BUSINESS UPDATE

WELSPUN INDIA
HOME TEXTILES

Welspun posts 22% jump in Q2 revenues

- **Growth despite Egyptian Cotton issues**
- **Company retains all major global clients, except for one**
- **To strengthen supply chain on EY recommendations**
- **Makes net provision of Rs. 490 Cr. for 'Exceptional Expenses'**
- **To invest Rs. 600 Cr. in carpets business**

Mumbai, November 15, 2016: Despite the issues about Egyptian Cotton, Welspun India Ltd., (WIL) today reported Rs. 1,790 Crores. revenue for the Quarter ended September 30, 2016 marking 22% rise over the corresponding period in the previous fiscal.

Speaking about the performance, Mr. B.K. Goenka, Chairman, Welspun Group, said "We have registered a double digit revenue growth in spite of the recent challenges which have provided important lessons for us. In the long run, we believe these developments will make us stronger. We are taking all necessary steps to transform Welspun India into an institution which is system-driven and will accelerate the journey to achieve global leadership."

In the second quarter, the company achieved its highest revenue ever i.e Rs. 1,790 Crores, up by 22% from Rs. 1,469 Crores. For the half year, the growth was 18% from Rs. 2,863 Crores to Rs. 3,383 Crores. Without considering the impact of one-time exceptional item, the company achieved its highest EBIDTA of Rs. 457 Crores, up by 13% in this quarter. For the half year, it recorded EBIDTA of Rs. 898 Crores, which translates into 12% growth on a comparable basis.

Similarly, in this quarter it achieved an all-time high PBT of Rs. 299 Crores, up by 14% as compared to corresponding period last year. On a half-yearly basis, its PBT stood at Rs. 593 Crores, up by 14%. With respect to the traceability issue, the company took a one time hit of Rs. 501 Crores in the second quarter to provide for all the likely cost.

"Welspun has taken the Egyptian Cotton issue very seriously and we have proactively engaged with all our stakeholders and appointed EY as external consultants to thoroughly examine the supply chain which has become significantly complex over the years making traceability very difficult," added Mr. B.K. Goenka.

EY suggested several remedial steps covering structural, procedural, people and technological measures on which Welspun has begun to act. As a vertically integrated player, the Company is moving towards producing all the Egyptian cotton products in-house i.e., from procuring cotton to the finished product.

The slew of steps to be initiated include deployment of a dedicated resource in Egypt for sourcing of Egyptian cotton, increasing third party assurances such as Gold Seal from Cotton Egypt Association, vendor audit and DNA tests.

Mr. Goenka pointed out that the processes in the textile industry are not well developed as in some other industries like pharma, and said his company is working on a cutting edge RFID-based technology to track manufacturing process and thus reduce human intervention significantly. “We hope to raise the bar for the industry,” he affirmed.

With regards to the innovations driving the company, Welspun has filed 27 global patents of which nine have already been granted. Its best-selling innovation Hygrocotton® has done well and the latest one Nanocore™ has received Asthma and Allergy Free Certification for bedding products in the US. A third innovation Drylon® has achieved good traction with the launch of new varieties.

Apart from revamping its Christy brand to make it youth-friendly, Welspun is also increasing its global footprint with new stores in the US, China, Middle East and in the UK and working on increasing its associations similar to Wimbledon and Rugby World Cup.

“We are very optimistic about the Indian market. Our brands such as *Spaces – Home and Beyond* and *Welhome* have been well received in the market. I am happy to report that supported by innovative products, we are growing at a rate of over 20% year on year”, Mr. Goenka said.

Welspun is increasing its focus on the hospitality industry which has huge growth potential. The Company already tied up with prominent international hotel chains.

In tune with the current trends, Welspun will continue to focus its attention on e-commerce.

The Board of Welspun India also approved today the capital investment of Rs. 600 Crores in flooring solutions i.e., manufacturing of world class carpets, rugs etc. This investment will benefit from synergies arising from the company’s existing product line and customer base. The capex will be done over 18 months spread over FY18 & FY19.

<u>About Welspun India (www.welspunindia.com)</u>

Welspun India Ltd, part of US$ 2.3 billion Welspun Group, is one of the world’s largest home textile manufacturers. With a distribution network in more than 50 countries and world class manufacturing facilities in India, it is the largest exporter of home textile products from India. Supplier to 17 of Top 30 global retailers, the Company has marquee clients like Bed Bath & Beyond, Costco, Kohl’s, Wal-Mart and Macy’s to name a few.

Analysis of Key Financials

Consolidated Financial Summary - Q2 FY17 & H1FY17					**(Rs. Million)**		
Particulars	**Q2FY17**	**Q2FY16**	**YoY Change %**	**Q1FY17**	**H1FY17**	**H1FY16**	**YoY Change %**
Revenue	**17,899**	**14,694**	**21.8%**	**15,926**	**33,825**	**28,625**	**18.2%**
Operating EBITDA	**4,318**	**3,834**	**12.6%**	**4,225**	**8,542**	**7,503**	**13.8%**
Operating EBITDA Margin	*24.1%*	*26.1%*	*-197 bps*	*26.5%*	*25.3%*	*26.2%*	*-96 bps*
EBITDA	**4,569**	**4,040**	**13.1%**	**4,414**	**8,982**	**7,995**	**12.4%**
EBITDA Margin	*25.5%*	*27.5%*	*-197 bps*	*27.7%*	*26.6%*	*27.9%*	*-137 bps*
Finance Cost	320	515	-37.9%	353	673	1,108	-39.3%
Depreciation	1,264	909	39.1%	1,121	2,385	1,693	40.8%
PBT (before exceptional)	**2,985**	**2,616**	**14.1%**	**2,940**	**5,925**	**5,194**	**14.1%**
PAT after min. & assoc. (before exceptional)^	1,999	1,794	11.4%	2,018	4,017	3,624	10.9%
EPS (Rs.)# (before exceptional)	*1.99*	*1.79*	11.4%	*2.01*	*4.00*	*3.61*	10.9%
Exceptional Item	(4,895)				(4,895)		
PBT (after exceptional)	(1,910)	2,616		2,940	1,030	5,194	
PAT after min. & assoc. (after exceptional)	(1,475)	1,794		2,018	543	3,624	
Cash Profit*	(112)	2,803		3,277	3,165	5,042	
EPS (Rs.)# (after exceptional)	(1.47)	1.79		2.01	0.54	3.61	

**Cash Profit = PBDT – Current tax , # Not Annualised, Prior-period figures restated according to Ind-AS accounting standards*
^Management Estimate based on tax rate of 29%.

Balance Sheet Snapshot (Rs. million)	**30th Sep 2016**	**31st Mar 2016**
Net worth	20,475	19,739
Gross debt	32,802	26,661
Net Debt	**24,902**	**25,275**
Net fixed assets (incl. CWIP)	35,488	33,508
Net current assets (excl. cash & cash equiv.)	10,939	10,726
Capital Employed	56,449	47,936
Net Debt/Op. EBITDA*	1.46	1.59
Net debt/Equity	1.22	1.28
ROCE (pre-tax)*	**25.1%**	**27.4%**
ROE*@	36.8%	43.5%

*Prior-period figures restated according to Ind-AS, * Annualised profit, @ Excluding the impact of one-time provision*

Consolidated Financial Analysis– Q2 FY17 (compared with Q2 FY16 figures)

- Revenue at Rs. 17,899 million vs. Rs. 14,694 million; 21.8% growth YoY driven by higher volumes in towels and rugs and higher mix of innovative and branded products
- Operating EBITDA up by 12.6% at Rs. 4,318 million vs. Rs. 3,834 million in Q2 FY16. Operating EBITDA margin at 24.1% (vs. 26.1% in Q2 FY16), lower on account of higher cotton and energy costs.

- Finance cost stood at Rs. 320 million, 38% lower YoY (Rs. 515 million) on account of reduction in base rate and higher quantum of debt under Gujarat textile scheme
- Depreciation was higher YoY at Rs. 1,264 million (vs. Rs. 909 million in Q2 FY16), primarily on account of the capitalisation of ongoing modernisation and expansion projects
- Profit before Tax (before exceptional) stood at Rs. 2,985 million compared to the Q2 FY16 figure of Rs. 2,616 million, growth of 14.1% YoY
- Exceptional item of Rs. 4,895 million includes one time provision of Rs. 5,005 million taken on account of traceability issue and gain of Rs. 110 million on account of loss of profit related to the fire incident.
- Net worth stands at Rs. 20,475 million as on 30th Sept 2016 (vs. Rs. 19,739 million at FY16-end)
- Net debt stands at Rs. 24,902 million (vs. Rs. 25,275 million at end-FY16) implying a net debt/equity of 1.22x (vs. 1.28x at end-FY16)
- Net debt/ Operating EBITDA as on 30th Sept 2016 stands at 1.46x vs. 1.59x in FY16
- ROCE (pre-tax) for H1 FY17 (annualised) stands at 25.1% (vs. 27.4% in FY16)
- ROE (excluding the impact of one-time provision) stands at 36.8% (vs. 43.5% in FY16-end)

Project Status

For FY17, the capital expenditure planned is Rs. 8 billion. Out of this, Rs. 4.5 billion of capex has been invested during H1 FY17. By the end of the year, annual capacity is expected to reach 72,000 MT in Towels (from 60,000 MT at end-FY16), 90 million metres in Bed Linen (from 72 million metres at end-FY16) and 10 million sq. metres in Rugs & Carpets (from 8 million sq. metres at end-FY16).

Further, as a growth strategy, the Board has approved investment of Rs. 6 billion into a facility for flooring solutions (rugs, carpets, accent rugs, tile carpets) of capacity 7 million square metres at Anjar, Gujarat. This investment will benefit from synergies arising from the Company's existing product line and customer base. The capex will be done over 18 months, spread over FY18 and FY19 and will be funded by a mix of debt and internal accruals.