

HALF YEARLY INVESTOR CONFERENCE

15th Nov, 2016



AGENDA

- 1. Chairman's address on traceability issue**
- 2. Business Highlights**
- 3. Financial Highlights**

CHAIRMAN'S ADDRESS

BACKGROUND ON THE EGYPTIAN COTTON ISSUE

- On August 19th, one of our customers issued a statement relating to traceability for Egyptian cotton bed sheets supplied by Welspun
- The customer reassured its own consumers that it was not an issue of safety and there was no risk in continuing to use the product
- The product in question, across clients, represents around 6% of Welspun's annual business
- Total business from the Customer constituted approximately 10% of overall sales of Welspun



IMMEDIATE RESPONSE BY WELSPUN

Appointed EY for review of the supply chain process

Reached out to all the key stakeholders – lenders, investors, rating agencies etc

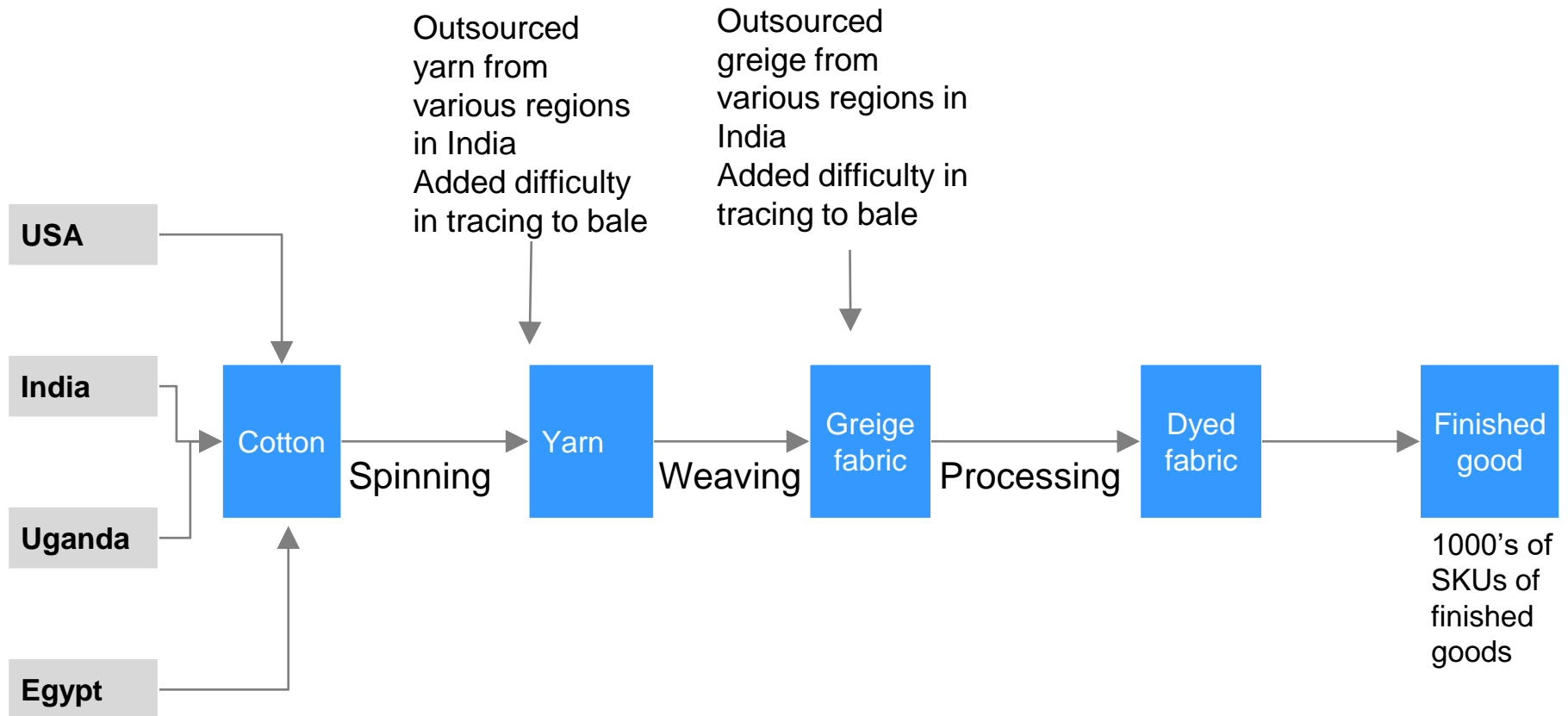
Started engaging with other customers to answer any of their concerns/queries

Closely worked with retailer partners to address their concerns, including offering

- Re-call of product
- Replacement of product
- Review of product
- Discount on the product
- Relabeling of products

CHALLENGES IN ESTABLISHING TRACEABILITY

Supply Chain Complexity



High number of SKUs operating from same plant

CHALLENGES IN ESTABLISHING TRACEABILITY (Contd..)

Egyptian Cotton and its sourcing

Definition

- Type of long staple cotton which provides strength, brightness and stress resistance to fabrics.
- Commercially, long-staple cotton is grown in various places – US, India, Peru, Sudan

Properties

- High quality cotton having higher fabric strength and better texture.
- Hand picking of cotton ensures purity and leaves the fibers straight and intact

Status

- Egypt's production of cotton has come down to nearly 1/8th over last twelve years
- At the same time, the number of other sources of long staple cotton has grown





UPDATE FROM STAKEHOLDERS

- Continue to do business with all customers except one

- Customers considering Egyptian Product with 'Gold Certification' or with relabeling of such products

- Credit rating reaffirmed
 - Long term rating at 'AA-'
 - Short term rating at 'PR1+'

KEY TAKE AWAY FROM INDEPENDENT CONSULTANT’S REPORT

| Measure Type | Recommended Remedial Measures | Timeline |
|-------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Structural | Improve procurement process to ensure cotton from certified sources |  |
| | Deploy resource at Egypt to better oversee the buying activity | Jan 2017 |
| | Ensure vertically integrated manufacturing including ancillary units |  |
| | Establish improved tracking of cotton from Farm to Finish | H1 2017 |
| | Improve governance and approval mechanism |  |
| Technology | Improve SAP based material tracking and do more automation |  |
| | Greater control through technology led solution (such as RFID) implementation | Q1 2017 |

KEY TAKE AWAY FROM INDEPENDENT CONSULTANT’S REPORT

| Measure Type | Recommended Remedial Measures | Timeline |
|--------------|-------------------------------------------------------------------------------------------------------|----------|
| Process | Ensure Egyptian cotton planning & verification always done separately | ✓ |
| | Better manage rush orders with adequate buffer stock planning | ✓ |
| | Increase audits, including surprise visits to vendor facilities | ✓ |
| | Gold Seal Certification from Cotton Egypt Association (CEA) | ✓ |
| | Improve quality testing process using High Volume Instrument (HVI) test at source and at our facility | ✓ |
| | 3rd party DNA testing | Q1 2017 |
| People | Improve duty segregation | ✓ |

To have greater control, improved external supervision and more supply chain reliability we are in the process of appointing an Advisory Council of experts

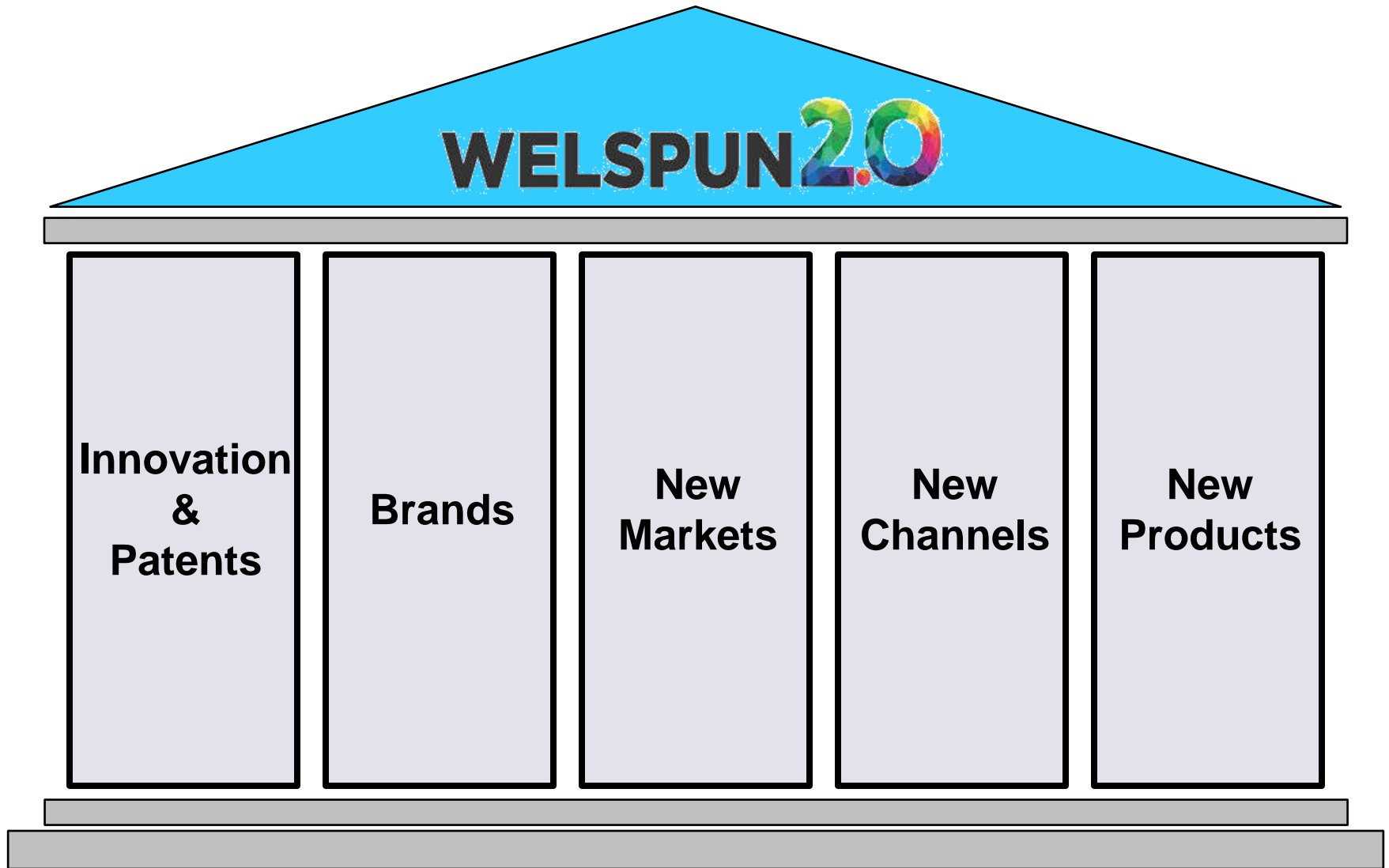
FINANCIAL IMPACT

- One time provision of Rs. 5 billion
 - Sufficient to cover all one-time likely cost

- Likely to see muted revenue growth in FY18
 - Confident of regaining growth momentum as we go forward

BUSINESS HIGHLIGHTS

BUILDING A SUSTAINABLE LEADERSHIP POSITION



INNOVATION & PATENTS

- 27 unique inventions filed globally
- 9 Patents are granted across product categories



- Introduction in hospitality segment
- Good traction in domestic market as well



- Received Asthma and Allergy Free Certification for bedding products in US post stringent testing



- Presence across all the major retailers
- Good traction across all the product categories.

SMART TEXTILES: AN EXCITING NEW OPPORTUNITY

- Creating interactive experiences through seamless integration of smart technology with home textiles

- Patented augmented reality home décor



SMART TEXTILES: LAUNCHING SOON...



- **Spin Tales**- the first product under brand TILT
- To be launched during Christmas on our online platform TILTTILES.com



GLOBAL EXPANSION OF OWNED BRANDS



- Revamping and Rejuvenating the Christy Brand
- Healthy growth in US, China and Middle East
- Working on getting more associations similar to Wimbledon and Rugby World Cup

S P A C E S
HOME & BEYOND[®]

WELHOME
BED | BATH | KIDS | LIVING

- India – one of the fastest growing economies in the world
- Very promising market for Welspun
- 'Spaces' and 'Welhome' – Increasing share in overall sales
- Spaces was recently recognised as a best performing brand in home category in Shoppers Stop.

NEW CHANNELS

Hospitality

- Tied up with prominent international hotel chains
- Strong growth potential in US and globally, including the Indian market

E-Commerce

- Continues to be a focus area
- Own portal – shopwelspun.com
- Available at major e-commerce websites in India and abroad

CAPEX PLANS ON TRACK

- Capex of Rs. 8 bn for FY17
- Around Rs. 4.5 bn completed in 1H
- No significant capex expected in towels and sheets going forward
- Intermediate products to be done through ancillarisation

| Product | Expected Capacity FY17 |
|--------------------------------------------|------------------------|
| Towels (MT) | 72,000 |
| Sheets ('000 Mtrs) | 90,000 |
| Rugs & Carpets ('000 Sq. mtrs.) | 10,000 |



FLOORING SOLUTIONS TO DRIVE GROWTH

- Flooring solution to be the next growth driver for international as well as domestic market
- Consists of rugs, decorative carpets, tile carpets, accent rugs
- Capex of Rs. 6 bn earmarked for flooring facility
- Capacity of 7 million square meters per annum
- Facility to be located at Anjar
- To be done over FY18 and FY19



VISION 2020

Revenue

\$2 BN

WELSPUN2.0

Net Debt

NIL

Innovative/Branded
Share of Revenue

50%

Women
employees

20%

Share of
Domestic Revenue

20%

FINANCIAL HIGHLIGHTS

KEY HIGHLIGHTS – Q2 FY17

Highest ever quarterly sales and operational EBITDA

Sales growth at 22%
YoY

Operating EBITDA
at 24.1%

Net Debt to Equity at 1.2x
(Vs 1.3x at FY16 –end)

Net debt to
Op.EBITDA at 1.5x
(Vs 1.6x at FY16-end)

ROCE (pre-tax) at 25.1%

Innovative sales
share at 36%

Foray into Smart Textiles

Branded sales share
at 15%

FINANCIAL PERFORMANCE – Q2 FY17

(Rs. Million)

| Particulars | Q2FY17 | Q2FY16 | Change YoY | Q1FY17 |
|----------------------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 17,899 | 14,694 | 21.8% | 15,926 |
| Operating EBITDA | 4,318 | 3,834 | 12.6% | 4,225 |
| Op. EBITDA Margin | 24.1% | 26.1% | -197 bps | 26.5% |
| EBITDA | 4,569 | 4,040 | 13.1% | 4,414 |
| EBITDA Margin | 25.5% | 27.5% | -197 bps | 27.7% |
| Finance Cost | 320 | 515 | -37.9% | 353 |
| Depreciation | 1,264 | 909 | 39.1% | 1,121 |
| PBT before exceptional | 2,985 | 2,616 | 14.1% | 2,940 |
| PAT after min. & assoc. (before exceptional) | 1,999 | 1,794 | 11.4% | 2,018 |
| EPS (Rs.)# (before exceptional) | 1.99 | 1.79 | 11.4% | 2.01 |
| Exceptional items | (4,895) | | | |
| PBT (after exceptional) | (1,910) | 2,616 | | 2,940 |
| PAT after min. & assoc. (after exceptional) | (1,475) | 1,794 | | 2,018 |
| Cash Profit* | (112) | 2,803 | | 3,277 |
| EPS (Rs.)# (after exceptional) | (1.47) | 1.79 | | 2.01 |

Volume Driven Revenue Growth

* PBDT - Current Tax

#Adjusted for stock split

Note: Prior-period figures have been restated according to Ind-AS accounting standards

FINANCIAL PERFORMANCE – H1 FY17

(Rs. Million)

| Particulars | H1FY17 | H1FY16 | Change YoY |
|----------------------------------------------|---------------|---------------|--------------|
| Revenue | 33,825 | 28,625 | 18.2% |
| Operating EBITDA | 8,542 | 7,503 | 13.8% |
| <i>Op. EBITDA Margin</i> | 25.3% | 26.2% | -96 bps |
| EBITDA | 8,982 | 7,995 | 12.4% |
| <i>EBITDA Margin</i> | 26.6% | 27.9% | -137 bps |
| Finance Cost | 673 | 1,108 | -39.3% |
| Depreciation | 2,385 | 1,693 | 40.8% |
| PBT before exceptional | 5,925 | 5,194 | 14.1% |
| PAT after min. & assoc. (before exceptional) | 4,017 | 3,624 | 10.9% |
| EPS (Rs.)# (before exceptional) | 4.00 | 3.61 | 10.9% |
| Exceptional items | (4,895) | | |
| PBT (after exceptional) | 1,030 | 5,194 | |
| PAT after min. & assoc. (after exceptional) | 543 | 3,624 | |
| Cash Profit* | 3,165 | 5,042 | |
| EPS (Rs.)# (after exceptional) | 0.54 | 3.61 | |

Revenue Growth at 18%

* PBDT - Current Tax

#Adjusted for stock split

Note: Prior-period figures have been restated according to Ind-AS accounting standards

PROFITABILITY TREND

(Rs. Million)

| Particulars | FY15 | FY16 | H1 FY17 |
|----------------------------------------------|---------------|---------------|---------------|
| Revenue | 53,025 | 59,371 | 33,825 |
| <i>Revenue growth %</i> | 21.3% | 12.0% | 18.2% |
| Operating EBITDA | 12,742 | 15,899 | 8,542 |
| <i>Op EBITDA Margin</i> | 24.0% | 26.8% | 25.3% |
| EBITDA | 13,691 | 16,849 | 8,982 |
| <i>EBITDA Margin</i> | 25.8% | 28.4% | 26.6% |
| Depreciation | 3,329 | 3,718 | 2,385 |
| Finance cost | 2,829 | 2,368 | 673 |
| PBT before exceptional | 7,533 | 10,763 | 5,925 |
| PAT after min. & assoc. (before exceptional) | 5,398 | 7,400 | 4,017 |
| EPS (Rs.)# (before exceptional) | 5.4 | 7.4 | 4.0 |
| Exceptional items | | | (4,895) |
| PBT (after exceptional) | 7,533 | 10,763 | 1,030 |
| PAT after min. & assoc. (after exceptional) | 5,398 | 7,400 | 543 |
| Cash Profit | 9,017 | 11,840 | 3,165 |
| EPS (Rs.)# (after exceptional) | 5.4 | 7.4 | 0.5 |

Consistent double digit growth in revenues

1. Cash Profit = PBDT - Current Tax ; 2. Q2FY17 EPS not annualised

BALANCE SHEET TREND

(Rs. Million)

| Particulars | 31-Mar-15 | 31-Mar-16 | 30-Sep-16 |
|------------------------------|---------------|---------------|---------------|
| Net Worth | 14,318 | 19,739 | 20,461 |
| Short Term Loans | 10,034 | 7,716 | 11,351 |
| Long Term Loans | 20,817 | 18,945 | 21,435 |
| Gross Debt | 30,851 | 26,661 | 32,786 |
| Cash & Cash Equiv. | 4,297 | 1,386 | 7,900 |
| Net Debt | 26,554 | 25,275 | 24,886 |
| Capital Employed# | 45,451 | 47,936 | 52,549 |
| Net Fixed Assets (incl CWIP) | 26,049 | 33,508 | 35,488 |
| Net Current Assets* | 13,155 | 10,726 | 10,939 |
| Total Assets | 56,953 | 61,462 | 71,480 |

Net debt maintained

Capital Employed = Total assets - Current liabilities (excl short-term debt and long-term debt repayable in one year)

* Net Current Assets does not include Cash & Cash Equivalents

FINANCIAL RATIO TREND

| | | FY15 | FY16 | H1 FY17* |
|--------------------|-----------------------|-------|-------|----------|
| Solvency ratios | Net debt/Op. EBITDA | 2.08 | 1.59 | 1.46 |
| | Net debt/Equity | 1.85 | 1.28 | 1.22 |
| | EBIT/Interest | 3.66 | 5.55 | 9.81 |
| Operational ratios | Current Ratio | 1.10 | 1.15 | 1.23 |
| | Fixed Asset turnover | 2.04 | 1.77 | 1.91 |
| | Total Asset turnover | 0.93 | 0.97 | 0.95 |
| | Inventory days | 76 | 69 | 58 |
| | Debtor days | 31 | 36 | 38 |
| | Payable days | 48 | 62 | 42 |
| | Cash conversion cycle | 59 | 43 | 54 |
| Return ratios | ROE | 42.5% | 43.5% | 36.8% |
| | ROCE (pre-tax) | 22.8% | 27.4% | 25.1% |

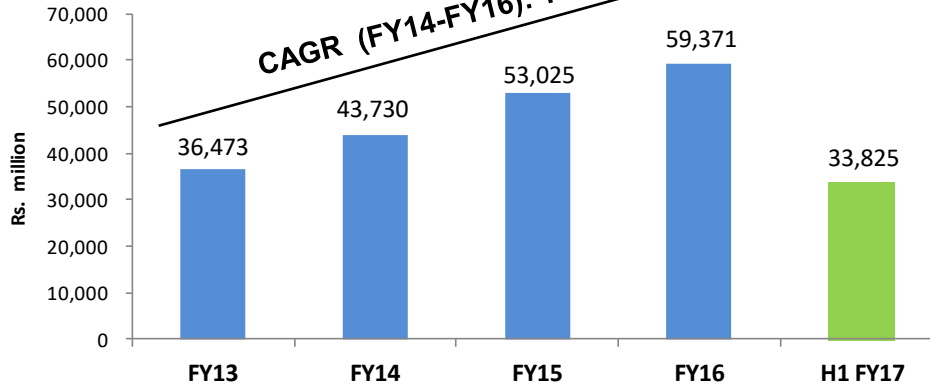
Continuous improvement in Net Debt/Equity and Net Debt/Op. EBITDA

1. ROCE = EBIT / Average Capital Employed; ROE = Net Profit / Average Net worth
2. Total asset turnover = Sales/ (Fixed assets + Gross current assets)
3. H1 FY17 figures are excluding one time impact of Exceptional item of Rs. 4,895 Mn

KEY FINANCIAL TRENDS

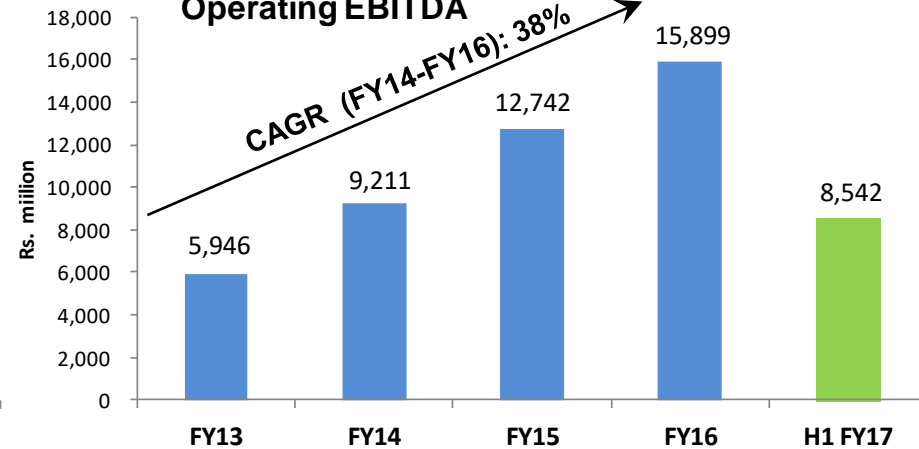
Revenues

CAGR (FY14-FY16): 18%



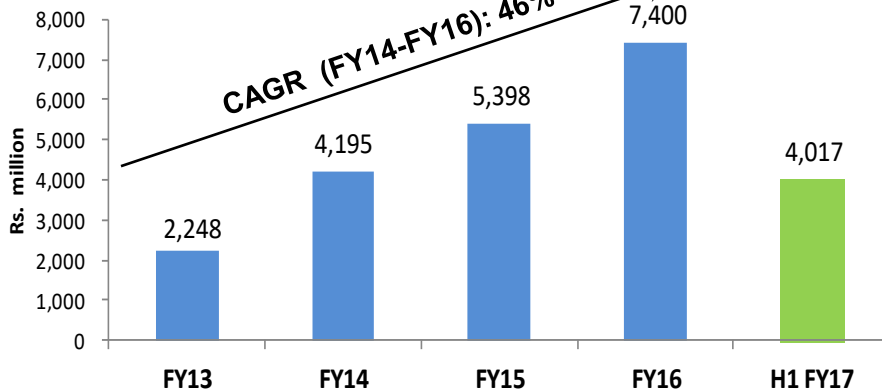
Operating EBITDA

CAGR (FY14-FY16): 38%



Net Profit (before exceptional)

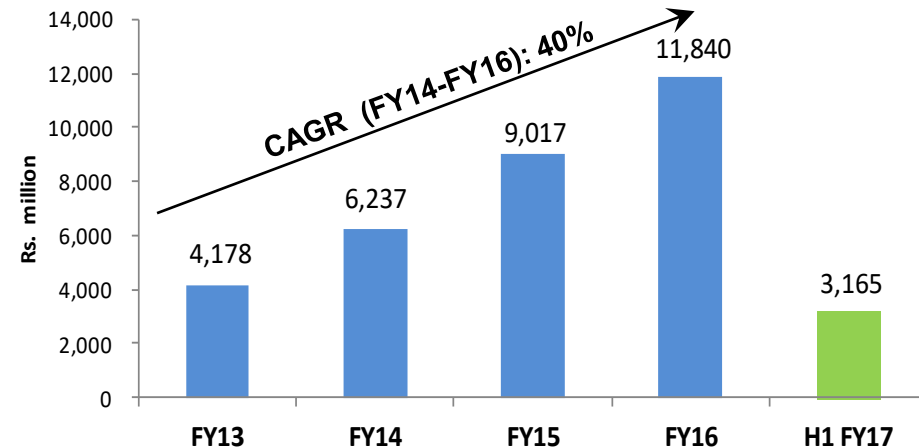
CAGR (FY14-FY16): 46%



Net Profit H1 FY17 figure is excluding one time impact of Exceptional item of Rs. 4,895 Mn

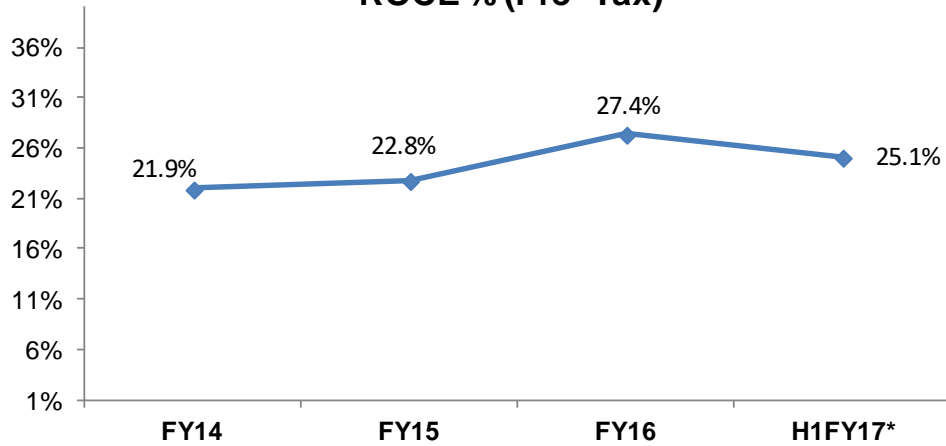
Cash Profit

CAGR (FY14-FY16): 40%

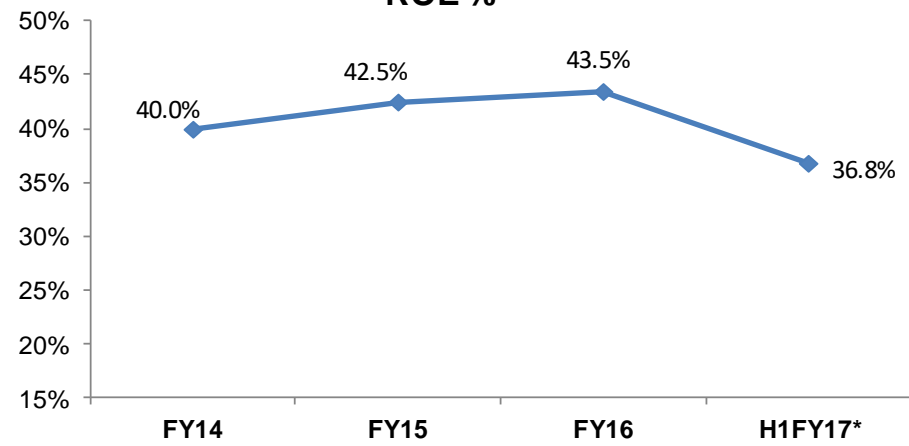


KEY RATIO TRENDS

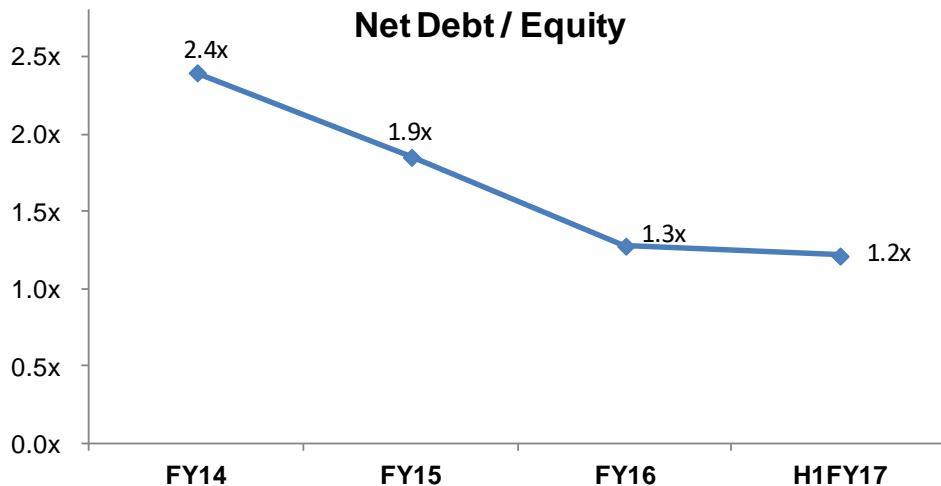
ROCE % (Pre- Tax)



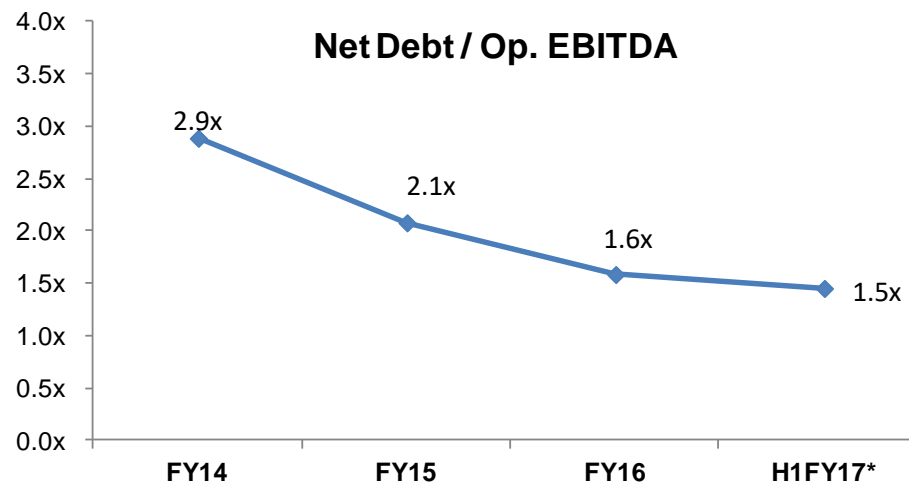
ROE %



Net Debt / Equity



Net Debt / Op. EBITDA



* Annualised

ROCE and ROE H1 FY17 figures are excluding one time impact of Exceptional item of Rs. 4,895 Mn

THANK YOU

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