

Date: 9th February 2024

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 6th February, 2024 at 4:00 p.m. for discussing operational and financial performance for the 3rd quarter and nine months ended 31st December, 2023.

The above information is also available on the website of Company at www.irisclothings.in.

We request you to kindly take this on record.

Thanking you,

Yours Faithfully,
For Iris Clothings Limited

SANTOSH LADHA
Digitally signed by
SANTOSH LADHA
Date: 2024.02.09
18:26:53 +05'30'

Santosh Ladha
Managing Director
(DIN: 03585561)

Iris Clothings Limited

103/24/1, Foreshore Road, Howrah 711 102, India
+91 33 2637 3856 / 2640 4674 | info@irisclothings.in
CIN: L18109WB2011PLC166895

DOREME.in



“Iris Clothings Limited
Q3 FY '24 Earnings Conference Call”
February 06, 2024



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

MODERATOR: **MS. SONIA KESWANI – ERNST & YOUNG INVESTOR RELATIONS**

Moderator:

Ladies and gentlemen, good day and welcome to Iris Clothings Limited Q3 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and 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 your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sonia Keswani from EY Investor Relations. Thank you and over to you Ms. Sonia.

Sonia Keswani:

Thank you, Yusuf and good evening everyone. On behalf of Iris Clothings Limited, I welcome all of you to the company's Q3 FY24 Earnings Conference Call. You would have already received the 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 outlook, we have with us today, Mr. Santosh Ladha, the Managing Director, Mr. Harshvardhan Sarda, the Business Head and Mr. Niraj Agarwal, the Chief Financial Officer of Iris Clothing. 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.irisclothings.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 email addresses mentioned in the company collaterals.

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

Harshvardhan Sarda:

Thank you, Sonia. Good evening, everyone. I am Harshvardhan Sarda, the Business Head of Iris Clothings Limited and I would like to welcome you all to our Q3 FY24 Earnings Call.

Just quickly on financials, during the quarter, we reported a revenue growth of 15% year-on-year, driven by product enhancements in our infant wear vertical and new launches under our DOREME x Disney brand. We expect these two factors coupled with very strong demand for summer wear to drive our growth in Q4. Therefore, Q4 is expected to be our best quarter for FY24. More details on Q3 financials will be shared by Mr. Niraj, our CFO, once I conclude my remarks.

Now, talking about some key developments in the last 9 months in the company.

On the back of the licensing agreement signed with UTV Software or Disney, we can design and sell apparels with Disney and Marvel movie characters. Post our sample launch in January 2023, we launched our first batch of summer wear collection across India the same year in April, followed by a very good winter collection in July 2023. All these apparels are being sold under the DOREME x Disney brand. Going ahead, we plan to launch more product categories with different movie characters in a phased manner from the Disney universe. These product enhancements will not just boost our revenues and profitability, but also help grow our brand DOREME enormously.

We have begun expanding our presence through exclusive brand outlets, and we inaugurated two of them between September 2023 and October 2023 in Calcutta. Both these stores witnessed a strong demand during the festive season, followed by decent demand in the last two months.

Over the past 18 years, we have successfully built a strong retail distribution network with close to 160 distributors and 10,000 plus retailers, and also have built an online presence through www.doreme.in. We believe this to be an opportune time for us to explore our third leg of expansion through EBOs, which will allow us to be closer to our target customers, enhance our brand recall, and have a feedback loop that is much more effective. Therefore, in addition to the two stores, we plan to open three company-owned EBOs in Calcutta in the current quarter as well.

In the last nine months, we have also expanded our product categories in infant wear by at least 1.5x to take full advantage of the opportunity in this segment.

Apart from this, our B2B platform for wholesalers that we launched last year has been made more robust with additional functionality. There has been a wide acceptance of our platform among our distributors, and today most of our orders are coming from that portal.

I will now hand over the call to Niraj Agarwal, our Chief Financial Officer, who will walk us through the Q3 FY'24 financial numbers. Thank you, and over to you, Niraj.

Niraj Agarwal:

Good evening, everyone. Thank you, Harsh. In Q3 FY'24, our total revenue stood at INR23.5 crores, up by 15% year-on-year basis. This was driven by volume uptick given strong demand in existing and new product categories. Revenue witnessed a decline of 27% quarter-on-quarter basis. It is basically due to strong Q2 in distributors' limited pile-up inventory for winter wear. Therefore, it is best to compare our performance on year-to-year basis.

EBITDA margins grew by 732 basis points year-on-year basis, 23% due to normalization of raw material prices, which were impacting our margins during Q3 FY'24. We expect our EBITDA margins to be in the range of 23% to 25% for the full year FY'24.

Apart from this, profit after tax stood at around INR2 crores in Q3 FY'24, while PAT margins were 8% versus 4% in Q3 FY'23. In line with this, we also expect our finance cost to reduce by FY'25 onwards.

With this, we can now open the floor for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Priyam Poddar from Value Equity. Please proceed.

Priyam Poddar:

Thanks for the opportunity. I just wanted to ask, as you had mentioned in your opening remarks that you plan to open two to three EBOs in the quarter. I just wanted to know how much time does it take for the EBO stores to breakeven.

Harshvardhan Sarda:

Hi, Priyam. Good evening. So we have opened two stores as of now. And what we are expecting is we will be expecting around breakeven in 12 to 15 months from the stores. We have opened

two and we are planning to open three to four more this quarter. As time progresses, we will understand. But our projections are that we will be breaking even within 12 to 15 months.

- Priyam Poddar:** Okay. And till now, what is the total count of EBOs as of now?
- Harshvardhan Sarda:** As of now, we have two stores which we opened in September and October, respectively. After that, we will be opening three more in this quarter.
- Priyam Poddar:** Okay. And this is now something with regards to how you look your business for the next financial year. If you can help us with the margin range, like EBITDA or PAT margin guidance. Like any, that would be great. A range would also work.
- Harshvardhan Sarda:** So I think EBITDA margins, we are looking at maintaining our EBITDA margins from 23% to 25%. That will be our EBITDA margin range. And for PAT, we plan to improve PAT margins by a couple of basis points.
- Priyam Poddar:** Okay. That was helpful. I wish you all the best. In case if I have any further questions, I will be back in the queue.
- Management:** Thank you so much.
- Priyam Poddar:** Thank you.
- Moderator:** Thank you. Next question is from the line of Kartik Jain from Niveshaay Investment Advisories. Please go ahead.
- Kartik Jain:** Hello.
- Moderator:** Yes, Mr. Kartik. Please go ahead.
- Kartik Jain:** Good morning, sir. I have a couple of questions. Starting with, what is the volume and price growth in the quarter?
- Niraj Agarwal:** I am sorry, Kartik. Can you please repeat the question?
- Kartik Jain:** Sir, what is the volume and price growth in the quarter?
- Harshvardhan Sarda:** So, volume growth, we have done approximately 15%-20% in terms of volume growth this quarter. And price has relatively remained constant.
- Kartik Jain:** Okay, sir. Sir, next question. How many sales have we done through EBO since launch? And what is the expected contribution on yearly basis, sir?
- Harshvardhan Sarda:** So as of now, what we are doing is we are on a run rate of approximately 8-9 lakhs from our two EBOs per month. And in line with expectations, going forward with the number of stores we open, we will be coming up with stronger numbers going ahead.
- Kartik Jain:** Okay, sir. Sir, which are the top-selling categories among T-shirts, shirts, winter wear, sports wear, based on the contribution and overall revenue for nine months FY24?

- Harshvardhan Sarda:** So T-shirts is our top-selling category as of now. Both infant and the 6-16 category for T-shirts. That is our top-selling category which contributes approximately 50% of our top-line. And then frocks is basically dresses for infants is around 15% and lowers is the rest with approximately 10% coming from night-suits as well.
- Kartik Jain:** Okay, sir. Sir, how have we managed to reduce the inventory from INR54 crores in September '23?
- Harshvardhan Sarda:** So we are seeing a very strong uptick in demand for this quarter. We have built up inventory for this summer season which we are expecting to be one of our strongest quarters. So, by the end of this quarter, we will be comfortable in terms of inventory.
- Kartik Jain:** Okay, sir. Sir, what is the targeted working capital cycle for us for the full year basis?
- Harshvardhan Sarda:** Targeted working capital cycle for our full year basis would be somewhere around 160 days.
- Kartik Jain:** Okay, sir. Next question is, what is the contribution of exports in the overall mix in nine months FY24?
- Harshvardhan Sarda:** Our contribution of exports is somewhere around 5%.
- Kartik Jain:** 5% sir?
- Harshvardhan Sarda:** 5% of our total earnings.
- Kartik Jain:** Sir, how we are going to increase the export contribution in future?
- Harshvardhan Sarda:** So we are doing multiple events in this quarter and the coming quarter where we are participating in exhibitions with export clients coming in. So I feel there are multiple activities going on at the export front and we strongly believe that this will grow going forward.
- Kartik Jain:** Okay, sir. Sir, what is the capex plan for next two years?
- Harshvardhan Sarda:** For the coming year, we are looking at a capex of say INR3 crores to enhance the capacity, just stitching capacity for our plant as of now. And the rest of it we are still in the working for a bigger capex plan going forward. But it's still not finalized yet. It's in the working.
- Kartik Jain:** Sir, can you please give guidance regarding to revenue and margins for the full year of FY24 and the next year?
- Harshvardhan Sarda:** So this year we will be somewhere in the range of INR130 crores to INR140 crores. And margins will remain fairly constant as of next two to nine months. The margins are going to be similar to what it has been in the last nine months.
- Kartik Jain:** And sir, what about upcoming year?
- Harshvardhan Sarda:** So following year, we are looking at a 35% to 40% growth in terms of revenue. And margins to improve by a couple of basis points as well.

- Kartik Jain:** Okay. Thank you, sir. Thank you so much.
- Harshvardhan Sarda:** Thank you, Kartik.
- Moderator:** Thank you. Next question is from the line of Poonam Mehta from Shah Investments. Please go ahead.
- Poonam Mehta:** Can you please update us on sportswear that was launched last quarter?
- Harshvardhan Sarda:** Hi, Poonam. Yes, so we have launched sportswear to our distributors. Since the season is starting now, in terms of retail season, we will be getting major updates about the feedback of the products by the end of this quarter, I think. But we are seeing a strong demand from the distributors and there is definitely a gap, so we look forward to grow that category in the coming year as well.
- Poonam Mehta:** Okay, sir. And have you started using the FAMA license on Uluberia plant for designing apparels using Disney characters?
- Harshvardhan Sarda:** So, we have already started designing apparels for our brand with Disney characters and we are expanding. So we started with the Mickey character and we are expanding into multiple characters from the Disney universe. So that is what we are primarily doing right now.
- Poonam Mehta:** Okay sir. Thank you and all the best.
- Harshvardhan Sarda:** Thank you, Poonam.
- Moderator:** Thank you. Next question is from the line of Harmit Desai from Pendulum Investments. Please go ahead.
- Harmit Desai:** Thank you for the opportunity. So I have two questions on macro front and also on the business front. So starting from the business perspective, my first question would be, so what kind of revenue are we seeing with the B2C segment?
- Harshvardhan Sarda:** So B2C segment is something that we have just started on. If you look at it, we have just opened two EBOs that is what is primarily driving the B2C segment. And online B2C is something that we are watching very closely. We are not overspending on ads in that segment yet. But we are getting a good response in terms of organic traffic from our brand presence. So what we are trying to do is we are trying to leverage our offline market and try to bring some of those customers into our online category for a better feedback loop.
- Harmit Desai:** Okay. Secondly, I wanted to ask you regarding the order book, our current order book and how do you see this order book grow in two, three years down the line?
- Harshvardhan Sarda:** So, our order book has been really strong this quarter. And I feel like given our seasonality in terms of winter and summer and with our product range expanding with multiple categories being added, so we are definitely seeing a big uptick in the order book going forward.

- Harmit Desai:** Okay. So, sir, at a three-year CAGR, if I have to take a ballpark number for the growth of an order book, what could be that number? Just a ballpark. I will not quote you on the numbers.
- Harshvardhan Sarda:** So, I can strongly say we are looking at a 35% to 40% year-on-year growth at least with one or two major upticks in the middle of the year.
- Harmit Desai:** Okay. So a follow-up on this would be, sir, regarding our EBITDA margins or the operating margins. From the current levels, is there any scope of improvement in the margins which we are doing internally? So apart from the cyclical nature of the sector, are there any steps which we are taking to actually improve our operating margins?
- Harshvardhan Sarda:** Yes, definitely. So I think our margins going forward will definitely increase. With brand recall, we are trying and improving our product value, we are trying to extract better margins going forward. So there will be definite improvement in the EBITDA margins going forward, apart from the cyclical raw material prices.
- Harmit Desai:** Understood. Sir, on the macro front, as we see that the competing countries like Bangladesh and Sri Lanka. Sri Lanka is having economic issues and Bangladesh, the parity of wages for the labour, so labour costs have increased. So, can this help us, and can you please throw some light on this, sir?
- Harshvardhan Sarda:** Absolutely. I think going forward, if you look at the opportunity, the manufacturing opportunity that is building in India and with a unit like ours which is fully equipped to handle if any good business comes in, I feel it is the right opportunity. In the next 3 to 5 years, it is the right opportunity for companies and brands in India to go global with our manufacturing facilities, especially given the macroeconomic conditions across the world right now.
- Harmit Desai:** Understood, sir. And sir, are you also looking for any acquisitions to enter into export market or something of that sort?
- Harshvardhan Sarda:** Nothing in the works right now, but we are definitely open to opportunities and keeping our eyes open if something comes up, we will definitely take care of it.
- Harmit Desai:** Okay, so we would like to grow in the kids segment itself, right? We don't want to diversify into any other segment as of now?
- Harshvardhan Sarda:** Yes, we want to focus in the kids segment because I feel like there is a big, big gap in the industry and a very growth potential in the industry.
- Harmit Desai:** Okay. Sure, sir. If I have any follow-ups, I will get back to you.
- Harshvardhan Sarda:** Thank you so much.
- Harmit Desai:** Thank you.
- Moderator:** Thank you. Next question is from the line of Priyam Poddar from Equity Capital. Please go ahead.

- Priyam Poddar:** Hello. Thanks for the opportunity once again. So, this is with regards to the margins, on the margin front again. And you mentioned that when we are coming up with this new infant products like DOREME and Disney, so would you see that the margins would be slightly getting better on the higher side?
- Harshvardhan Sarda:** Yes, absolutely. As I already mentioned, we are definitely looking at margins improving going forward, especially with infant-based products, with the kind of value-add that we are doing. We are definitely going to see a margin uptick going forward. We have already seen quite a bit of improvement in the past nine months and we are definitely seeing some uptick going forward as well.
- Priyam Poddar:** So, on a very conservative case, would it be in the range of 100 bps to 150 bps if we can quantify it?
- Harshvardhan Sarda:** I can definitely say 100 bps for sure going forward.
- Priyam Poddar:** Okay, thanks. Thanks for taking my questions and wish you all the best.
- Harshvardhan Sarda:** Thank you so much.
- Moderator:** Thank you. We have a next follow-up question from the line of Harmit Desai from Pendulum Investments. Please go ahead.
- Harmit Desai:** Thank you. Thank you for taking my question again. Sir, I wanted to ask regarding our customer base. So, who all are our major customers, sir, if you can throw some thoughts on it.
- Harshvardhan Sarda:** Our major customers are distributors who are spread across the country. We are very, very strong in the western part of the country, which is a good percentage of our sales that comes from Maharashtra, Gujarat, Rajasthan, Punjab. These are the four major states, but we are present across India. I think we have covered most of the states and we have distributors across, but focused mainly on the western side where we are improving.
- Harmit Desai:** Okay, sure, sir. And lastly, on the debt front, I wanted to ask, so what are our plans on debt going forward?
- Harshvardhan Sarda:** So, going forward, I think we will keep the debt as is, not improve that much.
- Harmit Desai:** Okay, okay. So, going forward, seeing the profitability improving and the debt levels at the same, we can expect the ROCs to go up from current levels. Is that understanding right?
- Harshvardhan Sarda:** Definitely.
- Harshvardhan Sarda:** Sure, sir. Okay. Thank you.
- Moderator:** Thank you. As there are no further questions from the participant, I would now like to hand the conference over to the management for the closing comments.



Iris Clothings Limited
February 06, 2024

Harshvardhan Sarda:

Thank you for joining the call today and we hope you keep tracking our company. I hope we were able to resolve your queries. In case you have any other queries post this call or anything remains unanswered, you may please connect to our IR team at Ernst & Young. Thank you so much, everyone.

Moderator:

Thank you. On behalf of Iris Clothing, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.