

Date: 8<sup>th</sup> May, 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- Q4 & FY23**

**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 Friday, 5<sup>th</sup> May, 2022, at 5:00 p.m. for discussing operational and financial performance in 4<sup>th</sup> quarter and year ended 31<sup>st</sup> March, 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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Santosh Ladha  
Managing Director  
(DIN: 03585561)

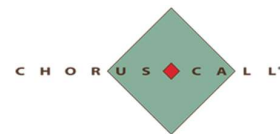
### Iris Clothings Limited

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CIN: L18109WB2011PLC166895



“Iris Clothing Limited  
Q4 & FY '23 Earnings Conference Call”

May 05, 2023



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

**MODERATOR:** **MS. SONIA KESWANI – E&Y INVESTOR RELATIONS.**

**Moderator:** Ladies and gentlemen, good day and welcome to Iris Clothing Limited's Q4 and FY23 Earnings Conference Call. As a reminder, all participants' lines will be in 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 "\*" 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 EY Investor Relations. Thank you and over to you Ms. Sonia.

**Sonia Keswani:** Thanks Irene and good evening everyone. On behalf of Iris Clothing Ltd, I welcome all of you to the company's Q4 and FY23 earnings conference call. You would have already received the Q4 and FY23 results and investor presentation which is also available in our filings with the NSE.

To discuss the company's business performance during the year and outlook, we have with us today; Mr. Santosh Ladha, the 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 presentation and other filings that can be found on our website [www.irisclothings.in](http://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 Harsh. Over to you, sir.

**Harshvardhan Sarda:** Thank you, Sonia. Good evening, everyone. This is Harshvardhan Sarda, the Business Head of Iris Clothings. Thank you for taking the time out to participate in our Q4 and FY 2023 Earnings Call.

**Now, before we delve into discussing our performance and development, I would like to take a moment to talk about our company, Iris Clothings.**

Iris is a fast-growing kids' apparel company that is engaged in designing, manufacturing, branding, and selling garments. Our products are sold under the brand DOREME. It was launched within a year of starting the business in 2005. DOREME started its sales through the distributor-retailer network based out of Mumbai. That was our first point of start. Since then, the brand has been steadily gaining popularity from word-of-mouth publicity. It has also gained acceptance in the retail stores given the high quality and stylish range of collection and our ability to continuously launch new products with different designs. DOREME offers a wide range of apparels starting from infants, toddlers, junior boys, and junior girls, that suit both their indoor and outdoor requirements. The primary product categories that we deal with are tops, t-shirts, sweatshirts, shorts, trousers, joggers, infantwear, nightwear, are some of these products.

Our brand has very good presence in 26 states across the country with Maharashtra, Rajasthan, Gujarat, and Punjab being our key markets. We have 150+ distributors right now who are selling our garments and this network is expanding as we speak. While most of our sale happens through this distribution network, we also have an online presence through e-commerce channels like FirstCry and our own direct-to-consumer platform, doreme.in. Our company has attained good brand recall and growth through online channels and believes online could be an important channel for future growth. Moreover, we keep participating in various industry exhibitions across and trade shows to increase our visibility among our trade partners.

We currently operate out of four key manufacturing sites based out of Howrah in West Bengal. The entire process of garment manufacturing is completed in-house, including design, development, cutting, printing, stitching, finishing, quality check, and testing. Therefore, a manufacturing infrastructure that is strongly backward integrated enables us to have better control over quality and also makes us cost-efficient. The Capex done in FY23 led to an increase in our installed capacity from 30,000 pieces to 33,000 pieces manufactured per day. With this additional capacity, we aim to manufacture somewhere around 27,000 to 30,000 pieces per day by FY24 from the current level of 24,000 pieces per day.

**Now moving to our business updates in FY23. I am very pleased to announce that we have been expanding on all fronts and have left no stone unturned to explore opportunities across.**

Designing has always been one of our core strengths and I am extremely happy to share that we have signed a licensing agreement with Disney or the UTV Software Communications Pvt. Ltd., the company in India, during the year. Now this license will allow us to launch apparels designed with Disney and Marvel characters, all the characters under the Disney universe under our brand, DOREME. These characters have tremendous popularity among kids and will be sold under our premium category.

We did a sample launch of our Disney designed apparels in November last quarter and we are pleased to share that we started FY24 on a great note as we sent our first batch of orders of T-shirts designed with the Mickey and Mickey Friends characters. Going forward, we'll be launching product categories with various other Disney characters and Marvel characters in a phased manner throughout the year.

Another noteworthy event that happened this week was that our facility at Uluberia has been licensed by the Facility and Merchandise Authorization, or the FAMA Authorization Company to manufacture and distribute products bearing the intellectual property of Disney. We will share more updates on this in the coming quarters.

On the product side, we enhanced our infant wear vertical games by launching the accessories line in the first half of the current fiscal. We also launched our Sportswear vertical in December 2022. The infant wear vertical has seen very good traction and is expected to contribute materially in the coming years. We are also planning to launch our undergarment vertical which will hit the market in the coming quarter as well. Now with these developments, we believe that

we have successfully built a comprehensive range of products for kids and are becoming a one stop shop for all their needs.

We also attended our first overseas exhibition in Dubai that saw participation from distributors and large retailers from various Middle East countries. We also did two exhibitions in Mumbai and conducted a conference, a dealer conference in Udaipur this year.

On the domestic front, we have added 18 new distributors last year. We onboarded our first distributor in Uttarakhand and are expanding our reach in our stronger markets like Maharashtra, Rajasthan, Tamil Nadu, Delhi, and Punjab. On the export front, we have sent out shipments to countries like Portugal, Zambia, Saudi Arabia, and Nepal.

In an aim to transform digitally, we also launched our B2B platform for our distributors to improve the working capital cycle. Functionalities like real-time access to our inventory, order tracking, better filtering options to view product categories and being the first ones to get notified when a new article is launched are receiving immense appreciation from our distributors.

We also launched our D2C e-commerce platform, [www.doreme.in](http://www.doreme.in) to tap on to the online D2C opportunity that is going on right now. The platform that we have built boasts of our complete range of products and we are adopting digital marketing activities to increase traction to our website.

Going forward for FY24, our capex target will be around INR3 crores, which will increase our installed capacity to around 35,000 pieces per day.

We believe our new product launches and the partnership with Disney coupled with the technology advancements will give us a significant head start and set us for a good growth trajectory as we enter the new financial year.

Over the past years, our efforts have been completely dedicated towards three levers, expanding our product portfolio, growing our distribution base and transforming digitally. Now to talk about our strategy ahead, we will be growing our business on four fronts.

One, we will continue to engage with the market to keep growing our distribution network and add new markets in both domestic and international locations. While in India, we will keep increasing our footprint in Tier 2 and 3 cities. Globally, we will be targeting newer regions in Middle East, Africa, and West Asia.

Two, we will be leveraging our large distribution network to cross-sell our new product categories that we are adding.

Three would be about onboarding more and more distributors on our B2B platform and explore opportunities to grow our online business.

Fourth pillar will be focusing on increasing brand visibility and recall through various social media campaigns and engagements across stores which will ultimately drive traffic to our online platform.

I think the opportunity that we are tapping, being a homegrown company with a brand, in an era that is so brand conscious is huge right now. On top of that, catering to the kids segment in India that does not have a lot of domestic brands makes the opportunity even huge.

I will be now handing over the call to Mr. Niraj Agarwal, our Chief Financial Officer who will walk us through the Q4 and the full year FY23 financial numbers. Thank you everyone and over to you Niraj.

**Niraj Agarwal:**

Thank you Harsh. Good evening, everyone.

In Q4 FY23, our total revenue stood at INR37.6 crores, which is up by 14.8% year on year. EBITDA was at INR5.3 crores, up by 1.6% year on year and EBITDA margin was 14.1% against 15.9% in the same quarter last year. Our Profit after tax stood at INR2.2 crores, which is down by 10.2% year on year and PAT margin stood at 5.9% against 7.6% in Q4 FY22.

Now taking you to the full year report. Our full year revenue stood at INR113 crores, which grew by 1.2% year on year due to low sell volumes during the year as consumption took a hit. Our EBITDA stood at INR19.5 crores, down by 9.5%. Although raw material prices have eased, inventory lying in our books were bought when raw material prices were elevated. This ended up impacting our margins. EBITDA margins were at 17.2%, down 204 basis points. We expect margins to improve on the back of price hike and demand recovery in FY24. Net profit stood at INR8.3 crores, down 18.6% year on year and PAT margin of 7.3%.

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

**Moderator:**

Thank you. We have the first question from the line of Sahil Shah from SS Invest Corp. Please go ahead.

**Sahil Shah:**

Thanks for the opportunity. Basically, I have some questions with regards to the contribution of the infantwear in the coming financial year. If you can just highlight that.

**Santosh Ladha:**

Infantwear at present is 7% of our revenue. It will go up by 5% in this year. It will be around 12% in the current year.

**Sahil Shah:**

Okay. How much of the same will be coming from the online platforms?

**Santosh Ladha:**

Online platform, we have started by November 2022. At present, we have no data for online platform. It will gradually grow and we can give you data after 6 months.

**Sahil Shah:**

Okay. Since we are in the capex phase, what is the amount that you are dedicating to the capex for FY24 specifically and next year?

**Santosh Ladha:**

This year, we are spending around INR3 crores. Every year, we spend INR3 crores in our capex in stitching and finishing. This year also, we will spend INR3 crores.

**Sahil Shah:**

Okay. I will just ask the last question and I will be coming back in the queue. This year, we have seen some margins being impacted. Can you guide us as to how will be the margins be looking in the coming FY24?

- Santosh Ladha:** You are asking about EBITDA margins?
- Sahil Shah:** EBITDA margins, yes.
- Santosh Ladha:** EBITDA margins will be around 20%.
- Sahil Shah:** Okay. Thanks. I will be back in the queue. Thanks a lot.
- Moderator:** Thank you very much. We take the next question from the line of Harmit Desai. Please go ahead.
- Harmit Desai:** Thank you for the opportunity. So, I would like one question on the strategy. How are we planning to grow our online business going forward?
- Santosh Ladha:** Online business? We will focus on social media in this quarter. We will grow it from there. We have been focusing on social media since last November. So, we have not been able to grow numbers yet. We also had issues with our portfolio. We also had issues with our site. All that has been cleared. We will be able to grow numbers in the next 1-2 months through online and social media.
- Harmit Desai:** Okay. And sir, how is the opportunity which you see in the online? Like from the current business, what we are doing traditionally?
- Santosh Ladha:** If you see our online business, last year it was INR9 crores from First Cry. That is totally online.
- Harmit Desai:** Okay.
- Santosh Ladha:** In the coming time, like our portfolio product is increasing. Many products have increased in the portfolio. Like we have onboarded Disney. After that, accessories are increasing. In accessories, mother bags are one of our hot selling products online. There can be a lot of space in the future. It is really tough to comment on numbers. After 6 months, we can talk about the numbers.
- Harmit Desai:** Okay. Sure, sir. And sir, just related to online. One thing I wanted to ask is how are you planning to market through online? Like are we going for a performance marketing or how are we planning to do that?
- Santosh Ladha:** For that, Harsh can tell you in detail.
- Harshvardhan Sarda:** Hi, so I will be taking over this answer. What we are doing for performance marketing. Performance marketing is one of the angles that we are using to promote our website. The bigger opportunity that we have here is the big offline market that we already have. So what we are doing is we are doing a lot of packaging activities where we are trying to convert our customers who buy our products offline and convert them directly to us. That is one big opportunity that we have started working on. And performance marketing both on social media and Google Ads is of course an activity that we are working very strongly. It will be 2-3 primary platforms for marketing our website.

- Harmit Desai:** Okay, thank you. And also I had one question on financial part. If you can give me a number like are we seeing any improvement in our working capital days after we have launched our B2B platform?
- Santosh Ladha:** Working capital days continued to be affected this year, similar to last year. So, in the coming year, our working capital days will be less.
- Harmit Desai:** Okay, so a ballpark number if you can share.
- Santosh Ladha:** Working capital days is around 180 days.
- Harmit Desai:** 180 days. And so going forward like in 2 years down the line or 3 years down the line, how we should look at this number or what is your target?
- Santosh Ladha:** My target is around 110.
- Harmit Desai:** 110. Sure sir. And so as we see that the raw material prices have been increasing. So are we passing through any price hikes to the customers for the same?
- Santosh Ladha:** We have hiked the price already but now the raw materials prices have gone down. We are not seeing any hike in future. I think almost around 6 months material we have recovered through last year's price hike.
- Harmit Desai:** Okay. And sir, last question on offline. So are we planning to go with our own retail stores or brick and mortar kind of a thing? Is there anything under planning?
- Santosh Ladha:** Yes, it's in planning. We want to open our own stores in the name of DOREME. It's just our plan now. Next quarter or maybe after that quarter we can say and give numbers also.
- Moderator:** We take the next question from the line of Mr. Sahil Shah from SS Invest Corp. Please go ahead sir.
- Sahil Shah:** Thanks for the opportunity again. In the opening remarks we mentioned about the tie-up with Disney. So I will be happy to learn more about that. You know, how is the arrangement like? Would you be making your own product design along with collaborating with Disney? Would it be through FAMA license? And is there any royalty or some kind of thing involved in that?
- Santosh Ladha:** The Disney license that we are using today is to make a product. We are co-branding it. We are giving our main brand. DOREME is the main brand and Disney is like a co-brand. We are using Disney's characters. For that we are giving royalty. It's for one year. Next year, we will have to renew the license. Secondly, about FAMA. Disney has a structure, wherein they conduct a factory audit. We were completely compliant and have therefore attained the FAMA license from Disney. After that, if there is any work of Disney world over, we can get it done in the factory.
- Sahil Shah:** Okay. So how is our payout in this? In terms of, if you have any quantification of royalty. How much is our royalty?



- Santosh Ladha:** Royalty is around 12%-14%.
- Moderator:** Thank you, sir. We take the next question from the line of Mr. Karan from Niveshaay. Please go ahead, sir.
- Karan:** Thank you for the opportunity. I wanted to understand what was the spend on advertisement and marketing for the current year that is FY '23 as compared to the last year FY '22.
- Santosh Ladha:** Last year it has been around INR0.75 crores and this year it will be INR2 crores.
- Karan:** Okay. And you mentioned about the EBITDA margin expectation for the next year. Was it around 17%?
- Santosh Ladha:** Sorry, I can't hear. Can you repeat it?
- Karan:** I wanted to understand what are your EBITDA margin and type margin expectations for the next year.
- Santosh Ladha:** Next year EBITDA margin will be around 20%, maybe 20.5% and the net margin will be maybe 10%+.
- Karan:** Okay. And we also have experienced an increase in inventories. According to the last call, was it due to the increase in inventories that we were not able to sell last year?
- Santosh Ladha:** From last quarter we have decreased the inventories. But now there is a decreasing trend. It's a decreasing trend in inventories.
- Karan:** Okay, so as compared to the last quarter it has decreased?
- Management:** Yes. It has been decreased by around 15%-20%.
- Karan:** Okay, that's good. And what would be the expected timeline for undergarments launch? Would it be done in the next quarter or would it be done in the quarter two?
- Management:** Next quarter only.
- Karan:** Okay, that's great. Also, the last question. So you mentioned about the capex target for the next year. So would that increase our capacity to around 35,000 pieces a day for the next year FY '24?
- Management:** Yes, 35,000 to 36,000.
- Karan:** Okay, thank you very much.
- Moderator:** Thank you, sir. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Management:** Thank you, everybody. It gives me immense pride at what we are building and the scale we are growing at. I would like to thank you for joining into the call today. I hope I was able to address



*Iris Clothing Limited*  
*May 05, 2023*

your questions in the best way possible. In case you have any other queries post this call or anything remained unanswered, you may contact our IR team at EY. Thank you. Thank you once again.

**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.