

Shubh Nivesh



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



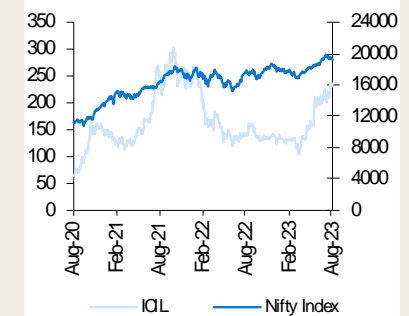
Particulars

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

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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	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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