



Complete Comfort

June 6, 2023

**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 Investors' Conference Call held on May 31, 2023 for Q4 & FY23 Results**

In continuation to our earlier intimation dated May 31, 2023 regarding audio recording of the Investors' Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investors' Conference Call held on Wednesday, May 31, 2023 at 2:00 p.m. (IST) for Q4 & FY23 Results.

The transcript is also available on Company's website at  
<https://www.indocount.com/images/investor/Transcript-of-Q4-and-FY23-Investors%E2%80%99-Conference-Call-held-on-May-31-2023.pdf>

You are requested to kindly take note of the same.

Thanking you,

Yours faithfully,

For **Indo Count Industries Limited**

**Satnam Saini**  
**Company Secretary & GM- Legal**

Encl.: A/a

**Indo Count Industries Ltd**



“Indo Count Industries Limited  
Q4 & FY ‘23 Earnings Conference Call”  
May 31, 2023

**DISCLAIMER: E&OE** - THIS TRANSCRIPT IS EDITED FOR FACTUAL ERRORS. IN CASE OF DISCREPANCY, THE AUDIO RECORDINGS UPLOADED ON THE STOCK EXCHANGE ON 31<sup>ST</sup> MAY, 2023 WILL PREVAIL. FURTHER, NO UNPUBLISHED PRICE SENSITIVE INFORMATION WAS SHARED/DISCUSSED IN THE CALL.



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

**MR. MURALIDHARAN – CHIEF FINANCIAL OFFICER – INDO COUNT INDUSTRIES LIMITED**



*Indo Count Industries Limited  
May 31, 2023*

**Moderator:**

Ladies and gentlemen, good day, and welcome to Indo Count Industries Limited Q4 FY '23 Earnings Conference Call. 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. There will be an opportunity for you to ask questions after the presentation concludes. As a reminder, all participant lines will be in the listen only mode. 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 a 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 the Indo Count Industries Q4 and FY '23 Earnings Call. I have with me Mr. Muralidharan, our CFO and Strategic Growth Advisors, our IR advisors. Happy to connect with you all once again to discuss the Q4 and FY '23 performance.

Let me start with the industry and business scenario during Q4 and FY '23. We had a successful close to FY '23 as we continued to sustain our performance, despite numerous external challenges. During the year, the industry has faced multiple headwinds, such as the demand slowdown in export markets due to high inflation, the supply chain disruptions due to logistics, which affected inventory levels and a record high commodity cost which severely hit margins. However, after navigating these headwinds, the sector is seeing signs of revival. We believe the worst is behind us.

Coming to our key markets, we have experienced improvement in demand due to normalized inventory levels at the retailers end hence, there is an uptick in the order bookings, and we are optimistic that the growth phase should return.

Domestic scenario, Indian consumer continues to improve its economic status and spending capability. We believe this will lead to an increase in household numbers and a consequent surge in demand for home product over both the medium and long-term.

Hence, we are seeing an opportunity to tap into this market. We are confident on sustainable growth for Indian manufacturers since India has an integrated manufacturing base for textiles. This coupled with various government initiatives has also bolstered domestic manufacturing, including the Make in India campaign, PLI scheme, Textile MITRA Parks, which is overall aimed at promoting local manufacturing and exports.

Coming to our recent performance and update.



*Indo Count Industries Limited*  
*May 31, 2023*

I am delighted to share that Indo Count has successfully navigated the challenges in FY23. Given the circumstances, we concentrated on expanding in value-added segments such as fashion, utility and institutional side. As a company, we focused on brand building initiatives. During FY23, we have seen growth in the e-commerce side of the business, which contributed 10% of revenue in FY23.

I'm happy to announce that we have been able to achieve volume guidance for FY23 with a sales volume of 74.7 million meters. Our consistent efforts over the last few quarters helped us to sustain our margins. Our strong execution capabilities ensure that margin sustainability does not compromise our balance sheet.

Over the last two years, we have built capacities through organic and inorganic routes by investing over INR1,000 crores and positioned the company as the largest global bed linen player. Our prudent capital allocation strategy has helped us to be ready to achieve 2x revenues for the future. In spite of capex spending, our strong free-cash generation was further re-utilized towards debt reduction, which reduced our net-debt from INR900 crores in FY22 to INR589 crores in FY23.

For FY24, we expect volumes to be in the range of 85 million meters to 90 million meters, which translates to a 15% to 20% Y-o-Y growth, our EBITDA for FY24 will be in the range of 16% to 18%.

For FY23, branded business stood at 14% of sales, domestic business at 2.5%, e-commerce at 10% and fashion utility and institutional business contributed 19% of our revenue.

We are embarking on increasing the contribution of this value-added segment and have accordingly set our targets for FY24.

Let me now talk to you about our ESG initiatives. We at Indo Count are an ESG-focused organization with clear goals, roadmap and guiding principle, in all of our operations, including the sourcing of raw materials, manufacturing, supply chain and waste recycling, we enable a sustainable approach.

Our key updates are during the quarter, ICIL has achieved 90.6% score for Higg Index versus Global Benchmark in Home Textiles verified score, which is 59%.

Hohenstein, Germany, a recognized world lab has lauded our contribution and efforts towards water consumption, saving and recycling and all of this happened on the event of the International Water Day.

We have received the certificate of merit from CITI Birla Sustainability Award under contribution towards zero carbon emission at a ceremony held in Jaipur.

On the awards and recognition,



*Indo Count Industries Limited*  
*May 31, 2023*

We are happy to announce that our domestic brand, Layers is recognized as the FEMINA POWER BRANDS for the year 2022-23 for introducing exquisite designs wrapped in superior fabric at affordable prices. In addition to the above, ICIL has been awarded by the Federation of Indian Export Organizations, FIEO for being the highest foreign-exchange earner in textiles in Maharashtra for two consecutive years, 2018-2019 and 2019-2020.

Now let me share with you our consolidated financial performance.

Kindly note the previous periods FY22 figures are restated on account of RoSCTL of timing benefit of INR49.99 crores, approximately INR50 crores.

Total income, INR810 in Q4 FY23 versus INR690 crores in Q4 FY22, a Y-o-Y growth of 17.3%. Total income is INR3,043 crores versus INR2,932 crores in FY22, a growth of 3.8%.

EBITDA, INR147 crores in Q4 FY23 versus INR132 crores in Q4 FY22. EBITDA, INR486 crores in FY23 versus INR524 crores in FY22.

EBITDA margin stood at 18.1% in Q4 versus 19.1% in Q4 FY22. EBITDA margins stood overall for the year at 16% in FY23 versus 17.9% in FY22.

PAT, INR95 crores in Q4 FY23 versus INR85 crores in Q4 FY22. Overall, INR277 crores PAT in FY23 versus INR359 crores in FY22.

EPS is INR13.97 in FY23.

Net debt: the net-debt to equity is 0.33 as at 31st March 2023 against 0.57 for the previous year. For FY23, our ROE is 15.4% and ROCE is 17.7%.

The Board of Directors has recommended a final dividend of INR 2 per equity share of INR 2 each, that is 100%, subject to the approval of shareholders at ensuing Annual General Meeting.

That's all from my side. Now I leave the floor open for the questions-and-answers.

**Moderator:** The first question comes from the line of Ashwini Agarwal from Demeter Advisors LLP.

**Ashwini Agarwal:** Couple of questions; one is, if you look at the fourth quarter, what would be the total value-added revenues because in the various categories that you outlined in your opening remarks, there is some overlapping elements as well?

**K.R. Lalpuria:** We should see for the overall year. So we have been able to, you know, clock 19% of value-added products sales, which I mentioned in my speech. And also in the investor deck that 19% came from fashion, utility and institutional business and also the license brand did well on the e-commerce front. So our emphasis is to see how we increase our D2C and B2C strategies and which we will work upon going forward also.

**Ashwini Agarwal:** And out of this 19%, how much was India?



- K.R. Lalpuria:** India, overall is 2.5% of our revenue as on-date.
- Ashwini Agarwal:** And that would be all value-added, I'm assuming?
- K.R. Lalpuria:** Of course, that's the brand fore play.
- Ashwini Agarwal:** So Mr. Lalpuria you had mentioned that your aspiration is to take this number to 30%. Now that you achieved 2.5% in India and nudging 20%, what do you see as the journey to 30%. I mean how much time will it take, what will be the critical components that will drive it, brands in India, brands overseas, B2C, how do you see that journey playing out?
- K.R. Lalpuria:** Yes. So, as you know, we have invested in a state-of-art fashion bedding unit which has started operations. We are focusing on the back end as well to deliver value-added goods, not only to the exports market, but also to the domestic front. And as I mentioned, we are seeing Indian economy moving forward. So, there is a good opportunity for us to leverage our brand strength in the domestic area also. So, what we had earlier mentioned about our 30% revenue on the export front for fashion, utility, and institutional, and the domestic brand promotion is over and above this. So, we should be looking at a good level in the coming years, as you know the economy moves ahead and so it should take around say another three years to achieve this 30% on the increased revenue.
- Ashwini Agarwal:** Okay. And sir when you gave an outlook of 17% to 18% EBITDA margin, this improvement in product mix is built into that or that's on a steady-state basis, considering your last quarter was anyway close to whatever, 18% or so?
- K.R. Lalpuria:** So, we are looking upwards as we utilize our capacities going forward where we will apportion our fixed cost. Not only that what we are seeing uptick in demand and various other factors, which are helping us to bring back normalcy in our business front. So as the demand improves, definitely our target would be to improve our margin and that prompted us giving you a margin guidance of 16% to 18%. But yes, there is potential for improvement going forward.
- Ashwini Agarwal:** And, sir, now that most of the capex is done, barring a small amount at PSML, what should we think about as ongoing capex for maintenance purpose, refurbishment or whatever else balancing equipment that you might want to add?
- K.R. Lalpuria:** So, the capex will be minimal because we have completed our most of the capex, except for the spinning, where we have reflected balance of INR23 crores. So apart from this capex, it will be the routine capex for this year.
- Ashwini Agarwal:** And that will be lower than your depreciation outlay, the routine capex?
- K.Muralidharan:** Yes, INR40 crores to INR50 crores will be the normal capex.
- Ashwini Agarwal:** Okay. And sir, last question from me. On the working capital side, I mean I was just calculating the inventory days on a full-year basis from March 2023 inventory days were about 240, but I'm



also cognizant that this was a very volatile. But if I look at your long-term history, your inventory days have somewhere in the ballpark of 180 give or take year to year 170, 200 sometimes. Do you think we normalized to 180 days or the change in sales mix needs higher inventory days?

**K.R. Lalpuria:** Well, as the supply-chain has eased out, we have come back to normal and that would be the order of the day. So currently we are at around 130 days as compared to 171 days on 31st March 2022. So, I think these are the normalized figure. So, this should continue going forward.

**Moderator:** Next question comes from the line of Kapil Jagasia from Nuvama Wealth Research.

**Kapil Jagasia:** Sir, my first question is, has all inventory at retailers been exhausted and are retailers going for full order replacement or there is still some inventory at some of the retailers, it's still there, could you help us with this inventory situation?

**K.R. Lalpuria:** It has considerably improved. And as I mentioned, you know, it is more or less normalized now. So, we should see uptick post second quarter onwards.

**Kapil Jagasia:** Okay. So, in that case, what would be your order book position as on-date?

**K.R. Lalpuria:** The order book position is good, that prompted us providing you a guidance of 85 million meters to 90 million meters.

**Kapil Jagasia:** Okay. So that is for, like the order book would be for six months or like, this is for a longer period now?

**K.R. Lalpuria:** Normally, it is five to six months in consideration, but we have a longer view because we are into supplying core businesses to major retailers. So that gives us some visibility on the order book position going forward. And as the inventory levels have reduced considerably, this gives us the confidence that as things normalizes, they will be back in business.

**Kapil Jagasia:** Sir, just one follow-up on the fashion, utility, and institutional business. The contribution here remains the same at 19% vis-a-vis if I compare to the previous year. So would it be fair to assume that standalone business contribution of this segment much have been much higher, as this integration of new unit of GHCL would still not be getting to the premium segment?

**K.R. Lalpuria:** No, we are slowly integrating the product mix what was sold at GHCL earlier and I'm happy to say that we have been able to uptick their margin to somewhat our level of business, which is getting reflected into our overall performance of 16% for the full year. So, we are pushing the value-added products to the customers, which were existing at GHCL, and we are confident that we should be able to impress upon them to have that on their shelf. So, we are quite confident that going forward, as we have invested into the back end as well, will give us lot of confidence to promote this product across our customer base globally.

**Kapil Jagasia:** Just this final question from my side. Realization on a Y-o-Y basis if I see that has come off a bit, though it is still higher if I compare to last three years of probably pre-COVID levels. So



according to you, how much more would still be needed to be passed to the end retailer or that is through for now?

**K.R. Lalpuria:**

So, the realization is in proportion to the raw material prices as what we have seen an uptick in last year. So as this gets corrected, there will be calibration in the overall pricing, but since we are into value-added segment and since we have a good collaboration with the customer and understanding, we are confident that we should be able to add value to their business as well as to our business going forward. So we will try to see that we can maintain higher margin and earn higher margin for the Company on value-added products.

**Moderator:**

Next question comes from the line of Nirav Savai from Abakkus AMC.

**Nirav Savai:**

Sir, I have got three questions. The first one is, with large part of the capex which we have already done, FY24 onwards there will be only maintenance capex. How do we allocate those funds. Is there any dividend policy which we have decided or any buyback plans in future?

**K.R. Lalpuria:**

We already have a dividend policy and according to that the Board takes decisions. Going forward, we have higher payout this year in spite of our profitability getting reduced. So, the Board has taken a view and given back to the shareholders a higher dividend pay-out, and we have maintained our 100% dividend that is INR 2 on a fair value of INR2. So, we do believe that we should reward the stakeholders as we move ahead with the company's performance from time-to-time. But looking at the growing company, we do need cash.

And as you can see that through investment, we have made the company a global leader, and there are requirements going forward to like renewable energy like other areas where we need to invest into capex from time to time. So, the cash is also needed for growth. And that's the reason we are having a dividend policy where we are moderating at times to see that the dividend pay-out is healthy and consistent and maintained.

**Nirav Savai:**

Right. So, we stick to a guidance of about INR70 crores to INR75 crores kind of capex for next year? Over and above that, can you say anything for renewables or anything?

**K.R. Lalpuria:**

INR23 crores is the balance on the PSML side and then there will be, as Mr. Muralidharan has said, around INR40 crores. So, adding that up, it comes to around INR60 crores to INR70 crores of routine capex.

**Nirav Savai:**

Right. Second thing is what would be a cotton inventory as on March closing? Because last year, we had loaded a lot of cotton inventory because the prices were going up. So compared to last year, what would be the cotton inventory which we are holding?

**K.R. Lalpuria:**

As far as our hedging policy on the raw material side goes on, we believe into having investment into supply chain so that not only we ensure the buyers from a price standpoint, but also from a security of supply chain point of view, our philosophy is to exist on the supply chain. This wants us to have at least six months cotton inventory and as we are seeing the season this time of the year, we have created a six month inventory going forward





- Nirav Savai:** Hello.
- K.R. Lalpuria:** Can you hear me?
- Nirav Savai:** Yes.
- K.R. Lalpuria:** So, I already answered.
- Nirav Savai:** Right. So, we have a six months cotton inventory as on March 31?
- K.R. Lalpuria:** Yes.
- Nirav Savai:** And sir, on the freight side, last year, the freight cost was highly elevated, which has cooled off now. Going forward, next year, what can be the potential gains with this lower freight cost compared to what has happened last year in FY '23?
- K.R. Lalpuria:** So most of our sales are on FOB terms and whatever which we sell to our subsidiary in the US and UK, there will be reduced freight component. So as the proportion happens, we will see that positive impact on to reduction of freight costs going forward.
- Nirav Savai:** Right. So that is something which is a part of our guidance of 17%, 18% kind of EBITDA what we have guided or and that will be over and above?
- K.R. Lalpuria:** No, it is part of that.
- Moderator:** Next question comes from the line of Bharat Chhoda from ICICI Securities Limited.
- Bharat Chhoda:** So probably, I just wanted to understand the gross margin expansion. What is causing gross margin expansion? And would you say that the gross margin would be sustainable for us going ahead?
- K.R. Lalpuria:** See, the gross margin is resulted due to our supply chain investment, number one. Secondly, we were able to convince upon the customers to have a reasonable price increment. Third is prudent into handling our inventory management as well as financially deploying capital. So, on all these fronts, it helps us to achieve and maintain the gross margin close to our FY22 result. So going forward also, our entire attempt will be to see how we can maintain this gross margin as our focus will be towards adding more value-added products in sales and our B2C, D2C strategies as well as brand promotion in the domestic area will help us garner more margin for the company in our overall revenue.
- Bharat Chhoda:** Sir, this reasonable price increase, if you can give some quantum on that, what kind of overall price increase have we taken?
- K.R. Lalpuria:** That we cannot provide but it is proportionate and that's the reason you see the EBITDA level being maintained.



- Bharat Chhoda:** Okay. And sir, one more, like --
- K.R. Lalpuria:** And the gross margin also maintained if you look at our raw material cost.
- Bharat Chhoda:** Okay sir. Just had another question, like, could you share the cotton-polyester products mix share for us.
- K.R. Lalpuria:** Mostly, it is cotton like almost 80%, more than 80%, 20% is blended and there is in blends like in polyester as well as Tencel is used nowadays.
- Bharat Chhoda:** So for this value added, would the polyester use increase or how it is, sir?
- K.R. Lalpuria:** Value-added is what seen in that context, but it is seen from various products which we supply on the fashion side as well as the utility and institutional side where we specialize. So it cannot be seen in context to a ratio between polyester and cotton.
- Bharat Chhoda:** GHCL 45 mn. capacity is fully operational right now?
- K.R. Lalpuria:** Yes, it is fully operational.
- Moderator:** Next question comes from the line of Hemang Kotadia from Anvil Shares and Stock Investment.
- Hemang Kotadia:** First of all, congratulations to you for the great set of volume growth and the margin in this difficult environment and a strong balance sheet after having an inventory of INR900 crores to-debt is just INR6 billion. Sir, my first question on how we are increasing our wallet share with the existing customers as far as America is concerned, US is concerned.
- K.R. Lalpuria:** So as I have mentioned, we are seeing improvement in demand due to the normalized inventory levels and the order booking is also there is an uptick. So we are quite optimistic that USA as a country should do well; and even the interest rate somewhat have stabilized the hike in the interest rate. So, because of all this happening, we see that the demand outlook is positive. And secondly, on the other side, you see there were so many headwinds last year, which have now normalized. So that should also help into our overall competitiveness.
- Hemang Kotadia:** And how is the competitor behaving like Pakistan, China? Pakistan is having a lower cotton price and with the rupee also depreciated quite a lot. So how are they competing with us to get the orders from the USA.
- K.R. Lalpuria:** In fact, India is positioned from the mid-to-high segment and Pakistan is into low segment. So there is no direct competition as such. And as far as China is concerned, we all know we have seen from OTEXA Data where they were three years back and now where do they stand and their focus is entirely on to their domestic front because there are headwinds for them, as far as tariff is concerned, in the US market, which they have increased the import tariff rate as well as the Chinese cotton, which has been banned.



So, these are the opportunities for the China plus one strategy also because the retailers would like to reduce and derisk, their sourcing from one country. And that's why India seems it is well placed. They are looking positively at India to have a higher allocation of sourcing.

**Hemang Kotadia:** Okay. And sir, any latest talks on the UK FTA where we can see the light at the end of the tunnel.

**K.R. Lalpuria:** So, UK and EU are facing challenges because of the high inflation, and we are maintaining our good presence there, we are sustaining our growth over there and we are like waiting for the FTA to happen, both in UK as well as Europe, which will definitely see Indian market share improving and correspondingly, our market share going up. So, we are quite hopeful that in the coming period, once the FTA happens, this will see an uptick into Indian market share building out there.

**Hemang Kotadia:** And sir, my last question on the -- like we have only capex of around INR60 crores, INR70 crores for the coming year, and I think incremental working capital requirement would be INR100 crores. So do we see further deleveraging DEBT around INR2 billion to INR3 billion in FY '24, like INR200 crores, INR300 cr. debt reduction is possible because we don't have further capex and I think working capital requirement will be also minimal.

**K.R. Lalpuria:** Of course, that's our whole philosophy and strategy always that we would like to move towards more debt-free organization. And so, our free cash flow will be utilized to pay back our debt at the end of the day.

**Moderator:** Next question comes from the line of Vikas Jain from Equirus Securities.

**Vikas Jain:** Thank you sir so much for the opportunity. The first question is with respect to the realization. Last year, we did see a sudden surge in our raw material cost. We have passed on in the last portion...

**K.R. Lalpuria:** Your voice is cracking Vikas. I can't hear you.

**Vikas Jain:** Yes. So, sir, I was asking with respect to the realization. So last year, while the price hikes were taken to pass on the RM inflation, but now since the freight and the cotton price has come down, are we seeing an increased demand from the retailers to cut down the prices or any such sort of trend that you are witnessing?

**K.R. Lalpuria:** As I already mentioned, first of all, the inventory levels are down. So, the demand is seeing an uptick because at the end of the day, these are HOME products which are getting sold out there, and it also depends on the incremental home sales out there. So definitely, we are seeing that the normalization would return into the overall pricing, both on the cotton side and the finished good prices. So there is no such trend.

But yes, we have to work upon closely with the customer to see how we can make it much more competitive and grab the market share. And that's how we believe into having a collaboration



with him and a joint business plan to see that not only the product is successful on the shelf in selling, but also the customer is able to grab more market share.

**Vikas Jain:** Got it. So, in other words, can we say that FY '24, the growth will be largely driven by the volumes and not by the prices. Would that be a correct assumption?

**K.R. Lalpuria:** No, it is not a correct assumption because you see it's always worth proportionately both the raw material prices and the overall prices. So, you have to calibrate that.

**Moderator:** Next question comes from the line of Pankaj from Affluent Assets.

**Pankaj:** Sir, our capacity is around 150 million meters and we are currently utilizing around 50% of the sales and guiding for 60% maybe for next year. So when do we see the ideal capacity narrowing down. So, when do we see our capacity moving towards 70% or 80% utilization.

And second question would be, how are Indian cotton prices placed vs. global cotton prices and do we get any advantage of lower pricing, or we are still at the pricier end of the curve?

**K.R. Lalpuria:** See, first of all, we have grown 12% CAGR for the last four years, and we have given our guidance for growth at 15% to 20%. So, this would be like our endeavour to see that we grow at this run rate because we have a capacity at hand. Secondly, we are seeing that India as a country is well positioned towards textile supplies, and we are looking at various government initiatives like PLI, Textile MITRA Park and the overall value chain where the government is extending their overall support because it creates employment.

And the third is about the FTA, which are going to get with major trade blocks, so which will help the Indian textile companies to garner more market share going forward. So, we are hopeful; that is the reason we invested into this inorganic capacity so that we can be future ready as we are seeing an uptick in demand for Indian overall products in textile.

So as a company, we are working towards it, and we have reasons to believe because of the various strategies, which we have formulated in the last three, four years towards developing not only our B2C, D2C strategies in the marketplace and the licensed brand and the fashion, utility, institutional brand, but also, we are seeing a good opportunity in the domestic brand foreplay. So, with all this, this capacity we should be able to fully utilize in the next three to four years.

Now on your second question on the cotton prices as compared to other countries, yes, they do have certain impact on the push and pull, but India is the largest cotton producer, and it has adequate cotton to supply to the mill at the cotton prices according to the demand and the prices overseas, they have a working mechanism where the spreads are maintained, and that's the reason we see that it will be to India's advantage because India is growing a good amount of cotton going forward.

**Pankaj:** Sir, if I may take a follow-up question. With the acquisition of GHCL, we had an exposure to Australian market. So where are we there, means our majority of sales are still coming from US.



And second thing, what would be the trigger for this capacity utilization which you have guided for?

**K.R. Lalpuria:** So, see, we have entered into FTA's with UAE & Australia where we see a good uptick in demand from customers over there. And we are working upon it aggressively, and we are seeing some good results as well. So to your first question, that our emphasis is on to see that how we can spread more on to the non-US businesses and develop that going forward so that we have a healthy balance between these two continents, that is, one is US business and the other is non-US business, And as I mentioned, we are looking at FTA getting signed with EU, UK, Canada, where and GCC countries where it will again help into spreading our goods to these countries. So this will have a good impact on to our concentration on US business and non-US businesses as well. So this will definitely help us spread our goods to these countries.

**Pankaj:** So those three, four years of guidance which you have given for optimum utilization of capacity, does that depend on these FTAs to design or they are independent of that?

**K.R. Lalpuria:** It is independent. We as a company formulated a lot of strategies. We haven't added the capacity on the basis of the FTA.

**Pankaj:** So in case if FTA's do get signed in in the near future, can we see this time period being compressed down to say, maybe one or two years?

**K.R. Lalpuria:** Of course, it will have certain impact on to better positioning.

**Moderator:** Next question comes from the line of Deepak Poddar from Sapphire Capital.

**Deepak Poddar:** Sir, just I wanted to check a couple of things. Now on the interest cost, so how do we see the interest cost. Now net debt has reduced, but interest cost this quarter was much lower than what we have been reporting, right. So how do we see the interest cost going forward?

**K. Muralidharan:** So, the interest cost on the average utilization for the last year has been a little higher because our inventories came down over a period of time last year. So, the interest cost should be stabilizing around INR60 crores, INR62 crores around the finance costs over the next year also.

**Deepak Poddar:** FY '24?

**K. Muralidharan:** Yes.

**Deepak Poddar:** Okay. And why was this lower this quarter?

**K. Muralidharan:** This quarter, overall, I think we had some sort of provisioning done throughout the year for US business. That got reversed. That was not required, so that has got corrected in the present quarter Q4.



**Deepak Poddar:** And a point which was mentioned earlier in the call that ASP prices will calibrate with the RM pricing, right? So it would be fair to assume that this FY '24, our ASP should be lower than FY '23 average ASP?

**K. R. Lalpuria :** To some extent, yes.

**Moderator:** Next question comes from the line of Vishal Bagadia from Roha Asset Managers.

**Vishal Bagadia:** Sir, we have been hearing from all the players across that the retailers have destocked their inventory at the US levels, but they're still following a cautious approach in terms of restocking their inventory and buying optimal for a month or two period only. So, what is your view on the same? And how are things shaping up for us?

**K.R. Lalpuria:** So, for the full year, they have not been chasing goods, so they are buying a very selective, and they are continuing with that strategy going forward also. So, there is no creation of additional inventory at their level, which becomes obsolete. So that meets our expectations of the demand getting uptick in the right inventory for them.

**Vishal Bagadia:** Okay. And sir, my other question is on new business are we in talks with any new potential customers or have we signed up any new customers in the last couple of months gone by?

**K.R. Lalpuria:** Definitely, we all work towards it. We are supplying to 50-plus countries, and we have got a list of marquee retailers to only supply globally. So, we keep on adding new customers, of course, all the time in new countries, as I said, the entire strategy is to see how we can spread our products to more countries and more customers.

**Moderator:** Next question comes from the line of A.M. Lodha from Sanmati Consultants.

**Abhay Lodha:** Sir, congratulations for a good set of numbers and a very good reduction in the debt as well as the addition to the group. Sir, I got three questions. Number one, addition to the block. Addition to the block in last two years, FY '22 and FY '23 is a tune of INR782 crores as per the cash flow statement of the company, where the sales has not been increased at all in FY '22, sales were INR 2,982 crores and consolidated level in FY '23, INR 3,042 crores. So would you explain what sales growth we are expecting in FY '24 and FY '25.

**K.R. Lalpuria:** So very good question, Lodha. In FY '22, we had this -- in FY '23, we had this acquisition, which is a long-term strategy. And if you look at the acquisition price which we paid is INR 590 crores out of INR 782 crores. Thus, we worked upon into building a state-of-art fashion bedding unit moving towards supplying more products on the field side so that we complete our dream to supply fashion bedding and utility bedding to all our customers across the board and in different countries. So that we had invested, we have modernized our spinning towards compact spinning so we can utilize that yarn.

And lastly, we have invested into our subsidiary, PSML, which was amalgamated to the parent company, bringing in more assets like land and building, where we are utilizing and sweating



this asset by adding on 68,000 spindles to spin special yarn so that we can increase our captive consumption, thereby contributing to the overall margin.

And secondly, this acquisition which we had done was to meet out our future growth and it's a long-term strategy. So that's why you see that in spite of our investment of INR1,055 crores in the last two years, we were not able to jack-up because this is the beginning of our next fundamental growth period going forward, and that's why we indicated that in FY '24, we will have a growth of 15% to 20% because now we have started sweating all these assets.

**Abhay Lodha:** And what about FY25, sir?

**K.R. Lalpuria:** FY '25, of course, we will further move ahead with our growth plans, reduce our debt and make the company much prouder.

**Abhay Lodha:** Okay sir. What is the capex the company expects to expand in next two years, 2024 and 2025.

**K.R. Lalpuria:** We have already mentioned that it will be routine capital expenditure apart from the balance, INR23 crores, which we have to spend towards our spinning. So it will be routine capital expenditure, except for if there is some compliance requirements on the renewable energy side, the Board will take appropriate decision, but it is not much. So we have to sweat our assets going forward. That's our whole effort.

**Abhay Lodha:** My last question is relating to cash management. So far, your cash management is very excellent. You reduced the working capital loans from INR1,200 crores to INR600 crores. And I expect in current year, the company expected to remain to have a cashflow at least INR500 crores in current year FY '24, which we estimate as per the results given by the company this quarter. So how does the company proportionally utilize this INR500 crores, which we expect the cash flow by the company.

**K.R. Lalpuria:** So, I had already mentioned about making our routine capital expenditure, good dividend pay-out, our interest cost leaving behind whatever, we will service to reduce our debt.

**Moderator:** Our next question comes from the line of Akshay Jain from JM Capital.

**Akshay Jain:** A couple of questions from my side. Firstly, how do you see license brands contributing and its contribution growing in the overall revenue share for next two, three years?

**K.R. Lalpuria:** So, we are seeing a good uptick because we have now two licenses, strong licenses in our kitty. One is Jasper Conran and the other is GAIAM. Jasper Conran is already in action in UK and some other countries, whereas GAIAM is still to be launched in this spring summer. So, it will see an uptick into our overall license brand promotion.

And as I had mentioned, we have formulated a couple of years back our B2C and D2C strategies. So, we are seeing a good growth on the license brand. We are in discussions with a couple more licensed brand entity, and we see that this business should provide us not only revenue, but also



an uptick on to our margins going forward. So, we will be focusing on to promoting license brand going forward, as I mentioned earlier.

**Akshay Jain:** Okay. Sir, secondly, what is our marketing spend during the quarter as a percentage of revenue?

**K.R. Lalpuria:** That we will provide you offline, our total marketing expenses.

**Moderator:** The next question comes from the line of Abhineet Anand from Emkay Global Financial Services.

**Abhineet Anand:** Sir, for the year, what have been the forex gain for us?

**K.R. Lalpuria:** Forex gain is around INR13 crores.

**K. Muralidharan:** Forex gain for this year has been INR13 crores, included in the other income.

**Abhineet Anand:** And what was it last year, sir?

**K. Muralidharan:** Last year was about INR 110 crores.

**Abhineet Anand:** That was also part of other income, right?

**K. Muralidharan:** Yes. Part of total revenue in any case.

**Abhineet Anand:** Okay. And just trying to understand that in terms of demand from US, I mean, is this the demand that you are seeing right now or long are is it for two quarters or how is it?

**K.R. Lalpuria:** So, we are seeing that it has come back normalized, but because of the inflationary situation, we are a bit cautious. And that's the reason we have given a guidance of 85 million meters to 90 million meters and the margin guidance as well. So, we think that the second quarter onward, it should normalize.

**Abhineet Anand:** I'm just trying to understand in any, let's say, in two years, typically, the US retailers would give you orders for what period, right now what they are doing? Is there a change in some psyche of the US retailers, that is what I'm trying to understand?

**K.R. Lalpuria:** There is no change in the working style. We have core programs which are provided for projection for almost a year. And then the order book position is being provided for the first five, six months. And every month, there is a PO updated getting into concrete numbers. So that is the way how the US retailers' function. So, we have got a good visibility on the businesses going forward, and that's what prompted us to provide you with the volume guidance.

**Moderator:** This will be the last question, which comes from the line of Bhavin Chheda from ENAM Holdings.

**Bhavin Chheda:** Excellent set of numbers and very strong guidance going into FY '24. Sir, just a continuation of the previous one. You said that the order book more or less, you have visibility of six months.





So back-to-back, cotton plus yarn also, you would have covered up to the that extent because cotton and yarn both prices are on a falling spree. So can we have a positive margin surprise to what earlier outlook of 17%, 18% because 15 days back, month back, we were looking at 63,000 64,000/candy, now 60,000. So what's your take on that?

**K.R. Lalpuria:** Yes. First of all, you see the cotton prices are a bit volatile there. We even gone to 56,000, 55,000 level, but that was for a short period. And if you take into consideration, it will be anywhere between 60,000 to 65,000 going forward, as the demand improves. So, this would be the average.

And as I mentioned earlier, in order to secure supply chain to our customers as a philosophy, we cover up to five to six months, till September, we are covered, and that's our hedging policy as well. And we have benefited in the past for better managing our businesses and in the future also, this would help us to secure timely deliveries to our customers. So, I think we are covered for six months for both cotton as well as yarn.

**Bhavin Chheda:** And on the currency side, sir, how would you hedge?

**K.R. Lalpuria:** See, currency also, for the year, it was around 79. And going forward, as per the policy, we are around 81 plus.

**Bhavin Chheda:** That would also cover it for five, six months or any percentage that you target--

**K.R. Lalpuria:** Order book is there; we will cover for that.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question today. We have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**K.R. Lalpuria:** With this, I would like to thank everyone for joining on the call. I hope we have been able to address all your queries. Our focus going forward will be towards achieving higher utilization of our overall capacity. This will lead to strengthening the brand equity for Indo Count as well as strengthening our market position. We will continue to be prudent in our financial management, and we'll ensure a healthy growth. That is all from my side. For any further information, kindly get in touch with me or Strategic Growth Advisors, our IR advisors. 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.