

CMP: INR 276

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) | 5,428 |
| 52w H/L (INR) | 320/ 101 |
| Avg Daily Volume (in 000') | 635 |

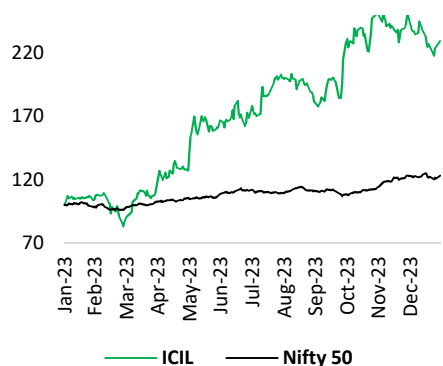
Shareholding Pattern %

(As on September 2023)

| | |
|-----------------|-------|
| Promoters | 58.74 |
| FII | 10.66 |
| DII | 0.79 |
| Public & Others | 29.80 |

| Stock Performance (%) | 1m | 3m | 12m |
|-----------------------|-------|-------|-------|
| ICIL | (8.8) | (1.2) | 117.1 |
| Nifty 50 | (1.1) | 13.3 | 21.9 |

ICIL Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114872

Anushka Chitnis
Anushka.chitnis@arihantcapital.com
022 67114870

Yearly performance for the company was positive, but quarterly results were impacted by seasonal variations, leading to a below-estimate performance across all fronts. Revenue was up 8.6% YoY to INR 713 Cr, missing our estimate of INR 854 Cr (-29.3% QoQ). EBITDA (ex-OI) was up 42.7% YoY to INR 104 Cr, missing our estimate of INR 140 Cr (-36.9% QoQ). EBITDA margin was up 350bps YoY to 14.6%, missing our estimate of 16.4% (-180bps QoQ). PAT was up 52.8% YoY INR 58 Cr, less than our estimate of INR 79 Cr (-49.1% QoQ).

Company experiences seasonal impacts, primarily driven by the spring-summer and fall-winter seasons. These two significant periods witness high sales, occurring in Q2 and Q4. Conversely, Q1 and Q3 face lower sales, contributing to the comparatively subdued results in these quarters.

Volume guidance, margin guidance remains the same: The company is reiterating its volume guidance for FY '24, aiming for 90 million to 100 million meters. Despite near-term challenges from shipping delays and contingent upon geopolitical and shipping conditions remaining stable, the company expresses confidence in achieving the midpoint of the volume guidance. They maintain their previous guidance of 16-18% margins for the year.

Investments and capex initiatives: The company is investing around 3 million in Accenture for process reengineering and better decision-making tools. A world-class facility for fashion bedding has been developed with an investment of approximately INR 60 crores. Moreover, investments in renewable energy, including solar, are underway to reduce costs and promote sustainability. The total capex for FY25, including these initiatives, is expected to be around INR 100 crores.

Valuation and outlook: Despite the impact of seasonal fluctuations on quarterly results, the company is maintaining its volume and margin guidance for FY24 and anticipates positive results in the upcoming quarter, the company is diversifying its geographical presence while simultaneously aims to expand its domestic market share. 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 31.9% 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 | 52.4% | 54.8% | 55.3% | 55.9% | 56.0% |
| Gross Profit | 1,629 | 1,682 | 1,922 | 2,102 | 2,315 |
| GPM | 54.6% | 55.3% | 56.1% | 56.8% | 56.9% |
| 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 | 17.14 | 15.57 | 13.65 |
| Price/Book (x) | 3.43 | 3.05 | 2.83 | 2.43 | 2.09 |
| EV/EBITDA (x) | 11.71 | 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) | Q3FY24 | Q2FY24 | Q3FY23 | Q-o-Q | Y-o-Y | Q3FY24E | Surprise |
|--------------------------------|---------------|---------------|---------------|----------------|----------------|---------------|----------------|
| Revenue from Operations | 713 | 1009 | 657 | -29.29% | 8.54% | 854 | -16.51% |
| Other Income | 14 | 25 | 5 | -44.06% | 188.03% | 5 | 174.20% |
| Raw Material Costs | 261 | 464 | 326 | -43.79% | -19.96% | 385 | -32.21% |
| Gross Profit (Ex- OI) | 453 | 545 | 332 | -16.96% | 36.52% | 470 | -3.66% |
| <i>Gross Margin (Ex- OI)</i> | <i>63.46%</i> | <i>54.04%</i> | <i>50.45%</i> | <i>942bps</i> | <i>1301bps</i> | <i>55.00%</i> | 846bps |
| Employee costs | 79 | 81 | 65 | -2.65% | 22.11% | 80 | -1.35% |
| Other Expenses | 270 | 300 | 194 | -9.99% | 39.25% | 250 | 7.85% |
| EBITDA (Ex-OI) | 104 | 165 | 73 | -36.69% | 42.03% | 140 | -25.56% |
| <i>EBITDA margin (Ex-OI)</i> | <i>14.60%</i> | <i>16.31%</i> | <i>11.16%</i> | <i>-171bps</i> | <i>344bps</i> | <i>16.38%</i> | -178bps |
| EBITDA | 118 | 189 | 78 | -37.65% | 50.92% | 145 | -18.67% |
| <i>EBITDA margin</i> | <i>16.21%</i> | <i>18.30%</i> | <i>11.80%</i> | <i>-208bps</i> | <i>441bps</i> | <i>16.87%</i> | -65bps |
| Depreciation | 22 | 20 | 16 | 6.87% | 31.11% | 20 | 8.10% |
| EBIT | 96 | 169 | 62 | -42.98% | 56.23% | 125 | -22.95% |
| Finance costs | 18 | 18 | 20 | -1.89% | -12.61% | 20 | -11.65% |
| PBT | 79 | 151 | 41 | -47.89% | 89.84% | 105 | -25.11% |
| Tax Expense | 21 | 37 | 4 | -43.94% | 456.91% | 26 | -21.69% |
| <i>Effective tax rate %</i> | <i>26.14%</i> | <i>24.30%</i> | <i>8.91%</i> | <i>184bps</i> | <i>1723bps</i> | <i>25.00%</i> | 114bps |
| PAT | 58 | 114 | 38 | -49.15% | 53.93% | 79 | -26.25% |
| <i>PAT margin %</i> | <i>7.98%</i> | <i>11.05%</i> | <i>5.70%</i> | <i>-306bps</i> | <i>229bps</i> | <i>9.16%</i> | -117bps |

Source: Company & Arihant Research

Q3FY24 Concall Highlights:

- **Diversification initiatives for global market expansion:** The company is expanding globally, aiming for a 60-40 sales ratio (US to non-US), currently 70-30. Successful in the UK, Europe, Australia, and the UAE, increased demand is observed with signed FDAs in Australia and the UAE. Anticipating similar trends with upcoming FDAs in the GCC and UK for a boost in Indian exports.
- **Red sea impact:** Red Sea impact mainly on UK and EU, not USA. Loss is from order bunching, not significant in volume. Current quarter involves a rollout with bunching, affecting inventories.
- Company Aims **value-added Segment to 30%**, of Total Revenue, which is currently 19%. Focusing on Fashion, Utility, Institutional Bedding, Branded Business, and Domestic Segments.
- **Debt-free in 3-4 years:** Over the past two years, company invested INR 1100 Crores in capex for fashion bedding and acquisitions, for capacity expansion. Focus now shifts to debt reduction, utilizing profits to achieve a debt-free status within the next three to four years.
- **Expanding domestic share:** The company aims to leverage its team and diversified sales points to achieve 7-8% of the increased revenue from its domestic brand over the next 3-4 years. Positioned in a growing Indian economy, the focus aligns with the expanding middle class for higher-quality goods.

Company Financials

| Consolidated Income statement INR Cr | FY22 | FY23 | FY24E | FY25E | FY26E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 2,982 | 3,043 | 3,427 | 3,704 | 4,069 |
| EBITDA | 544 | 425 | 575 | 628 | 695 |
| Depreciation | (41) | (65) | (78) | (81) | (84) |
| Interest expense | (47) | (62) | (72) | (79) | (78) |
| Profit before tax | 456 | 298 | 425 | 468 | 534 |
| Taxes | (127) | (85) | (106) | (117) | (133) |
| Net profit | 329 | 213 | 319 | 351 | 400 |
| 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 |
| Net worth | 1,587 | 1,793 | 2,072 | 2,413 | 2,803 |
| Minority Interest | 6 | 0 | 0 | 0 | 0 |
| Debt | 1,319 | 876 | 926 | 826 | 726 |
| Deferred tax liab (net) | 66 | 69 | 99 | 99 | 99 |
| Total liabilities | 2,978 | 2,738 | 3,098 | 3,339 | 3,629 |
| 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 |
| Net working capital | 1,587 | 1,141 | 1,076 | 1,021 | 1,101 |
| 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 |
| Total assets | 2,978 | 2,738 | 3,098 | 3,339 | 3,629 |
| 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) |
| Operating cashflow | (53) | 724 | 462 | 486 | 405 |
| Capital expenditure | (115) | (723) | (454) | (82) | (82) |
| Free cash flow | (168) | 1 | 8 | 405 | 323 |
| 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 | - | - |
| Net Δ in cash | 354 | (286) | (19) | 220 | 123 |
| Opening Cash Flow | 40 | 394 | 108 | 89 | 309 |
| Closing Cash Flow | 394 | 108 | 89 | 309 | 432 |

Source: Company & Arian Research

Ratios

| Ratio analysis | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------------|-------------|-------------|--------------|--------------|--------------|
| Growth matrix (%) | | | | | |
| 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 |
| Profitability ratios (%) | | | | | |
| 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 |
| Per share ratios | | | | | |
| 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 |
| Valuation ratios | | | | | |
| 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 |
| Payout (%) | | | | | |
| Dividend payout | 12.0 | 18.6 | 12.4 | 2.8 | 2.5 |
| Tax payout | 27.9 | 28.5 | 25.0 | 25.0 | 25.0 |
| Liquidity ratios | | | | | |
| 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 |
| Leverage ratios | | | | | |
| 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 |
| Du-Pont Analysis | FY22 | FY23 | FY24E | FY25E | FY26E |
| 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 |
| RoE (%) | 22.9 | 12.6 | 16.5 | 15.7 | 15.4 |

Source: Company & Arian Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

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

www.arihantcapital.com

instresearch@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. 022-42254800 Fax. 022-42254880