



Welspun India Ltd

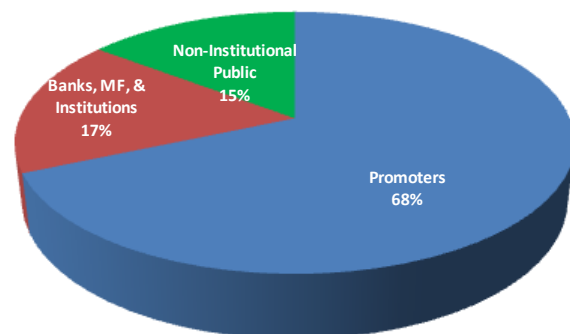
Largest Home Textile Company in the World

September 2013

Company Overview

- ❖ One of the largest global home textile players -Revenue of US\$ 670 mn in FY 13
- ❖ Incorporated in 1985; range of products include bed and bath- towels, robes, sheets, comforters and rugs
- ❖ Ranked 1st among Home Textile Suppliers in the US (*Source: Home Textile Today (HTT) - Top 15 Supplier Giants, Jan 28th 2013*)
 - ❖ Rank # 1: Bath Towels*
 - ❖ Rank # 2: Bed Sheets, Pillow cases & TOB*
 - ❖ Rank # 4: Rugs*
- ❖ Key Global Retailers as clients:
 - ❖ US: Wal Mart, Target, JC Penny
 - ❖ Europe: IKEA, Rewe, JYSK
 - ❖ UK: Christy, Mark & Spencer, House of Fraser
- ❖ Export driven business, product innovation and technological excellence
 - ❖ Patented products (pending) – 2 ; Trademarks – 7
 - ❖ Innovative products contribute ~30% of sales

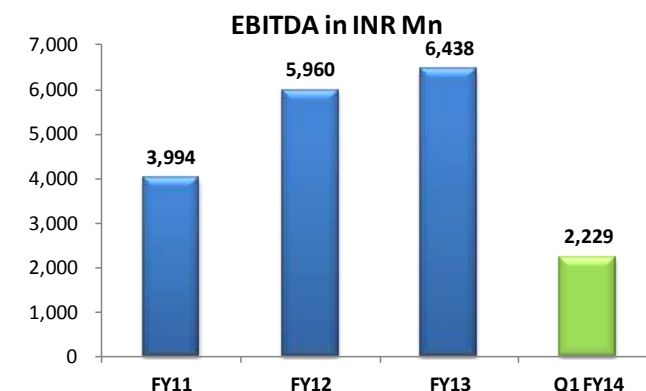
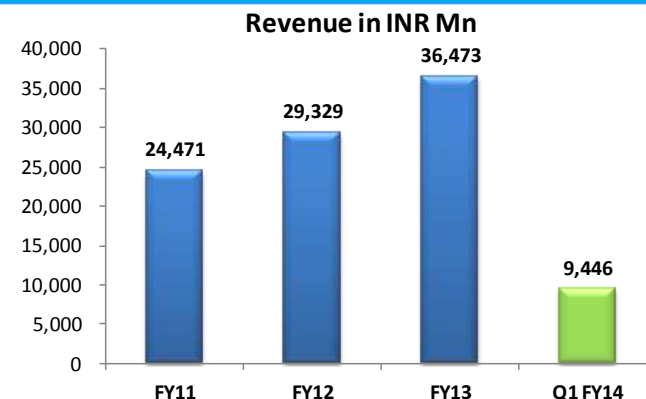
Shareholding Pattern, as on June 30, 2013



All figures re-grouped to show the consolidation of WIL and WGBL

* Based on HTT ranking published in Jan 2012.

Consolidated Financial Summary – Continuing business

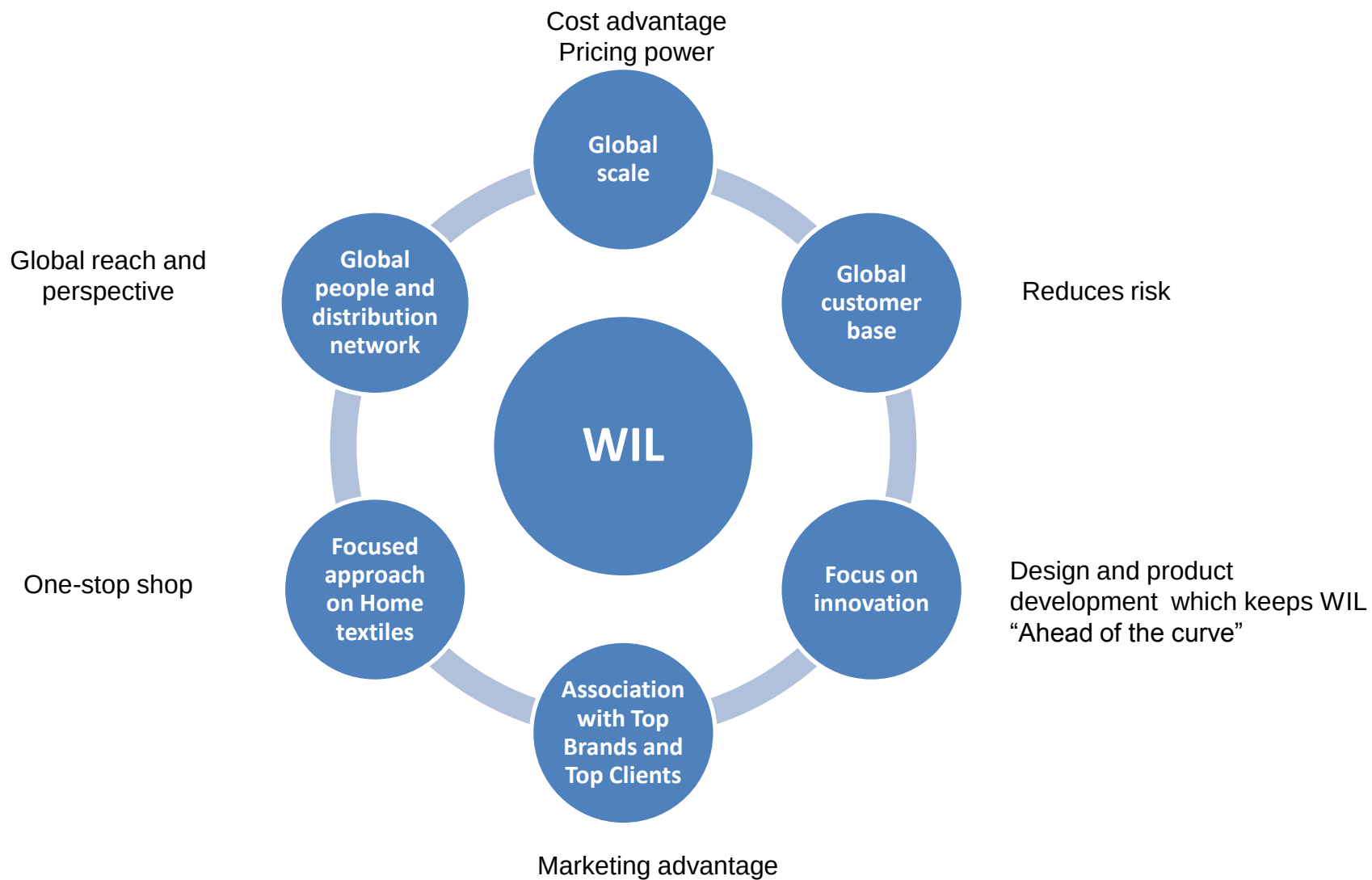


Summary Market Statistics

As on Sept 04, 2013

Price per share - INR	56.5
No: of Shares Outstanding (Mn)	100
Market Capitalization (INR mn)	5,652
Enterprise value (INR mn)	26,024
P/E (x) on TTM basis	2.15
EV/EBITDA (x) on TTM basis	3.74

WIL – A True Indian “MNC”



WIL – Strong positive Outlook

Industry factors

- India's Location advantage
 - Surplus cotton
 - Cheap labour and favourable demographics
 - High-growth domestic market
- De-risking from China, Pakistan & Bangladesh
- Proposed FTA with Europe
- Favourable government policies

WIL specific factors

- Unification of WIL and WGBL to deliver synergy benefits including lower cost and better control
- Completed exit from loss making subsidiaries; Continuing business has always been robust
- Increasing contribution from innovation: now at ~30% of sales
- Increasing backward integration: now at ~35%; expected to rise to 70-75% in a year

**Strong
sustainable
growth and
profitability**



WIL - Initiatives To Overcome Structural Challenges

❖ **Consolidation of Textile Business under single umbrella to re-create unified stronger entity**

- ❖ Merger with Welspun Global Brands Ltd (WGBL) brings in synergy benefits
 - ❖ The two entities intertwined for manufacturing, marketing and branding
 - ❖ Financial inter-linkages for debtors, creditors, loans & advances, guarantees etc

❖ **Business re-strategizing**

- ❖ Acknowledgement of the ineffectiveness of earlier decisions; concentrated efforts for a unified structure for a profitable ***Home Textile business***
- ❖ Non performing international manufacturing and marketing setups closed down
 - ❖ Resultant one time losses booked in FY12 results
- ❖ Retail: Preference given to shop-in-shop concept with no capex and low risk rather than handling own retail outlets

❖ **Simplified structure with better control**

- ❖ All textile operations under one entity – **WIL**
- ❖ Control on administrative and other distribution costs
- ❖ Streamlining of administrative and compliance procedure

❖ **Value for all the stakeholders**

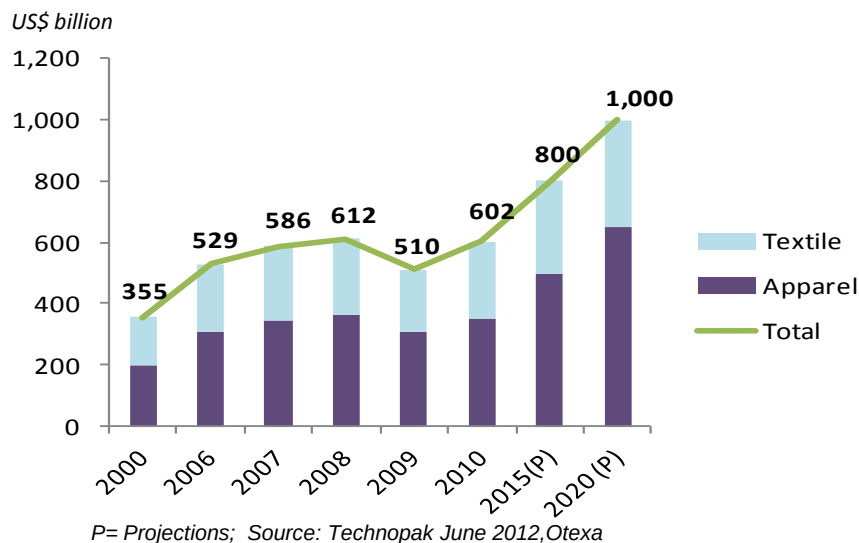
- ❖ Shareholder value under single listed entity which is completely integrated with manufacturing by parent and marketing through a wholly-owned subsidiary
- ❖ Vertical Integration of ~75% will contribute to improve the profitability of WIL significantly.
- ❖ Recently commissioned an 80 MW power plant, which will further reduce power costs.
- ❖ Competitive environment presenting opportunities to increase market share globally

Strong Textile Industry Fundamentals – Global and India

Global Textile: Supply-demand balance improving

- ❖ Increase in textiles and clothing global trade from US\$ 355 bn in 2000 to US\$ 602 bn in 2010
- ❖ Expected to reach US\$ 1 trillion by 2020, CAGR of 5% pa.
- ❖ Post dismantling of quota regime, global capacities had increased dramatically. But with closure of some of these capacities in the last few years, supply demand balance is being restored
- ❖ Emerging markets in Asia and Middle East expected to drive strong demand growth while established markets (North America, Western Europe) continue to show traction

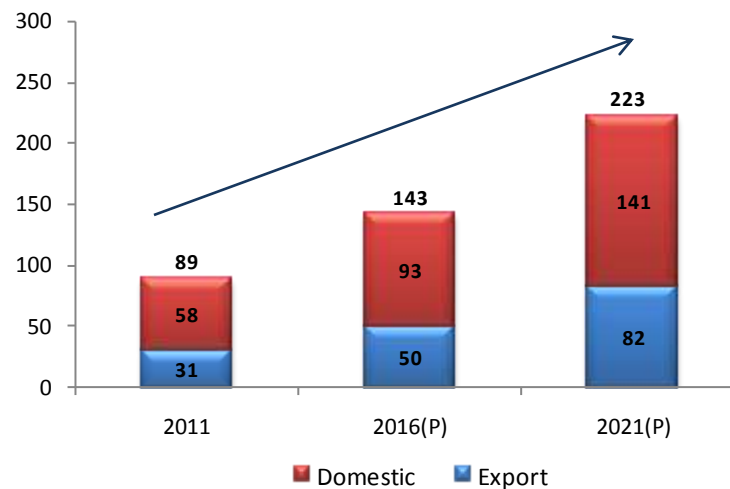
Global Textile Market on a Significant Uptrend



Indian Textile : Well placed for strong growth

- ❖ Estimated size of US\$ 89 bn in 2011 (domestic + exports), projected to reach US\$ 223 bn by 2021, CAGR of ~10%
- ❖ Second largest producer of cotton, textiles & garments and only major textile exporting country with a net cotton surplus
- ❖ 12% of India's exports and 4% of India's GDP attained through Textile industry
- ❖ Third largest exporter of textiles and clothing, with a share of ~4%
- ❖ US and EU account for about two-third of India's textile exports

Projected Indian Textile Industry – Domestic + Exports (US\$ bn)

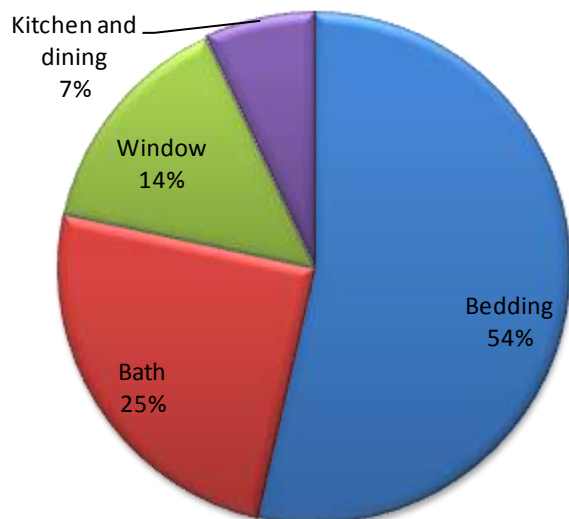


Home Textile Landscape

Global Home Textiles

- ❖ 2011 Global Home Textiles Market: US\$ 78 billion
- ❖ US and Europe account for ~ 70% of market size
- ❖ US home textile market: US\$26 bn

US home textile industry: US\$ 26bn

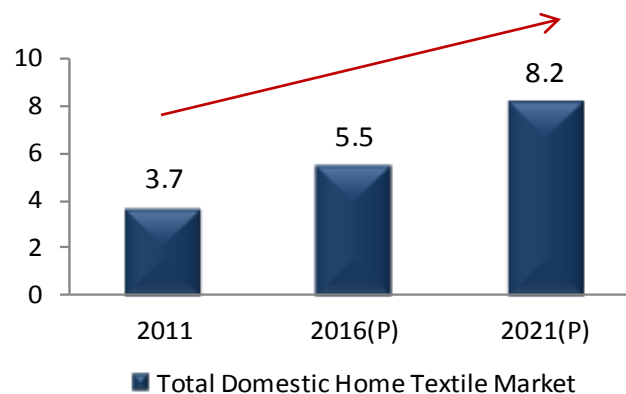


Source: NPD

Indian Home Textiles

- ❖ India's share in global home textile trade at 8% with 2/3rd of exports going to US and EU
- ❖ Indian domestic home textile market currently at ~US\$ 4bn
 - ❖ Projected to exceed US\$ 8 bn by 2021 with an expected CAGR of ~8%

Projected Indian Home Textile Market (US\$ Billion)



Source: Technopak

India – Competitive position has improved

- ❖ India's competitiveness against key competitor countries has significantly improved in the last 10 years (2002-12) resulting in higher market share
- ❖ This is on account of a variety of factors including
 - ❖ Technology up-gradation with new investment in spinning and weaving
 - ❖ Factor costs, particularly power and wages, have become relatively competitive against key competitors, especially China
 - ❖ Manufacturing costs in spinning, weaving and processing have become competitive vis-à-vis competing countries
 - ❖ Holistic enabling environment in India which the textile industry has been able to leverage and grow, even compared to countries with lower factor costs

Cotton - Only Major Textile Producer with a Cotton Surplus

- ❖ India is a net exporter of cotton, while China and Pakistan are net importers
- ❖ This has led to lower costs and better cotton availability in India

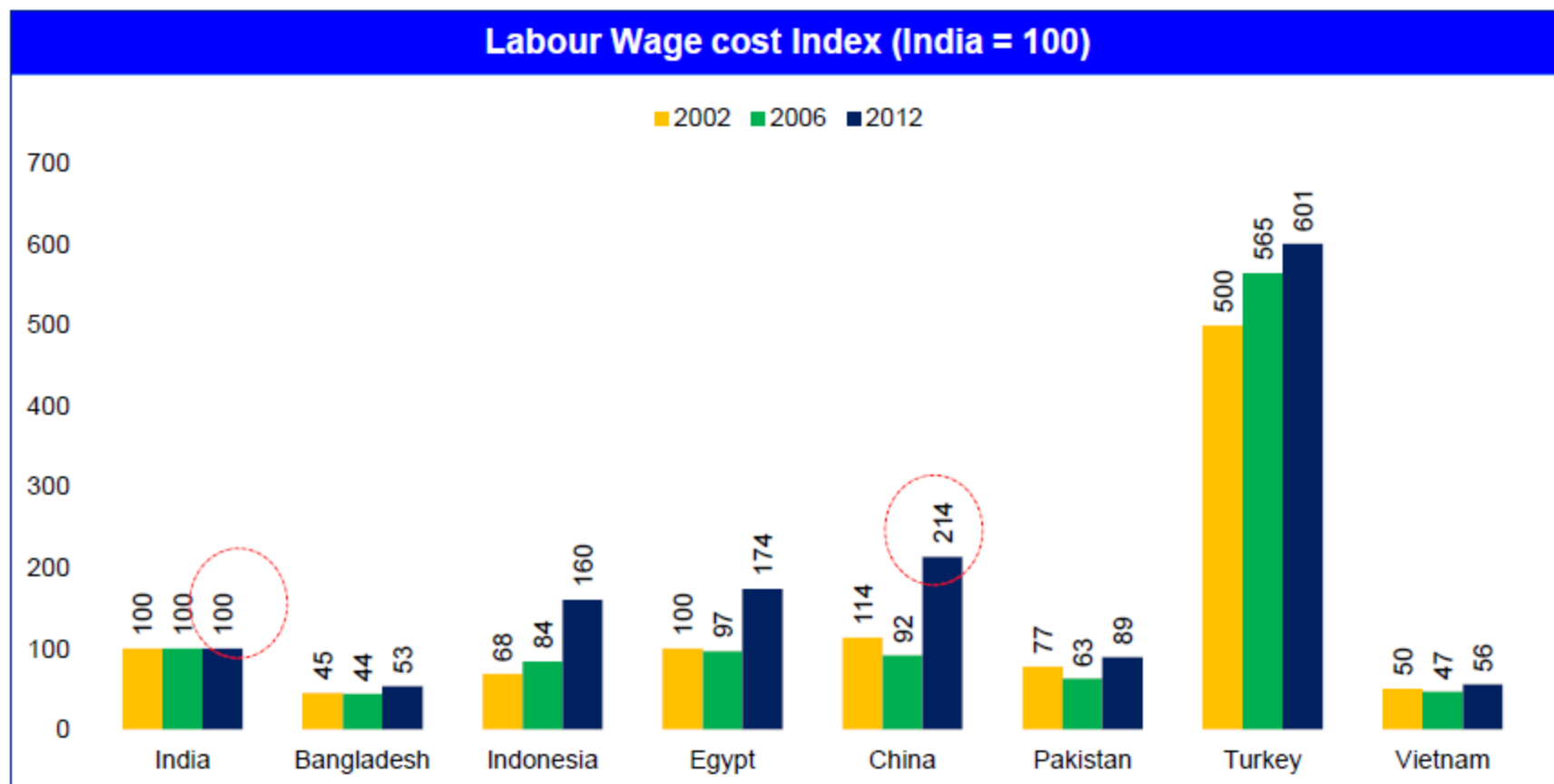
(Thousands of MT)

India – “Net Exporter” of cotton, unlike China and Pakistan				
Country	Production	Consumption	Exports	Imports
China	7,620	7,838	16	4,354
India	5,770	4,899	1,568	327
Pakistan	2,025	2,395	98	479
USA	3,770	751	2,896	1
Brazil	1,263	893	936	16
World	26,399	23,379	10,115	10,100

Source: USDA

Labour cost - Competitiveness has improved

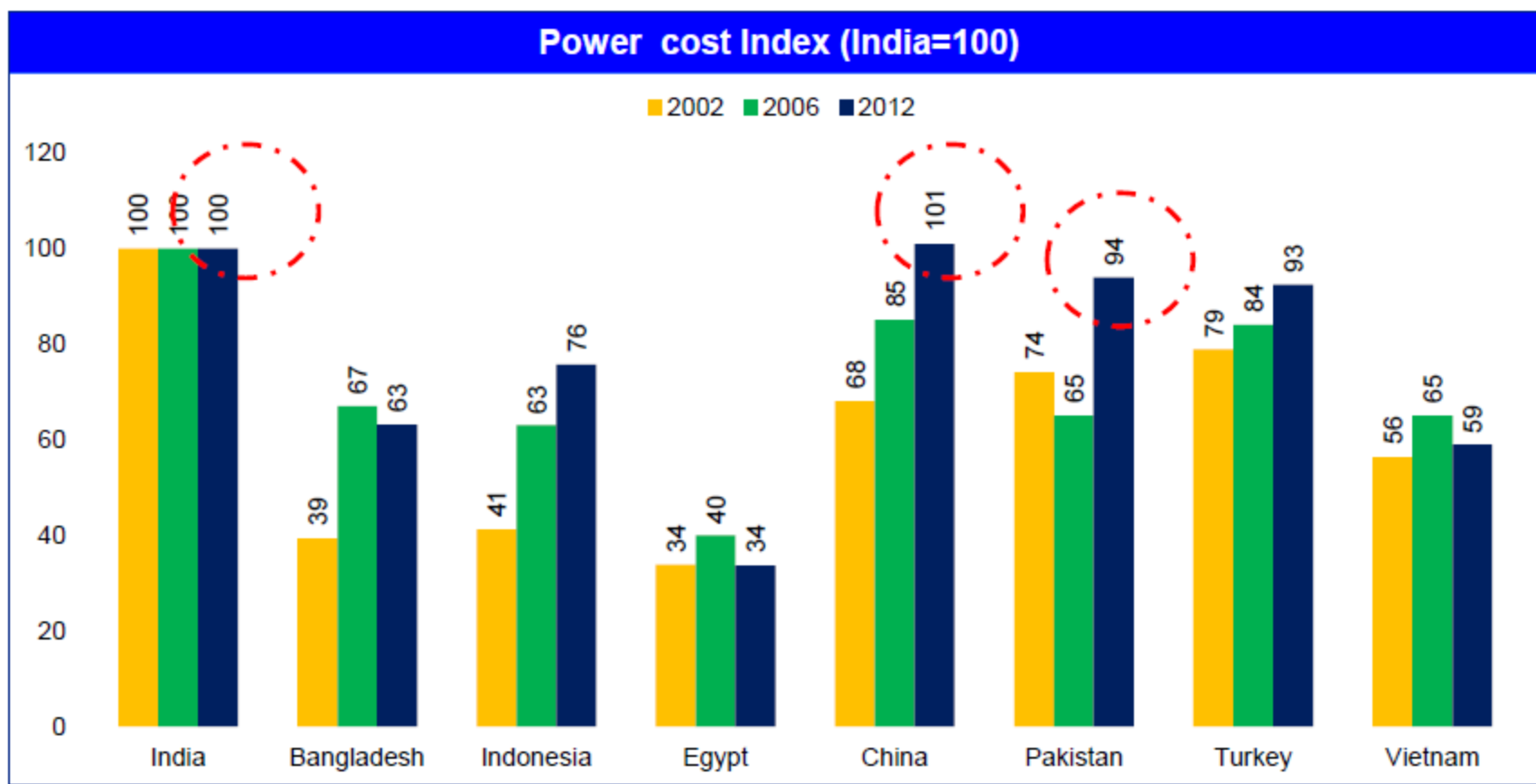
- ❖ India's wage cost competitiveness relative to other textile producing countries has significantly improved



Source: Texprocil Gherzi report

Power cost - Competitiveness has improved

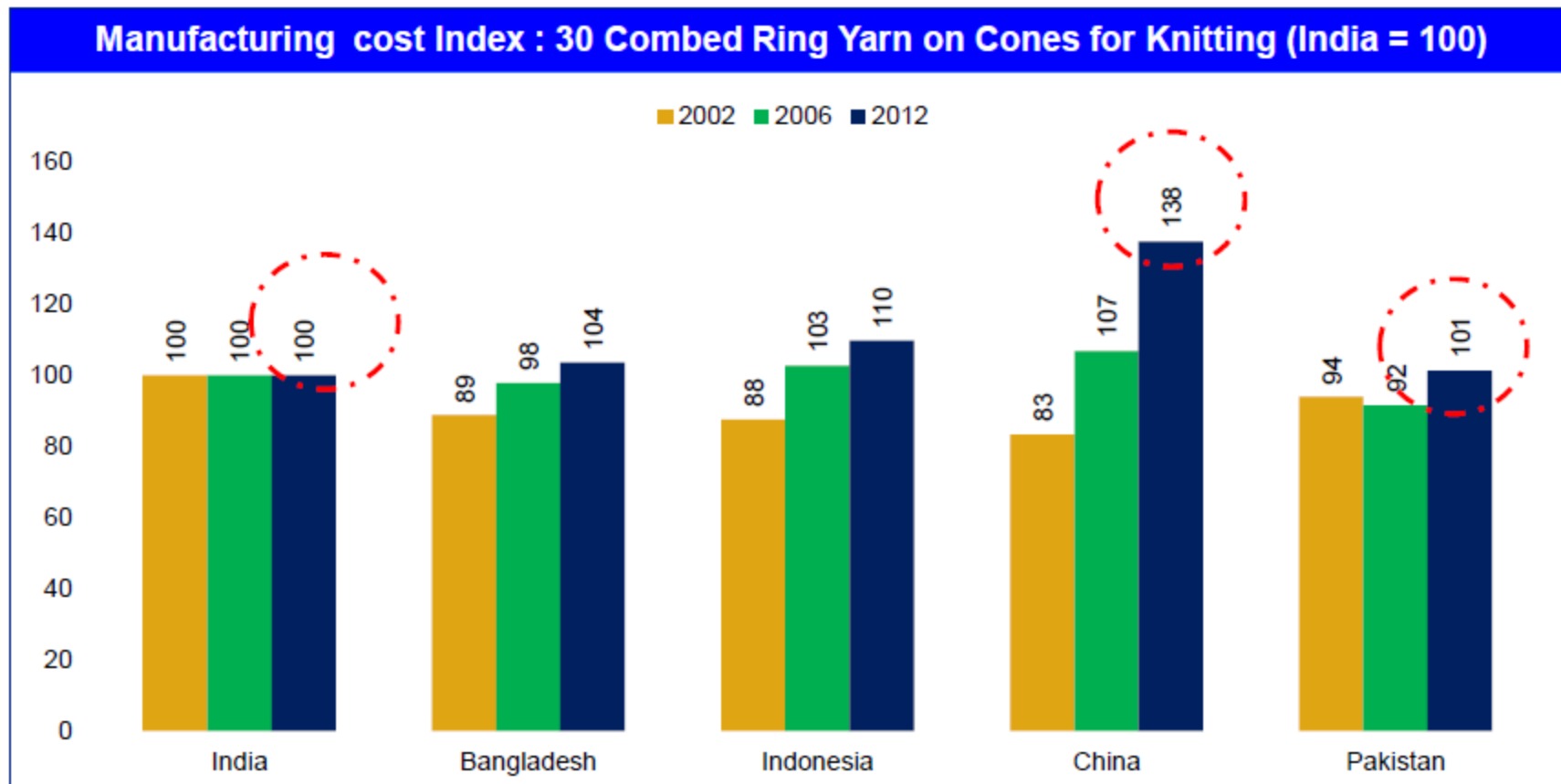
- ❖ India's power cost competitiveness relative to other textile producing countries has also significantly improved



Source: Texprocil Gherzi report

Manufacturing cost - Competitiveness has improved

- ❖ India's manufacturing cost competitiveness in spinning relative to other textile producing countries has also significantly improved

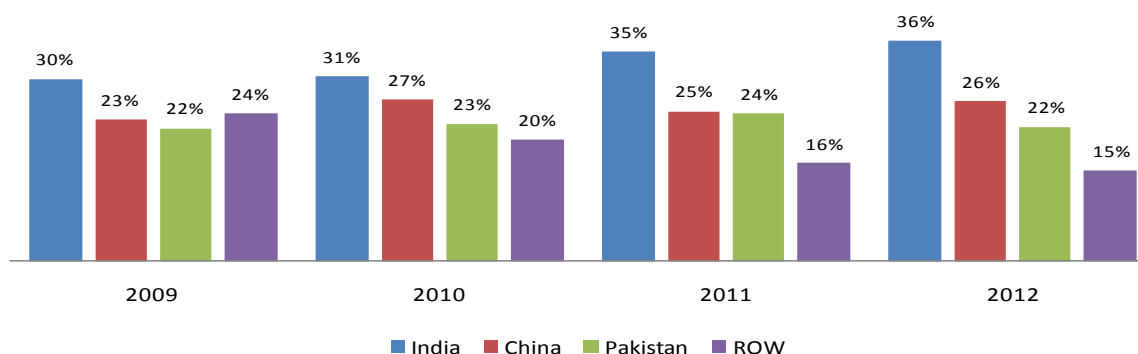


Source: Texprocil Gherzi report

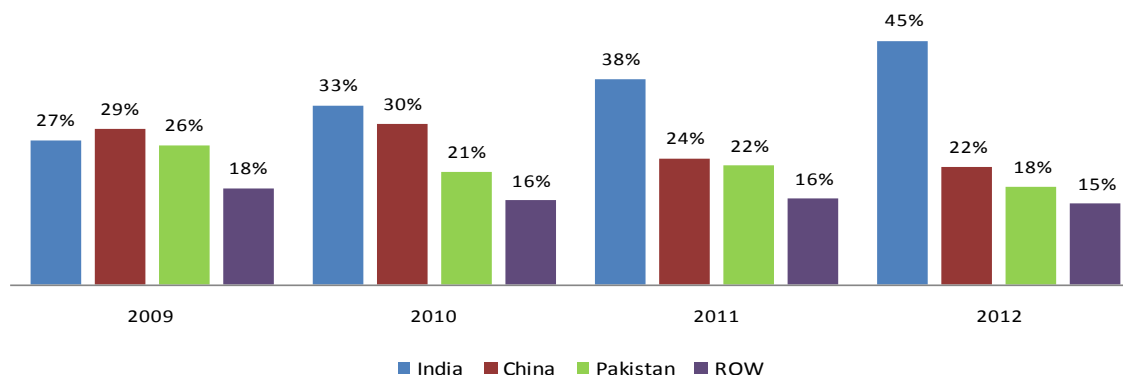
These factors have led to market share gains

- ❖ India's market share gain most prominent in home textiles, especially in the US market
- ❖ India, Pakistan and China account for more than 85% of the total exports to USA in home textiles
- ❖ Of these three, India's share has been steadily increasing while the other two have maintained or lost share

Towels (Cotton)



Sheets (Cotton)



Source: Otexa

India – Robust growth expected to continue

❖ Huge opportunity in Europe

- ❖ Proposed India - EU FTA, which is in the final stages of discussion, to remove 5-10% of import duties on Indian textiles. This will make India more competitive and lead to market share gains in the region

❖ Customers continuing to de-risk from China, Pakistan and Bangladesh

- ❖ With China's rising per capita income and transition to a developed country, domestic consumption has increased. This has impacted China's ability to export
- ❖ Currency appreciation of yuan coupled with rising labour and power costs leading to higher costs making China less competitive
- ❖ Pakistan's geopolitical situation and power shortages prompting clients to look for other sources
- ❖ Bangladesh facing scrutiny over workers' safety

❖ Significant growth opportunity in the Indian market

- ❖ Increasing retail penetration in the Indian market – Share of Textiles and Clothing Retail ~ 40% of organized retailing in India; Organized Retailing expected to increase from ~5% in 2005 to ~24% by 2020
- ❖ Higher disposable income & Favourable demographic profile in the Indian market - Rising per capita income leading to an increase in consumption of Textiles. The % of earning population (15-60 years) in the total population is rising
- ❖ FDI in retail to boost textile consumption

❖ Favourable government policies

- ❖ Interest and capital subsidies for new capex from central and various state governments
 - ❖ TUFS scheme of central government providing 4-5% of interest rebate on loans for new capex
 - ❖ Gujarat state government providing 5-7% of interest rebate on new capex loans in addition to TUFS rebate

WIL - Global Manufacturing Scale & Integrated Facilities

Terry Towels

- Capacity: 43,800 MT/Year
- Location: Anjar/Vapi
- Cap. Utilization : 90%

Bed Linen Products

- Capacity: 52 million Mtr/Year
- Location: Anjar
- Cap. Utilization: 96%

Bath Rugs

- Capacity: 10,151 MT/Year
- Location: Vapi
- Cap. Utilization: 59%

India Locational advantage

Vertically Integrated Facilities Across The Manufacturing Chain with Current Integration at 35% in spinning and weaving; capex planned to increase it to ~70-75%



Cotton



Yarn



Spinning



Weaving



Processing



Cut & Sew



Packing & Logistics

Captive yarn generation

Power generation - thermal all captive

Marquee Retailing Giants as Valued Customers



- ❖ Bed Bath & Beyond
- ❖ Macy's
- ❖ Wal Mart
- ❖ J C Penney
- ❖ Target
- ❖ Kohl's
- ❖ K Mart- Sears
- ❖ Sam's Club
- ❖ Costco
- ❖ Burlington Coat Factory
- ❖ Ross Stores
- ❖ Bon Ton
- ❖ Belk, Inc.
- ❖ Anna's Linen



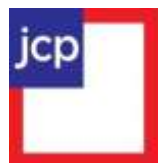
- ❖ Ikea
- ❖ Carrefour
- ❖ JYSK
- ❖ El Corte Ingles
- ❖ Vincenzo Zucchi S.p.A
- ❖ Bassetti
- ❖ Auchan
- ❖ Rewe
- ❖ Tom Tailor
- ❖ Descamps
- ❖ Casino



- ❖ Christy
- ❖ Tesco
- ❖ Marks & Spencer
- ❖ Debenhams
- ❖ House of Fraser
- ❖ John Lewis
- ❖ Sainsbury
- ❖ ASDA
- ❖ T J Hughes
- ❖ T K Maxx
- ❖ Fenwicks



Dare to Commit



Innovative Products as Significant Contributor



Bed Technologies

- Flexifit (exclusive licensee)
- Eversmooth
- Cotton Touch
- Smart Bedskirt
- Perfect Sheet
- Hygro Comfort
- Bleach safe



Bath Technologies

- Hygro cotton
- Quick Dry
- Bleach safe
- Eucalyptus
- Silk
- Bamboo
- Aerospun
- Spot Stop



Sleep Solutions

- Earth Pillow
- Sneeze eezzz
- Hygrofil
- My Favorite Pillow



Rugs

- Bleach safe
- Eucalyptus
- Drylon
- Hygro
- Quick Dry
- Aerofil
- Hygro cotton

Innovative products, mainly in Towels and Sheets, accounted for more than 30% of turnover in FY 13



Earth Pillow

WIL – Increasing market share in the US

WIL contributed 46% of India's Towel Exports to the US in 2012

Towels - 2011

US\$

Total US Towel Imports – 1,427 mn

Total US Towel Imports from India

495 mn

Welspun's Towel Exports to US

195 mn ~ 39% of India Exports

Towels – 2012

US\$

Total US Towel Imports – 1,460 mn

Total US Towel Imports from India

531 mn

Welspun's Towel Exports to US

243 mn ~ 46% of India Exports

WIL contributed 25% of India's Bed sheet Exports to the US in 2012

Bed sheets - 2011

US\$

Total US Bed sheet Imports - 1,740 mn

Total US Bed sheet Imports from India

665 mn

Welspun's Bed sheet Exports to US

146 mn ~ 22% of India Exports

Bed sheets – 2012

US\$

Total US Bed sheet Imports 1,756mn

Total US Bed sheet Imports from India

795 mn

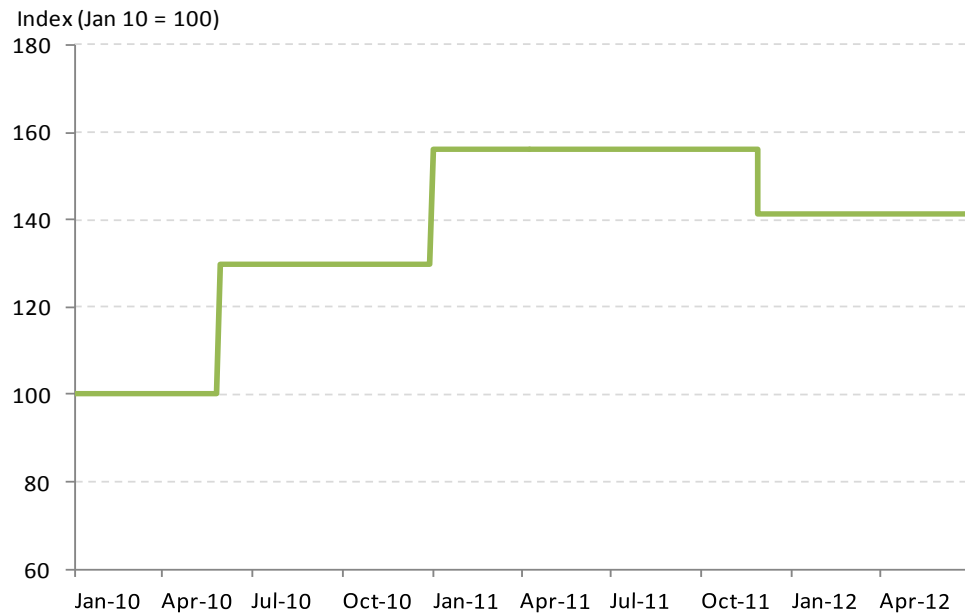
Welspun's Bed sheet Exports to US

199 mn ~ 25% of India Exports

Pricing power on account of long-term relationship with clients

- ❖ Welspun has developed strong relationships with clients over the years, which gives it better pricing power
- ❖ Most clients on an index-based pricing
 - ❖ Price varies up or down with changes in major input costs
- ❖ This reduces volatility in margins

Contact price – Sample contract with one of our clients for a particular product



Financial Snapshot – In Indian Rupees

(All figures except ratios in Rs. Million)

Balance Sheet Extract – With merger impact

Particulars	FY11	FY12	FY13	Q1 FY14
Net Worth	7,461	7,428	9,902	9,311
Short Term Loans	6,847	7,313	9,166	9,574
Long Term Loans	13,255	12,309	11,079	13,909
Gross Debt	20,102	19,621	20,244	23,483
Cash, Cash Eqnts & Inv.	2,590	3,041	2,798	3,110
Net Debt	17,512	16,580	17,446	20,373
Net Fixed Assets (incl CWIP)	17,979	17,995	18,615	22,861
Net Current Assets**	9,033	6,290	8,221	7,257

** NCA do not include Cash & Cash Equivalents

Profitability Extract – Continuing business

Particulars	FY11	FY12	FY13	Q1 FY14
Sales revenue	24,471	29,329	36,473	9,446
EBITDA	3,994	5,960	6,438	2,229
EBITDA Margin	16.3%	20.3%	17.7%	23.6%
PBT	1,463	2,811	3,013	1,256
PAT	951	1,986	2,248	899
PAT Margin	3.9%	6.8%	6.2%	9.5%
Cash PAT	2,441	3,586	4,178	1,397

* Annualized

Key Ratios – On continuing basis

Solvency ratios	FY11	FY12	FY13	Q1 FY14
Fixed assets/Long term debt	1.44	1.47	1.68	1.64
Gross debt/Equity	2.69	2.64	2.04	2.52
Net debt/Equity	2.35	2.23	1.76	2.19
Net Long Term Debt / Equity	1.43	1.25	0.84	1.16
Long term debt/Equity	1.67	1.65	1.12	1.49
Net debt/EBITDA	4.84	2.98	2.71	2.29
Operational ratios				
Asset turnover	0.83	1.02	1.13	1.42
Inventory days	98	83	82	80
Debtor days	28	28	28	37
Payable days	66	59	50	51
Cash conversion cycle	60	52	60	65
Return ratios				
ROE	12.7%	26.7%	22.7%	38.6%
ROCE	6.9%	12.2%	11.4%	15.1%



Financial Snapshot – In USD

Balance Sheet Extract – With merger impact

(All figures in USD Million)

Particulars	FY11	FY12	FY13	Q1 FY14
Net Worth	167	146	182	157
Short Term Loans	154	144	169	161
Long Term Loans	297	242	204	234
Gross Debt	451	386	373	395
Cash, Cash Eqnts & Inv.	58	60	52	52
Net Debt	393	326	321	343
Net Fixed Assets	403	354	343	385
Net Current Assets**	203	124	151	122

** NCA do not include Cash & Cash Equivalents

Profitability Extract – Continuing business

Particulars	FY11	FY12	FY13	Q1 FY14
Sales revenue	537	612	670	169
EBITDA	88	124	118	40
EBITDA Margin	16.3%	20.3%	17.7%	23.6%
PBT	32	59	55	22
PAT	21	41	41	16
PAT Margin	3.9%	6.8%	6.2%	9.5%
Cash PAT	54	75	77	25

Exchange Rates

Rates	FY11	FY12	FY13	Q1 FY14
Avg	45.53	47.95	54.40	55.95
Period ending	44.60	50.87	54.31	59.39

WIL - Way Ahead

- ❖ New unified structure to will help lower costs, give better control on manufacturing and branding
- ❖ Focus on stringent cost controls, foray into new markets and consolidation and streamlining of operations to maximize ROI
- ❖ Continued emphasis on innovation
- ❖ Strong focus on the high growth domestic market through
 - ❖ Shop-in-shop in large retail stores which entail no capex and low risk
 - ❖ Wholesale distributors
 - ❖ Institutional clients such as hotels
 - ❖ E-commerce
- ❖ Gaining traction in new markets like Canada, South Africa, Japan, Korea and Australia
- ❖ Capex to be focused on backward integration and modernization in India

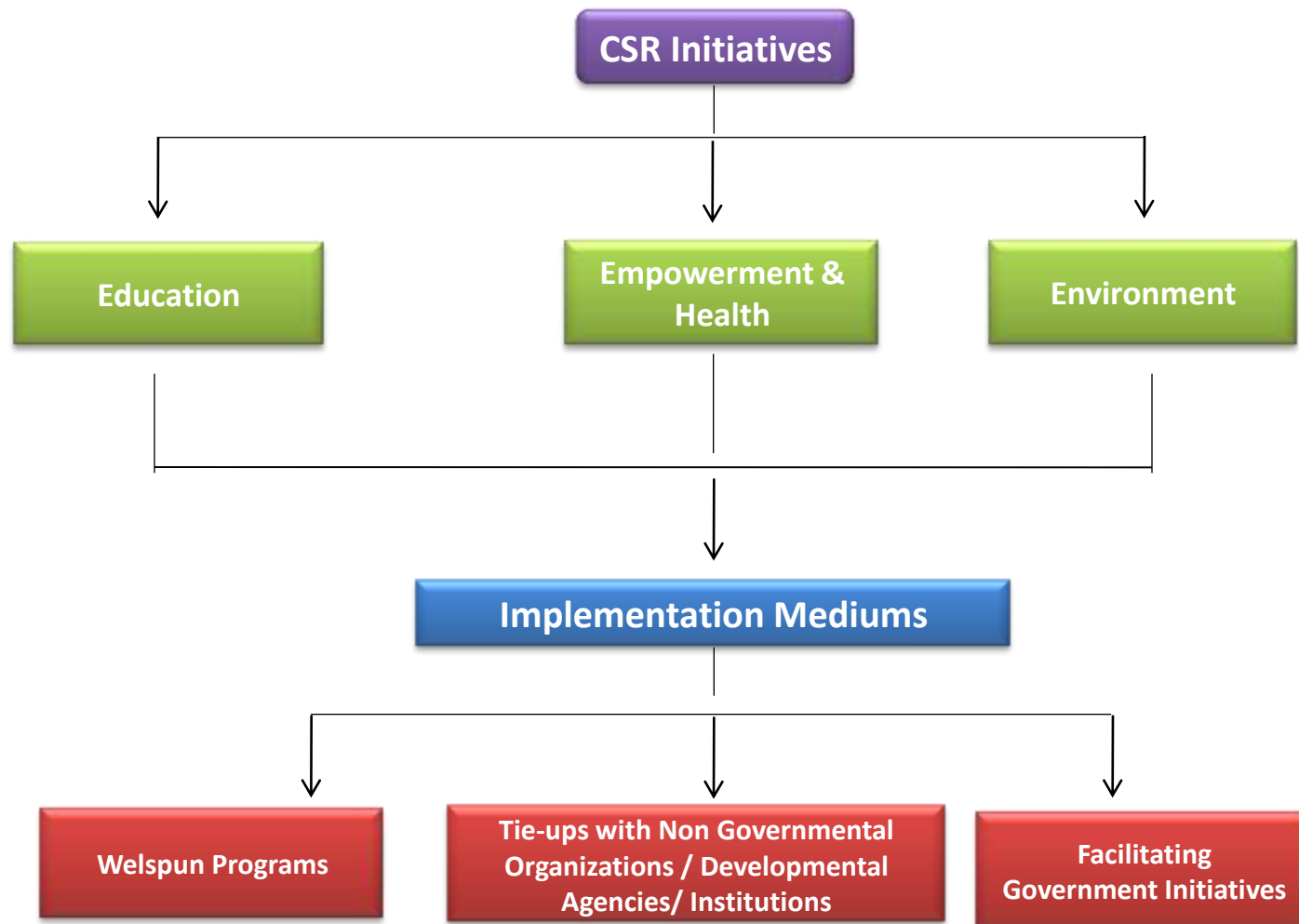
WIL well placed with high end global scale capacity, skilled workforce, product knowledge expertise and coordinated marketing approach to capitalize on growth opportunities

CSR and Environmental Leadership

When Industry Cares.... The Community Smiles

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Recent Awards and Recognitions in 2012-13

Performance Awards

- ❖ *Most Preferred Furnishing Brand - MAGPPIE*
- ❖ *Gold Supplier Award – TESCO*
- ❖ *Innovation Award for Eco-Dry towels - Golden Peacock*
- ❖ *Best Product Award- Wilkinson*
- ❖ *Five Star Award – Macy's*
- ❖ *Vendor of the Year Award - Sears / K-Mart*
- ❖ *Partners in Business Transformation award - Sears / K-Mart*



Sustainability awards

- ❖ *Responsibility Award for Excellence – Walmart*
- ❖ *Global CSR Excellence & Leadership - Bluedart*

Thank You

For further details, please contact:

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