



**“Welspun Living Limited Conference Call Q1 FY 2025
Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to Welspun Living Limited Q1 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 "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

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

Ashutosh Somani: Yes. Thanks, operator. And welcome everyone to the call. I will first thank Welspun Group for giving JM Financial the opportunity to host today's call. I will hand over the call now 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 morning to all of you. On behalf of Welspun Living Limited, I welcome all of you to the company's Q1 FY '25 earnings call.

Along with me we have with us today Ms. Dipali Goenka – Managing Director and CEO, I 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 yesterday. The same is also available on our website.

During today's discussion, we may be making references to this presentation. Kindly do take a moment to review the Safe Harbor statement in the Presentation.

As usual, we will start the forum with Opening Remarks by our Leadership Team. Post that we will open the floor for your questions. Once the call gets over, should you have any further queries that remain unanswered, please feel free to reach out to any one of us.

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

Dipali Goenka: Thank you, Salil. Good morning, everyone. And thank you for taking the time to join us today for our Q1 FY '25 Analyst Call. I would like to share some highlights of Operating Performance as well as some achievements during the Quarter under review, after which Sanjay would share highlights from our Financial Metrics.

Operating Performance:

We are happy to share that the revenue growth we have witnessed during the last FY '24 continued in Q1 FY '25, with the revenues up by 17% Y-on-Y to reach Rs. 2,588 crores. All our businesses have contributed to this performance strongly, in global markets as well as in India. We continued to have sustained EBITDA achieving Rs. 393 crores, clocking 15.2% in

Q1, growing at 15% Y-on-Y. Hence, we are well on our way to achieve the top line and bottom-line guidance we had achieved for FY '25.

The growth that we have seen in Q1 revenues could have been more better if the challenges that the global economy is facing in the terms of ship liners and containers availability owing to the Red Sea issues were not there. Similar to the challenges we witnessed during FY '22-'23, we are seeing not only hardening of the container rates to 3x of last Financial Year, but also in space and timely availability of vessels.

With a major distribution presence in the US, we have been able to ensure minimum disruption in revenues, but delays in FOB shipments due to non-availability of containers, ships have affected revenues of our different businesses to some extent. At the same time, our long-term relations with liners have seen us in good stead, leading to minimal impact in cost in Q1. We continue to keep a close watch on this dynamic situation to ensure minimum disruption to the business.

Core exports:

US GDP continued to grow at a decent rate of 2.9% Y-on-Y, retail spending is up 2.5% Y-on-Y in April to June quarter as customers take advantage of deals and begin to spend more as inflation cools for the third straight month of 3% Y-on-Y in June. Marking the lowest reading since June 2023, bolstering case for sooner than expected Fed rate cut. Consumer have retained the ability to spend and are driving the solid economics.

India continues to be the leading supplier of Terry Towels and Bed Sheets to USA. And as per the OTEXA data, India continued to enjoy dominant market share in exports to US for June 2023, May 2024 period, both as Terry Towels at 44% and in bed sheets at 61% in value terms. India has strengthened its share in Bed Sheets by 10% and stayed flat in Terry Towels as compared to last year in the same period.

Though the overall export to US in value terms during this period remained at the same level in Terry Towels and grew by 5% in bed sheets due to geopolitical issues during Quarter 1 FY '25. WLL, however, witnessed a growth of 10% and 40%, respectively, solidifying our leadership in US exports further. Our EU, UK and Rest of the World have also shown a double digit.

Exports of home textiles has seen a tremendous growth due to our unwavering commitment in providing unparalleled quality, both in products as well as in services, growing by 19% in Quarter 1 FY '25 and maintaining a healthy EBITDA of 17%. Innovation is the heart of everything that we do. Our innovation products continue to be the major contributor to the revenues of 30%, growing by 13%.

Emerging businesses:

Our emerging businesses of domestic consumer business, global brands, advanced textile and flooring businesses grew 7% Y-on-Y in Q1 FY '25 and contributed close to 30% of the total

revenue of the company. Our licensed global brands like Martha Stewart and Disney continued their growth journey and have given us an edge in US and European markets by opening up additional shelf space with the key retailers as well as in creating new avenues. Our own global brands Welhome and Christy have grown over 10% during the quarter.

Domestic Retail:

India continues to outshine with an expected GDP growth of 7.1% in Q1 vis-a-vis 7.8% in Q4, and inflation hovering around 5% during the quarter. The retail sector demand, however, continued to remain muted during Q1 through April to June 2024, mainly due to lower consumer spending, especially in discretionary categories, which is at the trough of the seasonal cycle. Nevertheless, we showed a lot of resilience despite subdued operating conditions and consumer markets, which continued to subsist in Q1 as well.

Our domestic business remained flat in line with the national retail sales growth, and clocked a revenue of Rs. 123 crores with a muted 3% growth despite the challenging retail market in the country. In order to navigate through challenging market conditions, we have expanded into new categories, channels and hopeful to witness increased tertiary offtakes once the demand opens up with the festive season, which is right underway.

Welspun Brand continued to be the most widely distributed home textile brand in the country, with presence in 500-plus towns and 21,154-plus outlets, up by 972 in Quarter 1, a reach not hitherto achieve by any home textile player in India. Brand recall for Spaces and Welspun has jumped substantially to 80% from 72% and 50% from 40%, respectively, for our target audience, thereby leading in premium and mass home textile category.

Brand Welspun growth has witnessed a healthy 12% Y-on-Y growth in Q1. Brand Spaces has outgrown category in the modern trade channel, emerging as a leading brand within the category and gaining the market share. The home textile consumer business continued investment in marketing to the tune of 10%. We remain committed to continued investment in our brands for improving the brand visibility and salience, as well as our focus to build profitable business growth in the domestic consumer business.

Flooring:

Our flooring business continued to perform well, recording a revenue of Rs. 228 crores, flat Y-on-Y, with dispatches in Q1 impacted to some extent due to Red Sea issues. With increase in capacity utilization to 64%, EBITDA margin of the business has improved to 9%. We have added a big-ticket customer in USA for wall-to-wall carpets and carpet tiles, and have strengthened our position in Middle East and ANZ. Similarly, we are getting great traction from large retailers and big-ticket distributors in US and UK in hard flooring, and thus look forward to a good start in flooring in Q1 FY '25.

On domestic market front:

We continued to see growth in hospitality and commercial segments in all our key markets in India. Domestic flooring revenue grew by 15% Y-on-Y. In order to capitalize on the market opportunities, we continue our work on making inputs an entire value chain more and more indigenized.

The advanced textile business witnessed a 26% growth Y-on-Y in Q1 FY '25 with a revenue of Rs. 132 crores, capacity utilization of new Telangana's Spunlace facility has reached 63% as Spunlace sales have continued to be strong in all our key global markets forging new partnerships in US, Europe and India, with the innovative and sustainable non-woven.

ESG is embedded in every aspect of operations at Welspun, keeping us ahead of our peers globally in sustainable practices. We are well on our journey towards achieving 100% RE by 2030. And in this regard, the Board has approved setting up of 18 MW solar plant at Vapi which could meet about 30% of the power requirements at Vapi. We are also happy to announce that Welspun is now part of the World Economic Forum LEED alliance of CEO Climate Leaders India, which is a high-level platform for business leaders to support concrete plans and ideas to step up India's climate action and green transition efforts. In addition to that, Welspun also joined the Reuters Vision 2045 campaign to drive sustainable change by making India the sustainable loom for the world.

While the global economy exhibits mixed sentiments, the positive signs of cooling inflation and expected rate cuts in the US are encouraging, acknowledging the potential volatility from geopolitical issues, the Red Sea situation and elections in various regions. We stay alert and proactive. Our strategy focuses on navigating these challenges and seizing opportunities effectively.

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 will give a brief Overview of the Financial Numbers for Quarter 1 Financial Year '25, before we open for question and answers.

During Quarter 1 Financial Year '25, we reported revenue of Rs. 2,588 crores, up 17% year-on-year and which remains in the same level as quarter-on-quarter. EBITDA margin for the Quarter 1 stood at Rs. 393 crores, that is 15.2%, growing by 15% year-on-year.

Profit after tax after minority interest for the quarter is at Rs. 186 crores vis-a-vis Rs. 162 crores year-on-year, growing by 15% year-on-year and 27% quarter-on-quarter. Consequently, our consolidated EPS per Quarter 1 '25 stood at Rs. 1.93 per share as compared to Rs. 1.66 per share in Quarter 1 of Financial Year '24.

On the FOREX front, our average exchange realization for US dollar during Quarter 1 was Rs. 84.05 compared to Rs. 82.16 in the corresponding quarter last year.

Net debt stood at Rs. 1,562 crores versus Rs. 1,815 crores as on June '23, which is lower by Rs. 253 crores. And versus Rs. 1,354 crores as of March '24, increased by Rs. 208 crores due to CAPEX spending and increased investment in working capital during Quarter 1.

The interest cost hence is also due to the higher borrowing for working capital. And because RBI's repo rate has remained unchanged in last three four quarter, it has slightly gone up Rs.43 crores from Rs. 26 crores year-on-year. However, with reduction in working capital in ensuing quarter, this cost is expected to come.

Coming to segmental results:

Quarter 1 of Financial Year '25 core business home textile revenue stood at Rs. 2,387 crores versus Rs. 2,028 crores in Quarter 1 '24, up by 17% year-on-year. Quarter 1 EBITDA of home textile stood at Rs. 348 crores at 14.6% as compared to 15.3% year-on-year.

During Quarter 1 '25, revenue from flooring business was Rs. 228 crore, up by 1%. EBITDA is at Rs. 21 crores, which is 9.2% as compared to 8.1% year-on-year.

In Quarter 1 '25, we spent Rs. 206 crores towards CAPEX, majorly towards towel project at Anjar and pillow project in US.

The Board of Directors have, in its meeting held yesterday, approved buyback of equity shares of the company for an amount of up to Rs. 278 crore at a price of Rs. 220 per share. The promoters will be tendering 100% of their eligibility under the buyback. Apart from this, the Board had also approved dividend of 10% in Financial Year '24 in quarter 4 meeting. The company's outflow for the buyback and dividend hence would be totaling to Rs. 353 crores, which includes the tax outflow in this.

Over the last four years hence, the company has distributed 40% of its free cash flow on an average to the shareholder, with cumulative Rs. 880 crores distribution out of free cash flow generation of Rs. 2,200 odd crores during the same period.

Financial Year '24 total distribution also works out to 81% of our free cash flow. During the same period, we have continued the reduction in the net debt from Rs. 2,333 crores in Financial Year '21 to Rs. 1,354 crores by the end of Financial Year '24.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajvee from JM Financial. Please go ahead.

Rajvee:

Dipali, if you could give some color on the order book, demand detailed growth in the US markets. How is our second half of '25 shaping out to be? Do we see your sharp recovery in the second-half demand? And what sort of revenue growth is possible in FY '25 given your current assessment?

- Dipali Goenka:** So, I think for us the demand remains good as it is right now as you have seen in Quarter 1. We see a good visibility because you know that United States gets ready for the holiday season, and that's been the trend. So, we definitely see that demand being at a steady state here, Rajvee. And when we talk about our growth, we have given a commitment of around 12% growth. And we have remained cautiously optimistic about it, and we will top it up as we go forward, as we have done in the Quarter 1 as well.
- Moderator:** Thank you. The next question is from the line of Biplab Debbarma from Antique Stockbroking.
- Biplab Debbarma:** Sir my first question is on the growth, 15% - 16% year-on-year growth. So, ma'am, which segments contributed to this 15% growth? And is it a high because of volume or price growth, or what is the contribution of volume growth in this? Thank you.
- Dipali Goenka:** Hi, Biplab. It has primarily been the sales, and it has also been an impact of the exports, primarily. As you have seen that the emerging markets have been a little subdued competitively as well. So, while we see the exports growing at a rate of 17% and that's what has actually contributed to it, our emerging businesses actually were little subdued. Also, because if you look at flooring, with the kind of 64% at the factory, it is running at capacity, our you know we could have done better if the resi issues would have been a little not that challenging. So, it has been a mix here. When you talk about the margins, I think I would say that the exports have contributed to the margins as well, primarily.
- Sanjay Gupta:** So, the growth has nearly come from volumes, as you had asked. The price, there has not been any major change. So, the growth is basically volume growth.
- Biplab Debbarma:** The second question is, I missed that funding part, sir, how you are funding the distribution of that cash outflow for distribution of dividend and buyback?
- Sanjay Gupta:** So, this will be from the internal resources. So, we have earned free cash flows earlier and which is available with the company, and it will be paid out of that.
- Biplab Debbarma:** Sir, since you have that on, it has also this quarter I think has grown a bit. So, I am just wondering, could we not have used the money of that payment or this is how the capital structure you want to be?
- Sanjay Gupta:** So, our capital allocation demands that we pay off to our shareholders as well, some percentage of our profit and hence which we have been doing for year-on-year, so that we have done. Despite that as I was telling you in my speech that we have been reducing our net debt from Rs. 2,300 odd crores to Rs. 1,300 odd crores. And this year, despite all these payments, we would be in the same ballpark range for financially '24 net debt. So, net debt is not an issue.
- Biplab Debbarma:** And my final question, with Quarter 1 seeing strong growth and outlook on exports looking positive, shall we maintain the same guidance on the top line in that or you would like to change our like?

- Sanjay Gupta:** So, as Dipali mentioned, we are cautiously optimistic because we are seeing the Red Sea issues and other economic issues which is gripping the world. However, as we have maintained, we will top the 12% growth that we have already guided to us. And we will meet our bottom line guidance of EBITDA at 15% to 15.5% as we have guided.
- Moderator:** Thank you. The next question is from the line of Anushka Chitnis from Arihant Capital. Please go ahead.
- Anushka Chitnis:** My question is related to the buyback. I wanted to know if the promoter entity would be participating in this.
- Sanjay Gupta:** Yes. As we mentioned in our speech, yes, promoter entity will be participating 100% in this.
- Moderator:** Thank you. The next question is line is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.
- Prerna Jhunjhunwala:** Congratulations on a strong set of numbers. Ma'am, I wanted to understand more on flooring, why Red Sea is impacting that segment more than other categories, which are also export driven?
- Dipali Goenka:** So, it's a little different here, Prerna. And when we talk about home textiles, it's mainly primarily FOB. Here you have CIF, and you also have the DDP shipments, and hence the challenges were there where we actually got challenged to get the containers for the flooring, Prerna.
- Prerna Jhunjhunwala:** And ma'am, how would be the volume versus price growth in this segment in this 1% growth? Because utilization levels have improved, so just wanted to understand whether there is some price correction or is it inventory lying in the system?
- Sanjay Gupta:** Hi, Prerna. So, as I mentioned, more or less this is volume growth. However, there have been some mix change as compared to hard and soft breakup. So, hence that small impact might have come. But mainly it is volume growth, and volume though we have manufactured during the quarter at 64% utilization, we have not been able to ship it because of the issues that we are facing for blank sailing and containers not being available. You will see those impact in the current quarter when we will ship it. Hence there is no price erosion.
- Prerna Jhunjhunwala:** So, what kind of growth can we expect in flooring business in this year given the visibility on demand that we have today?
- Sanjay Gupta:** We had given our guidance of about 20% to 25% growth in flooring for this year and which we will achieve.
- Dipali Goenka:** Prerna, we will achieve that. And in fact, if you have seen the domestic flooring also, it has grown 15% year-on-year, and we definitely are on that trajectory.
- Prerna Jhunjhunwala:** So, the demand scenario remains decent, I mean, there's no challenge over there?

- Dipali Goenka:** No, not at all.
- Prerna Jhunjunwala:** Ma'am, in HT, the e-commerce segment has seen a significant degrowth. What would be the reason behind it and what is not included? I mean, I am just trying to understand HT ecommerce and HT brands, how do you bifurcate also between the two?
- Dipali Goenka:** So, I think they are very different. One thing is that when you talk about global one, it is primarily we talk about omni-channel. And omni-channel, it sometimes gets seasonal, but I think we basically are on track because the retailers buy it and then they sell it. And while we do that, I think I must tell Prerna, you must go on Spaces.in and see, because that's our brand.com, christy.co.uk to see our brand.com sites. And you should see because if you look at Christy, they are growing at a rate of around 20%, Spaces is also on that path, and do give us a feedback. Omni-channel is something is the behavior of the customers. And it is a little seasonal, as you know it is summertime, people are far more outside rather than buying online more. And it's more sort of discretionary needs and experience, so people are basically buying offline and that has been the kind of a thing.
- Sanjay Gupta:** Prerna, the difference that you see in Quarter 1 of last year and Quarter 1 of this year is mainly, as Dipali said, is our sales to the omni-channels. And omni-channels, they buy more in some quarter, they buy less in some quarter. But overall, our growth will be there in this sector. But this quarter we have seen a dip because in the last year same quarter some high purchase was done by the omni-channels together, which will now spread to maybe Quarter 2 or quarter three.
- Prerna Jhunjunwala:** So, it is because of the base effect and nothing to worry about it.
- Sanjay Gupta:** Nothing.
- Dipali Goenka:** No, nothing at all.
- Prerna Jhunjunwala:** Because you saw Amazon sales, I mean, they are increasing, so I thought what is leading to this ecommerce.
- Sanjay Gupta:** Sale from those omni-channels are happening as it is happening, so there is no. It's the stock buildup which happens, so there was a smaller stock build up, some stock we could not send because of the Red Sea issues. All these issues in stocking are right now taking place. So, you shouldn't read so much into it. You should give some time for more quarters to see the real growth coming.
- Prerna Jhunjunwala:** Perfect, sir. No problem. And my last question is on margins, given the correction in raw material price and challenges on maybe freight front, what is the guidance that you are giving for home textiles and flooring separately?
- Sanjay Gupta:** So, Prerna, as we said, we are keeping a close watch in this situation. We have contracts with the liners, so we will not allow our cost to go overboard in this. The only challenge could be timely sending the delivery of the goods. So, we do not see any impact on the cost side coming in a major way because of this. Might be 0.2, 0.3 here or there, but not much.

- Prerna Jhunjhunwala:** That's not major at all.
- Sanjay Gupta:** Yes.
- Prerna Jhunjhunwala:** And last on expansion status, is it on schedule or?
- Sanjay Gupta:** Yes, we had said that we will start both the plants in quarter 3 sometime, end of Quarter 2, end of quarter 3 we will do that.
- Moderator:** Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.
- Biplab Debbarma:** I have just one question on the margin side. Sir, we are seeing volume growth contributing to our growth, and assuming that there is no further disruption in supply chain, what kind of EBITDA margin do we expect in FY '25?
- Sanjay Gupta:** So, Biplab, we had guided toward a 15% to 15.5% EBITDA during this year for the consolidated business. So, we will stick to that.
- Biplab Debbarma:** So, that means since Quarter 1 is around 14.5%, so we will see margin expansion if everything remains the same, right?
- Sanjay Gupta:** 14.5% is without the other income. So, I am talking about with the other income the total EBITDA for the company should be in the range of 15% to 15.5%.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Congrats on excellent growth across both the businesses. If I see your presentation, your bath linen utilization almost has reached 94%. So, what would be the optimum utilization or debottlenecking from the existing 90,000 tons? And secondly, I think you all also announced 6,400 tons of Jacquard towel expansion, so how much time that would take to ramp it up to 100% since the demand looks very strong in US market in this category?
- Dipali Goenka:** I think I just will add up here is that our optimum levels are where we are today. But going forward, having said that, with Jacquard facility coming in, which is right underway by August end and September, we will be up and running on that. That actually will help us to leverage the mix that we have. And it is also very seasonal as well. So, the mixes keep on changing here. So, definitely we will see a mix and we are absolutely on track on that. With Jacquard, it will help us to leverage our capacity. And also, as we go forward, debottlenecking is something that we definitely look at. And our ancillaries are also there which contribute to substitute when the demand comes in.
- Bhavin Chheda:** Sure. Second on flooring business is ramping up well, both on top line across markets and margins are improving. So, what kind of optimum margins at what capacity utilization you are

looking at? You have already reached 9%, I believe at optimum level it would be 15%, 16% odd. So, when can we see that kind of operating margin in flooring business?

Sanjay Gupta: So, we have a plan of growth of flooring at about 20% plus CAGR over next three, four years, which would take us to a capacity utilization in excess of 80% by Financial Year '27. Once we reach 80% plus capacity utilization, we should hope to reach an EBITDA of about 15% to 16%,

Bhavin Chheda: At 80% utilization?

Sanjay Gupta: Yes, at 80% utilization.

Bhavin Chheda: Sure. And on Slide 12 when we are saying annual capacity installed and annual capacity effective, you are calculating utilization on effective capacity, what that means?

Sanjay Gupta: So, we have built the plant for uh total capacity of 27 million square meter. While we have fitted the plant with machinery for 18 million square meter, we will need to spend some balancing CAPEX to make it from 18 million square meter to 27 million square meter when required. Unless we reach a capacity utilization of 18 million square meter, we will not spend in putting additional capacity.

Bhavin Chheda: And last one I missed out on, what what's the CAPEX outgo in FY '25 and possibly FY '26 if some projects are going in into '26?

Sanjay Gupta: So, we have given a guidance for 2025 for Rs. 860 crores of CAPEX which includes Anjar towel, then pillow in US and then Rs. 75 crores for our transmission line for the renewable energy, plus balance some maintenance CAPEX. For '26, we have not yet given the guidance, but we can expect to see Rs. 300 crores to Rs. 400 crores of CAPEX in next year as well.

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

Resham Jain: So, just on the demand front, when we look at some of the commentary of the retailers in US, the outlook is quite mixed. And in general, we have not seen any material kind of improvement in terms of the retail demand in US. So, from your perspective, how are you looking at US? What will be your strategy, let's say, in the current situation? If you can just give your thoughts around it, that would be very helpful.

Dipali Goenka: Hi, Resham. I will just give you a perspective here. Walmart, if you look at their commentary, they are giving a positive outlook there. And even Target, they have actually changed their perspective on it. The Clubs continue to do well if you look at their results as well. And departmental stores were the challenges that we saw. But if you look at a few, they are turning around as well. The discounters continue to be strong, so I can just say that while we have been hearing about mixed perspective. But I think with America we are very, very positive about the growth that we see coming in, because I think America prepares for the holiday season by quarter three. So, we are good right now as we see the demand.

- Resham Jain:** And the second question is with respect to all the three verticals within the home textile. Can you share your outlook, not numbers, but which segment between bed sheet, towels, and carpets and rugs will grow faster than the other one? If you can just give your thoughts.
- Dipali Goenka:** So, I think it's a mixed bag. Right now, if you saw like the Terry Towels, the growth was 10%, sheets was around 40% this quarter. And the rugs also continued to grow at a steady state. And it's a mix actually, Resham. So, we will not be able to tell you where it is, but I think we will have a steady mix of whatever we have committed as a top line and the growth.
- Resham Jain:** Understood. And last question is from the Indian manufacturers' perspective, how do you see the competitive landscape emerging again over the last three, four years? There has been a lot of shifts which has, not shift but the dynamics have a little bit changed and hence if I look at your, let's say, three years back guidance, it used to be 20% to 22% kind of range used to be the normalized margin. Which has come down obviously now in the current dynamics. But generally, from the manufacturing landscape perspective within India, how do you see the situation?
- Sanjay Gupta:** So, we have discussed about it in earlier forums. When we are talking about 20% to 22% margin, we are also talking about cotton rates which were at Rs. 40,000 to Rs. 45,000. Now, since cotton rate has now come to a new normal of Rs. 60,000 to Rs. 65,000, you cannot have the same level of margin because end consumer doesn't want to pay price above a certain limit. And hence the normal average margins have come down to 15% - 16% level. But still in export business as we had mentioned, we are getting a 17% to 18% margin which is healthy margin for us. As our emerging businesses of flooring, advanced textile, domestic business starts to gain momentum, not only in sales but also in profits, we should see a range of 16% to 18% EBITDA for the company as a whole in the next couple of years.
- Moderator:** Thank you. The next question is from the line of Shraddha from Asian Market Securities. Please go ahead.
- Shraddha:** Congrats on a good quarter. A couple of questions. First is, why did the utilization of the bed linen come down from 79% to 69%? Sorry, I logged in late to the call, so I am not sure if you have answered this.
- Dipali Goenka:** Yes, it is actually a matter of just operations. But as we saw that the sheets are around 40%, and when we talk about it's a mix of fashion bedding and the others. So, you would have seen this. But as we go forward, I mean, I think we will be at around 84%.
- Shraddha:** And on the Jacquard and Terry towel, so how should the realization differ for both these product mixes? So, what should the realization be for Jacquard towels, just a broad ballpark range?
- Sanjay Gupta:** Generally it would be slightly higher, because Jacquard towels, the cost is higher in making it, so 10% to 15% difference is there in the Jacquard towels would be better than the normal towels.
- Shraddha:** An asset turn would be how much in this capacity?

- Sanjay Gupta:** 1:1.
- Shraddha:** And sir, secondly, how should we look at the power cost given the kind of initiatives we are taking on the new incremental green energy side? So, how should the power cost come down as a percentage of revenue?
- Sanjay Gupta:** Yes. So, slowly and slowly as we build up our renewable energy capacity, we should get towards the power cost coming to half of what we have.
- Dipali Goenka:** Yes. It will be the most competitive power cost that we will have because of this.
- Sanjay Gupta:** So, we should see it coming from the year '26, '27 fully.
- Shraddha:** So, that itself should give us good leeway on the margins front, so we can look at the margin improvement of 200 bps plus over the next two years?
- Sanjay Gupta:** As I said, yes we can look at that.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for the closing comments.
- Dipali Goenka:** So, a stellar performance in all our businesses, core as well as emerging. We have been able to grow at 17% Y-on-Y in Q1, and confidence to achieve our guidance for FY '25, as shared earlier. The exceptional growth we have achieved across our businesses and FY '24 is a testament to unwavering commitment to provide to our customers unparalleled innovative and patented products, actionable insights and solutions driven by investments in technology and digitization, which truly positions us as the FMCG of textiles.
- We continue to have greater focus on the India market, which is shining star in the current global economic scenario with deeper penetration and retail segment through increased EBOs, MBOs, and higher brand visibility, and hence reinstating Har Ghar se Har Dil Tak Welspun.
- Domestic flooring is reaching newer height. And overall flooring businesses have continued its profitable growth during the quarter. Simultaneously, ESG remains a cornerstone at Welspun and a commitment to sustainable and responsible business practices continues unabated through increasing investments in green energy initiatives.
- We are committed towards our future growth targets for all our businesses, and with sustained growth profitability we would continue to achieve higher ROCE and ROE, thereby creating substantial value for investors and stakeholders.
- Thank you for your continued interest in Welspun Living. For any further queries, please feel free to connect with Salil and Sanjay.
- Shraddha:** On behalf of JM Financial, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.

Note:

- 1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. Some minor editing may have been done for better readability.*
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