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Count On Us...

INDO COUNT INDUSTRIES LIMITED

# The Global Bed Linen Company

Q2 FY2016

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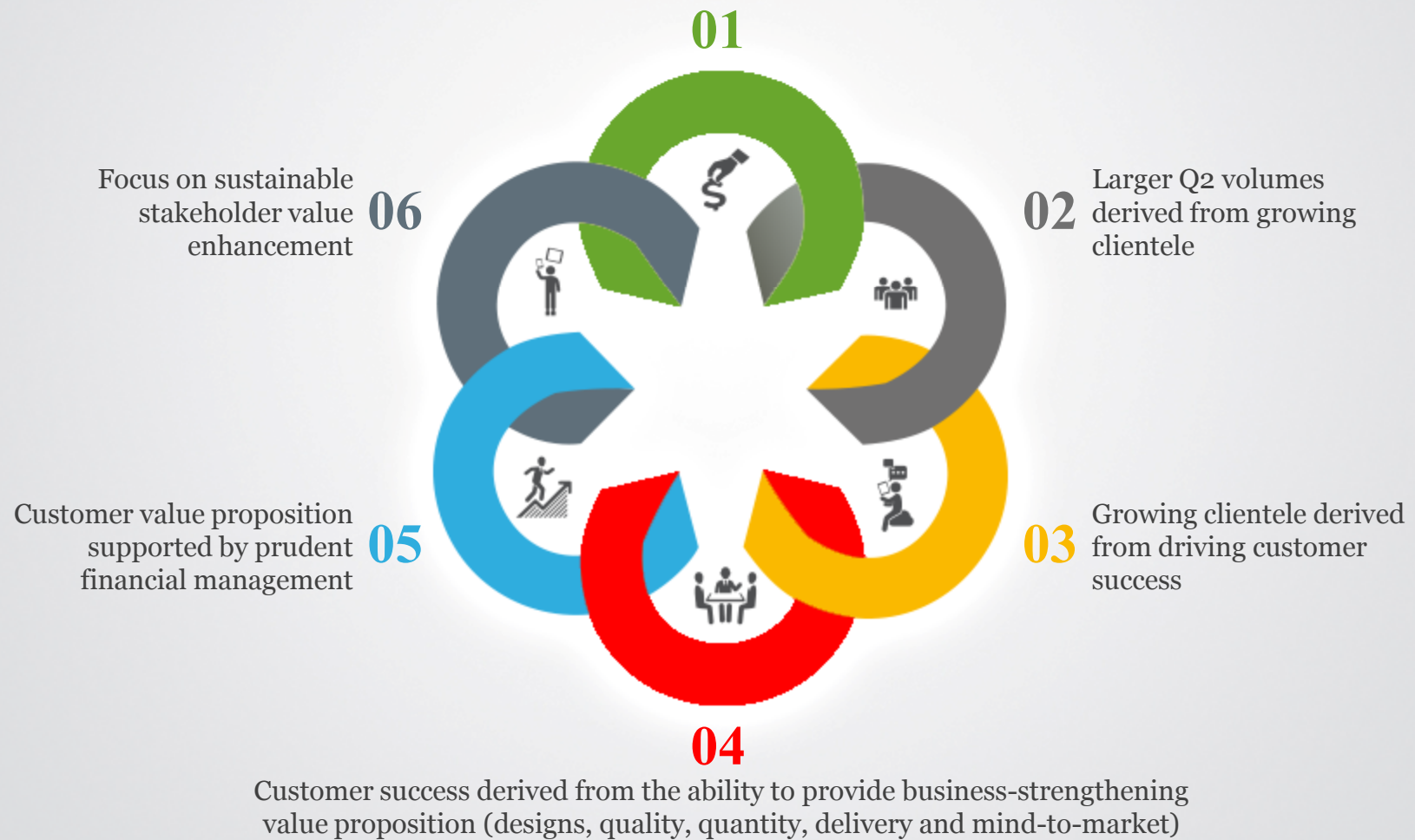
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# INDO COUNT - EXTENDING PROFITABILITY TO SUSTAINABILITY

Q2 FY 2016 > Q1FY2016 (in revenues and profits)



PART 1: OVERVIEW

# FINANCIAL PERFORMANCE FOR Q2, FY2016

01

<b>REVENUES</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	582.13	478.83	21.6

02

<b>EBITDA</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	124.44	79.87	55.8

03

<b>FINANCE CHARGES</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	15.50	17.91	(13.5)

04

<b>DEPR</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	4.35	3.66	19.0

05

<b>PBT</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	104.61	58.29	79.5

06

<b>TAX</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	38.66	15.80	144.7

07

<b>PAT</b> (RS / CR)	Q2FY2016	Q2FY2015	% GROWTH
	65.95	42.50	55.2

08

<b>EPS</b> (RS / SHARE)	Q2FY2016	Q2FY2015	% GROWTH
	16.70	11.62	43.7

09

<b>EBIDTA MARGIN %</b>	Q2FY2016	Q2FY2015	BPS GROWTH
	21.4	16.7	470

10

<b>NET DEBT/EBIDTA*</b> *ANNUALISED	Q2FY2016	Q2FY2015	% GROWTH
	0.44	0.84	(47.6)

PART 1: OVERVIEW

# FINANCIAL PERFORMANCE FOR H1, FY2016

01

REVENUES (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	1,043.12	794.91	31.2

02

EBITDA (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	228.22	131.84	73.1

03

FINANCE CHARGES (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	30.35	31.81	(4.6)

04

DEPR (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	8.56	7.23	18.4

05

PBT (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	189.30	92.79	104.0

06

TAX (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	68.01	25.39	167.8

07

PAT (RS / CR)	H1FY2016	H1FY2015	% GROWTH
	121.30	67.40	80.0

08

EPS (RS / SHARE)	H1FY2016	H1FY2015	% GROWTH
	30.71	18.43	66.6

09

EBIDTA MARGIN %	H1FY2016	H1FY2015	BPS GROWTH
	21.9	16.6	530

10

NET DEBT/EBIDTA* *ANNUALISED	H1FY2016	H1FY2015	% GROWTH
	0.48	1.01	(52.5)

# PROFIT AND LOSS STATEMENT

*Rs. in Crore*

Q2FY2016	Q2FY2015	Change %	Particulars	H1FY2016	H1FY2015	Change %
582.13	478.83	21.6%	REVENUE	1,043.12	794.91	31.2%
			EXPENSES			
301.74	287.81	4.8%	Material consumed	526.22	467.46	12.6%
25.46	17.95	41.8%	Employee benefits	47.74	33.86	41.0%
130.49	93.20	40.0%	Other expenses	240.94	161.75	49.0%
124.44	79.87	55.8%	EBITDA	228.22	131.84	73.1%
21.4%	16.8%	28.2%	EBITDA margin %	21.9%	16.6%	31.9%
4.35	3.66	19.0%	Depreciation	8.56	7.23	18.4%
120.10	76.20	57.6%	EBIT	219.65	124.60	76.3%
20.6%	15.9%	29.6%	EBIT margin	21.1%	15.7%	34.3%
15.50	17.91	(13.5%)	Finance charges	30.35	31.81	-4.6%
104.61	58.29	79.5%	Profit before Tax	189.30	92.79	104.0%
18.0%	12.2%	47.6%	PBT margin	18.1%	11.7%	55.5%
38.66	15.80	144.7%	Tax expense:	68.01	25.39	167.8%
65.95	42.50	55.2%	Profit for the year	121.30	67.41	80.0%
11.3%	8.9%	27.6%	PAT margin	11.6%	8.5%	37.1%

# BALANCE SHEET

*Rs. in Crore*

Particulars	As on September 30, 2015	As on September 30, 2014
<b>Sources of funds</b>		
Share Capital	39.48	39.08
Reserves and Surplus	477.07	291.95
Warrant Application Money pending	-	1.25
Long term borrowings	74.93	92.31
Other Non Current Liabilities	43.41	15.73
Short Term Bank Borrowing	180.35	197.09
Other Current Liabilities	432.03	353.99
<b>Total</b>	<b>1247.27</b>	<b>991.40</b>
<b>Application of funds</b>		
Fixed Assets	431.55	343.95
Non Current Investments	18.80	18.80
Long Term loans and advances	25.72	4.79
Inventories	319.05	269.69
Receivables	218.85	148.84
Cash & Bank Balance	36.32	22.16
Short Term Loans & Advances	105.82	87.41
Other Current Assets	91.16	95.76
<b>Total</b>	<b>1247.27</b>	<b>991.40</b>

# PRIME FINANCIAL INDICATORS

## TERM DEBT (RS, CRORE)

**74.93**

As on 30<sup>th</sup> Sep'15

**92.31**

As on 30<sup>th</sup> Sep'14

## TERM DEBT/EQUITY RATIO

**0.15**

As on 30<sup>th</sup> Sep'15

**0.28**

As on 30<sup>th</sup> Sep'14

## NET DEBT (RS, CRORE)

**218.96**

As on 30<sup>th</sup> Sep'15

**267.24**

As on 30<sup>th</sup> Sep'14

## NET DEBT/EQUITY RATIO

**0.42**

As on 30<sup>th</sup> Sep'15

**0.81**

As on 30<sup>th</sup> Sep'14

## RETURN ON CAPITAL EMPLOYED\*

(\*ANNUALISED)

**69%**

H1FY2016

**57%**

H1FY2015

## RETURN ON EQUITY\*

(\*ANNUALISED)

**47%**

H1FY2016

**41%**

H1FY2015



# WHAT ANALYSTS MIGHT MISS AT FIRST GLANCE, H1 FY2016

01

**Profitable growth:**  
For the 6<sup>th</sup> successive quarter

02

**PAT growth:**  
(80%) sharper than revenue growth (31%)

03

**Margins:**  
Highest EBIDTA growth and margin

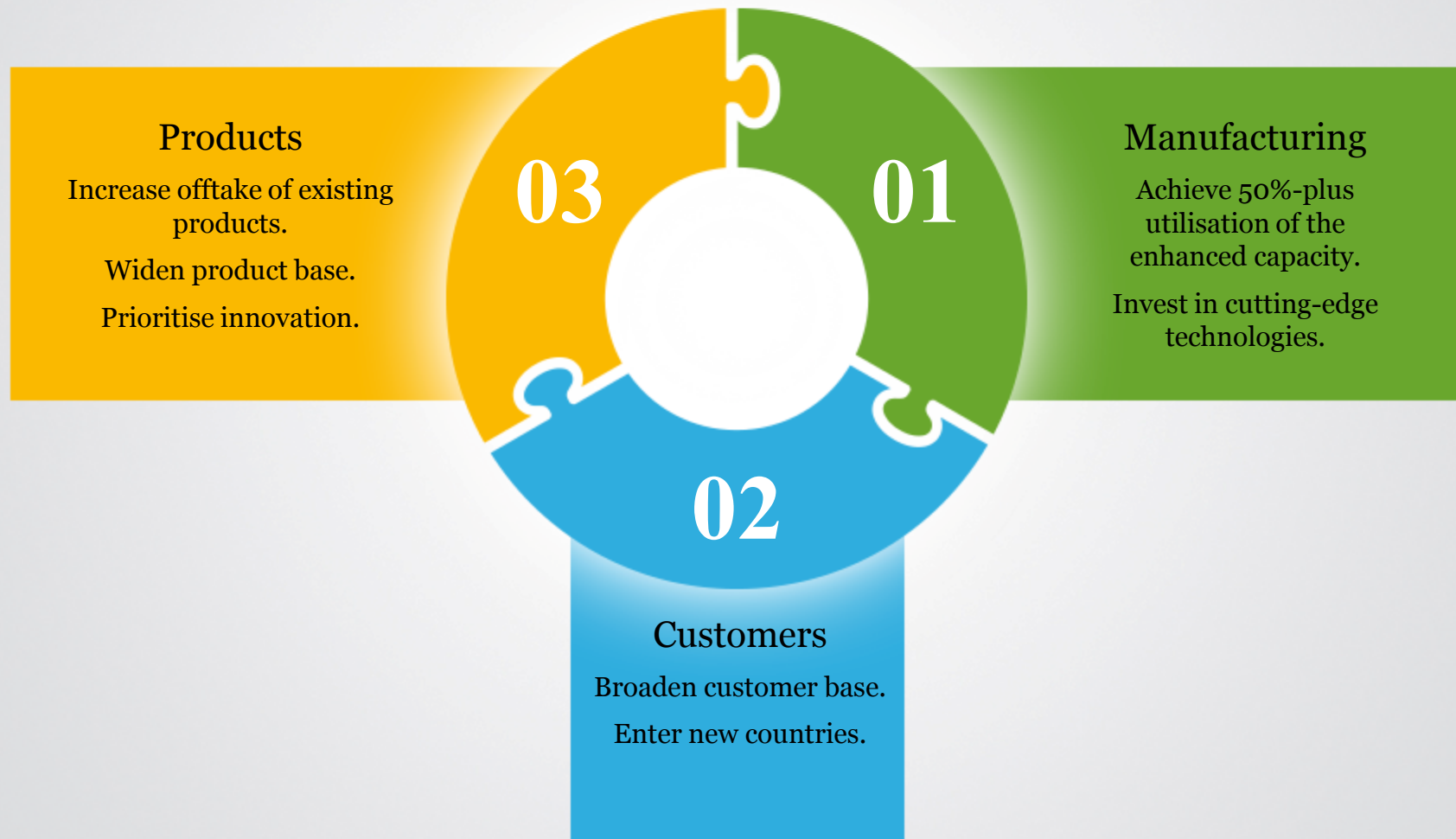
04

**Liquidity:**  
Long-term debt declined to Rs.75 crore against a peak debt of Rs.280 crore in the last five years

05

**Interest cover:**  
8 times, highest in the Company's existence

# PERFORMANCE OUTLOOK FOR FY 2016



# INDO COUNT'S ROBUST BUSINESS MODEL

## Strategic

### Integrated:

Cotton yarn to fabric to processed fabric to bed linen

### Flexible:

Balanced in-sourcing and out-sourcing

### Evolving:

From a conventional yarn personality (commodity) into a global bed linen organisation (value-added).

# INDO COUNT'S ROBUST BUSINESS MODEL

## Product and markets

Brands: Recognised as a quality product manufacturer.

Market: Address most demanding bed linen market (USA).

Product mix: Present in the mid-to-high product niche (higher thread count).

Relationships: Majority of the company's revenues were derived from customers with relationships five years or longer.

Knowledge-based sales: New product launch based on market analysis focusing on consumer insights and gap assessments.

Consumers: Servicing some of the world's leading global retail brands like Walmart, Bed Bath and Beyond, Target, JC Penney, Macy's, Sam's Club, Bon Ton, Kohl's, Belk, John Lewis, Debenhams, House of Fraser and Laura Ashley among others.

# INDO COUNT'S ROBUST BUSINESS MODEL

## Manufacturing

**Technology:** Spinning units comprised advanced equipment from Rieter, XORELLA &Uster and LMW, among others; home textiles business comprised equipment from reputed international brands like Tsudakoma, Benninger, Zimmer, Monforts and Bruckner.

**Made to order:** Customer-specific orders facilitating small inventories, shorter working capital cycle and capability - based competitiveness.

**One-stop value:** Evolved from plain Bed Sheets to Fashion Bedding, Utility Bedding and Institutional Bedding – the complete Bed Linen product basket; basket marked by product sophistication, value-addition, quality respect and enduring customer relationships.

**De-risked:** Embarked on capital investments on the basis of reasonable customer commitment and market demand.

# DE-RISKING STRENGTHENED OUR FINANCIALS

01

Business initiative

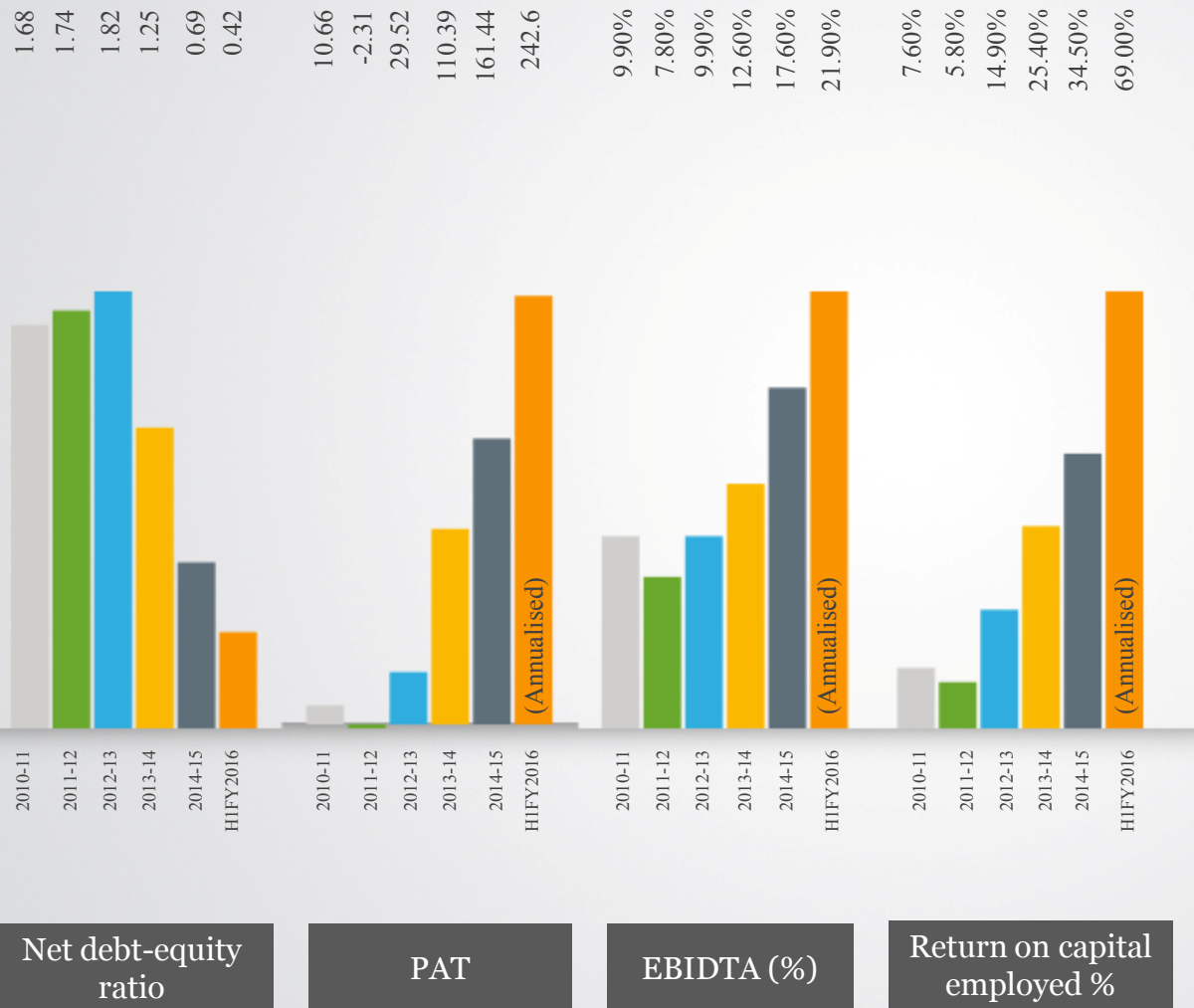
- Improving inventory turns
- Concessional debt from TUFs
- Debt repayment focus
- Expansion at capital cost lower than industry average
- Stronger terms of trade with customers and suppliers
- Non-bulk raw cotton purchase

02

Impact

- One of sharpest profit increases in India's textiles industry
- Profits increased 7x across 3 years.
- Profitable growth in 10 of the last 14 quarters
- ROCE increase in each of the last four years
- EBIDTA margin increase in 11 of the last 14 quarters
- One of the highest asset-turnover ratios in India's textile sector

# DE-RISKING STRENGTHENED OUR FINANCIALS



The Company's outperformance is showcased through...

### Return on capital employed

- Indo Count's ROCE, 2014-15: 34.5%
- Indo Count's ROCE, 2015-16\*: 69% (\* calculated based on the ROCE of Q2FY2016)
- Average textile industry ROCE (spinning-weaving-processing companies): 11.3%

### Asset: turnover ratio

- Indo Count asset turnover ratio in 2014-15: 1.46x
- Indo Count asset turnover ratio in H1FY2016\*: 1.67x (\* calculated based on the results of H1FY2016)

# INDO COUNT. ENHANCING SHAREHOLDER VALUE

Earnings per share



## VALUATION DRIVERS

- Improving sentiment for the Indian textile sector
- Sustained high EBIDTA margin of 21.9% per cent in H1 FY2016 (16.6%, H1 FY2015)
- 31.2% topline growth in H1 FY2016 when compared to H1 FY2015
- Rs 36.32 cr cash on books

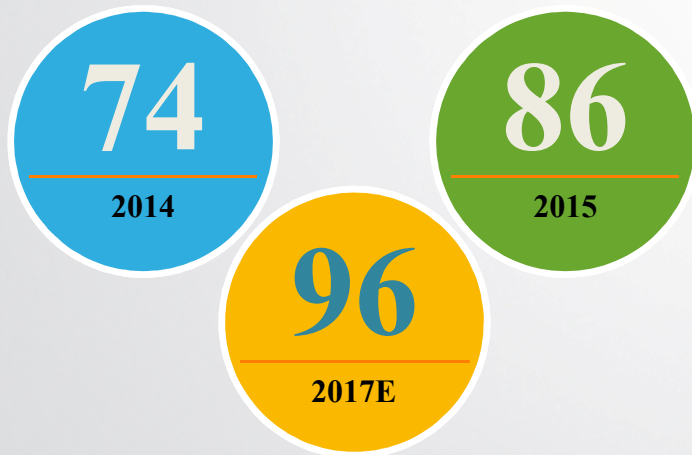


# INDUSTRY DISCUSSION

## The global home textiles industry

- Industry growth of 5% expected to sustain through 2017
- Home linen nearly 21% of the total home textiles industry (by volume)
- Growing market for higher value home linen
- Widening home linen product mix
- Maturing market

### Global home textiles market (USD \$bn)



(Source: Global and Indian Textile Apparel Trade-Technopak Analysis)

## Indian home textiles industry

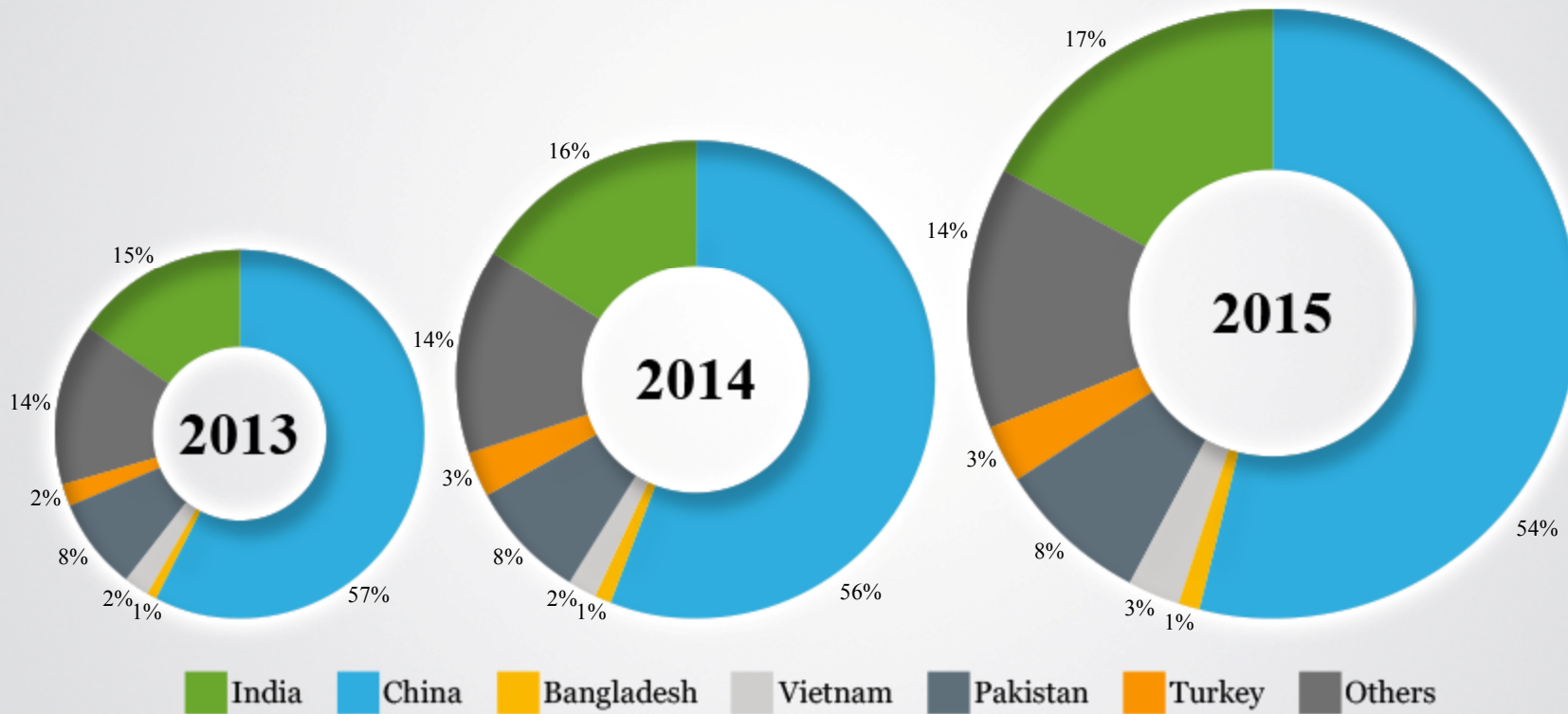
- Indian textiles industry contributes ~14% of Index of Industrial Production (IIP) and for around 5% of GDP
- Textiles contribute around 13% of India's export earnings
- Indian textiles market around US\$108 billion
- Indian textile industry projected to five-fold in ten years (US\$500 bn)

### India's sectoral advantage

- Skilled workers
- Competitive cost structure
- Abundant raw cotton
- Favourable Government policies
- Free trade ASEAN agreements
- Growing premium products demand

# INDUSTRY DISCUSSION

## Made - Up Imports by United States

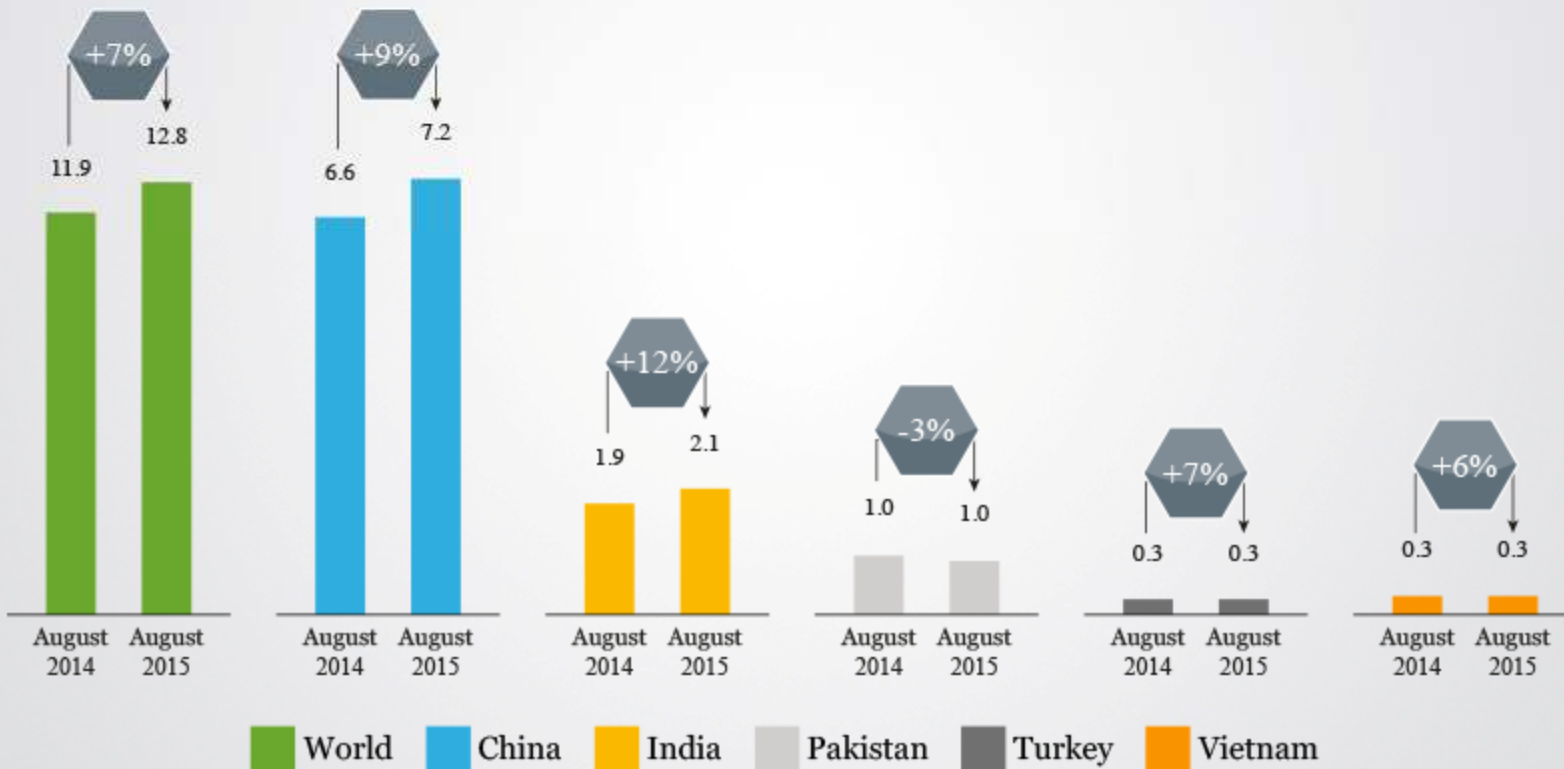


# INDUSTRY DISCUSSION

## Growth in 'Made Ups' Imports to United States

World (\$bn)

Top 5 Made Ups Exporting Countries to US account for 87% of the Market (\$bn)



65% of Indo Count's Revenue is contributed by U.S. market

# 'MAKE IN INDIA' AND THE INDIAN TEXTILE INDUSTRY

- Second largest textile manufacturer in the world
- Largest producer of cotton in the world (28%)
- 24% of the world's spindles
- Competitive global advantage (workers and cost structure)
- Abundant raw material (cotton, wool, silk and jute)

Reality

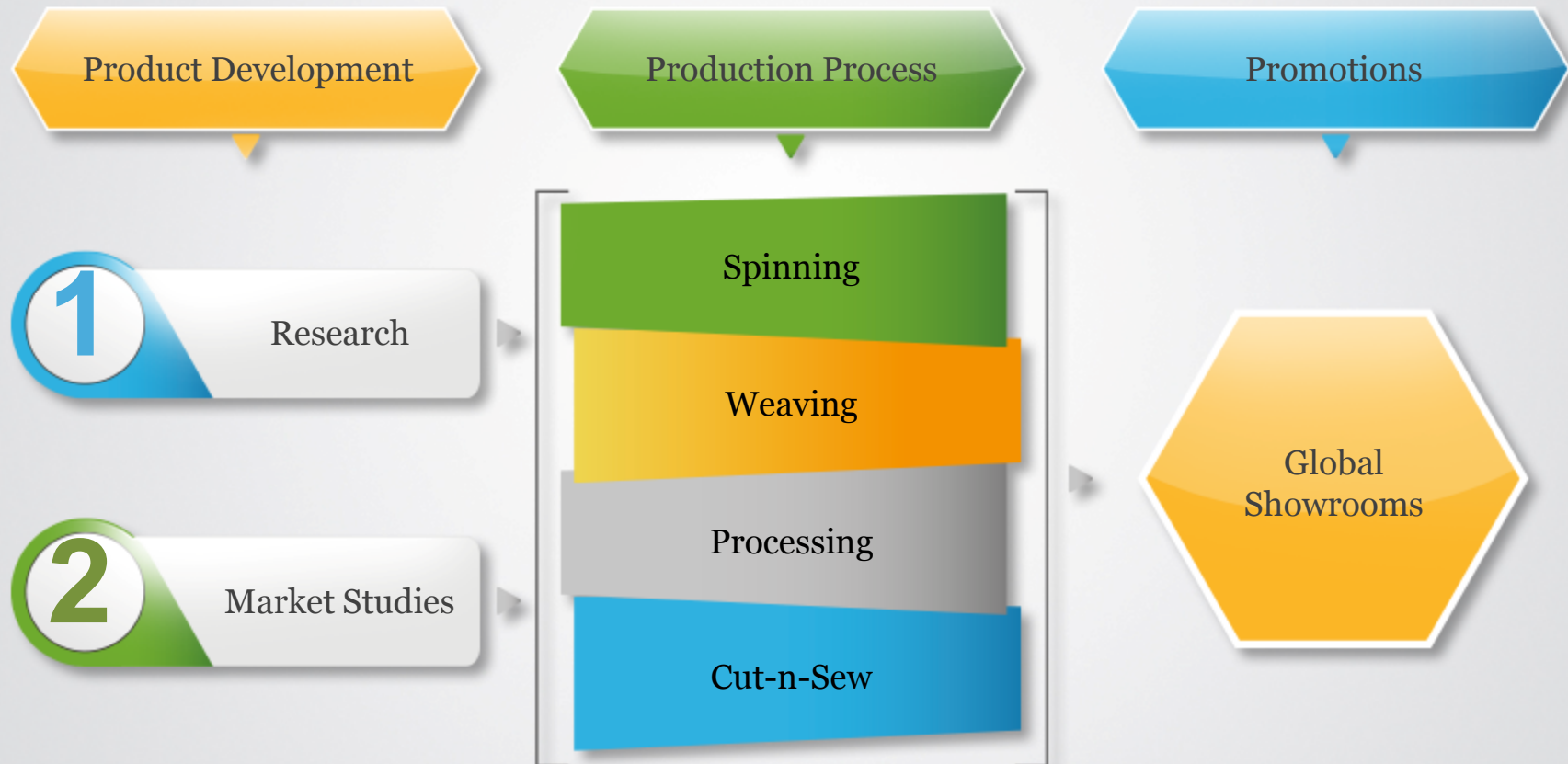
- Changing lifestyles; increasing demand for quality products
- Conducive Government policies
- Centres of Excellence focused on testing and evaluation
- Resource centres and training facilities set up

Drivers

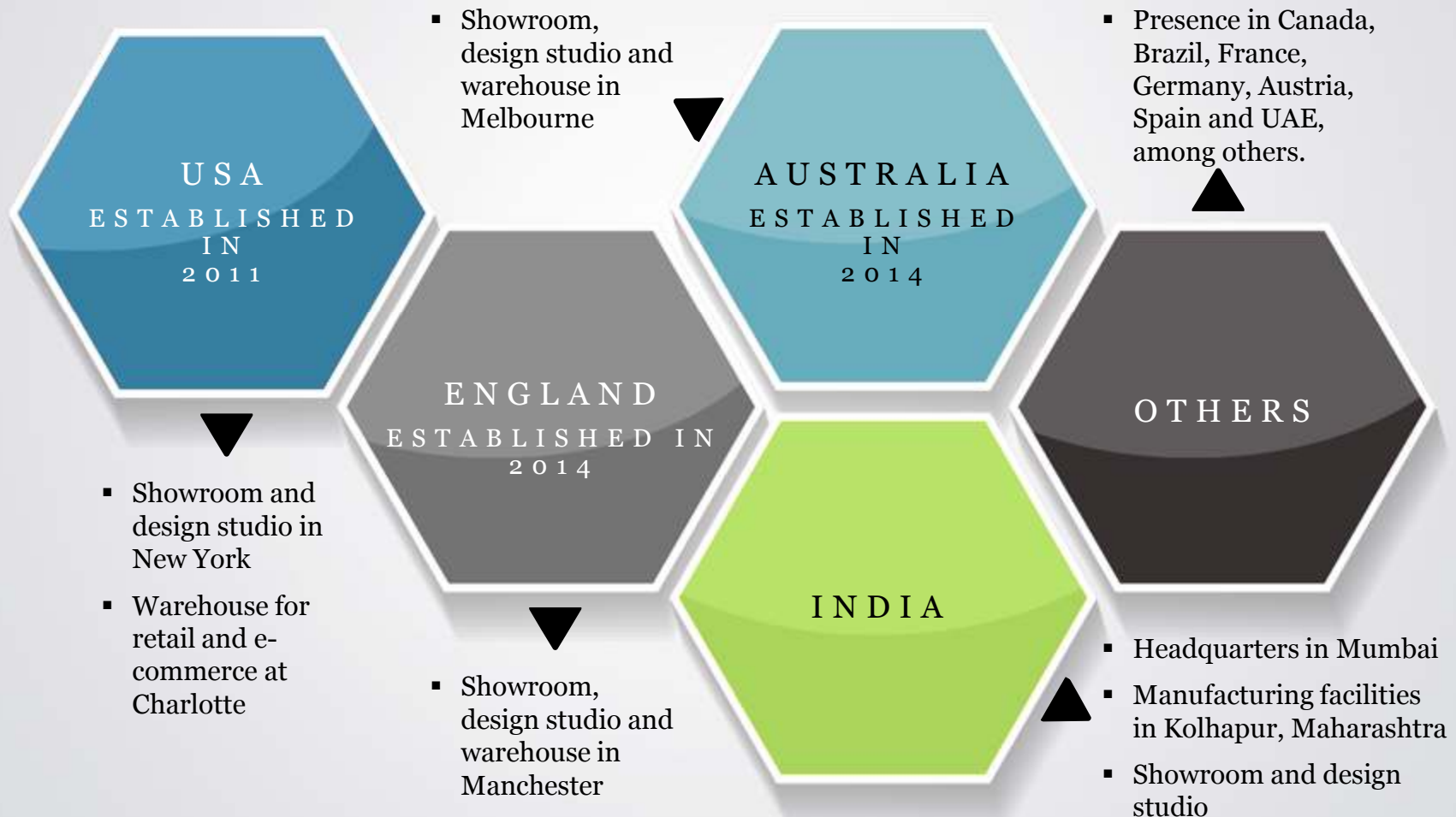
*(Source: 'Make in India' website)*

# INDUSTRY DISCUSSION

## BUSINESS PROCESS



# GLOBAL PRESENCE



# MAJOR PRODUCTS AND INNOVATION AT INDO COUNT INDUSTRIES

## PRODUCTS

- **Bed sheets:** Flat sheet, fitted sheet and pillow cases
- **Fashion bedding:** Comforters, bed in bag, quilts and coverlets, decorative pillows, etc.
- **Utility bedding:** Basic white bedding, mattress pads, protectors, white filled comforters filled with poly fill fibre
- **Institutional linen:** Flat sheets, pillow cases, duvet covers and shams; caters to hotels, hospitals and others

## INNOVATION



## OUR CREDENTIALS

FOURTH largest bed sheet exporter to USA

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13<sup>th</sup> largest global home textiles supplier to the US

*(Source: Home & Textiles Today, February 2015).*

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ICRA 'A' & 'A1' + Ratings for Long & Short term

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FIEO Award for Export excellence for “Top Exporter-Non MSME-Trading House”

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BUSINESS TODAY, in its special issue, has improved the ranking of Indo Count from 877 to 366 and identified the Company as one of India's Most Valuable Company



## OUR ACHIEVEMENTS & VISION

TEXPROCIL has awarded SILVER TROPHY for 2014-15

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SECOND Largest Manufacturer and Exporter of Bed Linen

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Lenders have de-pledged and released all the promoters shares pledged. No ENCUMBERANCE in any of the Promoters shareholding

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Company has declared 1<sup>st</sup> Interim Dividend at 10% of the par value i.e. Rs. 1.00 per equity shares

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Mission of the Company is to become DEBT FREE

# THE ROAD AHEAD

01

## **Rs 475 cr capex plan in two phases**

- Phase I expenditure with an outlay of Rs.175 cr - capacity to be enhanced to 90 mn meters. To be completed by December 2016.
- Phase II expenditure is under active evaluation with outlay of Rs. 300 cr – to be completed in 3 years

02

## **Domestic branded retail entry**

- Through a subsidiary company.
- Rs.25 cr investment across three years.

03

## **Wider market coverage**

- Expansion of marketing and distribution channels to new geographies
- Global marketing / representative offices to increase visibility
- Capturing demand in emerging markets and growing economies
- Enter into domestic retail market

# THE ROAD AHEAD

## Domestic Market

To venture into the domestic business segment through a subsidiary Company.

Coming onboard to steer forward this project is Mr. Asim Dalal, the erstwhile owner of Bombay Stores and brings with him experience spanning 27 years in the domestic retail scenario.

He will be responsible for carving a niche in the domestic business by coming up with innovative products and brands.

In return, he will be allocated a stake in the subsidiary company with Indo Count holding majority of the stake.

# TRIPLE BOTTOM-LINE

1

## Shareholders

Increased earnings per share from Rs 3.03 (2010-11) to Rs 61.42 \*Annualised (2015-16).

Increased book value per share from Rs 48.73 (2010-11) to Rs 102.04 (2014-15) and Rs. 120.84 in H1FY2016

Strengthened ROCE from 7.60% (2010-11) to 34.50% (2014-15) to 69% in H1FY2016

2

## Employees

10,000 (direct and indirect).  
Increased women workers from 39 (2010-11) to 610 (2015-16).

Increased employee payout from Rs 35.21cr (2010-11) to Rs 79.87cr (2015-16).

3

## Community

Paid Rs 225 cr taxes in existence

Worked on health care, water sanitation and education.

Launched e-learning programme across 27 Educational schools covering 5,200 children.

Creating public infrastructure and primary health care support at Kolhapur (Maharashtra)

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