



Complete Comfort

June 02, 2022

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

BSE Limited
Department of Corporate Services
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Company Symbol : ICIL

Scrip Code No: 521016

Dear Sir / Madam,

Subject: Transcript of the Earnings Conference Call held on May 30, 2022 for Q4 & FY 22 Results

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Earnings Conference Call held on May 30, 2022 for Q4 & FY 22 Results.

The same is also available on Company's website i.e. www.indocount.com

You are requested to kindly take note of the same.

Thanking you,

Yours faithfully,

For Indo Count Industries Limited

Amruta Avasare
Company Secretary & Compliance Officer
Membership No.: ACS 18844



Encl.: A/a

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“Indo Count Industries Limited Q4 FY22 Earnings Conference Call”

May 30, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2022 will prevail



**MANAGEMENT: MR. K.R. LALPURIA – EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER - INDO COUNT INDUSTRIES
LIMITED
MR. K. MURALIDHARAN – CHIEF FINANCIAL OFFICER -
INDO COUNT INDUSTRIES LIMITED**



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Moderator:

Ladies and gentlemen, good day and welcome to Q4 FY22 Earnings Conference Call of Indo Count Industries Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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.

I now hand the conference over to Mr. K R Lalpuria, Executive Director and CEO of Indo Count Industries Limited. Thank you and over to you Mr. Lalpuria!

K.R Lalpuria:

Thank you. Good afternoon and a very warm welcome to all of you to Indo Count Industries Q4 and FY22 earnings call. I hope you and your family are keeping safe and healthy. I have with me Mr. Muralidharan, our CFO, and Strategic Growth Advisors, our Investor Relation Advisors. We are happy to connect with you all once again to discuss the Q4 and FY22 performance.

I am pleased to inform that the Board of Directors have selected Price Waterhouse Chartered Accountants LLP as the company's statutory auditor in place of the retiring auditors.



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Let me start with the industry and business scenario in Q4 and FY22. We ended FY22 on a good note as we constantly improved our performance despite a wide array of external challenges. Given the conditions, we focused on building our brand and executing efficiently resulting in constant double-digit revenue growth over the past two years and a significant market share and penetration gains throughout our portfolio we have clearly strengthened our product portfolio and customer connect. Despite ongoing cost pressures on a global level, we have chosen to increase our investments in brand building rather than sacrificing the long-term health of our brand equities to manage short-term challenges.

Now let me talk about the market scenario. The logistic challenges have amplified due to the COVID situation in China and the Russia Ukraine war. Not only the cost has gone up substantially the transit time to the market has increased by almost 2 to 3 weeks. The retail ecosystems mismatch supply and excessive inflation have hampered sales in the key regions due to this pressure we expect sales to be challenging in the current year as people are cautiously buying discretionary products.

Cotton prices have skyrocketed because of the drop in domestic output and the current geopolitical crisis. Further, the consumption of mills has increased leading to good demand in the international market post the Xinjiang cotton ban. The government decision to remove import duty on cotton since September is a positive step. Additionally, free trade agreements with Australia and UAE will further open up opportunities for Indian textile. Similar discussions with the UK, Canada, and EU are progressing very well. More



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importantly, in the discussions with UK textile is part of the early harvest discussion and therefore quick resolutions for Indian textiles can be expected.

Now on the company's performance: We have recorded 17% revenue growth in FY22 despite the above challenges and have achieved the volume guidance of 75 million meters. We have also achieved the margin on revenue guidance overall. This is despite the logistical and inflationary pressures faced throughout the year. We have been able to meet the margin guidance for FY22 and we have followed a disciplined hedge policy for raw material.

Additionally, we strategically move towards value-added products which is at a better margin and overall value propositions to our customers and business. Other contributors to our growth in FY22 include branded business, e-commerce, and our domestic business. A combination of this allowed us to weather the storm.

At Indo Count, we are market-ready with strong capabilities wherein we can capitalize and sweat our assets further. We are strongly moving towards B2C and D2C segments through high-quality product offerings across varied price points, building visibility through digital campaigns, and leveraging omnichannel and e-commerce distribution. Our contribution from branded business has increased from 10% in FY21 to 14% in FY22. Fashion, utility, and institutional contribution has increased from 15% in FY21 to 19% in FY22.

E-commerce business contribution increased from 4% in FY21 to 7% in FY22 and the Indian home textile business contribution



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increased from 1% in FY21 to 2% in FY22. We continue to remain laser-focused on increasing our share in the eCommerce and branded business both locally and globally.

Now update on our GHCL Home Textile business acquisition: I am happy to share that we have completed the acquisition of GHCL Home Textile business and with this acquisition, Indo Count becomes the largest home textile bed linen company globally with an annual capacity of approximately 153 million meters.

We are confident that this foray will successfully meet our long-term aspirations and create value for our global customers and all stakeholders. We see synergies with respect to supply chain, procurement, and enlarge customer base in developed countries with respect to this acquisition. With this acquisition, we have added new brands to our existing portfolio, and we believe with the innovation and technological capabilities of the acquired brand, patent and trademark will further strengthen our brand portfolio and offering. We are leveraging joint capabilities of design, innovation, and products to improve the go-to-market strategy and look forward to adding an untapped customer base that will help us gain more global market share.

Now let me update you on the Brownfield capex: we had announced the modernization of spinning capacity with compact spinning technology. This project is completed. The increase in home textile capacity from 90 million meters to 108 million meters, this capacity will be operational by Q3 FY23 as we have to add balancing utilities equipment. The capex will commensurate cut and sew facilities and



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the top of the bed capacity is under good progress and we expect the facilities to be operational in H2 FY23.

We have also announced a new capex to enhance our spinning capacity at our subsidiary, Pranavadiya Spinning Mills Limited. The proposed capex will be towards an additional spinning capacity of 68,000 spindles. We plan to spin value-added specialized yarn products. We would incur a total capex of Rs.270 Crores which will be funded through a mix of internal accruals of about Rs.95 Crores and debt of Rs.175 Crores. The project will be completed by Q4 FY23.

Now information on the ESG initiative: talking about sustainability, our team's commitment and efforts helped us release our first ESG report which is a big milestone in the direction of a sustainable world. We are constantly working to contribute to the global sustainable development goals through initiatives in energy, efficiency, waste management, water management, and maintaining the highest standard of government and conduct in this endeavor.

Indo Count is now a member of the United Nation's Global Compact and the company is committed to integrating UNGC's principal into the organizational culture and ensuring building a greener sustainable future.

During the quarter Indo Count has received two awards the best of Bharat Awards 2022, our Brand Boutique Living has been chosen by the Editorial Board of Exchange for Media and Impact Connect as a winner of e4m Pride of India, the Best of Bharat Awards 2022. This award was given to the brands that have demonstrated leadership,



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strategic accomplishment, creativity, and constant innovation in their product, processes, and marketing practices. Export award by the State of Maharashtra we received a Gold Trophy from the Government of Maharashtra towards our exports.

Now let me share with you our consolidated financial performance.

I am happy to announce that the FY22 performance is the best in the history of the company.

Total income was at Rs.690 Crores in Q4 FY22 versus Rs.705 Crores in Q4 FY21, total income Rs.2,982 Crores in FY22 versus Rs.2,557 Crores in FY21, a growth of 17% on a Y-o-Y basis.

EBITDA margin, this increased 411 BPS on Y-o-Y accordingly margin came at 19.1% in Q4 FY22 versus 15% in Q4 FY21. EBITDA grew by 25% on Y-o-Y basis accordingly EBITDA came in at Rs.132 Crores in Q4 FY22 versus Rs.106 Crores in Q4 FY21. For FY22 EBITDA margin of Rs.574 Crores versus Rs.415 Crores in FY21 a growth of 39% on a Y-o-Y basis. EBITDA margins stood at 19.3% in FY22 versus 16.2% in FY21 an increase of 305 BPS on a Y-o-Y basis.

PAT: We witnessed a growth of 48% on Y-o-Y basis and therefore achieved Rs.85 Crores PAT in Q4 FY22 versus Rs.58 Crores in Q4 FY21. For FY22 we recorded the highest ever profit at Rs.359 Crores versus Rs.249 Crores in FY21 a growth of 45% on a Y-o-Y basis. PAT margin stood at 12.4% in Q4 FY22 versus 8.2% in Q4 FY21. However, PAT margin in FY22 annually stood at 12% versus 9.7% in FY21 an increase of 228 BPS on a Y-o-Y basis.



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Net debt: Net debt as on March 31, 2022, stood at Rs.906 Crores. This debt increased during the year as we had made a conscious decision to invest into the supply chain to ensure the security of supplies to our valued customer.

For FY22 our ROE stood at 22.6% while our ROCE at 21.4%.

The board of directors has recommended a final dividend of Rs.2 per equity share of the face value of Rs.2 each that is at 100% dividend subject to the approval of shareholders at ensuing annual general meeting.

Now considering the near-term challenges owing mainly with the end customers and the logistic issues there are many moving pieces and therefore we believe it will be more prudent to guide on sales volume in subsequent earnings call. Similarly, on margins, there are headwinds around raw material, energy, and logistic cost which refrain us from giving a guidance. Needless to say, it will be our endeavor to continue our work on healthy profitability on the back of hedged raw material and currency and our continuous effort to improve the overall product mix and our customer base.

Now that is all from my side. I now leave the floor open for the question and answer.

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

Kapil Jagasia: First of all, a big congrats on a decent set of numbers. Sir my first question is one of your competitors had mentioned the demand shift



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from home textiles to apparel since the economy has now opened up there is a visible decrease in this work from the home scenario which was earlier the case. So, in this scenario how confident would be with this increased capacity of 153 million meters, and where we would land up in terms of capacity utilization for FY23 and thereby in FY24?

K.R Lalpuria: See the demand has deferred only in home textile, it has not shifted, so there is no structural shift as far as demand is concerned that we are observing. It will continue only. It is a matter of time that once the inventory get released and the geopolitical situation improves and in India once you see that the raw material prices stabilize as the new season start I think the home textile will certainly have a good demand going forward and over and above you see we as a company are also working upon very bullish about the home textile front where India is positioned as a country very strongly and that is clearly visible from the past data how China is losing market share. Definitely, India is strategically well placed.

We as a company are strategically well placed and we hope that once this situation improves in the key regions definitely it will help us to grow our business there and sweat our assets and we have worked on long-term and medium-term both strategies to see and how we can grow our business through various marketing strategies.

Kapil Jagasia: Just one related question to this like in your presentation the home textiles market share especially for the cotton sheets has declined from 57% in the previous year to 50% now on a YTD basis so if we look at the breakup here Pakistan and also China has gained market share whereas this India's market share has actually declined. So I



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guess even they would be facing the same supply chain issues, so any reason you know of the share being shifted to those geographies?

K.R Lalpuria: See first of all you see India is positioned into the mid to high market segment like they are positioned into the lower segment and whenever there is inflation, whenever there is a blockage, we being a need-based product, the mass merchants does well over the departmental store and specialty stores at retail. So definitely you see since they were serving these product categories in that market their share is maintained in absolute number, our absolute numbers have gone down,, therefore, their percentage seems to be higher.

Kapil Jagasia: Okay got this thank you so much and my next question is EBITDA margins for this full-year FY22 is at 19.3% so would this be the peak margins for us and would we be able to maintain this going forward or like we feel it is sliding down to the range of 17%, 18% which we used to achieve earlier so your inputs on this?

K.R Lalpuria: As I mentioned we refrain from giving margin guidance so far because there are so many moving pieces but yes, of course, we are quite bullish because we have acquired this home textile business of GHCL and we are looking at medium-term to long-term strategy. We are all looking for this year alone. So in three, four years we will sweat our assets and see to it that even we achieve only on newer millstones in businesses because all our strategies are towards value addition like B2C, D2C, eCommerce, and domestic brands, so there are a lot of opportunities and once India signs this FTA with UK, EU, and Canada and now it has already signed with Australia and UAE which we will put in place in the next three, four months, I



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think India will have a very good market share getting developed in these countries where we have been eluding our market share because of the level playing field so I think the opportunities are huge India is well-positioned as I mentioned. We have our strategies in place and that is performing well for us which is apparent from both the year financial numbers in FY21 we grew by 26% and this year we grew by 17% so if we have proper growth definitely we will be achieving newer milestones in both value and margins.

Kapil Jagasia: That is great Sir thank you for the elaborate answer. One last question from my side and it is a bookkeeping question the spinning division revenue and EBITDA for FY22 if you can provide?

K.R Lalpuria: We will provide you offline.

Kapil Jagasia: Sir with this expansion in this spinning facility like what would be the potential revenues from this division?

K.R Lalpuria: It will be for captive consumption and again I was going to add because currently what we are spinning we are utilizing most of it is in-house so there is a very negligible volume in that spinning business leftover and in this new spinning mill also will be utilizing 100% for captive consumption.

Kapil Jagasia: That is clear. Thank you for answering all my questions. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Aman Madrecha from Augmenta Research. Please go ahead.



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Aman Madrecha: Thanks for the opportunity. Sir just can you elaborate on what is the current demand scenario in the US also like one of our competitors mentioned that despite the ban of Xinjiang cotton there are supplies of this Xinjiang cotton into the USA and the demand from China products is again back. So, can you just highlight upon the same?

K.R Lalpuria: See first of all you see you need to understand that this is a voluntary mute as far as demand from the large US market is concerned the reason being because we all know that there is a mismatch in demand and supply that the goods reaching out there it is almost 8 weeks now and the retailers are unable to plan their buying or sourcing properly and so the inventory levels have gone up and that is the reason they have not reordering very quickly and secondly because of the inflation in this areas due to the geopolitical situation and the price rise on the raw material side as well.

So once this gets released, I think the markets we being in of need-based products will normalize and the demand would start accelerating we have a holiday season in the coming fourth season so we are all expecting that the holiday seasons to be good and the retail as such in April in the US has increased by almost 4% so and the demand is like we feel that should get back. Now about the China situation as I explained earlier China Plus One strategy is clearly visible and now with this Xinjiang cotton ban it is only amplifying because they will not be able to utilize their cotton towards exporting to the developed nations like the US and UK and EU many of the retailers are projecting that they will not use cotton coming out from this area and one of the reasons for the cotton raw



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material prices to go up this season is also because a lot of demand is coming from China towards both raw cotton and cotton yarn.

So, I think things should stabilize and we clearly see that the buyers and the retailers are derisking their business to a second source which is happening only this is a momentary sale where we need to overcome all these different challenges which are accumulated at one time. So, once they will get released, I think we are back to normal.

Aman Madrecha: Thank you.

Moderator: Thank you. The next question is from the line of Pankaj Bobade an individual investor. Please go ahead.

Pankaj Bobade: Thanks for taking my question. Sir, I hope the new acquisition has been consolidated by now?

K.R Lalpuria: Yes. The acquisition is completed by now on April 2, 2022.

Pankaj Bobade: On April 2, 2022, so in the balance sheet which it has been released it would not be included right?

K. Muralidharan: No, it will not be included.

Pankaj Bobade: I had that discrepancy because, in the balance sheet at March 31, 2022, it shows Rs.332 Crores of noncurrent assets as against Rs.7 Crores on March 31, 2021. So, I was just thinking whether this was the goodwill of any sort or what sort of there is content?

K. Muralidharan: I will explain, that some advances have to be given for acquisition, so we had given some advances to GHCL that is reflecting there.



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This is a part consideration and the entire deal got concluded on April 2, 2022.

Pankaj Bobade: The PPE which has shown as Rs.598 Crores how much do you expect it to jump up to with the new acquisition?

K. Muralidharan: It will go up on a gross basis by about Rs.300 plus Crores.

Pankaj Bobade: And on a net basis I just want a rough number?

K. Muralidharan: On a net basis maybe roughly around Rs.300 Crores it will be there about Rs.20 Crores is the depreciation.

Pankaj Bobade: So, these 600 odds would become 900 odd right?

K. Muralidharan: Right.

Pankaj Bobade: Second question, just wanted to understand in this scenario rising cotton prices how do we defend our margins going forward?

K.R Lalpuria: No. We feel because currently the season would start in September and because of the overseas demand, because of lesser cotton crop, because of the higher consumption of the mills, all these factors have and the mismatch of demand and supply overall and the government also has imposed 10% import duty so all these factors has fueled in the prices and they have skyrocketed to almost more than 110% increase as compared to last year, but going forward, I think the government has realized that the prices are high so they are coming out with some relief on the duty side, some also treating maybe cotton as an essential product or on an actual user basis so there are discussions going on where the government also feels that we should



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get the raw material at a reasonable price and so what we believe that once the season starts we will be able to see that how the crop is there, how the rainfalls are there and how the total crop numbers come up as compared to last year because this year also earlier they projected 360 lakh bale then they changed it over 320 lakh bales which created a panic, and that is why the prices skyrocketed and the mills were not having proper stock so everybody was demanding cotton and it was not available so the prices went up. I think with the new season and the government's stepping in and providing some relief we should see that the cotton prices should stabilize to some extent in the next season and that will help us to tide over this problem on the raw material side and maintain our margins.

Pankaj Bobade: Do you expect pressure on margin in the coming quarter at least for one quarter?

K.R Lalpuria: A couple of quarters are painful but yes we have hedged our raw material for two quarters and we are watching the situation very closely but there are so many other factors playing out like the energy cost and the logistic cost which are still and the transit time taken to deliver the material to the buyers more so those are the other challenges which we are facing so we feel that a couple of quarters there are pains due to all these reasons which are accumulated in both this quarter and they should get released.

Pankaj Bobade: In the domestic market that cotton prices are high, in international markets, the cotton prices are relatively better than us, so how do we compete at international levels? We are having high cotton prices in India so that is what our competitors will also be, we will be at par with them as far as pricing is concerned but the international cotton



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prices are relatively lower and there is ample supply given that China would not be importing from outside their country. So how do you defend that against our international peers?

K.R Lalpuria: See first of all the international prices are not low they are at the same levels otherwise everybody would have imported once the government has removed the duty on importing cotton till September and now it has extended till 31st December; everybody would have called for cotton imports but nobody did because the prices are at similar levels to India. It is a global phenomenon. Cotton is a global commodity. So, we need to consider that some of the countries which are cultivating cotton do not have an established spinning segment on the industry to supply and as I had mentioned on my earlier concall both Vietnam and Bangladesh are labor arbitrage. They do not have raw material Pakistan has got limited supply, and China is more focused on manmade as well as the lower segment of the market, so India does have a very good cotton base; only thing because of the mismatch of demand and supply in this situation got created; once we have the new season because every time we have seen that whenever the prices go up the sowing is better and the crop is better because the farmers get good realization, so he goes in for this crop rather than the other cash crop; so there is hope that the prices should stabilize once the season starts and we are also watching that situation to happen.

Pankaj Bobade: Sir last question regarding GHCL so in this quarter, in this year what was the top line and margins for GHCL Home textile division?



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K. Muralidharan: From whatever results they have published the topline was around 828 Crores and EBITDA was around 12.1% about 102 Crores is the reported EBITDA.

Moderator: Thank you. The next question is from the line of Abhineet Anand from Emkay Global. Please go ahead.

Abhineet Anand: Thanks for the opportunity and a decent set of numbers in these difficult times. So, on GHCL financials itself I think Muralidharan Sir told Rs.828 Crores of sales and around EBITDA of 102 what was the PAT number, Sir?

K. Muralidharan: Around 83 Crores (*erroneously mentioned as Rs. 83 Crores PAT. Correct figure is Rs. 59.47 Crores PAT*)

Abhineet Anand: By any chance, you would have FY21 numbers because I think 2022 numbers for them also were quite high compared to 2021?

K.R Lalpuria: We will provide you offline. We will provide these numbers once we get hold of it.

Abhineet Anand: Second thing is in terms of when we consolidate GHCL this year fixed assets you are saying around 330 odd Crores will get added right?

K. Muralidharan: Rs.350 Crores gross of value.

Abhineet Anand: On this what could be your working capital or networking capital?

K. Muralidharan: Around Rs.240 Crores is the networking capital.



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Abhineet Anand: So around Rs.600 odd Crores so the corresponding debt that we will be taking for this?

K. Muralidharan: No, these are financed out of our internal accruals only, entirely. The deal is entirely funded through internal accruals.

Abhineet Anand: So as on today whatever was our situation on the debt side on March 31st is the same post the deal you are saying?

K. Muralidharan: Yes, correct.

Abhineet Anand: So this Rs.600 odd Crores hardly is totally equity funded?

K. Muralidharan: Yes, from internal accruals.

Abhineet Anand: Just wanted to understand from Lalpuria Sir that we earlier used to talk that the investments mainly will happen on the value-added product side not much on the spinning but this new capex that you have talked about any thought why this, this has been I thought more the investments would happen on top of the bed, etc., but this new capex of subsidiary that you are talking about can you throw some more light?

K.R Lalpuria: Yes, so we acquired 192 looms with our GHCL acquisition of the Home Textile business, and earlier this was supported by GHCL own spinning unit at Madurai. So now in order to have captive consumption for this 192 looms which is our always strategy to support whichever assets we have we need to support it through captive consumption that is the reason we are going in for value addition and we will be spinning in time to come high-value yarns and which will also be from our customer side a compliance wherein



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we can ensure them of total traceability and accountability of the total supply chain so that is the need of the hour also going forward whatever assets which we have should be having internal supply chain so that is the reason we have gone for this investment.

Secondly, the spinning segment as you all must have seen that in the last two years are performing quite well with a decent EBITDA so now that is the reason we have gone in and lastly you see we are also sweating out the assets of our subsidiaries at the end of the day that we are planning to not get with our parent companies. So that also is the last submission from my side.

Abhineet Anand: Just on this FTA that India has signed with Australia and UAE and how do you think the demand for us obviously because these what was the earlier in tread mills or anything of that sort that we are not able to sell in Australia and UAE and what advantages that is have if you can explain on that?

K.R Lalpuria: Certainly, you see as FTA always helps you to exporting that country because then you are at a level playing field because some of these countries had bilateral trade among themselves and where we were at loss not being at a level playing field. Now the per capita consumption in Australia is quite high for home textile particularly and UAE is a re-export port where it exports to almost 80 countries and in GCC also the focus was not there because there was an import duty of 5% whereas some other countries did not have to pay duty. So I think with the opening of this and the intent of both the nations to have a bilateral trade among themselves with a zero percent duty that itself helps in motivating all of us to see and have an insight into the market and see that how we can develop it plus UAE is logistic



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wise also is closely located so all this factors will help India in the future to grow their market share in this large market out there. So definitely it will help us to gain some more market share from others.

Abhineet Anand: Thank you Sir those were my questions.

Moderator: Thank you. The next question is from the line of Komal Maheshwari from Anubhurti Advisors. Please go ahead.

Komal Maheshwari: Thank you for giving us the opportunity. One question on the balance sheet side, just want more clarity on the borrowings that we took I mean it is under the current liabilities so which were Rs.553 Crores that increased to Rs.1,216 Crores so almost Rs.650 Crores that incremental borrowing that we took so can you help on that for what purpose that we have we took this?

K. Muralidharan: The short-term borrowings have been for working capital only. So, our inventories also increased. As earlier, we have been mentioning but strategically, we have been increasing our inventory and investments have been to support that.

Komal Maheshwari: Inventory that increased I mean is it also increased by maybe Rs.300 Crores right?

K. Muralidharan: Yes.

Komal Maheshwari: So, at currently liability actually increased by, I mean, an incremental jump that is Rs.600 Crores but in the inventory that we see that Rs.340 Crores has jumped so another amount that where we spent?



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K. Muralidharan: Some of this is in the cash actually. If you see that cash position has also improved so what has happened is that at the towards the end of the year we had some collections which it did not go to reduce the borrowings so we see that cash position it has gone up from 33 to 387 so post that it has gone to reduce the debt towards some extent yet.

Komal Maheshwari: So, cash and cash equivalent that what I see here is Rs.386 Crores but that we are going to invest I mean that were going to spend for the working capital requirement right?

K. Muralidharan: Yes, so see what has happened at the end of the year some collections have come from some exports those could not be immediately used to reduce the borrowings because of the yearend position so post that we have used to reduce the borrowings and it is going on an ongoing basis there will be some borrowings and there will be some adjustments this will keep going.

Komal Maheshwari: For the FY23 what is the guidance in the volume terms?

K.R Lalpuria: We are refraining as I mentioned earlier from providing any volume guidance because you see in today's world there are so many moving pieces. basically, the logistic costs have amplified and containers are nowadays reaching US port taking almost two months so quarter wise guidance has become very difficult for us to provide but yes we are quite hopeful that we should be able to provide you some guidance when things improve say maybe on a subsequent call.



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Komal Maheshwari: Will we be able to maintain the EBITDA margin like we posted 19% in FY2022, will we able to maintain it?

K.R Lalpuria: Margin guidance also as I mentioned we have not providing currently we are working upon it and as I mentioned earlier in my speech also that again there are raw material, energy, and logistic cost, we refrain first in giving a guidance overall, but our endeavor is there to work on healthy profitability on the back of our hedged raw material as well as the positive currency and our continuous efforts to improve overall product mix. So, mid-term to long-term we are quite positive, and India as I mentioned is very well positioned and things should subside going forward and we should do well.

Komal Maheshwari: It was all from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Jiten Doshi from Enam Asset Management. Please go ahead.

Jiten Doshi: Mr. Lalpuria Ji many congratulations for achieving a very strong result in a very challenging environment last year. Our simple analysis is that you are not able to give a guidance but assuming if you are even at the same level I am sure you will grow because you are going to add something from the acquisition so obviously you cannot be 70 million, or 80 million meters like you were last year you are always be something plus assuming the challenging environment there will be a good cash flow during the year plus how much of your money is blocked up in the government receivables that government scripts that you have received as benefits but could not encash?



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K. Muralidharan: Presently we have only about Rs.60 Crores as on date both of these scripts are where have been received -post-March.

Jiten Doshi: Post March as on 31st March what was the amount?

K. Muralidharan: Around Rs.170 Crores or Rs.172 Crores.

Jiten Doshi: Which you have received about an Rs.110 Crores.

K. Muralidharan: Yes.

Jiten Doshi: Mr. Lalpuria assuming that your inventory normalizes you will release about Rs.200 Crores to Rs.250 Crores minimum cash from there?

K.R Lalpuria: Yes, please.

Jiten Doshi: So, given that your government scripts can be liquidated you have an operating profit as well as you are able to reduce inventory and curb your working capital, there should be an easy debt reduction of at least Rs.300 Crores to 400 Crores that we are seeing is that correct.

K.R Lalpuria: Yes, we are quite positive on that.

Jiten Doshi: You are seeing a good cash flow, and a good debt reduction and the other question is that when we spoke last year obviously you had done the acquisition purely because you were looking at the next three to five years with great optimism. Given whatever is happening currently and let us assume that the world stabilizes and comes back to normalcy, how do you envision the next three to four years is there any change in your long-term outlook on what you plan to do for Indo Count?



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K.R Lalpuria: Certainly. We have acquired this asset because we are always looking at the long-term as a strategy for three to four years and definitely, we are quite bullish about the Indian home textile as I mentioned earlier and we as a company are also well positioned. Our fashion bedding was increased to 19%, our branded business has increased to 14%, our eCommerce exposure where we are held with license brand has increased to 7%, and our domestic brand is doing well so all value-added businesses wherein we have categorized three, four years back are paying off and that that is reflected into our performance and our EBITDA and profit margins as you can see we have reported a PAT of 12%. So I think going forward as we had mentioned earlier that we as a company are aspiring to utilize these capacities which we have acquired and also which we have currently in the next three to four years and become almost like 2x from here on the value side so definitely we are bullish about the whole situation about going forward and these challenges are what we feel are in the business because of the geopolitical situation or the logistic side because of the COVID in China so all those should reduce and diminish going forward.

Jiten Doshi: So, let us say if you look at three, four-year outlook you still maintain that you can be a billion-dollar company with that 18%, 20% EBITDA margin in three to four years?

K.R Lalpuria: Yes, of course, like why not. We mentioned that we should be aspiring to become a billion-dollar company always and because we are a focused company on the bed linen side where there are so many opportunities, not only in the US but with all these FTAs coming, with all these advantages of raw material which India has



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and with our capabilities as you must have seen that you have responded to all these disruptions so well so we are proud of our team that our team will certainly do well against all odd and see that take the business to the new level and new milestone.

Jiten Doshi: Sure, now in the second half if there is a correction in cotton raw material prices and all of that would you believe that it could be advantageous to us?

K.R Lalpuria: Definitely because that is what we are all hoping for if the raw material eases out, we are hedged for the next two quarters and we see that is the reason you see on our numbers that our inventory levels have gone high but those inventory levels are high for all positive reasons.

In today's world not only, the cost is important but having supply chain security and providing that security to the customer is also equally important so we need to service the business very well and that is why we have been saying that we are consciously investing into the inventory levels so that we can service the customer very well.

Jiten Doshi: So, what is your cost of debt?

K Muralidharan: Working capital is just less than 4%.

Jiten Doshi: Less than 4%, there is no change?

K.R Lalpuria: Still I would add here Jiten Bhai that see even if our inventory level and working capital is higher where we are seeing that we have



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consciously done it we are providing a ROCE of almost more than 20% so taking finance at 4% and making 20% so is not a bad job.

Jiten Doshi: Sure, that makes sense. So probably you are saying that once things settle down you will be able to give us more clarity as the first-quarter results are behind us?

K.R Lalpuria: Absolutely.

Jiten Doshi: We look forward to that guidance from your side sometime in the middle of August so that we have greater visibility to the year ahead. Wishing you all the very best, Mr. Lalpuria.

Moderator: Thank you. The next question is from the line of Amit Kumar from Determined Investments. Please go ahead.

Amit Kumar: Thank you so much for the opportunity, Sir. Just two questions; one is this spinning capacity that you are planning to add is this part of a PLI scheme in the textile, PLI in any way, or this would have not been part of that?

K.R Lalpuria: No. It is not part of that because you know the PLI scheme is only for technical textiles as well as manmade fiber so far. The government is trying to see how it comes up with a PLI II scheme wherein it can make it more broad-based and include cotton and other areas also in it. So, we are waiting for those fruits to happen but currently, this is what is under PLI.

Amit Kumar: I am sorry you have in the past talked about entering into newer segments of fashion bedding and so on and so forth and our understanding is that that is more oriented towards manmade fibers



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and towards blended fibers really so that is why I was just sort of checking on that. So just to sort of understand this capex also a little bit better could you just explain what do you mean when you say basically value-added fibers basically if you can just explain give maybe a minute commentary on that? That will be really helpful.

K.R Lalpuria: See basically when we say value addition means better cotton-like say organic, Egyptian, Supima, BCI all that number one then also spinning certain special yarns like linen, hemp, etc. So, all this can be added up towards being capable of doing more branded business more specialized business more value-added business so that we do not give away our margins to someone else and we keep that margin in-house towards the integrator.

Amit Kumar: Understood Sir that is useful. My second question was you sort of mentioned that fourth-quarter you had sort of relatively muted sales so one is obviously the demand issue in the US and the second one you mentioned was on the supply chain side as well. On the supply chain side just wanted to get a sense of what you are seeing now because at least the sense that we are getting from the market is the China-US link is also because of what is happening in China that sort of remains fairly congested but otherwise, on the other links the supply chain issues are coming down and to that extent, the freight rates are also sort of coming down if you can just sort of tell us what is happening on the logistics and supply chain side right now that will be really helpful?

K.R Lalpuria: You are right to some extent we have seen that the freight rates have softened out because the port at Shanghai and Ningbo has started so there are some containers getting released as well as time has



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improved for the containers to get and also the cost has come down to certain extent but you see it is also the demand and supply on the Indian side as well so if there is a more like a lesser frequency of vessel and more demand of the container the prices goes up so vice versa and you see on the logistics side also the time taken is killing because the retailers are not able to plan their business well. Whatever inventory they have is not relevant to the today's consumers and the consumer are looking at more essential because of the inflationary pressure. So, it is a like a double whammy out there, and once that gets released to a certain extent and the inventory gets reduced in the pipeline, we strongly feel that the business should normalize and there are reasons to believe because they have holiday seasons in front of them. Only thing what has been hit is also the promotional business like just imagine like today valentine's day or mother's day and if they want to promote certain products to those days they are unable to plan sourcing this from India or anywhere else because they are not sure when it would reach them and if they get over and if the goods reach after them there is no use of it so this is happening particularly on the inventory side and the logistic side as on date.

Amit Kumar: Understood. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity and congratulations on a strong set of numbers. Sir, I had a question on GHCL numbers could you just help us with how much was the GHCL volume for FY22 and the



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revenue and profits just some idea on their overall profit numbers on an annual basis?

K.R Lalpuria: Yes, the numbers like they were at 828 which Mr. Muralidharan has informed earlier and the volumes were at around 19 million to 20 million.

Prerna Jhunjunwala: Just wanted to understand the composition of your inventory with respect to how much of it is finished goods and how much would be RM or WIP?

K.R Lalpuria: Overall inventory is what I have just given we can give you offline the split between this figure.

Prerna Jhunjunwala: The third question is on interest, the interest outgo for the quarter has reduced though our debt numbers on an annual basis have increased so just wanted to understand the interest cost and why it is so low?

K. Muralidharan: There is a subvention of interest that is we get about 2% subsidy on interest if you see the last quarter we did not receive it because the scheme was not renewed but now the government has come up and said that this scheme for subvention is there so we have got the Q3 and Q4 also at one place.

Prerna Jhunjunwala: So how much could be the quantum of the same?

K. Muralidharan: I will give that numbers maybe to you separately.

Prerna Jhunjunwala: Thank you for all my questions have answered. Thank you. All the best.



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Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I now hand the conference over to the management for closing comments.

K R Lalpuria: Thank you. With this, I would like to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with me or Strategic Growth Advisors, our Investor Relation Advisor. Thank you.

Moderator: Thank you. On behalf of Indo Count Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.