ArihantCapital
Generating Wealth

Q3FY26 Result Update
17th Feb 2026

Indo Count Industries

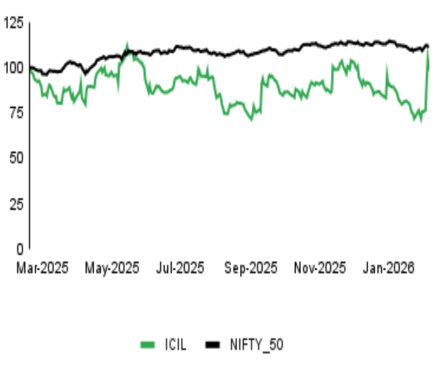
CMP: INR 314
Rating: BUY
Target Price: INR 435

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)	6,223
52w H/L (INR)	351/211
Avg Daily Volume (in 000')	597.56

Shareholding Pattern % *(As on Dec 2025)*	
Promoters	58.74
FII	9.86
DII	6.03
Public & Others	25.37

Stock Performance (%)	**1m**	**6m**	**12m**
ICIL	22.6	25.4	(0.06)
Nifty 50	(0.05)	3.24	11.86

ICIL Vs Nifty



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Indo Count reported broadly flat QoQ revenue at INR 1,062.8 Cr (up 0.1% QoQ) but declined 7.7% YoY, while gross margin improved sequentially by 43 bps to 53.4% led by lower raw material costs; however, higher employee and other expenses impacted profitability, resulting in EBITDA (ex-OI) falling 12.2% QoQ and 37.6% YoY to INR 91.0 Cr, with EBITDA margin contracting to 9.5% (down 185 bps QoQ and 433 bps YoY), and consequently PAT declined sharply by 37.4% QoQ and 65.5% YoY to INR 24.4 Cr, reflecting overall margin pressure despite stable topline performance.

Strategic US Capacity Expansion and Vertical Integration in Utility Bedding: The company has significantly bolstered its manufacturing footprint in the United States with the commencement of commercial production at its third facility in North Carolina, which has an annual capacity of 18 million pillows. This takes the company's total utility bedding capacity to 31 million pillows, strategically covering the Midwest, West Coast, and East Coast to ensure customer proximity and operational flexibility. The company anticipates this segment alone will contribute approximately $175 million to the consolidated topline over the next few years, fueled by a current annualized run rate of nearly $100 million for the new business portfolio.

Strong Recovery Path for Margins Post-Tariff Normalization: While Q3 FY26 margins were pressured by a 50% US tariff environment and partial tariff absorption to protect market share, the company expects a gradual reversal of these pressures as the operating environment normalizes. The company aims to return to its normalized EBITDA margin profile of 15-16% as capacity utilization improves and temporary incubation costs for new businesses (estimated at 150-200 bps) phase out by the end of FY26. Furthermore, the reversal of calibrated discounts provided to customers during the high-tariff period is expected to bolster realizations moving forward.

Valuation and Outlook: We assign a target price of INR 435, valuing Indo Count at a P/E multiple of 25x the FY28E EPS of INR 17.4, implying a 38.4% upside and a 'BUY' rating. The company maintains a robust outlook, targeting a doubling of its consolidated revenue by 2028. This growth is expected to be driven by a $275 million contribution from its new business portfolio, including branded products and an expanded utility bedding capacity of 31 million pillows. The company aims to restore normalized EBITDA margins to 15-16% as temporary incubation costs (estimated at 150-200 bps) phase out by the end of FY26 and the 50% US tariff pressure normalizes. The company's financial profile has strengthened through an INR 215 crore reduction in net debt. Furthermore, the company has entered a more cash-generative phase, with the peak investment cycle for its 2028 vision largely complete, limiting future capital expenditure primarily to maintenance and balancing needs.

INR Cr	FY24	FY25	FY26E	FY27E	FY28E
Revenues	3,601	4,191	4,226	4,659	5,243
YoY growth (%)	18.33	16.39	0.85	10.24	12.52
EBITDA	602	573	497	669	752
EBITDA M (%)	16.73	13.67	11.76	14.35	14.35
PAT	337	246	176	289	344
YoY growth (%)	23.74	-27.24	-28.40	64.17	19.26
EPS (INR)	17.04	12.40	8.88	14.57	17.38
P/E (x)	18.43	25.32	35.37	21.55	18.07
Price/Book (x)	2.98	2.73	2.53	2.27	2.02
EV/EBITDA (x)	11.74	13.18	13.77	12.36	10.41
Debt/Equity (x)	0.46	0.64	0.55	0.46	0.37
RoE (%)	17.39	11.25	7.43	11.11	11.81

Source: Company & Arihant Research

Quarterly Result

INR Cr (Consolidated)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Revenue from Operations	**1062.83**	**1062.14**	**1151.55**	***0.07%***	***-7.70%***
Other Income	**11.41**	**19.43**	**16.06**	***-41.24%***	***-28.93%***
Raw Material Costs	495.36	499.65	555.06	*-0.86%*	*-10.75%*
Gross Profit (Ex- OI)	567.47	562.49	596.49	*0.89%*	*-4.87%*
Gross Margin (Ex- OI)	*53.39%*	*52.96%*	*51.80%*	*43bps*	*159bps*
Employee costs	131.54	124.45	118.99	*5.70%*	*10.55%*
Other Expenses	344.93	334.38	331.66	*3.16%*	*4.00%*
EBITDA (Ex-OI)	**90.99**	**103.66**	**145.85**	***-12.22%***	***-37.61%***
EBITDA margin (Ex-OI)	*8.56%*	*9.76%*	*12.67%*	*-120bps*	*-410bps*
EBITDA	**102.4**	**123.1**	**161.9**	***-16.80%***	***-36.75%***
EBITDA margin	*9.53%*	*11.38%*	*13.87%*	*-185bps*	*-433bps*
Depreciation	39.39	39.20	31.52	*0.48%*	*25.00%*
EBIT	**63.01**	**83.88**	**130.39**	***-24.88%***	***-51.67%***
Finance costs	29.52	31.82	35.53	*-7.24%*	*-17%*
PBT	**33.50**	**52.06**	**94.86**	***-35.65%***	***-64.69%***
Tax Expense	9.07	13.03	24.09	*-30.42%*	*-62%*
Effective tax rate %	*27.07%*	*25.03%*	*25.39%*	*204bps*	*168bps*
PAT	**24.43**	**39.03**	**70.78**	***-37.40%***	***-65.48%***
PAT margin %	*2.27%*	*3.61%*	*6.06%*	*-133bps*	*-379bps*
EPS (INR)	**1.23**	**1.97**	**3.57**	***-37.56%***	***-65.55%***

Source: Company & Arihant Research

Diversification via Expanding Branded Portfolio and New Business Streams: The company is successfully transitioning from a core business-heavy model to a more diversified entity, with new business contributing 20% to the total topline in Q3 FY26. This growth is driven by the relaunch of the Warm Suta brand and a robust portfolio of licensed brands like Fieldcrest and Waverly, which enhance wallet share with retail partners by offering end-to-end home textile solutions. The company remains committed to a long-term vision of doubling total revenues by 2028, supported by these high-growth levers.

Favorable Trade Tailwinds and Geographical De-risking: The company is actively reducing its concentration on the US market, which currently accounts for roughly 70% of core business revenue, by targeting 30% from non-US markets. Recent and evolving Free Trade Agreements with Japan, Australia, the Middle East, and potential agreements with the UK and EU are expected to open significant growth corridors. Management identifies the European market as a $30 billion opportunity where India will soon operate on a level playing field with competing nations, allowing ICIL to capitalize on country diversification trends among global retailers.

Competitive Parity with Global Peers and Raw Material Agility: The company emphasizes that ICIL is well-positioned against peers such as those from Bangladesh, particularly in mid-to-high-end segments where Bangladesh has a limited presence. Emerging US trade guidelines suggest that if ICIL utilizes US cotton (which it already sources for high-end products like US Pima), it may qualify for duty-free access to the United States, potentially providing a "game-changer" advantage in tariff parity. The company's global sourcing model for its US facilities further ensures it can optimize costs based on global pricing and demand.

Strengthened Balance Sheet and Disciplined Capital Allocation: The company has demonstrated a commitment to deleveraging, reducing its net debt by INR 215 crores as of Q3 FY26 compared to March 2025. With the peak investment cycle for major Greenfield projects now largely behind them, the company expects further debt reduction in FY27 as performance improves and capital expenditure is limited to maintenance and balancing capex (estimated at INR 125-INR 150 crores). This robust financial position provides the flexibility to pursue opportunistic growth while maintaining a clear path toward doubling revenues.

Consolidated Company Financials

Income statement summary

Consolidated Income statement INR Cr	FY24	FY25	FY26E	FY27E	FY28E
Revenue	3,601	4,191	4,226	4,659	5,243
EBITDA	**602**	**573**	**497**	**669**	**752**
Depreciation	(83)	(117)	(153)	(160)	(174)
Interest expense	(70)	(123)	(130)	(123)	(120)
Profit before tax	**450**	**333**	**214**	**385**	**459**
Taxes	(112)	(88)	(39)	(96)	(115)
Net profit	**337**	**246**	**176**	**289**	**344**

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	2,414	2,702	3,047
Net worth	**2,089**	**2,278**	**2,453**	**2,742**	**3,086**
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	108	108	108
Total liabilities	**3,165**	**3,902**	**3,978**	**4,167**	**4,411**
Fixed assets	1,333	1,708	1,683	1,651	1,606
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**	**1,709**	**1,831**	**2,044**
Inventories	1,143	1,163	1,239	1,305	1,452
Sundry debtors	452	592	597	658	740
Other current assets	310	222	224	247	278
Sundry creditors	(308)	(231)	(238)	(255)	(287)
Other current liabilities & Prov	(95)	(126)	(112)	(124)	(139)
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	214	385	459
Depreciation	83	117	153	160	174
Tax paid	(112)	(88)	(39)	(96)	(115)
Working capital Δ	(360)	(119)	(90)	(122)	(213)
Operating cashflow	**61**	**246**	**241**	**331**	**299**
Capital expenditure	(160)	(495)	(128)	(129)	(131)
Free cash flow	**(99)**	**(249)**	**113**	**202**	**169**
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	(12)	(8)	1
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	0.8	10.2	12.5
Op profit growth	24.1	(4.9)	(13.2)	34.5	12.6
EBIT growth	23.6	(12.2)	(24.5)	47.5	13.9
Net profit growth	23.7	(27.2)	(28.4)	64.2	19.3
Profitability ratios (%)					
OPM	16.7	13.7	11.8	14.3	14.4
EBIT margin	14.4	10.9	8.2	10.9	11.0
Net profit margin	9.4	5.9	4.2	6.2	6.6
RoCE	13.6	9.9	7.5	9.8	10.6
RoNW	17.4	11.2	7.4	11.1	11.8
RoA	10.7	6.3	4.6	5.3	6.7
Per share ratios					
EPS	17.0	12.4	8.9	14.6	17.4
Dividend per share	2.2	2.0	2.0	3.0	4.0
Cash EPS	21.2	18.3	16.6	22.7	26.1
Book value per share	105.5	115.0	123.9	138.5	155.8
Valuation ratios					
P/E	18.4	25.3	35.4	21.5	18.1
P/CEPS	14.8	17.2	18.9	13.9	12.0
P/B	3.0	2.7	2.5	2.3	2.0
EV/EBIDTA	11.7	13.2	13.8	12.4	10.4
Payout (%)					
Dividend payout	12.9	16.1	21.8	27.2	27.3
Tax payout	25.0	26.3	18.0	25.0	25.0
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	2.6	4.1	4.8
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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