TRANSCRIPT: "Welspun India Limited Q2 FY2023 Earnings Conference Call"

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ANALYST:	**MR. BIPLAB DEBBARMA - ANTIQUE STOCK BROKING**
MANAGEMENT:	**MR. RAJESH MANDAWEWALA – MANAGING DIRECTOR - WELSPUN INDIA LIMITED** **MS. DIPALI GOENKA – JOINT MANAGING DIRECTOR& CHIEF EXECUTIVE OFFICER – WELSPUN INDIA LIMITED** **MR. ALTAF JIWANI – CHIEF OPERATING OFFICER - WELSPUN INDIA LIMITED** **MR. SANJAY GUPTA - CHIEF FINANCIAL OFFICER - WELSPUN INDIA LIMITED** **MR. ABHINANDAN SINGH - HEAD – GROUP INVESTOR RELATIONS - WELSPUN GROUP**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY2023 Earnings Conference Call of Welspun India Limited hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Biplab Debbarma from Antique Stock Broking. Thank you and over to you Sir!

Biplab Debbarma: Thank you. On behalf of Antique I would like to welcome you all to the Q2 FY2023 Earnings Conference Call of Welspun India Limited. I would now like to hand over the call to Mr. Abhinandan Singh, Head – Group Investor Relations, Welspun Group to introduce management and take it further. Over to you AbhinandanJi!

Abhinandan Singh: Thanks Biplab and good afternoon to all of you. On behalf of Welspun India, I welcome all of you to the company's Q2 FY2023 earnings call. We have with us today Mr. Rajesh Mandawewala, Managing Director; Ms. Dipali Goenka Joint Managing Director and CEO, Mr. Altaf Jiwani - Chief Operating Officer and Mr. Sanjay Gupta, Chief Financial Officer along with myself. We have already seen the financial results. Those are also available on the company's website www.welspunindia.com. As usual we will start the forum with opening remarks by our leadership team and then we will open the floor for your questions. Once the call get over should you have any further queries that remain unanswered post the earnings call please feel free to reach out to us. With that I would now like to handover the floor to our CEO. Over to you!

Dipali Goenka: Good evening everyone and thank you for taking time to join us today, which happens to be a market holiday. I would like to share some perspectives on the operating highlights of our performance during the quarter under review, after which Sanjay would share some highlights from a financial metrics.Our performance during Q2 FY'23 demonstrates our leadership in terms of scale, quality and customer relationship, with a growing branded portfolio, which has enabled us to deliver a growth performance in an environment that has been very challenging. Revenues during Q2 FY'23 registered a sequential growth of 8% quarter-on-quarter to ₹ 2137 Crores and it was down 15% on a year-on-year basis. In such unprecedented time, this reflects our ability to maintain wallet share across key customers on the back of this deep strategic relationships that we have with many of our global customers, in the face of high inflationary pressure and demand headwinds. Our emerging businesses, domestic retail, brands and e-commerce, flooring, and advanced textile continued to perform well, contributing 29% to overall revenues up from 25% year-on-year. On a year-on-year basis, the emerging businesses revenue has overall remained at the same level at last year same quarter. Domestic home textiles retail has shown significant growth during the quarter, with revenues growing by 31% year-on-year. Our domestic retail business as you may recall has two power brands "Welspun"and "Spaces". We have seen very strong expansion in our retail footprints and I am pleased to share that we have crossed, as we speak 10000 outlets across the country, a big milestone in the home textile space and a reach not hitherto achieved by any player in India. This is almost twice the reach we had a year ago, when we had around 5200 outlets and a way above any other competition, and we now have a direct presence in 500 towns and cities. We are also pleased to share that our marketing campaign with a new Brand Ambassador, Akshay Kumar, has met with tremendous success. We continue to invest in this growth market, where we are thriving to expand our leadership and our marketing spends reflects the same, being 10.5% of domestic revenues during Q2.

The recently launched flooring business, which as you may recall broke even in the preceding quarter, clocked a revenue of 160 Crores. The growth remained flat during the quarter as flooring business is also witnessing headwinds from US due to demand slowdown. We have, however, started seeing good demand from hospitality, residential and commercial segment in US, UK and Middle East. On domestic market front in flooring we are seeing a good demand buildup in India in commercial as well as institutional segments. The advanced textile business witnessed a robust 54% growth year-on-year in Q2 FY'23, also reflecting the contribution from its new Spunlace capacity in Telangana that was commissioned in March this year. We also wanted to share with immense pleasure and pride that Welspun India has been named the "Best Managed companies 2022" in India by Deloitte. This recognition, based on a rigorous benchmarking against some of the best companies across the range of industries, is an outcome of the hard work, passion, and pioneering ideas that Welspun India's leadership has brought to life over the years. This reaffirms our continued focus on a culture of growth and innovation and the integration of Environmental, social and governance (ESG)consideration in the governance structure and business operations, to attain the highest level of good governance practices. ESG remains at the core of everything that we do at Welspun. We are happy to share that Welspun India's sustainability case study is now a part of a curriculum across universities in US, Canada, France, Europe and Taiwan. The study highlights the importance of sustainable practices in the textile sector and the entire spectrum of such activities at Welspun that has set an example.

Coming to the external environment, we are seeing decade high inflation in US, UK, and Europe in the range of 8% to 9%. Fed rates have been increased fourth time recently, with UK and Europe following suite. however, US GDP rebounds to 2.9% growth over two successive GDP contractions with retail sales showing resilience, growing marginally in the last two quarters. Indian economy continues to shine with GDP up by 13.5% and retail sector growing by 15% to 20% during the quarter. Over the past few quarters we have been witnessing significant cost pressures due to commodity prices, cotton in particular having touched unprecedented 'historical high' levels. Moreover, given the pervasive nature of inflation, we have also seen customers worldwide reprioritize their spending behavior on essential versus discretionary items. This has put pressure on demand for commodities globally. Hence, over the past couple of months there has been visible moderation in cotton prices and freight rates to have begun to correct, due to the same. In addition the cotton crop yield in India is expected to be up by 7% to 8% better this year. Welspun India is unique, given our combination of capabilities in manufacturing that is towels, sheets, TOV, and rugs fuelled by innovation and a deep customer understanding and reach. Along with this, our licensed brand Martha and Scott are giving us an additional edge, adding value through differentiated offering and additional shelf space. Our Indian domestic market is the brightest spot, with our leadership in the segment through a deep reach with 10000 stores, which we are striving to increase multi-fold to realize the vision to be Har Ghar Welspun. This not only enables us to be resilient during difficult times, but also allows us to benefit once external conditions improve. With this I would now like to hand over to Sanjay who will quickly take you through the financial highlights. Thank you. Over to you Sanjay!

Sanjay Gupta: Thank you Dipali and greetings everyone. I will give you a brief overview of the financial numbers for the quarter and H1 FY’23 before we open for questions and answers. During Q2 FY’23 we reported revenues of ₹2137 Crores, down 15% year-on-year but up 8% quarter-on-quarter. YTD H1 revenues reached to ₹4116 Crores down 11% on a like-to-like basis i.e. after taking out the impact of Q4 FY’21 RoSCTL accounted for in H1 of FY’22. EBITDA margin for the quarter stood at ₹152 Crores that is 7.1%, which is lower year-on-year by 984 basis points and quarter-on-quarter by 167 basis points. For YTD H1 FY’23 we have reported EBITDA of ₹325 Crores with a contraction of 894 basis points year-on-year on a like-to-like basis. Cotton prices touched historical high during Q2 of FY’23 and the impact of the same in our margin would have been much higher, but for the various measures taken by the company in cost rationalization across board. The average cotton cost consumed during Q2 was ₹83000 per candy as compared to ₹48000 per candy last year same quarter and ₹75000 per candy during the last quarter. Profit after tax after minority interest for the quarter is at ₹9 Crores vis-à-vis ₹22 Crores last quarter and H1 FY’23 PAT is ₹31 Crores vis-à-vis ₹342 Crores year-on-year on a like-to-like basis reflecting the earlier mentioned factors. Our consolidated EPS for Q2 FY’23 at ₹0.08 per share as compared to ₹2.01 per share year-on-year. H1 FY’23 stood at ₹0.31 per share vis-à-vis ₹3.46 per share on a like-to-like basis in H1 FY’22. On the forex front our average exchange realization for the US dollar during Q2 was ₹80.79 per dollar compared to ₹75.83 per dollar in the corresponding quarter last year. We are witnessing a continual increase in interest rates by governments globally in all our markets, to rein in the inflation pressures. Considering the current market condition, further increases also look very imminent. in such a situation, our ability to continually de-leverage and maintain debt levels at a very healthy level has allowed us to stand in good stead.. During H1 of FY23, we have seen some positive impact starting to stream in from measures undertaken to enhance efficiencies and improve cash flows even as we did not shy away from investing in innovation and brand building that are three key drivers of long-term growth.

At the end of Q2 net debt stood at ₹1998 Crores, this is ₹141 Crores lower than ₹2139 Crores a quarter ago and ₹535 Crores lower than ₹2533 Crores a year ago. The expansion projects of flooring, advanced textile and home textile businesses, which were in different stages of progress, had some balance capex remaining which we plan to complete during FY223. In H1 FY’23 we have spent ₹194 Crores towards these and other maintenance capex. In our journey to be more environment friendly and being carbon neutral, the company is planning to put up a 30 megawatt solar facility at its Anjar location and the Board has approved an investment of ₹200 Crores for the same which would be funded through issuance of green bonds or debentures. This will take us closer to our goal of achieving 20% renewable energy by 2025 and 100% by 2030. The power plant should be operational by Q1FY'24 and about ₹50 to ₹60 Crores of capex for the same is expected to be incurred in FY'23.

Now coming to segmental results, Q2 FY'23 core business home textile revenue stood at ₹2011 Crores versus ₹1852 Crores in Q1 FY'23 up sequentially by 9% quarter-on-quarter and down 15% year-on-year from ₹2374 Crores during the same period last year, due to earlier mentioned factors. YTD H1 FY'23 core business revenue total ₹3863 Crores as compared to ₹4398 Crores on a like-to-like basis down by 12%. Q2 EBITDA home textile stood at ₹128 Crores at 6.3% as compared to 9.3% quarter-on-quarter and 17.4% year-on-year. H1 FY'23 EBITDA of home textile is at ₹299,Crores which is 7.7% compared to 17.9% year-on-year on a like-to-like basis. During the quarter revenue from flooring business was ₹160 Crores same as last year same quarter. EBITDA was almost at same level at ₹4 Crores as compared to ₹5 Crores on year-on-year. YTD H1 FY'23 flooring business recorded revenues of ₹329 Crores as compared to ₹281 Crores year-on-year growing by 17%. H1 FY'23 EBITDA flooring business was ₹6 Crores compared to loss of ₹22 Crores during the same period previous year. With this I leave the floor open for question and answer. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Abhisek Nigam from B&K Securities. Please go ahead.

Abhisek Nigam: Hi thank you so much for giving me the opportunity. So the first question that I have is on the capex side so I understand Vapi and Anjar is operationalized now in first half so how much capex should we build in for second half anything substantial remaining?

Sanjay Gupta: We have spent most of the capex that was required to be done for Anjar and Vapi. Anjar actually the terry towel capacity has been increased from 85400 metric tonnes to 90000 metric tonnes by Q2 and there is no major capex remaining, for the balance year you may see hardly about ₹40 Crores to ₹50 Crores more capex during H2 for balancing the maintenance capex.

Abhisek Nigam: Fair enough. I see some pretty good reduction in debt in the last six months or so but is it possible to give some guidance in terms of gross debt or net debt be by say end of FY2023?

Sanjay Gupta: We have been continually reducing our net debt and what I can say is that we will continue to reduce the net debt going forward, giving a particular number currently is difficult but we would be reducing from this level downward only.

Abhisek Nigam: Fair enough and 200 Crores for the solar plant so that will be incurred mostly next year is it?

Sanjay Gupta: Yes, as I said about 25% of capex we will do during this year and the balance will happen during next year and it will be operational by end of Q1 of next year.

Abhisek Nigam: Perfect. Thank you so much I will come back in the queue.

Moderator: Thank you. We will move on to the next question that is from the line of Abhineet Anand from Emkay Global. Please go ahead.

Abhineet Anand: Yes thanks for the opportunity. While Madam did touch upon lot of subjects that we have done I just wanted to first understand from strategic perspective and overall system, business environment from 1Q to 2Q and we are in November this 3Q for us, how has this changed, if you can highlight on that because everything boils down to the sales that we earlier do because RM, etc., are almost at 1Q and 2Q are similar, so my first question is on the business environment what are the changes, has it changed in a positive sense or what is your update on that?

Dipali Goenka: So business environment remains subdued and let me now give you a perspective. While the US retail sales grow a little bit but it continues to be challenged and actually lot of retailers have forecasted their holiday seasons to be a little bit subdued, so the main reason in US would be the offtake of the inventory that they are still carrying from the past year, so that is where we are seeing the demand slowdown and we just saw one of the reports on the wallet share. The wallet share is basically moving towards traveling and experiences rather than home, white goods etc., so we are seeing a muted demand in USA as the recession and inflation play their role. UK and Europe are also I think for them the biggest challenge is energy right now and it is going to be a long winter. While we say this I think it is going to take a couple of few more quarters to see US, Europe, and UK come back to where it is. US will come back faster maybe by Q1 of our financial year we will see some kind of movement happening upwards. While I say all this I think the important thing for us not to forget is India. India is going to be the brightest spot right now as we see the GDP growing by 13.5% and we have invested reasonably in India in our brands like "SPACES" and "Welspun" and that is where we will see our growth happening as well. If I can give you a perspective of other commodities as well, commodities definitely are coming down but they are on the back of demand as well so the freight costs have come down, the cotton prices are relatively softer but still dynamic. The energy basket still remains very dynamic yet not softened up as yet.

Abhineet Anand: The second question just checking cotton part Sanjay did allude to the point that our average cotton purchases are decreased those numbers probably should come down significantly at 20%-25% in 3Q everything remaining same, the demand remaining same because of just the cotton price there should be an expansion on the gross margin is it right to assume that?

Dipali Goenka: I will just give you a perspective so while the cotton prices are coming down but I think let us not forget that we are holding certain amount of inventory as well. We are covered around 20% of the cotton and we will continue to cover and by the time when we see the impact coming of the new cotton it will be Q4 because inventory still is there in our system to that extent in Q3.

Abhineet Anand: Okay thanks. Last one was from me of the overall portfolio what percentage now is given what we have been doing a lot of focus on the B2C side?

Sanjay Gupta: Overall B2C the brands and e-commerce is about 18% to 19% of our total Revenue.

Abhineet Anand: Okay thanks for answering my questions.

Moderator: Thank you. The next question is from the line of Abhisek Nigam from B&K Securities. Please go ahead.

Abhisek Nigam: Yes, actually my question has been answered so no thanks.

Moderator: Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Thank you. Good evening everyone. My question is more related to FTA. FTA with UK we know discussion has been going on for some time but let us be optimistic they have signed FTA with UK and EU so just trying to understand how big would be that market and what would be the quantum of opportunity for India and home textile companies as well as for Welspun India?

Dipali Goenka: Regarding the UK and Europe, predominantly because the whole FTA advantage goes to our neighboring countries as they have the advantage in the terms of bedding and sheets as well, because it give us a direct impact of 9.3%, an FTA with UK definitely would be something that will make us more competitive. The retailers across UK are definitely looking at India in terms of a stable democracy and economy so that could be a very big added advantage to India as a country as well and of course when we talk about Welspun so our portfolios that we have in towels, sheets, rugs, and TOB, we will be standing to gain. I must also add on here the majority of the towel programme that run on the UK shelves are managed by Welspun, they are basically Welspun products.

Biplab Debbarma: So in terms of size this Europe market would be as big as US or we are just trying to understand how big the market is?

Dipali Goenka: That market is not as big as USA. It is a fragmented market of around 29 countries, and also must tell you that the opportunities are there. You cannot compare US, UK and Europe as they are very, very different in the terms of consumption. US is far bigger, the largest and also to just add that the UK FTA is closer and the European FTA is a little further ahead.

Biplab Debbarma: When this FTA happens how quickly do we think Welspun can ramp up to address those markets?

Dipali Goenka: So I can just tell you a few things here. We are in touch with all the customers and the customers are in touch with us. I think the important thing as I earlier also spoke about. The relationship that we have with the customers I think is very, very strong and those are the kind of conversations we already having with most of them.

Biplab Debbarma: One final question if I may on the cotton as you said that cotton prices has become softer but still dynamic so is the supply started hitting the market and if the cotton prices settles down at 60000 to 65000 per candy do you think we will see some improvement in our EBITDA margin?

Dipali Goenka: Let me just put it in a very clear perspective to you, see cotton prices will come down, so if they come at 65, freight is coming down, the energy cost still is a little stiff there but it will all ride on the supply and demand. I think the demand in the market as it comes in is where the volume comes in and hence the bottomline will come in. Right now, that is where we are seeing a subdued demand for at least the next quarter or two.

Biplab Debbarma: Okay. Thank you.

Moderator: Thank you. We will move on the next question that is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Hi good evening. Just wanted an update on the flooring business if you could split them between domestic and exports and just give us some sense, is the demand environment as somber as you are seeing it in your bedsheet business or textile business for the exports market and some view on the domestic business?

Dipali Goenka: When we talk about flooring I think I must tell you that for us our domestic business is growing in double digits and that is where we are seeing a growth of around 124% in H1 especially due to commercial and institutional space. While I say this the international business still is a little soft because again owing to the demand that is there, so we will see the global markets also growing as we see the whole economy is shaping up a little better. What was your next question if I may ask please?

Tarang: So basically wanted to understand would it be fair to presume that the fillers that you are getting for your home textile business is pretty much the same for your exports business in the flooring space, subdued demand and probably that being the cause it will probably take time or are you seeing some imports coming in from some other countries and you are losing market share there?

Dipali Goenka: For India?

Tarang: For exports.

Dipali Goenka: In exports there is think is the same headwinds that we are seeing for flooring and for home textiles as well.

Tarang: Okay thank you.

Moderator: Thank you. The next question is from the line of Ram from BSC. Please go ahead.

Ram: Thank you for letting me ask this question I have couple of questions. The first is as we can see from the presentation the focus of the company is now on the retail business of India where we are mentioning that we are now present in 10,000 stores across 500 towns, so we just want to understand from the management what is the plan and strategy going forward in terms of stores and towns maybe for next couple of years and second question is where you see India business in terms of the percent of overall sales contribution over the next couple of years?

Dipali Goenka: India is going to be a very important market for us and as you saw the growth coming to 10,000 stores our goal is towards Har Ghar Welspun and we definitely are looking at a growing to that extent and we will target the Tier-1, Tier-2, Tier-3, and the Tier-4 towns as well. For us this is the growth and this is impetus that we are looking at and it will actually contribute around 15% of our overall business at Welspun India in the next 3 to 4 years.

Ram: So in that sense the export business will still remain a dominant business?

Dipali Goenka: I will tell you one thing. I think if you look at the whole pie while the export business will continue to be growing the way it is, the retail business will also grow at its pace. You know the Indian market how it is so while we are talking about that growth coming in that definitely will take some time to take over we have been talking about a billion dollar revenue here so I think that portion of India will be little slow.

Ram: Understood. Just one last question. If our understanding is correct about various businesses since the contribution margins from the global market is much higher than the Indian market is that understanding correct?

Dipali Goenka: No, I must just add on here and I will like to just reinstate that our domestic businesses because of our brand will be able to give us the margins far more stronger than the global markets because that is a private label and private label has that competitive things across the world and there again it is all about a dollar and a cent difference that you have so definitely that is something I must have to add on that our brand gives us that kind of an opportunity and we as a domestic brand is EBITDA positive this quarter.

Ram: Perfect. Thank you so much. That is all from my side and all the very best for future.

Moderator: Thank you. The next question is from the line of Alpesh Thacker from Antique Stock Broking. Please go ahead.

Alpesh Thacker: Thank you for taking my question. My first question is more from the industry perspective. If we look at OTEXA data that suggests that pain is more for India versus other competing nations and especially Pakistan is moving up so any lead through from that and vis-à-vis like industry how have we faired as a company for this quarter especially in the US exports market?

Dipali Goenka: Sir tell you a perspective so while you see the OTEXA data for today but I think the OTEXA data is very, very dynamic and I think India is at a bright spot for outsourcing from any part of the world whether it is China or Pakistan or Bangladesh so while this is a kind of blip that you see but India is the opportunity that all the retailers and the world are looking at so definitely I feel we definitely stand a very huge opportunity there. Secondly as a company I think for us the important aspect what we see along with the private levels our licensed brands saw a great rise around 22% kind of uptick in revenue that I think is kind of something that we are seeing globally which actually adds on more shelf space. Actually also just to give you a perspective I think a very interesting point is that last year our cotton prices in India made us less competitive to the other markets like Pakistan and the others. Now I think the India cotton prices as we go forward will become more competitive and as the ocean freights are coming down India will have that opportunity here.

Alpesh Thacker: Got it thanks and my second question is more of a book keeping question so what amount of e-scrips of RoSCTL do we have currently and is there any discount at which they are trading? That is it from my side.

Sanjay Gupta: So currently as of September end we have in hand about 150 Crores in hand and the discount at which this trading is about 2%.

Alpesh Thacker: Okay thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Jojo Shaju from Alpha Invesco Research Services Limited. Please go ahead.

Jojo Shaju: Thank you for giving me this opportunity. My question is regarding the domestic flooring business so can you give some idea what is the average realization per square meter?

Sanjay Gupta: It will be difficult for us to give you a number on the per square meter because there are various type and various kind of product portfolio

Dipali Goenka: However we are getting a great traction in the commercial and institutional business and I think that is a huge opportunity for us.

Jojo Shaju: Out of 18 million square meter capacity right now what is the capacity for Click N Lock tiles, carpet tiles and wall-to-wall tiles can you give the breakup for them?

Rajesh Mandawewala: We are about half and half between this hard flooring and soft flooring right now.

Jojo Shaju: Okay so half is going to soft flooring and the rest is hard flooring?

Rajesh Mandawewala: Yes.

Jojo Shaju: On the domestic flooring business are you catering to pan India or you are focusing on certain specific geography like since you franchise is in southern market you are just catering only for the southern market or it is for pan India?

Dipali Goenka: It is pan India. We are focusing on pan India and I think that is where we are and like if you are looking at commercial and institutional space it is across the country.

Jojo Shaju: Okay thank you.

Moderator: Thank you. The next question is from the line of Abhineet Anand from Emkay Global. Please go ahead.

Abhineet Anand: My question is to Sanjay Sir. Just wanted to say if you can give a broad breakdown of HT we have three businesses there, within HT we typically only give the numbers, broad number can you share 70% is towels, sheets is it possible to give some number?

Sanjay Gupta: We actually do not give those numbers so it will be difficult to provide.

Abhineet Anand: The second question I think just harping on the OTEXA data while I agree that India has opportunities a lot of global retailers are looking at but if one takes longest view if I say 10 years back India has gained a lot of share in US on cotton bedsheet and towel side we are 50% to 55% at this moment so the scope of increase looks very difficult there because there is a lot of other areas where the scope looks easier and if you look into government incentive plans PLIs are all probably not towards this part of textile it is more towards garmenting where India is very low so is it fair to assume that the growth rate in this path especially in US will remain not so high compared to the other segments.

Dipali Goenka: You are right in terms of cotton but I think when I talk about Welspun's portfolio it is very diverse. We are not only doing cotton towels and cotton sheets we also do fashion bedding and we also do utility bedding and rugs and carpets so that makes the diversity portfolio very, very strong so I think that is where India stands a big chance and for us in Welspun that is a huge opportunity.

Abhineet Anand: So what percent of our portfolio is fashion and utility and how has it moved in the last few years is it possible to know that?

Dipali Goenka: I can just tell you here that when we talk about bedding it will have sheets, TOB, and utility and we have been in it very, very active as I spoke about our license brands like Martha and Scott that actually contributes to our fashion bedding and we have now got into utility bedding that actually is a white bedding so the shelves go from here and we fill them up in United States so that is again a huge market for us because it is an evolving one so I cannot give you any numbers at the moment.

Abhineet Anand: As I understand that market is quite large and India is not there as yet?

Dipali Goenka: India is not there because China dominated this and now the opportunity for India is big here comparatively.

Abhineet Anand: I am assuming that this fashion and utility bedding would probably be at higher margin than a simple bedsheet?

Dipali Goenka: Yes and also in the terms of margins and I think with the kind of facility that Welspun has in the terms of service and the warehousing housing plus with partnerships and tie-ups that we have I think here we stand to gain.

Abhineet Anand: Thanks. Those are my questions.

Moderator: Thank you. The next question is from the line of Ankit Pande from Quant Mutual Fund. Please go ahead.

Ankit Pande: Thanks for taking my question. My question would be around the US. I think Dipali mentioned that the environment is soft so if we are carrying inventories presumably it is not a very good December quarter and if we are carrying inventory till Q4 then returning to double digit margins could be little bit of a question mark for the rest of this FY, so is this, sort of, a fair assumption Dipali?

Dipali Goenka: Actually right now just broach on a few things here and I must tell you one is the margins you are talking about the other you are talking about Q3 and Q4 right if I am correct. The thing that I basically spoke about was that Q3 the holiday season will be mild and all the retailers still are carrying inventories so to get that off will be a Q3 or a Q4 and post that things start looking up. Also on the back of the whole inflation and the recession that we see in United States coming back to normalcy and of course when we talked about the raw materials the cotton and the freight definitely also will be seeing that kind of mobilization by then so whether you talk about double digit term kind of EBITDA that is something I will not be able to tell you right now but that is the goal that we are moving towards and that is where we will be targeting ourselves to be.

Ankit Pande: I understand thank you for that and Sanjay this is for you so we are looking at strong cash flows in the remainder of the financial year and you suggested that we will able to further reduce the net debt so if I were to expect and assume that by the end of the financial year you could further put down the leverage so is that primarily going to come down to squeezing or an improvement of the working capital or is that more the question on capex?

Sanjay Gupta: It is basically because our capex will not be there and our operating cash flow will be reinvested into the business and that is why our operating Net Debt will be down.

Ankit Pande: Thanks a lot. Thank you and all the very best.

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

Dipali Goenka: Thanks you. So I once again thank all of you who have joined us on this call today. As we shared ours is a strong business with solid fundamentals. On the operation side we are already seeing some easing in supply side pressures and are very well positioned to benefit from an uptrend in macro condition as and when that happens. From a long-term perspective, we are building upon are already very robust international footprints and are rapidly expanding our domestic retail business led by our power brands "Spaces" and "Welspun". This is in line with a goal to achieve "Har Ghar Welspun" in the high potential domestic market. I look forward to speaking to you again next quarter. Thank you for your continued interest in Welspun India.

Moderator: Thank you. Ladies and gentlemen on behalf of Antique Stock Broking that concludes this conference call. We thank you for joining us. You may now disconnect your lines.
