

CMP: INR 962

Rating: BUY

Target Price: INR 1,275

Stock Info

BSE	532144
NSE	WELCORP
Bloomberg	WLCO:IN
Sector	Iron & Steel Products
Face Value (INR)	5
Mkt Cap (INR Bn)	253.56
52w H/L (INR)	1,111/650
Avg Yearly Vol (in 000')	852.9

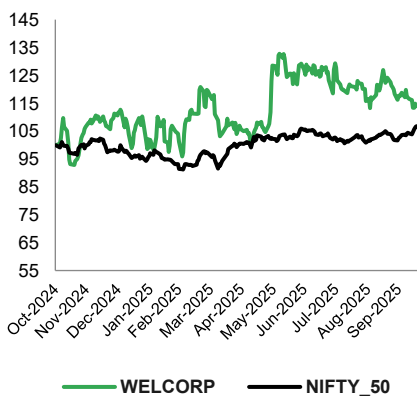
Shareholding Pattern %

(As on Jun, 2025)

Promoters	49.77%
Public & Others	50.23%

Stock Performance (%)	1m	6m	12m
WLCO	+12.8	+26.0	+32.8
Nifty 50	+4.7	+5.9	+6.4

WELCORP Vs Nifty 50



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Overview:

Welspun Corp Ltd reported Strong QoQ & YoY Earnings Beat with margin pressure evident. Revenue from operations came in at INR 43.74 Bn (+23.1% QoQ) (+32.5% YoY) (+17.7% against our estimates). EBITDA came in at INR 5.9 Bn (+12.6% QoQ) (+47.9% YoY) (+11.5% against our estimates). EBITDA Margin came in at 13.5% (Vs 14.8% QoQ) (Vs 12.1% YoY) (against our estimates of 14.3%). PAT came in at INR 4.44 Bn (+27% QoQ) (+50.9% YoY) (+22.5% against our estimates). PAT Margin came in at 10.1% (Vs 9.7% QoQ) (Vs 8.7% YoY) (against our estimates of 9.7%)

Key Triggers:

Robust Order Book Visibility: Welspun Corp reported a consolidated order book of INR 235 Bn, the highest in a decade, with strong splits between India and the US. This level of visibility ensures business momentum for at least two years in international markets and a minimum of one year in domestic operations, supporting revenue growth stability despite global volatility.

US Market Pattern Shift: A significant shift is underway in the US, with growing demand for natural gas pipelines driven by the expansion of data centers and ongoing LNG exports. Welspun, as a dominant local supplier, is uniquely positioned to benefit, with its Little Rock Mill booked through FY28 and new capacity aligned to capture incremental growth in the evolving energy value chain.

Capacity Expansion Driven by Anticipated Demand: The company's ongoing CapEx of INR 55 Bn over three to four years is strategically aimed at capturing future demand across the US, Saudi Arabia, and India. New capacity additions, including premium longitudinal mills and DI pipe plants, are expected to significantly enhance scale and address market opportunities emerging from infrastructure and water sector investments.

Outlook: Welspun Corp has exceptional order book visibility and strong execution in both India and the US, backed by strategic capacity additions and buoyant demand from new segments like data centers. Sustained margin expansion, robust cash flows, and prudent financial management reinforce confidence in exceeding near-term growth guidance. The company is well positioned to capitalize on emerging global trends, Revival in industry demand for water segment and deliver consistent performance over the next few years. **We revise our target price to INR 1,275 and maintain our BUY rating.**

Valuation Summary

Rs mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net Sales	65,051	97,581	1,73,396	1,39,775	1,70,112	2,15,352
EBIDTA	4,717	4,846	15,614	16,682	22,697	26,640
Net Profit	4,552	1,992	11,360	19,023	15,804	17,825
EPS, Rs	17.45	7.61	43.42	72.70	60.40	68.12
PER, x	12.21	126.86	22.25	13.29	15.99	14.18
EV/EBIDTA, x	11.42	54.49	16.44	14.78	10.92	9.29
P/BV, x	1.26	5.34	4.50	3.53	2.96	2.50
ROE, %	10.28	4.21	20.23	26.55	18.51	17.63

Welspun Corp Q2FY26 Management Meet Highlights

Line Pipe Business (Americas & India)

- All-time high order book of INR 235 Bn (~600,000 tonnes each in US and India) with 2+ year visibility for US and 1+ year for India.
- \$715 Mn orders received on Oct 30 from US data center customers marking one of largest order placements in recent years.
- AI/ML-powered data centers require dedicated gas pipelines from Permian Basin to captive power plants, creating new 3-5 year demand drivers.
- Little Rock Mill completely booked till FY28 with new LSAW mill expected operational by end of FY26 for incremental capacity.
- India water sector recovery anticipated through interlinking of rivers (4-5 Mn tonnes) and Jal Jeevan mission resurgence once government funding bottlenecks resolve.

DI (Ductile Iron) Pipes Business

- Nearly 80,000 tonnes sold in Q2 with 300,000 tonnes order book despite domestic market fund constraints.
- Saudi Arabia facility operational by March 2026 targeting domestic market where two-thirds of demand is currently met through imports and benefits from anti-dumping duties.
- OPVC plant fully operational in Bhopal with multiple orders received; targeting 80% pan-India market coverage by March 2026.

Stainless Steel Specialty (SS Bars & Pipes)

- Record quarterly volumes with EBITDA growth outpacing revenue on QoQ and YoY basis driven by improved operating leverage.
- Customer base expanded by 20+ customers in H1 FY26 with IBR accreditation for alloy steel blast tubes progressing toward completion.
- Only fully integrated specialty steel player (proprietary steel → bars → finished pipes) with growing defense, space, nuclear, and petrochemical demand.
- New Bright Bar project commissioning in Q3 FY26 supporting specialty applications across strategic sectors.

Building Materials - Sintex & TMT

- Sintex revenue reached INR 1500 Mn in Q2 with pan-India distributor network of 500 distributors and 28,000 retailers established.
- Plastic pipes (OPVC) launched with extremely positive reception across Chattisgarh and Punjab with plans for 80% pan-India coverage by March 2026.
- Foundation building mode: Investing in brand, digitalization, and channel infrastructure; significant volume acceleration expected once government water sector funding resumes.

Saudi Arabia Associates (East Pipe)

- Record associate profit of INR 960 Mn contributed in Q2, validating strong water and oil-gas demand execution in Saudi Arabia.
- Saudi Vision 2030 creates sustained demand through desalination, transmission pipelines, and Aramco's \$10 Bn annual offshore capex over 10 years.
- Welspun's Saudi longitudinal mill and DI facility (March 2026 operational) positions company to capture incremental local demand while serving exports.

Financial Highlights

- Highest-ever Q2 EBITDA of INR 6.26 Bn with PAT growth of 53% YoY to INR 4.4 Bn.
- Annualized ROCE improved to 24% with finance costs down 41% YoY reflecting debt reduction and AA+ credit rating.

- Net cash position maintained despite INR 9,500 Mn H1 capex; FY26 capex guided at INR 24.5 Bn.
- H1 EBITDA of INR 11.86 Bn positions company well to exceed FY26 guidance of INR 22 Bn.

Key Growth Triggers (2-3 Years)

- 250+ US data centers (conservative; 200-1,200 range) requiring dedicated gas pipelines provide 3-5 year minimum visibility.
- India water infrastructure surge: Interlinking of rivers, Jal Jeevan mission, and AMRUT 2.0 unlocking 4-5 million tonnes demand.
- Six consecutive quarters of growth with expanding EBITDA margins validating execution capability for upcoming growth phase.

Outlook: Welspun has entered a structural growth phase driven by a data center infrastructure supercycle in the US (\$715 million orders received, 3-5 year visibility) and India's anticipated water infrastructure revival, supported by an all-time high order book of INR 235 Bn with 2+ year visibility. The company demonstrates exceptional execution with six consecutive quarters of growth, 24% annualized ROCE, and maintained net cash position despite aggressive capex, while specialty verticals like SS bars, Saudi operations, OPVC pipes add incremental growth vectors. With FY26 EBITDA guidance of INR 22 Bn appearing conservative against H1 run-rate and multiple medium-term growth drivers across geographies, **We have a buy rating on the stock with target price of INR 1,275.**

Exhibit: Income Statement (Consol)

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	65,051	97,581	1,73,396	1,39,775	1,70,112	2,15,352
Net Raw Materials	47,580	72,540	1,20,995	88,703	1,14,394	1,29,980
Employee Cost	3,835	5,411	9,376	10,030	9,494	11,145
Other Expenses	8,919	14,785	27,410	24,361	23,526	47,587
EBITDA	4,717	4,846	15,614	16,682	22,697	26,640
EBITDA (%)	7.25	4.97	9.00	11.93	13.34	12.37
Depreciation	2,548	3,030	3,479	3,511	4,956	6,519
Interest expense	1,019	2,432	3,044	3,197	1,561	1,771
Other income	5,512	3,200	2,425	6,555	1,361	1,530
Associate & JV		752	2,618	6,090	1,273	1,273
Profit before tax	6,663	3,336	14,135	22,619	18,814	21,153
Taxes	2,164	1,345	2,775	3,596	3,010	3,328
Net profit	4,499	1,992	11,360	19,023	15,804	17,825
Reported Netprofit Margin (%)	6.38%	1.98%	6.46%	13.00%	9.22%	8.22%
EPS (INR)	17.45	7.61	43.42	72.70	60.40	68.12

Source: Company Reports, Arihant Capital Research

Exhibit: Balance Sheet (Consol)

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Cash & bank	21,947	21,783	15,208	21,396	24,941	27,403
Marketable securities at cost	0	0	0	0	0	0
Debtors	8,126	11,405	17,991	22,977	23,303	29,500
Inventory	10,195	56,862	23,156	38,295	34,955	41,300
Loans & advances	1,184	6,454	4,512	6,517	7,464	3,926
Other current assets	1,711	0	0	0	0	0
Total current assets	43,162	96,504	60,866	89,184	90,662	1,02,130
Investments	9,581	8,972	9,575	9,975	9,975	9,975
Gross fixed assets	44,899	71,083	75,883	83,883	1,08,883	1,33,883
Less: Depreciation	-22,002	-24,824	-28,303	-31,813	-36,770	-42,901
Add: Capital WIP	12,604	869	851	851	851	851
Net fixed assets	35,500	47,128	48,431	52,920	72,964	91,832
Non-current assets	3,446	653	2,013	2,080	2,180	2,290
Total assets	91,689	1,53,257	1,20,884	1,54,158	1,75,780	2,06,227
Current liabilities	23,166	75,105	32,924	56,890	59,247	71,399
Provisions	6,677	6,825	6,646	6,783	6,924	7,067
Total current liabilities	29,843	81,929	39,570	63,673	66,171	78,466
Non-current liabilities	16,571	23,023	21,240	17,530	22,814	25,090
Total liabilities	46,413	1,04,952	60,809	81,203	88,984	1,03,556
Paid-up capital	1,305	1,308	1,308	1,308	1,308	1,308
Reserves & surplus	42,978	46,013	54,855	70,347	84,057	99,789
Shareholders' equity	45,275	48,441	57,345	72,955	86,796	1,01,097
Total equity & liabilities	91,689	1,53,393	1,18,154	1,54,158	1,75,780	2,04,654

Source: Company Reports, Arihant Capital Research

Exhibit: Cash Flow (Consol)

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	6,663	3,336	14,135	22,619	18,814	21,153
Depreciation	2,548	3,030	3,479	3,511	4,956	6,519
Chg in working capital	7,574	-5,746	-14,462	1,882	4,443	3,161
Total tax paid	-1,463	-280	-1,715	-3,321	-2,725	-3,032
Other operating activities	-	-	-	-	-	-
Cash flow from operating activities	15,321	-1,722	1,437	24,691	25,488	27,800
Capital expenditure	-12,237	-14,657	-4,782	-8,000	-25,000	-25,387
Chg in investments	-2,313	-	-	-	-	-
Chg in marketable securities	-	-	-	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing activities	-14,550	-13,297	-2,766	-2,311	-23,727	-24,114
Free cash flow	771	-15,019	-1,329	22,381	1,761	3,686
Equity raised/(repaid)	23	-	-	-	-	-
Debt raised/(repaid)	8,395	4,968	-3,038	-3,961	5,020	2,000
Dividend (incl. tax)	-1,527	-1,504	-1,308	-2,093	-2,093	-2,093
Other financing activities	-	-	-	-	-	-
Cash flow from financing activities	6,669	3,595	-4,285	-5,936	3,057	-1,523
Net chg in cash	7,440	-11,424	-5,614	16,445	4,818	2,162
Opening cash balance	14,100	21,947	21,783	15,208	21,396	24,941
Closing cash balance	21,947	21,783	15,208	21,396	24,941	27,403

Source: Company Reports, Arihant Capital Research

Exhibit: Ratios (Consol)

Y/e 31 Mar (INR Mn)	FY20	FY23	FY24	FY25	FY26E	FY27E
Per Share data						
EPS (INR)	26.53	7.61	43.42	72.70	60.40	68.12
Growth, %	1,075.64	-56.35	470.13	67.46	-16.92	12.79
Book NAV/share (INR)	123.24	180.93	214.64	273.85	326.25	386.37
FDEPS (INR)	26.53	7.61	43.42	72.70	60.40	68.12
CEPS (INR)	35.47	19.20	56.71	86.12	79.34	93.04
CFPS (INR)	22.36	-24.05	33.63	46.30	87.72	95.95
DPS (INR)	10.50	5.00	5.00	8.00	8.00	8.00
Return ratios						
Return on assets (%)	7.80	3.60	10.50	16.15	10.52	10.26
Return on equity (%)	21.53	4.21	20.23	26.55	18.51	17.63
Return on capital employed (%)	14.80	6.57	19.14	26.23	17.33	16.60
Turnover ratios						
Asset turnover (x)	3.12	2.01	2.88	2.21	2.36	2.45
Sales/Total assets (x)	1.23	0.80	1.27	1.02	1.03	1.13
Sales/Net FA (x)	6.18	2.36	3.63	2.76	2.70	2.61
Working capital/Sales (x)	0.11	-0.07	0.04	0.03	-0.00	-0.02
Receivable days	45.71	42.66	37.87	60.00	50.00	50.00
Inventory days	83.15	212.69	48.74	100.00	75.00	70.00
Payable days	59.84	101.32	51.03	79.49	86.55	91.29
Working Capital day	74.22	55.55	45.14	67.03	52.90	40.40
Working capital days (Ex-cash)	38.92	-25.93	13.13	11.16	-0.61	-6.04
Liquidity ratios						
Current ratio (x)	1.55	1.18	1.54	1.40	1.37	1.30
Quick ratio (x)	0.93	0.49	0.96	0.80	0.84	0.78
Interest cover (x)	6.43	0.75	3.99	4.12	11.37	11.36
Dividend cover (x)						
Total debt/Equity (%)	30.95	70.08	33.97	21.10	23.59	21.90
Net debt/Equity (%)	1.00	24.05	6.89	-8.76	-5.63	-5.21
Valuation						
PER (x)	5.54	126.86	22.25	13.29	15.99	14.18
PEG (x) - y-o-y growth	0.03	-2.25	0.05	0.20	-0.95	1.11
Price/Book (x)	1.19	5.34	4.50	3.53	2.96	2.50
Yield (%)	7.14	0.52	0.52	0.83	0.83	0.83
EV/Net sales (x)	0.39	2.71	1.48	1.76	1.46	1.15
EV/EBITDA (x)	3.33	54.49	16.44	14.78	10.92	9.29
EV/EBIT (x)	4.17	145.40	21.15	18.71	13.98	12.30

Source: Company Reports, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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