



“Indo Count Industries Limited  
Q4 & FY '25 Earnings Conference Call”

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**MANAGEMENT: MR. MOHIT JAIN – EXECUTIVE VICE CHAIRMAN –  
INDO COUNT INDUSTRIES LIMITED**

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

**MR. MANISH BHATIA – CHIEF FINANCIAL OFFICER –  
INDO COUNT INDUSTRIES LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the Indo Count Industries Limited Q4 and FY '25 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 the date of this call. These statements are not the guarantees of future performance and involves 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Mohit Jain:**

Good morning, and a warm welcome to all of you joining us for the Indo Count Industries Limited Q4 and FY '25 Earnings Call. I'm also joined by our Group CFO, Mr. Muralidharan; Mr. Manish Bhatia, our CFO; and Strategic Growth Advisors, our Investor Relations Advisors. We hope you've had the chance to review the financial results and investor presentation available on the stock exchange and on our company website.

I'm happy to share that 20 years ago, we ceded the thought of entering the home textile business. Since then, we have grown to a global leadership position with approximately \$0.5 billion in revenue, marking a significant milestone in our journey.

FY '25 has been truly transformational for our company. We achieved substantial growth, reflecting the continued trust and confidence our customers place in us. We recorded highest ever revenue, reinforcing our leadership position in the global home textile industry. Revenue grew by 16% to approximately INR4,200 crores, the highest in the company's history and outperforming the peer group.

On the volume front, we surpassed the 100 million meter mark, achieving 106.4 million meters. While this is a marginal shortfall versus our guided range, it represents a healthy 10% year-on-year growth. An important achievement was the improvement in our DJSI score, which increased from 45 in 2023 to 66 in 2024.

This positions Indo Count among the top 10% in the textile, apparel and luxury goods sector, significantly above the industry average of 30. We also received several ESG-related recognitions during the quarter. Some of them are winner of the Best Sustainable Retail Practices Award, winner of the Excellence in Waste Reduction and Circular Innovation Leadership Award; first runner up in Best Cotton Farming Practice category.

On the EBITDA for FY '25, we reported EBITDA of INR 574 crores with a margin of 13.7%. EBITDA margin was slightly lower due to the impact of strategic investments made in our businesses and weaker-than-expected Q4 performance of our end markets. We will cover the same in our speech in detail.



Now coming to Q4 performance. FY '25 was a stable and overall positive year for us. However, Q4, particularly February and March, presented significant challenges. We saw a decline in offtake, driven by reduced consumer confidence, largely due to uncertainty surrounding potential tariffs. This shift in sentiment altered our product mix, with increased demand skewing towards lower to mid-priced offerings as opposed to our typical sales profile.

Across our end customers, we experienced low confidence as they grappled with creating the right assortment of products on the back of potential tariffs and low consumer confidence. This resulted in both volume and value down trading, which impacted our average selling price by approximately 6% compared to the average of the previous few quarters.

This change in product mix affected our Q4 revenue and in turn, our profitability due to lower absorption of fixed costs, especially our US business, which is in investment phase. We continue to witness similar volume and value trend in Q1 FY '26 and expect subsequent quarters thereon to improve gradually.

Given the fluid nature of the current tariff situation, with a 90-day pause period set to conclude by early July, we believe it is prudent to refrain from volume and margin guidance for FY '26 at this point of time. We are actively evaluating a broad range of potential scenarios while closely engaging with all our end customers. Our focus remains on maintaining maximum operational flexibility while safeguarding business volumes and ensuring we retain, if not grow our market share.

In this financial year, we embarked on multiple capacity and capability-enhancing projects by venturing into new businesses. Our efforts were focused on expanding into value-added segments such as utility and brand-building initiatives, a transformation we now refer to as Indo Count 2.0.

I will share some key highlights. One, we successfully acquired Wamsutta brand in US. This is a legendary home textile brand, and we expect to launch this as a direct-to-consumer brand shortly with a strategic brand positioning in the US market to start with.

Our strategy to enhance contribution from licensed brands has gained momentum with the addition of Fieldcrest and Waverly to our portfolio in Q3 FY '25. Both are well-established consumer brands in the US market. Although it's been only 2 quarters since the inclusion, they're already gaining consumer traction and are expected to support our growth in the US market.

Three, the utility bedding segment in the US presents a significant opportunity, representing a US\$4 billion market within the bedding category. To accelerate our growth and strengthen our presence in this space, we have strategically expanded our manufacturing capabilities for pillows and quilts through targeted acquisitions.

The first one being Fluvitex, a leading manufacturer of pillows and quilts with an annual revenue potential of US\$50 million. Second, we did Modern Home Textiles, a specialized pillow manufacturer with an annual revenue potential of US\$35 million. Both facilities are currently operating at approximately 50% capacity utilization.



We expect to gradually ramp up utilization levels over time, which will further enhance operational efficiency and support our efforts to capture a larger share of the US utility bedding market and drive meaningful revenue growth.

This encouraging performance of Fluvitex and modern home textile has reinforced our confidence in the US utility bedding market and encouraged us to set up a greenfield project in North Carolina, focused on pillow manufacturing.

The first phase of investment is expected to be completed by September 2025. We expect peak revenue potential from this phase to be at US\$85 million to US\$90 million. This expansion marks a significant step towards strengthening our manufacturing footprint and accelerating growth in the US market. With these 3 facilities, we'll be able to cater to all the geographies of the US market.

Four, recently, we also acquired a licensed brand, Beautyrest, from Serta Simmons Bedding, a renowned global sleep company with a 100-year legacy in delivering industry-leading sleep solutions and a commitment to improving lives through better sleep. This strategic partnership is set to harness Indo Count's strong manufacturing expertise and expansive distribution network, combined with Beautyrest's innovative product portfolio.

Over the past 12 to 15 months, we have invested approximately INR460 crores in brand acquisitions, capacity expansion, brand building and talent acquisition, thus laying the foundation for a future-ready diversified product portfolio. These strategic investments will deliver substantial growth, reinforcing the company's path to becoming a dominant industry player.

As of FY '25, Indo Count has achieved revenues of approximately \$500 million, and we remain confident and committed to our goal of doubling our revenue by 2028. This growth will be fueled by the full-scale ramp-up of our branded and licensed offerings, optimal utilization of our utility bedding business in the United States and continued strength in our core bed sheet operations in India.

While these initiatives will secure long-term premium growth, there may be a short-term impact on growth and therefore, our margins. Despite the challenging environment, we successfully maintained the revenue contribution from each segment for FY '25 compared to the previous year. Moreover, in absolute terms, each segment has posted positive year-on-year growth.

Coming to industry scenario. One of our most significant recent developments for the textile industry and for us at Indo Count is the signing of the India UK free trade agreement. This agreement eliminates duties of approximately 10% to 12% on nearly all Indian textile and apparel exports to the UK, making Indian products far more competitive in that market.

With this FTA, India is now on an equal footing with countries like Bangladesh and Pakistan, which have long benefited from duty-free access. This landmark agreement is expected to significantly boost India's textile exports with some projections indicating a potential doubling by 2030.



As global supply chains increasingly diversify away from China, under the China Plus One strategy, India is strategically positioned to capture a larger share of global demand. At Indo Count, we are well prepared to capitalize on this emerging opportunity. Currently, the UK market contributes approximately 10% to our overall business. And with the advantage of this trade agreement, we are optimistic about significantly expanding our presence in the region.

On the EU front, India is currently engaged in free trade agreement negotiations with the aim of concluding discussions within the next 2 quarters or by the end of this calendar year. If successfully finalized, particularly with favorable terms for our segment, it could unlock significant opportunities for Indian home textile exports, by providing a level playing field in the EU market also. This development has the potential to further accelerate our growth.

Turning to our largest market, US, specifically, regarding the recent tariff developments, while a 90-day pause has been announced, an additional baseline tariff of 10% is currently in effect for all countries, except China. For China, this is compounded by an additional tariff on top of the baseline.

While China's direct presence in the bed sheet segment is relatively limited compared to India, the impact on us is more indirect. All major retailers source a significant portion of their overall product range from China. As a result, the additional duties on Chinese imports affect their broader sourcing strategies, which in turn influence their buying behavior across categories.

There are encouraging developments on the trade front with recent reports indicating that India and the US may finalize the first phase of a bilateral trade deal before July this year. We remain optimistic as recent updates suggest that India has been actively advocating for preferential treatment for exports in key labor-intensive sectors, including textiles. Such a development could significantly strengthen the global competitiveness of the Indian textile industry and create new opportunities for growth.

As we move into the next financial year, we anticipate short-term demand to be impacted by consumer confidence and overall sourcing strategy of our end customers. From a long-term perspective, we remain optimistic about our growth prospects across our key end markets. That is from my side.

Now, I request Mr. Muralidharan, our Group CFO, to share the financial highlights of the company.

**Muralidharan:**

Good morning to everyone. As for volume, sales volume for Q4 FY '25 stood at 25.6 million meters versus 28.7 million meters in Q4 FY '24, down by 10.8% year-on-year. Sales volume for FY '25 stood at 106.4 million meters versus 96.9 million meters in FY '24, a growth of 9.8% year-on-year.

Total income of INR1,029 crores in Q4 FY '25 versus INR1,093 crores in Q4 FY '24, down by 5.9% year-on-year. Total income of INR4,191 crores in FY '25 versus INR3,601 crores in FY '24, a growth of 16.4% year-on-year.

EBITDA for Q4 FY '25 stood at INR88 crores versus INR166 crores in Q4 FY '24, lower by 47% year-on-year. The Q4 impact on EBITDA was on account of lower sales due to weak market demand as alluded in our opening remarks earlier. EBITDA for FY '25 stood at INR573 crores versus INR603 crores in FY '24, marginally lower by 5% year-on-year. EBITDA margin for FY '25 stood at 13.7% versus 16.7% in FY '24, down by 300 bps.

As for PAT, PAT for Q4 FY '25 stood at INR11 crores versus INR92 crores in Q4 FY '24. PAT for FY '25 stood at INR246 crores versus INR338 crores in FY '24. It's important to understand that currently, we are in investment phase, which has resulted in higher depreciation and interest costs to the tune of approximately 150 basis points.

As we scale our volumes and revenues, we expect better flow-through from EBITDA to PAT over the next 2 years. EPS for Q4 FY '25 is INR0.56, EPS for the whole year FY '25 is INR12.42. Net debt to equity is 0.42 as on 31<sup>st</sup> March 2025 as against 0.32 for the previous year.

I'm happy to say that the Board of Directors has recommended dividend of INR2 per equity share of face value of INR2 each that's 100%, subject to the approval of shareholders at the ensuing Annual General Meeting.

With this, I open the floor for Q&A. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. We have a first question from the line of Raman from Sequent Investments.

**Raman:** Okay. Sir, my question is with respect to the Phase 1 in North Carolina. Can you provide the details with respect to the capex spent on the first phase or the company planning to spend with respect to the first phase? And can you repeat the estimated time of this capex being completed and the potential revenue from the first phase?

**Mohit Jain:** So our total investment, we have invested so far INR31 crores. The total investment is INR130 crores in first phase. So INR99 crores is pending, which will be done between April of this year to September. And the phase will get over by -- the first phase gets over by September, which is 18 million pillows capacity.

So our total pillow capacity across 3 locations will go to 31 million pillows. And for the North Carolina specific facility, the revenue expectation is between US\$85 million to US\$90 million. And for the utility bedding business, all put together is \$175 million.

**Raman:** Okay. And sir, my second...

**Moderator:** Sorry to interrupt you, Raman. Can you please use your handset? Your voice is a bit muffled.

**Raman:** So, yes, my last question is with respect to the free trade agreement. India has recently signed FTA with UK. So is there any plans to increase the company's presence in the UK market because it will be -- for the FTA will be advantage for Indian players when compared to other countries as well.

And a follow up on that, that what is -- if India signs FTA with the European Union, what will be the additional benefit? I just want to know in terms of how do I say, percentage, what is the average difference between other player -- existing players? How much percent cheaper they are able to sell? And how will that be beneficial for the company?

**Mohit Jain:**

Sure. Our current exposure to the UK market stands at approximately 10%. With the India-UK free trade agreement on the horizon, we believe that this development will provide a significant boost to bilateral trade. The FTA will allow us to operate on a level playing field with other competing countries, enhancing our competitiveness and opening up new opportunities in the region.

This is a positive and strategic development for us for future growth, Raman. Also keep in mind that we have been doing business in the UK for over 15 years now. And we have an office -- active office in Manchester and a team there with warehousing, designing, all capabilities. So all of that gets leveraged.

So we are already in active conversations. We've been selling to a lot of the customers already. And as we speak, we are already in active conversations on how do we build on this for the future. And just to add that on our current product, bed linen specifically, there's a tariff of 12% or import duty of 12% from India at this point of time.

**Moderator:**

We have our next question from the line of Aditya from Synergy Investments.

**Aditya:**

My question is regarding the interest cost, sir, every time there's a lot of interest cost, which is taking our profits. So is there any plan in the future to reduce it? How do we go about it?

**Muralidharan:**

Yes. So as compared to the previous year, the interest costs were a little high because we had built inventories which are required for production, higher production. We have stabilized our inventory levels at this point of time. So we feel that the interest cost should be more or less stable around this place.

But we need to note that in our US operations, we are still increasing our utilization levels. So there will be some inventories build up there. So overall, I think the interest cost will be around INR120 crores, INR130 crores annually.

**Aditya:**

Right, sir. So we are going to go with this in the next year also, right?

**Muralidharan:**

Yes, yes.

**Aditya:**

And sir, I just heard in the commentary that we expect similar performance in the quarter 1 also of next financial -- of the financial year. So what is the guidance for revenue in this year? I understand that we are doubling our revenue by 2028. But what is the guidance for the next financial year, 1 year?

**Mohit Jain:**

Aditya, as I mentioned earlier, in such volatile times, we are refraining from giving any guidance. Of course, our objective is to maintain our market share and then grow it even in this year.



**Moderator:**

We have our next question from the line of Rajesh Kothari from Alpha Advisors.

**Rajesh Kothari:**

I have two questions. One, I just wanted to understand that this tariff actually came into place late March and actually implementation is, of course, starting from April. And also, if I look at most other companies' results which are announced, I think by far, everyone has announced the results, nobody has reported dip in revenue.

And even if there is a moderate dip, which I can understand, why there is so much significant decline in gross profit margins? Because no other companies have reported this kind of a decline. So it would be great if you can just give some details on this?

**Mohit Jain:**

In our case, it is an impact of change in product mix on both our raw material and fixed costs. Roughly, the split is 30-70 between raw material and fixed costs, which includes both employee and other expenditure. You've got to keep in mind that overall, if you look at the full year, our growth has been 16%.

So that is higher than our peers. It's in the quarter 4 that we've seen a down trading of our -- within our product mix. And that's what kept our volumes to approximately \$25 million plus, but our average selling price came down. And that's the reason there's an impact across the Board, up to EBITDA level.

**Rajesh Kothari:**

So basically, are you trying to say that the customers with whom you are supplying to before even tariff implementation, there was a significant down trading because tariff got implemented much later and not in month of January and February. Maybe say, March, I can understand some effect probably in month of March. But otherwise, why is a drastic impact? And because if I look at on a full year basis, consumer cannot shift that rapidly, am I right?

**Mohit Jain:**

So we've seen the impact of this lower-priced products in early February. However, we were not sure if this is a one-off situation or a continuing trend. It's only towards the end of February that it was confirmed in our customer mix that this to be a continuing trend based on the order pattern from our customers. So everybody knew that tariffs are coming. So customers started -- I mean, our retail customers started reacting, and we saw that from our product mix.

**Rajesh Kothari:**

Understood. So do you think in terms of your investments, what you are doing in US, this can also pose some challenge in terms of your guidance for next 2, 3 years because a lot of investments you are planning in US. Do you see any significant change in that?

**Mohit Jain:**

No. As I've been very clear that we are yet comfortable with doubling our revenue by 2028. Most time investments in the US is more or less done. It's only our North Carolina facility that needs to get completed.

So we've invested INR460 crores plus what we're investing in the North Carolina facility as we speak, which is approximately INR99 crores is pending. So those will -- should reap good benefits to the organization as we move forward. So we are very comfortable with where we are.

**Moderator:**

We have our next question from the line of Vineet Bansal from Pinnacle Securities.



**Vineet Bansal:**

I wanted to understand a bit more about the tariffs because the previous person who asked the questions mentioned that the tariffs came in a bit late around the end of March. So given whatever tariffs are there and the kind of uncertainty because you mentioned in your comments because there was a lot of uncertainty because of the China tariffs and all that stuff.

So I wanted to understand on that front, what actually happened, what led to such a decrease in margins? I mean, you mentioned about the cost, but actually from the tariff viewpoint. And if the deal occurs between US and India, then how that might shape the prospects going forward?

**Mohit Jain:**

Sure, Vineet. So basically, as I was explaining that what we've seen is a down trading of products. So basically, our lower end to mid-end products, offtake has increased compared to the higher-end products. So that's why our product mix portfolio in Q4 has undergone a change pre-tariff, and we are seeing the same mix continue even in Q1.

So our customers are not investing right now in higher-end products because, of course, for them, the retail price increase would be even more substantial. And in a tough US environment, which we are in right now, I mean, there's a better offtake for more affordable products, if I may say so.

**Vineet Bansal:**

Got it. But I fail to understand why would the price increase for your products because you're making them in the US. The tariff was 10% -- reduced to 10% in a few days. But Chinese products were selling at much higher tariff. Am I missing something?

**Mohit Jain:**

Yes, yes. This is all manufacturing that we are doing in India. So, I mean, our maximum revenue is currently being manufactured in India. We've only got into US manufacturing of pillows and quilts, very- very recently from October of 2024. So that's very recent, and that's a very small part of the overall business at this point of time.

**Vineet Bansal:**

But even if you were manufacturing in India, then the tariff was around 10%, right? Or was it more?

**Mohit Jain:**

The tariff first for Indian -- India was implemented at 26%, which was changed to 10%. Additional tariff from whatever import duty we have over and above that, there was a 10% put in. It's not about only India. You see today, if you're a customer, you're a retailer in the United States, you're not looking at only what you're buying from India or XYZ country.

You're looking at how is this tariff affecting your whole product profiling because from China, it was 146%, the additional tariff. So it just put everything. It put the whole business on hold. And that's how the customer started picking up more value-driven products than higher-end products. That was the change.

**Vineet Bansal:**

So this is what I'm trying to understand. So the Chinese or other tariffs were much higher than the tariffs that were levied on your products. And the customers in logical sense would pick your products because they were coming at much cheaper rates, right?



**Mohit Jain:** It's not. You've got to look at the total basket of what they're selling within the retail store, not only home textiles or bedding or 1 category of products. It's -- they're looking at everything across the board and seeing how they want to manage their inventory and their order flow.

**Moderator:** We have our next question from the line of Jatin Damania from SVAN Investments.

**Jatin Damania:** Sir, continuing the same question in terms of the revenue and the gross margin decline. Can you help us in understanding the overall change in the product mix in terms of the low -- I mean, how much did the fashion, utility and -- contributed during the Q4? And what was the contribution of the branding in Q4?

**Mohit Jain:** Sure. So, Jatin, specifically, I might not be able to give you the numbers right now. But our new segments, which is utility bedding and our new brands, which is Fieldcrest, Waverly, (Wamsutta has not started in Q4) contributed to INR125 crores in revenue, out of the revenue of INR1,029 crores, INR125 crores has come from there. In Q3, that was INR100 crores.

**Jatin Damania:** So sir, I mean, we have seen an increase in the revenue in the branding business, definitely comes with a higher margin. And Wamsutta, we are expected to launch shortly. Probably we can probably see a launch in Q2. So the sharp deterioration in the gross margin, is it attributed largely to a higher cost associated with the pillow and quilt business, which operated at 50%? How should one understand the sharp deterioration in the margin front?

**Mohit Jain:** Sure. So, of course, for our utility bedding and brand business, it's -- we've created a full infrastructure in the US, whether it's showroom, whether it's talent, of course, all these manufacturing facilities, which we have said even in our previous call that, that has a 150 to 200 basis point impact for the next 12 to 18 months.

So that will continue this year. And after that, we expect that to go away completely. So that investment is, of course, inbuilt in these numbers. On the India side, we've seen a sharper product mix down trade, which impacted our gross margin and due to lower selling prices and under absorption of our costs.

**Jatin Damania:** But sir, if you look at the Indian business contribution to overall revenue is only 2.5%, right? And the major deterioration in the gross margin that came in Q4 was -- I mean, that was highly unexpected given the peers who have reported the numbers. So if you can help me in understanding what was the pillow and quilt contribution during the Q4 and the margin that we get on pillow and quilt in Q4?

**Mohit Jain:** Sure. So the pillow and quilt, as I said, is INR125 crores out of INR1,029 crores. So that is approximately 11% is coming from that category. And those categories are losing money as we speak because, I mean, the investment in those categories in terms of talent, overhead cost is much higher than the revenue we are going to generate at this point of time.

So that over a period of time, like in any business, this is not a very large capital-intensive business, but it's a very large -- very high investment on human talent and other infrastructure, including branding that we are investing in as we speak. And we've been very categorical and transparent about it.



**Jatin Damania:**

So sir, what is the incremental investment we will be doing in the employee and the infrastructure in FY '26? Because definitely, last year, we did quite a few and which impacted the margin. So in current year, what is the incremental investment that we are going to do it?

**Mohit Jain:**

So more or less, most of the investment has been done. Even if you see our Q3, Q4, you'll see our salary cost is stable. Now, as these new -- our third location comes up and as the utility bedding business ramps up in terms of utilization level, we'll have blue collar workers come in and that expense will go on, but that will be in turn with the revenue going up to for that business. But otherwise, on the baseline, we've already created our team is in place.

**Jatin Damania:**

Right. And on the greenfield expansion, you indicated that the first phase will come in, in September '25. Now the INR99 crores is pending. So, I mean, for second phase, what will be the capacity and how much we'll be spending and when we'll take that decision for that?

**Mohit Jain:**

Too early to say anything. We have a very large facility of over 300,000 square foot at that location. So we'll -- first our focus is only utilizing the 3 manufacturing locations. As we complete that, we have enough infrastructure to expand further space.

**Moderator:**

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

**Surya Narayan:**

Okay. So, Mohit sir, just 1 question is that, a couple of questions I have. One is, because we have expanded substantially in the brands and even Wamsutta is yet to come. So in that scenario, we understood that from the January of calendar this year, the consumer sentiment in the US has declined. So it is quite -- it has been running quite weak. So how quick you see the consumer sentiment improving in this calendar, A?

And number two is that, because most of the brands are native to US. And when the US FTA and UK FTA and EU FTA will be opened up. So do you think the native brands of US that will be well accepted in those markets with that kind of, let's say, margin profile? So -- and second point related to this only, just to understand whether the material margin in the pillows and quilts are lower than the bedding products what we were having?

**Mohit Jain:**

Sure, Surya. So you're asking me a multibillion-dollar question. Can you hear me?

**Surya Narayan:**

Yes, yes.

**Mohit Jain:**

Yes. As to when things in the US will turn around or when demand -- so our objective is very simple as an organization is to maintain our market share and to grow the market share. That's the objective. These are small hurdles that come along the way. We, as an organization, have gone through such, whether it's supply chain, whether it's COVID times. So this is one of them. These are, of course, testing times. We will get through these too.

On the brand side of the business, of course, the brands that we've spoken about or have taken last year from a licensed brand and acquired Wamsutta and we own that brand. Right now, our focus is more on the US side. Once we launch Wamsutta, the idea is to launch it first with the halo effect, which is a direct-to-consumer on the luxury side.

And then we have a lot of interest from all the retailers in the US market to take it to them in some shape and form, which we will -- we are putting the marketing strategy around that as we speak. But our endeavor is to make Wamsutta global, home textile brand, as we've also been saying after we acquired it, but we'll take one step at a time.

On your question of margins, on raw material cost, I guess, in the pillow business and the quilt business is similar to our existing business. So there's the raw material is pillow shelves, as well as your fiber that goes into making a pillow or a quilt.

**Surya Narayan:**

Okay. And regarding the weak scenario or consumer sentiment scenario, so are you facing any kind of, let's say, jitteriness from the -- your customers in keeping the branded goods and it is very difficult to sustain that kind of products and rather they are happy with only affordable utility segments? And that trend you hope will continue for another quarter or 2 or maybe first half of this year?

**Mohit Jain:**

No, I mean, the trend will continue, but we are not seeing any jitteriness when we are taking our brands to the customer. In fact, they are very receptive because they also want to differentiate their floor, their retail space. So if it's a meaningful brand with enough consumer data and traction, then they're happy to take it up. So there is no jitteriness at the same -- And, of course, we are also strategic to take what to where. It's not like one size.

**Surya Narayan:**

So where can we improve in the FY '26, it is difficult to, at the moment, say about the guidance on the volume and the top line guidance maybe. So where can we improve? Is it the material front because the staff -- you are saying that the staff expenses are more or less stabilized?

So we will be believing that we will be freezing the staff cost here and other expenses also similarly. So -- and depreciation may also go off a little bit because post Carolina facility, it may also go off. So where we see improvement in other line items?

**Mohit Jain:**

Sure. So a couple of things. So, of course, on our core business, which is the bed sheet business, from India that we're exporting. The objective is to maintain the market share. There are some ups and downs in the product mix, which we'll have to go through. There's really not much we can do about that.

Our endeavor, again, from the India bed sheet exports is to grow other markets. It's not only the US, the US comprises approximately 70% of our revenue. So other markets, geographies like EU, like UK, Japan, Australia, the Middle East. So these are all markets that are growing for us.

India now has a free trade agreement, as we know, with the Middle East (with UAE specifically), with Australia and Japan. Also when these free trade agreements, it's not a switch on and off that it happens and then tomorrow, you start shipping, right? It takes some time. So we are starting to see those benefits come in.

On the US business, which was US manufacturing of pillows, we expect capacity utilization, which is currently at 50% to start improving also as the quarters go by. So we are in active

conversations with all our customers to grow that business. And as the new facility comes up also, that will help us grow the capacity utilization. It's impossible to put a number or to say that which quarter it will happen, but you need to have the facility and infrastructure first and then attract the business.

**Surya Narayan:** Just if I -- last question, if I can. Can we expect FY '24 gross margin with the help of Wamsutta launch and other branded products, we can get better than the FY '24 gross margin in FY '26, FY '27, at least?

**Mohit Jain:** Sure. At this point of time, we would not like to comment on any volume or any guidance on any numbers. It's too fluid a situation, as I mentioned earlier.

**Moderator:** We have our next question from the line of Vaibhav from Athena Investments.

**Vaibhav:** My question pertains to the brands that we've acquired and the ones we've been in the USA. What sort of long-term margin expectations and targets have we set over the next 2 to 3 years once investments and expenses stabilize from our branded businesses?

**Mohit Jain:** So, Vaibhav, we've been saying that, I mean, once these businesses stabilize, we expect from our regular margins to do around 15% to 20% higher margin and specifically the brand segment of the business. And overall, we maintain that as an organization, we would like to do between 16% to 17% margin across the board.

**Vaibhav:** So you'd reckon that the branded businesses will be 15% to 20% higher than the 16% or, let's say, 14% that you do for...

**Mohit Jain:** I think the branded business, the target is \$100 million, but the revenue is going to double to \$1 billion, so it's going to be \$100 million on \$1 billion, right? So you got to keep that factor into mind.

**Vaibhav:** And then the expected revenue, I think previously, it's been guided between FY '26 and '28 as \$275 million to be the total incremental revenue, right?

**Mohit Jain:** Sorry, come again, please. I didn't follow that?

**Vaibhav:** I think previously the expected revenue from FY '26 to '28 is going to be around \$275 million incrementally for here, right?

**Mohit Jain:** What we are saying is 2 things. Our revenue for FY '25 is INR4,200 crores approximately. We expect to double that by 2028. Out of that increase in revenue, \$275 million will come from 2 new businesses, which is the utility bedding business, approximately \$175 million and \$100 million from the brand business, the new brands and the like. That's the breakup. Just want to be clear.

**Vaibhav:** And the last question I have is, is there any room to improve the working capital for the cash cycle without compromising the margin here?



- Mohit Jain:** Sure. So we're right now at approximately 130 days roughly. So at this point of time, I think we should be at similar levels, keeping in mind the new businesses also. And we're always evaluating this, keeping in mind what's the supply chain security, how do we need to service our customer. There was some increase in our Q1, Q2, which we have stabilized and brought it back.
- Vaibhav:** Right. I ask I think we'll be a bit stretched for cash since you have high interest payments and high expenses over the next year or so?
- Mohit Jain:** Yes. I mean, our view is very clear that as we're able to -- we've created the infrastructure. So that's why the interest and the depreciation is on the higher side. We feel comfortable that over the next 24 months, these should get stabilized. So we should have a better pass-through from EBITDA to PAT by 150 basis points, which was the case. If you go back a year ago, you will see roughly that number. So it's a little bit of a -- it's a part of the game that we need to go through.
- Moderator:** We have our next question from the line of Bhavin Chheda from Enam Holdings.
- Bhavin Chheda:** Yes. Sir, regarding long-term guidance in the Slide number 8, what peak revenue potential from new brands and the utility bedding. The \$275 million increment, is it the incremental number or over the current number? And what's the current number there? Utility bedding and new brands contribute how much right now?
- Mohit Jain:** So, Bhavin, the overall increase is \$275 million. In FY '24-'25, that number is roughly \$32 million, which is the INR225 crores on -- sorry, it's \$26.5 million, roughly \$26 million-odd.
- Bhavin Chheda:** Roughly \$26 million. So another \$75 million you will add. So basically...
- Mohit Jain:** No, no, no. Bhavin, the total is \$275 million from a zero base.
- Bhavin Chheda:** From a zero base?
- Mohit Jain:** From a zero base In '24-'25, out of the \$275 million, we've done INR225 crores, out of which INR100 crores came in Q3, INR125 crores came in Q4, which translates to roughly \$26 million roughly. So you can say \$250 million will be further.
- Bhavin Chheda:** Yes. Sir, second question, can you give us...
- Mohit Jain:** Over 3 years.
- Bhavin Chheda:** Yes. FY '25 on a fiscal basis, what was the geographical mix like US, UK, Europe and rest of the world? UK, you mentioned 10%. If you can give US and Europe and rest of world, yes.
- Mohit Jain:** US is approximately 70% for us. And then 20% is Europe, Australia, Japan, Middle East, all put together. And all those markets...
- Bhavin Chheda:** Do you have European figure separately ex of Australia, Japan and all that?



- Mohit Jain:** We can take that off-line and give it to you, should be 6%, 7%, roughly.
- Bhavin Chheda:** Non-Europe should be 6%, 7%, you're saying?
- Mohit Jain:** Yes. We can check and give it to you off-line, if you don't mind.
- Bhavin Chheda:** Rough numbers. And my, sir, last question, we had a quarter 3 call in February where you were expecting 110 million to 115 million meters for full year, but you ended with 106 million. So I'm assuming Jan was over, Jan was fine. So whatever decline you would have seen was a sudden decline in the month of March and probably some in Feb.
- And continuation of that question also is, since you have mentioned in the earlier part of the call that the gross margin pressure was probably due to down trading of product mix to the lower and the medium end. Was that a client-specific issue?
- Your across US portfolio is seeing a down trading because I have not seen such down trading happening just suddenly in 1 or 2 months tracking home textile for more than a decade. So is this a client -- large client-specific issue or across the market?
- Mohit Jain:** Sure, sure. So we have started seeing offtake of lower-priced products, Bhavin, in early February. However, we were not sure if this is like a one-off situation or a continuing trend, as I mentioned. It's only towards second half of February that we start realizing that this seems to be a continuing trend, and this is across the US landscape. It's not specific to a retailer or a customer.
- Moderator:** We have our next question from the line of Resham Jain from DSP Asset Managers.
- Resham Jain:** So, I have 3 questions. First one is, you explained about the ASP thing. But is there any differential in terms of the buying pattern between the big box retailers versus more fashion-led or those kind of retailers in terms of the overall demand conditions?
- Mohit Jain:** So, Resham, of course, every -- today, we sell to a direct-to-consumer company in the US, their product mix would be different. A big box retailer's product mix would be different. I mean, today, if you're purely a luxury store like Bloomingdale's, it would be different. So each customer is different from their product profiling standpoint.
- Resham Jain:** No, sorry. My question was, are the demand conditions right now in US, are you experiencing different behavior right now where big box retailers are doing much better and that is pulling down the overall ASP versus the more high-end or fashion-led home textile customers?
- Mohit Jain:** Understand. No, at this point of time, we are seeing it across the board. It's not specific, let's say, a luxury store is suffering and versus the big box is gaining traction right now.
- Resham Jain:** Understood. Okay. And also between the 2 sites of home textiles, Vapi and Kolhapur, how are the overall economics right now because Vapi, you have turned it around after taking it over. But now is the situation very different in the operating condition of both the sites? Because Vapi had its history of the past when GHCL used to manage it?



- Mohit Jain:** Correct. But after 6 to 9 months of us take it over, we had -- both facilities got to a similar margin profile number. So for us, it's -- there's 2 separate manufacturing units servicing clients. So it's -- there's no differentiation. Even their cost patterns are very similar.
- Resham Jain:** Okay. Got it. And my last question is, sir, with respect to the US facilities and there are -- like you are putting up greenfield also. Generally, we have seen most of the Indian companies in the past who have put up facilities in US. They make -- they typically face a lot of challenges in operating and making money.
- So according to you, let's say, if you have to give 2, 3 pointers which gives you confidence and these are large investments which you are doing there. So the history is very patchy for most of the -- not just textile players, but most of the other industries?
- Mohit Jain:** Sure, Resham. So, of course, we are also previewed to those, and we've also gone through the data. But what we've done is, we've, of course, invested in a very, very strong team, some of the best in the industry. We've handpicked them, chosen them, got them on Board, where both us and their thought processes completely match and tally.
- We've invested in 3 strategic locations, got it, of course, 2 acquired and the third one is a greenfield project. We have great customer traction. That's how we got into this business. A lot of feedback from our customers to get in and add value here. And that, along with getting into some license brands that will all help build these new categories of businesses for us. We are pretty comfortable with where we are at this point of time.
- Moderator:** We have our last question from the line of Prerna Jhunjhunwala from Elara Capital.
- Prerna Jhunjhunwala:** My first question is whether -- because the down trading in the US started only from February to -- and it accentuated only in the later half of the quarter, do we see a sharper decline in ASP or any further margin expansion than Q4 -- margin contraction in Q4 than we -- in Q1 than we witnessed in Q4?
- Mohit Jain:** So, Prerna, we would not like to give any specific comments on Q1 margin or overall. But we have seen -- and because the environment is extremely volatile, so it would not be correct to give a margin for Q1. However, our endeavor will be to maintain, if not grow from Q4 levels, yes.
- Prerna Jhunjhunwala:** Okay. And are we seeing additional volumes being sourced from India? Because the tariff post July would -- if there is no bilateral agreement with various other countries as well, we see a little more volumes in Q1 as compared to the rest of the year.
- Largely, I'm just trying to understand the consumer behavior over here that whether they are trying to protect their inventory or trying to protect the profitability. What are -- how are they behaving right now in terms of volumes? And what are they asking you to share in terms of margins over the period?
- Mohit Jain:** Can you come again because I didn't follow you completely? So I don't want to...

**Prerna Jhunjhunwala:** Okay. So the whole point, what I want to understand is, how are retailers behaving in terms of their procurement cycle during this tough period because at one end, the consumers are down trading. So their profitability also gets hit. And at the other end, the tariff situation is also not at their side. So are they trying to procure a little higher amount of volume initially because they don't know what happens beyond 90 days or the procurement remains as usual as in Q4?

**Mohit Jain:** Understand. So there is no knee-jerk reaction that somebody -- that the retailers are thinking that after 90 days, something will happen and then let's stock up right now and then keep our warehouses full. So we're not seeing any of that. There are absolutely no conversations because this is such a dynamic and volatile situation.

So they're also just going through it as time is moving along and hoping that everything will settle down in the next 2 to 3 months. But there's no knee-jerk reaction from their side. And even if it's products that are sourced from China, it's not that they're knee-jerking and saying that, okay, now we want to flip it to India.

China was 145% and now it's to 30%. So finally, we all are hoping that there is some equilibrium across the world that everybody knows on what terms can you do business with or act. That's the objective. We are not trying to say that India should be better or worse. So it just has to be just some level playing field for everybody to understand. We all need to understand what's the new normal.

**Prerna Jhunjhunwala:** Yes, I agree. And sir, last question on Wamsutta. The launch has been delayed by a quarter almost. In current scenario, when we are seeing down trading happening in the US, how do we see Wamsutta's product mix? Because it's more of a premium brand than low-end brand. So how do we see the launch and the success initially there?

**Mohit Jain:** Absolutely. So interesting question. It's come up in our internal discussions also this. So at the end of the day, we are in this business for the next 10 years, if not longer to come, to make this a good successful brand. So the way it is positioned and you can go to wamsutta.com and now sign up. So we expect to launch it within the next 30 to 60 days as a direct-to-consumer brand. So it's an affordable luxury brand.

And there will be learnings. Direct-to-consumer is an interesting space. There are a lot of successful companies now doing it in our home space. So there will be some learnings. So this is the best time we thought as a team to get into it and get through the learnings in this environment. So we are moving ahead.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today, and I now hand the conference over to the management for closing comments.

**Mohit Jain:** In conclusion, while macroeconomic uncertainty remains, we are excited about the launch of our direct-to-consumer brand, Wamsutta shortly, as I just mentioned. Our continued efforts to broaden the reach of our portfolio across end markets are now strongly reinforced by the recent additions to both our branded and licensed offerings.



This strategic initiative underscores our commitment to growth and position us for even greater success ahead. Furthermore, the UK FTA presents a valuable opportunity to further grow our market share and strengthen our position as a global leader in the home textile industry. Thank you for your ongoing support as we move forward on this exciting path of expansion.

I hope we've been able to answer all your queries. In case you have any more queries or require any clarifications, please feel free to connect with us or SGA, our Strategic -- SGA, our Investor Relations advisors. Thank you for joining the call.

**Moderator:**

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