

CMP: INR 937

Rating: BUY

Target Price: INR 1,199

Stock Info

BSE	532144
NSE	WELCORP
Bloomberg	WLCO:IN
Sector	Iron & Steel Products
Face Value (INR)	2
Mkt Cap (INR Bn)	248.13
52w H/L (INR)	995/600
Avg Yearly Vol (in 000')	946

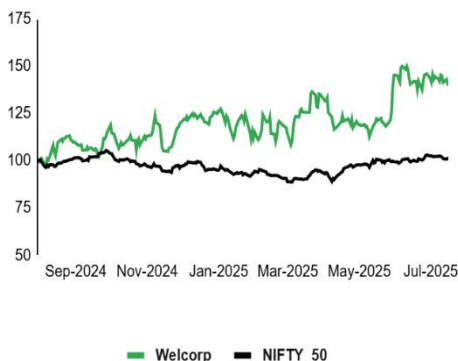
Shareholding Pattern %

(As on Jun, 2025)

Promoters	49.84%
Public & Others	50.16%

Stock Performance (%)	1m	6m	12m
WLCO	+14.5	+30.1	+45.8
Nifty 50	-2.6	+6.9	+0.0

WELCORP Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Ronak Ostwal
Ronak.Ostwal@arihantcapital.com
022 67114865

Overview: Numbers outbeat estimates on various fronts, with strong commentary and guidance

Welspun Corp Ltd reported Strong QoQ & YoY Earnings Beat with robust margin expansion. Total Income came in at INR 35.87 Bn (-9.59% QoQ) (+12.8% YoY) (-4.92% against our estimates). EBITDA came in at INR 5.6 Bn (+21.7% QoQ) (+49.77% YoY) (+19% against our estimates). EBITDA Margin came in at 15.62% (Vs 11.6% QoQ) (Vs 11.76% YoY) (against our estimates of 12.48%). PAT came in at INR 3.49 Bn (+56.79% QoQ) (+40.82% YoY) (+18.36% against our estimates). PAT Margin came in at 9.74% (Vs 5.61% QoQ) (Vs 7.80% YoY) (against our estimates of 7.82%)

Key Triggers:

Diversification into High-Growth Building Materials: The Sintex water-tank and polymer-pipe business, following an INR 13 Bn phased investment, boosts total addressable market from INR 120 Bn to INR 850 Bn. Early OPVC-pipe orders across multiple states validate product uptake; brand revitalization (Sintex Hamesha) and distributor-plumber engagement have doubled channel activation QoQ, targeting 5% market share by FY30.

Tailwinds from Energy-Infrastructure and Water Projects: India's oil demand will double to 12 Mn barrels per day by 2050 and natural gas will rise to 15% of India's energy mix by 2030, sustaining demand for high-spec pipelines. The government will open 1 Mn square kilometers of new oil and gas acreage by 2030 and expand city-gas distribution at a 10% CAGR to FY 2030 with an INR 300 Bn AMRUT 2.0 investment. Major river-link projects such as Ken-Betwa and ERCP will require over 1 Mn tonnes of line-pipe for water transfer. Global LNG export growth in the Permian basin and Saudi Aramco field expansions is driving multi-year orders for export and domestic pipelines. Welspun's capacities in India, the US, and Saudi Arabia are well positioned to capture these long-term tailwinds.

Outlook: Welspun is riding a wave of strong margin expansion, with quarterly EBITDA surging on the back of a premium product mix and tight cost control. The company's leadership in large-diameter line pipes especially in the U.S. and India means it is perfectly positioned to benefit from booming oil, gas, hydrogen and carbon-capture pipeline projects. At the same time, massive water-infrastructure programs at home and global LNG export terminal builds in the U.S. and Saudi Arabia provide multi-year order visibility and further pricing strength. **We revise our target price to INR 1,199 and maintain our BUY rating.**

Valuation Summary

Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	65,051	97,581	1,73,396	1,39,775	1,67,852	2,09,150
EBIDTA	4,717	4,846	15,614	16,682	21,816	24,159
Net Profit	4,552	1,992	11,360	19,023	15,048	15,750
EPS, Rs	17.45	7.61	43.42	72.70	57.51	60.19
PER, x	12.21	122.52	21.49	12.83	16.22	15.50
EV/EBIDTA, x	11.42	52.71	15.88	14.26	11.00	10.00
P/BV, x	1.26	5.16	4.35	3.41	2.89	2.48
ROE, %	10.28	4.21	20.23	26.55	17.79	16.03

Welspun Corp Q1FY26 Management Meet Highlights

Capex 2.0 to propel company to new heights. Execution being the most important factor

Key Highlights of the Meeting:**Line Pipes – India**

- Line-pipe volumes: 182 kt (India + US), with DI pipes at 65 kt and SS bars & pipes at 9 kt.
- Consolidated order book: ~INR 190 Bn (8 quarters' visibility in the US; >4 quarters in India) driven by oil & gas, CGD, LNG-terminal and water-pipeline projects.
- Domestic oil demand to double to 9 mbpd by 2050; natural-gas consumption to more than double by 2040, with 1 mn km² of exploration area to be auctioned by 2030.
- City-Gas-Distribution capex of ~INR 300 Bn in next 3 years; CGD to grow at 10% CAGR over FY '20-'30.
- Irrigation- and urban-water networks expanding in Gujarat, MP, Rajasthan, Haryana, Tamil Nadu and Jharkhand under JJM and AMRUT 2.0; interlinking projects (Ken-Betwa, ERCP, Maharashtra) to add >1 mn t of pipe demand.

Line Pipes – USA

- US line-pipe order book of ~600 kt (8 quarters' visibility) with >30% market share.
- LNG export capacity (current ~13 BCF/d) set to expand by 10 BCF/d under new trade deal with Europe.
- Continued traction in onshore/offshore gas, hydrogen and carbon-capture pipelines; 4–5 large natural-gas-pipeline projects expected from the Permian basin in medium term.
- No planned downtime after current orders; expanding ERW capacity to meet higher long-term demand.

Line Pipes – Saudi Arabia

- JV "EPIC" (spiral pipes) order book covers >8 quarters; no immediate capacity shortfall due to local capabilities.
- New wholly-owned longitudinal-pipe (LSAW) and DI-pipe plants in Dammam on track for FY '26 commissioning.
- Strong demand from Aramco (oil & gas) and SALINE water-transmission projects; local import restrictions (anti-dumping) to benefit domestic producers.
- 5% stake sale in EPIC raised ~INR 5 Bn to fund KSA capex.

DI Pipes – India

- DI-pipe order book >300 kt; JJM funding to normalize in H2 FY '26 after a temporary slowdown and inventory correction.
- Irrigation demand of 2–3 mn t over next 3–4 years; ramp-up to 80–85% plant utilisation.
- Geographic expansion into Haryana, Chhattisgarh, Punjab, Goa, Odisha and Telangana.
- DI-pipe greenfield plant in KSA also under construction for export and local supply.

WSSL (Stainless-steel Bars & Pipes)

- Order book ~10 kt.
- All-time-high bright-bar volumes; value-added pipe volumes impacted by June shutdown (now completed).
- AS9100D aerospace accreditation achieved; IBR, Norsok and other approvals expected by Q3 FY '26.
- New bright-bar facility commissioning in Q3 FY '26 to boost global supply.

Sintex (Building Materials)

- Total addressable market expanding from ~INR 120 Bn (tanks) to ~INR 850 Bn (tanks + pipes).
- Water-tank penetration, distributor/dealer and plumber network ("Sintex Hamesha") at all-time high; plumber engagement doubled QoQ.
- Polymer-pipe expansion via VTech (Chhattisgarh) acquisition and Bhopal OPVC plant (OPVC orders secured; Q2 FY '26 execution).
- Multiple greenfield polymer-pipe plants planned pan-India; exclusive Rollepaal technology partnership; full-scale commissioning by Q4 FY '25.
- OPVC rollout in East, Central and Southern States with growing specification acceptance.

TMT Bars

- Focused on Gujarat market with premium, service-and-quality positioning; monsoon-led Q1 slowdown, pick-up from Q2 onward.

Capital Expenditure & Funding

- INR 13 Bn Sintex capex primarily OPVC over FY '25–'27; phased 40% in FY '26, 60% in FY '27.
- Total corporate capex of INR 55 Bn over FY '26–'28, fully funded by operating cash flow; net-debt/EBITDA target $\leq 1\times$.
- CRISIL upgrade to AA (Stable) on strong cash-flow and balance-sheet metrics.

Guidance & Outlook

- Q1 FY '26 EBITDA INR 5.6 Bn (16% margin), PAT INR 3.5 Bn; highest-ever quarterly EBITDA and 24% annualised ROCE.
- FY '26 guidance reaffirmed, with potential to exceed based on strong multi-geography order book and new capacities.
- Strategic focus on sustainability, digitalisation, governance and people.

Outlook:

Welspun has laid out clear plans to grow strongly in India, the US and Saudi Arabia. They've sold a small stake in their Saudi JV, EPIC, to fund new pipe plants there both for large-diameter LSAW and ductile-iron pipes and will redeploy some existing Dahej capacity to speed up local supply and avoid import duties. In the US, they're adding more ERW pipe lines to capture rising LNG, gas-fired power and carbon-capture projects. In India, they're ramping up DI and water-pipe volumes as JJM and AMRUT schemes normalize and broadening their geographic reach. Non-core businesses like Nauyaan Shipyard are being exited, with all generated cash recycling into the INR 55 Bn capex plan over FY26–28, funded by strong operating cash flow and a net-debt/EBITDA target below $1\times$. The key things to watch are on-time, on-budget project commissioning, smooth capex execution and order-book conversion into shipments. Given their proven delivery track record, eight quarters of global order visibility and conservative balance-sheet guardrails, **we remain positive and keep our BUY rating with an INR 1,199 target price.**

Exhibit: Income Statement (Consol)

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	65,051	97,581	1,73,396	1,39,775	1,67,852	2,09,150
Net Raw Materials	47,580	72,540	1,20,995	88,703	1,13,016	1,26,259
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	21,816	24,159
EBITDA (%)	7.25	4.97	9.00	11.93	13.00	11.55
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	1,343	1,480
Associate & JV		752	2,618	6,090	1,273	1,273
Profit before tax	6,663	3,336	14,135	22,619	17,915	18,622
Taxes	2,164	1,345	2,775	3,596	2,866	2,872
Net profit	4,499	1,992	11,360	19,023	15,048	15,750
Reported Netprofit Margin (%)	6.38%	1.98%	6.46%	13.00%	8.89%	7.48%
EPS (INR)	17.45	7.61	43.42	72.70	57.51	60.19

Source: Company Reports, Arihant Capital Research

Exhibit: Balance Sheet (Consol)

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Cash & bank	21,947	21,783	15,208	21,396	24,315	24,689
Marketable securities at cost	0	0	0	0	0	0
Debtors	8,126	11,405	17,991	22,977	22,993	28,651
Inventory	10,195	56,862	23,156	38,295	34,490	40,111
Loans & advances	1,184	6,454	4,512	6,517	7,365	3,814
Other current assets	1,711	0	0	0	0	0
Total current assets	43,162	96,504	60,866	89,184	89,163	97,265
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	1,74,281	2,01,361
Current liabilities	23,166	75,105	32,924	56,890	58,504	69,364
Provisions	6,677	6,825	6,646	6,783	6,924	7,067
Total current liabilities	29,843	81,929	39,570	63,673	65,428	76,431
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	88,241	1,01,521
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	83,302	96,959
Shareholders' equity	45,275	48,441	57,345	72,955	86,040	98,267
Total equity & liabilities	91,689	1,53,393	1,18,154	1,54,158	1,74,281	1,99,788

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	17,915	18,622
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	4,573	3,148
Total tax paid	-1,463	-280	-1,715	-3,321	-2,581	-2,577
Other operating activities	-	-	-	-	-	-
Cash flow from operating activities	15,321	-1,722	1,437	24,691	24,862	25,712
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	1,135	1,597
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	4,192	74
Opening cash balance	14,100	21,947	21,783	15,208	21,396	24,315
Closing cash balance	21,947	21,783	15,208	21,396	24,315	24,689

Source: Company Reports, Arianth 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	57.51	60.19
Growth, %	1,075.64	-56.35	470.13	67.46	-20.89	4.67
Book NAV/share (INR)	123.24	180.93	214.64	273.85	323.36	375.55
FDEPS (INR)	26.53	7.61	43.42	72.70	57.51	60.19
CEPS (INR)	35.47	19.20	56.71	86.12	76.45	85.11
CFPS (INR)	22.36	-24.05	33.63	46.30	85.40	88.16
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	10.11	9.33
Return on equity (%)	21.53	4.21	20.23	26.55	17.79	16.03
Return on capital employed (%)	14.80	6.57	19.14	26.23	16.63	15.07
Turnover ratios						
Asset turnover (x)	3.12	2.01	2.88	2.21	2.33	2.39
Sales/Total assets (x)	1.23	0.80	1.27	1.02	1.02	1.11
Sales/Net FA (x)	6.18	2.36	3.63	2.76	2.67	2.54
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	86.20	90.45
Working Capital day	74.22	55.55	45.14	67.03	51.97	36.66
Working capital days (Ex-cash)	38.92	-25.93	13.13	11.16	-0.90	-6.43
Liquidity ratios						
Current ratio (x)	1.55	1.18	1.54	1.40	1.37	1.28
Quick ratio (x)	0.93	0.49	0.96	0.80	0.84	0.75
Interest cover (x)	6.43	0.75	3.99	4.12	10.80	9.96
Dividend cover (x)						
Total debt/Equity (%)	30.95	70.08	33.97	21.10	23.80	22.53
Net debt/Equity (%)	1.00	24.05	6.89	-8.76	-4.94	-2.60
Valuation						
PER (x)	5.54	122.52	21.49	12.83	16.22	15.50

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800