



**“Welspun India Ltd Q3FY13 Earnings Conference Call  
hosted by Espirito Santo Securities”**

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**MODERATOR:** **MR. NITIN MATHUR – ANALYST, ESPIRITO SANTO SECURITIES.**

**Moderator**

Ladies and gentleman good day and welcome to the Welspun India limited Q3 FY13 Earnings Conference call hosted by EspiritoSanto Securities. As a reminder for the duration of the conference all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call you may signal for an operator by pressing \* then 0 on your touch tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Mathur. Thank you and over to you sir.

**Nitin Mathur**

Thank you everyone for joining us for the Welspun India Q3 FY13 Earnings Conference Call. With us today we have Mr. Rajesh Mandawewala who is the Managing Director from Welspun group. We have Mr. Dinesh Jain who is President and CFO of Welspun India and we have Mr. Akhil Jindal who is the Director Group finance and strategy. So we would like to thank the management for their time for this conference call and over to you sir for your opening remarks.

**Rajesh Mandawewala**

Good morning and good afternoon everyone I am Rajesh Mandawewala – MD, Welspun Limited and welcome to this investor call. This I would talk to you briefly about the quarterly performance of the company and also some of the significant things and initiatives that the company has taken today in the next few minutes.

For the quarter ended 31st December the company on consolidated basis earned revenue of Rs. 922 crores with an EBITDA of Rs. 165 crores. Finance cost being Rs. 48 crores, depreciation Rs. 36 crores and resulting in to a net profit after tax of Rs. 51.6 crores and a cash profit of almost Rs. 95 crores for the quarter. The EBITDA margin came in at about 17.9% and the PAT margin is 5.6% on gross revenues.

On a 9 month basis the consolidated revenues have been actually Rs.2, 890 crores. EBITDA Rs. 510 crores, finance cost of 148, depreciation of Rs. 106 crores and profit after tax of Rs.162 crores with a cash profit of Rs. 287 crores EBITDA margin of 17.63% and a PAT margin of 5.6% on sales. Gross debt, the Net debt to equity stood at 1.63 as of 31<sup>st</sup> December. The net debt of the company is about Rs. 1510 crores. Net debt to EBITDA is about 2.36, return on capital employed is about 13.1% and return on equity is about 23.2%. So these in brief are the financial highlights for the 3 months and for the year as a whole.

Now this is the first time that we have actually announced consolidated results. The company went through a restructuring process, there were multiple entities Welspun India being one of them which was independently listed. There was Welspun Global Brands which was also independently listed under which there was Welspun Retail and host of other international subsidiaries. So with this new restructured business everything that we have now gets consolidated in to Welspun India, so there is nothing outside the results that you see in the current quarter and the 9 month results that you have seen for the current year. So for the sake of transparency and clarity of understanding the company underwent this whole structure so this entire Home textile result is now being reflected under the consolidated results of Welspun India.

The turnaround in the performance of the company has been driven primarily by a couple of important reasons

A) That there were a few loss leaders, there were few businesses within the group which were actually leading to about Rs.100 crores –Rs.125 crores of losses may be even more every year since the last 3-4 years. We had 2 factories in Mexico which we shut down; we had couple of brands that we licensed in America which we gave up. We had almost 200 retail stores in India which were this leading to a lot of losses which we shut out. There was this Sorema acquisition that we made in Europe which was loss making. So we actually cared, got rid of all these loss making businesses before 31<sup>st</sup> March, 2012, and what remains in the company is now the core business of home textile of which let us say 95% is actually coming from the international markets. So the current results truly reflect the performance of the continuing business as all these loss leaders are already eliminated for FY12, so the current year results actually manifest that true working results of the continuing business.

I would like to also point here that if we took only the continuing business results in the previous years also FY12 actually the business generated about Rs. 550 crores of EBITDA. So the continuing business has always been healthy and always been good it was because of these loss making businesses within the company that the final results were actually coming out poorly , so now that we have got rid of all that, over the last 6 or 7 quarters the company has actually delivered very consistent performance and has been consistently profitable and delivered this EBITDA margins within let us say this 17% plus or minus 1.5 % so the performance has been fairly consistent over the last 6 or 7 quarters.

B) Coming to why this let us say decent margins so you know clearly in the business of home textiles India, Pakistan and China actually account for 85% of exports all over the world. These are the 3 producing countries and they account for 85% of imports in all the primary markets of US, Europe and the rest of the world and over the last 2 or 3 years the competitive position of India is actually significantly improved as compared to Pakistan and China. We are net exporters of cotton. We export about 25% of our crop and both China and Pakistan actually import 25% - 35% of their consumption. So we have a clear advantage in cotton who were let us say both Pakistan and China and a consequence of that is China is now declared let say a policy that instead of making 11 million tons of yarn they would want to now cut down their yarn production to 9 million tons. So they would rather import yarn than import cotton so which really affords a very significant let us say opportunity to the textile companies in India. Also in last 3 or 4 years there has not been much capital expenditure in the industry so consequently this pricing power has been restored in the industry so you know over the last 2 or 3 years with the vagaries in foreign exchange rates as well as the cotton prices there were significant price increases that we were able to do pass on to our customers which were not possible until 3 years back and likewise when our cost came down we actually passed on some of that benefit to our clients. So over the last 3 years because the pricing parity has returned in the industry this most of the clients are now around on a price variants, cost variants, pricing model where if there is a

significant movement in cost then we are able to pass them on both upwards or downwards to our clients which is why, let say the margin profile is now coming in fairly consistently. Also the company has invested significantly in innovating products; in fact 35% of our sales actually comes from product that we have innovated that where this year after year. So our clients love us for that and which is why we are the strategic vendors to almost 15 out of the top 20 retailers in the world and with every customer our business continues to grow and not only that we are acquiring new customers continuously all around the world and US happens to be our biggest market but our business in Europe is also continuing to grow significantly. In fact in FY14, we are hoping to do more than 20% of our gross revenues from the European market we are currently at about 13% - 14%.

Recently this home textile magazine HTT actually published that we were the largest home textile company now in the US, which was let's say a good recognition to all the efforts made by the team and all in all it looks like India is in a very favorable competitive position vis-à-vis with China and Pakistan. Also Pakistan has got a severe gas crunch so factories are actually running 35% - 40% below production capacities, particularly the yarn and our spinning industry. All these things it is actually giving an advantage to India and the cotton advantage is a sustainable advantage where this at least the next 8 or 10 years which will see India gaining market share. Let us say if you look at US imports India used to account for 30% of towels imported into the US let us say 4 years back, the shares grew to 36% now. In 2012 this was 36% and sheets also India used to be 25- 27% 4 years back and the share now has grown to 45% and India is today within the US imports India is the largest piece of the pie. So it clearly manifests what I am trying to say which is: Competitive position of the country as significantly improved.

As the company we are one among the top 2 or 3 largest home textile companies in the world, which means we bring global scale, we bring the best in terms of technology. The company has got very matured delivery processes so customers are very happy, they are able to rely on commitments made by us and which is why despite slowing economies our business continues to grow and hopefully will continue to grow in the future.

The current order book is decent so there is no cause for any concern I think this performance that was there for the last 3 quarters or for that matter for the last 6 or 7 quarters hopefully should continue going forward. So we all feel quite good about our performance going forward. So these are some of the significant things. The company did not invest too much in terms of capex over the last 3 or 4 years very consciously because we thought it was important for us to repair our balance sheet. Our debt equity ratio had gone beyond 2.5 at a point of time so we did not invest much of capital, we did not incur too much of capex over the last 3 or 4 years. Our net block has remained around 1,600 – 1,700 crores mark for the last several years. So now we are at a stage where our net debt to equity is about 1.63 and net debt to EBITDA is about 2.35 to 2.4 so it is a very healthy, decent let say balance sheet position and the debt that we have is on an average costing us about 8%. So it is an affordable debt and obviously the textile industry gets the TUF benefits which our overall cost of debt to these manageable levels. So these are a few

things which I thought was important to share with all of you and I would be happy to take questions.

**Moderator** Thank you very much sir. Participants we will begin the question and answer session. Our first question is from the line of Mr. Deepak Agarwal from Impetus Advisors. Please go ahead.

**Deepak Agarwal** I would like to understand the key risks in the business particularly the cotton prices and the forex and whatever mitigation strategies for those?

**Rajesh Mandawewala** All right, good question Deepak. This is an obvious risk in the business and cotton prices do keep going up and down throughout from one cotton cycle towards the other and so does the foreign exchange. Now on the foreign exchange let us say if you look at our cost 60% of our selling price is actually dollar denominated. So for example cotton today is a dollar denominated cost, it has an international price irrespective of what happens to the dollar. Let us say the price in Indian rupee gets adjusted likewise fuels, dyes in chemicals and there is a lot of other commodity that we use, so almost 60% of our revenue within our cost structure is dollar denominated so every movement of a rupee on the exchange rate impacts a 0.4% to our margin profile. So what we have done over the last 2 or 3 years Deepak is that we have convinced our customer on a cost variance formula. So as there is a significant increase or decrease in cost on account of you know all these parameters including cotton, fuel, and foreign exchange. If that increase in cost we go back to them asking for a price increase and if the cost end is favorable we go back and offer discounts to our customers. Of course there is a 6 month time lag to this process because from start to finish there is a process that we all follow. So there is a time lag but eventually it gets pushed on to the customers. So this has been successfully done with most of our clients over the last 2 or 3 years. In fact in 3 years there have been 2 or 3 price increases upward revisions and there is also been a downward revision with our customers. So you know the formula seems to be working pretty well.

Here from the clear fact that you know that today India is inevitable within a vendor mix of the customers and B. There are not many companies with global scale and C. I think the demand supplies equation is fairly balanced right now on a global basis. So you know lopsided power with the customers is no longer existing so while the cost does tend to vary but I think as a company we have decent abilities now to pass on this cost movements on a reasonable basis to our clients.

**Deepak Agarwal** When you revise the price let us say after 6 months does that also compensate with you for the margin separation during the last 6 months?

**Rajesh Mandawewala** No that does not. The price increase is not retrospective; it is effective from a prospective date. So this 6 months lag is actually to our account. Now having said that there is always inventorying in the pipeline. So as the cost rise there is also low cost inventory in the system and vise-a-versa as the cost falls there is also high cost inventory in the system. So to an extent the lag of 6 months gets mitigated with the inventory that we carry.

**Deepak Agarwal**

We carry only about a couple of month's inventory utmost?

**Rajesh Mandawewala**

To give you this in a nut shell we turn around our working capital 4.5 times, so that would be a fair estimate about 2.5 – 3 months of inventory.

**Deepak Agarwal**

What is the net you said we have the advantage because of the cotton surplus being the cotton surplus country, so the countries which import cotton what is this cost difference to them? What is the difference in the cost of production for India and for the other major competing countries?

**Rajesh Mandawewala**

I think you know for relevant comparison we need to compare Pakistan and China because as I said 85% imports of major markets is accounted by these three countries.

**Deepak Agarwal**

Right.

**Rajesh Mandawewala**

Now China has got let us say cotton procurement policy like in India so the Government has got a minimum support price for cotton and they also control the import of cotton. So this controls the government issues licenses for imports of cotton. So today the prices of cotton in China are actually 40% higher than India. Pakistan would be not as glaring, so in Pakistan the prices of cotton would be, I am saying parity cotton, Pakistan would be about let us say 7% - 10% more expensive. Having said that the high quality cotton does not exist in Pakistan so the Shankar-6 cotton, the cotton that is used to produced let say this better value product it does not get grown in Pakistan so they have no choice but to import it whereas India has got all varieties of cotton so there is very little need for India to import this cotton except the branded cotton. I hope that explains what you are looking for.

**Deepak Agarwal**

Yes sir, still there is a question. In china if the cotton cost is so high when compared to us then is their conversion cost very low or how are they going to compete, they are the 2<sup>nd</sup> largest after India?

**Rajesh Mandawewala**

See today Deepak honestly we do not see them on the table anymore. So if you take let us say this 3 years back China used to be about 10%-12% cheaper than ours. Today their course is about 5-7-8%-10% more expensive as compared to us. likewise Pakistan is used to be 15% cheaper than us today they are coming in at you know same about 5%-7% higher this in terms of 1<sup>st</sup> quotes as compared to the India companies. So there is clearly let us say in the sense see look the Chinese companies they do not have this propensity for profits, so you know this applies to apples if your question is are we comparable in terms of conversion cost, my answer to that question is yes. On elements of cost we are as good if not better than china so cotton we are better, energy cost let us say, Welspun India is a part of a group captive power plant which is a thermal power plant, at the port so our cost of generating power is as good as anybody's in the world, dyes and chemicals comparable, labor cost comparable, so these are the major elements of cost on each element of cost let say this as a company we are as competitive if not better than any company in China and I can say that

because we have global scale as no home textile factory or company in China which is actually larger than Welspun. So we have the right global scale so when you have those scales your cost structures are as good if not better than China and ditto with Pakistan with the rider that Pakistan the energy cost is actually lower than ours. Having said that they do not have enough gas so there is not enough electricity available; a big part of that advantage really gets neutralized because they do not have enough power.

**Deepak Agarwal**

Okay. How about the cost competitiveness of Bangladesh because we are saying that with a Europe-India FTA we will be able to export there we will be competitive against Bangladesh but the difference in duties only 5%. That is not a significant difference actually?

**Rajesh Mandawewala**

I looked at Bangladesh very seriously Deepak and I have been consistently watching Bangladesh. There are 2 advantages that they have in terms of cost over India:

1. Their gas cost is low.
2. Their cost of labor is low.

Having said that in terms of efficiency they are far below India so on a consequent basis if you take net-net and then their port handling facilities are very poor, the gas availability is not there. So a net-net basis it is a difference of 2%-3% and in home textiles particularly Deepak, Bangladesh is insignificant in the global market as compared to India, Pakistan and China. So that share is very insignificant, so you know for all tactical purposes they are not players. There is not one factory there which is even a fraction of what Welspun is. And whatever little is existing is right at the bottom end of the market where let's say Welspun does not operate. So we operate at the middle end of the market, so in the middle end of the market, they don't even exist.

**Deepak Agarwal**

So how does this Europe India will help us and who will we gain market share from?

**Rajesh Mandawewala**

It will just give a big shot in the arm I can tell you. So to give you just a perspective, this India is accounts for as I said 36% of towels and 45% of sheet imports into the US. Our relative figures in Europe are let us say, is in the 20s. So, if the duty goes away and the duty on home textiles is not 5, it is between 8 and 9%, if the duty goes away we will slaughter Pakistan, China and Europe as well.

**Deepak Agarwal**

So is there no duty on Pakistan and China imports?

**Rajesh Mandawewala**

China has got duties, but Pakistan has got a short term duty preference until December 2013, which is on a limited quantity for practical purpose, is the 9% duty because 5.5 for them. So they have a 3.5% duty advantage over us and yet we are gaining market share on Pakistan and Europe as well. For the simple reason that their yarn prices are higher, their cotton prices are higher and they just don't have enough power.

**Deepak Agarwal** Last question is on the domestic market. The domestic market is a huge market, but we have a very minimal share here. So, besides growing the Shop 'n' Shop that we have are we exploring in any other sales channel to penetrate deeper into the markets.

**Rajesh Mandawewala** See this, as a Shop 'n' Shop is this year we are pursuing a very aggressive strategy on that. So in the current year, we have opened up actually 100 new corners of our brands within various retailers. So the next year again, this is the minimum that we will draw is 100 stores. Apart from that we are also now setting up a whole sale distribution network. So that is another channel that we are perusing. We are also in very active discussions with E- Commerce sites to promote and market our products. So other than actually owning and controlling our own stores, we are pursuing all other channels of distribution, this is an important market. India continues to remain a big part of our strategy. So while we are cut out our own stores, we have not cut out, let's say India as an important market for us. So we are clearly seized of that, and with this FDI to retail being permitted, all these retailers who are coming into India or will come into India are our customers. So we will have a natural access to all these retailers who set up shop in India. And they will also qualify to consumption. We have seen this happen in various parts of the world, so we will be vendor of first choice with them very automatically. So we are very positive and very bullish about the market in India. So while the base is small, we hope to grow this business, let say at our 25 to 30% CAGR over the next several years.

**Moderator** Thank you Sir. We will take our next question from the line of Mr. Niket Shah from Motilal Oswal. Please go ahead.

**Niket Shah** I have one basic question on cotton per se. Do you expect the Government to increase the MSP price of Cotton this year as well?

**Rajesh Mandawewala** This year is already done. So we are in the first half of the season. So the cotton season is between September and end of August. The new cotton generally arrives in October. So as far as the FY13 and FY14 go, it is more or less gets covered with this current season because by September, we normally tend to cover our cotton until December. So this year will not impact. There is generally this small increase in this MSP, which the Government does make year-on-year. So this even in the next year, we do think that cotton prices will go up with or without the MSP, is I think the cotton prices will move up in the next year.

**Niket Shah** And this is also to do with fact that the acreages under cotton is also coming down substantially? May be by 5-6%. So that will also reduce the supply in the market.

**Rajesh Mandawewala** No, Not really. See this if you take at the ease per hectare, India is about 650 kg to a hectare at the international averages let's say this is 1500 kgs. So we have a long way to go. With all these irrigation initiatives happening, the yields in India over the next 10 years will catch up. So even considering that the acreage will drop which they will certainly drop. There is no question on that. More acreage will go towards food, than this non-food crops. So this acreage will certainly go down. Having said that I think there is a lot of potential for yields to improve. So there are a



lot of these committees with the Government of India setup. So over the past 5 or 7 years, yields have actually moved up from 400 odd Kilos to about 650-700 Kilos and they will continue to increase. So this will be a fair assumption make, but we will be at least 80% or there about of the world average. If the world average is about 1500 kilos, we should be able to clearly double this yield per hectare over the next 8 or 10 years.

**Niket Shah**

One final Question. Is the kind of the gap between Cotton selling price. For you it would a raw material and the yarn selling price. That gap is narrowed down or that would have got significantly expanded.

**Rajesh Mandawewala**

Right now, that gap is actually expanded. So India is the destination for yarn products. So the yarn exports out of India are actually growing 30%. So last quarter, QOQ growth is 30% over 2011. So the Yarn is just flying out and it is very little investment that has been made in this spinning industry for obvious reasons. So the yarn making business is extremely profitable at this moment. My view is it will continue to be so because, see China has declared as I said, they will reduce yarn production from 11 million tons to 9 million tons and to give you a prospective, the total production of India is 3.6 million tons of which lets say about 22 – 25% gets exported. So until last year 2011, the exports were about 800K tons. This year 2012 was about 900K. This year I think it will be a million too. China's imports will increase by 2 million tons. And these imports cannot happen anywhere else but countries like India and Pakistan. And Pakistan does not have power. So a large portion of these 2 million tons of imports into china will actually necessarily have to go out of India.

**Niket Shah**

Got the point. And sir one final question on your CAPEX plans. What are you CAPEX plans for FY14?

**Rajesh Mandawewala**

We are looking at actually not expanding our capacity. I think we still have enough surplus capacities in the system. So no increase in capacities of towels, sheets, rugs. Very little 20-30-40 crores of investment. We will be growing our capacity 10-15%, which is what we need. But we do want to integrate ourselves a little better. We are currently about 35-40% integrated on Yarn, which we want to take it up to 70-75% and for the reason which I just explained to you that this gap between Cotton and Yarn is high and it will continue to remain high. So this is the China factor. So we want to invest into making yarns. And we weave about let's say this 50% of this fabric and we want to take this 50 to 75%. So this is the investment that we will make, which is a 0 risk investment because as we start production, start to finish project execution time is about 9-11 months and in the 12 months we will be let's say EBITDA positive. So there is absolutely no risk going out to sell and things like that and these are not new activities for us. So we will be growing these capacities within let's say these are existing set ups. So they are almost 0 risk and good IRRs where the projects are giving us good IRRs. We are currently working on the project but we should be looking to invest between 700 and 1000 crores over the next 18 months. Having said that, we will not run away with our ratios. Our threshold is 1.7 on debt-equity. We are currently at 1.63. So we will never go beyond 1.7, we will never go beyond 2.75 on net debt-

to-EBITDA. So we will calibrate our investments to make sure that we don't cross these important ratios as we go out and make CAPEX. So we feel very diligent on this for the last 3 or 4 years. Gujarat has now announced a textile policy, so on spinning there is a 7% interest rebate for 5 years. Then there is TUF of 4% from the center. That is over and above the 4%. So this effectively invest into spinning, our term debt cost on an average is 3-4% just assuming there will be some non-TUF debt also. The hybrid mix cost is likely to be 3-4%. This investment cannot go wrong. Which is why, just we want to go ahead and this is a finite window, this policy is for a limited period of time.

**Niket Shah** That's only if you do CAPEX in Gujarat.

**Rajesh Mandawewala** Correct. This is only for CAPEX in Gujarat. It is a onetime opportunity. So we want to take advantage. Honestly If I was given a choice, I would have waited another 1 year to make any further CAPEX but with this policy in place and with this China yarn policy which has been announced 2-3-4 months back, doesn't leave much choice for us but to actually just augment our yarn making or fabric making capacity.

**Niket Shah** How much would be the price as of now for yarn as well as Cotton.

**Rajesh Mandawewala** Right now, Cotton is trading at Rs. 34000 a candy which is equivalent to about 85 US Cents per Pound. And yarn prices that lets take if you take average 40, the yarn prices are about Rs.250 kg. So the difference is about Rs. 2.5 per count

**Moderator** Thank you. Our next question from the line of Maulik Patel from Equirus Securities. Please go ahead.

**Maulik Patel** You mentioned about the CAPEX. If the year are correct- you mentioned about 700 to 1000 crore, you will invest over the next 18 months. And the large part of the CAPEX should come in Gujarat, where you will get.....

**Rajesh Mandawewala** Not large part, everything will be in Gujarat.

**Maulik Patel** And that is spinning and power looms.

**Rajesh Mandawewala** Correct.

**Maulik Patel** And in terms of, what about capacity utilization that you are currently running on your existing capacity?

**Rajesh Mandawewala** See on towels, we are about 95%, we are currently 44000 tons capacity, which will grow to about 48,000 to 50,000 tons for FY14. Without any CAPEX, whatever has to be done has already been done in this year. On sheets, we are at about 45 million meters. We will go to about 55 in the next year. No further CAPEX, all the CAPEX that was needed to be done except this

looms has already been done, so there is enough capacity, I think we can easily grow 20-25% of the revenue of the current capacities that we have.

**Maulik Patel** And the growth that you talk about is more about on a volume growth right.

**Rajesh Mandawewala** Yes. Volume growth.

**Maulik Patel** What could be the optimum capacity utilization one can run? 90% can be a good indicator?

**Rajesh Mandawewala** Yes. 90-95%. See this in good year we have gone up to 100%. So this we have also gained full throttle on let's say this half the year if you take the last 6 years. But between 90 and 95, fair utilization capacity assumption.

**Maulik Patel** One last question is on power plant. You said that you haven participation growth captive power plant right. Is that a coal based or a gas based power plant?

**Rajesh Mandawewala** Right. This is a coal based power plant. This plant is actually in Anjar 30 km away from Kandla. So virtually we are on the port. So the power cost is very competitive.

**Maulik Patel** There is not much possibility of increasing in the power cost. I thought it was a probably on a gas based power plant, then the gas prices are rising so probably one.

**Rajesh Mandawewala** We are on gas until December. So this thermal power plant is just commissioned.

**Maulik Patel** So just commissioned. It is not reflected in your numbers then?

**Rajesh Mandawewala** Actually we commissioned on December 1, so this is the December result. So one month is already reflected.

**Maulik Patel** So but is it that the power that you are drawing on a captive is on a lower cost than the power you are earlier drawing it?

**Rajesh Mandawewala** Yes. We are hoping at least for a Rs. 1 per unit reduction, which amounts to almost 7 lakhs, 7.5 lakhs a day.

**Maulik Patel** And in terms of balance sheet, your stated target is that you will not grow beyond 2.7x net debt-to-EBITDA and 1.7x net debt-to-equity right?

**Rajesh Mandawewala** Net debt-to-equity.

**Maulik Patel** But is that you are looking into decrease it further and probably is there something -you are working on that?

- Rajesh Mandawewala** We will incur the capital expenditure on this project. There will one year in which our net debt as an absolute number could possibly go up. But in the subsequent years we might actually come down to where we are today. So the business is throwing a free cash flow, if you look at the first 9 months, if you take out the growth CAPEX, we have actually generated how much about Rs.270 odd crores of free cash flow in the first 9 months. So the business is also generating decent free cash flow, if we take the growth CAPEX out. So the net worth will also continuously keep going up and a good part of the expansion cost will actually be funded through internal accruals. We have Rs. 300 crores of cash on the balance sheet as of now, plus we are generating decent free cash flow. So we will fund as much as we can through internal accruals and only go out to borrow for the rest of it and whatever we borrow, as I told you will come at 3-4% interest rate. So the interest burden on the company should not grow significantly.
- Maulik Patel** And the last question on the business side. You say that almost majority of 90-95% of a revenue comes as export. Basically then the US and Europe, which are not growing much so basically we are eating the market share of the other players?
- Rajesh Mandawewala** Which is what we have done all these 15 years. Earlier we were eating into the shares of the Americans and Europeans, now we are eating into the share of China and Pakistan. So one and two is look our business is also growing geographically. So right now focusing very heavily into Europe, so as I said, we are 13-14% of our revenue in Europe this year FY13. FY14 we are already looking beyond 20%. Growing that, and with the FTA with Europe happens. That will open up an enormous possibility. See in terms of consumption, 1/3<sup>rd</sup> is US global consumption, 1/3<sup>rd</sup> is Europe. Europe gives us that 9% duty that is taken away. It has been a significant growth opportunity for us in Europe. Then we are looking at markets like Brazil, China. You would not believe it but we are actually exporting now home textiles into China from India. And that business is growing. So that clearly indicates that in terms of cost, we have something to offer there.
- Moderator** Thank you. Our next question is from the line of Mr. Deepak Agarwal from Impetus Advisors. Please go ahead.
- Deepak Agarwal** I have one more question on the domestic business. Let's say there is a reduction in cost, or reduction in cotton price. Do we reduce the prices of our products in India?
- Rajesh Mandawewala** Fortunately this Indian market, the MRP is decided by us. So the price at which we retail product gets decided by us, so we have a lot more leverage here. But if there is a significant movement in the cost, we move our retail prices for a small movement, we will not.
- Deepak Agarwal** And internationally, all our sales are private label sales. Any plan to build a brand there?
- Rajesh Mandawewala** No, not all of our sales in private label. So let's say we have Christy as a brand in our portfolio. So in UK – Christy has got a 32% market share. So on all the branded market, we have a 32% market share there. And we are also intending to take Christy international now. So we do have a



*Welspun India Limited  
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brand in the portfolio which will continue to grow. In India, we are marketing Spaces. So for FY14, we will stay focused in India with Spaces. But if you talk about a 5 year strategy, we will take also Spaces to the nearby markets – Middle East, Far East and these markets. Now we have an FTA with Japan and we have almost an FTA with South Korea and also with Thailand. So these are all potential markets for us. So we want to first grow the business Spaces brand within India and then we will possibly take Spaces when it matures to these neighboring markets.

**Moderator**

As there are no further questions, I would now like to hand the conference over to Mr. Nitin Mathur for closing comments.

**Nitin Mathur**

We would like to thank all the participants and especially the management teams for the time today to discuss the quarterly earnings and vision going forward. So thanks a lot and it is a pleasure hosting you in this call. Thank you very much

**Moderator**

On behalf of Espirito Santo Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.