



“Welspun Living Limited
Q3 FY '25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Welspun Living Limited Q3 FY '25 Earnings Conference Call hosted by JM Financial. 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 the star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashutosh Somani from JM Financial. Thank you, and over to you, sir.

Ashutosh Somani: Yes. Thanks, Steve, and welcome, everyone, to the call. I will first thank Welspun Living for giving JM Financial the opportunity to host today's call. Without much ado, I'll hand over the call to Mr. Salil Bawa, Head, Investor Relations, Welspun Group, to introduce the management. Over to you, Salil.

Salil Bawa: Thank you very much, Ashutosh. 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 '25 results earnings call. I understand there is some issue and some of the investors are still not able to log in. We are trying to resolve that.

Along with me, we have with us today Ms. Dipali Goenka, Managing Director. We have Mr. Sanjay Gupta, Chief Financial Officer. We hope you have had a chance to review the investor presentation that we filed with the exchanges. It is also available on the company's website.

During the discussion, we may be making references to the presentation. Please do 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 post that, we will open the floor for any 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 Dipali ma'am. Over to you, ma'am.

Dipali Goenka: Good day, everyone, and thank you for taking the time to join us today for our Q3 FY '25 analyst call. I would like to share some highlights of our operating performance as well as some achievements during the quarter under review, after which Sanjay would share highlights on our financial performance.

We are pleased to share that the company has achieved consolidated revenues of INR2,528 crores during Q3, growing by 3% year-on-year. The company achieved an EBITDA of INR319 crores at a margin of 12.6%. Looking back at our revenue growth guidance for the year, which was at 10% to 12%, we've already achieved 11.7% growth YTD and are well on track to meet our top line this year.

We are on course to achieve our FY '27 vision of reaching INR15,000 crores by maintaining market leadership and profitability in our core business while scaling up our emerging businesses. YTD company revenues are at INR8,049 crores, with our emerging business comprising of Domestic Consumer business, Global Brands, Advanced Textile and Flooring witnessing double-digit growth of 10% YTD FY'25 and contributing about 30% of the total revenues.

Brands are at the heart of our future growth ambition, with Christy going global as a luxury brand and clocking record high sales during Black Friday, Welspun brand showing strong 12% YTD growth as the most distributed HT brand in India, and Spaces on the path to offer a complete home experience to the mass-premium Indian consumer.

Domestic Flooring showed strong double-digit, 17% growth YTD, and we continue to revitalize our international flooring strategy, focusing on home improvement chains, hospitality segment and indigenization. Advanced Textile business grew 11% YTD as we continue to build strategic partnerships to diversify value-added product application and diversifying into new categories in home care, personal care, medical and high-performance filtration.

Our home textile exports witnessed steady growth of 6% in Q3 and 14% YTD. We continue to gain market share in U.S. in both bed and bath, with higher dispatch growth as compared to the market. Our pillow factory in U.S. helps us to tap into the utility bedding segment and complements the “Make in America” ambition of the new U.S. administration.

Let me give you an overview of our branded portfolio, starting with Global Brands. Our global brands witnessed robust growth of 10% in Q3 and 23% YTD. Christy has shown global potential beyond U.K., with extended presence in Middle East, U.S.A. and Africa and plan to soon launch in India. Christy has made significant strides in its premiumization journey, with a higher gross margin in Q3 and YTD this year as compared to last year. Our licensed brands, Martha Stewart, COCOCOZY and Disney Europe witnessed over 40% growth YTD, opening up additional shelf space with the key retailers.

Next, moving on to our domestic retail business performance. Urban consumption was subdued, and inflation hovering around 5% to 6% during the quarter. As per a survey by RAI, the festive demand in the retail sector improved during October-November about 7%, though lower than the anticipated growth of 10%.

Amidst higher food inflation and softened urban spending, we witnessed a modest growth of 2% in our domestic retail business, clocking a revenue of INR177 crores in Q3 and over 6% growth YTD '25. Welspun brand witnessed a healthy growth of 8% in Q3 and 12% YTD, and continued to be the most widely distributed home textile brand in the country.

Brand Spaces has outgrown the category in modern trade channel, emerging as a leading brand within the category and gaining market share. Quick commerce segment has been significant traction with 8x growth between Q1 and Q3 FY '25. We have continued our investment in domestic markets with marketing spend to the tune of 10% for improving brand visibility and salience as well as a focus to build profitable business growth.

India is expected to bounce back stronger in the next few quarters with expected consumption recovery, green shoots of which is already seen in rural consumption. Our focus on India market is unwavering, with a strong off-line and online strategy and a brand for every consumer.

On the domestic flooring front, while we continue to see growth in hospitality and commercial segments, residential segment showed strong performance in Q3. India's specific product development in hard times has further driven up the sales. Domestic flooring revenues grew by 6% Y-o-Y and 17% YTD.

Our home textile exports witnessed strong performances across regions. U.S. economy continued to show resilience in the current year, with the Q3 growth at 3% Q-on-Q and 2024 GDP growth expected at 2.8%, aided by consumer spending growing at 3.3% annualized rate in the fourth quarter after accelerating at 3.7% pace in July-September quarter.

India continues to be the leading supplier of terry towels and bed sheets to U.S.A., and as per the OTEXA data, India continued to enjoy dominant market share in exports to U.S. for trailing 12 months November 2024 period, both in TT at 43% and bedsheets at 60% in value terms. Welspun expanded its market share in both bed sheets and terry towels, with bed sheets at 18% dispatch growth vis-a-vis overall U.S. export market, growth of 5% in bed sheets and flat growth vis-a-vis 2% market decline in TT.

Our fully automated pillow factory in Ohio U.S.A. started commercial production in September 2024, overall achieving capacity utilization of average 24% in Q3. Every month, we would see increasing utilization of the plant, thereby increasing our footprint in the largest market and helping us better serve our customers with differentiated products such as a patented Gx pillow to promote better, most restful sleep.

In Q3, we saw strong traction in EU, driven by large programs in bath category. In Q3, our dispatches to rest of the world also witnessed robust growth, led by offtakes in Japan, Middle East, GCC and ANZ.

Moving on to flooring. The challenges we witnessed due to Red Sea continue to impact the transit times and invoicing, with the business recording a revenue of INR216 crores, degrowing by 12% Y-o-Y. We are hopeful of recouping the growth in the business in Q4 and next year, with lower expected freight rates due to the Israel-Palestine truce and distributors starting to restock.

We continue to focus on the home improvement business and have added new big ticket customers across all geographies. We have also diversified by tapping opportunities with OEMs in the U.S. and strategic tie-ups to strengthen our position in ANZ.

The Advanced Textile business witnessed a revenue of INR132 crores, degrowing 5% Y-on-Y, but growing 11% YTD. While transit time issues impacted sales during the quarter, we had strong spunlace order book across U.S., U.K., Europe and Middle East for Q4 and new partnerships across globe with our innovative and sustainable non-wovens.

ESG is embedded in every aspect of operations at Welspun, keeping us ahead of our peers globally in sustainable practices. We published our sustainability report third time in a row with data assurance as per GRI framework. We are well on our journey towards achieving 100% ROE and our ESG targets for 2030.

We stand by our guidance of 10% to 12% revenue growth at '25. Considering some one-time costs that have hit us during Q2 as well as Q3, majorly due to external factors, we would like to revise our full year EBITDA guidance to about 14%, with our strategic efforts moving in the right direction.

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

Sanjay Gupta:

Thank you, Dipali, and greetings, everyone. I'll give you a brief overview of the financial numbers for the quarter 3 before we open for question and answer. During quarter 3, we reported consolidated quarterly revenues of INR2,528 crores, up 3% year-on-year. Our YTD revenues are at INR8,049 crores, up by 11.7% versus last year. EBITDA margins of quarter 3 stood at INR319 crores, that is 12.6%, which down by 16.6% Y-o-Y. YTD EBITDA stood at INR1,133 crores, that is 14.1%, up by 1.6%.

Our contribution margin was impacted to the extent of about 1% due to a change in product mix in the quarter from a one-time promotional program, which led to higher input costs. Further, as mentioned in earlier 2 quarters discussions, we kept a vigil on the Red Sea front to ensure that we do not get affected adversely. Even with some normalization of capacities and freight rates, we had to incur relatively higher ocean freight at about 40% more than last year, resulting into an impact of about 0.4% to the profits.

With the situation further normalizing with Israel-Palestine truce, we are hopeful of freight rate rationalizing in the upcoming quarters. Further, the sudden depreciation of the rupee against the dollar in December also impacted our profit by another 0.6% due to mark-to-market adjustment for restating our net current assets at quarter end despite higher realizations for the month of December.

We have a Board-mandated policy of covering our 60% to 65% of net exposure for 1 year rolling forward. Our average exchange realization for the U.S. dollar during quarter 3 of '25 was INR84.62 compared to INR83.80 in the corresponding quarter last year. YTD, it stood at INR84.3 compared to INR83.17 in the corresponding period last year.

We still have the same coverage situation in quarter 4 and the correction in mark-to-market would take a couple of quarters. Overall, these one-off costs impacting our EBITDA is expected to be set right from quarter 4 onwards.

Profit after tax after minority interest for the quarter is at INR121 crores vis-a-vis INR177 crores, down by 32% year-on-year. YTD PAT stood at INR507 crores vis-a-vis INR535 crores Y-o-Y, a decrease of 5.2%. Consequently, our consolidated EPS for quarter 3 stood at INR1.27 per share as compared to INR1.84 per share, down by 31% year-on-year, and YTD EPS stood at INR5.30 per share as compared to INR5.54 per share, down by 4% year-on-year.

Net debt stood at INR1,658 crores versus INR1,832 crores last quarter, which is lower by INR174 crores and versus INR1,542 crores last year, which is higher by about INR117 crores. This increase as compared to last year has been due to investment in capex and higher working capital. The interest cost due to borrowings for increased capex, which was around INR595 crores year-to-date, and working capital requirement have gone up to INR62 crores from INR42 crores last year. With reduction in working capital planned in ensuing quarters, we will see savings on account of this cost.

Coming to segmental results. Q3FY25 Core business Home Textile revenue stood at INR2,282 crores versus INR2,251 crores in Q3FY24, up by 1.3% year-on-year. YTD financial year '24 Core revenue stood at INR7,382 crores versus INR6,641 crores last year, up by 11.2% year-on-year. Quarter 2 EBITDA of Home Textile stood at INR286 crores at 12.5% as compared to INR347 crores at 15.4% last year. YTD Home Textile EBITDA was at INR1,009 crores at 13.7% as compared to INR1,019 crores at 15.3% last year.

During quarter 3, revenue from Flooring business was INR216 crores, down by 12%. EBITDA was at INR17 crores, that is 7.8% as compared to 8.1% last year. YTD revenues for Flooring is at INR693 crores, down by 2.9% year-on-year, and EBITDA is at INR60 crores, that is 8.6% as compared to 8.2% last year. In Q3FY25, we have spent INR103 crores towards capex, majorly towards our new towel project at Anjar. Year-to-date total capex stood at INR595 crores versus our guidance of total year's capex at INR860 crores.

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

Moderator:

The first question is from the line of Prerna Jhunjunwala from Elara Capital.

Prerna Jhunjunwala:

Just wanted to understand the demand scenario in the U.S. for home textiles, largely as consumer sentiment there continues to remain a little weak post December sales. So please give some color on how home textiles and other market went? And what is the figure that you're getting for next 1 year's demand scenario?

Dipali Goenka:

So I think I can just tell you about the global scenario. Global scenario - it's a mixed bag. There are certain times when there are seasons where you have the annual events or seasonal offsites, they will have -- there will be a peak. But having said that, United States still remains at a bright spot. It will come back. It is definitely going to come back. Middle East has its great opportunity as well.

So I think overall, and I think I must tell you that having said that what the markets are, but I think India stands a great chance and opportunity to be a centerfold of supply chain globally for all the countries. And you have seen even the OTEXA data and even seen in the Welspun numbers that we've seen that despite the market, India, not only India, but Welspun has grown in the terms of exports from India.

So just to sum it up, Prerna, while the markets can look the way it is, the consumption will continue in the United States being the largest economy of consumption for home textiles. U.K., Europe are subdued, but the Middle East and rest of the world are going to take that share in the

terms of consumption, and India will be the centerfold of the exports and the supply chain for the world.

Prerna Jhunjunwala: Okay. Understood, ma'am. My second question is, how should we look at gross margins in current scenario of declining cotton prices. Cotton prices continue to remain weak, so how is it likely to impact your profitability going forward?

Sanjay Gupta: As you know, cotton prices have been slightly coming down from INR56 to INR52 to INR53. So we have been continuously buying. We have about 5 to 6 months of stock with us. And hence, on a consolidated basis, we should be looking at about INR54,000 to a cotton. So we should see 1% to 2% benefit from this coming in the ensuing quarters.

Prerna Jhunjunwala: Yes, you can continue then I'll ask again one last question.

Sanjay Gupta: Yes. So 1% to 2% margin gains, we can see in the ensuing quarters due to cotton based on the current prices of cotton.

Dipali Goenka: And overarching, if I look at the numbers, I think you're asking about the EBITDA and the subdued EBITDA, right, Prerna? That was your question.

Prerna Jhunjunwala: No, I asked for gross margins only for how cotton can improve or what will be the impact of lower cotton prices on our gross margin. Last question is on -- you mentioned about there was a mix impact in our numbers this quarter. Is it going to continue going forward or it was a one-off?

Dipali Goenka: It was a matter of one program that we did in this quarter actually, Prerna. So that mix impact has gone. However, there were these macro impacts that have been playing, the Red Sea and the others, and hence, that has also impacted our EBITDA. So having said that, our path towards our commitment towards a 10% growth on the top line remains. And a little deviation on the bottom line is there, but it's just a small deviation.

Moderator: The next question is from the line of Yash Darak from RSPN Ventures Private Limited.

Yash Darak: So yes, I do appreciate the fact that we are closer to meeting our yearly guidance of 10% to 12% revenue. If you could still shed some light on what led to a dip in the revenue in the December quarter?

Sanjay Gupta: So as we said in our opening remarks, so while export continued to grow, it grew at about 6%, maybe slightly 1% or 2% lower than what we had anticipated. However, the other businesses of Flooring and Advanced Textile were impacted due to the Red Sea issue, which led to increased rate of freight due to which the buying dispatch decisions were postponed by many buyers.

And hence, we saw that reduction or we saw some dip in those businesses. However, as we go along, we have seen that the Red Sea issue is setting itself right and also the cost, the freight costs have come down, which will ensure that we will do these dispatches in quarter 4 and the ensuing quarters.

- Yash Darak:** Okay. And as far as the interest rates are concerned, I think the interest cost has increased despite the gross debt going down. If you could just give some color.
- Sanjay Gupta:** Yes. So during the quarter, we had to keep some stocks because of the delays in dispatches, which we were seeing due to Red Sea issues and the freight rates. And hence, during the quarter, we had to hold stocks, which we were able to sell to a large extent by the CN, but that led to a slightly higher interest cost during the quarter. However, the working capital is coming down, and you will see remission in that as well from quarter 4.
- Yash Darak:** Okay. And there was a INR341 crores CapEx which was supposed to be completed by Q3. Has it been completed? Or when do we see it being completed?
- Sanjay Gupta:** It is on the verge of completion, so we should see that happening by this quarter.
- Yash Darak:** Just a few questions more. Could you guide on the effective tax rate for the year? And do we see any benefit accruing to us due to tariffs being implemented on China by the U.S., if you could comment on that?
- Sanjay Gupta:** The first question on tax, our average tax rate is about 25% to 26%, effective tax rate.
- Yash Darak:** For the year?
- Sanjay Gupta:** Yes, for the year.
- Dipali Goenka:** And for the tariffs to your question, let me say that I think India has anyway become a part of the supply chain globally, so that's the opportunity India continues to enjoy and will, in the future, also continue to do so from the terms of traceability of the cotton and also the stable democracy and the integrated supply chains that we have in India. So that will continue here. I think that's what we will maintain as of now.
- Moderator:** The next question is from the line of Bhavin Chheda from Enam Holdings.
- Bhavin Chheda:** Sir, I missed on the margin guidance, what you gave of FY '25, you're maintaining sales guidance. What is the revised EBITDA guidance for fiscal '25?
- Sanjay Gupta:** So we gave in our opening remarks that due to some onetime costs that we had to incur in quarter 2, quarter 3, we are revising it to about 14% for the entire year.
- Bhavin Chheda:** Okay. And yes, I heard that you said that there was contribution margin impact of 1%, ocean freight of 40 bps and rupee depreciation of 30 bps. So that -- you also said that this will last for 1 or 2 quarters more only?
- Sanjay Gupta:** Only for U.S. dollar impact, because we have covered 60% to 65% dollar for next 1 year. And because we are out of the money at the current U.S. dollar rate, so it's just an accounting impact. There is no cash impact. So because of the hedge accounting.
- Bhavin Chheda:** Of your sales, how much percentage is covered?

Sanjay Gupta: About 60% to 65%. So we are covered about 60% right now.

Bhavin Chheda: You're covered for 60% of the 12-month rolling sales for next year. And at what rate, sir?

Sanjay Gupta: So I mean -- yes, we cover it at various points of time. So that rate, we cannot disclose, but we are currently out of the money.

Bhavin Chheda: Okay. So -- and that is accounted before the EBITDA line?

Sanjay Gupta: Yes, that's accounted before the EBITDA line. And that's only an accounting entry, not cash. If in the next quarter, we realize better, then that loss goes away. But setting itself right, it will take about 1 quarter or 4, 5 months.

Bhavin Chheda: You said 2 quarters, basically. Then obviously, the forward rates will keep continuing higher. So that is -- that depreciation impact was 30 bps in the EBITDA margin, which possibly may continue for next 2 quarters. The other 2, you're saying ocean freight has largely reversed now, so that impact would start getting diluted from next quarter onwards, right?

Sanjay Gupta: Correct. So in quarter 2, we saw about 1% impact because of this. In quarter 3, we saw 0.4% for freight. Now we don't foresee anything -- any impact on freight. Dollar, 0.6%, we saw, but the impact of it will taper down and will become close to 0 in about 4 to 5 months. And the 1% impact for the COGS because of mix will also not be there.

Bhavin Chheda: On the operational side, if I see even bath linen sales on a Y-o-Y basis declined in volume terms by almost 6% to 7%, whereas your bed linen actually showed a very good growth. So was there any base effect issue or a specific client issue where -- actually the U.S. bed linen has picked up in quarter, but the bath linen has not picked up. So anything specific here? Or was it just a general inventory or a program-related issue, which had such diverse figures in 2 product segments of home textile?

Dipali Goenka: I think in America, if I look at the bath, the bath has actually degrown in America according to the OTEXA data, but we have seen a growth of 2%

Sanjay Gupta: In just stocking, yes.

Dipali Goenka: So it is just a stocking issue, and which will actually be corrected in this quarter. It has already picked up.

Sanjay Gupta: So our production was slightly lower. We had stocks already there, so we sold. So we saw growth both in towel and bed sheet. Of course, towel was slightly lower, bed sheet was slightly lower, but we saw growth both in that in the sales.

Dipali Goenka: Bed sheet has actually grown for us in 15%. Towel has been flattish, but that is a matter of a quarter.

Bhavin Chheda: Because in the presentation slide number 12, you give the production numbers, right? So you're saying that sales volume number was -- decline is not so high, what is reflected in the production volume number, which you give in Slide number 12?

- Sanjay Gupta:** Correct.
- Dipali Goenka:** Yes. Because it's a matter of goods in transit and also the matter of warehouse inventory also. So there's a whole lot of mix there.
- Bhavin Chheda:** And bed linen growth was much, much higher than the bath linen growth.
- Dipali Goenka:** Yes. Yes. Absolutely.
- Bhavin Chheda:** Okay. And post December, you think this has normalized now and both will move in tandem going forward? So this was a stock-related client-related issue, but this would now largely -- if that is sorted out by December or a calendar year-end in U.S., this will normalize from next quarter?
- Sanjay Gupta:** Correct. So quarter 4 -- so we -- whatever stock we had, many of which we sold off, hence, you are seeing also a reduction in our total stock as compared to September and December. So more or less, it's in order. However, if we sell more out of stock, then probably we also see again more sales.
- Bhavin Chheda:** Last question on the Flooring business run rate, which declined after many quarters. So you mentioned Red Sea issues in that. So is that largely sorted out and this will go -- move back to INR250 crores, INR260 crores type of a quarterly run rate with improved margins? Or this should also take time to normalize?
- Because we have -- because obviously, we are also maintaining a INR15,000 crore top line run rate for reaching by FY '27, and Flooring has to play a very big role there, almost like if I'm saying I figure like incremental INR1,000 crores to INR1,200 crores. So what confidence are you getting on the Floorings to get back to normalized run rate and in fact, a double-digit growth rate in the Floorings business?
- Dipali Goenka:** So I think Red Sea actually has played a very big role in the terms of being a deterrent in the terms of our Flooring business globally. However, I must tell you that the carpet tiles grew by double digit. It is basically the hard flooring which actually degrew. And we are going to actually -- it will get mobilized by, I think, quarter 4 end, and next year looks as a steady run rate.
- Sanjay Gupta:** We continue to grow at 20% to 25% next year onwards, so we should see closer to our number of financial year '27.
- Moderator:** The next question is from the line of Pratik Tholiya from Systematix.
- Pratik Tholiya:** Just wanted to understand the reason for the sharp increase in your finance cost in this quarter.
- Sanjay Gupta:** So Pratik, as I was mentioning earlier, so we had to hold larger stock during the quarter. If you see our quarter 2 end stock was quite high, and we are building for the festive business, so some of which trickled into quarter 3, and quarter 3, we will continue to face the Red Sea challenge and higher freight rate.

So the dispatches are getting pushed, so we had to hold larger stock and hence, investment in working capital. So we saw a slightly higher interest cost. If you also see from last year to this year, our interest cost per se has also gone up by about 1% because of the increase in interest costs. So these are the main reasons why interest cost. But as we have pared down our working capital, you should see a reduction in this cost as well from quarter 4 and more so from quarter 1 on.

- Pratik Tholiya:** So what is the average cost of debt?
- Sanjay Gupta:** It's about 7%.
- Pratik Tholiya:** Which you were saying earlier was 6%.
- Sanjay Gupta:** Earlier was 6%, correct.
- Pratik Tholiya:** And sir, you are expecting your 9-month balance sheet also, your gross debt to be around INR2,800 crores. So how do you see this number by the end of this financial year?
- Sanjay Gupta:** So we have guided towards a 10% to 12% growth for the whole year, and so we are standing on that behind that. So we should reach that number.
- Pratik Tholiya:** No, I'm asking the gross debt number.
- Sanjay Gupta:** Okay. Gross debt. So gross debt -- so we talk about net debt, net debt, we are at INR1,650 crores. Yes, so gross debt is about INR2,800 crores. So while for quarter 4 end, we should reach a net debt of about INR1,400 crores to INR1,500 crores. That means a reduction of about INR200 crores in financial year '25. Financial year '26, we should be at INR1,000 crores; financial year '27, about INR400 crores, INR500 crores; financial year '28, 0.
- Moderator:** The next question is from the line of Prerna Jhunjunwala: from Elara Capital.
- Prerna Jhunjunwala:** Just wanted to understand the volume growth number for the quarter and how average realizations have moved for this quarter and 9 months?
- Sanjay Gupta:** So we actually don't give out those numbers. So overall growth is 3%. And we have -- in some quarters, we have volume growth, some quarters, we have price growth. But...
- Dipali Goenka:** But -- and we maintain our numbers here, Prerna. Our numbers growth that we have discussed, I mean, the 10% growth annually, we are on that track, Prerna.
- Moderator:** The next question is from the line of Monish Ghodke from HDFC Mutual Funds.
- Monish Ghodke:** Just wanted to ask about pillow business. So what was the revenue from this business in Q3, if you can share?
- Dipali Goenka:** So Monish, we are looking at this year-end to be having a top line of around \$20 million from our pillow business. And next year, we will double this number. So this is what it is, and we feel this is a huge opportunity for us because it is as good as a volume as towels.

- Monish Ghodke:** Okay. And when you say the effective capacity, I mean, it's 4.7 million pieces and install is 13.5 million. So how much time will be required to ramp up this from 4.7 million to 13.5 million?
- Sanjay Gupta:** It will take about 2 years. So this is based on the machine capacity and then 1 shift, 2 shifts, so it will take about 2 years to reach the full capacity.
- Monish Ghodke:** And do we have to do any capex to increase this capacity?
- Sanjay Gupta:** No, no, no. Just people.
- Dipali Goenka:** It is a matter of kind of productivity because it is automated.
- Monish Ghodke:** And could you just give a broad idea as to what would be the realization per piece in case of pillow?
- Sanjay Gupta:** As of now, we will not be giving out that. But...
- Dipali Goenka:** But there's one thing, Manish. We will play in better and best category here. We want to -- we are not going to go into the deep down dirty good, like a cheap category, but we are going to talk about better and best. That's what we are working on.
- Moderator:** The next question is from the line of Resham Jain from DSP Asset Managers.
- Resham Jain:** Resham Jain here. So I have just one question on the cotton. Since this year is a unique year where a lot of cotton has been bought by CCI, and typically, we have seen that in the past, CCI has resorted to selling cotton even below the price and incurred huge losses. And you are currently having a good amount of cotton with you, as you mentioned in your remarks. So what are -- how are you thinking about the overall cotton dynamics playing out this year given the kind of unique situation of cotton being bought by CCI?
- Dipali Goenka:** So there are around 18 lakh bales in the market, and they have taken on -- around 185 lakh bales that are there in the total arrival, they have taken around 85 lakhs. And today, if I look at it, the average cost is around INR53,000, INR54,000 per bale.
- And I think the opportunity right now, which I see as India and the others, is that globally, the Brazil and the other countries are the countries from where our peers are outsourcing their cotton. We have an import duty from outside into India. So hence, I think we'll be consuming our cotton internally. So overarchingly, our cotton cost will be around INR55,000.
- Sanjay Gupta:** So to carry it forward, you talked about MSP in CCI. So yes, CCI is buying, MSP is much more than INR53,000, INR54,000. So when MSI sells it, depending on the seed prices, we may see cotton going up to maybe INR56,000 as well. However, everything depends on at what seed prices are. If seed prices are higher, the cotton cost will be lower, if seed is lower, then yes. So it could be -- but we are seeing only a INR2,000 to INR3,000.
- Resham Jain:** Okay. And for you, do you have an option to import cotton without duty, given you have a large export, so you might have kind of export license against which you can import as well? So is that option available to you? Because globally, it is cheaper. So...

- Sanjay Gupta:** No. So we have to pay duty. In some cases, we may get a remission if we export out of it, but that's a long drawn affair. And we don't get into it because getting the remission takes time, a lot of time.
- Resham Jain:** So you don't use advanced licensing for importing cotton.
- Sanjay Gupta:** No.
- Resham Jain:** Okay. Understood. And the second question is generally on the demand. How do you see the overall demand shaping up in U.S., given that the festive was not as great as expected? And I presume that there will be some inventory left with some of the retailers, given some of the retailers have already -- were out with numbers. So overall, what is your sense, what kind of order book you are seeing both in bath linen and towels?
- Dipali Goenka:** So our top line, we are going to maintain what our steady-state top line we're talking about, around 10% growth. And I think that's what it is going to be. One thing is that right now, the inflation impact in America is high, which I think with the new administration coming in, is something that they're going to be working on. And that is going to be something to be seen regarding the housing market and the inflation.
- Resham Jain:** Okay. So for you, the order book is normal. There is no change. Okay. Understood. Can I ask one more?
- Sanjay Gupta:** Sure. Sure.
- Resham Jain:** So the last one is on the branded piece in India, and because it is still in the buildup stage where you are doing a lot of activities, so I presume that the margin in that business will be low. So how is the profitability going to shape up in that business? Because that must be pulling down your overall margins as well.
- Dipali Goenka:** So I think India is big market that we are definitely investing in. And so it is going to take time, and with if I look at all the global economies, India has got the highest potential of growth. And as we look at it, we are actually focusing on both our brands, Spaces and Welspun, at a steady-state growth of CAGR of around 25% to 30% and at a breakeven. And that is something is going to be a very important aspect that you will see this year in 2025 as well.
- Moderator:** The next question is from the line of Biplab Debbarma from Antique Stock Broking.
- Biplab Debbarma** I have just one question regarding the new regime. I mean, Trump has become President again. So do you see any uncertainty regarding tariff in Home Textile? So do you see any uncertainty? Because we have been hearing some news that left, right and center is putting some tariff on some products. I'm not an expert in those. But on Home Textile, do you see any uncertainty, any challenges going forward?
- Dipali Goenka:** So there are 2 things. Actually, this regime is talking about balance of trade across the globe. That is the first thing. Secondly, the focus towards inflation in control is going to be a very important focus.

Now Biplab, when you talk about India, I think India being having the most important robust supply chain in the terms of cotton, traceability, stable democracy, the vertical integrated plants, we, I think here are stand to gain. And the relationship of India is strong. So we will wait and watch there, Biplab.

Moderator: As there are no further questions from the participants, I now hand the conference over to Ms. Dipali Goenka for closing comments.

Dipali Goenka: So thank you for your time today. The mid- to long-term attractiveness of the business continues to be high as we work with unwavered focus to achieve our current and future objectives of sustainable and profitable growth.

Home Textile export business continues to grow in excess of 14%, with positive momentum across U.S., Europe and rest of the world and steady start of our U.S. pillow facility. We'll continue to focus on our branded sales with Christy leading our global presence, and Spaces and Welspun in India reinstating our Har Ghar Se, Har Dil Tak Welspun.

Our sustainable and responsible practices have made us leading ESG corporates, not only in India, but globally, and we are well on our way towards achieving our targeted matrices by 2030. Thank you for your continued interest in Welspun Living. For any further queries, please feel free to connect with Salil and Sanjay.

Sanjay Gupta: Thank you, everyone.

Moderator: On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.