



“Indo Count Industries Limited
Q3 and 9 Months FY '26 Earnings Conference Call”
February 16, 2026

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**MANAGEMENT: MR. MOHIT JAIN – EXECUTIVE VICE CHAIRMAN –
INDO COUNT INDUSTRIES LIMITED
MR. MURALIDHARAN – GROUP CHIEF FINANCIAL
OFFICER – INDO COUNT INDUSTRIES LIMITED
MR. MANISH BHATIA – CHIEF FINANCIAL OFFICER –
INDO COUNT INDUSTRIES LIMITED**



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Moderator:

Ladies and gentlemen, good day, and welcome to Indo Count Industries Limited Q3 and 9 Months FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Mohit Jain, Executive Vice Chairman. Thank you, and over to you, sir.

Mohit Jain:

Thank you. Good afternoon, and a very warm welcome to all of you joining us for the Indo Count Industries Limited Q3 and 9 Months FY '26 Earnings Call. I'm also joined by our Group CFO, Mr. Muralidharan; Manish Bhatia, our CFO; and Strategic Growth Advisors, our Investor Relations Advisor. We hope you have had the chance to review the financial results and investor presentation available on the stock exchange and on our company website.

Let me begin with great news that has come at the start of 2026. India concluded the FTA with Europe and a trade deal with the United States, developments that are truly transformative for the Indian textile sector. Starting with the United States, while we are still awaiting detailed notifications and finer aspects of the agreement, one thing is very clear. Tariff uncertainty has meaningfully eased. With these trade developments, India is moving towards a more competitive position relative to other exporting countries. This is extremely necessary, and it strengthens our business outlook going forward.

Coming to Europe. With the EU FTA, textile exports from India to Europe will now become duty-free. This is a significant structural advantage as it creates a level playing field for the Indian players. Europe is one of the largest textile markets globally with imports of over USD260 billion. Indo Count already has a presence in Europe and works with leading retailers in that region.

We must acknowledge that post signing, implementation takes time and scaling up takes further time. Having duty-free access, combined with our existing relationships, gives us a clear head start. There is no denying that this is a major development for Indian textile players. At Indo Count, we have already begun internal discussions, putting pen to paper to study, strategize and evaluate how to best capitalize on this golden opportunity.

Although the trade deal will take time to get implemented, we expect customer confidence to steadily improve through FY '27. In addition, some of the FTA signed earlier with countries like Japan, Australia and in the Middle East are beginning to show traction. As we have consistently communicated, geographical diversification remains one of our key strategic priorities. Today, non-U.S. markets contribute to approximately 30% of our core business revenue.



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Now coming to our internal developments. We started the year 2026 on a very positive note with the commencement of our commercial production at our new greenfield pillow manufacturing facility in Kernersville, North Carolina, United States. This is our third manufacturing unit in the United States and the largest amongst the 3 having a capacity of 18 million pillows annually, taking our total utility bedding capacity to 31 million pillows per annum.

Strategically, this strengthens our manufacturing footprint in the United States and presence in the Midwest, West Coast and now the East Coast. It enables customer proximity, improves responsiveness and gives us clear operational flexibility. Our first 2 utility bedding facilities are currently operating at approximately 65% capacity utilization. With the third facility now operational and backed by this expanded infrastructure, we expect this segment to scale up.

I'm also pleased to share that Indo Count has been honoured with the TEXPROCIL Export Award for the year '23-'24, winning the Gold Trophy for the highest exports of bed sheets, bed linen in the Cotton Made-Ups category for the sixth consecutive year. This award is a strong validation of our consistent export performance, our leadership position in the category and the trust that global customers continue to place in us.

Lastly, but certainly not the least, we have strengthened our ESG leadership position. Our S&P Global ESG score has sharply risen to 78, up from 45 over the last 2 years, significantly ahead of the industry average of 35. We now rank within the top 3 percentile globally among textile, apparel and luxury goods industry peers in ESG performance. This achievement reinforces our long-term commitment to sustainable growth, responsible manufacturing and value creation for all stakeholders.

Now coming to our Q3 performance. Despite operating in a challenging 50% tariff environment, we delivered a stable performance while continuing our strong belief on our long-term growth. Importantly, there was no substantial impact on volumes. In order to sustain volumes and protect our market share, we undertook calibrated product mix adjustments and shared a part of the tariff burden to support our customers. While our core business revenues were impacted due to the tariff environment, this was largely offset by growth in our new business. As a result, we delivered stable overall performance on a sequential basis.

Lastly, coming to our new business in the United States. Our new business revenues have doubled compared to the same period last year. At this juncture, I would like to pause and share with pride that utility bedding, part of our new business, began its journey just 16 to 17 months ago. And today, it is actively fuelling our next phase of growth. This business is expected to contribute approximately USD175 million to our consolidated top line over the next few years. We believe this is just the beginning, and there are still huge opportunities to scale further and create long-term value.

Coming to our brand business, another part of the new business segment. Our newly relaunched brand Wamsutta, continues to perform well. We are receiving encouraging customer feedback and strong product reviews, reflecting the brand's premium positioning and quality credentials. The response validates our strategy of building a differentiated branded portfolio alongside our



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core business. Our portfolio of licensed brands, Fieldcrest, Waverly, GAIAM will continue to be strong growth drivers, supported by deeper customer engagement and increasing preference for end-to-end home textile solutions from Indo Count.

The ability to offer a range of collections across bed, bath, utility bedding, etcetera, strengthens our value proposition and enhances the wallet share with our retail partners. The new business contributed 20% to our total top line in Q3 FY '26. On a sequential basis, it grew by 16% to INR210 crores, achieving an annualized run rate of nearly USD100 million.

To conclude, the tariff uncertainty for our core business is now behind us. Our U.S. manufacturing and branded portfolio are building scale, and we expect improved traction in the coming years. Additionally, the evolving trade agreements are likely to open up growth opportunities for us.

With our presence across 50-plus countries spanning 5 continents, we are positioned to unlock the next phase of global growth while further diversifying geographically and strengthening our competitive edge. We remain confident in our strategy, execution capabilities and in our ability to deliver sustainable and balanced growth as global trade conditions normalize.

Importantly, we stay committed to our long-term vision of doubling our revenues by 2028, supported by a well-balanced mix of business and geographies, strong brands and an expanding global manufacturing footprint.

With that, I now request Mr. Manish Bhatia to walk you through the financial highlights.

Manish Bhatia:

Good afternoon, everyone, and thank you for joining the Q3 and 9 months FY '26 earnings call. I will first provide a brief overview of our performance, following which we'll open the floor for questions. At the outset, I would like to highlight that Q3 FY '26 and 9 months FY '26 are not directly comparable to the corresponding periods last year. This is largely due to two key factors. First, there was no U.S. tariff situation in the base period. Second, revenue contribution from the new business portfolio commenced only from Q3 FY '25.

Volume. Sales volume for Q3 FY '26 stood at 24.8 million meters, showcasing a steady performance in this uncertain environment as compared to the volume of Q2 FY '26. Total income for the Q3 FY '26 stood at INR1,074 crores compared to INR1,082 crores in Q2 FY '26, showcasing a steady performance despite full quarter impact of 50% U.S. tariff.

Coming to EBITDA. EBITDA for Q3 FY '26 stood at INR102 crores compared to INR123 crores in Q2 FY '26, a decline of 16.8% quarter-on-quarter due to partial tariff absorption and new Labor Code impact of approximately INR9.2 crores. Adjusted EBITDA for Q3 FY '26 stood at INR112 crores after taking onetime impact of new Labor Code. EBITDA margin for the quarter was 9.5% versus 11.4% in the previous quarter. Adjusted EBITDA margin for the quarter was 10.4%, which is 100 bps degrowth quarter-on-quarter due to full quarter of 50% U.S. tariff. We expect margin pressure to gradually ease out.



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PAT for Q3 FY '26 stood at INR24 crores compared to INR39 crores in Q2 FY '26. As mentioned earlier, the volumes in the core business will scale up going forward and new businesses will also show more traction. Therefore, we expect stronger EBITDA to PAT conversion over the next 2 years. EPS for Q3 FY '26 is INR1.23 per share. Coming to debt side. Net debt has been reduced by INR215 crores as compared to March '25.

With this, I open the floor for question and answer.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Sir, a couple of questions. One, how do we look at the scenario in U.S. typically in terms of the demand at the customer end and your -- the end customer as well as your customer end? Given the tariff situation was the stock at our customer much lower than the normal, whereby in coming months, can we see a spike in overall revenues? That is my first question.

Mohit Jain: Sure, Rahul. So what we've seen in the U.S. is retail sales during the holiday season have been decent. Having said that, all retailers have increased their prices, keeping tariffs in mind just after the holiday season, which is towards the mid of December onwards. So we have to really -- it's early days to say anything. We have to watch their sales because when prices go up, there's a little bit of an impact on demand, as you can see also on our volumes from last year Q3 to this year Q3.

So we have to wait and watch, but U.S. is a very resilient economy. All the numbers on retail sales, on labor, unemployment numbers have all come in on the positive side. In terms of inventory levels, yes, customers have not overbought anything, but it all depends on how retail sales go in the next 1 to 2 quarters, I would say.

Rahul Jain: Sure. Secondly, on the margin side. So we have kind of given discounts to our customers. So once this -- the final tariff comes in play, all the models are getting completed. So will we kind of reverse the kind of discounts? And accordingly, because of this discount only, nothing else, what should be the margin uptick?

Mohit Jain: Understand. While the benefit of the reduced tariff, Rahul, may take some time to fully reflect in the reported numbers, which will be gradually visible from our first quarter FY '27 onwards. But structurally, the outlook has improved meaningfully. One thing is clear we need to understand that the Indian textile industry is now competitively positioned and at par with other exporting nations, if not better.

And the U.S. is the largest textile importing market. This significantly strengthens our long-term opportunity. We already hold, as you know, a very strong share in the U.S. home textile market and expect to consolidate and grow the position further. At the same time, the recent trade agreements provide incremental tailwinds for expanding our presence in non-U.S. markets.

Coming to your specific question of guidance, at this point of time, we would not -- we prefer not to provide any specific numeric guidance at this stage. However, directionally, we expect



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improvement across volumes, realizations, margins going forward as the operating environment normalizes and competitive positioning strengthens.

Rahul Jain: Sure. So I do accept and appreciate the kind of opportunities which lie ahead in the medium to the long term. And I understand your part in terms of guidance on numbers. I just wanted to clarify, there is a certain discount which you must have given to your customers, which is specifically related to the tariff situation, which is kind of not a regular situation, regular business situation. So say the discount which has been given to in terms of x amount or x percentage, as this, say, another -- when things get clarified in terms of the final duty structures, assuming it goes to 18%, then do you reverse that special discount related to tariffs, which was given to your customer?

Mohit Jain: So one thing you need to keep in mind is between our Q2 and Q3, we have a 100 basis point EBITDA margin hit due to the 50% Russian oil tariff. Yes, we did give a case-to-case basis, tariff discounts to customers, which will start getting reversed. We are in touch with all our customers as we speak. It's too early. This has all happened in the last 7, 10 days. So we have engaged with them. As this unfolds, it will all start resulting in -- will start showing in the numbers.

Rahul Jain: Sure. My last question, sir. In terms of your guidance on the top line, you mentioned by FY '28, our overall company top line will double. And our new business, which has reached a run rate of about USD100 million by FY '28, the new business, which includes the bedding -- utility bedding and also the U.S. brand business, both put together should be in the region of around USD275 million was your guidance which was given in the previous quarter also? Do we stand by that?

Mohit Jain: Yes.

Moderator: The next question is from the line of Abhishek Shankar from ICICI Direct.

Abhishek Shankar: Congrats on a good set of results. Just two questions from my side. One is on the Europe market. Can you just highlight what is the total size of the home textile market in Europe? And how -- what is the share of India in that? And how are we looking to grow there? My second question, I'll ask after this.

Mohit Jain: Hi Abhishek. Sure. So I'll also give you a little bit flavor of where Indo Count stands so that for everybody to hear this and clarify on the EU FTA and on the European market. Currently, our revenue contribution is in the mid-single digit range from this market. We are in active discussions with multiple customers and are engaged at various levels as we move forward. Once the EU FTA comes into full effect, it will significantly improve visibility for both Indo Count and the retailers, given our enhanced competitive positioning versus earlier.

We've got to realize with this, India becomes on a level playing field with its other competing countries. So we expect the EU market is roughly around USD30 billion, which is similar in



size, specific to home textiles to the U.S. market. And over the next couple of years, I would say, next 2 to 4 years, we will be able to capitalize this market in a big way.

Abhishek Shankar: And my second question is more on the bookkeeping side. So you mentioned about the incubation cost of new businesses. I just wanted to know what was the amount of that incubation cost?

Mohit Jain: As we've mentioned, Abhishek, it's 150 to 200 basis points. So you can run the numbers. I mean, we are not going to provide any specific number, but it's approximately 150 to 200 basis points. We expect this to get over by end of quarter 4.

Moderator: The next question is from the line of Aman Agrawal from Carnelian.

Aman Agrawal: My first question was on the core business margins. Like while you have already talked about that there will be a reversal in margin. But since the tariff will come down to 18%, so will Indo Count be expected to take some hit out of that 18%? Or like do we expect our margins to go back to 15%, 16% kind of a number, which we used to do earlier?

Mohit Jain: Sure, Aman. So the reality, it's too early to speak on this because this is a very dynamic situation we are in. And we're in discussion with all our customers. And I'm sure we'll get to a mutually beneficial conclusion with each other. Having said that, our objective is to get back to 15%, 16%. I think we've been consistently saying that that's our goal on EBITDA. And let's hope that we can get there soon.

Aman Agrawal: Understood, sir. And now coming to the Europe business part, with the FTA basically coming in, like it might take another year to basically implement. So like how are we working internally? Like are we planning to put more sales team or like more offices in Europe so that our engagement with the customers improve and once the FTA is in place in a year, we are able to capitalize from the start only, can you touch a bit on that, like how we are thinking about capitalizing on the opportunity, sir?

Mohit Jain: Absolutely, Aman. And I think I addressed this early on in my opening speech. I'm not sure if you heard that. So we have a team in place. We are putting pen to paper. We have a strategy in place. We're evaluating. We're seeing how we can improve our relation with each customer. We very recently in the month of January, participated in a show called Heimtextil 2026 in Germany, which happens in Frankfurt, it happens every year. And it was one of the largest global home textile exhibitions, which brings retailers all across the world under one roof. And with this participation, we've seen specifically this time, a lot of interest from U.K., European retailers more than ever.

And of course, the EU FTA was already in the works. We all were hoping that it will happen. But till it didn't happen, it didn't happen. So even our retail customers were aware of this, who we already do business with.

So they all came, they were they're seeing new products. So I think the engagement level is very, very high, more than it's been because they know at the end of the day, for them also country



diversification is important. They look at India very, very well. We also have Mr. Macron here today. So I mean, it all shows how important India is for all the global leaders.

Aman Agrawal:

Okay. So like from a medium-term point of view, like 3 to 5 years, can we put some like internal target like from 30%, maybe you want to go to 50%, 60% kind of diversification from non-U.S. revenues. I know it is very early to say anything as of now, but like it might speak a bit about your ambitions to grow that business, right? So anything can you say on that?

Mohit Jain:

I'll be a magician to tell you that right now.

Aman Agrawal:

Yes. Now again, on the home textile bit on, like if I see U.S. also, like Indian players are very strong on the cotton part, right, because cotton is dominant in India as well. But if I see polyester and other aspects of the business, like Indian players have lagged a bit in terms of gaining market share on those presence. And that is also a big part of the overall textiles market, right?

So with more and more yarn players coming in India and the focus of Indian government also on the MMF category, do you think like there is a potential for us and players like us to go and target that non-cotton pie also and like gain more wallet share in that category?

Mohit Jain:

Sure. So India is -- there's a product which is 100% polyester-based product in the U.S., it's called microfiber to be specific. That's where it's an opening price point product, really the starting price point where retailers would retail the product at USD17, USD19. So we, as a country, I mean, most of us don't play in that segment.

So we are playing more on the mid- to high end. But even in the mid- to high end, it's not that all our products are exported with only cotton. We are using fibers like Tencel, Lyocell, a blend of cotton polyester. So even when we are blending cotton and polyester, 60% cotton, 40% polyester, India is very, very competitive.

As we move forward, a lot of the cotton polyester products are used in the fashion bedding business. So you'll see that business grow over the next couple of years. And I think we are competitive even today, and we should see that growth happening further. As far as 100% polyester is concerned, I don't think we are yet competitive.

Aman Agrawal:

Understood, sir. And sir, now on the utility business, like we have reached 65% kind of utilization in the old facilities and the new facility, greenfield one has also come on stream, right? And we are doing a run rate of like almost USD100 million kind of business from the new businesses. So like any soft guidance can we give for next year? Like how much revenues are we targeting from the new business, especially from the utility one since old facilities will ramp up and like also the new facility will ramp up for us?

Mohit Jain:

As we mentioned, like over 3 years, and this is our first year. So next year will be our second year and the year after that will be our third year. So we've given a clear guidance of USD275 million. So I think we should all be very happy to where we stand today. In less than 9 months to 12 months, we're already at USD100 million run rate. So other than that, it's very difficult at this point of time to guide.



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- Aman Agrawal:** So I can say that would be -- we would be targeting 10%, 15% kind of Q-on-Q kind of growth, which we have been getting, right? Like would that be a fair understanding?
- Mohit Jain:** Not necessarily. Some quarters could be higher, some could be flat. So it's not -- there's no -- I mean, it all depends on when does business fructify with which customer and how the offtake is. So our objective is more to stabilize the business and to grow from a long-term perspective. It's not quarter-on-quarter. It's not the concern here.
- Aman Agrawal:** Understood, sir. Sir, my final question was on Wamsutta. Like can you speak about the performance of Wamsutta and like any rough numbers you can throw like how we have been doing in terms of sales because that is a category where -- which is very exciting for us, right? And it can become USD100 million kind of business. So how has been the performance? How has been the ramp-up in that business basically?
- Mohit Jain:** Sure. So the USD100 million that we mentioned is with Wamsutta and the other brands that are clearly mentioned, and it's also in our investor deck. It's not only with Wamsutta alone. And we've got to all realize, Aman, that it's only been 6 months since the brand has been launched. So we'll come to you once we've achieved some scale and size. But all I can say is that it's positively surprised us, and we are moving in the right direction.
- Moderator:** The next question is from the line of Gautam Trivedi from Nepean Capital LLP.
- Gautam Trivedi:** Hi Mohit and team, I think a pretty decent result given the challenging circumstances over the past about almost 2 quarters. I was looking at your slide presentation, and I want to focus on number 22, Slide 22. Hello? Can you hear me?
- Mohit Jain:** Yes.
- Gautam Trivedi:** So Slide number 22 was -- it's interesting that you've shown the extent of U.S. imports of two of your major products, cotton sheets and cotton pillow cases and also thereafter cotton bedspreads and quilts. The first two have India with the lion's share. And of course, within that is Indo Count. And then you have a slightly smaller share for sure in the cotton spread and quilts. But here's the interesting part, there is no mention of Bangladesh. So question I have is, is Bangladesh absent in all these 3 categories?
- Mohit Jain:** So Gautam, interesting question. And we've gone through this a little bit of a roller coaster in the last 7, 8 days, as we've all seen when Bangladesh got the duty-free access using U.S. cotton. So actually, Bangladesh produces very, very low products, which we would compete with them in the European market. In the U.S. market, we actually don't compete with Bangladesh at all. So that's why you don't see Bangladesh on the map. So you absolutely correctly pointed it out.
- And also our understanding from Piyushji is that now India also going forward, of course, we'll have to see the fine print will have exactly the same benefit. So if you're importing U.S. cotton, India should have tariff-free access to the United States. Of course, the devil lies in the detail. So we'll wait for -- even for Bangladesh, the fine print has not come out, as I mentioned. So as



that comes out, I think this will also be a game changer for India. But -- that answer your question.

Gautam Trivedi:

Yes. That's a good clarification because the thing is the Indian stock market puts all the textile exporters under the same basket and says, you know what, if Bangladesh has got a preferential duty structure with the U.S. and everything gets impacted from an equity market perspective at the same time. So this is a great clarification. Yes, I think this is great. I just want to also ask you a question with respect to your domestic business and how is that growing?

And you -- because you've launched a whole bunch of brands on the domestic front. And one of the things that we look at in Nepean Capital is that with so many new residential apartments coming up across the country, and that's a big boom for the real estate companies and maybe when we talk to them. Every new home is going to need pillows, blankets, bed covers, etcetera. So how do you view the domestic market going forward?

Mohit Jain:

Absolutely. So the domestic market is very, very important for Indo Count. We have 2 brands, a brand called Boutique Living, which is an aspirational brand, priced at a mid-priced and above INR3,500 on a bed sheet and above. And then we have an affordable brand, which is an opening price point, you can say, which is called Layers. We have a dedicated separate team of over 65 people running this business for us. India is a tough market, I must say, but we are fully committed to it. We are in over 2,000 multi-brand outlets as we speak and growing. We are in stores like Shoppers Stop, At home. So multiple of these large-format stores.

Also online, we are revamping our website, making it more also from a D2C presence, making the websites more alive and showing the curated assortment. So and selling more higher-end products on our website. So we're in the journey of putting that also in place. So it's a very important business. Currently, it's 2.25% of our revenue, but it's very important for us. And hopefully, in the next 3 to 5 years, this will become a sizable business.

Moderator:

The next question is from the line of Yash Tanna from ithought PMS.

Yash Tanna:

Am I audible?

Mohit Jain:

Yes. Yes, please.

Yash Tanna:

Yes. So I had a question relating to the guidance that you've given for FY '28. Now we do understand that the medium to long term, the visibility is great. But if I just dissect the numbers, I think maybe this year, the new businesses will be doing anywhere between INR750 crores to INR800 crores. And even if I assume that by FY '28, they scale up to the USD275 million, the base business, the core business has to sort of grow more than 25% year-on-year for the next 2 years. So what is giving us this confidence of such a growth -- high growth, which you've not achieved in the past?

Mohit Jain:

Sure, Yash. So directionally, we feel positive on this growth trajectory that we've laid out as the revenues improve. Currently, with tariffs and FTA, the target to double revenues is doable with



these going away. And we have the capacities and the capability, and we are witnessing improved scale across all segments as we speak.

Yash Tanna: Sure, sir. Got it. But in any case, I mean, is there a possibility where this could extend because it seems rather very aggressive, and it's good to be aggressive. But just trying to understand, we've never done this sort of a growth.

Mohit Jain: Yes. Of course, we got to realize that this is an aspiration that we all have. So we have not changed the numbers. We -- around 12 to 18 months ago, we declared our numbers. So we want to hold ourselves to it. Now if it moves by 6 months or 9 months or 1 year here and there, it's not the beginning or the end of the world, right? I mean, conceptually and how do you say, directionally, we are very clear.

And you've got to also understand that now we have 3 levers that we are playing on. It's not one lever only our core business. In our core business now with all these FTAs, U.S. opening up, I mean, that we have 35%, 40% open capacity there. We have the utility bedding business, and we have the brand business. So we have all these 3 to support this growth for the company.

Yash Tanna: Sure, sir. I think that makes sense. My second question was on the margins. So the margin decline from the 15%, 16%, if we dissect it into 2 parts, one could be due to lower utilizations due to the external macro factors, tariffs, etcetera. And the other one, obviously, that you had to give discounts to your customers because of the tariffs. So just trying to understand to get back to this aspiration of 15%, 16% margin, maybe the tariff discount will be immediate and the utilizations will be eventual. So can you break that up for us, if possible? Like what's the margin impact due to both these factors?

Mohit Jain: You laid it out quite well. I mean it would not be possible for me to break it up. Just one more point I wanted to add that our U.S. business that is yet at growth phase we have a margin impact of 150 to 200 basis points on the overall consolidated revenue. And we have fingers crossed, we expect that by the end of March 2026, that should be over. So starting Q1, we would not see a drag of that. And then as the retail business in the U.S. picks up and our capacity utilization starts improving, again, that's a big factor to get the margins back to the levels that you mentioned.

Moderator: The next question is from the line of Dolly from Niveshaay.

Dolly: I just had a few questions, a follow-up question from a previous participant. So first of all, I wanted to know that out of our total cotton consumption right now, how much is sourced from U.S.?

Mohit Jain: So U.S. currently would be slightly below 10%. Our overall import is around 30%, 35%.

Dolly: Okay. So if you can help us understand the working of this, like we know that if we import the U.S. cotton, it will be duty-free, but we also know that U.S. cotton is comparatively expensive than other countries. So I wanted to understand that working -- how the net -- is it beneficial or



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not for us to import the U.S. cotton or it depends on like customers only demand for U.S. cotton, then only we'll use it.

Mohit Jain:

Sure, sure. So I'll explain it to you. First, I'll explain you from Indo Count's perspective. From our perspective, the cotton that we predominantly import from the United States is a cotton called U.S. pima, which is less than 1% of the cotton grown in the world. So it's a very high-end cotton, similar to Egyptian cotton.

So this is specifically when our product development teams and sales teams go and show a customer a specific product, they like it. It's on the higher end of the range. That's the cotton that we import. Any cotton that is imported into India, which is 32 millimeter in length and above is -- has duty-free access irrespective of country of origin into India. So most of the cotton that Indo Count imports today are 32 millimeter and above in length.

Coming to the U.S., as we speak today, when tariffs were put in place, if you use -- as we are speaking right now, if you use U.S. cotton, the content of the U.S. cotton in your end product, if that is above 20%, then on that much value, you don't pay tariff. So for example, if the cotton content is 30% in the product and your tariff is 25%. So you don't pay -- you'll not pay 7.5% basically, 30% or 25%. That law is applicable for any country, not only India is the same law is applicable for any U.S., you can say, content as long as it's above 20%.

What the government is working on is that if you use U.S. cotton and fiber from the U.S., then you get -- then the tariff becomes 0. Again, we have not seen the fine print. And any cotton that is below 32-millimeter in length, we have 11% import duty as we speak from anywhere in the world. So hopefully, I've been able to answer your question.

Dolly:

Okay. Sir, and like from where are we sourcing our raw material for U.S. facility?

Mohit Jain:

Our U.S. facility, where we are making pillows and quilts is a global sourcing model, depends on the product that we are showcasing to our customer. And depending on what the tariffs and pricing is, we source it globally from China, Vietnam, Thailand, Korea, India, all across the world.

Dolly:

So what exactly facility we have in U.S., like what exactly we are doing in U.S.? Are we just doing the end product or it's from the start?

Mohit Jain:

We manufacture pillows, pillows that you sleep on, and we manufacture quilts in the United States in one of our -- the quilts are made in our Ohio facility.

Dolly:

Okay. So for that, you do the sourcing from like all over as per the pricing and the demand.

Mohit Jain:

For the raw material, yes.

Moderator:

The next question is from the line of Dhvaneet Savla from Savla Family Office.

Dhvaneet Savla:

Sir, am I audible?



- Mohit Jain:** Yes.
- Dhvanet Savla:** Sir, this is with regards to this expansion of the pillows, which you are putting up in U.S. By when will it be operational? And when it's operational, what will be our total capacity by then? And based on that capacity, what kind of a top line are we actually targeting? Is it in line -- still in line with what used to be a few quarters ago?
- Mohit Jain:** Sure, Dhvanet. So Dhvanet, I would suggest also to go through our investor deck where we have clearly laid it out. So we are -- as we speak, we have 3 manufacturing facilities in the United States. The third one commissioned in January of 2026. Our capacity is 31 million pillows. And if I'm not mistaken, around 2 million quilts. With this capacity, we should be able to do around USD175 million in revenue, and we expect that to happen in 3 years. We are currently in the first year.
- Dhvanet Savla:** And this is USD175 million in revenue. So I was talking about just from the third facility. Is this just from the third facility?
- Mohit Jain:** The third facility should give us USD85 million to USD90 million which is part of the USD175 million.
- Moderator:** The next question is from the line of Shradha Agrawal from AMSEC.
- Shradha Agrawal:** Am I audible?
- Mohit Jain:** Yes, Shradha.
- Shradha Agrawal:** Congratulations on a good quarter, Mohit. Just two questions. First of all, the tariff impact that we've booked it on the revenue line or at other expenses, where have we taken the impact? And possible to quantify the impact for both Q2 and Q3 separately?
- Mohit Jain:** So in terms of where the impact, it depends on the nature of the order. If it's an FOB shipment, the impact comes on gross margin. And if it's not FOB, then it comes -- it will come in the EBITDA margin. Very difficult to quantify at this point of time.
- Shradha Agrawal:** But have we taken an equivalent hit on the revenue line? Or is it only in the cost line that it is getting reflected?
- Mohit Jain:** Even on revenue. So for most FOB shipments, it happens on the -- I mean, it's all customer to customer specific, how the accounting works, what they want. So it's very -- it's honestly tailored to their -- through their requirements and in discussion with our teams.
- Shradha Agrawal:** And possible to quantify the impact for both the quarters, Q2 and Q3?
- Mohit Jain:** No, that would not be possible because it's all sensitive information that done on...
- Shradha Agrawal:** No. But you've given the 9-month impact. So INR354 crores is your adjusted EBITDA versus INR345 crores the reported EBITDA.



- Manish Bhatia:** Yes. Adjusted EBITDA is the impact of the Labor Code impact, yes.
- Shradha Agrawal:** Okay. Okay. Okay. Got it. And secondly, I mean, how do cost dynamics change if we use U.S. imported cotton versus locally sourced cotton currently? So any thought on whether will it be cost economical for us to go for U.S. imported cotton, if at all, the tariff gets down to 0 for that kind of a product?
- Mohit Jain:** If the tariff becomes 0, yes, for certain product ranges, it will become viable, and we are very familiar with the raw material sourcing base in the United States. It will all depend on what the Indian government puts if the 11% tariff in India for import of cotton from the United States remains, then the equation changes. If the 11% goes away on the raw material, then it would make sense to import some amount of raw material from the U.S.
- Shradha Agrawal:** And currently, what is the content of cotton that is there in our products, general average content of cotton?
- Mohit Jain:** As a thumb rule, you can take 35% on a bed linen to take -- if you have to put your finger on one number, but it could vary between anywhere between 30% to 42%, 43%.
- Shradha Agrawal:** Because there are talks that the cotton content has to be much higher for us to be eligible for that kind of 0% tariff. So I'm not sure...
- Mohit Jain:** Nobody knows right now. No, no. Currently, the rule, as I explained earlier, if it's above 20%, then on that content, you'll not get. But what the new rule is going to come out, whether it's for India for Bangladesh, the USTR has not laid down any guidelines. So any guesswork on our part or anybody's part is only purely a guess.
- Shradha Agrawal:** Got it. And for shipments after 7th of Feb, so this 25% penal tariff goes away retrospectively from 7th Feb, right? I mean, for whatever shipments land in the U.S. after that date?
- Mohit Jain:** Correct.
- Shradha Agrawal:** So -- and the remaining 25% to 18%, that will be a gradual recovery on tariffs because probably you would have booked orders at a certain rate, and it will be a gradual negotiation with customers, and that will get reflected in numbers gradually. Is that the understanding right?
- Mohit Jain:** Fair. I would say. As I said earlier, that it's too early. It's very, very dynamic, and we are in discussion with all our customers.
- Moderator:** The next question is from the line of Sachin from Svan Investment Managers.
- Sachin:** I would like to congratulate you for good numbers in such a volatile and difficult environment. My question is on the margins. So we had two impacts on our margins. One was because of the tariffs and second was because of the investment in the new businesses. So you mentioned that from Q4, more or less a drag of the investment on the new businesses and all will go away.



So that will bring it to sort of around 11%. So fair to assume that the remaining gap between what we used to report at 15%, 16% versus 11% is the impact of tariff and as and when slowly and gradually things normalize, that should come back. Is that the way to look at the margin trajectory over the next 6 to 8 quarters?

Mohit Jain: So Sachin, more or less, your thought process is correct, but you've got to realize that this U.S. business will -- the impact will not -- we expect that the impact will not be then quarter 1 of next year. There will be some impact yet in Q4, the impact -- but in starting Q1, we expect that it will go away. So as I said, by March, it will go away. And coming back to the regular margin levels is also dependent on capacity utilization. So as capacity starts getting utilized, then there's no reason why we shouldn't be at a normalized margin.

Sachin: So just to summarize, basically, the impact that we are seeing on margins from 15%, 16% to the current levels is primarily a function of the impact because of the tariffs and the investments that we are making in the new facilities and the brand building, of which the impact of brand building investment probably will go in a quarter to 2. And slowly and gradually, as things improve for us, as utilization improves, the remaining impact of tariffs should also go away. That's the way to look from a 6 to 8 quarter perspective. I'm not talking from quarter-to-quarter but 6 to 8 quarters.

Mohit Jain: Sure. Absolutely.

Sachin: Secondly, if you could give us some sense on the investments that we are planning for financial year '27 and how in that case, are we looking at our debt levels in the next year?

Mohit Jain: Sure. So this year, we had planned around INR214 crores odd, if I'm not mistaken. And we've invested up to 9 months, INR131 crores. In Q4, we should have another INR20-odd crores. So let's say, INR150-odd crores should be where the year ends. Some of this capex will spill over, especially the ZLD. We are in the final stages of choosing our technology partner. So that will spill over into next year. And then there will be normal balancing capex, maintenance capex, as we say, that will come into '26, '27.

Sachin: INR125 crores to INR150 crores...

Mohit Jain: Yes, that's a fair number.

Sachin: But how do you see our debt level? Because you mentioned that our debt levels have started to come down now that we are past the peak investment cycle. So how should we look at the debt going ahead, especially, say, FY '27? Maybe if you could give us a sense over a 2-3 year period, how should we look at it?

Mohit Jain: I think as far as debt level is concerned, the only reason we need debt is as revenues go up, we need the working capital to invest back in working capital. So that's the only balancing act.

Manish Bhatia: Yes. So we don't see any major changes or fluctuations in our debt. We have seen a reduction in first 9 months. And hopefully, the worst is behind us.



Sachin: Ideally, '27, we should see a reduction because we don't have any major capex, and we're expecting performance to improve both in terms of revenue and margins next year. So should we not see a further reduction in the net debt levels in financial year '27 from where we are today?

Manish Bhatia: Yes. Definitely, it should happen.

Sachin: And we have no major investment now lined up for the next maybe 18 to 24 months till we achieve this guidance of doubling the revenues. More or less the large investments for achieving this guidance are in place. That's the way to look at it?

Mohit Jain: No, no, no. We are -- as a company, we're always looking at opportunities, right? We have a very strong balance sheet. So certain decisions that we've taken over the last 3 years, 2 years, those are reaping benefits now. So at the same time, we are always evaluating. So as and when opportunities come our way. Now as we speak, we have nothing on the table other than what we've discussed, and we are clear that we should be able to double our revenue with whatever investments have been made. But we'll look at further growth in the business, but depending on what opportunities come by.

Sachin: Yes, that I understand. But for the doubling of revenues, the large part of the investment. My question was more specific to our aspiration to double the revenues.

Mohit Jain: Yes.

Sachin: Okay. So if and when you look at any major investments, that would be opportunity beyond what we've already given a guidance for. It would be over and above that, right?

Mohit Jain: Yes.

Moderator: The next question is from the line of Surya Narayan from Sunidhi Securities.

Surya Narayan: So congratulations for a good set of numbers even in a challenging environment. Just to understand the kind of trajectory in the U.S. business, especially the onshore activities. So what is the idea that you are understanding that whether the U.S. greenfield facilities will have 50% kind of utilization maybe achieving next year so that we will be getting less track. And number two is that in Indian operation, it is currently, my understanding is it would be operating around 60-plus utilization. So will you see that this year, in FY '27, there will be a ramp-up in the utilization?

And third, as you diversify away from the U.S. market, garnering around 30% share outside of U.S. So are we seeing that the non-U.S. market are not that remunerative as U.S. market? And fourthly, whether the consumer sentiment has improved of late, what we understand from the media. But are we seeing that the kind of consumer sentiment is like the Biden era? That is my questions.



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Mohit Jain:

Sure. So very difficult at this point of time to give any guidance, Mr. Surya. We are, of course, expecting better utilization levels, but it all depends on demand from the countries that we are shipping to. Any FTA-related countries, which is specifically U.K. and EU, none of these have been -- even the U.K. has not yet been ratified.

We expect all of this to happen in the next 2 quarters so that business can flow. So once it gets ratified, of course, we're in touch with all our customers, but they will only start taking major decisions once the tariff is behind, right? I mean, because both EU and the U.K. have to get ratified by their parliaments.

And we got to remember, EU is part of the 27 countries that make up the EU. As far as utilization in the U.S. is concerned, we do expect -- as we said, our current utilization levels are 65%, and we are positive about the business. So we are -- we think our third facility has come up at the right time. And we're already at a USD100 million run rate. So if we are currently at that, we would expect the business to grow from there.

Surya Narayan:

Okay. But my understanding is that because -- and what about the consumer sentiment, as I asked, if you compare the current era versus the Biden era, where we were actually growing very well and doing very well. I mean, is it that kind of sentiment reversing or some cautious optimism is still there?

Mohit Jain:

No I think we got to all realize, a, the U.S. is a very resilient economy. But at the same time, finally, tariffs have come in. These are not small numbers, whether it is 15%, 20% from China, it was up to 146% sometime last year. So finally, it's the U.S. consumer who's paying for it, right? So retail goods, if you travel to the United States, even if you have a glass of juice today or a cup of coffee, the prices have all gone up. So only time will tell what consumer sentiments remain and how robust is the discretionary spending.

What we've seen in the last 2 quarters, even in the holiday season and right now, it's a little bit muted. But once everything settles down, we expect it to come back after 2, 3 quarters, the demand levels. But it's not like something -- just because India tariffs has come down from 50% to 18%, it's not like going to be a hockey stick that it's an immediate rebound. What this does is for customers, it gives them clear visibility on what basis to take decisions for our customers, which is very, very important for our country and for us as a company.

Surya Narayan:

Maybe initial stocks to be absorbed then maybe as you rightly said, maybe around Q3 of next year, some kind of a rebound in the consumer sentiment to appear. That is what my understanding is. And regarding the imported raw material, you said around 32% is your import content. So is it majorly related to the pima cotton or anything else?

Mohit Jain:

No, no. I said that our total raw material imported for our company is between 30% and 35%. That's what I said. And we import cotton from different countries, including Egypt and the United States being our 2 major countries.



- Surya Narayan:** Okay. So in this case, if I say if it will be beneficial, then still we will be raising the quantum to beyond 35%, what we are currently doing because our kind of raw material requires higher mm of maybe 33 mm kind of material rather than low length. So in that case, it makes sense. So -- and again, the MSP issues are also creating issues. So do you think that the -- even we can go further?
- Mohit Jain:** I think at this point of time, we are comfortable with 35%, depending on what regulations come out of the United States by USTR and depending on what our customer needs are, what the price of the raw material is, all those mathematical calculations, product, everything will be done, and then we'll take those calls. I mean we are in a position to buy from anywhere in the world as a company.
- Surya Narayan:** And regarding the branch promotion expenses, whatever the current rates that is currently going on. So is it going to be steady or it will come down as the sales ramp-up happens?
- Mohit Jain:** Sure. So as I said that by end of quarter 4, which is in the next 45-odd days, I mean, by end of March, that should go away. So till today, including the brand promotion, we are taking a hit of 150 to 200 basis points on our consolidated margin number.
- Surya Narayan:** And the incubation that you told about, is it related to the branch? Or is it related to greenfield? I mean, what is that -- incubation?
- Mohit Jain:** It's a mix of both, right? The EBITDA margin hit is coming for both for our new businesses, which includes brands as well as our utility bedding business in the United States.
- Surya Narayan:** Okay. Okay. And any understanding of guidance for the next year, at least based on the inquiries that currently you could be getting or...
- Mohit Jain:** It's too early for us at this point of time to give any sort of guidance, please.
- Surya Narayan:** But it should exceed 100 million pieces for FY '27?
- Mohit Jain:** What is pieces? We've not given any number of million.
- Surya Narayan:** 100 million meters, sorry, 100 million meters.
- Mohit Jain:** Very early to say that. Yes. Our objective is always to do better.
- Surya Narayan:** And just one understanding is that we were actually -- I mean, understanding the realization of ours sequentially and Y-o-Y. And with the introduction of the new business from the U.S., so because that is also coming as a package because sheets plus the quilts and pillows that is a package. So can we understand that we will just add up everything and whatever the sheets we are actually exporting, so that will be the blended realization we can understand?
- Mohit Jain:** I'm not sure how you're taking out realization. If you're taking realization by taking our revenue, for example, of INR1,074 crores and dividing that by 24.8 million meters, that will not get you



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the right number because I mean, the 24.8 million meters is the goods that are produced in our core business in India, that's the -- you can take out a utilization level because our capacity is 153 million meters.

And we've got to also understand that from a revenue standpoint, some of that meterage has gone into the brand business. So the brand that Indo Count India is producing and shipping to its customers under the brand name falls under the branded business, which are the 4 brands that we mentioned. So it might be a little complicated to take out exact realization per meter.

Surya Narayan: No, because ultimately, the brands and with the utility building and with quilts and pillows, those are actually as a package to -- I mean, financially, if you understand, it goes to fortify our margins, I mean, realization as well as the margins. So that is the understanding.

Mohit Jain: Surya, maybe our team can take it up with you offline and try and explain it to you better. It will satisfy your requirement.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand over the conference to Mr. Mohit Jain for closing comments. Over to you, sir.

Mohit Jain: Thank you, everyone, for joining us today. We hope we've been able to address all your queries. Should you have any further questions, please feel free to get in touch with SGA, our Investor Relations Advisor. Thank you once again for your continued interest and support. We look forward to connecting with you on our next call. Thank you.

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. Thank you.