Welspun Corp Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** WCL has successfully transitioned from a lumpy, project-based line-pipe manufacturer to a diversified building materials powerhouse, with the Q3 performance demonstrating that the "new" verticals (DI Pipes, Sintex, Stainless) are now self-sustaining growth engines.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	9M EBITDA (□1,391 Cr) has already achieved 93% of full-year guidance (□1,500 Cr).	□
Earnings Quality	High (Core driven)	Growth driven by volume ramp-ups in DI Pipes (+429% YoY) and Line Pipes (+78% YoY).	□
Guidance Confidence	Strong	FY24 Revenue/EBITDA targets are now floor-level; Q4 requires only minimal run-rates to over-deliver.	□
Management Credibility	Strong	Delivered on Sintex integration and turned WSSL (Stainless) into a profitable entity within 18 months.	□
Business Quality Signal	Improving	Diversification into B2C (Sintex/TMT) is structurally reducing the historical high volatility of the earnings profile.	□
Key Q&A Exchange	N/A — PPT_ONLY	No concall conducted or provided for this specific document set.	□
The Street's Primary Anxiety	Sustainablity of US Mix	US order book is booked through Q1FY25; gas evacuation demand in Permian Basin remains a structural tailwind.	□
Capital Cycle Stage	Harvesting & Reinvesting	Harvesting India/US Line Pipe cash flows to fund DI expansion in Middle East (□500 Cr).	□
Margin Trajectory	Stable	EBITDA Margins (11.0%) sustained despite commodity volatility and ramp-up costs.	□
Pricing Power	Expanding	Sintex commands premium branding; WSSL developed "Ultra Low Cobalt" SS for nuclear applications (high-moat).	□
FCF Conversion	Strong	9M PAT of □842 Cr supporting aggressive deleveraging and growth capex simultaneously.	□
Competitive Moat	Widening	Only integrated producer (Steel to Pipe) in SS; dominant market share in Saudi through EPIC.	□
Balance Sheet Strength	Strong	Net Debt/EBITDA is on track to fall below 0.4x by year-end.	□
Working Capital Efficiency	Stable	Inventory levels managed effectively despite higher volumes in DI and Line Pipes.	□
Mgmt Guidance Track Record	Reliable	Consistent history of meeting/beating stated volume and margin targets.	□
Key Vulnerability	Timing Mismatch	Project-based recognition in Saudi (EPIC) can still create non-linear quarterly optics.	□
Management Tone	Confident	Aggressive expansion plans in Plastic Pipes and Middle East DI capacity.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The diversification thesis is now "proven." DI Pipe volumes grew 5x YoY (62 KMT) with a strong order book of 264 KMT (□2,185 Cr). Stainless Steel (WSSL) has completed its turnaround, recording 9M sales growth of 200% in bars. Sintex is entering the high-growth Plastic Pipes segment (CPVC, HDPE, OPVC), leveraging its 13,000+ retailer network. * **Negatives:** Net Debt increased QoQ from □315 Cr to □503 Cr, likely due to working capital needs for the massive Saudi Aramco order execution and Sintex inventory. Line pipe bid book in India showed a slight decline from peak levels, though 369 KMT remains solid. * **Main Concern:** The primary investor concern remains the cyclicality of the US and Saudi oil & gas markets. Management has addressed this by pivoting Sintex and DI Pipes to the water infrastructure segment (Jal Jeevan Mission), which now provides a non-cyclical valuation floor. * **Watchpoint:** Execution of the SAR 1.8 Billion Aramco order (started in Q3) and the operationalization of the new 150 KMTPA DI Pipe facility in the Middle East by H1CY2025.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Note: Concall not available — commentary extracted from Investor Presentation and Financial Notes.*

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume - Line Pipe (KMT)	291	+78.5%	+44.1%	↑	Driven by strong US demand and India water/gas projects.
Volume - DI Pipes (KMT)	62	+416.7%	+34.8%	↑	Consistent ramp-up; brownfield 100KMTPA expansion on track.
Volume - SS Bars/ Pipes (MT)	5,104	+87.2%	-21.6%	↓	SS Bars grew 201% 9M YoY; Pipes & Tubes up 23%.
Volume - Sintex WST (MT)	3,411	+9.9%	-4.3%	→	Focus on re-energizing distribution network and plumbers.
Revenue (□Cr)	4,749.71	+97.7%	+17.0%	↑	Volume-led growth across all segments; US LNG focus.
EBITDA (□Cr)	471	+170.7%	-6.0%	↓	YoY expansion on better mix; QoQ dip due to project timing.
EBITDA Margin %	9.9% (Note 1)	+270 bps	-250 bps	↓	PPT reports 11% for Q3 vs 15.36% in Q2. Base effect.
PAT (□Cr)	291.86	+1155.8%	-24.1%	↓	Surge YoY from a low base; QoQ impacted by higher tax.
ROCE (%)	15.7% (9M)	+780 bps	N/A	↑	On track to exceed FY24 guidance of 16% +.
Net Debt / (Cash) (□ Cr)	503	-72.6%	+59.7%	↓	YoY massive deleverage; QoQ increase for working capital.
Interest Coverage (x)	6.89	+232.8%	-8.3%	↓	Strong coverage; slight QoQ compression on finance costs.
Inventory Days (DIO)	114	-12.3% (YoY)	N/A	↑	Better working capital management vs previous year.

(Note 1: EBITDA used from PPT snapshot; Financial results row 11 reports 11.00% Operating Margin.)

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	9M YoY Growth	Margin (Q3)	Trend	vs Co. Avg	Key Development
Steel Products	4,595.15	+118%	7.37%	↑	Neutral	Includes Line Pipe, DI, and WSSL.
Others (Sintex)	154.56	N/A	9.73%	→	Above	Finalized foray into Plastic Pipes; Rollepaal deal.
Saudi (EPIC)	1,225 (SAR 552 Mn)	-17.5% (9M)	20.1% GP	↑	High	SAR 1.8B Aramco order execution commenced.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	**Revenue**	□15,000 Cr for FY24	Needs □2,122 Cr in Q4 (9M = □12,878 Cr). Current run-rate □4k Cr+.	Reliable	Low
Guidance	**EBITDA**	□1,500 Cr for FY24	Needs □109 Cr in Q4 (9M = □1,391 Cr). Current run-rate □470 Cr+.	Reliable	Low
Guidance	**ROCE**	16%+ for FY24	Currently 15.7% (9M). Likely to hit 18-19% by FY-end.	Reliable	Low
Strategy	**Sintex Growth**	Foray into Plastic Pipes (CPVC, HDPE, OPVC)	High Synergy; leverages existing 900+ distributors.	On track	Medium
Strategy	**DI Pipe Exp.**	150 KMTPA Middle East Capacity	□500 Cr investment; operational by H1CY2025.	New Target	Medium
Macro	**US Demand**	US LNG exports to rise 50% by 2026	Sustains HSAW demand; US order book stands at 206 KMT.	Strong	Low
Balance	**Deleveraging**	Reduced Net Debt to □503 Cr	Net debt down from □1,837 Cr (9MFY23). Significant progress.	Exceeded	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY24)	This Quarter (Q3FY24)	Direction
Line Pipe Vol	202 KMT	291 KMT	↑ Strong Ramp
DI Pipe Vol	46 KMT	62 KMT	↑ Scaling Up
Net Debt	□315 Cr	□503 Cr	↓ Deteriorating
Saudi Performance	Revenue SAR 230 Mn	Revenue SAR 552 Mn	↑ Recovery
Sintex Strategy	Water Tank focus	Foray into Plastic Pipes (PVCO/HDPE)	↑ Diversification
Order Book Value	~□8,300 Cr (Ex-Saudi)	~□7,200 Cr (Ex-Saudi)	↓ Declining
ROCE (9M)	11.2% (H1)	15.7% (9M)	↑ Improving
One-offs	EPIC share sale gain (□105 Cr)	Insurance claim (□28.5 Cr)	↓ Lower non-core

Investor Notes: * **The Thesis remains on "Execution Track":** WCL is no longer a "story" stock; it is delivering hard numbers across all four verticals simultaneously. * **Guidance is Conservative:** The company will almost certainly beat its FY24 EBITDA guidance of □1,500 Cr, likely ending near □1,850-1,900 Cr. * **Pivot to B2C/ Water:** The Sintex entry into Plastic Pipes is the next major leg of growth. This moves the company further away from "Steel Pipe" multiples toward "Building Material" multiples (re-rating trigger). * **Watch working capital:** The QoQ increase in net debt (□188 Cr) suggests that as volumes ramp up, the balance sheet may remain in the □500-800 Cr net debt range despite high cash generation.