



“Welspun India Limited Q4 FY2020
Earnings Conference Call”

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EQUITIES**

MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Welspun India Q4 FY2020 Earnings Conference Call, hosted by Systematix Institutional Equities. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Gor from Systematix Institutional Equities. Thank you and over to you Sir.

Ankit Gor: Hi everyone and good evening. On behalf of Systematix I welcome everyone on Q4 FY2020 Earnings Call of Welspun India. From the management side, we have Ms. Dipali Goenka, CEO & Joint Managing Director, Mr. Rajesh R. Mandawewala, Managing Director, Mr. Altaf Jiwani, Director, Finance & Chief Financial Officer, Mr. Akhil Jindal, Group Chief Financial Officer & Head Strategy. Without taking much time I would like to hand over call Mr. Altaf Jiwani for his opening remarks. Thank you and over to you Mr. Altaf!

Altaf Jiwani: Thank you Ankit. Good evening, ladies and gentlemen. On behalf of Welspun, I would like to say warm welcome to all of you to our FY2020 investors call. I hope that you and your family are all safe. As you would have seen we have reported a strong set of results in spite of the challenging environments but before we get into details of financial numbers I will give a brief overview of the business environment as we see today.

As you know the world is currently going through a major crisis related to COVID-19. As per the government guidelines our plants were also shut from the last week of March. Utilization was lower in April and the shutdown continued into the first half of the month, but the utilization has improved in May and has further improved in June, a big driver for this is because of our vertically integrated facility. We have built an entire ecosystem which has vertically integrated plant covering spinning, weaving, processing, and cut and through. Cotton warehouses, ancillary park, workers colony, skill development centers, etc., and proximity to port has also helped us to resume operations in the shortest possible time. If I talk about the demand scenario, all the big-box retailers selling groceries and food were always operational in the U.S., which is the largest market for us throughout this period. It was only the department store, which saw a sudden drop in footfalls and decided to close stores in March and April. Subsequently, there were some agitations, which had some impact. However, majority of the stores are back in operations now. Since our sales are skewed towards the big-box retailer selling essentials, we are witnessing a ramp-up in sales and every passing month has been better in the current quarter.

As you are aware that the developed economies have good-better-best price points and our products are at the higher end of the good price points as well as in the better price point segments. These price points are the sweet spot for generating volume and are high impact in the current situation, unlike the best price point segment. We have launched new business vertical in the shortest possible time, namely Welspun Health, which focuses on health and hygiene products such as masks, coveralls, etc. The time line could be cracked because we could synergize among

our teams as advanced textile, product development and domestic retail teams, which could come out with a portfolio in a shortest possible time. Our surgical masks have received the requisite approval. N95 masks and coverall approvals are in the process of approval, and it is expected any time. Currently, the Government of India is in the process of bringing masks and coverall under regulated categories like other developed nations and also exploring the options of allowing exports, while maintaining the balance between domestic demand as well as export potential. We estimate the government allowed export of coverall on restricted manner. Our current capacity is 250,000 masks and 10,000 coveralls per day. Our domestic retail business team saw traction in the initial phase, but now this segment seems to be overcrowded. The aforesaid regulations and the opening up of export will offer a promising opportunity to us, keeping in view that we have strong relationships with the global retailers. Domestic opportunity could be Rs.30 Crores to 50 Crores.

On the flooring business, the Board of Directors in their meeting held yesterday have constituted a committee of two independent directors, which will be assisted by me, to look at shareholders value creation of the flooring business and creating a long-term shareholder value for Welspun India shareholders. The committee has been mandated to examine all regulatory, taxation and banking aspects for properly structuring the entire business and submit the report to the Board within 45 days i.e. by August 15, 2020. We will apprise all of you through the stock exchange as and when the Board takes decision on the options recommended by the committee.

Secondly, on the flooring business, we are seeing the acceleration of process for product/facility approval by large U.S.-based importers, who were earlier dependent on the Chinese vendors, particularly for hard flooring. While we have invested into the project with domestic focus, but in the current circumstances, export business is looking promising, and we expect at least 50% of the revenue in FY2021 will be from export business.

Coming to our Christy business, I am pleased to inform you that the business has seen a robust turnaround in FY2020 on the back of significant cost reduction and converting into a digital brand. The current tailwind has helped the e-commerce across all geographies, namely, U.S., U.K. and India, and we continue to focus on strengthening on this channel. Hospitality segment obviously has seen a dip and may take a little while before we see traction. Our innovation portfolio continues to grow, and this year, 41% of our revenue has come from innovative products. We are also growing our brand portfolio with 20% of sales coming from our own brand, licensed brand as well as integration brand.

We have launched Martha Steward brand for bed, bath and flooring categories. Brand Welspun has also moved to the #2 spot in India in the value segment in home textile. As far as cotton prices are concerned, we have seen sharp decline post COVID-19, and we expect the current prices to continue during the fresh arrival season, which will start from October 2020. As you are aware, that as part of our cotton price risk mitigation strategy we buy cotton during October to March period for current consumption as well as off-season requirement that is April to

September. So in our case, the impact of lower cotton prices will reflect in H2 of the current financial year.

On the forex front, we have been consistently following the board-approved policy to sell 50% to 65% of our receivables on rolling 12 months basis. The impact of current spot will reflect in our revenue with a lag effect that is from Q4 FY2021. We continue to hedge 50% of our future receivables currently.

Coming to the financial numbers, I would like to mention that we had a good set of numbers for Q4 as well as for the full year, particularly for the home textile business, where EBITDA margin for Q4 is 23.8% and for FY2020, it is 22%, which are substantially higher compared to last year. Overall EBITDA for FY2020 is 19.2% against our guidance of 19% to 21%. Overall revenue growth is 3.5% after considering the impact of reversal of Rs.94 Crores because of Ind-AS and COVID-19 impact during the last week of March 2020. If we adjust for this, then the growth will be higher single digits, which is in line with our guidance. If you look at the split of growth, volume was down by 5%, but the exchange rate impact has a favorable 6.5% impact. Exchange rate for the year was Rs.72.6 versus Rs.68.1 last year. Emerging businesses such as flooring and retail contributed 2% to the overall growth. Our emerging businesses continue to grow at 30% year-on-year. Flooring revenue was at Rs.87 Crores for the year, while retail and Advanced Textile were both Rs.250 Crores each. Overall Capex for the year was Rs.525 Crores against our guidance of Rs.600 Crores.

Net debt for home textile business is down by almost Rs.400 Crores in FY2020, while the overall net debt is Rs.2,961 Crores against our guidance of Rs.2700 Crores. We were carrying RoSCTL script, which could not be converted to cash during last quarter due to prevailing situation. If we consider that as cash equivalents, then the net debt would have been in line with the guidance.

I am pleased to inform you that during the last two years, net debt of home textile business has been reduced by Rs.700 Crores and in fact, we have prepaid some loans of around Rs.285 Crores during the financial year FY2020. We continue to pursue our goal to become nil net debt company in next few years. The interest and depreciation costs have increased on the back of flooring business as well as Ind AS 116 impact. Dividend rate for FY2020 has been 100%, and the payout ratio has been 25% for consecutive sixth year now from the time we announced the dividend distribution policy.

As far as the guidance for FY2021 is concerned, we are not in a position to give guidance now. We believe that there are too many uncertainties, and we will take one quarter at a time. With this, I will leave the floor open for question and answer. Thank you. Over to you, Ankit.

Moderator:

Thank you. Ladies and gentleman we will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss. Please go ahead.

- Nihal Jham:** Thank you so much and good evening to the entire management. So first, a few data points. I am sorry, I missed the initial opening, also may have been mentioned. Could you give the split of the revenue growth between exchange volume and price?
- Altaf Jiwani:** Volume is a degrowth of about 5%, exchange is about 6.5% favorable and the new businesses have added about 2%, so that is how overall 3.5% impact is there on the revenue.
- Nihal Jham:** New business that includes flooring. I was just looking for the textile or home textile, what will be the revenues?
- Altaf Jiwani:** Yes. So emerging business, which is flooring, retail and advance textile all three.
- Nihal Jham:** Second, to understand how COVID impacted us significantly, what was the run rate of our top line growth this February? And how badly has it decelerated in March? Also, how does it continue into the current quarter, if you could just give us a little bit color on that?
- Altaf Jiwani:** So Nihal, it is very difficult to give those specific numbers like that because as we see the April, May, June, every passing month had been better than the previous month. So it is difficult to say how much of that was impacted because of COVID and we have not seen cancelation of orders, of course, there were deferral of the orders, but we ca not really attribute specific orders to COVID.
- Nihal Jham:** Absolutely. Now Sir, what has actually been surprising is that when you look at how the U.S. retail sales or in general the pickup has been, it has been quite encouraging. Initially, maybe the thought was that it may take at least 6 to 12 months for demand to come back to pre-COVID level. But just speaking to the big-box retailers and assessing the situation in the U.S., what is your sense? When do you think that you will be back to pre-COVID sales, at least on the home textile products? I will ask flooring separately after this?
- Dipali Goenka:** Yes. So for the big-box retailers, we have seen a steady rise here and that has been to the level of pre-COVID. The challenges have been with the departmental stores. For the big-box, the mass retailers and the clubs have continued to see a kind of demand. Definitely, the grocery stores also globally have seen an upsurge. So let us see what happens post July and August, because there could be a blip in the secondary sales that might come. But at the moment, they have come back to the pre-COVID era.
- Nihal Jham:** Sure. Dipali, just a continuation on that, you mentioned about secondary sale. But like in India, there is the case of the online as a channel has gained significantly and we know for a fact that earlier online was something where there was movement away from big-box retailers, which was denting sales. So has that also started accelerating the U.S. and this could be a concern in the future? Just your thoughts on that?
- .Dipali Goenka:** So online sales has seen a growth globally, actually and when I talk about India as well, and when I talk about U.S.A., U.K., all of them, I mean, our sales have gone up by 100% on e-commerce

itself, when I talk about Welspun alone and so has for the retailers. So I think key I would say that the growth of e-commerce and the penetration of e-commerce have accelerated globally and I think all of us will have to focus on it as a channel going forward.

Nihal Jham: Okay. It is not a channel where you think we currently can have a weaker presence. We are equally good even if online as a channel keeps moving?

Dipali Goenka: We have a reasonable presence, and we want to strengthen it as we go forward.

Nihal Jham: That is helpful. One last question. It is interesting on the flooring side, you mentioned that the Board has appointed a committee to look into a prospectus to enhance shareholder value. So I am just thinking aloud, it is too soon to think of demerger, but what are the potential options that the Board is considering that the committee has to look into?

Rajesh Mandawewala: So let me comment here. All options are open. There is a committee of three people that have been formed. We are keeping all options open. So this, it could be, let us say, it could be a highball. It could be this strategic, inducting a strategic investor or whatever so whatever this committee they will do a professional job on this. Whatever they bring up, this will be deliberating on that. We have put a timeline to it, so that it does not drag on indefinitely. So we are looking at a 45-day timeline, adding another two weeks or, let us say, two months' time, we want to make up our minds on this.

Nihal Jham: Absolutely. Rajesh ji, but any reason for getting into this review?

Rajesh Mandawewala: So the Board actually felt that we need to look at this, considering that they are two separate businesses and one with a clear streak of B2C and that the heart of the business is actually sitting in India and the home textile business is principally, let us say, the heart of the business is international, although we are pushing the business on the India side as well. So the Board generally felt that we should definitely explore options, and which is why we are doing it.

Nihal Jham: Absolutely thank you so much. I will come back in the queue.

Moderator: Thank you. We have the next question from the line of Aakash Jain from Kotak. Please go ahead.

Aakash Jain: Can you share the expected sales number for the next three years, which we can expect from the flooring business?

Altaf Jiwani: So Aakash, Altaf here. So it's very difficult to give any guidance right now at this stage, because there are so many moving parts and so much of uncertainty. So give us some time before we can get the grip and then we can talk of futuristic numbers.

Aakash Jain: Okay. What is the domestic demand or domestic market size for the segment?

Altaf Jiwani: Aakash, I did not get the question, please?

- Aakash Jain:** What is your domestic demand and the domestic market size for the segment?
- Altat Jiwani:** Yes. So I will just give the number. Then Dipali, you can add up. So domestic business, which is Rs. 250 Crores, Aakash last year. Our brands are growing at almost 30% plus in the domestic business for both Welspun and Spaces, they are doing very well and over to you, Dipali.
- Dipali Goenka:** So Aakash, your question on what is the potential of the brands in India, I think we see a great potential in our country and we definitely are looking at around Rs.1000 Crores by around 2022, and that is something that we are going to be focusing on. So it is going to be Spaces and Welspun, more penetration on the sales and distribution and of course, e-commerce will also become a very important vehicle for growth for our domestic business.
- Aakash Jain:** So I believe we can reach to a sales of Rs.2000 crores, right, within this?
- Dipali Goenka:** I said Rs.1000 Crores by 2022.
- Aakash Jain:** Yes, but the maximum sales that we can achieve in the segment is 2000 Crores, right?
- Dipali Goenka:** That depends upon the kind of nature of business and the portfolio. So I think when we have Spaces, which is actually in the metros and the kind of middle to the upper consumer, but we also have Welspun as a brand, which is a mass brand, which is the Har Gar Welspun and that is where we see a great opportunity as well.
- Aakash Jain:** So what is the expected market share that you are trying to aim maybe for next year or down the line next three quarters in the flooring business, in the carpet business?
- Altat Jiwani:** Are you asking about flooring?
- Aakash Jain:** Yes, for the carpet business.
- Rajesh Mandawewala:** Yes, yes. So our goal is, so we are looking at a 10% market share. The addressable market is currently this at about Rs.35-odd thousand Crores. So the current product mix that we have this addresses about Rs.8000 Crores of market. So we are looking at a 10% share and on an overall basis, we are looking at a 50-50 mix between export and the domestic market. So yes, you are right. So this is a five to six-year view, we are looking at Rs.2000 Crore kind of a topline on the flooring side.
- Moderator:** Thank you. The next question is from the line of Naushad Chaudhary from Systematix. Please go ahead.
- Naushad Chaudhary:** A couple of questions for you on the flooring business. In the last quarter, we had mentioned that we were in some very serious discussion with some large business order for our flooring business from some international clients. If you can highlight something on that part?

Rajesh Mandawewala: Yes, you are right. I think we were very close to signing up with some of the major international partners. Having said that, as COVID struck, so obviously, there is an impact and our customers were also locked down like we are, they are reassessing our plans. But I think the good thing that we are clearly noticing is there is diversification of their supply chain, which in some of the products that we do are entirely depending on China. So, customers are looking to diversify and so we are in active discussions with a few of them and hopefully in the coming quarter, July to September, I think, we should be able to seal a couple of this noteworthy business partnerships, internationally.

Naushad Chaudhary: Okay. Second thing in terms of expanding our dealer network for our flooring business. We had some very ambitious target of around 1500 touch points by FY2021 but in the presentation, we have just mentioned 50-plus dealers we have clogged by end of FY2020. So just wanted to have your comment on this and do you feel we are being comparatively slow in our flooring business as we had targeted earlier?

Rajesh Mandawewala: So first thing is that we have around 475 touch points, not 250. So 250 are, what we call them plazas and gateways and hotels, which are significant presence in shop-in-shops. The rest of them what we call them this standees. So this but we have today with existing ~475 outlets in the country. Yes we were aiming to go up to about 1500 but we have scaled back that plan so we want to double from where we are and we have lost three months. So right now, in fact, we just opened up our first plaza in June this post-COVID. So obviously, we have lost three months and in the back half of the year, we will double the network and this from 475, we will be looking like anything between 900 to 1,000.

Naushad Chaudhary: In FY2021, you say?

Rajesh Mandawewala: 2021, yes.

Naushad Chaudhary: Okay. On our debt part, we had a target of having net debt free by March 2023. Would there be any revise in this target or do you still maintain this?

Altaf Jiwani: So we are in the current situation, we will have to reassess this timeline. So as I mentioned, while we continue to pursue our goal, timeline, we will have to come across to you.

Naushad Chaudhary: Okay. Two more questions quickly. Do we have any exposure to this client called JC Penney? Recently, they have filed for bankruptcy. If we have any exposure, what is the value of that?

Altaf Jiwani: So we do not like to comment specifically on any customers, but suffice to say that we have this robust credit control policy, which we have been following always and we have adequate coverage either through insurance cover. We have to take the exposure on the customers, there is a very stringent decision, which is carried out based on the financials, based on the payment funds, as we always workout jointly a solution to that.

Naushad Chaudhary: Okay. Last thing on the Capex, sir, Capex for FY2021 and 2022.

- Altaf Jiwani:** So we have been always calibrating our Capex, as you know, based on the cash flow available. So even if you see consistently last three or four years, we have been maintaining our cash flows, Capex within the free cash flow available, and we continue to maintain that same policy. So while we are not giving any guidance right now, because it is dependent on the EBITDA also. So but lastly, just to give a figure for FY2020, against our guidance of Rs.600 Crores, we did Rs.525 Crores in FY2020.
- Naushad Chaudhary:** Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.
- Saurabh Patwa:** Sir, as you mentioned that since online sales are picking up a good traction, and I think we were very early maybe like last two, three years back, only we started preparing ourselves for this, right? But since this current pandemic has been pretty sudden, how does it impact our plans in terms of working capital, in terms of Capex, whether we need to increase more warehouses in multiple locations globally? What were the inventory levels? And also, does it make any changes to the kind of SKUs which we operate or the pricing is the same? Just broad based thoughts.
- Dipali Goenka:** Yes, I can take that. So I think if I talk about the focus on online, definitely this will entail a couple of SKU investments, but if I look at the back end, I think we will be working with our warehouses, and of course, with our e-tailers warehouses as well. So I think we will be looking at incremental investments if any, in the terms of automation and turnaround times and the service to the customers. So I think that is where our focus will be. SKUs will be something definitely, but we will also look at the inventory turns and a lot of work has gone into analytics now. So I think we will be pretty good there, so with a little of Capex.
- Saurabh Patwa:** Okay. Thanks a lot. All the best.
- Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.
- Resham Jain:** Yes. Thank you for the opportunity and congratulations for a good set of numbers. Sir, if you can just give your thoughts around various product lines sheets, towels, rugs and carpets, because all this different product line will have a different impact in the current situation and even different presence in the hospitality sector, so overall, how are you seeing each of the segment in the current situation, and at least for the next two, three months where you have some visibility in terms of your order book?
- Dipali Goenka:** So for us, if we look at the opportunities and the kind of order book and the visibility that we have, definitely, the upside will be in towels, and that is something that we have strongly seen, but that also has not left our product portfolio of sheets behind. So sheets definitely is also contributing to that. So the whole idea of hygiene is coming into place and that is where I think the portfolios are focused on. So whether it is towels, sheets, and rugs, rugs have seen an upside

because of the China factor, actually. So definitely, we have seen some upside there too. I think going forward, our portfolio that you already know that our innovation has contributed around 41% to what our portfolio is. But we are also looking at a brand and our licenses like Martha. That has actually seen a lot of traction this year and in the times to come, definitely will be a big contributor to our portfolio and Christy definitely has seen a surge in our digital focus.

Resham Jain: Okay. Is it fair to assume that the current order book given whatever reason will be like normal to what we have seen like the last year? Or will it be lower or higher? Just some color if you are not able to give the numbers.

Dipali Goenka: In these uncertain times, I think it is difficult to give any numbers or any kind of a forecast to what we can. I think our guidance will be focused quarter-on-quarter actually. So that is what we will maintain, because these are very uncertain times and as you know, in the United States, there is a second surge of COVID, so we do not know what is next for us.

Resham Jain: My second question is overall, on the cost side, even the current situation where a lot of costs might have gone up and down. So given the current situation, how is your margin looking like as of today, is it normalized or are you seeing any impact on the same?

Altat Jiwani: Resham, so as I mentioned, actually, in our case, the cotton costs since we are holding inventory, so it will reflect the current price, which is there for cotton Shankar-6 say between Rs.33,000 and Rs.34,000 per candy. That will not reflect in H1 but in H2. Similarly for the currency, with the lag effect, it will reflect in Q4.

As far as other costs are concerned, there has been a significant drive to eliminate all these costs wherever there is an extra opportunity available to eliminate that cost. So that exercise is going on, that continues. Since cotton and currency, these two have bigger influence on our margin we expect that H2, you will see a substantially different margin. So margin profile will be very different between H1 and H2.

Resham Jain: Sorry, what I was trying to understand is that you had a very good quarter last two quarters, Q3, Q4, where margin has actually seen a very good improvement. Obviously, April month was under lockdown, but in June where you have seen normalization of your volume, has the margin, the same momentum is continuing is what I was trying to understand?

Altat Jiwani: Yes, Resham, it is a valid question, but I am afraid I will not be able to share it right now. We in just one week will announce our quarterly results and you will get to know them.

Resham Jain: Okay. Just one accounting number, RoSCTL, what is the amount which was due in March and has been received in Q1?

Altat Jiwani: You are talking about what has been recognized in the books or?

Resham Jain: No, I mean to say the outstanding amount?

- Altat Jiwani:** Okay. Okay. So roughly, we were holding almost 300 of script with us, Resham, end of March, which was practically the full year accrual and that got converted into cash in April to June quarter.
- Resham Jain:** Okay. So to that extent, debt must have come down in Q1?
- Altat Jiwani:** Right.
- Resham Jain:** Okay. Thank you Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Nirbhay Mahawar from N Square Capital. Please go ahead.
- Nirbhay Mahawar:** Sir, I just wanted to know were there any hedging losses impact in this quarter?
- Altat Jiwani:** Yes, you have to consider that effective hedge, the impact of that, so approximately about Rs.8 Crores, which has been already considered in March quarter.
- Nirbhay Mahawar:** Okay. So if we look at the cotton prices have crashed and our currency has been reasonably favorable. So would it be fair to assume that this kind of margin can continue, assuming the volumes remain intact?
- Altat Jiwani:** So in our case, the impact of cotton, as we mentioned, actually, will reflect in H2. So that impact has not come yet. Similarly for the currency, the impact will come in Q4 because this is almost a fourth quarter line effect there. So we are only holding the cotton, which we had bought during October to March period.
- Nirbhay Mahawar:** Okay. There was some qualitative remark on the order book side, but would it be fair to assume that your order books are at almost all-time high levels? Or how is it I mean, how will you compare it vis-à-vis last year March?
- Dipali Goenka:** So these are uncertain times. At the moment, we cannot say anything, but we definitely have seen traction from big-box retailers, clubs and the grocery stores. So that is something that is coming and gradually, as these stores are opening up, we are seeing traction, but given that we are very, very conservative in the way the markets are going to be looking like, because we definitely do not know what the second surge of COVID might look like. So hence, we will be giving you a quarter-on-quarter kind of a guidance going forward in this year.
- Nirbhay Mahawar:** Fair enough madam. In case, if we have got the strong demand, are we geared well in terms of production capacities as well, is there any logistics constraint to meet that demand, if there is demand?
- Dipali Goenka:** So I think I will just put in a few facts here and as our factories opened up, the advantage that I think Welspun definitely had, where our integrated facilities, cotton that we had in our

warehouses, which we actually store for 6 months. Our ancillaries, which are just a kilometer away. So I think so that way, we were pretty geared for and of course, logistics, March and April, did see a little challenge because that is the time everything came to a grinding halt, but then things started improving. The advantage we also have is also that we have a proximity to the port at one of our plants, too.

Nirbhay Mahawar: Fair enough. Thank you.

Moderator: Thank you. The next question is from the line of Aman Sonthalia from AK Securities. Please go ahead.

Aman Sonthalia: Sir, my question is, how is the opportunity provided by China in home textile?

Dipali Goenka: Yes, I did not get the question, Altaf.

Altaf Jiwani: With the China backlash, what are the opportunities Indian retailer are seeing?

Dipali Goenka: So I think the opportunities that we definitely are seeing, for us I would talk about, would be definitely in the rugs and the carpets category. That definitely has an upside for us and I would also just say that for us is India, we are basically primarily into cotton, and that has been our strength and China strength actually has been into microfiber, so that still remains with China. So I would still feel that it is a very different kind of a perspective to what we are talking about. Definitely, rugs and carpets will see an upside, but the others cotton, we definitely see where we are heading. We are anyway strong and will strengthen further but microfiber is China's forte, which will, I think, continue.

Aman Sonthalia: And how much we have invested in the flooring business?

Altaf Jiwani: So we have Rs.880 Crores of investment made so far as of March.

Aman Sonthalia: Rs.880 Crores?

Altaf Jiwani: Yes. Rajesh Ji, would you like to add on the flooring business with the China angle?

Rajesh Mandawewala : Yes, yes. So though the current investment is at about Rs.880 Crores and there is still about couple of hundred Crores of project, which is still left. We have been calibrating the Capex based on how we see the utilizations happening. So that is where it is. Dipali already covered, so on the carpet side, also on the flooring side as well, I think the international customers are looking to broaden this supply base and consequently, we think there are parts of the flooring business, which will benefit significantly from this. So we believe that some of it could materialize in the July to September quarter itself. So but early days, we are certainly seeing a lot of action and urgency from several customers.

- Aman Sonthalia:** And Sir, one last question how big is this technical textile business is going to be? Because right now, I think we get very good business?
- Rajesh Mandawewala:** So we are currently about Rs. 250 Crores. This budgeted to do about north of Rs.300 Crores in the current year if all goes well. But as we speak, there are discussions happening in that area because to grow the business faster and obviously, with the health and hygiene focus. So two-thirds of our business is around health and hygiene. So consequently, we are in hectic discussion in fact the company to see if we can actually grow the business a little faster and which means adding some capacities. But decision on that will be taken in the next few weeks, so discussions are going on.
- Aman Sonthalia:** Okay Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** My first question is on the Capex guidance. So is there any Capex spending on the flooring or any growth Capex that we are committed so far but that is pending in FY2021?
- Rajesh Mandawewala:** Yes. I just mentioned that on the flooring side, there is a couple of hundred Crores of Capex that is still balance. Our original estimate was Rs.1150 Crores. We have held back this about Rs.200 Crores or thereabouts of Capex and as we see better visibility of the business, we will in a calibrated way spend that money.
- Giriraj Daga:** But that will surely come in FY2021, right? Or is that going to be deferred to FY2022 also?
- Rajesh Mandawewala:** Let us see, I think that with the current quarter, we will see the events in the current quarter and take the call. But yes, at least a good part of that should get invested in the current year.
- Giriraj Daga:** Okay. Are you also calling out like maintenance Capex numbers for FY2021, which we will have to do irrespective of the environment?
- Rajesh Mandawewala:** So the maintenance Capex is generally around Rs.50 Crores and Rs.100 Crores every year we have been incurring that and this year should be something similar.
- Giriraj Daga:** Okay. My second question is on the flooring side. So like, I know you are not giving guidance on the overall side of it, but any guide where we want to stay tuned where you will end FY2021 on the flooring side in terms of revenue, which is a new business, and we are looking at multiple growth. So what is the like FY2021 EBIT number you are looking at last quarter number?
- Rajesh Mandawewala:** So look, we have just reopened 30 days back, and it is very early days to put out numbers, and there is still a lot of uncertainty. Also frankly these numbers will be determined by how quickly we are able to close the international business, which we believe that in this July to September quarter, we should be able to do that. The domestic business we have clearly lost a quarter and

will take us some more time because the markets are still not is completely opened up. So this will take us a quarter more to get some sense of where the numbers are going to look like.

Giriraj Daga: Okay. The last question is like what would be the fixed cost do we have in flooring business as well as home textile business or month run rate or whatever as you want to give?

Altaf Jiwani: Yes. So we are sitting on Rs.150 Crores or thereabouts of fixed cost, of course, over and above the variable cost. Overall, outstanding cost on the facility about is Rs.150 Crores.

Giriraj Daga: So Rs.150 Crores per month it was, right?

Altaf Jiwani: No, no, annual.

Giriraj Daga: Annual number.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.

Altaf Jiwani: Thank you Ankit. Thank you once again, everybody for joining this call. If you have any more questions, please reach out to our investor relations team, Vipul or Harish or myself and I wish you all very safe future. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.