

Indo Count Industries Ltd. (ICIL)

February 11, 2022

CMP: ₹208

ANAND RATHI

Target: ₹334

Q3-FY22 Result Update

- ❑ Indo Count Industries Ltd (ICIL) reported consolidated revenues of ₹7,564 million, de-growth of 3.4% year over year. Sales Volume during Q3FY22 were 21.1 million meters as against 18.9 million meters during Q2FY22. With the recurrence of third wave of pandemic across key geographies like US, UK and Europe, the company is witnessing lower demand. The intensity is reflected in the demand projections shared by their customers. The Management revised their Revenue Guidance to ₹ 30,000 million for FY22, lower than their previous estimates of ₹ 32,000 million. The Volume guidance for FY22 was also revised to 75 million meters from earlier 85-90 million meters.
- ❑ Consolidated EBITDA came in at ₹1,158 a de-growth of 13.4 % YoY. EBITDA margin during Q3FY22 were 15.3%. On the bottom-line front, PAT stood at ₹711 million for the quarter, a de-growth of 23.5%. The Company was able to sustain the margins despite rising input costs and unavailability of shipping containers and other logistic challenges.
- ❑ The current sales profile has seen a shift to better product mix. For 9M FY22 Branded business contributed 14% to Revenue, Fashion/Utility/ Institutional contributed 19% to the overall Revenue. Ecommerce Business Sales were 6% of overall revenue. The Company has been strongly moving towards B2C and D2C segment through high quality product offerings across varied price points, building visibility through digital campaigns and leveraging omnichannel & e-commerce distribution.
- ❑ The acquisition of Home Textiles business of GHCL has added almost 50% new capacity. With this ICIL becomes the largest Home Textile Bedding company, globally, with annual capacity of approximately 153 million meters. The overall purchase Consideration for the said transaction is ₹ 576 crores which will be funded through mix of internal accruals and debt. The company aims Potential addition of ₹ 1,300 – 1,500 Crores p.a. to the top line over a period.
- ❑ Indian home textile industry has been witnessing headwinds related to shortages and unavailability of shipping containers, increase in freight costs and longer transit duration. The inflationary pressure on logistics and supply chain is likely to persist for short term. While there may be some short-term challenges, ICIL remain positive about the demand scenario in the long run on the back of China + 1 strategy, the US prohibition on Xinjiang cotton, and government steps to support the Indian home textile export market.
- ❑ ICIL is well prepared to seize every opportunity on the back of their healthy balance sheet, financial prudence, and focused approach. With planned expansion and tailwinds in the Textile sectors, we expect ICIL to perform well. We recommend **BUY** on the stock with a target price of **₹334** per share.

Consolidated Financials

(In ₹ mn)	Q3-FY22	Q3-FY21	Chg	9M-FY22	9M-FY21	Chg
Net Sales	7,564	7,831	-3.4%	14,951	14,969	-0.1%
Operating Expense	6,405	6,494	-1.4%	12,683	12,466	1.7%
EBITDA	1,158	1,337	-13.4%	2,268	2,503	-9.4%
Other Income	302	91	-	585	194	-
Depreciation	101	109	-	201	219	-
EBIT	1,360	1,319	3.1%	2,652	2,477	7.1%
Interest	153	71	-	274	119	-
PBT	1,207	1,249	-3.3%	2,378	2,358	0.8%
Tax	286	320	-	609	585	-
Exceptional Items	(209)	-	-	(209)	(37)	-
PAT	712	928	-23.3%	1,560	1,737	-10.2%
Minority /Other Adj.	(1)	1	-	(1)	11	-
Consolidated PAT	711	929	-23.5%	1,559	1,747	-10.8%
Margins	Q3-FY22	Q3-FY21	Chg BPS	9M-FY22	9M-FY21	Chg BPS
Operating Margin %	15.3%	17.1%	-176	15.2%	16.7%	-155
Net Margin %	9.4%	11.9%	-247	10.4%	11.6%	-117

Source: Company, Anand Rathi Research

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Consolidated Financials:

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(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	20,801	25,192	28,500	40,478
Operating Expense	18,969	21,425	24,161	33,839
EBITDA	1,832	3,767	4,339	6,638
Other Income	546	378	1,283	810
Depreciation	435	431	487	672
EBIT	1,944	3,714	5,135	6,776
Interest	392	281	560	729
Misc. items	(985)	(37)	-	-
PBT	567	3,396	4,575	6,047
Tax	(164)	905	1,219	1,611
Minority Interest	7	15	-	-
PAT	738	2,506	3,356	4,436

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	7.5%	21.1%	13.1%	42.0%
Operating Margin %	8.8%	15.0%	15.2%	16.4%
Net Margin %	3.5%	9.9%	11.8%	11.0%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<u>Liabilities</u>				
Equity Share Capital	395	395	395	395
Reserves & Surplus	9,465	12,451	15,912	20,348
Total Shareholder's Funds	9,860	12,846	16,307	20,742
Minority Interest	69	55	55	55
Long-Term Liabilities	361	194	3,000	2,500
Other Long-term Liabilities	203	119	119	119
Deferred Tax Liability	575	796	796	796
Short-term Liabilities	5,889	8,945	8,554	14,401
Total	16,957	22,955	28,832	38,616
<u>Assets</u>				
Net Fixed Assets	5,805	5,689	6,548	10,848
Long-Term L&A	53	87	87	87
Non Current Investments	-	-	-	-
Other Non-Current Assets	46	32	32	32
Current Asset	11,053	17,148	22,165	27,649
Total	16,957	22,955	28,832	38,616

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	3.7	12.7	17.5	22.5
P/E (x)	55.7	16.4	11.9	9.3
P/B (x)	4.2	3.2	2.5	2.0
ROE	7.5%	19.5%	21.2%	21.4%

Source: Company, Anand Rathi Research

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Rating and Target Price history:

Indo Count rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on February 11, 2022.

Indo Count rating details

Date	Rating	Target Price (₹)	Share Price (₹)
23-Oct-2021	BUY	334	279
10-Nov-2021	BUY	334	253
11-Feb-2022	BUY	334	208

Source: Bloomberg, Anand Rathi Research

Key Risks:

- ❑ Increase in Raw Material Cost (Cotton).
- ❑ Company's inability to pass on the Cost to customers.

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Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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