



FUNDS & INV TRUSTS

Shares I love: Welspun India

Welspun India manufactures the towels used on court at the Wimbledon tennis tournament

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By **Leonora Walters**

David Cornell, manager of **India Capital Growth Fund** (IGC), explains why he invests in **Welspun India** (IND:WELSPUNIND), the largest home textile company in that country.

"Welspun India has a presence in the cotton bedsheet, towel, rug and carpet markets, and is Asia's largest producer of 'terry' towels which are made via a style of weaving using uncut loops known as pile. The company exports more than 94 per cent of its home textile products to more than 50 countries. Sixty five per cent goes to the US and 25 per cent goes to Europe, with the balance going to the Middle East, Australia and Japan.

"Welspun India supplies 18 of the world's top 30 retail chains, including John Lewis, **Tesco** (TSCO), Ikea, **Walmart** (US:WMT) and **Costco** (US:COST). But it is perhaps best known for producing the Wimbledon tennis championship towels.

"As many global retailers have started to de-risk their supply chain capacity from China, large players like Welspun are expected to benefit. The Indian government is helping Indian business to benefit from this shift with policies to help domestic manufacturing compete better with China, whose cotton exports are banned by the US on human rights grounds.

"Welspun's environmental, social and governance (ESG) strategy focuses on economic growth, environmental conservation and social empowerment, with acceleration at its core. The company is independently assessed on over 170 ESG factors and been reporting ESG-related issues in its annual report since 2017.

"The company's strengths are its integrated manufacturing facilities and focus on innovation. It has 32 patents and over 43 per cent of its revenues come from innovative products. Welspun is also diversifying its revenue base by launching its own brands in domestic and overseas markets, and making forays into new

segments like flooring and technical textiles such as wipes and surgical masks.

"Welspun India trades at 15.4 times 12-month forward earnings for expected earnings growth of 28 per cent and a return on equity (RoE) of 21 per cent. The RoE is expected to rise over the next three years, leading to a valuation re-rating and strong, sustainable earnings growth.

"India Capital Growth Fund has held Welspun India since 2016, and the holding has compounded at 12.5 per cent in sterling terms since its inclusion."