

Poised for a healthy volume recovery in FY24E...

About the stock: Indo Count (ICIL) is India's largest home textile manufacturer and exporters with an extensive product range, which spans across bed sheets, quilts and bed linen. It has a presence in top nine out of 10 top big box retailers in the US

- Indo Count is an integrated bedding solution provider, boasting capacity of 153 million metre per annum of dyeing/processing and cutting /sewing. ICIL exports to nearly 54 countries with the US being the prime market (~75% of revenues and commanding ~20%+ market share in bed sheet

Investment Rationale:

- Most of the negatives behind; poised for steady recovery in FY24E:** India's home textile export market in FY23 was marred by various challenges such as significantly higher domestic cotton prices and excess inventory build-up with US retailers. Despite several headwinds, Indo Count displayed a resilient show in FY23 as volume de-growth was restricted to mere 1% vs. industry de-growth of ~32% (partly aided by GHCL acquisition). More importantly, ICIL maintained healthy EBITDA margin levels of 15%+ through better hedging of cotton prices and constant efforts towards enhancing share of value-added products (~19%). Currently, the industry is witnessing demand greenshoots as inventory levels at the global retailers are gradually correcting. Furthermore, India has regained its lost market share (for Cotton sheets) in the USA from ~ 50% in CY22 to 58% in YTD-23 (Jan-June 2023). ICIL too is witnessing incremental business and enhancement in order book position for the upcoming holiday season. We expect volumes to grow by 18% YoY in FY24 to 88 million pieces (capacity utilisation rate 57%). We expect company to cross 100 million pieces mark by FY25E translating into CAGR of 16% in FY23-25E. With positive operating leverage kicking in and stabilisation of cotton prices, we build in EBITDA margin expansion of 125 bps during FY23-25E (EBITDA CAGR: 19%).
- Expect B/S strength to solidify going forward:** On the balance sheet front, company generated healthy operating cashflow of | 750 crore in FY23 driven by reduction in working capital days from 175 days in FY22 to 130 days in FY23 (owing to normalisation of global supply chain). Subsequently, despite higher capex requirements (| 385 crore in FY23), company generated FCF of | 365 crore. Company reduced debt by around | 460 crore in FY23 (D/E: 0.5x in FY23 vs. 0.8x in FY22). With minimal maintenance capex over the next two years (~| 50-60 crore annually) and steady cashflow generation (~| 560 crore in FY24-25), we expect debt levels to further reduce by | 420 crore in FY25E (D/E: 0.2x).

Rating and Target Price

- Government initiatives like signing of FTAs with multiple countries & stability in export incentive policy to provide robust opportunities for Indian exporters. ICIL through its sizeable capacity is well poised to capture the export opportunity in global home textile trade.
- Hence, we ascribe **BUY** rating on the stock.
- We value ICIL at | 295 i.e. 13x FY25E EPS



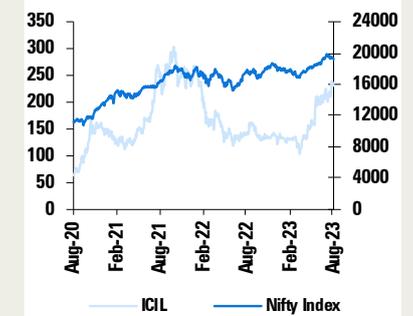
Particulars

Particulars	Amount
Market Capitalisation (₹ crore)	4,641.3
Total Debt (FY23) (₹ crore)	840.9
Cash (FY23) (₹ crore)	251.5
EV (₹ crore)	5,230.6
52 Week H / L	243 /101
Equity Capital (₹ crore)	39.5
Face Value (₹)	2.0

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Promoter	58.9	58.9	58.7	58.7	58.7
FII	9.3	9.3	9.3	9.3	9.1
DII	0.1	0.1	0.0	0.0	0.0
Others	31.7	31.7	31.9	31.9	32.1

Price Chart



Key risks

- Key Risk:**(i) lower than expected margins, (ii) Inability to maintain optimum utilisation levels

Research Analyst

Cheragh Sidhwa
cheragh.sidhwa@icicisecurities.com

Key Financial Summary

Financials	FY19	FY20	FY21	FY22	FY23	4 Year CAGR (FY19-23)	FY24E	FY25E	2 Year CAGR (FY22-24E)
Net Sales	1,934.2	2,080.1	2,519.2	2,952.4	3,024.6	11.8%	3,365.8	3,936.5	14.1%
EBITDA	155.7	183.2	376.7	544.4	467.3	31.6%	545.3	657.4	18.6%
Adjusted PAT	59.7	73.1	249.1	358.5	276.8	46.7%	347.8	443.1	26.5%
P/E (x)	77.7	63.5	18.6	12.9	16.8		13.3	10.5	
EV/EBITDA (x)	31.5	26.4	13.0	10.2	11.2		9.3	7.4	
RoCE (%)	10.0	14.6	20.2	18.5	16.0		18.5	21.0	
RoE (%)	6.1	7.4	19.4	22.6	15.4		16.6	17.9	

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I We, Cheragh Sidhwa, MBA authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration Number is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabhodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Recommendation in reports based on technical and derivative analysis centre on studying chart of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investor may visit icicidirect.com to view the Fundamental and Technical Research Reports. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendation expressed herein. ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinion expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research. The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinion expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report. ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.