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National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Company Symbol : ICIL

BSE Limited
Department of Corporate Services
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code No: 521016

Dear Sir / Madam,

Subject: Transcript of the Investors' Conference Call held on 30th January, 2024 for Q3 & 9M FY24 Results

In continuation to our earlier intimation dated 30th January, 2024 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 Tuesday, 30th January, 2024 at 12:00 Noon (IST) for Q3 & 9M FY24 Results.

The transcript is also available on Company's website at
https://www.indocount.com/images/investor/Transcript-Of-Q3-9M-FY24-Investors%E2%80%99-Conference-Call-Held-On-January-30-2024.pdf

You are requested to kindly take note of the same.

Thanking you,

Yours faithfully,

For **Indo Count Industries Limited**

SATNAM SINGH SAINI
Digitally signed by SATNAM SINGH SAINI
Date: 2024.02.06 18:00:29 +05'30'

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"Indo Count Industries Limited
Q3 FY2024 Earnings Conference Call"

January 30, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th January 2024 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 Further, no unpublished price sensitive information was shared/discussed in the call.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. K. MURALIDHARAN – CHIEF FINANCIAL OFFICER – INDO COUNT INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day welcome to Q3 FY2024 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 the 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 "*" then "0" 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 very much. Good afternoon and a very warm welcome to all of you to the Indo Count Industries Q3 and nine months FY2024 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 Q3 and nine months FY2024 performance.

Let me first highlight the industry and the business scenario. The calendar year 2023 exhibited resilience concluding the year with an above normal holiday season. Going forward we anticipate gradual improvement in consumer sentiment thereby showcasing the adaptability and strength of the US and other economies. Of late, the global logistic issues have posed challenges which needs to be monitored closely. Overall inflation along with geopolitical crisis and conflicts have been the biggest challenges in international trade and commerce. In this backdrop we at Indo Count have fared well and improved our position.

<u>Domestic industry scenario:-</u> Indian textile industry has witnessed a steady momentum fueled by strategic initiatives and a commitment to innovation. Domestic cotton prices have aligned favorably compared to international rates positioning Indian companies for increased competitiveness. The home textile industry in India is at a pivotal moment embracing opportunities both globally and domestically. There is a large opportunity in the global home textile industry for India and we believe the domestic industry is ready from capacity and capability perspective to capitalize on this.

<u>Coming to our recent performance and updates</u>: In the Q3 FY2024 we achieved a 33% year-on-year growth in volume. Accordingly for nine month FY2024 we reported volume of 68.2 million meters, a growth of 26%. It is pertinent to note here that there were bunching up of orders which led to increase in inventory during this quarter. We are reaffirming our

volume guidance of 90 to 100 million meters for FY2024 and believe we would be able to achieve the midpoint of the guidance. This is considering the near-term challenges caused by shipping delays and assuming no further deterioration of the geopolitical and shipping situation.

Our confidence stems from the healthy order book position and better retailer confidence and feedback. As a strategy we have been penetrating across markets keeping the tepid consumer sentiment into account and this we believe has yielded desired results. The softening cotton prices along with product mix, aligning to customer sentiments have made us competitive. Our objective is to sustain the growth trend in medium to long-term for optimum utilization of our capacities. Additional ESG measures in the form of investment into solar would continue which would not only reduce energy cost, but also help boost circularity.

Now I would like to quickly talk about our recent announcements. As all capital expenditure is now aligned and synergy creation is complete, our focus has shifted towards a proactive approach incorporating sustainability and strategic IT measures for process improvement. With a diverse product portfolio spanning multiple geographies we have adeptly navigated challenges and sustained consistent growth. Our commitment to reinventing and enhancing business operations through digital technology reflects in our collaboration with Accenture. This partnership aims to standardize, optimize, and re-engineer key business processes including manufacturing, supply chain, logistics, and procurement. We aim to better serve our customers and stakeholders by fostering a culture of agility and innovation making this initiative a significant step in that direction. This development positions us to elevate customer service and amplify the value added aspect of our business. The seamless implementation and integration of the facility boosts our competitiveness and efficiency to meet the growing demand. With India's promising economic growth and the rising disposable income and aspirations of the middle class there is expected to be increased demand for branded home textile product creating significant opportunities for local brands to prosper.

Now let me talk to you about our ESG initiative. I am delighted to share that Indo Count has debuted in the DJSI which stands for Dow Jones Sustainability Index 2022 securing a decent score of 42. We consider it as a significant milestone highlighting our strong commitment to ESG. We eagerly anticipate the continued journey of sustainability where every step is a stride towards a better and a more responsible future.

On awards and recognition, I am thrilled to share that Indo Count Industries Limited has been honored with the prestigious Business World Sustainable World Awards 2023 for India's most water efficient organization. This accolade recognizes our commitment to improving water utilization efficiency and our dedicated approach to waste water management including recycling, recovery, and reuse of industrial affluence. This recognition underscores our dedication to sustainable practices and we are proud to be acknowledged as a water efficient organization.

Now let me share with you our consolidated financial performance.

Volume, sales volume for Q3 FY2024 stood at 19.5 million meters versus 14.7 million meters in Q3 FY2023 a growth of 33% on a Y-o-Y basis. Sales volume for nine months stood at 68.2 million meters versus 54.3 million meters a growth of 26% on a Y-o-Y basis.

Total income Rs.727 Crores in Q3 FY2024 versus Rs.662 Crores in Q3 FY2023 a growth of 10% on a Y-o-Y basis.

Total income Rs.2507 Crores in nine month versus 2233 Crores in nine month FY2023, growth of 12% on a Y-o-Y basis.

EBITDA for Q3 FY2024 stood at 118 Crores versus 78 Crores in Q3 FY2023, a growth of 51% on a Y-o-Y basis. EBITDA margin for Q3 FY2024 stood at 16.2% versus 11.8% in Q3 FY2023 growth of 442 bps.

EBITDA for nine month FY2024 stood at Rs.437 Crores versus Rs.339 Crores in 9 month FY2023, a growth of 29%. EBITDA margin for nine month FY2024 stood at 17.4% versus 16.2% in nine month FY2023 growth of 227 bps.

PAT Rs.58 Crores in Q3 FY2024 versus Rs.38 Crores in Q3 FY2023 growth of 54% on a Y-o-Y basis. PAT of Rs.246 Crores in nine month FY2024 versus Rs.182 Crores in nine month FY2023 growth of 35% on a Y-o-Y basis.

EPS is Rs.2.93 in Q3 FY2024 and EPS for nine month FY2024 is Rs.12.42. Now I would leave the floor open for the question and answer.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Jatin Damania from Svan Investment Managers. Please go ahead.

Jatin Damania: Good afternoon Sir and thank you for the opportunity. Sir in your opening remarks you indicated that the global logistics has posed a challenge so just wanted to understand what was the volume loss during the quarter because of this global logistics if you look sequentially there is almost 30% decline in the overall volume growth so can you help us understand that number.

K.R Lalpuria: See as I mentioned earlier that maximum sales of ours are on FOB basis so this loss is on account of bunching of orders which we need to ship in the current quarter and which has already happened as well so the loss was not tremendous to us as far as volume is concerned; it only got carried forward to a certain extent because of the bunching of orders not because of the Red Sea. The Red Sea problem impacts the UK and the EU much more than the USA. The USA is more cost centric and the frequency of the ship rather than the availability of containers so we need to watch very closely and we need to see that how we tide over this issue going forward.

Jatin Damania: So, in terms of bunching of the order that you said of the inventories which you have shipped in the current quarter so what in terms of the quantity from the last quarter to this quarter which was for month of January.

K.R Lalpuria: See it always get carried off to certain extent because of the GIT because when we ship to our US company then it is accounted for in sales when the sales really happens at the other end so this time in this quarter particularly we have a roll out wherein we have bunching of orders so that it got carried forward and we need to ship at one time so which has happened; so that is the normal course of businesses many of the times so I cannot give you a definitive number that the quarter has been impacted due to the volume.

Jatin Damania: But we are sure about maintaining our mid level guidance of the number that you given.

K.R Lalpuria: Yes, I have already reaffirmed that we should be somewhere in the midpoint of our guidance according to the order book position. Nevertheless, the logistic issue is there, it should not deteriorate further but you see as far as what we observe is that it is much more cost centric than the availability of the containers so we feel confident that we should be able to maintain both the guidance and we should be somewhere around the midpoint of the guidance.

Jatin Damania: Okay and Sir secondly you also alluded your capital allocation programme is mostly done so just wanted to understand that our fashion facility has already started production so in terms of the overall revenue contribution have we seen any improvement compared to the last year.

K.R Lalpuria: Definitely what we have been able to achieve on the volume side definitely the capacity utilization has improved which will be around say 64-65% for the full year according to whatever guidance which we have reaffirmed to you so the revenues also will correspondingly increase, but not to the similar extent because the cotton prices have corrected and we have to pass on the price difference to certain extent and also the product mix due to the consumer sentiment is also impacted; so we have to adjust according to the consumer sentiment and keep our offerings accordingly, so all these equations will decide upon the revenue going forward.

Jatin Damania: But Sir our target of reaching 30% in Fashion, utility of the overall revenue are we intact on that number or we may see a delay on that number.

K.R Lalpuria: No, we are on target for achieving those value added sales numbers for which we have already formulated the strategy four, five years back. We have also invested into a world class facility for fashion bedding which is under production so we are quite confident that going forward we should be able to achieve 30% of our revenues from the value added segment as what we had indicated earlier.

Jatin Damania: And Sir last question from my side I want to understand that since we are focusing on the newer geography so if you can highlight the contribution of revenue from the non US market.

K.R Lalpuria: Our entire efforts are to see that how we spread our business to more countries other than the US and we have been quite successful into getting a good visibility on the UK, Europe, in Australia, and UAE and we are trying to further see that how we can make a sales mix of geographies of 60% in the US and 40% to non US market from the 70:30 ratio as of now so we are working on that. We are engaging with the customers and as the FTAs like signed between Australia and UAE there is definitely an uptick in the demand from these countries and we expect like once the FTAs get signed with GCC and UK also there will be an uptick into Indian export so definitely we are working on this and we are quite successful into adding up new customers from new areas so that improves our confidence that we should be able to build this ratio going forward.

Jatin Damania: Thank you Sir and all the best.

Moderator: Thank you. Our next question is from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.

Ashwini Agarwal: Congratulations on a very strong volume performance during the quarter so two questions one is that obviously you said that cotton prices have fallen through to realizations and the sales mix has also changed because of customer preferences, but is there a product mix change because of seasonality you might have sold a lot of top of the bed or quilts in the previous quarter is there a seasonality impact as well here in the quarter.

K.R Lalpuria: Definitely there are seasonal impact in our business according to spring summer, and fall winter, so these are two big seasons where we deliver a lot of goods. So according to the seasons also there are some changes but as we had earlier indicated that we are working on the value addition segment like the fashion utility institutional bedding and the branded business plus the domestic business is another vertical where we are strongly working; so all this will help us to increase the product mix to a richer base going forward both midterm to long term and that is what we are aiming for. In the current scenario because of the gradual demand which is picking up we need to adjust according to the consumer sentiment and that to certain extent where the product mix gets a little bit diverted; so that is the only thing but as we have more market share and we have more customer base as we have more product channel base I think this is like going forward we can strongly believe that the value addition will provide us a much better realization as well as margin.

Ashwini Agarwal: The realization trend that you have seen in Q3 that will continue for Q4 and Q1 next year as well.

K.R Lalpuria: You also mentioned about the seasonality of the product; when we sell so the spring-summer and the fall- winter are two big seasons where in Q2 and Q4 get impacted with more value added sales and that is how the market responds so definitely it will improve to certain extent and going forward as I mentioned in FY2025 we have already started working on how well the market normalizes we get a better realization and better value added mix.

Ashwini Agarwal: Okay and Sir on your announcement of the major initiative with Accenture how much is the capex that will be involved in this IT upgrade and what is the gross debt and net debt as of 31st December those are the last two questions.

K.R Lalpuria: As far as the capex on the Accenture side is concerned it is almost close to 3 million $ which we would be investing into it to reengineering our business processes so that we provide all our employees with better decision making tools and also cater to the overall digital challenges going forward. As far as the gross and net debt is concerned we will come back to you say by fourth quarter call so that will be giving you a true picture because currently the cotton season is on and we are investing into our supply chain so it will not project a true image but at the end of the day our entire endeavor apart from allocating money for dividend and term loan payment is how we can reduce our overall debt.

Ashwini Agarwal: Okay fine. Thank you Sir and all the best.

Moderator: Thank you. Our next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Hi good afternoon Sir thanks for the opportunity. Sir can you comment a bit on how we have fared in the value added segment especially in utility bedding or institutional bedding and fashion beddings and how is the global competitive landscape for these three segments especially the imports that are coming into US from China on these three account specifically if you can give some information, thank you.

K.R Lalpuria: See as we had been mentioning about these particular categories which were dominated by China. China is still strong there and that is the reason we are expecting that they should contribute to Indian market share going forward and that is visible from the otexa data; as far as the opportunity is concerned it is quite good in all three segments and our company is working since last three, four years into establishing a name in this three areas specifically and we have been quite successful as we have reported end of FY2023 a business of 19% in these three segments and our entire endeavor is to see that how we can take this forward to almost 30% on our increased revenue going forward and this is visible and we will come back to you with the numbers in our Q4 con call because that will give you a correct picture because in my earlier answer I had mentioned that there are two big seasons in the USA the fall winter and the spring summer. The spring summer gets delivered in Q4 and the fall winter gets delivered more in Q2 so - you will have a correct picture for you in our Q4 con call so there we will give you the number how we have traveled in FY2024 on these three product categories.

Archit Joshi: Sure Sir just one follow up on the same thing. While you are kind enough to give out that data by the end of the fourth quarter. Could we also have some segmentation done around the US imports of cotton sheets divided into these four categories, the basic sheets and the other three value added sheets. I think in the presentation you have already given some broad level data wherein we can definitely see that China has lost quite a bit of market share to India and Pakistan, but I think this is more on a broad based cotton sheet terminology if you can have also some segmentation around it that would be very helpful.

K.R Lalpuria: See the overall home textile retail sales in the US has gone up from US$ 32 billion to US$ 34 billion, first of all, in which around US$ 16 billion is bed linen alone and in this $16 billion, 5 billion is the sheet market and 11 billion is the other three categories market. In this other three category market, India is having a share of just 15% where China is having around 50%, India is having just 15% so we as a company have increased our target market by 11 billion $ in the last three, four years and therefore we have established both the back end and the front end in order to capture a market share in this market and that is why we are quite upbeat about it on the value addition front and as you know sheet is a commodity whereas fashion bedding utility bedding is more service oriented and institutional bedding is more service oriented where you add value to get a return on your overall value which you deliver, so that is where the catch is and that is why it looks quite promising going forward and we are working towards it. As a company we have recently established and invested around Rs. 60 Crores in a fashion bedding unit which is world class and we have shown this unit to our top customers and they are showing a lot of confidence to see that they should reduce their overall sourcing out of China and shift some of the categories to India so that is a positive sign and that is where we are looking at much more value addition going forward in these three particular categories. I hope it is clear.

Archit Joshi: Sure Sir no problem thank you.

Moderator: Thank you. Our next question is from the line of Vikram Suryavanshi from Philip Capital. Please go ahead Sir.

Vikram: Good afternoon Sir so basically wanted to understand your views on margin front. This quarter particularly we have seen change in composition to gross margin and other expenditure so how does the margin expectation look like for going forward.

K.R Lalpuria: See Vikram you need to look at the 9 months because there are seasonal changes and there are product mix changes and also the consumer sentiment as I explained we need to adjust accordingly to the market places due to the inflationary measures so all this together you should look upon what we have achieved in the nine months and what the margin guidance which we have given between 16 to 18% for the full year so that explains our margin so that is what I wanted to convey.

Vikram: Okay and if the Red Sea issue continues will it impact at least like Europe sales whatever we do or how are the feedback coming from that side.

K.R Lalpuria: See as I mentioned earlier of course there are logistic issues and the frequency of the ship is impacted, the cost is impacted, the overall transit time is impacted and if it was a good season like I would say a booming business then there would have been problem that you could not have delivered the material for the growth side but since the consumer demand itself is above normal and it is still trending along, the issue is still on the cost side and not on the availability of container side so we need to monitor this closely as we move ahead; so far the impact on us is not that high because of our lesser exposure onto the European and the UK market so I would say that we are watching the situation closely, keeping our fingers crossed and see that because it is a global issue it should get resolved in the next three months or four months so that is where we stand.

Vikram: Got it and just last point to add because the similar situation on much bigger scale we saw during COVID and there was a huge inventory built up by company so that there should not be disturbance so is there any possibility that we may get a demand because the built in inventory just to create a buffer in uncertain time.

K.R Lalpuria: I do not think so at the moment. This is just the inventory has increased during this quarter due to the bunching up of order and the roll out, that is what I already explained so we do not think because the cotton season has eased out on the raw material side. The overall availability of containers is not impacted so far so the shipments are just taking 12 to 15 days more for the frequency of the ship to come back and that is it so as of now it is not a big concern. Going forward it is uncertain so we need to monitor it closely that much only I can say but no investment into supply chain has to be done similar to COVID that much I can say; but as a strategy of course when you look at the various disruptions, we as a company have done investment into supply chain so that during the critical time we are standing behind the customer and ensure that the supply chain is continuing and that is where the whole strategy lies rather than building on just like in COVID what we did earlier.

Vikram: Understood Sir thank you very much.

Moderator: Thank you. The next question is from the line of Neerav Savai from Abacus. Please go ahead Sir.

Neerav Savai: Thanks for the opportunity Sir so most of my questions are answered just wanted to know our capex plan for the next couple of years 2025 and 2026.

K.R Lalpuria: See as I mentioned we are like investing into renewable energy so that our cost gets reduced as well as we comply with the circularity and sustainability so that is one area where the company is investing. Otherwise there is Accenture where we are investing on the business processes and then the normal capex is around 50 to 60 Crores that is what we are aiming to continue with going forward.

Neerav Savai: All put together for 2025 would it be safe to assume would be around about 60-70 Crores or maybe more than that.

K.R Lalpuria: Including the solar and the routine capex maybe Rs. 100 Crores.

Neerav Savai: Okay and beyond that any further expansion plans which we have laid out till now or we will evaluate it as and when things progress.

K.R Lalpuria: Nothing on plan.

Neerav Savai: Sir any other category beyond bed sheets which we aim to also get into. I mean bed sheet obviously we have such a large presence with such a large capacity already in place so any new product which is complementing our existing product for the same customers are we looking at anything like that.

K.R Lalpuria: See as I mentioned earlier in my answer Neerav that already we have gone ahead with a plan to have a target market of $11 billion. Now the other categories in home textiles are all around $2, $2.5 billion so I should be better off into targeting this $11 billion rather than a $2 billion category which I already mentioned and plus you see the FTAs are around the corner which will increase our overall competitiveness; where we are missing our market share like in UK, Europe we have around 5 to 10% market share which is negligible as compared to Pakistan and Bangladesh who are having 35% and 25%; so there are other large economies where we can really do good business and let me also reiterate that countries like Russia, like Latin America, like South Africa, like even China to certain extent post 3-4 years they will be net importers; so there are large tracts of market which are available. As far as our business is concerned, we have just so far had the low hanging fruit in the US so why we should bother. The bed linen itself is a 50% category in the overall home textile market.

Neerav Savai: So this 70:30 ratio which you are saying US, non US can come down to potentially 60:40 now, any timelines would it be next 2-3 years or something which you are looking at.

K.R Lalpuria: Absolutely we have already given a guidance that we would like to double our revenue in the next 3-4 years.

Neerav Savai: Okay so higher growth we expect from the non US markets which is a large part of our overall revenues.

K.R Lalpuria: US is also growing at 4%. The overall textile trade is growing at 4%. Our industry is growing at 7-9% and we are growing at 10 to 12% ahead of the industry.

Neerav Savai: Got it Sir and lastly on this special bedding side now our production has already started and the plant is there in place so what can be the potential revenue from the existing capacity which we have or is it booked completely right now for special bedding.

K.R Lalpuria: See we would like almost to double our existing revenues going forward say we are at 19% on the current revenue so when I say 30% on the increased revenue we are almost going to add that much of revenue in the next 3-4 years in this businesses so that is the plan and we are inching towards it. Our customers have shown a lot of confidence once we have built up this facility and because you need to be like having a backend completely and ensure them the security of the supply chain rather than just placing an order so you have to show that capacity to them that you can deliver to the larger customer; so far we have been catering only to the smaller customers but now we can go to the larger customer and give them assurance and show them the capabilities to deliver large quantities as well.

Neerav Savai: Right it is again a 2-3 year kind of horizon where we target this 19 going 30 with this combination of all the three fashion bedding, institutional and also the B2C part right.

K.R Lalpuria: Utility.

Neerav Savai: Utility yes. Got it Sir. That is it from my side. Thank you.

Moderator: Thank you. Our next question is from the line of Suryanarayan from Sunidhi Securities. Please go ahead.

Suryanarayan: Thank you for your opportunity so a couple questions one is you plan to double the revenue in next 3-4 years, so the current capacity is around 150 million meters what would be the peak capacity I believe there will be some batch and something could be there and maybe attaining 153 million meters could be difficult so if that is the case then what is the peak capacity we can attain, number two is that Europe has been also a bigger market so what kind of share we currently we are having on our revenues there and whether Europe situation is improving or not, that is two questions.

K.R Lalpuria: So first one is that we can achieve as close to 90-92% of the overall capacity depending upon the product mix so that is the answer to your first question. As far as Europe is concerned we are currently along with UK and Europe because they were together say around 15% of our business on the revenue side. As far as the market in Europe is concerned as we mentioned that gradually it is improving because they had gone through this geopolitical situation in a big way because the countries were all involved into the discussions of cutting across supply chains etc., so these countries are reviving the demand and there is a demand revival which you see so going forward we expect things to improve because the consumer sentiment is also improving that is what when we look at the order book position from the customer based out of Europe is concerned.

Suryanarayan: You were actually getting good revenue from the Europe side so compared to the Europe and America so which was I mean most fashion conscious market I believe Europe could be, I just require your confirmation.

K.R Lalpuria: See USA is much more organized and structured and Europe is still fragmented with so many countries so that the cultural diversity is there so the product base is still diverse and fragmented that is the reason in Europe too there are regional retailers which are successful for example like Carrefour is there, JYSK is there, Metro is there so if you look at these retailers they have not been able to garner that much success like the Walmarts of the world because the cultural diversity is there in Europe, but having said that the value addition which they demand is on similar levels to what the US is; so we see that since they are also very committed on the sustainability side of the businesses so recycling and circularity product and organic product are finding much more acceptance in this markets; so when we work upon those value additions we definitely anticipate better margins and therefore we see like a good uptick in our margin; when we have this FTA and we are able to explore all the customer base who are getting serviced out of the duty free Pakistan and Bangladesh of the world; so definitely these markets are quite promising as far as the value addition is concerned and going forward since we are targeting this market with our entire product mix. They are also looking at China Plus One strategy as well as looking at India's entire value chain and raw material commitment so I think those are the favorable advantageous situation which India has so definitely there will be an uptick into their sourcing from India and that will help all of us in the industry to grow.

Suryanarayan: Okay and Sir you said that 90-92% will the optimum so if that is the case then we are getting a volume product of around 140 million meters and currently we could be hitting FY2024 with 96 million meters what I believe and though you have a little bit higher than the say 100 million meters on the target so are you expecting current value growth is not that high so are you expecting value growth also to propel the doubling of the turnover how is it.

K.R Lalpuria: Absolutely the value and both the volume growth will be there but as I mentioned you should first of all look at the full year and secondly the consumer sentiment also we need to take into consideration so we have to see that how we garner more market share and when the market normalizes then we will get the necessary advantage and through a richer product mix we will be able to grow the value also; so we are quite confident because we have the fundamental set right both at the front end and the back end so definitely that advantage we will get because when we start with a customer we start with not a value addition programme but with a mediocre middle order and then we elevate towards the value addition slowly and that is how we approach the whole subject and the strategy; so I think going forward this will help us drive both value and the volume as they will feel quite confident in us wherein we specialize on the bed linen side of the home textile business so we are specializing in this category not generalizing so that also a favor which we get from them because then they can expect good service out of us.

Suryanarayan: So your Q4 is nearly similar to Q2 if that is the case then we could be hitting around 28 million meters for Q4 and that could be 96 million meters against your target of 100 million meters target so what kind of volume you are figuring out for FY2025 and 2026.

K.R Lalpuria: See we should be having more visibility in March so we will be able to give you better numbers for FY2025 in our fourth quarter call. As far as FY2024 is concerned I have already mentioned in my speech that we should be able to achieve midpoint of our guidance very well because of the order book positions which we have and so far which we have shipped out stands on as on date.

Suryanarayan: And where you see the cotton prices moving from here. As we progress towards the summer the cotton prices will increase a bit.

K.R Lalpuria: Definitely when the season is on the arrivals are large and that brings about the averaging out of prices it is close to MSP today because of maybe the lower demand overseas for raw cotton and that is the reason you see the Indian prices are lower than the American cotton prices and it should remain in similar range going forward as we speak. Definitely if the demand improves the prices tend to move up, but we have to watch the situation and take our own strategy forward of covering the necessary cotton during the season so that we secure our supply chain and that is what we are doing.

Suryanarayan: Okay thank you Sir.

Moderator: Thank you. Our next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: Thank you Sir for the opportunity. So sir, my first question was how are the inventory levels right now are there at pre COVID normalized levels.

K.R Lalpuria: I already answered that there is nothing like a pre COVID and post COVID level. The inventories are there due to the bunching of orders. There is a roll out which we need to deliver in this quarter and which will happen.

Palash Kawale: Okay so you anticipate any more buildup because of the supply chain disruptions.

K.R Lalpuria: Not at this moment.

Palash Kawale: Sir my last question was any update on FTA with UK.

K.R Lalpuria: What we heard yesterday is that they need to finish this before March 2024 so a lot of meetings have taken place between the two delegations two countries and we hope that it gets ended soon and that is what we keep on tracking and that is what the status is; so let us keep our fingers crossed and see that it happens before March because there have been lot of deliberations and lot of things have got clarified so far; I would say so there may be a couple of hitches here and there which I think will be sorted out before the elections is what we feel.

Palash Kawale: Okay Sir thank you that is it from my side.

Moderator: Thank you. Our next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna: Thank you for the opportunity. Congratulations on good volume growth that you reported this quarter just wanted to understand on the margins. I do not know if I have missed the comment margin of 14.6% excluding other income is a bit lower than your annual guidance was there any one off or any product mix change that has happened this quarter.

K.R Lalpuria: The other income represents also the Forex gain to certain extent Prerna and as an exporter we need to under IND AS show it as other income but otherwise you see the Forex is an integral part of our business and whatever hedging or realization which we do is a business income because that we already consider in our prices so I think you should consider it not as a purely other income but part of our revenues and if you do that then you will get the correct picture.

Prerna: Okay but apart from that there is no one off cost or product mix change also in this quarter that we should have a note of.

K.R Lalpuria: No I do not think; so it is purely as I mentioned there are two large quarters and two normal quarters as far as our business is concerned one is Q1 and Q3 are normal and when we deliver Q2 it is for fall and winter and Q4 is spring and summer so definitely some product mix get changed over this cycle, but definitely as a strategy the overall product mix does not get changed because the company has positioned between mid to high segment and as I mentioned continuously and consistently that we are targeting value added businesses going forward just like in fashion bedding, utility, institution, e-commerce brand, license brand, B2C business, domestic business brand; so all these areas we are working on continuously to see how we have a richer product mix going forward and the customers are accepting it and because of the China Plus One also who are dominating this currently there is a shift of their market share to India as a whole so we feel confident that going forward we should be able to increase the ratio of these businesses and therefore our value added business will grow which will also help us in improving our margins.

Prerna: Okay understood and Sir any comment on the GHCL integration. What is the status now and where do we stand with respect to customer level integration as well.

K.R Lalpuria: The GHCL integration has happened on time as you can clearly observe that if we are at midpoint of our guidance then we did need a capacity of this kind for our further growth, so it has justified our acquisition number one. Number two the integration has been seamless and we have reported earlier too that the integration has happened seamlessly and it is working in our favor and as you can see from our margin profile we have been able to elevate the margin profile of the customers whom we were catering to by providing them an end to end solution and going forward also we will work upon it to see that how we can leverage their customer base to a better margin profile for them; so I think the overall integration is very good and going forward also with our business reprocessing etc, digitization where we are focusing we will see to it that we further utilize this asset more judiciously.

Prerna: Thank you so much Sir and all the best.

Moderator: Thank you. Our next question is from the line of Simran Bhatia from Almondz Financial Services Limited. Please go ahead.

Simran Bhatia: Thank you Sir for you giving me the opportunity. I have two questions. I was going through one of the slides that your net debt has bring down from know Rs.900 Crores in FY2022 to Rs.589 Crores in FY2023 can you give at least next two to three years of debt reduction guidance where we are seeing Indo Count going forward and secondly what will be your fixed asset turnover ratio in the upcoming years just kind off idea in FY2025 and FY2026.

K.R Lalpuria: So as far as the debt reduction I have already answered that we have completed our capex plans by investing around Rs. 1100 Crores in the last two years into spinning, into fashion bedding into this acquisition which we took for further capacity addition which was needed for our further growth; so those have acted all in our favor and going forward like our entire endeavor and as a philosophy of the company also is to remain debt free so our entire endeavor apart from allocating our profits for dividend and for the normal capex it will go towards reducing our debt but whatever is required for our growth compliances for our business, the working capital will be designed accordingly because whenever there are challenges we need to invest into supply chain and to see that we really deliver to our customer the necessary product and the service level so definitely that will be considered towards how we reorganize or organize our working capital going forward but our definitely aim will be to reduce our overall debt situation, our long-term debt is getting naturally reduced which we have in current and the working capital also sometimes it is a little bit seasonal because we buy cotton in the seasons and we utilize it so whenever the realization is there from this inventory is being used to further reduce the debt so this will be the overall strategy so the in the next 3-4 years we would like to become a debt free company and secondly on the asset turnover also we are working upon. As I mentioned we look at the consumer sentiment, we look at the market share, we look at our capacity utilization and there are various facts which we need to consider due to all these inflationary measures and geopolitical situation and to see that how we turn around our assets very well and that is what we have done during this year as well. If you can see our overall nine months growth of 26% volume so definitely our endeavor is to have a better asset turnover going forward.

Simran Bhatia: Great Sir. Thank you Sir and all the best.

Moderator: Thank you. Our next question is from the line of Pawan Kumar from Shade Capital. Please go ahead.

Pawan Kumar: Thank you Sir for the opportunity. Can you give some colour on your domestic business what is your aspiration in the domestic business.

K.R Lalpuria: Definitely the domestic business is looking upwards. We have worked upon in the last years on building the team, building the distribution, different points of sales, the product categories the mix and we have been quite successful till date. In FY2023 we have informed that we are at 2.5% of the revenue and in the next 3-4 years we would like to set a target of almost 7 to 8% of our increased revenue from domestic brand so we are working upon it as India grows into a 5 to7 trillion economy definitely the middle class is aspiring for better end goods. This will provide definitely an opportunity for us to see that how we grow this business amicably and this is what we are focusing upon and we are quite sure that it should do well going forward.

Pawan Kumar: And Sir are you focused on value added segment or like all the segments the domestic segments.

K.R Lalpuria: Absolutely because we have been in the commodity sheet business for quite a long time and that is why we have chartered a road map that we should go in for much more value addition because now we have the proper experience, expertise, and the reach globally to all the customers and all the countries. We are exporting to 54 countries so we have got a good reach and that is why we are leveraging all this to see that how we can explore new ideas, innovation to see how we can add value to our business and we have different verticals where we are working upon and definitely you will see that in the coming year we are quite confident to see that our overall value added business ratio will go up.

Pawan Kumar: The last question like what about e-commerce and other digital channels. What sort of revenue are targeting let us say for three years.

K.R Lalpuria: They are also doing extremely well. We reported 10% of our revenue coming from e-commerce and that is also growing. We will come up with the percentage in our Q4 call and definitely the overall e-commerce business globally is also increasing, inching up so this is a good channel for distribution and definitely the company is all geared up to see how it can capitalize moving forward.

Pawan Kumar: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraint the last question is from the line of Suryanarayan from Sunidhi Securities. Please go ahead.

Suryanarayan: A couple of follow up questions one is that you have two licensed brand tie ups, one is Gaiam and another is Jasper Conran so here what kind of royalty arrangements or anything is there or is it on some other basis.

K.R Lalpuria: So it is a normal royalty which we pay for a licensed brand which is usually there. There is nothing very big commitment from our side because you see they are interested into exploring how they can promote their brand effectively and they found a good partnership with us and because of our complete product portfolio which we had assured them to deliver and that is where the whole confidence level is and it these brands are doing well and they should do extremely well in the future. The reason being we have been able to establish the proper product portfolio and also have displayed this at the exhibition as well as the market week in the US and we had a good response; so I can only say that we will be inching towards better numbers in the future for both the brands, and Gaiam we had launched in FY2024 and we have a good traction of it going forward and we had a good response to our launch so I can only say at this moment that both the brands will do well going forward.

Suryanarayan: Okay Sir the last question is that in order to stay asset light we are adopting lot of models in the off stream sector as in a segment wherein we have captive yarn and we outsource yarns and we also manage to do some job works from outsiders for the yarns or let is say even we buy also gray so if you can throw some light on that, what are the compositions of each segments at the moment let us say in future what will be the constituents, captive versus outsource to job work and work gray.

K.R Lalpuria: See I can only say to you that our overall internal captive consumption is around 25% and the rest we outsource depending upon how the raw material, the yarn situation the gray situation and the other inputs behave. According to the demand and supply we outsource and since we are almost a debt free company and we have double AA rating. We are a good pay masters too and we are one of the largest source of this product categories in India so definitely we have a good vendor base and good relationship with them so we are quite sure to secure our supply chain with them periodically and definitely we get an advantage because we are long-term players and we assure them a good business so I can only say that this is working in our favor because there are lot of changes happening on the raw material side as you can observe that at times people are going in for recycled material for circularity material for organic product for various other inputs, so we have to be very flexible into how we secure our supply chain and that has worked in our favor during COVID level also where you could see that we have been able to protect our gross margin in spite of spike in the cotton prices and the availability of cotton; so definitely the entire model is workable and we have shown consistent performance and growth with this model and we are quite sure that going forward also the way we are set up strategically we have been able to do well and we will do well.

Suryanarayan: So what is the Egyptian cotton quantity of volume in our total raw material.

K.R Lalpuria: That we cannot define because the market depends upon demand and supply, the consumer sentiment, the consumer taste, the experience, various factors so we cannot define.

Suryanarayan: For FY2023 what was the case and till date how it has planned out so that is my point.

K.R Lalpuria: That we can provide you offline. We cannot do this online.

Suryanarayan: Okay Sir. Thank you Sir.

Moderator: Thank you. That was the last question for today. I would now like to hand the conference over to Mr. K.R Lalpuria for closing comments.

K.R Lalpuria: We are confident of our strategic initiatives which will lead us to a promising future setting a benchmark in value creation and corporate citizenship. We eagerly embrace opportunities and challenges unwavering in our commitment to a sustainable and prosperous future for Indo Count and all our stakeholders. Thank you very much.

Moderator: Thank you. On behalf of Indo Count Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.