# Management Discussion and Analysis

"We maintain our focus on the domestic market and building a strong B2C presence, while continuing to grow our export business.

Our new initiatives such as flooring solutions and advanced textiles are contributing towards sustaining the growth momentum.

Branding, innovation and sustainability continue to be the cornerstones of our differentiation strategy"

**Rajesh R Mandawewala**
Managing Director

The Management Discussion and Analysis (MDA) should be read in conjunction with the Audited Consolidated Financial Statements of Welspun India Ltd ('Welspun' or 'WIL' or the 'Company'), and the notes thereto for the year ended 31st March, 2019. This MDA covers Welspun's financial position and operational performance for the year ended 31st March, 2019. Currency for this MDA is Indian Rupees unless otherwise indicated. The numbers for the year ending 31st March, 2019 as well as for the previous year are on a consolidated basis and regrouped and reclassified wherever necessary.

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other synonyms. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

## WELSPUN INDIA LTD – BUSINESS OVERVIEW

Welspun India Limited ('Welspun' or 'WIL' or the 'Company'), part of the USD 2.3 billion Welspun Group, is one of the world's largest home textile manufacturers. The Company offers a wide spectrum of home textile products in bath, bedding and flooring solutions. It has been ranked the No. 1 home textile supplier to the US for five times in the preceding six years. The Company has established itself as a thought leader within the home textile industry over the years through its focus on innovation, branding and sustainability initiatives.

The Company has always focused on crafting innovations in products and solutions to enrich customer experiences, through various combinations of brands, products, technologies and channels. WIL is a differentiated, end-to-end solutions provider in home textiles, uniquely positioned for cross-selling, owing to wide customer reach, competitive manufacturing facilities, wide product portfolio and global delivery model. With a distribution network in more than 50 countries, the Company is the largest exporter of home textile products from India. The Company supplies to 17 of the Top 30 global retailers from its world-class manufacturing facilities at Anjar and Vapi, both in Gujarat, India.

"We are taking rapid strides in our B2C business through our own brands, licensed brands as well as ingredient brands.

We have launched value brand "Welspun" in the domestic market to complement our premium brand "Spaces".

Our domestic revenues, which should contribute 20% of our overall revenues by 2023, will also be boosted by our flooring business under brand "Welspun""

**Dipali Goenka**
CEO & Jt. MD

About 95% of WIL's revenue is derived from exports to various countries across the globe. The Company has a strong presence in key markets, such as USA, Canada and UK. Today, WIL has a dominant presence in the towel and bed linen market in US; and is present across every major store in UK. As part of its diversification strategy, the Company is continuously working on increasing its footprint in newer geographies including Continental Europe, Japan, Australia, the Middle East, China and particularly, in the Indian market. Further, the Company has been increasing its presence in new channels like hospitality, ecommerce etc. The Company has been introducing new products regularly to sustain its growth trajectory.

Around 17% of the Company's revenue is contributed by its own brands such as Christy, and Spaces as well as ingredient brands like Hygro, Wel-Trak and licensed brands like Wimbledon, Disney, Minions, Royal Ascot, Manchester City and FCB. WIL's strong and consistent emphasis on innovation is evident in the number of patents - 31 unique innovations, in its portfolio. Currently, about 38% of WIL's total revenue comes from innovative products.

## GLOBAL ECONOMIC OVERVIEW

The global economy continues to expand at a healthy pace. The global GDP grew by 3.7% in CY2018 even on the backdrop of weakening global financial market sentiment, trade policy uncertainty, and concerns about China's outlook. During the year, the global financing conditions tightened, industrial production moderated, trade tensions remained elevated, and some large emerging market and developing economies experienced significant financial market stress.

In CY2018, economic activity in advanced economies grew at 2.3%, lower from CY2017. Bolstered by fiscal stimulus, the growth in the United States has remained solid by increasing to 2.9% from 2.2% year-on-year. In contrast, activity in the Euro Area has been somewhat weaker at 1.8% in CY2018 as compared to 2.4% last year. This is owing to several factors such as soft private consumption, weak industrial production, higher borrowing costs, negative impact of worker protests and prolonged uncertainty about the Brexit outcome.

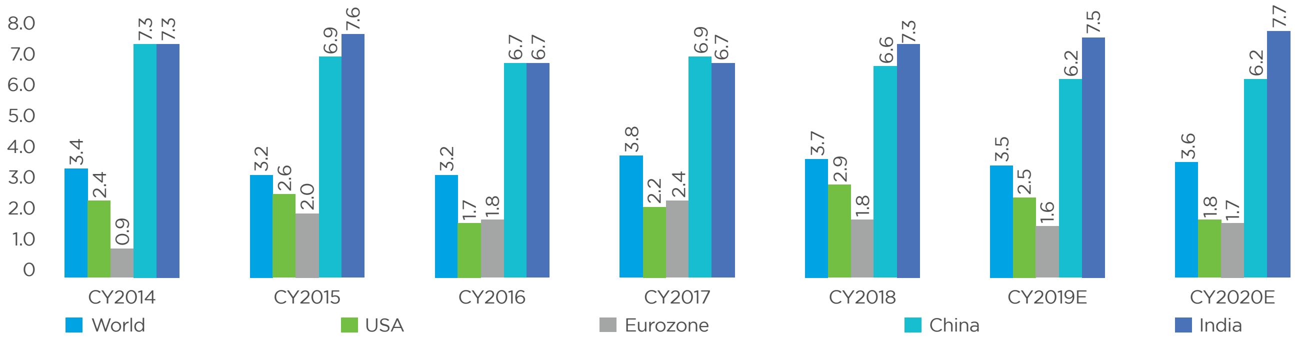
Also, Emerging Market & Developing Economies (EMDE) growth edged down to an estimated 4.2% in CY2018 as a number of countries with elevated current account deficits experienced substantial financial market pressures and appreciable slowdowns in activity. EMDE got majorly impacted by the volatile crude oil prices and depreciation of domestic currency. With the recent drop in oil prices, the emerging market economies' inflationary pressures are easing but it has been partially offset by the pass-through of currency depreciations to domestic prices. Central banks in many of these EMDEs have tightened policy to varying degrees to confront currency and inflation pressures.

Due to subdued demand from China, the prices of metals and agricultural commodities have softened slightly, posing renewed headwinds for commodity exporters.

As per IMF World Economic Outlook, the global growth is projected to moderate to 3.5% in CY2019 before picking up to 3.6% in CY2020. This growth pattern reflects a persistent decline in the growth rate of advanced economies from above-trend levels, together with a temporary decline in the growth rate for EMDEs in 2019, reflecting contractions in Argentina and Turkey, as well as the impact of trade actions on China and other Asian economies.

**Statistics Source:** IMF World Economic Outlook January 2019, World Bank Global Economic Prospects January 2019

**GDP GROWTH ACROSS REGION (%)**



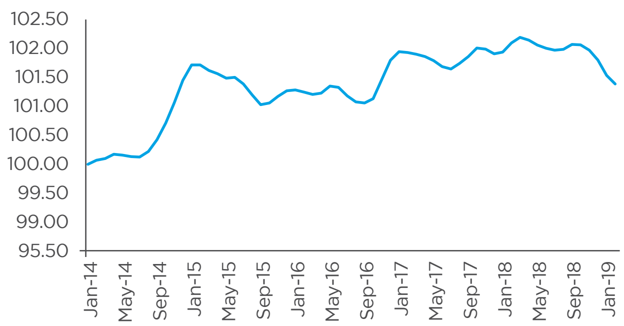

Source: IMF Report 2019, World Bank, RBI

## DEVELOPMENTS IN KEY MARKETS

**USA:**

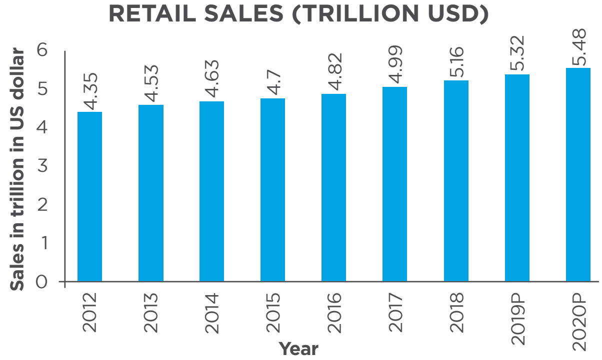
Supported by fiscal stimulus, the growth in United States continued during the year. Over the past few years, the US market has shown substantial increase in the consumer confidence index. This has led to increase in investment towards new homes and personal expenditure. These have, in turn, pushed new home sales and retail sales up respectively.

**US CONSUMER CONFIDENCE INDEX**



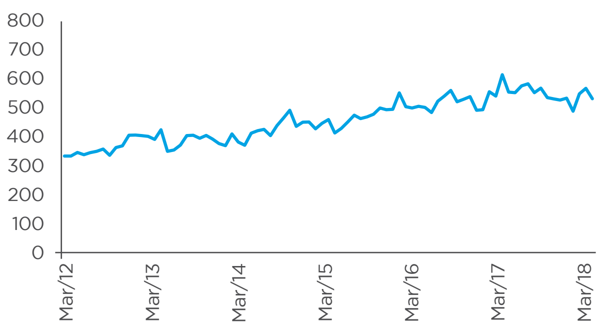

Source: Consumer Confidence Index (CCI) OECD 2019

**RETAIL SALES (TRILLION USD)**




Source: Statista

**US NEW HOME SALES (THOUSANDS OF UNITS)**



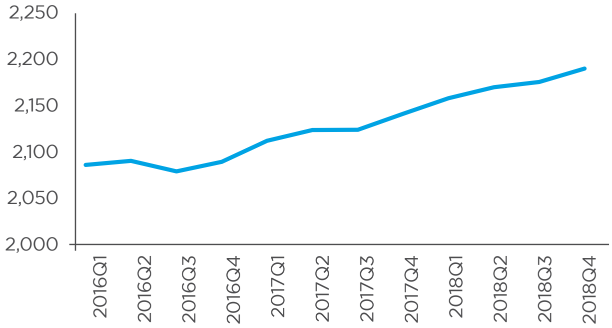

Source: United States Census Bureau

The US economy is forecasted to grow at a lower rate at 2.5% in 2019 and 1.8% in 2020 with the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest.

**EUROPE:**

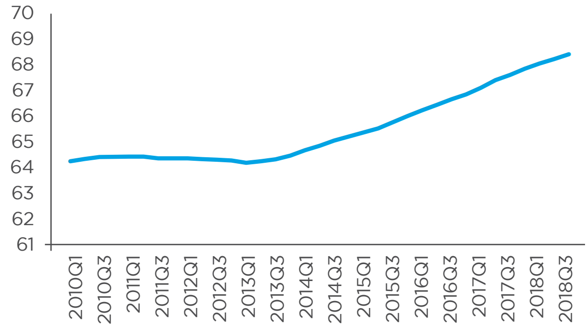
Over the past few years, Europe has seen improved consumer fundamentals mainly due to rising employment and real wage growth pushing personal consumption expenditure upwards. Impact of more money in hand and increased expenditure is also seen in the retail sales growth in the region.

**PERSONAL CONSUMPTION EXP (EUR BN)**



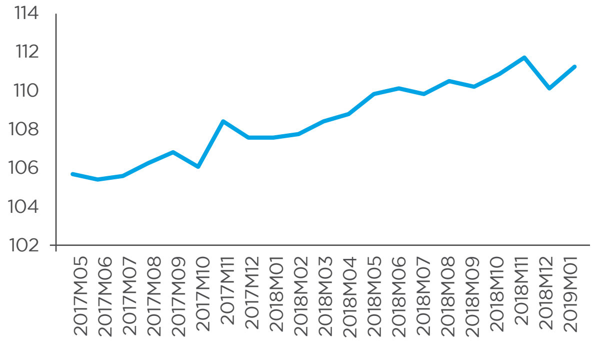

Source: Statista

**EUROPE EMPLOYMENT RATE**




Source: Statista

**RETAIL SALES (2005 AS BASE 100)**




Source: Eurostat

As per European Commission, the European economy is set to continue to benefit from improving labor market conditions, favorable financing conditions and a slightly expansionary fiscal stance. The economy is expected to grow for the seventh year in a row in 2019, with expansion forecast in every Member State. However, trade tensions and "Brexit" process remain the sources of uncertainty for the economy.

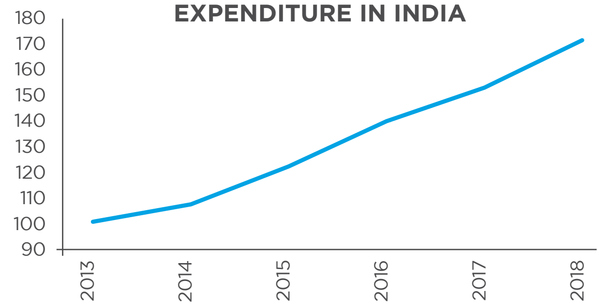
**INDIA:**

Indian economy witnessed a growth of 7.3% in 2018 as compared to 6.7% last year. In the last few years, the GDP growth rate trend of Indian economy has changed from being steady to strong and now to fastest in the world. According to the IMF, India is a bright spot in the global ecosystem and India's growth is looking very lucrative in the coming years.

This remarkable growth was achieved even at the backdrop of the several challenges faced during the year. The country got hit by the NBFC crisis and the liquidity crunch in the bond/debt market after the defaults by a major infrastructure financing company. The NBFC liquidity crunch came with the major public sectors banks already under RBI's Prompt Corrective Action (PCA). This reduced the growth in the economy in the second half.

Indian economic growth is fueled by the upswing in private consumption expenditure in the past few years. It is projected to remain robust and investment growth is also expected to continue as the benefits of recent policy reforms begin to materialize and credit rebounds.

**PRIVATE FINAL CONSUMPTION EXPENDITURE IN INDIA**




Source: Ministry of Statistics & Program Implementation

Latest IMF data suggests that this growth trend will continue in 2019 and 2020 also as India is projected to grow at 7.5% in 2019 and 7.7% in 2020. The growth pickup can be attributed to the benefits from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease. In addition to this, NITI Aayog expects India to grow at 9-10% by FY 2022-23 which would raise the size of the economy in real terms from USD 2.7 trillion in FY 2017-18 to nearly USD 4 trillion by 2022-23. Also, as per PwC's Global Economy Watch, India is likely to surpass the UK in the world's largest economy rankings in 2019.

The expected economic growth will be supported through further realization of efficiency gains from the newly adopted Goods and Services Tax (GST) and policy impetus expected in the first year of a new government after 2019 general elections.

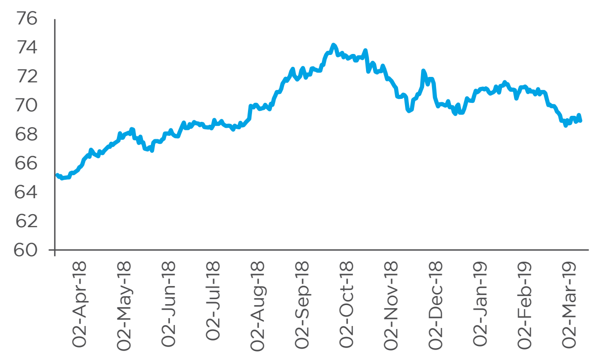
## FOREIGN EXCHANGE

During FY 2019, India's currency saw substantial depreciation vis-à-vis the US dollar, particularly in the first half of the financial year, by falling nearly 14% during the period from April 2018 to October 2018. This was on account of investors dumping the local currency in the wake of global headwinds coupled with widening current account deficit led by higher crude oil prices. Adding to it, strong demand for the US currency from importers and foreign fund outflows also weighed on rupee movement.

The rupee opened the financial year at 65.13 vis-à-vis the US dollar in April 2018. From that level, the phase of massive depreciation started till it hit its all-time intra-day low of 74.45 against the US dollar on 11th Oct. The 74+ level was shortlived as the rupee appreciated and came back to settle at 70-72 levels against the dollar. It further appreciated in March 2019 to breach 70 levels and finally closed at 68.97 at 2019-end.

Below chart shows the fluctuation of USD INR during 2019.

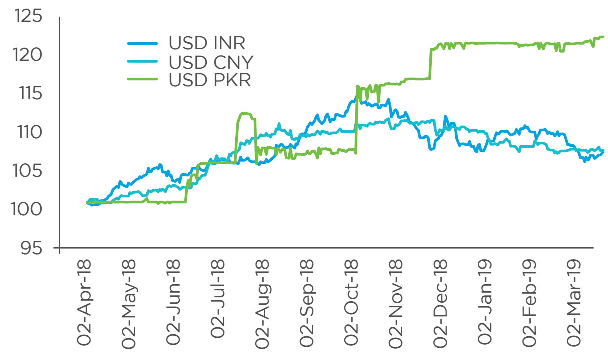
**USD INR**




Source: Bloomberg

Along with INR depreciation, 2019 also saw depreciation of Chinese Yuan (CNY) and Pakistani Rupee (PKR). While CNY followed a similar trend as that of INR, PKR witnessed major depreciation of more than 20% during the year. The PKR depreciation has helped Pakistan exporters in growing their business and becoming more competitive in the international market.

**USD INR**



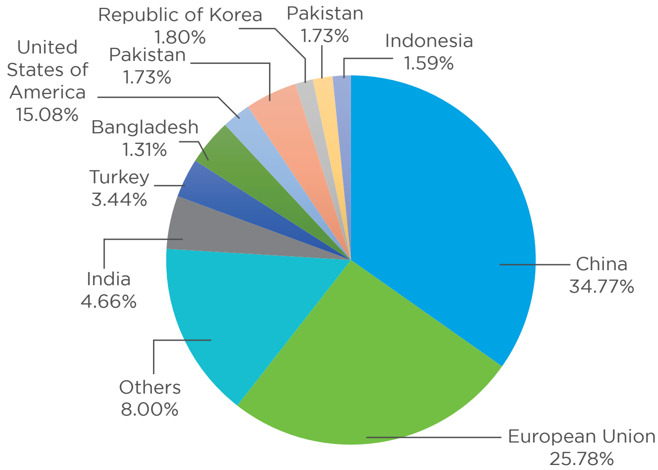

Source: Bloomberg

## GLOBAL TEXTILE INDUSTRY AND TRADE

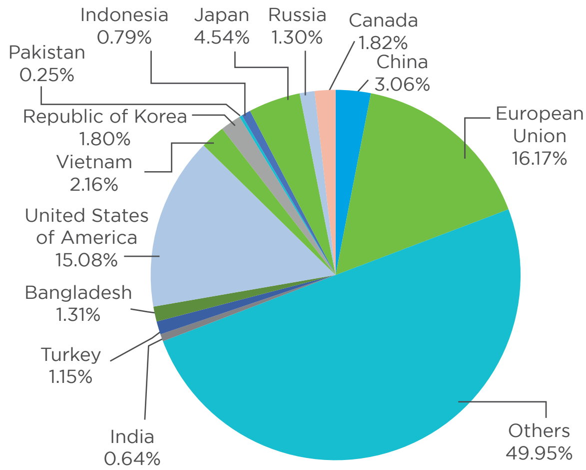
According to the latest WTO data, global textile trade has crossed USD 800 billion. Of the total trade, clothing and apparel reached USD 486 billion, while the remaining USD 317 billion was for textile trade.

Developing countries like China (34.77%), India (4.66%), Vietnam (4.56%) and Bangladesh (4.02%) lead the Textile and Apparel exports as major manufacturing activities are concentrated in these regions. Highest values stages of textile and apparel value chain such as designing, marketing and distribution are the focus areas for regions like the US and EU.

The global textile trade is expected to grow from the current levels of ~USD 800 billion to USD 1,000 billion in 2025, growing at a CAGR of 3.4%.




**TEXTILE & CLOTHING EXPORTERS**




**TEXTILE AND CLOTHING IMPORTERS**

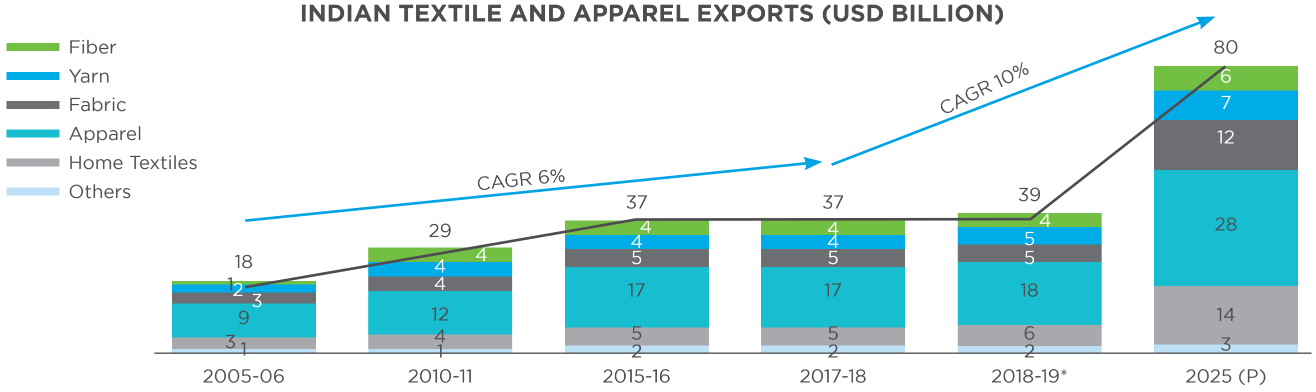
Source: WTO 2018 statistics for 2017

## INDIAN TEXTILE INDUSTRY

The Indian textile industry has a noteworthy presence in both the Indian economy and in the international textile economy. It is one of the oldest industries in India dating back several centuries. It works on the fundamental strength of strong production base of wide range of fibers / yarns - from natural fibers like cotton, jute, silk and wool to synthetic / manmade fibers like polyester, viscose, nylon and acrylic.

Textiles industry contributes more than 15% to the total Indian export earnings. India's textile and apparel exports are estimated at USD 39 billion in the FY 2018-19. The exports have grown at a 6% CAGR since FY 2005-06. India's textile and apparel exports are expected to expand to USD 80 billion by the year 2025, growing at a CAGR of 10%.

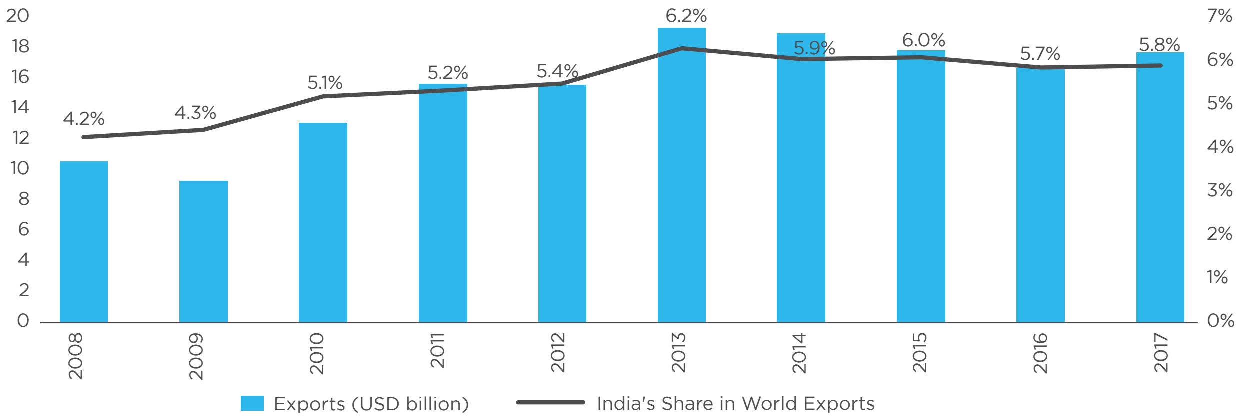
**INDIAN TEXTILE AND APPAREL EXPORTS (USD BILLION)**




Data Source: Ministry of Textiles & Wazir Analysis
*Estimated

Currently, India is the third-largest exporter of textiles and apparels with about 4.66% market share (WTO data), which is behind only China and European Union. This shows the significance of India as a country for the global textiles and apparels industry. Considering only the global textile (non-clothing) trade, India's share has been even better, increasing its share in world exports from 4.2% in CY 2008 to 5.8% in CY 2017.

**INDIAN TEXTILE (NON-CLOTHING) EXPORTS**

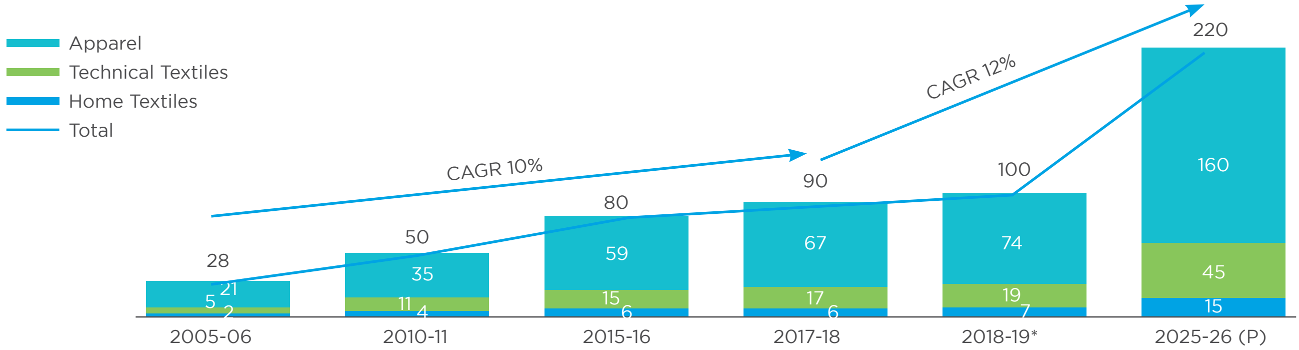



Source: WTO, 2018 report for Textiles

Apart from exports, even the Indian domestic textile and apparel market is also substantial at an estimated figure of USD 100 billion in FY 2018-19 growing at a CAGR of 10% since FY 2005-06. The growth in the disposable income of the middle and lower middle-class sections of the society has led to continuous growth of demand of textile and apparel in India. This growth in demand is expected to continue at 12% CAGR to reach USD 220 billion by 2025.

The growth is expected to be primarily driven by the organized sector. With the implementation of GST, the organized sector is expected to take market share from the unorganized sector. Also, with increasing disposable income and improved marketing and advertising by the large players creating a pull factor, consumption is expected to move towards branded products.

**INDIA'S DOMESTIC TEXTILE AND APPAREL MARKET SIZE (USD BILLION)**



## HOME TEXTILE MARKET

Home textile includes products such as bedsheets, pillow cases, blankets, terry towels, upholstery, table clothes, carpets and rugs. Global home textile trade is expected to increase to USD 57 billion by 2025 from USD 49 billion (2017). In India, the home textile industry is expected to more than double from current levels of USD 7 bn, by 2025-26.

## INDIA COMPETITIVENESS IN COTTON HOME TEXTILE

At overall level, India is a cost-competitive manufacturing base for all types of products across the textile value chain. With several competitive advantages as compared to key competing nations, India provides a congenial business environment for the domestic players to have an edge in cost and quality.

Being a cotton surplus and net cotton exporter nation, India provides the cotton home textile manufacturers an edge over manufacturers in other countries in terms of quick and continuous cotton supply at a much competitive price.

**World Cotton Balance Sheet FY 2018-19 March Estimate (in Million Metric Tons)**

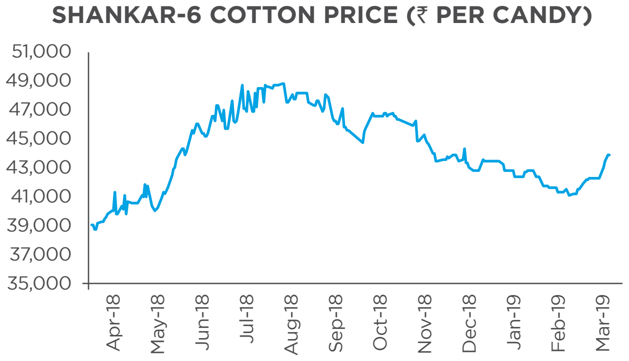
| Country | Opening Stock | Output | Import | Consumption | Exports | Ending Stock |
|---|---|---|---|---|---|---|
| World | 17.7 | 25.9 | | 26.9 | | 16.6 |
| US | 0.9 | 4.0 | - | 0.7 | 3.3 | 0.9 |
| India | 2.0 | 5.9 | 0.3 | 5.4 | 1.0 | 1.9 |
| China | 8.3 | 6.0 | 1.6 | 8.8 | - | 7.0 |
| Pakistan | 0.6 | 1.7 | 0.7 | 2.3 | - | 0.6 |

Source: USDA Cotton Incorporated

India's advantage of being one of the largest producers of cotton is expected to continue as India's cotton yield at present is 480 KG/HA which is much lower than the overall global average of about 600 KG/HA. This indicates a huge future potential to grow in terms of cotton yield and production.

The first half of financial year 2019 saw a steep increase in cotton prices caused by reduced output as well as the depreciation of the rupee. Depreciating rupee makes cotton export lucrative for the cotton producer than to sell the produce domestically. This situation increased the cotton exports and in turn reduced supply available for domestic consumption, causing the domestic cotton price to increase.

2019 started with Shankar-6 cotton prices of ₹ 39,000 per candy, but with the depreciating rupee, it touched price level of ₹ 48,000+ during August 2018. With the season start in the second half of the financial year, cotton prices corrected and reached ₹ 41,000 levels in early-March 2018 but quickly rebounded to ₹ 43,000-levels by end of the year.




Source: Industry sources

India provides a cost-effective model of manufacturing for textile players. As compared to the key competing countries, India has competitive labor cost, power cost and water cost. The higher finance cost, compared to competing countries, is partially mitigated through various government policies, thus the effective cost of capital becomes comparable.

**Factor Cost Comparison of India with Competing Countries**

| Cost Element | Unit | India | B'desh | China | Vietnam | Cambodia |
|---|---|---|---|---|---|---|
| Labor Cost* | USD/Month | 160-180 | 100-110 | 550-600 | 170-190 | 180-190 |
| Power Cost | USD/kWh | 0.10-0.12 | 0.09-0.12 | 0.15-0.16 | 0.08-0.10 | 0.20-0.25 |
| Lending Rate | % | 11-12% | 12-14% | 5-6% | 6-7% | 14-16% |
| Watter Cost*** | US Cents/m3 | 16-20 | 20-22 | 55-60 | 50-80 | 70-90 |

*Cost for semi-skilled labour: includes all benefits
**9 cents for EPZ units
***Water cost is based on the average tariff of the water supply companies of specific countries

Source: Wazir Advisors

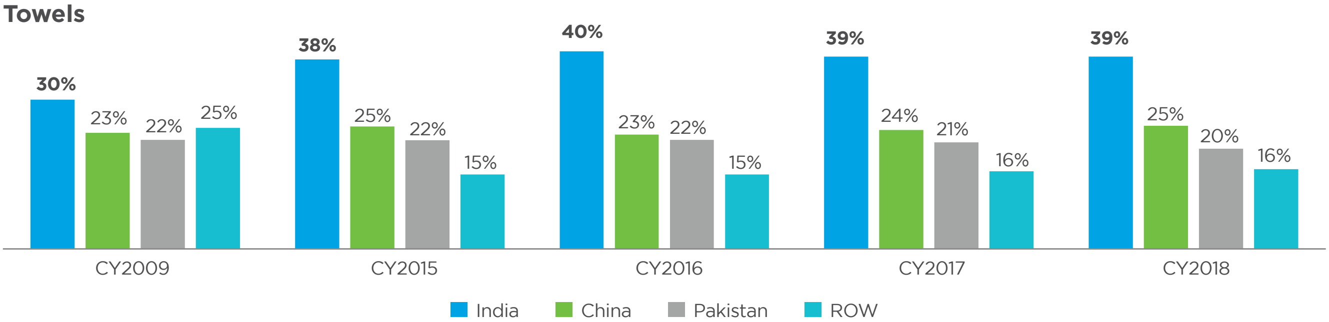
## INDIA'S PRESENCE IN GLOBAL HOME TEXTILE INDUSTRY

India commands a significant share in the global cotton home textile market, thanks to its competitive edge in the form of abundant cotton availability and competitive costs.

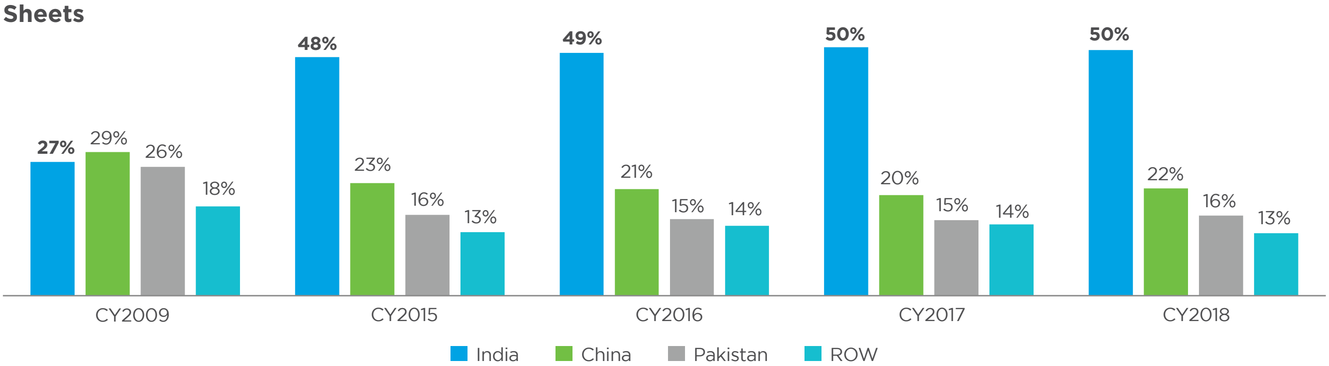
According to the Office of Textiles and Apparels (OTEXA) US, in 2018, India supplied about 39% of the imports of cotton towels to the US, which has grown significantly from the levels of 30% in 2009. Even in the cotton sheets segment, the Country supplied about 50% (2018) of the total import to the US, increasing from 27% (2009).

Below graphs show the share of key countries in the US imports in cotton towels and sheets.

**Towels**

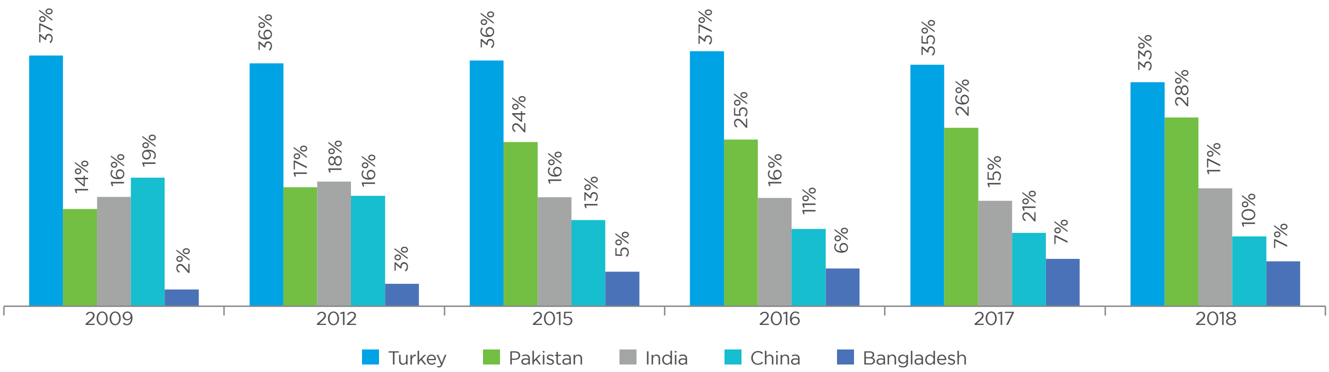



**Sheets**

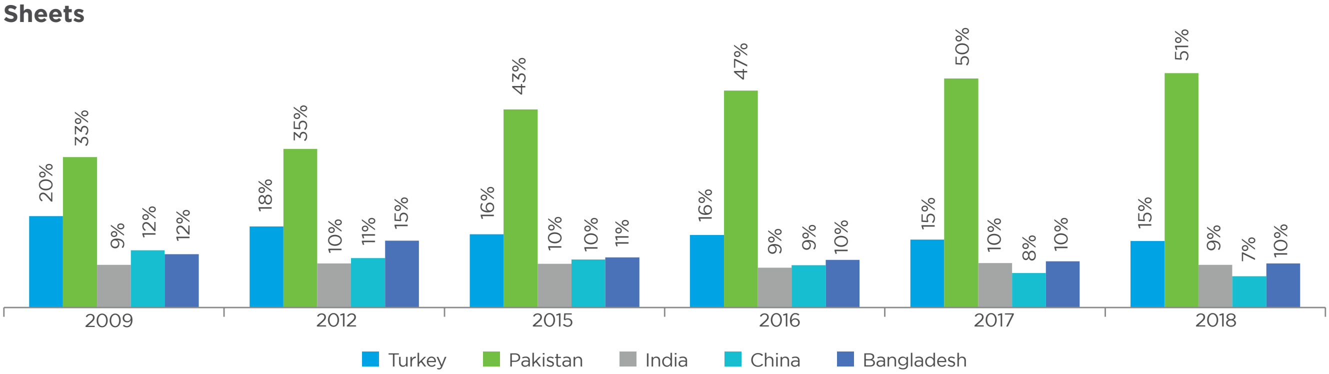


Similar to the US, Europe is an equally large market, but Indian players have low penetration due to duty disadvantage compared to countries like Pakistan, Turkey and Bangladesh which have preferential tariff rates granted by the European Union (EU). Indian exporters pay 9-10% duty on the home textile products exported to the EU, whereas some of the key competing countries have zero duty access to the market. However, this also poses a significant opportunity for Indian players. Any significant reduction in duties on Indian exports can open up a huge market for Indian players. While India is in discussion with the European Union for a Free Trade Agreement (FTA) which would reduce the duties, the timeline for conclusion of the agreement remains uncertain. Below chart shows the share of various supplier countries in Europe's terry towel and bed linen imports.

**Towels**




**Sheets**



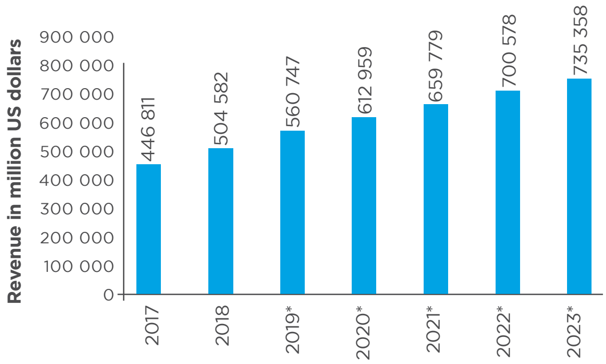

## RECENT TRENDS IN RETAIL MARKETS

**E-commerce and Omni-channel**

E-commerce has been constantly evolving and growing over the past decade. More and more people are opting to shop online, while many new online businesses have penetrated the market.

Retail e-commerce sales in the United States are projected to grow at a fast pace in the coming years, going from 505 billion U.S. dollars in 2018 to over 735 billion US dollars in 2023. However, online sales still represent only a small share of all retail sales in the U.S. – about 9.6% as of the third quarter of 2018. Nonetheless, an estimate of 78% of internet users in the United States had purchased products online last year. In the same year, 32% of internet users in the U.S. stated purchasing items via internet at least once a month, and 29% said they shopped online once or twice per week. Online retailers and brand websites are popular channels to purchase goods online but online marketplaces are gaining in relevance among online shoppers.

### RETAIL E-COMMERCE SALES IN THE UNITED STATES FROM 2017 TO 2023 (IN MILLION U.S. DOLLARS)




© Statista 2019

The emergence of E-commerce has posed few challenges as well as opportunities for the existing offline retailers. Most of the big box retailers have been working on having an omni-channel presence with online portal, warehousing, pick and pack, drop-ship and analytics. With innovations like Walmart's JetBlack, a personal shopping service, the retailer is creating AI that will enchant customers of all economic groups. Other retailers are also developing innovative ways to leverage their stores' inventory to create a better shopping experience for the final customer.

On the other hand, e-tailers are also looking at increasing their physical presence. For example, Amazon has opened Amazon 4-star, a new physical store where everything for sale is rated 4 stars and above, is a top seller, or is new and trending on Amazon.com.

Therefore, convergence of various channels is playing out in the retail sector and omni-channel presence is going to be important for retailers, in the future.

### CIRCULAR ECONOMY & RECYCLING

Another trend in the developed markets is the growing importance of circular economy. A circular economy is an economic system aimed at minimizing waste and making the most of resources. The effort here is to move from the traditional take-make-dispose economy, to one that has a closed loop, where materials, nutrients, and data are continuously repurposed. By conserving materials embodied in high value products, or returning wastes to the economy as high-quality secondary raw materials, a circular economy would reduce the demand for primary raw materials. This trend is also getting stronger in textiles and home textiles.

### TECHNICAL TEXTILE/ADVANCED TEXTILE MARKET

Technical or advance textiles are defined as products that are used for functional purposes. These textiles have applications in multiple areas of economic activity, such as aerospace, shipping, sports, agriculture, defense and health care. The technical textile industry is a high potential industry and is the fastest-growing textile segment at the global level.

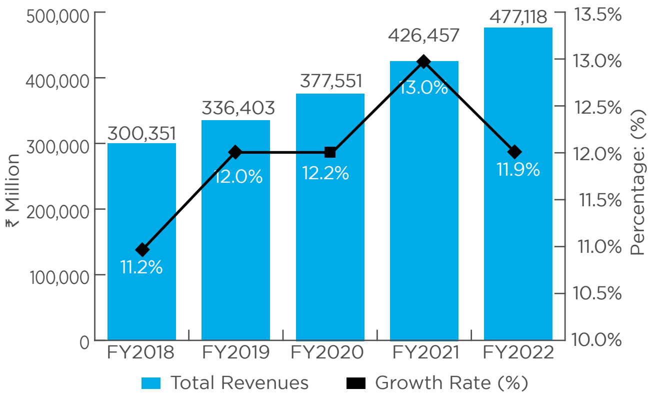
India is expected to be a key growth market for the technical textile sector due to cost-effectiveness, durability and versatility of technical textiles. The key growth drivers for Indian market include increasing consumer income levels, growing end user industries like Automobiles, Healthcare, Sports etc. and overall infrastructure and industrial development in India. The Government of India has assigned 207 Harmonized System Nomenclature (HSN) to promote India's technical textile industry and further increase its market size to ₹ 2 lakh crore (USD 27.72 billion) by FY 2020-21. The technical textile industry is expected to expand at a CAGR of 12% during FY 2018-23 to USD 32 billion in 2023. In 2018, it reached ₹ 116,000 crore (USD 18 billion) and is forecasted to grow significantly supported by various flagship schemes by the government.

### INDIA FLOORING MARKET

India flooring market is more than ₹ 300 billion per year with more than 95% consisting of vitrified and ceramic tiles. It has been anticipated that the Indian Market will grow at a CAGR of 12% during FY 2017-22 to ₹ 477 billion levels due to rising number of residential units and commercial real estate spaces due to increased economic activity in the country.

The key customers for tiles include high-end residential construction, aviation, education and healthcare. Government initiatives to develop infrastructure in education sector and health sector is expected to have positive impact on the demand for tiles in future. On the residential side, the aspiration towards better standard of living, increasing salaries and transformation of rural areas into urban areas will grow the size of the tiles industry.

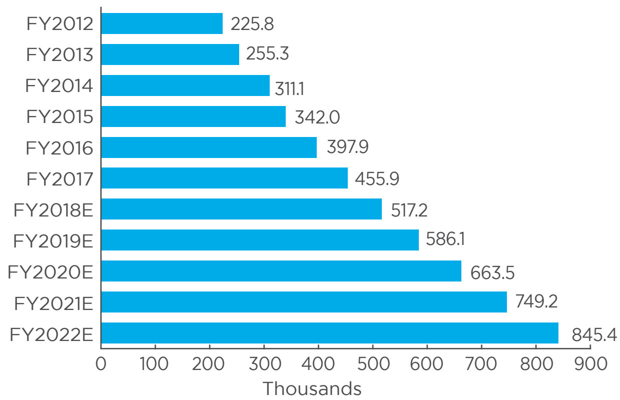
**India Wall and Floor Tiles Market Future Projections**




Source: Ken Research Analysis

It has been anticipated that number of new residential units will rise at a CAGR of another 10.0% during 2018 to 2022 to reach at 845,400 in 2022. The increase in the number of new residential units will result in the robust growth of the India Tiles Market.

**Total Number of New Residential Units in India**




Source: Ken Research Analysis

With the increased market opportunities in the industry, differentiation will be based on brand's visibility using innovative offerings, marketing techniques, distribution network and product visibility. Products like carpet tiles will account for higher share than current as customers might prefer it on account of ease of installation as they do not require the use of cement. Carpet tiles have gained popularity on account of their flexibility to be replaced without any noise and mess. Also, the Carpet tiles come in different styles and patterns and are environment friendly, giving the customers a range of choices that reflect the brand and aesthetic of an office.

## WIL PRODUCT PORTFOLIO

### BATH

- Towels
- Bath Robes
- Bath Rugs

### BEDDING

- Bed Sheets
- Top of Beds
- Basic & Fashion Bedding

### FLOORING

- Carpets
- Rugs
- Tiled Carpets
- Luxury Performance Tiles
- Greens

### TECHNICAL TEXTILES

- Non-woven Spunlace
- Wet Wipes
- Needle Punch Products

## FY 2018-19: KEY HIGHLIGHTS

FY2019 was a year of recovery after a challenging FY2018. With its differentiation strategy based on branding, innovation, sustainability and increased focus on domestic market, the Company achieved high single-digit revenue growth, predominantly volume driven. The Company saw recovery in its major market USA, which had faced severe destocking in 2018.

The year started on a high note when the Company launched Special Edition Wimbledon Towel and it sold out at stores in 1 hour and online in 4 hours in UK. During the year, the Company made Wel-Trak available on shelves across multiple fibers, products and geographies. Wel-Trak products now contribute about 3% to overall revenues for the Company.

Seeing huge potential in the domestic home textiles market, the Company increased its focus on 'Spaces' brand by launching new brand campaign during the year. In order to tap a larger pie of the domestic home textile market, the Company launched value brand 'Welspun' for affordable section of the market. The first product under this brand was 'Quik Dry Towel' with starting price of just ₹ 249.

During the year, the Company improved its technical textiles footing with major client addition for industrial filters and approval by one of the world's largest players in wet-wipes as a supplier.

During the year, WIL took a major initiative to understand what is important to the consumers so as to develop new innovative products and processes. This was achieved through an engaged, managed community of 2,700+ enthusiastic home textile consumers with diverse demographics called "Brain Trust". Through this initiative, WIL is able to capture several consumer insights which will help the Company in decision-making with regard to product development, consumer marketing and retailer assortments.

Welspun was also recognized as 'Giga-Guru' by Walmart for its sustainability processes. Giga-Gurus are the suppliers who are demonstrating results through Project Gigaton, Walmart's initiative to reduce emissions in the global value chain by 1 billion metric tons – a gigaton - by 2030.

Welspun has executed a settlement agreement that is intended to resolve litigation claims made against it in the United States concerning the marketing and labeling of its premium cotton home textile products. Welspun continues to deny the merits of these claims, does not admit to any liability in the settlement agreement, and stands by the high quality of its products. Nonetheless, Welspun believes this settlement agreement, which is subject to approval by the appropriate courts in the United States and regulators, is in the best interest of all stakeholders.

The Company's further growth strategy will be based on the five pillars of growth which are as follows:

INNOVATION | BRANDS | NEW MARKETS | NEW CHANNELS | NEW PRODUCTS

1. **Innovation & Patents**

Welspun has always remained focused on innovations, this year being no different. The Company took its patented & innovative brand 'Wel-Trak' to retailers' shelves and now Wel-Trak contributes about 3% of the overall sales. During the year, the Company also launched Copper and Charcoal infused products as part of innovation portfolio. Company's most successful innovation, 'Hygrocotton', which contributes more than USD 175 million of sales annually, is gaining strong traction in the domestic market as well as hospitality segment.

With sustained efforts, the Company increased the share of innovative products developed and owned by the Company to 38% of total sales, up from 37% in 2018. Also, during the year, the Company increased its portfolio to 31 unique innovations across the globe in the textile space.

2. **Brands**

With a brand portfolio of own brands, ingredient brands and licenses, the Company is putting continued efforts towards establishing growing its B2C presence and create a brand pull.

On the domestic market front, the Company launched its brand 'Welspun' to capture the value-conscious segment of the Indian customer base. This is in addition to the existing 'Spaces' brand catering to the premium market segment. The brand 'Welspun' was launched with the first offering as 'Quik Dry Towel' with starting price of just ₹ 249. The Company used a 360 degree marketing approach for the brand by reaching the masses through campaigns at Kumbh Mela, Mumbai local trains etc. The marketing campaigns were spread across the cricketing season (with

'Welspun Quik Dry Towel' being the Official Partner of Kings XI Punjab team of Indian Premier League) as well as the election season with a new series of election-related TV commercials.

The Company believes that the Indian market will be its next growth driver and has increased focus with its own brands as well as licenses, including Wimbledon, Minions, Disney, Manchester City and FCB. WIL has also successfully grown its "Spun" brand, which promotes sustainability and women empowerment.

During the year, the Company's own brand 'Christy' which is predominantly focused on the UK market, faced headwinds due to poor economic sentiment, primarily driven by Brexit uncertainty. The Company is working on improving efficiency across the business, optimizing retail operations and increasing focus on B2B business making efforts.

On the licenses front, WIL has added licenses like Canopy, Goodful and Scott Living into its portfolio.

WIL's ingredient brands ' Hygrocotton' and 'Wel-Trak' have also seen tremendous success since their respective launches in the international market.

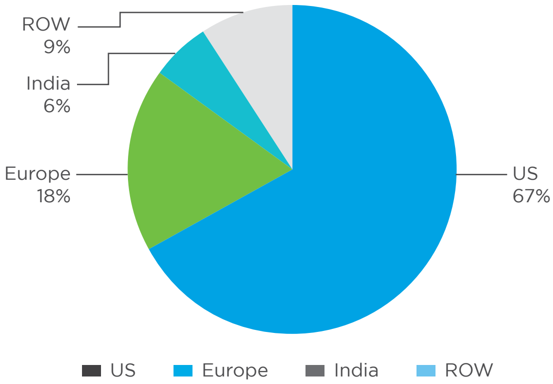
As a result of these efforts, share of branded products was 17% of total sales in 2019.

The Company's brand spectrum can be seen in the figure below:


3. **New Markets**

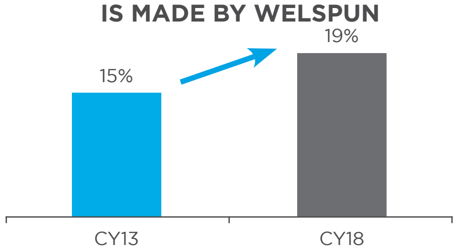
The Company's major revenue share comes from the United States, which constitutes around 2/3rd of its sales. The sales composition is as follows:

**EXISTING GEOGRAPHIC DISTRIBUTION RANGE**



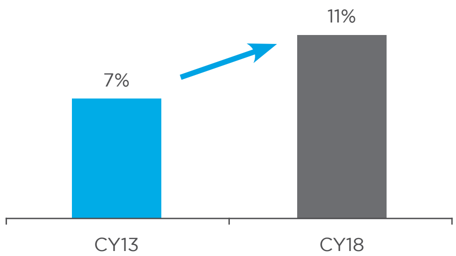

US has always been the Company's major focus area, as a result it has grown its market share in US towels market from 15% in 2013 to 19% in 2018 and in US sheets market from 7% in 2013 to 11% in CY18. This implies that every 5th towel and every 9th bedsheet sold in the US is made by Welspun. The Company is expected to continue growing its US business in the medium-to-long term.

**EVERY 5TH TOWEL SOLD IN US IS MADE BY WELSPUN**




Welspun's Market Share in US Towels Market

**EVERY 9TH SHEET SOLD IN US IS MADE BY WELSPUN**




Welspun's Market Share in US Sheets Market

After US, the next big market for the Company is Europe from where the Company gets 17-18% of its revenues. In spite of duty disadvantage in this geography, WIL is able to perform well and gain market share with its innovative products portfolio and its own brand 'Christy'.

In order to accelerate its growth and achieve geographical diversification, WIL has increased focus on expanding its international presence in subscale / new markets which includes Japan, Middle East, Australia, Russia and South Africa.

Currently, Indian domestic market is the biggest focus area for the Company. Indian market is very fragmented and majorly catered by the unorganized sector. With the implementation of GST, there is a level playing field for the organized and the unorganized players. This makes the market attractive to large players like Welspun. WIL is making inroads into the domestic market through a portfolio of different brands such as 'Welspun' and 'Spaces' as explained in the previous section.

Apart from the existing home textiles portfolio, the Company's foray in the flooring space will have major focus on the domestic market.

4. **New Channels**

Over the last few years, the Company has focused on creating an omni-channel presence by establishing its presence across alternate channels such as e-commerce, hospitality etc.

WIL has enhanced its offering by providing an omni-channel support to the big-box retailers on Product Development, Warehousing, Pick and Pack, Drop-Ship and Analytics. WIL's warehouses in US, UK, Germany and India help in quickly responding to orders. The financial year saw a major client addition as WIL started supplying to one of the biggest e-commerce players in the world for their private label collection.

Apart from e-commerce, the Company is working on its hospitality channel as well. The financial year saw major business expansion in the Hospitality business in India as well as abroad by way of increased revenues and client additions. In order to tap the global wellness channel, WIL has partnered with Stay Well™ by being the exclusive supplier of home textiles to them. Stay Well™ infuses wellness into hotel rooms with features and programs to maximize the guest experience and minimize the impact that travel has on the human body. Apart from this, for its domestic Indian brand 'Spaces', WIL entered into a partnership with "Thrive Global India" to integrate WIL's world-class products with a thoughtfully designed experience that empowers consumers to lead a stress-free and healthier lifestyle.

5. **New Products**

WIL strives to add a new product to its portfolio every few years. In line with that, the Company has forayed into flooring solutions with an aim to become a one-stop provider for domestic and international markets. The residential flooring market is dominated majorly by vitrified tiles, while the commercial & institutional space is dominated by imports of soft carpet flooring. Thus, the existing market provides ample opportunities for innovative flooring solutions and import substitution. In order to capture this opportunity, the Company is investing ₹ 11 billion to manufacture area rugs, carpet tiles and other innovative flooring solutions. The facility will be located in the state of Telangana with a capacity of 27 million sq. meters p.a. and will be operational by Q3FY20. The Company has already started to build its brand presence in the segment by showcasing its product portfolio in exhibitions like AceTech across India as well as Domotex, Germany.

WIL is also building its technical / advanced textiles offerings. These products are used in specialized applications in healthcare, fire departments, aerospace, defense and other utilities. These products include features such as fire retardants, stain resistants, anti-bacterials, and soil resistants. The year saw a major client win in this area for industrial filters and approval as a supplier by one of the world's largest players in wet-wipes.

**Sustainability and Inclusive Growth**

Welspun's social commitment includes sustainability and inclusive growth. A more detailed look at Welspun's sustainability initiatives is discussed in the Business Responsibility Report published separately and uploaded on the Company's website.

The Company believes that sustained economic growth needs an equally sustained ecosystem, thus it weaves sustainability seamlessly into its value chain including sourcing of raw materials, manufacturing processes, supply chain and waste management.

It starts with the farm by using sustainable farming practices like educating and assisting cotton farmers in sustainable agronomic know-how, post-harvest handling and access to finance. In order to achieve sustainable sourcing, WIL procures BCI (Better Cotton Initiative) and Organic Cotton from certified external sources. Also, the verification and provenance is ensured through Welspun's patented Wel-Trak traceability solution.

**Impact of Sustainable Farming Projects**

- **92,500+** Acres
- **8,500+** Farmers benefited
- **620+** MT of cotton produced
- **50,000+** Farm workers impacted positively
- **250+** Villages benefited
- **619,395** Better Cotton Claim Unit - BCCU

At the factory level, WIL aims to be self-reliant with regards to the resources it uses and to improve the living conditions of communities working with it and around it. The Company achieves this with several measures like reduction of fresh water consumption in the textile manufacturing (which is known to be a high water consumption process), process modification and water heat recovery for energy conversation and adhering to Zero Discharge of Hazardous Chemicals (ZDHC) guidelines.

**Impact of Water Management & Green efforts**

- **30** million liters of water recycled every day
- Anjar plant run without any intake of Municipal water, river water or water from the aquifer
- **6,920,451,000** KL of recycled water in 2018 (Equal to New York City Water consumption for 5 years)
- **50%** decrease in water consumption in operations
- **225,000** trees planted; **600,000** shrubs planted; 635 acres green cover
- **68,441,528** kWh energy saved in 2018 (Equal to 80,000+ household energy consumption per month)

On the packaging and logistics part of the business, the Company is incorporating sustainable practices and optimization measures like sustainable packaging using recycled paper and materials from responsibly managed forests, efficient modes of logistics and transportation with reduced GHG (Green House Gas) emissions.

**Impact of logistics optimizations**

- **15%** drop in GHG emissions by choosing water transportation
- **6,131,567** tons of CO2 emissions reduced by choosing railways over roadways
- Recycled paper accounts for **85%** of Anjar factory's carbon usage

The Company creates products at local village centers with the objective of creating a global brand identity which is influenced by handicraft traditions of India and yet, contemporary at the same time. This initiative develops products under the brand "SPUN" and makes use of pre-consumer waste from Company's factories and provides employment opportunities for women in handloom products.

**SPUN Initiatives**

- **10** SPUN Centers
- **1,200+** women engaged across vocation centers
- **2.29** million meter products developed
- **3x** increase in women income

## OUTLOOK

During 2019, the Company saw positive momentum in volumes across geographies which is expected to continue in 2020. The Company maintains its focus on the domestic market and building a strong B2C presence. All the basic building blocks for significant share of B2C business are in place for the Company and its retail business is gathering momentum. WIL will continue to pursue a differentiation strategy based on branding, innovation and sustainability.

WIL is seeing an uptick in revenue and margins in 2020 with higher realization on its forex hedges, thanks to the rupee depreciation in 2019. In addition to this, clarity on Government policies & incentives should augur well for the Company's margins in 2020.

Apart from the commissioning of the flooring manufacturing plant during the year, the Company will focus on sweating its existing manufacturing capacities in towels, sheets and rugs.

Through "Vision 2022", the Company will remain focused on achieving:

- Revenue of USD 2 billion
- Debt-free (on a net debt basis)
- Branded and Innovative products share of revenues at 50%
- Domestic market share of revenue at 20%

## KEY RISK FACTORS

Risk is integral to any business and WIL is no exception. The Company has evolved a robust governance architecture to identify and assess potential risks, and formulate an appropriate mitigation strategy.

**Rising input costs**

The Company secures a significant part of its cotton requirement during the cotton season. WIL's backward integration provides 70% of its yarn and fabric requirements. The Company's **80 MW** captive power plant at Anjar reduces power costs and provides continuous supply.

**Labor availability**

The Company is continuously providing its employees vocational training to improve their skill level. It is also focusing on improving labor retention and reducing attrition. WIL is actively employing more women to diversify its workforce. The Company has started skill development centers where it aims to train 100,000 people in five years.

**Weak economic environment and consumer sentiment**

The Company is trying to address this risk through geographic diversification into new markets, such as Europe, Australia and Japan as well as the domestic market.

**Competition**

Company's strategy of providing end-to-end solutions and innovative products, and maintaining strong relationship with clients helps in reducing competitive risks.

**Currency movements**

Hedges significant portion of its export revenues expected for the following year.

**Change in Indian Government Policies**

The Company continuously monitors Government policies and takes measures to minimize any adverse impact.

**Trade Barriers**

Geographic diversification to reduce impact of trade barriers imposed by any particular country.

## HUMAN RESOURCE

The Company recognizes that human capital is its most important asset. WIL has 22,194 permanent employees on its payroll as on 31st March, 2019. The Company has implemented several measures to ensure a positive work environment for all its employees.

The key HR initiatives comprise the following:

**HealthifyMe:** HealthifyMe is a health and wellness initiative, that was launched by WIL to promote employee health and well-being. The platform is app based, with features to check the employee's lifestyle and food habits. The program is designed to help employees build healthy lifestyle habits by including tasks around most essential elements of wellness i.e. nutrition, physical, social and emotional wellness. The team ran multiple fun initiatives like Step challenge and Lifestyle challenge on HealthifyMe app for all employees across India locations.

**E-Gurukul:** E-Gurukul, the E-Learning platform, was launched in January 2019. The online platform has a library of digital learning modules which focus on Leadership, Presentation Skills, Interpersonal Skills, Analytical and Problem-Solving Skills, etc. Each course has byte-sized modules enabling on-the-go learning for employees. E-Gurukul lets the employees learn different courses/ modules at their own ease and pace. The platform was launched for about 1,300 employees across Mumbai, Anjar and Vapi locations.

**Associate Welfare Scheme:** WIL rolled out the associate welfare scheme for blue collar workforce at Anjar in FY 2018-19. The objective of the initiative was to provide financial assistance on medical exigencies. The scheme will help in nurturing a healthier workforce and provide an opportunity to avail financial assistance for their health care.

As a part of this initiative, a welfare fund is created in which the employees contribute on a monthly basis. The amount collected via this fund will be used for medical financial assistance for the associates at Anjar plant.

**AYLP:** Achieving Your Leadership Potential (AYLP) is the leadership development program for Mid-level managers that was initiated by WIL. The key objective of this initiative is to create a customized learning journey and nurture the key talent in the organization to take up leadership roles in the future at Welspun.

WIL partnered with SP Jain Institute of Management & Research (SPJIMR) for AYLP. The graduation ceremony for AYLP batch 1 (24 participants) was held in January 2019. The development journey for AYLP batch 2 (31 participants) kick-started in February 2018 and is on-going.

**Shared Services:** WIL rolled out shared services at Vapi location in FY 2018-19 for finance and logistics functions. The key objective of shared services is to ensure that business divisions focus their limited resources on initiatives that drive business growth. This is done by centralizing transactional activities, thereby aiding better cost and process efficiencies. WIL has invested in Technology, which is the backbone for successful shared services implementation in the organization.

Multiple recognition initiatives like Wel-Value Awards, PACE (Project Completion and commitment to excellence) awards, excellence and innovation in service delivery, best manager award, etc. have been launched in shared services division.

**Enthusia:** Enthusia, the first ever annual event for Sales and Merchandizing team, was conducted in March 2019. The theme of the event was on building successful teams through camaraderie and fun. The event witnessed very energetic response from 75 team members.

**360 Degree Feedback:** WIL launched 360 degree feedback for critical role holders in the organization. The key objective was to provide holistic feedback, from multiple stakeholders to aid leadership development. This was followed by feedback sessions with the counselor to understand the areas of improvement for the employee. This initiative was completed for around 70 employees of WIL.

## INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The internal control system encompasses the policies, processes, tasks, behaviors and other aspects of WIL that taken together, facilitate effective and efficient operation, quality of internal and external reporting, compliance with applicable laws and regulations. WIL's objectives, its internal organization and the environment in which it operates are continuously evolving and as a result, the risks it faces are continuously changing. To make its internal control effective and sound, WIL thoroughly and regularly evaluates the nature and extent of risks to which the Company is exposed. The operation and monitoring of the system of internal control has been taken by individuals who collectively possess the necessary skills, technical knowledge, objectivity, understanding of the Company, industries and markets in which it operates. The qualified, experienced and independent Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal controls systems and suggests improvements for strengthening whenever required. WIL has a strong Management Information System, which is an integral part of the control mechanism.

## DISCUSSION OF FINANCIAL PERFORMANCE – 2019

2019 saw total income growth of 7.8%, predominantly volume driven. The total income was ₹ 65,266 million vs. ₹ 60,506 million in 208. The Company's EBITDA margin at 17.4% was lower 229 bps YoY, mainly due to higher input costs and lower forex realization due to hedging. This was the fifth consecutive year, where the Company generated Free Cash Flow. In 2019, the figure was ₹ 773 million as compared to 2018 figure of ₹ 907 million.

Herewith is the comparative analysis of Key Financial numbers of 2019 as compared to 2018:

| Particulars | 2019 | % of Total Income | 2018 | % of Total Income |
|---|---|---|---|---|
| Revenue from Operations (Net) | 65,266 | 98.76% | 60,506 | 98.68% |
| Other Income | 818 | 1.24% | 812 | 1.32% |
| Total Income | 66,084 | 100.00% | 61,318 | 100.00% |
| Cost of materials | 33,500 | 50.69% | 30,235 | 49.31% |
| Manufacturing Expenses | 7,919 | 11.98% | 6,808 | 11.10% |
| Employee Cost | 7,114 | 10.77% | 6,754 | 11.01% |
| Selling Administration and Other Expenses | 6,084 | 9.21% | 5,474 | 8.93% |
| EBIDTA | 11,467 | 17.35% | 12,046 | 19.65% |
| Finance Costs | 1,593 | 2.41% | 1,408 | 2.30% |
| Depreciation and Amortization Expense | 4,358 | 6.59% | 5,042 | 8.22% |
| Taxes | 607 | 0.92% | 1,615 | 2.63% |
| Profit before exceptional item | 4,909 | 7.43% | 3,982 | 6.49% |
| Exceptional Items | -2,647 | -4.01% | - | 0.00% |
| Minority's Share of Profit/ (Loss) in Certain Subsidiary Companies | 163 | 0.25% | 132 | 0.22% |
| Net Profit (Loss) | 2,098 | 3.18% | 3,850 | 6.28% |
| EPS (Basic and Diluted) | 2.09 | | 3.83 | |

## SALES VOLUME (MAJOR PRODUCTS):

The below table gives a snapshot of the sales volumes under each product category:

| Particulars | Unit | Capacity | FY 2018-19 | FY 2017-18 |
|---|---|---|---|---|
| **Sales Volume (Approx.)** | | | | |
| Terry Towels | MT | **80,000** | 71,000 | 62,000 |
| Bed Linen Products | 000 Mts | **90,000** | 74,000 | 71,000 |
| Rugs & Carpets | 000 Sq m | **10,000** | 6,900 | 6,300 |

The Effective Utilization levels (based on average annual capacity) in 2019 across products was 88% in Terry Towels, 82% in Bed Linen Products and 70% in Rugs & Carpets.

**1. Revenue**

a. Total Income

For 2019, total income was ₹ 66,084 million vs. ₹ 61,318 million in 2018, 7.8% up predominantly volume driven.

**b. Other income**

Income from other sources was ₹ 818 million in 2019, as against ₹ 812 million in 2018.

**2. Expenditure**

a. Cost of Materials

Consumption of raw materials stood at ₹ 33,500 million during the year. This accounts for 51% of total income for 2019. As a % of total income, this material cost has been higher by approximately 2% as compared to 2018 figure of 49% of total income due to the increase in input costs, mainly due to the appreciation of the US dollar as many of the input costs are linked to the dollar. Favorable impact of the rupee depreciation during 2019 will be evident in the revenue during the ongoing financial year – 2020.

b. Manufacturing Expenses

Manufacturing expense was at ₹ 7,919 million in 2019 as compared to ₹ 6,808 million in 2018. The manufacturing expense includes Power, Fuel and Water charges of ₹ 2,028 million, Dyes & Chemicals of ₹ 2,423 million and labor and job work charges of ₹ 1,283 million.

As a percent of total income, manufacturing expenses was at 11.98% in 2019 as compared to 11.10% in 2018.

c. Employee Cost

Employee cost stood at ₹ 7,114 million in FY19 as compared to ₹ 6,754 million in FY18. As a % of total income, it was 10.77% in FY19 as compared to 11.01% last year.

d. Selling, Administration and Other Expenses

Selling administration and other expenses was reported at ₹ 6,084 million in 2019 as compared to ₹ 5,474 million in 2018. The increase was primarily because of higher legal and professional fees and foreign exchange loss during the year.

e. Finance Costs

Financial Expenses in 2019 was ₹ 1,593 million. The corresponding figure in 2018 was ₹ 1,408 million. The increase was on account of processing charges relating to flooring project and other bank charges.

f. Depreciation and Amortization Expense

Depreciation was reported at ₹ 4,358 million in 2019 end as compared to ₹ 5,042 million in 2018.

**3. PROFITABILITY**

**a. EBITDA**

EBITDA in 2019 was reported at ₹ 11,467 million implying EBITDA margin of 17.4%, lower 229 bps mainly due to higher raw material costs and lower forex realization due to hedging.

**b.** Exceptional expense of ₹ 2,647 million during 2019 consists of ₹ 1,915 million provision related to settlement of pending US legal claims, ₹ 407 million on account of the legal expenses in US and ₹ 325 million for Welspun UK restructuring.

**c. Profit After Tax (after exceptional loss)**

Profit after Tax post minority interest stood at ₹ 2,098 million in 2019 as compared to ₹ 3,850 million in FY18. Net profit margin stood at 3.18% vs. 6.28% in 2018.

**4. EARNINGS PER SHARE (BASIC)**

Earnings per Share for the year ending 31st March, 2019 (Basic) stood at ₹ 2.09 per share as compared to ₹ 3.83 per share at the end of 31st March, 2018.

## 5. Table: Balance Sheet

(₹ in million)

| Particulars | As At 31.03.2019 | As At 31.03.2018 | Change |
|---|---|---|---|
| **Net Worth** | 27,793 | 26,057 | 1,736 |
| Short Term Loans | 14,080 | 12,580 | 1,500 |
| Long Term Loans | 19,024 | 20,228 | -1,204 |
| of which Welspun Flooring debt | 2,870 | - | 2,870 |
| Gross Debt | 33,104 | 32,807 | 297 |
| Cash & Cash Equivalents | 2,821 | 2,538 | 283 |
| **Net Debt** | 30,283 | 30,269 | 14 |
| **Net Debt excluding Flooring debt** | 27,412 | 30,269 | -2,857 |
| Net Fixed Assets (incl CWIP) | 36,154 | 33,641 | 2,513 |
| Net Current Assets* | 22,210 | 23,734 | -1,524 |

* Excluding short term debt and cash & cash equivalents

## 6. NET WORTH

Net worth of the Company stands at ₹ 27,793 million at 31st March, 2019 as against ₹ 26,057 million at 31st March, 2018.

Net sales to Net worth ratio is 2.35 times for the period ending 31st March, 2019 as compared to 2.32 times in 2018 end.

Book Value of Equity Shares stands at ₹ 27.66 per equity share as at March 31, 2019, which was 25.93 per equity share in FY18.

The details of movement in various heads of Net worth are as under:

**Share Capital**

The Issued, Subscribed and Paid-up Share Capital as at March 31, 2019 stands at ₹ 1,004.73 million, unchanged over the FY18 figure.

**Reserves and Surplus**

i) Securities Premium account: The Securities Premium account stands at ₹ 3,238 million in 2019, which is same as the figure at the end of 2018.

ii) Capital Redemption Reserve: The balance as of March 31, 2019 amounted to ₹ 488 million, same as at the end of previous year

iii) Capital Reserve: The balance as of 31st March, 2019 amounted to ₹ 1,475 million, same as at the end of the previous year.

iv) Foreign exchange translation reserve as at 31 March 2019 stands at ₹ (175) million against ₹ (69) million in the previous year.

v) Profit and Loss account: The balance in the Profit and Loss Account as on March 31, 2019 was ₹ 20,103 from ₹ 18,952 million as on March 31, 2018.

## 7. LOAN FUNDS

Gross Debt as on March 31, 2019 stands at ₹ 33,104 million as against ₹ 32,807 million at end-2018. The Long-term debt stands at ₹ 19,024 million as against ₹ 20,228 million at end-2018.

Cash and cash equivalents of the company in 2019 stands at ₹ 2,821 million as against ₹ 2,538 million in the previous year.

Net Debt as on March 31, 2019 stands at ₹ 30,283 million after reducing the cash and bank balance and liquid investment. At the end of 2018, the net debt was ₹ 30,269 million. Net debt at 2019 end excluding flooring debt was at ₹ 27,412 million.

Net Debt to Equity stands at 1.09 times in 2019 (as compared to 1.16 times in 2018) while Net Debt / EBITDA stands at 2.64 times in 2019 (2.51 times in 2017).

## 8. FIXED ASSETS

Net block (including Capital Work in Progress) stood at ₹ 35,579 million vs. ₹ 33,157 million in 2018. This increase was mainly on account of capex for the flooring project.

## 9. INVENTORY

Inventory as on March 31, 2019 stood at ₹ 13,342 million as compared to ₹ 13,054 million in 2018 end. The inventory days were 75 days in 2019 as compared to 79 days in FY18. The Inventory turnover ratio stands at 4.9 times in 2019 as compared to 4.6 times at 2018 end.

## 10. DEBTORS

Sundry Debtors on March 31, 2019 was at ₹ 10,768 million as compared to ₹ 9,310 million at 2018 end. Receivable days/debtor days is 60 days in 2019 as compared to 56 days at 2018. Debtors turnover ratio stands at 6.1 times in 2019 as compared to 6.5 times at 2018 end.

## 11. CASH AND BANK BALANCES AND LIQUID INVESTMENT

Cash and Bank balances and liquid investments was reported at ₹ 2,821 million as on 31st March 2019. At the end of 2018, the corresponding figure was ₹ 2,538 million.

For the fifth year in a row, the Company generated positive free cash flows after capex.

## 12. CURRENT LIABILITIES

- **Trade payables** stood at ₹ 7,041 million as of end-2019 as compared to ₹ 6,447 million in 2018 end. Trade Payables are at 39 days of net sales in 2019, same as that in 2018. The Payable turnover ratio stands at 9.4 times in 2019 same as that in 2018.
- **Short-Term Provisions** stood at ₹ 1,730 million at the end –2019 as compared to ₹ 235 million at end-2018.

## 13. CASH CONVERSION CYCLE

Cash conversion cycle for 2019 was 95 days as against 96 days in the previous year.

## 14. DIVIDEND

The Company has a stated dividend distribution policy, where the payout will be 25% of the standalone PAT. For 2019, total dividend stands at ₹ 0.30 per share.

## 15. RETURN ON NET WORTH (RETURN ON EQUITY)

Return on net worth stood at 7.8% vs. 15.4% in 2018, lower on account of the exceptional expenses.

**Key Financial Indicators: (₹ in million except ratios)**

| Particulars | | As at 31-Mar-19 | As at 31-Mar-18 |
|---|---|---|---|
| Total Income | ₹ Million | 66,084 | 61,318 |
| EBITDA | ₹ Million | 11,467 | 12,046 |
| EBIT | ₹ Million | 7,109 | 7,004 |
| Net Profit after Tax | ₹ Million | 2,098 | 3,850 |
| Net Worth | ₹ Million | 27,793 | 26,057 |
| Net Debt | ₹ Million | 30,283 | 30,269 |
| Net Debt/Equity | Times | 1.09 | 1.16 |
| Net Debt/ EBITDA | Times | 2.64 | 2.51 |
| Net Sales/ Net Worth | Times | 2.35 | 2.32 |
| Interest Coverage Ratio | Times | 4.46 | 4.97 |
| Current Ratio | Times | 1.25 | 1.42 |
| Return on Equity (ROE) | % | 7.8 | 15.4 |
| Inventory Days | Days | 75 | 79 |
| Receivable Days | Days | 60 | 56 |
| Payable Days | Days | 39 | 39 |
| Net Operating Cycle (Inventory Days + Receivable Days - Payable Days) | Days | 95 | 96 |
| Book Value per Share | | 27.66 | 25.93 |

Note : The days outstanding are calculated on the basis of the Closing numbers