# Welspun Living Limited

# "Q4 FY '24 Results Conference Call"

# April 25, 2024

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| **MANAGEMENT:** | **MS. DIPALI GOENKA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – WELSPUN LIVING LIMITED**<br>**MR. SANJAY GUPTA – CHIEF FINANCIAL OFFICER – WELSPUN LIVING LIMITED**<br>**MR. SALIL BAWA – HEAD, GROUP IR – WELSPUN LIVING LIMITED** |
| **MODERATOR:** | **MR. BIPLAB DEBBARMA - ANTIQUE STOCK BROKING** |

**Moderator:** Ladies and gentlemen, good day, and welcome to Welspun Living Q4 FY '24 Earnings Conference Call, hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Biplab from Antique Stock Broking. Thank you, and over to you, sir.

**Biplab Debbarma:** Thank you, Steve. Good afternoon, everyone, and welcome to the Q4 FY '24 Earnings Call of Welspun Living Limited, hosted by Antique Stock Broking. Today, we have with us the management of the company represented by Ms. Dipali Goenka, Managing Director and CEO; Mr. Sanjay Gupta, CFO; and Mr. Salil Bawa, Head, Group IR. Without further ado, let me hand over the call to Ms. Goenka. Over to you, ma'am.

**Dipali Goenka:** Good afternoon, everyone, and it is indeed a pleasure having you joining us today for highlights for Q4 FY '24. I would like to share some highlights of our operating performance as well as some achievements during the quarter under review, after which Sanjay will share the highlights from our financial metrics.

At Welspun, we achieve excellence in every sphere of activities that we take on. In this direction, we are pleased to share that Welspun Living has been recognized and certified as a great place to work by GPTW Certification Agency and we have fared among the top 100 companies in India in all the parameters.

Welspun also saw one of the highest participation of employees among the corporates during the certification. We are also glad to inform that in Dow Jones Sustainability Index, DJSI rating done for 2023-24, WLL has secured a score of 66, which puts us among the top 3 percentile of the home textile companies globally. It reiterates the focus the company has in being a responsible and sustainable corporate in all sphere of its activities.

Exports of all our products globally as well as a reach in India has seen a definite uptick and tremendous growth due to our unwavering commitment in providing unparalleled quality, both in products as well as in services, which has helped us achieve our highest annual exports growing by 23% in FY '24. It is a great pleasure that I would like to inform you that the company has clocked its highest ever quarterly revenues of INR 2,617 crores in Q4 and its highest ever annual revenue of INR 9,825 crores, approximately $1.2 billion, growing by 19% in Q4 and 20% in FY '24. All our businesses have contributed in this tremendous performance in global markets as well as in India, taking us closer to a vision of ‘Har Ghar Se, Har Dil Tak Welspun’. We have continued to have sustained EBITDA, achieving INR400 crores, clocking 15.3% in Q4, growing at 25% year-on-year. ROCE has also improved substantially to 14.6% from 5.7% last year.

Domestic. India continues to shine with an expected GDP growth of 8% in Q4 and inflation in March '24 is to ease to 4.8%, lowest in last 6 months. The retail sector demand, however, remained muted during Q4 through Jan to March 2024, mainly due to lower consumer spending, especially in discretionary categories. Our domestic retail business showed a lot of resilience despite subdued operation conditions in consumer markets in India, which continue to subsist in Q4 as well.

Our domestic business continued its upward trajectory with a 12% year-on-year growth in Q4, closing at its highest annual revenues of INR 571 crores, growing by 4% in FY '24 despite the challenging market conditions. Brand Welspun continues to strengthen its leadership position and is a mostly widely distributed home textile brand in the country, with presence in 600-plus towns and 20,282-plus outlets, up by 3,276 in Q4 alone and plus 9,012 in FY '24, highest ever reach achieved by any home textile players in India.

Brand recall or Spaces in Welspun has jumped substantially to 80% from 72% and 50% from 40%, respectively, for our target audience, thereby leading in premium and mass home textile category. Brand Welspun growth has witnessed a healthy 15% Y-o-Y growth in Q4 and has grown to become a INR200 crores brand in FY '24. Brand Spaces has outgrown the category in modern trade channel, emerging as a leading brand within the category and gaining the market share. We have solidified a presence with 6 EBOs (FOFO’s) added in Q4, leading to a total of 26 EBOs on a journey to reach 150-plus EBOs by FY '27.The Home Textile Consumer business continued investment in marketing to the tune of 10%. We remain committed to continued investments in our brands for improving brand visibility and salience as well as a focus to build profitable business growth in the domestic consumer business.

Core exports. U.S. retail sales continued the upward trend sequentially on a month-to-month basis in February '24 and March '24, growing by 0.9% and 0.7%, respectively, leading to strong buying by retailers. India continues to be the leading supplier of terry towels and bedsheets in United States of America and as for the OTEXA data, India strengthened its market share in exports to USA for the April 2023 to Feb 2024 period, both in TT from 42% to 43% and bed sheets from 50% to 59%. In value terms, though the overall export to US during this period saw a degrowth of 11% and 9% in TT and bed sheets due to input cost rationalization during FY '24, WLL, however, witnessed a growth of 11% and 40-plus percent, respectively, solidifying our leadership and US exports further.

Q4 also witnessed impacts on global trade and commerce due to the Red Sea issues, which has not only increased the voyage time to Europe and US East Coast from India but has also resulted in hardening of the container prices. With our major distribution presence in the US, we have been able to ensure minimum disruption in revenue. At the same time, our long-term relations with liners has seen us in good steps, leading us not to be too negatively impacted in costs as well. We continue to keep a close watch on this dynamic situation to ensure minimum disruption to the revenues and costs in the next financial year.

Emerging businesses. Our emerging business of domestic consumer business, Global Brand, Advanced Textiles and Flooring businesses, grew 26% in Q4 and 16% in FY '24 and continue to contribute 33% of the total revenues of the company, up from 26% in 2022. Our license brands like Martha Stewart, Creative CO/Lab and Disney continue its growth journey and has given us an edge in US and European markets by not only opening up additional shelf space with our key retailers, but also in creating newer avenues. All our active licensed brands are growing at 40% in FY '24.Our own brands have also made good headway in global markets. Christy in UK, which has the reputation of being the inventor of terry towels, being the first towel for the Queen of England since 1857, with supplies the enviable Wimbledon towel has rechristened the brand look, feel and ethos, connecting more with its key target audience and increasing its footprint with more D2C initiatives across UK, US, Middle East and Asia Pac regions. Christy has grown by 21% in FY '24 and has a plan to grow at a CAGR of 29% in UK and other geographies to reach more than GBP 50 million by 2027 with a sustainable profit. Well Home, our own consumer brand in the United States of America, both in online and off-line, has taken up substantially with a growth of more than 100% in FY '24. Overall, our Global Brands business has touched a revenue of $140 million in FY '24, growing by 7% Y-on-Y and contributing 13% of total revenue.

Flooring. Flooring business continued to grow, reaching its highest ever annual revenue of INR 927 crores in FY '24, growing by 31% Y-on-Y. We are getting good traction in Australia, New Zealand and Middle East markets for both wall-to-wall and carpet tile. US continues to be upbeat in wall-to-wall and carpet tile, and we look forward to a good start in Q1 FY '25 for soft flooring. High transit time and lack of vessels due to Red Sea situation created some roadblocks in Q4 in bringing in volume, especially in hard SPC. However, we have started getting good order projections for a regular SPC tiles as well as value-added products from large retailers and big-ticket distributors in USA as well as with a clear line of sight from Q1 FY '25. Quarterly revenues, hence, were slightly muted at INR 213 crores in Q4, growing by 2%. Flooring business, however, continues to be in high single-digit EBITDA reaching 8.6% in Q4 and 8.3% FY '24.

On domestic market front, we continue to see growth in hospitality and residential segments in all our key markets in India. Domestic flooring achieved its highest quarterly revenues growing 41% and yearly revenues growing 15%. In order to capitalize on market opportunities, we continue our work on making inputs an entire value chain more and more indigenized. Overall, our flooring plant reached a capacity utilization of 52% during the quarter and 56% during the year.

The Advanced Textile business witnessed a 31% growth Y-o-Y in Q4 and 23% in FY '24 to clock a revenue of INR521 crores despite the ongoing challenges due to Red Sea. Full year capacity utilization of the Telangana spun lace facility reached 53%. Our spunlace sales continue to be strong on all our key global markets in wet wipes. We have developed new products for marquee customers, including Welspun aloe vera wipes for institutional market and bagging new orders from a leading baby care brand.

More and more focus globally is moving towards ESG practices of the corporate across the world and the companies are continually being evaluated on the basis of the sustainable and governance practices.

Welspun is at its forefront in the same, and we have become a beacon when it comes to doing businesses responsibly and sustainably. This was further corroborated by the latest rating from Dow Jones Sustainability Index at the score of 66, as already mentioned. We have invested a 30-megawatt solar plant in Anjar facility with a view of achieving available energy targets, and we are glad to share the same has become operational, which would meet about 15% of the power requirements at Anjar facility.

Overall, the global economic sentiment still seem to be muted, largely due to continuing skirmishes in Russia, Ukraine, Israel, Palestine and now Iran, with trade being impacted due to Red Sea issues. In USA, one of our key markets, although inflation rates have receded from the peak in June 2022, it has inched higher in March to 3.5% and prices remain significantly higher than pre-pandemic levels across various sectors. In view of the same, the expectation of the Fed rate cuts in 2024 might get pushed and a fewer rate cuts now expected.

Through stellar performance in all our businesses, core as well as emerging, we have been able to get a much higher than expected 20% growth in revenues in FY '24. We would continue to see growth. However, considering the current economic instability, we continue to be cautiously optimistic of the operating performances in FY '25.

With this, I would like to hand over to Sanjay, who will take over the financial highlights.

**Sanjay Gupta:** Thank you, Dipali, and greetings, everyone. I will give a brief overview of the financial numbers for quarter'4 before we open for question and answers.

We had informed that the Board had approved a team of amalgamation between various wholly owned subsidiaries with Welspun Living in its meeting held on July 23, 2023. The Hon'ble National Company Law Tribunal, NCLT Hyderabad Bench and NCLT Ahmedabad Bench have vide their orders dated March 12 and April 9, '24, respectively, have sanctioned a set scheme. The effect of the set scheme has been given in the account, with effect from appointed date, which was 1st of April 2023.

During quarter'4 of financial year '24, we reported revenues of INR 2,617 crores, up 19% year-on-year and for the financial year '24 revenues is at INR 9,825 crores, up by 20%. EBITDA margins for the quarter'4 stood at INR 400 crores, that is 15.3%, up 25% year-on-year, that is 71 basis points.

For financial year '24, EBITDA is at INR 1,515 crores at 15.4% margin, up by 73% year-on-year, that is 478 basis points. Profit after tax after minority interest for the quarter is at INR146 crores, vis-a-vis INR125 crores year-on-year, growing by 16% year-on-year. For financial year '24, PAT is at INR681 crores versus INR199 crores for financial year '23, up by more than 3.4x.

Pursuant to the scheme of amalgamation and further reassessment of deferred cost assets of subsidiaries, the company has accounted for changes in current tax charges and deferred tax charges, thereby resulting into an effective tax rate of about 30% for financial year '24. Consolidated current tax charge in fact is 12.5% for financial year '25. This deferred tax charge is one-off adjustment and for FY 25, we estimate our consolidated effective tax to be around 26% to 27%.

Consequently, our consolidated EPS for quarter’4 stood at INR1.52 per share as compared to INR1.28 per share for quarter’4 of '23. For financial year '24, our EPS is at INR7.06 as compared to INR2.02 previous year. On the Forex front, our average exchange realization for the US dollar during quarter’4 was INR83.58 compared to INR80.48 in the corresponding quarter last year.

For the full year financial year '24, it was INR83.28 compared to INR79.25 in financial year '23. Net debt stood slightly higher than our guidance at about INR1,354 crores, as at March '24, which is still lower by INR180 crores from INR1,534 crores reported a year ago due to increased working capital, including inventory of inputs including cotton and finished goods, at the end of financial '24, we saw our working capital slightly higher.

Coming to segmental results. Quarter’4 of financial year '24 core business of Home Textiles, revenue stood at INR 2,422 crores versus INR 2,017 crores in quarter’4, up by 20.1% year-on-year. For financial year '24, revenues of core business stood at INR 9,063 crores, up by 18.7% year-over-year. Quarter’4 EBITDA Home Textiles stood at INR 364 crores at 15% as compared to 14.5% last year.

For financial year '24, EBITDA for Home Textiles stood at INR1,383 crores at 15.3%, up by 480 basis points year-on-year. During quarter’4 of '24, revenue from Flooring business was INR 213 crores, up by 2.2% year-on-year. EBITDA was at INR 18 crores, that is 8.6% as compared to 4.2% year-on-year.

For financial year '24, Flooring revenue was at INR 927 crores, up by 31% and EBITDA was at INR 77 crores at a margin of 8.3%, up by 569 basis points.

In financial year '24, we spent INR275 crores towards capex, majorly towards setup of 30-megawatt solar power plant at our Anjar facility, which has now been commissioned.

While the Board will be considering further distribution in subsequent meetings, the Board during its meeting held today on 25th April '24 has proposed a 10% dividend for financial year '24, subject to approval in the Annual General Meeting.

Moving onto guidance for financial year '25. On the back of a strong performance of 20% growth in financial year '24 and our investment in new complementary products of fashion towels and pillows and proposed increased capacity utilization, the company is well set to achieve a further top line growth of 11% to 12% in financial year '25.

Continuing from our sustainable EBITDA of 15.4% in financial year '24 with our continued drive towards cost optimization and improved efficiency, we believe we should be able to achieve annual EBITDA margin of 15% to 15.5% in financial year '25, growing by about 10% to 12%.

We had earlier informed on our capex investment of INR326 crores for a brownfield project in terry towel expansion is Anjar and INR104 crores for a new pillow facility at Ohio, USA and INR40 crores investment for transmission line for the new renewable energy facility being set up at Gujarat in our quarter three call.

In addition to above, we would be spending additional INR15 crores in terry towel project and an additional INR35 crores on transmission line during financial year '25. Apart from this, INR520 crores of capex in new facilities, the company is expected to spend another INR 340 crores for balancing equipment, modernization of existing equipment and maintenance capex in order to get higher productivity and output from existing facilities in all its manufacturing locations, totalling to INR 860 crores of capex for financial year '25.

With the said capex plan and our stated objective of distributing at least 25% of that to our shareholders, we should be able to be within the net debt achievement same as financial year '24, that is INR1,350 crores to INR1,400 crores. We continue to remain focused on our strategic priorities and growth pillars which reflected on our long-term goal of sustainable growth and profitability while deleveraging our balance sheet.

With this, I will leave the floor open for question-and-answer. Thank you.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead. Prerna,

**Prerna Jhunjhunwala:** Congratulations on good set of numbers. Just wanted to understand the flooring growth rate of 2.2% this quarter, which is quite low as when compared to our expectations. So what happened and how this will pan out over the next two quarters?

**Dipali Goenka:** Hi, Prerna. If you look at it, flooring business has actually clocked its highest revenue of around INR 927 crores this year. We have grown by 31%. But the thing here is that in the last quarter, because of the Red Sea issue, there were a little hiccups. Because see, in Home Textiles, around 80% of our businesses are FOB. Here, we are looking at CIS and that was the impact here. However, as we go forward in Q1, our numbers looked very intact and we are moving in the right manner in a committed way that we have committed on the top line and the numbers and a strategy that we are looking at, so this was a little hiccup that we saw in this quarter’4 because this was right at the peak of the Red Sea issue.

**Prerna Jhunjhunwala:** Okay. So what kind of growth rate we can expect for the full year? I'm not getting into quarters because there can be some ups and down there as well.

**Sanjay Gupta:** Hi, Prerna, so we have given a total overall growth of about 10% to 12% for the business. So whatever has been the breakup this year, you can consider the same kind of breakup for next year.

**Prerna Jhunjhunwala:** Okay. Understood and in the domestic market, in the Flooring business, how is the traction going apart from the export market? So what is happening in the domestic market in the Flooring business want to understand that itself.

**Dipali Goenka:** Yes. That's very, very important because that's going to be a growth forward. So domestic front, we continue to see growth in hospitality and residential segments in the key markets in India. So domestic flooring actually achieved its highest quarterly revenues growing 41% and yearly revenues growing 15% here. So I think I can tell you that India will be the key market, though it is a steady-state growth that we are going to be seeing here and this quarter, we actually, to your point, actually, clocked the highest revenue for the domestic market and it will be going bigger as we also capture the residential properties as well. We have reached around 2,500 AIDs as of now and that will, again, be growing 100% by the end of this year.

**Prerna Jhunjhunwala:** Okay. The second question is on cotton inventory. What kind of cotton inventory are you holding at the end of the year? and do you think cotton prices can move back to INR55,000 or above INR65,000? Just trying to understand what should be the deduction in your opinion?

**Dipali Goenka:** So that's a valid point, Prerna. So first of all, we actually have covered until the beginning of the next cotton season, we are holding around six months of cotton until October '24 and as we look at cotton today, cotton prices look in the range of around INR59,000 to INR62,000 per candy. and as we are seeing the harvesting season being over, we will see a little hike coming in the end of June and July. But as the season comes in for cotton, it will mobilize. We feel that the cotton prices will remain around INR59,000 to INR60,000.

**Prerna Jhunjhunwala:** Okay and our cost of cotton inventory should be lower than that or above that?

**Dipali Goenka:** Our costs will be around INR59,000.

**Prerna Jhunjhunwala:** Okay. It will be around that only. Okay.

**Dipali Goenka:** Yes.

**Prerna Jhunjhunwala:** Okay. Thank you, ma'am. All the best.

**Dipali Goenka:** Thank you. Thank you, Prerna.

**Moderator:** Thank you. The next question is from the line of Dhanan Bagrodia from ASK. Please go ahead.

**Dhanan Bagrodia:** Hi, ma'am. Just a quick question from my side. If the U.K. FDA would be signed, what would be the impact on our company in terms of numbers, quantifiable?

**Sanjay Gupta:** So we are already present in U.K., as you are aware, with our own company and distribution capability, we are supplying in the top of the better and the best category , U.K. constitutes about 9% of the entire world share, and our business share is also about 9% to 10%.

**Dipali Goenka:** So I'll just say here something that, as Sanjay pointed out, we are in the better and the best already in these towels. The upside that we will see with the FDA comes in is with the bedding where Pakistan and Bangladesh dominates. So that definitely will be an interesting place to see because right now, we are playing in the better and the best even in the bedding as well and that is where I think we will be looking at a market share, because U.K. is definitely the second largest consumption economy after United States of America.

**Dhanan Bagrodia:** It would be tough to quantify such as if you have to quantify at the moment?

**Dipali Goenka:** Yes, we cannot quantify at the moment because it depends on the businesses opening up according to the demand. So it will be as in wait and watch when these things happen.

**Dhanan Bagrodia:** Okay, sure. Thank you.

**Dipali Goenka:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vikas Jain from Equirus. Please go ahead.

**Vikas Jain:** Yes. Thank you for the opportunity and congrats for good set of numbers. First question is on the gross margin side, I believe the cotton prices have largely been on the stable side. So could you elaborate what will be the reason for the quarter-on-quarter dip in the gross margins?

**Sanjay Gupta:** Yes. Thanks, Vikas. So as you can see, the sales in every quarter, the mix changes and so this time, the mix has been such, that has impacted the overall gross margin by about 1%. But overall, our EBITDA margin has remained intact. So this mix changes keep on happening on quarter-to-quarter and but overall margin we maintain.

**Vikas Jain:** Okay. Secondly, I would want you reiterate the breakup of the capex that you mentioned for full year FY '25?

**Sanjay Gupta:** Yes. So our capex is for Anjar TT, It is at INR341 crores, For our pillow capacity at Ohio, it is INR104 crores. For our transmission line for RE is INR75 crores, and maintenance capex is INR340 crores, totalling to INR860 crores.

**Vikas Jain:** Okay. So while given the fact that and my rough estimate is that we'll be broadly generating an operating cash flow of similar amounts. So are we suggesting that the debt balance that we have at this point of time would relatively be on the same levels by the end of FY '25 as well?

**Sanjay Gupta:** In my opening remarks, I have alluded to this that we will remain at the same kind of net debt level, but the ROCE will be better because of the denominator effect, so we will be a higher yield ROCE percentage.

**Vikas Jain:** Understood. Second, sir, for the flooring side, while our installed capacities that we just quoted versus the maximum capacity that we can reach that is around 27 million square meters. So any plans to improve from the current 18 to 27, given the fact that we are inching up on the utilization side?

**Sanjay Gupta:** So once we reach the nearer to 18 million square meter capacity utilization, we will then think about expanding it to that balance 27. We have on an average reached about 56% capacity utilization from that 18 million this year. Let's first reach about 80% - 85% which we'll do in the next 1.5 years to 2 years and then we will think about increasing the capacity.

**Vikas Jain:** Understood. Okay sir. Thank you so much I will join back the question queue.

**Sanjay Gupta:** Thank you Vikas.

**Moderator:** Thank you. The next question is from the line of Nilesh Jethani from Bank of India. Please go ahead.

**Nilesh Jethani:** Hi, good evening and thanks for the opportunity. My first question was on the advanced textiles. So when I see the Q-o-Q number there seems to be a small dip as far as the advanced textiles numbers are concerned. Just wanted to understand what would be the main reasons for it?

**Sanjay Gupta:** So, I don't see a dip. There has been a lower increase in the advanced textiles. Again, because the Red Sea issue and the buyers pushing that shipment slightly further, but we have seen an increasing trend in quarter 4 as well at about 12% and overall, we have increased by about 25% for the year and from quarter, it's looking great, good, so this should be it.

**Dipali Goenka:** Our demand will be robust here. It was just an aberration of the Red Sea that the people pushed it a little back.

**Nilesh Jethani:** So at the current capacity just wanted to understand what kind of potential revenue we can achieve in the advanced textiles piece?

**Sanjay Gupta:** So we have reached out 40% capacity utilization in Telangana. We are already at about 80% capacity utilization in Anjar. With the total capacity utilization 80% - 85% we should touch a revenue of about INR1,000 crores which should happen by in another 2 to 2.5 years’ time.

**Nilesh Jethani:** My second question was largely on the global business, the innovation piece which you report on the PPT that has seen a sharp jump. Just wanted to understand overall export market perspective. One is, of course, the branded which is helping us drive higher growth, but in general what are we sensing on the ground level, the increased shelf space etc , which could be one of the reason for driving growth, but how to look at the growth rate sustaining going forward, how to look at it?

**Dipali Goenka:** So, I'll just give you a little perspective here. So I think we are basically working on the quality of the share of shelf across. So it is not just a towel and a sheet that we sell in a private label, as you rightly pointed out our stake in the innovation grew by around over 67% this year. We actually are also looking at our licensed brands that grew, we have around USD140 million like Martha, and these business alone contributed around 13% to that top line. So when I talk about the share of shelf and the growth that you're talking about, if I look at the landscape across in America you have the mass retailers, you have the clubs, you have the discounters and the departmental stores and here, the discounters become a very key important aspect which are growing at the rate of around 10% to 15% at the moment in this kind of a steady state market as well. So with Welspun portfolio that we have about towel, sheet, bedding, rugs, carpets and now pillows. We are setting up our facility in America for pillows as well which actually has the same kind of a market of 2.6 billion in America as like the towel is so we actually are looking at that also growing very, very aggressively. So we feel very positive about the share of shelf and let's not forget the hospitality segment. That again is a very big market for us. Right now, we are at around USD80 million and we are taking it to the next USD100 million in the next 2 years.

**Nilesh Jethani:** Okay. Got it and on the B2B piece of home textiles, what's happening on that side, can you just give me some color on the growth rate. I believe last year a lot of growth products come via inventory filling also because during Christmas, etc, and that would have sustained, but how to look at this number, home Textile B2B piece going forward?

**Dipali Goenka:** So we actually have committed on a 10% to 12% growth next year as well actually and that is something that we will work towards and that's what we are very confident about. I mean this year has been the highest number in our quarter'4 number around INR 2,600 and we will take on the growth of annualized number of 10% here. So we are pretty confident on this and it will spread across all the categories. If I can say, towels we are the highest in the top line and also the rugs. So we have a lot of potential to grow in the bedding business which we are focusing on, not only sheet, but in fashion bedding, pillows and utility as well.

**Nilesh Jethani:** Got it. So the margins what we have reached in the home textile piece like give and take 15%, how should one look at the growth I believe towel and pillow are the two pieces of capex which we are coming in FY '25 and '26. But apart from that, how to look at the margin profile of the home textile business going forward?

**Sanjay Gupta:** So home textile business overall would give a margin of about 15% to 15.5% from the current year 15%. So we would, of course, be achieving slightly higher margin. If we break it up into only B2B business. So, B2B business is actually earning about 17% margin which will go up by another 0.5% to 17.5% and then there is the domestic business, the home textile includes the domestic business as well as other advanced textile business. So if overall 15% to 15.5%, exports B2B 17.5%.

**Nilesh Jethani:** Got it and the flooring business will see its own operating leverage playing out which will drive the growth over there?

**Sanjay Gupta:** Yes, which will be continuing to grow sequentially it will grow, yes.

**Nilesh Jethani:** And one last question from my side. Sorry if I would have missed that, but you said the net debt level would remain constant going forward also. I thought we had plans to reduce net debt. So can you please clarify it?

**Sanjay Gupta:** Yes. So this year, we couldn't achieve what we had advised for at about INR1,100 crores. So we touched about INR1,350 crores. That's because of increase in our investment in working capital. Next year, because of higher capex, which will set the tone for higher growth in the near future, we are spending INR860 crores in capex. Despite that and despite the payouts that we are planning, we should be at the same net debt and we should touch a zero net debt by financial year '27.

**Dipali Goenka:** So I think I must just add on here, the opportunity for India is immense in the categories that China is displacing. So this is all also emerging to that and however, all said and done, our ROCE will maintain at the prudence of around 20% and in all these projects that we are setting up, that's the ROCE we are committing to.

**Nilesh Jethani:** Got it. It was helpful and thank you so much.

**Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings.

**Bhavin Chheda:** Good Evening sir. Congrats on great numbers. Just on the guidance part, you're giving a 10% to 11% top line guidance, but if I'm trying to break this, flooring would be growing at much more, say, 20% - 25%. I think your Flooring business target for next year is INR1,300 – 1,400 crores or more than that. Then Home Textile is less growth rate becomes less than 8% and if I'm seeing this year's number, you had a very strong volume growth across towels, bedlinen, rugs.I think if you see the numbers, terry towel was 38% volume growth, bedlinen was 35% volume growth, rugs was 45% volume growth. Even considering FY '23 last year was a decline and so the growth rate was much higher on a very lower base, but even if I try to compare on our FY '22 numbers, which were all-time high numbers on that number, your volume growth is still in double digits. So what I failed to understand is in FY '25, we have capacity, but you are expecting a low single-digit volume growth, if I try to tally your guidance with the Home Textile volume growth.

**Dipali Goenka:** So we will maintain a growth of around 10% to 12%, and that will be overall on the bigger base that you see around INR9,800 crores that we closed this year and I must tell you that emerging businesses will continue to grow, they contributed around 34% to our top line, and that is the growth rate that we'll continue to see here. I think we are confident about this number, and we could better it and you know the business dynamics and the global dynamics that are prevailing. So we want to be cautiously optimistic and it's better to be cautiously optimistic and as you have seen this year as well, what we committed and what we've delivered. So we continue to delight you.

**Bhavin Chheda:** Yes, sure. So I understand you have given a conservative target, but the math itself says that, obviously, the growth numbers could be higher. Okay. Second question on the INR850 crores capex, what will be the maintenance capex number on that?

**Sanjay Gupta:** About INR300 crores - 340 crores.

**Bhavin Chheda:** INR300 crores - 340 crores. Okay. And the third one in the balance sheet there were some receivables from the government and some subsidy receivable. What was that number as on 31st March, '24?

**Sanjay Gupta:** We don't give out those numbers separately. but it remains at the same level as last year.

**Bhavin Chheda:** Thank you.

**Moderator:** Thank you. The next question is from Siddharth Bhattacharya from Authum Investment & Infrastructure Limited. Please go ahead.

**Siddharth Bhattacharya:** So just a couple of questions on the Flooring business. So basically correct me if I'm wrong, but we are seeing operating leverage sort of pick up now as more and more volumes get pushed through, so just wanted to understand what could be the peak EBITDA margins in this? That is my first question and secondly, is there an additional margin that can be earned by ideal mix of products within the segment? And what is that?

**Sanjay Gupta:** So Siddharth, yes. The peak EBITDA margin, so we have told this earlier as well, so we should be at the company EBITDA range of 15% to 16% in Flooring at the best operating leverage and giving ideal mix, I mean, this is anybody's world. So I can't give you an ideal mix, but we are trying to reach the EBITDA level at the company level so that the overall EBITDA of the company goes up.

**Siddharth Bhattacharya:** Okay. So let me ask this differently, what is the highest margin product in your list of products for Flooring?

**Sanjay Gupta:** That is difficult to be given, Siddharth.

**Siddharth Bhattacharya:** Okay, got it. Thank you so much.

**Moderator:** That was the last question. As there are no further questions, I would now like to hand the conference over to Ms. Dipali Goenka for closing remarks. Thank you.

**Dipali Goenka:** The fabulous growth that we have been able to achieve in all our businesses in FY '24 is a result of a continued focus on excellence and becoming a benchmark for our customers in terms of unparalleled innovative and patented products, actionable insights and solutions we provide through our investments in technology and digitalization and a stellar services to a marquee customer. Our speed of innovation and that of meeting unmet needs of our consumers truly makes us an -- in FMCG of textiles. Added to that, our focus on B2C and D2C through our global brands like Christy, Wellhome, and Martha as well as domestic brands of Spaces and Welspun, has taken us much closer to a vision of 'Har Ghar Se, Har Dil Tak Welspun'. It's heartening to see our Flooring business flourishing with consistent growth and profitability. At the same time, ESG is a way of life at Welspun and our focus on doing business sustainably and responsibly would continue unbated, be it in renewable energy, fresh zero water usage, reducing carbon footprint, diversity or an unparalleled governance practices. Our recent industry-leading score of 66 by DJSI reaffirms the leadership on ESG front. The certification by Great Place To Work, being among the top 100 corporates in all the key parameters is also a prestigious achievement. We are committed towards our future growth targets for all our businesses and with sustained growth profitability, we would continue to achieve higher ROCE and ROE, thereby creating substantial value for our investors and stakeholders. Thank you for your continued interest in Welspun Living. For any further queries, please be feel free to connect with Salil and Sanjay.

**Moderator:** Thank you, ladies and gentlemen, on behalf of Antique Stockbroking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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