



“Welspun Living Limited
Post Earnings Conference Call”

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ANALYST: **MS. PRERNA JHUNJHUNWALA - ELARA SECURITIES PRIVATE LIMITED**

MANAGEMENT: **MS. DIPALI GOENKA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – WELSPUN LIVING LIMITED**
MR. SANJAY GUPTA – CHIEF FINANCIAL OFFICER – WELSPUN LIVING LIMITED
MR. SALIL BAWA - HEAD, GROUP INVESTOR RELATIONS – WELSPUN WORLD

Moderator: Ladies and gentlemen, good day and welcome to the Welspun Living's Earnings Conference Call hosted by Elara Securities Private Limited. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Purna Jhunjhunwala from Elara Securities Private Limited. Thank you and over to you Madam!

Purna Jhunjhunwala: Thank you Rohit. Good evening everyone. On behalf of Elara Securities Private Limited I would like to welcome you all to Q2 & H1 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 & CEO; Mr. Sanjay Gupta, CFO and Mr. Salil Bawa, Head, Group Investor Relations. I would now like to hand over the call to Mr. Salil Bawa for his initial remarks post which we can start the Q&A session. Thank you and over to you Salil!

Salil Bawa: Thank you Purna. Good afternoon to all of you. On behalf of Welspun Living erstwhile (Welspun India limited) I welcome all of you to the company's Q2 FY'24 earnings call. Along with me we have with us today Ms. Dipali Goenka, Managing Director & CEO and Mr. Sanjay Gupta, Chief Financial Officer. We hope you have had a chance to review the investor presentation that we filed with exchanges today. It is also available on our website during the discussion we may be making references to this presentation. Please do take a moment to review the Safe Harbor statement in our presentation. As usual we will 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 & CEO. Over to you Madam!

Dipali Goenka: Thank you Salil. Good afternoon everyone and thank you for taking the time to join us today for a Q2 FY'24 analyst call. I would like to share some perspectives on the operating highlights of a performance during the quarter under review after which Sanjay would share some highlights from our financial matrix.

Firstly as informed last quarter the process for change of a name Welspun Living limited is now complete. The move resonates with our intent to transform from a pure B2B to also a B2C oriented company. The new brand identity Welspun Living not only reflects the current business verticals but opportunity to grow in related areas as a complete Home Solutions provider.

We are pleased to share that we have seen our revenues jump to an ever quarterly highest of ₹ 2,542 Crores growing by 19% Y-on-Y and 15% Q-on-Q. The upcoming holiday season in US has led to increased buying from all major retailers. Consequently we witnessed higher capacity utilization on the back of season rollouts at 80 to 90% for our terry towels, bedsheets and rug units. We have also achieved highest EBITDA of ₹ 391 Crores in the last eight quarters clocking 15.4% in Q2 growing 158% Y-on-Y and 15% Q-on-Q. Annualized ROCE has improved

substantially to 14.6% from 5.7% last year. As per the OTEXA data India has gained back its market share in exports to US for the January to August 2023 period from both in TT from 40 to 45 and bedsheets from 51 to 58%. We are keeping a close watch on all the three Cs cotton, coal, container, as we know post-COVID commodities have remained dynamic. We have strengthened our internal governance to ensure that we are minimizing impact due to any untoward price volatility both in short-term and medium term. We continue to be cautiously optimistic of the operating performance for the remaining part of FY'24 though the global slowdown estimates and worries still persists we are committed towards meeting our directed revenue growth of 10% to 12% for the year and 15% EBITDA.

I would like to share some lights on the updates for major business segment starting with the export markets. Globally the growth has moderated to 2.6% in Q3 and 3.3% in 2022. USA is, however, a market showing resilience. The GDP in Q3 expected to expand at 4% despite banking crisis and rate hikes. US retail sales show resilience in Q3 it grew 3.8% Y-o-Y in September 2023, 0.7% MoM in September 2023. Inflation though has affected consumer purchasing power to some extent inflation is at 3.7% as compared to 3% last quarter. For the upcoming holiday season in US we have witnessed increased in flow of orders during the quarter. Export revenue for Welspun saw a growth of 22% Y-o-Y with innovation products growing at 67% Y-o-Y. Our deeper customer connect across major international retailers is reflected in the increased share of shells as compared to pre-pandemic levels both in bed and bath categories. The global economic scenario is expected to be volatile. The recent Israel-Palestine conflict it has added to the overall complexity though our direct impact is minimal but that it may potentially affect global economic sentiments, which is something we are keeping a close watch.

On closer home, the Indian Market has been resilient during the recent global turmoil with expected GDP growth of 6.5% and inflation at 5%; however, recently there has been volatility in inflation owing to huge price hikes and different essentials leading to a dampening of retail sentiments. In Q2 as in Q1 at retail level we have witnessed relatively lower footfalls and off-takes within the consumer, general merchandise and apparel space. In this time of inflation volatility the consumer is prioritizing essentials rather than discretionary products despite the transient challenges in the market. Welspun's domestic consumer business sales remain flat for Q2. Brand Welspun continues to strengthen its leadership position and is mostly widely distributed home textile brand in the country with presence in 600 plus towns and 15511 outlets up by 2246 in Q2, a reach not hitherto achieved by any home textile player in India. Brand SPACES has outgrown the category in modern trade channel emerging as a leading brand within the category and gaining market share. Despite the continuing investment in marketing and relatively weaker retail market sentiments the home textile consumer business continues with a streak of positive EBITDA in Q2. We remains committed to continued investments in our brands for improving brand visibility and salience, which shall be prominent in the upcoming festive season. With the consumer sentiments improving we expect B2C segment posting a good growth during the coming months. We remain committed towards our focus to build profitable business growth in a domestic consumer business.

Our emerging businesses of domestic consumer business global brands, advanced textiles and flooring businesses grew 28% in Q2 Y-o-Y and 15% Q-on-Q. Our global brands include licensed brands like Martha Stewart, Creative CO/Lab and Disney and own brand Christy continued its upward trajectory and give 27% Y-o-Y. Licensed brands have given us an edge in US and European markets by opening up new avenues and total brand share our sales has jumped up to 17% as compared to 12% in 2021.

In flooring business we have witnessed big ticket orders for soft flooring in UK with a bulk order inflow coming in from USA. In hard flooring in Q2 we have witnessed good order flow from US and Middle East markets and have made inroads into African markets. Overall our flooring plant reached a capacity utilization of 63% during the quarter with record revenues of ₹ 243 Crores growing by 52% Y-o-Y. EBITDA also continues to grow reaching 8.3% in Q2 on the back of increased revenues and better operating leverage. As shared in the last quarter as well we are witnessing a push towards the China +1 strategy in major global markets and with a focus on complete traceability of the supply chain. In order to capitalize on the market opportunities we are working on indigenization of a complete value chain.

On domestic market front in flooring we continue to see growth in commercial and institutional segments. We have executed one of the largest wall-to-wall order in India for Bharat Mandapam which hosted the recently concluded G20 Summit. Residential segment continues to pickup traction in all our key markets.

The Advanced textile business witnessed a 15% growth Y-o-Y in Q2 FY'24. We have expanded into newer territories and customers despite large scale offloading by Chinese and Turkish competition. Welspun spunlace is now also approved for innovative medical applications which have opened newer avenues.

On the ESG front we are glad to inform that the Solar Power JV with CleanMax has started operations in Vapi. The 30 megawatt solar plant at Anjar is also nearing completion and shall be operational soon. We are also taking steps to further our agenda of renewable energy goals by 2030 through JVs to set up more solar and hybrid power plants. ESG is embedded in every aspect of operations at Welspun keeping us ahead of our peers globally in sustainable 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 will give a brief overview of financial numbers for Q2 FY'24 before we open for question and answer. During Q2 highest FY'24 we reported ever quarterly revenues of ₹2,542 Crores up 19% year-on-year and 15% quarter-on-quarter. For H1 of FY'24 revenue is at ₹4,754 Crores which is up 16% year-on-year. EBITDA margin for Q2 stood at 391 Crores that is 15.4% highest in last eight quarters is up by 158% year-on-year that is ₹829 basis points and 15% up quarter-on-quarter. For H1 FY'24 EBITDA is at ₹733 Crores, 15.4% is up by 125% year-on-year which is 751 basis points. Cotton being the major input cost has become relatively stable albeit at a new higher level. The consistent profitability reflects the work that the company has done across all operating areas, the cost rationalization, value engineering,

developing new innovative products for winning new marquee programs from customers. Profit after tax after minority interest for the quarter is at ₹ 197 Crores vis-à-vis ₹9 Crores year-on-year and ₹162 Crores last quarter increased by more than 22 times year-on-year. For H1 PAT is at ₹358 Crores versus ₹31 Crores of H1 FY2023 up by almost 12 times. Consequently, our consolidated EPS for Q2 stood at ₹2.4 per share as compared to ₹0.8 per share in Q2 of FY2023 and ₹1.66 per share in Q1. For H1 of 2024 EPS is Rs.3.70 as compared to Rs.0.31 of H1 in the previous year. On the forex front our average exchange realization for the US dollar during Q2 was 83.3 compared to 80.79 in the corresponding quarter last year. At the end of Q2 of FY'24 our net debt stood at ₹1,573 Crores, ₹425 Crores lower than ₹1998 Crores a year ago and ₹242 Crores lower than ₹1,815 Crores in Q1. It is slightly up by ₹40 Crores from March 31, 2023 due to slightly elevated working capital requirement. In first half of FY'24 we have spent ₹168 Crores towards capex majorly towards the setup of 30 megawatt solar power plant at our Anjar facility. We have a stated objective to be 100% renewable energy by the year 2030. In this direction we are pleased to share that the Board of Directors in their meeting held today has approved after due evaluation of various proposals presented an investment of ₹56.4 Crores in a special purpose vehicle for supply of 47 megawatt of renewable energy round-the-clock RERTC basis for Anjar operations which will make the company's Anjar unit about 80% renewable energy by 2026 and would be a significant step towards our journey to reach 100% RE by 2030. The company will hold about 27% equity share capital of SPV which will set up a 150 megawatt of solar plus wind plant to supply the said RERTC. This arrangement is at the most competitive rates to the company and is also appropriate from capital allocation point of view.

Coming to segmental results Q2 core business home textile revenue stood at ₹2,352 Crores versus ₹2,011 Crores in Q2 FY2023 up by 17% year-on-year and 15% quarter-on-quarter. For first half of 2024 revenue for core business was at ₹4,390 Crores up by 14% year-on-year. Q2 EBITDA home textile stood at ₹359 Crores at 15.3% as compared to 6.3% year-on-year and same as quarter-on-quarter. For H1 EBITDA for home textile stood at ₹672 Crores at 15.3% up by 756 basis points year-on-year. During Q2 of FY'24 revenue from flooring business was 243 Crores up by 52% year-on-year and 8% quarter-on-quarter, EBITDA is at ₹20 Crores that is 8.3%, which is the highest ever quarterly EBITDA for flooring as compared to 2.6% last year. For first half flooring revenue was 468 Crores which is also up 42% and EBITDA is at ₹38 which is also at 8.2 which is up 628 basis points year-on-year. With this I will leave the floor open for question and answer. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Good afternoon Sir. Congrats on record results mainly on the topline front and very good performance on the flooring front, a few questions if I see the capacity utilization it has been increasing dramatically for the last two quarters and in September quarter bath linen has crossed 90, rugs and carpets 98 and bedsheets 81 so considering the current buoyancy in the US market should we expect second half to be at a similar level or what is the outlook?

- Dipali Goenka:** Thank you Bhavin for the question and the outlook we will say that we are cautiously optimistic and we are committed to the growth of around 10 to 12% on the topline and 15% EBITDA and the capacity utilization will be the same; however, we might look at some kind of debottlenecking of a capacity so that is something we would be exploring as you go forward.
- Bhavin Chheda:** How much time this would take for debottlenecking, you are mainly looking on the bath linen side right?
- Dipali Goenka:** So we would be exploring it, looking at the demand and there could be an opportunity for little investments that could be explored and that could be on the cards but we are just exploring that looking at the prudence on ROCE and IRR.
- Bhavin Chheda:** Second on the flooring side you mentioned in the opening remarks there were some orders I think mostly from US or UK so were they one-off type of orders or they are going to continue going forward and we will see the sales momentum going up as well as margin sustaining, so the question was these were not short-term orders like only in the quarter the same run rate would continue going forward?
- Dipali Goenka:** Yes, the run rate will continue in fact we are going to be looking at kind of our capacities will be maintained at the same and it is also on the back of the China +1 one strategy I think we are seeing an opportunity there, the whole traceability and being the most modern plant in this part of the world actually gives us that advantage and definitely that is something owing to that we will continue to see this kind of capacity utilization and orders and this is not one-off this will be consistent.
- Bhavin Chheda:** The last one on the balance sheet side, there were some receivables outstanding from government on the incentive part and the other how much has been received in the quarter and as on the closing balance sheet date how much receivables are pending now?
- Sanjay Gupta:** So we have been consistently getting Bhavin the incentives due from the government and it is at the same level that we had in Q1 or Q4 of last year so there has not been any increase.
- Bhavin Chheda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tarang Agrawal from Old Bridge Asset Management. Please go ahead.
- Tarang Agrawal:** Good evening, couple of questions from my side one on the flooring and the second one on the domestic B2C textile business, so on the flooring business your unit realization seemed to have fallen substantially what is driving this, is it a conscious effort to gain market share, utilize the benefits of additional operating leverage so that is one and the second one on the domestic B2C business I am not sure but did I hear it correctly is this business burning any cash on a quarterly basis that is number one and number two how are you managing the supply chain to sell your MBOs?

- Sanjay Gupta:** So flooring business the UVR is a factor of many things so we have hard flooring, soft flooring and then within that also there are various categories so it is a mixed change that we have been seen. There has been higher capacity utilization and higher sales, so of course there has been a mixed change and that might have impacted it slightly not to a large extent, so UVR is not an issue. On domestic B2C as Dipali mentioned we are into positive EBITDA so we are not burning cash, we are investing in marketing consistently each quarter about 9% to 10% which we are continuing to do but we are not burning cash there.
- Dipali Goenka:** For the supply chain, for the MBOs, we have a distribution network that we have across the country and we have over 200 sales staffs that help the distributors to reach to the dealers, so that is the way we work with the MBO network. Along with that we have a technology support to reach out on the beat plan and the whole reach out plan as well, so from Kashmir to Kanyakumari from West to the East we have a complete network plan and it is all supported by technology here Tarang.
- Tarang Agrawal:** Madam if I may you spoke about distributors what is the number of distributors right now which are helping MBOs?
- Dipali Goenka:** We have around 125 distributors here Tarang right now and they are growing stronger.
- Tarang Agrawal:** Just a follow up on the flooring business, Sir you did mention that we have not seen a realization yet but if I look at the March 2023 quarter we were at about 1.5 million square meters which gave us about ₹ 210 Crores of revenue and if I look at September 2023 we are at about 2.8 million square meters and the revenues moved up from ₹ 208 to ₹ 240 Crores so that was the source of my question?
- Sanjay Gupta:** So as I said mix has changed so in March 2023 quarter the mix was different and in this quarter the mix is different in terms of hard and soft tiles. We can give more details offline.
- Tarang Agrawal:** Sure I will do that. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.
- Biplab Debbarma:** Good evening and congratulations on the excellent performance Madam. My first question is on FDA so how do you see the impact of UK FDA on home textile especially on Welspun India and typically what do you think from ratification of FDA to finally getting orders from UK typically how long will it take and do you see this UK FDA extending to EU FDA?
- Dipali Goenka:** I think UK FDA is a great opportunity and as you know UK contributes around 10% of the home textile demand and definitely this opportunity is going to be good for us in the terms of not only just towels but sheets and I think that is going to be a kind of a clear upside and when you talk about the orders kicking in it is a matter of when it kicks in and when the FDA is approved we will see a matter of 6 months when this starts coming in.

- Biplab Debbarma:** Do you see EU FDA following through or this two would be two different ballgame altogether?
- Dipali Goenka:** It is not something that we see right now but I think UK is something that we are seeing and that is something is definitely is kind of top on the cards and also it consumes the highest consumption after United States of America.
- Biplab Debbarma:** My second question is in the beginning you mentioned you maintain 11-12% growth guidance now if I see the number operating revenues already ₹4,693 Crores and we are facing the second half we will do the same as first half then automatically the growth will be more than 15% if my calculation is correct, so are we seeing second half degrowth or if second half is better than first half then the growth should be operating revenue would be more than 15% am I missing something?
- Dipali Goenka:** No, I actually will still maintain the growth target that we are talking about 10 to 12% and the EBITDA of 15% let us looking at the kind of overall global scenarios here and you do not know with the kind of the Israel-Palestine conflicts and the other conflicts that are happening what comes on staring at our face but amidst all this kind of scenario that we are we are going to maintain what we have committed that is 10% to 12% topline and 15% EBITDA.
- Biplab Debbarma:** The third thing is Madam if it does not have direct impact on Middle East war and if FDA comes through your capacity utilization is at elevated level and if we maintain the same kind of growth say 14% - 15% let us be optimistic and say 14% -15% do you think we may have to put up incremental capex or what would be the key trigger when you will take that decision whether to increase capex and if it is to increase capex how will you increase capex your own or you use some subsidiaries or associates capex?
- Dipali Goenka:** There three things on this one is debottlenecking, second is also optimizing our ancillary network that we have near our factories, third is as we see the growth kicking in and the utilization kicking in over 95% we definitely feel that we are exploring capex but yes there is something that we are very, very clear about the prudence on IRR and the ROCE and if there are opportunities owing to the displacement of different countries across where India will hold a very good opportunity here so definitely that could be something on the cards we are definitely exploring that and we will look at the prudence of ROCE and IRR are here.
- Biplab Debbarma:** Thank you Madam.
- Moderator:** Thank you. The next question is from the line of Prathamesh Sawant from Axis Securities Limited. Please go ahead.
- Prathamesh Sawant:** Thank you. Congratulations on good set of numbers. My first question was with respect to the existing Australian FDA do we have any advantages from that and are we pursuing anything happening over there?

- Dipali Goenka:** Yes Australia has been a very interesting market, there two things that have worked for Australia and India one is the FDA, the other is the relationship of Australia and China, so that actually has put India at an advantage and for Welspun of course we have seen an opportunity here not only in home textiles but in the retail segment but also in the hospitality segment and also in the flooring segment, so yes there is something which we see as an upside there.
- Prathamesh Sawant:** Do we have any demand traction or any leads over there working for us?
- Dipali Goenka:** Yes absolutely we have a retail relationship that we have, we have a hospitality relationships and the flooring relationships also that are there and Australia FDA will be an advantage and has been an opportunity for us and as well as India.
- Prathamesh Sawant:** Secondly Madam with the current flooring segment doing really well so just wanted to understand on the granularity of the US orders is it from like two or three big customers or it is more granular than that?
- Dipali Goenka:** It is a mix of all actually so the opportunities first of all the mix is hard flooring and soft flooring and it is a mix of the distributors and now also the retail channel that we are talking about and that is going to continue to evolve and also owing to the whole China opportunity we definitely see an upside here.
- Prathamesh Sawant:** My question was with respect to the current significant ramp up in the US export revenues especially in the flooring so was it particular to one or two big players or was it more granular?
- Dipali Goenka:** Yes it is owing to not just one or two play players it is a mixed bag and it is more granular here, it is not just one or two who are contributing to this customer and also going forward there will be more newer customers adding to our kitty.
- Prathamesh Sawant:** Are we focusing B2C over there for flooring?
- Dipali Goenka:** No not yet. The B2C will not be something it will be purely B2B that we are going to be focusing and actually let us face it flooring is basically primarily a B2B kind of a segment.
- Prathamesh Sawant:** Lastly one last question from mind is your outlook on the cotton prices are we expecting any margins gross margins to remain stable over here?
- Dipali Goenka:** We are maintaining our margins that we have already spoken about and cotton prices that we are looking at where we are today we are going to be around 61, 62000 and that is what we are looking at an outlook at the moment.
- Prathamesh Sawant:** Because there were talks meanwhile where the prices were climbing to 85000 so we are not experiencing that?

- Dipali Goenka:** No, not at all, not right now. We are seeing the weather has been a little incremental, there has been pink bollworms that we have seen but it is also the supply and the demand and we are looking at an outlook which is looking at around 61, 62000.
- Prathamesh Sawant:** Thank you.
- Sanjay Gupta:** Also Prathamesh we have cotton in stock with us for next four months, we are keeping a close watch on the cotton prices, and we have systems in place to take steps necessary to ensure that we are not caught off guard on this so no worries on that front as of now.
- Prathamesh Sawant:** Sounds great Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Iqbal Khan from Nuvama Wealth and Investment Limited. Please go ahead.
- Iqbal Khan:** Firstly congratulations for a very good set of results. Just one question I have on the export front I wanted to know how is your export mix between US and Europe obviously your large chunk of the export from these two countries just want to know the mix of it and also currently we are catering to Australia so Australia is also a part of the export mix so how would you divide your export mix in these three geographies?
- Dipali Goenka:** Let us face it here US still continues to be a bigger chunk and will be because USA consumes 34% of the global home textiles so for Welspun Living Limited it is around 70%. Now when we come to UK and Europe, we will say the next 20% will be from UK and Europe and UK consumes around 10% of the global consumption of home textiles. Australia, New Zealand and rest of the world will be say around 5 to 7%.
- Iqbal Khan:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Thank you for this opportunity. Madam what should be our net debt number for FY'24 what should be the closing number and currently what is our cost of fund?
- Sanjay Gupta:** We closed Q2 at ₹1,573 Crores, we have stated our objective to reach less than ₹1,000 Crores by FY'24 end and our cost of debt is currently in the range of 6.5.
- Saket Kapoor:** In the cash flow we have found that ₹158 Crores is attributable towards government grant so how should this number shape up for the second half and what should be for the year as a whole what factors attribute to this number?
- Sanjay Gupta:** So it will remain in the same ballpark number that does not change much. For a year as a whole it will be closer to 300, 310 Crores.

- Saket Kapoor:** Is it the RoDTEP part Sir or any other category?
- Sanjay Gupta:** It is RoDTEP and duty drawback.
- Saket Kapoor:** For the flooring segment we found that for the H1 our utilization levels have reached 63%..
- Sanjay Gupta:** Q2 is 63, H1 is about 54%, and overall year should be around 60%.
- Saket Kapoor:** What should be for the next financial year?
- Sanjay Gupta:** We will continue to grow our capacity utilization I cannot give you a number at the moment but it will grow from here.
- Saket Kapoor:** One more point was mentioned for asset held for sale so if you could throw some more lights what are those and when are we going to realize what should be the value?
- Sanjay Gupta:** We are moving more and more away from traditional energy and hence we are offloading those assets so we have sold our 12 megawatt power plant and we have sold our boiler for the plant so this will be done within this year because some approvals are required from the government whoever purchases it so those approvals are pending so once those approvals are in place we will effect the sales, so we have taken the Board approval.
- Saket Kapoor:** Madam in your opening remark and also to your reply to earlier participant you did mention about a cautious outlook but still maintaining the topline growth of 10% and with the EBITDA number that 15% so if you could just outline to us what are the factors that give you the confidence when we look at the US economy as a whole the inflationary trend, the yields at 5% the top of liquidity crunch so what are the key factors that are attributing to this growth and the and the continuity of the same if you could throw some more light?
- Dipali Goenka:** So here I think for us we have seen that the retail has been a little resilient here and also owing to a replenishment programs so for Welspun Living Limited our 70 to 75% businesses are replenishment businesses so that gives us the confidence here and with the order portfolio that we have we will maintain a commitment that we have put across.
- Saket Kapoor:** So interest rate scenario remaining at say 5% or at higher level would not this lead to a dent in demand and going ahead that may lower the demand output for even for the replenishment segment, how this higher interest rate scenario going to affect the segment as a whole?
- Dipali Goenka:** The challenges are there we have already seen the economy the way it is but I can just tell you for Welspun Living Limited the opportunities that we have seen is that we have worked very, very focused last year on getting the share of shells so whether it is in the terms of private label, in the terms of our licensed brand as well along with the kind of mix of the product whether it is towels, sheets, beddings and drugs so that is the opportunity that we have and also in the different channels of growth that we are talking about here, so whether it is a discounter so we see an

opportunity here in that terms. To look at our topline growth of around 10 to 12% and EBITDA of 15%.

Saket Kapoor: Thank you Madam for the answer and it is really commendable on the set of numbers and the guidance which provided by the team and all the best and uh congratulations and Happy Diwali to the team.

Moderator: Thank you. The next question is from the line of Prerna Jhunjunwala from Elara Securities Private Limited. Please go ahead.

Prerna Jhunjunwala: Madam I wanted to understand the flooring business outlook with respect to markets especially in terms of exports and domestic and B2B domestic how things are shaping up and in the branded space how flooring business should shape up going forward, what is the kind of traction we are getting in this segment on the branded front as well?

Dipali Goenka: First of all when I look at the global landscape in the terms of private label and branded so America is going to be the private label one and when you talk about branded it is going to be the Middle East and India and it is primarily B2B. Now when I talk about USA the opportunity definitely is there and that again I will reinstate that looking at the opportunity that Welspun has it is one of the green facilities and one of the most modern plants this part of the world which actually is a great opportunity for us along with that the indigenization of the supply chain for Welspun will be a great criteria to get the businesses in America and the businesses will be a mix of soft and hard flooring and the whole traceability is something that Welspun has an advantage against the other countries which actually are challenged because of that. Now when I come to India, India is something that we are seeing a great opportunity in the terms of the B2B businesses that means more than the residential right now we are looking at the institutional and the hospitality segments that again is a great opportunity and we see that growth going forward as well and that is where it is at the moment.

Prerna Jhunjunwala: When do you think we have already reached a run rate of around 1000 Crores do we see this run rate reaching 1500 to 1600 Crores in the next two years?

Dipali Goenka: I will tell you one thing let us share this with you I think we have a great opportunity in this flooring business. Having said that the 1000 Crores is the first stop and then 1500 Crores and I think sky is the limit for this flooring business because I think India has a great opportunity towards growing this so yes definitely Prerna we are exploring a very ambitious goal towards here which we will share when we need.

Prerna Jhunjunwala: In terms of festive season sales that we would have seen during e-commerce sale period and the Navaratri period any color that you are getting in domestic market, how home textile branded demand is moving in India?

Dipali Goenka: I will tell you one thing here so till August and September the businesses they were running at a very tepid space the charades were on and the interesting thing Prerna this time has happened the

Diwali is coming a month later usually we would say that the Q2 would actually have the sales because Diwali would have been in October right now this time the Diwali is 1 month later so now the sales have picked up and we are seeing the weekends now giving a growth of over 50% here so yes now the momentum has come in and the festive season has started kicking in. Earlier it was slow.

Perna Jhunjhunwala: This is helpful. Thank you. I will come back to the question queue.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: I have just one question so if I look at the numbers historically it seems that the opex has been controlled quite well but if I look at the gross margin profile it used to be 50% plus minus, in good times it has gone above 50% as well, but now let us say last two quarters we are seeing your gross margin anywhere between 46, 47% which is 400 basis points lower than what you used to do before COVID, obviously it has improved compared to last year because last year had lot of challenges so how should one look at your gross margin profile going forward because 18, 20% used to be the gross margin profile earlier, there is a mix of kind of flooring also coming in but even if I adjust your gross margin or your overall EBITDA margin seems to be lower than what you used to do earlier?

Sanjay Gupta: You see more and more our emerging businesses are growing, so this is a blended margin of our home textile core business and the emerging business so as the emerging businesses will reach a certain size and profile the margin will of course increase, so currently they are giving lesser than the core home textile margin and hence the consolidated margin is coming lower, but as they start contributing more and more as we are seeing in flooring as well as in domestic this margin profile will go up.

Dipali Goenka: The home textile will maintain a number of around 17% 18%.

Resham Jain: Home textile business because it has a contribution from the domestic piece as well which I think it is in the building phase so probably margins must be lower there so if one looks at the export home textile business would the margin be similar to what you might be doing let us say three, four years back 18% to 20% range?

Sanjay Gupta: Almost in the same range so about 17% - 18% currently because as I said cotton is at an elevated level we had cotton at 40, 45 earlier now it is at 60, so of course if cotton at such an elevated level the margin on the denominator numerator basis it gets slightly affected but we are in the same ballpark.

Resham Jain: Understood. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Nirav Savai from Abakkus. Please go ahead.

- Nirav Savai:** Thanks for the opportunity. My question is regarding the flooring business so just wanted to understand what is the addressable market size which US has right now and when we look at the global supply chain how much China would be contributing in flooring part of it?
- Sanjay Gupta:** The total size of flooring in US is \$90 billion but our addressable market is about 10 billion out of that 10 billion China would have 50, 60% market share currently. We have just started so we are relatively smaller but we will continue to eat into the other shares and hence we are seeing that the market opportunity is very large.
- Nirav Savai:** Second question is when we look at cotton prices the last 6 months they have come down so do we see price cuts coming from customers negotiating lower prices for forward contracts?
- Sanjay Gupta:** No, the cotton price has remained now stable to some extent and prices with customers are also stable so on cotton basis there is no price change happening at the moment.
- Nirav Savai:** That is it from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Iqbal Khan from Nuvama Wealth and Investment Limited. Please go ahead.
- Iqbal Khan:** Thank you for allowing me for the second question. Just wanted to understand the sensitivity part current cotton price is around 61, 62000 so what is the fluctuation or what is the pricing where you take decision on the price cut or price hike and how does it impact your volume as well, so just wanted to understand sensitivity part of this?
- Sanjay Gupta:** Iqbal it is not a simple cut and dry so lot of discussion it keeps on happening with the customers and customers are also in the know of what is happening.
- Dipali Goenka:** Here I will tell you one thing Iqbal I think this is a very clear visibility the way we work with customers in collaboration and the cotton prices are absolutely visible to everybody here and that is what we work very closely with our customers so the cotton prices are around 61, 62000 and I think this is what we are seeing even going forward and there is a way that we work where we constantly are in touch with our customers on a regular basis on anything in the commodities whatever it is.
- Iqbal Khan:** so with higher cotton prices the negotiation power of the customer increases and because of which there is some kind of price cuts that can take place and which can potentially impact your markets this is what I want to understand, what kind of negotiation takes place and to what extent the negotiation takes place?
- Sanjay Gupta:** We work in long-term basis with customers and customers also understand that what is the profitability, what is cost, what is cotton cost so we work as a partner and there is no under cutting by the customer so there is no chance of a margin loss because of this.

Iqbal Khan: Thank you so much.

Moderator: Thank you. This was the last question and I now hand the conference over to the management for closing comments.

Dipali Goenka: Thank you everyone. It is heartening to see the fruits of our hard work reflected through the highest ever quarterly revenues and increased market shares in all our business verticals, home textile exports to US, flooring exports, domestic and advanced textiles. New and increased order flows from marquee retailers shows their trust and confidence in us which is further strengthened. Our global brands continue to give us an edge through innovative products and alliances. Flooring business has started pulling its rate slowly but steadily. Domestic business continues to scale newer peaks through cementing its leadership and reach, distribution and brand identity which augurs very well for opening of doors for high sustainable growth in market share. In ESG our commitment is unparalleled and a move towards achieving renewable energy targets by 2030 will further strengthen our leadership in this area. Along with substantial cost savings we continue to be cautiously optimistic on the back of the disturbed global economic sentiments that we are witnessing and are committed towards the revenue and profit guidance we have already provided for FY'24. Welspun is also committed towards reaching a healthier sustainable ROCE to create substantial value for our stakeholders. Thank you for your continued interest in Welspun Living. For any other queries please feel free to connect with Salil and Sanjay.

Moderator: Thank you. On behalf of Elara Securities Private Limited that concludes the conference. Thank you for joining us. You may now disconnect your lines.

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