INDO COUNT
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September 06, 2021

National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Company Symbol**: ICIL	**BSE Limited** Department of Corporate Services Floor 25, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001 **Scrip Code No.**: 521016

Dear Sir / Madam,

Subject: Transcript of the Earnings Conference Call for Q1 FY22 held on August 04, 2021

We wish to inform the exchanges that the transcript of Earnings Conference Call for Q1 FY22 held on August 04, 2021 is available on the website of the Company at the following links:

https://www.indocount.com/images/investor/Indo-Count-Industries-Q1-FY22-Earnings-Call-Transcript.pdf

and

https://www.indocount.com/images/investor/Indo-Count-Industries-Q1-FY22-Earnings-Call-Transcript.pdf

This is for your information please.

Thanking you,

Yours faithfully,

For **Indo Count Industries Limited**

AMRUTA NIHAR AVASARE Digitally signed by AMRUTA NIHAR AVASARE Date: 2021.09.06 16:22:54 +05'30'

Amruta Avasare
Company Secretary & Compliance Officer
Membership No.: ACS 18844

"Indo Count Industries Limited
Q1 FY22 Earnings Conference Call"

August 04, 2021

MANAGEMENT: **MR. K.R. LALPURIA – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER - INDO COUNT INDUSTRIES LIMITED**
MR. K. MURALIDHARAN – CHIEF FINANCIAL OFFICER - INDO COUNT INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Indo Count Industries Limited Q1 FY22 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 the 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 and a very warm welcome to all of you to Indo Count Industries Q1 FY22 earnings call. I hope you and your family are keeping safe and healthy. I have with me Mr. Muralidharan, our CFO, and SGA, our Investor Relation Advisor.

I am happy to connect with you all once again to discuss the Q1 FY22 performance. During these unprecedented times, Indo Count has remained committed to the wellbeing of all its stakeholders, employees, and frontline workers. We believe vaccination is the only way to defeat the virus and revive economic activity. We have successfully covered almost all our employees through at least the first round of vaccination drive. We hope the situation will be under control with a rapid vaccination drive across the country.

Now let me highlight the opportunity unveiling in our industry, the textile sector. We believe the long-term growth prospects of the Indian Textiles industries are intact. The key export market focusing on shifting to India for a long-term supply along with the government support policies provides scope for textile companies to post robust growth in the long run.

Global companies have stepped up efforts to implement China plus one strategy of diversifying their supply chain in the wake of COVID-19 induced disruptions and the US-China trade tensions. Also, the trade conflict between China and the developed countries has further intensified due to the banning of cotton coming out of the Xinjiang area.

The province contributes more than 80% of overall Chinese cotton production and 20% of global cotton production. This is a big impact to China exporting cotton manufactured goods. India also enjoys a comparative advantage in terms of skilled manpower and production cost related to major textile producers in Southeast Asia.

The recent government notification of extension of RoSCTL benefits up to March 24 is a big boost to the textile exporters which will further help increase the competitiveness of Indian products and provide stability and predictability to the industry players. The other textile products which are not covered under the RoSCTL are eligible to avail of RoDTEP benefits which will further boost the industry.

Coupled with this, various factors like the review of the GSP status of Pakistan by the EU add silver lining to India's trade performance. India has begun FTA talks with the EU and other countries. We believe the deal will be beneficial to our country. India's main focus in the talks with this country is to secure more market access for its exports. We remain confident that we are well prepared to seize every opportunity on the back of our healthy balance sheet, financial prudence, and focused approach.

While the end markets have been supporting, leading to a strong rebound in Q1 FY22, it is very important to note that this growth has been a result of a conscious strategy laid out in the last few years. Having entered the largest subsegment of fashion, utility, institutional bedding, we have continued to make all-around efforts in terms of innovation, service, delivery, and capacity to grow our brand equity in these segments.

Our performance continues to remain on track for the fashion, utility, institutional side of the business. 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, thereby strengthening our relationship with them. We continue to remain laser-focused on increasing our share in the e-commerce and branded business both locally and globally. Our focus on offering an integrated bedding solution with innovation and keeping customer preferences of the future in mind has resonated well with all our customers. Along with this, our value-added products on health and hygiene contributed to the rising trend.

Now coming to the business performance

on the B2C and D2C side, recently Indo Count partnered with UK brand Jasper Conran for an exclusive bed and bath collection to be launched in Spring 22. The range will be marketed internationally under the Jasper Conran London brand, exclusively through Indo Count. The partnership will support Indo Count's long-term vision to be the Conran Store for home textile across the globe. At Indo Count, we are strongly moving towards the B2C and D2C segment through high-quality product offerings across varied price points, building visibility through digital campaigns, and leveraging omnichannel and e-commerce distribution.

We are focusing on Brand Promotion in the US, UK, Middle East, and India through 10 active brands. We believe with innovation and technological capabilities along with licensed brands, patents, and trademarks, will further strengthen our brand offerings to our customers.

I am happy to announce that during the quarter, Indo Count has been awarded two Gold at Texprocil Export awards 2019-2020 for the second consecutive year for the highest export performance in cotton made-ups bed linen, bedsheets, and quilt; we also bagged the Special Achievement Award in cotton made ups for the entire nation.

Our brand Boutique Living felicitated by The Economic Times as “ET Iconic Brand of 2021” also another brand Layers is recognized as “The Femina Power Brand of the year 2021”. We are honored by the Nava Bharat Group with the “Healthcare CSR of the year” Award. The recognition was conferred to us by the Governor of Maharashtra for our work towards Corporate Social Responsibility.

On the sustainability side, we continue to remain an ESG focused organization with well-defined principles, roadmap, and targets. During the quarter, we have been recognized by Wal-Mart Corporation as a top performer at Wal-Mart’s Global Sourcing Sustainability Summit. We are now an official member of the US Cotton Trust protocol. They are approved supply chain partner for brands and retailers who are sourcing more sustainability-grown cotton.

Let me now share with you our operational and financial performance. I am happy to announce that we have achieved a quarterly sales volume of 18.13 million meters for Q1 FY22. Volumes during the quarter were impacted by COVID-induced lockdown resulting in the shutdown of our manufacturing activities from May 15, 2021, to May 23, 2021. Our order book continues to remain healthy, and we remain optimistic and expect volumes for FY22 to be in the range of 85 million meters to 90 million meters.

Total income: Total income Rs. 759 Crores in Q1 FY22 versus Rs.336 Crores in Q1 FY21, a growth of 126% on a Y-o-Y basis. Normalized total income is Rs.709 Crores in Q1 FY22 versus Rs.336 Crores in Q1 FY21, a growth of 111% on a Y-o-Y basis. Normalized total income excludes RoSCTL benefits of Rs.49.99 Crores for the period of January 1, 2021, to March 31, 2021.

EBITDA: Reported EBITDA of Rs. 178 Crores in Q1 FY22 versus Rs.39 Crores in Q1 FY21, a growth of 357% Y-o-Y. EBITDA margins stood at 23.4% in Q1 FY22 versus 11.6% in Q1 FY21, an increase of 1184 BPS Y-o-Y. Normalized EBITDA stood at Rs.128 Crores in Q1 FY22 versus Rs.39 Crores in Q1 FY21, a growth of 229% on a Y-o-Y basis. Normalized EBITDA margins stood at 18% in Q1 FY22 versus 11.6% in Q1 FY21, an increase of 644 bps on a Y-o-Y basis. This margin of 18% has absorbed the impact of higher raw material prices as well as freight cost. Normalized EBITDA excludes RoSCTL benefits of Rs.49.99 Crores for the period January 1, 2021, to March 31, 2021. We expect the FY2022 margin to be in the range of 18% to 20%.

PAT: Rs.117 Crores in Q1 FY22 versus Rs.18 Crores in Q1 FY21. PAT margin is at 15.4% in Q1 FY22 versus 5.3% for Q1 FY21. PAT includes RoSCTL benefits of Rs.49.99 Crores for the period of January 1, 2021, to March 31, 2021.

Debt: Our net debt stood at Rs.291 Crores compared to Rs.263 Crores at the end of March 31, 2021, implying a net debt to equity of 0.21x.

That is all from my side. I now leave the floor open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jiten Doshi from Enam Asset Management Company. Please go ahead.

Jiten Doshi: Good afternoon Mr. Lalpuria. Many, many congratulations on a wonderful performance in Q1 FY22. This has been a very big relief compared to the environment and challenges that we are seeing now and despite COVID, you have been able to do about 18 million meters of volumes despite the second wave that is a very commendable achievement, so big congratulations to your entire team. Mr. Lalpuria, we would like to know from your side just to get an update as recently the Commerce Minister has announced a very big policy for the textiles plus the entire benefits that have come to the industry, how do you look into that basically in the medium and long term and what are you seeing for the textile industry in general and Indo Count in particular, what do you think is the pathway ahead for your business as you go forward?

K.R Lalpuria: It is a very important question to all of us being related to the textile sector Mr. Doshi, I will answer this question in two parts. First of all, let us assess the demand creation because that is very important from a business point of view. So the demand has been created because of the China+1 strategy which we have been talking about. As we are seeing the visibility in the numbers in OTEXA data where India has moved from a market share of 50% to 61% and because of China's cost going up, because of the issues relating to Xinjiang cotton on the supply chain side and because of countries major markets like US, Europe to some extent and UK are blocking China's cotton coming from that particular area which constitutes almost 80% of Chinese cotton and 20% of the global cotton is a phenomenon and this will further provide opportunities for India to grow their market share in the textile sector overall, both textile and apparel. The China plus one strategy as I had mentioned earlier also will play out in the next three years to five years, but I think with Xinjiang cotton impact, this will prove its impact in the medium term, much closer to these three to five years.

The second is about 'Home' becoming the center stage, and for home textile in particular, the market share has improved because the work from home culture is a new norm and that has triggered the home textile consumption to a new level, which we are having clear visibility as what we reported our revenues in FY21.

The third is the FTAs which is being discussed with the EU and nine other countries particularly EU which is a large trade block where India is missing its market share, so there will be a huge demand creation if India signs trade pacts with EU, UK, Canada, Australia and all these major developed countries where home textile consumption is at a high level and where India is missing the market share. India has, over all these years, created world-class integrated manufacturing facilities and it has got capacities and capabilities to cater to global brands and retailers and it has proved post-quota that it can be a formidable player to supply to all the major brands and retailers, and this has created a very strong perceived value for Indian textile overseas. India as a country is well-positioned with its raw material supply, with traditional labor workforce, the expertise, experience, so I think this demand creation will be absorbed by India as a country and we as a Company. the So there is a dual impact that India is also moving up to a $5 trillion economy from $2.5 trillion, so both from locally and globally, we are seeing demand creation and India is well-positioned to absorb this demand creation with its all capacity and capabilities. So going forward, this will help the Indian textile sector to prove itself as they have invested into design, research, innovation, into various e-commerce and digital businesses and also catering to large investment into the textile sector with the latest technology. So, the overall performance and the perceived value of the Indian textile sector has improved considerably which is visible through its market share in the bed linen segment which has grown to 61%, and in other home textile products to almost 45% to 50%. This proves that we have a competitive advantage to fulfill the needs of the brands and retailers; so in China +1 strategy, we see a new era opening for textile sector to grab this opportunity going forward. The government is also supporting and putting on RoSCTL clarity will help the textile sector to plan its investment because you can predict going forward for almost three years, so investment into marketing, distribution, frontend all will come up and India will certainly do well in this particular sector that is what my submission is.

Over and above, textile is a priority sector and has been recognized for PLI, Integrated Textile Park, so the government is also supporting the industry under Atmanirbhar Bharat and Make in India to provide justice to the textile sector because there is a big opportunity for growing this market share in the world global textile trade, so I think all these opportunities, demand, etc., will work in favor of the textile sector overall out of India.

Moderator: Thank you. The next question is from the line of Kapil from Edelweiss. Please go ahead.

Kapil: Congratulations on a very good set of numbers. I have few questions. Firstly, in this quarter 18 million meters of volume has been achieved, so to achieve your textile 80 to 90 million meters, they will have to deliver around say 23 million meters of volumes for next three quarters which could be as per our actual run rate of last four quarters, so do you think it is achievable?

K.R Lalpuria: Yes, that is what the guidance which we have provided that we will be achieving, in normal circumstances 85 million meters to 90 million meters, based on our order book position

Kapil: Okay and any disruptions seen in the month of July because of COVID like in Q1 there was some disruptions, so any in July?

Kapil: Our manufacturing facilities were shut for 8 days to 9 days on account of COVID in Q1, so anything in July any disruptions witnessed in July?

K.R Lalpuria: There are challenges as far as both COVID and a little bit of flooding is concerned but I think our team has put up a good effort to see that they continue serving our customers and we will overcome it in all normal circumstances and there was no disruption in July.

Kapil: Thank you, Sir. Secondly, how much of the cotton price increase has been passed on to the customer, and how much more it would be passed on in the coming quarters because this cotton price has been on a rise for quite some time now?

K.R Lalpuria: We have hedged our position till October as far as cotton is concerned and we will wait for the new season to start. We have a good monsoon, there is good sowing, so let us wait and observe and this should be viewed on an annual basis, we cannot view cotton prices going up and down during the quarter, so we have been able to manage this situation earlier also and as I mentioned whenever there is a mismatch in demand and supply, the prices tend to move up but overall the cotton demand has gone up; there are challenges of course on the price front, but we have been able to pass on to most of our customers; we are engaged with them and it is evolving situation and we have a good relationship with our customers, they do understand that the commodity prices across the globe has gone up, and this we will address. as and when it needs to be addressed.

Kapil: Right Sir, so probably I will come back in the next quarter for this update on cotton price. Just a last question from my side, can you put some color on your partnership with Jasper Conran brand like what would be the terms of this deal and how much it would take the Company's margins to?

K.R Lalpuria: First of all, Jasper Conran is a very recognized brand in the UK home textile area because they have been associated with a large multi-brand outlet Debenhams which we all know and they were doing pretty well not only in home textile, but the brand is also present in apparels, footwear, hand bags, etc., so it is a very well recognized mid to high position brand in the UK. We have made a five-year arrangement with them and there are royalty percentages which we need to pay to them on the business we gain; so those are some of the terms which we have committed to them and the royalties range between 5% and 6% globally, so according to the market in which we sell, the royalty will be calculated and paid.

Kapil: Okay, great Sir. Thank you for answering all my queries. All the best to the entire team.

Moderator: Thank you. The next question is from the line of Bharat Chhoda from ICICI Securities. Please go ahead.

Bharat Chhoda: Thanks for the opportunity Sir, I had a question on the average realization, so usually our average realizations were around Rs.315 to Rs.320, so this quarter it is around Rs.360, so is it because of some price hike or we have been able to entirely pass on the input cost inflation and what could be the realization that we could look in FY22?

K.R Lalpuria: We are able to pass on so the price hike and also there is a change in the product mix because there are certain products which are upscale as what we had mentioned about the health, hygiene and wellness products,; we have started selling on the branding side, ten active brands we have, so branding distribution, e-commerce sale and the higher value proposition which we are offering to the customer has been well accepted; so, I think both on the product mix side as well as the customer acceptance on the price increase, both have impacted this realization and also I have always mentioned that we should not look at from a quarter to quarter basis as far as realization is concerned because it is a seasonal business. We all know it moves up and down, so the right way to calculate is on annual basis.

Bharat Chhoda: Correct Sir. One more thing like on the gross margin front, we have been doing healthy gross margin excess of 50% and that is after existing for RoSCTL, so what has been the reason for this healthy gross margin, and will we able to sustain this margin going ahead and probably what could be the gross margins we can work within FY22?

K.R Lalpuria: It should be on similar lines like FY21 as I mentioned you should see our performance on yearly basis; since we had hedged our cotton and yarn position, we have been able to gain this over and above the better realization, so I think all these factors helped to improve our sales realization. and that is the impact; So you should always consider on an annual basis the gross margin.

Bharat Chhoda: Sure Sir. Just one more thing like our other income has been significantly higher, so is there a forex impact over there and the other income increase quantum is significantly higher if you could quantify some details in that?

K.R Lalpuria: The other income includes foreign exchange gains, which normally arises due to the favourable exchange rate difference between the shipment date and the realization rate, which could be the hedge rate. Such gain, as per our accounting policy is to be shown as exchange gain and classified under other income; but that is part of our revenue and our pricing policy.

Bharat Chhoda: So, what is the quantum in this quarter, the forex gain?

K.R Lalpuria: Around Rs.30 Crores.

Bharat Chhoda: Ok. That is it from my side. Thanks for answering my questions.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: With the GSP benefit status to Pakistan getting waived by Europe, what happens to the competitiveness between us and Pakistan and where is the European market vis-à-vis the US market?

K.R Lalpuria: The matter is under review because of some issues regarding Blasphemy Law which the EU has raised against Pakistan. This is still under consideration but if it does happen this will be a big boost to the Indian textile industry because it will open up the European market as presently we are not at a level playing field as we are paying 9.6% more duty than Pakistan. So, the competitiveness is not there, and if we have done well in the US market, so we can do well in the EU market as well. This is a big opportunity for all of us, if it does happen, and secondly even if it does not happen India is in the process of discussing FTA with the EU. So, sooner or later there will be some changes in this mechanism either the duties will be similar for Pakistan and India, or India will also get the duty advantage; so either of these two will be a benefit to us.

Now, as far as the market size is concerned, EU is a fragmented market, we all know because it is 28-29 countries with different tastes, sizes and designs, prints, etc., and it is much larger than the US market. What we have been saying all time is that the US is around $28 billion at retail, the EU market is around $31 billion at retail, so it is a large market where India do not have a much larger share; going forward if the preferences are removed, there will be a very big opportunity for Indian players.

Pritesh Chheda: Sir just continuing here, if you could translate that into million meters market in East?

K.R Lalpuria: I cannot translate that into million meters but India has done so well in the US with so much of expertise built up in the last decade; certainly when this market opens up, India is geared up because India has the capacity, capability, expertise, knowledge everything to become a good supplier and we are also today existing there like we are supplying to a major retailer who is in our price point. So, I think we will certainly scale up the export volume; and it will be quite substantial and will not be a small game.

Pritesh Chheda: Just one clarification on these margin numbers, in your presentation for Q1 we are reporting normalized at 18% this would include the Rs.30 Crores FX which we are talking about in the Q1?

K.R Lalpuria: Yes. Because it is part of our revenue as I mentioned.

Pritesh Chheda: Okay, and in FY21 16% margins reported what would be the FX there in your EBITDA of Rs.415 Crores?

K.R Lalpuria: That was not substantial as what I remember. I can provide you offline, but it was not substantial as what you can say because the forex prices were really steady at that time.

Pritesh Chheda: So, you tend to book a fairly longer-term forward that is the reason why the gain or the loss tends to come in the quarter?

K.R Lalpuria: As I mentioned the forex is a transactional thing for us, because whenever we get a business, we hedge our position, and we hedge 70% of our position. So, we do not seem to see this as a gain; we see it as a competitive advantage whenever the forex rates move higher and a part of revenue. As per accounting principles, we have to show it separately under the head other income which I had mentioned earlier.

Pritesh Chheda: Just a clarification here, let us say if you have an order which is deliverable over the next four quarters, you would tend to book the entire 70% of that deliverable in forwards that is how you would do it on the day of receiving the order?

Muralidharan: Normally, what we do is that we know what our order book position is, so we do not book anything based on order at one go, we keep doing it month over month on a rolling basis. The policy of the Board is that we hedge about 70% of our forecast. So, we do that on a rolling basis, sometimes whenever the rupee is not so volatile, we do not get any gains. When there is volatility then the day we account for the sales and when we position it as of the closing period or the realization rate, the differences will arise. This is more of accounting basis but as Mr. Lalpuria said this is part of our income.

Pritesh Chheda: So, the estimated margin of 18% to 20% would be including FX and ROSCTL, right?

Muralidharan: Right, you are right.

Pritesh Chheda: Thank you very much Sir and all the best.

Moderator: Thank you. The next question is from the line of Akshay Chheda from Canara Robeco. Please go ahead.

Akshay Chheda: Thank you for the opportunity. I have two questions from my side, the first one is the Xinxiang cotton ban, which I understand is primarily to do with the labor issues. Now, if China is able to correct this so would not this be a threat again to the other countries like if it is able to solve this issue quickly, so that was my first question and secondly on this container availability like since we are into exports and there were a lot of challenges on the availability of containers, now what is the situation, these are the two questions? Thank you.

K.R Lalpuria: On the Xinjiang side there were no issues earlier. This has come to the surface as of now. So, earlier also China was competing with us on the export side despite that we have gained the market share which is at 50%. Even if this goes away later some time, we will continue to be competitive because cotton is expensive in China. Secondly, such issues like the human rights issues what we have seen and observed, just like in Uzbekistan, they continue for a long period because they cannot be overturned within a year or two and cannot be satisfied to the importing country that they have become fully compliant. So, I think it is a major issue which has been recognized worldwide by all brands and retailers and they are blocking the cotton manufactured goods coming out of this area and it is not only for textile it is for other products as well. So, it is a large issue, and it will not go away very quickly that is what we anticipate. But even if it goes away, China was a supplier earlier too it was dominating, and India grabbed the market share despite China existing there. We will continue to be competitive, and we will continue to play a major role.

Now, to your second question on container availability, yes, of course, there are challenges as what we hear every day is that the container availability is a big issue. We are addressing it. We are investing into our supply chain, and we are providing the necessary service to our customers, and we are seeing that this gets carried over in the next two three quarters and return back to normalcy. So, the issues are there of course and there have been challenges and that is the reason we had to pay a higher freight cost to some extent but that has been absorbed by our better margin. So, these issues we are addressing it as and how it evolves.

Akshay Chheda: Understood. Thank you, Sir. Thank you for the explanation.

Moderator: Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Congratulations to the team. Sir, I had two questions, Lalpuria Sir the question was on the cotton side that there has been a price rise, there is also a drop in inventory and apparently, I think even US production of cotton has been impacted. So, do we expect the margins guidance that you have given 18% to 20% that to be comfortably sustained in case there is price rice in cotton in the coming season?

K.R Lalpuria: As I mentioned earlier there are challenges as far as cotton is concerned. Because the cotton consumption is moving up, secondly at the Xinjiang area cotton has been blocked, so there is cotton which has gone out of the system in the supply chain, so definitely there will be issues as far as cotton availability is concerned and cotton prices are concerned which we are addressing. But fortunately for our company we have hedged till October and we as a company have consciously invested into the supply chain by seeing all these uncertainties around us and that is why you have seen a higher inventory holding, as we have consciously invested into our inventories to some extent. Having said that there will be a challenge on the cotton side and particularly in the US since the crop is less but that is Supima cotton which we import, and this is high-grade cotton which goes into the premium and the branded segment, where we are able to realize the price from the customers because it is sold at a higher value. So, those things will nullify but yes the Indian cotton challenge is still there; but we all need to watch it once the new season starts post-October; we are observing the situation and we are working to see how we tackle this. But since we have tackled commodity prices earlier, we are confident as a company that we can tackle this going forward, because the buyers and the brands and the retailers also know that this is a commodity issue worldwide; it is a global issue and they do understand so they are working together with us on a joint business plan on how to address the increase in raw material prices and we are quite hopeful we should be able to address that.

Kaushal Shah: Great and Sir just one clarification, you mentioned earlier in one of the answers that this margin guidance of 18% to 20% that includes the RoSCTL benefit, is it?

K.R Lalpuria: Yes. That stands 18% to 20%, we are hopeful under normal circumstances to get those margins, because our margin has expanded.

Kaushal Shah: Thanks for taking my questions.

Moderator: Thank you. The next question is from the line of Sneha Ghoshal from Insync Capital. Please go ahead.

Sneha Ghoshal: Sir, thank you for the opportunity. I wanted to know the current domestic versus export ratio that we have and what is that you are looking at it going forward?

K.R Lalpuria: We had earlier mentioned in our call that our domestic business is at 1% of our sales currently and we expect it to move it to 3% in next couple of years on the increased sales.

Sneha Ghoshal: How does the order pipeline look for us currently?

K.R Lalpuria: We have a good order book position and that is why have given guidance of 85 million meters to 90 million meters for the current financial year.

Sneha Ghoshal: That is from me. Thank you.

Moderator: Thank you. The next question is from the line of Sajal Gupta from FE Securities. Please go ahead.

Sajal Gupta: Good afternoon Lalpuria Ji, and congratulations on the excellent results. My question to you is, I wanted to know how quickly can the company reach $1 billion in sales, by when can you see the company reaching this number?

K.R Lalpuria: We have committed ourselves as a company to double our revenues going forward in the next three years to four years and we are quite hopeful with our kind of positioning, with our adequate capital, lower debt, having a good marquee customer base, a complete product portfolio, we are well-positioned in the US, in the UK, in EU and all other developed nations having a good perceived value for our brands and product range. We are thinking about growing much faster, and achieving this $1 billion mark in the future, as it is everybody's ambition in the company. So, we are working upon the plan of achieving this objective and as a company we are there in the textile business for the last 31 years. In-home textile we are there for 13 years, so fundamentally we have put across a good base and this we will leverage going forward, and that is our target.

Sajal Gupta: It would be safe to assume that within the next four to five years we should be reaching this number?

K.R Lalpuria: Of course.

Sajal Gupta: My second question to you Sir is that you have recorded 18 million meters in the first quarter, and you have guided for 85-90 million meters that way you should be doing 72 million meters for the rest of the year, which would mean 24 million meters the calculation per quarter. Because of the seasonality of this business do we see that 30 million meters in any one particular quarter happening because of the seasonality and second thing what I wanted to know is it safe to assume what kind of growth in volumes can we see, can we expect 15% to 20% growth in volumes say in coming next three years?

K.R Lalpuria: Certainly, the expansion which we are investing into our capacity from 90 million meters to 108 million meters demonstrates that we are also seeing growth happening in the large markets to which we cater to, number one; so, we as a company are investing into building capacities. Secondly, We should not assess our volume every quarter, being seasonal and depending upon the economies of the developed nations as well. Also, there are many challenges which are happening across the supply chain side during COVID and post-pandemic So, The guidance which we have given of 85 million meters to 90 million meters we should look upon on an annual basis rather than a quarterly basis but of course, we report that to you the volume that we have done during this quarter; but there are always ups and downs during the quarter.

Now, to answer your last question about that 15% to 20% incremental volume, there has to be incremental businesses and we are trying to venture into all directions like various distribution areas like B2C, D2C, e-commerce, digital marketing, domestic marketing, tie-up with brands, going into the premium branded range. So, all these things will fall into our kitty going forward because we are quite equipped to do so in spreading our product line to different customers both horizontally and vertically. So, there are big opportunities as what I had mentioned from the large markets and we as a company are well-positioned to cater to this demand and we will do it. We are delivering around 85 million meters to 90 million meters, we are a well-recognized player and people have a strong belief on our product line, so certainly there is a scope for achieving those targets.

Sajal Gupta: The last question from my side would be how things are at the home front?

K.R Lalpuria: Certainly good on the home front; we have two strong brands, one is a value-driven brand and one is an aspiring brand and we will be launching a luxury brand as well to further facilitate the Indian consumer who is growing in large numbers and we are expanding our product portfolio in the domestic area also by providing a good solution to the Indian consumers as well through all distribution channels like whether it is e-commerce or whether it is retail or MBO's or LFS or through distribution mode. So, we see big traction here in the near future because the demand is picking up in India as well and as Indian economy is growing from $2.5 trillion to $5 trillion, textile will play an important role; and this 'Work from Home' culture which we have been seeing has triggered higher consumption of home textiles as well. So, there is a big opportunity both in India as well as the overseas market for Indian textiles to prove themselves. We are very much equipped to do so.

Sajal Gupta: That should be good enough for me. Thank you and all the best to the management for the future.

Moderator: Thank you. The next question is from the line of Hasmukh Gala from Finvest Advisors. Please go ahead.

Hasmukh Gala: Congratulations on a great set of numbers. Sir, just two clarifications I wanted, one is this export incentive, now can you just give the breakup of incentive how much is the RoSCTL rate that is fixed for us?

K.R Lalpuria: RoSCTL was at 8.2% and Duty drawback was at 2.6% which is also is continuing

Hasmukh Gala: So, all these are continuing?

K.R Lalpuria: Yes, however, the overall impact of RoSCTL on revenue is around 5.5% to 6% depending upon the product mix which we ship.

Hasmukh Gala: Okay, because the average which works out it differed in Q1, and if you take the Q4; now I just wanted to understand this Rs.49.99 Crores is only the RoSCTL part which we had not accrued in Q4, right?

K.R Lalpuria: Yes.

Hasmukh Gala: There are other incentives we must have accrued?

K.R Lalpuria: Yes.

Hasmukh Gala: Duty-draw back we must have taken credit in last year?

K.R Lalpuria: Yes.

Hasmukh Gala: Sir second thing is this Capex program which we are undergoing when do you think it will be commissioned at the 108 million meters capacity?

K.R Lalpuria: By Q4 FY22.

Hasmukh Gala: This year only?

K.R Lalpuria: Yes, this year only. It is under process.

Hasmukh Gala: Okay, so next year we will have a total benefit of 108 million meters?

K.R Lalpuria: Correct.

Hasmukh Gala: Okay, so in FY23 what kind of number you will be looking at like; you have guided for 85 million meters – 90 million meters, because what will happen if again you grow at say about 12% again you will be reaching the impact. So, then what is going to be your next capacity expansion plan?

K.R Lalpuria: As I have mentioned, we as a company are growing at a 15% CAGR which we are seeing through our past results and current performance. So, we expect with all these opportunities coming up, we will have a healthy growth going forward and we are quite keen as a company to invest also into expansions and as I have mentioned this is a brownfield expansion which we are doing, we are always open and discussing about the Greenfield expansion too. So, as, and when there is a need, the company is quite equipped, and the Board will take appropriate decision at appropriate time to go for it.

Hasmukh Gala: Okay, so do you think that time can come in FY23 or FY24?

K.R Lalpuria: Yes, of course, we are in discussion as I had mentioned earlier also that in FY23 or FY24 some of this further expansion plans.

Hasmukh Gala: Retail sales in India it is 1% of sales right now, correct?

K.R Lalpuria: Correct.

Hasmukh Gala: Okay, which you expect it to go to 3%?

K.R Lalpuria: Correct, on the increased numbers.

Hasmukh Gala: Yes, with an increased number of sales figures.

K.R Lalpuria: Correct.

Hasmukh Gala: Thank you very much. Wish you all the best.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.

Praveen Sahay: Thank you for taking my question and first of all many congratulations for a good set of a numbers. My question Sir, is as China is losing because of certain reasons and we are gaining out of that, so how we are seeing the other countries like Vietnam, Philippines, Bangladesh, how they are positioned themselves to gain out of that like is that really competition to us or we are quite comfortable on gaining on all these issues?

K.R Lalpuria: First of all, as I had mentioned earlier, Vietnam and Bangladesh are basically labor arbitrage and they are strong into apparels side of the business where they import raw material from other countries, and they have a cut and sew operations where they meet the demand of the brands and the retailers. So, basically, it is a cut and sew operations which they mainly cater to. They are building of course on their supply chain as well by putting on a large textile park and definitely they are moving in their textile exports. Fortunately, for us, we as a company are into bed linens which require a finer count of yarn and India has a unique strength in producing finer count of yarn, which we do not find in the supply chain these countries. Also, Bangladesh and Vietnam they do not have raw material, so they do not pose a threat to us going forward because they import most of their raw material from textile producing countries like China, India, Pakistan, etc. So, as far as the market gain is concerned of course they will gain on the apparel side of the business but for home textiles, they are not currently major players. Secondly, as far as competition is concerned since they do not have raw material they are importing from outside and they are working mainly on labor arbitrage and India has got the distinct advantage in all these segments, I think India stands out in competition to these countries. So, India does have a very big advantageous situation and position going forward as compared to Bangladesh and Vietnam. But yes it has to play its card right, it has to strengthen its supply chain, product quality, branding, distribution, and that too competitively and which the government has also recognized the anomalies which exist on the duty side, on the tariff side, on the higher infrastructural inefficiencies and the logistics side which they are addressing and whatever inefficiencies are there can get addressed through PLI schemes extending to our sector as well, as well as the integrated textile park which will create further competitiveness on the Indian textile products. So, we are in a strong position as compared to these countries and we should do well.

Praveen Sahay: Great Sir. Lastly, on your realization numbers, definitely, as you had said as the product mix changing and that is some were giving the realization improvement. So, how much do you expect that the fashion bedding and the utility bedding in the coming future to contribute to your number?

K.R Lalpuria: It has improved marginally this business on the higher numbers definitely what we had earlier informed you about 15%, so we should look at the overall year and we are investing into this business both on the front end and the back end and we see with the China plus-one strategy, this category of products will definitely have a good advantage for us to promote in the larger market and we will see value addition on to them which will help us to achieve our sustainable margin which I have indicated around 18% to 20%.

Praveen Sahay: Right, so that is all factors like our contribution from the fashion, utility is going to up and considering all effect you are saying that 18% to 20% is quite comfortable to achieve in the future?

K.R Lalpuria: Yes, so we are working on various margin drivers. Fashion, utility is one among them then the B2C, D2C, then the domestic side, then the health hygiene wellness side. So, in all these areas we are putting on greater emphasis and efforts to see that how we can increase our value margins going forward as a company and we are quite hopeful to do so because we are well-positioned with all the major retailers across the world.

Praveen Sahay: Thank you, Sir, for taking my question and all the best for the future.

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

K.R Lalpuria: We remain confident that the next level of growth in Indo Count will be sustainable, brand accretive, and margin positive. We would constantly focus on increasing our penetrations through B2C and D2C foray. With this, I would like to thank everyone for joining 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. On behalf of Indo Count Industries that concludes this conference. Thank you for joining us. You may now disconnect your lines.