Indo Count Industries Limited

December 15, 2021

On Dec 06, 2021, the Board of Directors of Indo Count Industries Limited (ICIL) has approved the acquisition of Home Textile business of GHCL Limited (CARE AA-/Stable/CARE A1+), which includes manufacturing facilities of 45 million meters annually located at Vapi, Gujarat on a going concern basis, by way of slump sale and the acquisition of specified assets (inventory and intellectual property) of Grace Home Fashions LLC (US subsidiary of GHCL Limited). Indo Count Global Inc. (subsidiary of ICIL), would acquire the identified assets of GHF. The overall consideration for acquisition of Home Textiles Business is Rs.539 crore on a debt and cash free basis of which fixed consideration is Rs.340 crore and balance Rs.199 crore is towards net realizable current assets. Additionally, Indo Count Global Inc., USA, would be paying Rs.37 crore to GHF as a purchase consideration towards the assets purchased. The transaction is expected to be consummated by March 2022 subject to required approvals.

Impact of Material Event

CARE takes note of the said acquisition and the ratings remain unchanged for ICIL at CARE A+/Positive/CAREA1+. The acquisition will lead to addition of almost 50% capacity and strengthen ICIL’s market position as the largest Home Textile Bedding company, globally, with annual capacity of ~153 million meters. Further the product profile of GHCL’s home textile division is complementary to ICIL’s product portfolio. ICIL would be able to cater to growing export demand along with penetration in new market in Europe and Australian where GHCL has a presence. The consolidated revenue and accruals are expected to witness sharp growth going forward as the management of ICIL expects that the acquired capacity has a revenue potential of Rs.1300 crore – Rs.1500 crore over next two to three years. ICIL will be majorly utilizing its internal accruals and existing cash & cash equivalents of Rs 350 crs (as on Sept 2021) along with debt of around Rs 200 crs for funding the acquisition. Despite the transaction being funded by a mix of internal accruals and debt, capital structure and coverage indicators are expected to remain comfortable in near term. Notwithstanding this, any change in funding mix leading to significant increase in debt levels resulting in deterioration in capital structure and debt coverage metrics would be a rating monitorable. CARE will continue to monitor the developments with regard to the said acquisition.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: Click here

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