

WELSPUN INDIA LIMITED

Result Update (**CONSOLIDATED**): Q2 FY16

BUY

CMP	734.45
Target Price	845.00

OCTOBER 24th 2015

ISIN: INE192B01023

Index Details

Stock Data

Sector	Textiles
BSE Code	514162
Face Value	10.00
52wk. High / Low (Rs.)	963.10/278.00
Volume (2wk. Avg. Q.)	69000
Market Cap (Rs. in mn.)	73790.19

Annual Estimated Results (A*: Actual / E*: Estimated)

YEARS	FY15A	FY16E	FY17E
Net Sales	53025.11	59388.12	65326.94
EBITDA	13691.23	16174.19	17746.04
Net Profit	5397.90	7120.19	7880.18
EPS	53.73	70.87	78.43
P/E	13.67	10.36	9.36

Shareholding Pattern (%)

	June-15	March-15
PROMOTER	73.49	73.49
FII's	6.06	3.55
DII's	4.76	4.93
OTHERS	15.69	18.03

1 Year Comparative Graph



SYNOPSIS

- Welspun India Ltd part of the US\$ 3 billion Welspun Group, is among the top three home textile manufacturers in the world and the largest home textile company in Asia.
- Consolidated net sales in September quarter registered 4.16% increase and stood at Rs. 14722.70 mn from Rs. 14135.22 mn over the corresponding quarter of previous year.
- In Q2 FY16, Net profit jumps to Rs. 1723.50 mn an increase of 32.70% against Rs. 1298.79 mn in Q2 FY15.
- During the quarter, EBITDA (including other income) up by 17.24% at Rs. 3939.70 mn vs. Rs. 3360.23 mn in Q2 FY15.
- Profit before tax (PBT) at Rs. 2507.70 mn in Q2 FY16 compared to Rs. 1912.57 mn in Q2 FY15, registered a growth of 31.12%.
- The company has reported an EPS of Rs. 17.15 for the 2nd quarter as against an EPS of Rs. 12.93 in the corresponding quarter of the previous year.
- Net worth stands at Rs. 17,277 mn as on 30th Sept 2015.
- The company has declared interim Dividend of Rs. 6.50/- per equity share having nominal value of Rs.10/- for the financial year 2015-16.
- Net Sales and PAT of the company are expected to grow at a CAGR of 16% and 37% over 2014 to 2017E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Welspun India Ltd	734.45	73790.19	53.73	13.67	5.15	105.00
Arvind Ltd	287.35	74206.10	11.95	24.05	3.02	25.50
Sutlej Textiles & Industries Ltd	459.00	7519.70	66.84	6.87	1.35	100.00
Vardhman Textiles Ltd	754.60	48031.70	62.98	11.98	1.56	100.00

QUARTERLY HIGHLIGHTS (CONSOLIDATED)

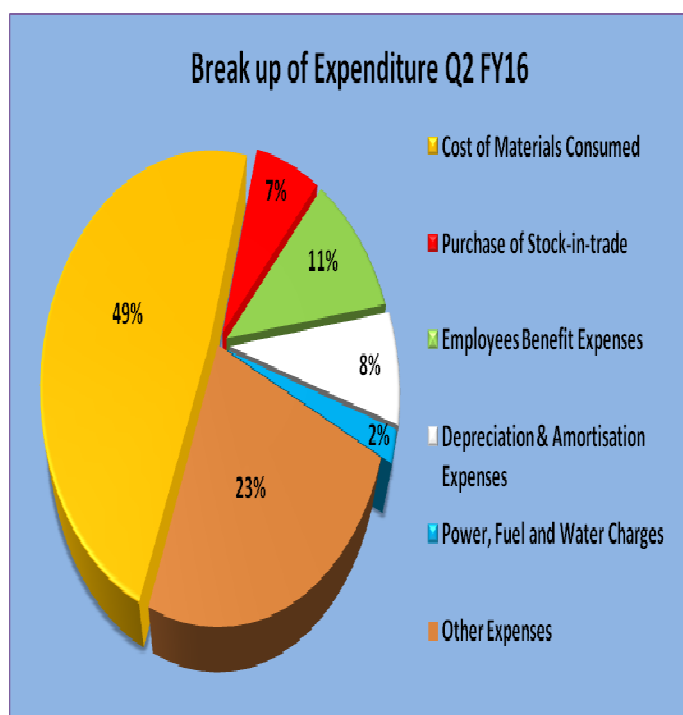
Results updates- Q2 FY16,

Rs. In million	Sep-15	Sep-14	% Change
Net Sales	14722.70	14135.22	4.16
Net Profit	1723.50	1298.79	32.70
EPS	17.15	12.93	32.64
EBITDA	3939.70	3360.23	17.24

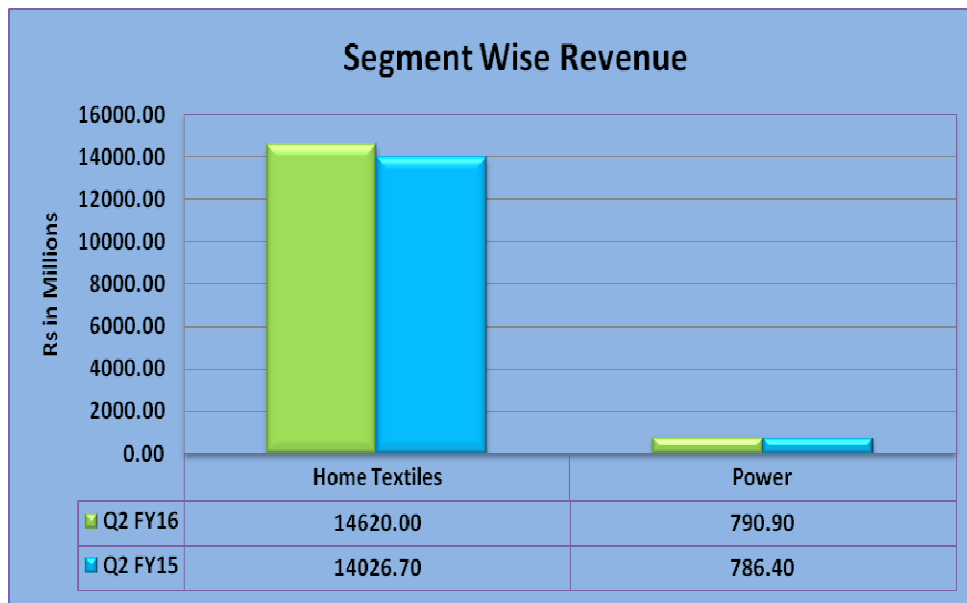
The company has achieved a turnover of Rs. 14722.70 million for the 2nd quarter of the financial year 2015-16 as against Rs. 14135.22 million in the corresponding quarter of the previous year. EBITDA (including other income) was Rs. 3939.70 million in Q2 FY16, an increase of 17.24% against the corresponding period of last year. In Q2 FY16, net profit of Rs. 1723.50 million against Rs. 1298.79 million in the corresponding quarter of the previous year. The company has reported an EPS of Rs. 17.15 for the 2nd quarter as against an EPS of Rs. 12.93 in the corresponding quarter of the previous year.

Break up of Expenditure

Break up of Expenditure	(Rs in millions)		
	Q2 FY16	Q2 FY15	% CHNG
Cost of Materials Consumed	5782.30	6227.10	-7%
Purchase of Stock-in-trade	877.80	674.20	30%
Employees Benefit Expenses	1324.80	1143.00	16%
Depreciation & Amortization Expenses	917.50	716.90	28%
Power, Fuel and Water Charges	259.20	200.70	29%
Other Expenses	2759.30	2399.20	15%



Segment Revenue



Latest Updates

- The company has declared Interim Dividend of Rs. 6.50/- per equity share having nominal value of Rs.10/- for the financial year 2015-16.
- Operational EBITDA up by 18% at Rs. 3743 million vs. Rs. 3169 million in Q2 FY15. Operational EBITDA margin was up 300 bps at 25.4% (vs. 22.4% in Q2 FY15), mainly on account of effect of vertical integration and higher share of innovative and branded products.

Business Updates

- Net worth stands at Rs. 17,277 million as on 30th Sept 2015.
- Finance cost stood at Rs. 515 million, 30% lower YoY, mainly on account of the reduction in base rate, benefits under the Gujarat textile policy and issuance of commercial paper at sub-base rate..
- At the end of the quarter, Gross debt stands at Rs. 29,821 million vs. Rs. 30,851 million at end-FY15.

Project Status

- The capital expenditure during the quarter was Rs. 2.3 bn ; balance investment of around Rs. 8.5 billion is expected over the next 12 months. This capex will entail modernisation, automation and capacity enhancement for towels and sheets as well as routine maintenance at Anjar and Vapi, Gujarat.

COMPANY PROFILE

Welspun India Ltd, part of the US\$ 3 billion Welspun Group is among the top three home textile manufacturers in the world and the largest home textile company in Asia. With a distribution network in more than 50 countries and manufacturing facilities in India, is the largest exporter of home textile products from India. Supplier to 14 of Top 30 global retailers, the company has marquee clients like Bed Bath & Beyond, Castco, Kohl's, Target, Wal-Mart, and Macy's to name a few. Welspun is the leading home fashions supplier in the USA and amongst the top 3 global manufacturers of bed and bath linen. Welspun is known for developing innovative patented and patent-pending products. Welspun India Ltd innovates to make their products smarter, their processes more efficient and their environment better. Welspun's eco-friendly, zero-discharge manufacturing facilities are located in Vapi and Anjar in Gujarat, India.

State of the Art Manufacturing and Distribution

Welspun India Ltd owned textile manufacturing facilities are Asia's largest, completely vertically integrated lines in farm-to-finish production across diverse products. Its strategic warehousing facilities are in key markets-USA, UK, Europe and India— to ensure seamless distribution.

Balance Sheet as at March 31, 2014 -2017E

		FY14A	FY15A	FY16E	FY17E
I.	EQUITY AND LIABILITIES:				
A.	Shareholders' Funds				
	a) Share Capital	1003.47	1004.60	1004.70	1004.70
	b) Reserves and Surplus	10092.90	13313.88	19970.82	26960.61
	Sub-Total-Net worth	11096.37	14318.48	20975.52	27965.31
B.	Share application money pending allotment	0.52	0.00	0.00	0.00
C.	Minority Interest	316.06	378.21	457.63	494.24
D.	Non-Current Liabilities:				
	a) Long-term borrowings	16794.77	15946.26	16424.65	16917.39
	b) Deferred Tax Liabilities [Net]	434.28	640.73	897.02	1040.55
	c) Other Long Term Liabilities	599.57	11.02	22.50	25.65
	d) Long Term Provisions	953.76	1008.94	1190.55	1321.51
	Sub-Total-Long term liabilities	18782.38	17606.95	18534.72	19305.09
E.	Current Liabilities:				
	a) Short-term borrowings	11348.77	10034.21	11137.97	12140.39
	b) Trade Payables	6144.43	6910.19	7393.90	7763.60
	c) Other Current Liabilities	3559.23	6773.28	5418.62	4822.58
	d) Short Term Provisions	436.25	932.02	298.25	328.07
	Sub-Total-Current Liabilities	21488.68	24649.70	24248.75	25054.64
	TOTAL-EQUITY AND LIABILITIES (A+B+C+D+E)	51684.01	56953.34	64216.62	72819.28
II.	ASSETS:				
F.	Non-Current Assets:				
	Fixed Assets				
	i. Tangible assets	18395.11	24441.84	27374.86	30112.35
	ii. Intangible assets	51.15	43.13	46.58	49.38
	iii. Capital Work in Progress	5324.06	1564.16	2033.41	2440.09
	a) Sub-Total Fixed Assets	23770.32	26049.13	29454.85	32601.81
	b) Goodwill on consolidation	1838.61	1785.07	1874.32	1949.30
	c) Non Current Investments	473.26	14.98	16.48	17.80
	d) Long Term Loans and Advances	1232.23	1377.44	1763.12	2045.22
	e) Other non-current assets	1021.66	169.70	274.91	327.15
	Sub-Total-Non-Current Assets	28336.08	29396.32	33383.69	36941.27
G.	Current Assets:				
	a) Current Investments	641.37	1404.92	2860.50	3375.39
	b) Inventories	10094.39	11006.25	11251.62	14065.62
	c) Trade Receivables	4117.05	4467.02	5181.74	5907.19
	d) Cash and Bank Balances	2332.15	3252.32	3447.46	3654.31
	e) Short Term Loans and Advances	4144.12	6096.62	6828.21	7511.04
	f) Other Current Assets	2018.85	1329.89	1263.40	1364.47
	Sub-Total-Current Assets	23347.93	27557.02	30832.93	35878.01
	TOTAL-ASSETS (F+G)	51684.01	56953.34	64216.62	72819.28

Annual Profit & Loss Statement for the period of 2014 to 2017E

Value(Rs.in.mn)	FY14A	FY15A	FY16E	FY17E
Description	12m	12m	12m	12m
Net Sales	43730.25	53025.11	59388.12	65326.94
Other Income	1041.50	949.42	911.44	957.02
Total Income	44771.75	53974.53	60299.57	66283.95
Expenditure	-34519.11	-40283.30	-44125.38	-48537.91
Operating Profit	10252.64	13691.23	16174.19	17746.04
Interest	-2352.11	-2829.01	-2404.66	-2548.94
Gross profit	7900.53	10862.22	13769.53	15197.10
Depreciation	-6863.31	-3329.33	-3728.85	-4101.73
Profit Before Tax	1037.22	7532.89	10040.68	11095.37
Tax	-198.94	-2090.03	-2861.59	-3162.18
Profit After Tax	838.28	5442.86	7179.09	7933.19
Minority Interest	82.45	-44.96	-58.90	-53.01
Net Profit	920.73	5397.90	7120.19	7880.18
Equity capital	1003.47	1004.60	1004.70	1004.70
Reserves	10092.90	13313.88	19970.82	26960.61
Face value	10.00	10.00	10.00	10.00
EPS	9.18	53.73	70.87	78.43

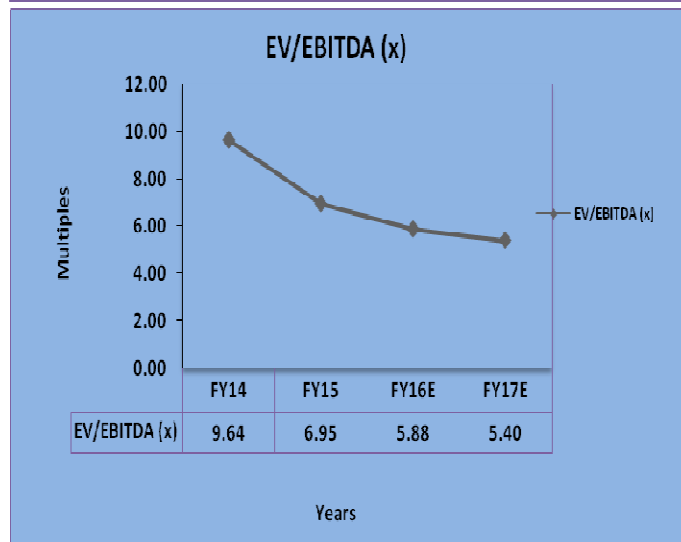
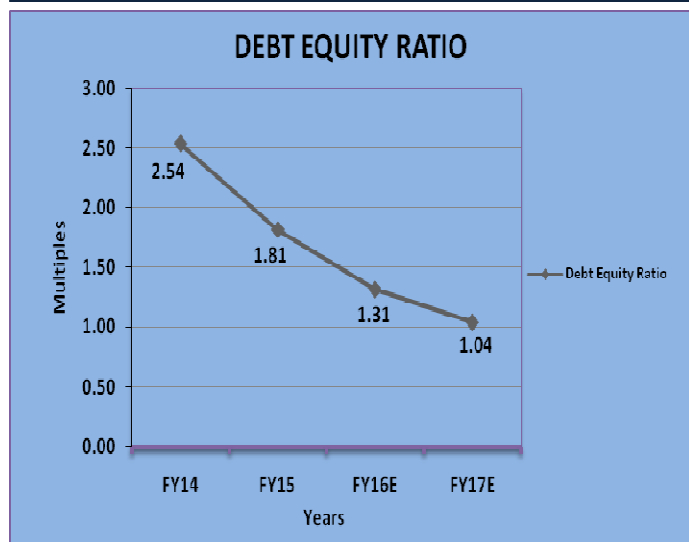
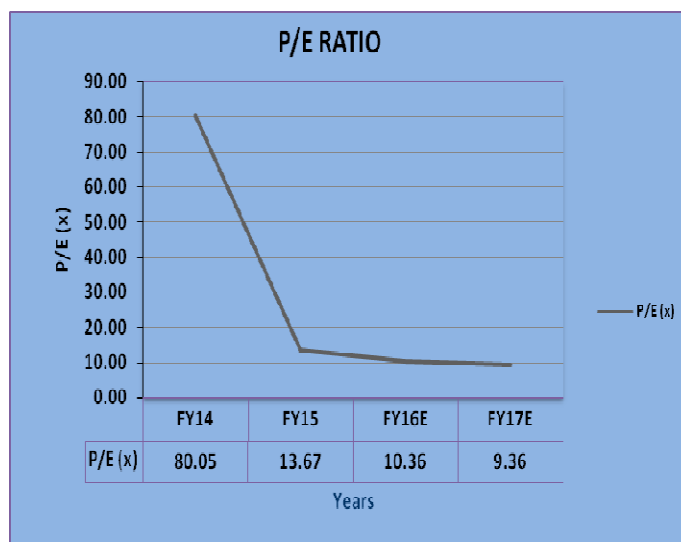
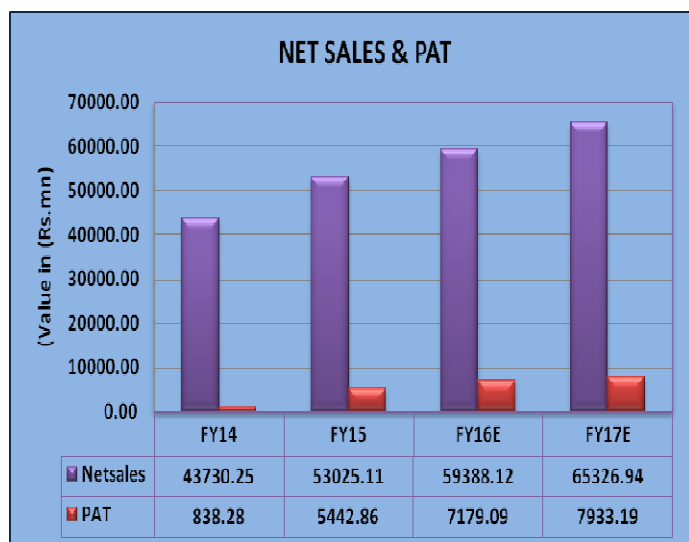
Quarterly Profit & Loss Statement for the period of 31st Mar, 2015 to 31st Dec, 2015E

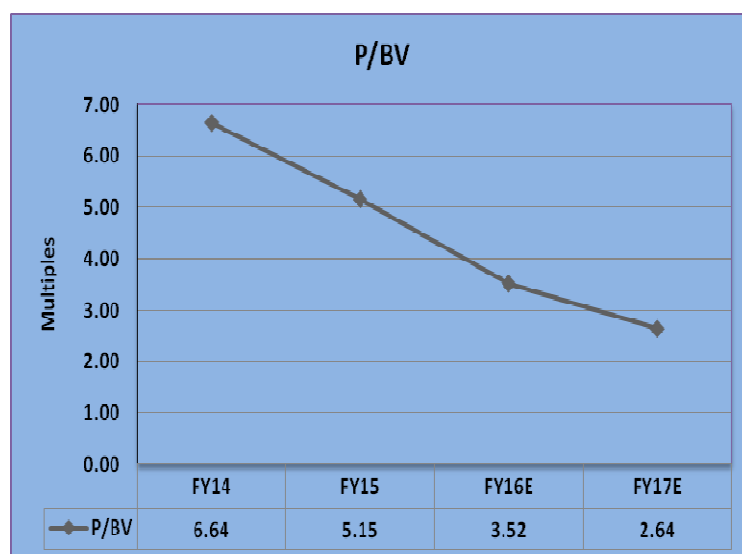
Value(Rs.in.mn)	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15E
Description	3m	3m	3m	3m
Net sales	13658.09	13884.50	14722.70	15164.38
Other income	289.48	277.20	197.20	216.92
Total Income	13947.57	14161.70	14919.90	15381.30
Expenditure	-10212.50	-10286.30	-10980.20	-11282.30
Operating profit	3735.07	3875.40	3939.70	4099.00
Interest	-569.11	-592.60	-514.50	-555.66
Gross profit	3165.96	3282.80	3425.20	3543.34
Depreciation	-1008.63	-793.20	-917.50	-1009.25
Profit Before Tax	2157.33	2489.60	2507.70	2534.09
Tax	-507.68	-839.50	-746.60	-679.14
Profit After Tax	1649.65	1650.10	1761.10	1854.96
Minority Interest	-35.88	-18.60	-37.60	-31.96
Net Profit	1613.77	1631.50	1723.50	1823.00
Equity capital	1004.60	1004.60	1004.70	1004.70
Face value	10.00	10.00	10.00	10.00
EPS	16.06	16.24	17.15	18.14

Ratio Analysis

Particulars	FY14A	FY15A	FY16E	FY17E
EPS (Rs.)	9.18	53.73	70.87	78.43
EBITDA Margin (%)	23.45	25.82	27.23	27.16
PBT Margin (%)	2.37	14.21	16.91	16.98
PAT Margin (%)	1.92	10.26	12.09	12.14
P/E Ratio (x)	80.05	13.67	10.36	9.36
ROE (%)	7.55	38.01	34.23	28.37
ROCE (%)	43.62	42.24	41.00	38.31
Debt Equity Ratio	2.54	1.81	1.31	1.04
EV/EBITDA (x)	9.64	6.95	5.88	5.40
Book Value (Rs.)	110.58	142.53	208.77	278.34
P/BV	6.64	5.15	3.52	2.64

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 734.45**, the stock P/E ratio is at 10.36 x FY16E and 9.36 x FY17E respectively.
- Earning per share (EPS) of the company for the earnings for FY16E and FY17E is seen at Rs.70.87 and Rs.78.43 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 16% and 37% over 2014 to 2017E respectively.
- On the basis of EV/EBITDA, the stock trades at 5.88 x for FY16E and 5.40 x for FY17E.
- Price to Book Value of the stock is expected to be at 3.52 x and 2.64 x for FY16E and FY17E respectively.
- Hence, we recommend '**BUY**' in this particular scrip with a target price of **Rs.845.00** for Medium to Long term investment.

INDUSTRY OVERVIEW

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The industry realised export earnings worth US\$ 41.4 billion in 2014-15, a growth of 5.4 per cent, as per The Cotton Textiles Export Promotion Council (Texprocil). The textile industry has two broad segments. First, the unorganised sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The Indian textiles industry is extremely varied, with the hand-spun and handwoven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India's gross domestic product (GDP), and 14 per cent to overall Index of Industrial Production (IIP). The Indian textile industry has the potential to reach US\$ 500 billion in size according to a study by Wazir Advisors and PCI Xylenes & Polyester. The growth implies domestic sales to rise to US\$ 315 billion from currently US\$ 68 billion. At the same time, exports are implied to increase to US\$ 185 billion from approximately US\$ 41 billion currently.

Outlook

India's total textile and apparel industry (Domestic + Exports) size is estimated to be US\$ 101 bn (~Rs 5,885 billion) in 2013 and is expected to grow @ 10.25% CAGR in the next 7 years as compared to the world textile and clothing trade growth of around 5%. This would take India's share in world exports to ~8% from the current level of ~5%.

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