

# WELSPUN INDIA

## Margin guidance pruned, but commendable show

India Equity Research | Midcap Textiles

Welspun India's (WLSI) Q4FY17 revenue, at INR17.6bn, jumped a commendable 9% YoY and 17% QoQ (14% above estimate). On like-to-like basis (excluding Target) the revenue surge was even stronger. However, as expected, rise in cotton prices dented margin, which led to EBITDA margin contracting ~130bps QoQ to 21.8%. Though WLSI has revised down FY18 margin guidance to 21-22% (from 22-23%) owing to cotton price pressure, the revenue spurt was commendable, driving 4% upwards revision in our FY19E EBITDA estimate. We maintain our 7.0x FY19E EV/EBITDA target multiple yielding TP of INR102 (INR99 earlier). Maintain 'BUY'.

### Robust revenue spurt across segments

WLSI's revenue jumped 9% YoY and 17% QoQ to INR17.6bn in spite of 18% growth in the base quarter and absence of Target's revenue during Q4FY17. This quarter, positive currency movement contributed 4% to the revenue jump; balance spurt was driven by double-digit growth in terry towels and rugs volumes as well as higher mix of innovative and branded products. FY17 revenue jumped 12% YoY driven by towel volumes, which surged 26% YoY; bed sheet volumes were flat. Growth in domestic retail sales was also positive—up 21% YoY in FY17. Share of innovative products was higher at 36%.

### Surging input prices dent margin; expansion to sustain

Gross margin contracted a sharp 740bps QoQ and 390bps YoY to 50.6% primarily due to spurt in cotton prices. However, savings in other expenses led to EBITDA margin contracting only 128bps QoQ. In FY17, the company incurred INR7.2bn capex towards enhancing capacity by >20% each in towels, bed linen and rugs & carpets. Another INR7.0bn has been earmarked in FY18 to further enhance towel capacity (~10%) and for the ongoing flooring solutions project.

### Outlook and valuations: Margin trajectory key; maintain 'BUY'

WLSI has revised down FY18 margin guidance to 21-22% on account of rising cotton prices. Impact of currency also remains a worry on the company. However, with the Egyptian Cotton issue risk waning along with the robust growth reported in FY17, we have revised up FY19E EBITDA estimate by 4% despite lower margin driven by higher revenue expectations. We retain our 7.0x FY19E EV/EBITDA target multiple yielding TP of INR102 (INR99 earlier). We maintain 'BUY'.

#### Financials

(INR mn)

Year to March	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	FY17	FY18E	FY19E
Net Revenues	17,572	16,162	8.7	15,009	17.1	66,405	72,972	78,899
EBITDA	3,829	4,353	(12.0)	3,463	10.6	15,834	16,611	18,596
Adjusted Profit	1,533	1,959	(21.8)	1,325	15.7	6,720	6,515	7,537
Adj. Dil. EPS	1.5	1.9	(21.8)	1.3	15.7	6.7	6.5	7.5
Diluted P/E (x)						14.1	14.5	12.5
EV/EBITDA (x)						7.9	7.3	6.3
ROAE (%)						30.5	24.5	23.6

#### EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth
MARKET DATA (R: WLSP.BO, B: WLSI IN)	
CMP	: INR 94
Target Price	: INR 102
52-week range (INR)	: 120 / 46
Share in issue (mn)	: 1,004.7
M cap (INR bn/USD mn)	: 95 / 1,480
Avg. Daily Vol. BSE/NSE ('000)	: 4,071.7

#### SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	73.5	73.5	73.5
MF's, FI's & BKs	2.0	2.0	2.0
FII's	11.9	11.6	9.5
Others	12.5	12.9	15.0
* Promoters pledged shares (% of share in issue)	:		NIL

#### PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	6.6	9.1	2.5
3 months	14.6	21.2	6.5
12 months	33.1	(5.5)	(38.7)

Nihal Mahesh Jham

+91 22 6623 3352

nihal.jham@edelweissfin.com

April 26, 2017

### Q4FY17 analyst meet: Key highlights

#### Industry

- WLSI is not worried about the current protectionist wave in the US, as it believes that there is no home textile production capacity available in the US.
- Rise in coal prices remains a concern.
- Despite the current scenario of appreciating INR, India still has 10-15% cost advantage over China.
- Total industry size is USD40bn at the wholesale level and USD75bn at the retail level.

#### Company

- In FY17, 5% revenue came from the domestic business. Currently, it is available at 200 SIS and more than 1,000 local/smaller stores.
- Hospitality contributed USD45mn to revenue and WLSI is looking at 10-15% growth in this segment.

#### Q4FY17:

- Of the 9% growth during the quarter, 4% was due to positive currency impact; balance was contributed by volumes.
- USD/INR realisation:
  - **FY17:** INR68.9.
  - **Q4FY17:** INR70.

#### Debt:

- Debt under IND-AS is INR30bn. It would have been INR25bn under IGAAP. The increase in debt is primarily related to classification of items like bill discounting, vendor finance as debt under IND-AS.
- Interest costs have fallen driven by lower rates (~80bps YoY) and benefits from debt coming under Gujarat policy.

#### Capex:

- Capex spend in FY17 was INR7.2bn.
- Will also be expanding towel capacity from 72,000 tonnes to 80,000 tonnes.

#### Other

- **Christy Rebranding:** The brand was initially targeted at the 45-50 and above age group. However, there has been a focus to push it towards younger audience. Also, its reach has now expanded beyond UK.
- The hedge policy remains the same—selling 60% of receivables 12 months forward.

#### Guidance

- Guiding for 21-22% EBITDA margin in FY18.

### Q3FY17 concall: Key highlights

- Key reasons for fall in EBITDA margin
  - ~1% impact from cotton cost, which was partially mitigated by foreign exchange gain.
  - ~1% increase in energy/coal costs.
  - ~1.5% due to under absorption of fixed costs.
- Overall volumes were flat.
- Geography-wise revenue mix:
  - US: 66%, Europe: 17-19%, India: 6-7%, RoW: 9%
- WLSI has remitted 45% of the provision (exception expense) of INR5bn to the US.
- The company made its last shipment to Target towards early October and received minimal revenue from same this quarter.
- On a like-to-like basis (ex Target), revenue grew by 12-15%. This was driven by the various initiatives undertaken by the company.

#### Industry

- In past 2-3 years, despite the duty disadvantages, India has been growing at a better rate in Europe versus other geographies.
- The new scheme of rebate of state levies has been announced. However, details are awaited, which will most likely come post the state election results.

#### Flooring

- Flooring is an extension of the bath rugs business and will be a vertically integrated operation.
- New flooring facility will be available by Q2FY19/Q3FY19.
- Can expect asset turn of 1.5x on optimum basis.
- Looking at domestic and export markets.
- Looking at a 20% RoIC which is the guiding principle for any capex

#### Debt:

- Net debt is higher by INR3bn due to bunched up remittances and higher working capital.

#### Others

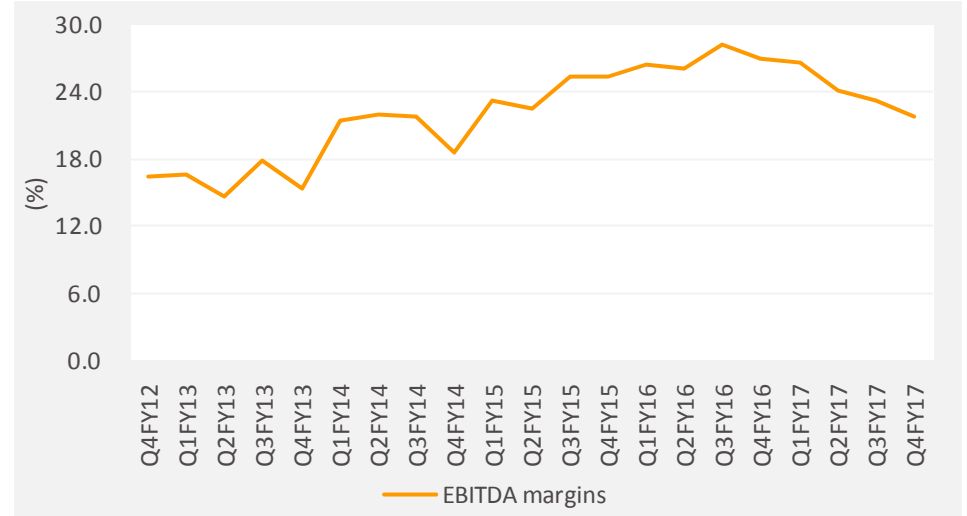
- Hygro is clocking annualised revenue of USD200mn.
- Growth in innovative and branded products remains strong.
- WLSI is importing coal from Indonesia and South Africa. At current prices too, impact on margins could be 1.5%.

#### Guidance

- Looking at double-digit growth from the new base.
- On bath sides utilisation will remain high at 90% plus.
- The company expects India's market share to keep expanding driven by better cost structure.

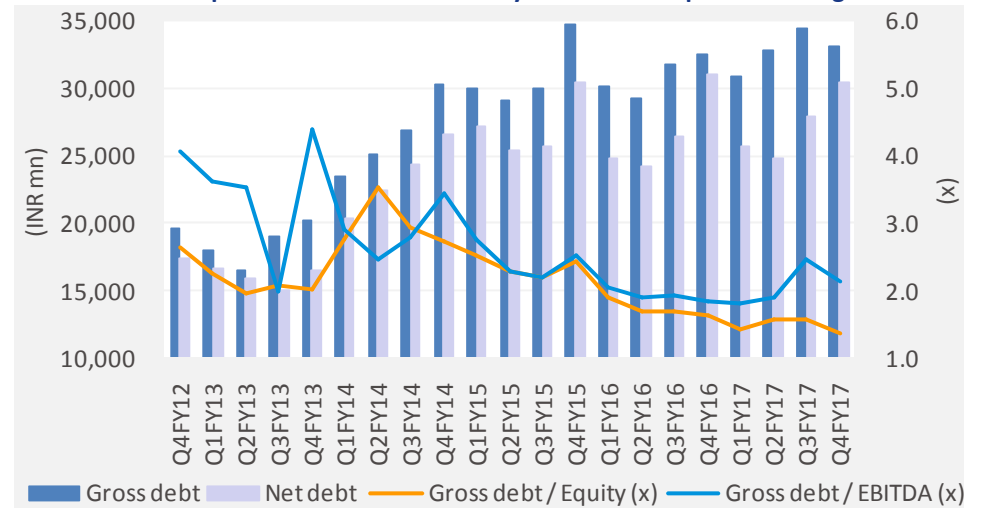
- WLSI will continue to sharpen focus on domestic market, which is as profitable as the international segment.
- Capex
  - FY17: Capex will be marginally lower than the guided INR8bn as there will be some spill over to FY18.
  - FY18: Will include maintenance capex and capex for flooring expansion.

**Chart 1: EBITDA margin was impacted by higher cotton costs; was down 130bps QoQ**



Source: Company, Edelweiss research

**Chart 2: Debt is expected to increase driven by the INR6bn capex in flooring**



Source: Company, Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	17,572	16,162	8.7	15,009	17.1	66,405	72,972	78,899
Staff costs	1,677	1,382	21.4	1,644	2.0	6,373	7,144	7,757
Direct costs	8,677	7,345	18.1	6,306	37.6	30,396	34,100	36,523
Other expenses	3,388	3,082	9.9	3,596	(5.8)	13,803	15,117	16,022
EBITDA	3,829	4,353	(12.0)	3,463	10.6	15,834	16,611	18,596
Depreciation	1,365	1,036	31.8	1,305	4.6	5,054	6,148	6,760
EBIT	2,464	3,317	(25.7)	2,158	14.2	10,780	10,463	11,836
Other income	156	232	(33.0)	210	(25.8)	806	1,027	1,064
Interest	430	668	(35.6)	480	(10.5)	1,583	1,881	1,768
Add: Exceptional items	9	-	-	239	(96.4)	(4,648)	-	-
Profit before tax	2,198	2,882	(23.7)	2,127	3.4	5,355	9,610	11,131
Provision for taxes	653	886	(26.3)	624	4.6	1,731	3,027	3,506
Minority interest	6	37	(82.8)	9	(26.7)	48	68	88
Reported net profit	1,539	1,959	(21.4)	1,494	3.0	3,576	6,515	7,537
Adjusted Profit	1,533	1,959	(21.8)	1,325	15.7	6,720	6,515	7,537
Diluted shares (mn)	1,005	10,047	-	1,005	-	1,005	1,005	1,005
Adjusted Diluted EPS	1.5	0.2	682.5	1.3	15.7	6.7	6.5	7.5
Diluted P/E (x)	-	-	-	-	-	14.1	14.5	12.5
EV/EBITDA (x)	-	-	-	-	-	7.9	7.3	6.3
ROAE (%)	-	-	-	-	-	30.5	24.5	23.6
Direct costs	49.4	45.4	-	42.0	-	45.8	46.7	46.3
Employee cost	9.5	8.5	-	11.0	-	9.6	9.8	9.8
Other expenses	19.3	19.1	-	24.0	-	20.8	20.7	20.3
EBITDA	21.8	26.9	-	23.1	-	23.8	22.8	23.6
Reported net profit	8.7	12.1	-	8.8	-	10.1	8.9	9.6
Tax rate	29.7	30.8	-	29.4	-	32.3	31.5	31.5

## Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	72,972	68,227	7.0	78,899	74,776	5.5	Better than expected growth in FY17
EBITDA	16,612	16,914	(1.8)	18,596	17,817	4.4	
EBITDA Margin	22.8	24.8	-	23.6	23.8	-	Increase in cotton cost
Adjusted PAT	6,515	7,259	(10.3)	7,537	7,413	1.7	
Net Profit Margin	9.0	10.9	-	9.7	10.2	-	
Capex	7,324	8,829	(17.0)	6,860	7,373	(7.0)	

### Company Description

Established in 1985, Welspun India today, it is one of the top three home textile manufacturers globally and the largest home textile company in Asia. It has modern manufacturing facilities at Anjar and Vapi in Gujarat where it produces an entire range of home textiles for bed & bath category. The company has state-of-the-art completely vertically integrated plants, right from spinning to confectioning.

Welspun has been ranked No.1 among home textile suppliers in the US (Source: Home Textile Today). It has a distribution network in over 32 countries including US, UK, Europe, Canada and Australia.

In addition to manufacturing facilities, which predominantly supply to private labels, the company also maintains its own brands Christy, Hygrocotton, Welhome and Spaces - Home and Beyond; it also has a tie up with Nautica for North American markets.

### Investment Theme

Innovation, diversified client and product base cement dominance: Welspun enjoys long standing relationships with top retailers in the US and Europe and supplies to 14 of the top 30 global retailers. It commands a lion's share of home textiles exported out of India. Increasing geographical and client diversification is improving the company's risk metrics. It has seven trademarks and has applied for six patents till date. Welspun derives ~30% of sales from innovative products.

Margin sustainability: WLSI has consistently improved its margin. While the rise is partially attributed to currency, it has been primarily driven by increase in share of innovative products. Driven by its confidence in sustaining these margins, it has upgraded its margin guidance from 20-22% to 23-24%.

Robust free cash flow & consistently lowering leverage: WLSI is at the end of its massive INR25bn capex programme it had undertaken in FY14, with only INR8bn to be spent in FY17. The company's confidence in generating free cash is also evident from its recently announced dividend policy of 25% payout ratio. Going forward, it is expected to generate strong free cash flows and lower its leverage further. Gross debt/equity has fallen from 2.1x at FY15 end to 1.3x as of FY16. We estimate this to fall below 1.0x by FY18E.

### Key Risks

Raw material risk: Raw material costs, primarily cotton yarn, account for 50% of the overall expenses and are a prime driver of profitability. Volatility in cotton prices can impact the profitability adversely.

Currency fluctuations: Welspun exports more than 90% of its production. With a network spanning 50 countries, the company is exposed to currency fluctuations which can significantly impact profitability.

Egyptian cotton issue: Egyptian cotton products manufactured by WLSI came under the scanner when Target, cut ties with the company. Post the event, other major customers have however continued their regular sourcing of other products from WLSI. But, any further customer issues will be a negative for the company.

## Financial Statements

### Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
<b>Company</b>				
Towel cap. (MT)	55,000	72,000	80,000	80,000
Bed-linen cap. (000 mts)	66,000	90,000	90,000	90,000
Rugs/carpets cap. (MT)	15,000	25,000	25,000	25,000
Towel utilis. (%)	101	97	91	95
Bed-linen utilis. (%)	101	73	73	76
Rugs/carpets utilis. (%)	76	72	78	84
Raw Material (% net rev)	44.9	45.8	46.7	46.3
Other exp (% net rev)	19.2	20.8	20.7	20.3
Depreciation rate (%)	7.2	8.3	9.0	8.9
Dividend per share	1.3	0.7	1.2	1.6
Capex (INR mn)	10,597	7,785	7,324	6,861
Inventory % of costs	41.5	42.1	41.0	41.0
Debtors % of revenues	14.3	14.5	14.5	14.5
OCA % of revenues	12.4	10.9	10.9	11.0
Loans & adv (% net rev)	1.8	3.9	3.9	4.0
Incremental debt	1,627	636	(3,976)	(2,198)

### Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	59,239	66,405	72,972	78,899
Materials costs	26,594	30,396	34,100	36,523
Gross profit	32,645	36,009	38,872	42,376
Employee costs	5,367	6,373	7,144	7,757
Other Expenses	11,352	13,803	15,117	16,022
EBITDA	15,927	15,834	16,611	18,596
Depreciation	3,718	5,054	6,148	6,760
EBIT	12,208	10,780	10,463	11,836
Add: Other income	904	805	1,027	1,063
Less: Interest Expense	2,368	1,583	1,881	1,768
Add: Exceptional items	-	(4,648)	-	-
Profit Before Tax	10,745	5,355	9,610	11,131
Less: Provision for Tax	3,254	1,731	3,027	3,506
Less: Minority Interest	126	48	68	88
Reported Profit	7,365	3,576	6,515	7,537
Exceptional Items	-	(3,145)	-	-
Adjusted Profit	7,365	6,720	6,515	7,537
Shares o/s (mn)	1,005	1,005	1,005	1,005
Adjusted Basic EPS	7.3	6.7	6.5	7.5
Diluted shares o/s (mn)	1,005	1,005	1,005	1,005
Adjusted Diluted EPS	7.3	6.7	6.5	7.5
Adjusted Cash EPS	11.6	12.0	13.1	14.8
Dividend per share (DPS)	1.3	0.7	1.2	1.6
Dividend Payout Ratio(%)	21.2	23.0	23.0	25.0

### Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	73.1	76.2	77.2	76.4
Materials costs	44.9	45.8	46.7	46.3
Staff costs	9.1	9.6	9.8	9.8
S G & A expenses	19.2	20.8	20.7	20.3
Depreciation	6.3	7.6	8.4	8.6
Interest Expense	4.0	2.4	2.6	2.2
EBITDA margins	26.9	23.8	22.8	23.6
Net Profit margins	12.6	10.2	9.0	9.7

### Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	11.7	12.1	9.9	8.1
EBITDA	25.0	(0.6)	4.9	11.9
PBT	42.6	(50.2)	79.5	15.8
Adjusted Profit	36.4	(8.8)	(3.1)	15.7
EPS	36.4	(8.8)	(3.1)	15.7

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	1,005	1,005	1,005	1,005	
Reserves & Surplus	18,696	22,967	27,983	33,636	
Shareholders' funds	19,701	23,972	28,988	34,640	
Minority Interest	412	355	423	512	
Short term borrowings	14,556	12,954	13,138	13,189	
Long term borrowings	17,922	20,160	16,000	13,750	
Total Borrowings	32,478	33,114	29,138	26,939	
Long Term Liabilities	1,932	2,354	2,524	2,526	
Def. Tax Liability (net)	597	1,466	1,964	2,542	
<b>Sources of funds</b>	<b>55,119</b>	<b>61,260</b>	<b>63,037</b>	<b>67,159</b>	
Gross Block	53,110	62,164	69,585	76,474	
Net Block	31,559	35,011	36,286	36,417	
Capital work in progress	1,832	564	466	438	
Intangible Assets	1,925	1,879	1,887	1,895	
Total Fixed Assets	35,316	37,454	38,639	38,750	
Non current investments	39	29	29	29	
Cash and Equivalents	1,490	2,857	2,073	4,167	
Inventories	11,046	12,810	13,981	14,975	
Sundry Debtors	8,499	9,601	10,550	11,407	
Loans & Advances	1,050	2,567	2,820	3,156	
Other Current Assets	7,321	7,265	7,983	8,679	
Current Assets (ex cash)	27,917	32,242	35,334	38,216	
Trade payable	6,652	7,517	8,454	9,045	
Other Current Liab	2,989	3,804	4,584	4,957	
Total Current Liab	9,641	11,321	13,038	14,002	
Net Curr Assets-ex cash	18,275	20,921	22,296	24,214	
<b>Uses of funds</b>	<b>55,119</b>	<b>61,260</b>	<b>63,037</b>	<b>67,159</b>	
BVPS (INR)	19.6	23.9	28.9	34.5	
Contingent Liability	414.3	414.3	414.3	414.3	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	7,365	3,576	6,515	7,537	
Add: Depreciation	3,718	5,054	6,148	6,760	
Interest (Net of Tax)	1,651	1,071	1,288	1,211	
Others	1,050	2,591	64	71	
Less: Changes in WC	(2,754)	2,224	1,205	1,916	
Operating cash flow	16,538	10,068	12,810	13,663	
Less: Capex	10,597	7,785	7,324	6,861	
<b>Free Cash Flow</b>	<b>5,940</b>	<b>2,283</b>	<b>5,487</b>	<b>6,802</b>	

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Welspun India	1,480	14.6	12.6	7.4	6.4	24.5	23.6
Arvind	1,636	56.2	55.0	25.6	24.1	28.0	23.6
Himatsingka Seide	534	15.0	11.3	8.2	6.0	18.3	20.3
Median	-	15.0	12.6	8.2	6.4	24.5	23.6
AVERAGE	-	28.6	26.3	13.7	12.2	23.6	22.5

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		16,538	10,068	12,810	13,663
Investing cash flow		(8,012)	(7,962)	(6,307)	(5,807)
Financing cash flow		(9,455)	(1,721)	(7,287)	(5,763)
Net cash Flow		(929)	385	(784)	2,093
Capex		(10,597)	(7,785)	(7,324)	(6,861)
Dividend paid		(2,443)	(822)	(1,498)	(1,884)

## Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	43.0	30.5	24.5	23.6
ROACE (%)	26.7	21.1	19.8	21.4
Inventory Days	122	113	114	115
Debtors Days	40	50	50	51
Payable Days	93	85	85	87
Cash Conversion Cycle	69	78	79	79
Current Ratio	3.0	3.1	2.9	3.0
Gross Debt/EBITDA	2.0	2.1	1.8	1.4
Gross Debt/Equity	1.6	1.4	1.0	0.8
Adjusted Debt/Equity	1.6	1.4	1.0	0.8
Net Debt/Equity	1.5	1.2	0.9	0.6
Interest Coverage Ratio	5.2	6.8	5.6	6.7

## Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	1.2	1.1	1.2	1.2
Fixed Asset Turnover	2.0	1.9	1.9	2.1
Equity Turnover	3.4	3.0	2.7	2.4

## Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	7.3	6.7	6.5	7.5
Y-o-Y growth (%)	36.4	(8.8)	(3.1)	15.7
Adjusted Cash EPS (INR)	11.6	12.0	13.1	14.8
Diluted P/E (x)	12.9	14.1	14.6	12.6
P/B (x)	4.8	4.0	3.3	2.7
EV / Sales (x)	2.1	1.9	1.7	1.5
EV / EBITDA (x)	7.9	7.9	7.4	6.4
Dividend Yield (%)	1.4	0.7	1.3	1.7



## Additional Data

### Directors Data

Mr. B K Goenka	Chairman	Mr. R. R. Mandawewala	Managing Director
Ms. Dipali Goenka	Executive Director	Mr. A. K. Dasgupta	Independent Director
Mr. Arun Tadarwal	Independent Director	Mr. Ram Gopal Sharma	Independent Director
Mr. Ajay Sharma	Nominee Director	Mr. Arvind Kumar Singhal	Additional Director

Auditors -

*\*as per last available data*

### Holding – Top10

	Perc. Holding		Perc. Holding
Wasatch Advisors	2.13	Alliance Bernstein	1.85
Vanguard Group	1.15	Reliance Capital	0.83
Dimensional Fund Advisors	0.68	Birla Sun Life Asset Mgmt	0.38
Birla Sun Life Insurance	0.38	Prudential ICICI Asset Mgmt	0.28
Blackrock	0.28	WisdomTree Investments	0.21

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
01 Sep 2016	Wasatch Emerging Markets Small Cap Fund	Buy	6362881	50.89

*\*as per last available data*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
07 Apr 2017	MGN Agro Proerties Private Limited	Sell	679078913.00
07 Apr 2017	PRASERT MULTIVENTURE PRIVATE LIMITED	Buy	679078913.00
06 Apr 2017	MGN Agro Proerties Private Limited	Sell	679078913.00
06 Apr 2017	PRASERT MULTIVENTURE PRIVATE LIMITED	Buy	679078913.00
05 Apr 2017	MGN Agro Proerties Private Limited	Sell	679078913.00

*\*as per last available data*

**Edelweiss Securities Limited**, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: [research@edelweissfin.com](mailto:research@edelweissfin.com)

Aditya Narain

Head of Research

[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

## Coverage group(s) of stocks by primary analyst(s): Midcap Textiles

Arvind, Himatsingka Seide, Welspun India

### Recent Research

Date	Company	Title	Price (INR)	Recos
03-Feb-17	<b>Himatsingka Seide</b>	New unit turns in strong performance; <i>Result Update</i>	367	Buy
01-Feb-17	<b>Welspun India</b>	Target pullout impacts; core strong; <i>Result Update</i>	75	Buy
25-Jan-17	<b>Arvind</b>	Demonetisation impact limited; Unlimited shines	373	Buy

### Distribution of Ratings / Market Cap

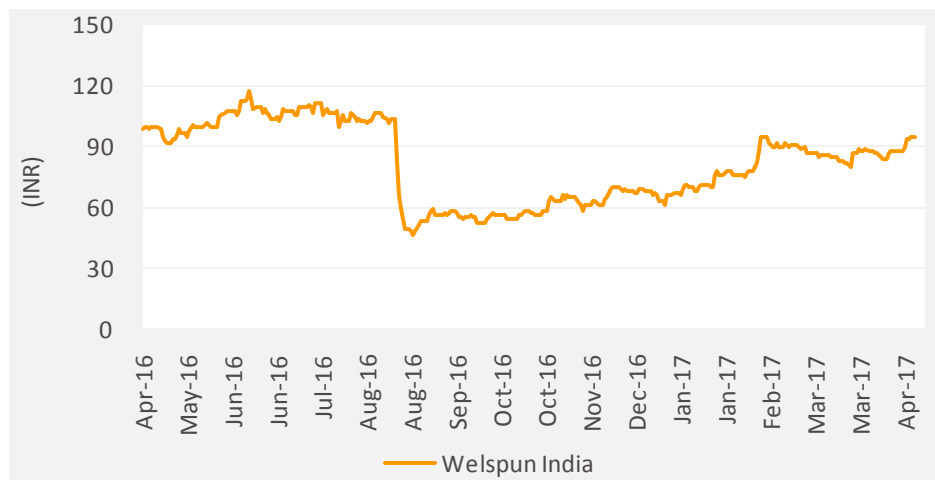
#### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

#### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

### One year price chart



**DISCLAIMER**

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on [www.edelweissfin.com](http://www.edelweissfin.com)) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

### **Analyst Certification:**

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.

### **Additional Disclaimers**

#### **Disclaimer for U.S. Persons**

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

#### **Disclaimer for U.K. Persons**

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

#### **Disclaimer for Canadian Persons**

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

#### **Disclaimer for Singapore Persons**

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved