



## “Welspun Living Limited Q2 FY ‘25 Earnings Conference Call”

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**MODERATOR:** **MR. ASHUTOSH – JM FINANCIAL INSTITUTIONAL  
SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Welspun Living Limited Q2 FY '25 Earnings Conference Call, hosted by JM Financial.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the Conference Call, please signal an operator by pressing “\*”, and then “0” on your touchtone phone. Please note that this conference is being recorded.

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

**Ashutosh Somani:** Yes. Thanks operator, and welcome, everyone to the call. I will first thank Welspun Living Limited for giving JM Financial Institutional Securities the opportunity to host today’s call.

Without much ado, I will hand over the call to Mr. Salil Bawa – Head Investor Relations, Welspun Group, to introduce the Management. Over to you, Salil.

**Salil Bawa:** Thank you, Ashutosh, and good afternoon to all of you. Happy Diwali before we start.

And on behalf of Welspun Living Limited, I welcome all of you to the Company’s Q2 and H1 FY ‘25 Earnings Call. Along with me, I have today Ms. Dipali Goenka – Managing Director and CEO; and Mr. Sanjay Gupta – Chief Financial Officer for Welspun Living Limited.

We hope you have had a chance to review the “Investor Presentation” and the “Deck” that we filed with the exchanges today. It is also available on our website. During the discussion today, we may be making references to this Presentation. I would request you to take a moment to review the Safe Harbor statement in the presentation.

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

With that, I would now like to hand over the floor to Ms. Dipali Goenka. Over to you, ma’am.

**Dipali Goenka:** Thank you, Salil. Good afternoon, everyone. And thank you for taking the time to join us today for our Q2 FY ‘25 Analyst Call.

I would like to share some highlights of our operating performance, as well as some achievements during the quarter under review, after which Sanjay would share highlights from our financial metrics.

We are pleased to share that we have seen our revenues jump to an ever quarterly highest of Rs. 2,936 crores, growing by 16% Y-on-Y and 13% quarter-on-quarter. The upcoming holiday season in the U.S. has seen increased buying from all major retailers. Consequently, we witnessed higher capacity utilization on the back of season’s rollout at over 95% of our terry towels, bed sheets and

rugs units. We continue to have sustained EBITDA, achieving Rs. 421 crores, growing by 7.5% Y-on-Y and 7% quarter-on-quarter.

Quarter 2 revenues, and more specifically, the profitability could have been better if not for the challenges we witnessed in terms of Red Sea issues. As mentioned in Q1 discussions, we kept a vigil on this front to ensure that we do not get affected adversely. However, we were faced with multi-faceted challenges in terms of not only rising container rates, but also non-availability of containers and ships. This resulted in some buildup of inventory and higher costs of warehousing and transportation.

In addition, we had to incur higher unavoidable ocean freight at about 2x of last year as a force majeure due to increased voyage time and decreased container supplies, despite our long-term relationships with these liners. With a major distribution presence in U.S., we were able to ensure minimum disruption in revenues, but delays in FOB shipments due to non-availability of containers, ships have affected revenues of our different businesses to some extent. We would continue to keep a close watch on this dynamic situation to ensure minimum disruption to the business.

Despite persistent concerns surrounding the durability of growth and interest rate policy, the U.S. economy continued to show resilience in the current year, with a Q3 growth of 3.4% and 2024 GDP growth expected at 2.8%, helped by recent 50 basis points cut in Fed rates and further expected rate cuts. In the short term, a faster pace of interest rate cuts by the Fed should allow households to take on more debts and support continued growth in consumer spending. Consumers have retained the ability to spend and are driving the solid economics in USA. Driven by continuing strong orders from retailers and distributors across the product segment, our overall exports grew by 18% in Q2 and 19% in half-one Y-on-Y.

India continues to be the leading supplier of terry towels, bed sheets to USA. And as per the OTEXA data, India continued to enjoy a dominant market share in exports to USA for TTM August 2024 period, both in terry towels at 43% and in bed sheets at 60% in value terms. India has strengthened its share in bed sheets by 10% and stayed flat in terry towels as compared to last year in the same period. Though the overall export to the USA in value terms during this period remained at the same level in terry towels and grew by 5% in bed sheets due to geopolitical issues during Q2 FY '25, Welspun Living Limited, however, witnessed a growth of 7% and 39% respectively, solidifying a relationship in USA exports further. Innovation is a key USP in all our endeavors. Our innovation products continued to be the major contributor to our revenues at 23%, growing by 13% Y-on-Y.

#### **Domestic Retail:**

India continues to outshine with an expected GDP growth rate of 6.8% in Q2, vis-a-vis 6.7% in Q1, and inflation hovering around 5% during the quarter. The retail sector demand, however, continued to remain sluggish in Q2 as well, and growth of 5% in September and 2% in July and August 2024 as per the RIA report. With the festive demand coming up, we have seen some green

shoots of growth in September 2024, and despite subdued retail market conditions, we have seen a growth of 10% in our domestic retail business, clocking a revenue of Rs. 159 crores. We have been expanding our reach continuously into newer territories and channels and are hopeful to witness increased off-takes in this festive season.

Welspun Brand witnessed a healthy growth of 20% Y-on-Y and continued to be the most widely distributed home textile brand in the country. Brand Spaces has outgrown the category in modern trade channels, emerging as a leading brand within the category of gaining market share, though the modern trade segment degrew Y-on-Y. We have continued our investment in domestic markets with marketing spend to the tune of 10% for improving brand visibility and salience, as well as our focus to build profitable business growth.

#### **Emerging businesses:**

Our emerging businesses of domestic consumer business, global brands, advanced textiles and flooring businesses grew 22% year-on-year in Quarter 2 FY '25 and contributed to close to 33% of the total revenue of the Company. Our global brands, owned as well as licensed, have continued to give us an edge in all our markets and grew by staggering 58% during the quarter. With all our licensed brands, be it Martha or Coco Cozy or Disney in Europe, opening up additional shelf space with the key retailers and creating newer avenues for us.

#### **Flooring:**

The challenges we witnessed due to Red Sea issues impacted our flooring deliveries to some extent and the business grew by a modest 3% Y-on-Y and 10% quarter-on-quarter, recording revenues of Rs. 250 crores. We continue to focus on the home improvement business and have added new big-ticket customers across all geographies. We have also diversified by tapping opportunities with OMs in U.S. and making strategic tie-ups to strengthen our positions in Australia and New Zealand. Similarly, we are gaining good traction from large retailers and big ticket distributors in U.S. and Middle East for soft flooring and in the U.K. and U.A.E. For hard flooring. On domestic market front, we continue to see strong growth in hospitality and commercial segments in all our key markets in India. Domestic flooring grew by 28% Y-on-Y.

The advanced textile business witnessed an 18% growth Y-on-Y in Quarter 2 FY '25 with a revenue of Rs. 148 crore. Capacity utilization of our new Telangana spunlace facility has reached 55%. Our spunlace sales continue to be strong in all our key global markets, forging new partnerships in U.S., Europe and India, with our innovative and sustainable non-wovens. Spunlace and needle punch segments experienced strong Quarter 2 sales growth driven by new orders and strategic partnerships, while wet wipes expanded globally with existing brands and new customers.

ESG is embedded in every aspect of operations at Welspun, keeping us ahead of our peers globally in sustainable practices. We are well on a journey towards achieving 100% RE by 2030. And in this regard, the Board has, in Quarter 2, approved JV for setting up an additional 4.6-megawatt solar plant at Telangana for flooring and advanced textile plants. This, along with the 2-megawatt

JV already operational since last quarter together, would meet about 20% of the power requirements at Telangana facility.

We are also happy to announce that Welspun has scored 66, up from 44 last year, in EcoVadis ESG rating with a Silver Award, placing us in the top 15% in the industry globally, and reiterating our focus and commitment towards sustainability.

We are committed towards a strategic objective of future growth in all our businesses and also continue to achieve larger share in the global home textile market, keeping in view China plus One strategy of global retailers and more specifically achieving a future plan of growing about 5x in the domestic market over the next five years. Hence, the Board has reviewed the need for further investment to set up additional capacity for over the next two years to meet this demand growth with a total CAPEX investment of Rs. 1,050 crores, including Rs. 341 crores informed earlier.

We continue to be cautiously optimistic of the operating performance for FY 25. While the positive signs of cooling inflation and Fed rate cuts in the U.S. are encouraging, the concern around potential instability due to current geopolitical issues might result in volumes picking up only gradually at a relatively muted pace in H2 FY '25. Plus, if the Red Sea situation persists, it would add further to these challenges. We, however, are focused, as always, on steering through these challenging times, and are committed towards a guided revenue and profitability target for the year.

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

**Sanjay Gupta:**

Thank you, Dipali. And Season's Greetings to everyone. I will give a brief "Overview" of the "Financial Numbers" for Quarter 2 before we open for Q&A.

During Quarter 2, we reported the highest ever quarterly revenue of Rs. 2,936 crores, up 15.5% year-on-year and 13% Q-on-Q. For H1 Financial Year '25, revenues are at Rs. 5,524 crores, up 16.2% year-on-year. EBITDA margin for Quarter 2 stood at Rs. 421 crores, that is 14.3%, growing by 7.5% year-on-year and 7% Q-on-Q. H1 '25 EBITDA stood at Rs. 814 crores, that is 14.7%, 11% higher than last year.

As already informed by Dipali, we witnessed a challenging quarter due to the Red Sea issues and the resultant impact it had on the availability of containers and ships, leading to some volume impact in our businesses, as well as in the cost of carrying the inventory. In addition, ocean freight doubling had a further financial impact during the quarter. Despite these challenges, Company has been able to achieve highest ever quarterly revenue. We had impacts in our profitability of about 1% due to the various related costs we incurred owing to the Red Sea issue, and some higher investment in terms of marketing cost for India and global brands, which have grown in excess of 50% during the quarter. However, we still have been able to see a year-on-year increase in EBITDA value by 7.5%.

Profit after tax after minority interest for the quarter is at Rs. 201 crores vis-a-vis Rs. 197 crores year-on-year, growing by 2.2% versus last year, and by 8.3% versus last quarter. H1 PAT stood at Rs. 387 crores vis-a-vis Rs. 358 crores year-on-year, an increase of 8%. Consequently, our consolidated EPS for Quarter 2 stood at Rs. 2.1 per share as compared to Rs. 2.04 per share last year same quarter, up 3% and Rs. 1.93 per share last quarter, which is up 9%. For H1, EPS stood at Rs. 4.03 per share as compared to Rs. 3.7 last year, which is up 9%.

On the FOREX front, our average exchange realization for the U.S. dollar during Quarter 2 was Rs. 84.29 compared to Rs. 83.35 in the corresponding quarter last year. For H1, it stood at Rs. 84.18 compared to Rs. 82.85 in the corresponding period last year.

Net debt stood at Rs. 1,832 crores versus Rs. 1,562 crores in June '24, higher by about Rs. 270 crores. This increase is a timing difference due to the payment for buyback of shares of Rs. 343 crores we have done during this quarter. The interest costs due to the borrowings for increased working capital requirement owing also to the Red Sea challenges and the RBI repo rate remaining unchanged, have gone up to Rs. 55 crores from Rs. 34 crores last year. With reduction in working capital planned in ensuing quarters, we will save on these costs.

#### Segmental Results for Quarter 2:

Core business home textiles revenue stood at Rs. 2,713 crores versus Rs. 2,352 crores in Quarter 2 last year, up by 15.3% year-on-year. For H1 '25, core revenue stood at Rs. 5,100 crores versus Rs. 4,390 crores in H1 of '24, up by 16.2%. Quarter 2 EBITDA of home textiles stood at Rs. 374 crores at 13.8% as compared to Rs. 359 crores year-on-year, an increase of 4%. H1 HT EBITDA was at Rs. 723 crores at 14.2% as compared to Rs. 672 crores year-on-year, up 7.6%.

During Quarter 2 '25, revenues from flooring business was Rs. 250 crores, up by 3% year-on-year. EBITDA is at Rs. 22 crores, that is 8.8% as compared to 8.3% last year. H1 revenues for flooring was Rs. 478 crores, up 2% year-on-year. And EBITDA at Rs. 43 crores, that is 9% as compared to 8.2% last year. In terms of CAPEX, for Quarter 2 Financial Year '25, we spent Rs. 286 crores towards CAPEX, majorly towards the new towel project at Anjar and the pillow project in U.S. For H1, the total CAPEX stood at Rs. 492 crores.

The Board had earlier approved for an additional towel capacity of 6,400 metric tons for being set up at an outlay of Rs. 341 crores, which is nearing its completion in quarter three. The Board has now approved Phase 2 for; one, setting-up of facilities for additional 1 lakh meters per day bed linen processing capacity; second, setting up of coarse count spinning of 40 metric tons per day for more backward integration of towel facilities; and third, increasing towel looms to produce 3,600 metric tons per annum. This will be at a total outlay of Rs. 709 crores to be incurred over next two years through its wholly owned subsidiary, Welspun Home Solutions Limited, with total investment now including the Rs. 341 crores of Rs. 1,050 crores in Anjar.

The additional CAPEX would be equally spread over two years in Financial Year '26 and '27. This would increase our bed linen processing capacity to 4 lakh meters per day, that is 144 million meters per annum, and towel capacity to 1 lakh metric tons per annum. This will make Anjar

facility having the largest home textile capacity globally. The internal capacity expansion would decrease the variabilities in the cost of outsourcing, ensuring better customer service and profitability. The new project in full capacity would result in an additional revenue of Rs. 750 crores in addition to about Rs. 400 crores in the TT project, as we had informed earlier.

With this, I will now leave the floor open for Q&A. Thank you.

**Moderator:** Thank you, sir. We will now begin the question-and-answer session. We have the first question from the line of Vaibhav Jain, an investor. Please go ahead.

**Vaibhav Jain:** I have just one question from my side. I just wanted to know, after all our CAPEX, what will be the debt after we have sort of done with on the CAPEX?

**Sanjay Gupta:** So, we had guided towards a debt of about Rs. 1,400 crores to Rs. 1,500 crores by the end of this year, which is Financial Year '25, which will continue. And with this investment and other maintenance CAPEX, we should be in the range of zero to Rs. 200 crores net debt by Financial Year '28.

**Vaibhav Jain:** Net debt, so this is including the repayment that we are going to do on the --

**Sanjay Gupta:** Yes, so net debt, I am talking about. Net debt should be zero to Rs. 200 crores.

**Moderator:** Thank you. We have the next question from line of Biplab from Antique Stock Broking. Please go ahead.

**Biplab Debbarma:** Okay. Good afternoon, everyone, and advance Diwali wishes to you all. I have a couple of questions. First is on the breakdown of CAPEX, I just missed it. And what is the total CAPEX, and what is the breakdown of that CAPEX, and how much CAPEX we have done till date?

**Sanjay Gupta:** So, CAPEX for this year, we have done about Rs. 492 crores till H1. And this CAPEX is mainly in the towel project at Anjar and the pillow project at Ohio.

**Biplab Debbarma:** And including the additional capacity announced today, how much more we have to incur?

**Sanjay Gupta:** So, this year we will continue to be at our Rs. 800 crores to Rs. 850 crores that we had guided towards. But the additional CAPEX that we have announced today of Rs. 709 crores for the bed sheet and towel additional capacities, that will be incurred over two financial year of Financial Year '26 and '27.

**Biplab Debbarma:** And what would be the capacity of these two, towel and bed sheet, sir?

**Sanjay Gupta:** So, towel capacity will increase to 1 lakh metric ton per annum, and bed sheet capacity will increase to 144 million meters per annum with this addition.

**Biplab Debbarma:** And the existing CAPEX and the additional CAPEX, that is Rs. 709 crores and the existing CAPEX of Rs. 800 crores, that will lead to how much of top line, sir?

- Sanjay Gupta:** So, we are guiding towards a top line of Rs. 15,000 crores by Financial Year '27 and we are adhering to that.
- Biplab Debbarma:** So, this would be the CAPEX, that's all? After that there is no CAPEX needed to reach to that?
- Sanjay Gupta:** There will be some additional maintenance CAPEX of Rs. 150 crores, Rs. 200 crores. But yes, I have guided towards zero net debt by Financial Year '28 with all these investments.
- Biplab Debbarma:** Second question is, what is the contribution of emerging business to your revenue and EBITDA in the first half of this FY '25? And by FY '27, where do you see this emerging business growing to in terms of revenue and EBITDA? Thank you.
- Dipali Goenka:** Yes, I will take this up, Biplab. Our emerging actually businesses that include the domestic consumer business, global brands, advanced textiles and flooring businesses, they grew 22% year-on-year and they contributed around 33% of the total revenue of the Company. And we are looking at it growing to the extent of around 45% as we go forward by '27, '28.
- Biplab Debbarma:** And what would be the EBITDA contribution of this business by FY '27?
- Dipali Goenka:** It will be the same. Actually, because this is also owing to our brands in India, and our licensed brands and our flooring, so it will remain the same contribution based play.
- Sanjay Gupta:** So, overall EBITDA margin will be same in both the businesses.
- Biplab Debbarma:** Okay. Thank you, and Diwali wishes to you all.
- Sanjay Gupta:** Same to you, Biplab.
- Moderator:** Thank you. We have the next question from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Congratulations to the entire team for the record turnover and decent profits. Two, three questions, first on the margin side. As you mentioned that the container freight continues to hit margins, so can you give us more granular data on what kind of sales are happening on FOB, and what kind of sales are happening where we have to take into account freight, and what has been the trend for last 12 months? And when does this normalize?
- Dipali Goenka:** Our FOB is actually now 80%, that contributes to our turnover. But I must tell you that owing to quarter three of ours vis-a-vis the quarter four of our retailers, this is the time there is a holiday season. So, while having said that, we had to tide over the Red Sea issues because we had to look at the challenges of containers and ships which actually led to the volume impact because we had to take on warehouses to store the increased inventories, planning the allocation with containers, because you know that since 15th of August China had sucked in the entire freight inventory from here. So, we were very time bound for the holiday season. So, Red Sea and along with the whole availability of the inventory of the container led to the impact on what you see.



- Sanjay Gupta:** So, overall, we have given about 1%, out of which 0.7% was because of higher freight and other inventory-related costs, and 0.3% we incurred more on marketing, because we are growing our brands massively across the world. So, that's the breakup of 1% that we had to incur higher. However, going forward, we hope that this is arrested as we have seen some betterment happening from October. So, we would be keeping our fingers crossed for this quarter as well to ensure that we do not get hit more by this in this quarter.
- Bhavin Chheda:** Second question is on advanced textile and domestic retail. How are this shaping up, both in terms of growth and in terms of margin profile vis-a-vis our other businesses?
- Dipali Goenka:** So, advanced textile actually has grown by 18% year-on-year, and with a revenue of around Rs. 148 crores. So, let me tell you that spunlace and needle punch, actually, we have been able to experience strong Quarter 2 sales growth. And in the future, also for the global markets, we see an upside in this because of our strategic partnerships, innovative and sustainable non-woven actually. And for India, as the Indian market, as you have seen right now, while we are looking at India, we are looking at a growth, the holiday season, as Diwali is just right around the corner. We have seen some green shoots in September, and our Welspun brand has witnessed a healthy growth of around 20% year-on-year, and it's the most widely distributed home textile brand. So, we feel very, very optimistic about the Indian market. While there has been that little sluggishness in the Quarter 2. But as the quarter three comes in where there is marriage season, there is Diwali there, we definitely will see that upside coming up.
- Bhavin Chheda:** And in terms of margins, domestic retail, are they above breakeven and are they still burning cash?
- Sanjay Gupta:** So, domestic retail, it is still at near the breakeven low-single-digit EBITDA. And as the business will pick up this year, we would start seeing more EBITDA percentage coming from here. And advanced textile, we are at the similar margin of the entire home textile.
- Dipali Goenka:** And let me just tell you, for retail growth we continue to invest around 10% into our marketing as well for the brand reach across the country.
- Bhavin Chheda:** So, the single-digit EBITDA is after accounting for marketing in that division?
- Dipali Goenka:** Yes.
- Sanjay Gupta:** Yes, correct.
- Moderator:** Thank you. We have the next question on the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.
- Kaustubh Pawaskar:** Sir, Red Sea has been a risk to our profitability for a while and it has been impacting our profitability, though we are achieving good numbers at the revenue level. So, are we looking at any alternatives or alternative route option? Or is it something which is feasible for us so that we can have better numbers and the profitability level? Or something on that front have we given a thought on it or some other alternative which will help us to see margins inching up for us?

- Sanjay Gupta:** Yes, of course. So, we are definitely continuing to try in this regard, try hard in this regard. So, we did not actually got hit in the last quarter of last year and the first quarter of this year when the Red Sea issues continued to persist. However, Quarter 2, it actually reached to a three-year high of 3x of container rates and the availability also got impacted, as Dipali stated, due to China sucking out the entire capacity in August. Hence, it became unavoidable for us despite our good relationship with the liners and keeping on top of this, but still you got impacted. But we are maintaining it, and with our major distribution presence in U.S. we ensure minimal disruption in our revenues. So, we are keeping a tab on this and we should tide over it. However, we are cautiously optimistic in this regard.
- Dipali Goenka:** So, I just wanted to just add on here, it also got augmented with the splitting of the INDAMEX and the U.S. port strike actually. That also gave that freight kind of an impact. But we have our warehouses in America. We plan quite effectively. But however, this time, it was really unavoidable with a lot of disruptions, actually.
- Kaustubh Pawaskar:** And ma'am, my second question to you, in your initial comments you mentioned and you gave some optimism about the improving demand environment in the U.S. market. So, can you just give us a broader perspective on the same? Whether this will continue or it is something which is just at this level? And still, it is kind of a wait and watch scenario, you do not have exact indication whether this will have better prospects for us in the near term and the long term.
- Dipali Goenka:** So, there are a couple of things I want to just put actually in perspective. One thing, when I look at the big box retailers, and what they are talking about, so they are exhibiting a neutral to positive outlook in general merchandise category today. And they started stocking up for the new festive season. The holiday season, they are looking at around 3.5% of growth right now.
- The other important thing, let me just put forward very, very straightforwardly to you, that India is in a sweet spot. India is now continuing to become an integral part of the supply chain for all the global retailers. Because being the most stable democracy, even with the neighbors that we see, and along with the China plus One strategy, I think India stands to gain as well. So, it is the displacement plus the mildly kind of a cautious optimism that we see in the American market, both.
- Kaustubh Pawaskar:** And any thought process on whether exploring any new opportunities into newer geographies? As you said that supply chain, we have a bigger opportunity going ahead, so any thought process on expanding reach into other geographies where we already have a presence?
- Dipali Goenka:** We already are actually growing very strongly in U.K., Europe, where we this quarter actually have seen a double-digit growth, Australia, New Zealand, Japan, all of those areas. And it's not just in retail, but also in the hospitality segment, in the flooring segment, and in the advanced textile segment, and also with the licenses like Disney in the U.K. and Europe as well. So, let me tell you that while we talk about USA right now, but we have also seen double-digit growth in U.K. and Europe.

- Kaustubh Pawaskar:** And do you expect this mix of U.S. and other geographies to come down over the period of time? Or do you expect U.S. to be a key market for us while others will be growing along with the U.S. project?
- Dipali Goenka:** So, I will tell you one thing, while when I talk about the mix, U.S. actually contributes around 30% of the consumption of the home textile market globally. While that basket will continue to grow as we take the share of shares there, but U.K and Europe also contributing to the goal. Let's also be very, very clear on that the last quarter the inflation was hitting these countries very, very hard. We saw that cooling out as the Fed rate cut there as well, we saw the Fed rate cut happening there as well. So, we are going to see some kind of a cool down there and some kind of a hike in sales there. So, definitely it will be the mix. It will also have a domestic retail, which actually will today contribute around 6% of the top line. We are looking at that contributing around 10% of the top line. And the other businesses will continue to grow as we move towards the journey of Rs. 15,000 crores.
- Kaustubh Pawaskar:** Right ma'am. Thanks for understanding. All the best for your quarters ahead. And Diwali greetings to you and your team. Thank you.
- Dipali Goenka:** Thank you. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Tejal Nagmoti from Elara Capital. Please go ahead.
- Tejal Nagmoti:** So, I just wanted to understand regarding the CAPEX announcement that when are you planning as per the internal estimates for the facility to be fully utilized and achieve the Rs. 1,150 crores of target on full utilization?
- Sanjay Gupta:** So, Tejal, as we informed, so we will be spending this CAPEX over the next two years. So, we will be ready somewhere by quarter three, quarter four of Financial Year '27 in phases. So, the entire capacity utilization will come only by Financial Year '28.
- Tejal Nagmoti:** So, we can build the capacity utilization by FY '28?
- Sanjay Gupta:** Yes. Full will be by Financial Year '28. It will come in phases in Financial Year '26, '27, and then '28 will be full.
- Tejal Nagmoti:** Okay. And my second question was regarding the flooring business. Just wanted to understand that the growth still remains muted. When is it expected to rebound for the flooring business?
- Dipali Goenka:** So, actually, let me just give you a perspective here. Our flooring business actually saw a revenue of around Rs. 250 crores and it grew by a muted 3%, yes. It actually got impacted the biggest also by the Red Sea because most of them are CIF and DDP shipments. That's the reason. While we are continuing to focus on the Home Improvement business, we have added a few new big ticket customers across the geography. Like, we have also diversified by tapping opportunities in OMs in the U.S. and making strategic tie-ups to strengthen our positions in Australia and New Zealand.

And we are gaining good traction from large retailers and big ticket distributors in the U.S. and the Middle East for soft flooring.

Now let me come to the domestic market. We must say that we continue to see strong growth here in Hospitality and Commercial segment where the domestic Flooring actually grew by 28% year-on-year. So, I think, I will tell you that while we are seeing this kind of a little upheaval, but we are on the path of growth that we are talking about in Flooring.

**Tejal Nagmoti:** And any guidance for the full year?

**Sanjay Gupta:** For the entire business, we continue to stand on the guidance that we had given earlier, with 10% to 12% growth of the total business, with 15% to 15.5% EBITDA.

**Tejal Nagmoti:** Thank you, everyone, and wish you a very happy Diwali.

**Sanjay Gupta:** Same to you.

**Moderator:** Thank you. We have the next question from the line of Harshit Nagpal from Yes Securities. Please go ahead.

**Harshit Nagpal:** Yes. So, yes, I just have a question, which is if you can explain the Flooring business. This 10% to 12% growth is for the whole year, right?

**Sanjay Gupta:** Yes, 10% to 12% is for that entire business.

**Harshit Nagpal:** So, my question was related to flooring. Will the revenue growth between 2% to 3% that we are seeing for the past few quarters, or would it be greater going forward?

**Sanjay Gupta:** So, within the entire business, flooring will grow in double-digits this year.

**Moderator:** Thank you. We have the next question from the line of Biplab from Antique Stockbroking. Please go ahead.

**Biplab Debbarma:** Sir, do we see margin improving in the second half? Or do we see the margin deteriorating further? Because there's no certainty on the Red Sea.

**Sanjay Gupta:** So, yes, while we see the uncertainties of Red Sea, which is now settling down to some extent, but we are guiding towards an overall EBITDA of 15% to 15.5% for the year, and we are standing by it.

**Biplab Debbarma:** Okay. So, that means that it is expected to improve, right, sir? Because the first half EBITDA --

**Sanjay Gupta:** We are standing by that we will be achieving that for the year.

**Biplab Debbarma:** And the second question is on the new CAPEX. Earlier you said that full capacity utilization would be visible in FY '28 only. So, would we see any challenges in achieving our Rs. 15,000 crores of top line by FY '27? Because the benefit of the new capacity would accrue only in FY '28.

- Sanjay Gupta:** So, from internal production, this sales would start coming in fully from Financial Year '28. However, we will start building the sales. So, sales will not stop. So, we will have to get it manufactured through our ancillaries or through outsourcing, whatever. But we will continue doing so, we are not missing our target.
- Biplab Debbarma:** So, this additional CAPEX, once they are onboard fully operational, they would be replacing those ancillaries. Is my understanding correct?
- Sanjay Gupta:** Correct.
- Moderator:** Thank you. That was the last question. I would now hand it over to the management for closing comments.
- Dipali Goenka:** So, Quarter 2 has been a challenging quarter with the difficult operating conditions owing to Red Sea issues and the resultant financial impact we had to endure. Despite the challenges, we have once again been able to show an outstanding revenue performance in all our businesses, leading to our highest ever turnover. It is heartening to see our global brands continuing on a stellar growth path, strengthening our focus towards B2C and being truly an FMCG of textile.
- India continues to shine with around 6.8% GDP growth, its conducive policies for India for the world, leading to greater share of Indian businesses in the global market, as well as providing opportunities internally with growing consumption rates. Domestic business, both home textiles and flooring, continue to grow with higher reach and visibility, cementing our leadership and thereby reinstating Har Ghar se Har Dil Tak Welspun.
- We are committed towards the guidance we have provided for FY '25 and our long-term objectives of sustainable and profitable growth. ESG remains a way of life at Welspun and our commitment towards being environmentally responsible and sustainable in operations continues unabated. With our focus on achieving our ESG target for 2030, LEED Green energy, zero-water usage, zero landfill or using 100% sustainable cotton and raw materials.
- Thank you for your continued interest in Welspun Living. For any further queries, please feel free to connect with Salil and Sanjay. Thank you.
- Sanjay Gupta:** Thank you very much.
- Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.