

Welspun India 3Q/9MFY15 Update

Date : 30th January 2015

Welspun India Ltd (WIL) reported very encouraging numbers for 3Q/9MFY15. Not only have revenues grown margins too have expanded.

While 3QFY15 consolidated net sales at Rs13.46b (including other operating income of Rs1.49b) is up 22.03% YoY, EBITDA at Rs3.40b is up 41.67%, PBT at Rs1.81b is up 7.74%; PAT at s1.44b is up 32.1%.

Margins have improved on YoY basis. While EBITDA margin at 25.26% (21.75%) is higher by 351bp PAT margin is at 10.70% (9.88%).

On equity capital of Rs1.04b (FV Rs10) 3QFY15 EPS stands at Rs14.34 as against (Rs10.86) posted by the company in the corresponding quarter in the previous year (equity Rs1.04b FV Rs10).

In 9MFY15 the company has posted net sales of Rs39.37b (including other operating income of Rs4.39b) up 22.31%, EBITDA of Rs9.30b up 32.67%, PBT is at Rs5.38b & PAT Rs3.78b.

On equity capital of Rs 1.04b (FV Rs10) 9MFY15 EPS stands at Rs37.65.

Outlook:

The company continues to do well and future outlook looks very positive. Its major market is USA, which is expected to do better going forward. New home sales data has suggested strengthening of the housing market as well as consumer confidence too has shown a very positive uptrend. Europe is expected to do better on the back of falling oil prices and the ECB stimulus. The domestic (Indian market) too is likely to do much better as economy gears up for better growth.

Project status:

WIL capex plan is on track having already spent about Rs13b till end of December 2014. The new spinning facility comprising 1,70,000 spindles at Anjar, the largest under one roof in India, became operational on 6th December 2014. Balance Rs13b capex will be completed by March 2016 and will be targeted at modernizing its Vapi plant, increasing capacities and technology upgradation.

Capacities in place for growth till FY16

WIL's terry towel capacity has increased from 43,800 tons in FY13 to 50,000 tons in FY15 and will further increase to 60,000 tons in FY16 (current capacity utilization 95%). Its bed linen capacity has increased from 52,000 Mtrs in FY13 to 60,000 Mtrs in FY15 and is further expected to rise to 72,000 Mtrs by the end of FY16 (current capacity utilization 91%). Its rugs/carpet capacity has increased from 10,151 tons in FY13 to 15,000 tons in FY15 and is further expected to increase to 20,000 in FY16 (current capacity utilization 52%).

Rating	BUY
CMP	Rs 358
Target Price	550
Upside %	53.6
Sensex	29682

Key Data	
Bloomberg Code	WLSI IN Equity
Reuters Code	WLSP.BO
NSE Code	WELSPUNIND
Current Share o/s (mn)	100.44
Diluted Share o/s (mn)	100.44
Mkt Cap (Rs bn/\$ mn)	35.96/586.0
52 WK H/L (Rs)	407/87
Daily Vol. (6M NSE Avg)	92715.66
Face Value (Rs)	10
1 USD/ Rs	61.36

Shareholding Pattern	(%)
Promoters	73.31
FII	2.23
DII	5.52
Others	18.94

	Price Performance (%)		
	1M	6M	1yr
Welspun	11.84	54.11	309.14
Nifty	7.65	15.53	47.40

Financials (Rs bn)	FY14	FY15E	FY16E
Sales	44.95	50.0	62.0
Growth %	23.2	11.2	24.0
EBITDA	9.21	11.4	14.2
Margin (%)	20.5	22.8	22.8
Net Profit	0.92	4.50	5.58
Margin (%)	2.05	9.0	9.00
EPS	9.19	44.8	55.6
ROE (%)	8.30	30.0	28.2
ROCE (%)	5.43	17.8	20.9
EV/EBITDA	7.10	5.8	4.6

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(Rs bn)	FY12	FY13	FY14	FY15E	FY16E
Equity capital	0.89	1.00	1.04	1.04	1.04
Reserves & surplus	6.54	8.90	10.06	13.96	18.74
Shareholders' funds	7.43	9.90	11.10	15.00	19.78
Total Borrowings	19.62	20.28	30.29	30.30	29.00
Other Liabilities & Provisions	0.31	0.33	1.87	2.50	2.40
Capital Employed	27.36	30.51	43.26	47.80	51.18
Non Current Assets Incl Net Fixed Assets	19.81	21.57	27.86	31.90	36.99
Cash & Cash Eq.	1.48	1.72	2.33	0.50	0.46
Net other Current Assets	6.36	8.20	12.38	15.21	18.40
Investments	1.21	0.93	1.11	1.25	0.75
Net Deferred Tax	(1.50)	(1.92)	(0.44)	(1.06)	(5.42)
Total assets	27.36	30.51	43.26	47.80	51.18

(Rsbn)	14-Dec	13-Dec	YoY (%)	14-Sep	QoQ (%)	9MFY15	9MFY14	YoY (%)
Net Sales	13.46	11.03	22.03	14.14	25.23	39.37	32.19	22.31
EBIDTA	3.40	2.40	41.67	3.17	16.12	9.30	7.01	32.67
Margin %	25.26	21.75	351 bps	22.42	(75 bps)	23.62	21.78	184 bps
Other Income	0.15	0.344	(56.4)	0.19	(40.63)	0.66	0.75	(12.0)
Interest	0.82	0.568	44.37	0.731	2.82	2.66	1.72	54.65
Depreciation	0.92	0.501	83.63	0.72	4.35	2.32	6.02	(61.46)
PBT	1.81	1.68	7.74	1.91	15.76	5.38	0.016	33,525
Tax	0.37	0.581	(36.3)	0.59	(0.03)	1.58	(0.087)	1916.09
Rate %	20.44	34.58	(140) bps	30.92	(664) bps	29.37	-	-
Reported PAT	1.44	1.09	32.1	1.30	21.698	3.78	0.103	3569.9
EPS (Rs)	14.34	10.86	32.1	12.87	10.55	37.65	1.03	3569.9

Valuations Not Expensive. Higher PE Multiple Likely

We had recommended the stock at Rs133 in our report dated 20th May giving target price of Rs293, which has been surpassed. In our 2QFY15 update dated 11th November 2014 we had set a target price of Rs550. We believe the market will further rerate the stock given its strong growth strategy, debt reduction plan, better return ratios, high promoter holding and higher dividend payouts.

Based on company's nine month performance we believe it will surpass our earlier projected FY15 PAT of Rs4.50b (EPS Rs44.8). The actual PAT could be upwards of Rs5b (EPS Rs50). In that case our FY16 numbers too would be higher by at least 10% (EPS Rs60). We are however not revising our numbers but maintain a strong Buy on the stock with a target price of Rs550. At this price the stock will trade at 9.9X FY16E EPS of Rs55.6.

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