



Welspun India Limited

“Q1 FY '24 Earnings Conference Call”

July 31, 2023



**MANAGEMENT: MS. DIPALI GOENKA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – WELSPUN INDIA
LIMITED**

**MR. ALTAF JIWANI – CHIEF OPERATING OFFICER –
WELSPUN INDIA LIMITED**

**MR. SANJAY GUPTA – CHIEF FINANCIAL OFFICER –
WELSPUN INDIA LIMITED**

**MR. SALIL BAWA – HEAD, GROUP INVESTOR
RELATIONS – WELSPUN INDIA LIMITED**

MODERATOR: MR. IQBAL KHAN – NUVAMA WEALTH MANAGEMENT

Moderator: Ladies and gentlemen, good day, and welcome to the Welspun India Q1 FY '24 Earnings Conference Call hosted by Nuvama Wealth Management. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Iqbal Khan from Nuvama Wealth Management. Thank you, and over to you, sir.

Iqbal Khan: Hi, thank you so much. On behalf of Nuvama Wealth Management, I welcome you all to Q1 FY '24 Conference Call of Welspun India Limited.

With this, I now hand over the call to Mr. Salil Bawa for his opening remarks. Thank you, and over to you, sir.

Salil Bawa: Thank you, Iqbal, and good afternoon to all of you. On behalf of Welspun India Limited, I welcome all of you to the company's Q1 FY 2024 earnings call. Along with me, we have with us today Ms. Dipali Goenka, Managing Director and CEO; Mr. Altaf Jiwani, Chief Operating Officer; and Mr. Sanjay Gupta, Chief Financial Officer.

We hope you have had a chance to review the investor presentation that we have filed with the Exchanges today. It will also be available on our website, www.welspunindia.com. During the discussion, we may be making references to the presentation and the numbers. Please do take a moment to review the safe harbor statement in our presentation. As usual, we'll start the forum with opening remarks by our leadership team, and then we will open the floor for your questions. Once the call gets over, should you have any further queries that remain unanswered post the earnings call, please feel free to reach out to us.

With that, I would now like to hand over the floor to Ms. Dipali Goenka, Managing Director and CEO. Over to you, ma'am.

Dipali Goenka: Thank you, Salil. Good afternoon, everyone, and thank you for taking time to join us today for our quarter 1 '24 analyst call.

I would like to share some perspectives on the operating highlights of our performance during the quarter under review, after which Sanjay would share some highlights from our financial metrics.

Our revenues jumped up 12% year-on-year to reach INR2,215 crores for quarter 1. We have achieved highest EBITDA in last 7 quarters clocking 15.4% in quarter 1, nearly doubling and up by 97% year-on-year and 7% quarter-on-quarter. The increase in EBITDA has been across our business of home textiles, consumer retail and flooring. Annualized ROCE has improved to 13.3% from 5.7% last year. Hence, we are well on our way to achieve the top line and bottom line guidance we have provided for FY '24.

The growth that we have seen in Q1 revenues and EBITDA is despite the cyclone Biparjoy towards the end of June in Gujarat which impacted our production and dispatches to some extent. The team at Anjar did a commendable job in normalizing the situation in record time.

All the 3 Cs that is cotton, coal, container, which impacted our margin in the previous quarters, have to a large extent corrected, albeit at a new level with the coal prices also starting to correct towards the end of quarter 1. We continue to be cautiously optimistic of the operating performance for the FY '24. As we had mentioned earlier, while input cost price reductions and ocean freight correcting to pre-pandemic levels would definitely help in operating margins.

The global slowdown estimates and worries my result volumes picking up only gradually during the year at a relatively muted pace. I would like to shed some light on the updates for major business segments, starting with the core and export markets.

Globally, the growth has moderated to 2.5% in Q2 from 3.3% in 2022. U.S.A. is, however, a market showing resilience. The GDP in Q2, expanding at 2.2% despite banking crisis and rate hikes. Inflation is at 3% lowest in 2 years. Fed rates, however, is further up by 25 bps to 5% to 5.25%. Retail sales showed resilience in Q2 grew 1.5% Y-on-Y in June. Job growth and wages are providing buoyancy, although inflation continues to take a bite out of consumer income, thereby effecting the purchasing power. At the headline level, consumer spending has proven resilience. But below the surface, we continue to see signs that customers remain choice and value conscious. About 4% of the spend of the consumer is migrated from discretionary towards essentials like groceries, health and wellness.

With the big retailers, destocking being almost over in the last quarter, we started seeing a relatively increase in flow of orders from U.S.A. during the quarter. Core home textile export revenues for Welspun saw a growth of 12% Y-on-Y. With increased order flows, our capacity utilization of bath linen and rugs jumped up to 81% and 90%, respectively, as compared to 66% and 70% last quarter with export picking up our innovation product sales saw a growth in excess of 100% Y-on-Y.

Closer home, India is the brightest part in the global economy with relatively better growth rates of 4% and inflation moderating up to 4.8%. The IMF has raised its GDP growth forecast for India for 2023 from 5.9% to 6.1%. The Indian economy is expected to rebound with a higher growth rate in H2. Having said that, in Q1, we have observed a lower offtake within the apparel and textile space, leading to higher accumulated inventory in the distribution channel. In the consumer goods space, we are witnessing slight pressure in volume. The impact from the leading retail companies in home and apparel segment in India for quarter 1 is evident from the reported results. In this challenging environment, Welspun's domestic consumer business showed resilience during the quarter, with the sales remaining flat as a result of focus on continued expansion.

Welspun brand continued to be the widely distributed home textile brand in the country with presence in 500-plus towns and 13,265-plus outlets, up by 2,092 in Q1. Our reach not hitherto achieved by any home textile player in India. Despite the continuing investment in the Home

Textile Consumer business, which reached a breakeven EBITDA in the last year, posted a marginal post-positive for the first time.

Operating cash flows from the domestic business continued to improve due to efficient use of capital employed as a result of bringing down our net working capital continuously. Inventory reduces from 80 to 71 days, debtors reduced from 80 to 53 days from FY '20 to Q1 FY '24. We remain committed to continued investment in our brand for improving brand visibility and salience, which shall be prominent in the upcoming festive season.

With the footfalls and offtakes looking to improve in the coming months, we have also witnessed very encouraging traction for our Autumn/Winter '23 season in the B2C segment. Distribution bookings have been very promising, which does indicate a positive market sentiment for the next quarters. We remain committed towards our focus to build profitable business growth in the domestic consumer business. Our emerging businesses of domestic consumer business, Advanced Textile and Flooring businesses grew 15% in Q1 Y-o-Y.

Within our Flooring business, we are witnessing a push towards the China+ strategy in major global markets with a focus on complete feasibility of the supply chain. In sync with the market opportunities, we are working on indigenization of a complete value chain. Such initiatives lends credence to Indian manufacturing in the global flooring segment, along with improving our TAT and optimized inventory. Flooring clocked its highest-ever quarterly revenue of INR225 crores, growing by 33% year-on-year.

We have been able to bag new customers in the United States, in ANZ and Middle East sectors, apart from receiving repeat from existing customers. We have been able to make inroads in the markets of ANZ and Middle East for printed wall-to-wall carpets for prestigious hospitality projects. We have signed contracts with prestigious hospitality chains in Europe for wall-to-wall supplies for 2 years. With raw material prices and ocean freights correcting to pre-pandemic levels, demand for SPC is starting to further pick up from U.S. from quarter 2.

During the quarter, Flooring business also clocked its highest EBITDA of 8.1%, aided by higher sales and lower operating costs. On domestic market front in flooring, we are continuing to see substantial growth and good demand buildup in commercial and institutional segments, while residential segment is continuing to pick up. Domestic flooring grew by 24% in Q1 Y-on-Y.

We have also decided to merge the Welspun Flooring business into Welspun India to take advantage of the business synergies and be value accretive Sanjay will be taking you into the details when he speaks.

The Advanced Textiles business witnessed 11% growth Y-o-Y in Q1 FY '24. We have expanded our footprint to South America and Asian markets and have good order in pipeline from export customers, which would bring the revenues in the ensuing quarters. We are launching Welspun brand of wet wipes for institution market.

On the ESG front, our practices have made a business highly sustainable and responsible with our work in STP, loading of water cause, greenhouse gas emissions controls and green energy, to name a few. Further usage and investment in green energy will bring down power cost

substantially, at the same time, reducing dependence on the coal and its price variability. Welspun has remained at the forefront in its ESG practices with world-leading and industry-leading matrix.

After getting an industry-leading Dow Jones Sustainability Index score of 59 last quarter, which put us in top 5 percentile score among the companies assessed, ESG leadership of the company was again corroborated convincingly through Sustainalytics rating of 11.3 in this quarter. This rating tops home textile manufacturers globally and put Welspun India into top 10 among the 202 participating companies worldwide in the home textile and apparel category in Sustainalytics rating.

Earlier this month, Welspun has also unveiled its new brand identity. The new Brand identity has been created to recognize and cherish Welspun's hallmark story, our bold expansion and growth built upon our strategic diversification forays from B2B to B2C business opportunities. The new logo featuring a double tick symbolizes the company's dedication to both doing things right and doing the right things.

It represents Welspun's funds exponential growth, unyielding pursuit of excellence, relentless drive for ingenuity, leveraging cutting-edge technology and talent. I'm also happy to report that we have also taken a decision on rechristening Welspun India Limited to Welspun Living as a new identity. This move is also a part of a broader brand architecture strategy for the master brand. This name effectively encapsulates our present business focus while also allowing the flexibility to incorporate the other broader categories in the future.

By adopting this new nomenclature, Welspun Living aims to create a more dynamic and inclusive brand image that is driven by a purpose positioning ourselves for growth and adaptability in the evolving market landscape. This strategic move indicates the company's proactive approach to staying relevant and agile in the face of changing market dynamics. The new brand identity, Welspun Living not only reflects the current business verticals, but also offers opportunities for potential expansion into other areas, which may drive further growth and value creation for our stakeholders.

With this, I would like to hand over to Sanjay, who will take over through the financial highlights. Thank you.

Sanjay Gupta:

Thank you, Dipali, and greetings, everyone. I'll give a brief overview of the financial numbers for quarter 1 financial year '24 before we open for question-and-answer. During quarter 1 financial '24, we reported revenues of INR2,215 crores, up 12% year-on-year and 1% quarter-on-quarter. EBITDA margin for the quarter stood at INR341 crores, that is 15.4%, highest in 7 quarters, as mentioned by Dipali and up by 665 basis points year-on-year and up by 84 basis points quarter-on-quarter. As input costs have corrected to a large extent, and ocean freight costs have also reached the pre-COVID levels we are seeing a relatively uptick in customer orders, impact of the same can be seen in our margins.

Profit after tax (after minority interest) for the quarter is at INR162 crores vis-a-vis INR22 crores year-on-year and INR125 crores last quarter increased by almost 7x year-on-year. Consequently,

our consolidated EPS for quarter 1 '24 stood at INR1.66 per share as compared to INR0.23 per share in quarter 1 of financial year '23 and INR1.28 per share for quarter 4 of financial year '23.

On the forex front, our average exchange realization for the U.S. dollar during quarter 1 was INR82.16 compared to INR77.13 in the corresponding quarter last year.

At the end of quarter 1 financial year '24, net debt stood at INR1,815 crores, which is INR324 crores lower than a year ago, however, up by INR281 crores from quarter 4. We have, during the last quarter, given a guidance towards achieving a net debt of about INR1,000 crores by financial year '24. While there might be some variances on a quarter-to-quarter basis. Due to payouts related to buyback out of treasury funds and investment in the working capital in quarter 1, net debt is slightly up at the end of quarter 1. However, we are well towards achieving our guidance for the year end. In quarter 1 financial year '24, we spent INR57 crores towards capex majorly towards the setup of 30-megawatt solar power plant at our Anjar facility.

Coming to segmental results, quarter 1 of financial year '24 core business of Home Textile revenue stood at INR2,038 crores versus INR1,852 crores in quarter 1 financial year '23, up by 10% year-on-year and 1% quarter-on-quarter. Quarter 1 EBITDA Home Textile stood at INR312 crores at 15.3% as compared to 9.3% year-on-year and 14.5% quarter-on-quarter.

During the quarter, revenue from Flooring business was INR225 crores, up by 33% year-on-year and 8% quarter-on-quarter. EBITDA was INR18 crores, that is 8.1%, highest ever quarterly EBITDA for Flooring as compared to 1.2% year-on-year and 4.2% quarter-on-quarter.

The Board of Directors have in its meeting held today, approved the draft merger scheme of Welspun India Limited and its wholly owned subsidiary, Welspun Flooring Limited and other 4 small wholly owned subsidiary companies which is subject to NCLT approval. Proposed merger will result in better earning predictability, stronger revenues and improved competitiveness with diversification in product portfolio. This will also result in stronger presence across market segments provide access to new markets and product offerings along with better bargaining power with suppliers. Merger will also help in greater economies of scale and synergy of operations as a result of better sourcing of raw materials with sourcing functions getting combined reduction in procurement costs and lower lead time in procurement, resulting into lowering of working capital requirements for inventory.

This merger is part of our strategy to remain focused on emerging businesses and to provide the same level of customer experience and services across all our products that we have been able to provide in our core Home Textile business.

With this, I will leave the floor open for question and answer. Thank you.

Moderator:

We have the first question from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala:

Congratulations, ma'am, on good utilization improvement across the board. Ma'am, will first like to understand what is happening across segments because we see higher utilization improvement in bath versus bed and though there is a Q-on-Q improvement in utilization, but we don't see improvement on revenue. So what is happening on ASP? And what are the

customers talking about on this front? Some insight into this will help us understand the segment better.

Dipali Goenka: So I can just give you a perspective that we are looking at a higher utilization Prerna for the half 1, also owing to the festive season quarter 3 because there's a Black Friday that happens, and that's the kind of a season of festive. So we definitely are seeing half one upside, and it will be across all categories.

So whether it is going to be the towels, sheets, rugs, and carpets, definitely there's going to be an upside. And looking at the next quarter, we see our capacity optimization of around over 100% in all our category segment. Half 2, I would like to maintain that I would take a stance of being cautiously optimistic. However, we are on the path of achieving our commitment towards a growth of 10% and EBITDA of 15%, Prerna.

Prerna Jhunjhunwala: Okay. So ma'am, this gives me a thought where that you'll be running out of capacity this year. So any capex plan you would be looking at in any of the segments because if you're talking about 100% utilization this quarter itself for growth, how do we look at growth?

Dipali Goenka: So here, I think, Prerna, for towels and sheets, we have our ancillaries for our spinning and acreage. And also, we have a strong outsourcing. Secondly, our growth will also be coming from a Flooring segment where this time, if you would have seen that it has been a ratio of a softer flooring contributing around 70% and our hard flooring around 30%. Here, we had a debottleneck of DCF yarn and which we are actually looking at investments there. so whatever we will do will be in flooring for the debottlenecking, the rest for towels and sheets, I think we are very well covered. Small little investments could be in terms of printing. And I think those are the kind of small little opportunities there Prerna. However, I would definitely say that we are very well covered, owing to our strong outsourcing plan and our ancillaries that we have next door.

Prerna Jhunjhunwala: That is quite encouraging ma'am. And ma'am I would also like to understand if ASPs how the customers are talking whether we have to pass on the full decline in cotton prices to the customers? Or we in a position to retain some, given that we had a bad last year? Some insight there would also help.

Dipali Goenka: Prerna, that actually already has been done and has been passed, now we are moving forward. So all that has been done last year. So it is a new page now and everything is absolutely on the way forward.

Prerna Jhunjhunwala: Okay. Understood. Last question, ma'am on, where do we see our sustainable margins for both the segments, Flooring as well as Home Textiles?

Dipali Goenka: So I think, we are maintaining an overarching for Welspun India in totality, we have given a commitment of around 15%, and that's what we'll maintain. So Flooring will also be a part of that Prerna. However, I must tell you that Flooring is seeing an upside and China+ 1 is definitely there as a play for sure.

Moderator: We have the next question from the line of Roshan from B&K Securities.

- Roshan Nair:** Increase in the net debt, is it there to an increase in the working capital or long-term debt.
- Sanjay Gupta:** Yes. Roshan, so it's basically because of working capital. So we have built up inventories for the coming festive season. Also, towards the end of June, we saw Cyclone Biparjoy due to which all the shipments couldn't take place and the inventory is sitting, inventory was sitting, now it has gone. So because of that, the net working capital went up slightly, and that is why you saw the increase in net debt. And also, we paid out for buyback of shares out of our treasury funds, and that impacted the net debt as well. However, we stand by our guidance of reaching INR1,000 crores by end of this financial year.
- Roshan Nair:** Okay. That was great. And can you provide some color on the Home Textile demand in the second quarter, especially in the month of July, how things are at this time.
- Dipali Goenka:** So the Home Textile, as I earlier said that the quarter 2 definitely has an upside owing to the festive season that we all know because of the Black Friday and Christmas across the globe. So definitely, there's an upside that we see in the quarter 2. However, half 2, we are going to be cautiously optimistic as I earlier also said, but we maintain our growth of 10% as we committed and a 15% EBITDA.
- Moderator:** We have the next question from the line of Biplab Debbarma from Antique Stock Broking.
- Biplab Debbarma:** Sir, first question is actually, it is in continuation to the previous question. Sir, if you see the capacity utilization of bed and bath linen there is a big difference between capacity utilization of bed and bath. So can I surmise or are we supposed to infer that and recovery of bed linen is slower compared to the recovery of bath linen and are you seeing the recovery in the next few quarters, equal recovery in both the segments. There would be a difference in recovery in both the segments. I mean how you are seeing the export demands in these 2 segments.
- Dipali Goenka:** Sorry, anything else? Can I just answer?
- Biplab Debbarma:** No, no, ma'am, that's my first question.
- Dipali Goenka:** Okay. So definitely, bed sheets was a little slower to pick up in the quarter 1. However, we see our capacities built up to over 80% to 90% for the next couple of quarters here for the bed sheets as well. Towels is also going to be seeing that kind of a capacity upside nearly. So definitely, that's where we are on both bath and bed sheets, the major categories that we have. Rugs has also seen an upside of over 90%. So like, I mean, that's where we are across all the categories.
- Biplab Debbarma:** Okay. So basically, you're seeing strong recovery both in bed and bath linen.
- Dipali Goenka:** Yes. Yes. Yes.
- Biplab Debbarma:** Okay.
- Dipali Goenka:** That is all owing to the season that we see coming in, in the quarter 3. So I must again reinstate that. So half 1 looks pretty good with the kind of capacity orders. Half 2, the latter half of the year, the latter 6 months, I will again reinstate is going to be cautiously optimistic because we

don't know how this market will pan out, but we will commit to our numbers that we have committed to all of us.

Biplab Debbarma: That Q2 would be better, but we have to be cautiously optimistic about Q3 and Q4. Is that what you mean?

Dipali Goenka: Yes. Yes. Yes.

Biplab Debbarma: Okay, and because of the seasonality, right?

Dipali Goenka: Yes, because of the seasonality and maybe an economic kind of impact that might come in, which we haven't anticipated, but we are very confident of achieving what we have committed 10% growth in the top line and 15% EBITDA.

Biplab Debbarma: That's great ma'am. And one final question on Flooring. So should we continue to see improving capacity utilization and improving numbers in Flooring going forward? Like is this a one-of-a-kind or you are seeing this is a trend of increasing capacity utilization and growth in Flooring business.

Dipali Goenka: I'm happy to say that this is the beginning, and we'll definitely see the growth upside quarter-on-quarter on flooring. And the China + 1 strategy. I mean, that's something that lot of retailers are a little worried about because of the whole xinjiang and people are derisking in this category. So that's the upside we are definitely seeing because Welspun's plant is the most modern plant this part of the world. And definitely, that's the upside we'll continue to see in our soft flooring and hard flooring as well.

Biplab Debbarma: Okay. Okay. That's a very good ma'am. And 1 final question, ma'am. Just you have stated it, but just on the export demand outlook, you're saying that the destocking has stopped. So where are we now? Because you at one point you were saying that there is increase in orders, whereas you also stated that we have to be cautiously optimistic in Q3, Q4. So what is your sense of export demand outlook?

Dipali Goenka: So the outlook, what I'm saying is going through with, again, with the cautious optimism actually, the destocking has already happened. Everything we've seen there are 3 Cs also the cotton, container and the coal also come down. The freight also for a lot of people for the retailers, for the contracts also now have gone down. So we definitely are seeing that kind of an opportunity here. And also now this is the time for the season build up for most of the retailers across the globe. So that's the upside that we are seeing.

The reason I'm talking about being cautiously optimistic, this world post-COVID has not been the same. So you don't know one off what might just happen. And hence, I'm talking about that. But again, I'm going to Biplab reinstate about our top line commitments and our EBITDA.

Moderator: We have the next question from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.

Kaustubh Pawaskar: Yes. Congrats for good set of numbers. Ma'am, my question is on the competitive intensity. So how is the competitive intensity building up in the export market. So considering some of the

economies not being good, and India has a fair bit of chance to scale up their capacities and lead in terms of the demand, which is expected to come back in the coming years. So on the competitive front, how do we look ourselves compared to some of these close competitors.

Dipali Goenka:

So I must tell you that for India, India remains a bright spot in the terms of the democracy, the most stable democracy. And also, if I talk about cotton, I think not only India is the biggest grower of cotton but also the biggest exporter of cotton. And I think that actually also makes it a very competitive spot for the world as well. And I think that's a great opportunity, while the other economies are struggling, but India stands tall here. And of course, we definitely have an opportunity to gain the market share here for sure, because cotton is next door to us. Our input costs have gone down. So definitely, that's an opportunity for us to be competitive here.

Kaustubh Pawaskar:

So ma'am don't you think that you should expand the capacities by investing at the current juncture? Or is it too early to comment on that? Or maybe looking at how the demand environment is shaping in another 2 quarters, and then you might think about expanding your capacities because as you said, and even one of the previous participants as that you are almost now close to 100% of your capacity utilization so don't you think that it is a right time to put investment behind expansion? And then I think the opportunity is going maybe over the next few quarters?

Dipali Goenka:

So that's very interesting. But I can just tell you right now, I think this is the opportunity to work on our efficiencies of scale. As the volumes are coming in, we also have to debottleneck our efficiencies, debottleneck, and debottleneck and play on what we can do, and that's what we are doing. And somewhere we have to work on our processes, systems and now we are working on Industry 4.0, so that the speed to market and the turnaround time we'll work on. The markets are changing a little. They're trending like for example, in towels, you see the trend towards jacquard and fashion towels, printed options.

So I think those are the things we could definitely explore going forward. But at the moment, we are going to work with our efficiencies and optimize that and debottleneck wherever we can. So there'll be those small knick-knacks that we'll work on. I think this is the opportunity to really leverage our operational skills so that we can actually work on a better margins and better ROCE.

Kaustubh Pawaskar:

Got it. And last question on the domestic branded market. When do you expect things to recover maybe by quarter 3 of FY 2024?

Dipali Goenka:

So right now at the market and I think you would have seen with the other reporting as well of the retails. It has been a little slow and the consumption has gone down by 3.4%. We've definitely seen that. But we are actually just sitting at the advent of the festive season coming in. And our bookings have been quite positive and very, very encouraging. So definitely, we see that the quarter 2, quarter 3, we'll see positivity coming. We are absolutely there.

So for us, our growth, we can see, as you know, that Welspun is the highest distributed brand in the MBOs. We are already in 13,000 stores. So automatically, our reach is already there. We are spending in advertising as well in marketing as well. So we are already all set. And as the markets span up and grow, we'll be able to take that market share as well.

- Moderator:** We have the next question from the line of Naushad Chaudhary from Aditya Birla.
- Naushad Chaudhary:** Some clarification. Firstly, on the Flooring business, we have seen a good growth momentum here in the Flooring business. Just wanted a specific reason what exactly driving this growth? And is it coming from the B2B route or it coming through the distribution channel, which we are focusing.
- Dipali Goenka:** So it's coming in from both ways this time. I, again, will reinstate that India has a huge opportunity for the China + 1. And that's what is actually, it's coming in from owing to that. So while our exports is going to grow in the terms of soft flooring and hard flooring globally. That is U.S.A., U.K. in hospitality, in Australia in hospitality everywhere. India also has seen a segment growth in commercial and institutional segments and also the residential segment is also starting to pick up.
- So we grew by 24% in quarter 1, and we will continue to grow and maintain this momentum. So the exports is also going to continue to grow in U.S. and the rest of the world as well, and India will also continue to grow.
- Naushad Chaudhary:** And on the margin side, also if you compare it with last quarter, there has been only INR20 crores, INR25 crores of delta in terms of absolute revenue, but margin has almost doubled from 4.5% to 8%. Can you help us understand this piece also?
- Sanjay Gupta:** Yes, Naushad. So this is because of economies of scale. So as the capacity utilization increases, fixed cost is remaining same, and hence, whatever is the contribution margin flows into EBITDA. So that's why it has remained.
- Dipali Goenka:** Also, we are going forward, we're going to indigenize the whole supply chain Naushad so that also will help us to improve our kind of the inventory carrying costs, our turnaround times. So that's also going to be much better as we go forward. So the margins will tend to get better.
- Naushad Chaudhary:** would you have a specific outlook for this business for FY '25, what kind of margin we can see in Flooring business and top line as well.
- Dipali Goenka:** So we actually give a consolidated picture, we'll maintain that. So definitely, flooring will continue to grow at this pace. But we have maintained a top line of around growth of 10% overarching year at WIL, Welspun India, and an EBITDA of 15%. This is what we'll maintain. And of course, Flooring will contribute to that as well.
- Naushad Chaudhary:** Okay. An 8% margin is a new base for flooring and from here on as your revenue growth, your margin should reflect the operating leverage benefit, right?
- Sanjay Gupta:** Yes, Naushad. So we will try to maintain it. But as we have said earlier that we will try to be in high single digit in flooring this year and we will try to achieve that.
- Naushad Chaudhary:** Was there any one-off in this quarter? On the margin...
- Sanjay Gupta:** No, no.

- Naushad Chaudhary:** Okay.
- Dipali Goenka:** No, not at all.
- Moderator:** We have the next question from the line of Vikas Jain from Equirus.
- Vikas Jain:** My first question to Sanjay sir. Sir, can you like on a quarter-on-quarter basis, can you break up the expansion of the EBITDA margin as to like what contributed to the gain of the EBITDA margin? Is it like forex, cotton, others?
- Sanjay Gupta:** So all the 3 Cs as Dipali had mentioned, so all have come down. So if you can see the P&L, you will see that we have about better 3% contribution margin on a gross level. And we have also saved on our fixed cost due to power and as well as in our freight costs. So that has resulted into savings about 2%, and exchange has given us better. So overall, that has been the driving factor as compared to last year.
- Dipali Goenka:** And also with the kind of the cost, because we are manufacturing working capacity at optimum. that's also leveraging our cost.
- Vikas Jain:** Right, right, right. And my last question to Dipali ma'am, as you mentioned that we are like operating on an optimum utilization run rate. So in case if there is any surge in the demand that we witnessed with demand normalizing faster than expected. Are we like capable enough like our ancillary capacity and everything will be able to sell the demand given if any influx we witness.
- Dipali Goenka:** We are very well covered here because the ancillaries have the ability for our spinning, for our weaving and also our outsourcing capabilities are pretty strong here. So we are very well covered here. So yes, we can take on that up surge. It is all about leveraging our efficiencies as the orders come in, it also improves our efficiencies and turnaround time, and that's what we have to work on right now. See, investments are not an easy solution. It's also about working on what we have right now and optimizing them.
- Vikas Jain:** And last question, any comments with respect to how was the performance of our licensed brand this quarter? Any number that you would want to give.
- Dipali Goenka:** Yes. So our license brands actually grew by around 46% like Martha and COCOCOZY. They grew by 46%. And we can say that they basically come in very seasonal. So, they are getting the share of shelf. The basic fundamental is that whether it's Disney in U.K. and Europe, or whether it is Martha or our Creative CO/Lab brands, they are actually getting the share of shelf in different markets as well. So yes, we have seen an upside here, and we will continue to see that as the season progresses.
- Vikas Jain:** Got it. And 1 last question with respect to Flooring business, again. While we are like on a steady state basis, we have been witnessing some surge in the debt figure. Of course, this quarter was maybe because of some working capital investments. But on a capex perspective, apart from that, is there any further scope of debt in the flooring side to increase project from current level?

Sanjay Gupta: No, Vikas. This is broadly the peak levels that we are seeing, yes, yes. Flooring. So as we have mentioned in earlier quarters, our capex for Flooring is over more or less, which were completed about in third quarter last year. And we don't foresee any major capex happening. There might be maintenance capex, of course, but that would not increase the term loan.

Moderator: We have the next question from the line of Vineet Jain from Wise Investments.

Vineet Jain: Yes, happy to see the results, a great turnaround in the results. So my question is very simple. With this run rate, how are we going to achieve the target of 50,000 stores by next 2 years?

Dipali Goenka: I think for retail, we already are at 13,000. And this year, end of this year, we'll be around 25,000 stores, MBOs for Welspun, and 2026, we're definitely on the path of 50,000 stores. We have targeted 2026 as a run rate. So we are definitely on the path of achieving that.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I would like to hand the floor back to the management for closing comments. Please go ahead.

Dipali Goenka: So I would like to just thank everyone here. We are enthused with the performance of all our emerging businesses, Domestic Retail, Flooring and Advanced Textiles during Q1, and we hope to continue the growth momentum there. The uptick in order inflows from our B2B customers in Home Textiles is promising as well with cautious optimism. We are also excited about a new brand logo, which clearly embodies our ethos our commitment towards making Welspun a household's name and relies our vision of Har Ghar Se, Har Dil Tak Welspun.

We are committed towards the guidance we have provided for FY '24 and our long-term objectives of profitable growth through the continued investments in brands and innovation. We would continue to achieve newer standards in our sustainability journey and be the industry leader in our ESG practices, which was again reaffirmed in a recent industry leading score by Sustainalytics.

Thank you for your continued interest in Welspun India. For any further queries, please feel free to connect with Salil and Sanjay.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note:

1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. Some minor editing may have been done for better readability.
2. Any of the statements made herein may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of these opinions might have been based upon