

Management Discussion and Analysis

Welspun India Limited – An Overview

Welspun India Limited ('Welspun' or 'WIL' or the 'Company'), part of the \$2.7 billion Welspun Group, is one of the largest home textile manufacturers in the world. The Company offers a broad spectrum of home and technical textile products and flooring solutions. With a distribution network in 50+ countries, the Company is the largest exporter of home textile products from India. It is the trusted partner and preferred supplier to top global retail giants and hospitality players, and supplies from its world-class manufacturing facilities at Anjar and Vapi, both in Gujarat. It has been ranked No. 1 home textile supplier to the US five times in six years. WIL is differentiated by its strategy based on Branding, Innovation and Sustainability.

About 91% of the Company's revenue is derived from exports to various countries worldwide, with a strong presence in key markets such as the US and the UK. In the US, it has a dominant presence in the towel and bed linen market, and in the UK, it is present across every major store via its own brand and private label. The Company is continuously working on increasing its footprint in newer geographies, including Continental Europe, Japan, Australia, the Middle East, and the Indian domestic market in particular. Branded business (Own brands, Ingredient brands and Licensed brands) sales during FY21 was ₹9,670 million registering a growth of 20% YoY and contributed 14% to the top line.

“

Our success is driven by our propensity to adapt swiftly to changing times and respond within minimum time to our clients' demands. This ability has helped us not only withstand the challenges that we faced through the past year but also capitalise on opportunities and leverage our industrial expertise to deliver value to our stakeholders.

We crossed a significant financial milestone in FY21 by crossing the \$1 bn mark. Adding to this, we emerged as a united organisation that can persevere in the face of adversity and deliver great results, backed by a healthy balance sheet and prudent management of our working capital.”

Mr. Rajesh Mandawewala, Managing Director,
Welspun India Limited



WIL Key Competitive Strengths

Diversified brand and license portfolio

- Vertically integrated presence and capabilities
- Global distribution network with marquee clients
- Exceptional track record of innovation
- Strong focus on sustainability
- Experienced Board and management team with proven track record
- Widest product range in the industry
- Consistent strong financial performance



Economy Review

Global Economy

The COVID-19 pandemic raised unprecedented health challenges on a global scale and posed unique policy dilemmas. Since 2018, the growth momentum in global output had weakened due to various factors such as trade tensions, political instability, flagging demand and industrial activity reduction. The pandemic accentuated the deceleration by causing severe demand and supply disruptions. April 2020 saw a global lockdown and the world economic activity coming to a standstill, leading to a steep fall in output during the second quarter of 2020. As per January 2021 reports of the International Monetary Fund (IMF), global growth in 2020 contracted by -3.5%. The pandemic hit the developed economies the hardest due to the strict and prolonged lockdown measures imposed in many European countries and some parts of the US during the outbreak, while the contraction was comparatively milder in developing countries.

Timely stimulus measures, amounting to \$12.7 trillion, prevented a total collapse of the world economy. Unprecedented monetary responses have complemented the fiscal measures. Since March 2020, 92 central banks have cut policy rates a total of 241 times, many taking additional monetary and prudential measures to boost liquidity and ensure financial stability. Several monetary authorities also announced changes in their monetary policy frameworks to enhance policy flexibility and improve monetary transmission.



The COVID-19 crisis has delivered a significant shock to trade, restricting cross-border travel, disrupting international production networks and depressing demand worldwide. Global trade in goods and services shrank by an estimated 7.6% in 2020, only marginally less than during the global financial crisis. International travel remains at a fraction of its pre-pandemic level, although global merchandise trade has been recovering since mid-2020 on the back of strong demand for electric and electronic equipment, pharmaceuticals and, the demand for personal protective equipment. The recovery in merchandise trade has been led by China and other East Asian economies, which had better success in containing the virus's spread and experienced a faster-than-expected rebound in economic activities.



Indian Economy

The Indian economy, after subdued growth in 2019, had begun to regain momentum from January 2020 onwards, only to be stalled by the once-in-a-century health crisis. The economy witnessed a sharp contraction of 23.9% in Q1 FY21 and 7.5% in Q2 Q2

FY21, due to the stringent lockdown imposed during March-April, 2020. Since then, several high-frequency indicators have demonstrated a V-shaped recovery. The fundamentals of the economy remain strong, and the gradual scaling back of lockdowns along with the astute support of the Atmanirbhar Bharat Abhiyan have placed the economy firmly on the path of revival.

After the unprecedented lows of the first quarter of FY21, the overall movement of high-frequency indicators showed a speedy pick up in Q2 and growing convergence to pre-pandemic levels in Q3. As India's mobility and pandemic trends aligned and improved concomitantly, indicators like E-way bills, rail freight, GST collections and power consumption reached not only pre-pandemic levels but also surpassed previous-year levels.

Source: GoI Economic Survey-2020-21, IMF, and World Bank

Management Discussion and Analysis

Economic Outlook

After the severe contraction in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries, and the potential for persistent economic damage from the crisis.

	Year over Year			
	2019	2020	Projections	
			2021	2022
World Output	2.8	-3.2	6.0	4.9
Advanced Economies	1.6	-4.6	5.6	4.4
United States	2.2	-3.5	7.0	4.9
Euro Area	1.3	-6.5	4.6	4.3
Germany	0.6	-4.8	3.6	4.1
France	1.8	-8.0	5.8	4.2
Italy	0.3	-8.9	4.9	4.2
Spain	2.0	-10.8	6.2	5.8
Japan	0.0	-4.7	2.8	3.0
United Kingdom	1.4	-9.8	7.0	4.8
Canada	1.9	-5.3	6.3	4.5
Other Advanced Economies 3/	1.9	-2.0	4.9	3.6
Emerging Market and Developing Economies	3.7	-2.1	6.3	5.2
Emerging and Developing Asia	5.4	-0.9	7.5	6.4
China	6.0	2.3	8.1	5.7
India 4/	4.0	-7.3	9.5	8.5
ASEAN-5 5/	4.9	-3.4	4.3	6.3
Emerging and Developing Europe	2.5	-2.0	4.9	3.6
Russia	2.0	-3.0	4.4	3.1
Latin America and the Caribbean	0.1	-7.0	5.8	3.2
Brazil	1.4	-4.1	5.3	1.9
Mexico	-0.2	-8.3	6.3	4.2
Middle East and Central Asia	1.4	-2.6	4.0	3.7
Saudi Arabia	0.3	-4.1	2.4	4.8
Sub-Saharan Africa	3.2	-1.8	3.4	4.1
Nigeria	2.2	-1.8	2.5	2.6
South Africa	0.2	-7.0	4.0	2.2
Memorandum				
World Growth Based on Market Exchange Rates	2.4	-3.6	6.0	4.6
European Union	1.8	-6.0	4.7	4.4
Middle East and North Africa	0.8	-3.0	4.1	3.7
Emerging Market and Middle-Income Economies	3.5	-2.3	6.5	5.2
Low-Income Developing Countries	5.3	0.2	3.9	5.5
World Trade Volume (goods and services) 6/	0.9	-8.3	9.7	7.0
Advanced Economies	1.4	-9.2	8.9	7.1
Emerging Market and Developing Economies	-0.2	-6.7	11.1	6.9
Commodity Prices (US dollars)				
Oil 7/	-10.2	-32.7	56.6	-2.6
Nonfuel (average based on world commodity import weights)	0.8	6.7	26.5	-0.8
Consumer Prices				
Advanced Economies 8/	1.4	0.7	2.4	2.1
Emerging Market and Developing Economies 9/	5.1	5.1	5.4	4.7
London Interbank Offered Rate (percent)				
On US Dollar Deposits (six month)	2.3	0.7	0.3	0.4
On Euro Deposits (three month)	-0.4	-0.4	-0.5	-0.5
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	0.0

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during May 5--June 2, 2021. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = World Economic Outlook.

1/ Difference based on rounded figures for the current and April 2021 WEO forecasts. Countries whose forecasts have been updated relative to April 2021 WEO forecasts account for approximately 80 percent of world GDP measured at purchasing-power-parity weights.

2/ For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

3/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

4/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.

5/ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

6/ Simple average of growth rates for export and import volumes (goods and services).

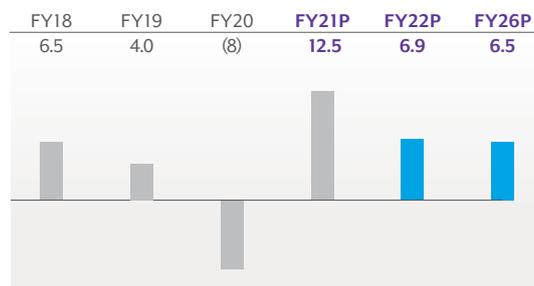
7/ Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was \$41.29 in 2020; the assumed price, based on futures markets (as of June 2, 2021), is \$64.68 in 2021 and \$63.02 in 2022.

8/ The inflation rate for the euro area is 1.8% in 2021 and 1.3% in 2022, for Japan is --0.1% in 2021 and 0.6% in 2022, and for the United States is 4.0% in 2021 and 3.3% in 2022, respectively.

9/ Excludes Venezuela.

The Economic Survey has projected India's real GDP to record a growth of 11% in FY22, and nominal GDP 15.4%, the highest since independence. This V-shaped economic recovery of India is supported by the initiation of a mega vaccination drive, hopes of a robust recovery in the services sector and in consumption and investment. However, given that the growth would come on the projected contraction of 7.7%, it would entail a growth in real GDP by 2.4% over the absolute level of FY20. This implies that the economy would take two years to reach and go past the pre-pandemic level. These projections are in line with the IMF's estimate of real GDP growth for India at 11.5% in FY22, and 6.8% in FY23. India is expected to emerge as the fastest growing economy in the next two years as per the IMF.

Real GDP India (%)



(Source: IMF, World Economic Outlook, April 2021)

Industry Review

Global Retail Industry

The year 2020 may be behind us, but the past year's events will undoubtedly have a lasting impact on the retail industry. We just lived through a market-shaping year; roughly 50 retail bankruptcies occurred when others experienced record earnings. This just shows what an extraordinary year 2020 was. While the retail industry remained in shutdown mode for many months, it underwent changes at the macro level. The events of 2020 fueled a thirst for innovation. Consumer behavior changed overnight as health and safety concerns suddenly became the purchase driver, and the industry had to go for technological adaption in a matter of months that would typically have taken years to occur. While the pandemic accelerated innovation, it also set in force trends that will not subside with the virus. For e.g., consumers' demand for convenience and services such as curb side pickup, buy online, pickup in-store and shopping by appointment. It is abundantly clear that retail subsectors performed very differently during 2020. Grocers, home improvement, and mass merchants benefited from changes in consumer behavior and categorised them as essential services. As such, they are aggressively looking to drive revenue growth in 2021. However, like apparel and department stores, others struggled from the onset of the pandemic and are approaching the upcoming year with a higher priority around cost-cutting.

Developments in Key Markets

US holiday sales rose 8.3% in 2020 from a year earlier despite the pandemic's economic challenges. That was

the highest holiday growth rate in records going back to 2002 - topping 6.8% in 2004 - and more than double the 3.5% average increase over the previous five years, including 4% gain in 2019. Consumers' ability to spend was bolstered by the stimulus payments they received earlier in the year and the money they saved by not travelling, dining out or attending entertainment events. Rising record wealth from increasing home values and stock prices also provided support for holiday spending. Further, consumers were likely encouraged by the news of COVID-19 vaccines becoming available, which helped offset concerns about increased infection rates and state restrictions on activity.

Total sales for the November-December holiday season (excluding automobile dealers, gasoline stations and restaurants) came to \$789.4 billion, easily exceeding the forecast of the National Retail Federation (NRF) that sales would grow between 3.6% and 5.2% to between \$755.3 billion and \$766.7 billion. These are preliminary results based on US Census Bureau data, but they represent a record year for holiday sales despite unprecedented challenges. YoY retail sales growth for all 12 months of 2020 was 6.8%, exceeding its pre-pandemic trend.

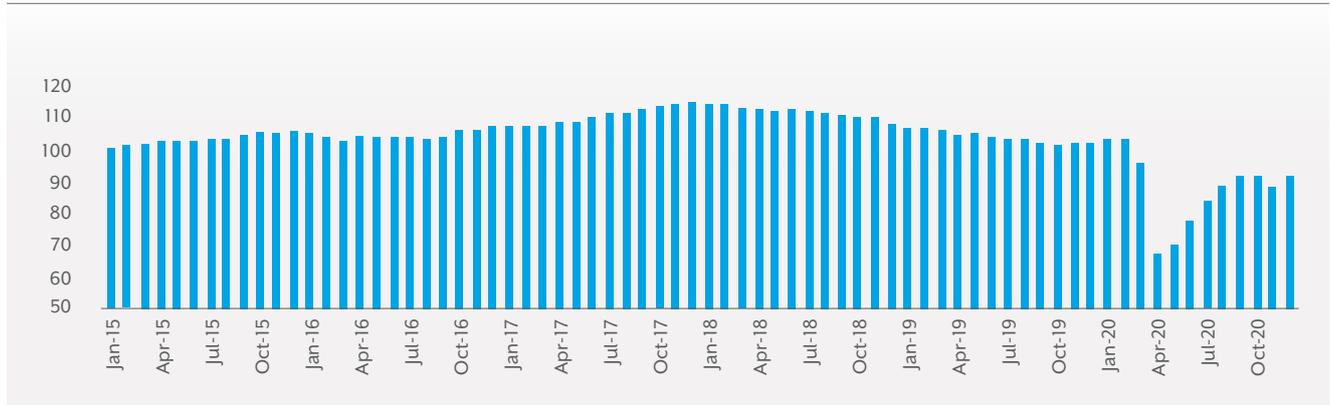
The holiday total includes online and other non-store sales, a standout this holiday season, growing 23.9% YoY to \$209 billion as consumers shopped more online, irrespective of whether they made their purchases from pureplay online sellers or traditional retailers' websites.

US Consumer Confidence Index



Management Discussion and Analysis

EU Economic Sentiment Index



The NRF has issued its annual forecast, anticipating that retail sales will grow between 6.5%-8.2% to more than \$4.33 trillion in 2021 as more individuals get vaccinated, and the economy reopens. Online sales, included in the total, are expected to grow between 18-23% to between \$1.14 trillion and \$1.19 trillion. Despite the continuing health and economic challenges COVID-19 presents, the NRF is optimistic that healthy consumer fundamentals, pent-up demand and widespread distribution of the vaccine will generate increased economic growth, retail

sales and consumer spending. From the outset of the pandemic, retailers have gone above and beyond the most conservative safety guidelines to protect and serve their associates and consumers alike. Retailers are increasingly engaged in working with federal, state, and local health officials to distribute and administer the vaccine. This partnership has been key to economic health throughout the pandemic and will continue this year.

Historical changes in Retail Sales

NRF 2021 Forecast



Historical Retail Sales (in trillions)

NRF 2021 Forecast



Source: NRF based on U.S. Census Bureau data.
*Reflects Feb, 17, 2021 U.S. Census revisions.





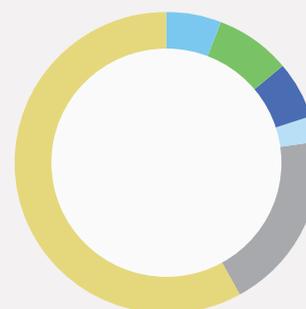
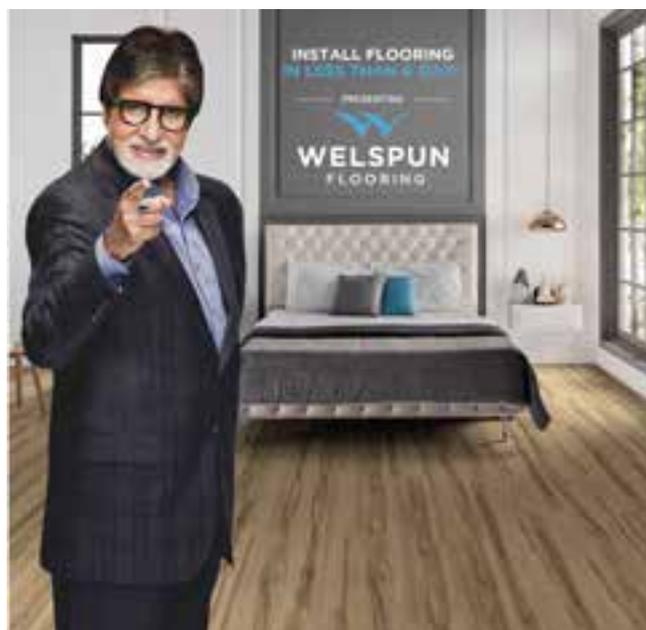
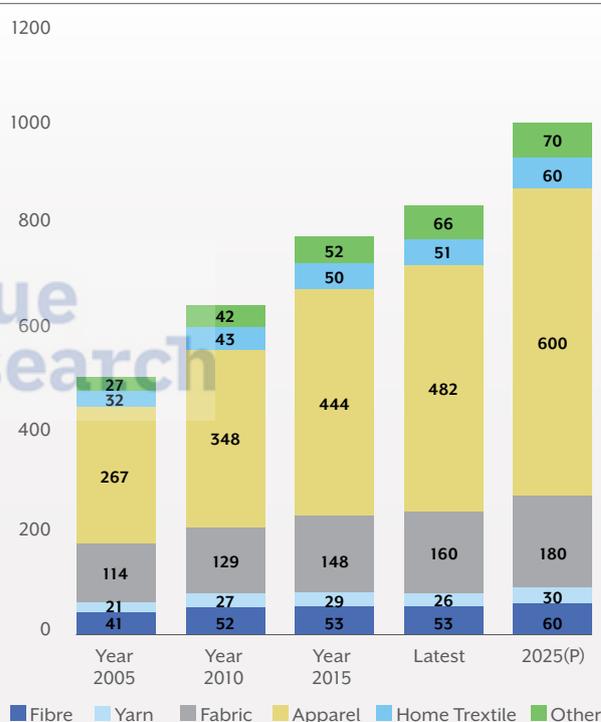
Four Priority Areas in 2021

- Digital investment should go beyond differentiation
- Supply chains, inventory management, and digital user experience can no longer operate in silos
- Health and safety will remain a top priority as it continues to shape consumer behavior
- Cost realignment will need to be coupled with fresh viewpoints on how to address profitability

Textile and Apparel Industry

As per latest data, Global textile and apparel trade stood at \$839 billion which has grown at a CAGR of 4% since 2005. Apparel was the most traded T&A category across the globe with a share of 58% of the total T&A trade. Fabric was second to apparel and accounted for 19% of the total T&A trade. The global trade of T&A is expected to grow from the current \$839 billion to \$1,000 billion in 2025, while growing at a promising rate of over 3% when compounded annually.

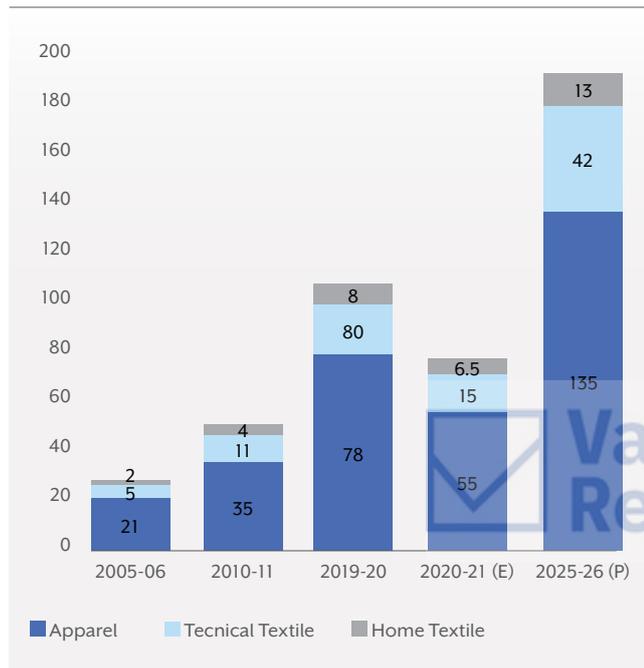
Global Apparel Market Size (\$ billion)



Management Discussion and Analysis

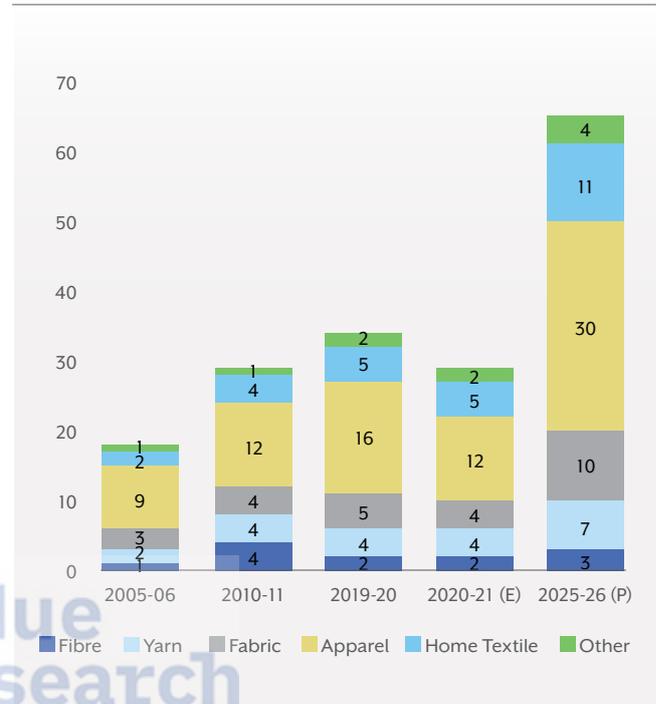
Indian domestic textile and apparel market is estimated at \$75 billion in FY21. The market fell 30% from \$106 billion in FY20. The market is expected to recover and grow at 10% CAGR from FY20 to reach \$190 billion by FY26. Apparel constitutes ~74% share of the total T&A market in India and Home Textile constitutes ~19%. Home Textile is projected to grow at 23% CAGR from 2021 to reach \$42 billion by FY26, and to constitute 22% of the total T&A market in India.

India's Domestic Textile and Apparel Market Size (\$ billion)



India's T&A exports reached \$33.5 billion in FY20. Due to the impact of COVID-19, India's T&A exports are expected to fall around 15% to reach \$28.4 billion in FY21. India's exports of T&A are expected to grow to \$65 billion by FY26, growing at a CAGR of 11%.

Indian Textile and Apparel Exports (\$ billion)



Source: DGCI&S and Wazir Analysis

Facts about the T&A Sector in India:

- 2nd largest employment generator in India (45 million direct employment)
- Presence of manufacturing in the entire value chain from fibre to finished goods
- Abundant availability of raw material
- 2nd largest exporter of textiles and apparel
- Contributes to 7% of the country's manufacturing production, 2.3% of the GDP and 12% of the country's export earnings
- 8 centres of excellence set up to promote technical textiles
- 6 Focus Incubation Centres (FIC) set up under Technology Mission for Technical Textiles

Growth Drivers

Fibre to Fashion:

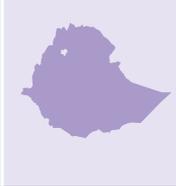
- Presence of complete value chain from fibre to fashion

Abundant Availability of Raw Material:

- Largest producer of cotton
- 2nd largest producer of polyester and silk
- 3rd largest producer of viscose
- 4th largest producer of acrylic and nylon

Availability of Manpower:

- Pool of a large young, trained workforce with 62% of Indian population in the working age group of 15 to 59 years

Comparative Factors of Production						
Parameters	Unit	China	India	Bangladesh	Vietnam	Ethiopia
Labour Wages	\$/month	550-600	160-180	110-120	190-200	80-90
Power Cost	\$/KWh	0.15-0.16	0.10-12	0.09-0.12	0.08-0.10	0.03-0.04
Water Cost	\$/M ³	55-60	16-20	20-22	50-80	30-40

Home Textile (Retail)

The global home textile market was valued at \$123.2 billion in 2019 and is expected to reach a value of \$151.8 billion by 2025, registering a CAGR of 3.5% during the period (2019-2025). The US and Europe are the biggest consumers, receiving 60% of the home textiles imports, with countries like India, China, and Pakistan being the key suppliers.

The industry is witnessing steady growth, driven by rising consumer spending on home renovation and fashionable household furnishing. Home textile products have surfaced as one of the most attractive and fashion-sensitive segments in the overall textile market. The market has seen considerable growth during the past few years.

Increasing purchasing power is one of the drivers of the housing market and is expected to boost home textile sales. Rapid industrialisation and urbanisation in developing countries have resulted in improvements in the standard of living and an increase in disposable income. These are among the factors projected to support revenue growth of the global market.

Global Home Textile Market (in \$ billion):

USD Billion

Region	2019	%	2025	%	CAGR
Asia Pacific	56.2	46%	77.0	51%	5.4%
Europe	29.8	24%	31.4	21%	0.9%
North America	28.7	23%	32.6	21%	2.2%
RoW	8.6	7%	10.8	7%	4.0%
Total	123.2	100%	151.8	100%	3.5%

Source: Fibre2Fashion.com

Global Home Textile Product Categories (in \$ billion):

USD Billion

Region	2019	%	2025	%	CAGR
Asia Pacific	56.2	46%	77.0	51%	5.4%
Europe	29.8	24%	31.4	21%	0.9%
North America	28.7	23%	32.6	21%	2.2%
RoW	8.6	7%	10.8	7%	4.0%
Total	123.2	100%	151.8	100%	3.5%

Source: Fibre2Fashion.com

Bed Linen and Bed Spread

Bed linen covers home textile products such as bed covering, bed throws, blankets, cushion covers, cushions, duvets, duvet covers, mattress, mattress cover, and pillows, is the largest segment in the home textile market. The segment is expected to grow at an increased rate due to the growth of end-use sectors such as hospitality, housing, growing fashion sensitivity of urban consumers toward home furnishings, increasing demand for digitally printed home textiles, and rapidly mounting fashion trends in home textiles.

Bath and Toilet Linen

US and Europe are two significant importers of bathroom linen products from Asia, and manufacturers have strong tie-ups with global retailers. The major vendors present in the global bathroom linen market are involved in various innovations to differentiate their product offerings from that of their competitors. These innovative bathroom linen products, assuring both superior quality and comfort, are in high demand among customers worldwide. Personalised and customised bathroom linen products are gaining traction among customers globally. Customised bathroom linen products include bath towels, bathrobes, bathmats, shower curtains, and other bath accessories. The retail market for bathroom linen products is expected to witness significant growth due to the tie-ups between manufacturers and retailers (online and offline).

Management Discussion and Analysis

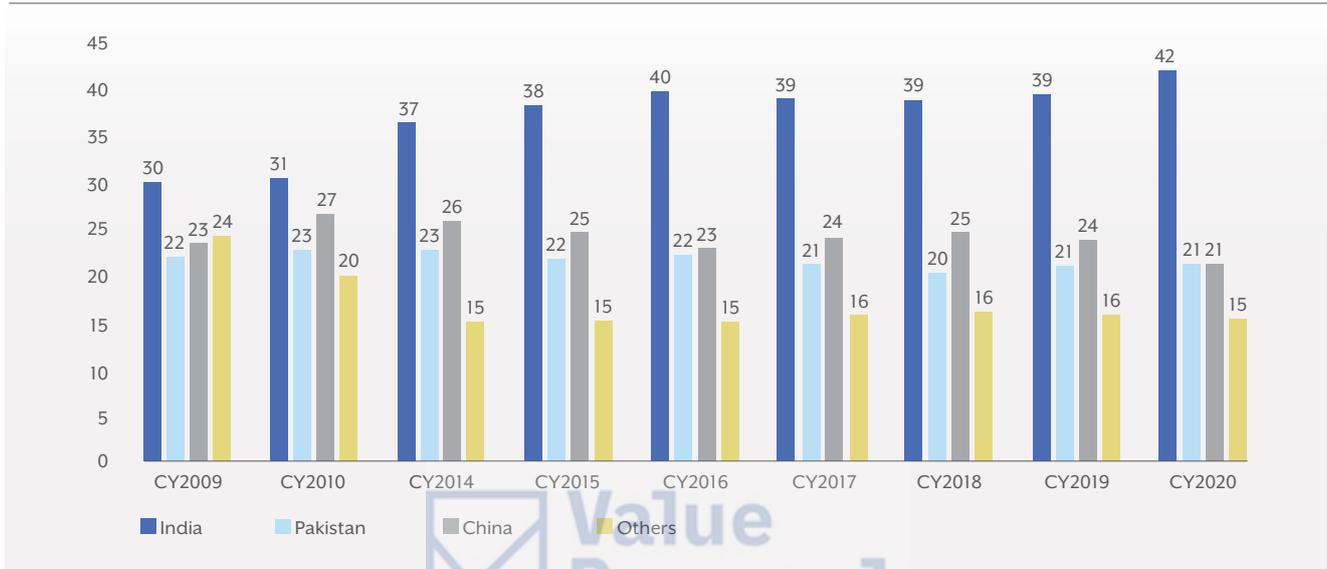
India's Presence in Key Global Home Textile Markets

India's Towel and Bed Linen Market Share in the US and Europe

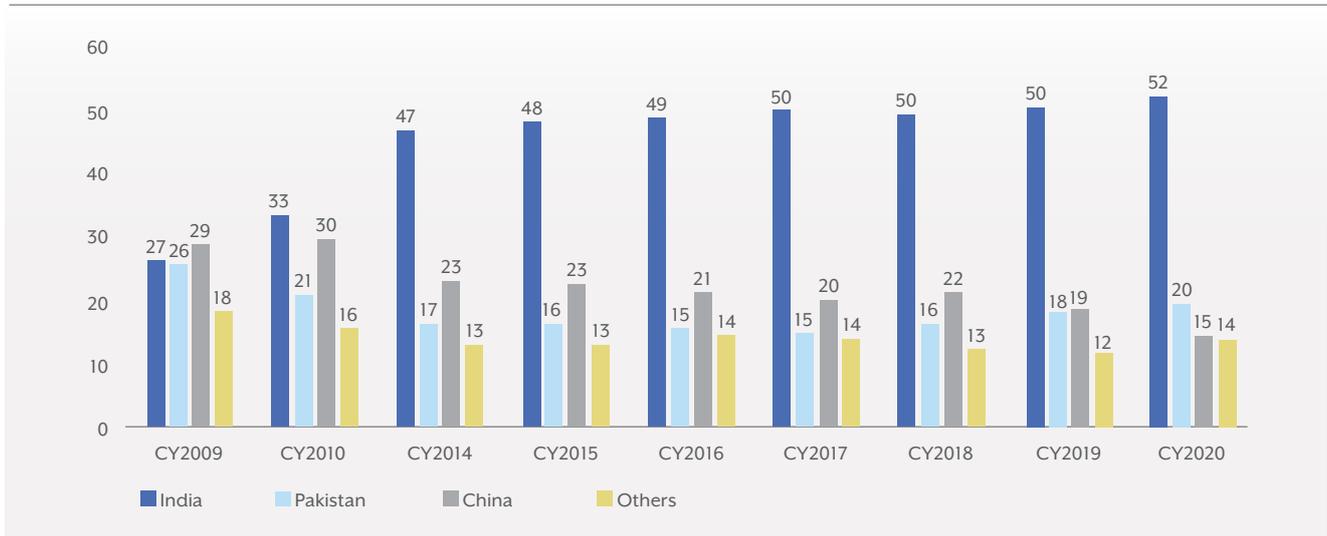
India commands a significant share in the global cotton home textile market, thanks to its competitive edge from abundant cotton availability and competitive costs.

According to the Office of Textiles and Apparels (OTEXA) US, in CY20. India supplied about 42% of the cotton towels imported to the US, a share that has grown significantly from 30% in CY09. In the cotton sheets segment, the country supplied about 52% (CY20) of the total import to the US, increasing from 27% (CY09).

US Towel (%)



US Bed Linen (%)

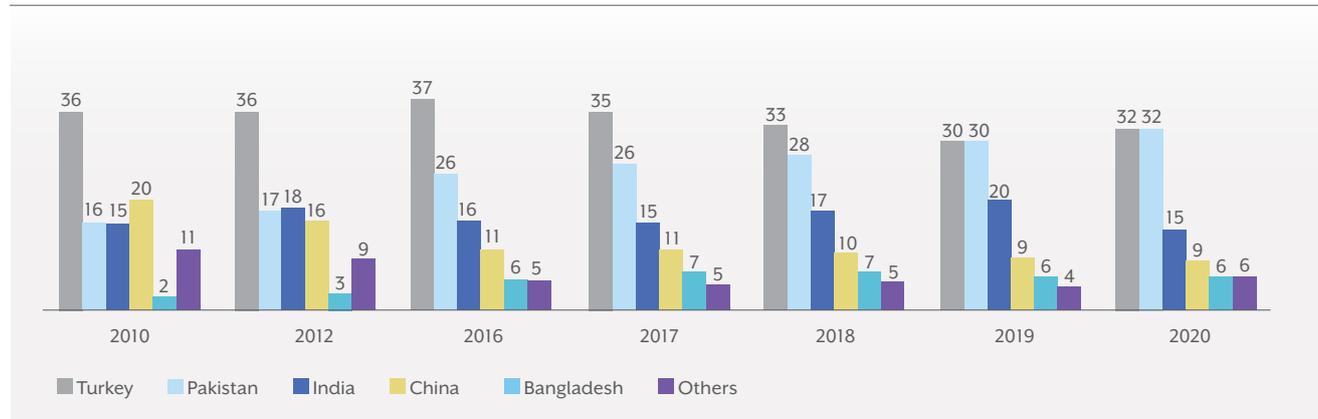


Just as the US, Europe is an equally large market, but Indian players have a low penetration due to duty disadvantage compared to countries such as Pakistan, Turkey, and Bangladesh, which have preferential tariff rates granted by the European Union. Indian exporters pay 9-10% duty on home textile products exported to the EU, whereas some of the key competing countries have zero duty access to the market.

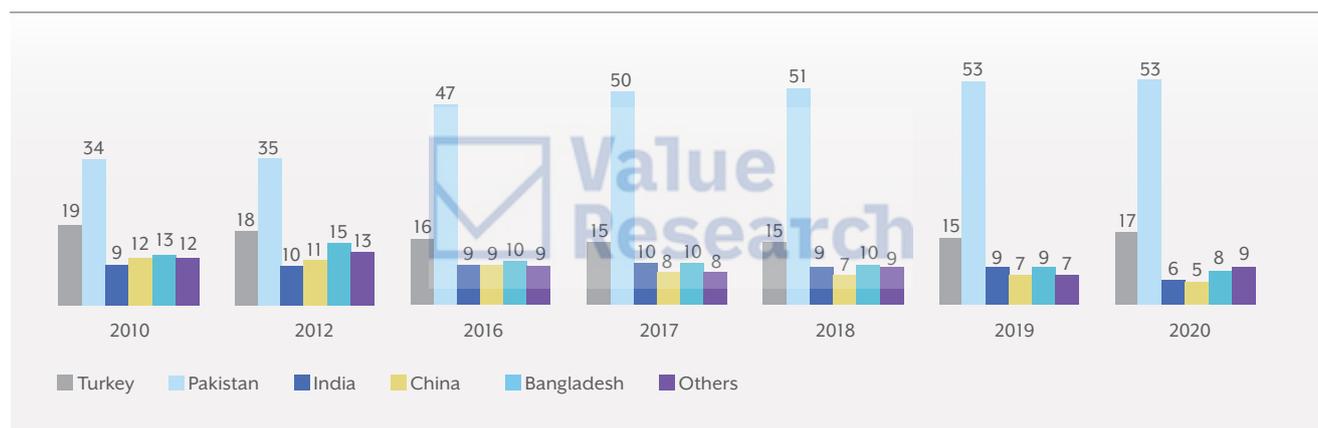
However, this also poses a significant opportunity for Indian players. Any substantial reduction in duties on Indian exports can open a huge market for Indian players. While India is in discussion with the European Union for a Free Trade Agreement (FTA), which would reduce the duties, the timeline for the agreement's conclusion remains uncertain.

Market share of supplier countries in Europe's terry towel and bed linen imports:

EU Towel (%)



EU Bed Linen (%)



Management Discussion and Analysis

Foreign Exchange

During FY21, India's currency appreciated vis-à-vis the US dollar by more than 4% or more than 300 paise loss, mostly due to sustained foreign fund inflows, easing of lockdown restrictions and infusion of stimulus by governments and central banks. Despite headwinds on the economic front and larger-than-anticipated fiscal deficit, the RBI's policy decisions ensured lower yields for the government securities and substantial accretion to foreign exchange reserves this year.

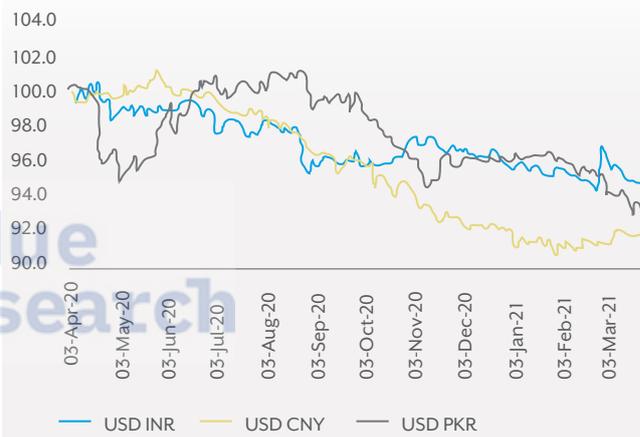
The rupee opened the financial year at around 76.5 vis-à-vis the US dollar in April 2020. From that level till mid-August 2020 rupee came to 75 level. In the next month's (From August 2020 to February 2021) current appreciated 72.5 levels.

Below chart shows the fluctuation of USD INR during FY21.

US Towel



Along with INR appreciation, FY2021 also saw appreciation of Chinese Yuan (CNY) and Pakistani Rupee (PKR).



Cotton Production & Price Update

Cotton production in India is estimated to remain stable y-o-y and stand at 6.1 million tonnes in the current cotton season October 2020 – September 2021 backed by higher yields. Also, an increase in cotton Minimum Support Price by 4.9% to ₹5,515 per quintal and 5% to ₹5,825 per quintal for medium staple cotton and long staple cotton, respectively, for cotton season 2020-21 is estimated to aid cotton production.

Ministry of Textiles, Government of India on 14.09.2020 has formulated a Committee on Cotton Production and Consumption.

Cotton Balance Sheet from 2018-19 to 2020-21

Cotton Year: October to September

Particulars	2019-2020 (P) *		2020-2021 (P) *	
	(In lakh bales of 170 kg. Each)	(in Thousand Tons)	(In lakh bales of 170 kg. Each)	(in Thousand Tons)
Supply				
Opening Stock	56.52	960.84	120.79	2053.43
Crop	365.00	6205.00	360.00	6120.00
Import	15.50	263.50	11.00	187.00
Total Supply	437.02	7429.34	491.79	8360.43
Demand				
Mill Consumption	233.70	3972.90	266.00	4522.00
S.S.I Consumption	20.49	348.33	22.00	374.00
Non Textile Consumption	15.00	255.00	15.00	255.00
Export	47.04	799.68	70.00	1190.00
Total Demand	316.23	5375.91	373.00	6341.00
Closing Stock.	120.79	2053.43	118.79	2019.43

P- Provisional

* As estimated by Committee on Cotton Production and Consumption (COCP) in its meeting held on 30.04.2021

Chart 1: Trend in Domestic Cotton Prices (₹/kg)


Source: Textile Excellence

Note: The prices of both the varieties are available for the date of 12th for the months of November 2020 and January 2021

The rise in prices is backed by an improvement in international demand on account of relaxations in lockdown restrictions. In addition to this, 7.4% y-o-y lower global cotton production (24.6 million tonnes) estimates by the United States Department of Agriculture (USDA) amid 14.5% increase in global consumption (25.7 million tonnes) and 5% decline in global cotton closing stocks (20.3 million tonnes) for the CS 2020-21 (beginning August 2020) also supported the price rise. Moreover, higher cotton imports by China from USA on account of implementation of the USA-China phase one trade agreement and to build its State Reserve aided the international prices to grow. Apart from these factors, the ban imposed by the USA on imports of China's cotton products made in Xinjiang region due to forced labour issues are also believed to have increased the international cotton prices.

Outlook

Record global cotton supply will drive higher consumption as recovery from the COVID-19 pandemic continues, the US department of agriculture (USDA) said in its first forecast for the 2021-22 cotton season. Global cotton consumption in 2021-22 is expected to grow 3.5% to almost 122 million bales, higher than the pre-pandemic 2018-19 level. However, lingering pandemic related disruptions, i.e. reduced consumer demand and logistical issues, are expected to keep global cotton use below the 2017-18 record level, the Foreign Agricultural Service of the USDA said in its May 2021 report 'Cotton: World Markets and Trade'.

Cotton use in FY22 is expected to witness growth in all top ten consuming countries, according to the USDA report. India will see cotton use going up by 2 million bales, accounting for nearly one-half of growth in global use. Consumption growth in Pakistan, Turkey, and Bangladesh is expected at or above the long-term world growth rate of around 2%. Consumption in Vietnam is also forecast to increase.

Global cotton stocks at the end of 2021-22 season are forecast lower on smaller beginning stocks and consumption exceeding production for the second consecutive year. Stocks in China and India are both expected to decline by more than 1.5 million bales. China's share of global stocks will decline to the second lowest level in 11 years. India's consumption growth will exceed the expected increase in production, and lower stocks to their lowest level in 3 years. Stocks in the United States are also expected to decline. Brazil stocks are expected to increase due to the arrival of the second-largest projected crop at the end of the marketing year, the report said.

World trade is expected to contract slightly in FY22 from FY21, the highest in eight years. Shipments from the United States and Brazil are projected down on lower exportable supplies due to significantly lower carrying. India's exports are up as higher world prices allow for the reduction of government-controlled stocks.

Flooring Market

According to Grand View Research, the global flooring market size was valued at \$388 billion in CY20 and is expected to grow at a compound annual growth rate of 6.1% till CY28. Increasing government spending on infrastructural development is expected to play an important role in augmenting the demand for flooring. The rising need for comfort and privacy, owing to noisier surroundings, has spurred the demand for insulation across the flooring market as a well-insulated floor creates an improved sound environment. This has resulted in the growing demand for insulation, thereby supporting market growth. Moreover, consumer preferences for aesthetically improved designs, textures, and colors and low-maintenance and easy-to-install floorings are anticipated to ascend the market growth.

Management Discussion and Analysis

Strong industrial and economic development coupled with population expansion is likely to have a positive impact on the product demand over the forecast period. In addition, the development of private-sector construction companies in India, China, and the UAE is anticipated to aid the construction spending, thereby benefiting the overall market growth.

The development of hassle-free installation techniques, availability of innovative construction solutions, and the rising demand for environmentally sustainable products are anticipated to fuel the industry growth. The presence of a stringent regulatory framework on the production, usage, implementation, and recycling is also likely to have a positive impact on the market growth.

Increasing investments and continuous R&D in flooring products have led to the introduction of flooring materials with enhanced durability and strength. Moreover, customisation options, in terms of color, texture, and finishing, offered by the manufacturers have contributed to higher product demand, thereby augmenting the market growth.

US Flooring Market:

Last year the US Flooring market was down 5.4% according to Market Insights, falling from \$23.3 billion in 2019 to \$22 billion at mill sell price. Every flooring category was down with the exception of resilient which grew by 7.5%. Last year, resilient flooring was the only category to make gains in the US market, thanks to its tremendous momentum coming into the year. However Resilient flooring consumption only grew by 7.5% compared to the strong double-digit growth the category has been posting in recent years, to \$5.7 billion.

US Market Size and Share by Surface type:

Product Category	2019		2020	
	Market Size \$ Mn	Market Share	Market Size \$ Mn	Market Share
Carpet	8,008	34.3%	6,993	31.7%
Resilient	5,329	22.9%	5,726	26.0%
Hardwood	2,691	11.5%	2,492	11.3%
Ceramic Floor Tile	2,961	12.7%	2,802	12.7%
Area Rugs	2,704	11.6%	2,650	12.0%
Laminate	939	4.0%	841	3.8%
Rubber	683	2.9%	544	2.5%
Total Market Size	23,315		22,048	

Carpets and Area Rugs

Last year the US carpet market was down by 12.7% to \$6.99 billion at mill sell price from a revised \$8.01 billion in 2019, according to market insights and its flooring market share dipped to 31.7%. Commercial and hospitality carpet was down more than 22% last year. Sales were off in almost every commercial sector with retail corporate and hospitality leading the way. On the residential side carpet fared much better, down about

5%. Much like other flooring categories supply chain issues have had major impact on the carpet industry. Inflation of raw material prices have helped drive recent price hike from the mills.

The area rug market is still largely an import market in US. Among the other floor coverings by market share are rugs are the 4th largest category in the US at 12.0% following carpet, resilient and ceramic. This figure like the industry sales figure doesn't include broadloom fabricated into area rugs or carpet tile sold for use as rugs, which are largely untrack-able and counted as carpet. The year 2020 was one of the extremes for domestic area rug manufacturers: extreme lull, extreme demand; extreme shortages in raw material and labour, and, for those that also, import extreme delays at the ports. The domestic market slid 2.0% in revenue in CY20, due to this multitude of supply chain issues and continued erosion in average net selling price. Demand however hit record highs.

Resilient Flooring

Resilient flooring was the only category to make gains in the US market, thanks to the tremendous momentum coming into the year. However resilient flooring consumption only grew by 7.5% compared to the strong double-digit growth the category has been posting in recent years, to \$5.73 billion. It's worth noting that in 2019 the category also experienced limited growth, largely due to a building of inventory in the latter half of CY18 in response to the tariffs on Chinese goods, along with heavy shift from rigid LVT from Wood plastic composite to Stone plastic composite. And last year the market continued to shift to SPC, particularly in the builder and residential remodel markets.

The 25% tariff on Chinese products have driven a shift to production in neighbouring countries. Many of the leading US flooring companies are now sourcing from these countries.



Technical Textile/Advanced Textile Market

Technical textiles refer to textile products that primarily focus on technical performance and functionality instead of aesthetic purposes, as in conventional textiles. The end-usage of these products cater to a wide array of industries, including automobile, agriculture, home care, construction, defence, aeronautics, healthcare,

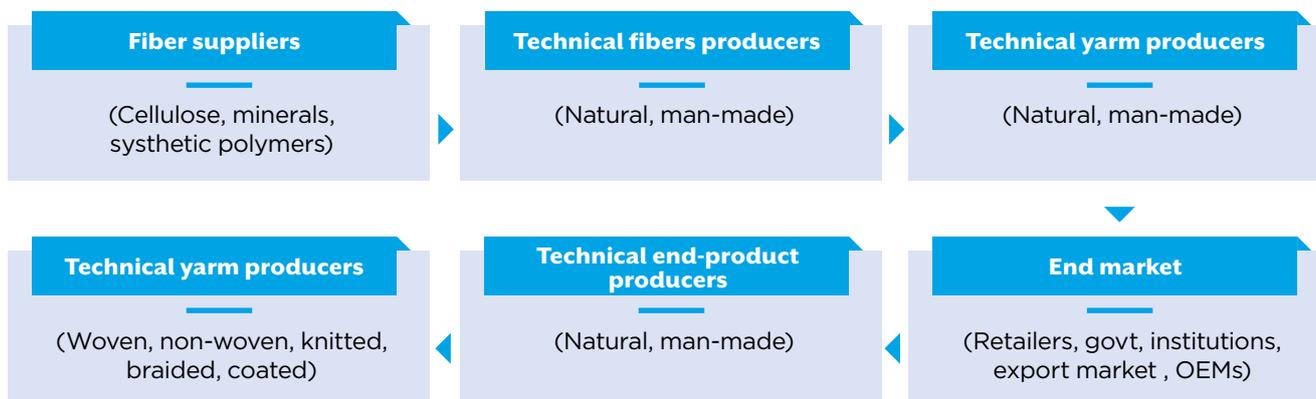
among others. The global technical textiles market is estimated at \$193 billion in 2020 and is expected to reach \$274 billion by 2027, growing at a CAGR of 5.1% during 2020-27, backed by increasing global demand for technical textiles across industry and the expanding base of new products courtesy applied research.

With the rise in dominance of technical textiles, the market has been classified into the following 12 segments based on their application:

 <p>InduTech</p> <p>Industrial brushes, computer printer ribbon, composites, ropes and cordages, coats abrasives, drive belts, conveyor belts, etc.</p>	 <p>MobilTech</p> <p>Seat cover, upholstery, tyre cord fabrics, tufted carpet, insulation felts, seat belts, cabin filters, helmets, etc.</p>	 <p>SpotTech</p> <p>Sports nets, parachutes, artificial grass and turfs, sports composites, hot-air balloons sleeping bags, etc.</p>
 <p>BuildTech</p> <p>Floor and Wall coverings, scaffolding nets, awnings and canopies, etc.</p>	 <p>MediTech</p> <p>Contact lenses, baby diapers, sanitary napkins, surgical sutures, surgical disposables, etc.</p>	 <p>AgroTech</p> <p>Fishing nets, bird protection nets, mulch mats, crop covers, shade nets, etc.</p>
 <p>ProTech</p> <p>Bullet-proof protective clothing, high-visibility clothing, fire retardant products, etc.</p>	 <p>HomeTech</p> <p>Pillows, mattresses, blinds, mosquito nets, carpet backing cloth, filters, vacuum cleaner consumables, etc.</p>	 <p>ClothTech</p> <p>Interlinings, labels, elastic narrow fabrics, shoe laces, etc.,</p>
 <p>PackTech</p> <p>Soft luggage, woven jute sacks, wrapping fabric, tea bag filter paper, etc.,</p>	 <p>OekoTech</p> <p>Waste management, environmental protection, recycling</p>	 <p>GeoTech</p> <p>Geo-composites, geo-bags, geogrida, geonets</p>

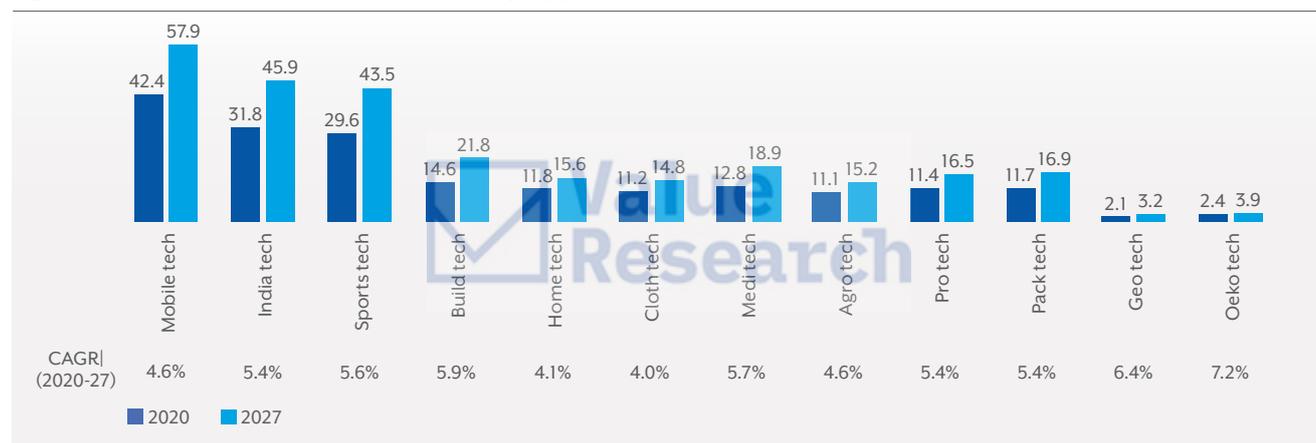
Management Discussion and Analysis

Technical Textiles Market Value Chain:



The technical textile market for Mobiltech application was valued at \$42.4 billion in 2020 and is projected to reach \$57.9 billion by 2027. This industry is expected to grow due to automobile units catering to huge established automobile consumer base in Europe, North America and Asia.

Figure 7: Global Technical Textile Market, by Application (\$ bn)



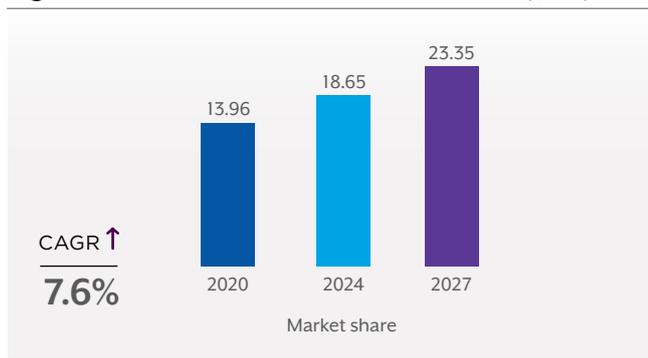
Key Trends and Growth Drivers:

- Geotextiles are increasingly being used to control soil erosion in hillsides and embankments. Additionally, increase in infrastructure projects in the developing economies is playing a critical factor in driving market growth
- The use of the latest technologies such as mulching, vertical farming, aeroponic and hydroponic farming has significantly increased need for agricultural sheets and covers
- Demand for non-woven fabrics in healthcare end-use industry has significantly increased due to rising health concerns. Non-woven textiles also needed for renovation of existing buildings and the construction of new homes
- As non-woven wipers absorb more liquid than towels and napkins, there is a growing demand for non-woven wipers
- Demand for natural or bio-based materials for technical textile products has been increasing owing

to awareness among consumers and industries on the ecological impact of synthetic materials

- The growth construction, automotive, healthcare and packaging sectors in emerging nations is driving the development of sub-segments in technical textiles
- Automotive industry's shift towards electric vehicles, environmental regulations, safety, and health monitoring would create demand for innovation in technical textiles

The Indian technical textile market was valued at \$14 billion in 2020 and is expected to reach \$23.3 billion by 2027, growing at a CAGR of 7.6%, which is among the fastest growth rates in the Asia-Pacific region. The technical textile market is expected to witness considerable growth in coming years in India, owing to numerous factors such as developing end-user sectors, rising awareness, government initiatives, regulations, standardisations, technology upgradation among others.

Figure 9: India Technical Textile Market Size (\$ bn)


Source: Global technical textile market (2020-27) - Allied Market Research; KPMG Analysis

FY21 Key Business Highlights and Operational Data:

During the year the Company achieved significant growth in top line and bottom line despite lower incentives which demonstrates the robustness of the business model. In FY21, the Company delivered highest ever annual revenues with growth of 8% YoY. This has resulted in the highest ever bed linen, bath linen, and rugs and carpet sales volume in a year.

The strong emergence of homebody economy structural shift in consumers spending has helped the overall growth for home products. Consumers are reluctant to resume their normal out of home activities and are spending more time at home. The retail home furnishing category has seen tremendous growth owing to conscious presence for quality and performance driven by hygiene and wellness over heavy discount products.

Innovation is an integral part of Welspun's DNA and the foundation on which our customer-centric solutions are built. Welspun has always focused on consumers' needs and catered to them with innovations like Nanocore technology, industry-defining, multi-level traceability process Wel-Trak™ that tracks finished products back to the raw material, as well as HygroCotton technology. Our innovation-driven approach has helped us to challenge the status quo, set new industry benchmarks, and build an industry leading portfolio of 32 innovations over the years. We are proud to be amongst the most influential innovators at the Clarivate South and South East Asia Innovation Award 2020. Welspun won the award in the corporation segment and was the only player from the textile and apparel industry. The award is a testament to our efforts and motivates us to keep

developing more relevant and innovative solutions for our customers.

Our Innovation product sales during the year was ₹19,287 million, registering a growth of 6% YoY and contributed 29% to the topline.

The pandemic has accelerated online spend significantly beyond prior years and more consumers have begun shopping online in greater numbers and frequency. Online sales continued its trend with Amazon led early start to holiday buying, followed by major big box retailers who also witnessed multi-fold increase in online sales compared to previous years. Consumers spent \$861.12 billion online with U.S. merchants in 2020, up an incredible 44.0% year over year, according to Digital Commerce 360 estimates. That's the highest annual US ecommerce growth in at least two decades. It's also nearly triple the 15.1% jump in 2019. Amazon accounted for nearly a third of all ecommerce in the United States. Our e-commerce business also witnessed similar trend and heightened demand with growth of 84% YoY contributing \$34 million to the top line FY21. Under E-commerce channel is well set to cross \$100 million by FY23.

China's share in the US market continues to be under pressure. As per OTEXA data, in the last three years we have seen India's market share in Towel & Bed Sheets increase by 4% and reached to 42% and 53% respectively. Walmart has recently announced that it will triple its sourcing of goods from India to \$10 billion each year by 2027. Walmart's new import commitment is expected to provide a significant boost to companies like Welspun. Welspun and Walmart go back over two decades and have been sharing a relationship built on mutual respect and trust. We are truly humbled to be recognised by Doug McMillon, President and CEO of Walmart, as one of their key suppliers at the recent HT Leadership Summit 2020.

The Company is taking rapid strides in the B2C business through licensed brands which will enable to deepen the connect with consumers across markets and aspirational categories. Martha Stewart brand saw expansion in both online as well as offline. The Martha brand has already clocked a turnover of about \$20 million since inception and we continue to see strong performance. The Company is also very excited about the prospects of Scott Living brand which was signed up during the year. Licensed brand brings to us new opportunity pockets by opening up new channels and shelf space without cannibalising our existing business.

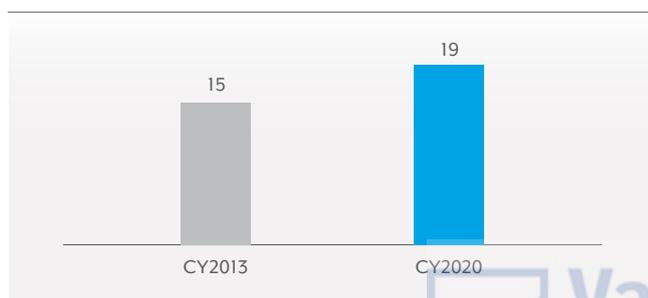
Management Discussion and Analysis

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

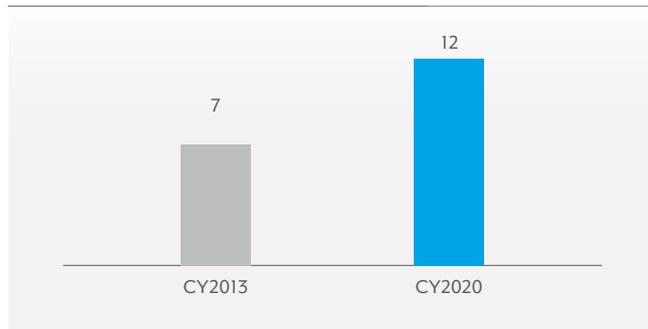
	United States	Europe	RoW	India
FY21	65%-66%	17%-18%	7%-8%	10%-11%
FY20	66% - 67%	17% - 18%	6% - 7%	9% - 10%

India has a dominating presence in USA which is why US has always been Company's major focus area. As a result, the Company has grown its market share in US towels market from 15% in CY13 to 19% in CY20 and in US sheets market from 7% in CY13 to 12% in CY20. This implies that every 5th towel and every 9th bed sheet sold in the US is made by Welspun.

Welspun's Towel Market Share in US (In %)



Welspun's Sheet Market Share in US (In %)



Note: OTEXA & Company Estimate

The Company witnessed strong performance in the domestic retail as consumer confidence recovered quicker than expected, supported by the festival season and fall in COVID cases. Domestic retail business recorded very strong revenues during the year and achieved positive EBITDA in Q4. Despite headwinds, we ended the year with 3400+ outlets in 66 towns for brand "W" and we plan to be at 100+ towns and 6550+ outlets with a distributor in every town we are present in. We have also added 22 towns and 307 outlets for brand "Spaces" during the year. With the recent

surge of a new COVID wave in India and government imposing localised lockdowns, we could see normal demand conditions returning with a delay of a quarter.

During the year, we have forayed into health and hygiene vertical in the shortest possible time with focus on health and hygiene related products such as masks, coveralls, medical gowns, disposable bed linen, towel, disinfectant wipes, etc., for frontline workers and consumers. This was possible by leveraging our vertically integrated woven and nonwoven capabilities. We launched reusable cloth mask with anti-microbial range and patented Nanocore mask with water repellent finish. We were amongst very few players to have BI certification for three ply surgical mask. We are the first company in India to be BI certified for the coverall product. COVID induced demand for surface disinfectant wipes saw some early enquiries and willingness to partner with us on the part of some key brand owners in India. Demand for baby segment wet wipes in domestic market remained buoyant while globally the demand remained muted. Greenfield Spunlace Capacity addition project in Telangana is on course and we expect commercial operation to commence from H2 FY22.

As the lockdown eased out in multiple international geographies, we were entirely booked in our Flooring business especially in Hard Flooring segment with repeat orders with higher ticket size from our large clients from US and ME regions. We received trial orders from regions like UK and South East Asia to show our capabilities and services for long-term association. On the Soft Flooring side, business started taking shape with strong enquiries from US and ME regions. In order to optimise capacity utilisation of the soft flooring plant, we plan to produce rugs and carpets for our Home Textile customers from Welspun flooring facility, as our facility at Vapi is running at peak capacity.

Domestic flooring business witnessed highest ever expansion of our retail footprint - adding 128 dealers to our channel. We concluded the year with a total of 572 dealers in our network, across 192 towns and cities. Digital customer acquisition has been going strong, clocking a robust 24% contribution to our month-on-month sales. We have also upgraded our plaza format retail stores to enable a better visualisation of our products. In order to strengthen our digital channel we have overhauled the Welspun flooring website to make navigation more intuitive and easier. During the year, we have continued adding business from a large list of marquee brands across both Commercial and Hospitality channels. Robust growth outlook for Building Materials segment in India for the near to long term also augurs well for growth of our product lines.

(₹ in Million)

Revenue	Core			Emerging Business		
	HT - B2B	HT - Branded	HT - E-Com	Advanced Textile	Flooring - B2B	Flooring - Branded
FY21	51,003	5,138	3,918	2,850	2,418	615
FY 20	49,516	5,483	2,134	2,338	360	408
Growth %	3%	-6%	84%	22%	572%	51%
Sales contribution FY 21	77%	8%	6%	4%	4%	1%
Sales contribution FY 20	82%	9%	4%	4%	1%	1%

5%

Textile Business Growth

19%

HT Branded (incl E-Commerce)

89%

Growth in other business

(₹ in Million)

Revenue	B2B			Branded			
	Global		Domestic	Global		Domestic	
	Innovation	Others		Online	Offline	Online	Offline
FY21	19,287	33,372	3,612	3,741	3,500	176	2,253
FY20	18,127	31,256	2,831	2,029	3,376	105	2,515
Growth %	6%	7%	28%	84%	4%	69%	-10%
Sales contribution FY 21	29%	51%	5%	6%	5%	0%	3%
Sales contribution FY 20	30%	52%	5%	3%	6%	0%	4%

84%

E-COM Growth

20%

Branded Business Growth

6%

Innovation

ESG

While COVID got the worst attention in 2020, the climate crisis continues to be the biggest concern for planet Earth. Businesses are increasingly changing their operations to adjust to the climate crisis by innovating more sustainable and environment-friendly solutions. Consumers now demand that brands should be more transparent and environmentally conscious in the production and delivery of their goods. At Welspun India, we are completely conscious about the challenges society faces and the role WIL can play in surmounting them. Over the last few years we have made significant investments in the areas of sustainability including amongst others, initiatives like Rain-Water Harvesting Lagoons and Sewage Treatment Plant to lower the freshwater footprint. We also run a social initiative called

“Spun” which is not only based on upcycling, but is also dedicated to women empowerment. True to our ideology from Farm 2 Shelf, we partner with the farming communities to provide access to the best agronomic practices and technology to improve the quality and yield of organic cotton and BCI. We are encouraged by successful collaboration that we have formed with leading technology and global funding partners in this area. More than 12,000 farmers have benefited in FY21 and we aim to reach 20,000 by FY25.

To give furtherance to the Company's initiatives towards sustainability, it has included all aspects of ESG i.e Environment, Social & Governance and aligned it to its business strategies. The Company's newly formed Board ESG-committee will review the ESG activities progress and provide appropriate directions.

Management Discussion and Analysis

To achieve its mid- and long-term ESG goals, the Company has embarked upon an ambitious ESG strategy. Welspun is already rated “Low Risk” on ESG factors by one of the top ESG rating agency and we are conducting gap-assessment study and identifying measures to move to “Negligible Risk” rating. Welspun’s Sustainability journey is now a case study on Ivey publishing website.

Outlook

FY21 was a milestone year for us as we delivered solid all-round performance. Our relentless efforts and investments to create vertically integrated facilities including workers colony, warehouses, ancillary park and investment in product development has helped the company withstood the disruptions across the supply chain.

Revenue

On the back of expanded capacities and with customer demand remaining to be buoyant, the top line of the company is expected to grow upwards of 15% in FY22 (Home textile over 10%, Flooring over 125%, and Advanced textiles over 50%).

EBITDA

In spite of headwinds (increased input costs coupled with uncertainty on rebate of taxes and duties rates) and with our drive towards cost optimisation, use of technology, and improved efficiency aided further by strong business prospects and robust outlook, we believe we should be able to achieve annual EBITDA margin between 20% - 21% in FY22.

Capex & Net Debt

The expansion projects of flooring, advanced textile, and home textile businesses, which were in different stages of progress in FY21 will get completed in FY22. Capex spend in FY22 to complete these projects is expected to be around ₹6,000 million. In spite of the CAPEX in higher outflow due to buyback and dividend, the company will continue to prepay the high-cost debt as evidenced over the last two financial years.

The Company remains committed in its long-term aspiration of delivering sustainable and profitable volume led growth, building on strong brand equity and accelerated focus on emerging businesses.

Manufacturing Capacity and Utilisation:

Home Textile	Particulars	UOM	Annual Capacity		FY21 Utilisation %	FY20	Utilisation %	
			Expected*	Operational				
	Bath Linen	MT	80,000		70,406	88%	67,548	84%
	Bed Linen	Mn mtrs	90		69.2	77%	62	69%
	Rugs & Carpets	Mn sq mtrs	10		8.2	82%	8	80%

Advance Textile	Particulars	UOM	Annual Capacity		FY21 Utilisation %	FY20	Utilisation %	
			Expected*	Operational				
	Spunlance	MT	10000		9,152	92%	8,433	85%
	Needle Punch	MT	3000		1,176	34%	1,349	40%
	wet wipes	million packs	75		23.1	28%	9.4	12%

Flooring	Particulars	UOM	Annual Capacity		FY21	Utilisation
			Expected*	Operational		
	Soft Flooring	Mn sq mtrs	16.3	7.5 [#]	0.7	9%
	Hard Flooring	Mn sq mtrs	10.7	5.4 [@]	1.67	52%

Note:

*Expected Capacity at Full Capex | [@] Increased 54 on 15 Jan 2001 | [#] The same will increase to 16.3 million sq mtrs operationally based on business needs by making small investment in balancing equipment. During FY20 the flooring plant whil.....

|*Normal Capacity

Financial Performance - FY21 (₹ million)

	Revenue	EBITDA	PBT	PAT	Cash Profit
	74,080	14,198	7,686	5,397	10,197
Growth (YoY)	8.40%	8.40%	18.10%	6.40%	5.10%
Margin (%)		19.20%	10.40%	7.30%	
Margin Expansion/Contraction (YoY)			85 Bps		
EPS/CEPS				5.37	10.15

Note:

1. Prior period figures are restated wherever necessary
2. *As the Rate for RoDTEP has not been notified, we have not accrued RoDTEP Income in Q4FY21

FY21 saw total income growth of 8.4%, which stood at ₹74,080 million vs. ₹68,362 million in FY20. The Company's EBITDA margin came at 19.2% during the year.

Key Financial Numbers:

Particulars	FY21	% of Total Income	FY20	% of Total Income
Revenue from Operations (Net)	73,402	99.09%	67,411	98.61%
Other Income	678	0.91%	951	1.39%
Total Income	74,080	100.00%	68,362	100.00%
Cost of Material	35,873	48.43%	32,963	48.22%
Manufacturing Expenses	8,633	11.65%	7,609	11.13%
Employee Cost	8,228	11.11%	7,781	11.38%
Selling Administration and Other Expenses	7,148	9.65%	6,911	10.11%
EBIDTA	14,198	19.17%	13,098	19.16%
Finance Costs	1,975	2.67%	1,777	2.60%
Depreciation and Amortisation Expense	4,536	6.12%	4,811	7.04%
Taxes	2,179	2.94%	1,700	2.49%
Profit Before Extraordinary Items	5,507	7.43%	4,809	7.04%
Exceptional Items	-	0.00%	434	0.64%
Minority's Share of Profit/(Loss) in Certain Subsidiary Companies	111	0.15%	170	0.25%
Net Profit (Loss)	5,397	7.29%	5,074	7.42%
EPS (Basic and Diluted)	5.37		5.05	



Management Discussion and Analysis

1. Revenue

a. Revenue from Operations

For FY21, Revenue from Operations was ₹73,402 million vs. ₹67,411 million in FY20, 8.9% up.

b. Other income

Income from other sources was ₹678 million in FY21, vis-à-vis ₹951 million in FY20.

2. Expenditure

a. Cost of Materials

Consumption of raw materials stood at ₹35,873 million during the year. This accounts for 48% of the total income for FY21. As a per cent of total income, the material cost has seen no change as compared to the FY20 figure of 48% of total income.

b. Manufacturing Expenses

Manufacturing expense was ₹8,633 million in FY21 compared to ₹7,609 million in FY20. The manufacturing expense includes power, fuel, and water charges of ₹2,095 million, dyes and chemicals of ₹2,508 million and contract labour and job work charges of ₹2,217 million.

As a per cent of total income, manufacturing expenses was at 11.65% in FY21 compared to 11.13% in FY20.

c. Employee Cost

Employee cost stood at ₹8,228 million in FY21 compared to ₹7,781 million in FY20. As a per cent of total income it was 11.11% in FY21 compared to 11.38% last year.

d. Selling, Administration and Other Expenses

Selling, administration and other expenses were reported at ₹7,148 million in FY21 vis-à-vis to ₹6,911 million in FY20. The increase was primarily be cause of higher logistics expenses during the year.

e. Finance Costs

Financial expenses in FY21 were ₹1,975 million. The corresponding figure in FY20 was ₹1,777 million. The increase was on account of redemption of preference shares, reversal of TUF benefits and increase in Welspun Flooring finance cost.

f. Depreciation and Amortisation Expense

Depreciation was reported at ₹4,536 million in FY21 end vis-à-vis ₹4,811 million in FY20.

3. Profitability

a. EBIDTA

EBITDA in FY21 was reported at ₹14,198 million, implying EBITDA margin of 19.2%.

c. PROFIT AFTER TAX

Profit after Tax post minority interest stood at ₹5,397 million in FY21 vis-à-vis ₹5,074 million in FY20. Net profit margin stood at 7.29% vs 7.42% in FY20.

4. Earnings Per Share (Basic)

Earnings per share for the year ending March 31, 2021 stood at ₹5.37 per share compared to ₹5.05 per share at the end of March 31, 2020.

5. Table: Balance Sheet

Particulars	As at	As At
	March 31, 2021	March 31, 2020
	(₹ million)	(₹ million)
A. ASSETS		
1 Non-current Assets		
Property, Plant and Equipment	35,118	36,326
Capital work-in-progress	1,709	564
Goodwill on Consolidation	1,830	1,803
Other Intangible assets	283	477
Right-of-use assets	910	722
Intangible assets under development	21	16
Financial Assets		
- Investments	19	8
- Loans	4	2
- Other financial assets	768	1,233
Non-current tax assets	397	684
Deferred Tax Assets	1,120	1,162
Other non-current assets	627	421
Total Non-current Assets	42,806	43,418

Particulars	As at	As At
	March 31, 2021 (₹ million)	March 31, 2020 (₹ million)
2 Current Assets		
Inventories	17,731	15,287
Financial Assets		
- Investments	1,093	2,436
- Trade receivables	11,817	10,862
- Cash & cash equivalents	2,994	2,051
- Bank balances other than cash and cash equivalents above	997	253
- Loans	6	5
- Other financial assets	4,422	3,224
Current Tax Assets	21	21
Other current assets	4,891	5,546
Total Current Assets	43,972	39,685
Total Assets	86,778	83,103
B. EQUITY AND LIABILITIES		
1 Equity		
Equity Share capital	1,005	1,005
Other Equity		
Reserves and surplus	35,164	29,725
Other reserves	278	-1,009
Equity attributable to owners of Welspun India Limited	36,447	29,721
Non-controlling Interests	985	848
Total Equity	37,432	30,569
2 Liabilities		
Non-current liabilities		
Financials Liabilities		
- Borrowings	9,705	14,070
- Lease liabilities	777	528
- Other financial liabilities	52	50
Non-current tax liabilities	2,244	1,526
Provisions	27	26
Deferred tax liabilities	2,494	1,927
Other non-current liabilities	982	939
Total Non-current liabilities	16,281	19,066
3 Current liabilities		
Financials Liabilities		
- Borrowings	17,452	17,717
- Lease liabilities	212	260
- Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	525	179
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	10,391	8,799
- Other financial liabilities	1,847	4,933
Provisions	-	1
Employee benefit obligations	1,346	881
Current Tax Liabilities	51	43
Other Current Liabilities	1,241	655
Total current liabilities	33,065	33,468
Total liabilities	49,346	52,534
Total Equity and Liabilities	86,778	83,103



Management Discussion and Analysis

6. Network

Net worth of the Company stands at ₹36,447 million on March 31, 2021 against ₹29,721 million at March 31, 2020.

Net sales to Net worth ratio is 2.03 times for the period ending March 31, 2021 compared to 2.30 times for the period ending March 31, 2020

Book value of equity shares stands at ₹36.28 per equity share as at March 31, 2021 which was 29.58 per equity share on March 31, 2020

The details of movement under various heads for Net Worth:

a. Share Capital

The issued, subscribed, and paid-up share capital as of March 31, 2021 stands at ₹1,004.7 million.

b. Reserves and Surplus

- Securities Premium Account: The Securities Premium account stands at ₹3,238 million in FY21, which is ₹3,238 million at the end of FY20.
- Capital Redemption Reserve: The balance as of March 31, 2021 amounted to ₹1,608 million, which was ₹488 million at the end of FY20
- Capital Reserve: The balance as of March 31, 2021 amounted to ₹1,475 million, which was ₹1,475 million at the end of FY20
- Foreign exchange translation reserve as of March 31, 2021 stands at ₹(60) million vis-à-vis ₹(51) million in the previous year
- Profit and Loss Account: The balance in the Profit and Loss Account as on March 31, 2021 was ₹27,911 vis-à-vis ₹23,592 million as on March 31, 2020.

7. Loan Funds

Gross debt as on March 31, 2021 stands at ₹28,414 million compared to ₹34,421 million at the end of FY20. The long-term debt stands at ₹10,962 million vis-à-vis ₹16,704 million at the end-of FY20.

Cash and cash equivalents of the Company in FY21 stands at ₹5,087 million vis-à-vis ₹4,803 million in the previous year.

Net debt as on March 31, 2021 stands at ₹23,327 million after reducing the cash and bank balance and liquid investment. At the end of FY20, the net debt was ₹29,618 million.

Net debt at the end of FY21, excluding flooring debt, was ₹16,215 million.

Net debt to Equity stands at 0.64x in FY21 (vis-à-vis 1.00x in FY20) while Net debt/EBITDA stands at 1.64x in FY21 (2.26x in FY20).

8. Fixed Assets

Net block (including Capital Work in Progress) stood at ₹36,827 million vis-à-vis ₹36,890 million in FY20.

9. Inventory

Inventory as on March 31, 2021 stood at ₹17,731 million vis-à-vis ₹15,287 million in FY20. The inventory days were 88 days in FY21 compared to 83 days in FY20. The Inventory turnover ratio stands at 4.2x in FY21 against 4.5x at the end of FY20.

10. Debtors

Sundry debtors on March 31, 2021 were at ₹11,817 million vis-à-vis ₹10,862 million in FY20-end. Receivable days/debtor days is 59 days in FY21 compared to 59 days in FY20. Debtors turnover ratio stands at 4.8x in FY21 vis-à-vis 6.3 times at FY20 end.

11. Cash and Bank Balances and Liquid Investment

Cash and bank balances and liquid investment was reported at ₹5,087 million as on March 31, 2021. At the end of FY20, the corresponding figure was ₹4,803 million.

12. Current Liabilities

Trade payables stood at ₹10,916 million as of end-FY21 vis-à-vis ₹8,979 million in FY20 end. Trade payables are at 54 days of net sales in FY21, compared to 49 days in FY20. The payable turnover ratio stands at 6.8x in FY21 compared to 7.6x at FY20-end.

13. Cash Conversion Cycle

Cash conversion cycle for FY21 was 93 days as against 93 days in the previous year.

14. Buy Back & Dividend

The Company has a stated dividend distribution policy, where the pay-out will be 25% of the consolidated PAT.

15. Return on Net worth (Return on Equity)

Return on net worth stood at 16.3% vis-à-vis 16.1% in FY20.

Key Financial Indicators: (₹ in million except ratios)

Particulars		As at	As At
		March 31, 2021	March 31, 2020
		(₹ million)	(₹ million)
Total Income	₹ Mn	74,080	68,362
EBITDA	₹ Mn	14,198	13,098
EBIT	₹ Mn	9,662	8,287
Net Profit after Tax	₹ Mn	5,397	5,074
Net Worth	₹ Mn	36,447	29,721
Net Debt	₹ Mn	23,327	29,618
Net Debt/Equity	Times	0.64	1.00
Net Debt/ EBITDA	Times	1.64	2.26
Net Sales/ Net Worth	Times	2.03	2.30
Interest Coverage Ratio	Times	4.89	4.66
Current Ratio	Times	1.33	1.19
Return on Capital Employed (ROCE) - Pre-Tax	%	13.8%	12.3%
Return on Equity (ROE)	%	16.3%	16.1%
Inventory Days	Days	88	83
Receivable Days	Days	59	59
Payable Days	Days	54	49
Net Operating Cycle	Days	93	93
(Inventory Days + Receivable Days - Payable Days)			
Book value per share		36.28	29.58

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

Changes in Key Financial Ratios:

Ratios	As at March 31, 2021	As At March 31, 2020	Remarks / Response
Debtors Turnover	6.3	6.3	No change
Inventory Turnover	4.2	4.4	No Significant change
Interest Coverage Ratio	4.9	4.7	No Significant change
Current Ratio	1.3	1.2	Higher Current Assets (Inventories, Debtors) has led to this slight change in ratio
Debt Equity Ratio	0.64	1.00	Lower Debt and Higher Networth has led to lower ratio.
Operating Profit Margin (%)	19.2%	19.2%	No change
Net Profit Margin (%)	7.3%	7.4%	No change
Return on Average Equity (ROE) %	16.3%	16.1%	No Significant change



Management Discussion and Analysis

Risk Management

The Company truly believes that business has and will always involve risks; hence it constantly scans the external environment to identify the emerging threats and assesses them for their impact on its objectives. WIL has evolved a robust governance architecture to identify and evaluate potential risks and formulate an appropriate mitigation strategy. The Company is ably guided by the Risk Management Committee of the Board, which reviews the management’s enterprise-wide risk management efforts.

The Company has established a risk management policy that defines the overall risk management framework. The risk management committee of the Board oversees and reviews the risk management framework as well as the assessment of risks, its management and mitigation procedures. The committee reports its findings and recommendations to the Board.

The Company has established a risk-aware culture across the organisation and established risk management committee at each location (plants and head office) to assess risks and monitor mitigation measures.

Risk registers are developed for each location and drilled down to each function. Risk prioritisation and monitoring is performed at Company level as well as plant level and function level. Plant head and functional heads are responsible to manage the risks.

In addition to the structured risk management meetings, risk management is embedded within the business performance review and inherent risks are deliberated during the business review meetings. During the year, there has been greater focus on

- (a) cyber security risks
- (b) environmental & social risks

Some of the key strategic and business risks the Company is actively managing are:

Risk	Mitigation
Impact on growth due to changing consumer behavior towards Sustainable products. Increasing demand for products being manufactured in a sustainable manner	Company spends 0.5% to 0.75% of its revenue on Product innovation. There a continuous innovation being done on developing sustainable products. We are also looking to set up Solar Power plant with Opex Model; for this we are in discussion with Gujarat Government
Concentration Risk (Heavy dependence on few Geographies / Customers).	<ul style="list-style-type: none"> • Company is developing a detailed supply chain mechanism to increase share of E commerce (same is growing at 100% in India and 300% in USA in Textile segment) and is working around logistics and warehouse management for the same.
Inability to expand operations / fear of losing opportunity towards additional demand to the competition on account of space constraint at existing plant locations. Concentration risk since all the plants are located Gujarat only.	<ul style="list-style-type: none"> • Company has plans to cater to the incremental revenues through long term outsourcing relationships. In future, all the incremental business would be handled through long term outsourcing arrangements. Own capacities would only cater to our US and UK customers”. • Management is looking to explore design changes at existing plant to see if additional production lines can be set up / also options for starting manufacturing of Rugs and Carpet at Hyderabad is being explored
Impact on Profitability and cash flows due to withdrawal of rebate of taxes	This will have a impact on the wider Textile Industry as a whole in case the risk fructifies. We will have to take it through a wider Industry forum like ASSOCHAM for making presentations to the Government
<ul style="list-style-type: none"> • Cyber vulnerability leading to breaches of systems and leakage of company sensitive data 	<ul style="list-style-type: none"> • A maturity map /scorecard for different activities has been created across different risk (operational. IT infrastructure, application, end point) and around 235+ control points have been identified.
<ul style="list-style-type: none"> • Inability to attract and retain talent 	<ul style="list-style-type: none"> • The Company is planning to enhance training to achieve higher productivity and working in a way to retain high skilled workers
<ul style="list-style-type: none"> • Volatility in Cotton prices can impact the profitability adversely. • Non availability of Key Raw Material resulting in supply chain issues • Non fulfillment of customer orders due to limited availability of specialised / organic cotton • Use of obsolete technology impacting economic efficiencies. • Geographic Concentrations of Plant in a single state. • Impact on business continuity due to Covid Pandemic 	<ul style="list-style-type: none"> • Substitute of 60 PVA is identified (Mint yarn), material can be sourced easily from Japan; this will marginally increase production cost. The Company has initiated the procurement of the same • The Company is developing other countries especially Africa, Tanzania and Turkey for organic cotton. • Within India, Organic farming practices in Maharashtra, Gujarat and Myanmar • A detailed business plan is being presented to the Management for replacement of Old Looms • Global sourcing Team is working to identify vendors across multiple geographies to do localised production • Management is looking to explore design changes at existing plant to see if additional production lines can be set up / also options for starting manufacturing of Rugs and Carpet at Hyderabad is being explored.
Inability to achieve sustained growth due to Domestic Competition as well as competition from other Countries	Company is constantly innovating to handle competition. It has diversified into new products like Welspun Health, Welspun Flooring to diversify the existing portfolio

Human Resource

The WIL workforce is the Company's most important asset. WIL has over 24,000 employees on its payroll. The Company believes in creating a nurturing and supportive work environment for the workforce to allow them to grow, thrive and work to the best of their capabilities. Each year the Company organises events, programmes and training sessions to upskill the workforce and induce team spirit. Ensuring a positive work environment and congenial workplace with a culture that motivates the human capital to perform with precision and productivity.

Some of the initiatives taken during the past fiscal year are as follows:

- Celebration of Red day

Retail Employee Day was celebrated on December 12, 2020 for the first time. The theme for the year was 'Welspun Warriors', in order to celebrate the staff of WIL who worked relentlessly to ensure that the operations were continuous and profitable through difficult times. The employees met virtually and were addressed by Jt. MD Dipali Goenka & CEO Nemisha Ghia on MS Teams application. Followed by this, a number of virtual events were arranged for celebration. These events included Retail Family Got Talent 2.0 - a platform for the employees to showcase their talents, a virtual treasure hunt and Dress Up Like a Warrior. The event was successfully concluded with a message from Ms. Dipali Goenka & Ms. Nemisha Ghia on 'You are the real warriors'.

- Staff training on TTRAIN circle application

This initiative was taken by WIL in the retail section to improve the product knowledge of the employees. As a part of this initiative, 95% of the Brand Staff was successfully on-boarded and is active on the TTRAIN circle application. As a part of this, the participants created content on product and sales training each week to facilitate learning through TTRAIN circle. At the end of the training, an assessment was conducted to test the understanding of the staff using the application. Various webinars were conducted using MS Teams application with all the Brand Staff, Area Officers and RSM. They were also given Sales training with COVID-19 guidelines. The participants were shown bite size videos on Basics of Fabric & HELPU sales model to enhance basic knowledge of all current and new joining Brand Staff. Sessions on product knowledge were conducted daily through Minute Mastery followed by an assessment to check sustenance of trained Product knowledge score.

- Retail Walkers

In order to amalgamate the importance of physical fitness and charity, the retail department of WIL came up with the concept of Retail Walker, a charity event to raise money for a novel cause. The initiative was conducted through an online platform where the employees who participated were made to compete

against each other to see who walked the most. As a part of this event, 128 employees participated to raise money for the charity. These employees included management as well as Brand Staff. The challenge was to walk the highest number of steps and donate these steps to raise money. The initiative was conducted for a duration of 30 days where 128 participants were able to raise a sum of ₹23,000.

Internal Control Systems and Their Adequacy

The internal control system encompasses the policies, processes, tasks, behaviours 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 organisation 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.

