

## Chairman's Message

# Braving the Challenge

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### My dear fellow Stakeholders,

“Tough times don't last, but tough people do,” they say. At Welspun, we are no strangers to challenges. However, we have always succeeded in converting these challenges into opportunities, and FY21 was no different. The tough year helped us redefine our responsibilities towards our stakeholders as we navigated through the global crisis on the strength of our differentiation strategy that once again proved right.

### Achieving broad-based growth

FY21, in the end, turned out to be a milestone year for us, as we not only saw broad-based growth, but also scored on two fronts – achieved the highest ever annual income that crossed the \$1 billion mark for the first time, and the highest ever Home Textile sales volume in a year.

It was equally satisfying to see our sustainability initiatives being recognised through a case study on the Ivey publishing website.

As we move forward, we are evaluating all our actions through the Environmental, Social and Governance (ESG) lens. These efforts have been validated by the high ESG score accorded to us by one of the leading global rating agencies and bears testimony to the Board's commitment to accelerate our sustainability journey. We have also constituted the ESG Committee of the Board to proactively address any material issues that may impact our ability to deliver sustainable growth and enhance enterprise value.

### Capitalising on dominant industry trends

Amidst the pandemic and because of it, the global home textile industry is undergoing a structural shift, with the homebody economy shaping the digital consumer experience. At Welspun, we continue to pursue our differentiation strategy, along with the thrust on digitalisation and e-commerce.

We gained from the increasing preference for quality and performance-driven hygiene and wellness products given that our brand is synonymous with quality. Online spending on home goods has also accelerated tremendously, and we are well-positioned to meet the demand. To give further impetus to our e-commerce growth strategy, we have embarked on Project Wave (accelerated e-commerce growth), which should lead to a topline of over \$100 million by FY23.

### Capital-light capacity expansion to address growing demand

To cater to the demand, our plants at Vapi and Anjar operated at peak capacity in FY21. With demand continuing to rise, we are expanding capacity through debottlenecking and rebalancing at both the plants, which will lead to increased capacity for towels, bed linen, rugs, and carpets. We have earmarked capex of around ₹225 crores over FY21 and FY22, and will see the benefits accrue from as early as Q1 FY22.

## Delivering innovative solutions

Even as we expand and grow our business, we intend to keep the focus on innovation, which is part of Welspun's DNA. Our innovation-driven approach has helped us to challenge the status quo, and set new industry benchmarks – be it through our Nanocore technology, or our unique traceability process, Wel-Trak that tracks finished products back to the raw material, or our HygroCotton technology. We were recognised among the most influential innovators at the Clarivate South and South East Asia Innovation Award 2020, where Welspun was the only player from the textile and apparel industry. The award is a testament to our efforts to develop more relevant and innovative solutions for our customers.

## Licensed brands deliver strong performance

In the domestic market, we continued to invest in our brands, especially the value brand for the domestic market 'Welspun'. During the year, we witnessed strong domestic retail performance as consumer confidence recovered with the fall in COVID-19 cases, the roll-out of the vaccines and the return of festive demand. Our strong performance in our B2C business through licensed brands is evidence of our deepening consumer connect across markets, particularly in the aspirational categories. The Martha brand is seeing expansion, both online and offline. We are also very excited about the prospects of the Scott Living brand, which we signed up in Q4 FY21. The licensed brand brings us new opportunity pockets by opening new channels and shelf space without cannibalising our existing business. We expect annualised revenue from licensed brands to cross \$100 million in the next 2-3 years.

## Flooring solutions to be the next growth engine

We believe the flooring business will be a game-changer in India, as well as in the exports market, given the kind of convenience and customisation we will provide to customers as well as to contractors and distributors. We would be the only brand in the market offering consumers safety and the convenience of one-day installation (COVID-19 safe installation).

There are several factors that hold out promise. For example, US retailers have been increasingly looking at India as the sourcing destination to reduce the concentration risk in sourcing. We entered a long-term strategic arrangement with one of the largest US distributors for hard flooring during the year. In FY21, the export business contributed 50% of our total flooring revenue. We also see export opportunities for carpet tiles and wall-to-wall carpets in the flooring business.

The domestic flooring business saw tailwinds during the second half of FY21 as we added business from large marquee brands across both commercial and hospitality channels. With a continued focus on network expansion, we have added 5 Gateways 40 plazas and 273 portals to our retail footprint. With business gaining strength in the hard flooring segment, and soft flooring beginning to gain traction, we are confident about achieving EBITDA breakeven in Q3 FY22.

## Adding to the product mix

During the year, the Advanced Textiles Division, which manufactures disposable towels and wet wipes out of non-woven textiles, forayed into disinfectant wipes and surgical masks. The business offers a diverse range of products using three major technologies – Spunlace, Needlepunch and Thermobond. Each has an in-house downstream conversion unit to manufacture value-added products. In Spunlace, we saw better price realisations and improved operating metrics. The new disinfectant wipes line commenced production in February 2021, and we expect the expansion of the Spunlace business to begin operations by September 2021. These would help this category achieve a topline of around ₹600 crores by FY23.

## Combating the pandemic

This past year has been very challenging in terms of the challenges that the pandemic threw at us. Our aim is to ensure they feel supported and valued, while ensuring the well-being of their families, no matter the circumstances. In times like these, it is important to come together and to value health over everything else.

The COVID Care Measures we initiated have been done so keeping in mind the health requirements of our employees. We set up various facilities such as a vaccination drive, COVID-care centres and other hospital facilities for our workforce and their families. These challenging times also led to the loss of some of our employees. We have decided to provide their families 50% of monthly salary for two years as living allowance and education fees for two kids up to graduation. We have also decided to provide medical insurance to the family of our employees for a duration of 10 years. With the second wave of COVID-19, we continue to stand in solidarity with every member to ensure their mental, physical and financial well-being, as they navigate through these challenging times



Welspun's Health Mask  
'Made to Protect' Campaign



## In gratitude

We would not have achieved what we have without the dedicated service of our employees. I express my sincere gratitude to them, and to our shareholders, bankers, customers and Board of Directors for supporting us throughout our journey. I believe in our capabilities, and look forward to sharing more good news about our accomplishments with you as we move forward.

Best wishes,

**B. K. Goenka**  
Chairman  
Welspun Group