

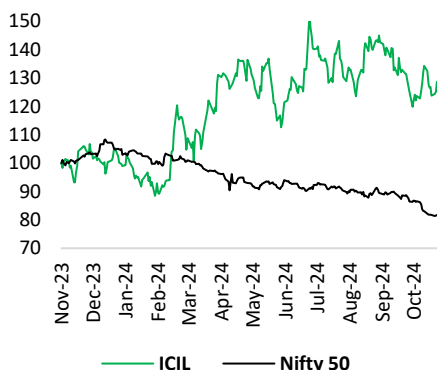
CMP: INR 354
Rating: 486
Target Price: INR BUY
Stock Info

BSE	521016
NSE	ICIL
Bloomberg	ICNTIN
Reuters	ICNT
Sector	Textiles
Face Value (INR)	2
Equity Capital (INR cr)	40
Mkt Cap (INR cr)	7,144
52w H/L (INR)	451/255
Avg Daily Volume (in 000')	62

Shareholding Pattern %
(As on September 2024)

Promoters	58.74
FII	10.69
DII	3.67
Public & Others	26.89

Stock Performance (%)	1m	3m	12m
ICIL	0.1	(8.0)	22.1
Nifty 50	(3.4)	0.2	24.3

ICIL Vs Nifty

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Indo Count delivered a weak set of results with misses on all parameters. Revenue was up 2.67% YoY to INR 1,036 Cr, missing our estimate of INR 1,080 Cr by 4% (+10.03% QoQ). GM (Ex- OI) was up 603bps YoY (+30bps QoQ). This was due to notable inventory gains during the quarter. EBITDA (ex-OI) was down 4.33% YoY to INR 157 Cr, missing our estimate of INR 180 Cr by 13% (+8.52% QoQ). EBITDA (ex-OI) margin was down 111bps YoY to 15.20%, missing our estimate of 16.67% by 147bps (-21bps QoQ). PAT was down 28.59% YoY INR 82 Cr, missing our estimate of INR 114 Cr by 28% (+4.81% QoQ). Rising input costs, including costs for raw materials, labor, and interest put pressure on margins. Investments in personnel, infrastructure, and brand promotion, primarily in the branded segment, resulted in increased costs. The macroeconomic challenges faced put pressure on volumes whilst sales remained flat.

Supply chain problems persist: The company faced ongoing challenges with supply chain and logistical issues, especially container scarcity and disruptions in the Red Sea, which affected both sales volume and revenue. These also led to rising inventory levels owing to shipment delays and supply chain obstacles. Sales and inventory levels are expected to stabilize over the upcoming quarters as supply chain challenges are resolved..

New brand forays have a promising outlook: The acquisition of Fluvitex and Modern Home Textiles in the US marked an expansion into the utility bedding segment, adding a production capacity of 13 mn pillows and 1.5 mn quilts. They also introduced Fieldcrest & Waverly brands into the US market. The company plans to generate an annual USD 100 mn in additional revenue from branded products within the next 3 years. The full revenue potential from US acquisitions is expected to be USD 85 mn annually. The capacity utilization rate of the acquired entities is expected to reach 75% by FY26.

Guidance: The margin guidance has been revised downward to 15-16% vs the previous 16-18%. They foresee normalization of working capital days by the end of the fiscal year along with significant benefits from ongoing investments over the next 12-18 months. Indian capacities should reach full utilization by FY27.

Valuation and Outlook: We assign a TP of INR 486 valued at a P/E multiple of 20x the FY26E EPS of INR 24.28, yielding an upside of 37% and a 'Buy' rating. Despite ongoing issues, ICIL expanded its presence in the US market through acquisitions and brand introductions, aiming to boost its utility bedding segment. The company plans to stabilize sales and inventory levels as supply chain issues resolve and projects significant revenue growth from branded products and US acquisitions.

INR Cr	FY23	FY24	FY25E	FY26E
Revenues	3,043	3,601	4,133	4,873
YoY growth (%)	2.04	18.33	14.79	17.91
EBITDA	486	603	649	801
EBITDA M (%)	15.96	16.74	15.70	16.44
PAT	273	338	365	481
YoY growth (%)	-16.91	23.69	20.60	31.86
EPS (INR)	13.79	17.06	18.42	24.28
P/E (x)	24.33	19.67	19.22	14.58
Price/Book (x)	3.91	3.19	2.71	2.27
EV/EBITDA (x)	15.27	12.44	10.73	9.01
Debt/Equity (x)	0.49	0.46	0.35	0.26
RoE (%)	16.17	17.42	17.95	19.12

Source: Company & Arihant Research

Quarterly Result

INR Cr (Consolidated)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Revenue from Operations	1,036	941	1,009	10.03%	2.67%
Other Income	9	9	25	4.76%	-63.51%
Raw Material Costs	414	379	464	9.21%	-10.81%
Gross Profit (Ex- OI)	622	563	545	10.58%	14.13%
<i>Gross Margin (Ex- OI)</i>	<i>60.07%</i>	<i>59.77%</i>	<i>54.04%</i>	<i>30bps</i>	<i>603bps</i>
Employee costs	106	89	81	18.45%	30.50%
Other Expenses	359	328	300	9.35%	19.84%
EBITDA (Ex-OI)	157	145	165	8.52%	-4.33%
<i>EBITDA margin (Ex-OI)</i>	<i>15.20%</i>	<i>15.41%</i>	<i>16.31%</i>	<i>-21bps</i>	<i>-111bps</i>
EBITDA	166	154	189	8.31%	-12.00%
<i>EBITDA margin</i>	<i>15.92%</i>	<i>16.17%</i>	<i>18.30%</i>	<i>-25bps</i>	<i>-237bps</i>
Depreciation	25	25	20	0.43%	24.14%
EBIT	141	129	169	9.84%	-16.33%
Finance costs	30	21	18	45.16%	69%
PBT	111	108	151	2.95%	-26.55%
Tax Expense	29	30	37	-1.89%	-20%
<i>Effective tax rate %</i>	<i>26.40%</i>	<i>27.71%</i>	<i>24.30%</i>	<i>-130bps</i>	<i>210bps</i>
PAT	82	78	114	4.81%	-28.59%
<i>PAT margin %</i>	<i>7.80%</i>	<i>8.19%</i>	<i>11.05%</i>	<i>-39bps</i>	<i>-324bps</i>
EPS (INR)	4.12	3.98	5.77	3.52%	-28.60%

Source: Company & Arianth Research

Q2FY25 Highlights:

- ICIL is entering a new strategic phase, "Indo Count 2.0," focusing on diversification and premium segments. The company received several awards and an improved credit rating outlook, reflecting confidence in its long-term growth prospects amid favorable industry trends and government initiatives.
- The sales volume fell to 27.8 mn meters in Q2 and reached 53.1 mn meters cumulatively in H1.
- The company is optimistic about growth in the US utility bedding market and is exploring opportunities for organic and inorganic expansion.
- The management remains positive about long-term growth prospects in the textile industry, spurred by prevalent industry trends, government initiatives, and the "China Plus One" sourcing strategy.

Consolidated Company Financials

Consolidated Income statement INR Cr	FY23	FY24	FY25E	FY26E
Revenue	3,043	3,601	4,133	4,873
EBITDA	486	603	649	801
Depreciation	(65)	(83)	(90)	(95)
Interest expense	(62)	(70)	(72)	(64)
Profit before tax	359	450	486	641
Taxes	(85)	(112)	(122)	(160)
Net profit	273	338	365	481
Consolidated Balance Sheet INR Cr	FY23	FY24	FY25E	FY26E
Equity capital	40	40	40	40
Reserves	1,753	2,047	2,415	2,890
Net worth	1,793	2,087	2,455	2,930
Debt	876	956	856	756
Deferred tax liab (net)	69	85	85	85
Total liabilities	2,738	3,128	3,396	3,771
Fixed assets	1,097	1,333	1,574	1,604
Capital Work In Progress	183	25	25	26
Other Intangible assets	14	22	22	22
Investments	143	133	183	383
Other non current assets	53	39	0	0
Net working capital	1,141	1,473	1,663	1,952
Inventories	895	1,143	1,319	1,529
Sundry debtors	409	528	606	715
Other current assets	158	233	268	316
Sundry creditors	(225)	(308)	(352)	(414)
Other current liabilities & Prov	(96)	(123)	(135)	(159)
Cash	108	103	-71	-216
Total assets	2,738	3,128	3,396	3,771
Consolidated Statement of Cash Flow INR Cr	FY23	FY24	FY25E	FY26E
Profit before tax	359	450	486	641
Depreciation	65	83	90	95
Tax paid	(85)	(112)	(122)	(160)
Working capital Δ	446	(332)	(191)	(289)
Operating cashflow	784	88	307	321
Capital expenditure	(723)	(160)	(332)	(126)
Free cash flow	61	(72)	(25)	195
Equity raised	(28)	0	-	-
Investments	(142)	11	(50)	(200)
Others	307	5	39	-
Debt financing/disposal	(443)	80	(100)	(100)
Dividends paid	(40)	(44)	(40)	(40)
Other items	(3)	16	-	-
Net Δ in cash	(286)	(4)	(175)	(145)
Opening Cash Flow	394	108	104	(71)
Closing Cash Flow	108	104	(71)	(216)

Source: Company & Arihant Research

Ratios

Ratio analysis	FY23	FY24	FY25E	FY26E
Growth matrix (%)				
Revenue growth	2.0	18.3	14.8	17.9
Op profit growth	(10.8)	24.1	17.1	23.4
EBIT growth	(16.4)	23.6	18.4	26.3
Net profit growth	(16.9)	23.7	20.6	31.9
Profitability ratios (%)				
OPM	16.0	16.7	15.7	16.4
EBIT margin	13.8	14.4	13.5	14.5
Net profit margin	9.0	9.4	8.8	9.9
RoCE	11.5	13.7	14.5	16.1
RoNW	16.2	17.4	17.9	19.1
RoA	10.0	10.8	12.0	13.7
Per share ratios				
EPS	13.8	17.1	18.4	24.3
Dividend per share	2.0	2.2	2.0	2.0
Cash EPS	17.1	21.2	23.0	29.1
Book value per share	90.5	105.4	123.9	147.9
Valuation ratios				
P/E	24.3	19.7	19.2	14.6
P/CEPS	19.7	15.8	15.4	12.2
P/B	3.9	3.2	2.7	2.3
EV/EBIDTA	15.3	12.4	10.7	9.0
Payout (%)				
Dividend payout	14.5	12.9	9.7	7.7
Tax payout	23.8	25.0	25.0	25.0
Liquidity ratios				
Debtor days	48.4	52.8	52.8	52.8
Inventory days	236.7	271.7	271.7	271.7
Creditor days	31.7	37.0	37.0	37.0
Leverage ratios				
Interest coverage	6.7	7.4	7.7	10.9
Net debt / equity	0.4	0.4	0.4	0.3
Net debt / op. profit	1.6	1.4	1.3	1.1
Du-Pont Analysis	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.8	0.8	0.8	0.8
Interest burden (x)	0.9	0.9	0.9	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1
Asset turnover (x)	1.0	1.1	1.1	1.2
Financial leverage (x)	1.7	1.7	1.6	1.5
RoE (%)	16.2	17.4	17.9	19.1

Source: Company & Arian Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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