Welspun India Limited (WIL)

Investor Presentation – Q2 FY16

Agenda

WIL – An Overview

Industry Overview: Advantage India

Welspun India: Global Leader in Home Textiles

Q2FY16 Highlights

Way forward

WIL – An overview

Global Home Textiles Leader

- A part of US$ 3 billion Welspun Group, Welspun India Ltd. is among the top three home textile manufacturers in the world and the largest home textile company in Asia
- Leading Home Textile exporter to the US for the third consecutive year
- With a distribution network in more than 50 countries, it is the largest exporter of home fashion products
- Centered on excellence and transparency, the company has emerged as a trusted partner to 14 of Top 30 global retailers like Bed Bath and Beyond, Target, Macy's, Wal-Mart and JC Penney among others
- State-of-the-art manufacturing facilities at Anjar and Vapi (Gujarat)

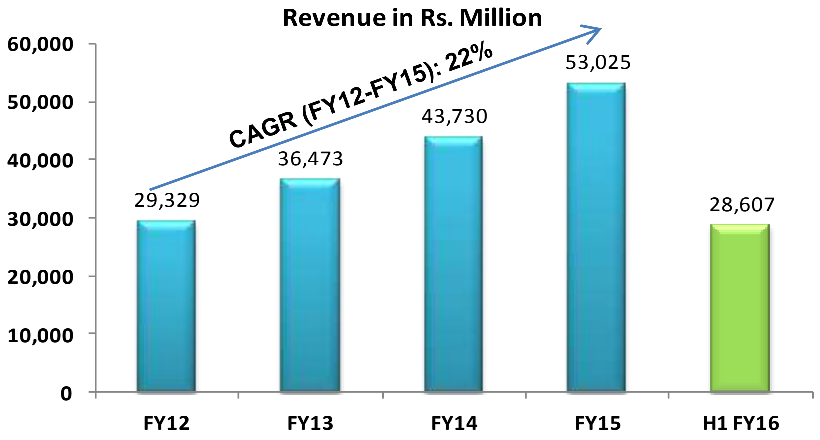
Commitment & Empowerment

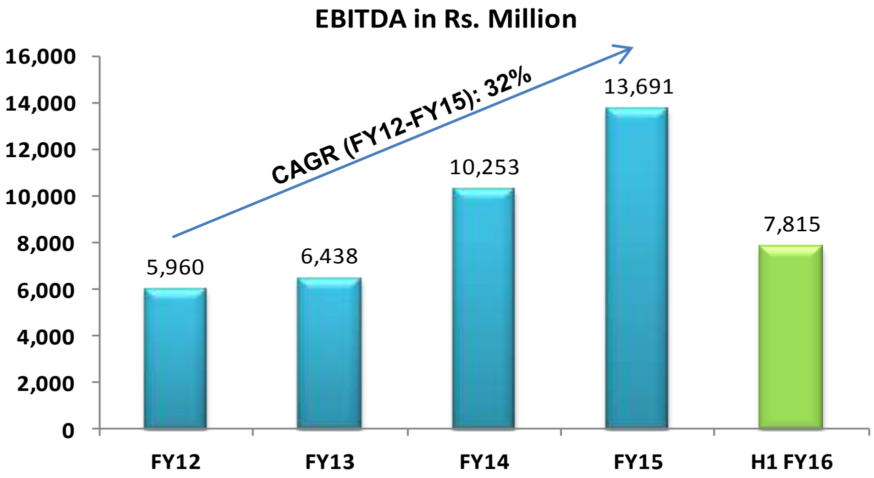
- Creates opportunities for financial inclusion for women – through initiatives like Spun, Rags to Riches and Swasti

Innovation Focus

- Patents (Including Pending) : 12
- About 30% of sales comes from innovative products

Financial Overview





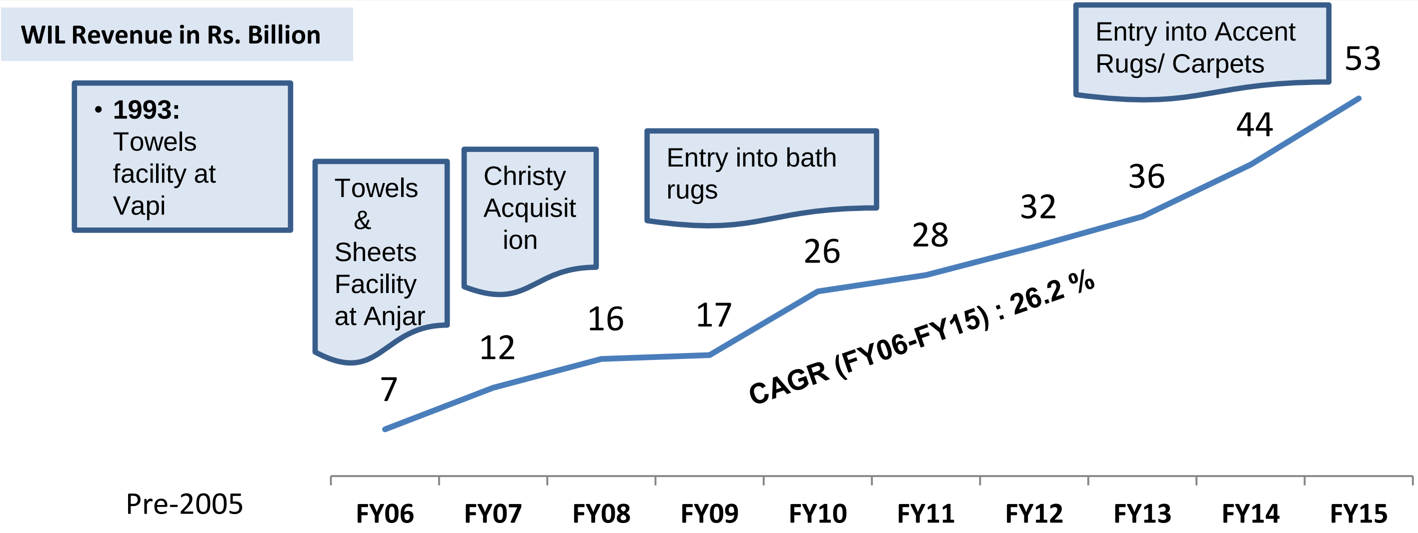
Shareholding Pattern

Particulars	**30-Sep-15**	**31-Mar-15**
Promoters	73.5%	73.5%
FIIs	8.6%	3.6%
Mutual Funds	4.1%	4.0%
Banks & Insurance Cos	0.9%	2.0%
Public	12.9%	16.9%
TOTAL	**100.0%**	**100.0%**

Market Statistics

As on Oct 16, 2015	**Rs.**	**USD**
Price per share	726	11.2
No: of Shares Outstanding (Mn)	100	100
Market Capitalization (Mn)	72,904	1,127
Daily Average Trading Volumes (Q2FY16) - No. of shares	372,271	372,271
Daily Average Trading Value (Q2FY16) - Mn	298	4.6

WIL – Revenue Milestones



- Textiles business has been growing at a CAGR of 26.2% since the inception of the Anjar Facility
- Sustained growth indicates the potential of Home Textile market in the world
- International operations majorly contribute to the revenue

Industry Overview: Advantage India

Global Home Textile Scenario

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Market Size

- Home textile market at US$45 bn
- Bath constitutes ~25%
- Bed constitutes ~35%

Key Consumers

- US , Europe and Japan are the largest consumers
- Global demand equally split between US, Europe and Rest of the World

Key Producers

- India , Pakistan and China are the largest producers; Account for 85% of cotton home textile trade to US
- Global market share: India 11%; China 35%
- India’s market share is higher in cotton home textiles

Structural Change: Asian Dominance in Home Textiles

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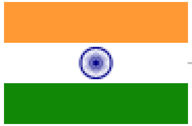
Textiles and Clothing US$784 bn	• China : 36% • India : 5%
Textiles US$306 bn	• China : 35% • India : 6%
Home textiles US$45 bn	• China : 35% • **India : 11%**

India has emerged as significant player in Home Textiles

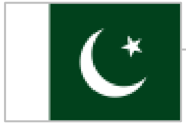
Source :- WTO - 2013 data, Texprocil, Company estimates

Structural Changes in favour of India



- Largest producer and 2nd largest exporter of cotton
- Exporter of yarn
- Competitive costs
- Robust ecosystem for textiles
- Democracy with stable government
- Better environmental and labor law compliance

- Major importer of cotton and yarn
- Yuan appreciation
- Losing export Competitiveness
- Wage inflation
- Rising power costs
- Stricter environmental compliance
- Focus on domestic consumption
- Yarn capacity closures



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

Structural Change: Manifesting in Higher Market share

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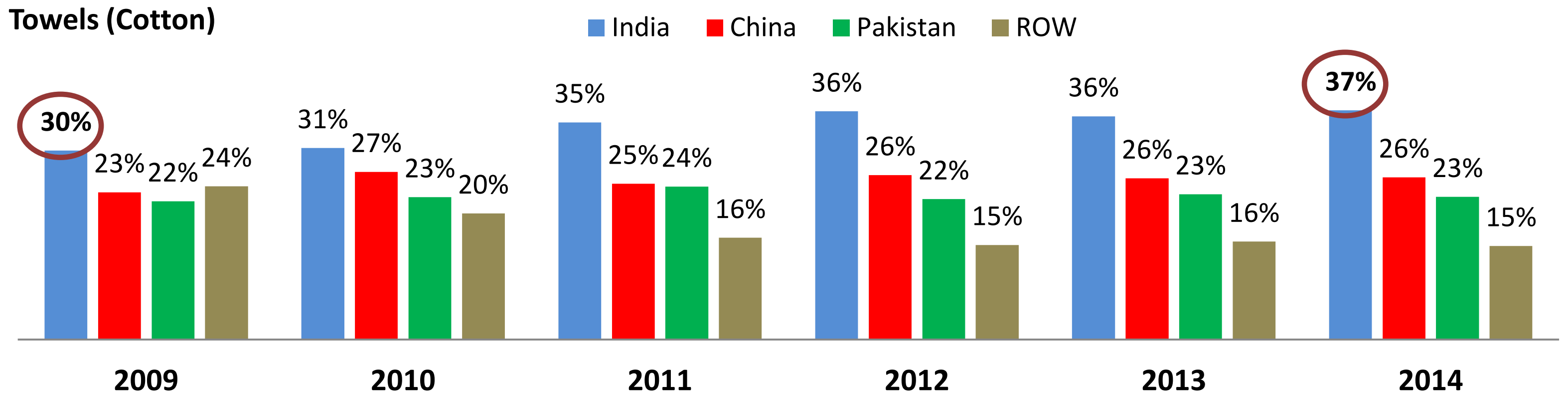
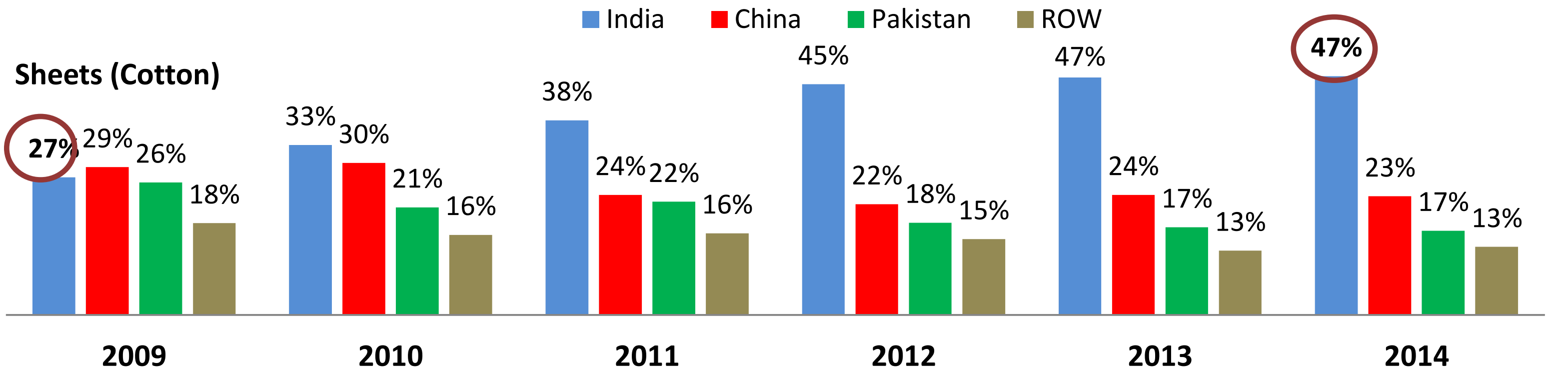
US Imports from Various countries – Market share



India's share increased by 7 percentage points in 5 years



India's share increased by 20 percentage points in 5 years

India's dominance is evident in cotton home textiles

Source: Otexa

Welspun India

Leadership: Focus and Excellence

- A differentiated End-to-end Solutions Provider in Home Textiles
- Widest product range in the Home Textiles segment

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

- Uniquely positioned for cross-selling due to Customer reach, Competitive manufacturing and Global delivery model empowering higher wallet share
- Strong track record of customer satisfaction and repeat business from them; 80% revenue from replenishment

Wide product range in Home textiles

Leadership: Strategic Partnership with Global Retail Giants

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- Bed Bath & Beyond
- Macy’s
- J C Penney
- Target
- Kohl’s
- Wal Mart
- K Mart- Sears

….. and many more

- Spaces- Home & Beyond
- Welhome

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

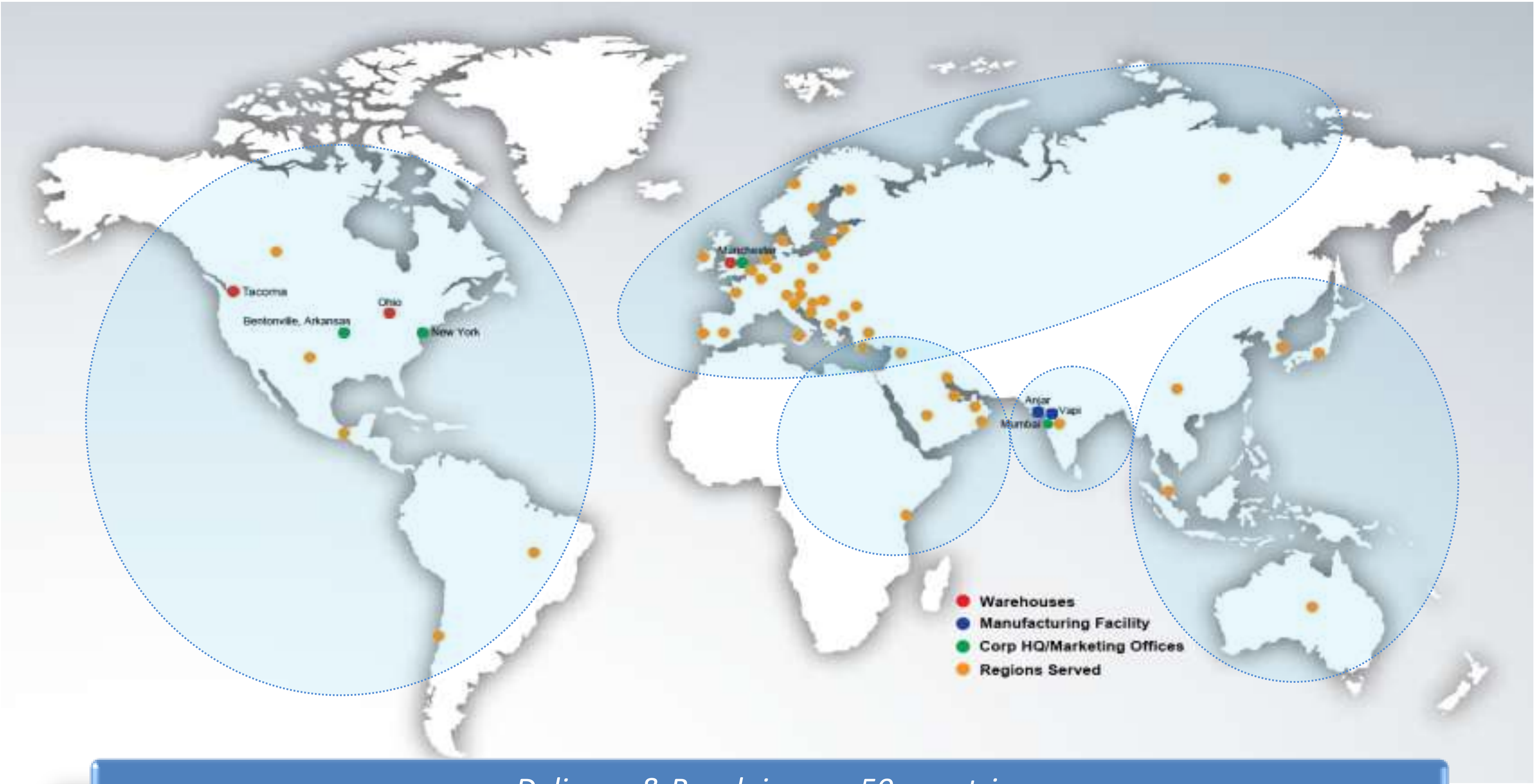
… and many more

- ASDA
- Tesco
- Marks & Spencer
- Debenhams
- House of Frazer
- Christy

….. and many more

Strategic Partnership with Marquee clients across geographies

Leadership: Global Reach & Delivery Model



Delivery & Reach in over 50 countries

Leadership: Scale

Product	Unit	FY15 Capacity	Sales volume	Utilisation %	Expected Capacity FY16 / FY17
Towels	MT	50,000	50,852	102%	60,000
Sheets	‘000 Mtrs	60,000	58,047	97%	72,000
Rugs & Carpets	MT	15,000	8,755	58%	20,000

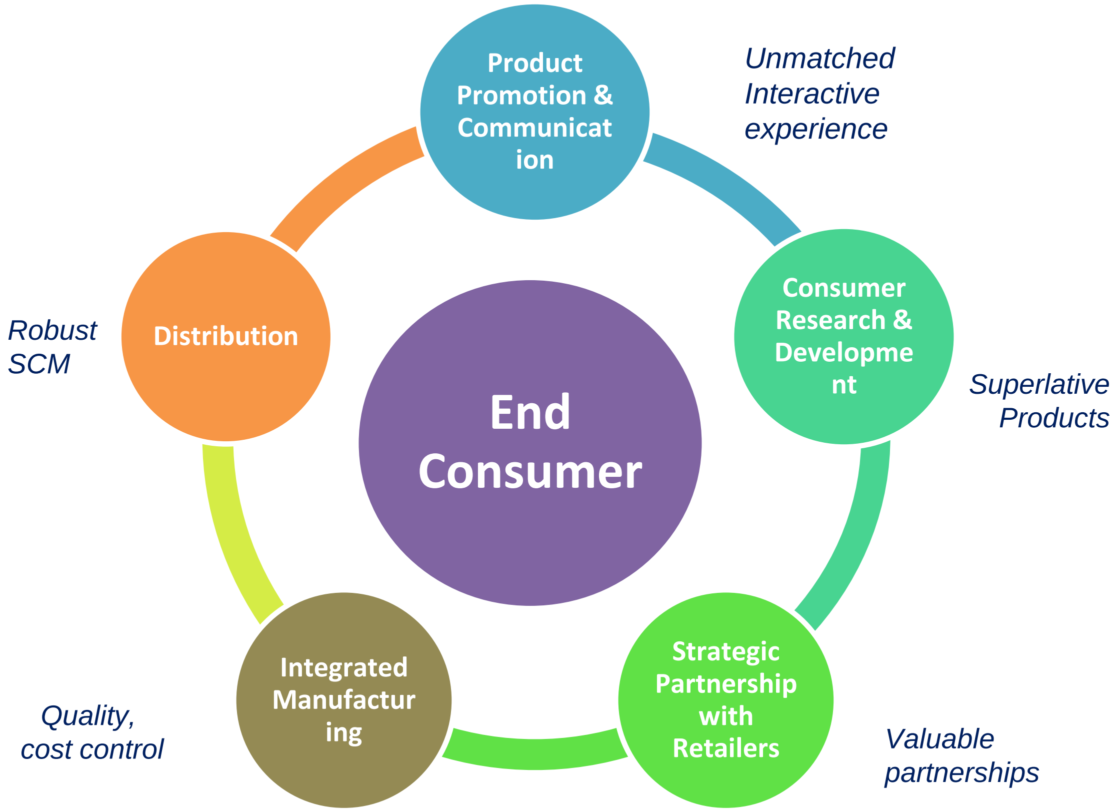
Capacities running close to full utilisation in towels and sheets

Investment of Rs.8.5 bn expected over next twelve months for modernisation, automation and capacity enhancement for towels & sheets as well as routine maintenance after adjusting Rs. 4.5 bn invested in H1FY16

Capacity growth to be achieved without headcount increase

High utilisation of world-class capacities

Leadership: FMCG Approach – Consumer-Driven Innovation



Today's Welspun: "FAST"

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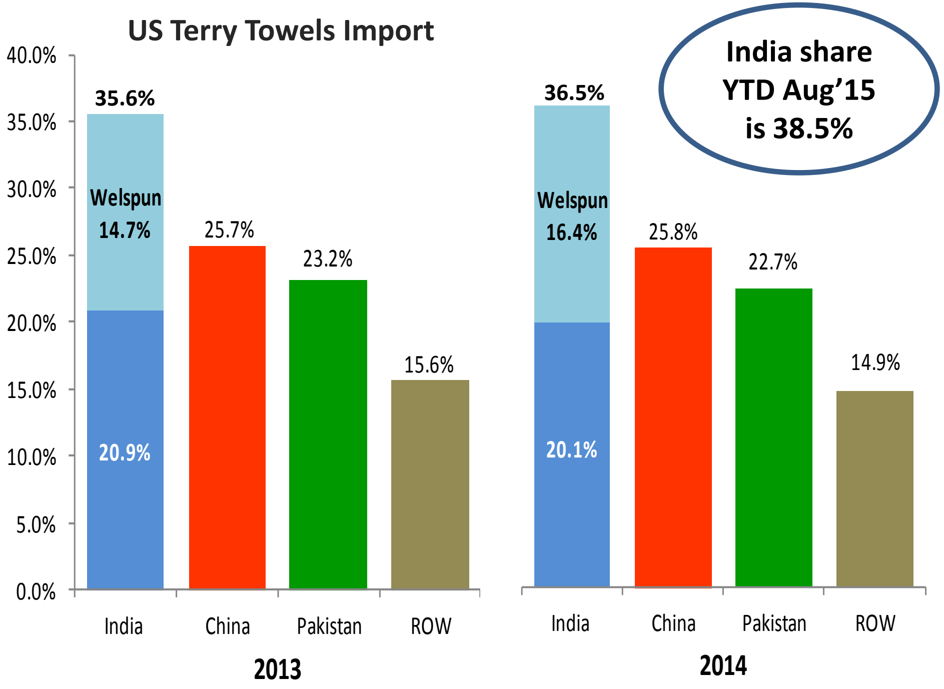
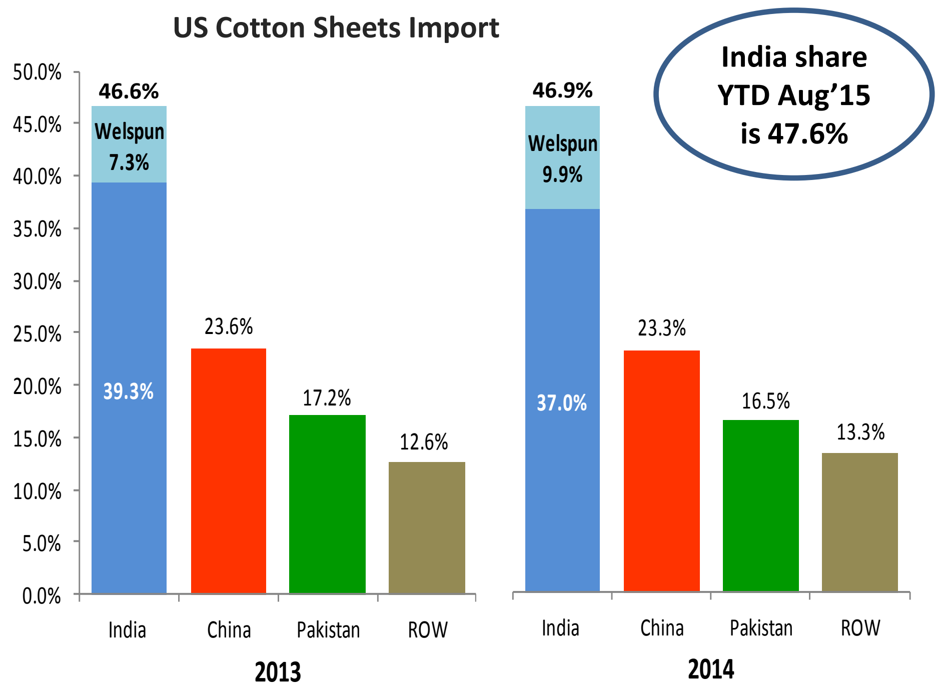
Fast	Affordable	Sustainability	Tech-oriented
Quick response time (Speed to Market)	Best cost structures for different price levels	Caring for the environment and the community	Technology leveraged across Products, Processes and Supply Chain

"FAST" translating into Leadership Position





- Welspun's share in US Terry Towels import has increased to 16.4% in 2014
- Welspun's share in US Cotton Sheets import has increased to 9.9% in 2014

Sustaining leading position in towels and sheets in the US

Source : Otexa, Company Estimates

Value through Brands

BRANDS

SPACES HOME & BEYOND

- Premium brand with presence in India and Middle East
- Footprint of around 200 shop-in-shop outlets and distribution

WELHOME BED | BATH | KIDS | LIVING

- Value brand; presence via mass retailers; also growing via distributor network

Christy ENGLAND 1850

- Largest terry towel brand in the UK with growing presence in China and the Middle East
- Present in over 40 retailers within UK
- Also present in USA and seeing aggressive growth in e-commerce

KINGSLEY HOME

- Value brand in the UK with a focus on bedding
- Growing aggressively in affordable fashion

Value through Brands (contd…)

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BRANDS

- Suppliers of the Wimbledon towels
- A souvenir that even the star tennis players covet

- License holder of the Rugby World Cup 2015 towels

- Licensed the Amy Butler range of home products for the US business with a special focus on e-commerce

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- Launched own brand of luxury linen in the US via e-commerce partners

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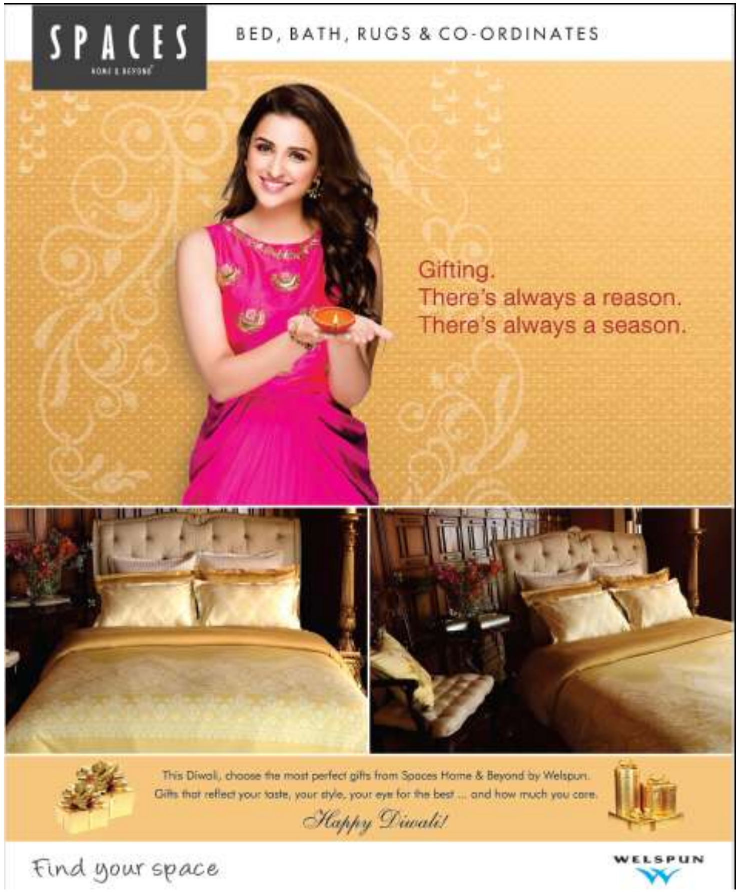
- Licensed the Annie Phillip brand for floor coverings in US, UK and India

Spaces Campaign



Branding our Innovation

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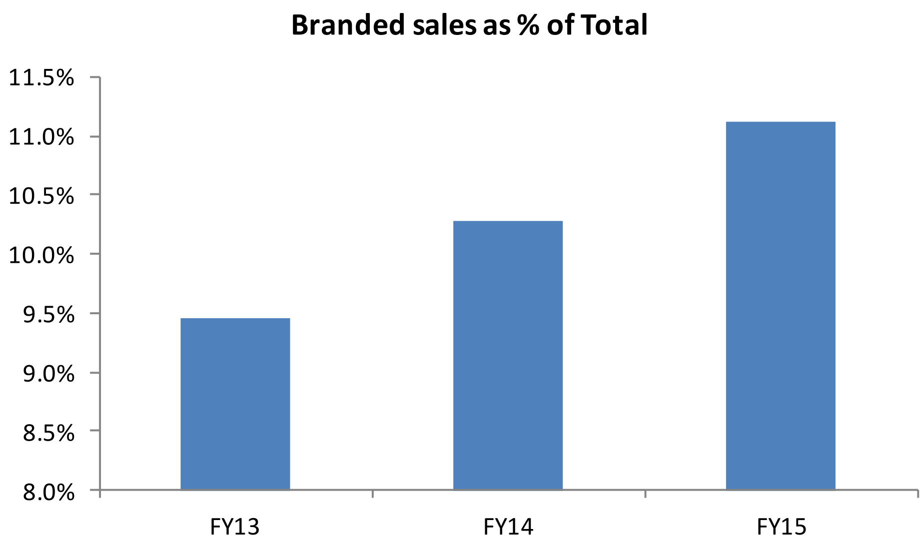
- Launched nation-wide campaign in the US in September 2015 to introduce patented Hygrocotton® technology to consumers
- First ever such campaign in textiles in the past 15 years

Value through Brands

- Strong growth expected in the branded category, especially in India
- Expansion of Christy into geographies such as USA, China and Middle East
- Increased penetration of ***Spaces*** and ***Welhome*** through shop-in-shop and e-commerce
  - Very low capex and risk
- India – Growth of branded products at ~40% CAGR over a period of 2 years
- Global – Growth of branded products currently at ~11% of consolidated sales



Rising Share of Branded Products

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SUSTAINABLE :
Corporate Social Value (CSV) – 3E's Vision

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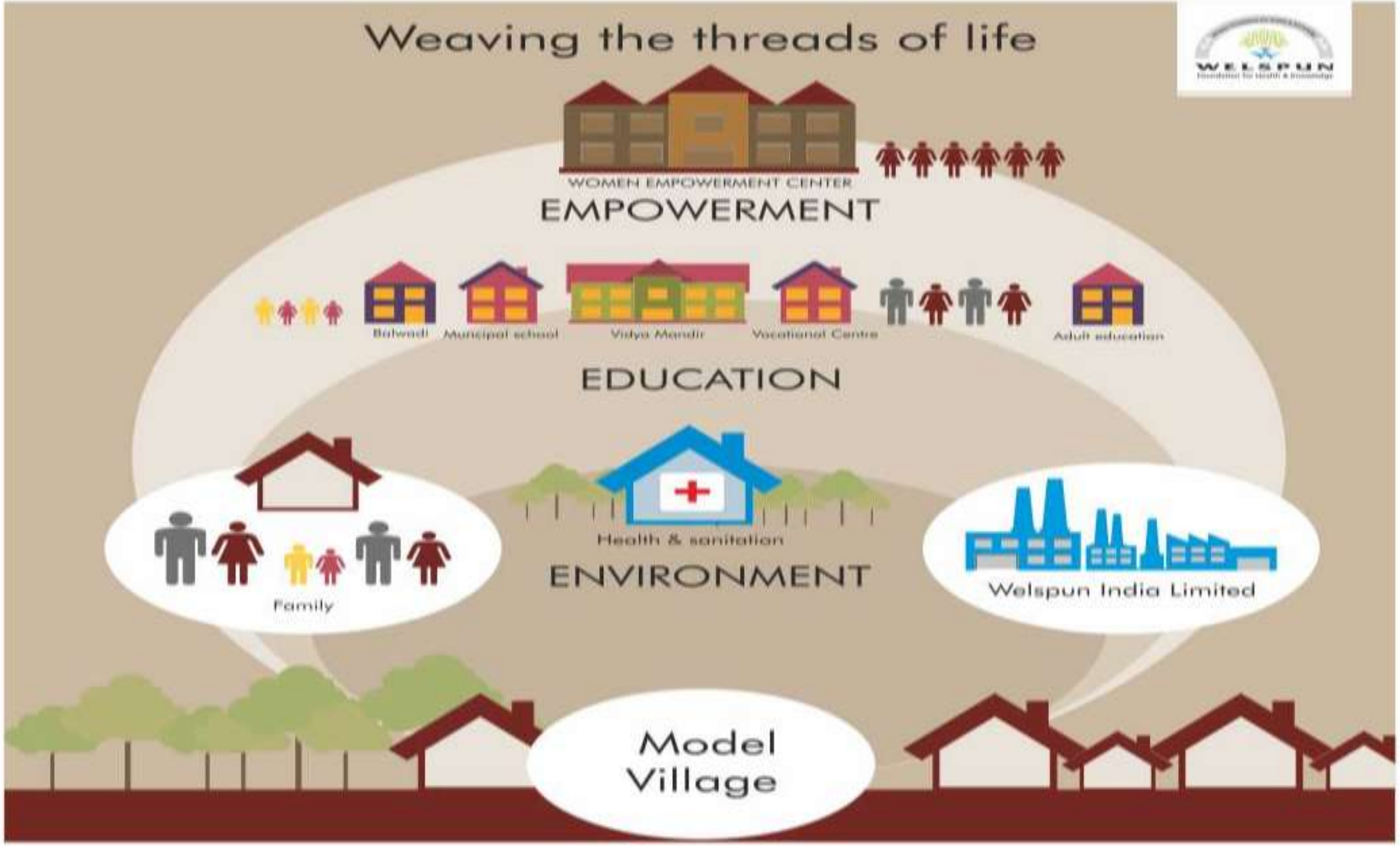
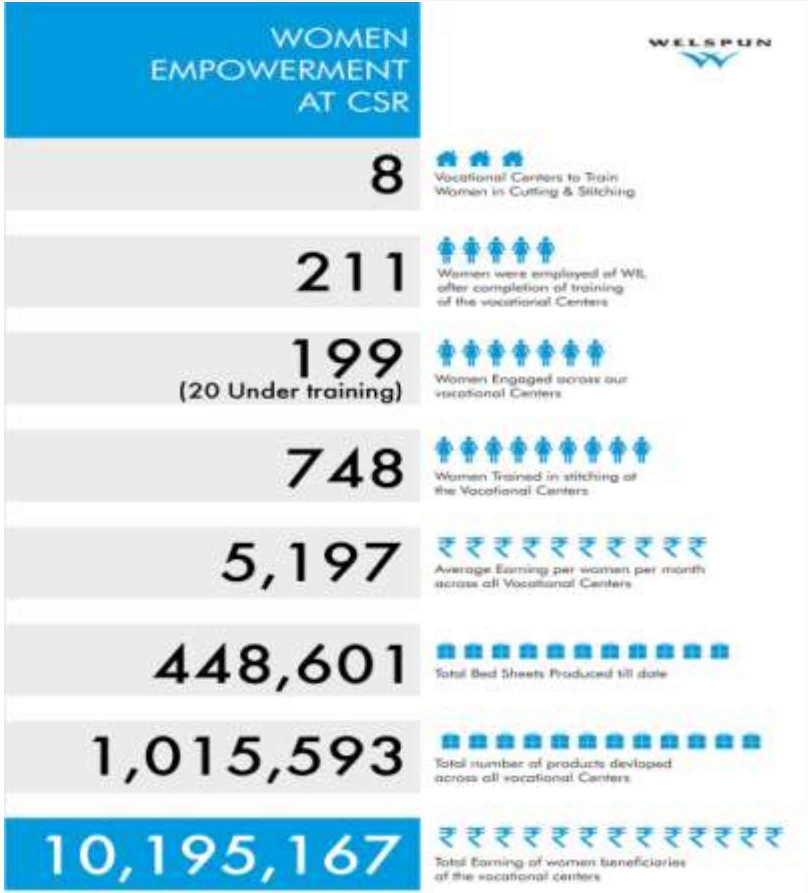


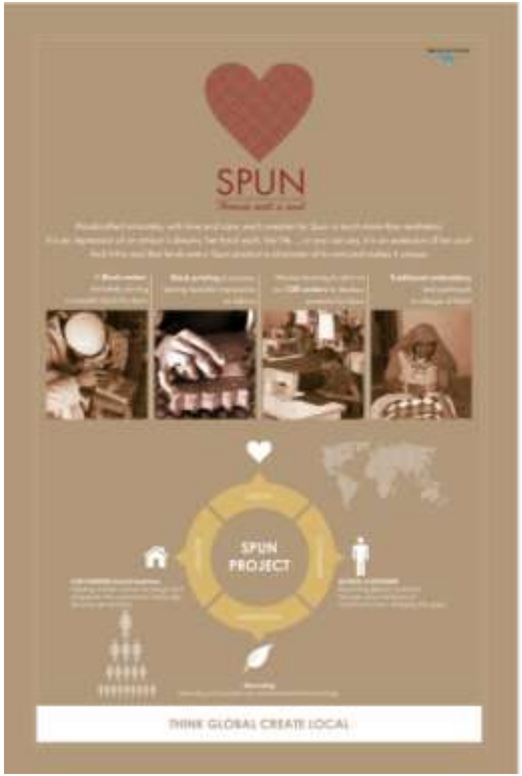
CSV – Through 3E’s

Empowerment



CSV – Through 3E's – Launched Campaign for "SPUN"

SPUN : Our Corporate Social Value initiative to Empower Women and Revive the crafts of our country



threads with a soul
Spun

CSV – Through 3E's

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Environment & Health

HEALTH CAMPS: 10 camps on blood group detection, general health check up, diabetes detection, dental camps, etc. were conducted in 10 villages of Anjar

SANITATION PROJECT: 1,800 toilets constructed in 16 villages of Anjar

MOBILE HEALTH VANS at Anjar & Mumbai: Provide basic health facilities, awareness sessions in the underprivileged communities 20 Villages in Anjar, 9 communities in Mumbai

PLANTATIONS: 4,500 fruit and vegetable plantations done at 14 villages of Anjar

RO DRINKING WATER initiative at Vapi (5 nos) and Anjar (2 nos)

Education

ADULT LITERACY PROGRAMME: 3 classes were conducted consisting of a total of 75 women at Versamedi and Ajapar villages since August 2014

QUALITY EDUCATION PROGRAMME WITH 45 GOVT SCHOOLS IN ANJAR : We recruited 62 Para –teachers

Q2 FY16 Highlights

Key highlights – Q2FY16

Launched **Hygro Tencel, Sport** and **Denim towels**

Highest Exports Award for **Bedsheet, Towel** and **Overall** Home Textiles from **Texprocil, India**

Domestic Retail Growth of **35% YoY**

Operating EBITDA margin at **25.4%**; **PAT** margin at **11.7%**

Net debt reduced to **Rs. 24.3 bn** as of Sept 30th

Capex of **Rs. 4.5 bn** in H1FY16

Net Debt to Equity at **1.4x** vs. **1.8x** in FY15; **Net debt to Operating EBITDA** at **1.65x** vs. **2.0x**

Interim Dividend @ 65% of face value

Positive free cash flows in H1FY16 after capex

Financial performance - Q2FY16 & H1FY16

(Rs. Million)

Particulars	Q2FY16	Q2FY15	YoY	Q1FY16	H1FY16	H1FY15	YoY
Revenue	14,723	14,135	4.2%	13,885	28,607	25,908	10.4%
Operating EBITDA	3,743	3,169	18.1%	3,598	7,341	5,896	24.5%
Operating EBITDA Margin	***25.4%***	***22.4%***	***300 bps***	***25.9%***	***25.7%***	***22.8%***	***290 bps***
EBITDA	3,940	3,360	*17.2%*	3,875	7,815	6,409	*21.9%*
EBITDA Margin	*26.8%*	*23.8%*	*300 bps*	*27.9%*	*27.3%*	*24.7%*	*260 bps*
Finance Cost	515	731	-29.6%	593	1,107	1,444	-23.3%
Depreciation	918	717	28.0%	793	1,711	1,403	21.9%
PBT	2,508	1,913	31.1%	2,490	4,997	3,563	40.3%
PAT after min. & assoc.	**1,724**	**1,299**	**32.7%**	**1,632**	**3,355**	**2,349**	**42.9%**
PAT Margin	*11.7%*	*9.2%*	*250 bps*	*11.8%*	*11.7%*	*9.1%*	*260 bps*
Cash Profit*	2,799	2,306	21.4%	2,561	5,360	3,958	35.4%
EPS	**17.2**	**12.9**	**32.7%**	**16.2**	**33.4**	**23.4**	**42.9%**

** PBDT – Current Tax*

Operating margin expansion by 300 bps and EPS growth of 32.7% YoY

Financial Highlights: Trend of Profitability

(Rs. Million)

Particulars	FY13	FY14	FY15	H1 FY16
Revenue	**36,473**	**43,730**	**53,025**	**28,607**
Revenue growth %	*24%*	*20%*	*21%*	-
Operating EBITDA	**5,946**	**9,211**	**12,742**	**7,341**
Operating EBITDA Margin	*16.3%*	*21.1%*	*24.0%*	*25.7%*
EBITDA	**6,438**	**10,253**	**13,691**	**7,815**
EBITDA Margin	*17.7%*	*23.4%*	*25.8%*	*27.3%*
Depreciation	1,449	1,903	3,329	1,711
Finance cost	1,977	2,352	2,829	1,107
PBT	**3,013**	**5,997**	**7,533**	**4,997**
PAT after min. & assoc.	**2,248**	**4,195**	**5,398**	**3,355**
PAT Margin	*6.2%*	*9.6%*	*10.2%*	*11.7%*
EPS*	**22.4**	**41.8**	**53.8**	**33.4**
Cash Profit	4,178	6,237	9,017	5,360

**H1FY16 not annualised*

Notes: 1) Cash Profit = PBDT – Current Tax

2) FY14 PAT and EPS are adjusted for one-time additional depreciation net of tax

Financial Highlights: Balance Sheet

(Rs. Million)

Particulars	31-Mar-13	31-Mar-14	31-Mar-15	30-Sep-15
Net Worth	9,902	11,097	14,318	17,227
Short Term Loans	9,166	11,349	10,034	10,517
Long Term Loans	11,079	18,944	20,817	19,304
Gross Debt	**20,244**	**30,293**	**30,851**	**29,821**
Cash & Cash Equiv.	2,798	3,658	4,757	5,544
Net Debt	**17,446**	**26,635**	**26,094**	**24,277**
Capital Employed#	28,862	43,694	47,208	49,530
Net Fixed Assets (incl CWIP)	18,615	25,609	26,049	28,861
Net Current Assets*	8,221	12,140	13,155	11,480
Total assets	38,579	51,684	56,953	58,894
Net Long Term Debt	8,280	15,286	16,060	13,760

 # Capital Employed = Total assets – Trade Payables – Short-term provisions – Other Current liabilities (excl long-term debt repayable in one year)

** Net Current Assets does not include Cash & Cash Equivalents*

Financial Highlights: Financial Ratios

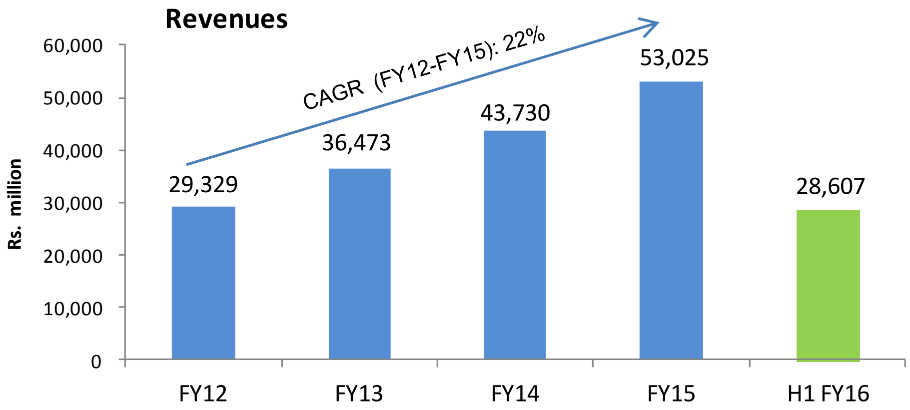
		FY13	FY14	FY15	H1FY16*
Solvency ratios	Net debt/Op. EBITDA	2.93	2.89	2.05	1.65
	Net debt/Equity	1.76	2.40	1.82	1.41
	EBIT/Interest	2.52	3.55	3.66	5.51
Operational ratios	Current Ratio	1.00	1.07	1.12	1.14
	Fixed Asset turnover	1.96	1.71	2.04	1.98
	Total Asset turnover	0.95	0.85	0.93	0.97
	Inventory days	82	84	76	61
	Debtor days	28	34	31	32
	Payable days	50	51	48	46
	Cash conversion cycle	**60**	**67**	**59**	**47**
Return ratios	ROE	25.9%	40.0%	42.5%	42.5%
	ROCE (pre-tax)	16.3%	21.9%	22.8%	25.2%

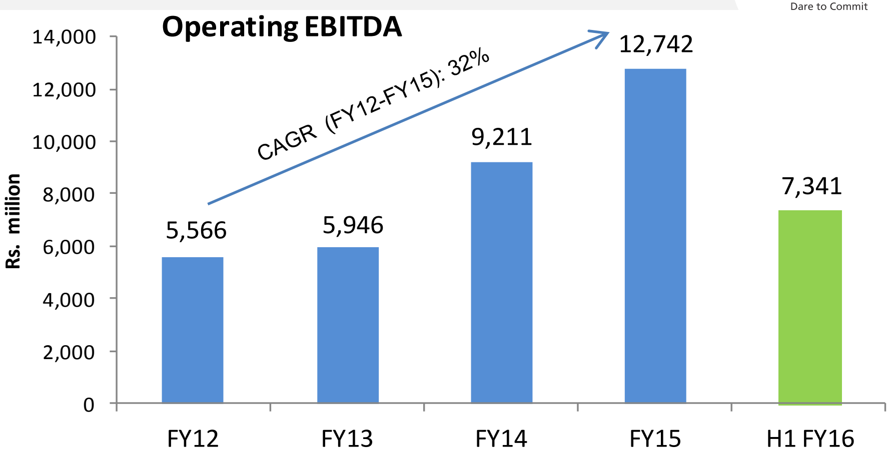
** Annualised*

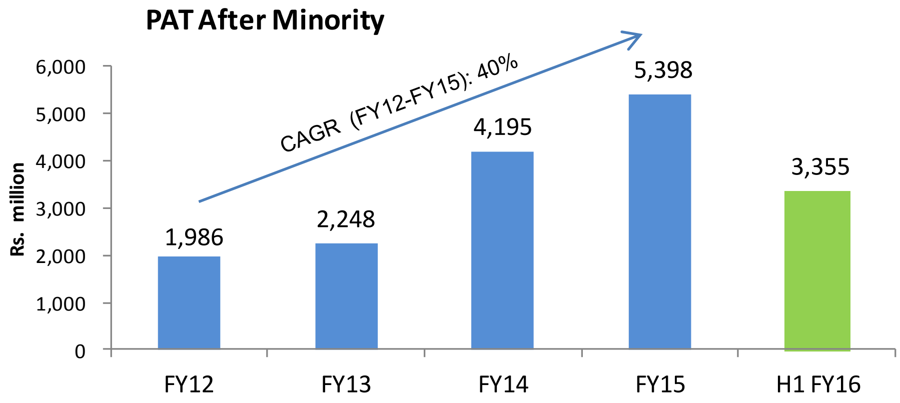
Notes:

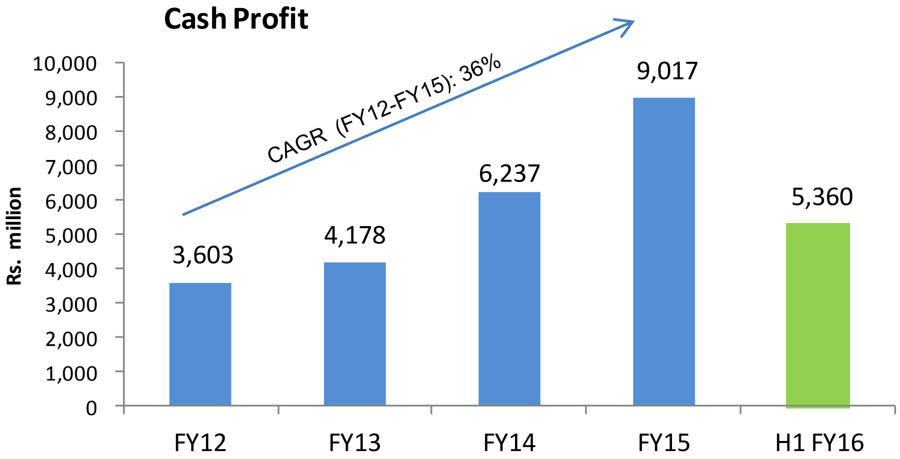
1. *ROCE = EBIT / Average Capital Employed; ROE = Net Profit / Average Net worth*
2. *Total asset turnover = Sales/ (Fixed assets + Gross current assets)*

Key Financials - Trends

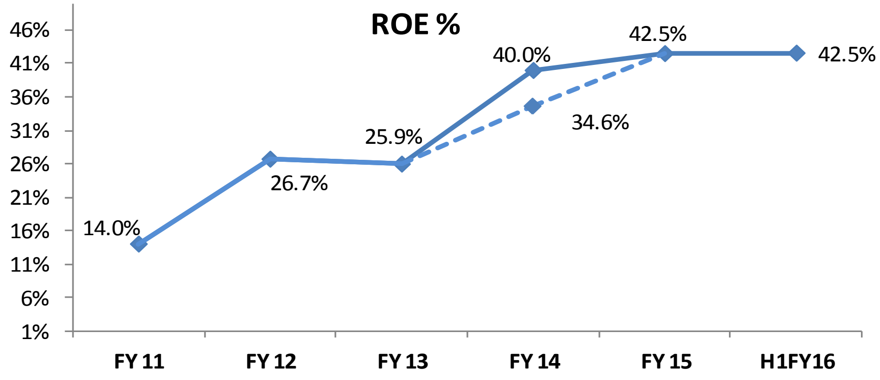


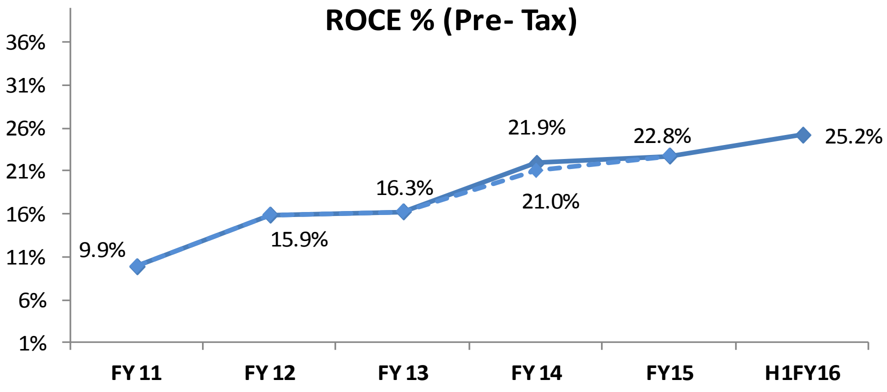


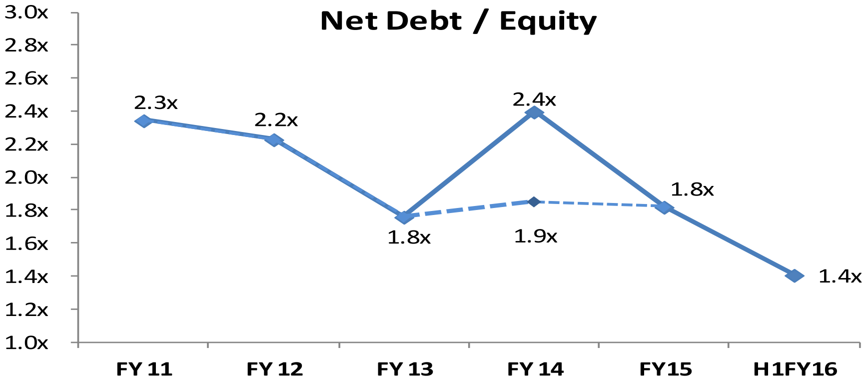


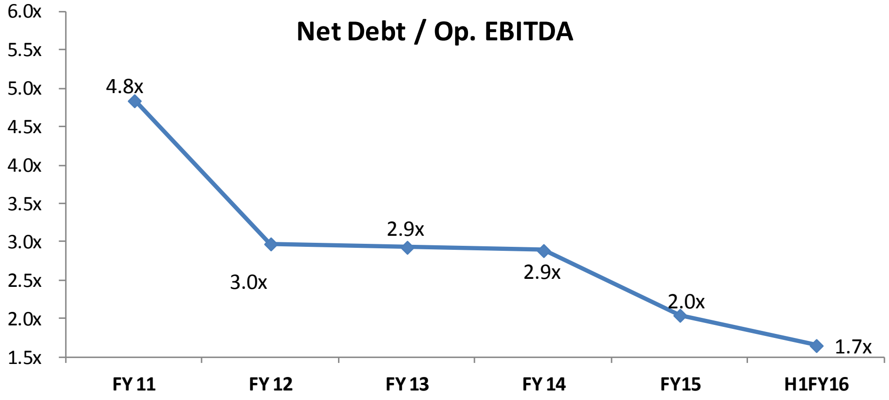


Key Ratio Trends









Note : Dotted line indicates trend after removing impact of one-time depreciation during FY14

Dividend Policy – A Pioneering Initiative in the Industry

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- Dividend distribution policy announced along with FY15 results
- Dividend Payout: 25% of standalone PAT
- Total dividend for FY15 at Rs. 10.5 per share of face value Rs. 10
- Interim dividend for FY16 at Rs. 6.5 per share of face value Rs. 10

Way Forward

Way Forward : Sustaining growth momentum

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Leverage 'FAST'

- *New markets*
- *New products*
- *New channels*

Thank You

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