Indo Count Industries Ltd (INDCOU)

CMP: ₹ 344 | Target: ₹ 418 (21%) | Target Period: 12 months | BUY

June 2, 2026

Good Q4; consistent growth outlook ahead

About the stock: Indo Count Industries (ICIL) is the world's largest bed-linen player. It has portfolio of ~25 brands (licensed + owned) to position well in US and other export markets. It has 4 manufacturing facilities in India with capacity of 153mn meters and 3 plants with 32.5mn pieces in the US.

Q4FY26 performance: Consolidated revenues grew by 3.4% YoY to Rs.1057.7cr. Volumes declined 20% YoY to 20.5mn metres while realisation improved due to product mix and favourable currency exchange rate. Input cost was favourable during quarter aiding 588bps YoY expansion in gross margins to 57.1%. EBITDA margins declined 62bps YoY to 8.2%. EBITDA declined 4% YoY to Rs.86.3cr. Higher other income and lower interest cost aided 60% YoY growth in Adjusted PAT to Rs.33.8cr in Q4FY26

Investment Rationale:

- **Core business revenues to scale to Rs.4000cr in FY27:** ICIL's standalone (core business) revenues declined by 18% YoY to Rs.3098cr with volumes declining by 11% YoY to 94.1mn metres due to elevated US tariffs of 50% in FY26. The reduction in US tariff on Indian exports to 10% improves India's competitiveness and is expected to drive recovery in the core business volumes in FY27. Realisation is also expected to improve with price hikes and improved portfolio mix. Capacity utilisation of the core business is expected to improve to 71% in FY27E (from current levels of 62%) and consistently improve ahead in-line with the steady demand outlook. Improving volumes coupled with higher realisations are expected to aid the standalone (core) business revenues to scale close to ~Rs.4000cr in FY27.
- **New business revenues to double to ~Rs.1500cr in FY27:** ICIL's new business revenues stood at Rs.792cr in FY26 driven by scale-up of utility business and US branded business. ICIL operationalised a greenfield pillow facility in North Carolina with 18mn pieces capacity which takes the company's total utility bedding capacity to 32.5mn pieces (31mn pieces pillow + 1.5mn pieces quilt). The existing facilities are operating at 65% utilisation levels while the new facility is expected to scale to 60-65% utilisation levels in FY27. With improving utilisation levels, the volume growth is expected to be at ~45-50% in FY27 which along with realisation growth is expected to aid ~54% growth in utility bedding revenues in FY27. This coupled with steady scale up of the US branded business is expected to drive new business revenues close to the guided range of ~Rs.1500cr in FY27.
- **EBIDTA margins expected at ~13% in FY27 and improve further over the coming years:** New business incubation costs and higher US tariffs led to 325bps YoY decline in EBITDA margins to 9.7% in FY26. With tariff related uncertainties easing, core business margins are expected to return to 15% and new business is expected to achieve breakeven in FY27, the consolidated EBIDTA margins are expected to reach ~13% in FY27. Further, utility business and US branded business EBIDTA margins are expected to scale-up 15% and 17% with sustained growth ahead. This will help overall EBIDTA margins to cross the historical levels of 15% in the medium term.

Rating and Target Price: We maintain our Buy recommendation on the stock with revised price target of Rs.418 (valuing at 16x its FY28E EPS of Rs26).

Key Financial Summary

Key Financials (Rs Crore)	FY23	FY24	FY25	FY26	3 year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	3011.6	3557.1	4151.4	4141.3	11.2	5270.3	6274.4	23.1
EBIDTA	454.3	559.0	537.2	401.2	-4.1	669.6	913.3	50.9
EBIDTA Margins(%)	15.1	15.7	12.9	9.7		12.7	14.6	
Adjusted PAT	276.8	337.9	250.0	143.2	-19.7	325.8	514.1	89.5
EPS (Rs.)	14.0	17.1	12.7	7.3		16.5	26.0	
PE (x)	24.6	20.2	27.3	47.6		20.9	13.3	
EV to EBIDTA (x)	16.5	13.6	15.1	20.2		12.0	8.6	
RoE (%)	16.4	17.4	11.4	6.2		13.0	17.9	
RoCE (%)	11.1	13.0	9.5	5.9		9.9	13.3	

Source: Company, ICICI Direct Research

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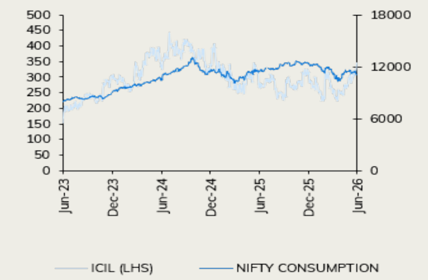
Particulars

Particular	Amount
Market Capitalisation (Rs crore)	6813
Debt (FY26) - Rs crore	1591
Cash (FY26) - Rs crore	314
EV (Rs crore)	8091
52 week H/L (Rs)	357 / 217
Equity capital (Rs crore)	39.6
Face value (Rs)	2

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	58.7	58.7	58.7	58.7
FII	9.9	10.0	9.9	9.9
DII	5.2	5.3	6.0	5.7
Others	26.2	26.0	25.4	25.7

Price Chart



Key risks

- US continuing 50% tariff will continue to put stress on margins.
- Demand slowdown and uncertainty in key operating countries.
- Exposure to Foreign Currency risk

Research Analyst

Kaustubh Pawaskar
kaustubh.pawaskar@icicisecurities.com

Abhishek Shankar
abhishek.shankar@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Q4FY26 – Key performance highlights

- Consolidated revenues grew by 3.4% YoY to Rs.1057.7cr in Q4FY26. Standalone revenues reported 12.4% YoY decline in revenues to Rs.757.9cr while new business revenues stood at Rs.270cr continuing to scale up on sequential basis.
- Volumes for Q4FY26 witnessed 20% YoY decline to 20.5mn meters impacted by US tariffs which remained elevated for majority of the quarter. Realisation witnessed uptick during the quarter due to improvement in product mix and favourable currency rate.
- Standalone business revenues declined by 12.4% YoY to Rs.757.9cr om Q4FY26. Standalone business which is largely India business was impacted by elevated tariffs during the quarter. Though revenues declined, it witnessed expansion in EBITDA margin of 274bps YoY to 8.8% largely aided by reduction of tariffs in the second half of Q4FY26.
- New business revenues stood at Rs.270cr in Q4FY26. The business continues to witness accelerated growth on a sequential basis and is now at a run rate of ~Rs.1100cr.
- Consolidated gross margins improved by 588bps YoY to 57.2% aided by favourable input cost environment. Consolidated EBITDA margins declined 62bps YoY to 8.2% during the quarter. As standalone margins expanded by 274bps, subsidiary margins continued to be under pressure at ~6.6% due to incubation cost of new business and ramp up cost of new facilities in US. Consolidated EBITDA declined 4% YoY to Rs.86.3cr.
- Higher other income (due to forex hedges) coupled with lower interest cost aided 60.1% YoY growth in Adjusted PAT to Rs.33.8cr in Q4FY26.
- Exceptional item included Rs.12.8cr interest paid for IGST settlement during the quarter adjusted to which reported PAT grew by 14.6% YoY to Rs.24.2cr in Q4FY26.

Exhibit 1: Q4FY26 consolidated result overview (Rs. cr)

Particulars	Q4FY26	Q4FY25	y-o-y (%)	Q3FY26	q-o-q (%)
Total Revenue	1057.7	1022.6	3.4	1062.8	-0.5
Raw material cost	452.3	497.4	-9.1	495.4	-8.7
Employee cost	142.9	118.4	20.7	122.3	16.8
Other expenses	376.2	317.0	18.7	344.9	9.1
Total operating cost	971.4	932.8	4.1	962.6	0.9
EBITDA	86.3	89.8	-3.9	100.2	-13.9
Other income	30.0	6.0	-	11.4	163.2
Interest & other financial cost	30.8	36.1	-14.9	29.5	4.3
Depreciation	42.6	34.1	25.1	39.4	8.2
Profit Before Tax	43.0	25.5	68.2	42.7	0.6
Tax	9.2	4.4	107.2	11.4	-19.5
Adjusted PAT	33.8	21.1	60.1	31.3	8.0
Minority Interest (MI)/ Profit from associates	0.0	0.0	-	0.0	-
Adjusted PAT after MI	33.8	21.1	60.1	31.3	8.0
Extra-ordinary items	9.6	0.0	-	6.9	-
Reported PAT	24.2	21.1	14.6	24.4	-0.9
Adjusted EPS (Rs.)	1.7	1.1	60.1	1.6	8.0
Margins	**Q4FY26**	**Q4FY25**	**bps**	**Q3FY26**	**bps**
GPM (%)	57.2	51.4	588	53.4	384
EBITDA Margin (%)	8.2	8.8	-62	9.4	-127
NPM (%)	2.3	2.1	22	2.3	-1
Tax rate (%)	21.3	17.3	401	26.7	-535

Source: Company, ICICI Direct Research

Exhibit 2: Q4FY26 standalone result overview (Rs. cr)

Particulars	Q4FY26	Q4FY25	y-o-y (%)	Q3FY26	q-o-q (%)
Total Revenue	757.9	864.8	-12.4	779.3	-2.7
EBITDA	66.5	52.2	27.4	72.5	-8.2
Profit Before Tax	57.7	11.8	-	43.7	31.9
Tax	11.3	3.6	-	11.5	-2.4
Adjusted PAT	46.4	8.2	-	32.2	44.2
Reported PAT	36.8	8.2	-	25.3	45.6
Adjusted EPS (Rs.)	2.3	0.4	-	1.6	44.2
Margins	Q4FY26	Q4FY25	bps	Q3FY26	bps
GPM (%)	59.0	48.0	-	55.0	395
EBITDA Margin (%)	8.8	6.0	274	9.3	-52
NPM (%)	4.9	0.9	391	3.2	161
Tax rate (%)	19.5	30.6	-	26.4	-686

Source: Company, ICICI Direct Research

FY26 – Key performance highlights

- Consolidated revenues were flat at Rs.4141.3cr in FY26. Volumes witnessed 11.1% YoY decline to 94.1mn metres impacted by higher US tariffs during the year. Impact in Q1 was largely due to portfolio realignment by big box retailers Q2 and Q3 was focused on absorption of tariffs to protect market share while first half of Q4 witnessed elevated US tariffs and second half witnessing lower tariffs.
- Standalone business revenues declined 18% YoY to Rs.3098.4cr in FY26. New business revenues stood at Rs.792cr with continued ramp up of utility bedding business and addition of Wamsutta to US branded business.
- Gross margins recorded 122bps YoY decline 54.3%. EBITDA margins declined 325bps YoY to 9.7% impacted by higher cost due to scale up of new business, tariff absorption and lower operating leverage. EBITDA reported 25% YoY decline to Rs.401.2cr
- Higher depreciation due to addition of new plants on account of acquisition in US and lower EBITDA led to 43% YoY decline in adjusted PAT to Rs.143.2cr.

Q4FY26 – Earnings call highlights

- **Operating environment and demand trends in US remain steady despite inflation**
    - The management indicated that US demand remains healthy despite inflationary pressures, with no material slowdown observed in end-consumer offtake. Retailers have successfully passed on price hikes and consumers have accepted the higher price points.
    - Order inflows were impacted during Q4FY26 due to uncertainty around elevated US tariffs, as customers delayed procurement decisions. However, demand has normalized following the reduction in tariff rates and the company is witnessing improving business momentum.
    - The company does not expect any significant inventory restocking cycle in the US, as retailer inventory levels are largely normalized and demand is being driven by regular consumption.
    - The management expects core business volumes to recover in FY27, supported by a more stable trade environment and improved visibility from key retail customers.

- **Consolidated revenues to grow by 30%+ to ~Rs.5500cr with margins guided to be at ~13% in FY27**
    - The management has guided consolidated revenue of approximately Rs.5,500cr in FY27, implying over 30% YoY growth, driven by recovery in core business and strong scaling up in new businesses.
    - Volume guidance stands at 105-110mn meters vs 94mn meters in FY26, reflecting improved demand visibility and normalization of customer ordering patterns.
    - The management has guided for EBITDA margins of around 13% in FY27, aided by operating leverage, improving utilization in utility bedding operations, normalization of the tariff environment and better product mix.
    - The utility bedding business is expected to turn EBITDA positive from Q1FY27.
    - While raw material inflation across cotton, polyester, chemicals, energy and packaging remains a near-term headwind, management expects to pass on cost increases through customer price negotiations over the coming quarters.

- **Segment wise highlights and guidance**

Core Business

- Core business revenue stood at Rs.3,419cr in FY26 and management expects it to reach approximately Rs.4,000cr in FY27, driven by normalization of demand and improved export opportunities from upcoming FTAs.
- Non-US markets contributed nearly 30% of core business revenues during FY26, with management targeting 20% growth from these geographies in FY27.
- Product mix is witnessing normalization after a period of down-trading by consumers, supporting better realizations and profitability.
- Core business margins are expected to normalize towards ~15% levels in FY27.

New Business

- New business revenues increased to Rs.792cr in FY26 and are expected to nearly double to ~Rs.1,500cr in FY27. The company remains on track towards its long-term target of ~Rs.2,500cr revenue from new businesses by 2028.
- Utility bedding continues to scale well, with the North Carolina facility commencing operations during FY26. Total pillow manufacturing capacity has increased from 13 million to 31 million units annually. 1.5mn quilts capacity is also added during the year.
- Utility bedding contributes nearly two-thirds of new business revenues, while branded businesses contribute the remaining one-third.
- Over the medium term, management expects utility bedding margins to reach ~15%, while branded businesses could generate margins 100-200 bps higher than the core business.

- **Capex and Debt outlook**
  - The company has announced a growth capex plan of Rs.250cr to be executed over the next 12-18 months, primarily focused on strengthening existing growth platforms. This includes the Rs.60cr capex towards expansion of spindle capacity by 24000 spindles in Kolhapur which will be commissioned in Q2FY28.
  - Approximately 75% of the capex will be funded through internal accruals, while the remaining 25% will be debt-funded.
  - Net debt reduced by Rs.200cr YoY to Rs.760cr as of FY26-end, reflecting improving cash generation and disciplined balance sheet management.
  - Long-term debt stood at Rs.425cr, with scheduled annual repayments of Rs.85-90cr over the next few years.
  - Management expects no material increase in leverage despite planned growth investments, supported by improving profitability and cash flows.
  - Working capital cycle remained stable at around 120 days and is expected to remain broadly under control even as revenues scale up.

Revision in earnings estimates

We have reduced our earnings estimates in FY27E by 3% to factor in lower than expected EBITDA while we have broadly maintained our estimates for FY28E.

Exhibit 3: Changes in headline estimates

(₹ crore)	FY27E			FY28E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	5245.1	5270.3	0.5	6297.5	6274.4	-0.4
EBIDTA	688.2	669.6	-2.7	917.3	913.3	-0.4
EBIDTA margin (%)	13.1	12.7	(50)bps	14.6	14.6	-
PAT	336.3	325.8	-3.1	518.2	514.1	-0.8
EPS (Rs.)	17.0	16.4	-3.1	26.2	26.0	-0.8

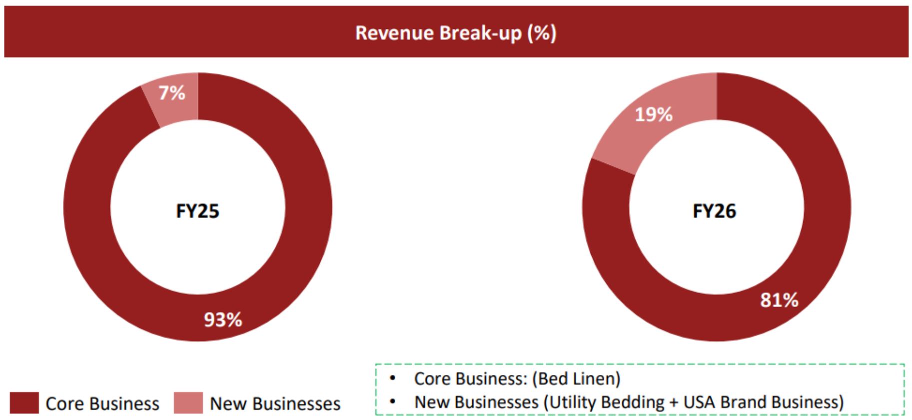
Source: Company, ICICI Direct Research

Exhibit 4: Key Operating Assumptions

Particulars	FY24	FY25	FY26	FY27E	FY28E
Standalone					
Volumes (In mn Mtrs)	96.8	106.4	94.1	107.9	122.4
Growth (%)	*29.6%*	*9.9%*	*-11.6%*	*14.6%*	*13.5%*
Realisation (In Rs./piece)	367.5	354.5	329.3	352.3	373.5
Growth (%)	*-8.9%*	*-3.5%*	*-7.1%*	*7.0%*	*6.0%*
Standalone Revenues	**3557.1**	**3771.6**	**3098.4**	**3800.2**	**4571.0**
Growth (%)	*18.1%*	*6.0%*	*-17.9%*	*22.7%*	*20.3%*
Utility Bedding business					
Volumes (In mn Mtrs)	0.0	0.0	14.6	21.8	22.4
Growth (%)	-	-	-	*48.9%*	*3.0%*
Realisation (In Rs./piece)	0.0	0.0	361.0	373.7	392.3
Growth (%)	-	-	-	*3.5%*	*5.0%*
Revenues	**0.0**	**225.0**	**528.0**	**813.6**	**879.8**
Growth (%)	-	-	*134.7%*	*54.1%*	*8.1%*
Branded Business					
Wamsutta + New Brands (In Rs. Cr)	0.0	0.0	264.0	343.2	463.3
Growth (%)	-	-	-	*30.0%*	*35.0%*
Other Brands	0.0	154.7	250.6	313.3	360.2
Growth (%)	-	-	*61.9%*	*25.0%*	*15.0%*
Revenues	**0.0**	**154.7**	**514.6**	**656.5**	**823.6**
Growth (%)	-	-	*232.6%*	*27.6%*	*25.5%*
Total Revenues (In Rs. Cr)	**3557.1**	**4151.4**	**4141.0**	**5270.3**	**6274.4**
Growth (%)	***18.1%***	***16.7%***	***-0.3%***	***27.3%***	***19.1%***

Source: Company, ICICI Direct Research

Exhibit 5: Improving share of new business



Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement Rs. cr

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Total Operating Income	**3557.1**	**4151.4**	**4141.3**	**5270.3**	**6274.4**
Growth (%)	*18.1*	*16.7*	*-0.2*	*27.3*	*19.1*
Raw Material Expenses	1513.8	1845.7	1891.8	2334.8	2729.4
Gross Profit	2043.2	2305.7	2249.5	2935.6	3545.1
Employee Expenses	312.5	432.5	506.7	597.9	705.5
Job Worked Charges	316.6	352.9	331.3	421.6	489.4
Other Expenditure	855.1	983.1	1010.4	1246.4	1436.8
Total Operating Expenditure	2998.1	3614.2	3740.2	4600.7	5361.2
EBITDA	**559.0**	**537.2**	**401.2**	**669.6**	**913.3**
Growth (%)	*23.1*	*-3.9*	*-25.3*	*66.9*	*36.4*
Interest	69.8	123.2	123.2	115.6	111.9
Depreciation	82.6	115.9	159.2	165.1	169.4
Other Income	43.7	39.5	69.5	44.0	51.2
Exchange gain & losses					
PBT	450.3	337.6	188.3	432.9	683.2
Less Tax	112.4	87.6	45.1	107.2	169.1
Adjusted PAT (before exceptional item)	**337.9**	**250.0**	**143.2**	**325.8**	**514.1**
Growth (%)	*22.1*	*-26.0*	*-42.7*	*127.5*	*57.8*
Exceptional item	0.0	0.0	16.5	0.0	0.0
Reported PAT	**337.9**	**250.0**	**126.7**	**325.8**	**514.1**
Growth (%)	*22.1*	*-26.0*	*-49.3*	*157.2*	*57.8*
EPS (Adjusted)	17.1	12.6	7.2	16.4	26.0

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement Rs. cr

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	294.2	210.5	73.7	281.8	462.9
Add: Depreciation & Amortization	82.6	115.9	159.2	165.1	169.4
Other income	43.7	39.5	69.5	44.0	51.2
Changes in the working capital	-357.4	-125.2	40.5	-341.2	-357.7
CF from Operating activities	**63.1**	**240.7**	**342.9**	**149.7**	**325.8**
(Purchase)/Sale of Fixed Assets	-172.7	-431.1	-253.4	-73.4	-65.0
Intangible Assets and Goodwill	-6.0	-240.3	-49.6	0.0	0.0
Bank balance	16.5	-7.0	-50.0	100.3	-190.0
Others	13.6	-52.1	78.3	-0.6	-0.7
CF from Investing activities	**-148.6**	**-730.5**	**-274.7**	**26.3**	**-255.7**
(inc)/Dec in Loan	85.5	547.8	26.3	-100.0	0.0
Change in equity & reserves	2.0	-17.8	-39.8	0.0	0.0
Dividend paid	-44	-40	-30	-40	-40
Other	42.5	13.0	-17.6	1.8	1.9
CF from Financing activities	**86.4**	**503.4**	**-60.8**	**-137.8**	**-37.7**
Net Cash Flow	0.9	13.6	7.4	38.1	32.4
Cash and Cash Equivalent (opening)	91.7	92.6	106.2	113.6	151.7
Cash	**92.6**	**106.2**	**113.6**	**151.7**	**184.1**
Free Cash Flow	**-109.6**	**-190.4**	**89.5**	**76.3**	**260.8**

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet Rs. cr

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Equity Capital	39.6	39.6	39.6	39.6	39.6
Reserve and Surplus	2049.5	2242.0	2315.7	2601.9	3076.4
Total Shareholders funds	2089.1	2281.6	2355.3	2641.5	3116.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total Debt	1017.2	1565.0	1591.3	1491.3	1491.3
Deferred Tax Liability	85.1	100.0	79.7	79.7	79.7
Other Non Current Liabilities	34.9	33.0	35.7	37.5	39.4
Total Liabilities	**3226.3**	**3979.7**	**4062.0**	**4250.0**	**4726.4**
Gross Block - Fixed Assets	1924.1	2305.8	2605.0	2678.3	2743.3
Accumulated Depreciation	591.3	683.3	842.5	1007.6	1177.0
Net Block	1332.8	1622.5	1762.5	1670.7	1566.3
Capital WIP	24.7	50.2	4.4	4.4	4.4
Fixed Assets	1357.5	1672.7	1766.9	1675.2	1570.7
Goodwill & Other intangible assets	32.2	272.5	322.1	322.1	322.1
Other non-Current Assets	39.2	91.2	12.9	13.6	14.3
Inventory	1142.5	1158.0	1250.9	1371.7	1633.1
Debtors	528.1	591.8	513.0	649.8	773.6
Other Current Assets	222.1	174.9	257.8	283.6	311.9
Loans & Advances	11.2	37.3	54.4	62.6	72.0
Cash	92.6	106.2	113.6	151.7	184.1
Liquid investments & bank balance	143.3	150.3	200.3	100.0	290.0
Total Current Assets	2139.7	2218.6	2389.9	2619.4	3264.6
Creditors	308.2	231.2	371.5	317.7	378.2
Provisions	14.8	20.7	27.2	29.9	32.9
Other Current Liabilities	19.3	23.5	31.1	32.6	34.3
Total Current Liabilities	342.3	275.3	429.8	380.2	445.4
Net Current Assets	1797.4	1943.3	1960.1	2239.2	2819.3
Application of Funds	**3226.3**	**3979.7**	**4062.0**	**4250.0**	**4726.4**

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Per share data (₹)					
Adjusted EPS	17.1	12.6	7.2	16.4	26.0
Cash EPS	21.2	18.5	15.3	24.8	34.5
BV per share	105.5	115.2	118.9	133.4	157.3
Dividend per share	2.2	2.0	1.5	2.0	2.0
Asset Turnover (x)	1.8	1.8	1.6	2.0	2.3
Operating Ratios (%)					
Gross margins (%)	57.4	55.5	54.3	55.7	56.5
Operating EBIDTA margins (%)	15.7	12.9	9.7	12.7	14.6
PAT Margins	9.5	6.0	3.5	6.2	8.2
Return Ratios (%)					
RoE	17.4	11.4	6.2	13.0	17.9
RoCE	13.0	9.5	5.9	9.9	13.3
Valuation Ratios (x)					
P/E	20.2	27.3	47.6	20.9	13.3
EV / EBITDA	13.6	15.1	20.2	12.0	8.6
EV / Sales	2.1	2.0	2.0	1.5	1.2
Market Cap / Sales	1.9	1.6	1.6	1.3	1.1
Price to Book Value	3.3	3.0	2.9	2.6	2.2
Solvency Ratios (x)					
Debt / Equity	0.5	0.7	0.7	0.6	0.5
Debt / EBITDA	1.8	2.9	4.0	2.2	1.6
Working capital (days)					
Operating cash cyle	140	134	123	118	118
Working capital ratio					

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

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