

Welspun Corp Ltd.

Result Update Q1 FY25




CMP: 638

Result Update Q1 FY25

In Q1FY25, Welspun Corp Limited reported a Net Revenue of INR 3,137 Cr, a decline of 22.9% YoY from INR 4,069 Cr. The company's EBITDA for the quarter was INR 374 crore, reflecting an increase of 1.4% YoY from INR 368 Cr. The Net profit for Q1FY25 was INR 248 Cr, showing a significant increase of 50% YoY/ (7.6) % QoQ from INR 165 Cr/INR 268 Cr.

Welspun Corp continues to expand its project portfolio, notably securing significant orders for large-diameter pipes. The company has also invested in capacity expansion at its Anjar facility in Gujarat. These projects aim to cater to both domestic and international markets, ensuring a robust order pipeline. Furthermore, the strategic acquisition of Weetek Plastics adds a combined capacity of 19 KMTPA, aligning with Welspun's vision of building a strong building materials portfolio.

Welspun Corp's geographical strategy targets India, the USA, and Saudi Arabia. In India, initiatives like the Jal Jeevan Mission and PNG adoption campaigns drive demand for water infrastructure and city gas distribution, with strong export prospects for LSAW pipes. The USA sees growth from rising crude oil production, projected to reach 14.5 mbpd by 2030, increased natural gas output, and expanding LNG exports, alongside future hydrogen and carbon capture projects. In Saudi Arabia, Vision 2030's US\$ 80 billion investment in desalination and water projects, aiming to meet 90% of water demand through desalinated water, creates significant opportunities for line and DI pipes, supported by policies to boost oil, gas, and domestic gas consumption.

Welspun Corp's operations span several key segments, including large-diameter line pipes, ductile iron pipes, stainless steel bars and pipes, and building materials. In Q1FY25, the building materials segment, particularly under the Sintex brand, saw a revenue of INR 161 crore, reflecting a 14% YoY growth. The company is also advancing in the stainless-steel segment with new high-value grades, such as Alloy K500 and Welsonic 50/XM 19.

Key growth drivers for Welspun Corp include government initiatives like the Jal Jeevan Mission and PMAY-U, boosting demand for ductile iron pipes and building materials

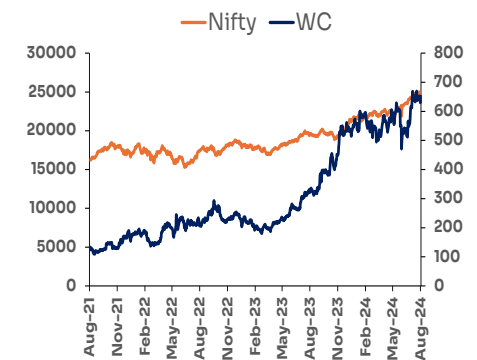
Key Consolidated Financial Data (INR Cr, unless specified)

Particulars	Q1FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	4,069.3	4,461.2	3,137.2	(29.7)	(22.9)	9,758.1	17,339.6	77.7
EBITDA	368.8	330.2	374.0	13.3	1.4	447.2	1,561.4	249.1
EBITDA Margin (%)	9.1	7.4	11.9			4.6	9.0	
Net Profit	165.4	268.5	248.2	(7.6)	50.1	206.7	1,110.4	437.2
Net Margin (%)	4.1	6.0	7.9			2.1	6.4	

Source: Ventura Research & Company update

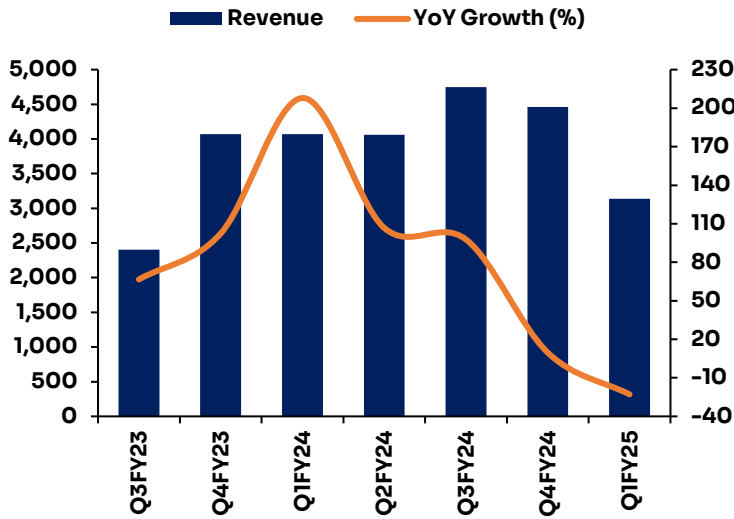
Industry	Steel
Scrip Details	
Face Value (INR)	5.0
Market Cap (INRCr)	16,717
Price (INR)	638
No of Sh O/S (Cr)	26.2
3M Avg Vol (000)	13,488
52W H/L (INR)	678/310
Div. Yield (%)	0.81%
Shareholding (%)	
Promoters	50.03
FIIs	10.51
DIIs	9.74
Public	29.67
Government	0.02
Others	0.03
TOTAL	100.0

Price chart

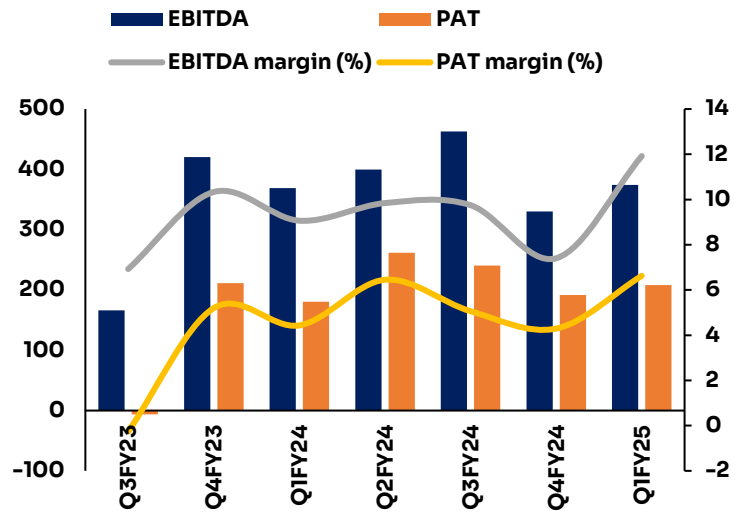


Financial Summary in Charts

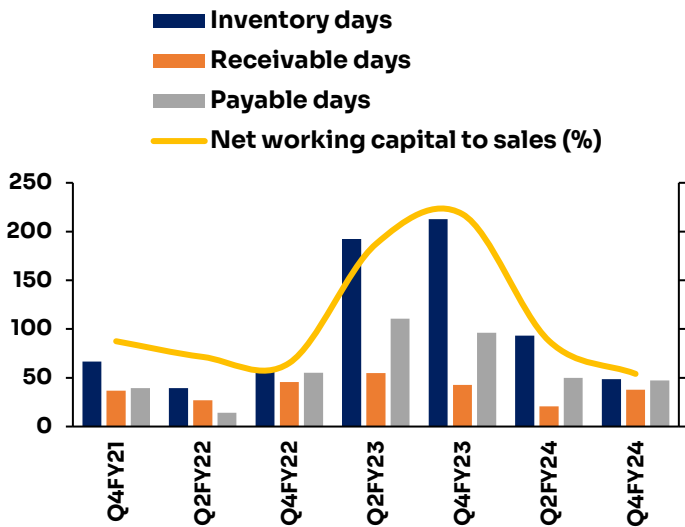
REVENUE



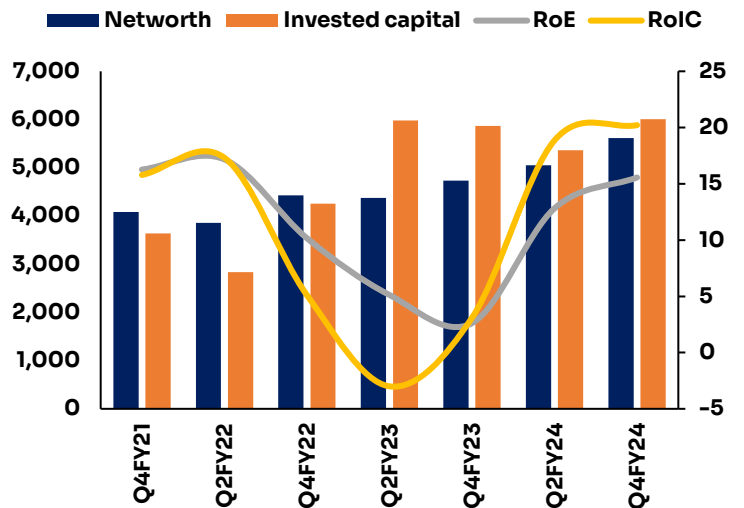
PROFITABILITY MARGINS



WORKING CAPITAL CYCLE



RETURN RATIOS



Source: Ventura Research & Company updates

Key Takeaways from the Conference Call:

- **Demand for Pipes:** Policy initiatives and execution are expected to continue supporting the demand for line pipes and ductile iron pipes (DI Pipes) for water distribution.
- **City Gas Distribution (CGD):** The Petroleum and Natural Gas Regulatory Board (PNGRB) launched a campaign to increase the adoption of piped natural gas (PNG) in households.
- **Export Outlook:** There is a strong export outlook for LSAW pipes with a focus on the Middle East, Australia, Europe, and Southeast Asia, driven by upcoming hydrogen hubs and carbon capture projects.
- **US Oil Production:** US crude oil production is projected to rise to 14.5 million barrels per day by 2030, with significant contributions from the Permian Basin.
- **Natural Gas Production:** Natural gas production in the US is expected to increase by 18 billion cubic feet per day by 2030, with the Permian Basin being a major contributor.

Financial Summary for Welspun Corp Ltd.

Fig in INR Cr (unless specified)	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25
Revenue from operations	6,505.1	1,321.8	1,963.8	2,402.3	4,070.2	9,758.1	4,069.3	4,059.5	4,749.7	4,461.2	17,339.6	3,137.2
YoY Growth (%)	(9.1)	(12.5)	27.3	66.6	102.4	50.0	207.9	106.7	97.7	9.6	77.7	(22.9)
Raw Material Cost	4,758.0	1,019.4	1,632.3	1,700.8	2,839.9	7,192.3	2,816.5	2,712.1	3,310.4	3,260.6	12,099.5	1,994.4
RM Cost to Sales (%)	73.1	77.1	83.1	70.8	69.8	73.7	69.2	66.8	69.7	73.1	69.8	63.6
Employee Cost	383.5	82.3	113.6	155.1	190.1	541.1	213.8	240.0	249.1	234.7	937.6	219.8
Employee Cost to Sales (%)	5.9	6.2	5.8	6.5	4.7	5.5	5.3	5.9	5.2	5.3	5.4	7.0
Other Expenses	901.6	191.3	349.2	380.1	619.6	1,577.5	670.2	707.8	727.2	635.7	2,741.0	549.0
Other Expenses to Sales (%)	13.9	14.5	17.8	15.8	15.2	16.2	16.5	17.4	15.3	14.3	15.8	17.5
EBITDA	462.0	28.9	(131.2)	166.4	420.6	447.2	368.8	399.5	463.0	330.2	1,561.4	374.0
EBITDA Margin (%)	7.1	2.2	(6.7)	6.9	10.3	4.6	9.1	9.8	9.7	7.4	9.0	11.9
Net Profit	438.8	4.1	(56.6)	23.2	235.9	206.7	165.4	384.7	291.9	268.5	1,110.4	248.2
Net Margin (%)	6.7	0.3	(2.9)	1.0	5.8	2.1	4.1	9.5	6.1	6.0	6.4	7.9
Adjusted EPS	16.7	0.2	(2.2)	0.9	9.0	7.9	6.3	14.7	11.1	10.2	42.3	9.5
P/E (X)	39.0					82.8					15.4	
Adjusted BVPS	168.9					180.4					214.1	
P/BV (X)	3.9					3.6					3.0	
Enterprise Value	16,935.3					18,246.4					17,495.6	
EV/EBITDA (X)	36.7					40.8					11.2	
Net Worth	4,428.3					4,732.1					5,616.2	
Return on Equity (%)	9.9					4.4					19.8	
Capital Employed	6,449.8					8,048.3					7,524.1	
Return on Capital Employed (%)	2.2					0.9					12.2	
Invested Capital	4,255.1					5,870.0					6,003.3	
Return on Invested Capital (%)	4.9					2.5					20.2	
Cash Flow from Operations	218.5					(185.1)					1,306.0	
Cash Flow from Investing	(209.1)					(416.7)					367.4	
Cash Flow from Financing	452.7					908.8					(1,876.8)	
Net Cash Flow	462.1					307.0					(203.4)	
Free Cash Flow	117.8					(1,118.6)					1,253.2	
FCF to Revenue (%)	1.8					(11.5)					7.2	
FCF to EBITDA (%)	25.5					(250.1)					80.3	
FCF to Net Profit (%)	26.9					(541.2)					112.9	
FCF to Net Worth (%)	2.7					(23.6)					22.3	
Total Debt	2,021.4					3,316.2					1,907.9	
Net Debt	(173.2)					1,137.9					387.1	
Net Debt to Equity (X)	(0.0)					0.2					0.1	
Net Debt to EBITDA (X)	(0.4)					2.5					0.2	
Interest Coverage Ratio (X)	2.0					0.6					4.0	

Source: Ventura Research & Company updates

Financial Analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24	Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24
Income Statement					Per share data & Yields				
Revenue	7,152.6	6,505.1	9,758.1	17,339.6	Adjusted EPS (INR)	29.3	16.7	7.9	42.3
<i>YoY Growth (%)</i>	<i>(28.2)</i>	<i>(9.1)</i>	<i>50.0</i>	<i>77.7</i>	Adjusted Cash EPS (INR)	38.7	26.4	19.4	55.6
Raw Material Cost	4,418.8	4,758.0	7,192.3	12,099.5	Adjusted BVPS (INR)	160.5	172.6	184.7	218.7
<i>RM Cost to Sales (%)</i>	<i>61.8</i>	<i>73.1</i>	<i>73.7</i>	<i>69.8</i>	Adjusted CFO per share (INR)	29.5	8.3	(7.1)	49.8
Employee Cost	454.5	383.5	541.1	937.6	CFO Yield (%)	4.5	1.3	(1.1)	7.6
<i>Employee Cost to Sales (%)</i>	<i>6.4</i>	<i>5.9</i>	<i>5.5</i>	<i>5.4</i>	Adjusted FCF per share (INR)	22.1	4.5	(42.7)	47.8
Other Expenses	1,493.5	901.6	1,577.5	2,741.0	FCF Yield (%)	3.4	0.7	(6.5)	7.3
<i>Other Exp to Sales (%)</i>	<i>20.9</i>	<i>13.9</i>	<i>16.2</i>	<i>15.8</i>	Solvency Ratio (X)				
EBITDA	785.9	462.0	447.2	1,561.4	Total Debt to Equity	0.2	0.4	0.7	0.3
<i>Margin (%)</i>	<i>11.0</i>	<i>7.1</i>	<i>4.6</i>	<i>9.0</i>	Net Debt to Equity	(0.1)	(0.0)	0.2	0.1
<i>YoY Growth (%)</i>	<i>(32.2)</i>	<i>(41.2)</i>	<i>(3.2)</i>	<i>249.1</i>	Net Debt to EBITDA	(0.6)	(0.4)	2.5	0.2
Depreciation & Amortization	246.5	254.8	303.0	347.9	Return Ratios (%)				
EBIT	539.4	207.3	144.3	1,213.6	Return on Equity	18.8	9.9	4.4	19.8
<i>Margin (%)</i>	<i>7.5</i>	<i>3.2</i>	<i>1.5</i>	<i>7.0</i>	Return on Capital Employed	7.8	2.2	0.9	12.2
<i>YoY Growth (%)</i>	<i>(41.8)</i>	<i>(61.6)</i>	<i>(30.4)</i>	<i>741.1</i>	Return on Invested Capital	14.8	4.9	2.5	20.2
Other Income	366.0	560.9	357.3	242.5	Working Capital Ratios				
Bill discounting & other charges	84.9	101.9	243.2	304.4	Payable Days (Nos)	36.6	55.2	96.3	47.2
Fin Charges Coverage (X)	6.4	2.0	0.6	4.0	Inventory Days (Nos)	61.9	57.2	212.7	48.7
Exceptional Item	137.6	0.0	0.0	0.0	Receivable Days (Nos)	34.1	45.6	42.7	37.9
PBT	958.1	666.3	258.4	1,151.6	Net Working Capital Days (Nos)	59.4	47.6	159.1	39.4
<i>Margin (%)</i>	<i>13.4</i>	<i>10.2</i>	<i>2.6</i>	<i>6.6</i>	Net Working Capital to Sales (%)	16.3	13.0	43.6	10.8
<i>YoY Growth (%)</i>	<i>6.6</i>	<i>(30.5)</i>	<i>(61.2)</i>	<i>345.6</i>	Valuation (X)				
Tax Expense	255.3	216.4	134.5	277.5	P/E	22.3	39.0	82.8	15.4
<i>Tax Rate (%)</i>	<i>26.7</i>	<i>32.5</i>	<i>52.0</i>	<i>24.1</i>	P/BV	4.1	3.8	3.5	3.0
PAT	702.8	449.9	124.0	874.2	EV/EBITDA	21.2	36.7	40.8	11.2
<i>Margin (%)</i>	<i>9.8</i>	<i>6.9</i>	<i>1.3</i>	<i>5.0</i>	EV/Sales	2.3	2.6	1.9	1.0
<i>YoY Growth (%)</i>	<i>44.6</i>	<i>(36.0)</i>	<i>(72.4)</i>	<i>605.2</i>	Cash Flow Statement				
Min Int/Sh of Assoc	64.8	(11.1)	82.7	236.2	PBT	958.1	666.3	258.4	1,151.6
Net Profit	767.6	438.8	206.7	1,110.4	Adjustments	(836.5)	(548.3)	3,095.3	(1,946.8)
<i>Margin (%)</i>	<i>10.7</i>	<i>6.7</i>	<i>2.1</i>	<i>6.4</i>	Change in Working Capital	908.3	316.9	(3,404.4)	2,378.6
<i>YoY Growth (%)</i>	<i>20.8</i>	<i>(42.8)</i>	<i>(52.9)</i>	<i>437.2</i>	Less: Tax Paid	(255.3)	(216.4)	(134.5)	(277.5)
Balance Sheet					Cash Flow from Operations	774.5	218.5	(185.1)	1,306.0
Share Capital	130.4	130.5	130.8	130.8	Net Capital Expenditure	(256.2)	(169.4)	(1,050.2)	(283.9)
Total Reserves	4,079.1	4,397.1	4,713.4	5,603.6	Change in Investments	(589.0)	(39.7)	633.5	651.3
Shareholders Fund	4,209.5	4,527.6	4,844.1	5,734.4	Cash Flow from Investing	(845.2)	(209.1)	(416.7)	367.4
Long Term Borrowings	590.0	1,429.4	1,926.2	1,622.4	Change in Borrowings	(100.9)	684.9	1,276.4	(1,441.7)
Deferred Tax Assets / Liabilities	150.5	138.4	113.8	253.7	Less: Finance Cost	(84.9)	(101.9)	(243.2)	(304.4)
Other Long Term Liabilities	503.1	111.7	196.6	211.0	Proceeds from Equity	0.7	0.0	5.8	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	72.8	5.9	27.7	15.0	Dividend Paid	(12.9)	(130.3)	(130.2)	(130.7)
Total Liabilities	5,525.9	6,213.0	7,108.5	7,836.5	Cash flow from Financing	(198.1)	452.7	908.8	(1,876.8)
Net Block	2,584.1	2,417.6	4,856.4	4,532.1	Net Cash Flow	(268.9)	462.1	307.0	(203.4)
Capital Work in Progress	147.2	1,260.4	86.9	85.1	Forex Effect	(2.5)	8.3	26.6	0.0
Intangible assets under developmen	0.0	0.9	0.0	0.0	Opening Balance of Cash	440.9	169.8	640.2	1,016.3
Non Current Investments	561.5	813.5	561.2	715.8	Closing Balance of Cash	169.6	640.2	973.7	812.9
Long Term Loans & Advances	100.3	329.9	46.8	0.0					
Other Non Current Assets	11.5	14.7	18.4	393.9					
Net Current Assets	2,121.2	1,376.0	1,538.7	2,109.7					
Total Assets	5,525.9	6,213.0	7,108.5	7,836.5					

Source: Ventura Research & Company updates

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