“Indo Count Industries Limited Q1 FY21 Earnings Conference Call”

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MANAGEMENT: **MR. K.R. LALPURIA – EXECUTIVE DIRECTOR & CEO- INDO COUNT INDUSTRIES LIMITED**

MR. K. MURALIDHARAN – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to Indo Count Industries Limited Q1 FY21 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. K.R. Lalpuria, Executive Director and CEO of Indo Count Industries Limited. Thank you and over to you Sir!

K.R. Lalpuria: Good afternoon everyone. First and foremost, I hope you are all keeping safe and healthy. I hope everyone must have got a chance to look at the presentation and press release by now.

Let me first explain the business scenario in Q1 FY21

The lockdown restrictions placed on industries with a view to prevent spread of COVID-19 pandemic has impacted the operations of the company in Q1 FY21. Despite the conditions, the company could achieve sales volume of 9.9 million meters.

With the gradual easing of lockdown, we were able to process both the order backlog as well as the current orders. We are witnessing month-on-month traction in demand from our customers.

As we speak today, the operations have come back to pre-COVID levels. Considering the business momentum across our markets and also since the effect of pandemic has not waned, we are cautiously optimistic about the business during the rest of the financial year.

Now talking about the demand scenario

We believe that the situation is normalizing, and people have adopted to the new normal culture. Brands are selling online or offering store pick up to ensure safety of customers. We therefore see traction in demand both in e-commerce trade and the brick and mortar business. We are also witnessing that for consumers, "HOME" is becoming a center stage due to the work from home culture as well as the social distancing culture. This is resulting in traction for demand from consumers and customers across.

Now let me highlight the opportunity unveiling in our industry

China + 1 Strategy - The brands are looking out for a second source in order to reduce dependency on a single geography. We believe the Indian Home Textile Industry is in a sweet spot and likely to benefit due to abundant availability of raw material and skilled manpower along with steady capability and capacity available for growth.

Atmanirbhar Bharat - Along with the China + 1 strategy, our government is pushing for Make in India as well as Atmanirbhar Bharat programs, these all are expected to help domestic manufacturers. We believe that we are well prepared to seize this opportunity on the back of our healthy balance sheet, financial prudence, and our focused approach. We are making a lot of efforts on digital marketing, e-commerce, developing health and hygiene products and other innovative ways to reach out to our customers and thereby strengthening our relationship with them. In the past, we have made investment in building our capability and capacity and we expect these benefits to flow in the next few quarters.

Now coming to the financial performance

Starting with the volumes, the company has achieved volume sales of 9.9 million meters for Q1 FY21. The volume performance was impacted on account of lower production owing to lockdown due to COVID pandemic during this period.

Reported consolidated total income for Q1 FY21 stood at Rs.336 Crores as against Rs.518 Crores of Q1 FY20. The income was impacted on account of lower production during the period owing to lockdown due to COVID-19 pandemic.

Reported consolidated EBITDA for Q1 FY21 stood at Rs.39 Crores with an EBITDA margin of 11.6%. Performance could have been better; however, production and sales impact on account of lockdown due to COVID-19 resulted in lower absorption of fixed cost in Q1 FY21.

Reported profit after tax Q1 FY21 stood at Rs.18 Crores.

That is all from my side, I now leave the floor open for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora: Any volume guidance for the full year?

K.R. Lalpuria: Currently the situation is evolving and still there are uncertainties around and we are operating at 85% to 90% of pre-COVID level. As informed earlier, the stores were closed but now slowly they are opening up and majority of them have resumed operation.

Ronak Vora: Can we say that we will witness growth in the Q2, second half?

K.R. Lalpuria: July month has been good, and we are witnessing month-on-month traction since the lockdown has eased. The momentum is continuing as I said earlier. The situation is that we have reached pre-COVID level in terms of our quarterly run rate. So, we feel that going forward, if nothing goes in an uncertainty mode, we will be doing our pre-COVID level rates.

Ronak Vora: Okay, so we can say around on an average for the full year annualizing the last year number of around 61, so we can say at least 30 million meters would be intact for second quarter and for the first quarter it should be around 15, so around we can do 45 million ton, on a worst come worst scenario right?

K.R. Lalpuria: We would refrain from giving guidance as the situation is very fluid. What we are reporting is that we did well in July month and in August also we are doing well, so, the momentum is there but we cannot give you a guidance.

Ronak Vora: Okay Sir, no problem, but can we say anything on the EBITDA margin front, so we have posted a very good EBITDA for the first quarter at least 12% in lockdown period is pretty decent as of now, can we say that we can go to the same run rate as we had last year first quarter say around 13%-14% for the full year?

K.R. Lalpuria: The margin may improve because of the utilization of the assets, the fixed cost will be absorbed and secondly, we have a favorable raw material inventory and also the exchange rates are little bit positive on our side. So, summing up if the sales revenue increases and we are able to utilize our capacity, definitely we will be able to improve our margin, so we can safely say that we can be in between 12% to 14% margin for this year.

Ronak Vora: Okay and thirdly, can you comment on the loans, has our gross led number reduced in the first quarter, have we repaid any loans?

K.R. Lalpuria: Yes, the long-term debt has reduced from Rs.56 Crores to Rs.50 Crores and our short-term debt has reduced from Rs.293 Crores to Rs.226 Crores. We have not gone for any moratorium; we have repaid our loans and interest on time.

Ronak Vora: Thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Suresh Saraf from Motilal Oswal Asset Management. Please go ahead.

Suresh Saraf: Good afternoon Mr. Lalpuria. I am given to understand that the cotton prices have crashed, so that could have a very positive impact on your EBITDA and your profitability for the year?

K.R. Lalpuria: When compared pre-COVID and post-COVID, the cotton consumption has reduced and that is why we are carrying higher stocks. Secondly, the monsoon is good, and sowing is also better than last year, so we expect a better crop. Having said that we should witness the prices when the season comes up, say November-December that will be the right barometer, so we are waiting and watching but however, we expect prices to be subdued because the stock to end use ratio should not be more than last year. So, we expect the supply to meet the demand and the prices should be stable.

Suresh Saraf: Okay, I have another question. I attended the investor call for some companies who are in the same business and they are witnessing record performance in the current quarter, is the same is with you and do you see the continuity?

K.R. Lalpuria: As I mentioned, we are operating at 90% of our capacity at pre-COVID level and we are also witnessing month-on-month traction as the situation is improving, so the momentum is there and we are also at pre-COVID levels, so, we hope the situation continues in similar position and then we will be able to give you a better clarity in our next call but the momentum and positive traction is there.

Suresh Saraf: Thank you.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity, Sir wanted to understand the demand in the US, you briefed to some extent but just wanted to understand that back to school segment which was one of the drivers for Q1 but how is that demand panning out given the schools and colleges I mean US are also not operating at that optimal levels?

K.R. Lalpuria: We participate in all promotions whether it is Back to School, Black Friday or Christmas and all, so we do participate in Back to School and we are getting good numbers and seeing the positive trend, so, definitely that is positive for us as well, as the US retailers are also doing well. The big box retailers are doing well because these were operational during the lockdown also because they were selling essential and now since all majority of the stores have reopened and resumed operations, we expect all this promotion as well as the regular replenishment business to do well.

Prerna Jhunjhunwala: Okay and please highlight on the product wise if you could suggest how utility, bedding, fashion bedding, institutional bedding, bedsheets, how is the demand in these segment, is there any better traction in some segment or lower traction in some segment that would help us understand the demand situation there?

K.R. Lalpuria: Last year we did institutional sales of around 15% of combined all three different channels of our product mix; so, fashion and utility are doing well but institutional has a little bit of setback because travelling and cruise liners and all those, are not happening as such today but these are compensated by increased distribution in e-commerce and other areas; so, going forward, I think if situation improves, we will be doing better because China is a dominant supplier in fashion and utility bedding and as we all know that post COVID, there is some sensitivity around replacing China to some extent by suppliers in these two categories, so definitely we may find some positive trend in these areas over long term.

Prerna Jhunjhunwala: Sir, what would be the size of these two segments and what will be China's market share there?

K.R. Lalpuria: China's current market share is around 80% to 85% and India is at around 7% to 8%, so, definitely there is a room for growth in this category and definitely India is gearing up making all the back end production facilities for this product range and slowly India is gaining skills in this area. So, the US retailers and the other retailers around the world are considering India as a second source and over a period of time India will emerge as a second source and gain market share from China.

Prerna Jhunjhunwala: Okay and Sir, do we need to any additional capacity to set up for these products because they are not really, really bedsheet per se but they have like pillows, comforters, quilts and all this, so do we need any other different machines or mechanism or are facility is equipped to handle the increase inflow of orders on these products?

K.R. Lalpuria: As reported earlier we have built capacities to service these categories, fashion, bedding and utility bedding and we have made arrangements to add on these machines in the past and slowly as we find traction and better volumes, we will continue adding that, so, all different machines and production facilities are geared up and since the fabric is of common use and we have enough capacity to service, we just have to add some features and fixtures to gear up our capacity; basically, it is quilting and fabric wadding machines and all that, so, that is not a big investment but certainly we have got the skills, experience and knowledge so we will be able to gear up to big volumes.

Prerna Jhunjhunwala: Sir, your orders in the Q4 had got default due to COVID or they have got postponed, will the 10 million volumes that you did this quarter also have a portion of direct supplies or it is all fresh intake is what I would try to understand?

K.R. Lalpuria: Post-COVID these orders were deferred by the customers and they will be supplied across the whole two quarters to three quarters. Also, no orders have got cancelled except for the orders from smaller players because they could not leverage their finances.

Prerna Jhunjhunwala: Sir last question would be on price negotiations. Are you witnessing any price negotiations because of declining cotton prices or due to uncertain situation in the US also due to COVID, so, any price negotiations happening I mean directionally also will be fine, I do not want any number to that extent?

K.R. Lalpuria: Not at the moment but as and when it comes, we are ready for negotiations. As we are competitive and prices of cotton and raw materials are in our favor, the forex is in our favor, we have a good capacity to service them so definitely we as a country are well positioned to compete, so as and when it comes we will negotiate.

Prerna Jhunjhunwala: As of now there is nothing on the table for negotiation?

K.R. Lalpuria: As of now there is nothing on the table.

Prerna Jhunjhunwala: Any change in the credit term that they are demanding in terms of days or something?

K.R. Lalpuria: Earlier i.e. pre-covid they were demanding, but now I think they are slowly going back to normal terms because as they are also improving their cash flows, so they are supporting the vendors but we as a company have good credit insurance policy in place, so we review each and every customer and then only we supply, so we have got that risk management in place.

Prerna Jhunjhunwala: Thank you, Sir I will come back to the question queue if any further questions.

Moderator: Thank you. The next question is from the line of Mukul Agarwal from Param Capital. Please go ahead.

Mukul Agarwal: Sir, my question is more on the lines of structural shift which you are talking in your commentary also vis-à-vis China plus one so, like India market share is roughly 11% in Home Textile, China is 38%-39% so going forward in next three years to five years do you see India can gain some substantial market share and whether it will be sticky and what will be the role of Indo Count in such scenario?

K.R. Lalpuria: Certainly, because India as country is well positioned. India has the capacity and capability and India is the largest cotton producer. India has adequate raw material supply chain as compared to China. India is the only country who can compete both in MMF as well as cotton and natural fibers to China and we are also competitively priced and we have performed better over the period of last two, three decades in Home Textile and the relationship is also good between India and , US, the European Union as well as UK and we feel that whatever dominant positions China has gained, all the customers are rethinking of their strategy because earlier they went on to source out of China alone because it is a voluminous player but now they are thinking of bringing India also on the map as India is also quite capable and competitive. China is also focusing on the domestic front rather on the export as a strategy and their cost also has gone up substantially plus the sensitivity post-COVID also is in our favor as a country. So, we feel that India is well geared up to supply and it has performed well and positioned well particularly in our category where it has got 50% market share. So, it has gained share from China.

In other categories like fashion bedding and utility bedding in which India was not there on the map, in the future this area is expected to grow because India never went ahead to capture this market because India was not competitive at that part of time and neither we had focused. So, I think our focus plus our gearing up of capacity plus our exposure to the front end and our positioning all these factors will help India to gain market share going forward; so that is what we believe in.

Mukul Agarwal: Sir by when do you feel that we will see visible signs of this change happening on ground because we have been hearing this since very long and COVID has definitely acted as a catalyst to this scene but when could we see real action on the ground?

K.R. Lalpuria: As you may know, we, as a country, started getting in to these categories, viz. that fashion bedding and utility bedding and institutional bedding, three-four years back and we have stayed focused on these categories because we expect that we will be able to gain traction in this segment going forward. and slowly we have reached to a level of 15% as reported last year. So, I think slowly and steadily we are winning this market, but our synthetic prices are expensive by 30%. We are okay on the cotton side because we are competitors there and many of these products are supplied in synthetic. Now, once we rationalize our duties here and if India builds on certain FTAs with countries like the US and UK and Europe, I think India will be also well positioned as far as the other peers are concerned. So, definitely we will gain traction as we are focusing more and more on categories going forward and certainly, we will be able to improve our numbers here. We are quite confident about it.

Mukul Agarwal: Thank you, Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Good afternoon Lalpuria Ji. Good to hear that business is recovering back to the pre-COVID levels or close to that. Few questions on particularly the US business in that the large part of the business for Home Textile. I think one question is, are you able to gauge that there had been market share shifting from China to India or just US demand has grown because I think if you see Wal-Mart numbers also they reported positive sales and I think the commentary was that since stimulus driven impact has been coming so, there has been buying people who were sitting at home and so lot of shopping happened but I think that July is again subdued, so what is your sense you are getting from clients was it pent up demand or since everyone got stimulus was it driven and again just continuation of this part how is the order book visibility because as I know earlier two year-three years back there were normally two programs in US and each of the players used to get a six months visibility. So, how is the situation right now you get two months visibility, four months visibility, six months visibility, how is the visibility of the business?

K. K. Lalpuria: US is a large market for our category, and we are exporting 70% over there and all the big box retailers have done well because they were selling essentials during the COVID 19 pandemic. As we speak today, the markets are resuming, and majority of the stores have resumed their operations. So, that is the first step, we should know that they are coming back to normal. Now, whichever stores had issues with their finances which were couple of them so, they faced difficulty but the rest of them have resumed their operations and they are doing pretty well because of the stimulus also and because of the confidence and also as I mentioned earlier the "HOME" has become the center stage now because of work from home culture and social distancing and all that has promoted the Home products in a good way and we find positive traction over there both in promotional item as well as the replenishment item.

At Indo Count, we are doing replenishment items more than the promotions, which we have already indicated earlier. So, we are getting tractions and the regular products are all being reordered at present. Of course, they need to come back to 100% but they have certainly come back to 90%-95% levels and certainly the US market will do well because the consumption of home products has increased. These numbers, which you are saying in retail, do not just provide the right numbers for home. They provide for all the categories together, so what you assess is that it has tapered down because of the other categories taken together. So, we feel that the US market will do well as compared to the European markets and the UK markets and certainly there will be traction for reorders. Now, we also mentioned that we are working at 90% of our capacity and we are in made to order business. So, certainly we are seeing traction, positive traction as the lockdowns are eased off and this momentum should continue but we are unable to give guidance because of the uncertainties around but still we hope, and believe that things should improve from here going forward. So, that is what our take on the US market is. .

Bhavin Chheda: And Sir, one thing as I said the order visibility normally is three, four months?

K.R. Lalpuria: No, we have projections for three- four months and the orders are firmed up only from 30 days to 60 days prior to delivery because the programs are running continuously and since they are all back wall programs, we have visibility that they will not be going out of their shelf. So, either they sell it through brick and mortar, or they sell online, or they sell it online and pickup in the stores. The orders, which are continuous and replenishable, are being serviced by us and we are seeing a momentum there.

Bhavin Chheda: My last question is on the domestic export benefits like RoSTCL, duty draw back and what has been the outstanding receivables from government as of now what is the absolute figure and on a continuous basis that how many days lag will be in receiving this number?

K.R. Lalpuria: Pre-March level RoSTCL were received in full. Now, post-March level I think because of the COVID situation, the government is finding challenges on the funds side, I think they are discussing on how to disburse that amount. So, our council is taking up this appropriately with the government to disburse bills and we hope that we should be able to get this in the next couple of months. So, that is about RoSTCL. The duty drawback is in line with the stipulated timeline.

Bhavin Chheda: June-30 outstanding number you would like to provide?

K.R. Lalpuria: That we can provide you offline if you want.

Bhavin Chheda: Okay. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Sagar Parekh from One Up Financial. Please go ahead.

Sagar Parekh: Thank you for taking my question. Correct me if I am wrong, you mentioned that our market share in the fashion and utility bedding segment is about 7% versus 80%-85% for China is that the right number?

K.R. Lalpuria: Yes, that is what we believe.

Sagar Parekh: How big is this market in US right now, so let us say that we have 50% market share on the overall segment. How big this fashion and utility bedding would be out of that?

K.R. Lalpuria: The total fashion, utility and institutional bedding is around US$.10 billion at retail so at cost it should be around US$.5 billion.

Sagar Parekh: For cost it should beUS$.5 billion okay; so, that US$.5 billion market is up for grabs is what you are saying for us; basically are we seeing that traction like from the retailers over there?

K.R. Lalpuria: We started this category three, four years back and as we are building both the back end and the front end, it takes time to capitalize on this. So, definitely it is a positive trend and as I mentioned earlier synthetic in India is expensive as compared to China by 20%-25% and most of these products are synthetic based. So, I think in time to come if the government recognizes the fact that it should rationalize the duty and reduce it to the levels of China, then definitely we will be at level playing field and then we will be able to garner this but still we are able to get support in the premium segment and the higher segment product range because we are not going in the lower end of the supply chain. So, we find that it is because the retailers and the consumers all are now sensitive about Chinese supply, we feel that on a long-term basis we should benefit somewhere from this.

Sagar Parekh: So, despite 20% pricing differential between China you still feel that we will benefit out of that if duty structure can come down?

K.R. Lalpuria: High-end and premium segment which is cotton based India is competitive but slowly it is getting a traction because we also need to gear up on the back end plus we have a business to cater to in sheet spread which is our priority where we are getting a good traction.

Sagar Parekh: That is it from my side and all the best.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Sir, thanks for the opportunity. Sir, my question regarding the export incentives that we are getting at the moment so, there has been a lot of changes and you did mention to an earlier participant about the RoSCTL that is pending post March. So, just to get a broad sense of what all incentives are we getting, and can you share that break up with us, please?

K.R. Lalpuria: Currently we are getting 2.6% of drawback and 8.2% of RoSCTL and the government has declared that this will continue till December this year and this will be replaced by RoDTEP which is the new scheme for which a committee has already been formed and our council is already addressing this committee, so, RoSCTL will get replaced by RoDTEP the new scheme.

Yogansh Jeswani: Right, and Sir earlier there was a lot of confusion and sudden stoppage of MEIS by government and we had also taken a write off on the same; going forward any further write offs that you expect from MEIS or do you see some bit of it getting released because there is still a lot of confusion. I think Rs.9000 Crores and odd was budgeted and then it got reduced to some Rs.500 Crores and odd for MEIS. So, is there anything that is due on the MEIS front for us?

K.R. Lalpuria: MEIS has been withdrawn for our category of products so, we are not impacted by any MEIS change as such so far. The government is planning to convert now the entire MEIS and the RoSCTL to RoDTEP. So, we are not going to get any impact on MEIS front as such.

Yogansh Jeswani: No more MEIS benefits which needs to be reversed or something like that?

K.R. Lalpuria: No, that we have already written off as an exceptional item last year.

Yogansh Jeswani: Last year yes, understood. That is it from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Nirmal Shah from Seraphic. Please go ahead.

Nirmal Shah: Good afternoon Sir. I just wanted to check is there some impact on the RoDTEP incentive regime as well because there are various media reports which are talking about a significant cutting the budget of RoDTEP benefits. So, right now you are governed by RoSCTL, but I suppose there also there is a talk of curtailing the incentives. Would you like to give your perspective?

K.R. Lalpuria: As such we do not hear anything because we have just heard that the committee has been formed which is communicating with our export council and they are gathering data at present. So, they have, across different products, are holding meetings with all councils and different industries to really consider what is the central and state levies and then only they will come out with their plan. So, we as a company have not heard any definitive things. What we have heard is only from our council that they are still working on the data to be provided to this committee.

Nirmal Shah: Sir, looking at the way government finances are right now do you foresee some kind of possibility because even last year the withdrawal of MEIS become retrospective, no one expected and the situation like COVID the situation is supposed to be far more pretty nervous situation for a government to fulfill even the regular cash flow items right. So, you do not see risk to that in current year?

K.R. Lalpuria: We cannot say what the government thinks but definitely textile is a priority sector to them, and government and our Prime Minister have given message about Atmanirbhar Bharat and Make in India both and we qualify for both. So, definitely they will consider us favorably. Let us wait and watch and see what they do because we cannot be saying anything for the government on behalf of the government. You cannot predict anything because it is their policy decision. But I think textile is an important sector where there is lot of employment generation so, government will definitely consider textile as one of the priority sectors.

Nirmal Shah: So, there was also a talk of textile as an industry going to the Supreme Court about the MEIS withdrawal the way they withdraw retrospectively, any update you have, are you planning to go back to the court to fight the case?

K.R. Lalpuria: No, as such we do not. We also heard those rumors that the Apparel Export Council is taking necessary steps to file some petition but those are all talks which come in the media, so we really need to believe when it happens as a company.

Nirmal Shah: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sumit Modi from Arete Investment. Please go ahead.

Sumit Modi: Thank you for the call. Sir, I heard you saying or rather refraining from giving any volume guidance for the current year but however in one of the slides of your presentation you have mentioned that you see growth for the remaining part of the year so on one side you are seeing growth on the remaining nine months but then not looking to give any guidance but then do you see some sort of equal volume of last year that can be doable? That is one question.

Secondly we are amongst the lowest, among the peers in terms of the balance sheet leverage so in all probabilities given the completion of FY21, we mostly will be debt free, so any plans to add any new segment or any capex plan or how do you wish to use the cash flows in the future?

K.R. Lalpuria: See, first of all I have already mentioned that we are witnessing month-on-month traction and as the lockdown has eased and majority of our customers have resumed operations. The situation today is, is quite fluid and evolving and that is why we are saying that we are cautiously optimistic as well. So, we are positive on the trends and the momentum is also there but we cannot give a definitive number as a guidance because there are so much uncertainties around both in the market place as well as in India as well; so nobody can give like a definitive number to this. As and when we get more clarity, we will certainly be happier to give say maybe in the next quarter when we will be able to provide you. So definitely that answers your first question.

Secondly about the capex part, we are studying all options as a company but we should get into a business where the returns are adequate as we do not want to get into a capital intensive project which is not returning inadequate profits. So, we are taking steps into understanding different businesses in textiles as well as in other businesses and our board will appropriately take decision in allocating this capital in the near future.

Sumit Modi: Thank you very much and good luck.

Moderator: Thank you. The next question is from the line of Aman Sonthalia from A.K Securities. Please go ahead.

Aman Sonthalia: Sir, what is India's position in cotton bedsheet?

K.R. Lalpuria: India is at around 50% market share in the US market

Aman Sonthalia: Sir, balance 50%, which countries are there?

K.R. Lalpuria: See, China is there, Pakistan is there and then the rest of the world is there.

Aman Sonthalia: And how then China is in cotton sheets?

K.R. Lalpuria: China is around 21%.

Aman Sonthalia: So, there is every possibility that we may get some market share from there also, in cotton sheet also?

K.R. Lalpuria: Yes, definitely because India is competitive and India has performed well and people perceive India as a good supplier and we have a good relationship with US; so definitely the retailers and the consumers across there will think about India for increasing their share.

Aman Sonthalia: Sir. Coal cost, fuel cost has come down a lot so how big that component is in our total cost and how the company is going to benefit out of it?

K.R. Lalpuria: The total Coal utility cost is around 3.5% to 4% of our total sales cost and definitely if any improvement in coal or any other fuel will certainly help the country in reducing cost. As I mentioned we have reviewed all our cost centers and are going in for cost optimization so definitely this reduction in cost as well as better utilization of capacities will reduce overall cost.

Aman Sonthalia: Sir we are using domestic coal, or we are using Australian coal?

K.R. Lalpuria: We are using imported coal, Indonesian coal as well as sometimes some other countries coal as well. Domestic coal we are not using.

Aman Sonthalia: Okay Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Riddhima Chandak from Roha Asset Managers. Please go ahead.

Riddhima Chandak: Thank you for the opportunity. Just one clarification, you said that India's market share in the cotton sheet in US is 50% so that is at the company level or this is at the industry level?

K.R. Lalpuria: At the industry level, India's total share.

Riddhima Chandak: Okay, India is exporting cotton sheets that, is of approximately 50% of total market and China is a 21%.

K.R. Lalpuria: Yes.

Riddhima Chandak: So, in that 50% what is our market share?

K.R. Lalpuria: Around 12%.

Riddhima Chandak: Okay around 12% and China?

K.R. Lalpuria: China is I have already told you as a country they have 21%.

Riddhima Chandak: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for closing comments.

K.R. Lalpuria: With good customer base, capital adequacy, wider geographic distribution and extensive sectoral understanding of products and product development as well as relatively underleveraged balance sheet we are well prepared to quickly adapt to the changing customer ecosystem.

With this I would like to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with me or Strategic Growth Advisors, our Investor Relation Advisors. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Indo Count Industries, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.