

**Q2FY25 Performance**

The company posted revenue growth of a 15% YoY to ₹2873crs with flat EBITDA growth in Q2FY25. EBITDA margin was at 12.45%. PBT grew 8.2% YoY to ₹280.3crs. PAT grew only slightly by 1% YoY to ₹202crs with a PAT margin of 7%. A notable factor in the quarter’s performance was the other income (exchange gain), which doubled from ₹33crs in Q2FY24 to ₹63crs in Q2FY25.

Operationally, the company benefited from the upcoming holiday season in the U.S., with increased orders from major retailers driving high capacity utilization across key segments like terry towels, bed sheets, and rugs, reaching over 95% utilization.

Looking forward, management is guiding a 10-12% top-line growth for FY25, with an EBITDA margin target of 15-15.5%, indicating an expected improvement in profitability as the company capitalizes on seasonal demand and scales operations effectively.

**Important Statistics**

Nifty	24,306
Sensex	79,783
Mcapv(₹ crs)	₹15,562.25
52WeekH/L (₹)	213/123
NSE Code	WELSPUNIND
BSE Code	514162
Bloomberg Code	WLSI:IN

**Shareholding Pattern (%) Sep'24**

Promoter Holding	66.24
FII	07.08
DII	07.67
Public	19.01

**Key Con-Call Highlights**

- Core business home textiles revenue stood at ₹2,713crs versus ₹2,352crs in Q2FY24, up by 15.3% YoY. For H1FY25, core revenue stood at ₹5,100crs versus ₹4,390crs in H1FY24, up by 16.2%. Textile Business EBITDA for Q2FY25 at margin of 13.8% is ₹374crs grew 4.1% YoY & for H1 FY25 at margin of 14.2% is ₹723 mn grew 7.6%
- The company had to incur higher unavoidable ocean freight at about 2x of last year as a force majeure due to increased voyage time and decreased container supplies, despite long-term relationships with these liners. With a major distribution presence in U.S., WELSPUNLIV were able to ensure minimum disruption in revenues, but delays in FOB shipments due to non-availability of containers, ships have affected revenues of different businesses to some extent. Company would continue to keep a close watch on this dynamic situation to ensure minimum disruption to the business.
- Innovation is a key USP in all endeavors. Innovation products continued to be the major contributor to revenues at 23%, growing by 13% YoY.
- Welspun Brand witnessed a healthy growth of 20% YoY and continued to be the most widely distributed home textile brand in the country. Brand Spaces has outgrown the category in modern trade channels, emerging as a leading brand within the category of gaining market share, though the modern trade segment de-grew YoY. The company has continued investment in domestic markets with marketing spend to the tune of 10% for improving brand visibility and salience, and focusing on building profitable business growth.
- **Emerging businesses of domestic consumer business**, global brands, advanced textiles and flooring businesses grew 22% YoY in Q2FY25 and contributed to close to 33% of the total revenue of the Company. The global brands, owned as well as licensed, have continued to give an edge in all markets and grew by a staggering 58% during the quarter. With all licensed brands, like Martha Coco Cozy or Disney in Europe, opening up additional shelf space with the key retailers and creating newer avenues for the company.
- **Flooring:** The challenges, the company witnessed due to Red Sea issues impacted flooring deliveries to some extent and the business grew by a modest 3% YoY and 10% QoQ, recording revenues of ₹250crs. The company has added new big-ticket customers across all geographies and has also diversified by tapping opportunities with OMs in the U.S. and making strategic

**Financials**

Particulars	FY24 (₹ cr)		
	FY22	FY23	FY24
Revenues	9311	8094	9679
EBITDA	1362	753	1369
Margin (%)	15%	9%	14%
Net Profit	607	203	673
EPS (₹)	5.98	1.98	7.01
RoE (%)	15.8	4.9	15.9
RoCE (%)	14	6	16
P/E (x)	27.1	81.9	23.1

Source: Company, Way2wealth

**Relative Performance**

Absolute Return (%)	1 Yr	3Yr	5 Yr
<b>Welspun India</b>	<b>8</b>	<b>16</b>	<b>206</b>
<b>Nifty 50</b>	25	33	103
<b>Sensex</b>	23	31	97

Source: Company, Way2wealth

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tie-ups to strengthen positions in Australia and New Zealand. Similarly, company is gaining good traction from large retailers and big ticket distributors in U.S. and the Middle East for soft flooring and in the U.K. and U.A.E. For hard flooring. On the domestic market front, it continues to see strong growth in hospitality and commercial segments in all key markets in India. Domestic flooring grew by 28% YoY

- **The advanced textile business witnessed** an 18% growth YoY in Q2FY25 with a revenue of ₹148crs. Capacity utilization of the new Telangana spunlace facility has reached 55%. spunlace sales continue to be strong in all key global markets, forging new partnerships in the U.S., Europe, and India, with innovative and sustainable non-wovens. Spunlace and needle punch segments experienced strong Quarter sales growth driven by new orders and strategic partnerships, while wet wipes expanded globally with existing brands and new customers.
- Interest expenses were up 62% YoY to ₹52.86crs due to the borrowings for increased working capital requirement owing also to the Red Sea challenges and the RBI repo rate remaining unchanged, have gone up to ₹55crs from ₹34crs last year. With the reduction in working capital planned in the next few quarters, they will save on these costs.
- In Q2 FY25 the company spent ₹ 286cr majorly towards Towel projects at Anjar and pillow project in the US. An additional ₹492cr CAPEX is anticipated for H2FY25. Like Q2, this expenditure will also be focused on enhancing the towel and pillow projects in Anjar and Ohio, respectively. For the full fiscal year FY25, Management projects a total CAPEX of ₹800-850crs.
- The Board had earlier approved an additional towel capacity of 6,400 metric tons for being set up at an outlay of ₹341crs, which is nearing its completion in Q3FY25.
- The Board has now approved Phase 2 for; one, setting-up of facilities for an additional 1 lakh meters per day bed linen processing capacity; second, setting up of coarse count spinning of 40 metric tons per day for more backward integration of towel facilities; and third, increasing towel looms to produce 3,600 metric tons per annum. This will be at a total outlay of ₹709crs to be incurred over the next two years through its wholly-owned subsidiary, Welspun Home Solutions Limited. The new project in full capacity would result in an additional revenue of ₹750crs in addition to about ₹400crs in the TT project.
- The average exchange realization for the U.S. dollar during Quarter 2 was ₹84.29 compared to ₹83.35 in the corresponding quarter last year. For H1, it stood at ₹84.18 compared to ₹82.85 in the corresponding period last year.
- Net debt stood at ₹1,832crs versus ₹1,562crs in Jun'24, higher by about ₹270crs. This increase is a timing difference due to the payment for the buyback of shares of ₹343crs. Management has guided towards net zero debt by FY28.

**Key Risks**

- Slower than expected demand recovery in its key markets
- Delay in capex implementation could impact financials of company

**View**

Management's cautiously optimistic stance stems from positive economic indicators, such as cooling inflation and anticipated Fed rate cuts in the U.S., which bode well for operating performance. However, geopolitical uncertainties, particularly in the Red Sea, may constrain volume growth, especially in H2FY25.

Company's investments in new products, like fashion towels and pillows, coupled with a planned increase in capacity utilization, underpin projected revenue growth of 10%-12% for FY25. Additionally, margin expansion is expected, with an EBITDA margin forecasted at 15%-15.5%. Further support comes from the company's scaling up in the flooring business and expanded capacity in home textiles, which should enhance revenue and profitability in the medium term.

Welspun Living Ltd.'s strengths in execution, brand recognition, and capacity expansion position it for sustained performance over the long term. **At CMP of ₹162.68, the stock trades at a P/E of ~22.2x to TTM EPS of ₹7.3. We recommend investors to accumulate the stock.**

8<sup>th</sup> November 2024

CMP – 162.68/-

 View – **Accumulate**
**Consolidated Financial Highlights**

(₹ Cr)

Particulars	Q2FY25	Q2FY24	VAR [%]	Q1FY25	VAR [%]	H1FY25	H1FY24	VAR [%]
Sales	2,873.09	2,509.08	<b>14.5%</b>	2,536.49	<b>13.3%</b>	5,409.58	4,693.13	<b>15.3%</b>
Other Income	62.93	33.29		51.96		114.89	64.10	
<b>Total Income</b>	<b>2,936.0</b>	<b>2,542.4</b>	<b>15.5%</b>	<b>2,588.5</b>	<b>13.4%</b>	<b>5,524.5</b>	<b>4,757.2</b>	<b>16.1%</b>
Total Expenditure	1593.11	1343.38	18.6%	1359.79	17.2%	2952.9	2497.94	18.2%
Raw Material Consumed	1479.15	1376.34	<b>7.5%</b>	1337.59	<b>10.6%</b>	2,816.74	2,576.34	<b>9.3%</b>
Purchase of stock in trade	129.03	63.21	104.1%	148.85		277.88	127.12	118.6%
Stock Adjustment	-15.07	-96.17	-84.3%	-126.65	-88.1%	-141.72	-205.52	-31.0%
<i>RMC as a %age of sales</i>	<i>55.45%</i>	<i>53.54%</i>	3.6%	<i>53.61%</i>	3.4%	<i>54.59%</i>	<i>53.23%</i>	2.6%
Employee Expenses	292.52	257.37	13.7%	281.86	3.8%	574.38	483.49	18.8%
<i>EPC as a %age of sales</i>	<i>10.18%</i>	<i>10.26%</i>		<i>11.11%</i>		<i>10.62%</i>	<i>10.30%</i>	
Other Expenses	629.83	550.33	14.4%	553.32	13.8%	1,183.15	1,042.87	13.5%
<i>Other Expenses as a %age of sales</i>	<i>21.92%</i>	<i>21.93%</i>		<i>21.81%</i>		<i>21.87%</i>	<i>22.22%</i>	
<b>Total Expenditure</b>	<b>2,515.46</b>	<b>2,151.08</b>	16.9%	<b>2,194.97</b>	14.6%	<b>4,710.43</b>	<b>4,024.30</b>	17.0%
<b>EBIDTA</b>	<b>357.63</b>	<b>358.00</b>	-0.1%	<b>341.52</b>	4.7%	<b>699.15</b>	<b>668.83</b>	4.5%
<b>EBIDTA Margins %</b>	<b>12.45%</b>	<b>14.27%</b>	-12.8%	<b>13.46%</b>	-7.6%	<b>12.92%</b>	<b>14.25%</b>	-9.3%
Interest	54.86	33.84		43.37		98.23	59.67	
<b>PBDT</b>	<b>365.70</b>	<b>357.45</b>	<b>2.3%</b>	<b>350.11</b>	<b>4.5%</b>	<b>715.81</b>	<b>673.26</b>	<b>6.3%</b>
Depreciation	85.55	98.5	<b>-13.1%</b>	96.77	<b>-11.6%</b>	182.32	197.91	<b>-7.9%</b>
<b>Profit before share of associates</b>	<b>280.15</b>	<b>258.95</b>	-	<b>253.34</b>	-	<b>533.49</b>	<b>475.35</b>	
<b>Share of Associate's Net Profit/(Loss)</b>	<b>0.17</b>	<b>0.20</b>	-	<b>0.05</b>	-	<b>0.22</b>	<b>-0.03</b>	-
<b>PBT</b>	<b>280.32</b>	<b>259.15</b>		<b>253.39</b>		<b>533.71</b>	<b>475.32</b>	
Tax	77.92	58.74	32.7%	67.44	15.5%	145.36	111.99	29.8%
<i>Tax Rate</i>	<i>25.50%</i>	<i>25.50%</i>	<b>0.0%</b>	<i>25.50%</i>	<b>0.0%</b>	<i>25.50%</i>	<i>25.50%</i>	<b>0.0%</b>
<b>Reported Profit After Tax</b>	<b>202.23</b>	<b>200.21</b>	1.0%	<b>185.90</b>	8.8%	<b>388.13</b>	<b>363.36</b>	6.8%
<b>PATM %</b>	<b>7.04%</b>	<b>7.98%</b>	-11.8%	<b>7.33%</b>	-4.0%	<b>7.17%</b>	<b>7.74%</b>	-7.3%
<b>EPS</b>	<b>2.10</b>	<b>2.04</b>	2.9%	<b>1.90</b>	10.5%			-
Equity	97.18	97.18	<b>0.0%</b>	97.18	<b>0.0%</b>	97.18	97.18	<b>0.0%</b>
Face Value	1	1	0.0%	1	0.0%	1	1	0.0%
	44.6%	46.5%	-4.1%	46.4%	-4.0%	45.4%	46.8%	-2.9%

Source: Company, Way2wealth

8<sup>th</sup> November 2024

CMP – 162.68/-

 View – **Accumulate**
**Segmental Highlights**

(₹ Cr)

Particulars	Q2FY25	Q2FY24	VAR	Q1FY25	VAR	H1FY25	H1FY24	VAR
<b>REVENUES</b>								
<b>Revenue from Operations</b>	<b>2,962.5</b>	<b>2,594.9</b>	<b>14.2%</b>	<b>2,615.1</b>	<b>13.3%</b>	<b>5,577.6</b>	<b>4,857.6</b>	<b>14.8%</b>
Home Textile	2,712.8	2,352.3	15.3%	2,387.3	13.6%	5,100.1	4,389.9	16.2%
<i>% Mix</i>	<i>91.6%</i>	<i>90.7%</i>		<i>91.3%</i>		<i>91.4%</i>	<i>90.4%</i>	
Flooring	249.8	242.6	2.9%	227.8	9.6%	477.6	467.7	2.1%
<i>% Mix</i>	<i>8.4%</i>	<i>9.3%</i>		<i>8.7%</i>		<i>8.6%</i>	<i>9.6%</i>	
Less : Inter Segment Revenues	89.4	85.8	4.2%	78.7	13.6%	168.1	164.4	2.3%
<b>Total Segment Revenue</b>	<b>2,873.1</b>	<b>2,509.1</b>	<b>14.5%</b>	<b>2,536.4</b>		<b>5,409.5</b>	<b>4,693.2</b>	<b>15.3%</b>
<b>Profit/Loss Before Dep, Interest and Tax</b>								
<b>Profit/Loss Before Dep, Interest and Tax</b>	<b>420.6</b>	<b>391.1</b>	<b>7.5%</b>	<b>393.5</b>	<b>6.9%</b>	<b>814.1</b>	<b>732.5</b>	<b>11.1%</b>
<i>Margin %</i>	<i>14.2%</i>	<i>15.1%</i>		<i>15.0%</i>		<i>14.6%</i>	<i>15.1%</i>	
Home Textile	374.2	359.4	4.1%	348.4	7.4%	722.6	671.7	7.6%
<i>Margin %</i>	<i>13.8%</i>	<i>15.3%</i>		<i>14.6%</i>		<i>14.2%</i>	<i>15.3%</i>	
Flooring	22.0	20.1	9.5%	21.0	4.7%	43.0	38.4	12.0%
<i>Margin %</i>	<i>8.8%</i>	<i>8.3%</i>		<i>9.2%</i>		<i>9.0%</i>	<i>8.2%</i>	
Add: Un- allocable Income net of Un-allocable Expenses	24.35	11.64	109.2%	24.10		48.5	22.5	115.4%
<i>Margin %</i>	<i>5.8%</i>	<i>3.0%</i>		<i>6.1%</i>		<i>6.0%</i>	<i>3.1%</i>	
<b>Net Profit/Loss Before Int, Dep &amp; Tax</b>	<b>420.6</b>	<b>391.1</b>	<b>7.5%</b>	<b>393.5</b>	6.9%	<b>814.1</b>	<b>732.5</b>	<b>11.1%</b>
<b>Profit before Tax</b>								
<b>Profit before Tax</b>	<b>280.3</b>	<b>259.2</b>	<b>8.2%</b>	<b>252.9</b>	<b>10.8%</b>	<b>533.2</b>	<b>475.1</b>	<b>12.2%</b>
<i>Margin %</i>	<i>9.5%</i>	<i>10.0%</i>		<i>9.7%</i>		<i>9.6%</i>	<i>9.8%</i>	
Home Textile	259.3	250.5	3.5%	233.0	11.3%	492.3	455.1	8.2%
<i>Margin %</i>	<i>9.6%</i>	<i>10.6%</i>		<i>9.8%</i>		<i>9.7%</i>	<i>10.4%</i>	
Flooring	(3.3)	(3.1)	5.1%	(4.2)	-20.5%	(7.5)	(2.7)	180.1%
<i>Margin %</i>	<i>-1.3%</i>	<i>-1.3%</i>		<i>-1.8%</i>		<i>-1.6%</i>	<i>-0.6%</i>	
Add: Un- allocable Income net of Un-allocable Expenses	24.35	11.84	105.7%	24.06		48.4	22.7	113.4%
<i>Margin %</i>	<i>8.7%</i>	<i>4.6%</i>		<i>9.5%</i>		<i>9.1%</i>	<i>4.8%</i>	
<b>Net Profit/Loss Before Int, Dep &amp; Tax</b>	<b>280.3</b>	<b>259.2</b>	<b>8.2%</b>	<b>252.9</b>	10.8%	<b>533.2</b>	<b>475.1</b>	<b>12.2%</b>

Source: Company, Way2wealth

8<sup>th</sup> November 2024

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**Disclosure of Interest Statement Welspun Living Ltd. as on November 08<sup>th</sup>, 2024**

Name of the Security	Welspun Living Ltd
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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