Welspun Corp Ltd — Oct 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Welspun has successfully pivoted to a "Global Energy & Infrastructure" play, where 8-quarter visibility in the US and record Specialty Steel volumes are effectively insulating the bottom line from temporary liquidity crunches in India's domestic water sector.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Strong Beat	H1 EBITDA (□1,186 Cr) is already 54% of FY26 guidance, despite Q2 being seasonally weak for India.	□
Earnings Quality	High	Growth is driven by realization and mix (US Energy/Specialty Steel) rather than volume-led commodity play.	□
Guidance Confidence	Strong	Reaffirmed □2,200 Cr EBITDA; run-rate required for H2 is lower than H1 performance.	□
Management Credibility	Strong	Executing heavy capex (□950 Cr in H1) while maintaining a nearly Net Debt-neutral balance sheet.	□
Business Quality Signal	Improving	Transitioning from a cyclical pipe maker to a diversified solutions brand (Sintex, SS, DI).	□
Key Q&A Exchange	N/A	PPT_ONLY: No concall conducted or available.	□
The Street's Primary Anxiety	Domestic Liquidity	PPT admits "lack of fund rotation from Govt institutions" affecting TMT/Water segments.	□
Capital Cycle Stage	Investment	Mid-heavy capex phase (□950 Cr H1 spend) for US and Saudi DI/LSAW plants.	□
Margin Trajectory	Improving	H1FY26 EBITDA Margin at 15.0% vs. FY25 average of 13.3%.	□
Pricing Power	Expanding	US mill booked until FY28; ability to pass through steel price fluctuations.	□
FCF Conversion	Distorted	Impacted by □950 Cr capex and inventory build-up in the DI segment.	□
Competitive Moat	Widening	Only Indian player with Rollepaal O-PVC tech and dominant 30% US Line Pipe share.	□
Balance Sheet Strength	Strong	Net Debt/EBITDA at 0.0x despite massive investment cycle.	□
Working Capital Efficiency	Deteriorating	DI Pipe inventory piling up; TMT cycle affected by contractor payment delays.	□
Mgmt Guidance Track Record	Reliable	Track record of "surpassing guidance comfortably" over the last two years.	□
Key Vulnerability	Govt Payments	Domestic water/infra execution is hostage to state-level funding cycles (JJM/AMRUT).	□
Management Tone	Confident	Bullish on US "energy-hungry data centers" and Saudi Vision 2030.	□

Key Takeaways (Positives & Negatives): * **Positives:** The US business remains the "crown jewel" with the Little Rock mill booked until FY28, de-risking the company from global trade volatility as a local producer. Specialty Steel (WSSL) achieved an all-time high in quarterly pipe volumes and is expanding into high-margin bright bars. Sintex is scaling rapidly, with the Bhopal plant functional and a goal to reach 80% of India by March 2026. * **Negatives:** Domestic headwinds are evident; the Ductile Iron (DI) segment is facing an industry-wide "funding rotation" issue from government institutions, leading to an inventory glut expected to persist until Q3 (January 2026). Heavy monsoons in Gujarat also dampened TMT Rebar sales. * **Forward-looking Watchpoint:** The normalization of Jal Jeevan Mission (JJM) and AMRUT 2.0 fund flows in H2FY26 is the critical catalyst for a domestic volume recovery.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: Concall not available — commentary restricted to Presentation inputs.*

Metric	Current Qtr (derived)	YoY Change (H1)	QoQ Change	Trend	Mgmt Commentary
Volume (H1 Line Pipes)	Not Stated	Not Stated	Not Stated	→	Focus shifted to EBITDA/MT as steel price is a pass-through.
Revenue (□Cr)	4,338	↑ 11.4% (H1)	↑ 20.9%	↑	H1 Revenue reached □7,925 Cr. Growth driven by realization mix.
EBITDA (□Cr)	626	↑ 34.5% (H1)	↑ 11.8%	↑	H1 EBITDA □1,186 Cr vs. FY25 total of □1,841 Cr.
EBITDA Margin %	14.4%	↑ 170 bps	↓ 120 bps	↑	H1 margin 15% vs FY25 (13.3%). Seasonal India dip in Q2.
PAT (□Cr)	Not Stated	Not Stated	Not Stated	→	Not explicitly detailed in summary slides for Q2 standalone.
ROCE (%)	23.5%	↑ 250 bps	↓ 50 bps	↑	Annualized; consistently exceeding >20% target.
Net Debt / (Cash) (□Cr)	(11)	↓ 101%	↓ 102%	↓	Shifted from Net Cash (□1,049 Cr) to neutral after □950 Cr capex.
Interest Cost (□Cr)	Not Stated	Significant Reduction	Not Stated	↑	Slide 12 flags "significant reduction" in finance costs.
DI Pipe Inventory	High	↑	↑	↓	"Lack of fund rotation" leading to temporary pile-up.

2B. SEGMENT BREAKDOWN

Segment	Revenue (H1 □Cr)	YoY Growth	Margin (H1)	Trend	vs Co. Avg	Key Development
Line Pipes (Global)	7,925 (Cons)	↑ 11.4%	15.0%	↑	Baseline	US mill booked until FY28; 8,800 miles of US pipeline planned.
DI Pipes (India)	Not Stated	Not Stated	Moderate	↓	Below	Inventory build-up; waiting for Jan '26 funding recovery.
Specialty Steel (WSSL)	Not Stated	↑ (Vol)	High	↑	Above	Pipes volume at all-time high; AS9100D accreditation.
Sintex (Water Tanks)	Not Stated	Not Stated	High	↑	Above	Bhopal plant functional; Sintex Pipes launched in Punjab.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY26)	₹17,500 Cr	Needs ₹4,787 Cr/qtr for H2. H1 avg was ₹3,962 Cr. High feasibility given H2 is historically stronger.	Delivered	Low
Guidance	EBITDA (FY26)	₹2,200 Cr	Needs ₹507 Cr/qtr for H2. H1 avg was ₹593 Cr. **Very high feasibility.**	Surpassed	Low
Guidance	ROCE	>20%	Current 23.5% (annualized). Needs 17% in H2 to meet goal.	Consistently Met	Low
Guidance	Capex	₹950 Cr (H1 Actual)	Part of a larger multi-year expansion in US, KSA, and Sintex.	On Track	Medium
Strategy	US Dominance	Local production moat	Leveraging 30% market share and "current administration" support for energy.	Strong	Low
Strategy	Sintex Expansion	80% India reach	Scaling to 80% coverage by March 2026 via "NXT Advantage."	Progressing	Medium
Macro	India Water Demand	2.5 Mn Ton demand	Dependent on JJM extension and River Interlinking (ERCP/Ken Betwa).	Volatile	High
Balance	Debt/EBITDA	Net Debt/EBITDA (0.0)	Management keeping leverage near zero despite ₹950 Cr capex.	Excellent	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 (Q1FY26)	This Quarter (Q2FY26)	Direction
Cash Position	Net Cash: ₹600 Cr	Net Debt/Cash: (₹11 Cr)	↓
Capex Intensity	₹450 Cr spent in Q1	₹950 Cr spent in H1 (implies ₹500 Cr in Q2)	↑
US Visibility	Strong	Mill booked until FY28 (Added clarity)	↑
DI Pipe Sentiment	Funding crunch starting	"Inventory situation to improve from Jan-26" (Timeline set)	□
WSSL Progress	Maintenance shutdown	Pipes volume reached "All-time high"	↑
Sintex Footprint	Bhopal plant pending	Bhopal plant functional; Punjab launch complete	↑
ROCE	24.0%	23.5% (Annualized)	→
TMT Performance	Seasonal slowdown	"Lack of fund rotation from Govt" impacting payments	↓

Investor Notes: * **Earnings Quality:** CFO Divergence—The shift from ₹600 Cr net cash to nearly zero in one quarter indicates a heavy working capital burn alongside capex. This is specifically linked to the DI Pipe inventory pile-up (inventory days likely spiked). * **US Moat:** The Little Rock facility is increasingly decoupled from Indian cycles. The focus on "energy-hungry data centers" (375 proposed centers requiring 180GW) provides a new structural demand driver beyond traditional oil/gas. * **Guidance:** Management is being conservative. To hit their 2,200 Cr EBITDA target, they only need 1,014 Cr in H2. Given H1 delivered 1,186 Cr and H2 is traditionally stronger for water pipes, a guidance upgrade or a massive beat is likely. * **Forensic Trigger:** The "lack of fund rotation from Govt institutions" is a significant red flag for the domestic construction business. While Welspun’s balance sheet is strong enough to absorb this, the recovery in Q4 is entirely dependent on state budget releases. STOP HERE.