



“Indo Count Industries Limited
Q4 FY '24 Earnings Conference Call”
May 28, 2024

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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



Moderator:

Ladies and gentlemen, good day and welcome to Q4 FY '24 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 star then zero 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, sir.

K R Lalpuria:

Thank you. Good afternoon and a very warm welcome to all of you to the Indo Count Industries Limited Q4 and FY '24 Earnings Call. I have with me Mr. Muralidharan, our CFO, and Strategic Growth Advisors, our Investor Relations Advisor. Happy to connect with you all once again to discuss the Q4 and FY '24 performance.

Let me start with the industry and business scenario during Q4 and FY '24. The momentum of the previous 9 months continues and I'm happy to share that we concluded FY '24 with record performance. Our strategic focus on market penetration has driven sustained double-digit revenue growth for this financial year.

I am pleased to inform that in FY '24, we have achieved our highest ever quarterly and yearly revenue of INR1,093 crores and INR3,601 crores, respectively. Additionally, we have recorded our highest ever annual EBITDA in FY '24, amounting to INR603 crores. Our net worth has now crossed the INR2,000 crore mark. It is worth noting that this year, we have delivered on our volume and margin as per guidance.

Now let me talk about the market scenario. Retail sales in the U.S. market have remained resilient and almost returned to pre-COVID levels despite higher inflation and borrowing costs, driven principally by consumer spending and the growing influence of e-commerce. Looking ahead, we anticipate sustained demand on amount of easing inflation and likely interest rate cuts solidifying our leadership position in the global home textile bed linen market.

We continue to strengthen our product offerings and deepen customer relationships, prioritizing long-term brand health. This strategic focus ensure we remain well positioned for the ongoing growth. On the domestic front, India aims to boost textile exposed to \$600 billion and expand the domestic market to \$1.8 trillion by 2047, focusing on quality, sustainability, and global leadership.

The home textiles market is strong, driven by global demand from the hospitality and residential sector. While India leads in home textiles, there is room to increase our global market share by leveraging the China Plus One strategy, India can add another \$10 billion in exports potentially raising our global market share. Additionally, free trade agreements with the U.K. and EU will further boost our competitive edge. The Indian home textiles industry stands at a crossroads of



innovation and growth by capitalizing on international and domestic opportunities and embracing sustainable practices, we can unlock significant potential in this dynamic market.

Now our company's performance highlights.

We achieved 18% revenue growth in FY '24 and successfully met our volume and margin guidance.

Coming to our Q4 performance. EBITDA margin of 15% was on account of onetime promotional activities, which increased the other expenses and therefore, impacted EBITDA margin by around 2%. This is one-off scenario was in this particular quarter. We expect the benefits of this to play in the coming quarters and are confident to maintain the EBITDA in our guided band of 16% to 18%. We improved return ratios, ROE and ROCE while maintaining our debt-to-equity ratio in spite of this tremendous growth.

Our disciplined hedge policy for raw materials enabled us to remain competitive. The inventory built up towards year-end is aligned to service expected higher business activity in FY '25.

Now the strategic growth and brand expansion. We are embarking on the next growth phase, laser-focused on amplifying the contribution of branded products to our revenue. With the acquisition of the iconic Wamsutta brand, a stalwart in the American market for over a century and the expansion of our licensed brand portfolio with Fieldcrest and Waverly, we are strategically positioned to derive higher contribution.

The potential of the Wamsutta brand to add revenues over the next 3, 4 years is substantial, with half of this anticipated from the bedding segment and the remainder from complementary home products like rugs, towels, curtains, windows, etcetera.

Our steadfast commitment to branded B2C and D2C channel is yielding promising results, steadily increasing our market footprint. Moreover, our licensed brand opens door to a diverse customer base. Fieldcrest caters to the dynamic young population, while Waverly appeals to those seeking stylish home decor, particularly in the emerging American market.

This expanded reach across the U.S. and Canada market promises to bolster our margins and profitability. Besides our facilities will manufacture this product for the end market thereby increasing our utilization level along with getting benefits from operating leverage. We strongly believe this strategic move position us well for sustained growth.

Now let me talk to you about our ESG initiatives. Indo Count Industries Limited achieved a significant milestone with the inauguration of our 9.3-megawatt solar power generation unit in Gujarat. This strategic move underscores ICIL's unwavering commitment to green energy usage. With over 90% of the Bhilad unit operation now powered by renewables resources and to sustainable and responsible business practices.

By embracing solar energy, we have not only significantly reducing our carbon footprint but also optimizing energy cost, showcasing our proactive approach to environmental stewardship. Moreover, I'm delighted to share that our company's total renewable energy capacity has now



reached an impressive 21.5 megawatts. This initiative, combined with our recognition in Walmart's project, Gigaton unequivocally reflects our steadfast dedication to fostering a greener future.

On awards and recognition, I am delighted to share some remarkable achievements by Indo Count Industries Limited. We have been honoured with 3 prestigious National level awards from the CITI Birla Economic and Textile Research Foundation for the year 2023-'24. This award recognized our excellence in best practices in social responsibility and green practices, innovative material management and as the runner-up for best sustainable retail practices.

Additionally, Indo Count has been bestowed with TEXPROCIL's Gold Trophy for the highest export performance in MADE UPS for an impressive 5 consecutive years. This accolade serve as a testament to ICIL steadfast dedication to sustainability, innovation, and excellence. We take immense pride in being recognized for our efforts and remain fully committed to driving positive change in the textile industry.

Now let me share with our consolidated financial performance.

Volume, sales volume for Q4 FY '24 stood at 28.7 million meters versus 20.4 million meters in Q4 FY '23, a growth of 41%. Sales volume for FY '24 stood at 96.8 million meters versus 74.7 million meters in FY '23, growth of 30%.

Total income, INR1,093 crores in Q4 FY '24 versus INR810 crores in Q4 FY '23, a growth of 35%. Total income, INR3,601 crores in FY '24 versus INR3,043 crores in FY '23, growth of 18% on a Y-o-Y basis.

EBITDA, EBITDA for Q4 FY '24 stood at INR166 crores versus INR147 crores in Q4 FY '23, growth of 13% on a Y-o-Y basis. EBITDA for FY '24 stood at INR603 crores versus INR486 crores in FY '23, growth of 24%. EBITDA margin for FY '24 stood at 16.7% versus 16% in FY '23, growth of 78 bps.

PAT, INR92 crores in Q4 FY '24 versus INR95 crores in Q4 FY '23. PAT, INR338 crores in FY '24 versus INR277 crores in FY '23, a growth of 22% on a Y-o-Y basis.

EPS is INR4.64 in Q4 FY '24. EPS is INR17.06 in FY '24.

Net debt to equity is 0.32x as on March 31, 2024, against 0.33x for the previous year.

For financial year '24, ROE is 16.2% and ROCE is 18.8%.

The inventory for year ended 31st March stood at INR1,143 crores. This should be looked at from the perspective of the increased guidance.

The Board of Directors has recommended a higher dividend of INR2.20 per equity share of INR2 each. That is 110% subject to the approval of shareholders at ensuing AGM. The dividend payout stood at 12.89% and has been kept stable in order to use the cash for increased investment in business, especially the recent acquisition and inventory buildup.



With this, I open the floor for the question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Palash Kawale from Nuvama Wealth.

Palash Kawale: Congratulations on the very good set of results. Sir, my first question is on realizations. So now that the cotton prices have stabilized, then contribution of the utility bedding is increasing in our total product mix. How do you see realizations moving forward in next 2 years?

K R Lalpuria: Definitely, Palash, our focus is on the value-added products. And as we keep on mentioning that our focus is to how -- through brand acquisition, through branded licensed brands and through fashion, utility, institutional bedding, which we started 5 years ahead -- 5 years before, so we are focusing on the value addition and definitely through operational leverage as well as selling better goods, we intend to improve our margin going forward.

Palash Kawale: So my next question is on the share of India in bed space. So if I look at the data, the market share of Pakistan has increased a lot and our market share -- like Indian market share is -- like it was 21% last year and it's 21.3% in Jan to March. So what is the reason behind this? Pakistan is gaining a lot of market share, and we are at stable levels?

K R Lalpuria: See, this is due to because Pakistan consumes MMF and in India MMF is expensive by almost 25% where China is cheaper. So India has so far not focused on the filled product. So even if you look at the various drawback structure where the duties get refunded. We are not refunded on the synthetic part. So hence, it becomes not competitive.

And secondly, the freight also plays an important role on to like shipping filled products, which is more voluminous than weight oriented. So I think slowly, as India rationalizes the synthetic prices, we'll see an uptick here. And secondly, most importantly, we all players had focused on the sheet side of the business and have not built the back end to service this product category.

Now recently, like last year, we invested almost INR60 crores on building a world-class fashion bedding unit. So that goes like without saying that now we are well positioned into servicing this product both front end and back end. And with the brands in our kitty, definitely, it will help us to inch forward in this particular category.

So I think there will be improvement in the coming years as how we see the China +1 happening on the sheet side, which is very apparent. Slowly, it will trickle down to these categories also.

Palash Kawale: Okay. Thank you for giving the revenue contribution from business segments. Sir, if you could give any sense of how the margins are for like branded businesses and fashion and utility or unique e-commerce business, that would be really great and even in home like domestic market?

K R Lalpuria: So we should look at holistically. I have predefined earlier that now we are working on almost 7 verticals apart from the sheet, which is a commodity. So we are working on fashion, utility, institutional, e-commerce, license brand and brand business as well as domestic.



So every business is in itself a business to us. And we are formulating strategies in order to grow each of this business to world-class and thereby, like both when you see how India is well positioned and India as a country also doing well in the domestic front, we see big opportunities in all these segments.

So definitely, like going forward, our focus will be how we can elevate to the next level through all these different categories of businesses, which we are currently doing. And we have a good audience to customer worldwide. We export to more than 50-plus countries. And we have performed well for all these years in the eyes of the customers.

So definitely, whatever B2B, which we were doing earlier will now transform to B2C and D2C and that will definitely provide us an edge because we will be able to service omnichannel and a 360-degree like product range into not only the bedding area, but we are also moving up with the brands to other categories of products. So definitely, with all this mix, you will have a better edge going forward and it will make better margins going forward.

Moderator: The next question is from the line of Surya Narayan Nayak from Sunidhi Securities.

Surya Narayan Nayak: Congratulations for good set of numbers in turbulent times. So a couple of questions. One is that the value-added segments have improved from 46% to 51% Y-o-Y. So where do we see because the recent acquisition of the brands and tie-ups -- so what are the kind of traction we are going to see in -- for the next 2 to 3 years? So can you go up to 25% or so of branded business?

K R Lalpuria: Brand Wamsutta, we'll be launching in this spring FY 2025 in this September. So we'll see some traction happening in the fourth quarter. And slowly, we will build up this brand. Also these brands -- licensed brands like Fieldcrest and Waverly also, they will become active in 2025. That is FY '26. So once we start activating them across the board to different product categories and different set of customers, we see that the traction building in the coming year.

So going forward, like say if we start with say 5% up to 10% and then maybe probably our endeavour is to go up to 15% of our revenue in the branded business. But looking at the trend, the consumer preferences and the elevation of premium to branded segment, we have to wait and watch how these trends move forward. So definitely, we have set good plans to see that this becomes quite successful in our overall portfolio of revenue and slowly we will endeavour it to reach to almost 10% plus. That's where we are currently targeting.

Surya Narayan Nayak: So incrementally, you have recently given to media a notion that you are eyeing for \$100 million in next 2 to 3 years. So that amounts to roughly 23 million meters for the branded segment as well as the Wamsutta and for the brands around 15 million meters. So if we put together our utilization rates will be improving. So what is the plan ahead? And going forward, whether we would be looking forward to maybe capacity expansions maybe '26-or-so?

K R Lalpuria: So first of all, you see we did mention that we believe that we will reach \$100 million in the next 3, 4 years, which is correct. But you need to consider you see out of this \$100 million, around \$50 million, \$60 million will be bed linen and the rest would be like towels, rugs, and other product categories, which we will outsource. So definitely, you need to consider that in this overall \$100 million, the utilization for bed linen will be not \$23 million what you calculate but



it could be close to around \$10 million to \$12 million because it is high value as well as it is like part of the overall revenues.

So this is what will be the outcome. And once we reach the optimum level of our capacity utilization, definitely post this, the Board will take appropriate call and see that how we can expand the capacity further because we already have on GHCL acquisition, a land over there, which is additional where we can expand our next line of processing.

So we do have infrastructure. We have already invested into the core capex. And we have the capacity also which is like flexible and scalable. So definitely, all this will provide us the necessary inputs to grow our brand sales going forward. And that's why we are quite confident that in the next 3, 4 years, we should be able to build a branded business of almost \$100 million.

Surya Narayan Nayak: So, is it safe to assume that 85% utilization will be trigger for -- creating or let's say, looking for the -- for full next capex, sir?

K R Lalpuria: That should be considered most like FY '27, I'd say, probably. But if we are lucky and if we are more successful, then definitely, we'll come forth in '26. We are a debt-free company. We have financial resources to go in for any kind of expansion in the future and the plans which we are making, as I mentioned in the 7 verticals, we are expanding each one of them. So we'll be ready. If there is any need towards expansion, we will definitely think of and we will report -- come back to you as and when the capacity utilization improves.

Surya Narayan Nayak: And sir, for the -- these additional branded segments. So what would be the realizations higher than the -- in the normal commodity range. So can it be around 15% to 20% higher?

K R Lalpuria: See, normally, it is like what we've just now mentioned, it is around 15% to 20% higher than the normal range, because there are expenses to be considered. And as an equity, you need to differentiate, and the product is also more rich -- has rich inputs rather than the commodities. So definitely, this should be the ballpark in the premium and the branded segment.

Surya Narayan Nayak: So with 15% increment in the realization, you would be seeing a realized EBITDA margin improving from 17% to around 25%?

K R Lalpuria: ~ 17%

Surya Narayan Nayak: 25%, in that particular category. Current margin is around 17%. So in those categories of branded segments. So can we expect higher EBITDA margins?

K R Lalpuria: Yes, of course, we cannot define that because you see in branded segment also, there is a product mix change. And which segment you are servicing, that needs to be considered. but definitely, above 20% plus, you should always consider for the branded segment revenue.

Surya Narayan Nayak: So what will be the range, broad range of EBITDA margin from lowest to highest?

K R Lalpuria: 20% to 24% should be considered.

Moderator: The next question is from the line of Jatin Damania from Svan Investments.



- Jatin Damania:** I just wanted to understand, in your initial remarks, you indicated that the last quarter EBITDA was impacted by incremental spend on the promotional expenses. But then later you indicated that Wamsutta brand launching traction would start from September onwards. So does that mean that for initial 6 months or 9 months of this financial year, our promotional expense will continue to remain at the higher level?
- K R Lalpuria:** See, certainly, we have to create the infrastructure and the back end as well as the front end. So definitely, there will be expenses. But this all will get absorbed by the realization margin, which we get on branded business. So that will be an investment, which we will do in the coming quarters. But definitely, we will plan in such a way that we get those realized with our extended margins.
- Jatin Damania:** Yes. But then extended margin will start coming out from the Q4 onwards largely on the branding side?
- K R Lalpuria:** Yes. Once we start delivering the goods, definitely the margin will get visible but the question which you raised is that will there be additional promotional expenses during this -- the first 3 quarters, the answer is, yes, to a certain extent. But we have to look from a medium and long-term point of view for any brand promotion, which we cannot expect like in the first quarter when you acquire some brand and from the very next month or in the next quarter, you'll start getting results. It has to be planned for seasons and the seasons are all 6 months apart. And then you have to draw in the necessary customer base to make it much more successful as for the trends prevailing in that market at that point of time.
- So that is how we should look at it. This is a very strong brand, a national brand. It does not need any introduction. So definitely, apart from adding new customers and opening new doors to us and with the existing customers even we look at enhanced businesses and that's the reason we acquired this brand and invested into it. So with whatever the expenses, which will happen, we will draw a proper brand strategy to see that how we can recover those expenses and absorb it in our futuristic sales.
- Jatin Damania:** So that is it's fair to assume then the guidance that we have given 110 million meter to 115 million meter, it's excluding the contribution from Wamsutta?
- K R Lalpuria:** To some extent, yes, you are right.
- Jatin Damania:** Okay. So that anything that can come in Q4 on Wamsutta will be additional to the numbers or the guidance that we have given with a better margin?
- K R Lalpuria:** So that's why we have kept the band, as well as a band for both volume guidance and margin guidance.
- Jatin Damania:** Okay. Sir, second thing, I mean, previously, during our last interaction in the call, you had indicated that we are looking at the -- doubling our revenue from INR3,000 crores to INR6,000 crores in the next 3 years. So -- last year, we were at INR3,000 crores, this year, we clocked at around INR3,500 crores. So are we still maintaining that guidance of INR6,000 crores by '26 or probably we could see some delay in that number as well?



K R Lalpuria:

So we are seeing that happening in 2027 because the situation has also to improve. See, there are still geo-political reasons for business disruptions, the Red Sea, the war, like various inputs, which are increasing in India. The Indian inflation is like almost more than 6%. So you need also to look for all these moving pieces and consider. But definitely, our endeavour is to see that we do this revenue growth to doubling it by, say, 2027, like FY '27, we should safely take it.

Jatin Damania:

Sure, sir. And sir, last question on the Wamsutta. In the previous participant answer, you indicated that \$50 million will be attributed to bedsheet and remaining \$50 million will be outsourced. So has any given point of time as a company, are we thinking to venture into other home textile business other than the bedsheets so that whatever the outsourced item that you are taking it, we can supply through in-house only?

K R Lalpuria:

Yes. See, definitely, we keep our doors open to all opportunities and we are a manufacturing setup. We are quite experienced in this business of manufacturing for the last almost more than 3 decades in textile. So whenever there is an opportunity of adding on any product category, which makes sense to our business, which provides synergy, which provides margin to us and which have a good payback, the company will definitely have the philosophy to invest into it.

As we are slowly building on this branded business as we see a great opportunity out there in premium and branded segment as the luxury and affluent business, what we read from the various reports of McKinsey, BCG and various other consultants are coming in showing that there is an increase on the luxury side of the business. And that's what we would like to tap going forward. And once it develops into a good revenue, definitely, we can always add on the back end just like how we add on different product categories.

So we are open to all these investments and our company is also having AA- credit rating. So as far as raising finance is concerned, we are well off, like we can always raise finances for new capex for any product category to add.

Jatin Damania:

And last question on your brand expansion also, or probably the license tie-up that we are doing with Iconix International. So can you explain what is this tie-up for?

K R Lalpuria:

This Iconix International owns the Fieldcrest and Waverly brands. And Iconix is a very well-established licensed brand and brand house, and it is very well known. So it provides us opportunity to tap other brands from the same company. Once you perform with Fieldcrest and Waverly, then definitely, they will think that we can handle the brands well and that opens doors for their other brands which they own. So it is a beginning of a good relationship with this company.

Secondly, Fieldcrest and Waverly are also 100 years old. And we have, by acquiring Wamsutta and licensing Waverly and Fieldcrest, we have addressed the demographics of the brand because Wamsutta has a 45-years age and above brand recall value, Waverly has got 94% feminic c recall value and it is more print and stylish driven as well as Fieldcrest is addressing more to younger generation, 25 years and above.



So that completes our brand strategy to address all sections of the consumer. And since we have the entire product range on to the bedding side, which formulates 50% of home textile, we should be able to address the complete demography by this brand licensing and acquisition.

And we are not stopping here. Whenever we see a brand opportunity now, since we are recognized in the market to handle brand, there will be opportunities for us that licensing companies will come forward and offer us this brand at a good reasonable contractual value.

So this is what the opportunity is. And by doing this branded segment, what we have been alluding so far is about elevating us to the premium and branded segment, because we were catering to the mid- to high segment. So this brings in another level of acquiring the segment or positioning of the brand in those segments to increase both our revenue and margin profile.

Jatin Damania: So sir, likely indicator for Wamsutta of \$100 million in the next 3 to 4 years. So Fieldcrest revenue would be how big in terms of the revenue contribution for next 3 to 4 years?

K R Lalpuria: No, I didn't get your question, please.

Jatin Damania: Sir, like Wamsutta, you indicated it's a \$100 million opportunity, right?

K R Lalpuria: Yes.

Jatin Damania: So with this licensing tie-up for Fieldcrest and Waverly, how big that opportunity would be?

K R Lalpuria: No, there will be additional revenues. What we mentioned is like \$100 million branded business. So this includes like Wamsutta, Fieldcrest and it can go further up because we acquired Wamsutta first, so we planned \$100 million, now since Fieldcrest and, Waverly and we will tap more revenues from this. That's what I mentioned in my earlier reply

Jatin Damania: So \$100 million is inclusive of all the brands?

K R Lalpuria: In my earlier answer, I had mentioned about that we are planning to see that how we can grow our market share from, say, 5% to 10% to 15% of entire revenues. So I hope I answered your question?

Jatin Damania: Yes, yes, sir.

Moderator: The next question is from the line of Hemangh Kothadiya from Anvil Share & Stock Broking Private Limited.

Hemangh Kothadiya: Congratulations on the great set of volume growth. Sir, my question is on the Red Sea crisis, is that impacted the freight cost for us like big manner. Because I heard the freight costs has increased by twice of pre basically Red Sea crisis, so what is our stance on that?

K R Lalpuria: See, first of all, our sales to the U.S. is more than 70%, where we sell FOB basis, number one. Number two, -- you are right that the freight costs has gone up, so it is a nuance. And we have been discussing with the customers to see how we can absorb that. There is not much of an impact on to our expenses to a certain extent. But definitely, this is one of the -- what you can

say a troublesome area that Red Sea is still continuing. So we are waiting and watching and seeing that how it gets resolved. But it is for everybody. It is universal. So everybody is impacted through that. So being universal, we are able to address it much better.

And secondly, one more important thing because U.S.A. is not impacted as such with this, because it goes with Cape of Good Hope, where only you are increasing the working capital by 15 days. So that is the other submission from my side.

Hemangh Kothadiya:

And sir, on the solar power, we are setting up 8-megawatt incremental and plus around 8-megawatt which we set up last year also. So what kind of savings are you expecting from the -- because of the use of solar power and normal green power basically.

K R Lalpuria:

See first of all, we need to look at from compliance standpoint, how the world is moving towards to. So for - customer base in developed nations, they are trying to become much more serious about requirements of sustainable deals. So they want green energy to run the plants. And that's why from a compliance standpoint, our company is getting ready, being a global company. So number one is that reason.

Secondly, there is optimization of cost as well because you see the power cost in India is going up. As the consumption is moving up, you see the power cost is also going up. The transmission cost is going up. The generation cost is going up. So we need to offset that. So whatever that optimization happens will bring in definitely some savings and we will become competitive. So we do not cry over the rates, power rates all the time. So the company is trying to become self-sufficient into its own generation of green energy for the future. So slowly it is taking steps towards becoming that self-reliant.

Maharashtra, where we are located, do not have a sound solar policy because they allow only 1 megawatt on one meter. So recently, they increased in the textile policy to 4 megawatts. But still the notification is not out, according to which we can invest into it. So once that is out, we'll further increase that 1 megawatt to 4 megawatts in our plant at Kolhapur. So that is how we are shaping our renewable energy initiatives.

Hemangh Kothadiya:

Right. And the zero-liquid discharge effluent water treatment plant of INR50 crores, that is at Gujarat unit, right?

K R Lalpuria:

Yes, at Bhilad plant, because you see, as I mentioned, on the compliance side now, everybody is focusing on zero-liquid discharge. So we need to upgrade our unit. So we are investing into it so that there is a lesser freshwater intake. And secondly, you are discharging no effluent because in Bhilad plant, we have a free discharge. So we have to see that in the future, we build this zero liquid discharge, so we save ourselves on any eventuality.

Hemangh Kothadiya:

Okay. And sir, last question on the Wamsutta brand that outsourcing part, what we discussed earlier with one of the participants, so like towels and other parts of the home textile market. So do that thing can dilute our margins going forward because traditionally, we are getting 18%, 20% margin in licensed brand.



- K R Lalpuria:** Why to dilute? Why you should think like that? The towels are also sold in branded segment at a higher price. So you have so many people selling in brands. You see their margin, they are higher. So we are focusing on the branded segment and drawing in product in that branded segment, we are not saying that we are going to put up a towel plant to sell commodity.
- Hemangh Kothadiya:** Right. Fair enough, sir. Congratulations and once again all the best for the future.
- Moderator:** Our next question is from the line of SimranJeet from Almondz Financial Services Limited.
- SimranJeet:** Sir, I have three set of questions. First question is, how you see the demand trends in the U.S. as you know, inflation is still high there? Second, what is the timeline to bring down your consolidated debt? And third, if the U.K. FTA happens, let's say, somewhere down the line, how will -- it will be benefit to the Indo Count?
- K R Lalpuria:** Can you tell me the second question again?
- SimranJeet:** Sir, what is the timeline to bring down the consolidated debt on the books for -- to reduce...
- K R Lalpuria:** And the third question?
- SimranJeet:** Sir, third question is for the U.K. FTA, which is still pending, if that comes into play, has seen benefit to Indo Count?
- K R Lalpuria:** Sure. So first of all, as I mentioned in my speech also, that what we observe is that the inventory levels with the retailers are normalized. And we are getting impacted only due to the inflationary measures so that discretionary product is not bought to the extent what it used to be pre-COVID level.
- So we still have to wait for some time from the market enthusiasm to return. The inventory pipeline is dry. And that's the reason we said that we mentioned that the demand is stable, and it continues, only the pain point is the inflation which monetary policy that U.S. government is addressing this and that we will see post June also if there is a correction that will definitely help the economy.
- So the demand is like I can only say in one word, FY '25 is better than FY '24. That is number one. Number two the debt. The philosophy of the company has been always to plough back our profit due to the business for both growth and debt reduction and that will continue.
- So whenever we see an opportunity where we do not have cash to invest in growth, we'll reduce our debt. And our endeavour is to become a debt-free company. So that goes without saying. But whatever working capital which we need, we have to deploy that, whether it is supply chain, whether it is any compliances for solar energy or with anything. So we need to do that. So definitely, our philosophy is to reduce the debt and say in the next 2 to 3 years, you will see there will be a further reduction in the debt as we draw in more operating cash.
- The third is about the U.K. FTA. What we hear is that the primary discussion has already completed. And there are no hitches between the two government to declare the FTA. But they are taking their own time to declare it. We feel that this will be cherry on the cake.



So whether it is FTA or non-FTA, we are not concerned to that extent. We are drawing in good business in the U.K. market. We have an office in Manchester, U.K., where we have started distribution also. So we are slowly inching towards more market share. So whether there is FTA or no-FTA, we are not to that extent, impacted.

But yes, definitely, when the FTA happens, there will be a good development that we will come to level playing field with Pakistan and Bangladesh who enjoys duty-free access, just like how UAE and Australia, the business is inching up. This will provide us an opportunity to explore and explore and exploit the market more.

Moderator: The next question is from the line of Zalak Rathi from Agility Advisors.

Zalak Rathi: Congratulations on a good set of numbers. Could you help me in understanding the valuations at which Wamsutta brand was acquired, as it was acquired for approximate INR85 crores on a generated revenue of INR4,000 crores. And in one of the interviews, you gave guidance of this brand will add to top line of INR800 crores in next 2 to 3 years and no debt has been acquired. And as it is a premium brand having legacy of 178 years. So how did we end up at the valuations of INR85 crores?

K R Lalpuria: So definitely, good question. This was a great opportunity for us to acquire because there are very few companies which have the kind of supply chain, which we have. The kind of product range, which we have. The kind of innovation and the front-end and back-end setup we have. So Beyond INC, took over the assets of Bed Bath & Beyond at say \$ 23 million, which included this IP of Wamsutta as well, -- they were customer to us, and we were selling them products.

And they were convinced that the kind of product range which we have and the kind of marketing strategies, which we have evolved over a period of time, provided them the necessary confidence that we will do -- justice in promoting the brand across the globe, not only in the U.S. and the Canadian market. So we discussed about this opportunity, and we were able to convince them to buy out this brand from them at INR85 crores. So that is the first thing I would like to submit.

Secondly, Bed Bath & Beyond the retailer used to have this brand in their kitty. And for the last 10 years, since 2012 to 2022, this brand did almost more than \$500 million at sale because specialty stores like that, particularly in home textile, which was across categories. So it was not only bed linen, but it was towels, rugs, windows, and all sort of accessories, etcetera. So they did a very good business in Wamsutta brand till they liquidated. And now that was around \$ 500 million and at the peak, they had achieved in a particular year was \$800 million. And the average was around \$500 million every year.

So this gives an opportunity for us that with a legacy of 178 years, where the brand recall value in the U.S. is more than 75%. And plus its specialty and departmental stores, which gets us elevated to the premium and branded segment, we thought that this opportunity was good, and we acquired this brand from a long-term and both medium-term standpoint. We are selling like fashion bedding, utility bedding, institutional bedding, and e-commerce, where we can leverage the strength of this brand to promote it in each channel of distribution. So that is the objective.



And we also scale up both our product profile, our positioning, our margin profile, our capacity utilization and having a complete perceived better value in the marketplace, not only in the U.S.A. but across the globe. So this was the entire objective, and this was the value, and this is what we intended to have the sales, which we have mentioned that we are confident with the kind of product base and the customer base which we have, we should be able to have at least built up \$100 million revenue in the next 3 to 4 years.

Zalak Rathi: Okay, sir. And how do we plan to penetrate in Indian market like increase our share?

K R Lalpuria: Definitely, it's a good question. We are looking very positive about the Indian market. We have established and we are inching towards better distribution as well as better exposure to the large format store. And this particularly brand will give us a leverage to position it on to the premium segment over here as we see that India is a growing market where the middle class is aspiring to use better end products and the luxury segment is also growing in India. So this gives us a competitive edge to promote this product in the Indian market as well where we are bullish on.

Zalak Rathi: Could you give a guidance like what market share we expect?

K R Lalpuria: Not at the moment, guidance for what like we already gave a guidance of \$100 million we'll do in the next 3, 4 years.

Zalak Rathi: For Indo Count only, what market share do we target in Indian market for our fashion utility segment and all that. Like currently, we do have 2.5% share in the Indian market. So what target do we keep to expand it? Any target for that?

K R Lalpuria: Definitely, we are planning around 6% to 7% of our revenues going forward because we have various strategies under our sleeves to see that how we can expand our market share in the Indian market. But as you know, you see Indian market is not organized yet. And the unorganized sector is slowly getting into the organized segment. So we have to see that how we strategize to see that we speak about market share in India, which is like coming for because it's still fragmented.

Moderator: Our next question is from the line of Ashwini Agarwal from Demeter Advisors LLP.

Ashwini Agarwal: Congratulations on a very good set of numbers and achieving the targets and for the guidance that you have provided. So referring to your opening comments where you said that almost 200 basis points of margin losses on promotional activity. Could you help us understand what this is because all the brands we've acquired will be launched much later in the year?

K R Lalpuria: See, when you acquire a particular customer or when you acquire a particular promotional business, you have to see that how you can penetrate the market with that share. So we jointly decided that we will promote that into marketing with the product or the promotion in a proper way and that's why we had to support the customer.

Ashwini Agarwal: Okay. And sir, on a strategic basis, like you're hoping that by, say, March '27, fiscal '27 year-end Indo Count will be at INR6,000 crores. So that should unlock a high amount of operating leverage if you go from currently roughly about 2/3rd the capacity utilization to 80%, 85% plus the contribution from brands. But the question I have is that as a strategy, do you think you want



to keep the margin stable at 16% to 18% and reinvest the additional margins into brand building, into distribution, into new product development. And therefore, the margin profile as financials are presented will be more stable? Or do you think there is room for upside because the amount that needs to be invested in brands is fairly -- is going to be paid for by the brands themselves?

K R Lalpuria:

So definitely, you see we all work towards more value addition at each step in each business product category as well as channel of distribution. We always look for opportunities where you can make extra margin. So our endeavour is to see that how we can develop our margin profile going forward and that's the basis of the entire strategy to acquire the brand and work out the license brand so that whatever commodity which we produce or whatever product which we produce, currently, we can scale up to the premium and the branded segment.

And definitely, once we utilize our capacity, there will be definitely operational leverage. But at the same time, as I mentioned, you see that we are in a country which is growing at a 7% GDP plus. So definitely, the input costs are also challenging. And as what we see the various disruption, so we have to be geared up. So it is a 2-edged sword, which we need to balance it out. But to answer your question, definitely, our endeavour is to see how we reach better margins going forward with both operating leverage as well as product elevation.

Ashwini Agarwal:

Okay. And sir, does the brand-led strategy need more working capital fundamentally?

K R Lalpuria:

Not exactly but there would be some expenses which will be associated with this, whether it is talent acquisition, whether it is distribution, whether it is marketing expenses, selling expenses. So those will be associated. But as I mentioned in my earlier answer, we will have a proper brand strategy to see that these expenses get absorbed in the process and we make a higher margin.

Because this will add on to the cost of the sale and definitely, we'll keep aside a positive margin or elevated margin to make on the brand itself. Because the retailer also when they position a brand, if they scale up their margin to see that how we can make a better margin on the product rather than a non-branded product. So definitely, you see there will be expenses, but it will be getting absorbed in the process.

Ashwini Agarwal:

No, no, I was asking about working capital. Do you need more working capital for brands versus commodity end?

K R Lalpuria:

Not exactly. To a certain extent, you will need but not completely like you can differentiate between a normal business and a branded business. You need to keep some working capital for it when you launch a particular collection. But that will be all planned on the made-to-order basis rather than on a made-to-stock basis.

Moderator:

The next question is from the line of Dhavan Shah from Alfacurate Advisors.

Dhavan Shah:

So my question is on the gross margins. Given that the commodity -- the cotton prices has been declining plus the value-added mix has also been improved during this quarter. So why the gross margins are down on a quarter-on-quarter basis? Because if I understand correctly, I think Q2 and Q4 are more seasonally good quarters in terms of the branded business, right?



K R Lalpuria:

See, we should not look at the gross margin per se. The reason being we should look at what -- like EBITDA margin we get. So we keep that intact because the gross margin have many variants, like say, the Forex, the cotton prices, the sale price, the product mix, the various other like raw material, which we import of the dyes chemical, the packing material. So there are so many moving averages that you reach out to a particular gross margin in the business. But definitely, our endeavour is to protect our complete EBITDA margin, which we have already indicated 16% to 18%.

So that really is humongous to a certain extent. So you should look -- from an annual perspective, you should look at our results and you should not look at every quarter because there are changes in seasons, changes in promotion, changes into even different events like Christmas, New Year, Mother's Day, Father's Day, Valentine's Day. So all these are at different levels to promote the goods and the retailer also promote it accordingly.

So you should look from our EBITDA level. And secondly, you should look at our volume growth. So that's where the focus should be, and you should look on an annualized basis. That's my request.

Dhavan Shah:

And for meter-wise, I think if I look at the realization per meter, I think we reached to roughly INR380 during this quarter. And EBITDA per meter is more or less INR58 a meter, right, versus INR60, INR61 last year on a blended basis.

So I wanted to understand more what is the EBITDA per meter and the realization per meter differentiation between the branded and the non-branded business? And how this per meter numbers can be improved, maybe 2, 3 years down the line. This INR58 a meter can move up to INR70 a meter EBITDA?

K R Lalpuria:

See, we do not calculate actually that way like dividing the revenue with straight away the meters. Of course, at the end of the year, you do calculate in that way. But there are so many changes in textiles, if you know the category that there are thread counts, there are finer account, there are coarser count, there is cotton, there is differentiation in packaging, there is dyes chemical, you supply a white sheet or a dyed sheet. So there are so many variables happening, and the market responds to the trends and the consumer experience in a very different way. It is not like for per meter realization.

But still to answer your question, when we look at different product category, say fashion, bedding or say, branded business or say branded business on the e-commerce, definitely, you will find that the realization per meter will definitely improve. At the end of the year, we see that the EBITDA level, as I mentioned, should improve from 16%, 18%, to 18% to 20% and then 20% to 22%, that's what the endeavour is. That's what we are all working for.

So the entire focus should we get on those numbers like the EBITDA numbers. Between the quarters, there are a lot of changes happening. So that's what I requested in my earlier answer also, that you should look at our company holistically -- that's why we provide the volume guidance and the margin guidance to see that we focus on this, and we achieve those numbers.



Moderator: Ladies and gentlemen, due to time constraint, we will take this as our last question. Our last question is from the line of Surya Narayan Nayak from Sunidhi Securities.

Surya Narayan Nayak: Sir, just to understand if the cotton price, I know the margin is good there. So currently, we saw quarter-on-quarter is up around 8%. So let's say, we see the current price could be a bit of a base rate and there is little downside. So suppose from here onwards, cotton prices improve. So do you see any mileage towards the higher realization?

K R Lalpuria: See, cotton prices, you see India is pretty strong in cultivation and producing cotton and that's the reason you see the cotton prices are more or less stable around the INR, 60,000 to INR62,000 mark. So going forward also, as the indication is that the monsoons will be good. So we expect that the cotton prices should stay in the similar band. Now definitely you see once the raw material prices are stable, you can plan your business better. And definitely, the kind of cost structure, which we have put in and strategized value addition, definitely, we will try to see that how we can improve our gross margin going forward. So that is the whole endeavour.

And definitely, the cotton raw material prices always helps us into planning much better the marketing strategy. So definitely, once that happened, it gives us a competitive edge where to sell and how much to sell and what to sell. So definitely, that will improve and improve our overall business performance.

Surya Narayan Nayak: Okay. So another question is that sir, will it be safe to assume that in case the complementary products of, let's say, bath segment were to come at a lower margin then will you do justice not selling so much towards whatever we required of the particular brand because it may impact our overall margin. So what should be our strategy? Because in the bath segment, I see the lower margin compared to sheets?

K R Lalpuria: I did mention that we are not going overboard to sell a product. We are formulating a strategy to sell that in brand. So we will protect that margin. We don't want to sell towels like other manufacturers. We are saying that we will sell this product as additional complementary products in the brand itself. Unbranded, we are not focusing currently.

Surya Narayan Nayak: And lastly, sir, in the current brand whatever we are doing. So our U.S. block is around 75%, so will it further improve, or the diversification will have wherein the U.K. and EU to get more share?

K R Lalpuria: No, our overall mid to long-term strategy is to see that we have like a 60%-40% ratio, 60% in U.S. and 40% in non-U.S.

And once the FTA has come into play, definitely, that will improve the non-U.S. percentage. But by virtue of an organized market by virtue of a larger market than other development and doing well economically too, it provides us an opportunity to sell it in the U.S. in a better planned way and that helps our back end. Capacity is also to be planned accordingly to get the operational leverage because of the size of the business they offer.



So all these factors prompt us to sell or let us focus on the U.S. market rather than the other markets because the other markets like in EU and other places are fragmented and the order sizes are small, which do not match to our expectation of getting much more operational leverage.

So definitely, that push and pull always will be there between U.S. and non-U.S. markets. But as a company, our endeavour is to see that going forward, we developed the non-U.S. market also to the extent of 40% and keep the U.S. 60%.

Surya Narayan Nayak: At least by '27, we can expect that the 75% contribution from the U.S. to go up maybe to closer to 80%?

K R Lalpuria: No, no. We cannot assume like that because Wamsutta brand is a global brand. And definitely, we will spread it in such a way like in India, elsewhere as well as the U.S. also like in Canada, Mexico. So this will be equally split between U.S. and non-U.S. market.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the call to the management for closing comments.

K R Lalpuria: Thank you. In closing, I'm delighted to share that our contribution through branded B2C and D2C channel is steadily on the rise. Our persistent efforts to expand our portfolio's reach in end markets are now well supported by the addition of Wamsutta, Waverly and Fieldcrest.

This strategic move not only reflects our commitment to growth but also positions us for even greater success in the future. With this addition, we are poised to capture new market, increase our market share, and further solidify our position as a leader in the industry. Thank you for your continued support as we embark on this exciting journey of growth. 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.