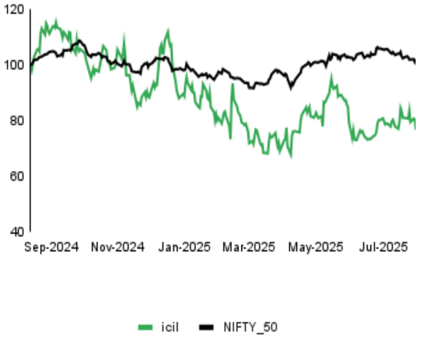
| CMP: INR 246 | |
|---|---|
| Rating: ACCUMULATE | |
| Target Price: INR 293 | |

| Stock Info | |
|---|---|
| BSE | 521016 |
| NSE | ICIL |
| Bloomberg | ICNTIN |
| Reuters | ICNT |
| Sector | Textiles |
| Face Value (INR) | 2 |
| Equity Capital (INR cr) | 39.61 |
| Mkt Cap (INR cr) | 4,865 |
| 52w H/L (INR) | 439/211 |
| Avg Daily Volume (in 000') | 488 |

| Shareholding Pattern % *(As on June 2025)* | |
|---|---|
| Promoters | 58.74 |
| FII | 9.89 |
| DII | 5.15 |
| Public & Others | 26.22 |

| Stock Performance (%) | 1m | 3m | 12m |
|---|---|---|---|
| ICIL | (13) | (27) | (33.2) |
| Nifty 50 | (1.9) | 0.17 | 1.99 |

**ICIL Vs Nifty**

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**Indo Count delivered a mixed Q1FY26 performance, with revenue up 1.84% YoY but down 6.24% QoQ to INR 958.71 Cr, surpassing our estimate of INR 922.6 Cr on better-than-expected realizations. Gross margin contracted 624 bps YoY to 53.53% (+294 bps QoQ), still ahead of our 50.6% estimate, aided by an improved product mix. EBITDA (ex-OI) fell 24.17% YoY but rose 34.27% QoQ to INR 110.02 Cr, beating our INR 70.12 Cr estimate by a wide margin, with EBITDA margin at 11.48% (down 393 bps YoY, up 346 bps QoQ) versus our 7.6% forecast. PAT declined sharply by 51.42% YoY but surged 237.39% QoQ to INR 37.79 Cr, supported by operational improvements despite higher fixed costs.**

**Strategic Initiatives:** The company relaunched the iconic Wamsutta brand as a D2C platform in the US, targeting premium bedding and soft home categories. The domestic trade meet for Boutique Living and Layers showcased the Autumn/Winter 2025 collection, gaining strong retailer traction. Domestic revenue, at 2.25%, is set for growth via 2,000+ MBOs.

**Business Segmentation:** The company reclassified its portfolio into Core Business (bed linen, 80% of revenue, 16% CAGR FY23-25) and New Businesses (utility bedding and USA brands, 13% of revenue). Branded revenue rose to 20% from 16% in FY25, with utility bedding at 50% US capacity utilization. USA brands like Wamsutta and Gaiam drive diversification, enhancing transparency into the company evolution.

**Tariff Challenges:** US tariffs, escalating to 50%, caused demand softness and downtrading in core bed linens. Utility bedding, manufactured in the US, faces imported raw material cost pressures, passed on with a 1–2-month lag. No immediate order or market share disruptions were noted, but a sustained 50% tariff could erode India's competitiveness by a 25% delta versus global averages.

**Valuation and Outlook: We assign a target price of INR 293, valuing Indo Count at a P/E multiple of 20x the FY28E EPS of INR 14.6, implying a 18.9% upside and a 'Accumulate' rating. The company maintained its 2x growth goal, but near-term outlook is subdued given tariff headwinds and high U.S. revenue dependence. Premiumization and U.S. manufacturing expansion remain priorities, though demand visibility is weak. Long-term EBITDA margin guidance is 16–18%, with utility bedding expected to outperform. FY26 CapEx of INR 214 crore is planned for North Carolina operations and effluent treatment. With U.S. demand soft, volumes and margins may stay pressured until tariff relief, with limited upside from potential FTA-led ROW growth and domestic traction.**

| INR Cr | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenues | 3,601 | 4,191 | 4,310 | 4,536 | 4,854 |
| YoY growth (%) | 18.33 | 16.39 | 2.85 | 5.23 | 7.02 |
| EBITDA | 602 | 573 | 540 | 596 | 696 |
| EBITDA M (%) | 16.73 | 13.67 | 12.53 | 13.14 | 14.35 |
| PAT | 337 | 246 | 182 | 218 | 290 |
| YoY growth (%) | 23.74 | (27.24) | (25.87) | 19.88 | 32.76 |
| EPS (INR) | 17.04 | 12.40 | 9.19 | 11.02 | 14.63 |
| P/E (x) | 15.84 | 21.78 | 29.38 | 24.50 | 18.46 |
| Price/Book (x) | 2.56 | 2.35 | 2.17 | 2.00 | 1.80 |
| EV/EBITDA (x) | 10.29 | 11.66 | 12.16 | 10.90 | 9.16 |
| Debt/Equity (x) | 0.46 | 0.64 | 0.55 | 0.47 | 0.39 |
| RoE (%) | 17.39 | 11.25 | 7.69 | 8.50 | 10.26 |

*Source: Company & Arihant Research*

## Quarterly Result

| INR Cr (Consolidated) | Q1FY26 | Q4FY25 | Q1FY25 | Q-o-Q | Y-o-Y |
|---|---|---|---|---|---|
| **Revenue from Operations** | **958.71** | **1022.56** | **941.43** | ***-6.24%*** | ***1.84%*** |
| **Other Income** | **8.61** | **5.97** | **8.54** | ***44.34%*** | ***0.88%*** |
| Raw Material Costs | 445.49 | 505.22 | 378.73 | *-11.82%* | *17.63%* |
| Gross Profit (Ex- OI) | 513.22 | 517.34 | 562.70 | *-0.80%* | *-8.79%* |
| *Gross Margin (Ex- OI)* | *53.53%* | *50.59%* | *59.77%* | *294bps* | *-624bps* |
| Employee costs | 117.01 | 118.42 | 89.32 | *-1.18%* | *31.01%* |
| Other Expenses | 286.18 | 316.99 | 328.31 | *-9.72%* | *-12.83%* |
| **EBITDA (Ex-OI)** | **110.02** | **81.94** | **145.08** | ***34.27%*** | ***-24.17%*** |
| *EBITDA margin (Ex-OI)* | *11.48%* | *8.01%* | *15.41%* | *346bps* | *-393bps* |
| **EBITDA** | **118.6** | **87.9** | **153.6** | ***34.96%*** | ***-22.77%*** |
| *EBITDA margin* | *12.26%* | *8.55%* | *16.17%* | *372bps* | *-391bps* |
| Depreciation | 38.21 | 36.13 | 25.01 | *5.76%* | *52.81%* |
| **EBIT** | **80.42** | **51.77** | **128.61** | ***55.34%*** | ***-37.47%*** |
| Finance costs | 31.11 | 36.15 | 21.00 | *-13.94%* | *48%* |
| **PBT** | **49.31** | **15.62** | **107.61** | ***215.62%*** | ***-54.18%*** |
| Tax Expense | 11.52 | 4.42 | 29.81 | *160.47%* | *-61%* |
| *Effective tax rate %* | *23.36%* | *28.30%* | *27.71%* | *-495bps* | *-435bps* |
| **PAT** | **37.79** | **11.20** | **77.80** | ***237.39%*** | ***-51.42%*** |
| *PAT margin %* | *3.91%* | *1.09%* | *8.19%* | *282bps* | *-428bps* |
| **EPS (INR)** | **1.91** | **0.56** | **3.93** | ***241.07%*** | ***-51.40%*** |

*Source: Company & Arihant Research*

- Non-US markets contribute 30% of core revenue (UK ~10%, ROW ~20%). Domestic expansion leverages rising incomes and e-commerce, with Boutique Living targeting mid-premium segments across 2,000+ MBOs.
- Volume reached 23.6 mn meters in Q1FY26, down 6.7% YoY due to US tariffs and uncertainties.
- Recent India-UK FTA removes 10–12% duty, improving competitiveness in UK market; EU FTA expected by end-2025 could further open export potential.
- Non-US revenues now ~30% of core business; strong positioning in several emerging markets.
- Three plants in Ohio, Arizona, and North Carolina (3rd one operational by Sept) at 50% utilization; targeting INR 175 Mn revenue in Utility Bedding over 3 years.
- Indo Count Foundation + Govt of Maharashtra promoting High Density Planting System boosting cotton yield from 450 kg/ha to 1250 kg/ha, already adopted in 12,000+ hectares.

## Consolidated Company Financials

**Income statement summary**

| Consolidated Income statement INR Cr | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenue | 3,601 | 4,191 | 4,310 | 4,536 | 4,854 |
| **EBITDA** | **602** | **573** | **540** | **596** | **696** |
| Depreciation | (83) | (117) | (148) | (160) | (174) |
| Interest expense | (70) | (123) | (140) | (132) | (126) |
| **Profit before tax** | **450** | **333** | **253** | **303** | **397** |
| Taxes | (112) | (88) | (71) | (85) | (107) |
| **Net profit** | **337** | **246** | **182** | **218** | **290** |

**Balance sheet summary**

| Consolidated Balance Sheet INR Cr | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Equity capital | 40 | 40 | 40 | 40 | 40 |
| Reserves | 2,049 | 2,238 | 2,420 | 2,638 | 2,928 |
| **Net worth** | **2,089** | **2,278** | **2,460** | **2,678** | **2,968** |
| Debt | 956 | 1,449 | 1,349 | 1,249 | 1,149 |
| Other Non-Current Liabilities | 35 | 68 | 68 | 68 | 68 |
| Deferred tax liab (net) | 85 | 108 | 113 | 119 | 127 |
| **Total liabilities** | **3,165** | **3,902** | **3,989** | **4,114** | **4,311** |
| Fixed assets | 1,333 | 1,708 | 1,688 | 1,656 | 1,611 |
| Capital Work In Progress | 25 | 28 | 28 | 29 | 31 |
| Other Intangible assets | 32 | 204 | 204 | 204 | 204 |
| Investments | 133 | 135 | 235 | 335 | 435 |
| Other non-current assets | 39 | 91 | 0 | 0 | 0 |
| **Net working capital** | **1,501** | **1,619** | **1,718** | **1,807** | **1,932** |
| Inventories | 1,143 | 1,163 | 1,237 | 1,298 | 1,383 |
| Sundry debtors | 452 | 592 | 609 | 641 | 685 |
| Other current assets | 310 | 222 | 228 | 240 | 257 |
| Sundry creditors | (308) | (231) | (241) | (252) | (266) |
| Other current liabilities & Prov | (95) | (126) | (114) | (120) | (129) |
| Cash | 103 | 117 | 128 | 103 | 118 |
| Other Financial Assets | 0 | 0 | 0 | 0 | 0 |
| Miscelleneous Exp | 0 | 0 | (12) | (20) | (19) |
| **Total assets** | **3,165** | **3,902** | **3,989** | **4,114** | **4,311** |

**Cashflow summary**

| Consolidated Statement of Cash Flow INR Cr | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Profit before tax | 450 | 333 | 253 | 303 | 397 |
| Depreciation | 83 | 117 | 148 | 160 | 174 |
| Tax paid | (112) | (88) | (71) | (85) | (107) |
| Working capital Δ | (360) | (119) | (99) | (89) | (124) |
| **Operating cashflow** | **61** | **246** | **233** | **294** | **333** |
| Capital expenditure | (160) | (495) | (128) | (129) | (131) |
| **Free cash flow** | **(99)** | **(249)** | **106** | **165** | **203** |
| Equity raised | 2 | (17) | 40 | 59 | 79 |
| Investments | 11 | (2) | (100) | (100) | (100) |
| Others | (5) | (224) | 103 | 8 | (1) |
| Debt financing/disposal | 80 | 493 | (100) | (100) | (100) |
| Dividends paid | (44) | (40) | (40) | (59) | (79) |
| Other items | 51 | 56 | (7) | (2) | 9 |
| **Net Δ in cash** | **(3)** | **18** | **5** | **(25)** | **15** |
| **Opening Cash Flow** | **108** | **105** | **123** | **128** | **103** |
| **Closing Cash Flow** | **105** | **123** | **128** | **103** | **118** |
| | **103** | **117** | **128** | **103** | **118** |

## Ratios

Ratio analysis

| Ratio analysis | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Growth matrix (%)** | | | | | |
| Revenue growth | 18.3 | 16.4 | 2.8 | 5.2 | 7.0 |
| Op profit growth | 24.1 | (4.9) | (5.7) | 10.3 | 16.9 |
| EBIT growth | 23.6 | (12.2) | (13.9) | 10.9 | 20.0 |
| Net profit growth | 23.7 | (27.2) | (25.9) | 19.9 | 32.8 |
| **Profitability ratios (%)** | | | | | |
| OPM | 16.7 | 13.7 | 12.5 | 13.1 | 14.3 |
| EBIT margin | 14.4 | 10.9 | 9.1 | 9.6 | 10.8 |
| Net profit margin | 9.4 | 5.9 | 4.2 | 4.8 | 6.0 |
| RoCE | 13.6 | 9.9 | 7.5 | 8.1 | 9.5 |
| RoNW | 17.4 | 11.2 | 7.7 | 8.5 | 10.3 |
| RoA | 10.7 | 6.3 | 4.6 | 5.3 | 6.7 |
| **Per share ratios** | | | | | |
| EPS | 17.0 | 12.4 | 9.2 | 11.0 | 14.6 |
| Dividend per share | 2.2 | 2.0 | 2.0 | 3.0 | 4.0 |
| Cash EPS | 21.2 | 18.3 | 16.6 | 19.1 | 23.4 |
| Book value per share | 105.5 | 115.0 | 124.2 | 135.2 | 149.8 |
| **Valuation ratios** | | | | | |
| P/E | 15.8 | 21.8 | 29.4 | 24.5 | 18.5 |
| P/CEPS | 12.7 | 14.8 | 16.2 | 14.1 | 11.5 |
| P/B | 2.6 | 2.3 | 2.2 | 2.0 | 1.8 |
| EV/EBIDTA | 10.3 | 11.7 | 12.2 | 10.9 | 9.2 |
| **Payout (%)** | | | | | |
| Dividend payout | 12.9 | 16.1 | 21.8 | 27.2 | 27.3 |
| Tax payout | 25.0 | 26.3 | 28.0 | 28.0 | 27.0 |
| **Liquidity ratios** | | | | | |
| Debtor days | 45.2 | 50.8 | 50.8 | 50.8 | 50.8 |
| Inventory days | 271.6 | 226.3 | 226.3 | 226.3 | 226.3 |
| Creditor days | 37.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| **Leverage ratios** | | | | | |
| Interest coverage | 7.4 | 3.7 | 2.8 | 3.3 | 4.2 |
| Net debt / equity | 0.4 | 0.6 | 0.5 | 0.4 | 0.3 |
| Net debt / op. profit | 1.4 | 2.3 | 2.3 | 1.9 | 1.5 |

*Source: Company & Arihant Research*

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| Stock Rating Scale | Absolute Return |
|---|---|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

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