

**CMP: INR 748**

**Rating: BUY**

**Target Price: INR 1,302**

**Stock Info**

BSE	532144
NSE	WELCORP
Bloomberg	WLCO:IN
Sector	Iron & Steel Products
Face Value (INR)	5
Mkt Cap (INR Bn)	197.38
52w H/L (INR)	995/664
Avg Yearly Vol (in 000')	858.5

**Shareholding Pattern %**

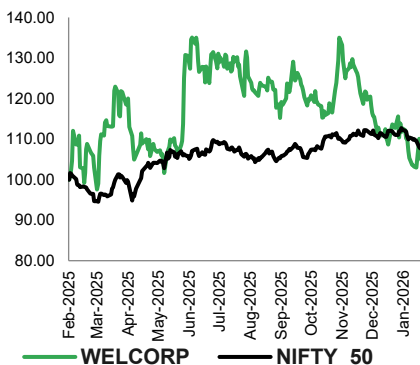
(As on Dec, 2025)

Promoters	49.73%
Public & Others	50.27%

**Stock Performance (%)**

	1m	6m	12m
WLCO	-6.0	-14.5	+5.9
Nifty 50	-4.7	+1.5	+7.4

**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 45.33 Bn (+3.6% QoQ) (+25.4% YoY) (+1.9% against our estimates). Gross Margin reported at 37.16% (vs 38.22% QoQ)(Vs 35.78% YoY)(Vs 37.5% against our Estimates). EBITDA came in at INR 6.16 Bn (+4.2% QoQ) (+41.7% YoY) (+3.5% against our estimates). EBITDA Margin came in at 13.58% (Vs 13.5% QoQ) (Vs 12.0% YoY) (against our estimates of 13.37%). PAT came in at INR 4.56 Bn. Adj PAT came in at INR 4.75 Bn (+7.2% QoQ) (+61.4% YoY) (+15.3% against our estimates). Adj PAT Margin came in at 10.42% (Vs 10.1% QoQ) (Vs 8.12% YoY) (against our estimates of 9.26%)

**Capacity additions targeted at higher-value projects:** Incremental LSAW, HFIW and DI pipe capacities in the U.S. and Saudi Arabia are being commissioned with a clear focus on higher-diameter and more complex pipeline applications. These additions expand the company's ability to participate in technically demanding projects while benefiting from localisation and import-substitution trends. The expanded footprint improves addressable market share and strengthens competitive positioning in key regions. Phased ramp-up of these assets is expected to drive higher utilisation and a favourable product mix over time, supporting margin sustainability

**Diversified end-market mix (pipelines, water, exports, building materials):** The company's diversified exposure across oil & gas pipelines, government-led water infrastructure, DI pipe exports and building materials provides multiple growth engines and reduces dependence on any single end market. While pipeline demand offers scale and visibility, water and export segments add stability during periods of energy capex moderation. The building-materials business, led by Sintex, is gradually scaling up through wider distribution and product premiumisation.

**Operating-leverage led margin recovery:** Recent margin recovery has been driven by an improved project mix with a higher share of value-added orders and better pricing discipline. Rising utilisation has enhanced fixed-cost absorption, lowering per-unit costs and improving operating efficiency. Disciplined control over input, logistics and overhead costs has further supported margins. Together, these factors have translated into record quarterly EBITDA and a stronger near-term profitability profile.

**Outlook:** The company's medium-term outlook remains positive, supported by capacity additions targeted at higher-value and technically complex projects across key geographies. A diversified end-market exposure spanning pipelines, water infrastructure, exports and building materials provides resilience and reduces earnings volatility across cycles. Improving utilisation and a favourable project mix are driving operating leverage, resulting in sustained margin recovery and profitability strength. As new capacities ramp up, the business is well positioned to enhance market share and maintain healthy return metrics. **We revise our target price to INR 1,302 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	1,71,322	2,17,872
EBIDTA	4,717	4,846	15,614	16,682	23,169	29,022
Net Profit	4,552	1,992	11,360	19,023	16,208	19,795
EPS, Rs	17.45	7.61	43.42	72.70	61.94	75.65
PER, x	12.21	126.86	22.25	13.29	15.59	12.77
EV/EBIDTA, x	11.42	54.49	16.44	14.78	10.69	8.45
P/BV, x	1.26	5.34	4.50	3.53	2.95	2.44
ROE, %	10.28	4.21	20.23	26.55	18.90	19.13

## Welspun Corp Q3FY26 Conference Call Highlights

### India - Line Pipes (Oil & Gas)

- Indian line-pipe business reported steady execution during the quarter, supported by ongoing oil and gas transmission projects.
- Order inflows remained stable, with management indicating healthy tendering activity in the domestic market.
- Execution visibility for India oil and gas line pipes was maintained at around 9–12 months, providing near-term revenue comfort.
- Product mix in India increasingly tilted toward higher-value and technically complex projects, aiding margins.

### U.S. - Line Pipes

- U.S. operations continued to show strong momentum, with rising customer engagement for large-diameter and high-specification pipelines.
- Demand outlook in the U.S. remains structurally strong, underpinned by gas pipeline expansions, power infrastructure linked to data centers, and emerging opportunities in hydrogen, carbon capture, and offshore projects.
- Order book visibility in the U.S. extends up to March 2028, offering long-term execution certainty.
- Ramp-up of new U.S. mills (HFIW and LSAW) is expected to support higher volumes and participation in complex projects.

### Saudi Arabia - Line Pipes & DI Pipes

- The Saudi strategy remains focused on import substitution and participation in large domestic energy and infrastructure projects.
- The company is advancing expansion plans in Saudi Arabia, including the addition of a new LSAW pipe mill and a greenfield DI pipe facility.
- Ongoing anti-dumping investigations and increased domestic sourcing requirements are expected to support local demand.
- Engagement with key customers, including large energy projects, continued during the quarter.

### DI Pipes - India & Exports

- Domestic DI pipe volumes were impacted by slower execution of water infrastructure projects during the quarter.
- Tendering activity under government water schemes has remained intact, even as on-ground execution experienced delays
- Export demand for DI pipes remained resilient, with shipments spread across Europe, Latin America, and the Middle East.
- The order book includes bending and export orders, providing volume visibility beyond domestic demand recovery.

### Stainless Steel (Bars & Pipes)

- Stainless steel operations remained stable, with management prioritising margin discipline over aggressive volume growth.
- Demand conditions were described as steady, without significant volatility during the quarter.
- The segment continued to operate with a focus on cost control and operational efficiency.

### Sintex (Building Materials & Pipes)

- Sintex business continued its gradual scale-up, driven by channel expansion and dealer additions.
- Premium product mix improvement remained a key focus area for management.
- OPVC empanelments progressed during the quarter, and initial dispatches were commenced.
- Medium-term growth outlook remains supported by brand strength and ongoing distribution expansion.

**Overall / Cross-Business**

- Profitability during the quarter benefited from operating leverage and improved project mix across businesses.
- Working capital remained under control through disciplined inventory and receivables management.
- Capex execution across geographies stayed aligned with internal timelines, with no major execution risks highlighted.

**Key Growth Triggers (2-3 Years)**

- **U.S. and Middle East energy infrastructure capex:** Sustained investments in gas pipelines, power infrastructure linked to data centers, and energy-transition projects (hydrogen, carbon capture, offshore) are expected to support long-term order inflows and execution visibility.
- **Capacity expansion and import substitution:** Incremental capacity additions across LSAW, HFIW and DI pipes in the U.S. and Saudi Arabia position the company to participate in larger, higher-specification projects while benefiting from localisation and import substitution opportunities.
- **Diversification across water, exports and building materials:** Gradual recovery in water infrastructure execution, resilient DI pipe exports, and scaling of the Sintex building-materials business together provide a diversified and balanced growth profile beyond core oil & gas pipelines.

**Outlook:** The company's outlook remains constructive, anchored by strong multi-year revenue visibility and increasing exposure to complex, value-added projects across geographies. Ongoing capacity expansion in the U.S. and Saudi Arabia enhances its competitive positioning in key energy and infrastructure markets. A diversified business mix spanning oil & gas pipelines, water infrastructure, exports and building materials provides resilience across cycles. Improved operating leverage and disciplined cost control are expected to support return metrics. Overall, the company appears well placed to deliver steady, quality-led growth with a focus on capital efficiency. **We have a buy rating on the stock with target price of INR 1,302.**

**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	1,71,322	2,17,872
Net Raw Materials	47,580	72,540	1,20,995	88,703	1,15,132	1,30,523
Employee Cost	3,835	5,411	9,376	10,030	9,494	10,740
Other Expenses	8,919	14,785	27,410	24,361	23,526	47,587
<b>EBITDA</b>	<b>4,717</b>	<b>4,846</b>	<b>15,614</b>	<b>16,682</b>	<b>23,169</b>	<b>29,022</b>
<b>EBITDA (%)</b>	<b>7.25</b>	<b>4.97</b>	<b>9.00</b>	<b>11.93</b>	<b>13.52</b>	<b>13.32</b>
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	1,371	1,550
Associate & JV		752	2,618	6,090	1,273	1,273
<b>Profit before tax</b>	<b>6,663</b>	<b>3,336</b>	<b>14,135</b>	<b>22,619</b>	<b>19,296</b>	<b>23,555</b>
Taxes	2,164	1,345	2,775	3,596	3,087	3,760
<b>Net profit</b>	<b>4,499</b>	<b>1,992</b>	<b>11,360</b>	<b>19,023</b>	<b>16,208</b>	<b>19,795</b>
<b>Reported Netprofit Margin (%)</b>	<b>6.38%</b>	<b>1.98%</b>	<b>6.46%</b>	<b>13.00%</b>	<b>9.39%</b>	<b>9.02%</b>
EPS (INR)	17.45	7.61	43.42	72.70	61.94	75.65

Source: Company Reports, Arianth 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	25,276	29,730
Marketable securities at cost	0	0	0	0	0	0
Debtors	8,126	11,405	17,991	22,977	23,469	29,845
Inventory	10,195	56,862	23,156	38,295	35,203	41,784
Loans & advances	1,184	6,454	4,512	6,517	7,517	3,972
Other current assets	1,711	0	0	0	0	0
<b>Total current assets</b>	<b>43,162</b>	<b>96,504</b>	<b>60,866</b>	<b>89,184</b>	<b>91,464</b>	<b>1,05,331</b>
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
<b>Net fixed assets</b>	<b>35,500</b>	<b>47,128</b>	<b>48,431</b>	<b>52,920</b>	<b>72,964</b>	<b>91,832</b>
Non-current assets	3,446	653	2,013	2,080	2,180	2,290
<b>Total assets</b>	<b>91,689</b>	<b>1,53,257</b>	<b>1,20,884</b>	<b>1,54,158</b>	<b>1,76,582</b>	<b>2,09,428</b>
Current liabilities	23,166	75,105	32,924	56,890	59,645	72,226
Provisions	6,677	6,825	6,646	6,783	6,924	7,067
<b>Total current liabilities</b>	<b>29,843</b>	<b>81,929</b>	<b>39,570</b>	<b>63,673</b>	<b>66,569</b>	<b>79,293</b>
Non-current liabilities	16,571	23,023	21,240	17,530	22,814	25,090
<b>Total liabilities</b>	<b>46,413</b>	<b>1,04,952</b>	<b>60,809</b>	<b>81,203</b>	<b>89,382</b>	<b>1,04,383</b>
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	84,462	1,02,163
Shareholders' equity	45,275	48,441	57,345	72,955	87,200	1,03,472
<b>Total equity &amp; liabilities</b>	<b>91,689</b>	<b>1,53,393</b>	<b>1,18,154</b>	<b>1,54,158</b>	<b>1,76,582</b>	<b>2,07,855</b>

Source: Company Reports, Arianth 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	19,296	23,555
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	4,373	3,183
Total tax paid	-1,463	-280	-1,715	-3,321	-2,802	-3,465
Other operating activities	-	-	-	-	-	-
Cash flow from operating activities	15,321	-1,722	1,437	24,691	25,823	29,792
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	2,096	5,677
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	5,153	4,154
Opening cash balance	14,100	21,947	21,783	15,208	21,396	25,276
Closing cash balance	21,947	21,783	15,208	21,396	25,276	29,730

Source: Company Reports, Aриhant Capital Research

**Exhibit: Ratios (Consol)**

Y/e 31 Mar (INR Mn)	FY20	FY23	FY24	FY25	FY26E	FY27E
<b>Per Share data</b>						
EPS (INR)	26.53	7.61	43.42	72.70	61.94	75.65
Growth, %	1,075.64	-56.35	470.13	67.46	-14.80	22.13
Book NAV/share (INR)	123.24	180.93	214.64	273.85	327.79	395.44
FDEPS (INR)	26.53	7.61	43.42	72.70	61.94	75.65
CEPS (INR)	35.47	19.20	56.71	86.12	80.89	100.56
CFPS (INR)	22.36	-24.05	33.63	46.30	88.97	103.49
DPS (INR)	10.50	5.00	5.00	8.00	8.00	8.00
<b>Return ratios</b>						
Return on assets (%)	7.80	3.60	10.50	16.15	10.74	11.17
Return on equity (%)	21.53	4.21	20.23	26.55	18.90	19.13
Return on capital employed (%)	14.80	6.57	19.14	26.23	17.69	18.05
<b>Turnover ratios</b>						
Asset turnover (x)	3.12	2.01	2.88	2.21	2.37	2.48
Sales/Total assets (x)	1.23	0.80	1.27	1.02	1.04	1.13
Sales/Net FA (x)	6.18	2.36	3.63	2.76	2.72	2.64
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	86.73	92.29
Working Capital day	74.22	55.55	45.14	67.03	53.39	43.91
Working capital days (Ex-cash)	38.92	-25.93	13.13	11.16	-0.46	-5.89
<b>Liquidity ratios</b>						
Current ratio (x)	1.55	1.18	1.54	1.40	1.38	1.33
Quick ratio (x)	0.93	0.49	0.96	0.80	0.85	0.80
Interest cover (x)	6.43	0.75	3.99	4.12	11.67	12.71
Dividend cover (x)						
Total debt/Equity (%)	30.95	70.08	33.97	21.10	23.48	21.40
Net debt/Equity (%)	1.00	24.05	6.89	-8.76	-5.99	-7.34
<b>Valuation</b>						
PER (x)	5.54	126.86	22.25	13.29	15.59	12.77
PEG (x) - y-o-y growth	0.03	-2.25	0.05	0.20	-1.05	0.58
Price/Book (x)	1.19	5.34	4.50	3.53	2.95	2.44
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	1.45	1.13
EV/EBITDA (x)	3.33	54.49	16.44	14.78	10.69	8.45
EV/EBIT (x)	4.17	145.40	21.15	18.71	13.60	10.90

Source: Company Reports, Arianth Capital Research

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### Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

### Absolute Return

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