



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Welspun Living Ltd Q1FY25 consolidated revenues came in at ₹2,536.49 Cr, +16.14% YoY & -1.50% QoQ.
- Op Profit for Q1FY25 stood at ₹341.52Cr, +9.94% YoY & -4.78% QoQ.
- Op margins for Q1FY25 came at 13.46%, -76 bps YoY & -46 bps QoQ.
- PAT for Q1FY25 stood at ₹186 Cr, +14.08% YoY & 42.45% QoQ.

2. MANAGEMENT COMMENTARY:

- Management remains cautiously optimistic amid global economic challenges, including issues in the Red Sea.
- Company is confident in exceeding previously guided growth target of 12%.
- Management Expects to meet EBITDA between 15% and 15.5%

3. SEGMENTAL ANALYSIS:

- Q1FY25 Revenue Break: Home Textile Business (91.29%), Flooring Business (8.71%)
- Q1FY25 Segment Result: Home Textile Business (94.31%), Flooring Business (5.69%)

4. CONCALL SUMMARY

- Company reported a 17% YoY increase in revenues, reaching ₹2,588 crores. This growth was supported by strong contributions across all business segments in both global and domestic markets.
- External factors such as shipping disruptions linked to the Red Sea situation have posed challenges. Container rates have increased threefold, impacting the timely availability of shipments.
- India remains a dominant supplier of Terry Towels (44% market share) and Bed Sheets (61% market share) to the US. In this context, WLL achieved notable growth of 10% in Terry Towels and 40% in Bed Sheets, reinforcing its leadership position.
- Management indicated strong demand and visibility as the US prepares for the holiday season, reaffirming a commitment to 12% growth for FY '25.
- The flooring business has been more affected by shipping issues due to the nature of its export contracts. Capacity utilization has improved, but logistical challenges have hindered shipments.
- The company expects 20-25% growth in the flooring business for FY '25, driven by stable demand.

5. OTHER DEVELOPMENTS:

- Anticipated CAPEX for FY25: ₹860 crores, with an additional ₹300-400 crores projected for FY26.
- Welspun is actively pursuing sustainability goals, with the **Board approving an 18 MW solar plant** at their Vapi facility, expected to meet about 30% of its power needs. They are committed to achieving 100% renewable energy by 2030.

6. VALUATION & OUTLOOK:

Welspun is well-positioned to capitalize on growing consumer demand in its core and emerging markets. The company has guided a 12% revenue growth for FY '25, driven by strong demand in the US ahead of the holiday season and continued expansion in flooring and other emerging businesses. The company also plans to grow its flooring business by 20%-25%, which is expected to boost margins as capacity utilization improves. With a focus on innovation, sustainability, and expansion across diverse markets, Welspun is likely to maintain its growth trajectory. We reiterate a **“BUY”** rating on the stock & value the stock at 20x FY26E earnings to arrive at the target of ₹207.

RECOMMENDATION - BUY

CMP – 164

TARGET – 207 (~26%)

Industry	Depository Services
NSE CODE	WELSPUNLIV
BSE CODE	543720
Market Cap (₹ Cr)	15,796.28
Shares O/S (in Cr)	97.18
52 wk High/Low (₹)	212.95 / 115.65
P/E	23.8
P/BV	3.63
Face Value (₹)	1.00
Book Value (₹)	46.04
EPS (FY23) (₹)	7.01
Dividend Yield (%)	0.07
Debt / Equity	0.56
Interest Coverage	7.30

SHAREHOLDING PATTERN

	Jun 24	Mar 24	Dec 23
Promoters	70.50	70.50	70.50
MF/ DII	2.20	2.14	2.03
FII/FPI	5.88	7.14	7.25
Retail & Others	18.12	16.92	16.90
Promoter	0.00	0.00	0.00
Pledging			

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Crete			
Sales	9679.24	10,840.75	12,195.84
Sales Gr. (%)	19.59	12.00	12.50
EBITDA	1368.91	1,680.32	1,829.38
EBITDA %	15.65	15.50	15.00
PAT	681.10	894.54	995.21
EPS (₹)	7.01	9.30	10.35
EPS Gr. (%)	248.31	32.74	11.27
Ratios			
RoE (%)	15.66	18.20	16.99
RoCE (%)	16.63	15.98	15.30
Valuation			
P/E (x)	19.64	18.06	16.23

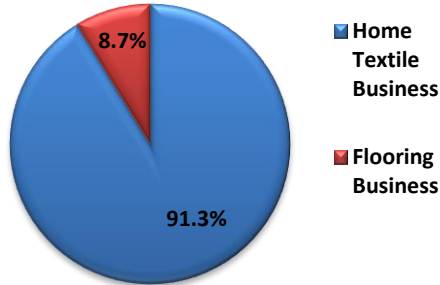
Historical & Industrial Val Ratios

Historical P/E	23.39
Industry P/E	30.35
Historical P/B	3.73
Industry P/B	4.45

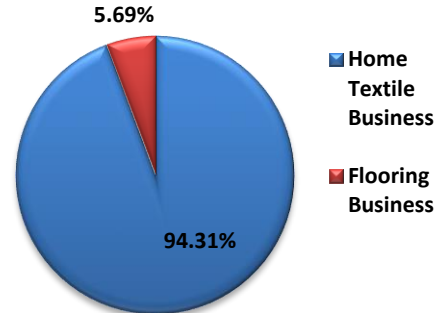


Segment Analysis (Q1FY25)

Revenue Mix (Q1 FY25)



Segment Result (Q1 FY25)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				FY25	FY25	FY26
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
Net sales	2113.46	1869.15	2153.9	2184.05	2509.08	2410.87	2575.24	2536.49	10,840.75	12,195.84
YoY change (%)	-15.04%	-22.70%	-3.29%	11.59%	18.72%	28.98%	19.56%	16.14%	12.00%	12.50%
Total Expenditures	1984.94	1675.46	1875.38	1873.41	2151.08	2072.01	2216.59	2194.97	9,160.43	10,366.47
EBITDA	128.52	193.69	278.52	310.64	358	338.86	358.65	341.52	1,680.32	1,829.38
Margins (%)	6.08%	10.36%	12.93%	14.22%	14.27%	14.06%	13.93%	13.46%	15.50%	15.00%
Depreciation	109.51	114.16	113.53	99.41	98.5	100.35	96.23	96.77	449.57	474.77
Interest	28.4	35.91	33.27	25.83	33.84	41.93	51.81	43.37	152.08	162.82
Other income	23.13	34.9	41.57	30.81	33.29	43.01	41.48	51.96	114.05	135.15
PBT	13.74	78.52	173.29	216.21	258.95	239.59	252.09	253.34	1,192.72	1,326.94
Tax	5.48	34.71	44.2	53.25	58.74	60.63	121.59	67.44	298.18	331.74
Rate (%)	39.88%	44.21%	25.51%	24.63%	22.68%	25.31%	48.23%	26.62%	25.00%	25.00%
Adjusted PAT	8.26	43.81	129.09	162.96	200.21	178.96	130.5	185.9	904.30	1,006.18

Key Performance Indicators

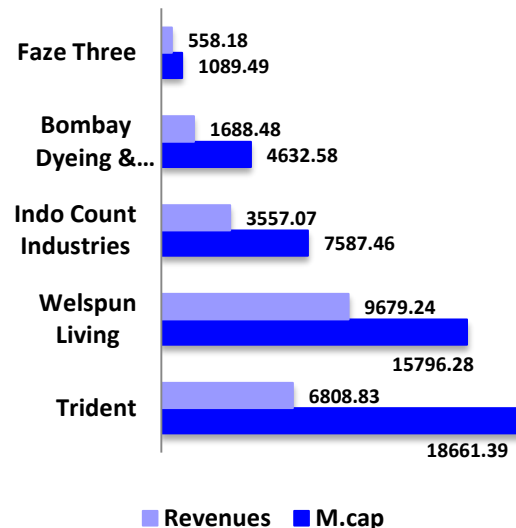
RM Cost (% of Sales)	53.03%	50.38%	40.98%	54.95%	54.85%	53.51%	43.79%	52.73%
Staff Cost (% of Sales)	9.53%	10.67%	9.29%	10.35%	10.26%	11.12%	10.71%	11.11%
Interest Cost (% of Sales)	1.34%	1.92%	1.54%	1.18%	1.35%	1.74%	2.01%	1.71%
EBITDA Margin (%)	6.08%	10.36%	12.93%	14.22%	14.27%	14.06%	13.93%	13.46%
PAT Margin (%)	0.39%	2.34%	5.99%	7.46%	7.98%	7.42%	5.07%	7.33%

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- The global apparel market was valued at \$1.7 trillion in 2023 and is expected to grow at a CAGR of 5%, reaching \$2.3 trillion by 2030.
- The Indian textile and apparel market, valued at \$175 billion for FY24, is predominantly driven by domestic consumption (79%). The market is projected to grow at a CAGR of 9%, reaching \$250 billion by FY31.
- India's textile exports have grown modestly (CAGR 2%) but are projected to accelerate. The Ministry of Textiles aims to increase exports from \$37 billion in FY24 to \$100 billion by FY31.
- Innovations in textiles, such as nanotechnology, 3D printing, and the use of biodegradable materials, are driving growth in technical textiles. This sector is expected to grow globally at a CAGR of 4.36%.
- The global flooring market was valued at \$415.5 billion in 2023 and is expected to grow to \$678.5 billion by 2032, with key growth drivers being urbanization and infrastructure development.
- The European Union's strategy for sustainable and circular textiles, aiming for sustainable production by 2030, is influencing major textile markets. Companies must align with these eco-conscious goals to meet regulatory and consumer demands.
- There is a strong focus on up skilling and workforce development in the retail sector, which helps improve employee engagement and operational efficiency in the textile industry.

KEY PLAYERS in Textile Space



PEER PERFORMANCE

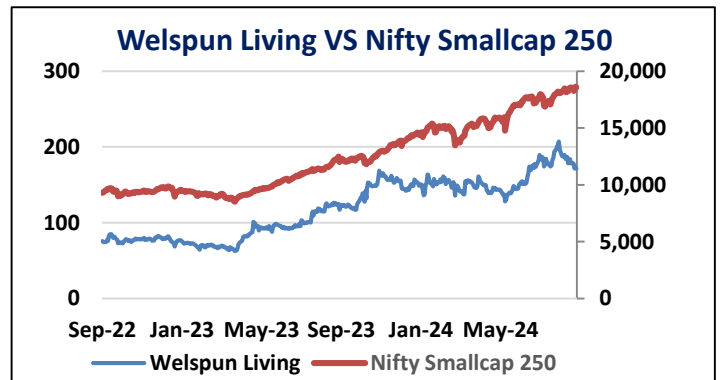
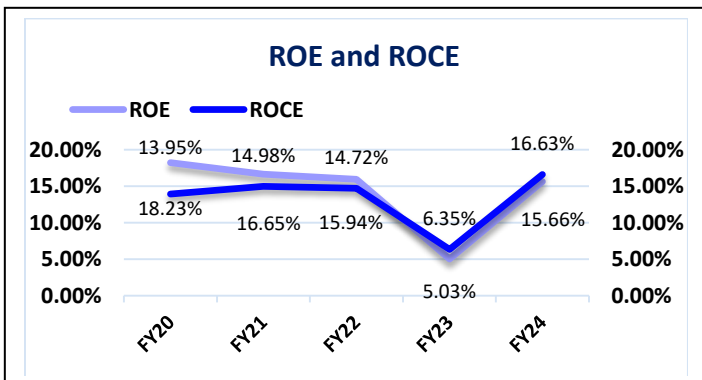
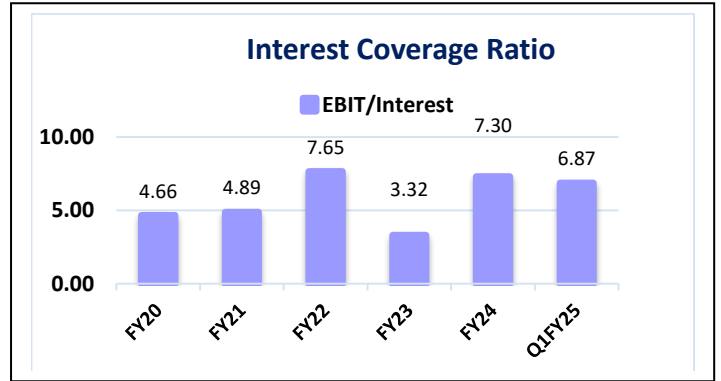
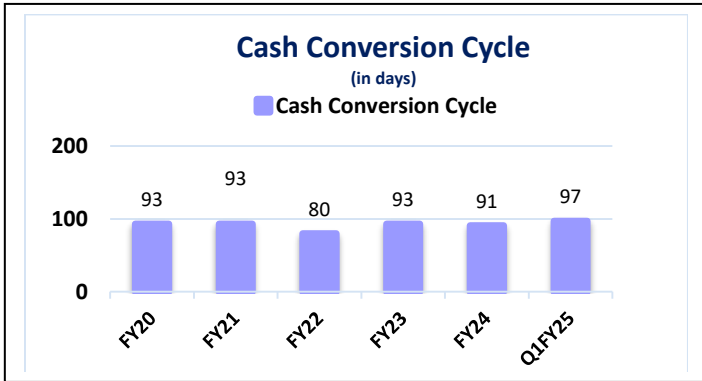
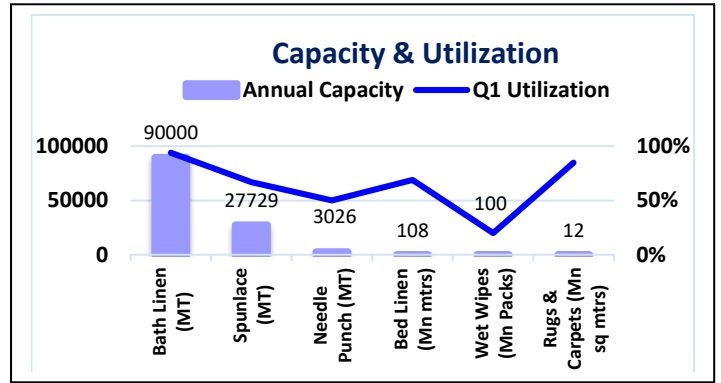
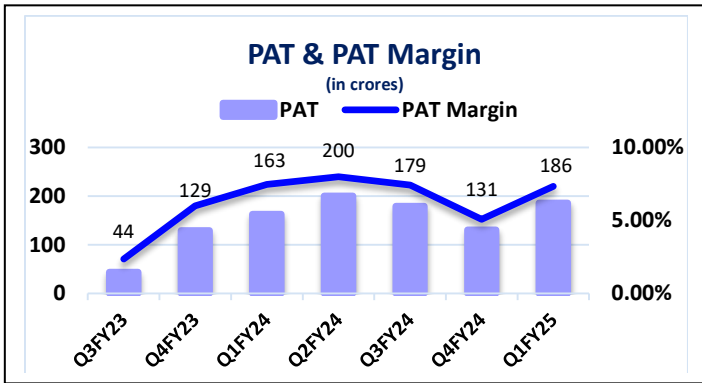
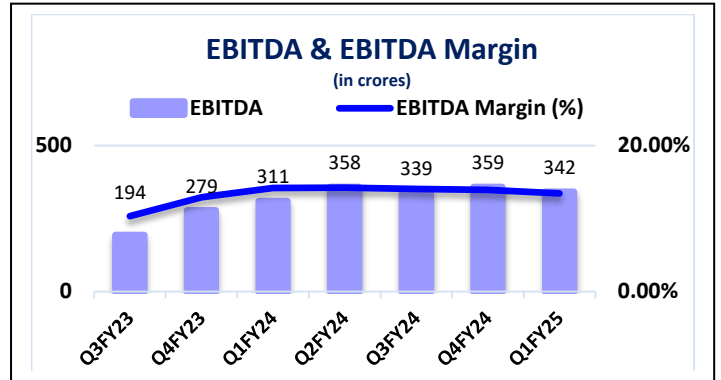
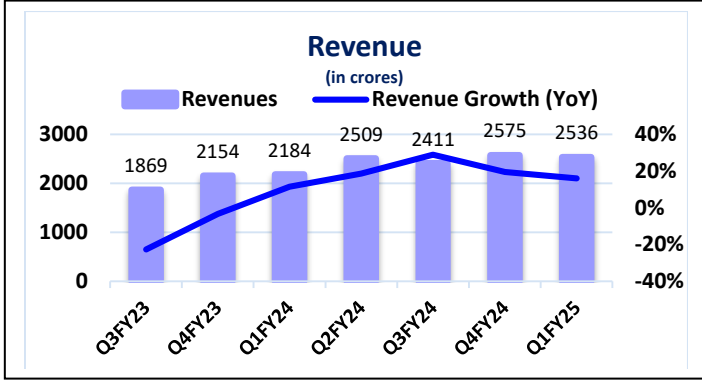
(₹ Cr)

Particulars	Welspun Living	Trident	Indo Count Industries	Bombay Dyeing & Manufacturing	Faze Three
Market Cap	15,796.28	18,661.39	7,587.46	4,632.58	1,089.49
Net Sales	9,679.24	6,808.83	3,557.07	1,688.48	558.18
EBITDA	1,368.91	928.19	559.02	-50.20	101.56
PAT	681.10	349.52	337.93	2,948.63	58.30
EPS(Rs)	7.01	0.69	17.06	142.76	23.97
EBITDA MARGIN %	15.65	14.66	16.49	3.46	19.19
PAT MARGIN %	6.95	5.14	9.25	165.49	10.44
ROCE %	16.63	10.60	18.46	186.13	22.63
ROE %	15.66	8.23	17.41	939.18	23.31
P/E TTM	22.58	56.40	22.28	1.50	26.29
P/B TTM	3.53	4.33	3.65	2.48	2.87
Dividend Yield %	0.06	1.00	0.56	0.58	0.11
MCap/ Sales TTM	1.64	2.61	2.06	2.60	1.98

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- **Growth Outlook for FY25:** Welspun Living remains cautiously optimistic about achieving a 12% revenue growth for FY25. This projection was confirmed based on the Q1 performance and the anticipated demand, particularly from the US market during the holiday season.
- **Leadership in US Export Markets:** The Company strengthened its market share in the US, with India remaining the top exporter of terry towels and bed sheets. Welspun's US exports grew by 10% for terry towels and 40% for bed sheets, consolidating its leadership position.
- **Emerging Businesses Driving Diversification:** Emerging sectors such as domestic consumer business, global brands, advanced textiles, and flooring contributed significantly, representing 30% of the total revenue and growing by 7% year-on-year.
- **Capacity Expansion and Innovation:** The Company is investing in innovation with new product lines, like Jacquard towels, and expanding its production capacity in towels and pillows. This will support further revenue growth and higher margins.
- **E-commerce Growth:** Welspun's commitment to expanding its e-commerce capabilities, particularly through platforms like Shopify, has boosted its digital presence and increased online sales

RISK / NEGATIVE FACTORS:

- **Foreign Exchange Risk:** The Company faces risks from fluctuations in foreign currencies, particularly the USD and EUR, impacting financial liabilities and profitability. The company uses forward contracts to mitigate these risks
- **Cotton Price Volatility:** Sudden changes in cotton prices can significantly impact profitability. The company mitigates this through continuous monitoring of cotton markets and using recycled cotton in manufacturing.
- **Geopolitical and Logistics Issues:** Global geopolitical uncertainties and disruptions in shipping logistics (e.g., blank sailings, route changes) lead to increased freight costs and delayed shipments, affecting profitability.
- **Competition in Domestic Retail Market:** Intense competition in India's domestic retail market is a significant risk to maintaining long-term growth. Welspun addresses this by expanding its distribution network and enhancing its product offering.

COMPANY RECAP

- Welspun Living Limited, formerly known as Welspun India Limited, is a leading player in the global home textiles industry, with a robust presence in over 50 countries. The company operates across multiple segments, including towels, bed sheets, rugs, and advanced textiles, catering to both retail and institutional clients worldwide. It is a vertically integrated entity, managing all stages from fiber to finished product, ensuring quality control and efficiency in its operations.
- In FY24, Welspun reported a total income of ₹9,825 crore, showcasing a significant growth trajectory. The company's manufacturing facilities in India, including its flagship plant in Anjar, Gujarat, and a pillow factory in Ohio, USA, underscore its global footprint. Additionally, the company has expanded capacity in key product lines, such as towels and advanced textiles, to meet rising demand. The Anjar facility's capacity expansion is projected to contribute ₹400 crore in revenue at full utilization.
- The company has also launched a ₹195 crore share buyback program, indicating confidence in its financial position and future growth. These strategic moves position Welspun for continued success in both domestic and international markets.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	(₹ Cr)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Net Sales	6741.09	7340.18	9311.47	8093.76	9679.24	10840.75	12195.84
Growth YoY (%)	3.29	8.89	26.86	-13.08	19.59	12.00	12.50
Total Expenditure	5526.42	5988.16	7952.75	7341.22	8310.33	9160.43	10366.47
(%) of sales	81.98	81.58	85.41	90.70	85.86	84.50	85.00
EBITDA	1214.67	1352.01	1358.72	752.54	1368.91	1680.32	1829.38
Depreciation	481.09	453.64	420.47	442.14	394.49	449.57	474.77
Interest Expenses	177.70	197.51	131.25	129.88	153.41	152.08	162.82
Other Income	95.09	67.78	65.84	121.34	145.83	114.05	135.15
Earnings before Taxes	694.39	768.70	872.97	301.91	966.95	1192.72	1326.94
Pre Tax Margin(%)	10.30	10.47	9.38	3.73	9.99	11.00	10.88
Tax-Total	170.04	217.91	266.26	99.40	294.21	298.18	331.74
Tax Rate(%)	24.49	28.35	30.50	32.92	30.43	25.00	25.00
Net Profit	524.36	550.79	606.71	202.51	672.74	894.54	995.21
PAT Growth (%)	131.84	5.04	10.16	-66.62	232.20	32.97	11.25
PAT Margin (%)	7.78	7.50	6.52	2.50	6.95	8.25	8.16
Minority Interest	-16.98	-11.12	-5.54	-3.68	8.36	9.76	10.98
Adjusted PAT	507.37	539.67	601.17	198.83	681.10	904.30	1006.18
EPS	5.05	5.37	6.08	2.01	7.01	9.30	10.35
EPS Growth (%)	141.80	6.37	13.27	-66.93	248.31	32.74	11.27

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	100	100	99	99	97
Reserves	2872	3544	3873	3989	4419
Borrowings	3521	2940	3304	2462	2632
Other Liabilities	1701	1981	2036	1978	2337
Total Liabilities & Equity	8194	8566	9312	8,527	9,485
Fixed Assets	3933	3814	4005	3918	3813
CWIP	58	173	166	46	49
Investments	244	111	698	642	916
Other Assets	3959	4467	4443	3922	4707
Total Assets	8194	8566	9312	8,527	9,485

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	7.78	7.50	6.52	2.50	6.95
EBITDA margin (%)	19.43	19.34	15.30	10.80	15.65
EBIT margin (%)	12.94	13.16	10.78	5.33	11.57
ROE (%)	18.23	16.65	15.94	5.03	15.66
ROCE (%)	13.95	14.98	14.72	6.35	16.63
Working Capital & liquidity ratios					
Payables (Days)	96.34	110.11	77.31	76.91	67.86
Inventory (Days)	77.51	82.09	73.52	89.01	76.20
Receivables (Days)	58.56	56.39	42.75	44.19	41.77
Current Ratio (x)	1.19	1.33	1.37	1.66	1.72
Valuations Ratios					
EV/sales (x)	0.80	1.44	1.28	1.05	1.62
EV/EBITDA (x)	4.12	7.46	8.35	9.69	10.33
P/E (x)	4.32	15.10	14.93	31.66	19.64
P/BV (x)	0.74	2.24	2.26	1.54	2.97
Dividend Yield (%)	4.59	0.18	0.17	0.16	0.07
Return on Assets (%)	6.61	6.57	6.79	2.27	7.47
Leverage Ratio					
Debt/Equity (x)	1.16	0.78	0.80	0.58	0.56

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
Profit Before Tax	694.39	768.64	872.97	301.91	966.95
Adjustments	402.19	390.95	273.51	202.57	178.11
Changes In working Capital	-157.73	-104.71	-395.80	340.87	-500.74
CF from Operating activities (A)	777.22	953.56	586.68	755.97	532.84
CF from Investing Activities (B)	-459.30	-98.31	-600.17	242.76	-209.21
CF from Financing Activities (C)	-268.90	-762.13	-54.73	-1085.95	-268.56
Net Cash Inflow / Outflow	49.03	93.13	-68.22	-87.22	55.07
Add: Opening Bal.	154.37	205.11	299.42	231.81	146.12
Closing Balance	205.11	299.42	231.81	146.12	200.83

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
25 Sep 2024	Buy	207

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ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: Mohit Arora

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.