

Welspun India (Mkt Cap £1.5bn)

A towel for champions.

Welspun is India's largest home textile company. It has a presence in cotton bedsheets, towels, rugs and carpets, and is Asia's largest producer of terry towels, (terry being a style of weaving using uncut loops, known as "pile"). The company exports more than 94% of its home textile products to more than 50 countries. 65% goes to the USA, 25% to Europe and the balance to the Middle East, Australia and Japan. It supplies to 18 of the top 30 retail chains in the world, including names such as John Lewis, Tesco, Ikea, Walmart and Costco in the US. Perhaps best known is its production of the iconic Wimbledon Championship towel used on court and the real prize every player covets. As many global retailers have started de-risking their supply chain capacity from China, large players like Welspun are expected to benefit. Particularly since the Indian government is supporting India business to benefit from this shift, by introducing policies to support domestic manufacturing better able to compete with China, whose cotton exports have been in any case been banned by the United States on human rights grounds.

Welspun's ESG strategy stands on three pillars of economic growth, environmental conservation and social empowerment with acceleration at its core. The Company is independently assessed on over 170 ESG factors and has been reporting ESG related issues in its annual report since 2017.

The company's strength is its integrated manufacturing facilities and focus on innovation. It has 32 patents with over 43% of revenues coming from innovative products. Welspun is also diversifying its revenue base by launching its own brands in domestic and overseas markets as well as forays into new segments like flooring and technical textiles (wipes and surgical masks). Welspun trades at 15.4x twelve month forward earnings for expected earnings growth of 28% and a return on equity of 21%; the latter is expected to rise over the next three years leading to a valuation rerating combined with strong sustainable earnings growth. It has been held by Ocean Dial in the India Capital Growth portfolio since 2016 and has compounded at 12.5% in GBP since its inclusion.

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