

# Welspun India Ltd

Refer to important disclosures at the end of this report

## Growth likely despite headwinds

We hosted Mr. Harish Venkateswaran, AVP - Group Finance Welspun India and Strategy and Mr. Subir sen, AGM - Group Finance and Strategy at our India Conference to gain business insights.

### Key Meeting Takeaways

- Cotton (key raw material) prices is likely to decline in the coming season. Cotton futures is trading at Rs37,000 per candy at MCX, which is 15% discount compared to the current level. Management stated that it is facing some headwinds in the Home Textiles business due to volatility in currency, lack of clarity on final rates of Duty Draw Back and Rebate of State Levies (ROSL) in September. Management has guided for EBITDA margin of 21% for FY18.
- The company is continuously focusing on innovation, newer channels like e-Commerce and Hospitality, and on the brands - Hygro Cotton, Spaces and Christy to drive growth. Spaces grew by 43% yoy in Q1FY18 while Christy expanded by 24% yoy.. Hygro Cotton is also growing consistently. These initiatives will help the company to hedge the excess supply in the domestic Home Textiles industry. Management has guided for sales growth of 5-6% in FY18 and ~15% in FY19.
- Home Textiles retailers are facing threats from e-Commerce and hence retailers are asking for price cuts. However, Welspun has not received any request for reduction in prices from its clients. The Home Textiles industry is at a point where retailers are trying to discover the right model in a combination of Online, Offline and Omni-channel. There are frequent promotions at retail and the same is significantly increasing. Hence, industry is seeing build-up in pressure.
- Branded revenue was ~16% in FY17 while Innovative Products' contribution was ~36%.
- Capex for FY18 is expected to be ~Rs7bn. Major capex is for the carpet project. The company has committed more than Rs6bn for investment on the carpet project and this will happen over FY18-19.
- India continues to increase its dominance of the US Towel Market with a 41% market share till June 2017.
- India increased its market share of the US Bed Sheets Market from 49% in CY16 to 53% till June 2017.
- Welspun market share in US Towels Market was 21.7% in CY16 while Market Share in US Sheets Market was 11.1% in CY16.

### Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	36473	43730	53025	59795	66405
EBITDA	5,915	9,211	12,742	15,575	16,554
EBITDA Margin (%)	16.2	21.1	24.0	26.0	24.9
APAT	2,226	919	5,433	6,969	8,952
EPS (Rs)	2.2	0.9	5.4	6.9	8.9
EPS (% chg)	75.5	-58.7	491.0	28.3	28.5
ROE (%)	25.8	8.8	42.8	40.8	40.8
P/E (x)	32.5	78.7	13.3	10.4	8.1
EV/EBITDA (x)	15.3	10.8	7.7	6.2	6.3
P/BV (x)	7.3	6.5	5.1	3.6	3.0

Source: Company, Emkay Research

CMP	Target Price
Rs 72 as of (August 22, 2017)	NA
Rating	Upside
NOT RATED	NA

### Change in Estimates

EPS Chg FY18E/FY19E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

### Emkay vs Consensus

EPS Estimates		
	FY17E	FY18E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

### Stock Details

Bloomberg Code	WLSI IN
Face Value (Rs)	1
Shares outstanding (mn)	1005.0
52 Week H/L	100/46
M Cap (Rs bn/USD bn)	73/1.1
Daily Avg Volume (nos.)	992,485
Daily Avg Turnover (US\$ mn)	1.3

### Shareholding Pattern Jun '16

Promoters	73.5%
FIIIs	11.6%
DIIIs	1.8%
Public and Others	13.1%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	-20	-13	-19	-12
<b>Rel. to Nifty</b>	-18	-15	-26	-22

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	36,473	43,730	53,025	59,795	66,405
Expenditure	30,558	34,519	40,283	44,220	49,852
EBITDA	5,915	9,211	12,742	15,575	16,554
Depreciation	1,449	6,863	3,329	3,750	5,054
EBIT	4,872	3,366	10,353	12,671	12,305
Other Income	406	1,019	940	846	806
Interest expenses	1,977	2,352	2,829	2,362	1,583
PBT	2,895	1,014	7,524	10,309	6,075
Tax	733	199	2,090	3,224	1,731
Extraordinary Items	0	0	0	0	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	2,162	898	5,389	6,960	4,304
Adjusted PAT	2,226	919	5,433	6,969	8,952

**Balance Sheet**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	1,000	1,004	1,005	1,005	1,005
Reserves & surplus	8,902	10,093	13,314	18,872	22,966
Net worth	9,902	11,096	14,319	19,877	23,970
Minority Interest	250	316	378	503	355
Loan Funds	19,205	28,144	25,981	25,609	33,973
Net deferred tax liability	2,370	1,128	1,457	1,949	1,949
Total Liabilities	39,033	52,378	57,770	63,043	75,230
Net block	18,615	25,609	27,834	35,210	37,454
Investment	537	473	15	30	358
Current Assets	16,471	23,348	27,557	25,617	33,597
Cash & bank balance	1,724	2,332	3,252	1,243	1,628
Other Current Assets	14,747	21,016	24,305	24,373	31,969
Current liabilities & Provision	16,549	22,233	24,781	21,585	24,275
Net current assets	-78	1,115	2,776	4,032	9,322
Misc. exp	0	0	0	0	0
Total Assets	39,032	52,378	57,770	63,042	73,594

**Cash Flow**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	1,482	1,724	2,332	3,252	-
Net Cash from Operations	4,548	5,250	10,714	15,799	-
Net Cash Used in Investing	-1,656	-13,345	-4,787	-9,846	-
Net Cash Used in Financing	-1,016	8,702	-5,007	-7,962	-
Net Inc/(Dec) in Cash	1,876	608	920	-2,009	-
Closing Cash	3,358	2,332	3,252	1,243	-

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
EBITDA Margin	16.2	21.1	24.0	26.0	24.9
EBIT Margin	13.4	7.7	19.5	21.2	18.5
Effective Tax Rate	24.4	15.0	27.5	31.2	16.1
Net Margin	6.1	2.1	10.2	11.7	13.5
ROCE	15.6	8.7	22.4	25.8	21.4
ROE	25.8	8.8	42.8	40.8	40.8
RoIC	12.8	8.0	17.8	19.0	18.9

<b>Per Share Data (Rs)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
EPS	2.2	0.9	5.4	6.9	8.9
CEPS	3.7	7.7	8.7	10.7	13.9
BVPS	9.9	11.0	14.3	19.8	23.9
DPS	0.4	0.3	1.0	1.3	0.0

<b>Valuations (x)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
PER	32.5	78.7	13.3	10.4	8.1
P/CEPS	19.7	9.3	8.3	6.7	5.2
P/BV	7.3	6.5	5.1	3.6	3.0
EV / Sales	2.5	2.3	1.9	1.6	1.6
EV / EBITDA	15.3	10.8	7.7	6.2	6.3
Dividend Yield (%)	0.5	0.4	1.5	1.8	0.0

<b>Gearing Ratio (x)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
Net Debt/ Equity	1.8	2.4	1.8	1.2	1.3
Net Debt/EBIDTA	3.1	3.0	2.1	1.6	1.9
Working Cap Cycle (days)	71	85	57	61	115

<b>Growth (%)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>-</b>
Revenue	13.3	19.9	21.3	12.8	11.1
EBITDA	106.3	55.7	38.3	22.2	6.3
EBIT	150.5	-30.9	207.5	22.4	-2.9
PAT	75.5	-58.7	491.0	28.3	28.5

<b>Quarterly (Rs mn)</b>	<b>Q1FY17</b>	<b>Q2FY17</b>	<b>Q3FY17</b>	<b>Q4FY17</b>	<b>Q1FY18</b>
Revenue	13,865	15,757	13,068	15,015	12,912
EBITDA	4,225	-577	3,463	3,829	3,242
EBITDA Margin (%)	26.5	-3.2	23.1	21.8	25.1
PAT	2,019	3,420	1,334	1,536	1,286
EPS (Rs)	2.0	3.4	1.3	1.5	1.3

<b>Shareholding Pattern (%)</b>	<b>Jun-16</b>	<b>Sep-16</b>	<b>Dec-16</b>	<b>Mar-17</b>	<b>Jun-17</b>
Promoters	73.5	73.5	73.5	73.5	73.5
FIIIs	13.6	9.5	11.6	11.9	11.6
DIIIs	2.3	2.0	2.1	2.0	1.8
Public and Others	10.7	15.0	12.9	12.5	13.1

Source: Capitaline