Investor Presentation

Q3 & 9M FY 2023

Iris Clothings Limited




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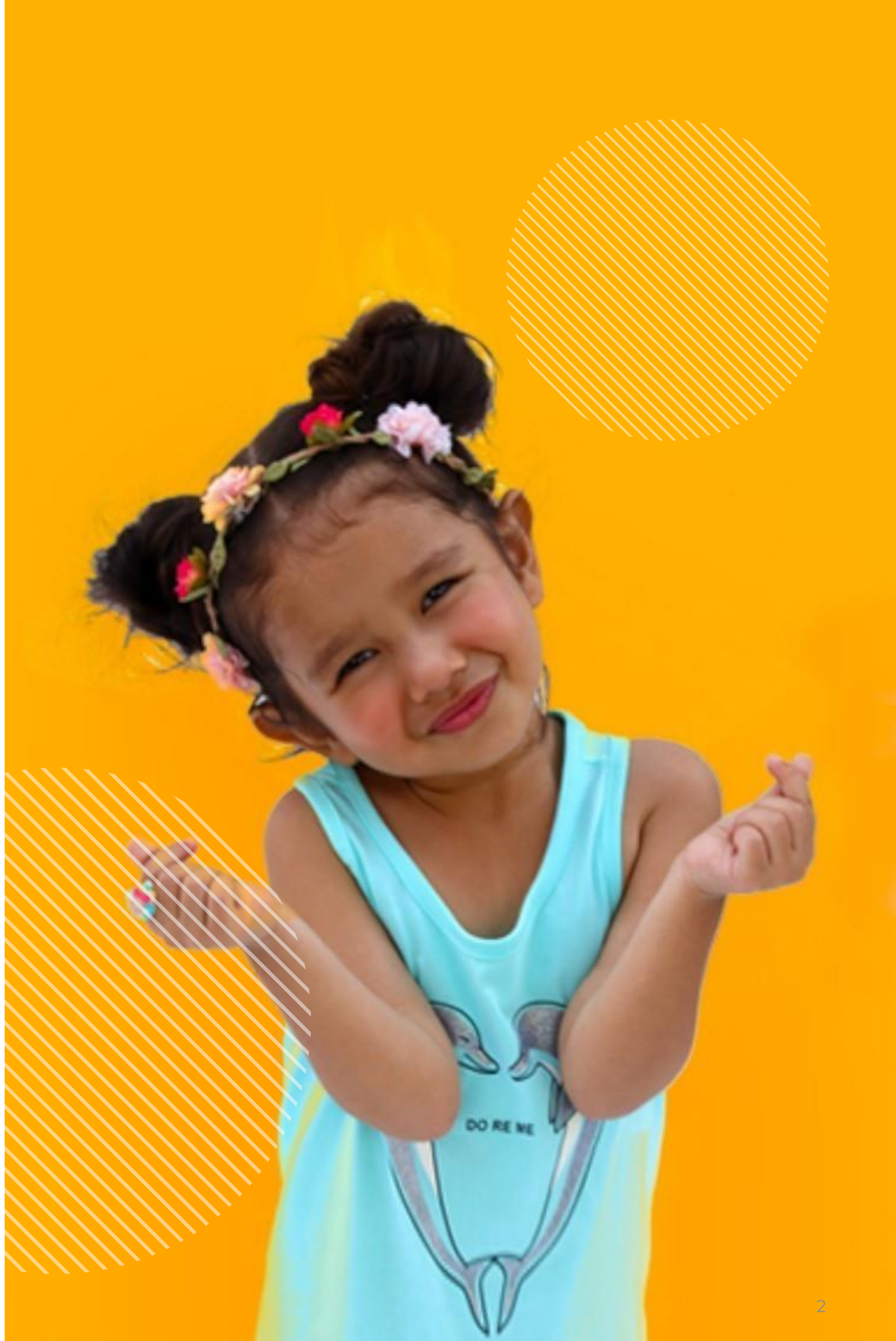
Financial Highlights & Developments

Iris Clothings Limited



Q3FY23 Update

Business Update

- Expanded our product stack and launched the sportswear vertical.
- Onboarded all our distributors on the B2B platform.
- The D2C e-commerce website (doreme.in) and the B2B platform for wholesalers is seeing an encouraging response from stakeholders.
- We added 2 new distributors in Q3FY23 in Maharashtra and Rajasthan. We remain focussed on expanding our reach in Tier II/III cities domestically and export to newer markets globally.
- Our infant wear vertical launched in December 2021 is seeing good traction, contributing >10% to our total revenues
- Plan to launch apparels designed with Disney and Marvel movie characters along with the undergarments vertical by end of FY23.

Financial Update

- Total Income stood at ₹203.8 Mn, down 18.7% YoY due to muted demand.
- EBITDA margin was down 513.7 bps YoY and stood at 15.7% in Q3FY23. primarily impacted due to inventory standing at elevated raw material prices.
- PAT margin stood at 3.9%, against 9.5% in Q3FY22, down 559.0 bps YoY.

P&L Statement

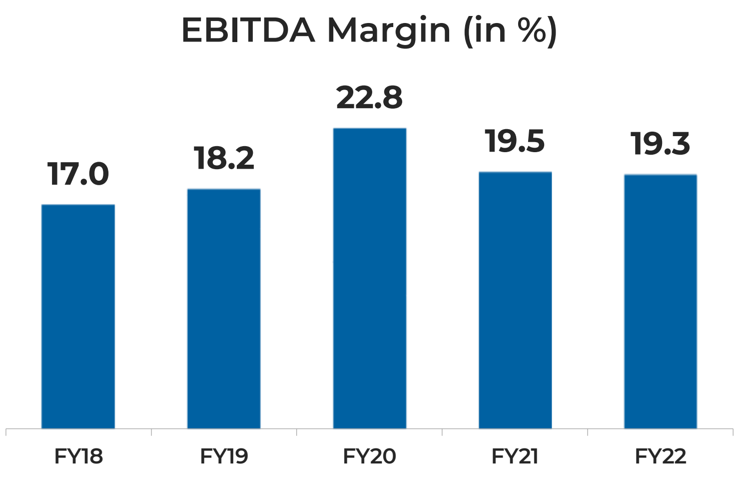
Particulars (in ₹ Mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Total Income	203.8	250.7	(18.7)%	317.9	(35.9)%	754.8	790.0	(4.4)%
Total Expenses	171.8	198.4	(13.4)%	250.3	(31.4)%	612.7	626.4	(2.2)%
EBITDA	32.0	52.3	(38.7)%	67.6	(52.6)%	142.2	163.5	(13.1)%
EBITDA Margin (%)	*15.7%*	*20.9%*	*(513.7) bps*	*21.3%*	*(554.5) bps*	*18.8%*	*20.7%*	*(186.7) bps*
D&A	13.7	14.5	(5.6)%	13.2	3.5%	40.0	42.4	(5.7)%
EBIT	18.3	37.8	(51.5)%	54.4	(66.3)%	102.2	121.1	(15.6)%
Finance cost	7.5	5.7	31.1%	7.1	4.9%	20.7	17.8	16.7%
PBT	10.8	32.1	(66.2)%	47.2	(77.0)%	81.4	103.4	(21.2)%
PAT	7.9	23.8	(66.6)%	34.9	(77.2)%	60.3	76.7	(21.3)%
PAT Margin (%)	*3.9%*	*9.5%*	*(559.0) bps*	*11.0%*	*(707.5) bps*	*8.0%*	*9.7%*	*(171.6) bps*

Balance Sheet

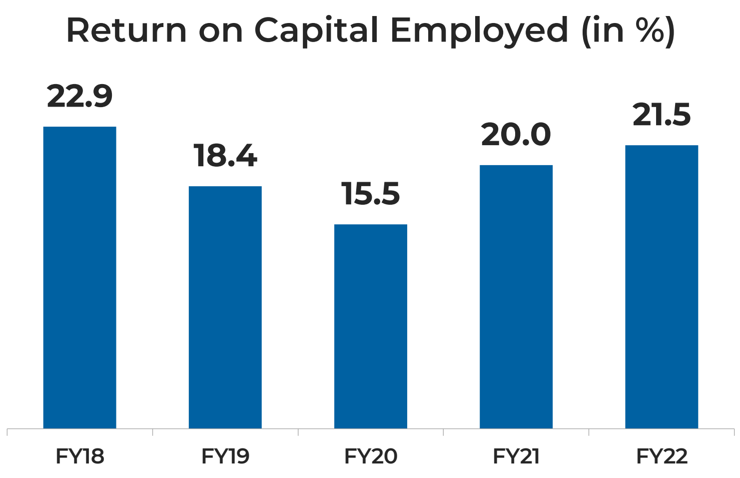
(in ₹ Mn)

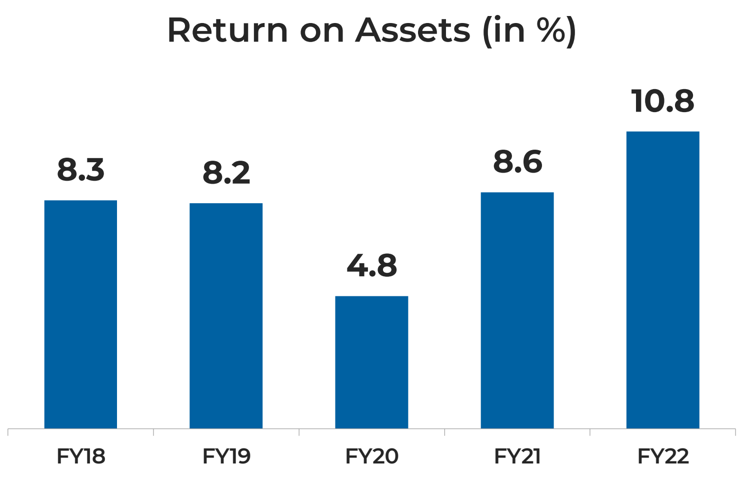
Particulars	FY 2021	FY 2022	H1 FY2023
Total non-current assets	**325**	**329**	**305**
Inventories	253	337	469
Trade Receivables	149	237	245
Cash & cash equivalents (incl. bank balances)	15	14	14
Total Current Assets	**434**	**609**	**766**
Total Assets	**759**	**938**	**1,071**
Equity	**388**	**487**	**539**
Lease Liabilities	68	66	62
Total Non-current Liabilities	**68**	**66**	**62**
Short-term Borrowings	203	255	252
Trade Payables	84	108	205
Total Current Liabilities	**303**	**385**	**470**
Total Equity & Liabilities	**759**	**938**	**1,071**

Ratio Analysis

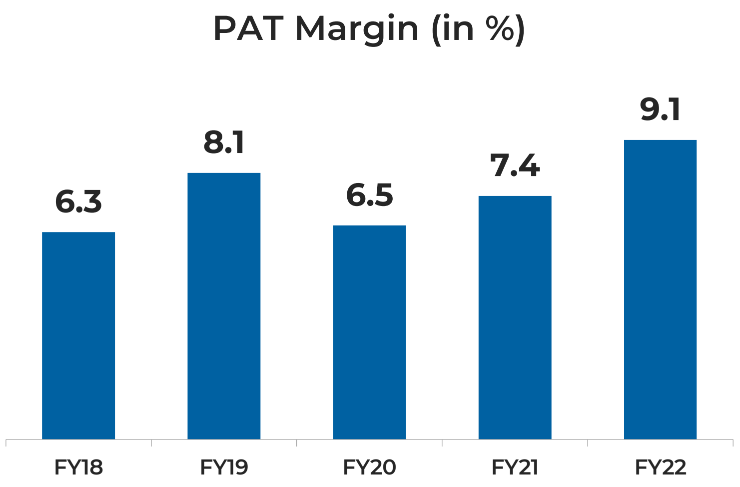


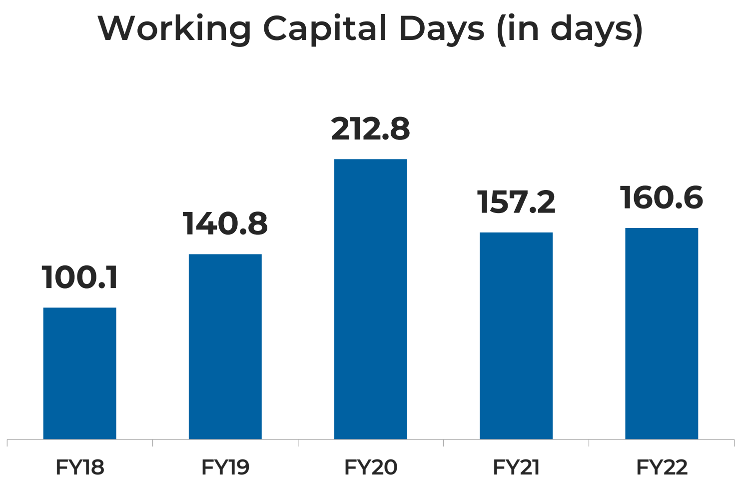
Decrease in the ratio has been due to significant increase in raw material costs.



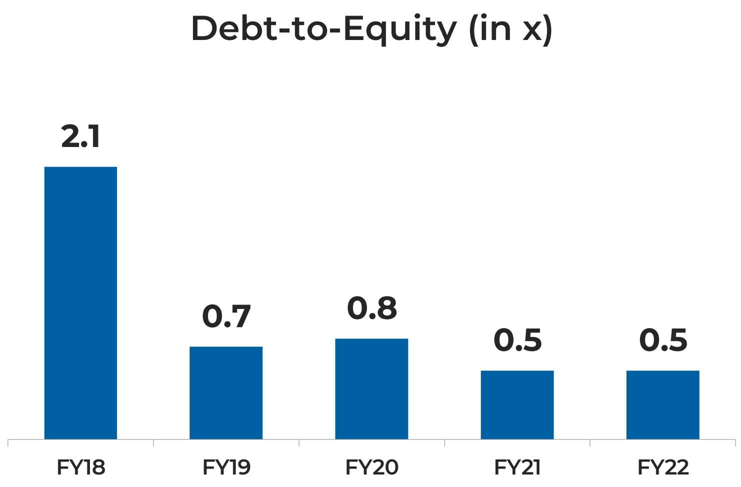


Recovery in FY21 was mainly driven by a 45% increase in revenues.





High working capital days in FY20 mainly due to high days inventory outstanding owing to unsold stock due to the pandemic.



Significant improvement in the ratio due to issue of fresh equity shares in FY19.

Expanding on all Fronts

Dec 2021 (120)
Launched the infant wear vertical

Jun 2022 (125)
Launched accessories line under the infant wear vertical
Launched the B2B platform for wholesalers

Sep 2022 (131)
Launched the D2C e-commerce platform for customers

Nov 2022
Signed licensing agreements to design apparels using Disney & Marvel movie characters

Dec 2022 (133)
Launched sportswear for kids

Jan 2023
Launched kids apparels designed with Disney & Marvel characters

2023

Upcoming
- Launch the undergarment vertical for kids
- Spend towards brand awareness

We expanded our product portfolio, grew the distribution base and transformed digitally over the past months. Going forward, our focus towards building the DOREME brand will pave the path of growth.

No. of Distributors

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About the Company

Iris Clothings Limited

Company Overview

We are a **fast-growing kids' apparel company** that is engaged in **designing, manufacturing, branding and selling garments.** Our sustained pursuit of design and innovation has made us a **preferred fashionable kids' brand.**

Presence in Ecommerce platforms

firstcry.com

DOREME GETS YOU GOING

We have been growing our presence online by increasing e-commerce listings.

DOREME GETS YOU GOING

1
Brand

26
States of presence

9
Units
Manufacturing (7)
Dispatch (2)

133
Distributors

24,000
Pieces
manufactured/day

1,266
Employees

Product Portfolio

Iris' brand DOREME offers a wide range of apparels for infants, toddlers, and junior boys and girls that suit both their indoor and outdoor requirements.

- Tops
- T-Shirt
- Trousers
- Shorts
- Dresses
- Loungewear
- Accessories
- Sweatshirts
- Hoodies
- Polyfil suits
- Padded suits
- Nightwear

Currently

- Established DOREME as a reputable and trusted brand.
- Has solidified its position in the kids segment mainly through its top-notch quality and design.
- Launched a dedicated infant wear vertical (0-5 years) in December 2021, the accessories line of the vertical was launched in June 2022.
- Launched the sportswear vertical in Q3FY23

Future Outlook

- Iris aims to sharpen its existing product mix under the brand DOREME to meet the rising demand for their products
- Expanding its product offerings to provide greater choice to customers.
- Foraying into the kids' undergarments space by end of FY23

History

2004

Commenced business as a proprietorship firm **'M/s Iris Clothings'**

2005

Launched DOREME brand for Kids Wear

2012

Incorporation of IRIS CLOTHINGS PVT LTD as a private limited concern.

2016

Acquired land at Pachla, Howrah, West Bengal – a major step towards increasing manufacturing capabilities.

Started sale of products through online e-commerce channels such as 'FirstCry'

2018

Crossed the ₹50 crores turnover milestone

Listed as an SME under NSE

2020

Migrated from SME portal of NSE to Main Board of NSE

Deepened our penetration by entering new Tier II & III cities

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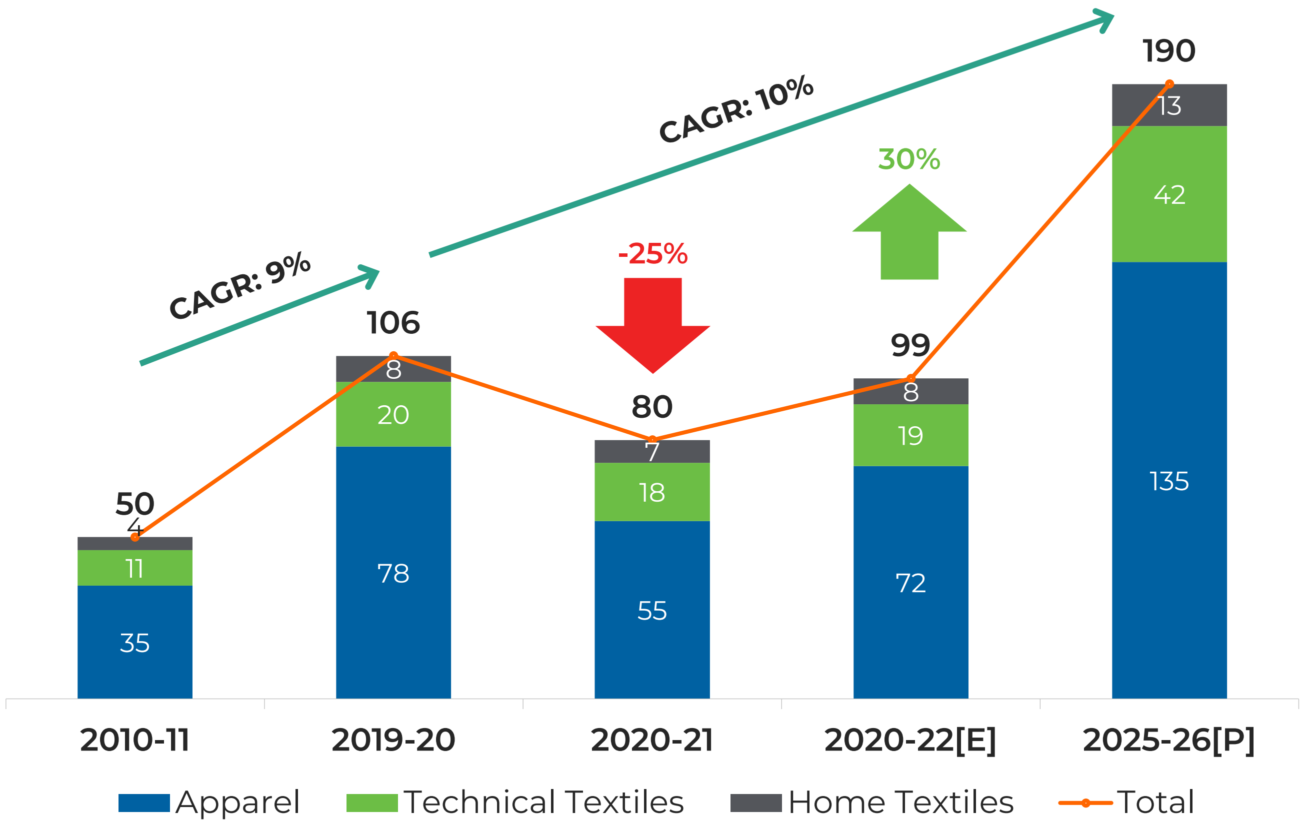
Market Opportunity

Iris Clothings Limited

Indian Textile & Apparel Industry

India's Domestic Textile and Apparel Market Size (US$ in Bn)



Source: DGCI&S and Wazir Analysis

India is the **second-largest producer** of textiles and garments in the world

Contributes **2.3%** to the country's GDP

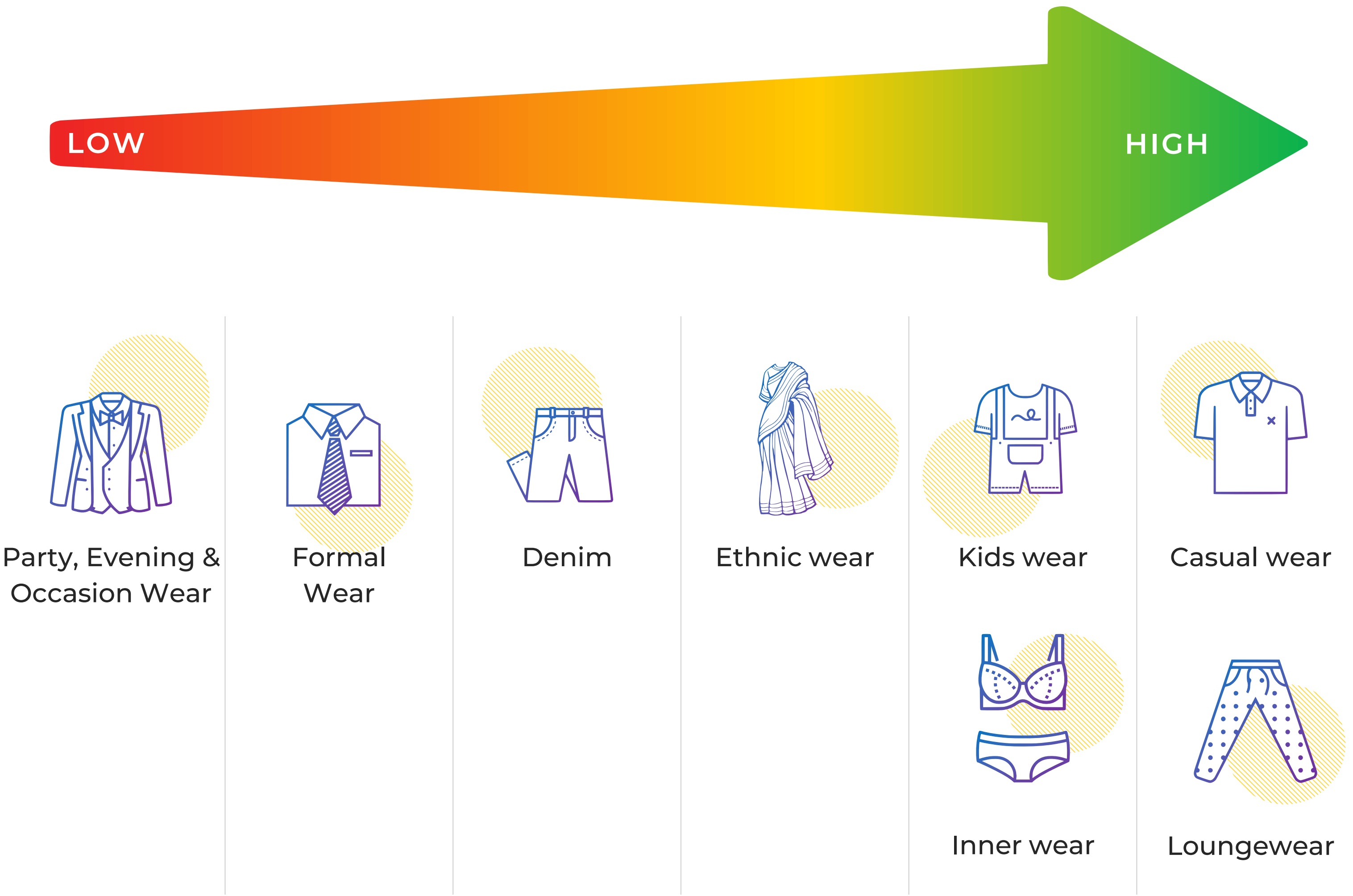
Employs **45 million** workers in the textile sector

Apparel constitutes **~73%** share of the Indian T&A market

The market is expected to recover by 30% to reach US$ 99 bn by 2021-22 and grow at 10% CAGR till 2025-26

Kids Wear - the Fastest to Recover

Kids wear is expected to grow at a CAGR of 8.76% between 2021-2026



~365 million Indians are below the age of 15 years. Hence, a large customer base

Kids wear registered a **200%** growth despite a **4%** drop in overall online fashion order volumes in FY2021

Significantly High replacement cycle within children's clothing as kids outgrow their clothes faster

Increasing personal disposable income and **growing** working population are key growth drivers

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Our Value System

Integrated Operations

Iris has a complete in-house integrated infrastructure right from design conceptualisation to manufacturing to branding and selling of finished goods to wholesaler.

1. **Conceptualization of Design & Development**
2. **Raw Material Procurement**
3. **Manufacturing & Branding+**
4. **Sold to Wholesalers**

Therefore, a manufacturing infrastructure that is strongly backward integrated enables us to have better control over quality and be cost-efficient.

+Cutting, Printing & Embroidery, Stitching, Mending & Checking, Ironing and Box Packaging

Manufacturing Prowess

Manufacturing excellence has been one of our biggest strengths.

Moreover, our state-of-the-art facilities help us increase our capabilities multifold, achieve economies of scale and provide locational synergies.

Foreshore Road, Howrah

- Has 4 units for stitching and finishing with fully automated stitching machines from Japan and from a renowned indigenous brand
- 1 unit for dispatch

Pachla, Howrah

- Set up its first fully modernized stitching and finishing unit with online processes
- Locational advantage in terms of skilled labour and raw material availability

Uluberia, Howrah

- Consolidates all the manufacturing activities in a single location
- Installed fully automated cutting machinery from Italy and printing machinery from US and Poland
- Fully modernized stitching and finishing unit with online processes

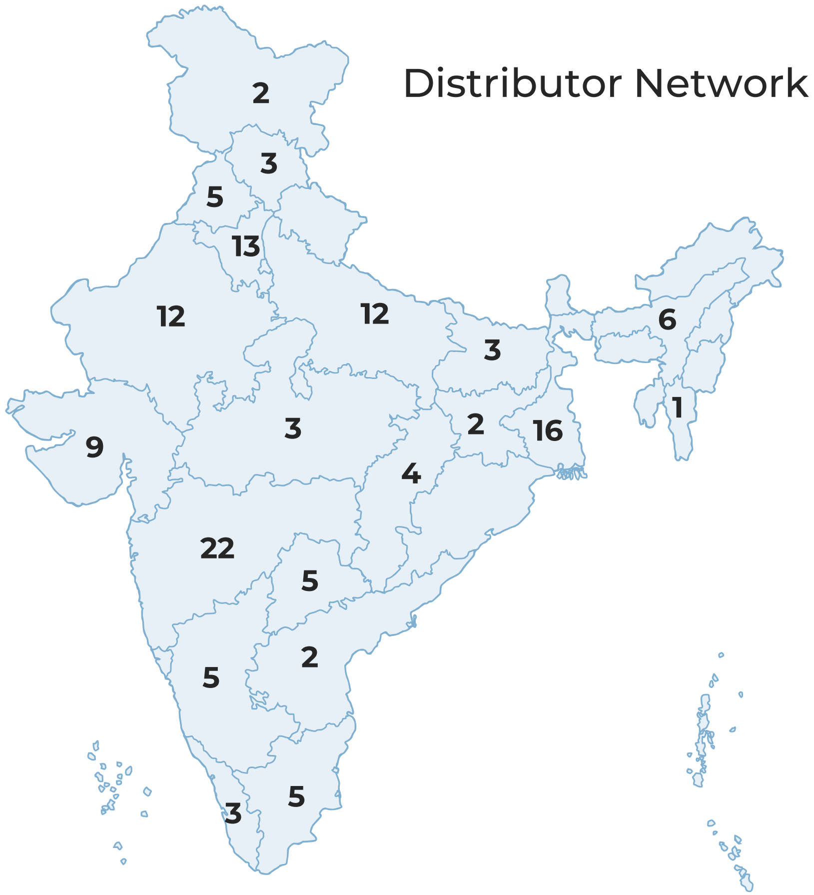
Srijjan Industrial Park, Bombay Road

- Set up its third fully modernized stitching & finishing unit with online processes
- 1 unit for dispatch

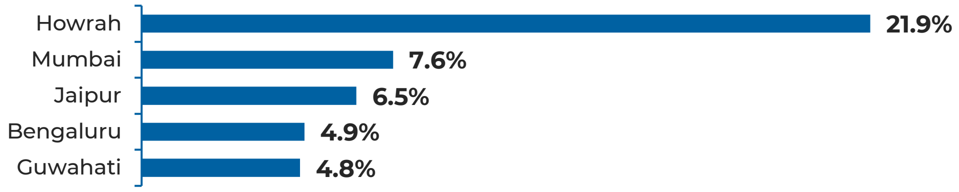
Total Installed Capacity: 27,000-30,000 pieces/day

Wide Network

Distributor Network



% Contribution to Revenue (9MFY23)



Business Update

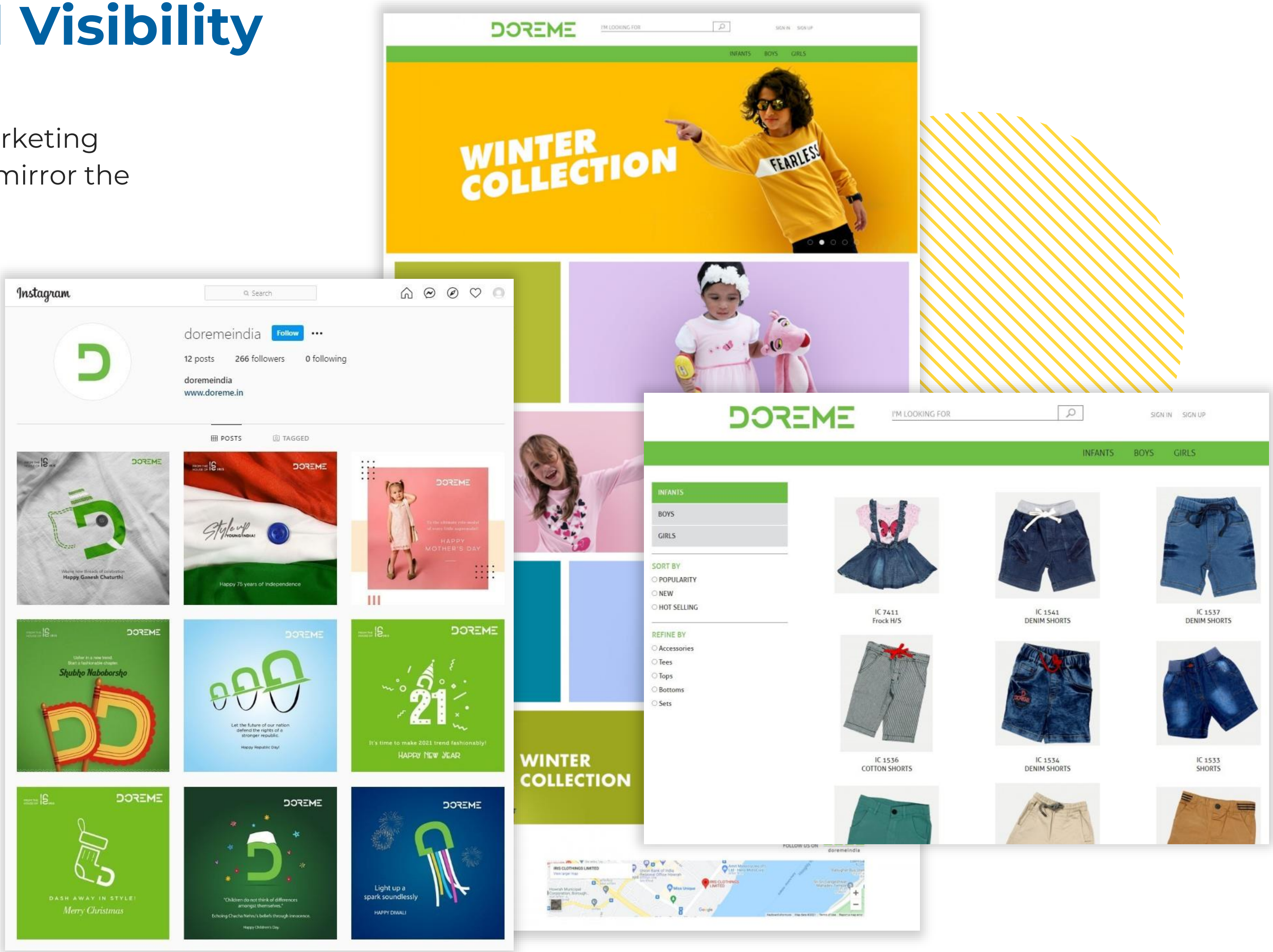
- Iris has 133 distributors
- Has an online presence across various fast-growing e-commerce channels like FirstCry, www.doreme.in among others.
- Continuously expanding the distribution network to increase brand visibility
- Commenced exports to Africa, KSA and UAE under DOREME
- To boost our product reach, we have been focusing on expanding our presence in Tier II & III cities
- Launched a B2B platform for wholesalers to take orders instantly & a D2C e-commerce Platform for our customers

Future Outlook

- Plans to add distributors in newer geographies especially in North & South India, to deepen market penetration and expand reach to markets with higher potential demand.
- Planned an extensive channel partner loyalty and engagement programme to drive their stickiness and boost morale.

Enhancing Brand Visibility

- Iris plans to enhance its digital marketing and branding initiatives to better mirror the customers' fast-changing needs.
- The Company plans to undertake activities to enhance its brand recall and customer connect on social media channels. This would eventually drive traffic to its exclusive online store.



Relationship with Suppliers

Strong and trust-based relationships is of paramount importance since we source fabrics and other accessories for garment manufacturing from leading domestic suppliers. This facilitates effective inventory management, continuous supply of quality raw materials at competitive costs and on-time delivery of our products.

"I have been associated with IRIS Clothings as a distributor for the past 12 years. During this long association, I have developed a strong trust in the company due to the quality of its products and its vision. I am also very impressed by its work ethics and the level of efficiency. I wish IRIS Clothings all the very best and look forward to enjoying this good bond that we share in the future too."

ROHIT KHURANA

Khurana Clothing's Pvt. Ltd.

Jaipur

IRIS Clothings is reliable and a professional company. It is an amazing experience to work with them.

ANKUR CHADA

Chadha Trading Co.

Ambala

"IRIS Clothings is a great company with an experienced staff and knowledge in the apparel business. They have made the most amazing and unique apparels for infants, toddlers, boys and girls."

DINESH PAREKH

Nihareeka Marketing

Guwahati

"Our association with DOREME is since its inception. We have the privilege to introduce their quality products in Maharashtra and since then our journey of growth has been phenomenal for both of us. We congratulate them and wish them many more successful years of togetherness."

HEMANT & PANKAJ PAREKH

Pamposh Marketing

Mumbai

Sustainability

Environmental

Iris follows a strict ecological policy that comprises of 6 features

Waste Reduction

Iris made an improvement in its fabric quality, which resulted in significant reduction of fabric wastage.

Recycling

Iris uses printing materials that is eco-friendly, recyclable and devoid of lead.

Tree Plantation

Renewable Energy

Natural Reserve Conservation

Rain Water Harvesting

Social

No Child Labour

Provided clothes to 2000+ underprivileged children

Providing sanitary pads to women workers so their working potential is not compromised

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Investment Rationale

Iris Clothings Limited

Our Differentiating Factors

Continuous **investments to expand** manufacturing capabilities coupled with high return on capital employed indicating **efficient use** of that capital

Catering to a **large customer segment** of ~365 million

With ~15 years of **experience**, promoters have **a strong expertise** in the industry

Established long standing **relationships** with suppliers

Fully integrated and automated operations allows Iris to maintain quality

Safe Harbour Statement

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Thank You

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