

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

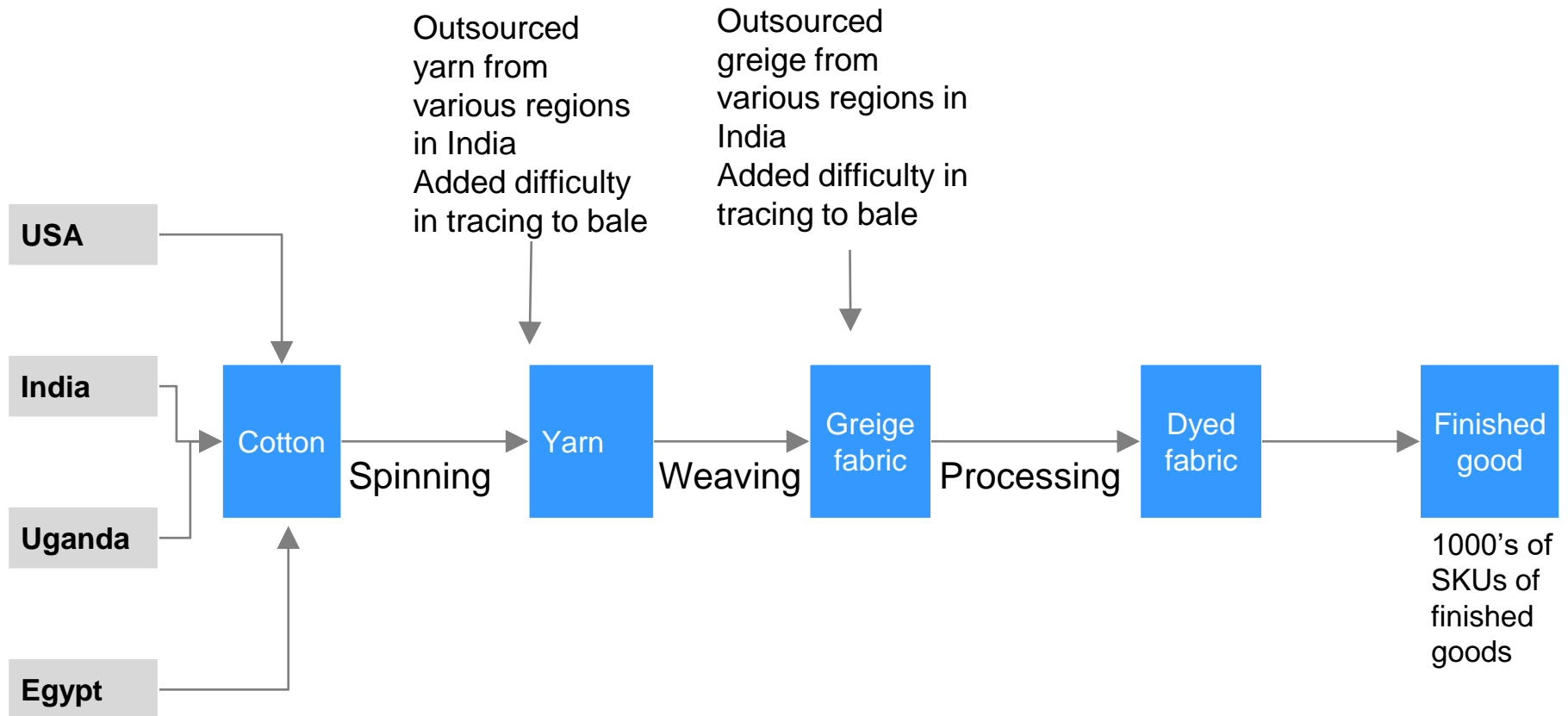
Started engaging with other customers to answer any of their concerns/queries

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

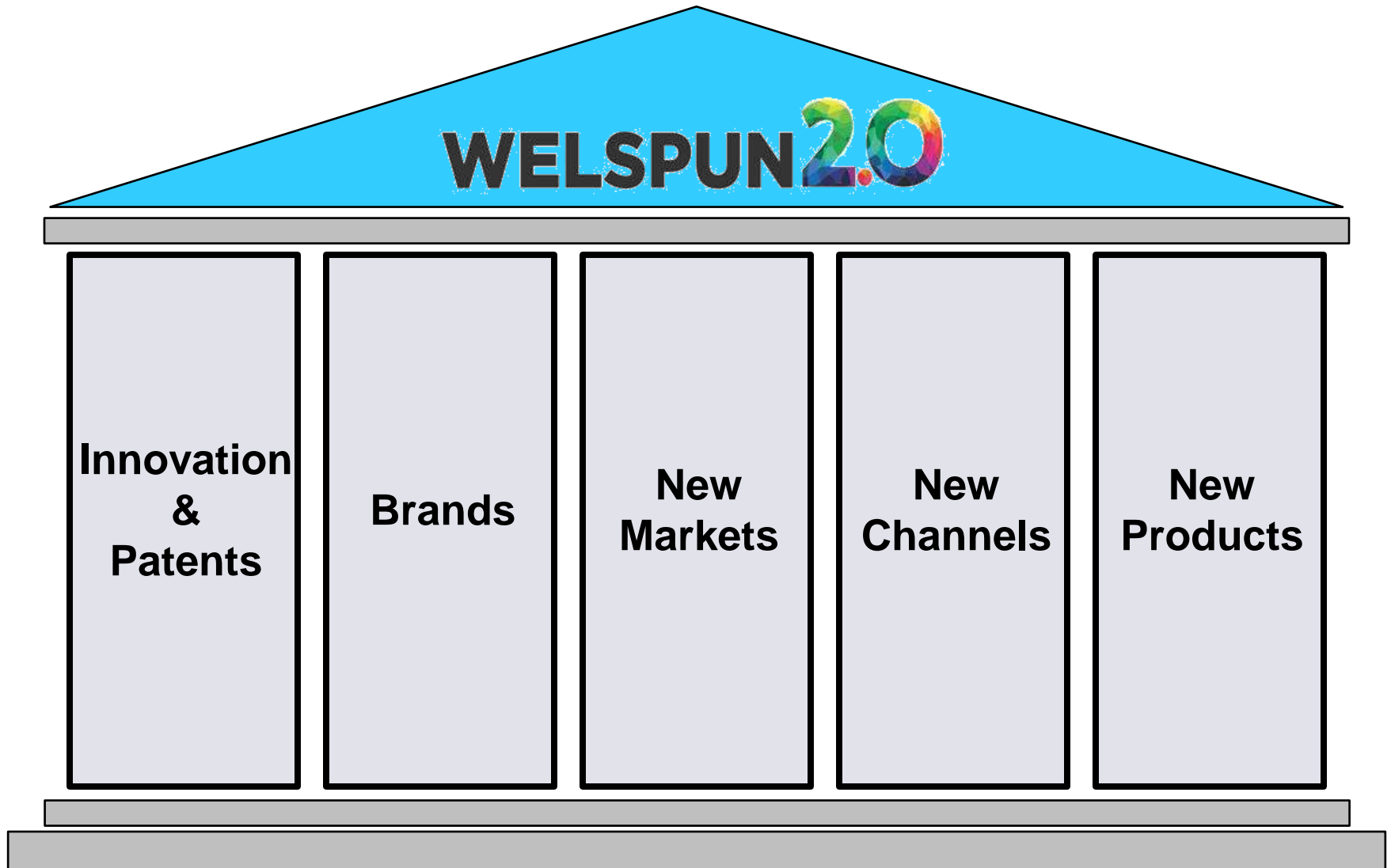
FINANCIAL IMPACT

- 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

SPACES
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%

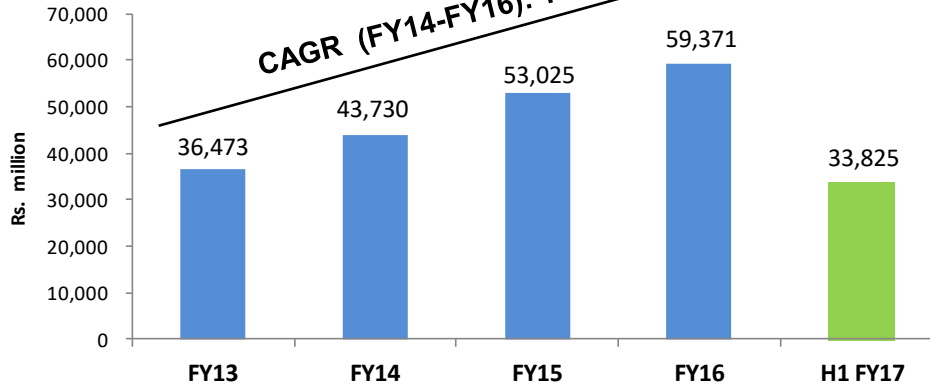
Continuous improvement in Net Debt/Equity and Net Debt/Op. EBITDA

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

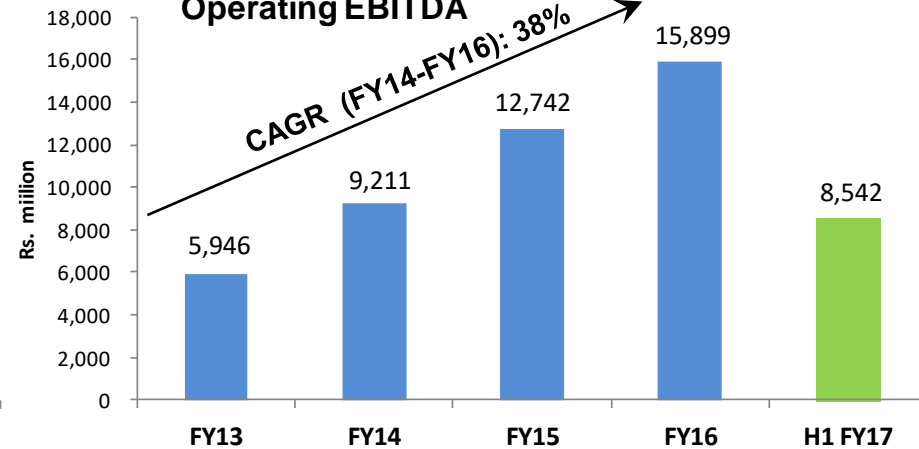
Revenues

CAGR (FY14-FY16): 18%



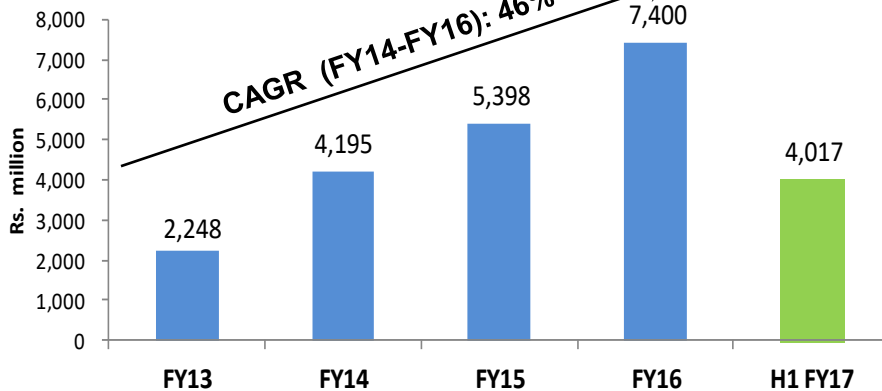
Operating EBITDA

CAGR (FY14-FY16): 38%



Net Profit (before exceptional)

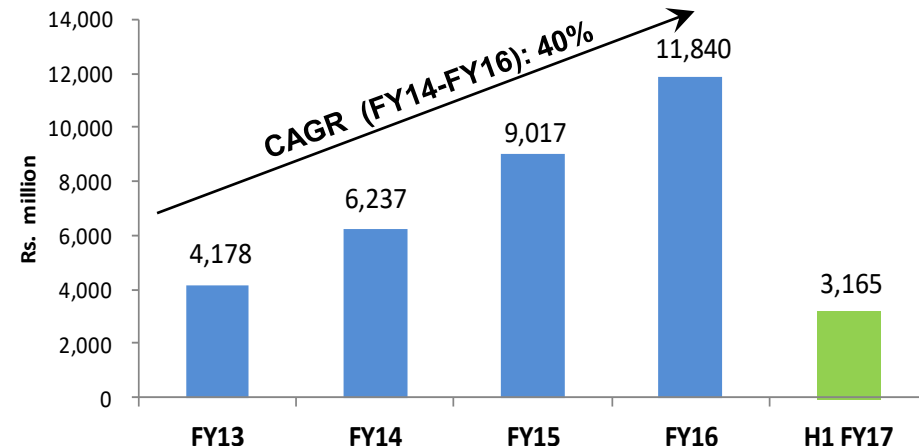
CAGR (FY14-FY16): 46%



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

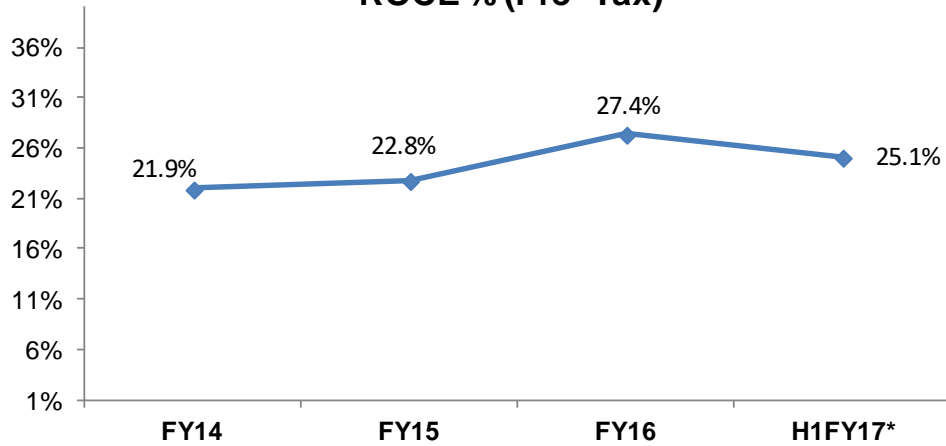
Cash Profit

CAGR (FY14-FY16): 40%

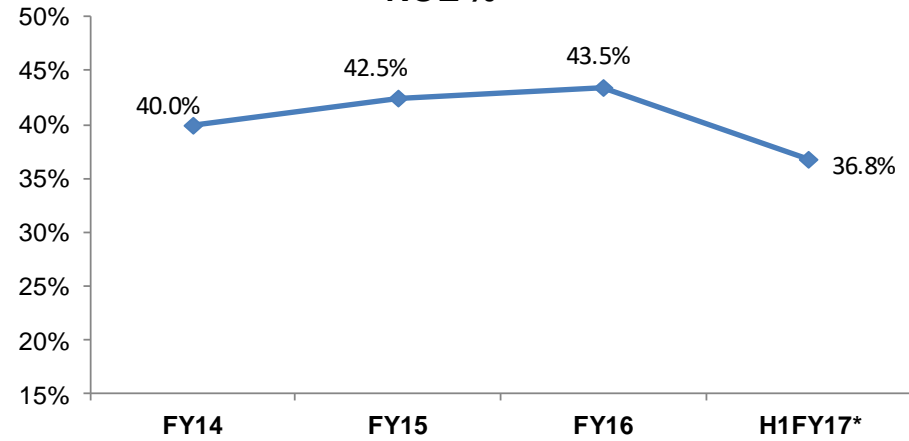


KEY RATIO TRENDS

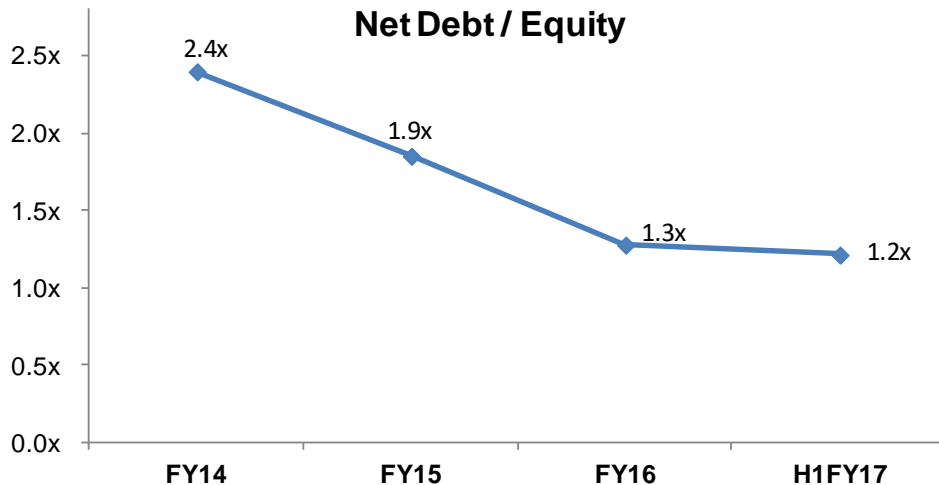
ROCE % (Pre- Tax)



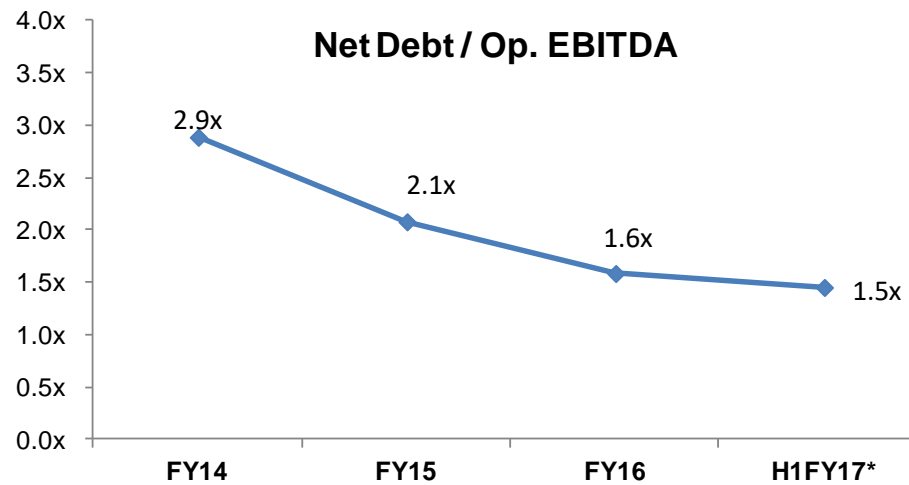
ROE %



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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