irisclothings.in

Date: 18th May, 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– Q4 & FY24

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 15th May, 2024, at 11:00 a.m. for discussing operational and financial performance in 4th quarter and year ended 31st March, 2024.

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: 2024.05.18 16:11:29 +05'30'

Santosh Ladha
Managing Director
(DIN: 03585561)

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"Iris Clothings Limited
Q4 FY '24 Earnings Conference Call"
May 15, 2024

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

MODERATOR: **MR. ABHISHEK BHATT – E&Y INVESTOR RELATIONS.**

Moderator: Ladies and gentlemen, good day and welcome to the Iris Clothings Limited Q4 and FY24 Earnings Conference Call. As a reminder, all participants' 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 touch-tone phone.

Please note that this conference is being recorded and I'll hand the conference over to Mr. Abhishek Bhatt from EY Investor Relations. Thank you and over to you, sir.

Abhishek Bhatt: Thank you and good morning, everyone. On behalf of Iris Clothings Limited, I welcome you all to the company's Q4 and FY24 Earnings Conference Call. The results and investor presentation are available in our filings and with the exchanges.

To discuss the company's business performance during the quarter and outlook, we have with us today, Mr. Santosh Ladha, Managing Director, Harshvardhan Sarda, Business Head, Niraj Agarwal, Chief Financial Officer of Iris Clothings Limited. 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 need any queries or need any further information at the end of this call, you can reach out to us at the email address 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 Abhishek. Good morning, everyone and thank you for joining us on today's earning call. It's a pleasure to share with you, the strides and accomplishments our company has made in fiscal year 2024 as well as our strategic vision for the upcoming year.

For those new to our company, Iris Clothings is a rapidly growing children's apparel brand renowned for our comprehensive in-house process from design to sales. Our DOREME brand caters to the mid-premium segment with products ranging from INR200 to INR2,000 and we boast a production capacity of over 33,000 pieces every day across our seven manufacturing units.

We have established a robust retail network with over 170 distributors and more than 12,000 retailers bolstered by our proprietary B2B platform which we launched this year. Moreover, Iris has expanded its international presence with exposure to nations such as Portugal, Nepal, Mozambique, Zambia, Saudi Arabia and the UAE.

Reflecting on our growth trajectory from FY20 to FY24, we have achieved a revenue CAGR of 19% and EBITDA CAGR of 18% and a PAT CAGR of 33%. This fiscal year has been good for the kids' apparel sector, and I am proud to report that our company has not only matched the industry's demand growth but has also shown better performance across all fronts. Our revenue has grown, and profitability has seen substantial gains, underscoring the persistent demand for our products and the efficiency of our business strategies.

This year, we have broadened our reach by adding 10 new distributors across Maharashtra and Uttar Pradesh which has been instrumental in expanding our geographical footprint. A standout achievement this year has been the exceptional growth in our infant wear segment. With strategic emphasis on this category, we foresee claiming a larger share of our revenue in the years to come.

Along with that, our partnership with Disney has been pivotal, enriching our kids' wear range and captivating our young audience with the iconic Disney characters and their narratives, further propelling our market growth. Domestically, our distribution sector has thrived this quarter. Our B2B digital platform has been a significant growth catalyst, allowing us to tap into a broader customer base and adapt to changing consumer shopping habits.

Looking at our strategies, Iris Clothings is actively expanding its reach by venturing into new export markets and fortifying our current distributor network with a goal to significantly increase our distributor count by FY26. We are reinforcing our Indian market presence by inaugurating new exclusive brand outlets and diversifying our product line through our Disney collaboration. In Q1FY25, we plan to launch four to five new exclusive stores with an aim to open about 15 stores over the fiscal year.

This expansion will also be driven by the franchise model, which are attracting considerable interest from prospective partners. We are set to enhance our product offerings, including kids' undergarments and sportswear, and we are anticipating a notable contribution to the revenue from our infant wear line. We are committed to increase our production capacity to 35,000 pieces per day by the end of FY25 and are modernizing our operations so.

On the digital front, we have launched our D2C platform and are amplifying our online presence while consistently refreshing 90% of our designs each year to stay ahead of market trends and fuel the revenue growth.

Looking ahead, we are optimistic given the positive market trends and the robust trajectory we have established for our growth. We anticipate the upcoming year to be yet another extraordinary period for our organization and we are poised to achieve a 35%-40% increase in both our revenue and profits in FY25 with expectations to maintain this rate of growth going into FY26 as well.

I want to express my heartfelt thanks to our dedicated team, our valued customers and our esteemed shareholders for your unwavering support. Together, we are on course to make FY25 a year of significant achievement and sustained growth. I will now hand over the call to Niraj Agarwal our Chief Financial Officer who will walk us through the Q4 and the FY24 financial numbers. Thank you and over to you, Niraj.

Niraj Agarwal: Thank you, Harsh. Thank you all for joining us today. I am pleased to share that we have delivered robust performance in Q4FY24. Talking about the key financial highlights for Q4, our total revenue stood at INR42.1 crores a growth of 12% year-on-year and sequential growth of

79%. EBITDA was INR7 crores which has significantly grown by 34% year-on-year and 31% quarter-on-quarter.

EBITDA margins stood at 17% due to the advantage of low fabric cost and also optimization of our operation expenses. Our enhanced profitability can be attributed to the strategic focus on expanding exclusive brand outlets, onboarding new distributors into our network and diversifying our products offering.

Additionally, profit after tax for the quarter was INR3.5 crores in Q4FY24, witnessed a robust growth of 56% year-on-year and sequentially surged by 75%. PAT margin was 8% compared to 6% in Q4FY23. Summarizing our financial performance, we remain focused in driving operational excellence and capitalising on growth opportunities. With this, we can now open the floor for questions. Thank you everyone.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Riya Gupta, an individual investor. Please go ahead.

Riya Gupta: Good morning, Thank you for the opportunity. My first question is what is our revenue target for the next 2 years and do we have any capex plan?

Harshvardhan Sarda: So, our revenue target going forward this year is we are expecting a growth of around 35% to 40% and maintaining a similar growth rate over the next year as well.

Riya Gupta: And capex?

Harshvardhan Sarda: And capex we are still figuring out. We will be needing two bigger capex for the upcoming growth for the next 4- 5 years, but this year we will finalize the capex. Once we go ahead with it.

Riya Gupta: Thank you. My second question is, going ahead, what is your outlook on margins? Can we expect margins to be in the range of 20%-23% in the upcoming quarter?

Harshvardhan Sarda: Absolutely. I think EBITDA will remain at the levels that we have. In fact, we are looking at a 1 basis point to 1.5 basis point improvement in this year.

Riya Gupta: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Kruttika from Sharekhan by BNP Paribas. Please go ahead.

Kruttika: Good morning, sir and thank you for the opportunity. Firstly, with respect to the volume growth for the current year. So, the revenue growth was around 8%. So, if you can help us with how much was the volume growth for the current year and what is the expectation for the next 2 years?

Harshvardhan Sarda: So, volume growth this year was approximately 5% and we have done a value growth of say 3% to 5% as well. Going forward, I think volume growth will also stay somewhere in the 30% to 35% and we will look at a value growth also of 10% to 15%.

Kruttika: 10% to 15%?

Management: Yes. We will be improving product mix to improve our value.

Kruttika: Okay. And margin, if I can just call back, you said 1% to 1.5% improvement in the margin in the coming year, right?

Harshvardhan Sarda: Yes.

Kruttika: And that will be mainly due to the premiumization or any other factors as well?

Harshvardhan Sarda: So that will be primarily driven by margins built in our products. We don't see a lot of movement in the raw material prices happening. It will be mainly driven by value in our products.

Kruttika: Okay. And next on the working capital cycle. So currently in FY'24, the working capital has days rise to around 325 days. So, what can be the reason for the same and what is the outlook going ahead?

Harshvardhan Sarda: So, working capital cycle was increased because of primarily driven by inventory. And that inventory increase was there for approximately three reasons. One there was a delayed summer. So, a lot of that inventory has been converted in the month of April, because of the delayed season. Secondly, we have also started building winter inventory, autumn-winter inventory a little earlier. So that has also been built in the inventory. But going forward, we see the cycle coming down to 170-180 days.

Kruttika: 170 to 180 by this year end, by FY'25 end?

Harshvardhan Sarda: Yes, definitely.

Kruttika: Okay. And next with respect to distributors. So, we added 10 distributors during the whole year, right? And for the Q4, what will be the count that we added?

Harshvardhan Sarda: Yes, we have added 10 distributors. In Q4, we added three to four distributors.

Kruttika: Okay. And going ahead, how many do we plan to add in the coming year?

Harshvardhan Sarda: Going ahead, we plan to add approximately 10 to 15 more.

Kruttika: Okay. In the coming year?

Harshvardhan Sarda: In the coming year, yes.

Kruttika: Okay. And just to confirm the numbers, you said that the installed capacity is currently around 33,000. And going ahead for FY'25, we are targeting for 35,000, right?

Harshvardhan Sarda: Yes, 35,000. So, we'll incur a small capex in the stitching sector and improve that capacity. We're not looking at a big capex this year to improve capacity.

Kruttika: Okay. And for FY'26, what will be the use or targeting a large capex for FY'26? Is that so?

Harshvardhan Sarda: Yes, we are planning a large capex for FY'26, but that's still in the works. It's a little early to talk about it.

Kruttika: Okay. That's it from my side for now. If I have any further questions, I'll join the queue. Thank you.

Harshvardhan Sarda: Thank you so much, Kruttika.

Moderator: Thank you. The next question is from the line of Priyam Poddar from Value Equity. Please go ahead.

Priyam Poddar: Thanks for the opportunity. So, I have some questions with regards to the export mix. What I want to ask is, how do you see the export demand shaping up for the current fiscal? And what is the share that you are planning that export would be garnering for this FY'25?

Harshvardhan Sarda: So, if you look at it, FY'24, we had an export share of approximately 3%-4% this year. And going forward, we see a few improvements in the export demand, because we are doing a few activities in the marketing front on the export side. So, we look at around 7%-8% in terms of export share of our revenue by the coming year.

Priyam Poddar: Okay. And this would be coming via acquisition of the new customers or new geographies?

Harshvardhan Sarda: Yes. Acquisition of new customers, maybe in similar geographies or new geographies as well.

Priyam Poddar: Okay. So, it would be a mix match of both. The existing customers plus new customers?

Harshvardhan Sarda: Right.

Priyam Poddar: Okay. And one more with regards to the manufacturing facility. So, what is the overall purpose for getting into the manufacturing?

Harshvardhan Sarda: I'm sorry. Can you come again, please?

Priyam Poddar: Yes. So, this manufacturing facility that you are planning, what edge that we would be having over others?

Harshvardhan Sarda: So, the current manufacturing capacity that we have, right, is already state of the art. We have the best technology available in the whole sector in our plant already with all kinds of licenses. So those licenses allow us to manufacture for other brands as well, if needed. That is an extra edge that we get because of the good licenses that we have and of course our quality improvement in the products that we do under our brand.

Priyam Poddar: Okay. Thanks for your answer. I'll come back in the queue.

Harshvardhan Sarda: Thank you, Priyam.

Moderator: Thank you. The next question is from the line of Karan Sanwal from Niveshaay. Please go ahead.

Karan Sanwal: Yes. Congratulations on the good set of numbers. So, I wanted to understand what was the current spend on advertising and marketing for the year and how do we see it for the next year?

Harshvardhan Sarda: So, the current spend on advertising was under 1% for this year.

Karan Sanwal: Okay.

Harshvardhan Sarda: And going forward, since we'll be opening our own stores, so we'll be spending a lot more on consumer marketing. But this year, we expect it to remain under 2% of our revenue.

Karan Sanwal: Okay. And also, I wanted to understand, we have seen an increase in the infant category contributions. So, if you could quantify what was the contribution for the FY '24? It was a good traction?

Harshvardhan Sarda: I'm sorry. Your voice was a little fumbled. Can you please come again?

Karan Sanwal: Yes. So, I was asking about the contribution for the infant category for the current year.

Harshvardhan Sarda: Right. So infantwear contribution this year was around 10% to 12% and we see it improving to approximately 20% by the coming year. So, we are spending a lot on growing the infantwear category and we've seen a stellar response in the last couple of years as well.

Karan Sanwal: Can we assume this is a better margin business than the other category?

Harshvardhan Sarda: Yes, definitely. It's a better margin business and it has a lot of scope in terms of demand as well.

Karan Sanwal: These products are cotton-based, right? The entire products range for the infant category?

Harshvardhan Sarda: These products are sorry?

Karan Sanwal: Cotton-based. 100% cotton-based products, right?

Harshvardhan Sarda: Most of our products are 100% cotton or it's either cotton blend which is like 95% cotton and 5% elastane for stretch. But that's about it. Apart from our sportswear, of course.

Karan Sanwal: Yes, that would be more of polyester.

Harshvardhan Sarda: Especially polyesters, polyamides, kind of products.

Karan Sanwal: Correct. And I also wanted to ask about the plans for EBO. Are we opening it in the base of COCO model? And how do we see it going forward? We are saying that we will be expanding to 10 to 15 stores. So, would it be more of franchise-based, or would it be more of COCO model?

Harshvardhan Sarda: So, this quarter, we'll be opening 4 to 5 company-owned, company-operated stores. And we plan to open a few more stores in the next quarter in the COCO model as well. We want to understand the whole model and run the stores ourselves to understand the integrities of the business, to understand the systems, the refilling systems and all of it.

The operations end of the business. And then eventually open up the franchisee model by say, post-Diwali this year. We have seen a lot of inbound interest coming from our current distributors and people who are selling our products already for the last 10-15 years. They are supremely interested to open the franchisee stores. So going forward, as soon as we open up the franchisee model, I think we'll be able to open a lot more stores because of the inbound interest of franchisees that we have. So, we are building the franchisee pipeline, but not opening up the model until say, Diwali this year.

Karan Sanwal: And what would be the approximate payback period for these stores? Like how much time would we realize the investment that we have made?

Harshvardhan Sarda: So, based on our expectations, we are looking at a 2.5-3 years payback period for our stores.

Karan Sanwal: And this retail would be a better margin business?

Harshvardhan Sarda: Definitely, because right now we are passing over 50% of the MRP margins to the channels, the distributor and the retailer. We have that much margin to play with, plus the additional product margin that we build. So, we are definitely seeing retail being a better margin business for sure. And that allows us to be directly connected to the consumer. It increases the brand presence in the mind of the consumer as well. So, we are strongly focusing on retail as a strategy going forward.

Karan Sanwal: That's very helpful. One last question. You have highlighted that we will be growing at a rate of 30%-40% for the year. So, if you can highlight the major growth drivers? Because for the last two years, as an industry, I guess, the kids have been a bit on the single-digit growth rate. So, if you could highlight what gives us the confidence to grow at such a high pace for the next year?

Moderator: Ladies and gentlemen, we have lost the management line connection. Please stay connected while we reconnect them. Ladies and gentlemen, thank you for patiently holding. We have the management back on the call.

Harshvardhan Sarda: Hello. Yes, Karan, I think you had one last question.

Karan Sanwal: Yes, so I was asking about the major growth drivers that we are anticipating, which gives us the confidence to grow at 30%-40% because as an industry, I guess, the industry has been a bit slower growth for the last two years. So just wanted to get your idea about the future outlook for maybe the next year or after that.

Harshvardhan Sarda: Yes, so the major growth drivers, you know, there will be 3-4 primary drivers. One will be on the product front. So, we are expanding our product range. We have already expanded in the last year or so. And this year with the innerwear segment coming in and the infant wear segment doing so strongly along with the sportswear segment. So, I think these three major pillars will definitely improve our value for growth in the coming year.

These will be three major drivers on the product front. And on the distribution front, we are expanding heavily by investing in the B2B platform that we have developed. Along with that, we are also expanding our presence on the EBO channel. So that will eventually spill over some kind of demand on the distributor, retailer and, multi-brand retailers as well. I think primarily on the product and the distribution front along with exports will be the three major drivers for our growth this year.

Moderator: Thank you. The next question is from the line of Rikesh Parikh from Rockstar Capital LLP. Please go ahead.

Rikesh Parikh: Thanks for the opportunity. And congratulations on a good set of numbers. I just wanted to understand Disney license that we have. Is it exclusive with us? And till what period are we having this license?

Harshvardhan Sarda: So, the Disney license that we have, the license is exclusively for us for one segment. But of course, Disney does not give exclusive license for the entire segment to you. What we have is yearly agreements with them. And every year it gets renewed in terms of the period. And we have already renewed it for this year.

Rikesh Parikh: Okay. And does it allow exports?

Harshvardhan Sarda: No, we cannot do exports for them. But what we can do is because of the FAMA license that we have, we can manufacture for someone who wants Disney products. So, we can manufacture in their brand for them. So that they can sell in their country.

Rikesh Parikh: Any chance we are having that in licensing work currently right now?

Harshvardhan Sarda: We have not done anything as of now. But we are now building our capacity to get some kind of business there as well.

Rikesh Parikh: Secondly, what is the export contribution in overall sales currently?

Harshvardhan Sarda: Currently, the export contribution is 3-4% of our overall sales. And going forward, we see a 7% share of exports this year.

Rikesh Parikh: Lastly, on the EBO front. So, what kind of strategies do you plan or envisage on the EBO? And will it be only COCO owned or also Franchisee owned? As you are giving a guidance of 15 opening by the end of the year.

Harshvardhan Sarda: As I said, we are planning around 15 stores in this financial year. So, we don't see a lot of contribution of stores right away. But I think next year, the year after this, EBO will become a good share of our overall revenue. And in terms of the Franchisee and the company operated model, I think the first few stores will do on the company-owned, company-operated model. And eventually open up the Franchisee model post, say, October this year.

Moderator: Thank you. The next follow-up question is from the line of Kruttika from Sharekhan by BNP Paribas. Please go ahead.

Kruttika: Thank you for the follow-up question. First, with respect to, we discussed what are the revenue growth drivers? So, if you can help us with the margin drivers. Since 1% to 1.5% margin expansion that we are expecting. So, what are the drivers for that?

Harshvardhan Sarda: So margin expectations, as I said, will primarily be driven by, say, value growth in a few products. For example, the infant wear segment will definitely give us better margin. So as soon as the share of infant wear increases to, 20% this year, the increase in margin will primarily be driven from that segment.

Kruttika: Okay. So, okay. So infant wear is margin affiliated. So that's where we are targeting the margin growth. Okay. Thanks. Secondly, with respect to the utilization. So, for FY '24, if we see, the utilization was around 76%. So, going ahead for FY '25, how much are we, expecting the capacity utilization to be at?

Harshvardhan Sarda: We'll improve the capacity utilization to 85% to 90% in FY '25. Because that is where the primary volume growth will come from.

Kruttika: Okay. And the rise in capacity from 33% to 35% that we are expecting, that will be majorly in the first half or in the second half?

Harshvardhan Sarda: Second half of the year.

Moderator: Thank you. The next question is from the line of Rohan Shah, an individual investor. Please go ahead.

Rohan Shah: Yes, Thanks for giving me the opportunity. So, sir, could you provide an update on customer demand observed at the two newly launched EBOs in Kolkata? And how significant is their contribution to the overall revenue? Additionally, have these EBOs begun to yield profits?

Harshvardhan Sarda: So, the current two stores that we have, the customer demand has been decent. So, this summer we got a really good response. March onwards, March-April was fantastic. We had a very good response in the winter season where, right during pujas when it opened. So, October, November, December was really good. And then March-April was excellent. January-February is usually a dull season for the overall retail sector.

In terms of revenue share, as I already said, since we are planning 15 stores, approximately 15 stores this year, we do not see a lot of contribution coming from stores right away. But next year, we expect stores to become a good share of our revenue.

Rohan Shah: Okay. Thank you. So, sir, one more question. In Disney Apparel, which is the next set of apparels you are planning to launch and when?

Harshvardhan Sarda: So, the next set of stores that we are planning will all be in and around Bengal. So, we are planning a few in Siliguri, in Calcutta, and one in Dhanbad as well. So, around the eastern zone is what we are planning.

Rohan Shah: Okay. Thank you, sir. That's from my side.

Moderator: Thank you. The next follow-up question is from the line of Priyam Poddar from Value Equity. Please go ahead.

Priyam Poddar: Okay. So, thanks for the opportunity. I just wanted to ask you, we have very strong aspirations for the coming years. So, any number that would you like to assign that will be growing by the double digit or 100 for the next five years? Any number that you would like to assign?

Harshvardhan Sarda: So, as I already said, we plan to grow by around 35-40% this year, and we plan to maintain the same growth for the coming year as well. Once we achieve these two growths, we look at somewhere around 20% to 25% after that year. But we are very, very optimistic in the growth figures for the upcoming two years.

Priyam Poddar: Okay. So, you basically have a clear vision, how do you see yourself for the next two years? That is what basically you are trying to convey now.

Harshvardhan Sarda: Yes. We want to achieve this kind of growth and by the end of next year, we definitely will.— So, we are looking at a much bigger growth for the next two years and after that, we will discuss on going forward years.

Priyam Poddar: Okay. So, another follow-up. We have seen that your revenue mix towards infant wear has been growing. So, will it help our company to enhance the margins going ahead also?

Harshvardhan Sarda: Yes, absolutely. As already conveyed, we are definitely seeing better margins in the infant ware segment. So, as the share of infant wear increases from 12% this year to 20%, the margins will definitely improve. That is where the primary margin will come from.

Priyam Poddar: Okay. So, if we are understanding it correctly, once the mix moves towards infant wear, moreover, we will see the margin stability coming and then slowly it will inch up further.

Harshvardhan Sarda: I don’t understand. Can you come again, please? Yes.

Priyam Poddar: So, what I mean to say is, infant wear gives you better margins.

Harshvardhan Sarda: Correct.

Priyam Poddar: Correct. So, as the infant wear shares in the pie increases, that would add more stability to the margins?

Harshvardhan Sarda: So, I think we have done decently on the margin front this year as well. So, we have been having stable margin across our business and with the infant wear coming in, that will improve our margins further. So, as the share of infant wear improves, that will improve the margin of the overall business, but we also see the margins improving in our current product mix as well. So, margin has been a consistent performer for us this year and we plan to see that growing over the next couple of years.

Priyam Poddar: Okay.

Harshvardhan Sarda: So, margin stability is not a big issue as of now.

Priyam Poddar: Correct. So, in the overall scheme of things, we see that the return ratios for the company are going ahead. Improving from here onwards?

Harshvardhan Sarda: Yes, definitely. We will see better return ratios going forward.

Priyam Poddar: Okay. Thank you so much, sir. I will come back in the queue if there is any follow-up.

Harshvardhan Sarda: Thank you, Priyam.

Moderator: Thank you. The next question is from the line of Akasha, an individual investor. Please go ahead.

Akasha: Hi. Good morning. Thanks for the opportunity. So, basically, I have two questions. Could you share the target capacity utilization for the coming year, that is FY25, considering that we are currently utilizing 25,000 out of our existing capacity, which is around 35K?

Harshvardhan Sarda: Yes. So, capacity utilization for the coming year, we are looking at 85% of capacity utilization. Yes, that is the number that we are looking at.

Akasha: Okay. I have one more question. Will there be any change in our debt profile, given that you are expanding the EBOs network?

Harshvardhan Sarda: No. As of now, we will not be increasing the debt this year. Most of the EBOs will be funded through our own profits, through the company.

Akasha: Okay. Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Nitin Gandhi, from Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: Yes, Thanks for taking my question. Can you share some thoughts on our net realization to company after paying out whatever retailer commission, how that has behaved over the last 2-3 years, and how do you propose to take it up forward? What's your plan on that? Are you planning to do exercise or do some other blend, which can enhance realization and increase your sales overall? Thanks.

Harshvardhan Sarda: So, as already seen, we have already improved in terms of the net realization from the last year. And we see that share improving over the next couple years with the robust growth plan that we have. So, that should be the primary growth driver, if we achieve a 35%-40% growth in this year.

Nitin Gandhi: Can you share the number? What was the realization last 3 years?

Harshvardhan Sarda: So, last 3 years, we did 9.1% PAT in FY ‘22. We did 7.3% PAT in FY ‘23.

Nitin Gandhi: Per piece. Per piece.

Harshvardhan Sarda: Okay So, you're talking about pricing?

Nitin Gandhi: Yes.

Harshvardhan Sarda: So, last year, we did 190 in FY’22. In FY23, we did 210-220. And this year, we did 230-240 in terms of the realization.

Nitin Gandhi: This is net of commissions, right?

Harshvardhan Sarda: Yes, Net of commission. Net of the market.

Nitin Gandhi: Okay. So, any plan to enhance this to 300 by adding or accessorizing or some other cosmetic changes which are not the part of fabrics but gives more aesthetics and more realization, this being the garment which is more attracted to the segment because of accessories?

Harshvardhan Sarda: So, not improve it to 300 but we're definitely looking to improve to 250-260. Every year, we're looking at 5%-7% improvement in value.

Nitin Gandhi: That's anyway nominal growth of 5%-6% and 5%-6% of capacity enhancement. But is there something which can drastically change the fortune by having realizations moving faster? That's what I was trying to ask.

Harshvardhan Sarda: As the EBO mixes start coming up, we'll start having merchandise specially for EBO which will definitely improve, say, the net realization value by 26-27 to, the 300 levels that you are talking about. With EBO expansion, we'll start building in products with higher net realization value.

Nitin Gandhi: Okay. What is the span going to be for per EBO?

Harshvardhan Sarda: For per EBO, we are looking at a 20-25 lakh investment as of now, including inventory.

Nitin Gandhi: This will be primarily West Bengal, right?

Harshvardhan Sarda: Yes, primarily West Bengal. The company-owned company operated will primarily be West Bengal and as soon as we open up the franchisee store, we'll start with Maharashtra, Gujarat, Rajasthan where we have a stronger presence.

Nitin Gandhi: No, but the first year anyway, we will stick to major cities of West Bengal, right? Howrah or near around, right?

Harshvardhan Sarda: Yes, for now.

Nitin Gandhi: Okay. All the best. Thank you.

Moderator: Thank you. Ladies and gentlemen, you may press star and 1 to ask questions. A reminder to all the participants, you may press star and 1 to ask a question. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Harshvardhan Sarda: Thank you once again for your trust in us and for being part of our journey. We look forward to sharing our success with you in the next earnings call. In case you have any other queries post this call or anything remained 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 Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.