

**CMP: INR 139**

**Rating: BUY**

**Target Price: INR 245**

**Stock Info**

BSE	514162
NSE	WELSPUNLIV
Bloomberg	WLSI:IN
Reuters	WLSP.NS
Sector	Other Textile Products
Face Value (INR)	1
Equity Capital (INR cr)	95.91
Mkt Cap (INR cr)	13,351.4
52w H/L (INR)	188/105
Avg Daily Vol (in 000')	4,780

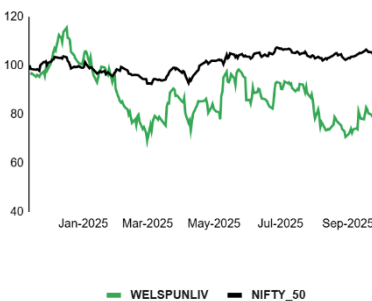
**Shareholding Pattern %**

(As on Sept 2025)

Promoters	66.2
DII	8.6
FII	5.0
Public & Others	20.2

Stock Performance (%)	1m	6m	12m
WELSPUNLIV	11.7	(8.2)	(10.6)
NIFTY 50	2.6	3.8	8.34

**WIL vs Nifty 50**



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Welspun Living Ltd reported a significant decline in Q2FY26 financial performance, with revenue falling by 16.4% YoY to INR 2,456 crore due to ongoing tariff headwinds and subdued demand, especially in exports, leading to a 93% plunge in net profit to approximately INR 13 crore from INR 201 crore in the previous year. EBITDA margins contracted sharply to 6.8%, impacted by volume pressures, adverse product mix, and partial absorption of tariff impacts, despite a slight increase in realizations driven by currency hedging. The company's operating expenses declined, and its balance sheet remained relatively resilient with a reduction in net debt to INR 1,570 crore and an improvement in free cash flow to INR 158 crore.

**Strong Market Leadership and Customer Retention:** Despite a challenging macro environment with a 50% tariff on Indian exports to the US impacting volumes, the company has successfully sustained and even strengthened its market share in the US, the largest global market, demonstrating a structural competitive edge in scale, quality, and reliability. Maintaining customer trust amid tariff headwinds underscores the company's resilient business model and moat.

**Diversified Product and Geographic Portfolio:** Welspun's diversified portfolio spans towels, sheets, bedding, rugs, carpets, flooring, and advanced textiles, mitigating category-specific risks. Additionally, geographical diversification beyond the US into the UK, Europe, GCC, ANZ, and Japan (constituting 40% of revenue), along with an increasing footprint in domestic India (13% revenue share), provides sustained growth avenues and reduces dependence on any single market.

**Strategic Capacity Expansion and Onshore Investments:** The commissioning of the Jacquard plant for terry towels and ramping up of the Ohio pillow facility (50% capacity utilization), along with ongoing Nevada expansion projects, are set to boost scale and revenues. The pillow business is expected to nearly double to \$30 million in FY26, reflecting operational agility and onshore manufacturing focus, which aligns with evolving customer preferences and mitigates tariff impacts.

**Outlook:** The company near-term outlook is marked by challenges from the ongoing 50% US tariff on Indian exports, which continues to pressure volumes and margins, but the company's strong market leadership, diversified geographic and product portfolio, and cost controls provide a buffer against these headwinds; domestic market growth fueled by India's favorable macro environment and GST rationalization offers additional support, while onshore capacity expansions and premium brand growth underpin medium-term recovery in margins and earnings; We maintain Buy rating at a P/E multiple of 25x based on FY27E EPS of INR 9.8, leading to a TP of INR 245.

Particulars (INR Cr)	FY23	FY24	FY25	FY26E	FY27E
Revenue	8,094	9,679	10,545	11,231	12,376
Growth%	-13.10%	19.60%	8.90%	6.50%	10.20%
Gross Margin	44.20%	47.20%	46.20%	46.70%	47.00%
EBITDA	752.5	1,368.9	1,298.5	1,257.8	1,448.0
EBITDA Margin	9.30%	14.10%	12.30%	11.20%	11.70%
PAT	202.5	672.6	643.6	673.8	792.1
P/E	31.66	19.64	23.3	17.6	15.4
EPS	2	7	6.6	7.5	9.8

Source: Company Filings & Arihant Capital Research

INR Cr (Consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>2440.91</b>	<b>2260.57</b>	<b>2873.09</b>	<b>7.98%</b>	<b>-15.04%</b>
Raw Material Costs	1367.05	1183.13	1593.11	15.55%	-14.19%
Gross Profit	1073.86	1077.44	1279.98	-0.33%	-16.10%
<i>Gross Margin</i>	43.99%	47.66%	44.55%	-367bps	-56bps
Employee costs	298.95	290.00	292.52	3.09%	2.20%
Other Expenses	621.58	562.02	629.83	10.60%	-1.31%
<b>EBITDA</b>	<b>153.33</b>	<b>225.42</b>	<b>357.63</b>	<b>-31.98%</b>	<b>-57.13%</b>
<i>EBITDA margin</i>	6.28%	9.97%	12.45%	-369bps	-617bps
Other Non-Operating Income	14.75	28.90	62.93	-48.96%	-76.56%
Depreciation	100.91	87.88	85.55	14.83%	17.95%
<b>EBIT</b>	<b>67.17</b>	<b>166.44</b>	<b>335.01</b>	<b>-59.64%</b>	<b>-79.95%</b>
Finance costs	43.35	42.45	54.86	2.12%	-20.98%
Share of Associates	-	-	0.17	#DIV/0!	-100.00%
<b>PBT</b>	<b>23.82</b>	<b>123.99</b>	<b>280.32</b>	<b>-80.79%</b>	<b>-91.50%</b>
Tax Expense	8.96	34.69	77.92	-74.17%	-88.50%
<i>Effective tax rate</i>	37.62%	27.98%	27.80%	964bps	982bps
<b>PAT</b>	<b>14.86</b>	<b>89.30</b>	<b>202.40</b>	<b>-83.36%</b>	<b>-92.66%</b>
<i>PAT margin</i>	0.61%	3.90%	6.89%	-330bps	-629bps
<b>EPS (INR)</b>	<b>0.13</b>	<b>0.92</b>	<b>2.10</b>	<b>-85.87%</b>	<b>-93.81%</b>

**Cost Control and Margin Recovery Focus:** Facing tariff-led volume pressures and adverse mix impacting EBITDA margins (6.8% in Q2), the company is sharply focused on cost discipline, overhead optimization, plant efficiencies, automation, and digitalization. Though margins are under short-term stress, there is a clear pathway for margin recovery supported by cost controls and supply chain improvements.

**Resilient Domestic Market Opportunity and GST Benefit:** India's consumption growth is supported by strong macro fundamentals, digital payments, and real estate activity. The recent GST rate rationalization enhances affordability and benefits about 30% of Welspun's portfolio, expected to accelerate shifts toward branded and organized players. The domestic flooring business has recorded double-digit growth, highlighting strong potential in emerging segments.

**Innovation and Premium Brand Momentum:** Welspun's luxury heritage brand Christie has demonstrated robust growth (>40% YoY) with healthy gross margins (~50%), supported by online and offline expansion in strategic retail locations (Bloomingdale's, John Lewis). Innovation in premium, hygiene, healthcare, and filtration textile categories further supports long-term growth and strengthens brand equity.

**Robust Financial Health and Operating Efficiency:** The company continues to maintain a strong balance sheet with net debt reduction and improved free cash flow (INR 158 crore in Q2). The company's working capital cycle is among the best, with 88 days of cash conversion, reflecting strong operational controls.

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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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