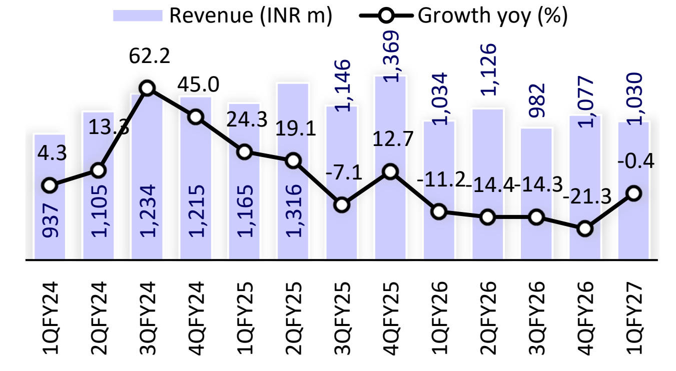


Exhibit 9: Quarterly flooring revenue trend

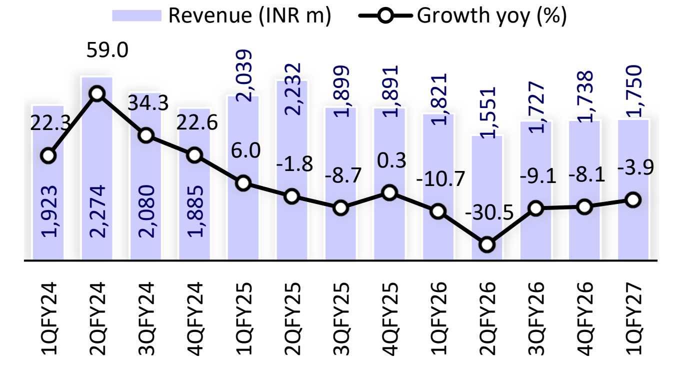


Exhibit 10: Capacity utilization

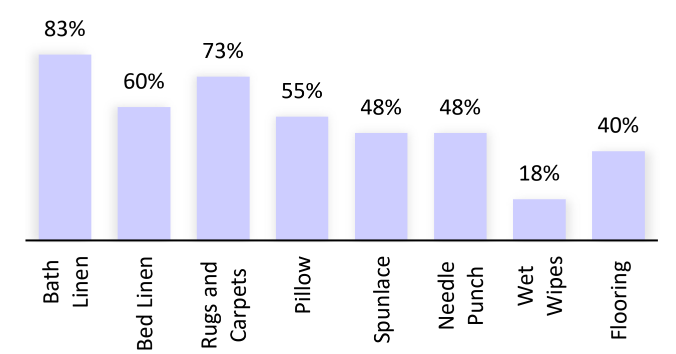


Exhibit 11: Quarterly segment-wise EBITDA margin trend

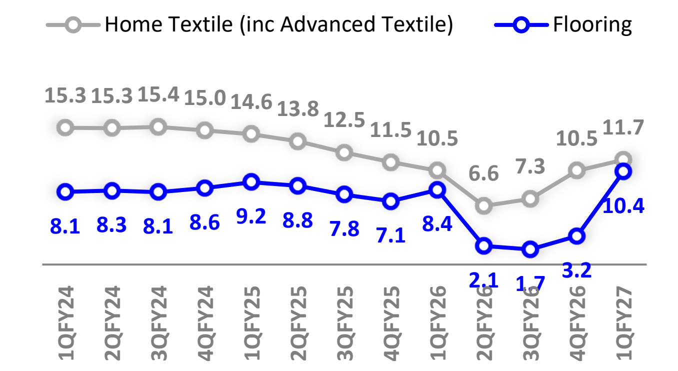
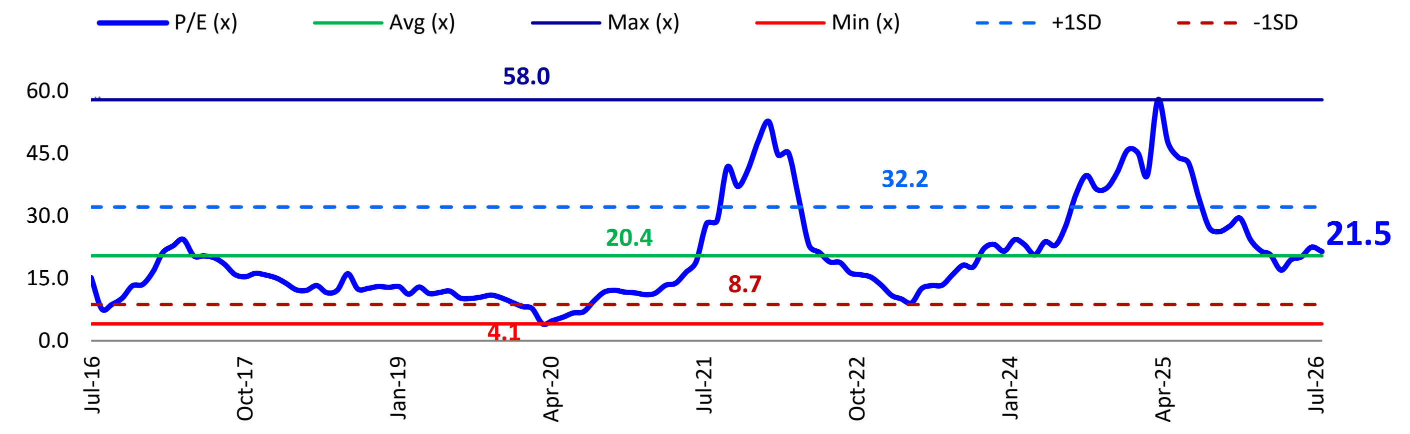


Exhibit 12: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Net Sales	**73,402**	**93,115**	**80,938**	**96,792**	**1,05,451**	**93,991**	**1,11,326**	**1,25,024**
Change (%)	8.9	26.9	-13.1	19.6	8.9	-10.9	18.4	12.3
Gross Profit	37,529	42,174	35,797	45,694	48,696	43,459	51,099	58,136
Total Expenses	59,882	79,528	73,412	83,103	92,466	86,059	98,058	1,08,485
EBITDA	**13,520**	**13,587**	**7,525**	**13,689**	**12,985**	**7,932**	**13,268**	**16,539**
EBITDAM (%)	18.4	14.6	9.3	14.1	12.3	8.4	11.9	13.2
Depn. & Amortization	4,536	4,205	4,421	3,945	3,734	3,941	4,205	4,471
EBIT	**8,984**	**9,383**	**3,104**	**9,744**	**9,251**	**3,991**	**9,063**	**12,068**
Net Interest	1,975	1,313	1,299	1,534	2,175	1,615	1,336	1,000
Other income	678	658	1,213	1,458	1,522	688	891	1,000
PBT Before EO Exp	**7,686**	**8,728**	**3,019**	**9,668**	**8,598**	**3,064**	**8,617**	**12,068**
EO expense	0	0	0	0	0	-190	0	0
PBT after EO	**7,686**	**8,728**	**3,019**	**9,668**	**8,598**	**2,875**	**8,617**	**12,068**
Tax	2,179	2,663	994	2,942	2,162	746	2,154	3,017
Rate (%)	28.3	30.5	32.9	30.4	25.1	25.9	25.0	25.0
Minority and Associates	112	57	37	-83	53	85	0	0
Reported PAT	**5,395**	**6,009**	**1,987**	**6,809**	**6,384**	**2,044**	**6,463**	**9,051**
Change (%)	6.3	11.4	-66.9	242.6	-6.2	-68.0	216.1	40.0
Adjusted PAT	**5,395**	**6,009**	**1,987**	**6,809**	**6,384**	**2,234**	**6,463**	**9,051**
Change (%)	16.3	11.4	-66.9	242.6	-6.2	-65.0	189.3	40.0

Consolidated - Balance Sheet								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Share Capital	1,005	988	988	972	959	959	959	959
Reserves	35,442	38,729	39,890	44,186	47,252	48,213	53,706	61,400
Net Worth	**36,447**	**39,717**	**40,878**	**45,158**	**48,211**	**49,172**	**54,665**	**62,359**
Minority Interest	985	1,046	1,082	973	996	608	608	608
Total Loans	28,414	31,884	23,504	25,205	24,686	18,024	14,524	16,524
Deferred Tax Liability	2,494	2,980	3,239	4,355	4,540	4,454	4,454	4,454
Capital Employed	**68,341**	**75,627**	**68,703**	**75,691**	**78,433**	**72,257**	**74,251**	**83,944**
Gross Block	60,561	65,945	68,730	70,612	73,730	79,318	85,318	90,318
Less: Accum. Deprn.	25,443	28,985	32,617	35,492	38,401	41,719	45,388	49,271
Net Fixed Assets	**35,118**	**36,960**	**36,113**	**35,120**	**35,329**	**37,599**	**39,931**	**41,047**
Capital WIP	1,709	1,617	457	468	3,747	2,577	800	500
Investments	1,111	6,978	6,415	9,164	5,700	8,923	8,923	15,942
Other Non-Current Assets	5,960	7,253	5,681	6,668	9,202	12,415	7,993	8,266
Curr. Assets	**42,879**	**41,560**	**37,834**	**44,081**	**49,093**	**43,037**	**50,399**	**54,146**
Inventory	17,731	19,779	19,698	20,718	21,834	21,707	25,010	27,403
Account Receivables	11,817	9,993	9,605	12,547	16,449	13,122	15,250	16,442
Cash and Cash Equivalents	**3,991**	**2,655**	**1,814**	**2,548**	**3,063**	**1,471**	**1,487**	**600**
Loans and Advances	6	6	21	17	5	8	8	8
Other Current Assets	9,334	9,127	6,697	8,251	7,742	6,729	8,644	9,695
Curr. Liability & Prov.	**18,437**	**18,742**	**17,798**	**19,809**	**24,638**	**32,294**	**33,795**	**35,957**
Account Payables	10,915	9,305	8,697	9,088	11,229	13,767	16,165	17,127
Provisions & Others	7,522	9,437	9,101	10,721	13,409	18,527	17,630	18,831
Net Curr. Assets	**24,442**	**22,818**	**20,036**	**24,272**	**24,455**	**10,743**	**16,604**	**18,189**
Appl. of Funds	**68,341**	**75,627**	**68,703**	**75,691**	**78,433**	**72,257**	**74,251**	**83,944**

E. MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adjusted EPS	5.4	6.1	2.0	7.0	6.7	2.3	6.7	9.4
Growth (%)	**16.3**	**13.2**	**-66.9**	**248.4**	**-5.0**	**-65.0**	**189.3**	**40.0**
Cash EPS	9.9	10.3	6.5	11.1	10.5	6.4	11.1	14.1
BV/Share	36.3	40.2	41.4	46.5	50.3	51.3	57.0	65.0
DPS	0.2	0.1	0.1	0.1	1.7	0.1	1.0	1.4
Payout (%)	2.8	2.5	5.0	1.4	25.7	4.3	15.0	15.0
Dividend yield (%)	0.1	0.1	0.1	0.1	1.1	0.1	0.6	0.9
Valuation (x)								
P/E	29.8	26.3	79.6	22.8	24.0	68.7	23.7	17.0
Cash P/E	16.2	15.5	24.7	14.5	15.2	24.9	14.4	11.3
P/BV	4.4	4.0	3.9	3.4	3.2	3.1	2.8	2.5
EV/EBITDA	13.7	13.8	23.9	13.0	13.5	21.4	12.5	10.2
Return Ratios (%)								
EBITDA Margin (%)	18.4	14.6	9.3	14.1	12.3	8.4	11.9	13.2
Net Profit Margin (%)	7.4	6.5	2.5	7.0	6.1	2.4	5.8	7.2
RoE	16.3	15.8	4.9	15.8	13.7	4.6	12.4	15.5
RoCE (post-tax)	10.3	9.3	2.9	9.4	9.2	4.3	9.4	11.4
RoIC (post-tax)	12.5	11.8	3.8	12.1	12.4	6.2	13.5	15.9
Working Capital Ratios								
Fixed Asset Turnover (x)	2.1	2.5	2.2	2.8	3.0	2.5	2.8	3.0
Asset Turnover (x)	1.3	1.2	1.2	1.1	1.2	1.3	1.3	1.2
Inventory (Days)	88	78	89	78	76	84	82	80
Debtor (Days)	59	39	43	47	57	51	50	48
Payable (Days)	54	36	39	34	39	53	53	50
Cash conversion Cycle (Days)	93	80	93	91	94	82	79	78

Consolidated - Cash flow statement **(INR m)**

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	**7,687**	**8,730**	**3,019**	**9,670**	**8,602**	**2,875**	**8,617**	**12,068**
WC	-1,047	-3,958	3,409	-5,007	-2,469	6,618	-2,774	-2,472
Others	3,909	2,735	2,026	1,781	2,449	3,215	5,541	5,472
Direct taxes (net)	-1,013	-1,640	-894	-1,115	-1,702	-958	-2,154	-3,017
CF from Op. Activity	9,536	5,867	7,560	5,328	6,880	11,750	9,231	12,050
Capex	-4,498	-5,297	-2,751	-2,754	-7,127	-4,511	-3,410	-5,560
FCFF	**5,037**	**570**	**4,809**	**2,574**	**-247**	**7,239**	**5,821**	**6,490**
Interest income	**282**	**153**	**554**	**472**	**591**	**348**	**0**	**0**
Others	3,233	-857	4,625	190	7,110	683	0	-7,020
CF from Inv. Activity	**-983**	**-6,002**	**2,428**	**-2,092**	**573**	**-3,479**	**-3,410**	**-12,580**
Share capital	-226	0	0	0	0	0	0	0
Borrowings	-5,864	3,464	-8,508	1,699	-582	-6,671	-3,500	2,000
Finance cost	-2,339	-1,577	-1,672	-1,530	-2,187	-1,606	-1,336	-1,000
Dividend	0	-151	-148	-123	-123	-2,085	-969	-1,358
Others	808	-2,283	-532	-2,731	-3,739	609	0	0
CF from Fin. Activity	**-7,621**	**-547**	**-10,860**	**-2,686**	**-6,631**	**-9,752**	**-5,805**	**-358**
(Inc)/Dec in Cash	**931**	**-682**	**-872**	**551**	**822**	**-1,481**	**15**	**-887**
Opening balance	2,063	3,000	2,333	1,458	2,014	2,862	1,381	1,396
Closing balance	**2,994**	**2,318**	**1,461**	**2,008**	**2,836**	**1,381**	**1,396**	**509**

E. MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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