

CMP: INR 58

Rating: BUY

Target Price: INR 90

Stock Info

BSE	
NSE	IRISDOREME
Bloomberg	IRISDORE:IN
Reuters	IRIC.NS
Sector	Textiles
Face Value (INR)	2
Equity Capital (INR Cr)	19
Mkt Cap (INR Cr)	552
52w H/L (INR)	81/41
Avg Daily Vol (in 000')	245.34

Shareholding Pattern %

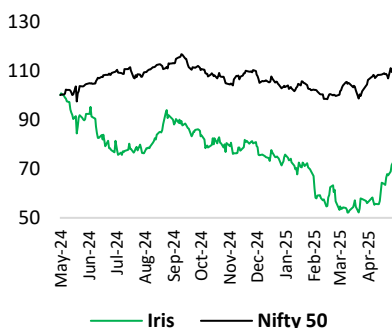
(As on Mar 2025)

Promoters	70.94
FII	-
DII	-
Public & Others	29.06

Stock Performance (%)

	1m	3m	12m
IRIS Clothings	21.5	(7.1)	(26.3)
Nifty 50	3.71	6.68	11.1

IRIS Vs Nifty 50



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Iris Clothing Ltd posted a resilient performance in Q4 FY25 with healthy profitability despite a modest revenue dip. The company reported revenue of INR 402 Mn (-4.6% YoY, +23.6% QoQ), falling short of estimates (INR 452.7 Mn). Gross profit increased to INR 193.6 Mn (+11.2% YoY), supported by a strong gross margin of 49.5% (up 817 bps YoY). EBITDA came in at INR 81 Mn (+14.5% YoY, +34.2% QoQ), translating to an EBITDA margin of 20.2%, beating expectations. PAT rose sharply to INR 45 Mn (+28.6% YoY, +88.8% QoQ), ahead of estimates.

Financial Overview (FY25): Total income rose 20% YoY to INR 1,462.7 Mn, with EBITDA growing 6.4% YoY to INR 280.1 Mn and PAT at INR 131.2 Mn (+7.5% YoY). EBITDA and PAT margins stood at 19.3% and 9.9%, respectively. Growth was primarily driven by the B2B segment as the distributor network expanded from 165 to 186. Management plans to increase the count to 210-215 in FY26, reflecting a strategic focus on deeper market penetration.

Channel Expansion and Performance: Retail channel expansion also progressed, with the addition of 5 new EBOs in FY25. While these stores are still ramping up, management noted encouraging seasonal traction, particularly in April and during the festive season. E-commerce sales, mainly through FirstCry, contributed ~10% of revenue, while exports maintained a steady 3% share. The company expects exports to scale to ~5% of revenue in FY26, with growing traction from GCC and African markets..

Valuation & Outlook: We are expecting a 28-30% revenue surge in FY26 by expanding production capacity to 38,000 pieces daily and launching a new kids' innerwear line while enhancing its sportswear offerings. Maintaining 20% EBITDA margins and utilizing INR 47.5 crore from a recent rights issue to strengthen working capital and branding. The company plans to grow its distributor network to 210-215 by FY26E and open 3-4 new exclusive brand outlets in Q1FY26, increasing its market presence. By 2030, the company aims to lead India's kids' wear market, targeting over 300 distributors and EBOs, capitalizing on robust demand in a consolidating sector. We maintain a 'BUY' rating, and an upside of 55% from the CMP of INR 58. We arrive at this value using a Discounted Cash Flow Valuation method and an EV/EBITDA Valuation method.

INR Mn	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	1130.0	1219.2	1462.7	1865.5	2453.2
YoY	1.33%	7.89%	19.97%	27.54%	31.50%
Gross Profit Margin	45%	53%	48%	51%	52%
EBITDA Margin	17.2%	21.6%	19.1%	20.7%	21.0%
Adj. PAT	82.6	122.1	131.2	192.9	270.9
YoY	-18.6%	47.9%	7.5%	47.0%	40.4%
Adj EPS (INR)	1.01	1.50	1.61	2.03	2.85
YoY	-18.6%	47.9%	7.5%	26.0%	40.4%
P/E	62.7	42.1	32.9	25.6	18.3
Debt / Equity	0.62	0.64	0.61	0.71	0.60

Source: Arihant Research, Company Filings

INR Mn (Consolidated)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Net Revenue	402.04	334	421	20.46%	-4.55%
Raw Material Costs	208	167	247	24.60%	-15.67%
Gross Profit	193.6	167	174	16.30%	11.24%
<i>Gross Margin</i>	<i>48.17%</i>	<i>49.89%</i>	<i>41.33%</i>	<i>-172bps</i>	<i>684bps</i>
Employee costs	60	67	55	-10.45%	8.37%
Other Expenses	53	39	48	34.24%	9.75%
EBITDA	81	60	71	34.17%	14.50%
<i>EBITDA margin</i>	<i>20.16%</i>	<i>18.10%</i>	<i>16.81%</i>	<i>206bps</i>	<i>335bps</i>
Other Non Operating Income	1	0	0	485.24%	395.56%
Depreciation	10	18	16	-43.49%	-36.39%
EBIT	72	43	55	69.01%	30.92%
Finance costs	11	11	10	-0.02%	11.98%
Exceptional Items	-	-	-	#DIV/0!	#DIV/0!
PBT	61	32	45	92.70%	34.99%
Tax Expense	16	8	11	104.22%	56.24%
<i>Effective tax rate</i>	<i>26.81%</i>	<i>25.29%</i>	<i>23.16%</i>	<i>151bps</i>	<i>365bps</i>
PAT	45	24	35	88.80%	28.58%
<i>PAT margin %</i>	<i>11.15%</i>	<i>7.11%</i>	<i>8.28%</i>	<i>404bps</i>	<i>287bps</i>

Source: Arihant Research, Company Filings

Product Innovation and Capacity Expansion: The company launched a new winter sportswear line in FY25, gaining strong customer traction. The company is set to roll out its kids' innerwear category in H2FY26, with expected initial revenue of INR 5–7 Cr. Capacity enhancement remains a key enabler, with production rising from 34,000 to 38,000 pcs/day in FY26, supported by INR 6–7 Cr capex in stitching and finishing. A larger-scale expansion is under evaluation, aimed at 2–2.5x the current capacity after some time.

Capital Utilization and Cost Management: In April 2025, the company raised INR 47.5 Cr through a rights issue. Proceeds will be deployed towards working capital, brand initiatives, and minor capacity upgrades. The company remains committed to achieving 30–35% revenue growth in FY26, while maintaining ~20% EBITDA margins. Input costs (notably yarn/fabric) are expected to remain stable, aiding gross margin stability.

Operational Efficiency and Inventory Strategy: The company follows a conservative inventory approach, with no write-offs historically. Seasonal production cycles are built around 2–3 periods (summer, pre-winter, winter), allowing carryover flexibility. Store-level EBITDA margins are currently at 10–15%, with a target of 20% as scale improves.

Income Statement INR (Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	1,130	1,219	1,463	1,866	2,453
YoY	1%	8%	20%	28%	32%
COGS	617	577	766	922	1,186
YoY	7%	-7%	33%	20%	29%
Personnel/ Employee benefit expenses	183	215	244	305	371
YoY	9%	18%	13%	25%	22%
Manufacturing & Other Expenses	136	163	172	253	381
YoY	-13%	20%	5%	47%	51%
EBITDA	194	263	280	386	515
YoY	-9%	36%	6%	38%	34%
EBITDA Margin (%)	17%	22%	19%	21%	21%
Depreciation	53	61	63	72	93
EBIT	141	202	217	313	422
EBIT Margin (%)	12%	17%	15%	17%	17%
Interest Expenses	30	38	42	56	59
Non-operating/ Other income	1	1	3	3	3
Extraordinary expense	0	0	0	0	0
PBT	112	165	178	261	366
Tax-Total	29	43	47	68	95
PAT	83	122	131	193	271
Adj. Net Profit	83	122	131	193	271
YoY	-19%	48%	7%	47%	40%
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	2.8

Cashflow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Profit Before Tax	112.0	164.9	178.2	260.7	366.0
Depreciation & Amortization	53.0	60.9	63.0	72.5	93.0
Interest Expense	30.0	38.4	42.0	55.5	59.1
Interest Income	1.1	1.0	3.1	3.1	3.1
Tax	29.5	42.8	46.9	67.8	95.2
Extra-ordinary and Other items	0.0	0.0	0.0	0.0	0.0
OCF before WC changes	164.5	220.5	233.2	317.9	419.9
WC changes	115.1	138.2	160.9	-149.3	113.0
OCF	49.4	82.3	72.2	467.2	306.9
Capex	10.8	69.6	53.3	32.9	204.9
FCF	38.6	12.7	18.9	434.3	102.0
Change in other Assets	2.0	4.5	5.2	25.6	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	-13.4	515.6	-83.4
Net change in cash	0	0	0	1400	-5
Opening Cash Balance	0	0	0	1	1401
Ending Cash balance	0	0	1	1401	1396

Source: Arihant Research, Company Filings

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Sources of Funds					
Equity Share Capital	163	163	163	190	190
Reserves & Surplus/ Other Equity	406	528	660	1301	1572
Networth	569	692	823	1492	1762
Current Borrowings	293	354	391	383	412
Non-Current Borrowings	58	88	113	681	654
Borrowings	351	442	504	1064	1066
Total Funds Employed	920	1134	1327	2556	2829
Application of Funds					
Gross block	568	637	691	723	927
Less: accumulated depreciation	299	360	423	495	587
Net Fixed Assets	269	278	268	228	340
Capital WIP	0	0	0	0	0
Investments	11	12	14	54	77
Goodwill	0	0	1	1	1
Other non-current assets	9	12	15	0	0
Current assets	804	1031	1270	2576	2808
Inventory	449	619	697	716	874
Days	145	185	174	140	130
Debtors	313	363	530	460	538
Days	101	109	132	90	80
Other Current Assets	28	33	34	0	0
Bank	15	15	8	0	0
Cash	0	0	1	1401	1396
Current Liabilities	465	553	631	682	805
Creditors	167	193	234	299	393
Days	192	236	248	172	152
Other current liabilities	5	6	6	0	0
Provisions	0	0	0	0	0
Net Working Capital	339	478	639	1894	2002
Total Liabilities and Capital	1093	1332	1568	2855	3222
Total Assets	1093	1332	1568	2860	3226

Source: Arihant Research, Company Filings

Key Ratios					
Solvency Ratios (X)	FY23	FY24	FY25	FY26E	FY27E
Debt / Equity	0.62	0.64	0.61	0.71	0.60
Net Debt / Equity	0.59	0.62	0.60	-0.23	-0.19
Debt / EBITDA	1.81	1.68	1.80	2.76	2.07
Net Debt / EBITDA	1.73	1.62	1.77	-0.87	-0.64
Debt/ Asset	0.32	0.33	0.32	0.37	0.33
Liquidity Ratios (x)					
Current Ratio	1.73	1.86	2.01	1.71	1.74
Quick Ratio	0.68	0.64	0.77	0.34	0.37
Important Metrics					
Net Debt (includes lease liabilities and excludes investments)	336	426	495	-337	-330
FCF	39	13	19	434	102
EV	4592	4683	4745	3905	3912
DuPont Analysis					
Sales/Assets (Asset Turnover)	1.03	0.92	0.93	0.65	0.76
Assets/Equity (Equity Multiplier)	1.92	1.93	1.91	1.92	1.83
Net Profit Margin	0.07	0.10	0.09	0.10	0.11
RoE	0.15	0.18	0.16	0.13	0.15
Per share ratios (INR)					
Reported EPS	1.01	1.50	1.61	2.03	2.85
Adjusted EPS	1.01	1.50	1.61	2.03	2.85
Dividend	0.00	0.00	0.00	0.00	0.00
BV	6.98	8.48	10.09	15.67	18.52
Cash & Bank	0.36	0.61	1	1401	1396
Revenue	13.85	14.95	17.93	19.60	25.78
Profitability ratios					
Gross Profit Margin	45%	53%	48%	51%	52%
EBITDA Margin	17%	22%	19%	21%	21%
EBIT Margin	12%	17%	15%	17%	17%
PAT Margin	7%	10%	9%	10%	11%
ROE	15%	18%	16%	13%	15%
ROCE	22%	26%	23%	14%	17%
ROIC	7%	9%	8%	9%	11%
ROA	8%	9%	8%	7%	8%
Activity ratios					
Inventory Days	145	185	174	140	130
Debtor Days	101	109	132	90	80
Creditor Days	54	58	58	58	58
Days(Cash Cycle)WC Cycle	192	236	248	172	152
Valuation ratios (X)					
EV / EBITDA	0.00	17.79	16.94	10.13	7.59
EV / EBIT	0.00	23.14	21.86	12.47	9.27
EV / Net Sales	0.00	3.84	3.24	2.09	1.59
EPS (INR)	1.01	1.50	1.61	2.03	2.85
Adj EPS (INR)	1.01	1.50	1.61	2.03	2.85
CMP	63.46	63.00	53.00	52.00	52.00
P/E	62.68	42.08	32.95	25.65	18.27
P/B	9.09	7.43	5.25	3.32	2.81

Source: Arihant Research, Company Filings

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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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