



Welspun Specialty Solutions Ltd.

Result Update Q2FY24



Welspun Specialty Solutions Ltd.

CMP INR 41.7

Result Update

Welspun Specialty Solutions Ltd. reported Q2FY24 :

The company has witnessed a very clear turnaround during H1 FY24, clocking a total income of about INR 380 crores. EBITDA during H1 grew to INR 41 crores as against just little over INR 1 crores during H1 of last year.

Similarly, PAT stood at over INR 16 crores during H1 against the loss of about INR 19 crores during H1 last year.

Q2 total income jumped by 128% YoY to about INR 214 crores. Q2 EBITDA impact stood at INR 17.7 crores and INR 5.2 crores respectively compared to a PAT loss of INR 11 crores during Q2 of last year.

Revenue of Q2 FY24, was the highest ever recorded by the company is the testimony of our growing acceptance and expanding customer base which continues as company move forward.

Welspun Specialty has delivered on several new products and grades including very high-value, high pressure heater U-tubes, nickel alloy grade bars, and pipes and tubes.

For example, Alloy 800, 825, Monel 400 amongst others. The company has successfully commercialized precipitation hardened grades like 17-4 PH and duplex, both in forms of bars as well as tubes.

A very recent development of Super 304H grade steel bars and tubes is a very, very significant initiative towards indigenizing boiler tubes used in supercritical boilers, which up until now only used to be imported in large quantities.

The company sees significant potential in this segment, given the government's focus on power sector and priority towards providing uninterrupted electricity across the nation.

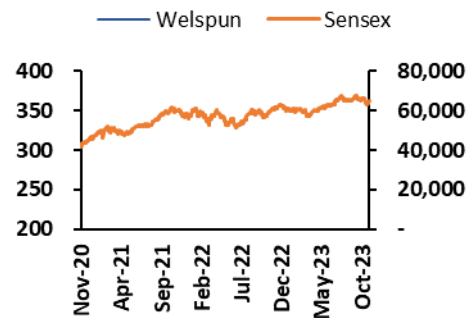
Industry **Steel**

Script Details

Face Value (INR)	6
Market Cap (INR Cr)	2,210
Price (INR)	41.7
No of SH O/S (Cr)	54
3M Avg Vol (000)	338.25
52W H/L (INR)	45.2/14
Div. Yield (%)	0.00

Shareholding (%) Sep 2023

Promoter	55.2
DII's	0.0
Public	44.8
Mutual Funds	0.0
TOTAL	100.0



Key Standalone Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBIT DA (X)	P/BV (X)	P/E (X)
FY19	235	-37	-20	-8	-5	-1	0	9	-24	-12	0	-2
FY20	441	-71	-81	-24	-28	-2	0	77	-31	-6	0	0
FY21	295	-21	93	-22	100	2	2	240	-16	-12	2	-3
FY22	93	-18	-32	-11	-20	-1	2	-74	-12	-17	2	-2
FY23	163	17	-14	4	-3	0	3	-47	1	19	3	-1

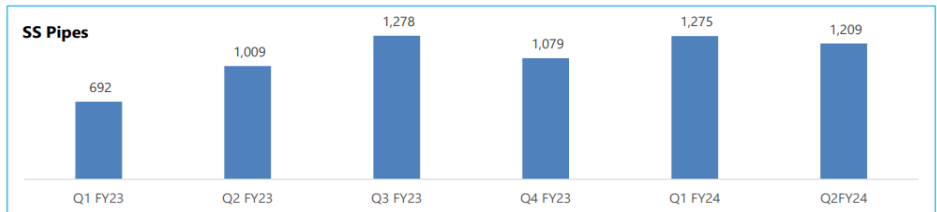
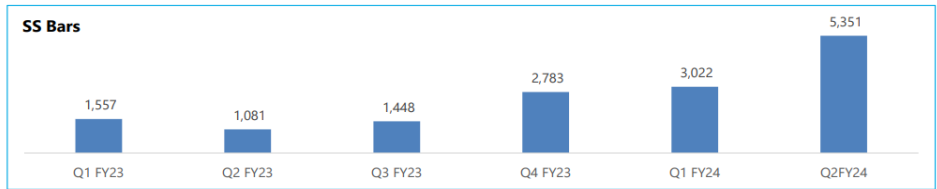
Source: Ventura Research & Company Financials

key Highlights:

New product development

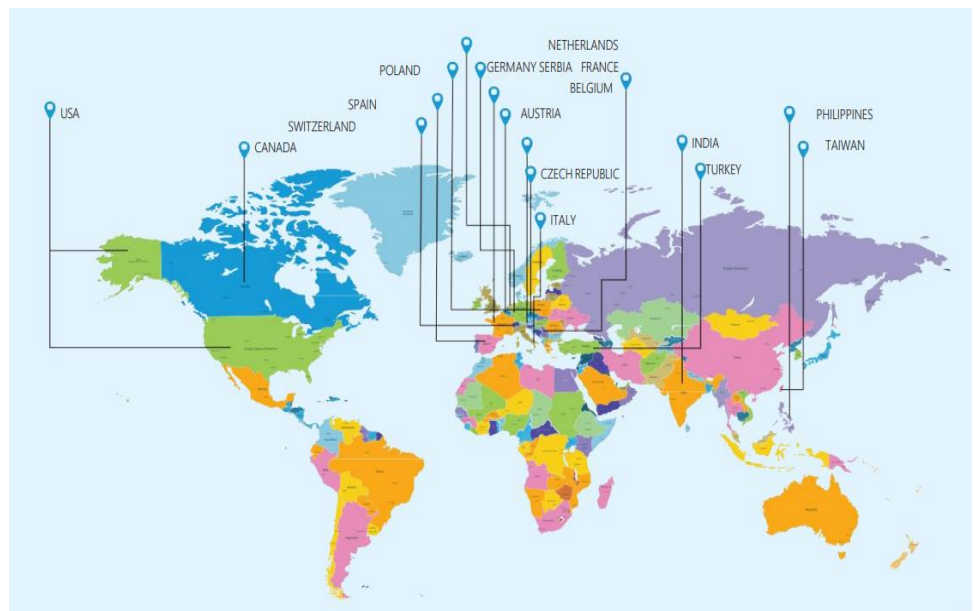
- Super Austenitic 904L Bars as well as Pipes.
- Nickel Alloy 800 Bars as well as Pipes.
- Critical Heat Exchanger Tubes Ultra Low Cobalt Stainless Bars for Nuclear Power application.
- Total Order Book 4,507 MT valued at INR 1,692 million.

Sales volume (MT)



Growing Market Presence

- Indian domestic markets showing improvement on account of ADD and Make in India initiatives.
- Global markets including EU showing slower demand, however expected to improve in short to medium term.
- As per European Commission mandate, GHG emission reporting necessary from 1 st October, 2023. Company is ready with this compliance requirement w.r.t. exports to EU.
- First export of SS Bars to USA market started and Company expects to grow in this territory going forward.



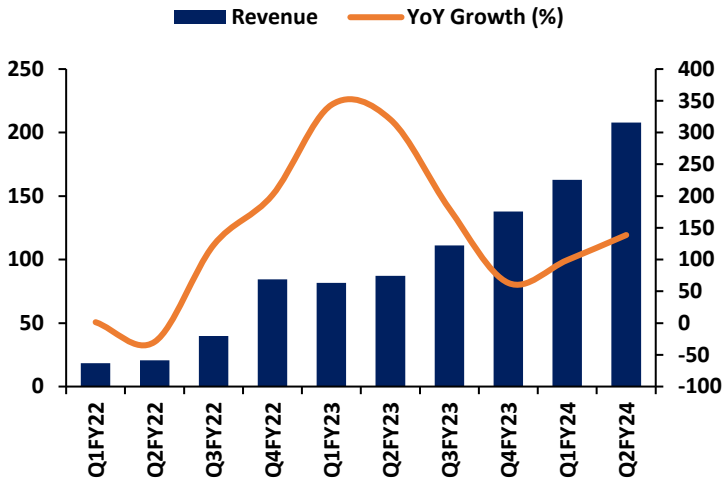
Welspun Specialty Solutions Ltd. consolidated Financial Summary

Fig in INR Cr (unless specified)	FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24
Revenue from operation	93	18	21	40	84	163	82	87	111	138	418	163	208
Growth (YoY) (%)	-68	1	-30	123	202	75	344	321	180	63	156	99	139
Raw Material Cost	59	12	10	18	57	97	53	54	70	75	251	99	140
Material Cost to Sales (%)	63	62	49	45	68	59	64	61	63	54	60	61	68
Employee Cost	19	5	5	6	7	23	8	9	8	9	33	9	12
Employee Cost to Sales (%)	20	26	23	15	8	14	9	10	7	7	8	6	6
Other Expenses	36	8	10	19	25	62	24	31	25	36	117	35	44
Other Expenses to Sales (%)	7,705	8,951	10,013	9,314	8,817	9,314	7,907	7,706	7,850	7,308	7,730	6,474	21
EBITDA	-21	-6	-4	-3	-5	-18	-3	-6	8	18	17	20	12
Margin (%)	-22	-34	-21	-7	-6	-11	-3	-7	7	13	4	12	6
PAT	93	-13	-11	-10	2	-32	-8	-11	-3	8	-14	11	5
Margin (%)	100	-71	-55	-24	2	-20	-10	-12	-3	6	-3	7	3
Net Profit	93	-13	-11	-10	2	-32	-8	-11	-3	8	-14	11	5
Margin (%)	100	-71	-55	-24	2	-20	-10	-12	-3	6	-3	7	3
Adjusted EPS	2					-1					0		
P/E Ratio	1					-2					-6		
Adjusted BVPS (Rs)	1					1					1		
P/BV Ratio (X)	2					2					3		
Enterprise Value	238					315					318		
EV/EBITDA Ratio	-12					-17					19		
Networth	39					44					29		
Return on Equity	240					-74					-47		
Capital Employed	211					284					263		
Return on Capital Employed	-16					-12					1		
Invested Capital	210					279					262		
Return on Invested Capital	-16					-12					1		
Cash From Operating Activities	43					-84					50		
Cash Flow from Investing Activities	-9					-5					-5		
Cash from Financing Activities	-34					93					-50		
Net Cash Flow	0					5					-5		
Free Cahflow	42					-70					75		
FCFF to sales	45					-43					18		
FCF to Net Profit	-138					939					1,147		
Total debt	172					241					233		
Net Debt	171					235					232		
Net Debt to Equity	4					5					8		
Net Debt to EBITDA	-8					-13					14		
Fundamental Scores													
Altman Z Score	0.7					0.4					1.1		
Piotroski F-score	5.0					4.0					4.0		
Beneish M-score	(2.1)					(1.5)					(1.5)		

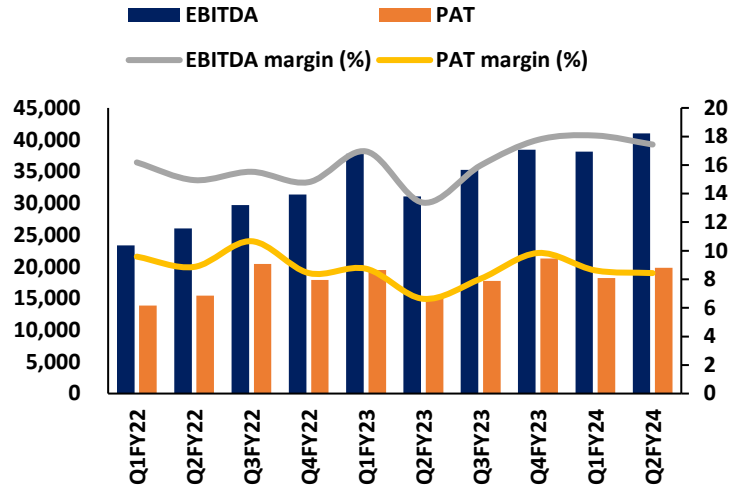
Source: Ventura Research & Company Financials

Welspun Specialty Solutions Ltd. Financial Summary in Charts

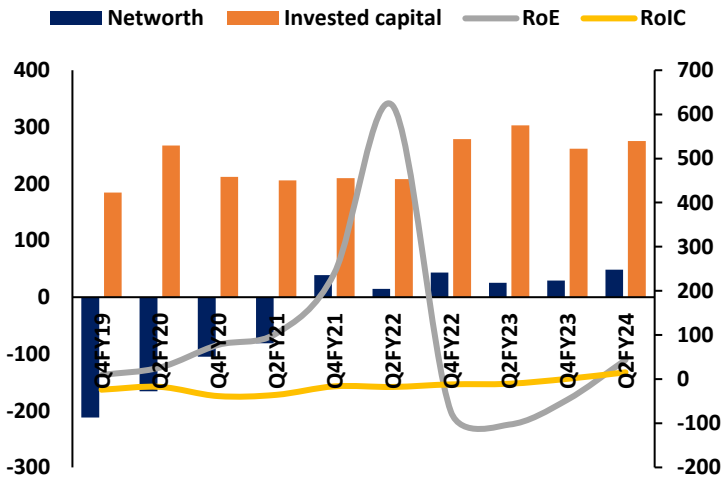
Revenue Growth



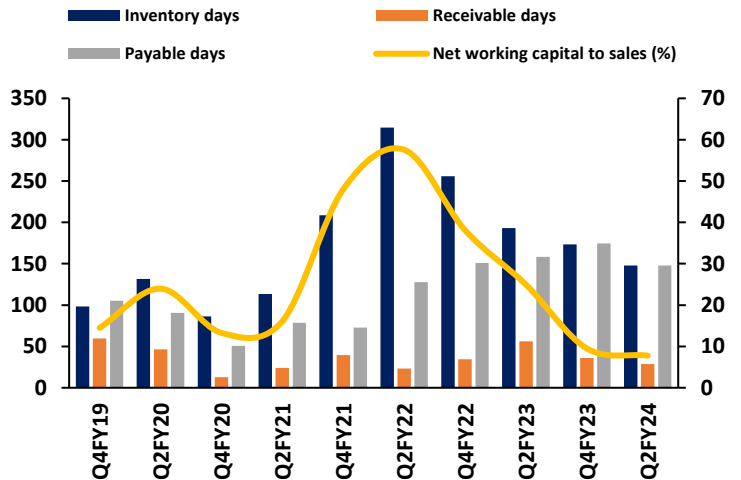
Operating Profit and Net Margins



Return Ratios



Working Capital



Source: Ventura Research & Company Financials

Welspun Specialty Solutions Ltd. Financial Summary in Charts

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23 Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23	
Income Statement						Per share data & Yields					
Revenue	440.8	295.2	93.4	163.3	417.8	Adjusted EPS (INR)	(0.4)	(1.5)	1.8	(0.6)	(0.3)
<i>YoY Growth (%)</i>		<i>(33.0)</i>	<i>(68.3)</i>	<i>74.8</i>	<i>155.9</i>	Adjusted Cash EPS (INR)	(0.3)	(1.3)	2.0	(0.3)	0.0
Raw Material Cost	272.5	230.9	58.9	96.9	250.6	Adjusted BVPS (INR)	(4.0)	(2.0)	0.7	0.8	0.6
<i>RM Cost to Sales (%)</i>	<i>61.8</i>	<i>78.2</i>	<i>63.0</i>	<i>59.3</i>	<i>60.0</i>	Adjusted CFO per share (INR)	(0.0)	(0.5)	0.8	(1.6)	0.9
Employee Cost	25.0	33.6	18.8	22.6	33.3	CFO Yield (%)	(0.1)	(1.2)	1.9	(3.8)	2.3
<i>Employee Cost to Sales (%)</i>	<i>5.7</i>	<i>11.4</i>	<i>20.1</i>	<i>13.9</i>	<i>8.0</i>	Adjusted FCF per share (INR)	(1.4)	(1.3)	0.8	(1.3)	1.4
Other Expenses	180.8	101.7	36.5	62.2	117.3	FCF Yield (%)	(3.3)	(3.1)	1.9	(3.2)	3.4
<i>Other Exp to Sales (%)</i>	<i>41.0</i>	<i>34.4</i>	<i>39.0</i>	<i>38.1</i>	<i>28.1</i>						
EBITDA	(37.5)	(71.0)	(20.7)	(18.4)	16.7	Solvency Ratio (X)					
<i>Margin (%)</i>	<i>(8.5)</i>	<i>(24.1)</i>	<i>(22.1)</i>	<i>(11.3)</i>	<i>4.0</i>	Total Debt to Equity	(1.9)	(3.6)	4.4	5.5	7.9
<i>YoY Growth (%)</i>		<i>89.7</i>	<i>(70.9)</i>	<i>(11.0)</i>	<i>(191.0)</i>	Net Debt to Equity	(1.9)	(3.5)	4.4	5.4	7.9
Depreciation & Amortization	6.7	10.3	13.8	14.5	14.9	Net Debt to EBITDA	(10.7)	(5.2)	(8.3)	(12.8)	13.9
EBIT	(44.1)	(81.4)	(34.5)	(32.9)	1.8						
<i>Margin (%)</i>	<i>(10.0)</i>	<i>(27.6)</i>	<i>(36.9)</i>	<i>(20.1)</i>	<i>0.4</i>	Return Ratios (%)					
<i>YoY Growth (%)</i>		<i>84.4</i>	<i>(57.6)</i>	<i>(4.6)</i>	<i>(105.5)</i>	Return on Equity	9.5	77.5	240.4	(74.4)	(46.8)
Other Income	4.0	4.8	1.6	19.1	14.8	Return on Capital Employed	(22.4)	(30.2)	(16.3)	(11.6)	0.7
Bill discounting & other charges	9.5	15.4	11.5	18.7	30.3	Return on Invested Capital	(23.6)	(30.6)	(16.4)	(11.8)	0.7
Fin Charges Coverage (X)	(4.7)	(5.3)	(3.0)	(1.8)	0.1						
Exceptional Item	29.5	10.6	137.6	0.0	0.0	Working Capital Ratios					
PBT	(20.1)	(81.4)	93.3	(32.4)	(13.7)	Payable Days (Nos)	104	51	73	151	175
<i>Margin (%)</i>	<i>(4.6)</i>	<i>(27.6)</i>	<i>99.9</i>	<i>(19.9)</i>	<i>(3.3)</i>	Inventory Days (Nos)	97	86	208	256	173
<i>YoY Growth (%)</i>		<i>304.0</i>	<i>(214.6)</i>	<i>(134.8)</i>	<i>(57.6)</i>	Receivable Days (Nos)	59	13	40	34	36
Tax Expense	0.0	0.0	0.1	0.0	0.0	Net Working Capital Days (Nos)	52	48	175	139	35
<i>Tax Rate (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	Net Working Capital to Sales (%)	14.3	13.3	48.0	38.1	9.5
PAT	(20.1)	(81.4)	93.2	(32.4)	(13.7)						
<i>Margin (%)</i>	<i>(4.6)</i>	<i>(27.6)</i>	<i>99.8</i>	<i>(19.9)</i>	<i>(3.3)</i>	Valuation (X)					
<i>YoY Growth (%)</i>		<i>304.0</i>	<i>(214.5)</i>	<i>(134.8)</i>	<i>(57.6)</i>	P/E	(109.1)	(27.0)	23.6	(67.7)	(159.9)
Min Int/Sh of Assoc	0.0	0.0	0.0	0.0	0.0	P/BV	(10.4)	(20.9)	56.7	50.4	74.8
Net Profit	(20.1)	(81.4)	93.2	(32.4)	(13.7)	EV/EBITDA	(69.3)	(36.1)	(114.6)	(132.3)	145.3
<i>Margin (%)</i>	<i>(4.6)</i>	<i>(27.6)</i>	<i>99.8</i>	<i>(19.9)</i>	<i>(3.3)</i>	EV/Sales	5.9	8.7	25.4	14.9	5.8
<i>YoY Growth (%)</i>		<i>304.0</i>	<i>(214.5)</i>	<i>(134.8)</i>	<i>(57.6)</i>						

Source: Ventura Research & Company Financials

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