



“Indo Count Industries Limited
Q4 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY2019 Earnings Conference Call Indo Count Industries Limited. 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. 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!

Kailash R Lalpuria: Good afternoon and a very warm welcome to everyone. Along with me, I have Mr. K. Muralidharan, our CFO and SGA, our Investor Relations Advisor.

I hope everyone have got a chance to go through the presentation by now. Let me first start by giving you some perspective of the industry.

Our major markets of US and Europe are witnessing positive growth which is seen from increased consumer confidence and higher retail sales. The Indian textile players are witnessing market share gains as evidenced from OTEXA data. India's market share has increased in the home textile market in the USA in the cotton sheet and Pillowcases segment.

We believe with integrated approach and abundant availability of raw materials, India is poised to increase its market share. The recent US China trade war tariff barriers have also come into force. Initial analysis shows that this will put India in an advantageous position. So far, these tariffs are limited to floor coverings, non-woven cordage and manmade filaments. However, this is important as it makes the Indian textile brands different with a view to make deeper and stronger relationships with textile manufacturers. We see this overall risk benefiting the Indian Home Textile manufacturers as well and going forward, we expect these items will be added up in this tariff.

Let me now give you some perspective of 2018-2019 performance.

FY2019 was a challenging year especially with respect to currency volatility and higher input costs. We expect this volatility to continue for some time. This has impacted our profitability.

On currency as you are aware, the year saw increased volatility. US dollar moving from 63 - 64 levels to nearly 73 -74 levels and is now currently hovering around 69.5. This has led to forex losses for the industry and for us at Indocount. As reported at the last conference, we expect the average realization rate to be better than last year.

FY2019 also saw the impact on account of lower government incentives as compared to the previous year. The positive move is that the government after many representations from industry, agreed to increase the incentive structure effective March 7, 2019. The RoSCTL and the

new scheme have been revised from 2.2% to 8.2%. This will give immense boost to industry competitiveness in the global market. However, we all know that MEIS at 4% has been objected by WTO and it may be withdrawn in the current year. To that extent, overall gain of RoSCTL will get minimized.

Let me now discuss our capex plan.

If you recall in August 2016 the board had approved phase I and phase II capex of Rs.175 Crores and Rs.300 Crores respectively. The phase II capex of Rs.300 Crores included upgrading of existing spinning facilities, investment in additional weaving capacities and value added equipments for the delivery of fashion and utility bedding. Of this phase II capex, upgrading of spinning facilities and value added equipments have been successfully completed.

On the remaining capex of additional weaving capacity with an investment of about Rs.200 Crores, the board has decided to postpone this investment. We have sufficient capacity and are confident of sweating out our existing capacities to the fullest to fulfill our client demands.

Coming to our business performance starting with our sales volume

Our sales volume for the year stood at 57.5 million meters versus 54.3 million meters in FY2018 registering a growth of 6% on YOY basis. We expect our volumes to be in the range of 63 million meters to 65 million meters for FY2020.

India advantage in terms of integrated manufacturing, our focus on bedding segment coupled with innovative offering makes us confident to assume this growth target for FY20. As the volumes ramp up, there will likely be margin expansion due to operating efficiencies. Net income excluding forex: The consolidated net income excluding forex for FY2019 stood at Rs.1,945 Crores as against Rs.1,867 Crores for FY2018 registering a growth of 4%.

Normalized EBITDA excluding forex: Owing to increased volatility of Rupee against the Dollar in FY19, the company had to absorb forex loss to the tune of Rs.31 Crores for FY19 and Rs.10 Crores for Q4 FY19. This was against the forex gain of Rs.17 Crores in Q4 FY18 and Rs.91 Crores in FY18.

Forex adjustment has been shown to arrive at the normalized performance of our business. The consolidated normalized EBITDA for FY2019 registered a growth of 15% and stood at Rs.197 Crores versus Rs.171 Crores for FY2018. The normalized EBITDA margin was at 10.1% in FY2019 versus 9.2% in FY2018, registering a growth of 96 bps on YOY basis.

For Q4 FY19 the standalone normalized EBITDA stood at Rs.31 Crores versus Rs.42 Crores for Q4 FY18. The normalized EBITDA margin stood at 7.6% in Q4 FY19.

With increased utilization levels in FY20 and better forex hedging compared to FY19, we expect the margins levels to improve.

Profit after tax: Consolidated FY19 PAT stood at Rs.60 Crores as against Rs.125 Crores in FY18. The sharp fall in PAT is largely due to the forex loss of Rs.31 Crores in FY19 versus forex gain of Rs.91 Crores in FY18, though the lower incentive also contributed to lower PAT.

Debt: Our consolidated net debt stood at Rs.281 Crores as on March 31, 2019 versus Rs.346 Crores as on March 31, 2018. Accordingly, our net debt to equity as of March 31, 2019 was 0.3 times.

Hedge rate: Our average hedge rate during the year was Rs.68.50 per US dollar. Our average hedge rate for FY20 is expected to be around Rs.71 per US dollar.

Capex: For FY19 we undertook a capex spend of Rs. 58 Crores. For FY20 we expect no major spends on capex. With the withdrawal of the Rs.200 Crores weaving project by the board of directors, our capex spends will be limited to the tune of Rs.25 to Rs.30 Crores on account of normal capex.

Dividends; the board of directors have recommended a final dividend of 60 paise per equity share of Rs.2 subject to approval of shareholders at the ensuing AGM.

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

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have our first question from the line of Rajesh Agarwal from Money Ore Investment. Please go ahead.

Rajesh Agarwal: Hello Sir, I have three questions; with the recent tariff increased by Mr. Trump to China from 10% to 25%. So, will this benefit our Company or Industry? And second question how is the market looking both in Europe and US? The third question is if you can explain us the change in government incentive structure?

Kailash R Lalpuria: First of all, as I mentioned earlier, initial analysis shows that this will put India in an advantageous position. So far, these tariffs are limited to floor coverings, non-woven cordage and manmade filaments. We see this overall risk benefiting the Indian Home Textile manufacturers and going forward we expect few of the home textile items to be added in the tariffs on China,

Rajesh Agarwal: Any of our products which are covered currently in the tariffs?

Kailash R Lalpuria: No, they are not covered. Secondly on the RoSCTL, as I mentioned it is a new scheme launched by the government to refund both the central levies and the state levies. Earlier only the state levies were refunded. So due to many representations by the textile industry and the export council, we were able to convince the government that we need to get these levies refunded as

we cannot export taxes. So, they agreed to this and that is why they increased this from a level of 2.2% to 8.2%, but you see the MEIS which were given for focused products and focused countries exports, has been objected by WTO. We feel that it may be withdrawn in the current year. To that extent, overall gain of RoSCTL will get minimized.

Rajesh Agarwal: By how much Sir?

Kailash R Lalpuria: The net-net effect may be around 2%.

Rajesh Agarwal: That can be replaced by other schemes that 2%?

Kailash R Lalpuria: The discussions are going on with our export council. We are making various representations for it because that is how we will need to improve our competitiveness.

Rajesh Agarwal: Has it already been withdrawn?

Kailash R Lalpuria: No, it has not been withdrawn, but we all know that, it has been objected by the WTO and it is based in the form of an incentive.

Rajesh Agarwal: So immediately it will get replaced by that other thing which you are talking about?

Kailash R Lalpuria: Yes. Maybe to that extent, but as of now we do not know about it. We cannot comment on that.

Rajesh Agarwal: The third question how is the market looking in terms of growth?

Kailash R Lalpuria: Major markets i.e. US and EU are showing strength and as I mentioned earlier Indian textile is becoming more advantageous to the world looking at now how China is positioned. So we feel that going forward, India being the largest producer of cotton and with integrated facilities and proven their track record with performance in the last decade, I think, textiles will be a focus area for the government to promote exports, so we all feel that there will be more incentives and more supporting policies and regulations which will help us to become more competitive Also, because of the global warming, and subsequent increase in cotton consumption and other things, India will play an important role in supplying textile globally going forward. So we feel that the markets are positioned well for us and India as a country.

Rajesh Agarwal: Sir, your view on cotton prices and the spread?

Kailash R Lalpuria: Cotton prices are higher this year, and they went up substantially, but they got subdued later because of the international prices and lower demand in our domestic market and exports as well, but we feel that because of the higher MSP and depending upon the monsoons and depending upon how the government stands out their policies towards the farmers, we feel that the levels

would be around Rs. 45,000 and above per candy in India. So that is what we are expecting. So let us hope that the monsoons are better and the crop is better this year.

Rajesh Agarwal: Sir, will it get passed on with the increase in cotton prices?

Kailash R Lalpuria: We work on a cost plus module, so naturally if there is irregular price hike, definitely it will be passed on, like whenever we discuss pricing every six months with the customer, we present our case and the customer also knows the global prices so they get hit to that extent.

Rajesh Agarwal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Lokesh Maik from Vallum Capital. Please go ahead.

Lokesh Maik: Good afternoon Sir. Thank you for the opportunity. My first question is if you can provide us with an update on FTA agreements with Europe and the import on the Indian home textile products and what are the developments taking place? One is that. And second you had mentioned that we are witnessing growth opportunities in the Indian market and so if you can just bifurcate between the market size for products which are above 300 thread count and below 300 thread count given our domination and presence in the above 300 thread count segments in India? So if you can just throw some light on that front.

Kailash R Lalpuria: First of all, on the FTA agreement, our government did try last year, but there were some hurdles on to some sectors like the automobile, the perfumery, the liquor and all these industries had objected to the FTA getting signed because then they will get impacted on a larger scale. So the government did heed to that request from Europe so now we feel that again there are efforts being put up by our Commerce Minister. We recently met him and we requested him to take up this matter and we have put efforts to see that we can get this FTA to some of the sectors which will help us in improving our volumes and exposure. So we feel that in times to come, it will be interesting to watch India presenting their case in FTA because nobody can miss the Indian market also, so I think there will be a good bilateral discussion and some sort of positiveness in the EAC into getting an FTA signed with different countries. We are also engaging ourselves to various other trade agreements like RCEP and others which may help the manufacturers to export to other surrounding countries and other Asia Pacific countries.. The Indian market as we all know that the home textile area is growing at 8% CAGR because of the increased new homes, improved lifestyle, bedroom getting more important than the living room and the millennial entering in the purchasing power. So we feel that this market would grow and we expect that the Indian textile also to do well and there is a big opportunity because there are a few brands in India to reckon with, so we feel that in times to come we will be able to leverage whatever we have done so far, as far as promotion for Indian market is concerned. Third question was on the thread count side, like you see, we always are well positioned because fundamentally we have a good spinning segment, which we had invested in the last four five decades. So India as a

country has been a net exporter of yarn and raw material to various other countries so the raw material supply is in abundance and India is well known for fine counts spinning which is consumed into making of higher thread count sheets and so we feel that it is a competitive edge to India against world. Secondly as we observing that markets in the EU are also having a changeover moving from the lower thread count and the polyester cotton blend commodities to higher thread count because we see cotton is gaining a lot of importance and in times to come it is not a luxury but it is a necessity . So people are embracing more and more cotton and that will be advantageous. India being the largest producer and India will have products like in textiles are accepted worldwide and India is even for textile, so we feel that this should help us to position into the high level rather than going into the synthetic side so that will help us to promote higher thread counts and in better items.

Lokesh Maik: You must be present in the lower thread count segments in India? You will not be catering to that?

Kailash R Lalpuria: No, we will cater on time-to-time because you see if a customer is buying for his retail and if he is catering to retail, there are three segments, good, better and best. In better and best always the cotton plays an important role whereas on the price points, the good segment demands a lower price point, so people tend to move into synthetic or maybe a synthetic blend with cotton, so there also we play an impressive role to the consumer to buy more cotton because of sustainability factor. And sustainability as we all know is playing an important role worldwide, so that will help us to promote these items on the lower segment also.

Lokesh Maik: Thank you so much Sir. I will come back for any further questions.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from JM Financial. Please go ahead.

Nitin Agarwal: Thank you for taking my opportunity. Sir, my first question is if we have witnessed a volume growth of 6% and INR has depreciated by 8.5% in FY2019; however, the revenue increase is almost flat or 4% the adjusted revenue so can you explain why is the difference have we witnessed any lower dollar realization for our products or is there a change in the product mix?

Kailash R Lalpuria: As mentioned by yourself, there is always a change in the product mix as once you cater globally. What we were earlier doing was selling all our major products into the US market and now we are spreading worldwide, so globally you see in the other markets the demand for lower thread count is high., so the price realization is lower than what we normally get in the US. Therefore, because of the product mix changes there is a mismatch between the volume and the value.

Nitin Agarwal: So, we can expect this run rate of trend in dollar realization to continue going forward?

Kailash R Lalpuria: See the dollar realization has to be viewed from a couple of points. One it increases your competitiveness in the world to offer much more competitively. Secondly you can capture additional market. The third is you see you can add value to your products because you have got some space in that so all these factors help into improving your overall revenue and your margin. So definitely it will give us some space to increase our both value and volume in the future.

Nitin Agarwal: Sir my second question is if we see the Textile data from January to March, we have seen in cotton sheets for India we have seen a decline in volume of 2.5%, so how confident are we to increase our volume in FY2020 to 63 million tonnes?

Kailash R Lalpuria: You must have seen the year end data rather than the January, February and March. If you see respective months i.e. January, February March and compare it to the year end, you will see an increasing trend. So that is where lies your answer.

Nitin Agarwal: Because if I see the year-on-year data, it is showing a decline.

Kailash R Lalpuria: If you see the January, February and the March as compared to the annual one, you will find your answer. It is increasing.

Nitin Agarwal: Sir, what is our outlook on the margins. So the adjusted margins now are around 10.1% for FY19. How do we see to pan out because we see that there is a steep increase in our other expenses maybe it is because of higher outsourcing? So how do we see the margins going forward?

Kailash R Lalpuria: On the positive side, as what we had indicated in our earlier concall that once you see the RoSCTL and the government refund of levies coming, this will help us to increase our margin by 300 to 400 BPS which we had already indicated to you. So that has happened number one. Number two, you see on the forex side, we will have more stability and more visibility as compared to what we witnessed in 2019 in which we had forex rates from 63, 64 to 73 or 74, which nobody expected. So, that also seems to be in control as of now. However, we do not know with the new government how the Rupee Dollar equation will pan out, but we see this positively because we have hedged 70% of our positions, which we had already mentioned at Rs 71 per USD levels. So we are better off there to. So there is some positivity on account on the margin growth because of the forex formulation also. Then third is optimization of our utilization of capacities, so the expenses and the other input costs may also get normalized because of higher volumes and as we mentioned earlier our emphasis always has been to grow our fashion bedding and utility bedding where we would see the margin growth in the years to come. So all these factors would help us to grow our margin and what we had indicated from this normalized adjusted margin of around 10.2% though it should be in the range of 12% to 14% depending upon how the MEIS pans out.

Nitin Agarwal: So, this 12% to 14% is assuming that MEIS is still there?

- Kailash R Lalpuria:** No, because we have already mentioned that 2% would be the net-net impact in MEIS and RoSCTL, so considering that and the other factors that is why we are mentioning the overall margins to be in the range of 12% to 14%, but if MEIS is also there, then it may improve..
- Nitin Agarwal:** Sir, what is the percentage of yarn sales of our total sales in FY2019?
- Kailash R Lalpuria:** Yarn sales depends upon how we captively consume. So if we are able to draw in for our own units like the finer counts then we increase our captive consumption and if we do not find it lucrative and we find it more lucrative to sell it in the domestic market then we sell it, so basically we are an integrated unit and the spinning helps our home textile unit as well, but you can take it in the range of 5% and 8% which is our yarn value.
- Nitin Agarwal:** Sir, any specific reason why the weaving project has been postponed and as it been completely scrapped, or will we consider it at later stage?
- Kailash R Lalpuria:** See as I mentioned that in and around Kolhapur like in Ichalkaranji, Urun Islampur and other areas in Maharashtra, lot of weaving units have come up with wider units, and we are having tie ups with them. So at the moment, the board is presuming that if we can outsource the fabric from this area then why should we go for an investment where we do not have adequate return on capital So the board decided to postpone this. In future, if it becomes necessary or it becomes imperative for us to invest and as we are a debt free company so we can take up that position later.
- Nitin Agarwal:** Thank you. That answers all my questions.
- Moderator:** Thank you. The next question is from the line of Perna Jhunjunwala from B&K Securities. Please go ahead.
- Perna Jhunjunwala:** Thank you for the opportunity. I missed the initial commentary on the forex hedges part. Can you please share that again?
- Kailash R Lalpuria:** As I mentioned that the hedge rate for financial year 2020 is around Rs.71 levels, and we always have a policy hedge 70% of our position, so that is what we have informed earlier.
- Perna Jhunjunwala:** Sir, I would like to understand the traction in your brand business. We launched it in end of FY2016 and it is three years now, what would be the status of those brands in the international market as well as domestic market?
- Kailash R Lalpuria:** See as I had mentioned earlier, the brands always helps us in promoting our entire product portfolio because in designer brands, the designer has to take into consideration the overall trend, pricing, style, packaging, everything and that is how it makes into a brand. So the brand helps us give a lot of impetus into how we present our product and also helps retailer to position it into a

particular price segment level. Now I am happy to inform that one of our sheet set brand which we had promoted earlier got patented this quarter and it is having a good response and exposure in the market place. We are making efforts to promote the brand worldwide, so we will come up with more information on it in this coming quarters. We are regularly promoting our brands, we are regularly promoting our innovations with patent centric marks across the globe so that we can derive not only a value for us but also to the end consumers. We can deliver that value and also help the retailers to gain market share in their own market. So the brand strategy is working out quite well, and in the future it will only grow because we are growing into the fashion bedding business as well, and we are positioned as one of the key supplier now with many retailers. The only thing is the category needs to grow in the times to come.

Perna Jhunjunwala: But in the domestic market Sir, what is the status, boutique living we had launched in domestic market with around Rs. 25 Crores of investment earmarked for three to five year time period?

Kailash R Lalpuria: As we had informed earlier, the boutique clearing is positioned well in India now with almost around 500 MBOs, our entire endeavor is to promote that brand pan India so that it gets connected to the end consumers. So our first objective is to see how we can distribute and find the acceptance of our product mix to as many as customers as we can. Now that is happening. The volumes have not gone up because off late in the last six months we have seen the domestic market has faced headwinds and a lot of challenges, so we feel that now everything being settled, the new government in place, stability and economy doing well, and so we feel that in times to come we will be able to promote it. Secondly as we mentioned, we have earmarked Rs. 25 Crores as a capital for it, but today because of this volume we have not invested much into it. So in time to come, we also intent to promote our brand, because we have now time tested the product in pan India we feel confident of going in all with full swing into this area as the market stabilizes.

Perna Jhunjunwala: Thank you Sir. I will come back for any further questions. Thank you.

Moderator: Thank you. The next question is from the line of Lokesh Maik from Vallum Capital. Please go ahead.

Lokesh Maik: Sir, my question was on the US markets. In the past few years, we have seen a declining trend in retail stores, we have seen consumer purchase shift from offline to online given the scenario how are we positioned given that major of our customers are offline retail stores?

Kailash R Lalpuria: The US market is growing and the US economy is positive. So there is consumer confidence, the money in the consumer's wallet and the purchasing power has also increased the retail sales have increased so this matters to our business like home textiles particularly and if you know that the home textile segment, the entire home sector is doing well for the retailers. It may not be true for other product categories because they have been impacted by the e-commerce as you rightly said, so there is a challenge on to that with the retail between the products which have become much

more popular on the e-commerce rather than the retail brick and mortar. So the items which have been shifted through these areas are mostly like books and electronic, white good appliances, candles and all standardized product, but our product purchases requires the touch & feel factor and now-a-days the customer likes to coordinate the home textile products with other products in his bedroom or living room, so home textile has not much shifted through this e-commerce channel. So we feel that of course the challenge would be there, but retailers are taking appropriate positions to protect their brick and mortar and still home is much more meaningful to buy in the brick and mortar sector.

Lokesh Maik: Yes, but are we catering to the third-party peers or people who are doing online who are selling online to increase our business in US?

Kailash R Lalpuria: Of course, we are into this area for the last five years. We have arrangement in Charlotte with a pick and pack drop ship, warehousing system and we are delivering to all three verticals like the dotcom businesses of the retailers then the e-platforms like Amazon and Overstock and others, and then we also deliver to some extent to private players who have their own website so we are catering to all verticals, but we have not seen that big shift happening, but we are quite positive about our positioning because now we have a full solution to offer to the customer like earlier we just had sleepwear but now we have fashion bedding, utility, institutional and everything in our kitty so we are able to offer a complete solution to the customer in home textile so that I think will help us promoting much better in the times to come.

Lokesh Maik: Our in-house brands out there would also be competing online with our customers?

Kailash R Lalpuria: Yes, you see they help us to give leverage to how we promote the sales in a particular buy segment to a customer. The brands mostly are for the retailers, they carry out their own, like their own home brands, only at certain point of time, in order to connect to their own home brands, we design our own brands. So that is how it helps us into promoting sales. Secondly, we have licensed brands also hence a good patented brand if we are doing well, as I mentioned earlier. So we hope that this will continue and help us to promote more sales in all different categories of our products.

Lokesh Maik: Sir, the last question is in the past few years we have seen quite a few capacity additions in home textiles even in India. Would you say the industry would be currently lowest?

Kailash R Lalpuria: I do not think so, because there are capacities which have come up and there are capacities which have been discontinued, which we all know, so there is always a headroom. Secondly, you see the market is growing. In India, the unorganized market is there, which is getting converted into organized retail, and secondly India always is focused on to the US market. Off late we are focusing into other markets as well like Europe, like Mediterranean, Middle East, Oceanic, Japan, so all these markets like Japan we are hardly only 2% or 3%, China is a huge market, like cotton being expensive there, but now we are seeing tariffs against our products, so you know in

the future when the consumer needs should be there they would go away with that tariff and there we will have a huge market, much bigger than even US, so the opportunities are there, we have just explored the US market, so I think in the future, we should not get worried about the opportunity side.

Lokesh Maik: That is it from my side. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from JM Financial. Please go ahead.

Nitin Agarwal: Sir just a followup question. Sir can you share the sales geographic mix as to how much percentage of our sales is to US in FY2018 and FY2019 so that we can just understand how much geographical diversification, we have taken in FY2019?

Kailash R Lalpuria: See, as we have always been informing you, we are paying more on to promoting non-US business also, but we all know that the US is the biggest organized market, and our product is so well conducive to their requirements that we all feel that we should focus on the US, but having said that I can give you like a ballpark figure of around 70% to the US market and 30% to the non-US market.

Nitin Agarwal: This was in FY2019?

Kailash R Lalpuria: Yes.

Nitin Agarwal: What was it in FY2018? If I remember this was the same percentage which was there in FY2018 as well?

Kailash R Lalpuria: Almost same because you see you cannot make a big shift because you need volumes, which are conducive to your production and efficiencies. US being a more aggressive market and Europe being more fragmented so we always tend to push our products more into the US market, but we have established offices in Dubai, in Australia and other places in UK, so we are promoting our product aggressively into those markets wherever we can and wherever we feel we should be there, so in times to come slowly we will be getting much more positive numbers into those market as well.

Nitin Agarwal: Sir, if the sales mix has not changed so drastically then I am not able to understand that how has the product mix changed so much, as you had mentioned in my previous question that due to lower count, demand in other geographies the realization has got impacted?

Kailash R Lalpuria: The product may get changed due to various factors like thread counts, innovation ideas into the product we are in, how brand plays an important role, how we spread into more institutional sales, so there are various other channels of sale, how we would like to promote it, are there any

first promotions, are the retailers positioning themselves into different segments at times, how they are tackling the e-commerce sales, so there are various means of promotions at various given times, and strategies being spelled out, so that we have to work out and that change the product mix. It is not constant like in retail business, there is a core, there is a fashion, and there is a promotion. The core cannot be like always in the same manner like you are selling the same product. That also gets changed from time-to-time with different innovations like sometimes you move to organic, sometimes you move to products which are more helpful for sleeping, sometimes it is a performance sheet, sometimes it is a DCI cotton, so normally, you see those are the challenges and the strategies being spelled out according to the consumer taste and demand. So it is a dynamic situation. So we should not get worried about it. The thing is as the market increases, we should see that how we are positioned to cater to that. That should be the worry.

Nitin Agarwal: Thank you Sir. That answers my question.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: Good afternoon Sir. Sir, in this quarter, Q4 we have seen the decline in the volume if I look at the numbers, so nine months we have done something around 44.2 million so that number comes to around 13.3 so that is lower on QOQ as well on YOY basis. So any specific reason that we have to look?

Kailash R Lalpuria: As I had earlier mentioned we should see overall volume during the year and in our businesses, 0.4 million is like 4,00,000 meters. Say for example, if we are delivering 5 million per month, so 1.25 million in one week, so even if there is a two-day delay into delivering that 0.4 million will be reflected. So we should not get bogged down. We should see overall growth because certain times there are extensions on the buyers, certain times we get spilled over of our volumes, there are certain times challenges like in March to deliver containers, to the ships because there is so much rush, so all these factors impact little bit of volume, but we should always focus on how much is the overall annual volume is achieved.

Pankaj Kumar: Sir for the next year the growth so which geographies that you believe could contribute significantly in that?

Kailash R Lalpuria: As I mentioned, we are well positioned to serve the US market. Of course, US is the biggest market and more lucrative because of the larger runs and Europe being more scattered, but our penetration is there in UK very well, Europe as I mentioned is turning out to be a good market for us, we are opening new markets into Middle East and Mediterranean, South Africa, Japan and is turning out to be a good exposure for us, and then Australia, so we are attempting to see that to push across our products into all these markets. So definitely all of them would help on, but US being the larger market and more conducive to our production, it provides much more comfort to us, because we are well positioned there.

- Pankaj Kumar:** How do you see value added product as a segment in this growth that we are targeting?
- Kailash R Lalpuria:** As I had mentioned earlier also, we are now well positioned both front end and backend, because it took us almost two to three years to establish our name, product, networking into this area and getting recognized as a player, so we are trying to increase our perceived value in the market as a fashion player so that so far we have achieved, so now with both backend and front end we should be able to leverage this trend in the times to come and promote more businesses in this area, which we mentioned as our growth area. Currently we are at 14% in fashion utility and institutional, but we see that it will happen like into a good growing area for us in the future.
- Pankaj Kumar:** Thank you.
- Moderator:** Thank you very much. That was the last question in queue. I would now hand the conference over to the management team for closing comments.
- Kailash R Lalpuria:** At Indo Count, we are expanding our footprint to newer geographies and penetrating deeper within existing ones. Our focus going forward continues towards increasing utilization levels and increasing the share of value-added business in our revenues. We believe our approach to doing business and strong relationship with clients will help us to maintain an edge in global market. 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 SGA, our investor relations advisor. Thank you very much.
- Moderator:** Thank you very much. On behalf of Indo Count Industries that concludes this conference call. Thank you for joining us. You may now disconnect your lines.