



A Huge opportunity in the Kid's wear segment

Table of Contents

Overview.....03

Outlook & Valuation04

Investment Rationale 05

Peers Overview 12

Financial Analysis14

Company Overview.....16

Industry Overview20

Journey Map.....25

Key Risks 26

Key Management 27

Financial Statements28

A Huge opportunity in the Kids wear segment.....

CMP: INR 52

Rating: Buy

TP: INR 96

Stock Info

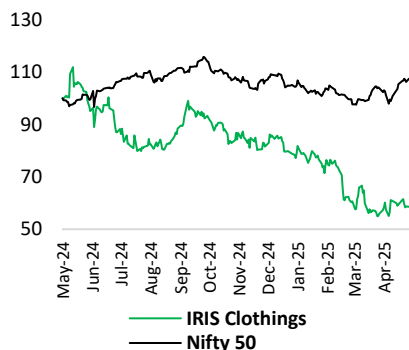
BSE	
NSE	IRISDOREME
Bloomberg	IRISDORE:IN
Reuters	IRIC.NS
Sector	Textiles
Face Value (INR)	2
Equity Capital (INR cr)	16.3
Mkt Cap (INR cr)	516
52w H/L (INR)	85/41
Avg Yearly Volume (in 000')	227.59

Shareholding Pattern %

(As on Mar 2025)

Promoters	70.94
FII	-
DII	-
Public & Others	29.06

Stock Performance (%)	1m	6m	12m
IRIS	16.6	(16)	(29)
Nifty 50	4.30	1.42	7.45



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Iris Clothings Limited is a fast-growing readymade garment company that is primarily engaged in designing, manufacturing, branding, and selling garments for kids wear under its brand name DOREME, catering to children aged between 0-16 Years. The Company delivers a broad range of affordable and good quality apparel for infants, toddlers, and children in their pre-teens, serving both their indoor and outdoor requirements. It has been in operation for over 20 years and continues to add new product lines by employing best-in-class technology across its value chain.

Investment Rationale:

The new EBO model marks the expansion of their branded business:

Toward the end of FY24, the company forayed into EBO openings. As of FY25, they have 7 EBOs and are aiming for 80 EBOs by FY27. The current average store size is 650 sq ft, generating INR 7 Mn per store. This is targeted to go up to 1000 Sq ft, depending on the availability of space. The EBO segment's revenue contribution is ~INR 9 Mn targeted to reach ~700 Mn by FY28. After FY27 (at this point they will cross ~80 stores), they will start moving into the franchise model also, which will aid cash flow and margins.

Strengthening the core distribution business: As of FY25, the company has 177 distributors, targeted to reach 220 by FY27. Revenue per distributor is currently ~INR 8.5 Mn, which will go up to INR 9-10 Mn by then.

Increasing production capacity and improving Capital Utilization through greenfield, brownfield expansions:

They recently raised INR 475 Mn through a rights issue, the majority of which will go toward greenfield, brownfield expansions, and the balance will go to store expansions. The company plans to increase its production to 1,20,000 pieces per day from the current 33,000. This will translate to an increase in SKUs and growth of the OEM and retail business.

Strong market position, pricing power, and robust growth potential in children's clothing:

The company has a strong market position in children's wear as a brand that caters exclusively to young children. They are the market leader in the mid-price segment, especially in East and West, with the current ASP of INR 440, which is targeted to stabilize at INR 600.

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Operations	1130.0	1219.2	1513.4	1845.0	2305.2
YoY	1.33%	7.89%	24.13%	21.92%	24.94%
EBITDA	194.0	263.3	285.3	381.5	484.7
EBITDA Margin	17.2%	21.6%	18.9%	20.7%	21.0%
Net Profit	82.6	122.1	129.3	191.6	250.2
PAT Margin	7.3%	10.0%	8.5%	10.4%	10.9%
EPS (INR)	1.01	1.50	1.59	2.35	3.07
P/E	62.7	42.1	33.4	22.1	17.0

Source: Company Filings & Arihant Capital Research

Valuation & Outlook:

The company is highly optimistic about its expansion plans. Management has outlined a significant growth trajectory, aiming to scale from 7 stores to 80 stores by FY27 and 300 within the next five years, along with establishing over 20,000 retail touchpoints across India. The projected revenue growth is between 25-30% YoY, coupled with expectations of multifold growth in EBITDA and PAT during the same period.

With a legacy spanning two decades in manufacturing and supplying fabrics to retailers, the company ventured into the idea of opening its own stores over the past two years. This initiative was inspired by the success and market growth of brands like FirstCry (Baby Hug) in the children's segment.

As of FY24, the company has no outstanding debt, indicating robust financial health. However, management has outlined plans to raise INR 1,000 million through equity and debt by FY25 and FY26 to support greenfield expansions and the development of Exclusive Brand Outlets (EBOs). INR 475 million was already secured via a rights equity issue in April 2025.

Industry research reveals that no listed company in India is exclusively focused on manufacturing and directly selling products for children aged 0-16 years through EBOs, presenting a unique opportunity to build a strong brand and generate substantial revenue. Efforts are underway to enhance the website's appeal and functionality to attract more customers and Increased production capacity is expected to drive higher exports.

The Indian kids' apparel market, valued at ~\$22.2 billion in 2023, is largely dominated by the unorganized sector (60–70%), but is gradually shifting towards organized players due to growing e-commerce, urbanization, and rising demand for quality products. This transition presents a strong opportunity for Doreme to capture share from the unorganized segment by offering affordable, branded kidswear that meets evolving consumer expectations. By focusing on value-driven pricing, wide distribution (especially in Tier II & III cities), and strong online and offline presence, Doreme can position itself as a trusted choice for families moving away from unbranded options.

The company has had a stable EBITDA margin for the past few years which shows that the company is handling all the geopolitical pressure easily by doing some price changes according to product.

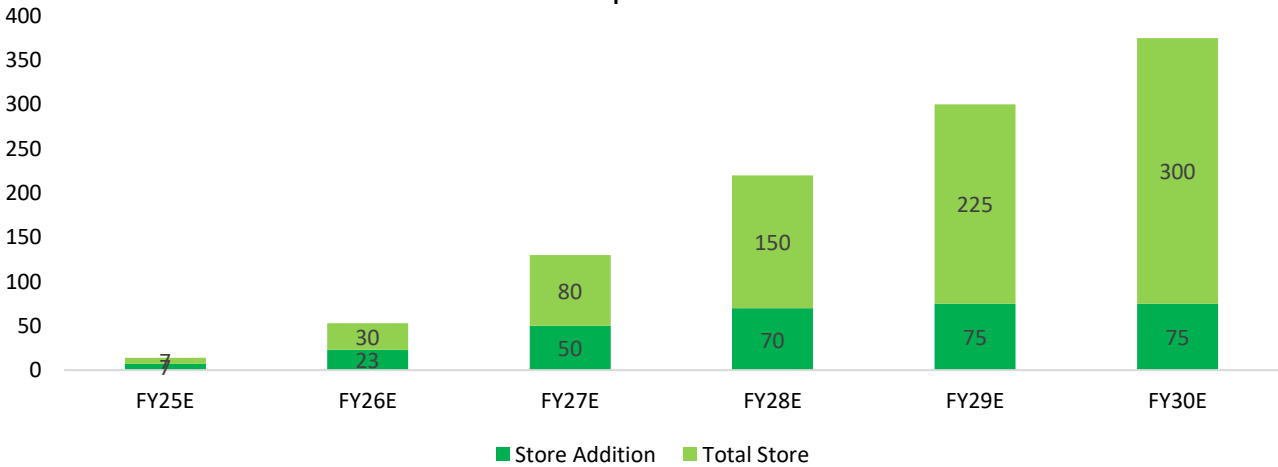
For these reasons, we initiate coverage on IRIS Clothings Ltd with a Target Price of INR 96, yielding a 'BUY' rating, and an upside of 85% from the CMP of INR 52. We arrive at this value using a Discounted Cash Flow Valuation method and an EV/EBITDA Valuation method.

Investment Rationale

The new EBO model marks the expansion of their branded business:

- The company has embarked on a journey to transition into a Direct-to-Consumer (D2C) business model, aiming to establish 300 Exclusive Brand Outlets (EBOs) by FY30. Previously, the company operated solely through a traditional distribution network comprising manufacturers, distributors, retailers, and ultimately, customers. This model significantly limited the choices available to consumers.
- For example, out of 1,500 SKUs, the company might initially offer 100 to distributors as new SKUs. Distributors would then narrow this selection down to 60-70 SKUs, and retailers would further reduce it to 30-40 SKUs. Ultimately, customers could only access about 30 SKUs, leaving them with very limited options. Recognizing this gap, the company saw an opportunity to enhance the customer experience by giving them access to a much broader product range through its own stores.
- By opening EBOs, the company aims to display and sell its entire inventory, allowing customers to explore and purchase from the full spectrum of 1,500 SKUs. While this initiative presents challenges, such as managing such an extensive product portfolio and ensuring ease of customer access, the company has implemented a strategic approach to address them.
- To create a seamless and enjoyable shopping experience, the company has been working on the EBO concept for the past 2 Years. This includes designing visually appealing stores, curating in-store music, implementing an ERP system for efficient operations, and finalizing merchandise and store layouts. These efforts are focused on delivering a consistent, premium experience to customers.

EBO Expansion Plan



Source: Company Filings & Arihant Capital Research

- The company launched its first EBO in September 2023 and has since opened seven stores, all located in the eastern region of India. This includes four stores in Kolkata, two in Siliguri, and one in Dhanbad. The eastern region was chosen strategically, as it represents an untapped market for the company. While its strongest sales currently come from Mumbai, with availability in more than 1,000 retail stores in the western region, the east offers significant incremental growth potential.
- For instance, Siliguri, where the company has had a distributor presence for the past eight years generates annual revenue of INR 6-7 Mn. With the opening of three EBOs in the main city as there are three major markets, the company anticipates increasing this **revenue to INR 21-22 Mn annually**, highlighting the substantial growth opportunity in the region.
- Looking ahead, the company plans to open 23-25 additional stores in the coming year, including Mumbai, to test the revenue model and brand impact. EBOs will be launched quarterly, to reach at least 80 stores within the next two years. This strategic expansion aligns with the company's long-term mission to enhance its direct customer engagement and strengthen its market presence nationwide. The main strategy of the company is to open stores in the main market of the city where demand and customers are high.

Attractive Store-Level Economics and Payback Period:

- The company has outlined an aggressive expansion plan, targeting the launch of 30-32 stores by FY26E and scaling up to 80 stores by FY27E. **Each Exclusive Brand Outlet is projected to require an investment of INR 3-3.5 Mn**, inclusive of inventory costs. These outlets are expected to achieve breakeven within 15-17 months post the festive season. **the company is expected to INR 7.5 Mn to 10 Mn revenue per store annually.**

Store Economics



Average
Investments for
1EBO Store
(Incl. Inventory)

₹30 Lakhs



Average
Store Size

750 – 1,000 sq. ft.



Payback Period

15 – 18 months



Average
Bill Value

₹1,500/-



Average Yearly
Revenue Per Store

₹75 Lakhs – ₹1 Crore

Source: Company Filings & Arihant Capital Research

- The average store size has grown from an initial 500 sq. ft. to the current 750 sq. ft., with plans to further expand to 1,000 sq. ft. in the near term. The company is focusing on a Company Owned Company Operated (COCO) model to gain hands-on operational experience and intends to continue with this format for the initial few years or until 80 stores are operational. Following FY26-27, given strong interest from existing distributors for franchise stores, the company plans to transition to a **Franchise Owned Company Operated (FOCO) model for future expansions.**
- On the product portfolio front, the company aims to broaden its offerings within its stores. Infant wear is expected to see an increased share, while the recently launched sportswear line in FY24 is projected to drive higher contributions in FY25. Other planned introductions include niche products such as kids' winter sportswear, woven night suits, and expansions in categories like innerwear and nightwear slated for FY25. Additionally, the Disney winter wear collection, which witnessed robust demand, will continue to bolster revenues alongside diversification into sportswear, innerwear, infant accessories, denim pants, and woven pants. Certain categories, like jeans, will be outsourced to optimize operational efficiency.

Some snapshot of EBOs



Forum Rangoli Belur



Ozone Plaza Dhanbad



Cosmos Mall Siliguri



Star Mall Barasat



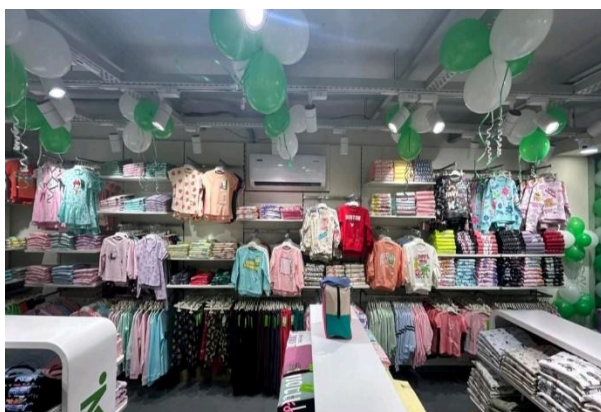
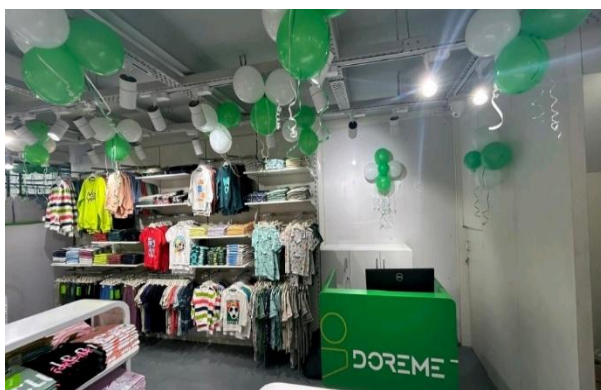
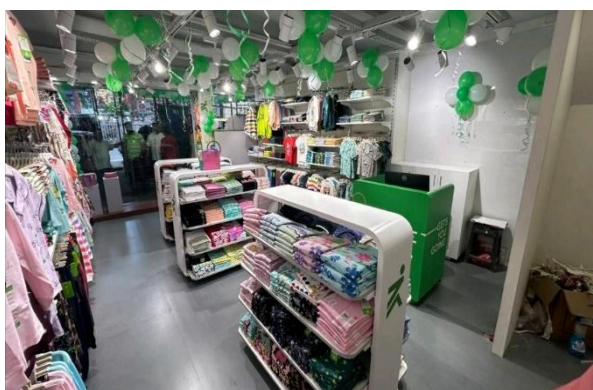
Raghav Plaza Howrah



Vega Mall Siliguri

Source: Arihant Capital Research

Snapshot of EBOs



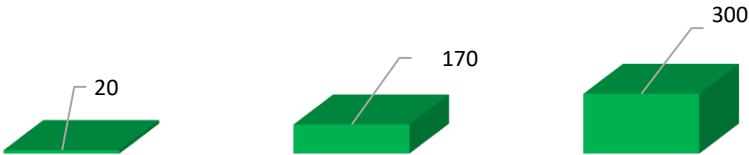
Source: Arihant Capital Research

Strengthening the core distribution business:

- The company has set ambitious growth targets supported by over 20,000 retail touchpoints and a distributor network exceeding 300+. Currently, the company has 177 distributors, with plans to increase this to 185 by FY25E and to 300+ by FY30. Management expects annual revenue per distributor to rise to INR 9-10 Mn, driven by the addition of new product categories.
- For FY24, the company reported revenue of INR 1,210 Mn and PAT of INR 120 Mn, maintaining a consistent EBITDA margin of 20%. This financial stability is further enhanced by the integration of POS systems and SAP alignment, improving operational efficiency and scalability. Historically, the retail segment has been the primary revenue driver, with minimal contributions from Exclusive Brand Outlets (EBOs).
- The distributor network spans 26 states in FY24 from 13 states in FY13, with 40% of sales concentrated in Maharashtra, Gujarat, and Rajasthan, alongside a significant presence in Punjab, Delhi, Bangalore, Chennai, and Hyderabad. Exports account for 3-4% of sales from seven countries which consist of Portugal, Nepal, Mozambique, Saudi Arabia, Africa, UAE, and The Middle East driven entirely by the company’s branded products (DOREME) without white labeling. Distribution sales alone are projected to contribute INR 3500-4000 Mn over the next five years. The pricing strategy involves a 50% discount on INR 100 MRP products given to distributors which is the industry merchandise benchmark, The revenue which INR 1200 Mn has a total consumer sales value of INR 2500 Mn. The consumer sales in FY13 are INR 350 Mn this is showing the rapid expansion of the distributors network.
- While market conditions were challenging over the past two years, the company has witnessed rapid growth in the last two quarters, and this momentum is expected to continue. Distribution remains a highly effective channel, supported by store-level branding and a strong rub-off effect. Customer kind is different for example there are two kinds of customers one who goes to retail stores directly and one who goes to malls, and now the brand DOREME is available in malls as EBO and also with distributors network, so there is a 50% chance in retail store and 50% in mall therefore both are in benefitted if customer chooses any.

From 177 distributors currently the company is targeting 300+ distributors by FY30.

Distributors



Source: Company Filings & Arihant Capital Research

2004-2013

2014-2023

2030 & Beyond

Increasing production capacity and improving Capital Utilization through greenfield, brownfield expansions:

From 1,25,000 sq. ft. production area to 3,00,000 sq. ft. after greenfield expansion.

- The company has an existing installed capacity of 1,25,000 sq. ft., with production currently at 33,000 pieces per day. Aiming to scale operations significantly, the company plans to enhance production to 1,20,000 pieces per day by FY30. This ambitious target will be achieved through both brownfield and greenfield expansions.
- **Brownfield Expansion:** Efforts include debottlenecking existing facilities to improve current utilization from 75%, integrating modern sewing machines annually, and launching new apparel lines. These initiatives ensure operational efficiency and incremental capacity gains. From 33000 to 40000 - 42000 pieces after 2 years by just adding stitching lines.
- **Greenfield Expansion:** A major growth driver is the construction of a 200,000 sq. ft. manufacturing facility in West Bengal, with an estimated capital outlay of INR 500 Mn. This facility will support the company's growing retail and B2B segments while bolstering its production capabilities. This will be completed by FY26E and there will be 80000 pieces per day from 40000 pieces.
- To finance its growth objectives, the company raised INR 475 Mn through combination of equity also they can raise debt in future, in which INR 500 Mn for expanding manufacturing capacity, and INR 500 Mn for EBOs expansion. This funding strategy is well-aligned with its long-term growth trajectory, targeting utilization of 1,00,000 pieces per day over the next five years.
- The company currently operates with 1,600 employees, of which 1,100 are women, showcasing a strong commitment to gender diversity.
- Its stitching operations, equipped with 1,400 automated machines, have grown significantly, from 500 pieces per day in 2005 to 33,000 pieces per day today. The company is strategically focusing on in-house cutting, stitching, and printing to ensure quality and cost control while avoiding entry into fabric manufacturing.
- **OEM Partnerships and White-Labeling Opportunities:**
To complement its internal capacity, the company outsources certain product categories to reputed manufacturing companies to optimize investment in manufacturing, while maintaining product diversity. Management is also open to white-labeling opportunities, which could unlock additional revenue streams and leverage existing capacity.
- **Retail and B2B Growth Strategy**
The planned EBO network expansion will strengthen brand presence, while incremental capacity from the West Bengal facility will support the growing B2B and retail demand. This dual-channel growth strategy ensures revenue diversification and market penetration.

33,000 pieces per day will be 1,20,000 pieces per day by FY30.

Strong market position, pricing power, and robust growth potential in children's clothing:

Q2FY25 ASP is INR 480 and guided INR 520 by end of FY25.

- The company is strategically positioned in the high-growth kids' wear segment, leveraging its strong pricing power and quality-driven USP to sustain competitive advantage. With a focus on addressing diverse age groups and price sensitivities, the company commands healthy margins in this segment, where the average selling price (ASP) is expected to rise from INR 440 to INR 600 over time. Given that realization is approximately half the MRP and annual revenue growth is projected at 30-35%, the business demonstrates a compelling growth trajectory for both top-line and profitability.
- The company's vertically integrated strategy, supported by in-house manufacturing, ensures cost efficiency and product quality, further solidifying its position as **one of the largest players in the organized market under a single brand**. Although Disney products account for only 5% of sales (with 12% of this revenue paid as royalties), this limited reliance underscores the company's focus on self-driven growth, but the company is also focusing on Disney winter wear products currently as demand is high for that, this will enhance the Disney revenue also. Additionally, recent expansions into adjacent categories like bags, bottles, and denim (via outsourcing) strengthen its product portfolio.
- A growing e-commerce presence, contributing 8-9% of total revenue, underscores the company's D2C capabilities. Marketing efforts, including digital advertising, hoardings, and newspapers, enhance brand visibility. **Targeting aspirational consumers earning INR 25,000-30,000 per month**, nuclear families are more common these days. They often buy things without overthinking. Since mothers also earn now, they are an important part of the audience too.
- The company sources 95% of its raw materials domestically, emphasizing high-quality cotton for comfort. they also import premium Supima cotton and staple cotton from the US in small quantities. while selectively importing high-grade polyester from China (2-3%) for sportswear. Its strategic focus on high-demand categories like infant accessories, innerwear, and sportswear ensures year-round relevance. Additionally, value-added products like joggers and cargo pants reflect the ability to balance moderate cost inflation (5-6%) with significant price increases, driving incremental profitability.
- With 60% of revenue derived from the 2-8 years age group, 30% from 8-16 years, and 10% from 0-2 years, the company captures a broad spectrum of the kids' wear market. Its pricing, quality, and customer-centric approach provide a sustainable framework for long-term growth in a fragmented yet expanding sector.

The only company which is organized and engaged in D2C and manufacturing both for kids.

The brand has positioned itself between economy players like Max/Zudio (INR 190) and premium names like H&M/Zara (INR 690), and their offering is at a superior value (INR 290) compared to mid-segment competitors like Ben10 (INR 390-450), and refer their product is better than Ben10.

Peer Review:

"The company is the only one with both manufacturing capabilities and its stores. It operates in a large market, where all or most competitors are unorganized.

Iris Clothings Ltd uniquely focuses on the kids' segment, catering to boys, girls, and infants (ages 0-16), with an integrated approach that combines manufacturing and D2C sales. While the market does include both organized and unorganized players in the kids' category, the company stands out with no direct peers only dedicated to this space, but there are some listed players in the kids wear segment, as such, but they are also not catering much in India, so India market is very big opportunity for IRIS.

Kitex Garments Ltd

- Ranked as the second-largest producer of cotton and organic cotton infant wear for children aged 0-24 months, the company heavily relies on exports, with 78% of revenue from the US and Europe. Despite a daily production capacity of 10.68 Lakhs pieces, its limited domestic market (22%) and over-reliance on international markets. The brands "Lamaze" and "Little Star" focus primarily on the US and Canada, restricting expansion opportunities.

S P Apparels Ltd

- A leading manufacturer and exporter of knitted garments for infants and children in India.
- Capacity utilization in FY24 stood at 82%.
- Focused primarily on white labeling operations.
- Plans to expand into additional categories, including men's wear, women's wear, intimate wear, and others.
- The company exports is 86% and domestic is 14% only.

INR Mn	Revenue FY24	Revenue 3yr CAGR	EBITDA	EBITDA Margin	PAT	PAT 3yr CAGR	EPS (INR)	CMP (INR)	M.Cap	P/E (x)	EV/EBITDA (x)	Debt	D/E (x)	ROCE	ROE	ATR (x)
Iris clothings Ltd	1,219	11.53%	263	22%	122	23%	1.27	46	4,480	36.9	18.2	468	0.62	19.8%	19.4%	0.99
Kitex Garments Ltd	6,169	10.65%	1,005	16%	558	1%	6.31	245	48880	39.5	28.3	8780	0.92	6.92%	6.33%	0.40
S P Apparels	10,874	18.57%	1,551	14%	896	28%	36.9	730	18310	19.8	11.4	3240	0.41	13.5%	11.4%	0.97

Source: Company Filings & Arihant Capital Research

Peer Review:
Some unlisted players in this space, few examples like:

Ed-a-Mamma

- Alia Bhatt's company, founded in April 2020, sells online clothing for children aged 0–14. While it promotes ethical choices like natural fabrics and biodegradable packaging, its prices range from INR 349 to INR 1,499 with organic t-shirts starting at INR 799. This pricing might be inaccessible to many families, making the goal of affordable ethical apparel less achievable. The product line includes boys' and girls' clothing, but the higher prices may limit its appeal.

Gini & Jony Ltd

- Gini & Jony, established in 1980 and headquartered in Mumbai, is a known name in kidswear with over 250 outlets. While they offer fashionable and comfortable clothing for ages 0–16, their high price range (INR 499–1499) may not appeal to cost-conscious parents. The brand's heavy retail presence and premium pricing can make it less agile in a market increasingly driven by value, online shopping, and fast fashion trends.

The NoName Company

- DoreMe outperforms NoName in India's kids' apparel market due to its direct-to-consumer brand presence, offering trendy, affordable clothing (INR 95–1,000) with a wide range (2,042+ products) and nationwide retail access via platforms like FirstCry and Flipkart, while NoName, a private-label manufacturer, focuses on sustainable, customizable apparel (INR 200–5,000) for other brands, lacking direct market visibility and broader consumer reach.

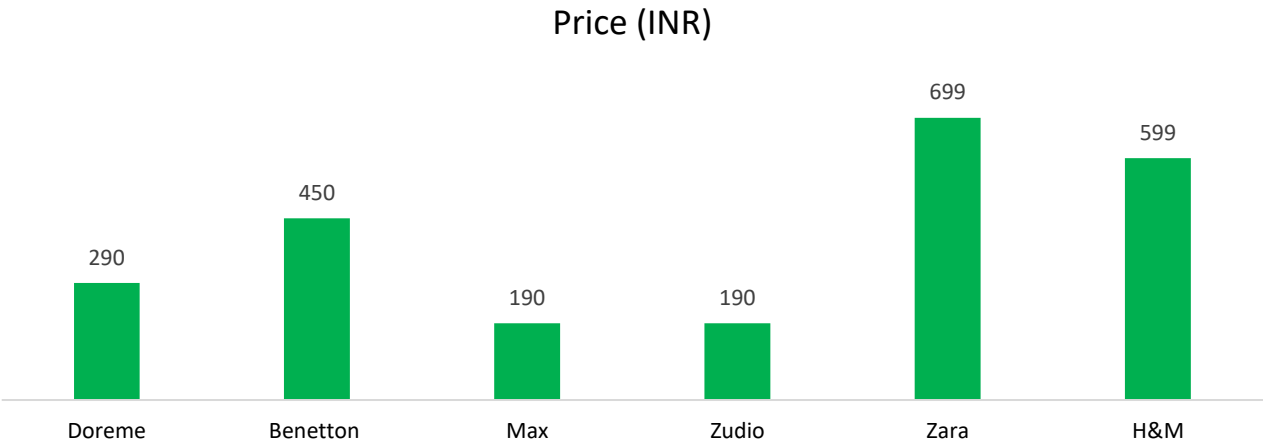
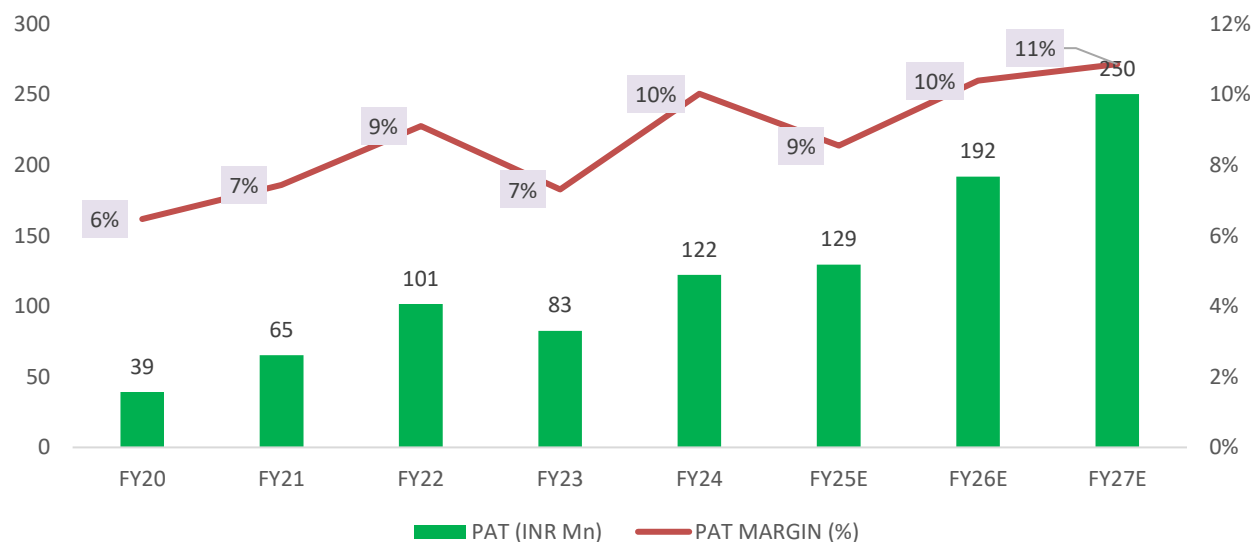
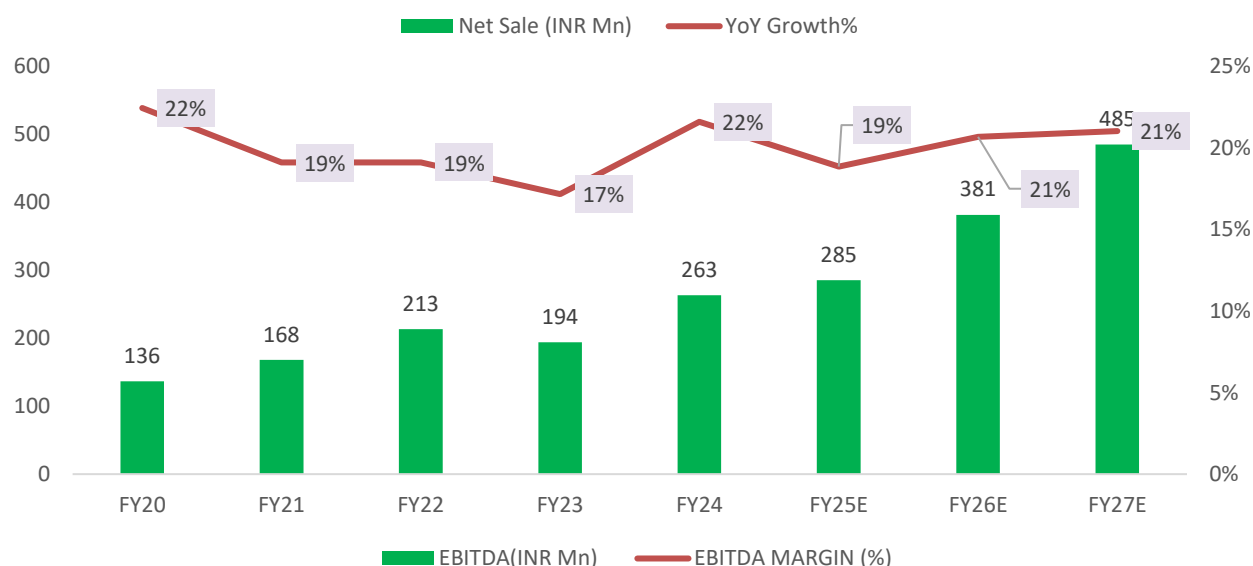
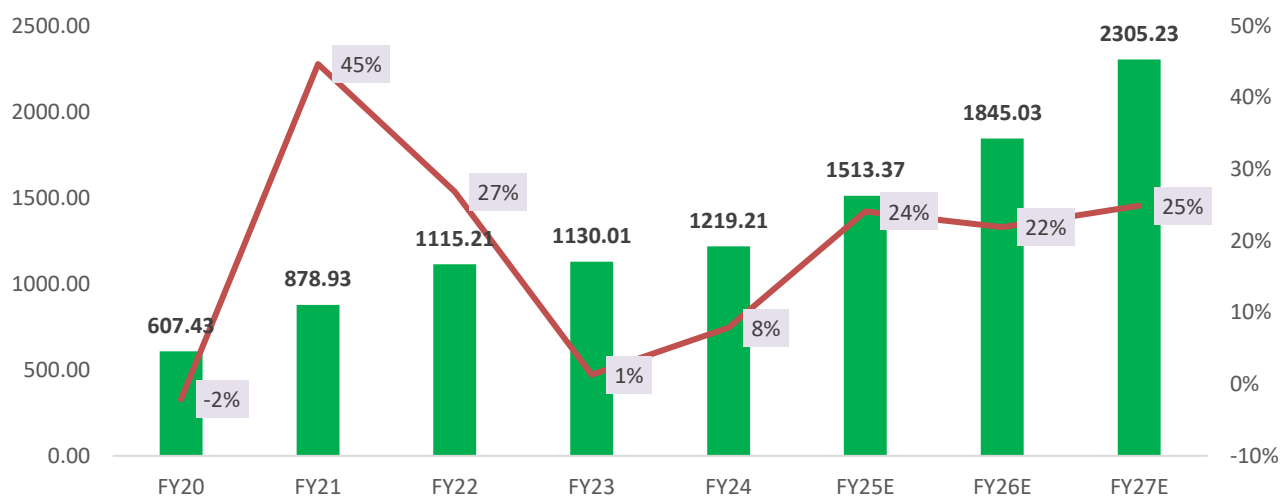


Figure: Price range of other players

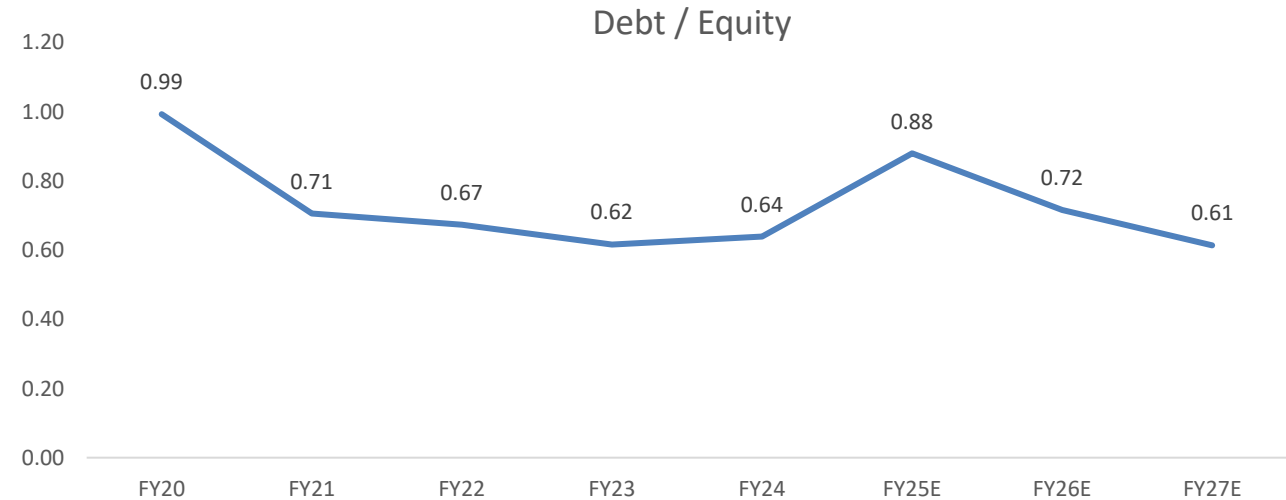
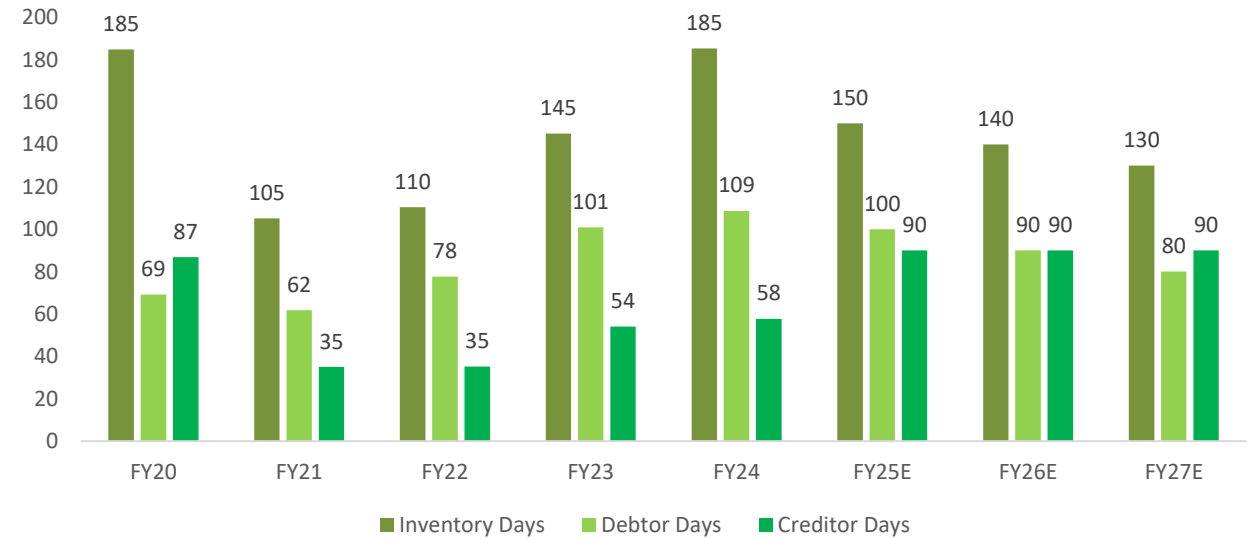
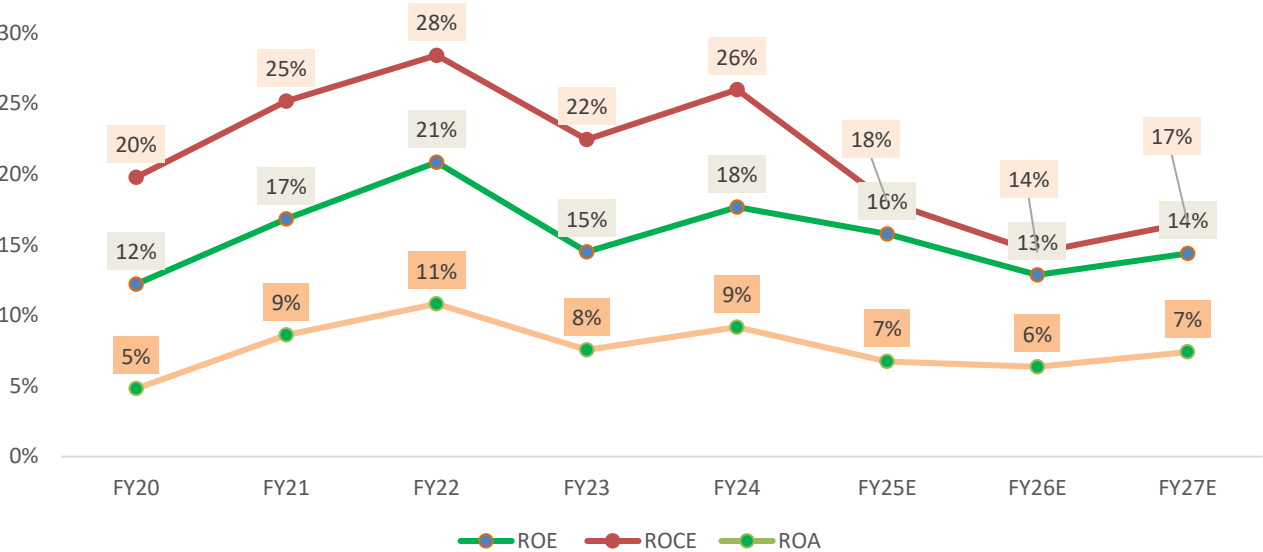
Doreme brand claims that their products outshine those of Ben10, Max, Zudio, and some other premium brands, providing exceptional quality that surpasses both competing brands and local retailers.

Source: Arihant Capital Research

Story in Charts






Source: Company Filings & Arihant Capital Research



Source: Company Filings & Arihant Capital Research

Company Overview

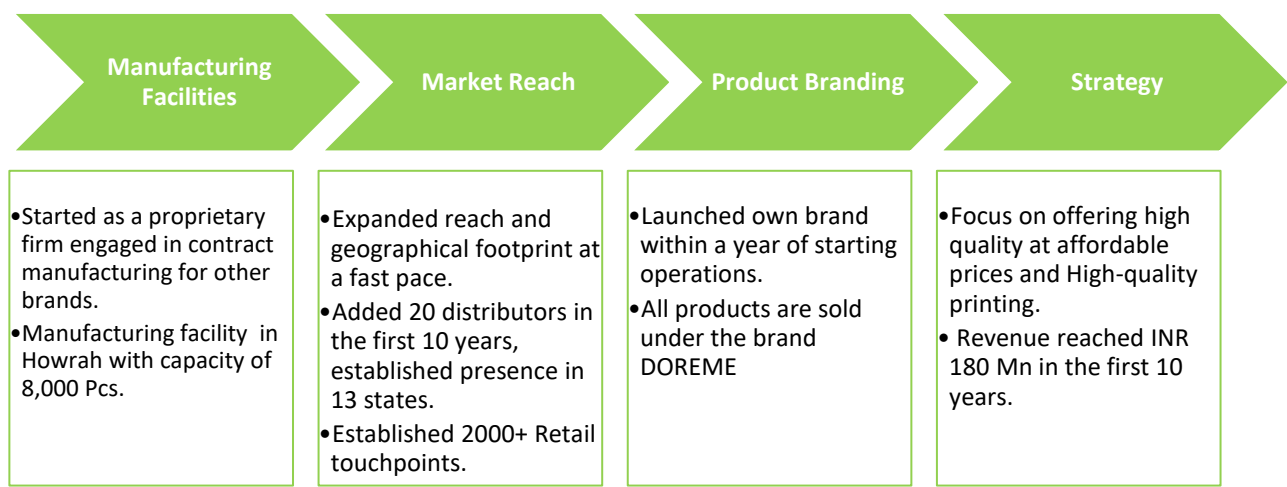
- IRIS Clothings Limited commenced in 2004 is a rapidly expanding children's apparel company engaged in the manufacturing, designing, branding, and selling of kids' garments. The company has established a strong foothold in the kids' wear market through its signature brand "DOREME," recognized for its distinctive collection of ready-made garments that cater to the apparel needs of children and toddlers with a diverse array of tailored designs from kid's age between 0-16 years for all 7 days of a week. The company has collaborated with Disney two years ago in 2022.
- The company have a robust distribution network, with over 170+ distributors actively selling DOREME products. To drive growth, the company is focused on domestic expansion through the establishment of Exclusive Brand Outlets (EBOs) across India and is also extending its international reach by exporting to seven countries, including those in Africa, Nepal, Portugal, Mozambique, the UAE, the Middle East, and Saudi Arabia. Currently, there are seven EBOs in India, While the company has established a solid presence in the offline market, it is also expanding its online footprint. The launch of its direct-to-consumer (D2C) website marks a significant step into the digital marketplace, providing customers with an additional platform to access their products.
- The company's key differentiator is its exclusive focus on high-quality children's apparel which makes the company the only manufacturer in India dedicated solely to kids' products. With their own manufacturing facility, the company ensures superior product quality by sourcing premium materials primarily cotton, which is reflected in both comfort and durability. Its commitment to affordability allows it to cater to families with monthly incomes between INR 20,000 and 25,000, offering great value for money. This combination of quality, affordability, and specialization positions the company as a leader in India's children's clothing market.

	Establishment Phase 2004-2013	Well Established Listed Kids Apparel Brand 2014-2023	Vision 2030 Going Direct to Consumer 2024 & Beyond
Business Model	Manufacturing Retail B2B	Manufacturing Retail B2B E-commerce B2B	Manufacturing Retail B2B E-commerce B2B Retail D2C E-commerce D2C
Manufacturing Capacity	35,000 sq. ft. 8,000 Pieces Per Day	1,25,000 sq. ft. 33,000 Pieces Per Day	3,00,000 sq. ft. 1,20,000 Pieces Per Day
Market Reach	20 Distributors 13 States	170 Distributors 26 States 7 Countries (Exports)	300 Distributors 300+ EBOs 12 Countries (Exports)
Brand			
Products Introduced	T-shirts, Dress	Loungewear, Winterwear, Bottomwear	Innerwear, Sportswear, Infant Accessories, Infant Collection

Source: Company Filings & Arianth Capital Research

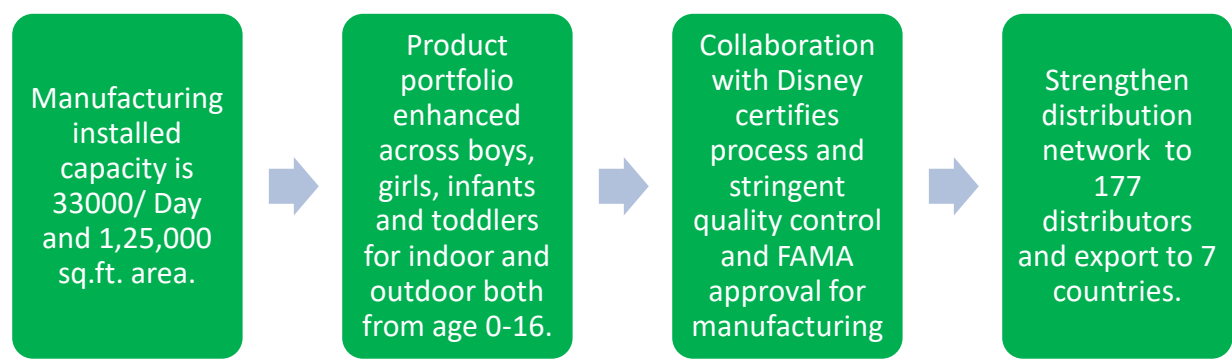
Establishment Phase (2004-2013)

The company started as kids clothing manufacturer, Growing through focus on quality.



Growth Phase (2014 -2023)

Well Established Listed Kids Apparel Brand with consumer sales of INR 2500



2024 & Beyond Going direct to consumer (D2C)



Source: Company Filings & Arihant Capital Research

Product and Services

- The company, under the "DOREME" brand, focuses on producing and retailing a diverse range of ready-made garments and accessories for children. DOREME offers a comprehensive collection for infants, toddlers, and junior boys and girls, covering both indoor and outdoor apparel. Their product lineup includes summer wear, winter wear, sportswear, and swimwear, featuring items such as tops, t-shirts, pajamas, trousers, shorts, dresses, polyfill suits, sweatshirts, hoodies, joggers, and dry-fit apparel. Additionally, the company offers accessories like bags and bottles, while some products such as jeans are outsourced.
- In FY24, IRIS broadened its product offerings by adding new categories such as winter wear, sportswear, and performance apparel for children across India. The company is the pioneer in introducing kids' sportswear in India and has recently launched niche products like winter sportswear and woven night suits. Moving forward, the company plans to expand its range with new lines of kids' innerwear.
- The collaboration with Disney allows IRIS to print popular designs, including Marvel characters, Mickey Mouse, Stitch, and Disney princesses, which strengthens their premium market positioning and contributes to higher profit margins. The introduction of Disney-themed collections, such as a winter wear line, has seen strong demand and is expected to drive revenue growth further.
- The company currently offers a total of 1,500 SKUs and introduces 2 to 3 new SKUs daily. T-shirts are a major revenue driver, contributing 45% of sales, followed by joggers and bottom wear at 25%, ground wear at 10%, nightwear at 10%, and the remaining comes from other categories.
- Nearly 98% of the products are made from cotton, ensuring comfort and quality. In terms of age group distribution, the 0-2-year segment accounts for 10% of sales, the 2-8-year age group makes up 60%, and the 8-16-year group contributes 30% to the overall revenue.

Kids (0-5 years)



Dresses, Tops, T-shirts,
Trousers shorts,
Nightwear, Sweatshirts
Price: INR 90 To INR 1500

Girls (6-16 years)



Dresses, Tops, T-shirts,
Trousers, shorts, Nightwear,
Sweatshirts, Hoodies
Price: INR 240 To INR 2000

Boys (6-16 years)



Tops, T-shirts, Trousers,
shorts, Nightwear,
Loungewear, Hoodies
Price: INR 240 To INR 2000

✶ DOREME x Disney



T-shirts, Nightwear,
Sweat Shirts,
Loungewear, Hoodies
Price: INR 290 To INR 2500

Source: Company Filings & Arihant Capital Research

Manufacturing

The company operates 10 facilities, including 8 manufacturing sites and 2 dispatch centers in Howrah, West Bengal. Manufacturing is the core strength of the company which is driving both success and growth. These state-of-the-art facilities significantly boost production capabilities, allowing the company to achieve economies of scale and benefit from locational advantages. With advanced operations, the company maintains high standards of quality and efficiency which secure its position as an industry leader. This strategic base supports a strong presence across 26 Indian states, with key markets in Maharashtra, Rajasthan, Gujarat, and the NCR. The company operates over 1,400 automated stitching machines, with a production capacity of 33,000 pieces per day. When the company began in 2005, daily stitching output was 500 pieces. Currently, it utilizes around 27,000-28,000 pieces per day. The workforce includes 1,600 employees, of which 1,100 are women.

Expanding Capacities: The company is embarking on a significant growth phase through capital expenditure, focusing on machinery upgrades and optimizing utilization rates. To meet rising demand, IRIS is also exploring a greenfield expansion to boost production capabilities. These initiatives are crucial to strengthening the company's backward-integrated manufacturing infrastructure, ensuring cost efficiency, and maintaining strict quality control.

Manufacturing Facility



Foreshore Road, Howrah

The manufacturing unit at Foreshore Road, Howrah, is equipped with 4 advanced stitching and finishing units, using fully automated machines from Japan and a well-known local brand. It also features 1 dedicated dispatch unit for efficient and timely product delivery.



Pachla, Howrah

The first fully modernized stitching and finishing unit, featuring online processes, benefits greatly from its strategic location. This location provides access to a skilled labor force and abundant raw materials, boosting the unit's efficiency and production capabilities.



Uluberia, Howrah

Their cutting-edge manufacturing unit at Uluberia centralizes all production processes in one facility. It boasts fully automated cutting machines from Italy, advanced printing equipment from the US and Poland, and a modern stitching and finishing unit with online processes. This integration ensures high efficiency and exceptional product quality.



Srijjan Industrial Park, Bombay Road

At Srijjan Industrial Park, Bombay Road, they have established their third fully modernized stitching and finishing unit with online processes, complemented by a dedicated dispatch unit.

Source: Company Filings & Arihant Capital Research

Developments

- **FAMA License:** The Uluberia plant of IRIS has received the FAMA License, enabling it to manufacture and distribute products that incorporate Disney's intellectual property. This licensing agreement permits IRIS to create children's apparel featuring characters from Disney movies. Leveraging this collaboration, IRIS has launched a new line of children's clothing under the Disney x DOREME brand, positioned within the premium segment. The initial order of Disney-themed apparel was dispatched during a sample launch event in Udaipur, showcasing designs including Disney and Marvel characters. This Disney license helps to diversify the product line with various Disney franchises and enhance reputation via Disney's trusted demand.
- **Expansion of Product Offerings:** In FY24, IRIS expanded its product range by introducing new categories of winter wear, sportswear, and performance apparel for children throughout India. The company intends to further diversify these offerings in the upcoming year, addressing a wider array of clothing needs for children. **IRIS is the only company that introduced sportswear for kids in India.**
- **Enhanced Distributor Network:** Throughout FY24, IRIS has significantly strengthened its domestic distribution network, adding over 10 new distributors. The company has reinforced its market presence in established regions, including Maharashtra, Gujarat, Rajasthan, Bengaluru, West Bengal, and Punjab, bringing the total number of distributors to 177 as of Dec 2024.
- **Launch of Exclusive Brand Outlets (EBOs):** To bolster its retail presence, IRIS has inaugurated seven stores four in Kolkata, two in Siliguri, and 1 in Dhanbad. Additionally, the brand is expanding its visibility with new stores opening in Maharashtra.
- **Global Exports:** In the export sector, IRIS currently ships products to various countries, including Nepal, Portugal, Mozambique, Africa, Saudi Arabia, the UAE, and other Middle Eastern nations. These countries purchase finished goods from IRIS under the "DOREME" brand for resale in their markets. Looking ahead, IRIS aims to deepen its presence in the existing markets of the UAE, Middle East, and Saudi Arabia, will reach more than 12 countries by FY30.
- In June 2022, the company introduced a new line of accessories under the infant wear vertical and introduced the B2B platform specifically designed for wholesalers.
- In Sept 2022, the company introduced the D2C e-commerce platform for customers.
- Attended first overseas exhibition in Dubai and conducted dealer conference in Udaipur.

Launched their first store in Sept 2023 – first step to recognized as a brand DOREME.

Indian Kids Apparel Industry

- Children’s Apparel market in India generated a revenue of US\$ 23.37 Bn in FY24, and it is projected to have an annual growth rate of 2.63% (CAGR from FY24-FY29). According to populations the per person revenue in India children's apparel market is US\$16.21 in 2024. By FY29, the volume in the segment is expected to reach 16900 Mn Pieces. By FY25 volume growth is anticipated by 3% and volume per person is 10.2 pieces in FY24.
- Children represent approximately 25-26% of the total population, highlighting significant market potential.
- Increasing Popularity of Kids' Fashion, there is a rising trend in kids' fashion, with brands introducing attractive clothing that reflects lucrative styles, Brands are offering differentiated designs to cater to evolving consumer preferences.
- Rapid urbanization is a key driver for retail growth within this sector, demand for children’s clothing is bolstered by expanding retail networks and the growth of e-commerce platforms.
- An increasing number of newborns globally is driving up demand for kids' apparel, resulting in higher parental spending, heightened consumer awareness regarding children’s appearances and cultural trends is influencing market dynamics.
- Parents are increasingly seeking sustainable, durable, and long-lasting clothing that meets the demand of active lifestyles. This trend is significantly contributing to market growth.

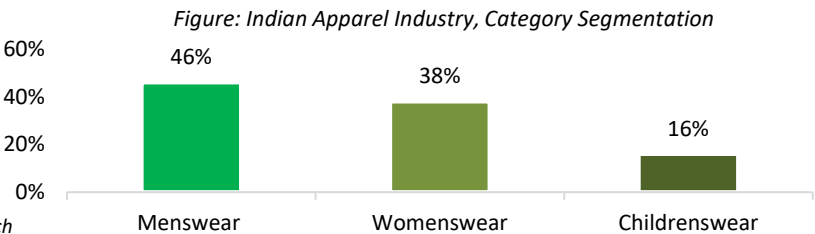
Out of 100% of the market children contributes 16% market share in apparel industry.

Impact of Social Media

- Now a days social media culture is influenced parents as well as children to follow fashion style and showing up the same with in social media which play very crucial role in shaping children’s apparel choices, further propelling market expansion.

Market Opportunities

- The increasing appetite for quality and quantity of various style cloths, India is an attractive market for both domestic and international brands.
- Companies are seizing opportunities by providing high-quality designs to a broader audience.



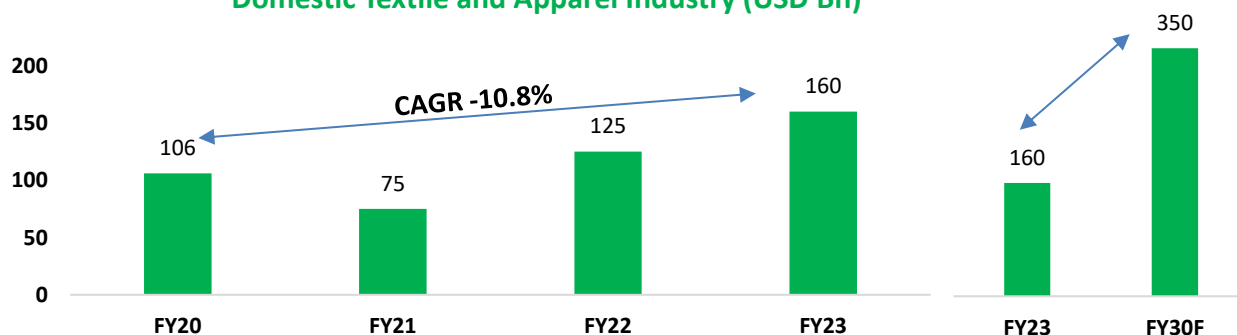
Source: Company Filings & Arihant Capital Research

Industry Overview

Indian Textile & Apparel Industry

- India is the world's 3rd largest exporter of textiles and apparel, ranking among the top five global exporters across multiple categories, with exports projected to reach **USD 100 bn by FY30**. Supported by strong raw material sourcing and manufacturing capabilities, contributing 2.3% to GDP, 13% to industrial production, and 12% to national exports. It also provides extensive employment, leveraging a skilled and cost-efficient labor force that enhances its competitive advantage over other major textile-producing nations.
- Recently, India's textile market has seen substantial growth, with projections estimating the industry will reach **USD 350 bn by FY30, up from USD 160 bn in FY23**, representing a **CAGR of 10%**. This expansion is driven by a middle class, increased discretionary spending, and favorable consumer demographics. As demand for quality and variety rises across various market segments, India presents an attractive opportunity for both domestic and international players.
- Looking ahead, the Indian textile industry is set to double its contribution to the national GDP, growing from 2.3% to around 5% by the end of this decade. This growth trajectory is supported by strong policy measures, increased investments, and a focus on enhancing manufacturing infrastructure.
- Government initiatives further bolster the textile and apparel segment through consistent raw material supply, stable power at competitive rates, and schemes like production-linked incentives and Make in India, all aimed at advancing the industry.
- **Indian Apparel Retail Industry forecast for FY27 is USD 89,219 Mn.**

Domestic Textile and Apparel Industry (USD Bn)



Source: IBEF, Company Report, Arihant Capital Research

Story in charts

Global Apparel Market

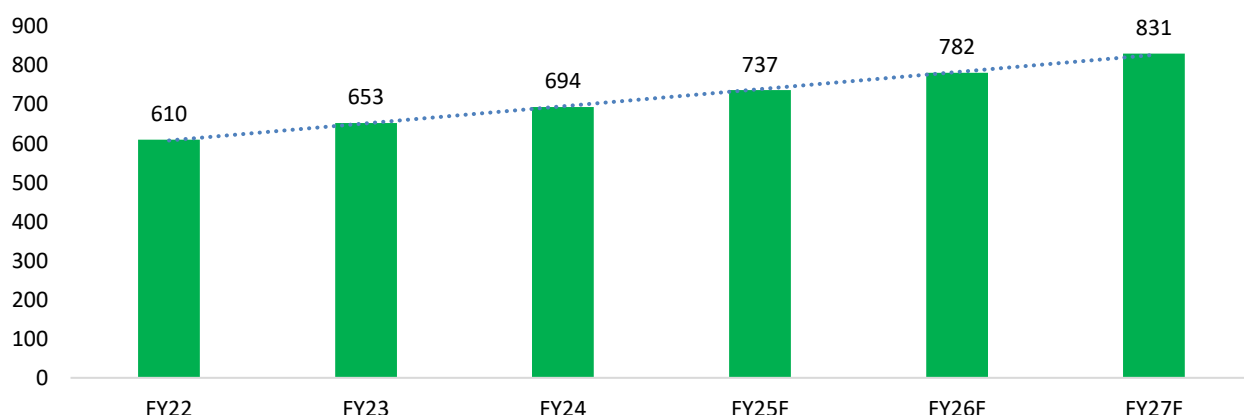


Figure: Global Apparel Market, Forecast Market Size (\$ Bn)

Geography Segmentation

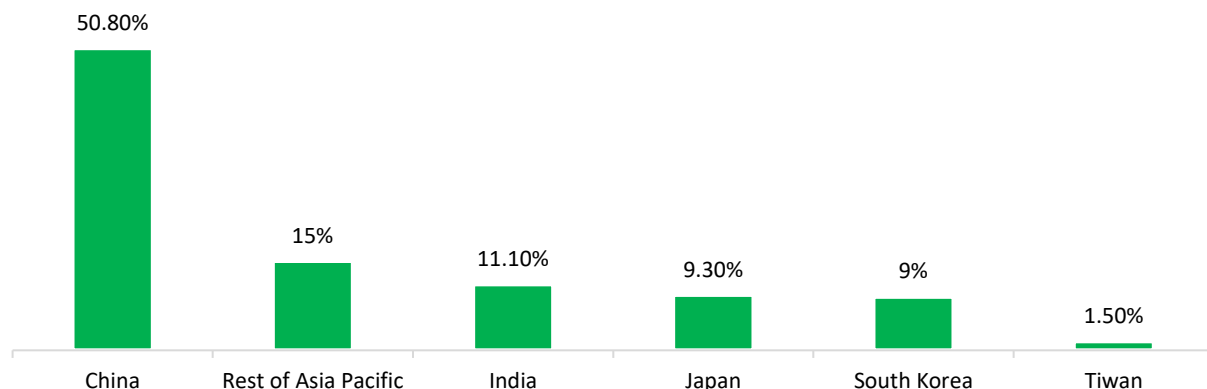


Figure: Indian Apparel Industry, Geography Segmentation

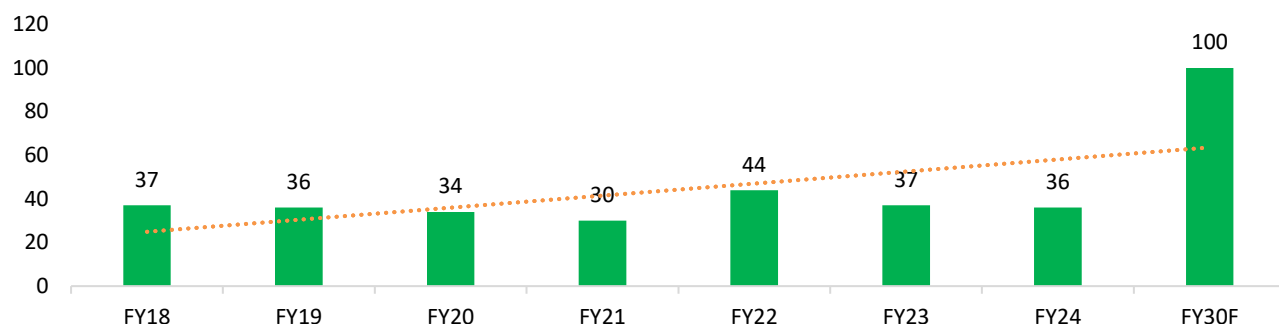
Children Markets

Children Products (USD Bn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Baby Clothes	3.81	4.25	5.16	5.71	5.96	6.2	6.42	6.65	6.88
Blazers	0.2	0.22	0.26	0.28	0.29	0.29	0.29	0.3	0.3
Clothing Accessories & Other Clothes	1.15	1.25	1.46	1.46	1.59	1.66	1.69	1.73	1.77
Coats & Jackets	0.09	0.09	0.11	0.11	0.11	0.11	0.12	0.12	0.12
Dresses & Skirts	1.14	1.23	1.46	1.58	1.61	1.65	1.68	1.71	1.74
Suits & Ensembles	0.38	0.43	0.5	0.54	0.55	0.56	0.58	0.59	0.6
Tights & Leggings	0.06	0.06	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Trousers	1.24	1.36	1.6	1.74	1.79	1.83	1.87	1.92	1.96
T-shirts	1.78	1.94	2.27	2.47	2.53	2.59	2.65	2.71	2.77
Jerseys, Sweatshirts & Pullovers	1.74	1.87	2.19	2.36	2.4	2.43	2.47	2.51	2.55
Night & Underwear	1.71	1.88	2.27	2.39	2.51	2.64	2.77	2.9	3.03
Shirts & Blouses	2.16	2.32	2.72	2.94	2.99	3.05	3.1	3.15	3.2
Socks	0.06	0.07	0.08	0.09	0.09	0.09	0.1	0.1	0.1
Sports & Swimwear	0.61	0.64	0.75	0.82	0.83	0.84	0.86	0.88	0.9
Total	16.13	17.61	20.9	22.56	23.32	24.01	24.67	25.34	25.99

Figure: Indian Children Apparel Industry, Portfolio Segmentation

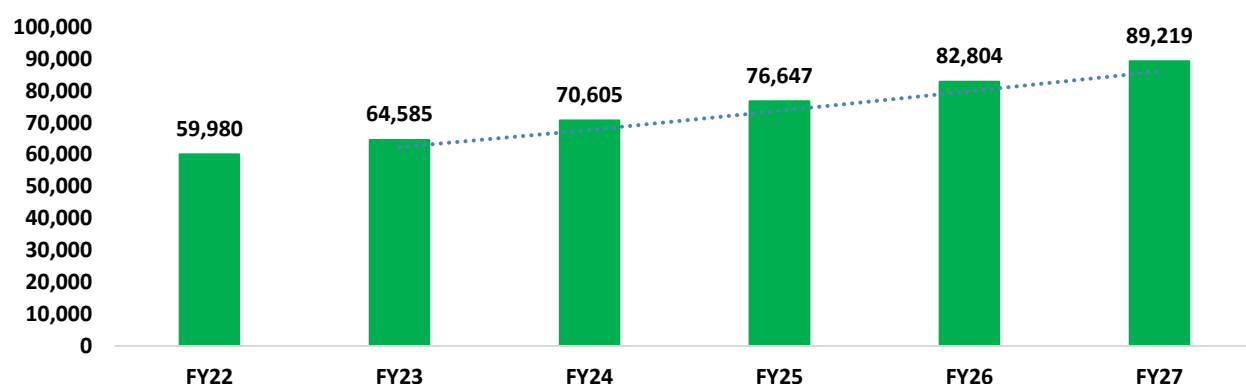
Source: Statista, Company Report, Arihant Capital Research

Textiles and apparel exports from India (USD Billion)



- India's textiles industry has around 45 Mn employed workers including 3.52 Mn handloom workers across the country.
- India's cotton production is expected to reach 7.2 Mn tonnes (~43 Mn bales of 170 kg each) by 2030, driven by robust consumer demand. This increase in production is complemented by a strong performance in the garment export sector, which recorded US\$ 2,244 Mn in exports of readymade garments and accessories in the first quarter of FY25 (April-June).
- Furthermore, automation and robotics are revolutionizing manufacturing processes, enhancing productivity, and providing a competitive advantage. Increased health awareness and lifestyle changes have spurred growth in the activewear and athleisure markets. Digitalization is refining design processes, supply chain management, and personalized marketing strategies, resulting in a more interconnected and customer-focused industry. Skill development programs, particularly in rural areas, are cultivating a capable workforce, preparing the sector for future growth.

Indian Apparel Retail Industry Forecast (\$ Mn)



Source: IBEF, Company Report, Arihant Capital Research

Journey Map









Source: Company Filings & Arihant Capital Research

Key Risk and concerns

S.No	Risk Type	Impact	Comments
1	Commodity Price Risk	Fluctuation in cost of raw material price may impact the profitability of the business.	They rely on outside vendors to supply them with raw materials, which may result in unexpected shortages and price fluctuation. This can be avoided by diversifying the product line based on raw materials, flexibility, and direct supplier contact.
2	Distributor Risk	Loss of any distributors may impact the operations of the business.	The business depends on its distributors; if any are lost, it will lose over INR 10 Mn annually. This scenario won't arise if the company keeps a good relationship with them and offers the distributor the best price among its competition.
3	Manufacturing Facility Risk	Issues in manufacturing facilities will affect the company's ability to operate.	Regular machine maintenance can prevent disruption and the loss of manufacturing facilities. Legal procedures should also be checked periodically.
4	Working Capital Risk	Inadequate working capital as well as excessive accumulation of inventory can affect the business efficiency which leads to working capital cycle days.	Accumulation of excess working capital can be avoided by doing right demand forecast. They can also increase the sales by launching different products and improve the efficiency of production cycle.
5	Labor Risk	Lack of labor can lower daily production capacity.	Sometime there is labor shortage due to some political issues, strikes, lock-outs which can not be avoided.
6	Liquidity Risk	A delay in funding will affect the projected EBOs and production capacity planned.	To prevent this kind of danger, the business must keep a high bank credit score and excellent relations with investors by offering them a good business plan.

Source: Arihant Capital Research

Key Personnel

Personnel	Description
 <p>Mr. Santosh Ladha Managing Director</p>	<p>Mr. Ladha holds a Bachelor's degree in Commerce and has 27 years of experience in the textile industry. He is the founder and promoter of the Company and has conceptualized and externalized the brand DOREME. He has an in-depth understanding of the domestic readymade apparel market. Being a dynamic marketing personality, he looks after the entire operations of the Company directly with the support of a strong team.</p>
 <p>Mrs. Geeta Ladha Whole-time Director</p>	<p>Mrs. Ladha holds a Bachelor's degree in Commerce. She has 20 years of experience along with an unmatched exuberance in providing creative and innovative ideas to update the products. She has been with the Company since its inception.</p>
 <p>Mr. Baldev Das Ladha Non-Executive Director</p>	<p>Mr. Baldev has an experience of more than 44 years in the textile industry. His vast experience has been an asset to the Company.</p>
 <p>Mr. Nikhil Saraf Independent Director</p>	<p>Mr. Saraf is a qualified Chartered Accountant, Chartered Financial Analyst and Company Secretary. He has over 22 years of experience in finance, taxation and consulting. He has diverse business interests including running his own accountancy firm, recruitment firm and investment advisory. An avid sports enthusiast, he is one of the Co-founders and CEO of Neev Credit Private Limited – an education focused NBFC having offices in several states of India. This has helped him develop a strong business network across the country.</p>
 <p>Mr. Manoj Tulsyan Independent Director</p>	<p>He is a Chartered Accountant by profession and has a total experience spanning over 18 years including key financial and administrative roles over several boards of organizations.</p>
 <p>Mrs. Vranda Manish Rathi Independent Director</p>	<p>She has a Diploma in Dress Designing from Institute of Professional Training for Women, Indore. She has also done B.Com from Devi Ahilya Vishva Vidyalyaya, Indore. She has also done Diploma in Storytelling from Kathalaya, Bangalore.</p>

Source: Company Filings & Arihant Capital Research

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	163	163	163	190	190
Reserves & Surplus/ Other Equity	406	528	658	1298	1548
Networth	569	692	821	1488	1738
Current Borrowings	293	354	354	383	412
Non-Current Borrowings	58	88	368	681	654
Borrowings	351	442	722	1064	1066
Total Funds Employed	920	1134	1543	2553	2805
Application of Funds					
Gross block	568	637	646	679	883
Less: accumulated depreciation	299	360	430	498	587
Net Fixed Assets	269	278	216	180	296
Capital WIP	0	0	0	0	0
Investments	11	12	40	54	77
Goodwill	0	0	0	0	0
Other non-current assets	9	12	0	0	0
Current assets	804	1031	1665	2778	3004
Inventory	449	619	622	708	821
Days	145	185	150	140	130
Debtors	313	363	415	455	505
Days	101	109	100	90	80
Other Current Assets	28	33	0	0	0
Bank	15	15	0	0	0
Cash	0	0	628	1615	1678
Current Liabilities	465	553	727	838	981
Creditors	167	193	373	455	568
Days	192	236	160	140	120
Other current liabilities	5	6	0	0	0
Provisions	0	0	0	0	0
Net Working Capital	339	478	938	1940	2023
Total Liabilities and Capital	1093	1332	1916	3008	3373
Total Assets	1093	1332	1921	3012	3377

Source: Company Filings & Arihant Capital Research

Income Statement INR (Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Operations	1,130	1,219	1,513	1,845	2,305
YoY	1%	8%	24%	22%	25%
COGS	617	577	807	912	1,112
YoY	7%	-7%	40%	13%	22%
Personnel/ Employee benefit expenses	183	215	257	301	346
YoY	9%	18%	19%	17%	15%
Manufacturing & Other Expenses	136	163	164	250	362
YoY	-13%	20%	1%	52%	45%
EBITDA	194	263	285	381	485
YoY	-9%	36%	8%	34%	27%
EBITDA Margin (%)	17%	22%	19%	21%	21%
Depreciation	53	61	71	68	89
EBIT	141	202	215	313	396
EBIT Margin (%)	12%	17%	14%	17%	17%
Interest Expenses	30	38	42	56	59
Non-operating/ Other income	1	1	2	1	1
Extraordinary expense	0	0	0	0	0
PBT	112	165	175	259	338
Tax-Total	29	43	45	67	88
PAT	83	122	129	192	250
Adj. Net Profit	83	122	129	192	250
YoY	-19%	48%	6%	48%	31%
PAT Margin(%)	7%	10%	9%	10%	11%
Shares o/s paid up equity sh capital	82	82	82	95	95
Adj EPS (INR)	1.0	1.5	1.6	2.0	2.6

Cashflow Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit Before Tax	112.0	164.9	174.8	258.9	338.0
Depreciation & Amortization	53.0	60.9	70.8	68.1	88.5
Interest Expense	30.0	38.4	42.0	55.5	59.1
Interest Income	1.1	1.0	2.2	1.0	1.0
Tax	29.5	42.8	45.4	67.3	87.9
Extra-ordinary and Other items	0.0	0.0	0.0	0.0	0.0
OCF before WC changes	164.5	220.5	239.9	314.2	396.8
WC changes	115.1	138.2	-173.0	15.7	21.5
OCF	49.4	82.3	412.9	298.4	375.3
Capex	10.8	69.6	9.2	32.3	204.4
FCF	38.6	12.7	403.7	266.1	171.0
Change in other Assets	2.0	4.5	16.0	14.0	23.2
Change in Equity	0.0	0.0	0.0	475.8	0.0
Change in Debt & other financing activities	-36.8	-7.9	240.2	259.1	-85.4
Net change in cash	0	0	628	987	62
Opening Cash Balance	0	0	0	628	1615
Ending Cash balance	0	0	628	1615	1678

Source: Company Filings & Arihant Capital Research

Key Ratios					
Solvency Ratios (X)	FY23	FY24	FY25E	FY26E	FY27E
Debt / Equity	0.62	0.64	0.88	0.72	0.61
Net Debt / Equity	0.59	0.62	0.11	-0.37	-0.35
Debt / EBITDA	1.81	1.68	2.53	2.79	2.20
Net Debt / EBITDA	1.73	1.62	0.33	-1.44	-1.26
Debt/ Asset	0.32	0.33	0.38	0.35	0.32
Liquidity Ratios (x)					
Current Ratio	1.73	1.86	1.42	1.38	1.35
Quick Ratio	0.68	0.64	0.38	0.30	0.31
Important Metrics					
Net Debt (includes lease liabilities and excludes investments)	336	426	93	-551	-611
FCF	39	13	404	266	171
EV	4592	4683	4335	3691	3630
DuPont Analysis					
Sales/Assets (Asset Turnover)	1.03	0.92	0.79	0.61	0.68
Assets/Equity (Equity Multiplier)	1.92	1.93	2.34	2.02	1.94
Net Profit Margin	0.07	0.10	0.09	0.10	0.11
RoE	0.15	0.18	0.16	0.13	0.14
Per share ratios (INR)					
Reported EPS	1.01	1.50	1.59	2.01	2.63
Adjusted EPS	1.01	1.50	1.59	2.01	2.63
Dividend	0.00	0.00	0.00	0.00	0.00
BV	6.98	8.48	10.06	15.64	18.27
Cash & Bank	0.36	0.61	628	1615	1678
Revenue	13.85	14.95	18.55	19.39	24.22
Profitability ratios					
Gross Profit Margin	45%	53%	47%	51%	52%
EBITDA Margin	17%	22%	19%	21%	21%
EBIT Margin	12%	17%	14%	17%	17%
PAT Margin	7%	10%	9%	10%	11%
ROE	15%	18%	16%	13%	14%
ROCE	22%	26%	18%	14%	17%
ROIC	7%	9%	8%	9%	11%
ROA	8%	9%	7%	6%	7%
Activity ratios					
Inventory Days	145	185	150	140	130
Debtor Days	101	109	100	90	80
Creditor Days	54	58	90	90	90
Days(Cash Cycle)WC Cycle	192	236	160	140	120
Valuation ratios (X)					
EV / EBITDA	0.00	17.79	15.19	9.67	7.49
EV / EBIT	0.00	23.14	20.21	11.78	9.16
EV / Net Sales	0.00	3.84	2.86	2.00	1.57
EPS (INR)	1.01	1.50	1.59	2.01	2.63
Adj EPS (INR)	1.01	1.50	1.59	2.01	2.63
CMP	63.46	63.00	53.00	52.00	52.00
P/E	62.68	42.08	33.43	25.83	19.78
P/B	9.09	7.43	5.27	3.32	2.85

Source: Company Filings & Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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