

**WELSPUN**



Dare to Commit

## **Welspun forays into Portugal**

### **Acquires bath-rug major Sorema**

**Mumbai, December 19, 2007:** Welspun India Ltd., part of the US \$ 1.5 billion Welspun Group and amongst the top 4 terry towel manufacturing companies in the World has acquired 76% interest in bath rug major Sorema – Tapetes e Cortinas de Banho, SA (Sorema) of Portugal at an enterprise value of Rs. 600 Million.

It is worthy to mention here that Welspun acquired 85% of UK's largest Towel Company Christy in July 2006 and has increased the business significantly in just more than a year's time.

Set up in 1974 with more than three decades of experience, Sorema is a leading player in bath rugs and shower curtains around the world with an annual estimated turnover of € 10 million (INR 570 million) in FY 07. With its network across 44 countries, USA, England, Spain and Germany constitutes 78% of Sorema's export.

Welspun and Sorema additionally signed an agreement for marketing of products exclusively in Spain and Portugal and on best-effort basis in other European countries. With this new relationship, Welspun will have facilities in India, Mexico, Portugal and in UK.

#### **Synergistic Benefits of the proposed acquisition**

The Board of Welspun and Sorema both believe that this relationship will realize significant synergistic benefits for both businesses considering their complementary strategies and business profiles. These would include:

##### **Stronger brand presence**

- Access to premium and high-end Sorema brands which could be extended to other home products.
- Sorema brands along with Welspun's owned and licensed brands (like Nautica and Umbra) and Christy, enhances presence in branded business.
- Extension of Sorema brands to the Indian consumer through Welspun Retail Ltd.

##### **Enhancement in market presence**

- Complimenting Welspun's strong presence in US and UK with pan-European presence.
- Sorema's marketing channels could be utilized for marketing Welspun products
- Welspun's and Christy's marketing channels to be used for marketing existing Sorema products

##### **Extension of product offerings**

- Welspun is already a force to reckon with in Towels, Bed Linen and Decorative Beddings.
- Sorema products in Bath Rugs and Shower Curtains will enable a complete offering to the customer.

- Resulting in Coordinated sales of Bed Sheets, Towels and Rugs
- Enable New production facilities of bath rug in India
- With this new relationship, Welspun will have facilities in India, Mexico, Portugal and in UK.

#### **Knowledge Enhancement and sharing**

- Sorema's experience and knowledge in marketing high value products in the European markets.
- Sorema's experience and know-how of Bath Rug business
- Utilization of combined knowledge and expertise of Welspun and Sorema
- Synergies in reducing market expenses.

#### **Management synergies**

- Achieve economies of scale in administration & marketing and also reduced inventories.

On the prospects, rationale and outlook post the transaction, Mr. BK Goenka, Vice Chairman and Managing Director of the Welspun Group commented: "This acquisition is an extremely important one for Welspun and strengthens our commitment towards achieving our goal of becoming a globally relevant holistic player in the Home Textiles segment. Sorema's experience of specialty bath products complements Welspun's established capability and reach in the European market," he adds.

Mr. Mandawewala, Joint Managing Director of Welspun India Ltd., and now new Chairman of Sorema said: "With the acquisition of Sorema, we are today entering into the European market propelling us as one of the top players in the Home Textiles segment. We are looking at leveraging their know-how through product development and marketing skills, combined with both Welspun and Christy knowledge thereby creating a platform for growth and strengthen all competitive positions".

Mr. Duarte M. Relvas, Director of Sorema, commented, "This relationship represents an enormous opportunity for Sorema and we believe it is in the best long-term interests of the business. It will give us the greatest scope for future development, with access to Welspun and Christy's research and development capabilities and international presence. Welspun's ethos complements our own commitment and we expect to develop new opportunities in both products and markets."

As part of the acquisition, the existing Sorema management will continue to own the remaining 24% of the issued share capital and will operate Sorema on a stand-alone basis, with the exception of Mr. Rajesh Mandawewala (Joint Managing Director of Welspun), who is being appointed Chairman of Sorema by the Welspun board. As a consequence of the acquisition, Sorema is a subsidiary of Welspun and all current employees will continue with the same terms and conditions of employment.

The Welspun Group engaged Ernst & Young (India) to carry out the due diligence of the Company. Sorema was represented by Garrigues Portugal, S.L. (Portugal).

**About Welspun:** The \$1.5bn. Welspun Group ([www.welspun.com](http://www.welspun.com)) is one of the largest Home Textile Companies in the world. Welspun India Limited which is a part of the Welspun Group started its activities in 1985 and since then has become one of the largest exporters of Home Textiles in Asia amongst the 3<sup>rd</sup> largest in the world. Welspun's plants are located in Vapi and at Anjar - Gujarat and have a capacity of 31000 MTPA of Toweling capacity and 35 million meters of Bed-linen. [www.welspun.com](http://www.welspun.com)

**About Sorema:** Sorema has been making the best of bath rugs since the last 30 years. They believe in excellence: the best people, the best quality and cutting-edge bathroom design. Sorema incorporate natural, ecologically sound fibres into the majority of their products. Its management considers the environment, nature and social dimensions in all company decision. As a successful supplier to markets all over the world, Sorema knows the importance of being totally focused on their customers, their suppliers, their service and their reputation for excellence. The Company is located in Espinho, Portugal. Website – [www.sorema.pt](http://www.sorema.pt).

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