ArihantCapital
Generating Wealth

Q1FY26 Result Update
31st July 2025

Welspun Living Ltd

CMP: INR 133

Rating: BUY

Target Price: INR 186

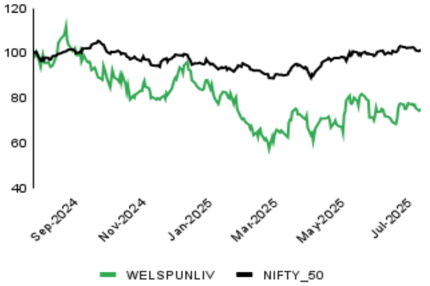
Stock Info	
BSE	514162
NSE	WELSPUNLIV
Bloomberg	WLSI:IN
Reuters	WLSP.NS
Sector	Other Textile Products
Face Value (INR)	1
Equity Capital (INR cr)	95.91
Mkt Cap (INR cr)	12,737.5
52w H/L (INR)	213/105
Avg Daily Vol (in 000')	5,073

Shareholding Pattern %
(As on March 2025)

Promoters	66.2
DII	9.2
FII	4.8
Public & Others	19.8

Stock Performance (%)	1m	3m	12m
WELSPUNLIV	(8.4)	(6.3)	(29.2)
NIFTY 50	(2.6)	(6.9)	(0.01)

WIL vs Nifty 50



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Welspun Living Q1 FY26 reported consolidated revenue of INR 22,895 Mn, down 11.6% YoY missing our estimates of INR 23,843 Mn , primarily impacted by a decline in export business due to reciprocal US-India tariffs and ensuing market uncertainty. EBITDA stood at INR 2,543 Mn, with margins contracting by 409 bps YoY to 11.1% missing our estimates of 13%, mainly due to lower volumes and operating deleverage. Consequently, PAT (after minority interest) declined 52.8% YoY to INR 876 Mn, reflecting the overall pressure on operating profitability.

Diversified Segmental Performance: Core home textiles exports declined 11.8% YoY to INR 1,885 Mn with margin compression (12.6% vs. 16.9% YoY). Domestic flooring grew 26% YoY, but overall segment fell 15% YoY to INR 1,934 Mn due to export headwinds. Emerging businesses contributed 30% of revenue, led by 18% from branded portfolio. Advanced textiles saw a revenue dip of 11.6% YoY (INR 2,170 Mn), while the domestic consumer business posted 10% YoY growth.

Strong Market Position & Global Diversification: India commands 45% and 59% US market share in towels and bedsheets, respectively. Despite near-term US tariff challenges, geographic diversification is yielding results with non-US markets now contributing 40% of revenue. The upcoming India-UK FTA (removal of 12% textile tariff) presents a structural tailwind.

Capacity Expansion & US Market Penetration: US-focused pillow business is scaling up—Ohio plant at 47% utilization; Nevada facility (10.8 Mn units/year) to go live by Q4 FY26, adding $60 Mn in revenue potential. Flooring automation and capacity upgrades (24 Mn sqm installed) support scalability. The strategic location of pillow plants on both US coasts ensures logistics efficiency.

Outlook: Q2 FY26 is expected to be challenging with ongoing tariff and trade uncertainties impacting revenue and margins. Focus remains on cost management, operational agility, and customer alignment. Long-term optimism is maintained with growth driven by domestic and branded businesses, and new opportunities emerging from UK, EU, and Japan trade agreements. The company is committed to achieving zero net debt by FY28 and building resilience amid global trade shifts. **The company will face a tough road ahead after the US imposed a 25% tariff on Indian textile imports. With almost two-thirds of its sales coming from the US, this move directly hits profits and puts pressure on Welspun's margins. US buyers may now prefer cheaper alternatives from countries like Vietnam or the EU, pushing Welspun to rethink its strategy. We maintain Buy rating at a P/E multiple of 19x based on FY27E EPS of INR 9.8, leading to a TP of INR 186.**

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	**80,938**	**96,792**	**1,05,451**	**112305**	**123760**
Growth%	-13.1%	19.6%	8.9%	6.5%	10.2%
Gross Margin	**44.2%**	**47.2%**	**46.2%**	**46.7%**	**47.0%**
EBITDA	**7,525**	**13,689**	**12,985**	**12,578**	**14,480**
EBITDA Margin	9.3%	14.1%	12.3%	11.2%	11.7%
PAT	**2,025**	**6,726**	**6,436**	**6,738**	**7,921**
P/E	31.66	19.64	23.3	17.6	15.4
EPS	2.0	7.0	6.6	7.5	9.8

Source: Company Filings & Arihant Capital Research

INR Cr (Consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Net Revenue	**2260.57**	**2645.90**	**2536.49**	***-14.56%***	***-10.88%***
Raw Material Costs	1183.13	1401.21	1359.79	*-15.56%*	*-12.99%*
Gross Profit	1077.44	1244.69	1176.70	*-13.44%*	*-8.44%*
Gross Margin	*47.66%*	*47.04%*	*46.39%*	*62bps*	*127bps*
Employee costs	290.00	291.88	281.86	*-0.64%*	*2.89%*
Other Expenses	562.02	636.99	553.32	*-11.77%*	*1.57%*
EBITDA	**225.42**	**315.82**	**341.52**	***-28.62%***	***-34.00%***
EBITDA margin	*9.97%*	*11.94%*	*13.46%*	*-196bps*	*-349bps*
Other Non-Operating Income	28.90	2.26	51.96	*1178.76%*	*-44.38%*
Depreciation	87.88	92.84	96.77	*-5.34%*	*-9.19%*
EBIT	**166.44**	**225.24**	**296.71**	***-26.11%***	***-43.90%***
Finance costs	42.45	56.91	43.37	*-25.41%*	*-2.12%*
Share of Associates	-	-0.24	0.05	*-100.00%*	*-100.00%*
PBT	**123.99**	**168.09**	**253.39**	***-26.24%***	***-51.07%***
Tax Expense	34.69	**35.29**	67.44	*-1.70%*	*-48.56%*
Effective tax rate	*27.98%*	*20.99%*	*26.62%*	*698bps*	*136bps*
PAT	**89.30**	**132.80**	**185.95**	***-32.76%***	***-51.98%***
PAT margin	*3.90%*	*5.01%*	*7.18%*	*-111bps*	*-328bps*
EPS (INR)	**0.92**	**1.40**	**1.93**	***-34.29%***	***-52.33%***

Product & Brand Performance: Innovation accounted for 27% of revenue this quarter. Key focus areas include pillows, utility, and fashion bedding. Branded business (18% of revenue) grew in single digits, supported by Christy, Martha Stewart, and Disney Home brands. Towels and sheets declined but are expected to recover seasonally.

Business Environment & Strategic Context: Welspun Living navigated Q1 FY26 amid shifting global trade dynamics, ongoing tariff uncertainties, and cautious consumer sentiment. Reciprocal tariffs between the US and India caused order delays and market pressure but are expected to drive global sourcing realignment over time. The India-UK Free Trade Agreement, removing a 12% home textile tariff, is a key growth opportunity. Geographic diversification efforts have increased non-US markets' share (including UK, EU, GCC, ANZ, Japan, and India) to 40% of revenue.

ESG & Sustainability: The company progressed toward 100% renewable energy and sustainable cotton by 2030. Recently commissioned an 18MW solar plant in Vapi and 4MW in Hyderabad, aiming for 47MW of green power by year-end.

Capex: INR 830 Mn spent in Q1FY26; full year planned capex at INR 2,000 Mn+ (including US pillow facility).

Net Debt: Guidance of INR 13,000–14,000 Mn range for FY26.

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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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