



Welspun India Limited (WIL)

Investor Presentation

20th May 2014

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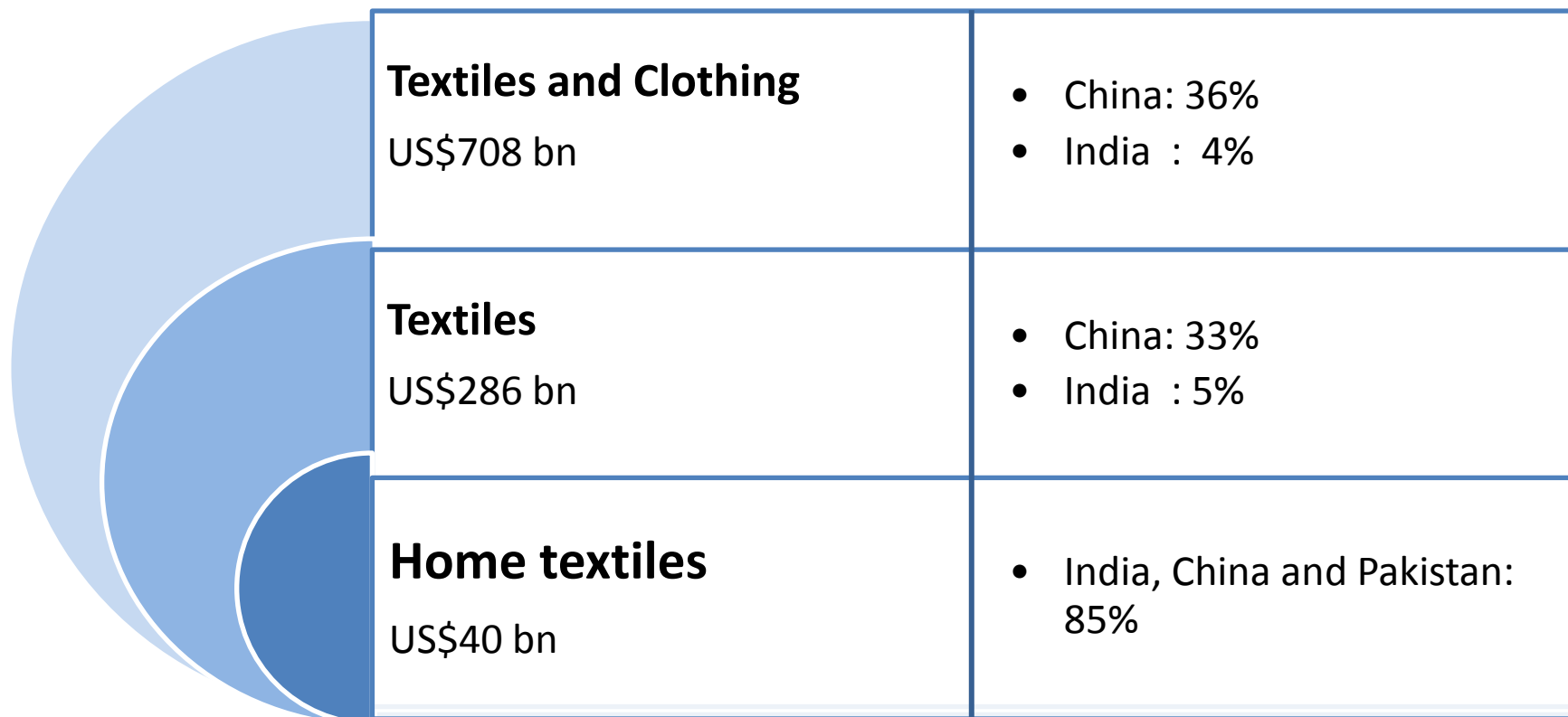
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Agenda

- **Structural Change in Global Textile & Specialty Textile**
- **Welspun India – Global Leader in Home Textiles**
- **FY-14 Highlights**
- **Road Ahead – Maintaining leadership**

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Structural Change: Asian Dominance in Home Textiles



Structural Change: Non-India players facing challenges



China

- **Big importer of cotton**
- Losing export Competitiveness
- Focus shift from textiles to higher value-added industries
- Wage inflation
- Rising power costs
- Stricter environmental compliance
- Focus on domestic consumption
- Yarn capacity closures
- Yuan appreciation



Pakistan

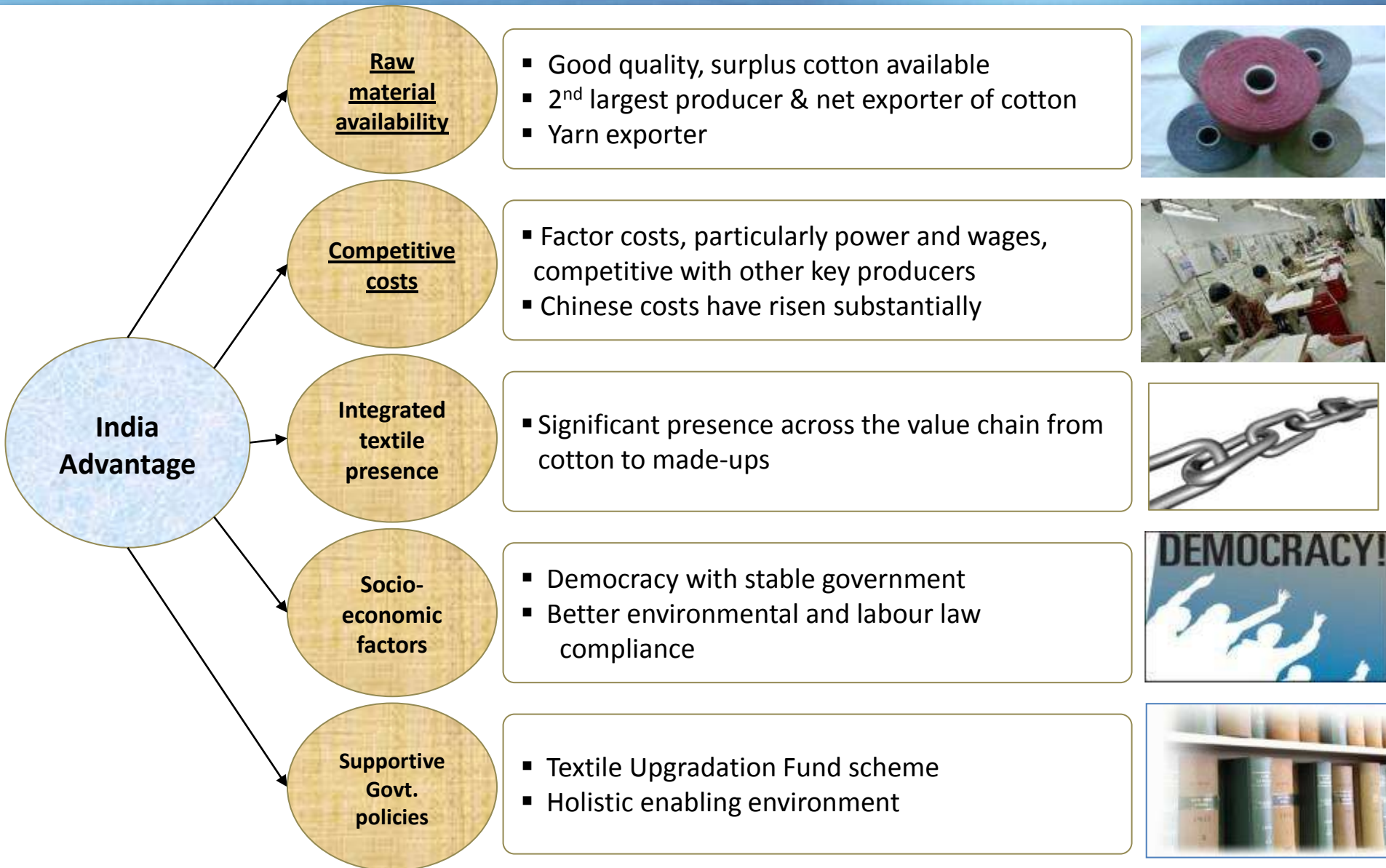
- **Cotton Importer**
- Energy issues
- Geopolitical issues
- Compliance issues



Bangladesh

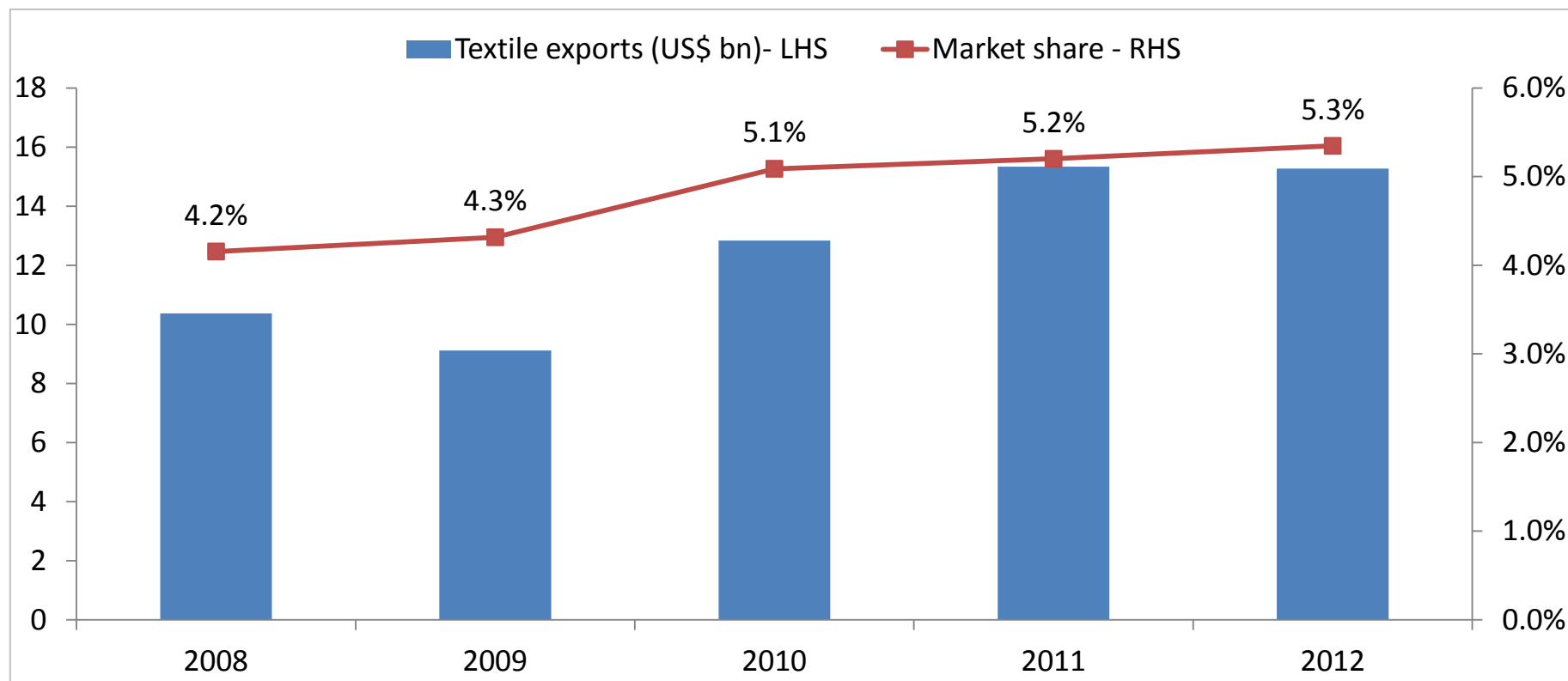
- **Negligible Cotton Production**
- Environmental compliance issues
- Workers' safety issues

Structural Change: Tailwinds favoring India



Structural Change: Reflecting in India's market share

India's Global textile exports

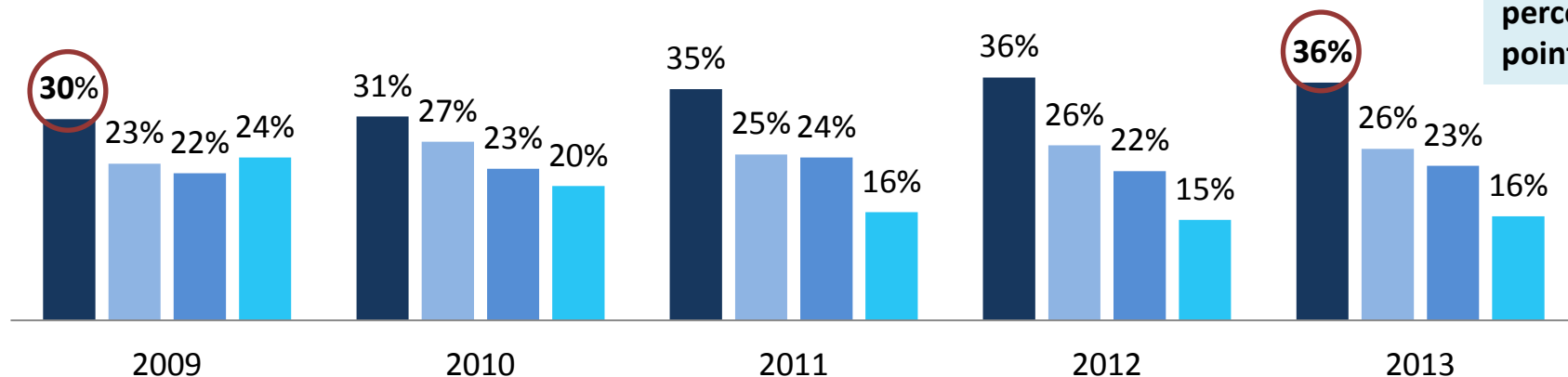


Structural Change: More prominent in Home Textile

US Imports from Various countries – Market share

Towels (Cotton)

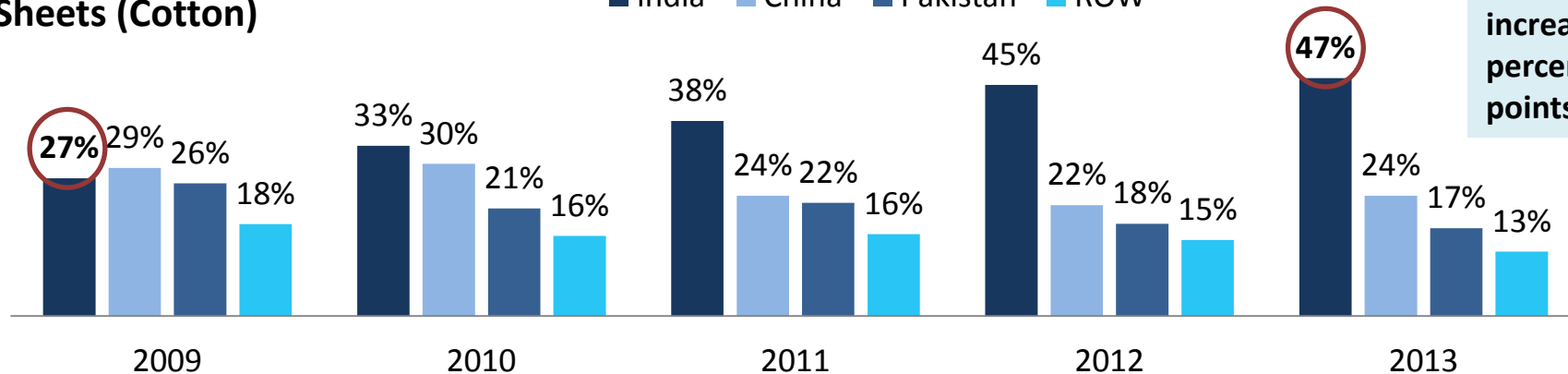
■ India ■ China ■ Pakistan ■ ROW



India's share increased by 6 percentage points in 4 years

Sheets (Cotton)

■ India ■ China ■ Pakistan ■ ROW



India's share increased by 20 percentage points in 4 years

Structural Change: Advantage India in Addressable opportunity

Market Size

- Home textile market at US\$40 bn

US market

- Constitutes about one-third of the global market
- India best placed among competing countries
- Potential to increase penetration in key categories (TOB, carpets etc.)

European market

- Constitutes about one-third of the global market
- India competitive in spite of duty disadvantage
- Proposed India - EU FTA to reduce duties by 5% - 10%

Other markets

- Potential to increase presence in markets like Japan, Korea, Australia
- FTA with Japan, Korea to boost trade
- Indian domestic market is a huge potential opportunity

- Structural Change in Global Textile & Specialty Textile
- **Welspun India – Global Leader in Home Textiles**
- FY-14 Highlights
- Road Ahead – Maintaining leadership

Leadership: WIL - Well Placed to Address Global Opportunities



Leadership: Focus and Execution

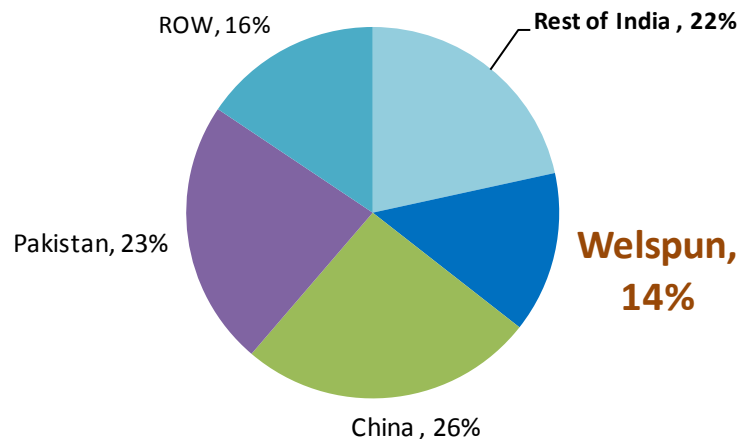
- Focussed on Home Textiles as a differentiated End-to-end Solutions Provider
- Widest product range in Home Textiles segment

Bath	Bedding	Flooring
Towels	Sheets	Carpets
Bath robes	TOB	Rugs
	Basic Bedding	

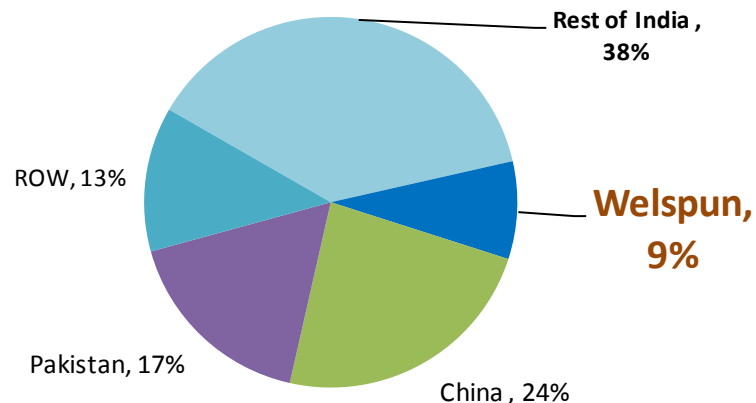
- Uniquely positioned for cross-selling due to Customer reach, Competitive manufacturing and Global delivery model empowering higher wallet share
- Track record of satisfied customers and repeat business from them

Leadership: Categories

US Import of Cotton Towels in 2013



US Import of Cotton Sheets in 2013

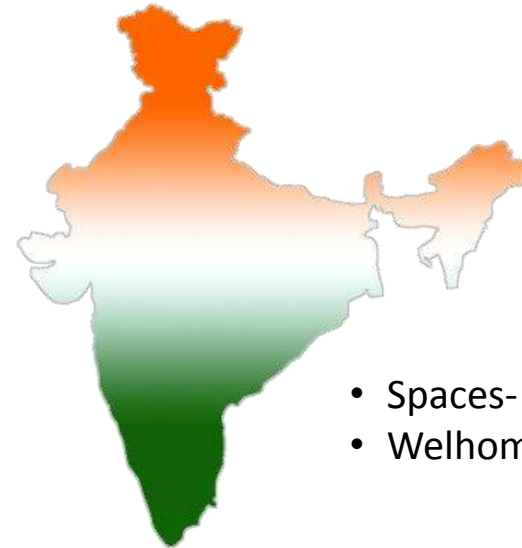


- Significant market share in Towels and Sheets in the US
- Rugs and TOB are relatively new products – Gaining market share
- Filled products and carpets are recently launched – Expected to gain market share over the next 2-3 years

Leadership: Best-in-Class Customer Base



- Wal Mart
- Bed Bath & Beyond
- Macy's
- J C Penney
- Target
- Kohl's
- K Mart- Sears
- and many more



- Spaces- Home & Beyond
- Welhome



- Ikea
- Carrefour
- JYSK
- El Corte Ingles
- Vincenzo Zucchi S.p.A
- ... and many more



- ASDA
- Tesco
- Marks & Spencer
- Debenhams
- House of Frazer
- Christy
- and many more

Leadership: Global Reach & Delivery Model

GLOBAL PRESENCE



Leadership: Scale

“Ranked No. 1” for last 2 years by US Home Textiles Today Magazine in “Top 15 Home Supplier Giants to USA”

**Largest
Bath
Towels
Supplier**



**2nd
Largest
Bedding
Supplier**



**4th
Largest
Bath Rugs
Supplier**

Capacity: 45,000 MTPA
(60,000 MTPA by FY16)
Location: Anjar/Vapi
Cap. Utilization: 99%

Capacity: 55 million Mtrs/year
(72 mn Mtrs/year by FY16)
Location: Anjar
Cap. Utilization: 89%

Capacity: 12,000 MTPA
(20,000 MTPA by FY16)
Location: Vapi
Cap. Utilization: 68%

Leadership: Brands and Innovation

Brands and Licenses



**Exclusive
Licensee for
towels**



Innovation and Patents

Innovation

- Innovation is a key differentiator for Welspun.
- Innovative products account for ~25% of the revenues.
- Focus on Product, Process and Supply Chain innovation

Six patents applied for till date

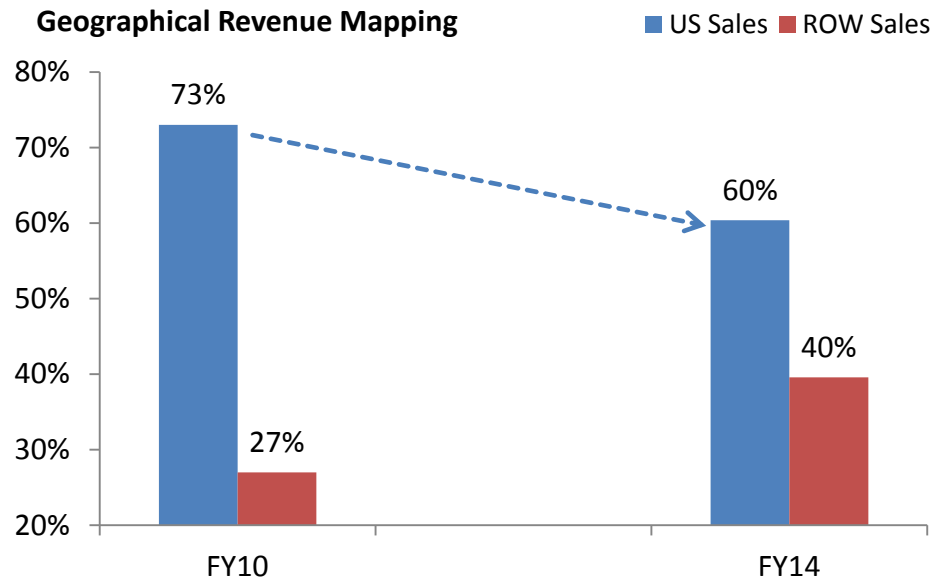
- Hygro cotton Yarn patented in UK (pending in USA and India)
- Five other patents pending approval

Other Key Innovations

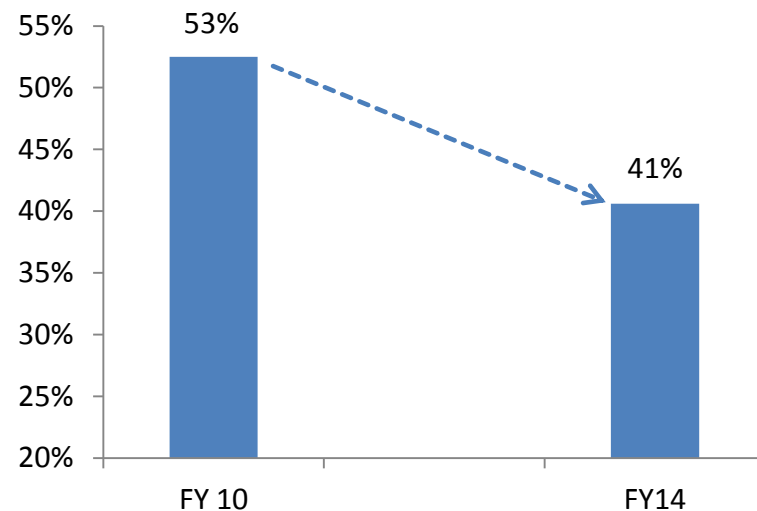
- a. Eco Dry Towels
- b. Hygro cotton yarn
- c. License for Flex Fit

Leadership: Enhancing Resilience

Geographical Revenue Mapping



% Sales - Top 5 Customers



- Further working to develop Lat Am, Asia pacific, Indian market and exploit the full potential of European markets.

Leadership: Recognitions

2014

- CEO award from Sears Holding.
- **Green Believers Award** from Frost and Sullivan's at Green Manufacturing Excellence Awards and Summit 2014.
- **"Best Corporate Social Responsibility Practices"** award at Global CSR Excellence Leadership award 2014 by World CSR Congress.

2013

- Sears/K-mart Vendor of the Year.
- 5 Star Vendor award for the year 2013 by Macy's.

Textile Conclave 2013 Brand INDIA

- Largest Producer Made Ups & Home Textiles.
- Largest Exporter Made Ups & Home Textiles.

Texprocil Award 2012-13

- Special Gold Trophy for Highest Global Exports
- Gold Trophy for Highest Exports of Terry Towels in Made-ups

2012

- Golden Peacock Eco-Innovation Award
- Wilkinson Award for Best Product.
- Tesco Homeshop Gold Supplier Award.

Texprocil Awards 2011-12

- Special Gold Trophy for Highest Global Exports
- Gold Trophy for Highest Exports of Terry Towels in Made-ups
- Gold Trophy for Highest Exports of Made-ups in Merchant Exporter

Leadership: Social, Environmental and Corporate Values

Welspun's social vision is enshrined in the 3E's

Education

- Quality Education Program with 18 Govt. Schools in Kutch from 15 villages reaching out to 5720 students and 157 teachers.
- 4 Balwadis (Pre-primary Education Centers) with 170 children being benefited.



Empowerment

- 8 Vocational Centers to train women in Cutting & Stitching. 600 women trained in stitching. Avg. earning per women per month INR 5050.



Environment & Health

- Drinking water purification RO plant in Vapi reaching out to approx. 6200 people.
- Welspun has planted 2,29,654 Trees at Anjar.



“Global CSR Excellence & Leadership award”

World CSR Congress 2012 and 2013



“Outstanding CSR in Textiles Sector”

Wockhardt Foundation 2011



WOMEN EMPOWERMENT AT CSR

8



Vocational Centers to Train Women in Cutting & Stitching

207



Women were employed of WIL after completion of training of the vocational Centers

226
(150 Under Training)



Women Engaged across our vocational Centers

610



Women Trained in stitching at the Vocational Centers

5,045



Average Earning per women per month across all Vocational Centers

1,82,883



Total Bed Sheets Produced till date

5,60,800



Total number of products developed across all vocational Centers

46,52,752



Total Earning of women beneficiaries of the vocational centers

Leadership: Vision



Global leadership position



Best-in-class, end – to - end product and service offering



Continuous improvement in systems and processes



Develop human capital – The most valuable asset

Across all business verticals and product categories

- Structural Change in Global Textile & Specialty Textile
- Welspun India – Global Leader in Home Textiles
- **FY-14 Highlights**
- Road Ahead – Maintaining leadership

FY14 Highlights

- Ranked largest Home textile supplier to the US for the second consecutive year by HTT magazine
- Acquired 19 new clients across 13 countries
- Highest annual sales in the history of the company
- Highest EBITDA and EBITDA margin in the history of the company
- Embarked on a major capex plan of Rs. 11 bn
 - By March 31st 2014, capex of Rs. 8.2 bn completed
 - Expected to be completed by June 2014
- SAP implemented across the company
- Welspun Global Brands Ltd. recognized as a “Certified Woman Business Enterprise”

FY14 Highlights: Financials

- Strong improvement in financial performance

(Rs. in million)

Particulars	FY13	FY14 reported	FY14 (comparable)	% Change (with Comparable)
Net sales	36,473	44,954	44,954	23.3%
Operational EBITDA	5,946	9,211	9,211	54.9%
Reported EBITDA	6,438	10,253	10,253	59.2%
Finance Cost	1,977	2,352	2,352	19.0%
Depreciation	1,449	6,863	1,903	31.4%
PBT before exceptional	3,013	1,037	5,997	99.1%
PAT after Minority	2,248	921	4,195	86.6%
Cash PAT	4,178	6,237	6,237	49.3%

Note: On account of the change in depreciation policy from straight line method to reducing balance method, the company had taken an additional one-time depreciation of Rs. 4,631 million in Q2FY14. In order to maintain consistent accounting policies, the subsidiaries have also provided depreciation on reducing balance method, resulted in an additional depreciation of Rs. 329 million in Q4 FY14. Comparable figures are normalized for these effects.

- Equity dividend of Rs. 3 per share declared, Payout ratio : 30%

FY14 Highlights: Balance Sheet

(Rs. in mn except Ratios)

Particulars	FY13	FY14
Net worth	9,902	11,097
Gross debt	20,244	30,293
Cash and cash eqv.	2,798	3,658
Net debt	17,446	26,635
Net Fixed Assets (Including CWIP)	18,615	25,609
Net Current Assets	8,221	9,991
Solvency ratios		
Fixed assets/Long term debt	1.68	1.35
Gross debt/Equity	2.04	2.73
Net debt/Equity	1.76	2.40
Net Long term debt/Equity	0.84	1.38
Long term debt/Equity	1.12	1.71
Net debt/Operational EBITDA	2.93	2.89

If Depreciation Policy had not been changed,
 Gross Debt/ Equity : **2.10x**
 Net Debt / Equity **1.84x**

- Debt increase mainly on account of backward integration capex

FY14 Highlights: Working Capital and Return Ratios

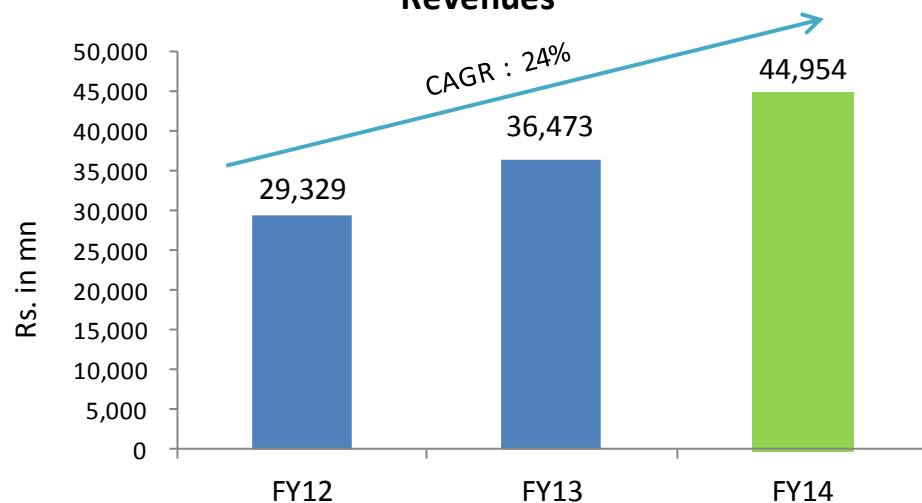
Operational ratios	FY13	FY14
Asset turnover	1.13	1.09
Inventory days	82	82
Debtor days	28	33
Payable days	50	50
Cash conversion cycle	60	65
Return ratios	FY13	FY14
ROE	25.9%	40.0%
ROCE (post-tax)	12.2%	16.3%

Note : ROCE = $\text{EBIT} \times (1 - \text{tax rate}) / \text{Average Capital Employed}$; ROE = $\text{Net Profit} / \text{Average Net worth}$

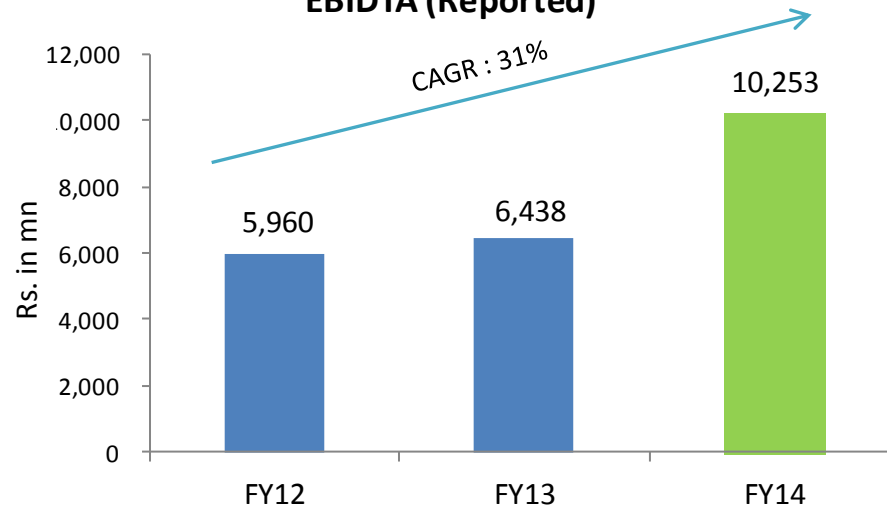
- Strong improvement in ROE and ROCE

FY14 Highlights: Key Financials (Continuing business)

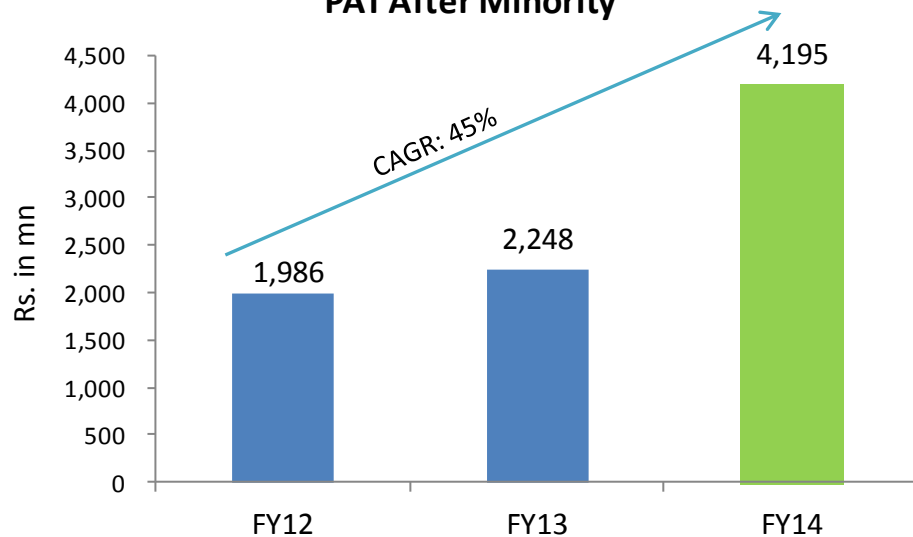
Revenues



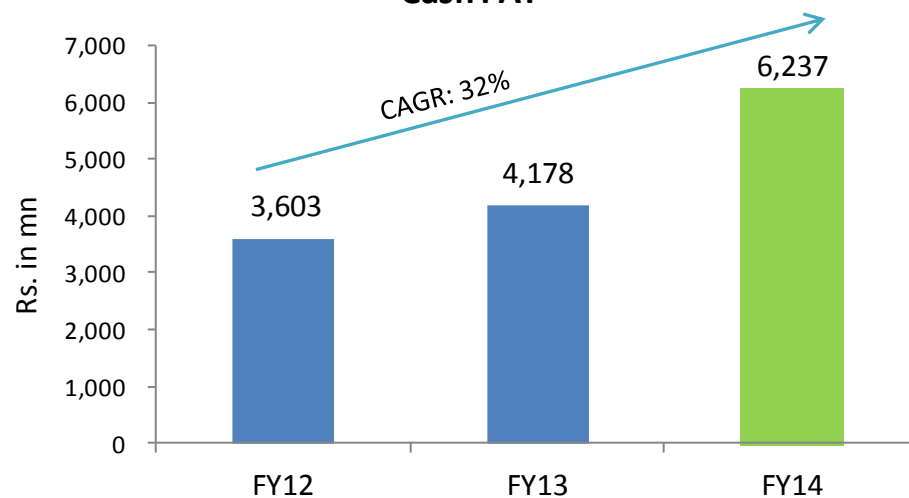
EBIDTA (Reported)



PAT After Minority

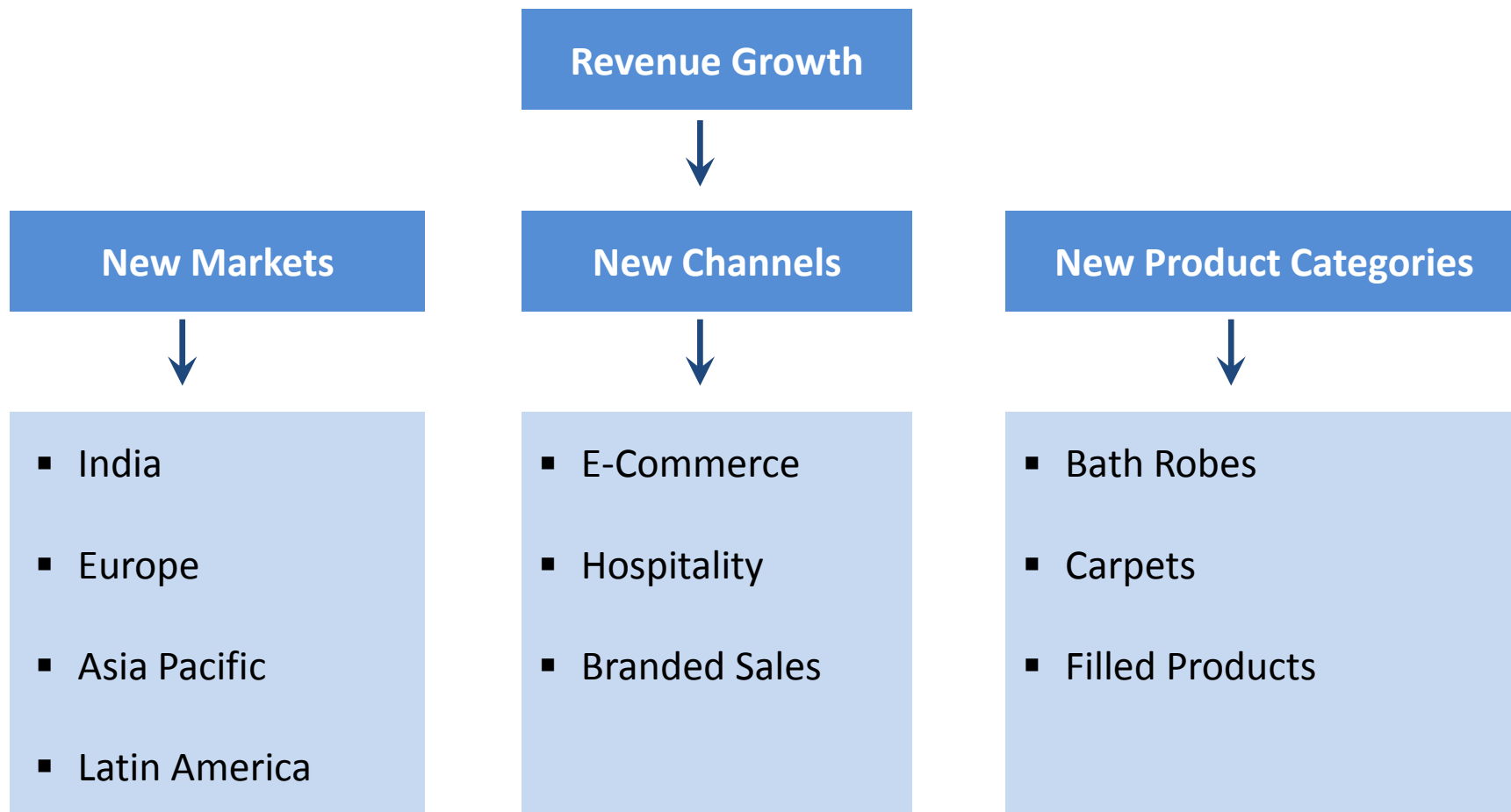


Cash PAT



- Structural Change in Global Textile & Specialty Textile
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- FY-14 Highlights
- **Road Ahead – Maintaining leadership**

Road Ahead: Maintaining Leadership | Revenue growth



Road Ahead: Maintaining Leadership | Quality & Scale

Capacities	FY14	FY15	FY16
Yarn (MT)	38,500	50,000	60,000
Towels (MT)	45,000	50,000	60,000
Sheets ('000 metres)	55,000	60,000	72,000
Rugs incl Carpets(MT)	12,000	15,000	20,000

- Total capex plan of Rs. 24bn
- **Phase-1** – Capex of Rs. 11 bn, close to completion
 - Focused on backward integration and debottlenecking
 - To mitigate quality and availability issues of key intermediates
- **Phase- 2** – Potential maximum Capex of Rs. 13bn over FY15 and FY16
 - To be focussed on plant modernisation and calibrated finished product capacity expansion

Thank You

India – Only Textile Exporter with Cotton surplus

Cotton Balance Sheet – MY 2013-14 (In mn Bales - 480 LB)

COUNTRY	OPENING STOCK	OUTPUT	IMPORT	CONSUMPTION	EXPORTS	ENDING STOCK
WORLD	90	117.1	38.45	109.48	38.47	97.9
U.S.	3.9	12.9	0.00	3.6	10.4	2.8
INDIA	12.0	29.5	0.8	23.0	8.8	10.40
CHINA	50.4	32.0	12.8	35.5	0.10	59.6
PAKISTAN	2.9	9.5	2.5	11.5	0.4	2.9
BANGLADESH	0.9	0.1	3.7	3.8	0	0.9

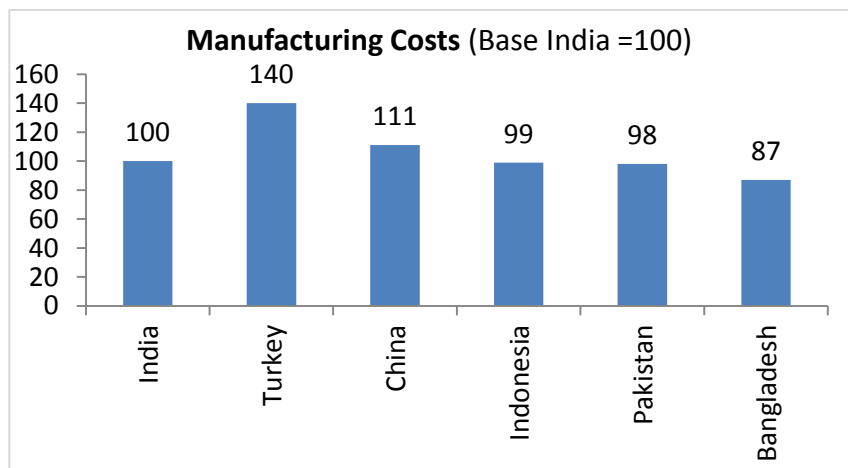
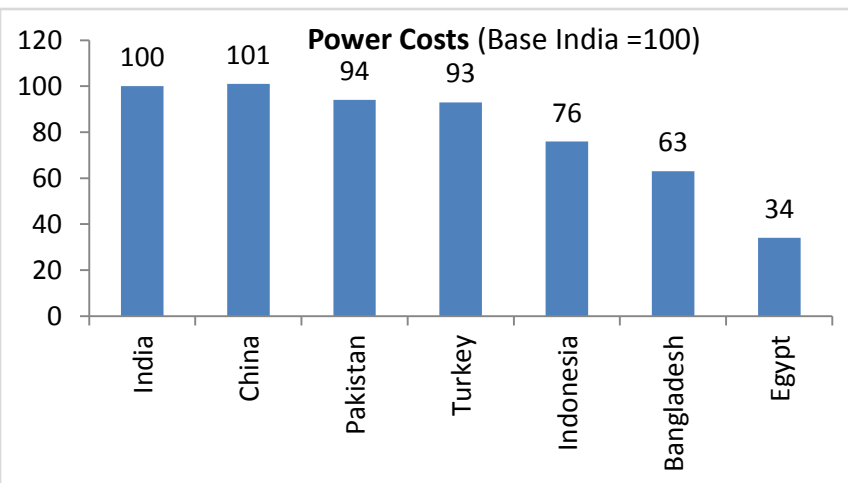
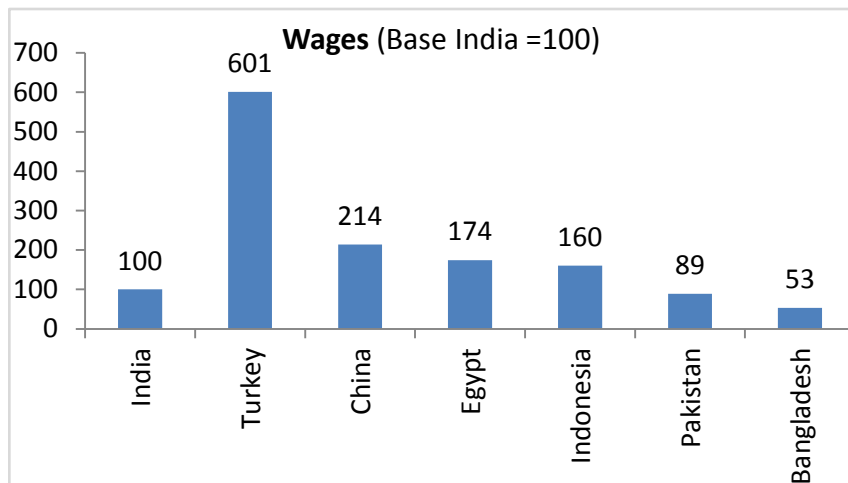
Source :- USDA

- India produces 25% of world's cotton and consumes about 20% ; rest is exported
- China holds 61% of world's cotton stock.


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Benchmarking Input Costs

Wages, Power Cost, Manufacturing Costs Competitiveness



India's Position:-

- Wages are **Half** of China's.
- Power costs **at par** with China, Pak, Turkey.
- **Competitive** in manufacturing costs.

Source :- GHERZI

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