Welspun India Ltd – Annual Investors Meet 2016
25th April 2016 – Event Transcript

Good evening friends from the financial community & a very warm welcome from Welspun India . My name is Naveen Soni, I head the corporate communications for the group & for today's annual investor conference. We are joined by our Chairman Mr. B.K. Goenka, Ms. Dipali Goenka who is the CEO & Joint MD of Welspun India and also by Mr Akhil Jindal who is the Director Group Finance & Strategy. We also have Mr. Altaf Jiwani who is the CFO of Welspun India.

So in today's conference the agenda is that first we will have an address from the Chairman then we will have Ms. Dipali Goenka speaking about the business performance & also giving you the way forwards, followed by Mr. Altaf Jiwani giving you the annual financial highlights & then finally the Q & A. So I now request Mr. B K Goenka, Chairman Welspun Group, to come & give his address.

Mr B.K. Goenka:

Good evening friends, let me welcome you all once again on behalf of Welspun group & Welspun India for today's investor meet & I also like to thank you for sparing your time to attend this annual meet. Just to start at a group level, I thought let me take your 2 minutes on what we are trying to do at the group level.

As you all know Welspun Group is today having a turnover of more than 3 billion dollar across all the verticals & we have primarily four main businesses, one is Welspun India Limited for which we have meeting today and which is the by far number one home textile company across the globe. Second Welspun Corp., which is also well-known in the industry, we are one of the top three global large diameter pipe producer. Welspun Energy, which is primarily focusing on solar, we are the largest solar power producer in the country. By March, we have already commissioned around 85 Megawatt, by July it will be more than 1100 megawatt of solar capacity across nine state in the country. Then, we have a recently hive off from Welspun Corp., called Welspun Enterprise Ltd, where all the non-core businesses like oil & gas, infra was shifted to this group company. We are going to focuss mainly on infra & infact recently we won the first hybrid annuity model project that is the Delhi-Meerut highway road project of roughly thousand crores, and this is the first project under HAM and we had won it.

Friends, last three years we have taken a journey called reorganizing the whole group. When I say reorganizing it means basically exiting from all non-core businesses, deleveraging the whole group at different level, simplify the corporate structure & finally improve the profitability of the all the core businesses. If you see, we have exited from our maxsteel, which was our steel making businesses, we sold it to JSW Steel. We exited from the JV with Leighton, we sold back our stake to back to them & also exited, in last three years, in many of the infrastructure projects. So across the group we deleveraged almost like Rs. 2500 crores of debt in various non-core activities. Apart from this, we have also cut down the losses of almost 300 crores which was basically adding to stress to our EBITDA at the group level, which has now become positive after paying all this debt.
When I say simplify the corporate structure, the whole textile business is consolidated under one umbrella. We have demerged the pipes & the non-core pipe businesses, what I said just now that under

Welspun Enterprise all the infra & oil & gas business will operate and is a the separate companyin the same way we have consolidated all our different businesses in different heads. If you see this slide, at the group level in the last three years our Net Debt to EBITDA has come from 4.3 to almost 2 in the current financial year. Our EBITDA has a growth CAGR of 43% from Rs. 2100 crores to now, this year at a group level, approximately Rs. 4300 crores . Net Debt, which is a again a very critical parameter, Net Debt to Equity is come from 1.23 to less than 1 & finally the cash profit, cash profit from Rs. 1300 crores at the group level in the current year to almost more than Rs. 2500 crores in the current year estimated . Accordingly, friends, what happen is when we have done all this restructuring deleveraging & our whole of rating across the group has changed, not only we have come in to the “A” family but most of the companies are in “AA” family. Welspun India’s long term rating is “AA-”, short term is a highest “A1+” rating, Welspun Global Brands again is “AA-”, Welspun Corp. which is our pipe business is “AA-”, Welspun Energy is “A+” & Welspun Enterprise which is just a new Company still we have “A” rating & all the short-term ratings are highest in across the group.

Friends, few slides which I shown you just now were about the last 3 years how we restructure our various businesses, how we deleveraged the whole balance sheet. Going forward how to build the Welspun Group into an institution, we have taken a massive exercise with McKinsey last year to built to last, and how we can create an institution & have taken the first step.

We have created & crafted a new vision called Welspun2.0. Whereby we are saying that each and every activity which we are in we are already largest but we will be among the two largest creator of values in each and activity. We will be among the top ten respected brand in the country. When somebody saying “Welspun”, that respected has to come. Likewise we have take complete new vision, new mission & philosophy. So, we are saying that we want to build a new Welspun where we are saying that we want to “Leading tomorrow together”. Earlier our philosophy was, we say “ Dare to Commit”. When we coined this philosophy 20 years back, I still remember when we started our exports of towels, nobody was believing in India, no body was believing in Welspun because whatever we use to tell, whatever we use to give, the commitment we never use to fullfill. So, those days it was very important for us that commitment is has to be very very important & we created that philosophy whether it is delivery, whether it is quality, weather it is what we are saying. So, across the businesses we created that philosophy, called “dare to commit”, which has paid us till today & made us reach where we are now. Going forward we are saying that we want to be “Leading tomorrow together”. Leading means that we want to create a differentiation by way of innovation, by way of technology, by way of partnership. When I say technology, today we have taken a major initiative with IBM and SAP, trying to create huge new platform of tomorrow’s Welspun, were lot of new things will be coming. On the innovation side, I'm happy to inform you that today Welspun India has filedmore than 26 global patent in US & across the world. Out of which, 4 are already awarded and today one of our patent called HYGRO is having the highest revenue in the total revenue of more than USD 700 million dollars in Home Textiles business out of which 150 million dollar is coming almost from the HYGRO brand, which our own patent. So, we have a clear-cut out strategy and a path has been describe how to create a differentiation and how we can lead tomorrow together.

When I say tomorrow, tomorrow how we can create an institution, how we can create Welspun as an institution going forward. When I say institution we want to have a professional management, promoters as I already said earlier in one of interview that as a promoter we will be moving from day to day role to a strategic and a safeguarding role across the group and we want to built a new pipeline for tomorrow leaders which will be a completely new professionals.

Another important part in tomorrow is that is we have to create financial sustainability. In that one of the important thing is prudent capital allocation. Today any capital whatever we are allocating, we are thinking ten times what is return on capital employed. We are not just doing for the sake of employing the capital and that we will see the return tomorrow. So it's really well thought and single money of our shareholder what we are going to invest will be well thought of.

We have improved the return ratios, and different ratio all across the board and further you will see in the next few slide how in Welspun India we are going to improve it further. We have a clear cut dividend policy, last year on the same annual meet I said we are going to have policy of 25% and I m happy to inform you that this year we have given more than 26% of the profit as a dividend in Welspun India .

Together, when I say together means that we have to be responsible, having a sustainability across the group. What we are having it just to give you an example on the environment side, we are the first company in the country where we invested more that 100 crores in using sewerage water after doing treatment. In whole of the Kutch, we have taken Gandhidham city and whole of the Anjar city water sewage water and we are treating it and we are reusing it for them. Our whole textile process right now is using 15 MLD portable water coming from Narmada for use of the day to day textile manufacturing. This whole water now will be free for all the villages around, which will help more than almost like ten lakh of households nearby. So, these are few steps what we are trying to create and also on the gender diversity we have taken a call that by the year 2020, across the group we will have 20% of female workforce whether it is pipe business, whether it is textile business or any other business. Just to give an example we are the first company, where one of the toll roads we have employed the first woman employee as she is handling entire of the toll . So friends, this is first step towards a long journey to create Welspun as an institution and I m quite confident in times to come we will build a new Welspun.

Now coming to specific for today's topic for which all of us are here for Welspun India Investor Meet 2016, I will not going through much of the the detail which Altaf and team will take on further. I will just give you some highlights of what we have been promising in last three year, what was our last three year guidance in particularly in Welspun India, what we have given and what we have delivered. If you see our revenue growth guidance was 13% to 17% and our last three average is been 18% and for the current year it is more than 13%. EBITDA margin we have been giving guidance of 20 to 22%, we have an average of 24% and we have the highest ever EBITDA margin in the current year which is 26%. ROCE again the guidance was around 20% and we have achieve 26% in the current year. Net debt to equity which is again a important parameter, our guidance was 1.7 times and I m happy to inform you in the current year we are less than 1.3 times. Net debt to operational EBITDA from 2.8 times, we are 1.6 times and the most important thing is the free cash flow, we have been giving the guidance of having decreasing free cash flow time to time. This is the first year in spite of 2500 crores expansion plan, we could achieve free cash flow of more than 400 crores of rupees.

So, coming to the Indian context, how the home textile look like. As you all know India got a huge advantage because India is the largest producer of cotton. Today, in the world, we are the largest exporter of cotton and Government got the maximum focus on how we can add the value and get instead of cotton to cotton yarn, how we can export more value added products. Today, the cotton textile or let’s say textile export is almost 17% of total exports from India. We have a huge advantage from the angle of Government support because it is the second largest employer in the Country. If government has to create million jobs every month (what recently government has announce that they have to create 12 million jobs) I think they cannot ignore textiles. Textile being the traditional industries with the cotton as a huge advantage, with government policies it’s a clear-cut that government support will always be there particularly for this industries. So, overall if u see we have got a huge opportunity, when I say textile particularly in cotton I can say that we are best situated and will always have a main focused advantage, let's say all kind of support from the government and the state government.

If you see this slide, just to show you a small snapshot how particularly in home textile, how we are as a country, doing in USA. In towels, if you see from 2009, we were having a 30% market share which has gone to 38%. Our competing countries like Pakistan, China & rest of the world are sliding down you can see clearly from this chart. Same way on the bedsheet side, India has gained a huge market share almost from 25-27% to 50% in last 7-8 years and there is a clear cut decline happening because of the region what will all know in Pakistan and in china the cost of labor is going up, the energy cost is going up and that's a big advantage with the country like India. As i said with a domestic raw material with labor availability energy, today we are by far cheaper than China and Pakistan. So we are very well placed as a country and India in home textile market is gaining tremendous market share and I think in time to come we can see further growth in this.

So friends before my team comes and gives you further details, just want to share one last slide, what is our vision 2020 at a Welspun Group. So, recently we sat down with Mckinsey and crafted the new vision which we call it Welspun2.0. So 2020 how Welspun should look like so we are saying particularly for Welspun India where we have all assembled here that we want to have a revenue of USD 2 billion dollars, Secondly we want to have 50% of our revenue should come from innovative as well as branded product, so that means we have to own the customer. Today, we are not buying and selling we are almost like 30% of our revenue is coming from our patented product, our own brands, our own innovations and this we want to grow with the top line also the overall share of almost like 50% in next 3-4 years. Finally, the domestic market everybody is basically watching India, everybody is talking about how India is growing, how big the potential Indian market is having. Whether it is in automobile sector, all the big car manufacturer, whether it is anybody you talk across the globe, I think story clearly looks like in going downwards and Indian stories is going towards up side. So, I think it's a big potential and if the way government is right now, talking if we can have in next 2 year let's say per capita income of1500 dollar, we will see a huge jump in buying power across the country and accordingly we are planning a massive retail program branding program and we are saying that 20% of almost 400 million dollar of our revenue has to come from the domestic market in home textile. Finally, last but not the least, every one of us like to see it that we want to be have the net long term debt becoming NIL, that will be the major game changer and almost we are sliding down and every year you will see a big change in next three years and the next four year we want to this to be completely nil. So with these words, thank you very much and after that whatever question answer you may have, we will take it up Thank you.

Naveen Soni : We are also now joined by Mr. Rajesh Mandawewala who is the Group Managing Director and a co-promoter at Welspun Group. I would like now to invite Ms. Dipali Goenka, who is CEO & joint Managing Director of Welspun India. Feather, in her cap “she is being ranked by Forbes Asia as 15 most powerful business woman in Asia”. So, i guess we have some good news to share here so we will now invite her to talk about business performance and also the way forward Ms. Goenka

Ms. Dipali Goenka

Good evening friends, I m glad to see a full house and after the presentation of our chairman, I think couple of questions that I had when I was meeting few of you was. Would Welspun will able to sustain this growth? what is it that Welspun will do it differently is something that everybody was talking about?

So I would just take you through few business insights and the way we do it you know when we talk about textile we usually talk about ,yes the machine and the production,commodity but at Welspun we have moved beyond by creating product focuss on customer problem and solving for them and creating a unique brand experience and that makes us far different then anybody else.

What is Welspun improved market shares and I mean you can see it here, how it has you know increase and its better year on year 20% towels into USA, 11% Sheets in USA. That puts us to say that every 5th towel in USA is a Welspun towel. What has been the success in this year leadership position, we have been conjunctively as the No.1 home textile supplier in USA, highest exports for bed line and terry towel in the US. As our chairman said we are the largest in the world in home textiles, accelerated growth at 13% this year and yes 47% domestic retail growth and would just emphasize here that we have seen and we will continue to maintain this growth in our country with the Brands like Welhome & spaces and institutions and hospitality segment and when we talk about 100% hospitality business growth this is globally we have actually seen double digit growth in the hospitality global businesses as well as we define the industries we have launched HYGRO, which has been an ingredient brand and one of the most important pattern that we launch globally. We invested in our marketing globally as well this year this will see a growth of around 150 million dollar in revenue and we have also been nominated as the first Indian company to receive the Egyptian cotton gold sales.

This is an unique slide and define the Welspun ethos to the core and it break us from the complete gulch of manufacturing. Here, when we talk about Welspun we talk about the consumer, we talk about the consumer experience and hence our innovation journey starts. It starts from the consumer researches to our Welpun innovation lab, to our product development and then how does it ensure the creditability we work with the ethical sourcing, our compliances and innovation partners. I must say that as we spoke about our global patents, we have 26 including pending it is the second largest globally. I must say holding the largest patents as a home textile company.

What is the brand & delivery focus: when we talk about the brands I think with Welspun we talk about ingredient brands and technology, HYGRO cotton as you know Drylon, nanocore these are all our ingredient brands created in our Welspun innovation lab. What are the brand that we talk about: Spaces and Welhome in India, Christy and Kingsley globally and 'Spun' is brand that you see here which is created by women in a community (it is also a great sustainability story that we have here), the licensed brand like Wimbledon and Rugby. By now how you know when we talk about customer stickiness how does that come in here. Apart from being a B2B we also have a B2C connect and let me just explain here when we work with our customer we actually also manage thier inventory, we manage what will sell, what will not sell for them, the segmentation analysis in the inventory. I must quote an example which has just recently happened, one of the top most retailer in America we have actually working with them on collaborative forecasting and we could manage to reduce around 20% of the inventory and we are working in sync with their merchandiser with our platform called "Tableau", we also create dashboard for a few retailer as well these are the experiences that we create our unique experiences with our Nanocore, HYGRO and Drylon. Chairman has already highlighted about what we talking about but I think I will just emphasize on this a little bit more. At Welspun, we basically focus on 3 Es : Education, Empowerment, Environment and health. Education is not only about we have a school where we have 1500 kids but we are also working with 50 schools in community adult literacy and empowering women across. I must also add that we have actually looked and taken on a journey of sustainability where most of our stories at Welspun, our product will be recycled will be product created out of plastic bottles and 100% recycling story of water as well we have health camps. We have you know the medical camp across the community and micro financing in urban poor as well in Mumbai. 20% women by 2020 that is our goal here and when we talk about that we also looking and partnering with one of the top most retailer in the world for the women economic empowerment initiative called 'Swasti'. So there are whole lot of initiatives that we have taken on. We have a brand called 'Spun', we have launched a Smart Village which actually basically have the 5 Es. We are talking about infrastructure there, we are talking about water, we are talking about sanitation, we are talking about Wi-Fi, medical camps, solar lighting etc.

So, what would be the way forward, I think you know everybody talks about these are the results I have been asked this question today by lot of news channels today, how are you going to maintain this growth and we are very confident yes we are very confident about what we have to do here. By creating we have the new channel that we have talking about hospitality, we are talking about health care and I must also just give you little insight which I will talk about it next year we are also looking at Smart Textiles, which I will share later in detail as this is work in progress, we are talking about new geographies: Europe, rest of the world, Africa, Australia, Middle East.

Innovation is going to be our back bone because without innovation we don't see ourselves going forward operational excellence. I mean this is a question we all talk about when the going is good everything looks good but yes we have to gear up for the feature where there will be challenges, the manpower cost is going to go up, the operational cost are going to go up. So, we have partnered with Mckinsey to work on operational excellence across our plants, expanded product ranges so we are not just a towel and a sheet company we also do bath rugs we also do area rugs and basic bedding and of course, customization and personalize product that will be a goal forward.
This is vision 2020, how do we Lead Tomorrow Together with innovation in our branded technology. Technology is not just going to be our back end in terms of ERP but it's also going to be Internet Of Things, it's going to be in the terms of customer experience, the data analytics, the people development because we feel people are at a core.

People will be when we talk about people we not only talk about the white collar people here we also talk about the blue collared and I must share an interesting initiative that Welspun has taken here for the girls and the woman; we actually have embarked on a journey for our women at the blue collar where we actually helping them graduate so that they can also take on the roles of managers and you know supervisors and that actually true will be inclusive growth. Including the community and collaboration, when we talk about here it will be the customer, it will be the communities and the academia. We are working with various renowned universities globally where we are tied up for partnerships in innovation and path breaking technologies and that's the way forward for Welpun India and we will continue to satisfy our investor and our customer. Thank you.

Naveen Soni

That was Dipali Goenka, now I would invite Mr. Altaf Jiwani, CFO Welspun India, to talk about the financial highlights, Q4 and the entire financial year.

Mr. Altaf Jiwani

Good evening ladies and gentleman, another stellar performance by Welspun India during FY16, all of you had the results with you, just like to take some highlights with you, we have seen 13 percent growth during FY-16 and its all predominantly driven by the volume so we had 12 percent increase in the volume, we had about 2 percent price drop and we had 3 percent exchange favourable exchange impact. All its growth is actually is volume driven and this volume is actually driven across all three categories, that is bed sheet, towels and carpets and rugs. Operating EBITDA has expanded by another 200 basis point so now we at 26 percent EBITDA margin during FY-16, that has crossed the new milestone of 700 Crores this year, last year we crossed 500 Crores milestone, this year it's 700 Crore. The Net debt to equity as mentioned by the chairman is a focus for the company and is been always to generate free cash flow and deleverage, so net debt to equity has come down to 1.8 from last year, net debt to operating EBITDA has also come down to 1.6, return on capital employed has gone upto 26 percent will show you the trend in subsequent slide, from 22 percent has gone upto 26 percent, so that shows the continuous focus of the company on the capital employed.

Long term rating has been increased from A plus to AA minus during October, free cash flow is the second consecutive year after spending about Rs. 1100 Crore we have a free cash flow of Rs. 380 Crore, so last year we had a capex of about Rs. 568 Crore and we had a free cash flow of about Rs. 80 Crore so capex has almost doubled and free cash flow has actually been doubled to four times. Dividend as chairman mentioned as the board has announced the final dividend today another 5 percent so with this the total dividend paid during the year as 130 percent , that is 26 percent of total profit after tax of Welspun India which is slightly higher than the dividend distribution policy announced last year. In Q4 volume growth has been 19.2 percent and for the full year its 12.8 percent, operating margin is 26 percent vis-a-vis with 24 percent last year . The increase in operating margin is about 200 basis point and profit after tax has actually has increased 30 percent so while top line is growing at a rate of 13 percent the bottom line is growing much faster, so EPS is grown by 13 percent in this year, this is a slide just to show you how the consistently the company has been delivering the results.

So revenue growth as chairman has explained in the first slide against our guidance we have actually done 17.9 percent in 3 years CAGR, operating EBITDA has grown 37.8 percent CAGR, and PAT has grown 46 percent CAGR, so operating margin if you see we were 16.3 percent in FY-13, and now we are 26 percent, there are three or four main reasons one of them is that chairman mentioned in a we have been exiting from some of non value accretive businesses second thing is we did lot of vertical integration and lastly as Dipali mentioned focus on the innovative and branded products ,so as this is increasing our margin is going up actually. Again the trend of balance sheet so we have doubled the net worth during last three years from Rs. 990 Crore to Rs. 1987 Crore, more importantly the net debt if you see despite a capex of almost about two and a half thousand Crore in 3 years our net debt has actually come down this year compared to last year, so as we promised earlier net debt continue to be a focus for us and chairman has already given us a reason in five years and will actually reach nil net debt by 2020. Here two or three ratios I just want to highlight here, one is return on capital employed which is 26.4 percent from 16.3 which was three years ago, net debt to Equity to 1.62, cash conversion cycle has actually come down to 43 from 59 days, while inventory has come down substantially, we had some long term arrangements with some of the vendors so that's why the creditors number of days has come down.

Our CAGR during last three years has grown by 18 percent, operating EBITDA has grown by 18 percent and PAT has grown by 46 percent, similarly cash profit has grown by 40 percent, these are the key ratios strengths just to highlight the consistency in the performance, so ROCE is now up by 22.8 to 26.4 percent. Return on equity continues to be very high at 41 percent, net debt equity is down to 1.3 and net debt operating EBITDA is 1.6 , this is a interesting slide to show how the thing has happened in free cash flow, so in FY013 we have a negative free cash flow of about 621 Crore , we are now at 376 Crore of positive cash flow, so the thousand crore saving in two years all because of the way we have calibrate our capex based on the cash flow availability as well as ruthless focus on the work in capital management. Today our capacity now stands at about 60 thousand tonnes for towel and 72 million for bed sheet and rug and carpets we were earlier reporting in metric ton, we have changed unit to square meter and now its 8 million square metre and going forward we are actually increasing capacity of towels from 60 thousand tons to 72 thousand tons and bed sheet will be from 72 million to 90 million meters and rugs and carpets will be about 10 million square meter , we will be spending around 8 billion rupees around 800cr to achieve this capacity increase during current financial year, dividend I have mentioned earlier its 130 percent dividend this year, so we paid two interim dividend earlier in October and March and today we have announced the final dividend.

Awards and reorganization this slide is a routine slide you see every year and we see every we get those awards, so the regular awards this time Dipali award is also there no. 16 in Asia list for most powerful business women apart from this the most innovative award the best supplier award and the best sustainability awards, all those awards continues and this has become more like a habit to company now, Thank you, will be happy to answer the questions now.

Q & A session-

Naveen Soni: So friends we now open the forum for questions, please introduce yourself, also say to whom your question is to, we may begin the questions now.

Question 1 -The payout is the 25 percent of the standalone profit, this is something which I thought would be gone on record saying it will be on the total consolidated profit, so obviously if I calculate that we are still at 19 percent and if I include the tax then we are about 21 percent so just wanted to get the clarity on the same, and second question is on the capex that we have carried along and that is still about to 50 Crore, which is yet to be spend and in addition to that we are spending yet another 550 Crore so I am assuming that lot of that would be maintenance and of course we are spending and in our previous conference call we had gone on saying that also be going to retiring our debt by about 400 Crore or 500 Crore by the end of this current year, so you still stand by your words and feel confident that you will retire the debt by the end of this current year by 400 Crore or 500 Crore, or there will be you know will there be slippage into by FY18, also if you can highlight the ancillarisation programme and progress that you are making on the spinners and weavers, so have you identified any spinners around our facility which will help us to take our business model more asset like because we had have other companies who are able to demonstrate good growth good margin on a very very asset like and are still able to grow 20 to 25 percent. So we want to hear from your mouth that when ancillarisation will kick off and we will retire debt, because that is the only way we can improve our……

Altaf Jiwani : I will answer the first two question and Dipali/Rajesh will answer the ancillarisation question. The dividend payout ratio actually the policy is 25 percent of the standalone so that has been the policy, so Welspun India standalone profit is 601 Crore, and 25 percent payout includes division distribution tax. Regarding capex you had mentioned rightly 250 Crore is the spill over the last year and the guidance which we had given we continue to stand by that our capex going forward will be equal to our depreciation so we will be about 450 to 500 Crore depreciation during the current year.

Rajesh Mandawewala – So the ancillarisation we are very glad to report that the last week the first anciliary has actually began production and which is a spinning unit which will supply almost 45 tons a day of yarn to us, this will take about two three months to stabilize so that is already wrapped up and then we are under discussion with 13 companies for an extended supply chain, so we have gotten off with good start and over the next two or three years I think this strategy should play out, and we have been very very diligent about who we partner with, how we partner with, so all in all we are pretty satisfied with the progress that we are making so all the growth that you have seen here in capacity from 60 to 72 thousand tons of towels and also on the bed linen side so we are standing by what we have said there is no spinning investment that is going in, there is also no weaving investment that is going in so that is what we standing by what we have said, all the weaving and spinning investment will continue so are focus will be on ancillaries so this is purely to raise capacity and to include the parts of our routine capital, see look the company has got a 5000 Crore plus asset base so there is always going to be a routine capital expenditure as well so the capital expenditure also include a part of this. To your last question do we stand by our free cash flow, yes, despite the capital expenditure we believe that this will our company will be able to reduce that and to the extent that we elude it on the last call, so we are still confident that will able to the reduction of that cycle should begin even in the current year despite let say this handsome dividend pay out we have actually reduced net debt by almost a 100 Crore, this is after the dividend payout so this we feel fairly confident that we should be confident to continue to bear down the debt, and this year should be a substantial reduction because see FY-16 our capex is more than 1100cr so despite that there was a free cash flow before dividend of 370 Crore so all in all we feel pretty confident that the debt reduction we start looking for more pronounce from the current year onward, hope that answers your question.

Dipali Goenka – I would like to take the asset light model that you talked about , I think that capacity that Welspun has, is the world's largest capacity I think that globally we are, I think we have to think about the consumer and give him the best experience in the terms of product so it is important that we have the vertical integration here and I think we have taken the initiative on that.

Question- My question on both the global versus domestic market, what's the volume growth we have seen during the year FY-16 and what is the expectation in terms of revenue growth and margin because we are currently operating a very high end of our own guidance of 23 to 24 percent , so FY-17 what kind of margin we are looking at EBITDA level.

Dipali Goenka - You are talking about globally or domestically, so let me just first talk about the global margins as well, I must say that the margins we maintain the next year between 22 to 24 percent, and a mix as he spoke about in my presentation it will be in the terms of innovative products and branded products that actually will contribute to our margins, so that's what we maintain there. When we talk about the domestic market then we have two brands 'Spaces' and 'Welhome' that span across all the demographics of our consumers here from the bottom pyramid to the middle and here we have seen a 47 percent growth and we have maintain the growth for the next year, I hope I have answered your question as of if anything is left, it's a double digit volume growth we are talking about here.

Question- Distribution of our brands like Spaces or Welhome the availability of these products in men's stores or different retails stores is lacking so what we are doing in the distribution side of segment.

Dipali Goenka - Yes, right now we are available through 250 MBO and around 200 shop-in-shops but definitely your question is quite valid, we are actually working towards looking at complete marketing and distribution strategy which actually will be unveiling this year, so you will see mode of Spaces across and across more channels

Question- Lastly any update on the FTA with Europe .

Rajesh Mandawewala – So it's still work in process, so we have been hoping that this will happen by the middle of this year but it doesn't look like, so at least this year we don't see any benefit coming out of that, so it might actually spill over 2017, but the good thing is that the discussions are on so there is keeness on both sides, so hopefully we will see something in 2017 its been dragging and hopefully something will come out in 2017.

Question- This is Sandeep from Ashmore- My question is with regard to the HYGRO cotton product where is the price point add will it just fit into the Bed Bath and Beyond in the US or will also have it in Wal mart, also the 2020 vision where house scalable would be a total percentage of the total revenue .

Dipali Goenka – That's a very good to know that you been using our products, so it's a very interesting question and I must say here, that when you talk about HYGRO it is an ingredient product , so you know when you talk about being an Egyptian towel it could be used an Egyptian towel it could also be used in ring spun towel, so I mean its like a lycra, lycra could span across any thing so that's the way and coincidentally it is present in Walmart and it is also present in a Bed Bath & Beyond and when you talk about scalability we actually have created this product not only in towels but also in sheets, so as I spoke about we are looking at this year a 150 million dollars in revenue for HYGRO itself alone and as we go forward we look around to 200 to 250 million dollar next year.

Question- And by 2020 that number would be …..

Dipali Goenka – that could actually practically be more, because then that time I would also look at co branding this product with other categories as well

Question – This is Bhavin from ENAM – The 2020 vision of 2 billion dollar in revenues will our capacity expansion will be all via de bottle necking or we may have to go green field way to achieve that number and the second one is on the US market if you can guide us on it what kind of the industry volume growth is happening in the US market in both towel and bed sheet.

Rajesh Mandewala As we have been repeatedly say that our growth will be on the backoff ground fields . This we dont intermaking, aspiring and viewing investment, viewing for the sheet side and this we have done enough work with the large capital expenditure that we have incurred over past 3 years to allow us to continue growing our business at double digit rate for the next several year so we are hoping to achieve that growth through ground field. This is going forward in the future and we benefits will pay out. Can you go through your 2nd question again pls.

Question- So India and Welspun has been gaining market shares which is relevant from the slides and what data we get . But US market as such is there any data available what kind of volume growth in towels and bedsheet that market in seeing.

Rajesh Mandawewala - So you have been asking this question for 5 years and we have been answering this question for 5 years. So the US market has got no growth Bhavin its about 1 and 1nd half after cents This is been over last 10-15 years. So our thing is about lets suggest growing our marketshare with our clients and if you look at the slides which Dipali had putup so I share is actually grown in the US 11% to 20% and every year we actually grown marketshare there so its all the innovative stuff that we continue to do for our customers and this we believe that is our marketshare and overall growth should continue. Dipali why don't you tell them about the different channels that also you are working on so which also helps us increase market share.

Dipali Goenka- We basically…actually working on we talk about channels its not just the retail channels we also working with E-market places as well. And working with the E-commerce, we working with hospitality which actually has seen double digit growth and we see that.. you know we are going to maintain that as we go forward and the new channel that we see go forward also going to be healthcare so definitely I think with us at Welspun its about our gaining our market share with our innovative product our brands we seen Christy getting into Unites State of America and of course this channels that I spoke about. THANK YOU.

Thanks a lot and best of…..ok we have question from this side

Question- We talk about this Welspun innovation lab, and IOT and data analytics, what is the application in textile ?

Dipali Goenka - You know imagine when you talk about the…..now will talk about the IOT and the data analytics imagine with the zipcode u could predict what at consumable buy in that area. So you know we are working on a lot of things which could actually evaluate and evolve on that level that's what is what we are talking about .When we talk about internet of think it could be firm the real time data from the machine so that we don't do the the smarten as I spoke about the zipcode so there are lots of things we are doing we are already started the segmentation analysis we know what would sell on west coast and east coast so we definitely do the projection and work with the consumer accordingly and when you talk about the innovative labs, the innovative labs are not just in our factories at Welspun but it is global with partnership that we have the academia in United States and across the world as well.

Just coming out of it

Suspense is interesting and will keep it in suspense

Question- So on 1st point what u said about using zipcode so that be kind of service which will b you are giving to customers. So has it started already?

Dipali Goenka - No… We are already started working on it so will actually take it..Its work in progress .Because you know how's the technology takes on it. We already taken our 1st step. In couple of months you will see that happening

Question- You are working on this project ? from the company side actively or..??

Dipali Goenka- Yeah we are working on the project from the company side yeah.

Question- So any specific amount..?

Dipali Goenka - We have huge team on across the group where the technology is major u know where we forward across its culture its going to be blood .So we have tied up with IBM for implementing the whole thing across the group and Welspun India is one of the which is going to take lead into this at the group level.

Dipali Goenka- You know the whole idea's we talk about event talk about B2B its about the customer experience it is u know…it's truly shows the partnership at Welspun as it is customised. Where it truly looks and gives the customers, a B2B customers like Walmart or JC Penny, Macy's and inside into what their consumers looking at.

Question- Secondly is there any technology edge now in manufacturing side also which you are exploring in terms of production you said you engage with vacancy getting the cost now. Is there any technology advance in for example the time those taking for you to buy quarter and make a sheet finally. May be any changes in that..?

Altaf Jiwani- You already speeding out a lot of think. Will keep it in the future will talk about it there's a lot happening here. We are talking about the automation, there's lot of thing happening from cotton prospective from the raw material to tha whole value chain. So will share as come soon. Thank You.

Ok.. So we have question from that side, On the left …Ok will have one question from here and go there..

Question- Hi everybody this is Alok Agarwal. Long journey..50 Rs. In 2013 july you know buyers 800 Rs. Everyone wants to chase the stock that's the journey and being personally a part of it so you know makes the feel absolutely happy. Looking forward you saying 2020 you do about 2 Billion Dollars right..? We are about 6 thousand Crores, now so which means you hope to double in 4 years from here so your topline should be growing at more than 20-22 % and with the strategy of growing your topline and bring down cost without I means capex obviously that would be a substantial increase your capital efficiency ROE in ROCE should work substantially. Also try to bring down debt net So does it mean that all this would lead to tremendous increase, correct me if I am wrong, in your EBITDA and PBT if the topline grow by double more than double that is 22 then obviously you not going to be happy with your PBT growing by two times . It could be multiple this is the way I look at it otherwise you would not be making or taking this kind effort

Rajesh Mandawewala- Good question Alok.. this I was expecting from you I would have been disappointed. So you are absolutely right so the business will have to grow . The company has got the various levers that it is trying to pull. Dipali mentioned about the different channels. Also we have product strategies so every 2-3 years we get into a new product .Its time for us to start looking for the next product we want to do. We are currently working on some exciting projects. So the 5 years vision we have drawn up on which we are continuing to work so there are some exciting idea's , product ideas and brand ideas we are working on. We will stick by what we have been saying so it will be consistently we will continue to reduce the debt in the company which will continue to grow our business. We will trying accelerate go through products, market ,channels yet continue to reduce debt. You have read too much out of our vision slides we have been guiding consistently this over the last several years about our margin being between 22. We started from 20-21 so gradually we have grown. Thanks to all good work that Dipali and our team have been doing. So we have consistently have upgraded the guidance, this is long term guidance we are talking about also we have been delivering much higher, this year we have delivered 26% this operating EBITDA margin. So but we have to keep that little bit of cushion for any regulatory changes any policy changes that happened in the future so you guys are not cotton aware so we continue to maintain our margin guidance and we are looking at several avenues to actually hit the vision we are talking about so the work is in process and its a 5 year plan we are working on for this moment for the current year this our growth guidance continues to be what we have been saying which would be double digit. This hopefully in the teens and so there are several very interesting ideas yet we are working on.

Question- The way I see it because your EBITDA margin would be stagnant from where in the worst case scenario but because of lower investment your depreciation cost will come down or stagnant at the ratio of space will come down in case it will obviously come and take a declining curve all that would lead to a jump in PBT.

Rajesh Mandawewala – yeah yeah but lets not go that far Alok , for the moment we talk about FY17 and so this we are very confident from the guidance that we are making for the current year as I said long term plan are strategic plan there is you know there is time on our side to continue to work in that area but let suggest when we guide this we take let see the long term picture in mind so and we like to be conservative and we guide so that u know if its deliver better this is surprise on positive side so you know this will like to be cautious this while guiding and history says it all that over the last 12-14 quarters are margin are absolutely better number has consistently grown quarter and quarter I think about 13 and 14 quarter our margins are consistently improve so.. but you have to take a longer term view when you guide this margins. As of now we are not saying anything this which suggesting that our margins will grow down so you know you have to take ..keep the long term picture in your mind while you guide

Great

I want to add one thing whatever this is a strategy this is like but let me tell you guys you will see the debt net debt coming and that will happen definitely whether that topline happen to be 2 billion or not and that will dramatically come down every year.

Will now take a question from that side

Question- So we recently forhead into E- Commerce business in October 2015 and we had target of 5% of our annual sales. So at what % have we reached..?

Dipali Goenka- I would say that when we talk about E-commerce, E-commerce is a formal distribution like you have retail channel its kind of mode of distribution like it's the only channel . When Welspun portfolio brands, when Welspun portfolio innovative products its actually way of you know communicating the consumers about a product and the USP of the product and we are available through etailing , we are available through the other market places globally we have christy which have grown stagnantly you know very very high in terms of its volumes and revenues in the terms of E-commerce. But I would still maintain that E-commerce is only channel for us and we will maintain that 5% that we talk about. Thank You.

Will take couple of more questions. The one from here

Question- Hi, I am Saurabh Jain from HSBC. So my question is regarding dividend policy. Recent announcement say that you know you have another taxation dividend over 10Lakh Rs. So what we thoughts on that you are going to continue with 25 % payout or you are going to change now?

Rajesh Mandawewala- what do you want us to do..? No no will maintain it… don't worry about it and we are seeing already the surprises where we have given more than what have been announced ,what has been promised . So you will see the times when come we will..we have better surprise

Question- Ok Great.. you also mention the hospitality instead of the new growth area. So what can be the potential and you know how fast you can grow on those segments.

Dipali Goenka- Hospitality not only in India we are talking about generally. So you know it takes time we been working on it for past 3 years and this are the contract that this company do for you know 3-5 years . So now we are started making our headway into it so we will see the grow but you know consistently.

Question- But what could be market potential any.?You know

Dipali Goenka- It could be the.. to extent of around 200 million or beyond.

Question- Ok.. And Healthcare..?

Dipali Goenka-Healthcare is very big market again it could be even bigger than hospitality So let see as it goes so we have just made our entries into it so will talk about it as we go forward

Question- My question is to Dipali Mam. Congratulations mam. You are an inspiration to women like us. My question is relating to revenue from US is largely late till its contribute a large portion of revenue. So I just want to understand how will be our geographical diversification going forward. Day by 2020 how do we see our other geographic spanning contribution for those geographic increasing and my 2nd question is to Rajesh Sir..Sir there are some opportunities in organically available in the industry. Wherein we could get some of the asset side below replacement call. So why are we little reluctant about taking out those opportunities and in spite of possessing all skill set and efficiency to turn around . Thank You

Dipali Goenka- Thank You, USA is definitely one of the big market and we will grow in USA but however we will also grow in other past of the world UK, Europe we are talking about Japan, Australia and Africa along with that our product that we are talking about would be very important aspects for growth vehicles. Towels and Sheets already you know but Rugs, carpets, basic bedding and fashion bedding also will be the raise forward. It is also the various channel that we are talking about will be hospitality, healthcare and we also embarking on journey of smart textile which will talk in next year. So there is whole lot of things will talk about that actually will help us de-risk ourself United States as well.

Rajesh Mandawewala - So again we have been bombarded to this you know whether we are interested in organic growth or not. Look you know anything that we do has to be strategic. So you know you go out lets buy business just for the heck of it because they are available at less than replacement costs does not appeal to us. First that they are not available at less than replacement cost nothing is and even otherwise so just we are not out in the market to capacity shops. See just risk that you take this only shop capacity is this you take with risk with culture between businesses and things like that . Unless it makes you know very strong strategic sense. This we would want to go out and buy capacities.

Question- Hello, Just want to take the discussion on innovative products forward. We seen how the performance of HYGRO cotton as been, so any other product or technology which is giving significant size or worth mentioning about this point.

Dipali Goenka- I had actually shared a slide there we talk about Nanocore and Drylon which again are ingredient products that would be something as we go forward so there be whole lot of thing that we are doing not in terms of ingredient product also we design patents as well. So there will a lot of things and this interesting product that we are talking about which again would be a far big kind of innovative product that we grow up talk about as we go forward. So innovation is something I would talk as it comes and as we create the milestone this is lot in pipeline that is yet to come.

Question- Absolutely , just to understand the contribution any sizeable like HYGRO cotton at this point.

Dipali Goenka - Definitely, If we talk about HYGRO….we talk about 200 mn dollars as we go forward . The other part is talking about could as we go in the coming time we as big or better than the HYGRO.

THANK YOU.