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6th August, 2024

National Stock Exchange of India Ltd.
Listing Department
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 Investors' Conference Call held on 30th July, 2024 for Q1 FY25 Results

In continuation to our earlier intimation dated 30th July, 2024 regarding audio recording of the Investors' Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investors' Conference Call held on Tuesday, 30th July, 2024 at 12:30 p.m. (IST) for Q1 FY25 Results.

The transcript is also available on Company's website at
https://www.indocount.com/images/investor/Transcript-Of-Q1-FY25-Investors%E2%80%99-Conference-Call-Held-On-July-30-2024.pdf

You are requested to kindly take note of the same.

Thanking you,

Yours faithfully,

For **Indo Count Industries Limited**
SATNAM SINGH SAINI
Digitally signed by SATNAM SINGH SAINI
Date: 2024.08.06 18:05:59 +05'30'
Satnam Saini
Company Secretary & GM- Legal

Encl.: A/a

"Indo Count Industries Limited

Q1 FY'25 Earnings Conference Call"

July 30, 2024

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th July 2024 will prevail. Further, no unpublished price sensitive information was shared/discussed in the call."

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

STRATEGIC GROWTH ADVISORS – INVESTOR RELATIONS ADVISOR – INDO COUNT INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Indo Count Industries Limited Q1 FY'25 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. 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 star then zero on a 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.

Kailash Lalpuria: Thank you. Good afternoon, and a very warm welcome to all of you to the Indo Count Industries Q1 FY'25 Earnings Call. I have with me Mr. Muralidharan, our CFO, and Strategic Growth Advisors, our Investor Relations Advisor. Happy to connect with you all once again to discuss the Q1 FY'25 performance.

Let me start with our Q1 FY'25 performance highlights. This quarter, we achieved a 26% increase in volumes and a 27% rise in revenue, demonstrating the effectiveness of our operations despite ongoing macro challenges. Our Q1 FY'25 results show an EBITDA margin of 16.2%, in line with our guided range of 16% to 18%, reflecting the strength of our core business.

Despite increased expenses for logistics and building Wamsutta/Licensed brands, the achieved margin underscores the effectiveness of our strategies. Market sentiments are improving with new inquiries from key markets. As the festive season approaches, we are optimistic about a successful FY'25, and are confident in achieving the guidance.

The successful acquisition of Wamsutta, the U.S. national brand, through internal accruals of INR85 crores, reinforces our global home textile vision. The e-commerce segment and licensed brands such as Jasper Conran and GAIAM are performing well, and with brand promotion of Fieldcrest & Waverly, they are progressing as planned.

Market demand and industry scenario. Encouraging development in our key markets are shaping a positive outlook for the year. Otexa data shows an increase in the bed linen import share in the U.S. from India, reflecting a strong trend across big box retailers and omni-channel platforms.

The government of India's promotional steps, including proposed FTA with the U.K. and the EU and existing FTA with Australia and the UAE are crucial for our industry's growth. Competitive domestic cotton prices and the China+1 sourcing strategy, which is gaining traction among major retailers position the sector well for a better future.

Future strategies and initiatives. Looking ahead, we are focused on utilizing our capacities effectively, enhancing our product range and expanding our geographical reach. Our strategy involves leveraging advanced technologies, boosting customer engagement through digital platforms, and investing in overall sustainability. The recently announced Wamsutta brand acquisition and licensing of Fieldcrest & Waverly will drive innovation and broaden our market presence. With this initiative, we are well-positioned to achieve new milestones.

Since entering key bedding segments, such as fashion, utility, and institutional bedding, supported with adequate brand strategy and capacity, it will help us significantly to improve our overall business growth. Additionally, with the developing domestic market, we are making a comprehensive plan to enhance our presence and seize growth opportunities. This focus will complement our existing export activities, which will remain a core market, while leveraging the company's debt-free status to support future initiatives.

Capex and investments. Our major capex projects are completed, setting the stage for sustained growth. Moving forward, we will strategically invest in renewable energy and essential maintenance capex to further enhance our operational efficiency. In addition, we will continue to expand through targeted acquisitions and licensing arrangements and agreements within our business verticals. These efforts will ensure that we capitalize on growth opportunities and maintain our competitive edge in the market.

Now awards and recognition. During the quarter, we have received following awards: Gold Trophy for highest export performance, this accolades recognizes sustained excellence in exporting made ups, marking a remarkable fifth consecutive year. Best Environment Friendly Initiative of the Year 2024. This award celebrates our exceptional CSR efforts in environmental care activities. Best Wastewater Treatment Initiative of the Year 2024. This recognition highlights our innovative approaches to wastewater treatment within the factory, demonstrating a strong commitment to sustainable practices.

Now ESG initiatives. Indo Count is at the forefront of environmental, social and governance practices. Our Bhilad unit now operates at 90% renewable energy, significantly reducing our carbon footprint. We've achieved a freshwater intake to 25% through upgraded RO and ETP facilities. Our impressive Standard & Poor's Global 2022 ESG rating of 42, well above the industry average of 28, demonstrates our commitment to sustainably. Active engagement with the Dow Jones Sustainability Index ensures continuous enhancement of our practices. By embedding sustainability into our strategic goals, operations, governance, and supply chain, Indo Count is setting a strong example in ESG integration.

Now let me share with you our consolidated financial performance. Volume. Sales volume for Q1 FY'25 stood at 25.3 million meters versus 20 million meters in Q1 FY '24, a growth of 26%. Total income. INR950 crores in Q1 FY'25 versus INR747 crores in Q1 FY'24, a growth of 27% on a Y-o-Y basis. EBITDA. EBITDA for Q1 FY'25 stood at INR154 crores versus INR130 crores. In Q1 FY'24, growth of 18% on a Y-o-Y basis. EBITDA margin for Q1 FY'25 stood at 16.2% versus 17.4% in Q1 FY'24, a dip of 128 bps.

EBITDA was impacted due to conscious increase in branding expenses along with investment in human resources to support the new acquisition and licensing business. The logistic challenges also increased, thus impacting margins. It is important to note that despite these challenges on macro front as well as our strategy to upfront investment in human resources, we have been able to report EBITDA margins in our guided range. This depicts a strong undercurrent in our core business. PAT. INR78 crores in Q1 FY'25 versus INR74 crores in Q1 FY'24, growth of 6%. EPS is INR3.93 in Q1 FY'25.

With this, now I open the floor for the questions and answers.

Moderator: The first question is from the line of Jatin Damania from Svan Investments.

Jatin Damania: Sir, in your opening remarks, you indicated that the employee expenses, if you look on the stand-alone and consol basis, has increased by INR10 crores to INR15 crores. Does it entirely link to the increase in the branding expenses and the results of which will be visible from the Q4 onwards?

Kailash Lalpuria: Yes, certainly. Because this is where we acquired Wamsutta. In Indo Count Global, our U.S. entity, we have appointed new talent in order to manage the brand and promote it. So these are the expenses related to that, and this will certainly help into building the brand and bringing in additional revenues in the future.

Jatin Damania: So that means, Wamsutta, since you have already started spending on the branding exercises, is it fair to assume that Wamsutta will start to contribute to the revenue from the Q4 and onwards? Or the major benefit will be postponed to FY'26?

Kailash Lalpuria: So some revenue will start picking from Q4, but you will see major value coming in FY'26 onwards.

Jatin Damania: And sir, second question. If you look on the quarterly numbers, our other expenses have increased substantially if you compare quarter-on-quarter and year-on-year. So can you highlight the reason for the same?

K. Muralidharan: See, other expenditure also includes some of the conversion costs, which are related to the raw material consumption basically. So it's for some of these like power and fuel and job work charges, some of these operational expenses, conversion charges are in the other expenditures. This goes along with the production levels. So this will get adjusted once the goods are sold. It will come to the normal level. So our other expenditures would be in the range of around 30%, 32% overall.

Kailash Lalpuria: As similar, the inventory gets liquidated from finished goods and WIP because the cost has already been captured there and it has gone to other expenses. Once that gets liquidated, you will see the impact that it will normalize as for the full year as similar to last year.

K. Muralidharan: And to correct one aspect, the employee expenditure, it has gone up by only INR6 crores between the 2 quarters. So we've peaked there now. Yes.

Jatin Damania: Yes. Sir, I was comparing between the stand-alone and the consol numbers, but that answered my question. Sir, last question from my end. Can you help us in terms of our other brands, Fieldcrest & Waverly, how is it progressing? And when can we start expecting a contribution from them?

Kailash Lalpuria: See, we are developing this brand because we have just licensed it during the quarter. So we are forming a team, and we are presenting it to our customer base. And we'll see some traction when we launch this in the September market week, so for the Spring/Summer FY'25. So definitely, we'll see some traction happening in, say, Q4.

Moderator: The next question is from the line of Palash Kawale from Nuvama Wealth.

Palash Kawale: Sir, congratulations on good traction in volume. My first question is on branding. So how much did we spend on branding in Q1, sir? Could you give an absolute amount?

Kailash Lalpuria: See, we have just started the journey by appointing appropriate talent for promoting the brand. So as we move up the ladder, we'll have some expenses, but we'll start to see also the fruits of these expenses from Q4 onwards. So during the year, whatever is needed for promoting this brand, we will do so, and we will keep everybody informed about these expenses from our Q2, Q3 onwards.

Palash Kawale: Okay, sir. And sir, on logistics front, how much is the increase in cost? And can you expect it to normalize going forward, or will it remain high? What do you expect?

Kailash Lalpuria: See, this is a moving item. Because during the quarter, we faced challenges on both the availability and the cost of the containers and the freight cost. And whatever we were impacted to the extent, we have reported in our investor presentation.

What we are seeing during this quarter also, the situation has aggravated, but there are some green shoots into the availability of the container, not particularly the cost factor. So we are watching the situation. We cannot define a number to it, because you see our FOB and CNF keeps on moving to certain extent, and there are new customers also added, which demands CNF cost. So with a better exposure to the number, we will report to you later, but now we cannot give you a definitive number.

Palash Kawale: Okay, sir. And sir, did we lose any volume because of availability?

Kailash Lalpuria: Not to that extent. But yes, certainly, it does impact our OTIF and deliverance to some. But as a company, because our strategy is committing to the customer and we are a customer-centric organization, we forgo the cost at the level of providing service to the customer. So that is our prime objective. So definitely, we keep that intact, keeping in mind the customer service and not the cost. So going forward also, that strategy will be adopted. And we will try to see how we can service the customer better. And with the kind of volumes which we handle, we are certainly having priorities in the marketplace, so we get a better option to deliver.

Palash Kawale: Okay, sir. And sir, India's market share in bedspread has increased from Jan to May this year. So do you see this trend going forward? Like will we continue to gain market share here also? Because last year, India had lost some market share here.

Kailash Lalpuria: No, even last year, on the increased revenue, we reported 19%, the same number, but that was increased revenue. So we haven't gone down in those categories. But certainly, yes, we are working on it, and our team is putting the best effort to see how we can add up. We have invested into a new fashion bedding unit, and that will help us project a better image to the overseas customers that we are a major player in this. So definitely, that we will be able to provide you better inputs in our next call, because the year has just started, and with the festive season in the front, we should be able to report better numbers going forward in these categories.

Palash Kawale: Okay, sir. Sir, if I could squeeze one more question. So year-on-year, our volume has grown by 26.5%. So do you see this number being maintained? And do you see any upside to our guidance on volumes?

Kailash Lalpuria: See, we'll currently stick to our guidance of 110 million meters to 115 million meters. Of course, our endeavour is to improve the number. With the kind of this run rate and with the capacity at hand, we'll definitely work towards improving this number going forward, like our own guidance, but we'll be able to better provide you with this improvement in our next con call.

Moderator: The next question is from the line of Surya from Sunidhi Sikhar.

Surya: Sir, congrats for the good set of volume growth, which is 26%. So one question is that going forward, because of the recent brand acquisition strategy that we have adopted, so when can we see a meaningful rise in the EBITDA margins maybe closer to 18% to 19% from the current band of around 15% to 17%?

Kailash Lalpuria: See, earlier what we reported, even now with the kind of impact on expenses where we are investing and the logistic expenses, we have almost been impacted by almost 1.5% in our EBITDA during this quarter. We are watching the situation closely on the logistics side. While I say this, on the branding side, we can see traction moving upwards from FY'26 onwards.

Because what we need to do during this year is to project this brand to the consumer in a better way and bring back the glory of Wamsutta and the other licensed brands. We are into positive discussion with customers, and this will also help us expand our product mix, because not only bedding, this will also help us into sourcing other product categories across the globe and see that how we can increase our both volume and value.

So going forward, our strategy is, through this brand, elevate our premium and limited segments, to expand our product mix, to utilize our capacities through operational leverage, work upon omnichannel, expanding as a D2C brand, and overall building our capabilities to showcase and improve our perceived value in the marketplace. So altogether, this will help us improve our margin profile going forward as what we mentioned. But this will only get reflected from FY'26 onwards.

Surya: So shall we mean that -- if you can pencil on the numbers sort of going forward. So will it be fair to assume that around 25 million meters of additional volume growth will be coming from the brands apart from the steady state of growth currently we are observing from our existing portfolio. So if that is the case, then I will, let's say, assume 10% before FY'25 and 30% for FY'26, and FY'27, 60%.

Kailash Lalpuria: No, this calculation does not support the capacity consumption, because the overall brand volume and value will not be just bedding alone. It will be other product categories also. So even if we consider 50% as what we had projected and 100 million in the next three years, the branded goods sales, if we take 50 million and through which at higher margin level and higher value level, we can safely say that we will be able to consume almost like around 8% to 10% of our existing capacity. Because both the value and the margin profile will be higher on the branded goods side, and we are not going to consume just on the bedding side. As I mentioned earlier, we will be also promoting towel, rug, pillows, etcetera, as a new product mix in this branded business.

Surya: Okay. So instead of 25 million meters, we can expect 50 million meters altogether?

Kailash Lalpuria: No, no, no. I don't think so calculation supports. As I mentioned, this, we will see a traction FY'26 onwards. We cannot have such a capacity consumption during this year.

Surya: No, I'm not expecting this year. I'm expecting from FY'26. That is why I was taking precaution of 10% this year only and 30% for FY'26 and 60% rest will be FY'27. That is what I am assuming.

Kailash Lalpuria: No, I think we should discuss offline, so we'll be able to better answer and explain you in a full way our branded strategy for both...

Surya: Okay. And sir, another point is that because we are growing at a very rigorous pace, so that would be leading to capacity constraint maybe in FY'27, because then, FY'26, I see around capacity utilization sector could be touching 90%. So what would be the sort of case going forward so far as capex is concerned, whether we'll be considering Bhilad expansion then?

Kailash Lalpuria: So yes, to a certain extent, you are right. You see, when we put up on the drawing board our 153 million meters capacity, our endeavour is to see how we reach this number very quickly and sell this capacity very quickly. But realistically, with the kind of challenges in the marketplace; realistically, in order to grow the overall vertical across the board with fundamentally a strong footing, we need at least 3 years to double our revenue. So we are confident as an organization that we will be able to double our revenue in the next 3 years. That's what we have indicated in our guidance as well. So post that, say, in FY'27, the Board will come across with the kind of capacity utilization to see that how to invest further.

Surya: Okay. Apart from bedding, are we looking at any additional adjacencies like pillows and others in the bedding segment itself?

Kailash Lalpuria: So with the kind of strategies, we always look at opportunities, and we are into both inorganic and organic growth because the company is debt-free. And we are on a fundamental footing with a good customer base and a good service level. And with this kind of volume, we are in a leadership position. So definitely, we look at opportunities which come in the way, and we are open to discussions. We are also looking actively to see that how we can strengthen our all verticals, whether it is fashion, utility, institutional, and all omnichannel also, like online and offline, as well as our domestic branded business.

Because these are huge opportunities for us to grow each and every vertical. And utility is also one of them because the China+1 strategy is clearly visible. The China as a country is dominating this category for a long time, and we are seeing some green shoots for Indian companies to strengthen their position in this business. So we are also looking actively into how we can participate in this growth.

Surya: Okay. And sir, looking at the current logistics affairs due to the ongoing geopolitical situation. So would it not be fair to assume that the offshore production, because we have to be exporting maximum to U.S., so like U.S.-centric production will be far more -- I mean, will be capital efficient than local production?

Kailash Lalpuria: I cannot comment on this, but to logistical challenges, yes, in this new world, we have to make our organization resilient and build our model in such a way that we can absorb all this volatility. Once you look upon our growth in the first quarter, it means that we have built this resilient organization to absorb all the necessary volatility.

So this is how we have demonstrated, with both our capacity and capabilities, to move up the ladder and to see how we do even offshore venture and get into areas where we are new and develop them as a completely new vertical with a lot of market share building. So I think, to think about on the logistics side and decide something will not be correct. But yes, whatever opportunities which comes in our way in order to develop offshore manufacturing or offshore trading, we will definitely seize those opportunities.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: Congratulations on good volume growth, sir. Sir, wanted to understand this brand strategy over the next 3 years. How much share of your revenue do you target to get from brands, and you're targeting which geographies for the same?

Kailash Lalpuria: Good question, Prerna. So first of all, I would correct that brand strategies are built for midterm and long term. So Wamsutta is clearly a long-term strategy for us as a company and not only for 3 years. And as I mentioned, we will be working initially into North America. And as the brand has recognition worldwide in more than 45 countries, we will elevate it to the next level once we learn and are able to promote it effectively in the North American market. So that's about Wamsutta and the opportunity there.

Secondly, on the licensing brands, like the existing ones, GAIAM and Jasper Conran are doing well, respectively, in the U.S. and U.K. And Fieldcrest & Waverly have been just added in order to complete the demographic and the existing consumer space and the customer segment. So Wamsutta will be established in the departmental and the club levels, whereas you see other brands will have an open access to all kinds of retailers out there.

And secondly, in the next 3 years, we have already indicated that our branded goods sales, we are targeting almost 100 million in all the brands taken together. So that's what the ambition is. And moving forward, we also plan to see that we add new product mix and new categories as a strategy to our existing bedding range. So this will provide us a lot of opportunity to grab more market share in these new product ranges. And it also will enhance our capabilities into sourcing within the U.S. and grab more market share with the retailer through other product categories as well, like towels, rugs, and pillows, and other home textile products.

So the overall branded strategies have completely switched upon our company's overall strategy of sales and marketing by helping us not only sell to the mass merchant but helping us to sell overall in the branded and the premium segment as well. So these are the opportunities going forward, both short term, midterm, and long term.

Prerna Jhunjhunwala: Okay. And sir, could you please add India progress as well to this?

Kailash Lalpuria: Certainly. Because India is a growing market, it's a $5 trillion economy coming in force, say, maybe another 4, 5 years, and we are growing at a good GDP rate, and the middle-class consumer base is growing very strongly, where their need are aspirational, they need good brands and good products to decorate their home. The overall outlook of wellness and luxury will help us promote better end goods in the Indian market also.

And our brands, Boutique Living and Layers, have been extremely -- accepted very well pan-India among the distribution base, and we will leverage this opportunity to see that how we can increase our market share in the domestic market as well. Coming to our licensed brands and Wamsutta, at appropriate time, we will see to it, once we establish the distribution base and the point of sale, we will leverage our branding strategy in India as well.

Moderator: The next question is from the line of Yash Sonthaliya from Buoyant Capital.

Yash Sonthaliya: Congrats for the good set of numbers. So my first question is, can you please provide me with the absolute increase in the inventory from the base of March 2024?

Kailash Lalpuria: See, the inventory in absolute number, we will provide you offline. But what you can see that, because of increased activity and the increased revenue, we do need to invest into inventory and the supply chain as indicated earlier also. Because there are so many volatilities and headwinds on the logistics side, like container availability, the cost of the containers, the freight charges, and the availability of other raw material goods as well.

So we are investing into supply chain as indicated earlier to see that how we can develop a better service level to our customers. And let me tell you that supply chain security will be much more important than the cost factors going forward. And as a company, it's our policy to see that once committed, we kind of service our customers to the last level. So on these strategies, the inventory levels have gone up to a certain extent, but these are investments for the future. Just for example, for cotton, we are covered until October.

Yash Sonthaliya: Got it. And sir, second, like the 100 million target what we have from the brand, what margins we will make on that?

Kailash Lalpuria: See, we have already indicated that the margin on the branded business ranges between 22% to 24%. So the product mix sales and the branded goods sales will definitely help us improve our margin. And that's why we have provided a band also of 16% to 18%.

Moderator: The next question is from the line of Pankaj from Affluent Assets.

Pankaj: Congrats on good set of numbers. Sir, just wanted to understand, since you are moving from, say, a commodity product now towards branded, what would be the margin structure post, say, FY'25 or '26, when you will be fully implementing this brand strategy?

Kailash Lalpuria: See, our endeavour is always to make better margins, and that's the reason we have this branded strategy. We acquired Wamsutta. So as a company, you see, from a commodity supplier, we are switching on to serving much more branded products in the marketplace. And we have also developed strategies around fashion bedding and utility and institutional in order to increase our margin profile. And that's why we have improved from 15% to 17% last year with a band of 16% to 18%.

So while our endeavour is there, but as you see, being in a country with growing inflation and with the geopolitical situation and the logistical changes as what we see, certainly, our margins get impacted in the process. But our endeavour always is to better this band of 16% to 18% to 18% to 20% going forward with both operational leverage as well as selling better end product.

Pankaj: So this quarter, you have reported margins of 16.2%, which was because of the higher expenses related to logistics and brand building. What are the adjusted margins for this quarter, which will exclude these one-time costs -- expenses?

Kailash Lalpuria: I already mentioned that 1.25%, it got impacted due to the logistics charges as well as investment into building brands.

Pankaj: So you mean to say, we had reported -- adjusted margins would be around 17.5%.

Kailash Lalpuria: Exactly. You have calculated rightly.

Pankaj: So going forward, with advent of this brand, would we not be able to build upon more on this as our share of branded products increases in our total portfolio?

Kailash Lalpuria: Certainly. I did mention about that with a complete answer that are endeavour is always -- see, why somebody would invest into brand? Why we will invest INR85 crores in Wamsutta? Why we will invest into talent and making expenses on to showroom and product development and innovation and all that? To get better margin business.

And as I mentioned, with this brand strategy, we have elevated ourselves into the premium and the branded segment as well. So apart from selling to mass merchants, we always will aspire to sell to stores like Nordstrom, West Elm, Pottery Barn, Williams Sonoma, Saks Fifth Avenue. So we will aspire to go to the better end of the market and grab market share out there, which will certainly help in improving our margin profile.

But you cannot assume that today, with the increasing expenses in India, you cannot identify or notify how much that brand incremental will bring in on the margin side. Yes, we are aspiring, and we are working towards this. And we will see to it that some or other how we have a better product mix going forward, which will help us improve our margin profile.

Pankaj: Sir, last question. You mentioned that you'll endeavour to double our top line in the next 3 years. So by FY'27, would we be able to cross INR7,000 crores with margins of...(inaudible)

Kailash Lalpuria: Let me correct. Let me correct. When we were there at INR3,000 crores, we had indicated that we will go to INR6,000 crores in 3 to 4 years. And that's where we are trying to double our revenue with the necessary investment in both the core capacity as well as you see in the branded segment and other product categories. And that's the reason we have flagged out, say, almost 7 verticals for the company.

And on each vertical, we are working hard to see that we develop that category into a business in itself. And there lies the full strategy to see that how we can sell and market the product in each vertical categories and bring about this change to achieve the new milestone of doubling our revenue in the next 3 to 4 years. So definitely, we are on target. As you can see, in Q1, we reported almost a volume growth of 26.5% despite logistical challenges.

Pankaj: Okay, sir. But the only disappointment was margin.

Kailash Lalpuria: Where is the disappointment? See, already I told you, if you do not adjust the logistical expenses and branding expenses, we are at 17.5%, and Q1 is the most toughest quarter for us, and we had provided a record-breaking Q1, both with volume, value, revenue, and the margin. What else we can do?

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management.

Naveen Baid: I just wanted to kind of clarify that you spoke of getting to 100 million from your branded side. So that's a cumulative number, or that's the number, on the volume side, you wish to achieve by FY'27?

Kailash Lalpuria: It's a cumulative number. Because we have to slowly build it up, like, say, maybe first year, we may do 5 million, 10 million; then we do 30 million, 50 million; then we do 100 million. So it's like we'll reach to that target. Because in the overall revenues, if we are able to build in 100 million -- say, for example, in 500 million, hypothetically, if we are able to build 100 million, we are at 20% of branded additional business going forward.

Naveen Baid: Okay. And this 100 million, obviously, will require some increased capacity. So what are your plans in capex?

Kailash Lalpuria: So we are servicing through this existing capacity only.

Naveen Baid: Yes, as of now. I wanted to clarify once the branded business ramps up.

Kailash Lalpuria: Yes. Definitely. As I mentioned earlier also, in FY'27, the Board will look at the capacity utilization and the business overall, and we'll take appropriate decisions. We are a debt-free company. So we have all the means to expand our capacity. And I have mentioned in my last call as well that in our Bhilad capacity, we have got appropriate land to double our capacity going forward.

Moderator: The next question is from the line of Shrinjana Mittal from RatnaTraya Capital.

Shrinjana Mittal: Congrats on a good set of numbers. I have two, three questions. So one is on the growth side, sir. So your growth is -- you've done about 27% of volumes for this quarter. So would it be possible to give more color on where are we able to clock this high growth from? Is it largely because of the China+1 shift, because of which India is gaining share, and so are we? Or is it also because we are adding new customers and also maybe upselling to the existing customers? Just a little more color on the growth side. That would be helpful.

Kailash Lalpuria: So you have answered my question, in fact. So not only the existing customers are served better, but we are adding up new customers, number one. Number two, the China+1 strategy is clearly shown in the Otexa data that they are losing ground. And particularly on the sheet side, India increased its percentage share from 58% to 64%. Now as a company, we are well-positioned. So one sheet in every five sheets sold in the U.S. is the market share which we enjoy.

So on that basis, this has added up to this kind of growth. Certainly, we focus on the bedding side. But as a company, we are quite competitive and we are a debt-free organization where we can take up strategies to see how we can become much more competitive and meaningful for the customer, which we have a good base of. So these are all the strategies.

Lastly, I would like to say that even the FTAs in Australia and UAE had helped us to certain extent into growing our value proposition to the new customer base out there. Because earlier we were paying duty over there. And that's the reason, it will be a cherry on the cake if we get the U.K. FTA, because we have an office showroom, and we have a good customer base in the U.K. as well. So that's the reason for our growth confidence, which we have indicated during this year.

Currently, we will stick to the guidance of 110 million to 115 million, which we have provided, but we will come back to you as situation changes. And certainly, the freight and logistics challenges are continuing, but we are watching it closely, and with the kind of volume and the exports, we are able to see that we get some priority in this part. And that's the reason we have performed well in the first quarter, and we are confident of performing in the other quarters as well.

Shrinjana Mittal: Understood, sir. Just a follow-up on that. So when we guide for the revenue growth, we are guiding for some 20% plus revenue growth. So what percentage of that would be coming from the new customers, and what would be coming from the increasing wallet share and this China+1 playing out?

Kailash Lalpuria: We cannot define that what percentage will come, but as I mentioned, the growth always comes from the existing business portfolio as well as the new customer base and new geographies. And as I mentioned, the FTA of Australia and UAE is also helping the company to garner more market share in these regions. So it is across the board the growth is coming. And overall, as I mentioned that the fashion, utility, institutional business, which we are trying to grow since the last 5, 6 years; and our strategies into developing B2C and D2C omnichannel distribution base also is helping the company to draw up this growth plan for the future.

Shrinjana Mittal: Understood, sir. Just one more question. Our depreciation this quarter is a little bit on the higher side. What could be the reason for that compared to the last quarter?

Kailash Lalpuria: So these are like capex which we had done and the amortization of our brand expense, which has come into this quarter. And so whatever investments which we are doing, the depreciation is bound to increase to a certain extent, and this has happened in this quarter.

Shrinjana Mittal: Understood. Sir, the cash for the acquisition has already gone through in this quarter, the Wamsutta acquisition?

Kailash Lalpuria: Sorry, I didn't understand you.

Shrinjana Mittal: The cash for the Wamsutta acquisition, that has gone in this quarter? Is that paid?

Kailash Lalpuria: We have already mentioned that in our investor deck that we have paid nearly INR85 crores through our internal accruals, where we haven't drawn any debt to make payment for our brand.

Moderator: The next question is from the line of Amruta Deherkar from Wealth Managers (India) Private Limited.

Amruta Deherkar: Sir, could you please tell us more on the Australia business? Like what are the margins there? And what is the kind of market potential in bed linen that we are addressing in Australia?

Kailash Lalpuria: See, Australia is similar to U.K. as far as per capita consumption of home textile is concerned. So it is a good market out there. It has got a limited population of around 25 million, but the consumption is high as compared to what U.K. has. The retail structure out there is quite dynamic, and we have been recognized as one of the key suppliers in these areas as what we have been in other geographies as well. They are looking at focused players who can service them well and who are financially sound. So, post FTA, we have seen an upsurge into their approach. And since they are also having a China+1 strategy, they are looking at Indian suppliers and we are one among them.

Being a leader in this category, we are getting priorities into getting inquiries from both existing customers and new customers. And we feel that going forward, the FTA will certainly help India to post better numbers of exports to Australia. The only hiccup currently is the trans-shipment out of Singapore and the cost structure as compared to China. But looking at the logistics issues for everybody, China will be at similar levels to us. So we see there an opportunity to grow our business in the Australian market, both with the existing and the new customer base.

Amruta Deherkar: So what is the kind of market potential that we see in bed linen in Australia?

Kailash Lalpuria: See, market potential is good overall. Now with the kind of complete market out there, definitely, it's a good market. That much I can say, but I cannot give you a number that this will be my number, or this is the industry number.

Amruta Deherkar: And like from Australia, do we export to the U.S.?

Kailash Lalpuria: See, we are not based out of Australia in manufacturing. Why we should look at that, like exporting out of Australia to the U.S. doesn't make a sense as a question, I think, or I have not understood it properly.

Amruta Deherkar: No, I mean, I was talking about the GHCL acquisition that we've done. That has given us capacity in Australia if I'm not wrong. Or is my understanding wrong there?

Kailash Lalpuria: No, no. There's no capacity. GHCL has a home textile division in Bhilad, and they have a textile business of spinning in Madurai. That's all I know about. And what we acquired as a slump sale as the home textile division of theirs in 2022. And we have built this up to an efficient level. Just imagine, they were at 8% EBITDA, and our overall EBITDA for the company, including the capacity consumption out there, with the value and volume, we have brought it up to 16% plus level. So that's what our team has geared up and have delivered to see that the acquisition was meaningful and has worked judiciously for us. And going forward, we will leverage this capacity acquisition further to expand our footprint in all the other markets apart from the U.S.

Moderator: The next question is from the line of Varun Gajaria from Boring AMC.

Varun Gajaria: Sir, just one question. We've seen a rise in our share in branded segment while the realizations haven't improved as much. So if you could just shed some light on that.

Kailash Lalpuria: Come again with your question, please. You were not audible very clearly.

Varun Gajaria: Yes. I just wanted to understand that considering our share of revenues from the branded segment has increased, but vis-à-vis our realizations haven't increased as much, haven't improved as much. So if you could shed some light on that.

Kailash Lalpuria: So the overall EBITDA, as I mentioned, got impacted by 1.25%. So our adjusted EBITDA is around 17.5%. So it is still good. What we have given the band also of 16% to 18% as a guidance is maintained.

Varun Gajaria: Okay. I was alluding to realization for…

Kailash Lalpuria: Also, you see we have just acquired Wamsutta brand just this year, in this quarter. And we have invested into the licensed brand also in this quarter alone. So the brand sales will come only in FY'26, as I mentioned earlier, because we will be promoting this for Spring/Summer FY'26. So the sales have not got added up in this year to that extent.

Moderator: The last question is from the line of Mangesh from Almondz Financial Services.

Mangesh: In the call, many times you have mentioned about the logistic issues and supply chain related investments. So how is the situation? Is it likely to improve or it is likely to just remain same and we have to adjust to these realities?

Kailash Lalpuria: So as I mentioned, you see we are watching the situation closely. There are 2 issues. One is getting the containers, and the other is the cost factor. Now there are some green shoots into getting the containers as we speak. So going forward, it may improve, but currently, it has not improved. That much I can say. And with the increased revenues going forward, as per the guidance which we have provided, definitely, we will be able to absorb to certain extent these expenses. But as on date, the situation is fluid. It's not corrected to the extent what we desire.

Mangesh: Okay. So our guidance of at least 16% to 18% margin is largely the result of the lower end, 16.5%. That's what...

Kailash Lalpuria: No, with the increased revenue -- because see, we have already delivered 26.5% volume growth. So if you look at on a yearly basis, whatever guidance which we have given, if we are able to achieve the higher band of our guidance, then definitely it will offset whatever additional expenses to this account are. And we will try to see that how we can bring about operational leverage and sell better.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. K. R. Lalpuria for closing comments.

Kailash Lalpuria: Thank you. We remain committed to utilizing our capacities efficiently to maximize our growth potential. Our strategic focus on a branded approach is showing promise, and we anticipate continued upward momentum in volumes and market share gains. Leveraging our strong debt-free balance sheet further supports our ability to drive innovation and seize opportunities. We are confident that these efforts will position us for sustained success and enhance our market leadership. Thank you very much.

Moderator: Thank you. On behalf of Indo Count Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.