



With the home textile market expected to grow in leaps and bounds over the coming years, Indo Count Industries Limited is all geared up to take advantage of this unfolding positive scenario. An interview with **Anil Kumar Jain, CMD, Indo Count Industries** reveals the future growth plans of the company

Towards A Quantum Leap

Indo Count Industries Ltd (ICIL) was started by its promoters Anil Kumar Jain and Mohit Kumar Jain as a cotton yarn spinning company in 1991 as a 100 per cent Export Oriented Unit. Since inception only, their motto has been to develop exports in the country and that's why the 'culture' of exports has very much been ingrained in the Company. In 2007, ICIL forayed into home textile business. ICIL has presence in spinning, weaving, processing and made-ups. The company has evolved into one of the leading vertically integrated home textile companies in India and today ICIL is the 4th largest global supplier of bed linen in to the USA.

The company's performance for the first half of the year has been fantastic. Could you give us an overview of Indo Count's activities?

Indo Count is one of the leading integrated home textile companies in India with a large variety of quality products and prestigious international customers. We are vertically integrated from spinning to finished made-ups. We have strong

business relationships with large global retailers. Today, we export to 49 countries across five continents. Over the last few years we have emerged as one of the leading players in the home textile segment. Globally we are the second highest manufacturer and exporter of bed linen from India and the 13th-largest supplier from across the globe to the US in the home textile segment.

Our observation is that the company is at its inflexion point. What are your thoughts on the company's performance and business, going forward?

Our better numbers are the result of a clear focus on creating value for all our stakeholders. As a company we focus on processes and through processes we ensure optimum capacity utilisation, better product mix, efficient sourcing of raw materials and rationalising costs. All these efforts add up to better performance. We have been consciously moving up the value chain, adding new products with better margins and new geographies. The results of these initiatives would start getting reflected in FY16-17.

Continuing with the numbers, for the first half the company's revenue grew by 31 per cent, EBIDTA grew by 73 per cent and PAT increased by 80 per cent. These are phenomenal numbers. Could you provide guidance for FY16 in terms of topline and bottomline?

As mentioned earlier, Indo Count has positioned itself as a niche player in the bed linen category of the home textiles' segment. We enjoy a preferred supplier status with most of our customers and cater to the mid to higher-end products in the segment. We are not in the commodity business and do not compete on price point. Further, we are committed to provide complete solutions to our customers whether it is packaging, supply chain, distribution, inventory management, etc. since our endeavor is to make our customers win. This business model and strategy has helped us grow in the past and we are confident of repeating our performance in the coming years as well. For FY16 we expect this growth trend to continue.

What about guidance on the margins?

Broadly speaking, we strive to maintain revenue growth at 20 to 25 per cent with EBIDTA margins ranging from 20-22 per cent.

Which are the new products that are expected to drive growth?

Having specialised in the bed linen side of the business, we are striving to emerge as a one-stop solution for all bed-related home textile products. We are adding comforters, fashion bedding, utility bedding and institutional linen to our existing range of bed linen. Moreover, we can use the existing facilities and these products would be offered to our existing customer base. This would give us a multifold advantage of improved product mix and wider product range. We can also leverage our goodwill with the existing customers to offer new products and this in turn will help us improve our margins.

Going forward, what will be the growth drivers for the company?

We are looking to grow the business both in value terms and volume terms. We are moving up the value chain and adding new customers and new markets.

Our capacities are under expansion and should go on-stream during the current or early next quarter. The benefits would be visible in FY16. Our job is clearly cut out – utilise the capacities and feed them with sales! We are also focusing on the institutional business. This segment not only offers large volumes but demands high-end products, yielding steady margins. Further, as of today 2/3rd of the company's business comes from the US. We intend to reach new geographies and markets.

Accordingly, we have expanded our presence in the United Kingdom, Australia, Japan, South-Africa, and the Middle East. Going forward, we would see these initiatives getting translated into better topline and bottomline for the company. The company is also learning the ropes of the e-commerce business. In USA, our company has already tied-up with Amazon and Wayfair to sell its own brand, 'Color Sense'. We are also initiating product development constantly which helps us to innovate. So broadly, these would be our growth drivers.

How diversified are your customer base, and what portion of

your total sales comes from top 10 customers?

Over the years, we have developed strong relationship with key customers across several countries. We work with large-format retailers like Walmart, Target, JC Penney, and Bed, Bath and Beyond, Debenhams, John Lewis, Spotlight Australia, Home Centre UAE and others. These large-format retailers operate worldwide. The top 10 customers contribute 45-50 per cent of the total revenue. We are also venturing into value-added categories that would increase our presence across hotels, resorts and premium products.

Why are you enamored by the asset light business model?

Yes, we employ a unique business model—focusing on investing in the processing capacities and largely relying on outsourcing around 70 per cent for spinning and weaving. With the help of this asset light business model we can sustain our margin as well mitigate the risks, especially when we are a global player. We invest where the returns are good; secondly, we have invested that much only so that we can build higher value for the company. Thirdly, we don't look only at profitability but take sustainability into account too. Therefore, our investments solely in forward integration have led to a higher asset turnover ratio at 4.3x and return ratios' ROCE of more than 40 per cent.

What are your capex plans for the next couple of years and where they going to be? How are you going to fund your capex plan?

Diversification of the product basket within home textiles and growth has led the need for capacity expansion. We have ramped up our capacity from 45 mn meters to 68 mn meters in FY15 with an incremental capex of ₹80 crore. We expect the utilisation rate to expand from the current level of 65 per cent to 98 per cent on expanded capacities by FY17. We intend to further increase our processing capacity from 68 mn meters to 90 mn meters with a Phase I brownfield project by December 2016 with an investment of ₹175 crore. We would spend ₹50 crore to set up an an Effluent Treatment Plant and



Interview

₹50 crore for cut-n-sew operation and for automation of the stitching process. And balance of ₹75 crore on capacity building. We have already highlighted that demand environment, especially for exports out of India.

India's share in the US' home textile market is likely to increase from the current level of around 45 per cent to 70 per cent over the next few years. Therefore, we remain confident that we will be able to achieve the highest levels of capacity utilisation even with the expanded capacities.

The capex will be funded by a mix of debt and internal accruals, with the majority portion being funded by the latter. We intend to borrow ₹50 to 70 crore for capex. As on September 30, 2015, our long-term debt stood at ₹75 crore and short-term

We will foray into the domestic home textiles' business to build a strong brand over the next 3-5 years. The foray is routed through a subsidiary majorly owned by us, and will be headed and partially owned by Asim Dalal, who had owned 'The Bombay Store' format retail chain. We will invest ₹25 crore over the next two years in this business. We would sell our brand, especially mid and premium category, through multi-brand outlets, including Home Centre and Home Stop and OMNI channel. The Indian home textile market in 2014 was at USD 4.9 billion of which 48 per cent comprises bed linen. We have no plan to set up retail outlets and will focus only on enhancing brand visibility domestically.

As an industry leader what is your view on the sector, global

competitiveness of its exports. India is a cotton surplus nation and enjoys cost advantage in terms of raw material costs and labour as compared to China.

A lot of business is also migrating from Pakistan and Bangladesh to India due to India's stable geopolitical situation and compliance with better environment and labour laws. The European market is well-developed and a high-end market. Indian textile companies are at a disadvantage due to high import duty that Pakistan and Bangladesh are exempted from. I feel there is a big gap in terms of what Indian companies can offer and what they are able to do today. If India signs the FTA with Europe, Indian textile companies, including Indo Count, will have a level playing field with competition and get an advantage to increase their exports.

Most importantly, the Indian textile industry has not only benefitted from the play of global factors as I just mentioned but there's also the fact that a stable and decisive government at the centre has given the much desired impetus to businesses in India. India for some time has been a dominant contributor in the home textile markets globally and with the new policy and exports' focus of the new government through the 'Make in India' campaign it is becoming a brand by itself. With India's share in the US home textile market growing at about 11 per cent as against 7 per cent for China, I feel the Indian textile market is in a sweet spot for the next five years. All opportunities come with a challenge to deliver, and the Indian players who stand to the occasion and deliver would be the key beneficiaries.

We as a Company believe **"Every Smile Counts..."** and are committed to the social cause. Your Company has initiated activities towards enhancing infrastructure facilities in rural areas with focus on healthcare centers and educational institution.



debt was at ₹180 crore. Going forward, we will become a debt-free company. Phase II is under consideration for further augmentation of capacity expansion and yet to be approved by the Board of Directors. It is expected to be a mix of greenfield as well as brownfield expansion with an outlay of ₹300 crore; this expansion would also include backward integration for weaving.

What is your strategy to grow into domestic home textile business and how much business you expect in next couple of years from this segment?

markets and policy regime in India?

I am still learning, and experience teaches a lot. To share my thought process, post the 2008 meltdown, the global markets have recovered from the bottom, especially the US. This improvement in consumer sentiments is very heartening. If you look at the global home textile trade, India, China, Pakistan and Bangladesh are the major suppliers to the world. Increasing competitiveness of India over China, Pakistan and Bangladesh has made India a major player in the home textiles' arena. Over the years, India's share has been increased significantly driven by improving