



## Sequential Recovery Gains Traction; Structural Tailwinds Strengthen FY27 Outlook; Maintain BUY

Est. Vs. Actual for Q4FY26: Revenue - **INLINE**; EBITDA - **BEAT**; PAT - **BEAT**

Change in Estimates post Q4FY26

FY27E/FY28E: Revenue: -2%/-2%; EBITDA: -2%/-2%; PAT: -6%/0%

### Recommendation Rationale

- Sequential Recovery Supported by Margin Improvement:** Welspun Living reported consolidated revenue of Rs 2,435 Cr in Q4FY26, reflecting sequential recovery despite continued softness in global retail demand. EBITDA stood at Rs 249 Cr, with margin improving to 10.2%, supported by cost optimisation and operational efficiencies, while PAT came in at Rs 106 Cr. Strong free cash flow generation, meaningful reduction in net debt and improving domestic business trends indicate easing operational pressures. Management remains confident of delivering double-digit growth in FY27, driven by improving sourcing opportunities for India, normalisation in customer ordering and continued premiumization.
- Flooring and Emerging Businesses - Gradual Recovery Underway:** The Flooring business continued to face demand pressures during FY26 amid weak discretionary spending in developed markets. However, management highlighted improving customer engagement and ongoing focus on operational efficiencies. The company is also scaling up emerging and advanced textile categories with higher value-added offerings. While near-term demand visibility remains moderate, management expects a gradual recovery in FY27 driven by improving consumer sentiment and restocking activity.
- Capital Allocation, Cash Flows and Balance Sheet Remain Key Positives:** Net debt reduced materially during the year, supported by robust free cash flow generation and disciplined working capital management. Management indicated that cash flow generation and balance sheet prudence will continue to remain key priorities going forward. The board also approved a Rs 252 Cr share buyback at Rs 175 per share during the quarter, reflecting management's confidence in the long-term business outlook. The company continues to maintain a calibrated capital allocation framework with selective investments in growth opportunities while preserving financial flexibility.

### Sector Outlook: Cautiously Optimistic

**Company Outlook & Guidance:** Management expects recovery momentum to continue into FY27. The company is targeting double-digit revenue growth in FY27, supported by improving demand conditions, better customer order visibility and structural sourcing shifts benefiting India. Management also expects gradual improvement in operating margins driven by cost optimisation initiatives, normalisation in utilisation levels and higher contribution from value-added products. The domestic consumer business is expected to remain one of the fastest-growing segments, while export demand is likely to improve progressively through the year.

**Current Valuation:** 13x FY28E EPS (Earlier Valuation: 14x Sep'27E EPS)

**Current TP:** Rs 180/share (Earlier TP: Rs 165/share)

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** The company reported revenue of Rs 2,435 Cr, down 8% YoY but up 8% QoQ, in line with our estimates. EBITDA stood at Rs 249 Cr, down 21% YoY but up 55% QoQ, beating our estimate of Rs 187 Cr. EBITDA margins stood at 10.2%, compared to 11.9% in Q4FY25 and 7.1% in Q3FY26. PAT came in at Rs 106 Cr, down 20% YoY, beating our estimates.

**Outlook:** The company continues to strengthen its presence in key international markets such as the UK, EU, ANZ, and Japan, while retaining its leadership in the US. Concurrently, it is pursuing growth opportunities in the domestic segment, where brand strength and distribution reach provide resilience. We believe the company's long-term growth trajectory remains intact, supported by trade tailwinds, diversified geography, brand equity, and innovation capabilities. Margin recovery is expected to follow as operating leverage improves and demand normalises.

**Valuation & Recommendation:** We largely retain our FY27–FY28 earnings projections, factoring in medium-term growth prospects and structural benefits from FTAs. We value the stock at **13x FY28E EPS**, resulting in a **target price of Rs 180/ share**, implying ~28% upside from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	Q4FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	2,435	-8%	8%	2,398	2%
EBITDA	249	-21%	55%	187	33%
EBITDA Margin	10.2%	-171 bps	314 bps	7.8%	243 bps
Net Profit	106	-20%	4031%	50	112%
EPS (Rs)	1.1	-20%	4031%	0.5	112%

Source: Company, Axis Securities Research

(CMP as of 15<sup>th</sup> May, 2026)

CMP (Rs)	141
Upside /Downside (%)	28%
High/Low (Rs)	155/107
Market cap (Cr)	13,534
Avg. daily vol. (1m) Shrs.	41,37,318
No. of shares (Cr)	95.9

### Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoter	66.2	66.2	66.2
FIIIs	5.0	5.0	5.0
DIIIs	8.6	10.4	11.2
Others	20.2	18.3	17.6

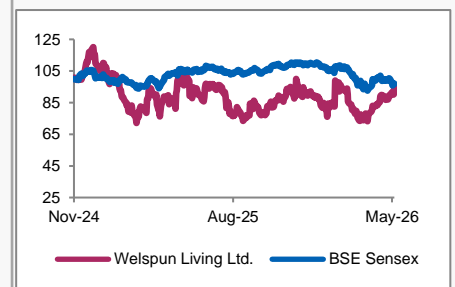
### Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	9,399	11,272	14,030
EBITDA	793	1,557	2,048
Net Profit	213	906	1,348
EPS (Rs)	2.3	9.5	14.1
PER (x)	61.6	14.9	10.0
P/BV (x)	3	2	2
EV/EBITDA (x)	20	10	8
ROE (%)	4	17	21

### Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-2%	-2%
EBITDA	-2%	-2%
PAT	-6%	0%

### Relative Performance



Source: ACE Equity, Axis Securities Research

### Results Gallery

[Q3FY26](#)

[Q2FY26](#)

[Q1FY26](#)

[Q4FY25](#)

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## Key Concall Highlights

### Major Business Updates:

- Domestic Consumer Business delivered strong growth of 29.2% YoY in 4QFY26
- Global Brands continued to be robust with ~12% share of total revenues in FY26.
- Brand 'Welspun' grew 44% in 4QFY26 and continues to strengthen its leadership position, penetrating deeper into households
- Innovation contributed ~22% of its business in FY26
- In FY26, the company incurred Rs 472 Cr towards capex
- Net Debt stood at Rs 775 Cr vs. Rs 1,602 Cr as on Mar'25, lower by Rs 827 Cr
- The Board has approved the buyback of equity shares of the company at Rs 175 per share for an aggregate amount not exceeding Rs 252 Cr (buyback size)
- Recommended dividend @10% per equity share for the FY26, subject to shareholders approval

**Demand Environment and Customer Behaviour:** Management highlighted that global retailers remained cautious during FY26 amid tariff uncertainties and geopolitical disruptions, leading to delayed procurement decisions and tighter inventory management. However, customer conversations have improved significantly in recent months, with ordering activity gradually normalising. The company indicated that Q4FY26 reflected early signs of demand stabilisation, particularly in key export markets.

**Domestic Growth Strategy:** Welspun Living remains focused on expanding its domestic branded business through deeper retail penetration, new product launches and omnichannel expansion. The company sees a strong long-term opportunity in India's organised home textile and home solutions market. Continued investments in branding and customer acquisition are expected to support sustained scale-up.

**Export Market Outlook:** Management indicated that large global customers are increasingly looking to diversify sourcing away from concentrated geographies, which is expected to benefit Indian exporters over the medium term. The company expects trade agreements and India's improving positioning within global supply chains to support export growth in the coming years.

**Balance Sheet and Working Capital:** Management reiterated a strong focus on reducing leverage and improving cash generation. Significant reduction in net debt during FY26 was driven by better working capital management and disciplined capital allocation. The company expects further improvement in return ratios as profitability normalises.

**New Projects and Capex** Expanding its footprint in the lucrative US sleep ecosystem, the company successfully commenced partial commercial production (4.5 Mn pieces) at its new Nevada pillow facility in Mar'26. To support its sustainability and margin goals, Welspun also acquired a 26% stake in CleanMax Dhyuthi Private Limited for Rs 7.6 Cr, setting up a captive renewable energy source for its Vapi factory in Gujarat. Total capital expenditure for FY26 was Rs 472 Cr, and the company has earmarked Rs 400 to Rs 500 Cr for FY27, primarily targeted at automation, modernisation, and debottlenecking.

**Outlook:** The company is targeting double-digit revenue growth and an expansion of EBITDA margins into the "teens" for FY27. Capacity utilisation across the core bath, bed linen, and towel segments is projected to comfortably exceed 86% as demand normalises. Furthermore, it aims to become net-debt zero in FY27, assuming no major unplanned capital expenditures. Return on Capital Employed (ROCE), which contracted during the year, is expected to revert to the 15%+ level.

### Key Risks to Our Estimates and TP

- A global recessionary and high inflation environment, and the resultant slowdown in the US economy and other export markets
- Increased competition from domestic or international players.
- Currency and key commodity fluctuations.

### Change in Estimates

	New		Old		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	11,272	14,030	11,539	14,335	-2%	-2%
EBITDA	1,557	2,048	1,595	2,093	-2%	-2%
PAT	906	1,348	962	1,343	-6%	0%

Source: Company, Axis Securities Research

### Results Review

Particulars (Rs Cr)	Q4FY25	Q3FY26	Axis Est.	Q4FY26	YoY Growth (%)	QoQ Growth (%)	Axis Variance
Revenue	2,646	2,262	2,398	2,435	-8%	8%	2%
Less:							
Net Raw Material consumed	1,401	1,226	1,295	1,277	-9%	4%	-1%
Employee	292	283	300	273	-6%	-4%	-9%
Other Expenses	637	593	616	636	0%	7%	3%
Total Expenditure	2,330	2,102	2,211	2,186	-6%	4%	-1%
EBIDTA	316	160	187	249	-21%	55%	33%
EBITDA %	11.9%	7.1%	7.8%	10.2%	-171 bps	314 bps	243 bps
Less: Depreciation	93	102	97	103	11%	1%	6%
EBIT	225	73	109	162	-28%	123%	48%
Less: Net Interest	56.91	39.09	37.5	36.6	-36%	-6%	-2%
Add: Other income	2	14	19.2	15.8	598%	9%	-18%
Less: Extraordinary Expense (net)							
Profit Before Tax	168	14	72	125	-26%	766%	75%
Less: Total Tax	35	12	21	19	-46%	60%	-11%
Profit After Tax	133	3	50	106	-20%	4031%	112%
Shares Outstanding (Mn)							
Reported EPS (Rs)	1.4	0.03	0.5	1.1	-20%	4031%	112%

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
<b>Net Sales</b>	9,679	10,545	9,399	11,272	14,030
COGS	5,110	5,676	5,053	5,997	7,464
Employee Cost	1,027	1,152	1,145	1,182	1,403
Operating & Manufacturing Expenses	2,173	2,420	2,408	2,536	3,115
Total Expenditure	8,310	9,247	8,606	9,716	11,982
EBIDTA (Excl OI)	1,369	1,299	793	1,557	2,048
Other Income	146	153	69	169	281
EBITDA (incl Other Income)	1,515	1,451	862	1,726	2,329
Depreciation	394	373	394	451	481
EBIT	1,120	1,078	468	1,275	1,848
Interest	153	217	161	134	119
Exceptional Items	-	-	19	-	-
PBT	967	860	287	1,140	1,729
Tax	294	216	75	234	380
Profit After Tax	673	644	213	906	1,348
Minority Interest	8	-5	-8	-	-
Consolidated Net Profit	681	639	204	906	1,348
Diluted EPS (Consol Net Profit)	7.1	6.7	2.3	9.5	14.1
Number of Shares	97.2	97.2	97.2	95.7	95.7

Source: Company, Axis Securities Research

**Balance Sheet**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26	FY27E	FY28E
<b>Assets</b>					
Non-current Assets					
Property, Plant and Equipment	3,512	3,533	3,760	4,009	3,828
Capital work-in-progress	47	375	258	258	258
Goodwill on Consolidation	188	192	202	202	202
Other non-current assets	44	41	38	38	38
<b>Total non-current assets</b>	<b>4,233</b>	<b>4,838</b>	<b>5,274</b>	<b>5,523</b>	<b>5,342</b>
<b>Current Assets</b>					
Inventories	2,072	2,183	2,171	2,218	2,761
<b>Financial assets</b>					
- Investments	909	559	877	877	877
- Trade receivables	1,255	1,645	1,312	1,421	1,768
- Cash & cash equivalents	201	284	138	29	629
- Other financial assets	430	457	253	253	253
Other current assets	391	309	410	410	410
<b>Total current assets</b>	<b>5,317</b>	<b>5,469</b>	<b>5,181</b>	<b>5,227</b>	<b>6,718</b>
<b>Total Assets</b>	<b>9,550</b>	<b>10,307</b>	<b>10,455</b>	<b>10,750</b>	<b>12,060</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Equity Share capital	97	96	96	96	96
Other Equity					
- reserves and surplus	4,395	4,725	4,821	5,475	6,824
<b>Total Equity</b>	<b>4,613</b>	<b>4,921</b>	<b>4,978</b>	<b>5,632</b>	<b>6,980</b>
<b>Liabilities</b>					
Non-current liabilities					
Financials liabilities					
- Borrowings	833	879	871	821	521
Non-current tax liabilities	224	223	4	4	4
Deferred tax liabilities (net)	435	454	445	445	445
Other non-current liabilities	255	298	405	405	405
<b>Total Non-Current Liabilities</b>	<b>1,841</b>	<b>2,134</b>	<b>2,206</b>	<b>2,156</b>	<b>1,856</b>
Current liabilities					
Financials liabilities					
- Borrowings	1,688	1,589	931	970	970
- Trade Payables	909	1,123	1,377	1,068	1,329
- Other financial liabilities	54	82	294	294	294
Other Current Liabilities	122	98	150	111	111
<b>Total current liabilities</b>	<b>3,096</b>	<b>3,253</b>	<b>3,271</b>	<b>2,962</b>	<b>3,224</b>
<b>Total liabilities</b>	<b>4,937</b>	<b>5,386</b>	<b>5,477</b>	<b>5,118</b>	<b>5,080</b>
<b>Total Equity and Liabilities</b>	<b>9,550</b>	<b>10,307</b>	<b>10,455</b>	<b>10,750</b>	<b>12,060</b>

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Profit Before Tax	<b>967</b>	<b>860</b>	<b>287</b>	<b>1,140</b>	<b>1,729</b>
Adjustments					
Depreciation	394	373	394	451	481
Interest Expenses	153	217	161	134	119
Total Adjustments	178	245	322	586	600
Trade & Other receivables	-294	-384	366	-108	-348
Inventories	-102	-112	13	-47	-543
Trade & Other payables	39	222	250	-309	261
Net Change in Working Capital	-501	-247	662	-464	-629
Cash Flow after Changes in Working Capital	644	858	1,271	1,261	1,700
Tax Paid	-111	-170	-96	-234	-380
Cash From Operating Activities	<b>533</b>	<b>688</b>	<b>1,175</b>	<b>1,027</b>	<b>1,320</b>
Investing Activities					
Purchase of Fixed Assets	-275	-713	-451	-700	-300
Cash Flow from Investing Activities	<b>-209</b>	<b>57</b>	<b>-348</b>	<b>-700</b>	<b>-300</b>
Financing Activities					
Repayment of Long-Term Borrowings	-162	53	-134	-50	-300
Short Term Loans	332	-111	-691	-	-
Interest Paid	-153	-219	-161	-134	-119
Cash from Financing Activities	<b>-269</b>	<b>-663</b>	<b>-975</b>	<b>-436</b>	<b>-419</b>
Net Cash Inflow / Outflow	55	82	-148	-109	600
Opening Cash & Cash Equivalents	146	201	284	138	29
Closing Cash & Cash Equivalent	<b>201</b>	<b>284</b>	<b>138</b>	<b>29</b>	<b>629</b>

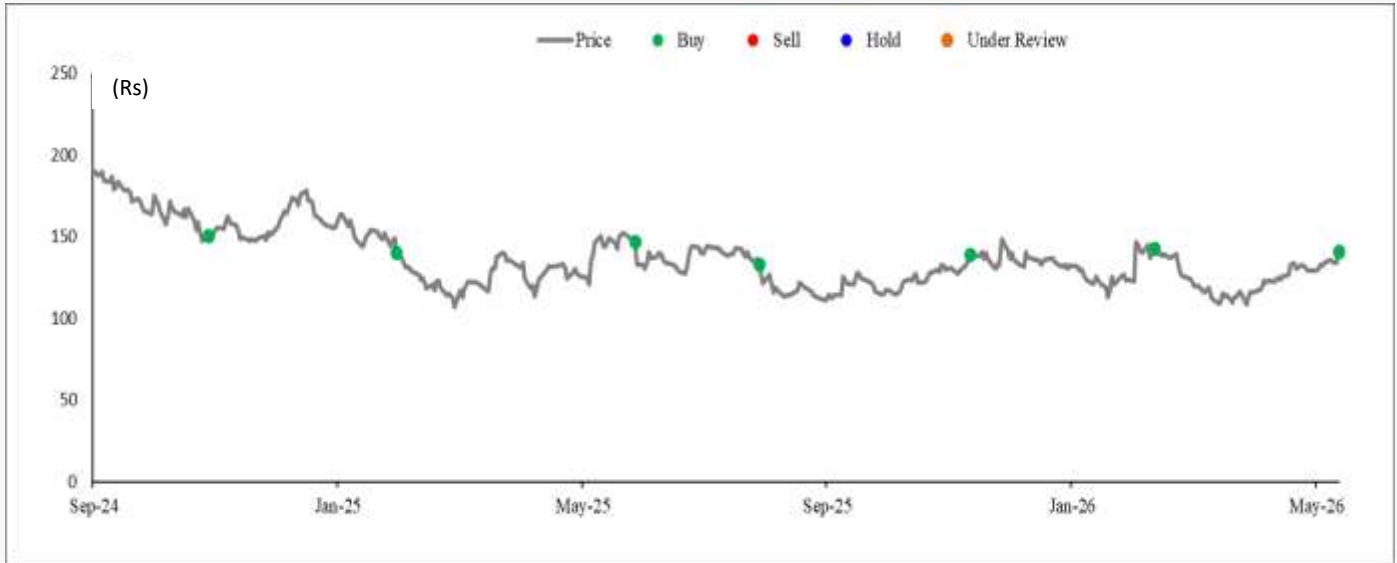
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY24	FY25	FY26	FY27E	FY28E
<b>Efficiency Ratios</b>					
Asset Turnover (x)	1.01x	1.02x	0.90x	1.05x	1.16x
Inventory Turnover(x)	4.67x	4.83x	4.33x	5.08x	5.08x
Sales/Working Capital (x)	4.00x	3.90x	4.46x	4.38x	4.38x
Receivable days	42	50	57	46	46
Inventory Days	144	137	157	135	135
Payable days	64	65	90	65	65
<b>Growth Ratio</b>					
Net Sales Growth (%)	20%	9%	-11%	20%	24%
Core EBITDA Growth (%)	82%	-5%	-39%	96%	32%
EBIT Growth (%)	159%	-4%	-57%	172%	45%
PAT Growth (%)	232%	-4%	-67%	326%	49%
Adj. EPS Growth (%)	250%	-5%	-66%	313%	49%
<b>Financial Stability Ratios</b>					
Total Debt/Equity(x)	0.6	0.6	0.5	0.4	0.3
Total Asset/Equity(x)	2.1	2.1	2.1	1.9	1.7
Interest Cover(x)	8.9	6.0	4.9	11.6	17.2
Current Ratio(x)	1.7	1.7	1.6	1.8	2.1
Quick Ratio(x)	1.0	1.0	0.9	1.0	1.2
<b>Operational &amp; Financial Ratios</b>					
Earnings Per Share (Rs)	7.1	6.7	2.3	9.5	14.1
DPS(Rs)	0.0	0.0	0.0	0.0	0.0
Book Value (Rs)	47.5	50.6	51.2	58.8	72.9
Tax Rate (%)	30%	25%	26%	21%	22%
Dividend Pay Out Ratio (%)	0%	0%	0%	0%	0%
<b>Margin Ratios</b>					
PBIDTM (%) (Core)	14%	12%	8%	14%	15%
EBITM (%)	12%	10%	5%	11%	13%
Pre-Tax Margin (%)	10%	8%	3%	10%	12%
PATM (%)	7%	6%	2%	8%	10%
<b>Performance Ratios</b>					
ROA (%)	7.1%	6.2%	2.0%	8.4%	11.2%
ROE (%)	15.3%	13.5%	4.3%	17.1%	21.4%
ROCE (%)	16.8%	14.3%	6.3%	15.7%	21.6%
<b>Valuation Ratios</b>					
Adjusted PE (x)	20	21	62	15	10
Price / Book Value(x)	3	3	3	2	2
EV/Net Sales(x)	2	1	2	1	1
EV/EBITDA(x)	11	12	20	10	8
EV/EBIT(x)	14	15	34	12	8

Source: Company, Axis Securities Research

## Welspun Living Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
26-Jul-24	BUY	210	Result Update
29-Oct-24	BUY	202	Result Update
31-Jan-25	BUY	165	Result Update
30-May-25	BUY	170	Result Update
31-Jul-25	BUY	150	Result Update
13-Nov-25	BUY	165	Result Update
13-Feb-26	BUY	165	Result Update
18-May-26	BUY	180	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.