Indo Count Industries Ltd

Stable and Sustainable Growth

Ruchitaa Maheshwari
022 4225 4872
ruchita.maheshwari@arihantcapital.com

ArihantCapital
Generating Wealth

Initiating Coverage
03rd June 2021

Indo Count Industries Ltd

Stable and Sustainable Performance

CMP: INR 152

Rating: BUY

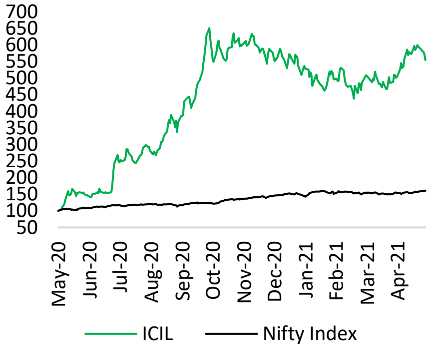
Target Price: INR 200

Stock Info	
BSE	521016
NSE	ICIL
Bloomberg	ICNTIN
Reuters	ICNT
Sector	Textiles
Face Value (INR)	2
Equity Capital (INR cr)	39
Mkt Cap (INR cr)	3,007
52w H/L (INR)	172 / 28
Avg Yearly Vol (in 000')	403

Shareholding Pattern % *(As on March, 2021)*	
Promoters	58.94
DII	0.02
FII	9.82
Public & Others	31.22

Stock Performance (%)	3m	6m	12m
ICIL	9	(0.2)	454
NIFTY	4	11	61

ICIL Price Chart



Indo Count Industries Ltd (ICIL) is a focused player on bedding—a niche segment of home textile market. With A) Brownfield Capacity expansion of 18mn at capex of INR200cr. The new capacity will generate revenue of INR600cr over 2 years. B) ICIL has increased focus into new segments like fashion bedding, institutional linens and utility bedding which expands its opportunity size by 3x to US$ 14b. C) Rising usage of home décor due to Work from Home (wfh) scenario. D) Increased adoption of 'China Plus One' strategy by many western countries. E) US trade war with China. F) Better Product mix (higher margin product will improve the overall margin). G) Additions of newer clients to ensure future growth visibility. H) Asset light business model. I) Strong FCF generation of INR301cr over FY21-FY23E. J) Improving return ratios. K) RoDTEP (Remission of Duties & Taxes on Export Products) expected to restore in near term. We expect ICIL to post Revenue/EBITDA/PAT CAGR of 12.1%/17.1%/20.7% to INR3,163cr/INR516cr/INR363cr in FY23E. We initiate a coverage with a BUY rating at a TP of INR200 per share; valued at PE 11x and EV/EBITDA of 8x FY23E; an upside of 31%.

Capacity expansion through de-bottlenecking to drive revenue growth: The company is expanding a brown-field processing capacity from 90mn to 108mn by de-bottlenecking with a total capex of INR200cr and will generate revenue of INR600cr over the next 2 years.

Focus on new segments to expand opportunity size by 3x: ICIL's foray into fashion bedding, institutional linens and utility bedding expands its addressable market by 3x (from US$ 4b to US$ 14b). We expect contribution to increase from ¬15% in FY21 to 20% in medium term. Hence, realization to improve ¬3% over FY21-FY23E.

'China Plus One' catching up: Global companies have stepped up efforts to implement 'China Plus One' strategy, of diversifying their supply chains in the wake of Covid-19-induced disruptions and US-China trade tensions. In addition, US has banned cotton imports from Xinjiang due to forced labour issues. We believe, India to benefit from the space vacated by China owing to; a) complete textile value chain from start to end, b) abundant cotton availability, c) favourable labour cost and d) favourable government policies.

Healthy Financials: The integrated business model, operating capabilities, higher home textile demand and better product mix, we expect ICIL financials to improve going forward: 1) Healthy OCF/FCF generation of INR505cr/INR301cr, respectively. 2) RoCE/RoIC to improve by 53bps/115bps to 17.8%/18.2% in FY23E, respectively. 3) Net debt/Equity to fell from 0.34x in FY21 to 0.1x in FY23E.

INR in Cr	FY19	FY20	FY21	FY22E	FY23E
Revenue	1,934	2,080	2,519	2,777	3,163
EBITDA	156	183	377	438	516
EBITDA margin(%)	8.0	8.8	15.0	15.8	16.3
PAT	60	73	249	300	363
PATM (%)	3.1	3.5	9.9	10.8	11.5
EPS(in INR)	3.0	3.7	12.6	15.2	18.4
ROCE(%)	6.2	18.9	17.2	16.7	17.8
PE(x)	50.4	41.2	12.1	10.0	8.3

Source: Company , Arihant Capital Research

Ruchitaa Maheshwari
Ruchita.maheshwari@arihantcapital.com
022 4225 4872

Valuations & Recommendations

ICIL is one of a leading a home textiles manufacturing company in India with ¬75% revenue coming from US, ¬15% EU and ¬10% UK & Others. The company is also spreading its wings to Europe and Australia and also eyeing other geographies like Japan and South Africa. The company derives its competitive strength through domain expertise in printing and designing of bed sheets and established clientele of global retailers such as Wal-Mart, Bed bath & beyond and others.

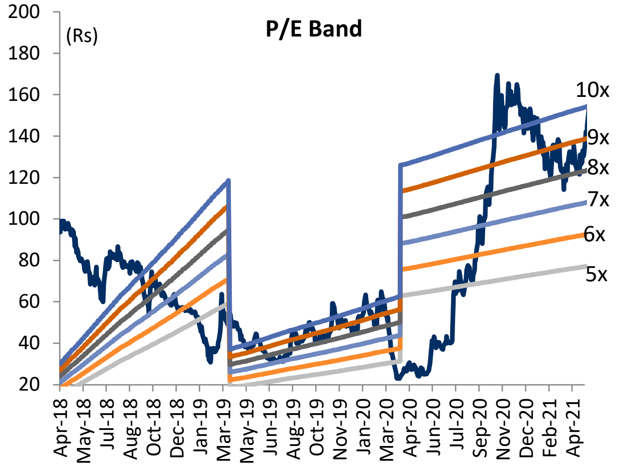
The change in consumers' underlying behaviour and rise of homebody economy resulted in reallocation of spending, driving overall demand for home textile products. Because of the pandemic, people are staying indoors for longer periods, and this has increased the use of home textiles a lot.

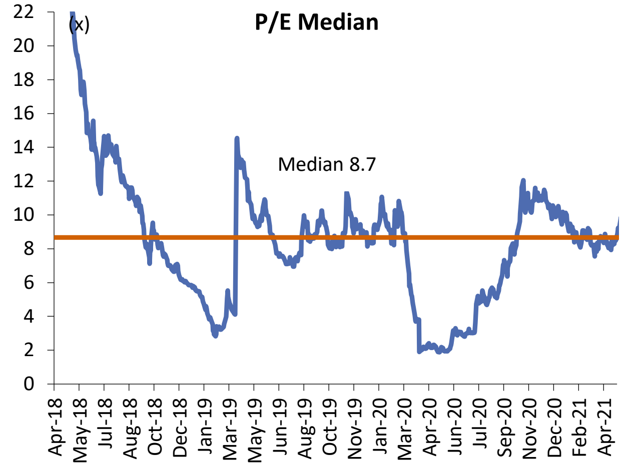
The post Covid-19 environment has disrupted many business but Indo Count is in the right business where the company has capitalized on the WFH and social distancing culture and delivered record volumes. The Company continues to focus on increasing service levels and communication with their buyers and adapt to the evolving customer needs and create products of the future to stay ahead of the curve. With the increase in demand for Home textile products, ICIL has been able to capitalize on this opportunity on the back of healthy Balance Sheet, financial prudence, extensive sectoral understanding of products & product development and focussed approach to bedding solutions.

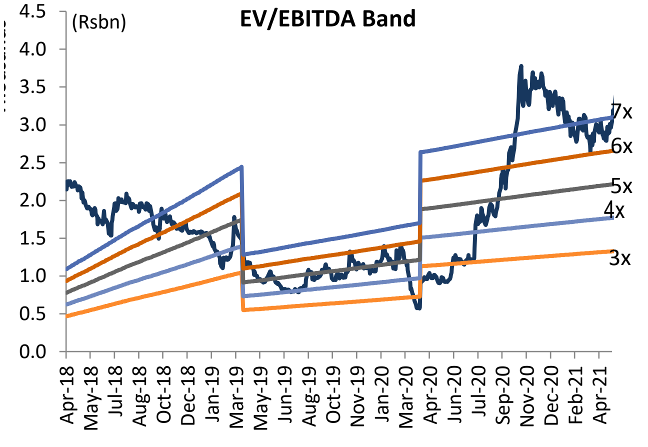
During FY21, ICIL reported a Revenue/EBITDA/PAT of INR2,519cr/INR377cr/INR249cr as against Revenue/EBITDA/PAT of INR2,080cr/INR183cr/INR73cr in FY20. Even, the EBITDA margins improved 615bps YoY to 15% in FY21. The company could achieve such exemplary success through tighter operating controls, prudent raw material sourcing, new customer additions, increased capacity utilisation, new positioning in the mid-to-high end segment, a make-to order approach, superior product mix and strictly controlled overheads.

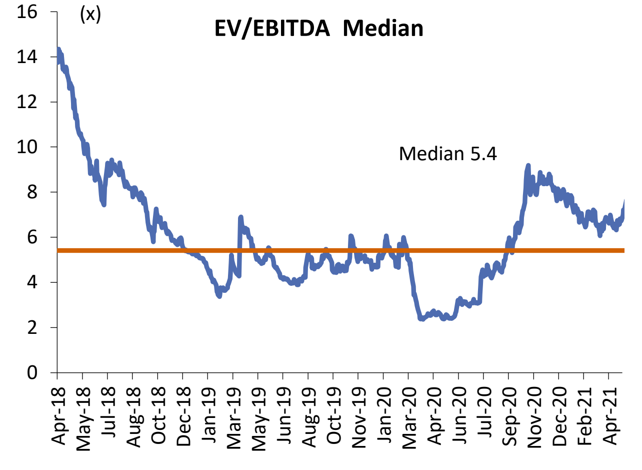
At the current market price, the stock trades at 10x/8.3x P/E and 7.3x/5.9x EV/EBITDA based on FY22E/FY23E earnings, respectively, against its four-year median of 8.6x/5.4x respectively. We expect ICIL to post Revenue/EBITDA/PAT CAGR of 12.1%/17.1%/20.7% to INR3,163cr/INR516cr/INR363cr, respectively in FY23E on the back of capacity expansion, higher demand from home textile, benefit from strong clientele, improving return ratios, shift in product mix towards premium products, asset light mode and 'China plus one' trend catching up.

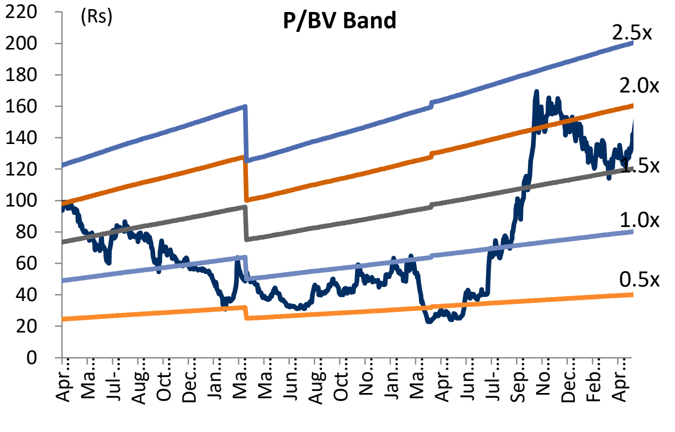
We initiate a coverage with a BUY rating at a target price of INR200 per share; valued at PE 11x and EV/EBITDA of 8x FY23E; an upside of 31%.

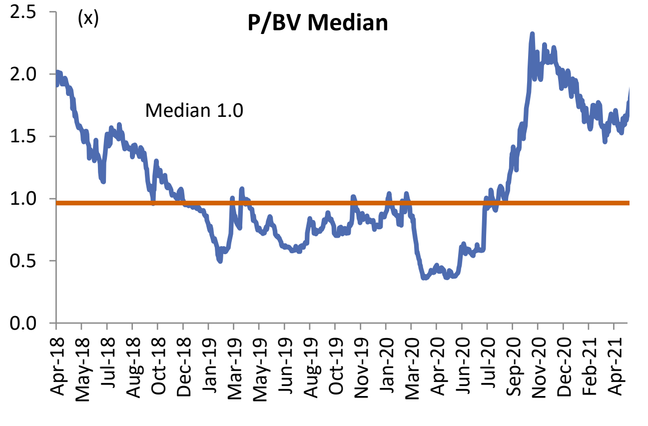












Source: Arihant Capital Research

Peer Comparison

ICIL has reported a revenue growth of 21.1% in FY21 as against Welspun reporting a growth of just 8.9%. However, Trident and Himatsingka de-grew by 4.2% each respectively during the same period. ICIL reported a margin expansion from 8.8% in FY20 to 15% in FY21, an improvement of 615bps. The other peer companies Weslpun/Trident/Himatsingka reported an EBITDA margin expansion of 40bps/49bps/(485bps), respectively.

With a strong jump in revenue and significant margin expansion, the return ratios of ICIL also improved exponentially compared to its peers. RoCE stood at 18.9%/17.2% in FY20/FY21, respectively; whereas Welspun/Trident/ Himatsingka, reported 13.1%/8.0%/7.7% in FY20 and 14.8%/7.7%/3.4% in FY21, respectively. Even the EV/EBITDA for ICL improved from 17.4x in FY20 to 8.7x as against the industry average of 10.7x in FY21.

With better than expected revenue growth and margin expansion, ICL is available at 12.1x in FY21 as compared to 18.8x/24.2x for Welspun/Trident, respectively. ICL is currently trading below the industry average of 18.4x, which gives an enough room for improvement going forward on the back of processing capacity expansion to 108mn meters, higher demand from home textile, benefit from strong clientele, improving return ratios, shift in product mix towards premium products, asset light mode, capital adequacy, wider geographic distribution and 'China plus one' catching up.

Comparative Analysis

	CMP	Market Cap	Sales (INR cr)		Growth %	EBITDA (INR cr)		EBITDA%		PAT (INR cr)		PAT%	
	(INR)	(INR cr)	FY20	FY21	YoY	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
Indo Count	152	3,007	2,080	2,519	21.1%	183	377	8.8%	15.0%	74	249	3.6%	9.9%
Welspun Ind	93	9,349	6,741	7,340	8.9%	1,215	1,352	18.0%	18.4%	475	540	7.0%	7.4%
Trident Ltd	17	8,561	4,728	4,531	(4.2%)	830	817	17.6%	18.0%	340	304	7.2%	6.7%
Himatsingka Seide	174	1,719	2,358	2,258	(4.2%)	416	289	17.6%	12.8%	85	(26)	3.6%	(1.2%)

Source: Industry & Arihant Capital Research

...Contd Comparative Analysis

	RoE (%)		RoCE (%)		P/E (x)		EV/EBITDA (x)	
	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21
Indo Count	7.4	21.9	18.9	17.2	41.2	12.1	17.4	8.7
Welspun Ind	17.6	16.3	13.1	14.8	21.4	18.8	10.8	9.2
Trident Ltd	10.7	10.4	8.0	7.7	25.0	24.2	11.6	11.5
Himatsingka Seide	6.2	(4.0)	7.7	3.4	19.8	NA	9.3	13.3
Industry Average	**10.5**	**11.2**	**11.9**	**10.8**	**26.9**	**18.4**	**12.3**	**10.7**

Source: Industry & Arihant Capital Research

Investment Rationale

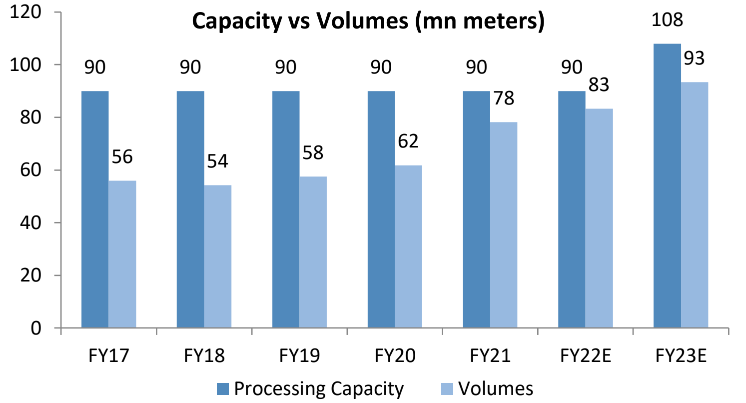
Capacity expansion through de-bottlenecking to drive revenue growth

The company is expanding a brown-field capacity (processing capacity) from 90mn to 108mn by de-bottlenecking with a total capex of INR200cr, which will be funded via a mix of internal accruals and debt. ICIL will invest INR150cr to enhance the capacity of bed linen and top bed products, and the balance INR50cr will be used to modernize the spinning unit and compact spinning technology. Post modernization, the spinning unit will be used for the in-house captive consumption.

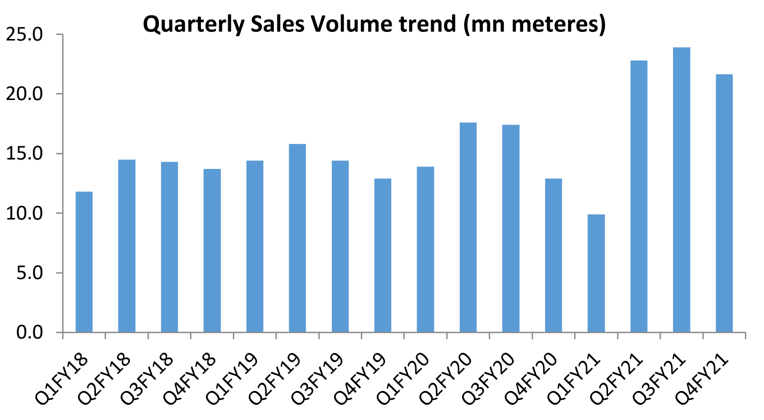
The company expects the added capacity to become operational by H2FY22E. Post commissioning, this capacity will generate revenue of INR600cr over the next 2 years.

For FY21, the company did a volume of 78.17mn meters on an installed capacity of 90mn meters, a capacity utilization of 87%. The management had guided a sales volume of 85-90mn meters in FY22E. In home textile, a plant running at a 95% capacity is an optimal capacity utilization. Currently, the home textile plant of ICIL is operating at almost full capacity. As per management, with US opening up and growing work from home culture, if the demand increases in the near term, the company is open to outsource to meet the growing demand orders.

We expect ICIL to deliver volumes of 83mn meters in FY22E and 93mn meters in FY23E owing to increased demand and capacity expansion.



Source: ICIL & Arihant Capital Research



Source: ICIL & Arihant Capital Research

Focus on new segments to expand opportunity size by 3x

New segment's contribution to increase from 15% in FY21 to 30% by FY24E-FY25E

With focus on value added products, ICIL has improved its contribution from higher count yarn products (800-1000 count yarn products); this has taken average cotton yarn count to 400 levels currently as against 200 few years ago. The management has also increased contribution from niche and high-margin patented products like performance-based linen, thermal based linen, and temperature-based linen which has led realization growth. Over FY13-FY17, ICIL's realizations in the home textile business have witnessed a 8% CAGR on the back of higher contribution of premium products. We expect realization to improve by ¬3% over FY21-FY23E.

ICIL is looking to continue its focus on aspiring and premium consumer class, thus catering to mid and high-end segments in the export market. It will continue to stay away from low-end segments dominated by China, Pakistan and Bangladesh.

Focus on new segments to expand opportunity size by 3x to USD14b

ICIL is largely present in the USD4b bed linen market and derived 85% of its home textile revenues from bed linen in FY21. ICIL's foray into new products like fashion bedding (decorative bedding), institutional linens (cater to high-end hotels, resorts, cruises) and utility bedding (basic white bedding) expands its addressable market by 3x (from USD4b to USD14b). This segment contributes ¬15% of total revenue in FY21 and is expected to increase to ¬20% in the medium term. With the increase in WFH (work from home) culture, pleasure and entertainment, the fashion segment is on the rise and continue to attract demand in the near term.

Institutional forms Hotels, Resorts, hospitals, etc. This Covid led an increase in the hospital demand for single sheet set, whereas, the demand from Hotels, Resorts was muted because of no-travel. As hospital requires only single sheet set and ICIL manufactures big size sheet set, the institutional contribution declined substantially. As per management, ICIL is planning to increase its exposure in the hospital space going forward. ICIL has also set up B2B showrooms for retailers in New York, Manchester and Melbourne.

The US' home textile market is valued at US$ 28bn; of this, bed linen accounts for roughly 50% shares at US$ 14bn. China accounts for ¬85% of these new segments, and ICIL caters to just ¬7% of the Indian market share, providing ample opportunity to gain market share in these categories going forward owing to increasing labour cost and Xinjiang issue resulting into different geographies reducing their dependency on China.

Bed Linen Market Size in US:

Bed Linen Segment	Size USD bn
Sheet Set	4
Fashion	5
Utility	3.5
Institutional	1.5

Source: Industry & Arihant Capital Research

We believe higher contribution from premium products like Fashion and Utility Bedding would drive higher overall realizations and margins for the company as these products are customized and not commoditized.

Expanded market opportunity with foray into newer products

Source: ICIL Q4FY21 Presentation & Arihant Capital Research

Launched " Boutique Living " & " Layers " to tap the Indian market

The unorganised sector dominates this market. Less than 10% of the market is organised; thus, there's a huge opportunity for organised players to grow. As per industry source, the organized mass segment size is INR12,000cr in FY21 which is expected to grow to INR23,000cr in FY25E and mid aspirational & luxury accounts for INR2,000cr market size and is growing at 5% CAGR. To tap the growing opportunity in India, ICIL has launched– "Boutique Living" (mid-market aspirational brand), "Boutique Living Luxury" (high-end luxury brand) and "Layers" (value driven mass brand), which we believe will aid the company in being from being a B2B player to B2C commanding higher prices and margins. The owned brands provide a better margin to the tune of 100-200bps compared to the outside brands. The company has started with the A&P and are witnessing a positive response on the same.

Boutique Living was launched three years ago and is available from 300TC (thread count) onwards in a price range of INR2,000-8,000 per piece. The Layer brand was launched recently and is available from >300TC and in a price range of INR1,000-2,000 per piece. The brand is available in 20 states and LFS (large format stores) like Shopper Stop, etc. With launch of mass brand and heightened increase in the digital space to market its products & growing home textile space, ICIL expects domestic business to contribute 3% in FY23E vs 1% in FY21 of total revenue. **We believe ICIL will create its strong value and dominance in the domestic market over the long term as its present in the top-to-bottom space.**

Brand Portfolio

Source: ICIL Q4FY21 Presentation & Arihant Capital Research

RoDTEP rates to be restored soon

Remission of Duties and Taxes on Export Products (RoDTEP) is a scheme rolled out by the GOI on 1st January 2021, to promote exports by way of reimbursing duties and taxes which are not exempted or rebated under any other scheme in practice. This scheme has been introduced to replace two similar schemes (MEIS and RoSCTL) aimed to promote exports. RoDTEP is the combination of features of both the schemes.

Why was MEIS scrapped?

In March 2018 U.S challenged five Indian export subsidy schemes in the Disputes Settlement Panel of WTO alleging that these schemes are in violation of WTO norms. These five Indian export subsidy schemes were: Merchandise Export from India Scheme (MEIS), Export Oriented Units (EOU), Electronics Hardware Technology Parks (EHTP), Special Economic Zone (SEZ), and Export Promotion Capital Goods (EPCG).

On 31st October of 2019, WTO ruled out that these schemes are in contravention of WTO agreements as they are providing prohibited export subsidies. GOI has filed an appeal against the Disputes Settlement Panel of WTO. As the matter is sub-judice, GOI rolled out new scheme (RoDTEP) which is fully acquiescent with WTO norms. Currently, industry is awaiting final rates under the new scheme RoDTEP.

The industry fraternity expects the rate to be in the tune of 8.2%; same as earlier. However, as the government is facing short of funds due to covid pandemic, the rate can be revised to a lower level. In the worst case scenario, rate can be 2%. As per management, the RoDTEP in Q4FY21 was not accrued to the extent of ¬INR45cr. Once, the rates are decided by the government (expectation in June/July 2021), the company will realize the RoDTEP benefit of ¬INR45cr in the quarter. Hence, we expect the H1FY22E numbers will be better.

China's textile dominance: Change is in the air

For the last 20 years, many Western companies have invested in China, drawn by its low production costs and enormous domestic consumer market. But in recent years, the cost advantage has diminished, while other business challenges have emerged. As a result, many companies are looking to exploit opportunities in other growing Asian markets both to hold down costs and to reduce overdependence on China.

In addition, multiple reports concerning human rights violations, such as use of forced labor, in the Xinjiang Uyghur Autonomous Region (UAR) have led to condemnation from many Western countries and put several multinational companies in a quandary.

A 'China plus one' strategy is one where investors complement their core China operations with additional ones in another country to lower costs, diversify risks, and access new markets. The garment industry, which includes products like clothing, footwear, and textiles, has been gradually relocating from China in the face of rapidly rising labor costs; and countries like India, Vietnam, Bangladesh, Pakistan are major beneficiaries of this trend.

Can India become a 'Plus One Destination'?

Global companies have stepped up efforts to implement the 'China Plus One' strategy, of diversifying their supply chains in the wake of the Covid-19-induced disruptions and US-China trade tensions. China's own costs of production is rising, due to higher labor costs and a shrinking workforce, which had already triggered operational outsourcing to lower cost destinations. Nevertheless, the international consensus on labor standards – now in combination with geopolitical triggers – may serve as greater impetus for regional shifts in sourcing and distribution value chains.

Meanwhile, Asian countries outside China have been steadily working to scale up their capacity for exports and production (cotton, yarn, textiles) to varying levels of success. The focus in South Asian countries is also moving towards developing industrial value capabilities and technical textile production, away from raw material sourcing.

The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibres like cotton, jute, silk and wool as well as from synthetic/man-made fibres (MMF) like polyester, viscose, nylon and acrylic. Moreover, a shift towards organic and other sustainable cotton fibre gives India an advantage being a largest cotton producing country (accounting for about 26% of the world cotton production) as well as exporters of cotton yarn. Although, India is less competitive in MMF compared to China (¬30% costly), with 'China plus one' gaining momentum and increasing move towards usage of organic cotton, India will be beneficial going forward.

We feel India stands out as an attractive option as it has larger domestic market, skilled labour force, abundance of raw-material & resources, improving ease of doing business, large manufacturing infrastructure and a newly launched production linked incentive scheme, which are proving to attract foreign companies as a diversification option.

Xinjiang effect will have a positive rub on Indian Home Textile Market

The Xinjiang Uyghur Autonomous Region (XUAR) in China, produces about 20% of the world's cotton & 80% of China's cotton – and the province is China's largest textile and apparel exporter. However, with multiple reports concerning human rights violations, such as use of forced labor, in the XUAR, have led to condemnation from many Western countries.

This is, therefore, a massive opportunity for the Indian cotton textile industry, which has several key advantages to capitalise on the situation. India has always had robust end-to-end expertise and capabilities across the cotton textile supply chain and is also one of the largest producers of cotton in the world. Moreover, a fully integrated local supply chain will satisfy rules-of-origin requirements in various trade programmes incentivising manufacturers to source most of their inputs locally.

If we look at the global cotton consumption, then China is around 30%. Stopping products from China will see the focus on Indian cotton likely to go up. The yarn exports from India to Bangladesh and Vietnam may increase going forward. As a matter of fact, Indian cotton is 30% cheaper than China cotton. A positive development, however, is that India's cotton exports are projected to be 7 million bales in 2020-21, which is a growth of 40% and the highest in seven years.

Xinjiang-alternatives in the global supply chain for cotton: South Asia assessment

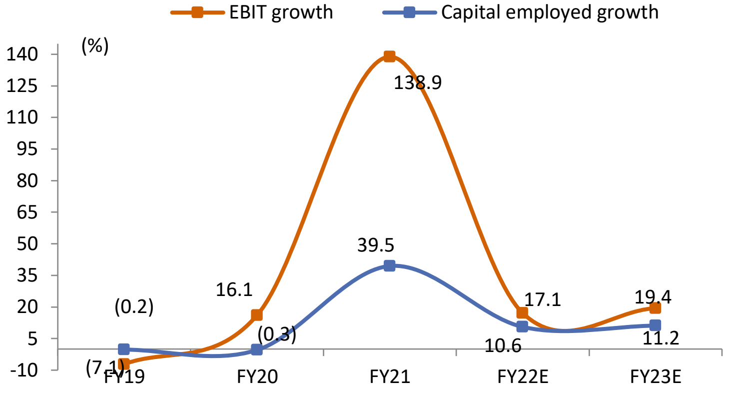
	Cotton production Quantities in MMT				
Country	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20 (Proj)**
India	5.75	5.86	6.35	5.5	5.75
Bangladesh	0.03	0.03	0.03	0.04	0.04
Pakistan	1.54	1.66	1.8	1.67	1.97

Source: Asia Briefing & Arihant Capital Research

Robust earnings growth and strengthening B/S to drive healthy flow/return ratios

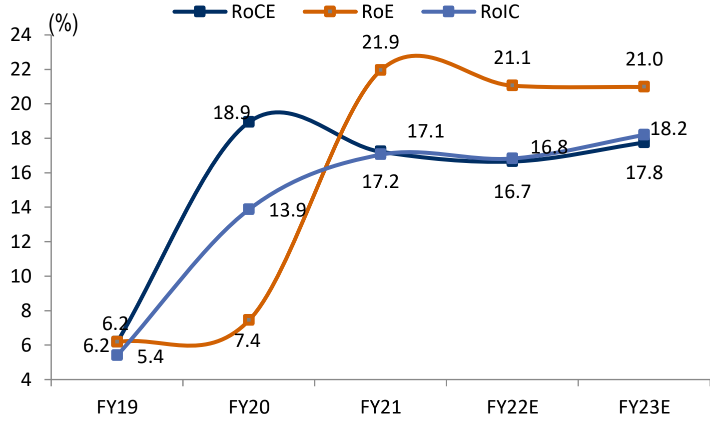
With brown-field ramp-up of capacity expansion from 90mn meters to 108mn meters, we expect net revenue at a CAGR of 12.1%, EBITDA margin to improve 137bps over FY21-FY23E and PAT at a CAGR of 20.7% during the same period. ICIL to incur a capex of INR200cr (funded through debt and internal accruals). This additional capacity will become operational by the end of H2FY22E and is expected to generate a revenue of INR600cr over a period of 2 years. With strong visibility of earnings growth, margin expansion and improvement in working cycle, we expect operating cash flow/free cash flow to improve INR505cr/INR301cr, respectively over FY22E-FY23E, compared to (INR300cr)/INR195, over a period of FY19-FY21, respectively. In comparison to revenue growth of 12.1%, and EBIT growth of 18.3%, capital employed is expected to grow by 10.9% over FY21-FY23E. Hence, we expect RoCE to improve 53bps to 17.8% in FY23E from 17.2% in FY21. And RoIC to improve 115bps to 18.2% in FY23E from 17.1% in FY21. However, RoE to decline 97bps to 21% in FY23E as against 21.9% in FY21.

Higher EBIT growth vs Capital Employed growth



Source: ICIL & Arihant Capital Research

Return Ratios to improve going forward



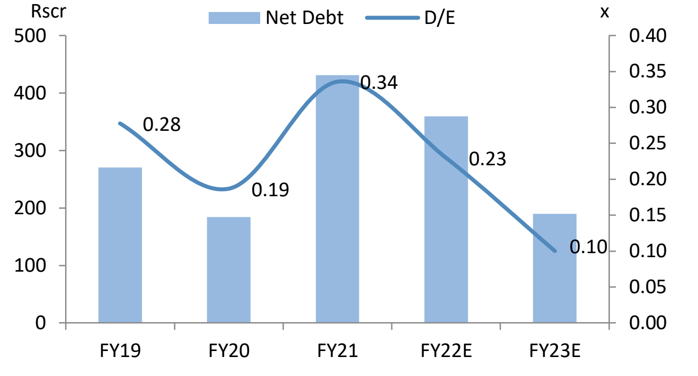
Source: ICIL & Arihant Capital Research

ICIL to remain Net Debt free

Derivative losses and slowdown in demand for home textiles in the US drove the company into CDR in August 2008. Since then, its financial liquidity has improved significantly aided by traction in the home textiles business and an asset light business model. Net debt to equity declined from 3.5x in FY08 to 0.34x in FY21. However, the company is expanding its capacity by 18mn meters to 108mn with a capex of INR200cr (funded through 50% debt and 50% internal accruals).

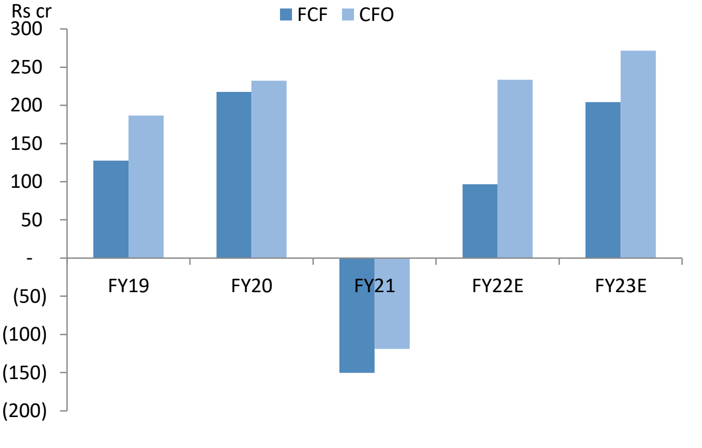
ICIL will have positive operating and free cash flow for all years in FY22E-FY23E with cumulative operating cash flow of INR505cr and free cash flow of INR301cr, thereby meeting its 50% capex requirement of INR100cr over FY22E-FY23E. ICIL's ability to maintain an adequate level of cash to meet upcoming liabilities is a good sign for its financial health. This indicates that ICIL has sufficient cash flows and proper cash management in place, which is an important determinant of the company's health. The company will also use the cash flow generation to pay its long term debt. Hence, despite aggressive growth, we expect ICIL barring working capital requirement, to remain net debt free. We expect net debt/equity to decline to 0.23x/0.10x in FY22E/FY23E, respectively from 0.34x in FY21.

ICIL to be net debt free in FY23E



Source: ICIL & Arihant Capital Research

Positive cash flow generation



Source: ICIL & Arihant Capital Research

Working capital cycle to improve going forward

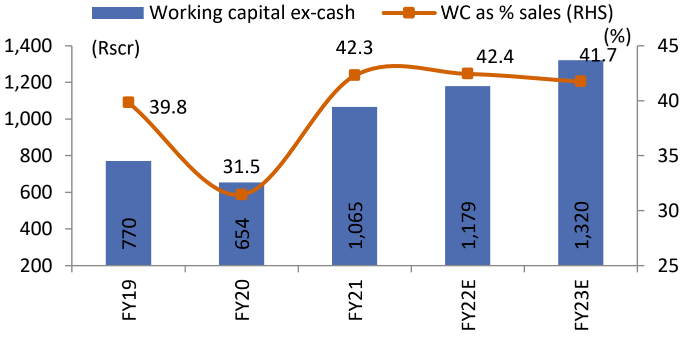
ICIL's key strengths is its effective raw material procurement policy which enables it to maintain a lean working capital cycle. The key raw materials are cotton for the yarn business and yarn for the bed linen business. The company outsources its raw material requirements to local suppliers.

However, the inventory days on a higher side compared to its peers because of change in product mix. The company has to keep more inventory of grey cloth; it typically keeps grey cloth inventory of around two-three months, and two months of cotton and yarn. The company compensates high inventory days with better credit terms from its raw material suppliers, thereby keeping its working capital in line with the home textile peers.

Before Covid pandemic hit, the ICIL had an inventory days of 185/165days in FY19/FY20, respectively. However, the inventory shot to 204days in FY21 as the company had to keep higher inventory to cushion itself from the supply chain issue arising due to an on-going Covid pandemic and adoption of 'China one plus' strategy. We expect inventory to remain at elevated level of 202days in FY22E and subsiding to 197days in FY23E. In addition, the debtor days increased to 74days in FY21 as against 48days/42days in FY19/FY20, respectively. This increased the working capital cycle to 233days in FY21 from 204days/165days in FY19/FY20, respectively. We expect working capital cycle to stand at 234days/229days in FY22E/FY23E, respectively.

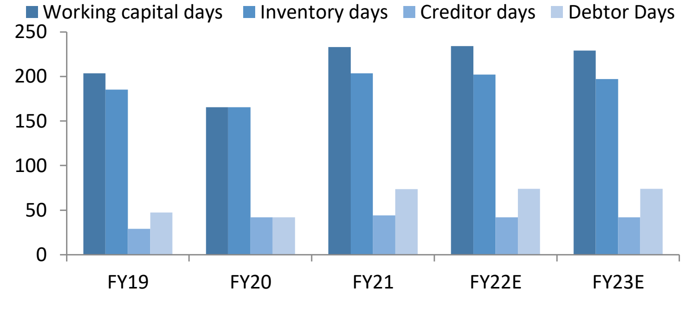
In the wake of faster ramp-up of brown-field capacity expansion, we expect ex-cash working capital needs to reduce from 42.3% in FY21 to 42.4%/41.7% in FY22E/FY23E, respectively.

Improving Working Capital as a % of Sales



Source: ICIL & Arihant Capital Research

Improving Working Capital efficiency



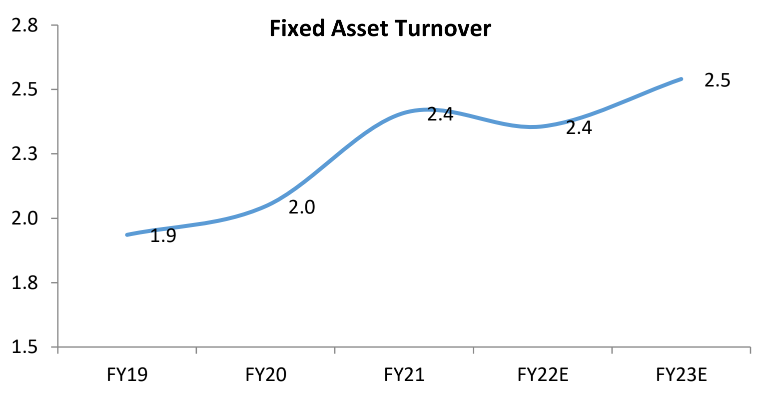
Source: ICIL & Arihant Capital Research

Asset Light business gives an edge against its peers

ICIL's manufacturing process begins with spinning (where the cotton is spun into yarn), is followed by weaving and ends with processing and cutting. With a asset-light business model, ICIL has carved out a profitable niche for itself in the home textiles business. The management believes in investing in front-end capacity and outsourcing the back-end processes—100% of processing and cutting capacity is in-house and spinning and weaving is largely outsourced (70%). The company's tilt toward outsourcing ensures much higher capital efficiency v/s peers (~3x fixed asset turnover v/s 1.2x for a fully-integrated unit). The company enjoys a better fixed asset turnover ratio of 2.4x in FY21 and is expected to be in the 2.4x-2.6x range going forward.

The company is continuously strengthening its spinning and weaving capacity (as the company has ventured into fashion bedding, to maintain the quality standards and also this will help in saving the margin for the company if the product is manufactured in-house, roughly 3% margin saving which will improve the EBITDA margin by ~1%).

Further, the company has also announced a capacity expansion by 18mn meters to 108mn by de-bottlenecking and facilities by the end of H2FY22E, with a capex of INR200cr. Out of INR200cr, the company will incur INR150cr for for adding commensurate cut & sew facilities and for enhancing the capacity for Top of the Bed products. In addition, the balance INR50cr will be used for modernization of spinning units and will be used for captive consumption in Home Textile. The company will generate an additional revenue of INR600cr over a period of 2 years. This will change the structure of asset light business and improving the RoCE to 17.8% in FY23E from 17.2% in FY21. We also expect the margin to improve from 15% in FY21 to 15.8%/16.3% in FY22E/FY23E, respectively.



Source: ICIL & Arihant Capital Research

Strong client relationship

Indo Count is strongly placed in the Indian bed linen exports market with more than 20% share in the organised sector. The company derives its competitive strength from strong client relationship coupled with its focus on product quality, product innovation, and timely deliveries. Over the years, the company has developed strong domain expertise in the designing and printing of bed linen products that are critical processes in developing innovative varieties. It has also received patents for a few bed linen products. It services clientele of global retailers including Wal-Mart, Target, and Bed Bath and beyond, amongst others.

During FY21, the company had acquired few clients. ICIL exports to more than 54 countries cross 5 continents and is eyeing different geographies like Australia, Japan, South Africa, etc to widen its geographical footprints. To cater to the global clients and acquire newer clients, ICL had offices, showrooms, design studio and warehouses in the international market. For instance, the company has:

1. **India:** Head Office, Factories, Merchandising & Design Studio & Product Development Lab.
2. **USA:** Showroom, Warehouse and Design Studio
3. **UK:** Showroom, Warehouse and Design Studio
4. **UAE:** Showroom (to cater to the middle-east countries)
5. **New York:** Showroom and Design Studio
6. **Charlotte:** Warehouse and E-com drop ship

Financial Analysis

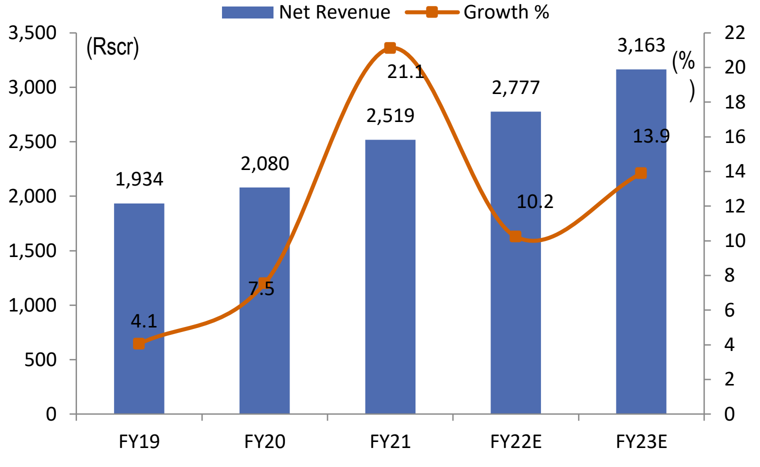
Revenue expected to witness a 12.1% CAGR over FY21-FY23E

Since its venture into home textiles in 2008, ICIL has established a strong position in this segment with India's market share of more than 50% share in cotton sheets and ¬20% share in cotton bedspread exports to the US. The company derives its competitive strength through domain expertise in printing and designing of bed sheets and established clientele of global retailers such as Wal-Mart, JC Penny, Bed Bath & beyond and others. US forms a major chunk of revenue of ¬75%, followed by 15% in EU and 10% in UK & others.

The revenue grew at a CAGR of 14.1% during FY19-FY21. We expect the company to grow at a CAGR of 12.1% over FY21-FY23E on the back of a) higher consumer focus on home decor led by continued WFH scenario, b) expanding product bouquet, c) change in product mix towards higher contribution from premium product segments, d) capacity expansion from 90mn to 108mn meters, e) strong clientele, and f) 'China plus one' trend catching up.

We expect, over the long term, the company will get benefit from its strong long-term experience being a leading player with a fully integrated manufacturing set-up.

Revenue to grow at a CAGR of 12.1% over FY21-FY23E



Source: ICIL & Arihant Capital Research

Financial Analysis... continued

Increasing premiumization and expanded product bouquet to improve EBITDA margin

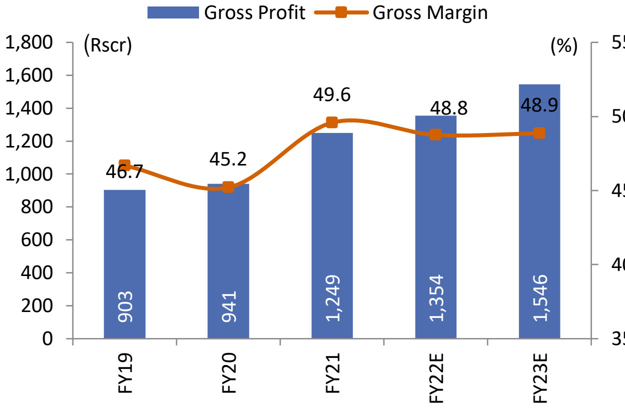
The company's EBITDA grew by 14.1% CAGR over FY15-FY17; however the EBITDA de-grew by 11% over a period of FY15-FY19 owing to the de-stocking issue in US and some US clients going bankrupt during FY18 and FY19.

To mitigate the risk, the company expanded its product profile by entering into the fashion, utility and institutional segment. This increased the market of basic sheet of USD4bn to USD14bn. Further, the demand from the home textile segment improved on the account of continuous work from home culture, pleasure and entertainment. Thus, EBITDA grew by 55.6% CAGR and margin expanded by 691bps over a period of FY19-FY21.

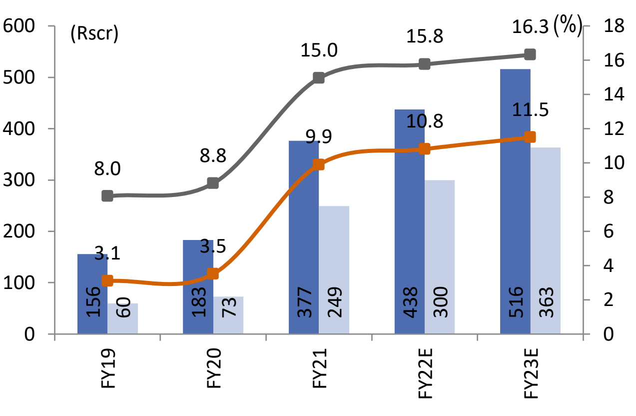
Cotton forms a major raw-material and accounts ¬51% of the raw-material cost. The company keeps a cotton inventory of 3-4 months. As per management, the cotton prices is expected to remain prudent on the back of: a) Cotton crop is surplus in India as mill user consumption has gone down due to covid, b) pushing to stock end user, and c) CCI bought 10mn cotton bales. However, poor monsoon pan-out, covid spread in rural and Xinjiang cotton going out of the business, the cotton prices can shot up in the future. ICIL has muted itself from these risk and has a cotton inventory till Sept-Oct 2021 (new crop will come in the market) at a price of INR44,500/candy. The current cotton price ruling is at INR45-46,000/candy as against last year price of INR48-49,000/candy. Thus, Gross margin to remain under pressure at 48.8%/48.9% in FY22E/FY23E, respectively as against 49.6% in FY21.

In addition, with improved product mix and increase in higher contribution of premium product and optimal capacity utilization, we expect the price realization to improve going forward. Thus, EBITDA margin to improve to 15.8%/16.3%in FY22E/FY23E, respectively as against 15% in FY21. PAT margin to expand to 10.8%/11.5% in FY22E/FY23E, respectively as against 9.9% in FY21.

Gross Margin to remain under pressure due to cotton prices



EBITDA margin to expand by 137bps over FY21-FY23E



Source: ICIL & Arihant Capital Research

Growth Potential of Global Home Textile Market

According to the Grand View Research, the global textile market will register a CAGR of 4.3% from 2020 to 2027. The global textile market size was valued at US$ 961.5bn in 2019 and is estimated to exhibit a CAGR of 4.3% from 2020 to 2027 to reach US$ 1,350.2bn owing to the increased demand from developing countries such as China, India, Mexico and Bangladesh.

Bed linen makes up the largest segment in the home textiles market. It comprises bed covering, bed throws, blankets, cushion covers, cushions, duvets, duvet covers, mattress, mattress cover and pillows, among others. It is the fastest- growing segment projected to increase to around US$ 61bn by CY2020. **The key factors responsible for growth are increased spending and a skewed interest for premium and designer bed linen with various functional benefits. In addition, people are also recognising several physical and mental benefits offered by good sleeping practices. Also, changing home decor trends increased frequency of purchase, and shorter replacement cycles are also a few key reasons for the growth of the market.**

The industry is witnessing a steady growth driven by factors, like rising consumer spending on home renovation and fashion sensitivity toward household furnishing. The US and Europe are the biggest consumers constituting 60% of the home textiles imports, with countries like India, China, and Pakistan being the key suppliers. Rising focus on the market by governments and favorable regulatory policies are expected to be one of the major reasons for the market disruption.

India commands a significant share in the global cotton home textile market, due to its competitive edge in the form of abundant cotton availability and competitive costs.

Global home textile industry is expected to increase to US $60bn by 2025 from US $52bn. In India, the home textile industry is expected to almost double from current levels of US $8bn, by 2025-26. The key factors responsible for the growth of bed linen are increased spending and a skewed interest for premium and designer bed linen with various functional benefits.

India has strengthened its position as an alternative to China resulting from favourable ease of doing business ranking, better compliance and political stability. The labour cost in India is highly competitive in the region and significantly lower than in China.

Factor Cost Comparison of India with Competing Countries

Parameters	Unit	China	India	Bangladesh	Vietnam	Ethiopia
Labour Wages*	US$ / month	550 - 600	160 - 180	110 - 120	190 - 200	80 - 90
Power Cost	US$ / Kwh	0.15 - 0.16	0.10 - 0.12	0.09 - 0.12	0.08 - 0.10	0.03 - 0.04
Water Cost**	Usc / m3	55 - 60	16 - 20	20 - 22	50 - 80	30 - 40
Lending Rate	%	6% - 7%	11% - 12%	12% - 14%	7% - 8%	8.5% - 9%
EODB Ranking***	Rank	31 (91)	63 (132)	168 (129)	70 (99)	159 (127)

Source: Wazir Advisors

*Cost for semi-skilled labour; includes all benefits
**Water cost is based on the average tariff of the water supply companies of specific countries
***Ease of Doing Business World Bank Ranking
The values in bracket reflect the Rank in 2013

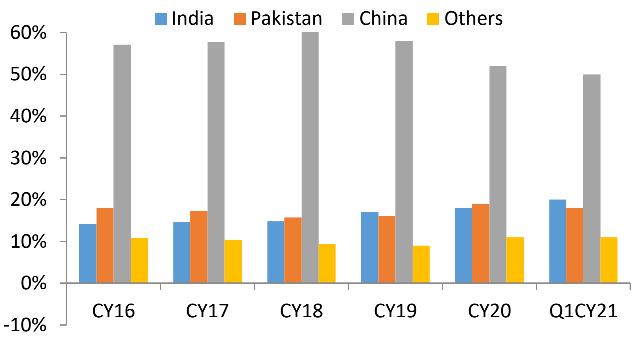
According to the Office of Textiles and Apparels (OTEXA) US, in Q1CY21, India supplied about 59% of the imports of cotton sheets to the US, which has grown significantly from the levels of 50% in CY19. Even in the cotton bedspread segment, the Country supplied 20% (Q1CY21) of the total import to the US, increasing from 17% (CY19).

India & EU trade

Similar to the US, European Union (EU) is an equally large market, but Indian players have low penetration due to duty disadvantage compared to countries like Pakistan, Vietnam and Bangladesh which have preferential tariff rates granted by the European Union (EU). Indian exporters pay ¬10% duty on the home textile products exported to the EU, whereas some of the key competing countries have zero duty access to the market. However, any significant reduction in duties on Indian exports can open up a huge market for Indian players. India's export to the EU accounts for 45% of the total textile products.

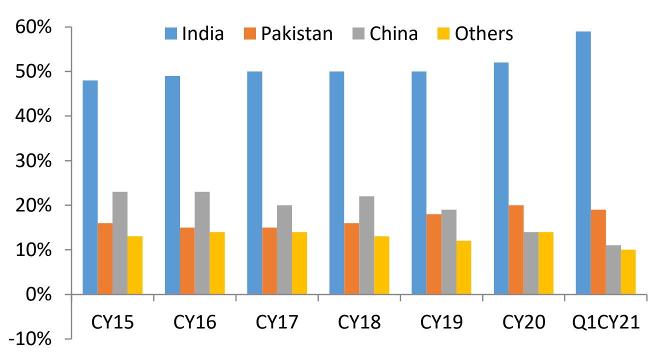
India and EU have resumed their FTA talks in May 2021. With 'China plus One' strategy flavour of the season and India being projected as US $5tn economy by 2024, we expect some positive development with regards to FTA by the end of 2021. Once, Europe do away with the GSP preference to Pakistan, Bangladesh and Vietnam, and with India provided a level playing field, we believe, Europe will open a bigger growth opportunity for Indian players in terms of market size. As per Fibre 2 Fashion, in 2019, the Europe market size was ¬US $30bn and is expected to grow to ¬US $32bn in 2025.

US imports in Cotton Bedspread



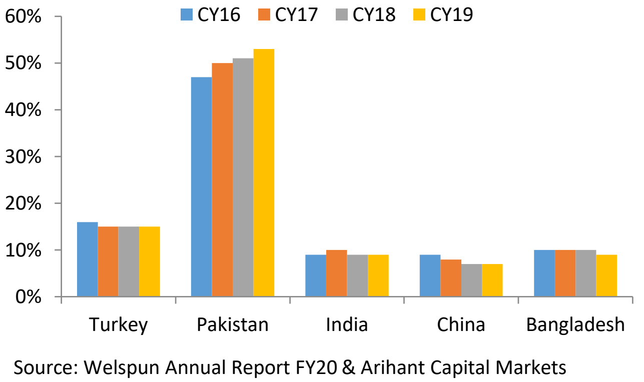
Source: OTEXA & Arihant Capital Markets

US imports in Cotton Sheets



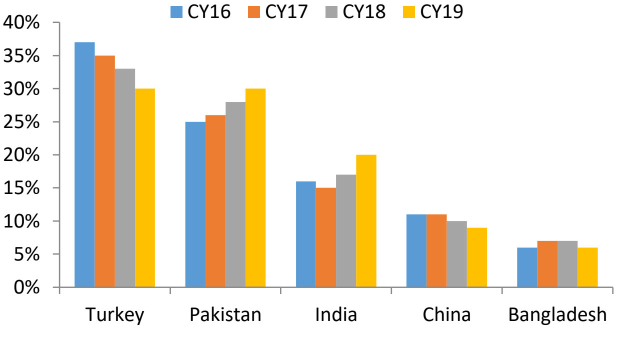
Source: OTEXA & Arihant Capital Markets

Europe imports in Cotton Sheets



Source: Welspun Annual Report FY20 & Arihant Capital Markets

Europe imports in Cotton Towels



Source: Welspun Annual Report FY20 & Arihant Capital Markets

Strong Rebound in USA Retail Sales and how India benefitted

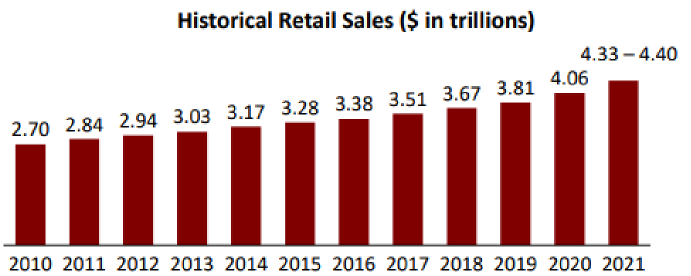
The US is one of the largest markets for India's export of home textile with ~50% market. However, it still sources 50% of its home textiles and made-ups requirements from China. In 2019, due to the US-China trade war, Chinas share in US made-ups imports reduced by 1.65% in comparison with the previous year. This helped India in increasing its export by 1.21% as opposed to that in 2018-19.

Growing real estate market and improving standards of living have resulted in increased spending on home decoration and interior. In addition, changing trends in home furnishing is expected to boost the market growth further. US forms ¬75% of the total revenue of ICIL.

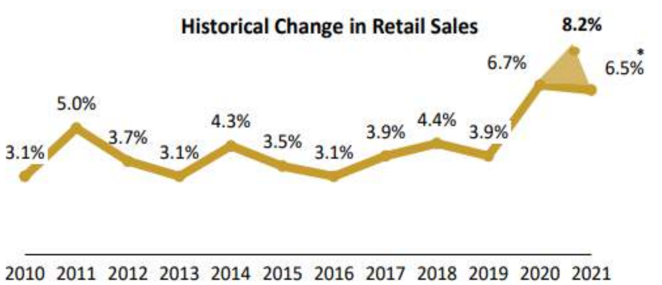
The US retail sales jump to $4.06tn in CY2020 compared to $3.81tn in CY2019, an increase by ¬7%. This growth was primarily led by:

1. **Covid 19; beating the odds:** a) US channels inventory due to Covid, b) order book position was high due to increasing demand, and c) cash stimulus.
2. **Adoption of omni-channel distribution:** Multiple sales avenues and accelerated shift towards digital commerce.
3. **Consolidation of Big box retailers:** Retailer consolidation due to their higher financial capabilities and their presence in selling essential products. ICIL has long established relationships with these retailers, and hence the order book will remain robust going forward.
4. **Home - A center stage:** Increased consumer spending due to work from home and social distancing measures.
5. **Increasing importance of Health, Hygiene & Wellness Products:** Shift in demand towards value added categories of health, hygiene and wellness due to additional demand.

As per NRF (The National Retail Federation), the retail sales will grow between 6.5% and 8.2% to more than US $4.33 tn in 2021 as more individuals get vaccinated and the economy reopens.



Source: ICIL Q4FY21 Presentation and Arihant Capital Research



Source: ICIL Q4FY21 Presentation and Arihant Capital Research

Growth catalyst for Indian Home Textile manufacturers to gain US market

1. US trade war with China led US imposing higher tariff in China
2. Negative sentiments against China due to Covid 19
3. China being the biggest market, many countries have offices in China and were depended on it. However, due to pandemic, many western countries faced the supply chain issue. China was already facing US trade war and 'China plus one' momentum gaining amongst the western countries. The pandemic aggravated the situation and many countries including US started looking different countries as a substitute.
4. The Xinjiang Uyghur Autonomous Region (XUAR) in China, produces about 20% of the world's cotton & 80% of China's cotton – and the province is China's largest textile and apparel exporter. However, with multiple reports concerning human rights violations, such as use of forced labor, in the XUAR, have led to condemnation from many Western countries. Many countries are shifting their base from China.
5. Its becoming increasing difficult to use the cotton produce in XUAR. The company exporting to US have to provide the certificate of cotton source. This will further impact the China's monopoly in the world market.
6. India has a huge raw-material base and is one of the largest producer of cotton in the world accounting for about 26% of the world cotton production. India is present in complete textile value chain and is well-equipped to gain the market share vacated by China. As per Otexa, India's share has increased in US imports of cotton sheets from 50% in CY19 to 59% in Q1CY21 whereas, China's share has declined from 19% in CY19 to 11% in Q1CY21. India has emerged as a biggest beneficiary of the space vacated by China.

Cotton Prices will be on a rising trend in the near term

The FY20 can be considered as a year with uncertainties and volatilities in the global cotton market. One of the factors affecting the price of cotton is the weak demand caused by uncertainty arising from the US-China trade war and rising issue of Xinjiang cotton availability in the world market. Moreover, the Coronavirus pandemic can delay China's ability to increase purchases in the near-term.

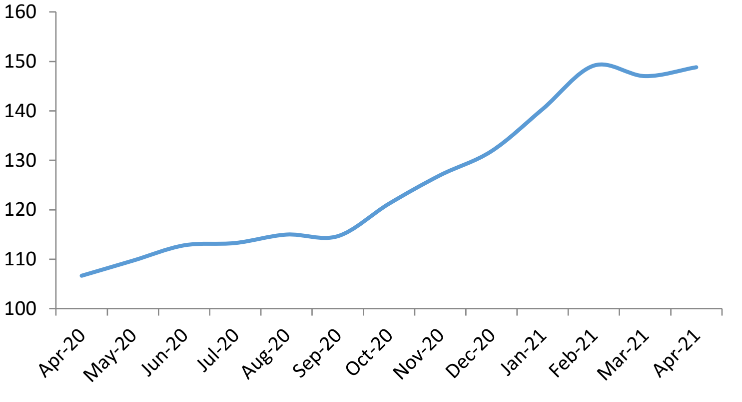
There are several factors that contributed to the growth in cotton prices which are listed below:

A. Improvement in domestic and international cotton demand
B. Increase in international cotton prices
C. Domestic cotton prices averaged higher than the Minimum Support Price (MSP) : Medium staple cotton up by 4.9% to INR5,515/quintal and Long staple cotton up by 5% to INR5,825/quintal
D. Recovery in domestic and international cotton yarn demand

Cotton outlook in India

Easing of lockdown restrictions resulted in some recovery in domestic cotton demand and its consumption is expected to increase by 32% YoY in CS 2020-21. The growth in cotton exports during October 2020 – January 2021 was primarily on account of strong demand for cotton from China and Vietnam. We believe that the ban by the USA (one of the largest textile importing nation in the world) on imports of China's cotton products made in Xinjiang region at the end of 2020 due to forced labour issues have supported higher cotton imports by China. The contribution of Xinjiang region in China's cotton production is significant (¬80% of total China's production). We expect cotton prices to remain on an upward trend in the near term.

Indian Cotton prices on an upward trend



Source: Indexmundi & Arihant Capital Research

Country-wise cotton exports by India during October – January (in thousand tonnes)

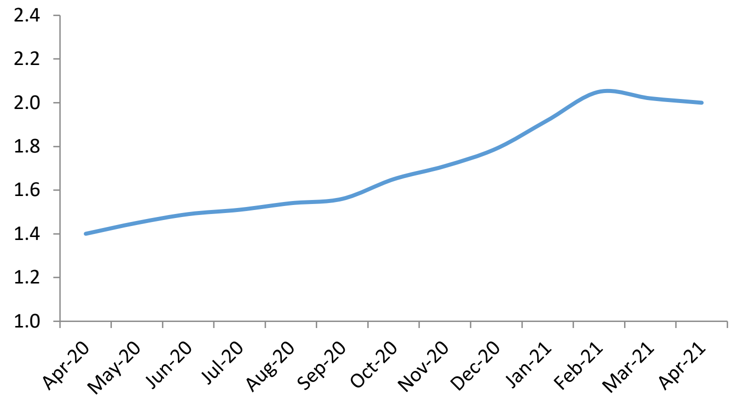
	2019-20	2020-21
Bangladesh	212	201
China	73	179
Vietnam	24	60
Others	33	35

Source: Ministry of Commerce and Industry and Arihant Capital Research

World Cotton prices

The global cotton prices have been improving on a sequential basis for 10 straight months from May 2020 onwards to February 2021 with brisk growth of about 7% on MoM basis been witnessed in January and February 2021. The rise in prices is backed by an improvement in international demand on account of relaxations in lockdown restrictions, 7.4% decline in global cotton production to 24.6MT & 14.5% increase in global consumption to 25.7MT, US-China trade war and ban imposed by US on imports of China’s cotton products made in Xinjiang region due to forced labour issues .

World Cotton prices



Source: Indexmundi & Arihant Capital Research

Various initiatives and steps taken by the Government of India to enhance textile Industry

In the wake of the ongoing pandemic, all nations have suffered at large across all industries. Textile Industry too has been no exception to the brunt faced due to the impact of the coronavirus. While most economies are still struggling to get up, India surprisingly has sprung back with the ferociousness of a panther from the third quarter onward. Despite the country coming to a standstill for months and finances and supply chains being adversely affected, Indian textile industry too is gradually scaling back to its pre-covid glory.

The support provided by the government with its ongoing schemes and the launch of new measures have provided the strong framework that domestic textile manufacturers were seeking to setup their products on.

1. **Atmanirbhar Bharat:** As part of the Atmanirbhar 3.0 package, a major chunk of INR1.45 lakh cr was allotted to give a boost to manufacturing sectors which included textiles. Recently proposed National Technical Textile Mission with an outlay of INR 1,480cr over four years to cut down imports.
2. **Scheme for Integrated Textile Parks (SITP):** The setting up of integrated textile parks is one of the flagship schemes of the Ministry of Textiles primarily setup to assist small and medium entrepreneurs in the textile industry to clusterize investments in textile parks by providing financial support for world class infrastructure in the parks.
3. **Amended Technology Up-gradation Fund Scheme (A-TUFS):** This scheme is estimated to create employment for 35 lakh people and enable investments worth INR95,000cr (US$ 14.17bn) by 2022. The government has also decided to continue paying 24% EPF to ease financial burden on manufacturers as part of its Atmanirbhar Bharat Rozgar Yojna launched in November, 2020.
4. **Production Linked Incentive (PLI):** Aimed at increasing manufacture and export of Indian technical textiles. Globally there is huge demand for technical textiles with U.S alone having a market of approximately INR3 lakh cr.
5. **Foreign Direct Investment (FDI):** India has allowed 100% FDI in the Indian textiles sector under the automatic route.

Key Risk Factors

1. **Raw material volatility:** Any volatility in prices of cotton and cotton yarn can lead to inventory losses.
2. **Losing Suppliers:** ICIL sources Yarn from the market and grey fabric either through toll manufacturing or from the market. Although this model is cost effective, it exposes the company to supplier driven risks.
3. **Geographic exposure:** Currently, the US accounts for ~75% of ICIL's revenues. Any change in import norms or any import restrictions by the US would adversely affect the company's revenue.
4. **Delay in execution on the 'China plus one' opportunity:** The 'China plus one' strategy has opened a plethora of opportunity for the South Asian countries like India, Pakistan, Bangladesh, Vietnam, etc. Any delay in execution from ICIL and reverse in the ban on cotton from XUAR will slowdown the growth for India and for the company.

Company Background

Indo Count Industries Ltd (ICIL) is one of the leading global players on the textile front underlining on bedding products. It offers a comprehensive product portfolio in the premium segment that comprises of bed sheets, fashion bedding, utility bedding and institutional bedding. It is the largest manufacturer and exporter of bed sheets, bed linen, quilts from India while being the top bed sheet suppliers to the US in FY21.

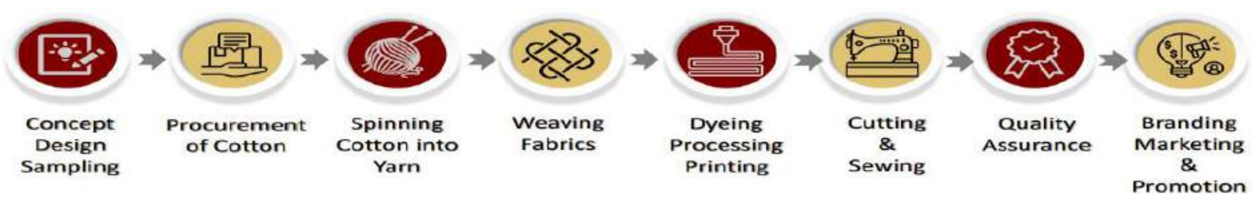
ICIL is the end-to-end solutions provider in home textiles, with state-of-the-art manufacturing facility in Kolhapur, Maharashtra. The company has an installed processing capacity of 90mn meters and is planning to expand the capacity by 18mn meters to 108mn meters by de-bottle-necking and addition of few machineries.

The Company has established itself as a preferred partner over the years, through its focus on innovation, branding and sustainability initiatives. The Company has always placed its emphasis on enhancing customer experience by offering them innovative and value-added product portfolio. It sells products through marquee retailers like Walmart, Bed bath & beyond, etc.

ICIL has showroom and design studios at New York (USA), Manchester (UK) and Dubai (UAE). Also, it has warehouses for retail and e-commerce fulfilment in USA, UK and India.

In the domestic front, the company is present in the mass, mid to aspirational & luxury brands via 'Layers' and 'Boutique Living'. The company is present in 21 states and through LFO like Shopper Stop, etc. The company aims to increase its domestic business contribution from 1% of revenue in FY21 to 3% in FY23E. In addition, the company will also increase its e-commerce contribution from 4% in FY21 to ¬8% in FY23E.

Integrated Bedding Solution Provider



Source: ICIL presentation & Arihant Capital Research

Brands and Innovations

Source: ICIL presentation & Arihant Capital Research

Income Statement

Y/E March (INR cr)	FY19	FY20	FY21	FY22E	FY23E
Revenues	**1,934**	**2,080**	**2,519**	**2,777**	**3,163**
Change (%)	4.1	7.5	21.1	10.2	13.9
Cost of Goods Sold	1,031	1,139	1,270	1,423	1,617
% Sales	53.3	54.8	50.4	51.2	51.1
Employee costs	144	148	159	181	207
Other expenses	603	609	714	736	822
EBITDA	**156**	**183**	**377**	**438**	**516**
EBITDA (%)	*8.0*	*8.8*	*15.0*	*15.8*	*16.3*
Other Income	10	55	38	41	44
Depreciation	35	43	43	47	50
Interest	36	39	28	31	25
Exceptional Item	0	(98)	(4)	0	0
PBT	**95**	**57**	**340**	**401**	**486**
Tax	36	(16)	91	101	122
Rate (%)	*37.3*	*(29.0)*	*26.6*	*25.2*	*25.5*
PAT	**60**	**73**	**249**	**300**	**363**
PAT (%)	*3.1*	*3.6*	*9.9*	*10.8*	*11.5*
EPS (INR)	*3.1*	*7.1*	*12.6*	*15.2*	*18.4*

Balance Sheet

Y/E March (INR cr)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Share Capital	39	39	39	39	39
Reserves & Surplus	935	947	1,245	1,525	1,859
Net Worth	**975**	**986**	**1,285**	**1,565**	**1,898**
Other Equity	7	7	6	6	6
Total Debt	351	335	558	473	368
Other non-current liab.	0	0	0	0	0
Deferred Tax liab. (net)	109	57	80	80	80
Total Liabilities	**1,441**	**1,385**	**1,928**	**2,123**	**2,352**
Application of Funds					
Net Block	572	554	540	626	643
Capital Work in Progress	16	6	8	12	12
Other intangible assets	3	21	21	21	21
Investments	46	0	167	172	177
Inventories	531	524	718	799	885
Sundry Debtors	255	242	516	571	650
Loans & Advances	21	9	57	17	19
Other Current Assets	147	190	143	177	202
Sundry creditors	(144)	(221)	(264)	(273)	(309)
Other Current liab & prov	(40)	(90)	(104)	(112)	(127)
Cash & Cash equivalents	34	150	127	114	178
Miscellaneous exp	0	0	0	0	0
Total Assets	**1,441**	**1,385**	**1,928**	**2,123**	**2,352**

Key Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E
Per share (INR)					
Cash EPS	4.8	5.9	14.8	17.6	20.9
BVPS	49.4	50.0	65.1	79.3	96.2
Valuation (x)					
P/E	50.4	41.2	12.1	10.0	8.3
P/BV	3.1	3.1	2.3	1.9	1.6
EV/EBITDA	21.4	17.4	9.1	7.7	6.2
Profitability Ratios (%)					
Gross Margin	46.7	45.2	49.6	48.8	48.9
EBIDTA Margin	8.0	8.8	15.0	15.8	16.3
PAT Margin	3.1	3.5	9.9	10.8	11.5
ROE	6.2	7.4	21.9	21.1	21.0
ROCE	6.2	18.9	17.2	16.7	17.8
RoIC	5.4	13.9	17.1	16.8	18.2
Leverage Ratio (%)					
Net debt/Op profit	2.0	1.0	1.1	0.8	0.4
Net D/E	0.3	0.2	0.3	0.2	0.1
Turnover Ratios					
Inventory Days	185.3	165.5	203.6	202.0	197.0
Debtor Days	47.5	41.9	73.7	74.0	74.0
Creditor days	29.1	41.9	44.3	42.0	42.0

Source: Company and Arihant Capital Research

Cash Flow Statement

Y/E March (INR cr)	FY19	FY20	FY21	FY22E	FY23E
PBT	**95**	**57**	**340**	**401**	**486**
Depreciation	35	43	43	47	50
Tax Paid	(36)	16	(91)	(101)	(122)
Working Capital ▲	92	116	(411)	(114)	(142)
Other Operating items	0	0	0	0	0
Operating Cash Flow	**187**	**232**	**(119)**	**234**	**272**
Capital Expenditure	(59)	(15)	(31)	(137)	(67)
Free Cash Flow	**128**	**218**	**(150)**	**97**	**204**
Equity change	(33)	(50)	79	0	0
Investments	(46)	46	(167)	(5)	(5)
Others	0	(18)	0	0	0
Debt financing/disposal	(21)	(16)	223	(85)	(105)
Dividend paid	(8)	(12)	(30)	(20)	(30)
Equity Buy back	0	0	0	0	0
Capital subsidy	0	0	0	0	0
Other items	(12)	(51)	21	0	0
Net ▲ Cash	**8**	**117**	**(24)**	**(13)**	**64**
Opening Cash Flow	**26**	**34**	**150**	**127**	**114**
Closing Cash Flow	**34**	**150**	**127**	**114**	**178**

Source: Company and Arihant Capital Research

Arihant Research Desk

Email: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	Arihant House
Andheri Ghatkopar Link Road	E-5 Ratlam Kothi
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 3016100
Tel: (91-22) 42254800	Fax: (91-731) 3016199
Fax: (91-22) 42254880	

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800Fax. 022-42254880