



Welspun Living Limited
(Formerly Known as Welspun India Limited)
“Q3 FY '24 Results Conference Call”
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MANAGEMENT: **MS. DIPALI GOENKA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – WELSPUN LIVING
LIMITED**
**MR. SANJAY GUPTA – CHIEF FINANCIAL OFFICER –
WELSPUN LIVING LIMITED**
**MR. SALIL BAWA – HEAD, GROUP INVESTOR
RELATIONS – WELSPUN LIVING LIMITED**

MODERATOR: **MS. PRERNA JHUNJHUNWALA - ELARA SECURITIES.**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Post-Results Conference Call of Welspun Living, hosted by Elara Securities. 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 conference call, please signal an operator by pressing star then zero on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Jhunjhunwala from Elara Securities. Thank you, and over to you, ma'am.

Prerna Jhunjhunwala: Thank you, Michelle. Good evening, everyone. On behalf of Elara Securities, I would now like to welcome you all to Q3 and 9-month FY '24 Post-Results Conference Call of Welspun Living Limited. Today, we have with us the senior management of the company, including Ms. Dipali Goenka, Managing Director and CEO; Mr. Sanjay Gupta, Chief Financial Officer; and Mr. Salil Bawa, Group Investor Relations Head.

I would now like to hand over the call to Mr. Salil Bawa for initial remarks, post which we can start the Q&A session. Thank you, and over to you, Salil.

Salil Bawa: Thank you, Prerna. Good afternoon to all of you. On behalf of Welspun Living Limited, I welcome all of you to the company's Q3 and 9-month FY '24 earnings call. As mentioned, along with me today, we have our Managing Director and CEO, Ms. Dipali Goenka; and Mr. Sanjay Gupta, the Chief Financial Officer.

We hope you have had a chance to review the investor presentation that we have filed with the exchanges today. It is also available on our website. During today's discussion, we may be making references to this presentation. Kindly take a moment to review the safe harbor statement in our presentation. As usual, we'll start the forum with opening remarks by our leadership team. And then we will open the floor for your questions. Once the call gets over, should you have any further queries that remain unanswered post the earnings call, please feel free to reach out to us.

With that, I would now like to hand over the floor to Ms. Dipali Goenka, Managing Director and CEO. Over to you.

Dipali Goenka: Thank you, Salil. Good afternoon, everyone, and thank you for taking the time to join us today for our Q3 FY '24 analyst call. I would like to share some perspectives on the operating highlights of our performance during the quarter under review, after which Sanjay would share some highlights from our financial metrics.

We are pleased to share that the growth in revenues that we witnessed in the last 2 quarters continued in quarter 3 as well, and we clocked the highest-ever quarterly revenues of INR2,454 crores, growing by 29% year-on-year. The relatively better holiday season sales in U.S. have led to improved buying from major retailers. We continue to have sustained EBITDA achieving

INR382 crores, clocking 15.6% in Q3, growing at 67% Y-on-Y. Annualized ROCE has also improved substantially to 14.5% from 5.7% last year.

India continues to be the leading supplier of terry towels and bedsheets to USA and as per the OTEXA data, India strengthened its position and its market share in exports to U.S. for the April-November 2023 period, both in terry towels from 41% to 44%, and in bedsheets from 49% to 59%. In value terms, though the overall export to U.S. during this period saw a degrowth of 9% and 11% in terry towels and bedsheets. Welspun Living Limited, however, witnessed a growth of 14% and 30%, respectively, solidifying our leadership in U.S. exports further.

In geopolitical front, due to the Red Sea issues, we are seeing increased blank sailing of ships leading to enhanced turnaround time and hardening of container costs for U.S. East Coast and Europe. We're keeping a close watch on this dynamic situation to ensure minimum disruption to the revenues and costs in Q4 and in the next financial year.

Consequently, we continue to be cautiously optimistic of the operating performance for Q4, we're committed towards meeting our directed revenue growth of 12% for the year and 15% EBITDA and shall be topping this guidance by achieving revenue growth around 15% in FY 2024.

I would like to shed some light on update for major business segments, starting with the export markets. U.S. GDP continue to strengthen in Q3 with a growth rate of 3.3%, much better than anticipated. Consumer inflation has fallen to 3.4% in December 2023 from a peak of 9.1% in June 2022, which was the highest inflation rate in U.S. since the early 1980s.

Retail sales has also continued to show resilience in Q3, growing every month, witnessing a growth of 5.6% Y-on-Y in December '23. With a relatively good holiday season and consistent demand, we witnessed sustained inflow of orders during the quarter. Export revenues for Welspun saw a growth of 36% Y-on-Y. Despite global challenges, the Indian market remains resilient with an expected GDP growth rate of 7.3% and 5.6% inflation in Q3. However, the farm sector grew modestly at 1.2% and private spending close to 3.1%. This resulted in subdued retail sales remaining flat to slightly negative in Q3, especially in the discretionary categories due to inflation volatility, though the premium segments performed slightly better than expected during the festive season.

Despite the challenging market scenario, Welspun's Domestic Consumer business achieved its highest quarterly results in the festive Q3 of INR171 crores, up by 10% Y-o-Y and 20% Q-on-Q. Brand Welspun continues to strengthen its leadership position. And it's the most widely distributed home textile brand in the country with the presence in 600-plus towns and 17,006 plus outlets up by 1,495 in Q3, a reach not hitherto achieved by any home textile player in India.

Brand recall for Spaces & 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 like-to-like productivity growth has witnessed a healthy 7% Y-on-Y growth in Q3, contributing to an overall growth of 16% Y-on-Y. Brand Spaces has outgrown the category in the modern trade channel, emerging as a leading brand within the category and

gaining market share. We have solidified our presence with 9 EBOs (FOFOs) added in Q3, leading to a total of 20 EBOs on a journey to 150-plus EBOs by 2025.

The Home Textile Consumer business continued with its peak of positive EBITDA in Q3. We remain committed to continued investment in our brands for improving brand visibility and salience as well as our focus to build profitable business growth in the Domestic Consumer business.

Our emerging businesses of Domestic Consumer business, Global Brands, Advanced Textile and Flooring businesses grew 21% in Q3. Our licensed brands like Martha Stewart, Creative Co/lab and Disney continued its core journey and grew 29% Y-on-Y. Licensed brands have given us an edge in U.S. and European markets by opening up newer avenues.

In Flooring businesses, we have witnessed big ticket orders from U.S.A., U.K. and Middle East. We have improved prominence through repeat orders in soft flooring with increasing demand for printed wall-to-wall and carpet tiles in hospitality and commercial segments as well as value-added products in hard flooring.

On domestic market front, we continue to see growth in hospitality and residential segments in all our key markets. In order to capitalize on market opportunities, we are working on indigenization of a complete value chain. Overall, our flooring plant reached a capacity utilization of 60% during the quarter with highest ever quarterly revenues of INR246 crores growing by 46% Y-o-Y.

The Advanced Textile business witnessed a 39% growth Y-on-Y in Q3. We have increased the capacity utilization of our new Telangana facility to 65% during the quarter. We have seen the highest sales of spunlace during the quarter, while making inroads into the newer customers for needle punch. In wet wipes and sheet mask as well. We have developed new products for marquee customers.

In line with our growth strategy and getting into near complementing businesses, we are glad to inform that the company's Board has approved capital expenditure to set up additional jacquard towel facility in a brownfield investment of INR326 crores at the existing Anjar facility. It will increase our total towel capacity by 6,400 metric tons per annum to 96,400 metric tons per annum and will be operational by Q3 2024, 2025.

This augmentation in the capacity will help in expanding our range to fashion and beach towels and at the same time, benefiting from China Plus One opportunity. A full capacity utilization, it will have a revenue of INR400 crores per annum.

The Board has also approved an investment of US \$12.5 million, INR104 crores to set up a fully automated pillow manufacturing unit at Ohio, USA with a capacity of 6.7 million pillows and the same will be operational by Q2 2024, 2025. This shall help us in expanding our product basket and tapping into onshore opportunities nearer to our customers. It will give us an additional revenue of US \$50 million, INR415 crores at full capacity utilization. As per our

prudent capital allocation policy, all these investments would give us an average ROCE in excess of 20%.

ESG is embedded in every aspect of operations at Welspun, keeping us ahead of our peers globally in sustainable practices. Welspun Living Limited, becoming a member of United Nations body, UNGC, United Nations Global Compact, promoting environment and socially conscious business practices is a step towards confirming the same. We also released our annual sustainability report, highlighting our performance in our focus areas for ESG fully audited and assured by one of the big 4.

We are glad to inform that the company has achieved the Best Managed Company Award 2023 from Deloitte, second year in a row. It's a testament to the strategic direction that the company has embarked upon for a sustained profitable growth and it reaffirms Welspun Living's continued focus on growth, innovation and business excellence with highest level of good governance practices.

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

Sanjay Gupta:

Thank you, Dipali and greetings, everyone. I'll give a brief overview of the financial numbers for quarter 3 '24 before we open for Q&A.

During quarter 3, we reported revenues of INR2,454 crores, up 28.9% year-on-year. And for 9 months of financial year '24, revenues at INR7,208 crores, up by 19.7% year-on-year. EBITDA margin for quarter 3 stood at INR382 crores, that is 15.6%, up by 67% year-on-year, that is by 356 basis points. For 9 months of financial year '24, EBITDA at INR1,115 crores, that is a 15.5% margin, up by 101.3% year-on-year, that is 626 basis points.

The company has been able to maintain consistent profitability and it reflects the work that the company has done across all operating areas, be it higher orders leading to high capacity utilization or cost rationalisation or value engineering.

Profit after tax, after minorities for the quarter is at INR177 crores with only INR42 crores year-on-year, increasing by more than 4x. For 9 months of financial year '24, PAT is INR535 crores, which is INR73 crores last year, up by more than 7x. Consequently, our consolidated EPS for quarter 3 stood at INR1.84 as compared to INR0.43 last year. For 9 months, it is INR5.54 as compared INR0.74 last year.

On the forex front, our average exchange realization for the US dollar during quarter 3 was INR83.80 as compared to INR79.80 in the corresponding quarter last year. At the end of quarter 3, net debt stood at INR1,542 crores, which is INR367 crores lower than INR1,909 crores a year ago and lower by INR30 crores from last quarter. slight inventory buildup in quarter 3 would be rationalized by quarter 4 and will bring down the net debt further by quarter 4 end.

Coming to segmental results. Quarter 3 core business Home Textile revenues stood INR2,251 crores versus INR1,758 crores in quarter 3 last year, up by 28.1% year-on-year. For 9 months financial year '24 revenue of core business stood at INR6,641 crores, up by 18.2% year-on-year.

Quarter 3 EBITDA Home Textile stood at INR347 crores at 15.3% as compared to 11.7% last year. For 9 months, EBITDA from textile stood at INR1,019 crores at 15.3%, up by 635 basis points year-on-year.

During quarter 3 '24, revenues from Flooring business was INR246 crores, up by 46%, and EBITDA was at INR20 crores, which is 8.1% as compared to 1.8% last year. For 9 months, Flooring revenue is at INR714 crores, up by 44%. EBITDA was INR58 crores at a margin of 8.2%, up 628 basis points.

In 9 months financial year '24, we have spent INR230 crores towards capex, mainly towards a setup of 30-megawatt solar power plant at Anjar facility. As earlier mentioned by Dipali, the Board of Directors have in their meeting today, approved capex investment totalling to about INR430 crores to set up new towel capacity of 6,400 metric tons per annum at Anjar, and to set up a pillow manufacturing facility with a capacity of 6.7 million at Ohio, U.S.A. .

The projects should be financed 75% to term loans and 25% for internal approvals. Most of this capex would be incurred in financial year 2024-25. In line with our capital allocation policy, both this investment will give us average ROCE of more than 20%.

With this, I'll leave the floor open for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take the first question from the line of Purna Jhunjhunwala from Elara Securities.

Purna Jhunjhunwala: Congratulations on a strong set of numbers. I just wanted to understand the demand scenario. How is it panning out in the US for the next 2 quarters, whether Red Sea attacks are having an impact on the order inflow or you're trying to prepone the orders for the company? So just wanted to understand how the customer's behaving in the current geopolitical situation?

Dipali Goenka: Thank you, Purna, and very interesting question. So first of all, I must tell you I have always maintained and we have at Welspun always maintained that USA. is a resilient economy. And today, even if you look at it, quarter 4 is at 3.3% GDP growth. Inflation also remains about the same. Interest rates are steady at around 5.25%. You know the rates cuts are expected in 2024. So the markets in the holiday season have been up it grew by 3.8% Y-on-Y and the retailers are pretty confident about the other markets as we go forward as well.

However, the Red Sea definitely is an aberration, but I must say that there are opportunities and we are looking at the risk of mitigating the Red Sea. it might take the whole two to three weeks extra. So people are planning ahead and we are looking at innovative ways for mitigating the turnaround times as well now, Purna.

There are a lot of things that we are doing along with our customer partners as well. So over and all, I must tell you about Red Sea that we'll be mitigating and make it minimal cost impact overall.

- Prerna Jhunjunwala:** Okay. There is no rush from the retailers is what we are trying to understand too, because to mitigate this two-week delivery delay.
- Dipali Goenka:** So here, Prerna, I must tell you, we are working very closely with our customers. We already know that we have our supply chain analysts who work in the geographies there. So we are looking at our warehouses where we can stock in USA as well and those are the opportunities we are looking at in pockets. So definitely, it will be a very need-based, curated according to the retailers' demand. But I just want to again maintain that the minimum impact of Red Sea will be there. So I just want to just put that forward to you.
- Prerna Jhunjunwala:** Okay. Understood, and ma'am, second question is on the domestic market. You mentioned that consumer discretionary demand has been weak and we witnessed this across product categories and other retail business as well. So does it change your target for near-term, mid-term, for growth in the domestic market?
- Dipali Goenka:** So Prerna, let me give you a perspective of retail. First of all, we are not going to change any of our targets because this is all kind of an interim blip. So the rural market has been very modestly grown at around 1.2% and our personal consumption is at around 3%. When you look at India's GDP, growth at around 7.3% that's come in with the kind of investments in energy sector, infrastructure that has actually contributed to that. But if I look at the consumer indexes, they have been a little low. However, the premium products have continued to be stronger here.
- But I can just tell you that this is all a blip and everybody will be looking at how the elections pan out and we will definitely see an upside. This could be absolutely a blip here and I can also maintain one thing here, Welspun's plan on the retail segment remains intact.
- Prerna Jhunjunwala:** Great, ma'am. Thank you for answering the questions. I'll come back to the question queue for any further questions.
- Dipali Goenka:** Thank you, Prerna.
- Moderator:** Thank you. The next question is from the line of Monish Ghodke from HDFC AMC. Please go ahead.
- Monish Ghodke:** Hello. Thank you for the opportunity. So my first question is what would be our split between CIF and FOB contracts in Home Textiles?
- Dipali Goenka:** So yes, FOB is around 80% of our top line.
- Monish Ghodke:** Okay. So there won't be much impact of this Red Sea disruption in our freight costs, right?
- Dipali Goenka:** Absolutely, Monish. That's what I'm maintaining and the rest also we are looking at minimum mitigation and minimum impact on anything.

- Monish Ghodke:** So the warehouses, which we have in the U.S., how does it work? Are those maintained for CIF orders? Or those are also FOB orders?
- Dipali Goenka:** So, they are maintained for the domestic orders, CIF, let me be very, very clear on that. So we have three warehouses and that helps to get our customers, service them better in any kind of aberrations as well.
- Monish Ghodke:** Okay. So what would be the typical freight cost in CIF contracts?
- Sanjay Gupta:** So it went down to about \$2,000, and it's currently, in open market, it's hovering at around \$5,000. But because of our contracts, we are not paying that much. So about \$2,000 to \$3,000 per container.
- Monish Ghodke:** Could you explain in percentage of sales terms?
- Sanjay Gupta:** It's about 1.5%.
- Monish Ghodke:** Okay. And sir, this inventory of 90 days, which we have in general, what is the breakup between RM and finished goods?
- Sanjay Gupta:** We don't give out that information, but it would be around any business, which has a breakup of RM and finished goods, we have the same breakup.
- Monish Ghodke:** Okay. And sir, this utilization ratio, so our utilization for towel has improved, but the bedsheet utilization appears weak. So is there any reason as to why bedsheets is yet to pick up?
- Dipali Goenka:** No, Monish, it is a reason for the market demand quarter-on-quarter. If I can say that this year, we'll end up as an 80% utilization for towels, 70% utilization for sheets and 60% for flooring. So this is what we are looking at Monish.
- Monish Ghodke:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Hemang from Anvil Research. Please go ahead.
- Hemang Kotadia:** Yes, ma'am. Earlier we were targeting to have a very low amount of capex for next one or two years, and we want to become debt free. So have we changed our stance or this investment in a one-off?
- Dipali Goenka:** Yes, sure. Over to you, Sanjay.
- Sanjay Gupta:** Yes, Hemang. Our target for being debt free in two years' time remains intact. These are strategic investments, which will help us in meeting our medium-term objectives that we have outlined for us for financial year '26. And hence, these are building up our product range and portfolio, which will help us in getting there.

Dipali Goenka: So let me tell you, Hemang, we have one more thing here. Like this actually gives us an opportunity to improve our share of shelf with our fashion towels and our beach towels. And along with that, this gives us a better UVR and also the China Plus One is an opportunity here too. So let me just say that.

With this, I must also share the prudence of ROCE has been maintained at 20% here. Now even whether that's for the pillow project that we have in America, that actually is closer to our customers' needs and it is a very big demand after towels and it's a great opportunity that we see.

Hemang Kotadia: Yes, that's great. And ma'am on the flooring side, are we on track, whatever the assumptions what we are having, we are delivering on that line?

Dipali Goenka: We continue to grow here. You must have seen our growth of flooring of, say, over 40% here, highest growth that you've seen in this quarter. So definitely, Hemang, that is on track and in fact, our EBITDA will be better from the next year onwards as we indigenize the supply chain and as we curate our businesses better and better going forward.

Hemang Kotadia: Okay. And flooring doesn't require any further capex?

Sanjay Gupta: General Capex may be required of INR50 crores to INR100 crores for balancing Equipment or maintenance, but no, nothing more than that.

Hemang Kotadia: And the last question, how much savings we will incur from the solar power plant what we had commenced in that 30 megawatt?

Sanjay Gupta: So 30-megawatt solar plant, solar power generally comes at a price of about INR4 to INR4.05 per unit against current price of INR8.5 for thermal plant. So about 50% savings.

Hemang Kotadia: Okay. That's great. All the best for the future.

Dipali Goenka: Thank you.

Moderator: Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Good afternoon, ma'am. So my first question is on margins, decent set of margins. So if we assume the cotton price remains stable, like INR55,000 kind of price and the kind of price and assume that there is no escalation in freight cost, what kind of margin shall we see as capacity utilization goes up? I'm just trying to understand that can there be a headroom for margin to go upside from 15% to 20% in the next two, three years?

Sanjay Gupta: So we would maintain try to maintain our margin rate that we are currently doing, keeping into mind that cotton is remaining at the same level this year and next year. Other than that, we are not giving any guidance on a higher EBITDA or lower EBITDA. We'll try to maintain the EBITDA that we have currently.

Dipali Goenka: You know that the global dynamics are still geopolitical scenarios continue to be there. So we want to maintain the numbers that we're committing here.

Biplab Debbarma: Second question is, because you have various subsegments in your business. You have advanced textile, domestic and export brand. So in terms of effectiveness, which kind of segments are you witnessing significant growth? Or you have a very optimistic outlook?

Dipali Goenka: Here, I can just tell you one thing, Biplab. Here, Welspun is working on getting the share of shelves around the globe. So if I can talk about licensed brands like Martha, the additional share of shelves, apart from towels and sheets get better. We're not only doing towels and sheets, we're doing bedding, utility bedding. We are doing flannel and when we talk about Disney in UK and Europe that gives us additional share of shelves with different retailers, so the opportunities are everywhere. For the domestic market, we already know that we are the highest distributed brand right now in the country and we know that the consumption and the amount of housing opportunities that we are seeing in this country are immense. So definitely, that again becomes a very big deal. When we are seeing our brand Christy, which makes the Wimbledon towels, which again is becoming a very important B2C play at a brand in UK and also now growing globally as well. So I can say that all of it is made according to the market needs.

Advanced Textile primarily is very commodity driven, but however, our brand is going to be launched in wet wipes in India as well and which will definitely be available for consumers as well.

Sanjay Gupta: So Biplab to continue with further, our all these emerging businesses, their share of total revenue is going up steadily, so we have reached about 32% - 33% and we are seeking to take them to 45% of our total revenue. So all these businesses will continue to grow in excess of 20% to 25% over the next 2 to 3 years.

Biplab Debbarma: My final question is on the capex that you announced. One is the brownfield and one in Ohio. From when you commence this capex?

Sanjay Gupta: So Ohio will be commenced by quarter 2 and Anjar by quarter 3.

Moderator: The next question is from the line of Sanika Khemani from Middleton Capital Advisors.

Sanika Khemani: Yes. If I'm not wrong, in the opening commentary, you have said that we are getting growth rate of 15% this year so you are targeting a growth rate of 15%?

Sanjay Gupta: Correct.

Sanika Khemani: So that means you're going to see a degrowth on a quarter-on-quarter basis?

- Sanjay Gupta:** No, no. So we have done about 19% until 9 months and we are giving a direction of minimum 15% growth by the end of the year. So there'll be no degrowth in the quarter.
- Sanika Khemani:** But we've grown 19% in 9 months, correct?
- Sanjay Gupta:** Yes. So we are not giving any direction for quarter 4, but we all say quarter 4 will not be a degrowth and for the year, will grow a minimum 15% plus.
- Sanika Khemani:** Okay and can we expect to continue this kind of momentum next year as well?
- Sanjay Gupta:** Next year, yes, we will continue this momentum, keeping all things constant.
- Dipali Goenka:** So we are looking at a commitment to be towards the INR15,000 crores in 2026, we maintain that number and we will continue to look at maintaining our commitments that we have given to the market.
- Sanika Khemani:** Okay and also just one last question. What kind of capacity utilization are we looking like for the Ohio and Anjar facilities in terms of new capacity which is coming pillow plant?
- Sanjay Gupta:** Yes. So any project, which ramps up. So it starts with about 50%, 60%, then we just say 70%, 80% then 90%. So similarly, the ramp-up would happen in both these projects in a similar manner and we have given that at full capacity utilization, both these plants would give above INR400 crores turnover each.
- Sanika Khemani:** Yes and so I was actually trying to figure out when are we going to reach peak capacity utilization then?
- Sanjay Gupta:** I think it's the second year.
- Dipali Goenka:** Second year itself because these are all very thought through investments and they already are made with the commitments that we have around with our customer partners.
- Sanika Khemani:** Okay. So second year, basically, FY '26 or FY '27?
- Sanjay Gupta:** Yes, yes. FY '26.
- Moderator:** The next question is from the line of Iqbal Khan from Nuvama.
- Iqbal Khan:** So I just have one question, firstly congratulations for a very strong result. One question, you just mentioned that you're expecting a 15% Y-o-Y growth for the FY '24 and you mentioned that around INR15,000 crores is our target by 2026. So if I take this number in, it is translating into

a CAGR of 27% over FY '24. So just wanted to understand what segment are you targeting to have so extended growth by FY '26?

Sanjay Gupta: So Iqbal, as I mentioned, so all our Emerging businesses of Flooring, Advanced Textile, Global Brands and Domestic business will continue to grow in excess of 25% over next 2 to 3 years and our Core business will continue to grow in double digit, if not higher. So all this will help us in reaching our target. We know and we acknowledge that it's a steep one, but we are setting up these projects that will help us in reaching there and we will make all the efforts to reach there.

Dipali Goenka: And these numbers like actually thought through, and we are maintaining this. There are opportunities for inorganic growth as well that will come our way in the terms of Brand, as a journey, from B2B to B2C is also already on. So yes, there are those opportunities that will also come and we'll continue to explore them as well.

Iqbal Khan: And just one more question. Can you please also provide your capex guidance for the next 2 to 3 years?

Sanjay Gupta: So for next year, we have already given the guidance. So INR430 crores plus another INR200 crores for maintenance and then from year after that INR200 crores each year.

Moderator: The next question is from the line of Prerna Jhunjunwala from Elara Securities.

Prerna Jhunjunwala: I wanted to understand this Ohio investment that you are planning with respect to the cost structure against India and what kind of margin profile that facility would have?

Sanjay Gupta: So those are very detailed answers to this, so we can take it up offline. However, we have already mentioned that the ROCE for a project in excess of 20%.and we will not get into any project which is not margin accretive. So you can take that it's a margin accretive as well as ROCE accretive.

Prerna Jhunjunwala: So it will be having better margin than normal Home Textile business.

Sanjay Gupta: Correct. Correct.

Prerna Jhunjunwala: Okay. Yes. Okay. And any cost advantage that Ohio has against India?

Dipali Goenka: Prerna, one thing I must tell you, this is a bulky product. So this gives us an opportunity to be near the market. Like here, we will be shipping air from here and those compressed pillow don't work in America. So this is something closer to and in just in time for our customers as well and that makes a huge advantage for us and as I said, the volumes are equivalent to towels.

Prerna Jhunjunwala: Okay. Okay.

- Sanjay Gupta:** And it's a fully automated plant. So the number of people required to work is very less as compared to India.
- Dipali Goenka:** So it needs lesser people to work out these system is completely automated and state-of-art plants as well.
- Prerna Jhunjhunwala:** This is helpful. The employee cost is not a concern and even logistic cost is beneficial. So it's mixed.
- Dipali Goenka:** Absolutely. Yes, that's kept in mind.
- Prerna Jhunjhunwala:** Yes. Okay. And second question is on your cotton, how much of cotton inventory in terms of months you would have today?
- Sanjay Gupta:** So as per our policy of buying in the cotton season, we are continuing to do that and currently, we have in stock about six-plus months plus we have some forward position. So we are quite comfortable with that.
- Moderator:** The next question is from the line of Biplab Debbarma from Antique Stockbroking.
- Biplab Debbarma:** Sanjay sir, can you repeat the capex spend for FY25, FY26?
- Sanjay Gupta:** So next year, 2024 -25 will be INR430 crores that we have just mentioned, plus about INR200 crores for maintenance, so about INR630 crores. Next year, after that will be INR200 crores to INR300 crores for maintenance.
- Biplab Debbarma:** Okay. This capex INR4.3 billion and INR2 billion plus INR2 billion in next year this capex would ensure your growth FY26 revenue of INR150 billion. Is that correct? Or you need to put more capex to achieve that revenue of INR150 billion by FY26?
- Dipali Goenka:** So Biplab, here, this is the opportunity for us to grow our brands. So while one aspect of your core business. We are looking at 2026, where our Emerging businesses will be around 45% of our portfolio. So you can imagine, and that's where the opportunity is going towards the consumer, So there is something, which could be complementing categories. So Biplab, we will keep that open. The number is intact and we are going to achieve it.
- Biplab Debbarma:** Okay. So FY26 number of INR150 billion that is what target? As of now, this is the capex spend and going forward, we will evaluate whether to do more capex or use ancillary facilities or other permutation and combination. Is my understanding correct?
- Dipali Goenka:** Absolutely.
- Biplab Debbarma:** Okay. Thank you, ma'am that's a strong growth guidance there for the FY25...

- Dipali Goenka:** Thank you.
- Biplab Debbarma:** All the best ma'am.
- Dipali Goenka:** Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.
- Prerna Jhunjhunwala:** Hi. Just one more question from my end. I saw some articles on launch of Christy in the US. Could you please highlight some of your plans related to Christy, where do you foresee the brand to reach and what all geographies you would like to cover, some insights would be helpful on Christy.
- Dipali Goenka:** Thank you, Prerna. I must tell you that Christy has been growing quite positively even in these current markets and dynamics in UK It has been recognized as one of the great brands in UK as well. I must tell you that Middle East continues to grow by 25%. USA and Canada are the next stops that we're looking at, specifically first Canada, where we are looking at offline development, USA could be an online plan that we're looking at.
- Then we are also looking at China, Japan and New Zealand and Australia and the opportunity that I see with Christy is also to be launching in India very soon because it also covers a luxury segment as we go forward next year.
- Prerna Jhunjhunwala:** That's fantastic. Thank you for this answer. This is helpful.
- Dipali Goenka:** Thank you. Thank you, Prerna.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I can now hand the conference over to Miss. Dipali Goenka, Managing Director and CEO, for her closing remarks. Over to you, ma'am.
- Dipali Goenka:** Thank you, Michelle. So we are glad to see continued growth in all our businesses in quarter three, setting up new landmarks by reaching highest quarter three revenues in home textiles and highest ever revenues in Domestic and Flooring businesses leading to increased market shares in all areas of operations.
- Our ability to provide solutions along with innovation and unmatched quality to our Marquee customers, reinstates our position of being the FMCG of textiles. We continue to have greater focus on the India markets with deeper penetration in retail segment through increased EBOs and MBOs and higher brand visibility of hence reinstating "Har Ghar Se Har Dil Tak Welspun."
- Domestic flooring is reaching new heights and overall Flooring business has continued its profitable growth during the quarter. Our robust strategy, sustainable growth and high levels of

governance has resulted in us getting the best managed company award 2023, second in a row. We also continue to set up higher standards in our ESG leadership with complete visibility of our practices through audited sustainability report.

Further, through our increase in a TT capacity and setting up a pillow plant in USA to enter into new product areas, we are also striving to reach our stated revenue objectives 2026 with consistent profitability to ensure a healthy ROCE to create substantial value for our stakeholders. Thank you.

Moderator: Thank you, members of the management. On behalf of Elara Securities, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

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