Welspun Corp Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** The thesis is shifting from a cyclical recovery to a structural infrastructure play, as Welspun secures visibility into FY28 through US localization and a defensive pivot into Saudi manufacturing, effectively neutralizing domestic water sector volatility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	9M EBITDA (□1,831 Cr) is 83% of FY26 guidance (□2,200 Cr); Q4 requires only □369 Cr to hit target.	□
Earnings Quality	High	Driven by volume growth in high-margin US Line Pipe and DI Pipes; one-off labor provision (□25 Cr) handled.	□
Guidance Confidence	Strong	Management indicated they will "comfortably achieve or exceed" the full-year EBITDA target.	□
Management Credibility	Strong	Successfully navigated JJM fund crunch in India by ramping exports; US mill execution is flawless.	□
Business Quality Signal	Improving	Pivot to AI Data Centers as a gas demand driver in the US creates a non-cyclical, multi-year tailwind.	□
Key Q&A Exchange	Q# 11 (US AI Demand)	Mgmt detailed the shift from LNG-only demand to power-uninterrupted gas for AI data centers.	□
The Street's Primary Anxiety	India Water Slowdown	Mgmt countered JJM fund crunch concerns with the new □70,000 Cr Budget allocation and JJM extension to 2028.	□
Capital Cycle Stage	Investment	Heavy capex (□1,722 Cr 9M spend) for Saudi DI/LSAW and US expansions; commissioning Q2-Q4 FY27.	□
Margin Trajectory	Improving	9M EBITDA margin at 14.7% vs 13.3% in FY25; mix shifting toward US and Specialty Steel.	□
Pricing Power	Expanding	US "Local Player" status allows for premium capture vs imports; Saudi Antidumping duties widen the moat.	□
FCF Conversion	Distorted	Net cash dropped to □132 Cr (from □600 Cr in Q2) due to high capex intensity; CFO remains strong.	□
Competitive Moat	Widening	Only 2 LSAW players in the US; Welspun is the only fully integrated Specialty Steel pipe player in India.	□
Balance Sheet Strength	Strong	Maintained Net Cash position despite □1,700 Cr+ capex spend in 9 months.	□
Working Capital Efficiency	Stable	9M Net Debt/EBITDA is negative (-0.06x), indicating high operational liquidity.	□
Mgmt Guidance Track Record	Reliable	Consistent history of meeting or exceeding targets across the last 6 quarters.	□
Key Vulnerability	Coking Coal Spike	Sudden price surge due to force majeure in Australia; mgmt claims 2-quarter forward coverage.	□
Management Tone	Bullish	"Incremental earnings are going to be sizable... a new color and favor to Welspun."	□

Key Takeaways: * **Positives:** The US business has reached a state of "perpetual booking" with Little Rock full through FY28, now supplemented by AI Data Center demand. Specialty Steel (WSSL) is benefiting from "Atmanirbhar" ecosystem protections and record pipe volumes. In Saudi Arabia, the upcoming 100% owned plants are perfectly timed to coincide with Aramco's $50B+ annual capex and new Antidumping duties on DI pipe imports. * **Negatives:** The domestic India water segment remains the weak link due to state-level funding delays, though the central budget allocation offers a recovery path. Sintex is still in "foundation building" mode (₹500 Cr 9M revenue), and its contribution to the consolidated bottom line remains diluted. * **Street Concern:** Analysts are wary of the India water sector's "momentum mismatch." Management's response was clear: they have pivoted capacity to export markets (Australia, Qatar, LatAm) to maintain utilization while waiting for the ₹70,000 Cr JJM funding to trickle down in Q1FY27. * **Forward-looking Watchpoint:** The commissioning of 7-8 major projects (US HFIW/LSAW and Saudi DI/LSAW) between June and December 2026 will be the primary catalyst for an FY27 earnings re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Line Pipe Volume (KMT)	265	↑ 37.4%	↑ 6.0%	↑	Driven by US spiral mill (85-90% util) and India export execution.
DI Pipe Volume (MT)	92,000	↑ 39.0%	↑ 15.0%	↑	High growth despite JJM fund crunch; driven by North/West customer loyalty.
SS Bar Volume (MT)	6,000	↓ 22.0%	↓ 14.3%	↓	Strategic shift toward higher-margin SS Pipes/Tubes.
SS Pipe Volume (MT)	1,600	↑ 11.3%	↓ 5.9%	→	Strong demand from defense and nuclear energy; integrated advantage.
Revenue (9M ₹Cr)	12,458	Not Stated	N/A	↑	9M revenue reflects strong execution in US/Specialty Steel.
EBITDA (Q3 ₹Cr)	645	↑ 15.2%	↑ 3.0%	↑	**Record Quarter:** High-margin US product mix; includes ₹25Cr labor cost.
EBITDA Margin %	14.7% (9M)	↑ 430 bps	↑ 140 bps	↑	Expansion from 10.4% in FY24 to 14.7% in 9M FY26.
PAT (Q3 ₹Cr)	453	↑ 590%*	↑ 3.0%	↑	*YoY jump distorted by one-time Saudi share sale gain in prior Q3.
ROCE (%)	24.4%	↑ 440 bps	↑ 1.6%	↑	Annualized; significantly above the 20% floor target.
Net Debt / (Cash) (₹Cr)	(132)	↓ 88%	↓ 78%	↓	Cash position reduced from ₹600Cr to ₹132Cr due to ₹1,722Cr capex.
Sintex Revenue (9M ₹Cr)	500	Not Stated	N/A	→	Steady growth; OPVC dispatches started; focus on 7,000 dealer reach.
Order Book (₹Cr)	23,600	↑ 24.0%	↑ 0.4%	→	Record high visibility; US fully booked till FY28.

2B. SEGMENT BREAKDOWN

Segment	Volume / Rev	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
US Line Pipe	~100 KMT*	High	High	↑	Above	Little Rock booked till FY28; Pivot to 24-inch HFIW.
India Line Pipe	~165 KMT*	Moderate	Mid	→	In-line	Export orders from Argentinian market; domestic O&G tepid.
DI Pipes (India)	92,000 MT	39.0%	Moderate	↑	Below	JJM extension to 2028 and ₹70k Cr allocation to drive H2.
WSSL (SS Steel)	7,600 MT	Mixed	High	↑	Above	Integrated mill advantage; supply to Defense/ Space/Nuclear.
Sintex	₹500 Cr (9M)	N/A	Improving	→	Below	Launched "Eterno" tank with 50-year warranty; OPVC ramp-up.

**Estimated based on consolidated Line Pipe volume of 265 KMT.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	FY26 EBITDA	₹2,200 Cr	Achieved ₹1,831 Cr in 9M. Needs only ₹369 Cr in Q4. **Virtually Guaranteed.**	Consistently Met	Low
Guidance	ROCE	>20%	Currently at 24.4%. Maintaining current mix ensures achievement.	Met	Low
Guidance	Capex Plan	₹1,722 Cr (9M)	On track to finish the ~₹3,000 Cr+ cycle by Dec 2026. Feasible via cash flow.	On Track	Medium
Strategy	US Pivot	Data Center Power	Identifying 8-9 new pipelines for AI/Data center gas supply.	New Target	Low
Strategy	Saudi DI	Import Substitution	Targeting the 2/3rds of market currently served by imports.	Ongoing	Medium
Strategy	Sintex Target	Retail Expansion	Billed outlets up 25% to 7,000. Scaling "Shield PreFab" TMT.	Improved	Medium
Macro	India Water	Q1FY27 Recovery	Depends on the ₹70k Cr budget liquidity hitting states.	Volatile	High
Balance	Leverage	Net Cash Position	Net Debt/EBITDA at -0.06x despite massive capex.	Maintained	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.0	Sneha Talreja / Nuvama	JJM Funding	Macro	"What's the confidence that... the amount which is budgeted would actually be spent?"	Management stated that the government audit of JJM schemes is complete, and the □70,000 Cr allocation is a "subsequent announcement" aimed at project completion. This reduces the risk of further funding paralysis in the domestic water segment.	None	4.0	Positive Outlook
2	3.5	Sneha Talreja / Nuvama	Sintex / OPVC	Business Overview	"Have we received a substantial order book or could you share some order book number with us on the OPVC front?"	Management clarified that OPVC is an "approval and accreditation" game and while they have orders, execution was pending milestones that are now cleared. Order book momentum will only reflect in revenue from the current quarter onwards.	Exact Order Value	3.0	Stage-gating execution
3	4.5	Ashutosh Nemani / JM	US Tariffs	Strategy	"How do you see the 50% penal tariff impact... what negative does it entail?"	Management argued they are a "local player" in the US and Saudi, making them agnostic to tariffs that actually hurt their competitors. This localization strategy converts geopolitical trade wars into a competitive moat for Welspun.	None	5.0	Thesis Confirmed
4	4.0	Vikash Singh / ICICI Sec	US Capacity	Business Overview	"Have we already seen the quarterly level peak volume... which we can sell out from the U.S.?"	Management explained current volumes are spiral-only; incremental volumes will come from the new HFIW mill (1 quarter away) and LSAW mill (end of year). This signals a structural step-up in US earnings capacity starting FY27.	None	4.5	Growth Visibility

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5	3.5	Vikash Singh / ICICI Sec	Input Costs	Financials	"Coking coal costs have run up... would we have to take a hit?"	Management stated they have a forward coverage for at least 2 quarters and view the current price spike as a temporary "force majeure" event. Margin impact is unlikely in the near term given the raw material pass-through nature of Line Pipe contracts.	None	4.0	Margin Resilient
6	4.0	Radha / B&K Sec	Saudi DI Moat	Strategy	"By when do you expect the antidumping measures... in Saudi? How much market could this open up?"	Investigation is broad-based against all imports (currently 2/3rds of the market); Welspun's local plant will capture this "national platter." This significantly de-risks the Saudi DI project by providing a protected domestic market.	Exact Timeline	3.5	Moat Widening
7	4.5	Ashutosh Nemani / JM	US Strategy	Capex & Alloc.	"Rationale behind [upgrading] 20-inch diameter to 24 inch... and the ROCE profile?"	The 24-inch pipe is the "most optimal suited" for Natural Gas Liquids (NGL) transportation, a segment Welspun was previously losing out on. Management expects >20% ROCE for these expansions, leveraging the "only two LSAW players" status in the US.	None	5.0	High Capital Efficiency
8	3.0	Yash / Art Ventures	Sintex Rev	Financials	"What was the revenue for Sintex during the quarter and for 9 months FY '26?"	9M revenue was approximately □500 Cr, primarily from water storage tanks. While small relative to the group, the focus is on regain of market share and brand recall through a 50-year warranty product.	Q3 Specifics	3.0	Foundation Phase

PATTERN FLAGS & SENTIMENT Analyst questions centered heavily on the **sustainability of the US "super-cycle"** and the **liquidity crunch in India's water sector**. Management successfully shifted the narrative for the US from "LNG-dependent" to "AI Data Center-essential," which analysts received as a major de-risking factor. On India, while skepticism remained regarding the timing of JJM fund releases, the □70,000 Cr Budget allocation acted as a strong credibility buffer.

Analyst Sentiment Verdict: Analysts appeared highly constructive, particularly regarding the US strategy and the Saudi antidumping moat. The primary friction point remains the **timing of Sintex's scale-up** and the **immediate margin impact of higher coking coal**. Management's credibility has reached a multi-year high, backed by record EBITDA and a net cash balance sheet.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
EBITDA Guidance Feasibility	54% of target met in H1.	83% of target met in 9M.	↑ (Near Certainty)
US Demand Narrative	Driven by LNG and Permian gas.	Pivot to AI Data Centers power supply.	↑ (Structural)
India Water Outlook	Tepid; fund crunch at JJM.	Recovery expected; □70k Cr Budget allocation.	↑ (Recovery signal)
Saudi Competitive Moat	Greenfield projects in progress.	Antidumping investigation vs imports started.	↑ (Moat widening)
Sintex Product Mix	Tank focused.	OPVC dispatches and approvals cleared.	↑ (Diversification)
Net Cash Intensity	□600 Cr Net Cash.	□132 Cr Net Cash.	↓ (Capex-led)
Labor Costs	Baseline.	□25 Cr one-time provision (New Code).	↓ (One-off hit)
SS Segment Pivot	Turnaround in progress.	Record SS Pipe volumes; Defense/Nuclear focus.	↑ (High Margin)