

**CMP: INR 296**

**Rating: BUY**

**Target Price: INR 364**

**Stock Info**

BSE	521016
NSE	ICIL
Bloomberg	ICNTIN
Reuters	ICNT
Sector	Textiles
Face Value (INR)	2
Equity Capital (INR cr)	40
Mkt Cap (INR cr)	5,700
52w H/L (INR)	178 / 101
Avg Daily Volume (in 000')	524

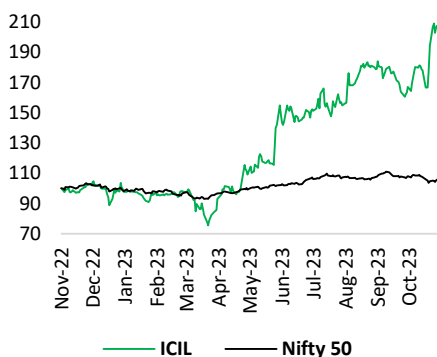
**Shareholding Pattern %**

(As on September 2023)

Promoters	58.74
FII	10.24
DII	0.12
Public & Others	30.88

Stock Performance (%)	1m	3m	12m
ICIL	23.9	33.7	107.7
Nifty 50	(1.6)	(0.9)	6.8

**ICIL Vs Nifty**



**Abhishek Jain**

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

022 67114872

**Anushka Chitnis**

[Anushka.chitnis@arihantcapital.com](mailto:Anushka.chitnis@arihantcapital.com)

022 67114870

**Demand returns in full force as buyers in the US and UK resume buying activity which led to healthy revenue growth. EBITDA Margin expansion is visible- remaining in a healthy range despite missing estimates.** Revenue was up 19.53% YoY to INR 1,009 Cr, beating our estimate of INR 928 Cr (+36.08% QoQ). EBITDA (ex-OI) was up 43.39% YoY to INR 165 Cr, missing our estimate of INR 186 Cr (+31.7% QoQ). EBITDA margin was up 271bps YoY 16.31%, missing our estimate of 20% (-54bps QoQ). PAT was up 70.49% YoY INR 114 Cr, beating our estimate of INR 112 Cr (+54.84% QoQ). **Realizations for the quarter took a slight hit as corrections in cotton prices were passed on to end consumers. Cotton is expected to remain range-bound within the INR 60-65,000/ candy range for the foreseeable future.**

**Volume guidance increased, margin guidance remains the same:** The company has upgraded its FY24 volume guidance from 85-90mn meters to 90-100mn meters in light of demand momentum returning from major retailers de-risking their supply chains against China, and the pick up of fashion/ utility/ institutional bedding. The company is currently running at ~65% utilization and aims to attain 100% utilization in 3-4 years. They maintain their previous guidance of 16-18% margins for the year.

**Capex on track:** The spinning and fashion/ utility bedding unit has been completed. Over the past 2 years, the company has spent ~INR 1,100 Cr on building capacities. From hereon, the entire focus will be on debt reduction. There is no major capex underway except for some renewable energy plants.

**Traction in non-US geographies:** Indo Count entered Australia, LATAM, and Japan where demand has been encouraging. They see growing interest from GCC countries as well where they expect some opportunities to arise.

**Valuation and Outlook:** In light of the company's growing international opportunities, improving domestic demand sentiment with owned brands, potential FTA's being signed with the UK/ EU, and considering that they have no major capex planned, we expect to see stable top and bottom line growth with healthy cash generation accompanied by leverage reduction. We assign a TP of INR 364 valued at a P/E multiple of 18x the FY26E EPS of INR 20.22, yielding an upside of 23% and a 'Buy' rating.

INR Cr	FY22	FY23	FY24E	FY25E	FY26E
Revenues	2,982	3,043	3,427	3,704	4,069
YoY growth (%)	16.63	2.04	12.61	8.10	9.85
Gross Profit ex- other income	1,489	1,651	1,862	2,030	2,235
GPM ex- other income	52.39%	54.82%	55.30%	55.89%	56.03%
Gross Profit	1,629	1,682	1,922	2,102	2,315
GPM	54.63%	55.28%	56.09%	56.75%	56.89%
EBITDA	544	425	575	628	695
EBITDA M (%)	18.26	13.96	16.79	16.95	17.09
PAT	329	213	319	351	400
YoY growth (%)	31.97	(35.23)	49.76	10.10	14.05
EPS (INR)	16.66	10.75	16.10	17.73	20.22
P/E (x)	17.78	27.54	18.39	16.70	14.65
Price/Book (x)	3.68	3.27	2.83	2.43	2.09
EV/EBITDA (x)	12.44	15.61	11.65	10.16	8.86
Debt/Equity (x)	0.83	0.49	0.45	0.34	0.26
RoE (%)	22.90	12.60	16.50	15.66	15.35

Source: Company & Arihant Research

## Quarterly Result

INR Cr (Consolidated)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
<b>Revenue from Operations</b>	<b>1,009</b>	<b>741</b>	<b>844</b>	<b>36.08%</b>	<b>19.53%</b>
<b>Other Income</b>	<b>25</b>	<b>5</b>	<b>5</b>	<b>365.97%</b>	<b>396.15%</b>
Raw Material Costs	464	299	409	54.92%	13.32%
Gross Profit (Ex- OI)	545	442	435	23.33%	25.38%
<i>Gross Margin (Ex- OI)</i>	<i>54.04%</i>	<i>59.63%</i>	<i>51.52%</i>	<i>-559bps</i>	<i>252bps</i>
Employee costs	81	70	66	16.45%	22.57%
Other Expenses	300	248	254	21.03%	17.97%
<b>EBITDA (Ex-OI)</b>	<b>165</b>	<b>125</b>	<b>115</b>	<b>31.70%</b>	<b>43.39%</b>
<i>EBITDA margin (Ex-OI)</i>	<i>16.31%</i>	<i>16.85%</i>	<i>13.60%</i>	<i>-54bps</i>	<i>271bps</i>
<b>EBITDA</b>	<b>189</b>	<b>130</b>	<b>120</b>	<b>45.20%</b>	<b>57.95%</b>
<i>EBITDA margin</i>	<i>18.30%</i>	<i>17.44%</i>	<i>14.10%</i>	<i>86bps</i>	<i>420bps</i>
Depreciation	20	19	15	8.18%	31.71%
<b>EBIT</b>	<b>169</b>	<b>112</b>	<b>104</b>	<b>51.41%</b>	<b>61.81%</b>
Finance costs	18	15	21	24.04%	-13%
<b>PBT</b>	<b>151</b>	<b>97</b>	<b>84</b>	<b>55.51%</b>	<b>80.15%</b>
Tax Expense	37	23	17	57.61%	119%
<i>Effective tax rate %</i>	<i>24.30%</i>	<i>23.98%</i>	<i>20.02%</i>	<i>32bps</i>	<i>429bps</i>
<b>PAT</b>	<b>114</b>	<b>74</b>	<b>67</b>	<b>54.84%</b>	<b>70.49%</b>
<i>PAT margin %</i>	<i>11.05%</i>	<i>9.88%</i>	<i>7.89%</i>	<i>117bps</i>	<i>316bps</i>
<b>EPS (INR)</b>	<b>5.77</b>	<b>3.72</b>	<b>3.38</b>	<b>55.11%</b>	<b>70.71%</b>

Source: Company & Aриhant Research

#### Operating Highlights:

- Q2 had 27.8mn meters- the highest ever quarterly volumes.
- Full integration of the Bhilad unit along with the Fashion bedding and spinning unit took place during the quarter.
- 10mn solar plants were set up, to support 905 of the energy requirements of the Bhilad plant.
- OI constitutes INR 14 Cr of forex gain which counts as revenues but is displayed as a part of OI for accounting purposes.
- Domestic brands like Boutique Living and Layers are seeing good domestic traction.
- The market share of China's home textiles in the global supply chain is decreasing in India.

Company Financials

Consolidated Income statement INR Cr	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,982	3,043	3,427	3,704	4,069
<b>EBITDA</b>	<b>544</b>	<b>425</b>	<b>575</b>	<b>628</b>	<b>695</b>
Depreciation	(41)	(65)	(78)	(81)	(84)
Interest expense	(47)	(62)	(72)	(79)	(78)
<b>Profit before tax</b>	<b>456</b>	<b>298</b>	<b>425</b>	<b>468</b>	<b>534</b>
Taxes	(127)	(85)	(106)	(117)	(133)
<b>Net profit</b>	<b>329</b>	<b>213</b>	<b>319</b>	<b>351</b>	<b>400</b>
Consolidated Balance Sheet INR Cr	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	39	40	40	40	40
Reserves	1,547	1,753	2,032	2,373	2,764
<b>Net worth</b>	<b>1,587</b>	<b>1,793</b>	<b>2,072</b>	<b>2,413</b>	<b>2,803</b>
Minority Interest	6	0	0	0	0
Debt	1,319	876	926	826	726
Deferred tax liab (net)	66	69	99	99	99
<b>Total liabilities</b>	<b>2,978</b>	<b>2,738</b>	<b>3,098</b>	<b>3,339</b>	<b>3,629</b>
Fixed assets	598	1,097	1,644	1,645	1,642
Capital Work In Progress	24	183	11	12	12
Other Intangible assets	32	14	34	34	34
Investments	2	143	243	318	408
Other non current assets	342	53	0	0	0
<b>Net working capital</b>	<b>1,587</b>	<b>1,141</b>	<b>1,076</b>	<b>1,021</b>	<b>1,101</b>
Inventories	1,068	895	836	801	877
Sundry debtors	494	409	457	463	509
Loans & Advances	38	0	0	0	0
Other current assets	272	158	143	154	170
Sundry creditors	(159)	(225)	(253)	(282)	(328)
Other current liabilities & Prov	(127)	(96)	(107)	(115)	(127)
Cash	394	108	89	309	432
<b>Total assets</b>	<b>2,978</b>	<b>2,738</b>	<b>3,098</b>	<b>3,339</b>	<b>3,629</b>
Consolidated Statement of Cash Flow INR Cr	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	456	298	425	468	534
Depreciation	41	65	78	81	84
Tax paid	(127)	(85)	(106)	(117)	(133)
Working capital Δ	(422)	446	65	54	(80)
<b>Operating cashflow</b>	<b>(53)</b>	<b>724</b>	<b>462</b>	<b>486</b>	<b>405</b>
Capital expenditure	(115)	(723)	(454)	(82)	(82)
<b>Free cash flow</b>	<b>(168)</b>	<b>1</b>	<b>8</b>	<b>405</b>	<b>323</b>
Equity raised	13	33	-	-	-
Investments	165	(142)	(100)	(75)	(90)
Others	(346)	307	33	-	-
Debt financing/disposal	742	(443)	50	(100)	(100)
Dividends paid	(39)	(40)	(40)	(10)	(10)
Other items	(13)	(3)	30	-	-
<b>Net Δ in cash</b>	<b>354</b>	<b>(286)</b>	<b>(19)</b>	<b>220</b>	<b>123</b>
<b>Opening Cash Flow</b>	<b>40</b>	<b>394</b>	<b>108</b>	<b>89</b>	<b>309</b>
<b>Closing Cash Flow</b>	<b>394</b>	<b>108</b>	<b>89</b>	<b>309</b>	<b>432</b>

Source: Company & Arianth Research

Ratios

Ratio analysis	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	16.6	2.0	12.6	8.1	9.9
Op profit growth	31.4	(22.0)	35.4	9.1	10.7
EBIT growth	35.6	(28.5)	38.1	10.0	11.8
Net profit growth	32.0	(35.2)	49.8	10.1	14.1
<b>Profitability ratios (%)</b>					
OPM	18.3	14.0	16.8	17.0	17.1
EBIT margin	16.9	11.8	14.5	14.8	15.0
Net profit margin	11.0	7.0	9.3	9.5	9.8
RoCE	15.2	9.2	13.2	13.2	13.6
RoNW	22.9	12.6	16.5	15.7	15.4
RoA	11.0	7.8	10.3	10.5	11.0
<b>Per share ratios</b>					
EPS	16.7	10.8	16.1	17.7	20.2
Dividend per share	2.0	2.0	2.0	0.5	0.5
Cash EPS	18.7	14.0	20.0	21.8	24.5
Book value per share	80.4	90.5	104.6	121.8	141.6
<b>Valuation ratios</b>					
P/E	17.8	27.5	18.4	16.7	14.6
P/CEPS	15.8	21.1	14.8	13.6	12.1
P/B	3.7	3.3	2.8	2.4	2.1
EV/EBIDTA	12.4	15.6	11.6	10.2	8.9
<b>Payout (%)</b>					
Dividend payout	12.0	18.6	12.4	2.8	2.5
Tax payout	27.9	28.5	25.0	25.0	25.0
<b>Liquidity ratios</b>					
Debtor days	59.7	48.4	48.0	45.0	45.0
Inventory days	284.2	236.7	200.0	180.0	180.0
Creditor days	23.5	30.9	32.0	33.0	35.0
<b>Leverage ratios</b>					
Interest coverage	10.6	5.8	6.9	6.9	7.9
Net debt / equity	0.6	0.4	0.4	0.2	0.1
Net debt / op. profit	1.7	1.8	1.5	0.8	0.4
<b>Du-Pont Analysis</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Tax burden (x)	0.7	0.7	0.8	0.8	0.8
Interest burden (x)	0.9	0.8	0.9	0.9	0.9
EBIT margin (x)	0.2	0.1	0.1	0.1	0.2
Asset turnover (x)	1.2	1.0	1.1	1.0	1.0
Financial leverage (x)	1.7	1.7	1.7	1.6	1.5
<b>RoE (%)</b>	<b>22.9</b>	<b>12.6</b>	<b>16.5</b>	<b>15.7</b>	<b>15.4</b>

Source: Company & Arianth Research

**Arihant Research Desk**

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

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

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	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

**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. 022-42254800 Fax. 022-42254880