

Date: 27<sup>th</sup> July, 2023

To  
The Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra- Kurla Complex,  
Bandra(E),  
Mumbai-400051

**NSE Symbol - IRISDOREME**

Dear Sir/Madam,

**Sub: Transcript of Earnings Conference Call of the Company**

**Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call held on 24<sup>th</sup> July, 2023 at 4:00 p.m. for discussing operational and financial performance for the 1<sup>st</sup> quarter ended 30<sup>th</sup> June, 2023.

The above information is also available on the website of Company at [www.irisclothings.in](http://www.irisclothings.in).

We request you to kindly take this on record.

Thanking you,

Yours Faithfully,  
For Iris Clothings Limited

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by SANTOSH  
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Date: 2023.07.27  
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**Santosh Ladha**  
Managing Director  
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# “Iris Clothings Limited Q1-FY24 Earnings Conference Call”

**July 24, 2023**



**MANAGEMENT: MR. SANTOSH LADHA – MANAGING DIRECTOR  
MR. HARSHVARDHAN SARDA – BUSINESS HEAD  
MR. NIRAJ AGARWAL – CHIEF FINANCIAL OFFICER**

**Moderator:** Ladies and gentlemen, good day and welcome to Iris Clothing Limited's Q1 FY24 Earnings Call.

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, please signal an operator by pressing ‘\*’ and then ‘0’ on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sonia Keswani from Ernst & Young IR Practice. Thank you and over to you, Ms. Sonia.

**Sonia Keswani:** Thanks, Dorwin, and good evening, everyone. On behalf of Iris Clothings Limited, I welcome all of you to the Company’s Q1 FY24 Earnings Conference Call. You would have already received the Q1 FY24 Results and Investor Presentation, which is also available in our filings with the exchange.

To discuss the Company's Business Performance during the quarter and the Outlook going forward, we have with us today Mr. Santosh Ladha – Managing Director, Mr. Harshvardhan Sarda – the Business Head, and Niraj Agarwal – the Chief Financial Officer of Iris Clothings.

Before we proceed with the call, a disclaimer. Please do note that anything said on this call during the course of the interaction and in our collaterals, which reflects the outlook towards the future or which should be construed as a certain forward-looking statement, must be viewed in conjunction with the risks the Company faces and may not be updated from time-to-time. More details are provided at the end of the Investor Presentation and other filings that can be found on our website, [www.irisclothing.in](http://www.irisclothing.in).

Should you have any queries or need any further information at the end of this call, you can reach out to us at the e-mail addresses mentioned in the Company collaterals.

With that, I would now like to hand over the call to Harsh. Thank you and over to you, Sir.

**Harshvardhan Sarda:** Thank you, Sonia. Good evening everyone. I'm Harshvardhan Sarda – the Business Head of Iris Clothings limited. Thanks for taking the time out to participate in our Q1-FY24 Earnings Call.

**I would like to initiate the call by sharing a few developments in the quarter that has gone by.**

I'm pleased to share that during Q1-FY24, we reported the highest margin in the last two years. More details on this will be shared by Niraj, our Company CFO, in his remarks.

Designing has always been one of our core strengths and to further enhance our products stack, we signed the licensing agreement with Disney or the UTV Software Communications Private Limited in November last year. This license basically allows us to launch apparels designed with characters such as Mickey, Marvel Avengers, Spiderman and all the characters under the Disney Universe, which will be Co-branded with our brand DOREMI. We will be leveraging the

tremendous popularity of these characters among kids, and we'll sell this under our premium category going forward.

We started this quarter with the launch of our Disney designed summer apparels and have been focused on manufacturing and launching more apparels under the Disney x DOREME brand going forward.

On the distributor network side, we have added five new distributors and expanded our presence in states like Maharashtra and Tamil Nadu. We are also planning to open a few Exclusive Brand Outlets in prime locations across the country to showcase our comprehensive collection.

**Now for the benefit of the larger audience, I would like to take a moment to talk about our Company.**

Iris Clothings Limited is a rapidly expanding Company specializing in children's apparel. Our focus is on designing, manufacturing, branding and selling garments. Our products are marketed under the well-received brand name DOREME, which we successfully launched within just one year of commencing operations in 2005.

Initially, DOREME found its market through a distributor-retailer network, headquartered in Mumbai. However, since then it has gained substantial popularity through positive word of mouth publicity. Our brand has also garnered widespread recognition in retail stores due to its outstanding quality and stylish collection, as well as our consistent ability to introduce new products featuring diverse designs. DOREME caters to a broad range of clothing needs for infants, toddlers, junior boys, junior girls, ensuring that both the indoor and outdoor requirements of the children are met. Our diverse product line-up includes T-shirts, trousers, joggers, night suits, Polyfill suits, rompers, and a comprehensive selection for our end customers.

Our brand has good presence in 26 states across India, with Maharashtra, Rajasthan, Gujarat and NCR being our key markets. We have close to 150 distributors now who are selling our products and this network is expanding as we speak. While most of our sale happens through this primary distribution network, we also have an online presence through e-commerce channels like FirstCry and our own direct to consumer platform [www.doremi.in](http://www.doremi.in).

We currently operate out of four key manufacturing sites based out of Howrah in West Bengal. The entire end-to-end process of garment manufacturing is completed in-house right from design development, cutting, printing, stitching, finishing, quality checks and eventually packaging. Therefore, a manufacturing infrastructure that is strongly backward integrated enables us to have better control over quality and be cost efficient at the same time.

Our installed capacity currently stands at 33,000 pieces per day, out of which at the moment we are manufacturing somewhere around 24,000 pieces per day.

Now our strategy going ahead in the coming quarters will be all about launching our wide range of products in varied designs, expanding our presence by onboarding more distributors in India and abroad as well. Also, we want to unlock cross-selling opportunities and grow our brand recall.

Now, I'll hand over the call to Niraj Agarwal, our Chief Financial Officer, who will walk us through the Q1 FY24 financial numbers for all of you. Thank you and over to you Niraj.

**Niraj Agarwal:**

Thank you, Harsh.

In Q1-FY24, our total revenue stood at Rs. 24.2 crores up by 3.8% year-on-year. EBITDA was at Rs. 6.4 crores up by 49.4% year-on-year basis and EBITDA margin was 26.3% against 18.2% in the same quarter last year. This came at the back of pickup in demand, contribution from new product categories and ease in raw material prices.

Our profit after tax stood at Rs. 3.1 crores up by 76.1% year-on-year basis and the PAT margin stood at 12.7% against 7.5% in Q1-FY23.

With this, I think we can now open the floor for questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mihir Desai from Pendulum Investments. Please go ahead.

**Mihir Desai:**

Actually, my first question was on FAMA license. So last quarter, I guess you had mentioned about attaining the license. Can you share the update on the same?

**Santosh Ladha:**

FAMA license is given by Disney. In that license, we can export to any of the countries in the whole world. It's like that. Whoever wants the product of Disney to be made from anywhere in the world they can get it done from our factory.

**Mihir Desai:**

So, Sir, have you received that license?

**Santosh Ladha:**

Yes, we have received that license.

**Mihir Desai:**

And any further contracts which we have signed for other garment companies?

**Santosh Ladha:**

Contacts are coming to us from Dubai, maybe from Saudi, but we have not signed anything yet. Because we are already doing our own production. In December, we will dispatch some garments under that FAMA license. And the contract will be signed maybe in August, not before that.

**Mihir Desai:**

My next question is on EBOs. As you had mentioned in the opening remarks, we are planning to open some EBOs. What would be your preferred location for the same?

- Santosh Ladha:** At present we are opening in West Bengal, maybe 5 EBOs will come this year. But we are looking for Udaipur, Ahmedabad, Hyderabad also for our upcoming EBOs.
- Mihir Desai:** What would be your tentative timeline of our first store for the same?
- Santosh Ladha:** First store will be opened within two months.
- Mihir Desai:** Coming to the macros as there is a buzz for the garments export and also specifically for the infants that if you can share some view on FTAs and the updates on FTAs and also throw some light on how the China Plus One will benefit us that would help.
- Santosh Ladha:** China deals in polyester materials and India deals in cotton materials. There is no competition between China and us. Our material is also 100% cotton, we deal in 100% cotton. So, it doesn't matter to us.
- Mihir Desai:** Are we looking for the exports of our garments?
- Santosh Ladha:** We are already exporting to Dubai, Saudi, Mozambique, Portugal in our brand. Some garments are going to Abu Dhabi, Kuwait, we have exported to Nepal also.
- Mihir Desai:** Just last question, which I wanted to ask that as you know, the major retailers, the big retailers in UK and USA are looking for an opportunity for getting garments manufactured in India specifically. Can you throw some light like are we looking to tie up with these major retailers in the coming future or if you can give some color on this?
- Santosh Ladha:** Yes, we are looking at that also, but maybe for that we are not prepared at present. We are preparing us. We'll start next year.
- Mihir Desai:** Are we planning for any Capex?
- Santosh Ladha:** Not at present, but maybe next year.
- Moderator:** Thank you. The next question is from the line of Karan from Niveshaay. Please go ahead.
- Karan:** I wanted to understand we launched the sportswear category recently and but I visited the website and the same was not available. Have we launched it only offline or are you planning it online as well?
- Santosh Ladha:** At present it's on offline only but from December onward you will have that stuff on online also.
- Karan:** And how is the demand in the offline market for the sportswear segment?
- Santosh Ladha:** It is very good. We have already done all the testing in sportswear. We are going for a big production for the coming December and we will be launching around 8 to 10 more styles in that. Some colour varieties and all range of sizes. You'll find that stuff online also.

- Karan:** And how is the traction online, if you compare offline and online and in online also we sell it through FirstCry and through our own website. So how is the contribution, if you compare our sales, what would be the online portion and what would be the offline one?
- Santosh Ladha:** Right now, online is 10% of our sales, not more than that. This includes both FirstCry and our own website.
- Karan:** And sir, raw material prices have fallen as well so how is the demand scenario right now. When I see industry-wide there is a slowdown right now but if you see the overall picture by when can we expect the demand scenario to improve as per your expectation in the market?
- Santosh Ladha:** Right now, raw material prices have fallen down quite a bit because of that there is no pressure on profits however we don't expect the sales number to improve big time in the coming quarter as well. But the profits will grow because the reduction in raw material prices will not impact our prices, MRP prices will not go down.
- Karan:** Right now, the raw material prices has fallen so it is fine so the prices will remain on the same line?
- Santosh Ladha:** MRPs will not go down.
- Karan:** So, for the next couple of quarters there will be a slowdown in the demand volume-wise. And sir how is the inventory moving like in this quarter has it increased or how is the scenario right now?
- Santosh Ladha:** Inventory is going to build up and in the next quarter it is going to build up because we are trying to capture our summer sales, which is highest in January, February, March. We are trying that we will go for maybe a hike of 50% or more compared to last year's sales.
- Karan:** We were going to launch the undergarment, so has the production of the same started? Has that been a part of the inventory build as well or the production has not started yet?
- Santosh Ladha:** Production has already started. That will be also launched within maybe one or two months, but the practical production will come in December only.
- Karan:** Large scale launch will happen in December only and the numbers will be visible from there onwards?
- Santosh Ladha:** Yes, the trial was going on. The sportswear trial is over and now we are doing trial on undergarments. We had started selling this offline on a small scale and we have been making a few changes now. The practical production will start in December.
- Moderator:** Thank you. The next question is from the line of Priyam Poddar from Value Equity Capital. Please go ahead.

- Priyam Poddar:** This is related to the launch of the Disney apparels. First of all, congratulations on the Disney winterwear launch and I just wanted to know what is the price differential that you are selling for the normal garment vis-à-vis cobranded Disney garment and a follow up to that was how much price varies for the summer wear versus winterwear?
- Santosh Ladha:** There is a lot of price difference between summer wear and winter wear. It's around 20%-25% more in winter wear and if we compare that to October, November, December, it is around 50% more of the summer value. But when we talk about Disney, it will again add 25% more on the garment.
- Priyam Poddar:** How much is the difference between normal and cobranded Disney?
- Santosh Ladha:** If you take our summer wear that has been launched co-branded with Disney, there will be a difference of maybe 15% to 20% of MRP and in winters it will come to around 25%.
- Priyam Poddar:** In our last con-call we were just seeing that know there would be a demand going up so last quarter we did a top line of Rs. 38 crores, however, in the current quarter, on a quarter-on-quarter basis our top line has dipped by 36%, any reasons why we weren't able to maintain our Q4 run rate?
- Santosh Ladha:** Quarter-on-quarter it's marginal growth. It is not dipped. Are you comparing from 31st March?
- Priyam Poddar:** Yes, the last quarter last quarter.
- Santosh Ladha:** We never compare Q1 with last quarter because every year, we do the highest sales in Q4. If you see, in the last five years, our last quarter has always been on the higher side. We cannot compare with the last quarter because it is the peak of summer and if you see for Kolkata and West Bengal, the market peaks in the summer only.
- Priyam Poddar:** Our EBITDA margins for this quarter was close to 26%, however, we anticipated that or it would be around close to 20% so is the 26% EBITDA margin sustainable? And would you like to revise your margin guidance for the full FY24?
- Santosh Ladha:** It is not like that. Right now, there has been an improvement in our EBITDA margin as raw material price has gone down because whatever apparel has been sold in this quarter that is been freshly made from the fresh inventories but the backlog inventories which is still left with us because of that this margin will come to around 20%-21%. And if the raw material prices remain the same up to December then the margin will slightly go up to maybe 22%.
- Moderator:** Thank you, The next question is from the line of Priyam Poddar from Value Equity Capital. Please go ahead.
- Priyam Poddar:** So as mentioned by the earlier participant you intend to incur some Capex so what would be the Capex that you are targeting to incur and what potential do you see that you'll be garnering the revenues, what is the target revenues for the next 2-3 years?



- Santosh Ladha:** If you talk about the revenues for two years then it will be around Rs. 200 crores. And as far as Capex is concerned, we are working on that because we are in the process. Currently, we are planning to open EBOs. Taking that in to account we will decide on the Capex, maybe next meeting we can give you some number.
- Priyam Poddar:** And would you be funding this Capex through internal accruals, or you would like to take a debt?
- Santosh Ladha:** We will take debt from the bank also as it is absolutely free. Because we don't have any term loan in our Company. A lot would be done through internal accrual as well but if we require a big amount we will take the decision accordingly.
- Priyam Poddar:** You also sell your products online so can we know what is the contribution of online D2C sales?
- Santosh Ladha:** The contribution of online is around 1%. It's not more than 1%.
- Priyam Poddar:** So, you see that there is a huge headroom of growth once you guys pick up?
- Santosh Ladha:** Yes, it's a growing market, but we don't want to burn our money in that. EBOs will give us more boost.
- Priyam Poddar:** Currently, if I understand you have been present online only to showcase that you are there like branding purpose, the margin profiling would be better in EBO rather than online, correct, is my understanding right?
- Santosh Ladha:** Definitely.
- Moderator:** Thank you. The next question is from the line of Gulshan Singh, an individual investor. Please go ahead.
- Gulshan Singh:** My first question is regarding the cotton side. You are using 100% cotton in your product or are you using some blended yarn also?
- Santosh Ladha:** We're using blended yarn also, but maybe 5% of our sales. Majorly, 95% we are using cotton.
- Gulshan Singh:** So, Sir, what about the spinning process, is it in-house or are you purchasing from the spinners?
- Santosh Ladha:** We are purchasing fabric from the fabric suppliers then everything is in-house.
- Gulshan Singh:** Sir, two more questions. The first one is recently in the South, many of the spinning mills have been closed down right now more than 1800 spinning mills have been shut down. So how it will impact you and the whole textile sector and what is your view on this sir?
- Santosh Ladha:** Closing down of the spinning mills is not going to affect us in any way because the yarns we purchase come from the higher mills so those mills do not have any issues today, as we speak.

- Gulshan Singh:** In margin front, like right now cotton prices are sustainable; it is around 55 to 60 but if it increases again in future like it happened last year, then what will be your margin guidance?
- Santosh Ladha:** Definitely if the raw material prices go up there will be pressure on margins also.
- Gulshan Singh:** So, any guidance sir? If we take a conservative approach, what kind of margin we can expect from the Company?
- Santosh Ladha:** Minimum 20% you can expect.
- Gulshan Singh:** Even if the price of our raw material cotton increases?
- Santosh Ladha:** If the prices go up to last year's prices, then we can expect EBITDA margin to be around 19% but not less than that.
- Moderator:** Thank you. The next question is from the line of Karan from Niveshaay. Please go ahead.
- Karan:** Sir you just talked about your plans to open five EBO stores so have we decided how much Capex we are going to spend this year or the next year?
- Santosh Ladha:** We have decided the expense of the EBOs for this year. It will be around Rs. 1 lakh for one store so for the coming five stores the expense will be around Rs. 1.5 crores. Once a couple of EBOs are opened, we can share the exact numbers and then we will be able to decide how many EBOs we can open in the future.
- Karan:** This will be company owned company operated stores?
- Santosh Ladha:** The EBOs which we are opening right now would be company owned company operated.
- Karan:** Will this be small format stores or they will be big?
- Santosh Ladha:** Small format stores may be 500-600 square feet to 1200 square feet.
- Karan:** I missed the Capex amount which you had shared earlier? Can you please repeat that sir?
- Santosh Ladha:** Capex for the EBOs for this year is Rs. 1.5 crores.
- Moderator:** Ladies and gentlemen, that was our last question. I would now like to hand the conference over to the management for closing comments. Over to you sir.
- Harshvardhan Sarda:** I would like to thank you all for joining into the call today. I hope we were able to address your questions in the best way possible. In case any of you have any other queries, post this call or anything remain unanswered, you may please contact our IR team at Ernst & Young. Thank you so much. Have a great evening.



*Iris Clothings Limited*  
*July 24, 2023*

**Moderator:**

Thank you. On behalf of Iris Clothings Limited, that concludes this conference. Thank you for joining us. You may now disconnect your line.