

Welspun India

(WLSI IN, BUY, CMP: Rs342, PT: Rs489, Upside: 43%)

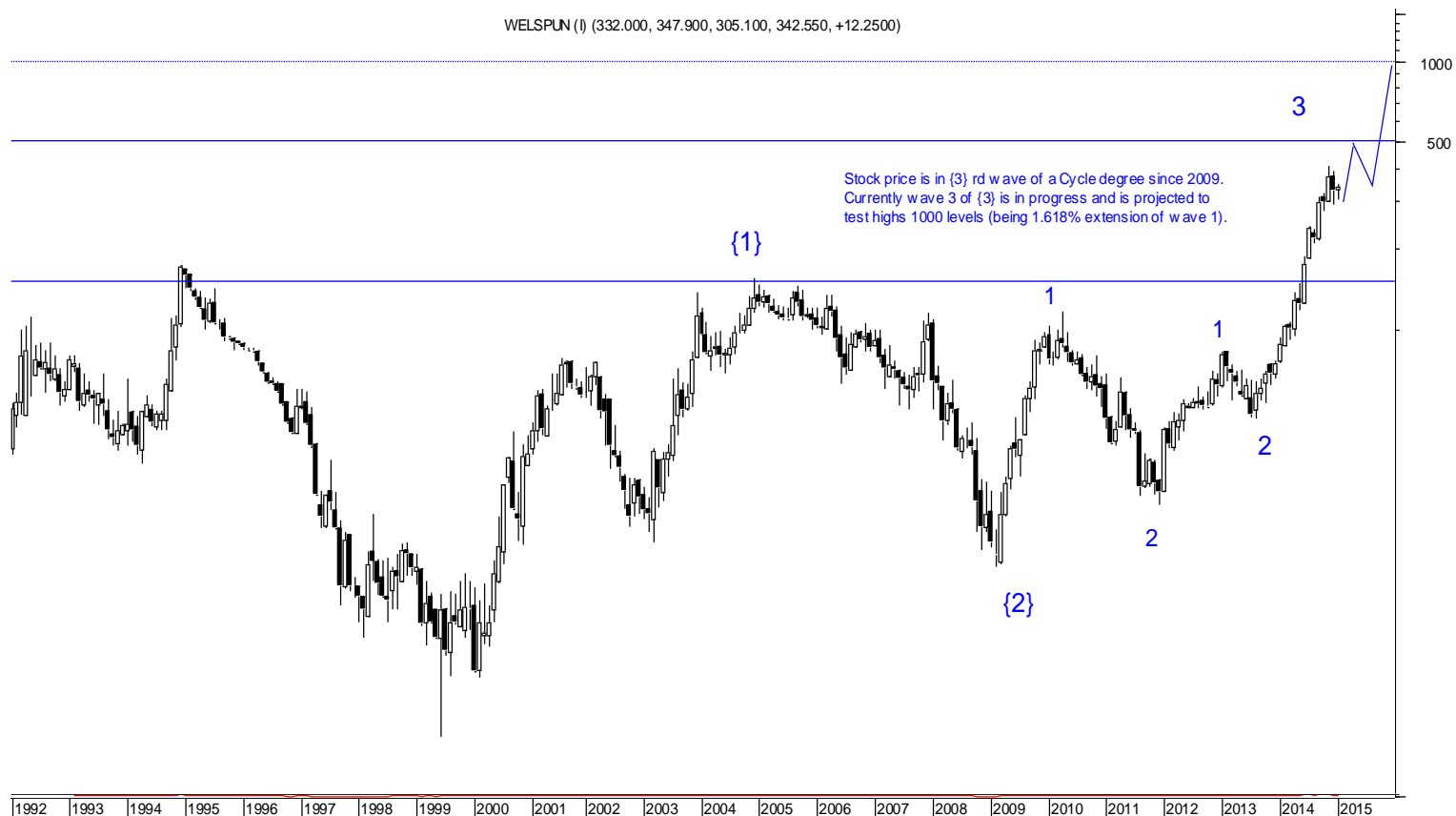
- WLSI has been ranked as the No #1 Home Textiles Company in US (Source: Home Textiles Today, Jan 2013). Its product range covers the entire gamut of bedding and bath textiles like bed sheets, pillow cases, comforters, quilts, and mattress pads, pillows, to bath rugs, towels and bath robes. About 95% of WIL's production is exported to various countries across the world.
- Backward integration and debottlenecking to help sales growth and enhance margin for the company over next 2 years. WLSI has completed its phase I of capex plan through investment of Rs11 bn. In this phase, the company has focussed on backward integration through augmentation of spinning and weaving facilities. We believe, with this there will be ~10% increase in capacity both for Towels and Sheets. Also, higher spinning capacity will lead to margin expansion. EBITDA margin is expected to be ~20% in the medium term.
- While the present debt:equity in excess of 2.5x looks on the higher side, the company has undertaken expansion plan as it gets loans at low rate under TUFS. The debt for the phase I project will receive 5-7% interest rebate from the Gujarat state government and 4-5% from the central government. This ensures that the interest burden is not high despite rise in debt levels. Further, we believe cash profit is going to rise significantly in the coming years and hence, we project debt:equity below ~1.3x by FY18E.
- Our FY18 PT stands at Rs489.

Exhibit 320: Financials and valuation

YE	Revenue		EBITDA		Adj PAT		Cash PAT		EPS	Cash EPS	PE	ROE
	(Rs mn)	Growth (%)	(Rs mn)	Margin (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)				
December									(Rs)	(Rs)	(x)	(%)
FY13	36,473	24.4	5,946	16.3	2,248	13.2	4,178	16.0	22.4	41.7	14.8	23.7
FY14	44,954	23.3	9,211	20.5	4,176	85.8	7,702	84.3	41.6	76.8	8.2	38.7
FY15E	51,446	14.4	11,318	22.0	4,818	15.4	7,618	(1.1)	48.0	76.0	7.5	34.4
FY16E	64,599	18.8	13,923	21.6	6,126	27.1	9,132	19.9	61.1	91.1	5.6	33.6
FY17E	74,289	15.0	15,601	21.0	7,262	18.5	10,562	15.7	72.4	105.3	4.7	30.3
FY18E	81,718	10.0	16,752	20.5	8,166	12.5	11,666	10.5	81.4	116.3	4.2	26.7

Note: pricing as on 16 January 2015; Source: Company data, quant Global Research estimates

Exhibit 321: Welspun Monthly Chart



Source: quant Global Research