

Welspun India Limited.

21 July 2015

Q1-FY16 Result Update

CMP: ₹ 758

Target: ₹1020

The logo for Anand Rathi Research, featuring the name "ANANDRATHI" in a stylized, golden, serif font against a dark green background.

- ❑ Welspun India has registered revenue growth of 18% at Rs. 13,885 million in Q1 FY16 on y-o-y basis. The expansion was mainly driven by strong volume growth including 3% exchange impact. The domestic sales grew by 35.6% on y-o-y basis. The share of innovative product has increased from 27% to 30% on q-o-q basis.
- ❑ On segmental front, 95% of revenue comes from Home Textile and balance 5% from Power. Geographically, US contributes 67% to revenue, Europe 16% , India 6% and 11% comes from Rest of the world.
- ❑ EBITDA grew by 32% at Rs. 3,598 million. EBITDA margin was higher at 25.9% (vs. 23.2% in Q1 FY15), mainly on account of higher vertical integration and larger share of innovative products.
- ❑ Company's consolidated net profit substantially grew by 55% at Rs. 1632mn on back of operational efficiency and finance cost which reduced by 17% on y-o-y basis. The lower finance cost is on account of benefits availed under Gujarat textile policy .
- ❑ At the end of the quarter, Net debt stands at Rs. 24,880 million (vs. Rs. 26,094 million at end-FY15) implying a net debt/equity of 1.6x (vs. 1.8x at end-FY15). The management expects to remain at current levels, however they have commented that a temporary flip might be seen during the year.
- ❑ The Company continues to generate positive free cash flows during the quarter after meeting its capex requirements on account of strong operating profits and working capital reduction. Working capital has decreased from 59 days to 55 days due to lower inventory and creditors. There has been reduction in inventory volume of ~100 crs in absolute terms on q-o-q basis.

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The logo for Anand Rathi Research, featuring the name "ANANDRATHI" in a stylized, golden, serif font with a slight shadow effect, set against a dark green rectangular background.

- ❑ For the year ending FY16, management expects to maintain EBITDAM of 25%. The balance capital expenditure investment of around Rs. 11,000mn is expected to over in next 12-15 months time frame. This capex will entail modernization, automation and capacity enhancement for towels and sheets as well as routine maintenance at Anjar and Vapi, Gujarat.
- ❑ During the quarter CARE has revised the long term bank Facilities of the Company to "CARE AA-" from "CARE A+" and short term bank facilities of the Company to "CARE A1+" from "CARE A1.
- ❑ At the current market price the stock is trading at 12.2x FY16E and 10.4x FY17E earnings respectively. We continue to remain positive on Welspun India Limited and reiterate our BUY rating with the revised target price of Rs. 1,020 per share implying a multiple of 16.2x FY16E earnings.



Quarterly Results

Financial Results (₹ Mn.)

(In ₹mn)	Q1 FY16	Q1 FY15	Q4 FY15	y-o-y	q-o-q
Net Sales	13885	11773	13658	18%	2%
Operating Expense	10286	9046	10213		
EBITDA	3598	2727	3446	32%	4%
Other Income	277	322	290		
Depreciation	793	686	1009		
EBIT	3082	2363	2727	30%	13%
Interest	593	713	569		
PBT	2490	1650	2157	51%	15%
Tax	840	622	508		
PAT	1650	1028	1650		
Minority Interest	19	-22	36		
PAT	1632	1050	1614	55%	1%

Margins

(In ₹mn)	Q1 FY16	Q1 FY15	Q4 FY15	Chg bps y-o-y	Chg bps q-o-q
Operating Margin %	28.8%	26.1%	28.1%	269	70
Net Margin %	13.1%	10.1%	13.2%	301	-10

Source: Company, Anand Rathi Research



Financials:

(In ₹ mn)	FY14*	FY15	FY16E	FY17E
Net Sales	43730	53025	62511	73762
Total Expenditure	34519	40283	48759	57903
EBITDA (Excl OI)	9211	12742	13752	15859
Other Income	1042	949	1404	1404
EBITDA	10253	13691	15156	17263
Depreciation	6863	3329	3907	4660
EBIT	3389	10362	11250	12603
Interest	2352	2829	2456	2358
PBT	1037	7533	8794	10245
Tax	199	2090	2440	2843
PAT	838	5443	6353	7402
Minority Interest	82	-45	-45	-45
Consolidated PAT	921	5398	6308	7357
Margins	FY14*	FY15	FY16E	FY17E
Sales Growth %	19.9%	21.3%	17.9%	18.0%
Operating Margin %	21.1%	24.0%	22.0%	21.5%
Net Margin %	9.6%	10.3%	10.2%	10.0%

(In ₹ mn)	FY14*	FY15	FY16E	FY17E
LIABILITIES				
Shareholders' Funds				
Equity Share Capital	1003	1005	1005	1005
Reserves and Surplus	10093	13314	16788	21095
Minority Interest	316	378	697	1461
Non Current Liabilities				
Long-term borrowings	16795	15946	14851	14454
Deferred Tax Liabilities	434	641	1524	1563
Other Long Term Liabilities	1553	1020	3228	1563
Current Liabilities	21489	24650	26473	36986
Total Liabilities	51684	56953	64566	78125
ASSETS				
Non Current Assets				
Fixed Assets	23770	26049	29379	36720
Long Term Loans and Advances	1232	1377	1934	2344
Other Non-Current Assets	3334	1970	2583	3122
Current Assets	23348	27557	30670	35939
TOTAL-ASSETS	51684	56953	64566	78125

Source: Company, Anand Rathi Research

Welspun India Limited.



Key Risks:

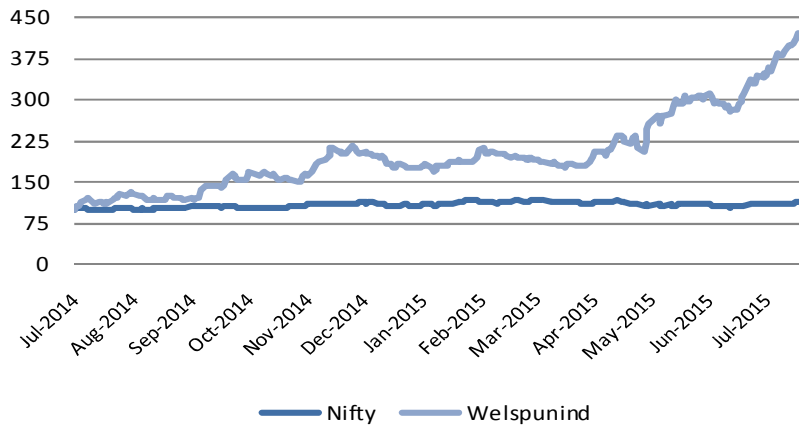
- Rising Input costs and Labor Availability.
- Currency Movement.
- Poor Economic Environment and Consumer Sentiment.

Welspun India Limited.



Rating and Target Price history:

Welspunind rating history & price chart



Source: Bloomberg, Anand Rathi Research

Welspunind rating details

Date	Rating	Target Price (₹)	Share Price (₹)
24-Jun-15	BUY	816	442
20-Jul-15	BUY	1020	774

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 20th July, 2015 close.



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