



“Welspun India Limited  
Q4 FY2019 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Welspun India Limited Q4 FY2019 earning conference call hosted by Equirus Securities Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. Please note due to time constraint, this call is scheduled for 45 minutes only. I now hand the conference over to Mr. Vikas Jain from Equirus Securities Private Limited. Thank you and over to you Mr. Jain!

**Vikas Jain:** Thank you. Good evening everyone. On behalf of Equirus Securities, I would like to welcome all of you to the Q4 FY2019 Earnings Conference Call for Welspun India. From the company, we have with us the key senior management including Mr. Rajesh Mandawewala, Managing Director, Mr. Altaf Jiwani, Director Finance & CFO and Mr. Akhil Jindal, Group CFO and Head Strategy. I would now like to hand over the call to the management for their opening comments, post which we will open the floor for the Q&A. Thank you and over to you Sir!

**Altaf Jiwani:** Thank you Vikas. Good evening, ladies and gentlemen. On behalf of Welspun India, I would like to welcome all of you on this call for Q4.

During the quarter, actually, our revenue is Rs.1600 Crores, which is about 4.3% growth YoY and for the full year, we have actually achieved revenue of Rs.6608 Crores, which is 7.8% growth over FY18.

EBITDA for the full year is Rs.1146 Crores, which is margin-wise; it is 17.4%, which was about 19.6% in FY18.

In terms of margins in Q4FY19, we are at about Rs.252 Crores of EBITDA with 15.8% margin.

Now in Q4, we have actually made one-off provisions for certain treasury investments, which is about Rs.7 Crores and we have also implemented a very stringent inventory provisioning policy during Q4, which had an impact of Rs.37 Crores, which is built-in into the results so overall, it is about Rs.44 Crores impact, which is there in Q4, which accounts for about 2.75% of the EBITDA margin.

And in terms of finance costs, we are at Rs.47 Crores in Q4 compared to Rs.38 Crores YoY. There were certain processing fees relating to the flooring project, which we have actually booked in P&L, instead capitalizing it and there were certain bank charges, which were additional bank charges which we had incurred during Q4.

In terms of PBT before exceptions, we are at Rs.94.6 Crores in Q4 and we are at Rs.551 Crores for the full year.

The borrowing level actually from the core business, we have actually reduced the borrowing by almost about Rs.287 Crores so during the year, we have been able to focus which is where we want to become a zero net debt company in next 5 years' time, which is reflected with our journey has started and we have actually reduced our borrowing by about Rs.287 Crores during the current year.

And optically, it is not showing reduction because we have to borrow for our Welspun flooring project, so we have incurred a capex on flooring of about Rs.560 Crores, for which we have borrowed Rs.287 Crores.

The total capex during the year was Rs.750 Crores, which was well below our guidance of Rs.1100 Crores. Now every year, we have been calibrating our capex based on the cash flow level, which is reflected in our continuous stress on ensuring the net debt remains within Rs.3000 Crores.

Some of the highlights for our business, I am pleased to inform you that the retail business actually in Q4 has grown at 46% and it has crossed the annual revenue number of Rs.200 Crores.

Similarly, advanced textile also has actually crossed the annual revenue number of Rs.200 Crores. And in fact, advanced textile business has grown at 48% so some of these new businesses, which we have been actually investing into have already, achieved traction. And they are actually demonstrating a significant growth rate, which will actually help the revenue growth in the future.

In terms of we were also successfully launching the 'Welspun' brand, which is a mass-market brand. So with Spaces, which was a premium brand, a large market, large pie size which was getting unaddressed during last quarter, we launched this Welspun-branded towels, which is Jaldi Sukhey Jaldi Sukhaye, the Welspun quick-dry towel.

And we are happy to inform you that the kind of traction which we saw in this was very significant. This is now available in our 21 cities and towns and about 1000 MBOs. And the campaign which we had launched during the election time actually, it reached Rs.10.8 Crores of consumers. And even on the Mother's Day, we launched a campaign which has reached about 70 lakh consumers within a week's time.

Going forward, our guidance for FY2019-2020 is revenue growth of double digit. That is the guidance which we are giving for FY2019-2020. EBITDA margin of 19% to 21% is the

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guidance which we are giving for FY2019-2020. Now we are giving range actually this time because there are certain uncertainties around MEIS. The capex guidance for FY2019-2020 is Rs.600 Crores, which includes the remaining part of Welspun Flooring.

This time, we are also giving guidance for the net debt. We would like to achieve a target of about Rs.2700 Crores by end of March 2020. Currently, we are holding hedges of 60% of our receivables. The range for this is between 71 to 75. The average is about 73 to 73.5. The guidance for Welspun Flooring will be about Rs.150 Crores to Rs.200 Crores of revenue, and we are actually planning to accelerate the commissioning of this Welspun Flooring plan.

In terms of exceptional items, actually, we are pleased to inform that we have entered into a settlement agreement, which is intended to resolve legal claims in U.S.A. The exceptional item is Rs.232 Crores and for Christy, we have made a provision of about Rs.32 Crores. These provisions are good faith estimates based on expert advice, consistently followed prudent accounting practices. As these matters are relating to pending litigation, we will refrain from commenting on it.

We have actually come out of a challenging period, which was one of the currency situations has already corrected itself in 2019-2020. And now we are ready to take off.

With this, I would like to hand over to Mr. Mandawewala.

**Rajesh Mandawewala:** Good evening, ladies and gentlemen. The financial part has been covered by Altaf already so in terms of let us say this, what are the key pillars for the future? So obviously, our textile business has come back to growth for FY2019. The business has grown about 8% over FY2018 and while it has been a challenging year in terms of margin, but I think the loss in the margin percentage seems to be well covered as we go forward and as is reflected by the guidance that our CFO just gave out to you so we are very pleased this year with the way both our domestic brands has performed. And we are very, very enthused with the way the Welspun brand, in the early days of pilot, the sales and marketing is showing so it is showing a lot of promise. And this you will see a lot of visibility of both Spaces as well as the Welspun brand as we go forward.

The textile business continues to grow for us, and we believe it will continue to grow for us in the current year and the years going forward as well so we are seeing good traction with our existing customers and new customers and new geographies.

And also, let us say this, the flooring business and the bath rug business particularly should do pretty well in this FY2020. This is a category which is a part of the tariffs between China and the U.S., so these products from China now attract 25% import duties so we hope to see a significant push on the bath rug business that we have on the textile side.

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And the same holds true for the Welspun Flooring business. The new flooring business that we are setting up in Telangana so these all products that we will make there are a part of the tariff between U.S. and China so all of these products now attract 25% duty for imports into the U.S. so this kind of gives us some kind of tailwind as we move forward.

Now I am happy to also report that the project is on track. It is effectively from end of June, equipment will get into commissioning so most of the equipment is at site now. The erection and commissioning is going on. And the commissioning side of the equipment will begin end of June, and we hope that we will be able to commercially produce by the end of second quarter, sometime in September so which, let us say, this pretty much an impact faster than this original this revised schedule that we have set for ourselves.

Now having the production come out of the new factory is one thing, but we are heavily investing into creating our distribution networks so by and large, 60% of our team is in place for sales and distribution. And as we speak, there are 70-80 people, let us say, that is on the ground already trying helping us create a wide distribution network so early stages for FY2020, our goal is to get into 42 cities and towns is where we believe there is a decent market in India. We intend to have about 35-40-odd distributors, and a dealer network of about 450 to 500 with, let us say, about 150 to 200 these shops-in-shops before the end of FY2020.

This all-out effort is currently onto build a distribution network, which we are also test marketing and we have some product on-hand and so we are putting it, just oiling, greasing and populating the distribution channel with product and this very valuable feedback is being gathered.

Also, these good investments and good progress have been made on the IT and digital side so this being a new business offers us a fantastic opportunity to be on the cutting edge on IT, processes, systems as well as let us say on the digital side of technology so we are investing pretty heavily.

All in all, we believe that we will do about Rs.150 million, Rs.200 Crores in revenue in the current year and as we go forward, the business should hopefully accelerate and now we believe that exports in some of the products will also I think prospects for exports will also brighten with what is going on between the U.S. and China so all-in-all, very hopeful. This, obviously, in the first couple of years from a margin prospective is not going to be this very, very good. For obvious reasons, the operating leverage in the business is going to be very low so we expect for the first couple of years to have, let us say, some negative profits. But having said that, I think things like price points and so we have a fair sense on our costs now and this likely margins.

As the Flooring business achieves reasonable level of operating leverage, it should be decently profitable and justified.. Cotton looks pretty steady so internationally, cotton has reacted

downwards in the last quarter. In fact, it has started moving up. So this seems to have steadied now and it seems it will continue to remain steady. We are adequately covered for the next few months. And in the next 30 days or so, we will cover ourselves for the entire season until the end of October.

We are very, very encouraged with our advanced textile or the technical textile business. First time we have crossed Rs.200 Crores in revenue. The business has actually made some profit after tax so this is the first year when we have actually generated a profit after tax and has grown very handsomely. We are expecting this handsome growth again in FY2020 so the business is getting on its leg, and we are very, very encouraged and enthused with the performance of this business.

As Altaf mentioned, so this time, we are taking it on ourselves to this guide on the debt side as well so we want to take the debt down from here on so our goal for the year FY2020 is to take the debt down to Rs.2700 Crores from Rs.3000-odd Crores, which we are currently sitting on. And obviously, we will manage our balance sheet in a way that our debt goes down by and this is the first year, in fact, our debt has remained flat. Our net debt has remained flat over the last 5 or 6 years so this year, FY2020, we want to take the debt down by Rs.300-odd Crores, and this work towards achieving that purpose so all in all, I think while we have had a decent top line for the current year, with some struggle on the margins, but we are confident as a business to regain the margins and also achieve double-digit growth

And this growth will be aided by some sales coming in from the floorings business and also this decent growth from the advanced textile business and also from the domestic market so while these are smaller, but these are very promising and are very important to the future direction of the company so we are very, very hopeful from these pockets of our businesses and also let us say this with our core business so with this, I will leave the floor for a few questions, and we will be happy to answer any questions that you might have.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss Financial Services Limited. Please go ahead.

**Nihal Jham:** Hi Sir good evening to the entire management. Three questions from my side. The first one, obviously, on this settlement we see this amount that you mentioned of \$36 million. What I wanted to understand is that is this amount something that we are certain would not be exceeded or this is still an estimate, and there is a chance that the final settlement could be at a higher amount?

- Rajesh Mandawewala:** I will let Deepak take this question, and Deepak is our legal counsel so ladies and gentlemen, please be mindful that the matter is in court. And so please take our response considering that in perspective, so but I will have Deepak answer this question.
- Deepak Chauhan:** So actually Altaf has already answered this question when he said that these are good faith estimates and we have applied prudent accounting practices to take this into consideration after receiving expert advice on this so that is the answer to this question.
- Nihal Jham:** Sir, if I could just ask that what could be the worst-case scenario kind of a payout that you can expect? I mean, should we see a mean figure, but in the worst case scenario, if you are to say assume that it definitely cannot be more than this. Is there a thought on what that number could be?
- Rajesh Mandawewala:** Look, this is a settlement but it obviously has to go through the court process. And we believe that when you go through the court process so it is a fair estimate. And at this stage, I do not think there is anything more can be said on this matter so we believe it is a very fair estimate. And it is a proper settlement that we have entered into.
- Nihal Jham:** Sure and we are looking at, say, this being finalized in the next 6 to 12 months? So that is the time line? Or it could be even sooner?
- Deepak Chauhan:** Well, again, this is a matter which is going to the U.S. court. And it will be not possible to predict timeline at this stage.
- Altaf Jiwani:** We are hopeful to conclude it soonest, but this will take whatever time frame as per U.S. courts.
- Nihal Jham:** Absolutely. Sure, Sir., the second question was on the margins. I see that approved scenario we are guiding, I think, for 350 bps improvements in the margin looking at the margins we did in 2019. The only thing was that, I think we are, obviously, expecting a much better realization from the dollar this year. And in addition to that, we have seen benefits of the duty drawback in RoSCTL, which I will say add 2%, excluding even say MEIS is going away so in that background, so we have more or less maintained the estimates of the margin that we were looking at 6 months back? So just wanted your comments on that.
- Rajesh Mandawewala:** Nihal, we have been very consistent, you know that, and we believe that our business is good for a 20% margin. And in a good year, this can be a few points higher. This has been a challenging year, like FY2019, it could be a few points lower. But we believe that if there are tailwinds to the margins, they will get passed on and if there are headwinds, we will recover it from our clients over a period of time so we have been very consistent in our guidance. It has been around these

levels and for all practical purposes; we believe that this is where the businesses fair margins lie, which is the reason why we guide what we are guiding.

**Nihal Jham:** Absolutely. Sure, Sir just last question on the growth side. We are obviously guiding for a double-digit growth. I just want to understand that as we understand, at least for now, in the core textile business, excluding rugs, there would not be any impact of the tariff war so hopefully, we should see market share expansion. But say, in case we do not see a market share expansion for in there happening? And looking at the trends where the U.S. retail sales or the U.S. textile data shows that the trends are flat, do we still believe that the double-digit growth is easily possible?

**Rajesh Mandawewala:** See, there are three areas which will help us hopefully achieve this double-digit growth. So a), in the back half of the year, the floorings, the sales will kick in so although it will be not too much, but still nonetheless off a zero base, some sales will start kicking in from that. The advanced textile business is growing well and the domestic business is showing very good signs so these three areas are definitely going to give us growth. Our core textile business within our core textile business, the rugs business is impacted by the tariffs so here; we believe that our business there should actually grow disproportionately. And on the core categories also, towels and sheets, we believe that despite the changes, the market in the U.S. is maturing, but I think there are these pockets where our business is likely to grow, and we are seeing symptoms of that so we believe that all in all, put together, for us to do a double-digit growth is entirely possible.

**Nihal Jham:** Fair enough Sir. I will get back in queue for more questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Prerna Jhunjhunwala from the B&K Securities. Please go ahead.

**Prerna Jhunjhunwala:** Thank you for the opportunity. I wanted to know in this exceptional item of settlement case, \$36 million that you provided for, does it include for legal fees as well that we have been providing in the quarters in other expenses.

**Rajesh Mandawewala:** We have given a fair estimate, Prerna, and there is nothing beyond what we have already said that we have to share on this matter.

**Prerna Jhunjhunwala:** Okay and Sir, in Welspun U.K., the Rs.30 Crores amount that we have shared, does it include the inventory write-off also, or is anything more than that in the cost of goods sold?

**Altaf Jiwani:** Yes, Prerna, it includes inventory as well, so this store closure and the optimization, the severance package and inventory, all three are part of that.



- Prerna Jhunjhunwala:** Okay. Sir, last question if I can squeeze in. We purchased this power plant from Welspun Corp. Can you please give us some background about it and why did we do that?
- Altat Jiwani:** Prerna, we already had this 80-megawatt power plant in Anjar so in terms of synergies, WCPGL can actually manage this plant better and take the advantage of synergies so instead of having 2 plants owned by 2 different companies, it would make sense for Welspun Captive to consolidate this activity in 1 company and utilize the synergy benefit so that is the reason why we thought it will make sense for Captive Power to actually utilize the synergy and acquire this plant.
- Prerna Jhunjhunwala:** Okay thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Dikshit Mittal from Shubhkam Ventures. Please go ahead.
- Dikshit Mittal:** Hi good evening Sir, my question is on tariffs, on our existing products like home textile, like towels and the bed sheets so there had been talks that additional list of \$300 billion may come in under tariff so are these products included in that?
- Rajesh Mandawewala:** Yes if the next \$300 billion comes, it actually covers all imports into the U.S. including textile, so everything else covered. But as of now, just with \$200 million, this list, so rugs get covered in this in fact, most of our flooring products also get covered in it.
- Dikshit Mittal:** Okay. And, Sir, secondly, the margin guidance that you gave, that includes the initial loss from this flooring project, right?
- Rajesh Mandawewala:** Yes. This is net-net, and so it will not only this is after the floorings business losses but also a significant the spend on the marketing side both for the Spaces and Welspun brand for the textile business as well as this marketing spend for the floorings business as well.
- Dikshit Mittal:** Okay. And Sir, lastly from my side, like once this settlement happens, so can we expect the Target to come back in Q4?
- Rajesh Mandawewala:** We hope so, this it is a work in process. One thing at a time. First thing is we are to close this. We hope so.
- Dikshit Mittal:** Okay thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management Company. Please go ahead.

- Pratik Kothari:** Thank you for the opportunity Sir. Sir, regarding this Rs.6500 Crores of odd revenue that we did and 8% growth, can you share what primarily did you do in the domestic business in India and also the volume growth for the full year?
- Altaf Jiwani:** Yes so the share of domestic is about 7% right now. 93% is export.
- Pratik Kothari:** Okay and volume growth for the whole year?
- Altaf Jiwani:** Volume growth for the whole year actually is about 11%.
- Pratik Kothari:** 11%. Okay. And, Sir, my second question is regarding this thermal power plant, Captive power plant which you acquired of 40 megawatts, I mean everything will be used internally? Or do we plan to sell it out?
- Altaf Jiwani:** We have actually both the options so right now, the activities are still going on so we need we are still waiting for the regulatory approvals, but once we complete all those activities, we will have both the options open.
- Pratik Kothari:** What is the requirement for the year currently at our Anjar plant?
- Altaf Jiwani:** Yes, so as of right now, it is all about captive so the 43-megawatt generation also is being used captively.
- Pratik Kothari:** Okay and, Sir, last question regarding this flooring business that you have put up I mean I understand we have talked about currently everything is imported in India and hence, we are bringing these products as an import substitute, but was not it possible to bring this plant up in a step wise or a phase wise manner because we are putting in roughly about 35%, 40% of our network in this in a business, which completed different from what we did earlier, and it is a completely new line so what gave us this confidence to put in so much money?
- Rajesh Mandawewala:** A lot of research went in this before we actually put this investment in. And the project was if you have been following, let us say, this, our commentary on this, so this initially started with 1 part so we were at about Rs.600 Crores of spend, and which we subsequently increased so it is all a part of as we got into the market, did more research, we realized that it is better that we have multiple products that we introduce into the markets. See this building a network, distribution network, obviously investment on the brands and everything is going to remain the same, so by and large, the same for us to realize better leverage on cost, which are outside the factories, so it makes more sense for us to introduce the better products. And also see a part of this capex is also going into making of yarns, so it is an integrated project, and it will make, a lot of raw materials

for what we will consume not only here, but also in our rug factory and part of the capex is also gone, let us say, to vertically integrate.

**Pratik Kothari:** Rs.300 Crores, Rs.400-odd Crores is going towards this yarn, right?

**Rajesh Mandawewala:** Yes, they are about so I think, Rs.300-odd Crores, this or thereabouts, yes.

**Pratik Kothari:** Okay. And Sir, lastly, our hospitality and health care, what kind of revenues did we do? And I think we had big plans for this sector especially in the U.S. so how do you...

**Rajesh Mandawewala:** Yes. We are very happy with the way that business is shaping up so we actually hit our budgets for the current year. We are, I think, it is in excess of USD 50 million, on the hospitality business and this we intend taking so this global initiatives on this front now and just take the hospitality business to other parts of the world as well.

**Pratik Kothari:** Thank you.

**Moderator:** Thank you. The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

**Arjun Sengar:** Good evening Sir few questions. The first one is I was looking for some comments on the general demand scenario, particularly in U.S., and how has India's market share fared over the last 1, 1.5 years? And how much share has been gained within the India market share?

**Rajesh Mandawewala:** Generally speaking, see this over FY2017 and 2018 were kind of this years where de-stocking happened. We saw that normalize in the current year, in FY2019. And we believe that this FY2020 also should be a normal year so this our business, our programs with our key clients including some of the e-commerce companies there, I think this we are seeing good traction, and the good work that the team did particularly on innovative products like Hygro and now this Wel-Trak solution that we have introduced into the market, so there are double-digit displacements on Wel-Trak as well. And so that is a lot of customers are embracing, let us say, the traceability solution that we have. So these are the areas where our business continues to grow while the overall market share of India within the U.S. market has remained flat over the last several years, but our business has grown last year, and we believe that we will also grow in the current year over and about the U.S.. Also, we continue to stay focused on other parts of the world. So huge efforts are being made in the European market also, let us say in the Middle East, in the Far East and also parts of Latin America.

- Arjun Sengar:** Sure. The second question on the 25% tariff that you mentioned earlier in the call on China for both flooring and rugs and so currently for bed linen and towels, there is no import duty on China?
- Rajesh Mandawewala:** No, there is duty, but it is not impacted by tariffs so nothing changed. It is status quo in towels and sheets.
- Arjun Sengar:** Okay. And typically well, such a huge tariff this 25%, scale has come on flooring and rugs. How much time does it take for their competitors like us to start benefiting from this?
- Rajesh Mandawewala:** Just a couple of quarters, I believe at the end of the day, starting a dialogue to concluding and shipping the business is a 2-3-quarter process. Net-net, this should in a couple of quarters, tangible results should start showing.
- Arjun Sengar:** Right. And this domestic capacity that we are setting for flooring, how much of it would cater to exports?
- Rajesh Mandawewala:** So very early days, but this we believe now with this tariff structure that we could possibly end up 50-50 now.
- Arjun Sengar:** And before this, what was your expectation of the split?
- Rajesh Mandawewala:** In fact, the investment was primarily made for the domestic market with some products, let us say, impact international markets as well so we were looking at 2/3, 1/3. These early estimate were around 2/3, 1/3, but now, we believe that it could actually end up being half and half.
- Arjun Sengar:** Understood. And on the e-commerce side as well, you had mentioned that you are a big retailer than Walmart, etc, have their own e-commerce platforms. How is that ramping up right now? Are we penetrating in that?
- Rajesh Mandawewala:** We believe that things are settling down now, and we are also very well positioned now. So not only our retail clients have their systems matured, and they are doing exceedingly well on their e-commerce side, but also with the marketplaces that we have set ourselves up. We believe that now things have settled down and what was to be lost has already been lost. And now there is only gains to be made on that side for us as a company.
- Arjun Sengar:** Understood. Thank you Sir that is it from my side. Good luck for the future.
- Moderator:** Thank you. The next question is from the line of Sriram Srinivasan from Shriram Wealth Advisors. Please go ahead.

- Sriram Srinivasan:** Thanks for the opportunity. Congratulations on your numbers that have been done so far in the financial statements in 2019. My question is from the other income side of that. The government has been talking in terms of protect textile industries. Now that the government is doing a nearly 4% on the total exports we have been doing, right?
- Rajesh Mandawewala:** Altaf, you want to take this?
- Altaf Jiwani:** Sorry, can you please repeat the question, I could not get.
- Sriram Srinivasan:** Actually, the percentage of Incentives that the government has been doing in grant in terms of the export business, right, nearly 4%.
- Rajesh Mandawewala:** Yes.
- Sriram Srinivasan:** Yes, there is a talk regarding that there has not been a hike so far from that business, just likely to be 8%. Is there is any kind of opportunity for us?
- Rajesh Mandawewala:** There has been an increase in the rebate on state taxes, Srinivas, but these are not incentives. So see there was a change in the tax regime from VAT to GST. In that process, the drawback rates got reduced. So this is a correction of that process so this is not an incentive, this is a rebate of the taxes, in view of the taxes that are embedded in the system that this is coming in. Now in terms of what and how much for us, Altaf, this is in a better position to address that.
- Altaf Jiwani:** Yes, so, Srinivas, there is this RoSCTL which is 8.2%. It is basically for defraying the input tax on both state and central taxes. Just to elaborate on that, cotton textiles has various inputs, taxes on these inputs are getting embedded in the product cost, and it is getting passed on to the industry as final product cost. So the impact of these taxes is being defrayed by this RoSCTL. And the duty drawback is about 2.6%, to defray the customs duty, which is there.
- Sriram Srinivasan:** Okay fine Sir. Sir one normal thing you said that there will be tariff taxes have been ongoing on a geopolitical discover that we have been seeing on and that the tax remission is likely to get impacted on because of that, okay Right? We are nearly doing 91% of our business is coming by through the exports, which cocoons the major portion is coming from U.S., but then as we like to verify our global portion form our U.S. to somewhere else and which is having a better opportunity?

- Altaf Jiwani:** We are now increasing our focus on the domestic business, so that is we have said that in our 5-year vision that 20% of our revenue will come from the domestic business so last year, we were at 6%. This year, we were at 7%. So we are actually on ....
- Sriram Srinivasan:** So expanding the domestic business will help us to boost our topline right?
- Altaf Jiwani:** Exactly, right.
- Sriram Srinivasan:** Yes, I understand. Sir, and one more thing, Sir. Can you please brief about our hedging policies? Last time, we have been trending nearly 55% of our receivables into the hedging policies, right, in 2017-2018. Now it has been nearly 60% of our receivables that went down to hedging policies. Can you please brief about something regarding that?
- Altaf Jiwani:** We have been following this policy consistently Srinivas for last 8-9 years now. And we hedge 50% to 60% of our receivables on 12-months rolling forward basis so as we speak, we are actually selling for May 2020 receivables in this week so that we have been reporting consistently so the range is between 50% and 60% so as of now, we are at 60% hedged.
- Sriram Srinivasan:** Okay. Sir, can you please mention the dollar range against the hedging?
- Altaf Jiwani:** Hedge rate varies from 71 to 75. The average is between 73 and 73.5.
- Sriram Srinivasan:** Okay. For the existing year?
- Altaf Jiwani:** Yes, for the financial year 2019-2020.
- Sriram Srinivasan:** Okay. For the year 2020?
- Altaf Jiwani:** FY2020, yes.
- Sriram Srinivasan:** Yes. For the year 2019, Sir? For financial 2018, 2019?
- Altaf Jiwani:** Financial year 2018-2019, the realization was 68.11.
- Sriram Srinivasan:** 68.11, right? So and one more thing, Sir, what will be the average procurement cost of cotton during the year?
- Altaf Jiwani:** It is between 43000 and between 45000.
- Sriram Srinivasan:** 43000 to 45000, right?

- Moderator:** Thank you. The next question is from the line of Vikas Jain from Equirus Securities. Please go ahead.
- Vikas Jain:** Thank you Sir for the opportunity. Sir, my question was regarding the capex figure that you guided for that is Rs.600 Crores for FY2020. Sir, so what would be the proportion of flooring capex in this?
- Rajesh Mandawewala:** So flooring residual capex is close to Rs.400 Crores, Vikas, and the rest of it will be between the advanced textile and the textile business so and actually, we might end up at less than, say, it could be less than Rs.600 Crores, but as an abundant caution like even last year this we had guided, this much higher, but we ended up at Rs.750 Crores so this what we are guiding is the upper end, but we believe it should be between Rs.500 Crores and Rs.600 Crores to be on the realistic side. And look, we will also calibrate this because this year, as we are determined that we want to debt down to Rs.2700 Crores.
- Vikas Jain:** Sir, so if I may ask what could be the utilization rate for our towels and bed linens category for the full year this FY2019?
- Altaf Jiwani:** FY2019, it was around 80% plus for towel and bedsheet, and rug was about 70%.
- Vikas Jain:** About 70%, okay. And Sir, for FY2021, maybe going ahead, do we have any plans for increasing the capacity, the existing capacity of towels and bed linen?
- Rajesh Mandawewala:** No, we do not intend to add the capacities so we have adequate to achieve guided growth, I do not think we need to invest any major capital expenditure in the next couple of years.
- Vikas Jain:** Ok Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal Securities Limited. Please go ahead.
- Sumant Kumar:** Sir, so we have reported sales growth of 8% in FY2019, and you have just maintained the volume growth is 11% so there is declining in realization in FY2019?
- Altaf Jiwani:** It is a mixed impact, Sumant; there is no price reduction, which has been given. It is a mixed impact.
- Sumant Kumar:** Okay. So there is a change in product mix and so in constant currency, the realization is flat? Can we assume that?
- Altaf Jiwani:** I do not have the figures off hand for the full year, but yes, it is flat.

- Sumant Kumar:** Okay. Because the currency has also depreciated from there so the currency depreciation is there so realization...
- Rajesh Mandawewala:** Unfortunately, Sumant, we did not get anything out of that expectation because of the hedging. Hopefully, in FY2020, this we will see some benefit from that.
- Sumant Kumar:** Okay. And what is the tax rate guidance in for FY2020?
- Altaf Jiwani:** 30%, Sumant.
- Sumant Kumar:** Okay. Because this time, I think, 21%?
- Altaf Jiwani:** Yes, this time it was lower, but...
- Sumant Kumar:** FY2018 was 29%.
- Altaf Jiwani:** Yes, so 30% is our steady-state tax rate, effective tax rate, Sumant.
- Sumant Kumar:** Okay thank you so much.
- Moderator:** Thank you very much. Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to management for closing comments.
- Rajesh Mandawewala:** Thank you, ladies and gentlemen, for joining on this call. And if there are more questions, you may please get in touch with Harish. We will be happy to connect and answer those questions. Thank you very much.
- Altaf Jiwani:** Thank you.
- Moderator:** Thank you very much. On behalf of Equirus Securities Private Limited, this concludes the conference. Thank you for joining us. You may now disconnect your lines.