

August 28, 2025

Indo Count Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund based – Term Loans	246.06	118.79	[ICRA]AA- (Stable); Reaffirmed
Long-term - Fund based – Cash Credit#	1,260.00	1,500.00	[ICRA]AA- (Stable); Reaffirmed
Short-term - Non-fund based – Letter of Credit / Bank Guarantee	137.00	137.00	[ICRA]A1+; Reaffirmed
Long-term/short-term – Unallocated Limits	120.30	7.57	[ICRA]AA-(Stable)/ [ICRA]A1+; Reaffirmed
Total	1,763.36	1,763.36	

*Instrument details are provided in Annexure I; # Interchangeable to pre/post shipment credit

Rationale

The ratings reaffirmation continues to favourably factor in Indo Count Industries Limited's (ICIL) established position as one of India's leading home textiles exporters, particularly in the bed linen segment, extensive experience of its promoters in the industry and the company's long-term relationships with key customers, which leads to repeat orders. The company's large bed linen manufacturing capacity, enhanced through organic and inorganic routes over the last few years and partial backward integration through own cotton spinning units lend strength to its operational profile. In addition to the core business (bed linen), ICIL is focusing on increasing its presence in the utility bedding items like pillow, quilts etc. and other home textiles products, for which it acquired the brand, Wamsutta, and two manufacturing units (for pillows and quilts) in the US in FY2025. It is also setting up a greenfield project (for pillows) in the US, which is to be commissioned in the near term. Besides, the company has invested in a few licensed brands, which are generating additional revenues. The asset and product diversification initiatives through acquisition/building up of capacities and investment in brands in the US are expected to drive ICIL's long-term growth.

The ratings, however, continue to remain constrained by the company's high geographical and customer concentration of revenue, with exports to the US accounting for about 70% of its core revenue from bed linen, and the top two customers accounting for more than 30% of the consolidated revenue in FY2025. These expose the company to geo-political risks and may result in potential revenue loss if a key customer is lost. In the recent past, the US tariff-related uncertainties and imposition of reciprocal tariff by the US adversely impacted the performance of most of the Indian home textiles players, including ICIL. In Q4 FY2025 and Q1 FY2026, on a YoY basis, the company's sales volumes of bed linen dropped by 11% and 7%, respectively and the realisations declined by 3% and 13%, respectively. Increasing revenues from the new businesses in the US partially mitigated the impact of tariff-related challenges on the company's consolidated revenue, which declined by 6% in Q4 FY2025, but improved moderately by 2% in Q1 FY2026. After a significant contraction in the consolidated operating margin by around 660 basis points in Q4 FY2025 on a YoY basis, the company was able to limit the operating margin contraction to around 390 basis points in Q1 FY2026 by changing its raw materials mix, controlling costs, etc. The company's profitability and debt coverage metrics are likely to remain under pressure until tariff-related uncertainties recede. However, the company also witnessed some margin moderation in the recent quarters due to increase in employee costs and other fixed expenses in its US operations for the acquired units/brands. As new business segments begin contributing more revenue, ICRA expects a gradual improvement in margins, resulting from increased absorption of fixed costs. Besides, the company's growing operation in the US is likely to alleviate the tariff related uncertainties to some extent. Nevertheless, imposition of additional tariff could adversely impact revenue and profitability of all the entities in this line of business, including ICIL, and would remain a key monitorable.

The ratings draw comfort from ICIL's conservative capital structure and adequate liquidity buffer despite a sizeable cash outlay towards capex/acquisition in FY2025. However, ICRA notes the working capital-intensive nature of ICIL's business due to high stocking requirements owing to seasonal availability of raw material (cotton), notwithstanding a decline in the inventory days and the overall working capital intensity in FY2025. The working capital intensity is likely to improve gradually, going forward, with an increasing share of US operation, wherein the working capital cycle is shorter. The vulnerability of ICIL's revenue and earnings to volatility in cotton prices and fluctuation in foreign exchange rates also constrain the ratings to an extent. The Government's policy on export benefits would also remain a key monitorable as ICIL, like other home textiles exporters, currently derives a significant portion of its profits from export incentives.

The Stable outlook on the long-term rating reflects ICRA's opinion that ICIL's expanded domestic capacity and increasing capacity for the US operation would provide a significant scope for scaling up, product line extension and value addition. The company's conservative capital structure and adequate liquidity, despite sizeable capex and acquisitions in the recent years, are likely to keep its credit profile resilient amid weakening of revenue growth and profitability inflicted by the US tariff related challenges. Nonetheless, its overall performance in the coming quarters will be closely monitored.

Key rating drivers and their description

Credit strengths

Experience of promoters and established presence of the company in the home textiles industry – The company continues to benefit from over three decades of experience of its promoters in the textile business. ICIL was incorporated by Mr. Anil Kumar Jain, Chairperson-cum-Executive Director, in 1988, as an export-oriented spinning unit and has expanded over the years to become a full-fledged home textile manufacturer. Its product portfolio mainly includes bed sheets along with value-added institutional, fashion and utility bedding categories.

Long-term relationships with reputed clientele, leading to repeat orders – ICIL's major customers include global big-box retailers in the US, Canada and Europe such as Walmart, Costco, Revman, Kohl's, JC Penney among others. ICIL differentiates itself from competitors through its track record of superior product quality and timely execution of contracts. The company enjoys established and long-term relationships with its key customers, which are expected to continue to translate into high repeat orders, thereby contributing to revenue visibility and operational stability.

Healthy financial profile with conservative capital structure and an adequate liquidity position – ICIL's capital structure remains comfortable with a healthy net worth base (Rs. 2,278 crore as of March 31, 2025) despite debt-funded acquisition and sizeable capex undertaken by the company in the recent years. Its gearing stood at 0.6 times as on March 31, 2025, and the peak gearing remained below 1 times (0.8 times as on March 31, 2022) since FY2019. The coverage metrics moderated in FY2025 due to a decline in profits and rise in debt during the year for acquisition and capex for new businesses, as reflected by the interest coverage of 4.5 times and DSCR of 2.5 times during the years vis-à-vis 8.4 times, 3.9 times, respectively, in FY2024. No major improvement in the coverage metrics is expected in FY2026, given the ongoing industry headwind. Nevertheless, ICIL's conservative capital structure and adequate liquidity buffer, with around Rs. 240-crore free cash and liquid investments and around Rs. 300-crore unutilised working capital as of June 2025, are expected to support the credit profile amid the business disruption caused by the US tariff related uncertainties.

Increasing capacity and investment in brands in the US operation resulting in asset and product line diversification – After expanding the bed linen and yarn manufacturing capacities in India significantly in FY2022 and FY2023, the company has focussed on strengthening its footprint in the US since FY2025. In April 2024, the company acquired the Wamsutta brand, which has a strong brand recognition among the US consumers for its wide range of home textiles products. The brand has been re-launched in July 2025 through an online channel and is expected to boost ICIL's presence in the direct-to-consumer (D2C) segment significantly, going forward. Besides, the company has a few licensed brands in the US, which are generating incremental revenues. A major portion of the output of Fluvitex and Modern Home, in which 81% and 100% equity stake were acquired in September 2024 and October 2024, respectively, are being sold through the acquired/ licensed brands. Previously, ICIL mainly used to deal in bed linens in the US market. However, the acquired entities are involved in production of top-of-

the bed (TOB)/ utility bedding products (Fluvitex: both pillows and quilts; Modern Home: pillows of wider varieties), which will enable ICIL to capture the market of the products in the US. The company's greenfield pillow project in North Carolina, US, which is scheduled to be commissioned in September 2025, will enhance the overall production capacity in the US significantly. The strategic locations of the plants in the US will also enable ICIL to cater to a wide geography. The share of revenues flowing in from the new businesses in the US stepped up meaningfully to 13% in Q1 FY2026 from 7% in FY2025 and 2% in FY2024, and are expected to rise at an accelerated pace in the coming few years. Enhanced asset and product line diversification emanating from expansion of the US operations will reduce the risk of ICIL's overall business profile. Increased employee cost and other fixed expenses for the US operations posed a drag on ICIL's consolidated operating profitability since H2 FY2025. However, the operating leverage to be derived from the rising US revenues are likely to make the new businesses margin accretive in the medium term.

Credit challenges

Significant geographical and customer concentration of revenue – ICIL's sales exhibit a high degree of geographical and customer concentration with the US accounting for around 70% of its exports of bed linens from India and the top two customers accounting for more than 30% of its revenues at present. Loss of any major customer could have a material impact on ICIL's revenue and growth prospects. However, long and established relationships with major customers mitigates client attrition risks to an extent. ICRA notes the company's plans to diversify its revenue by exploring new geographies and expanding its product portfolio. India's recent free trade agreement with the UK, from where ICIL derives around 10% of its exports, and such trade deals with other countries may open up avenues for geographical expansion for Indian home textile players, including ICIL. The company also plans to increase its presence in the domestic market, which now has a small share of 2.0-2.5% of its total revenues. Nevertheless, in the medium term at least, the company's performance will remain dependent on sustainability of demand growth and geopolitical scenarios in the US, its key market.

High working capital intensity of operations due to sizeable stocking requirements, albeit order-backed inventory – ICIL's operations remain working capital intensive due to the need for large stocking of raw materials owing to seasonal availability of cotton. The company's working capital intensity, measured by the net working capital to operating income (NWC/OI), moderated to 41% in FY2025 from 44% in FY2024 as the inventory days declined to 135 from 159, though the same were still at a high level. While the high inventory levels impact the company's return metrics to an extent, an order-backed stocking policy mitigates inventory write-down risks. The company's working capital cycle in the US operation remains relatively shorter due to lower stocking requirements. Hence, an increasing share of revenues from the US is likely to result in a decline in ICIL's working capital intensity, to some extent.

Vulnerability of revenues and earnings to volatility in raw material prices, foreign exchange rates and changes in export incentives offered by the Government – ICIL's revenues and earnings are exposed to the risks arising from volatility in prices of cotton, yarn and fabric. Being a net exporter, the company is exposed to foreign currency fluctuation risks, which could impact its margins in times of high volatility in exchange rates. Nevertheless, the company is following a defined policy of hedging 40-50% of its net forex exposure, and the net unhedged exposure remains limited compared to its operating profit. ICIL's margins are also exposed to the risks of changes in the Government's export incentive scheme. Over the last five years, export incentives accounted for 40-60% of ICIL's operating profits and any reduction in the same could impact the margin profile of the business. The existing incentive structure is valid till March 2026, however, a track record of sustenance of favourable export benefits by the Government in the past few years provides comfort.

Environmental and social risks

Environmental considerations – ICIL's key raw material (cotton) is an agricultural commodity, availability and prices of which are susceptible to agro-climatic risks, which could impact its profitability. Moreover, textile processing is a water-intensive activity, exposing ICIL's business to risks arising from unavailability of water in the plant's vicinity. Dyeing of fabric is also a major source of water pollution and its two ancillary activities – spinning and weaving – are sources of noise pollution. These expose ICIL to the tightening of pollution control norms along with operational and financial implications from non-compliance

of existing regulations. However, the company has taken measures, including installation of effluent treatment plant, water recycling facilities and noise cancelling systems to mitigate the risks to an extent.

Social considerations – ICIL is exposed to social risks such as compliance (or the lack of it) with health and safety standards mandated by the Government and various regulatory bodies. Further, it is exposed to the adverse consequences arising from shifting societal trends and consumer preference for sustainable products, which could translate into substantial investments required by the company. However, the company’s focus on sustainability across the value chain from procurement to packaging aids in risk mitigation to an extent.

Liquidity position: Adequate

ICIL’s liquidity continues to remain adequate. The company had free cash and liquid investments of around Rs. 240 crore as on June 30, 2025. It has a healthy buffer (Rs. 300 crore as of June 2025) in the form of unutilised working capital limits. ICIL’s cash flow from operations remained healthy at Rs. 230 crore in FY2025, improving from around Rs. 47 crore in FY2024, and is expected to increase further in FY2026 due to a likely reduction in the working capital requirement despite lower operating profitability. Compared to this, it has lower debt repayment obligations (around Rs. 100 crore annually till FY2028, excluding lease liabilities). The company’s cash outlay towards the acquisition of Wamsutta brand and two manufacturing units in the US stood at around Rs. 350 crore. Besides, it incurred a capex of Rs. 31 crore in FY2025 for setting up the greenfield project in the US for which the pending capex of Rs. 99 crore will be incurred in FY2026. The overall capex, excluding leases, stood at Rs. 514 crore in FY2025 and is estimated at Rs. 214 crore for FY2026. ICIL availed term loans of around Rs. 200 crore in FY2025 for the acquisitions and an additional term loan of Rs. 100 crore is being availed in the current fiscal to fund the pending capex for the greenfield plant. The company does not have any further major capex plans in the medium term as there is adequate unutilised capacity at present. The normal capex will be in the range of Rs. 50-70 crore annually.

Rating sensitivities

Positive factors – The upgrade of the long-term rating is unlikely in the near term, given the challenging business environment owing to the US tariff related uncertainty. However, ICRA may upgrade ICIL’s long-term rating, going forward, if the business environment turns favourable and the company is able to demonstrate a substantial and sustained increase in its scale of operations. Besides, improvement in revenue diversification while maintaining a healthy capital structure and comfortable coverage metrics will be considered positively.

Negative factors – ICIL’s ratings could be downgraded in case of continuing pressure on the company’s revenues and/or profitability, translating into weakening debt protection metrics and liquidity on a sustained basis. Any large unanticipated debt-funded capital expenditure, an increase in working capital cycle, and/or loss of a major customer, impacting the company’s financial risk profile, could also put pressure on the ratings. Specific credit metrics, which could result in ratings downgrade, include DSCR below 2.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Fabric
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ICIL. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

Indo Count Industries Limited (ICIL), incorporated in 1988, is one of India's leading exporters of home textiles, mainly bed linen. The company has its bed linen manufacturing unit in Kolhapur, Maharashtra and Bhilad, Gujarat with an aggregate capacity of 153 million metres per annum (mmpa). The company has enhanced its manufacturing capacities both through organic and inorganic routes. The unit in Bhilad, Gujarat, with a capacity of 45 mmpa, was acquired in April 2022 from GHCL. The company also has weaving and spinning facilities, which partially meet its requirements of yarn and grey fabric internally. A spinning unit (Pranavadiya Spinning Mills Limited) in Kolhapur was acquired in 2007 and was merged with ICIL with effect from October 20, 2022. ICIL has a 9.3-MW (including 1.3-MW roof top) captive solar power capacity in its Bhilad plant and some additional roof top solar capacity in its Kolhapur plant. It also has tie-ups for purchases of wind power. The company has a few subsidiaries and stepdown subsidiaries based in India, the US, the UK and the UAE. In FY2025, it acquired the Wamsutta brand and two manufacturing entities in the US – Modern Home Textiles Inc. (a 100% stake) and Fluvitex USA Inc. (a 81% stake), with the total annual capacities of 13 million pillows and 1.5 million quilts – to strengthen presence and widen its product portfolio in the US market. It also has a few licensed brands. The company has embarked on a greenfield project to set up a manufacturing plant in North Carolina, US to increase the pillow manufacturing capacity by 18 million per annum. ICIL is listed on NSE and BSE. As on June 30, 2025, the promoter group held 58.74% equity shares of ICIL.

Key financial indicators (audited)

Indo Count Industries Limited (Consolidated)	FY2024	FY2025	Q1 FY2025*	Q1 FY2026*
Operating income	3,581	4,174	950	967
PAT	338	246	78	38
OPBDIT/OI	16.4%	13.4%	16.2%	12.3%
PAT/OI	9.4%	5.9%	8.2%	3.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.9	-	-
Total debt/OPBDIT (times)	1.6	2.6	-	-
Interest coverage (times)	8.4	4.5	7.3	3.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current ratings (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 28, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term Loans	Long Term	118.79	[ICRA]AA-(Stable)	Jun-10-25	[ICRA]AA-(Stable)	May-28-24	[ICRA]AA-(Stable)	-	-	Feb-16-23	[ICRA]AA-(Stable)
Fund based – Cash Credit*	Long Term	1,500.00	[ICRA]AA-(Stable)	Jun-10-25	[ICRA]AA-(Stable)	May-28-24	[ICRA]AA-(Stable)	-	-	Feb-16-23	[ICRA]AA-(Stable)
Non-fund-based limits	Short Term	137.00	[ICRA]A1+	Jun-10-25	[ICRA]A1+	May-28-24	[ICRA]A1+	-	-	Feb-16-23	[ICRA]A1+

Unallocated Limits	Long Term/Short Term	7.57	[ICRA]AA-(Stable)/[ICRA]A1+	Jun-10-25	[ICRA]AA-(Stable)/[ICRA]A1+	May-28-24	[ICRA]AA-(Stable)/[ICRA]A1+	-	-	Feb-16-23	[ICRA]AA-(Stable)/[ICRA]A1+
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*Interchangeable to pre/post shipment credit

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based – Term Loans	Simple
Long-term - Fund based – Cash Credit	Simple
Short-term - Non-fund-based limits	Very simple
Long term/short-term – Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	FY2022	NA	FY2026	10.00	[ICRA]AA- (Stable)
NA	Term Loan-II	FY2022	NA	FY2028	31.01	[ICRA]AA- (Stable)
NA	Term Loan-III	FY2023	NA	FY2029	77.78	[ICRA]AA- (Stable)
NA	Cash Credit*	NA	NA	NA	1,500.00	[ICRA]AA- (Stable)
NA	Non-fund based limits	NA	NA	NA	137.00	[ICRA]A1+
NA	Unallocated Limits	NA	NA	NA	7.57	[ICRA]AA- (Stable)/ [ICRA]A1+

Source: Company; *Interchangeable to pre/post shipment credit

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Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Indo Count Retail Ventures Private Limited	100%	Full Consolidation
Indo Count Global Inc., USA	100%	Full Consolidation
Indo Count UK Limited	100%	Full Consolidation
Indo Count Global DMCC	100%	Full Consolidation
Fluvitex USA Inc. (with effect from September 01, 2024)*	81%	Full Consolidation
Modern Home Textiles Inc. (with effect from October 11, 2024)*	100%	Full Consolidation
Indo Count Global East, Inc. (with effect from January 24, 2025)*	100%	Full Consolidation
Indo Count (Shanghai) Commercial Co., Ltd. (with effect from June 06, 2025)*	100%	Full Consolidation

Source: Quarterly results of Q1 FY2026; *Stepdown subsidiaries of ICIL

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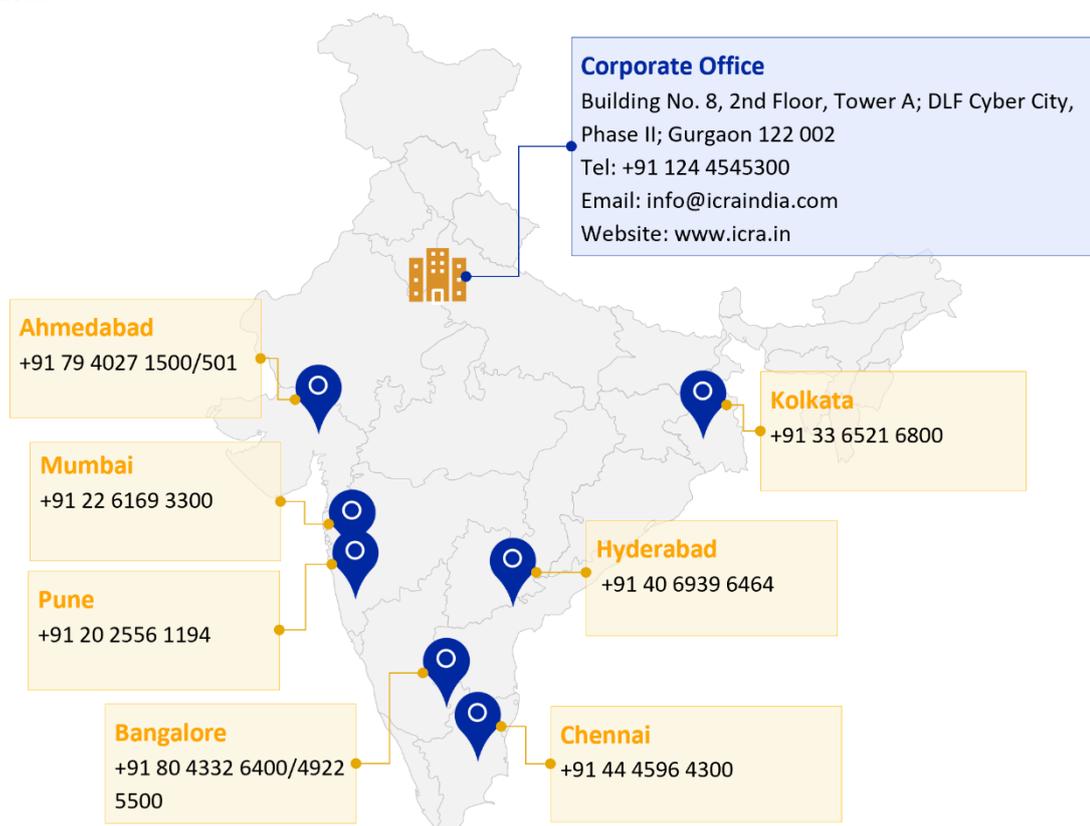
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