


3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

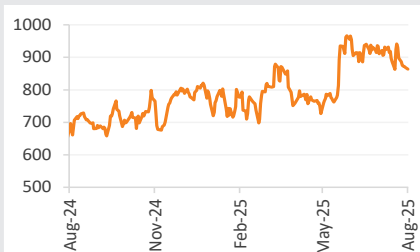
	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

Company details

Market cap:	Rs. 22,963 cr
52-week high/low:	Rs. 995/638
NSE volume: (No of shares)	9.8 lakh
BSE code:	532144
NSE code:	WELCORP
Free float: (No of shares)	13.1 cr

Shareholding (%)

Promoters	50
FII	12
DII	21
Others	17

Price chart


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.8	15.2	12.5	33.5
Relative to Sensex	-1.1	17.9	7.0	32.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Welspun Corporation Ltd
Strong quarter; growth outlook robust

Capital Goods	Sharekhan code: WELCORP		
Reco/View: Positive ↔	CMP: Rs. 876	Upside potential: 22%	↔

Summary

- Company reported a revenue of Rs. 3,551 crore, up 13.2% y-o-y. Operating profit of Rs. 525 crore grew 40.4% y-o-y and was higher than estimates.
- The company is on track to meet its FY26 guidance as indicated by a strong Q1FY26.
- Pipe business outlook remains robust across US and Saudi Arabia. Good execution in the Sintex business would further help the company to negate the earnings cyclicality.
- We assign a 11.5x EV/EBITDA multiple on its FY27 estimate because of the strong execution and the Sintex optionality, and expect a 22% upside on the stock. Company trades at a valuation of 11.2x/9.5x its FY26E/27E EV/EBITDA.

Q1FY26 consolidated revenue at Rs. 3,551 crore was up 13.2% y-o-y. DI pipe volumes have been soft because of a funding slowdown for the past 2-3 quarters. Operating profit of Rs. 525 crore increased 40% y-o-y and was higher than estimates. It was due to a mix of higher margin segments – US operations, Oil & gas segment and Stainless Steel. Net profit of Rs. 350 crore increased 41% y-o-y and beat the estimates as well. Company's net cash balance is Rs. 600 crore. The company has a strong orderbook of a. 19,000 crore with visibility of atleast 8 quarters in the US and more than 4 quarters in the Indian operations – including pipes, DI pipes and SS pipes.

Management Commentary

- In Indian line pipes, good demand is expected from the oil & gas sector and river-linking projects.
- The company has a 30% market share in the US line pipe business. There's a good demand from LNG terminals and gas requirement to fuel the power plants of data centres.
- The longitudinal pipe plant in Saudi Arabia will be operational by the end of the year.
- The company has started production and received initial orders for their new OPVC pipes plant, which will begin execution in Q2. For Sintex business, the company is targeting a 5% market share by FY30 as a premium player.
- Company is going to undertake a cumulative capex of ~Rs. 5,500 crore in the next 2 years with 40% of the planned capex in FY26 and the remainder 60% in FY27, with all capex to be funded through internal accruals. Q1FY26 capex was Rs. 450 crore. The management has guided that net debt/EBITDA will not exceed 1x.
- In Sintex, the company is investing Rs. 1,300 crore, largely in the OPVC business.

Our Call

Valuation – Maintain a Positive view on Welspun Corp; expect a 22% upside: Welspun's strong global presence (US, Saudi Arabia, and India) makes it well placed to tap growing global opportunities in the line pipe business, especially from the oil & gas sectors. Welspun has multiple re-rating catalysts given robust core line pipe business outlook and B2C foray through Sintex/TMT bars (which fetch better valuation compared to the cyclical line pipe business). Hence, we stay Positive on Welspun Corp and expect a 22% upside potential from CMP, assigning a 11.5x EV/EBITDA multiple on its FY27 estimates. The stock trades at valuation of 11.2x/9.5x its FY26E/27E EV/EBITDA.

Key Risks

1) Low oil price may impact order inflow from the key oil & gas sector 2) Lower-than-expected ramp-up of the new and acquired business segments.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	Rs cr FY27E
Revenue	9,758	17,340	13,978	17,855	21,580
Operating profit	485	1,561	1,668	2,114	2,584
OPM (%)	5.0	9.0	11.9	11.8	12.0
Adjusted PAT	207	1,110	1,908	1,411	1,643
% YoY growth	-52.9	437.2	71.8	-26.1	16.5
Adjusted EPS (Rs.)	7.9	42.5	73.0	54.0	62.8
P/E (x)	110.8	20.6	12.0	16.2	13.9
P/B (x)	4.8	4.1	3.1	2.6	2.2
EV/EBITDA (x)	51.6	15.2	13.5	11.2	9.5
RoNW (%)	4.5	21.5	29.2	17.4	17.3
RoCE (%)	6.5	17.5	17.2	18.4	18.7

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated)

					Rs cr
Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	3,551	3,137	13.2	3,925	-9.5
Total Expenditure	3,026	2,763	9.5	3,465	-12.7
Operating profit	525	374	40.4	460	14.1
Depreciation	85	85	-0.1	87	-2.5
Other Income	35	42	-17.5	42	-16.4
Interest	63	66	-4.8	88	-27.8
Exceptional income/(expense)	0	0	-	477	-100.0
Share of Profit / (Loss) of Associates/ JVs	49	40	22.2	51	-4.3
PBT	461	305	51.0	855	-46.1
Tax	112	57	95.3	156	-28.3
Reported PAT	349	248	40.8	699	-50.1
Share of Minority Interest	-1	0	-	1	-243.2
Adjusted PAT	350	248	41.2	698	-49.8
Adjusted EPS (Rs)	13.4	9.5	41.2	26.6	-49.8
Margins(%)			BPS		BPS
OPM	14.8	11.9	286	11.7	306
NPM	9.9	7.9	196	17.8	-792
Tax rate	17.1	25.9	-874	9.2	790

Source: Company; Mirae Asset Sharekhan Research

Volume performance

					Rs cr
Particulars	Q1FY26	Q1FY25	y-o-y (%)	Q4FY25	q-o-q (%)
DI Pipes (KMT)	65	64	1.6	76	-14.5
Line Pipes (KMT)	182	165	10.3	245	-25.7
TMT Bars (KMT)	40	57	-29.8	51	-21.6
SS Bars (MT)	7,400	4,738	56.2	5,200	42.3
SS Pipes (MT)	850	1,139	-25.4	1,300	-34.6

Source: Company; Mirae Asset Sharekhan Research

Line Pipe Sales volumes includes both India & US geographies

Guidance for FY26

Particulars (INR Crore)	FY26	Q1FY26
	Guidance	Progress
Revenue	17,500	3,552
EBITDA	2,200	560
ROCE	>20%	24%*
Net Debt/ EBITDA	<1.0	(0.30)

*Annualized

Source: Company

Update on Investments

Sr No	Project	Location	Capacity	Investment (INR Crore)	Target Completion	Progress/ Update
1	HFIW Plant	USA	350 KMTPA	840	Mar-26	On track
2	LSAW Plant including DJ & Coating	USA	350 KMTPA	1,075	Dec-26	On track
3	DI Pipes Plant	KSA	250 KMTPA	1,660	Apr-26	On track
	LSAW Plant	KSA	350 KMTPA			
4	Spiral Plant	Bhopal	60 KMTPA	52	Jul-25	On track
5	Coating Plant	Bhopal	3 mn sqmt p.a.	40	Dec-25	On track
6	Hybrid facility of Spiral + LSAW pipes (In existing Spiral plant)	Anjar	Capability upgradation	125	Mar-26	On track
7	Hot Induction bends	Anjar	1,500 – 2,000 bends PA	90	Jun-26	On track
8	DI Pipes expansion	Anjar	200 KMTPA	300	Completed	Under Trial Production
10	Sintex (Plastic Pipes + WST)	Multiple locations across India	200 KMTPA	1,300	Investment in a staggered and calibrated manner over FY25 to FY27	On track
	Total (till FY27)			5,482		

Source: Company

Outlook and Valuation

■ Sector Outlook – Long-term growth drivers remain intact

Demand for line pipes in India is expected to be strong with 10,000 kms of gas pipelines to be installed in the next 2-3 years. CGD pipelines in atleast 50% of geographical areas are yet to be installed. In irrigation pipeline, interlinking rivers is a huge opportunity. US is the largest LNG exporter in the world and it is continuing drilling activity for exploration. This will lead to demand for line pipes. Saudi Arabia's pipe industry has favorable prospects in both water and oil & gas sectors. Indian government's focus on initiatives like Jal Jeevan Mission, Nal se Jal and AMRUT infrastructure bodes well for the Ductile iron pipes business. Indian WST market is expected to double and plastic pipes is expected to reach Rs. 1,30,000 crore market size from Rs. 55,000 crore today.

■ Company Outlook – Robust demand outlook in pipes and ramp-up in Sintex to aid growth

Welspun has a strong total orderbook of Rs. 19,000 crore, which provides good revenue visibility for next 1-2 years. Company received large orders from the US business in the last year and is likely to get more orders. The outlook is strong across line pipes, DI pipes and TMT bars. Company's foray into the less cyclical plastics segment bodes well for the earnings growth trajectory. Operating profit (EBITDA) is expected to grow at a CAGR of 24% from FY25-27E.

■ Valuation – Maintain a Positive view on Welspun Corp; expect a 22% upside

Welspun's strong global presence (US, Saudi Arabia, and India) makes it well placed to tap growing global opportunities in the line pipe business, especially from the oil & gas sectors. Welspun has multiple re-rating catalysts given robust core line pipe business outlook and B2C foray through Sintex/TMT bars (which fetch better valuation compared to the cyclical line pipe business). Hence, we stay Positive on Welspun Corp and expect a 22% upside potential from CMP, assigning a 11.5x EV/EBITDA multiple on its FY27 estimates. The stock trades at valuation of 11.2x/9.5x its FY26E/27E EV/EBITDA.

About company

Welspun Corp Ltd (WCL) is the flagship company of Welspun World, one of India's fastest-growing multinationals with a leadership position in line pipes and home solutions. WCL is one of the largest manufacturers of large diameter pipes globally and has established a global footprint across six continents and fifty countries by delivering key customized solutions for both onshore and offshore applications. The company also manufactures TMT (Thermo-Mechanically Treated) Rebars, Ductile Iron (DI) Pipes, Stainless Steel Pipes, and Tubes & Bars. The company has state-of-the-art manufacturing facilities in Anjar (Gujarat), Bhopal (Madhya Pradesh), Mandya (Karnataka) and Jhagadia (Gujarat) in India. Overseas, WCL has a manufacturing presence in Little Rock, Arkansas, USA. WCL's expansion entails creating a diversified product portfolio and repurposing its business to add new target segments, organically and inorganically. The company acquired Sintex-BAPL, a market leader in water tanks and other plastic products, to expand its building materials portfolio.

Investment theme

Welspun's strong order book provides revenue growth visibility and ramp up of existing line pipe and new businesses (DI pipes, TMT bars, and specialty steel) would drive significant earnings growth over FY2025-FY2027E. Inorganic growth (acquisition of Sintex) provide the opportunity to diversify into new business avenues of plastic pipes. The company has a FY2026 revenue/EBITDA guidance of Rs. 17,500 crore/Rs. 2,200 crore. Valuation is reasonable, considering the strong operating profit and earnings growth in the next few years.

Key Risks

- ♦ Low oil price may impact order inflow from the key oil and gas sector.
- ♦ Lower-than-expected ramp-up of new and acquired business segments.

Additional Data

Key management personnel

Name	Designation
Balkrishan Goenka	Chairman and Non-Executive Director
Vipul Mathur	Managing Director and CEO
Percy Birdy	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	AUTHUM INVESTMENT & INFRASTR LTD	6.22
2	Life Insurance Corp of India	4.72
3	DSP Investment Managers Pvt Ltd	2.78
4	ARYABHAT VYAPAR PVT LTD	2.63
5	Welspun Investments & Commercials	2.57
6	Aditya Birla Sun Life Asset Manage	2.55
7	FMR LLC	2.09
8	Vanguard Group Inc/The	1.98
9	Quant Money Managers Ltd	1.81
10	Dimensional Fund Advisors LP	1.22

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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