Welspun Corp Ltd — Jun 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** WCL has delivered a record-breaking FY24, fundamentally proving that its diversification into DI Pipes and Sintex is structurally derisking the historical volatility of the Line Pipe business.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY24 Revenue □17,582 Cr (Target: □15k Cr); EBITDA □1,804 Cr (Target: □1,500 Cr).	□
Earnings Quality	High (Core driven)	Core EBITDA ~□1,654 Cr after stripping out □150 Cr of one-offs (scrap sales/insurance).	□
Guidance Confidence	Neutral	FY25 Topline guidance (□17,000 Cr) is slightly below FY24 actuals; mgmt cites "early-year conservatism."	□
Management Credibility	Strong	Successfully turned around Stainless (WSSL), integrated Sintex, and deleveraged simultaneously.	□
Business Quality Signal	Improving	Transition from project-heavy (Line Pipe) to annuity-style (DI Pipe/ B2C Sintex) is accelerating.	□
Key Q&A Exchange	Q1: Conservative Guidance	Mgmt admits FY25 guidance is a conservative starting point; expects upward revisions by Q2/Q3.	□
The Street's Primary Anxiety	US/Saudi Cycle Peak	Management confirmed 2-year visibility in Saudi and strong Permian demand through Q3FY25.	□
Capital Cycle Stage	Growth Reinvestment	Reinvesting Line Pipe cash flows into □2,355 Cr Plastic Pipe foray and Middle East DI expansion.	□
Margin / Return Trajectory	Stable	ROCE hit 20% in FY24 (vs 8% FY23); FY25 guidance maintains 20% floor.	□
Pricing Power	Expanding	Sintex brand re-energization (WPL sponsor) and specialized SS grades (Nuclear/Defense) command premiums.	□
FCF Conversion & Quality	Strong	Net Debt reduced by □751 Cr YoY despite heavy growth capex.	□
Competitive Moat Signals	Widening	Only integrated producer in India for Supercritical Boiler Tubes (SS); first-mover in ME DI Pipes.	□
Balance Sheet Strength	Strong	Net Debt/EBITDA at 0.21x; target to remain below 0.5x despite massive capex.	□
Working Capital Efficiency	Improving	Inventory and receivable management facilitated □751 Cr deleveraging in a high-growth year.	□
Mgmt Guidance Track Record	Reliable	Consistently beat FY24 quarterly and annual targets.	□
Key Vulnerability	Capex Execution Risk	Success now depends on the □2,355 Cr Plastic Pipe rollout against established incumbents.	□
Management Tone	Confident/Prudent	Bold on operational ramp-up but cautious on forward financial guidance to maintain "under-promise/over-deliver" cycle.	□

Sentiment: □Positive **Key Takeaways:** * **Positives:** WCL achieved its highest-ever Revenue and EBITDA. The diversification strategy is working: DI Pipes grew 5x YoY to 200 KMT, and Stainless Steel (WSSL) completed a full turnaround to profitability. Net Debt collapsed from ₹1,138 Cr to ₹387 Cr, providing a clean slate for the next growth leg. Saudi operations (EPIC) are exceptionally profitable with a 2-year confirmed order book. * **Negatives:** FY25 Guidance appears visually "flat" to down (₹17,000 Cr Revenue guidance vs ₹17,582 Cr FY24 actual), which may cap short-term stock momentum. The Plastic Pipe foray involves a massive ₹2,355 Cr capex, creating a 2-year cash drag before meaningful EBITDA contribution in FY27. * **The Street's Concern:** Analysts were skeptical of the conservative FY25 guidance given the strong order book. Management's response emphasized that it is "early in the year" and they prefer a "smooth ramp-up" in the curve rather than over-extending expectations prematurely. * **Watchpoint:** The execution of the 150 KMTPA DI Pipe facility in the Middle East and the H1FY26 commissioning of the Sintex Plastic Pipe plants.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr (Q4FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume - Line Pipe (KMT)	302	+21.3%	+3.8%	↑	India & US combined. Strong Permian Basin demand in US.
Volume - DI Pipes (KMT)	66	+187.0%	+6.5%	↑	Ramp-up phase; hitting 200 KMT for full year.
Volume - SS Bars (MT)	3,610	+29.7%	-7.9%	↓	Turnaround year; focus on high-value nuclear/defense grades.
Volume - Sintex WST (MT)	3,659	+8.6%	+7.3%	↑	Driven by brand revival and distributor network expansion.
Revenue (₹Cr)	4,544	+10.0%	-4.5%	↓	High base of Q3; FY24 total up 74.5% YoY.
EBITDA (₹Cr)	413	-14.5%	-12.3%	↓	Impacted by project mix; stripping out FY one-offs (₹150 Cr).
EBITDA Margin %	9.09%	-260 bps	-80 bps	↓	PPT Snapshot. Normalized for one-offs, FY24 margin is ~9.4%.
PAT (₹Cr)	268	+13.6%	-8.2%	↓	Driven by lower finance costs and Saudi JV contribution.
ROCE (%)	20%	+1,200 bps	+430 bps	↑	Massive improvement from 8% in FY23.
Net Debt (₹Cr)	387	-66.0%	-23.1%	↑	Aggressive deleveraging from Q3 (₹503 Cr).
Saudi Net Profit (SAR Mn)	180	+386.5%	+109.3%	↑	Record quarter for EPIC; high-margin project execution.
Interest Coverage (x)	5.51	+7.8%	-26.3%	↓	Declining QoQ due to slight EBITDA dip, but structurally strong.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Line Pipes (In/US)	Not Split	49% (Vol)	9-10% (Est)	→	In-line	US order book booked through Q3FY25.
DI Pipes	Not Split	440% (Vol)	Improving	↑	Below	Capacity expanding to 600 KMTPA; 70-80% util target.
Sintex (B2C)	635 (FY24)	+23.3%	Positive	↑	Above	Retail network up 30% to 17,500+ outlets.
WSSL (Stainless)	Not Split	132% (Vol)	Profitable	↑	In-line	First year of consistent profitability; NTPC/BHEL qualified.
Saudi (EPIC)	1,544 (SAR)	+7.3% (FY)	21% (OP)	↑	High	SAR 1.8B Aramco order and Master Gas 3 visibility.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	**Revenue (FY25)**	□17,000 Cr	Needs □4,250 Cr/qtr. Achievable (FY24 was □17,582 Cr).	Met FY24 Target	Low
Guidance	**EBITDA (FY25)**	□1,700 Cr	Needs □425 Cr/qtr. FY24 core (ex one-offs) was ~□1,654 Cr.	Met FY24 Target	Low
Guidance	**ROCE**	20%	Sustainable based on high Saudi profits and DI ramp-up.	Exceeded (20% vs 16%)	Low
Guidance	**DI Vol Util**	70-80% Utilization	Requires ~420-480 KMT sales on 600 KMT capacity. Aggressive jump from 200 KMT.	Scaling up	Medium
Strategy	**Plastic Pipes**	□2,355 Cr Capex	Spread over 2 years (FY25/26). Commissioning H1FY26.	New foray	Medium
Strategy	**Deleveraging**	Net Debt/EBITDA < 0.5x	Target for FY25. Current is ~0.2x. Very feasible.	Delivered	Low
Macro	**US Line Pipe**	Business Continuity	4-6 quarters visibility confirmed via order book and pending bids.	Strong	Low
Macro	**Saudi Demand**	3-5 Year Visibility	Driven by SWCC/SWPC (Water) and Aramco Gas expansion.	High	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Nikhil Chandak / JM Financial	Guidance	Mgmt Outlook	Why is FY25 guidance flat to down vs FY24 actuals?	Mgmt explained they took a "quantum leap" in FY24 and prefer to guide conservatively early in the year while monitoring the ramp-up curve. Under-promising leaves room for upward revisions in Q2/Q3 as order visibility firms up.	None	4.0	Cautious Start
2	4.5	Nirav Shah / GeeCee Holdings	DI Pipes	Business Overview	Can we expect 400 KMT+ volumes in DI Pipes based on the 9-month visibility?	Mgmt confirmed an order book of 328 KMT (9 months) and is targeting 70-80% utilization on their expanding 600 KMT capacity. This implies a significant volume jump, likely doubling FY24 performance.	None	4.5	Aggressive DI Scaling
3	4.0	Nirav Shah / GeeCee Holdings	Saudi Ops	Financials	Will Saudi EBITDA/ MT stay at record levels ($330-$350) or revert to $200?	Mgmt maintained a conservative guidance of $200/MT, noting that current high margins are project-mix dependent. Conservative guidance protects the downside	None	4.0	Sustainable Saudi

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						against steel price volatility, even though current execution is outperforming.			
5	4.0	Aasim / DAM Capital	Product Substitution	Business Overview	Does OPVC pose a threat to the DI Pipe business in water supply?	Mgmt clarified that OPVC competes only in small diameters (60-250mm) and will not replace DI Pipes in large-scale infrastructure or difficult terrains. WCL is hedged by being present in both segments (Sintex for OPVC, WCL for DI).	None	5.0	Strategic Hedge
11	4.5	Vikash Singh / PhillipCapital	Earnings Quality	Financials	How much of the ₹1,800 Cr EBITDA was driven by one-off scrap sales?	Mgmt disclosed that ₹150 Cr were one-offs (₹100 Cr scrap, ₹50 Cr insurance), meaning core operational EBITDA was ~₹1,654 Cr. This provides a cleaner base to evaluate the "flat" FY25 guidance of ₹1,700 Cr.	None	5.0	Core EBITDA Clarified
14	3.5	Mahesh Wadhwani / Paras Healthcare	Sintex	Mgmt Outlook	What is the 5-year vision for Sintex within the overall WCL group?	Mgmt expects Sintex topline to grow 3x-4x over 5 years as it enters the ₹1.3 lakh Cr plastic pipe market. This	None	3.5	Branded B2C Pivot

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						segment is expected to become a major EBITDA contributor, shifting the group's profile toward branded building materials.			

PATTERN FLAGS & SENTIMENT * **Theme: Conservative Guidance.** Analysts were laser-focused on why FY25 targets weren't higher given the record FY24 and strong order book. Management's stance was one of prudent risk management, refusing to bake in blue-sky scenarios until Q2/Q3 orders are finalized. This creates a "safety margin" for investors but may lead to a muted stock reaction in the immediate term. * **Theme: Capex & Capital Allocation.** The ₹2,355 Cr investment in Sintex/Plastic Pipes was scrutinized for its impact on the balance sheet. Management's confident stance on maintaining a Net Debt/EBITDA < 0.5x suggests they are funding this growth primarily through internal accruals from the cash-cow Line Pipe business.

Analyst Sentiment Verdict: Analysts were generally impressed by the FY24 operational execution and the deleveraging story but remained skeptical of the cautious FY25 guidance. The friction point was the delta between the "buoyant" commentary on order books and the "flat" financial guidance. Management's credibility remains high as they delivered on all FY24 promises, yet they are now on a "credibility watch" to see if they upgrade guidance mid-year as they have historically done.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY24)	This Quarter (Q4FY24)	Direction
Net Debt	₹503 Cr	₹387 Cr	↑ Improving
Line Pipe Volume	291 KMT	302 KMT	↑ Improving
Saudi Performance	Revenue SAR 552 Mn	Revenue SAR 722 Mn	↑ Strong Growth
Stainless Steel (WSSL)	Turnaround in progress	Consistent profitability achieved	↑ Thesis Validated
DI Pipe Capacity	500 KMTPA	600 KMTPA (Optimization)	↑ Capacity Boost
FY25 Guidance	Not Issued	₹17,000 Cr Rev / ₹1,700 Cr EBITDA	□Conservative
Sintex Retail Reach	13,000+ Retailers	17,500+ Retailers	↑ Improving
ROCE	15.7% (9M)	20% (Full Year)	↑ Improving