

# CREDIT RATING REPORT

OCTOBER 2024

**IRIS Clothings Limited**

<b>Instrument Rated</b>	
<b>Total Bank Loan Facilities Rated</b>	<b>Rs.35 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB-/Stable (Reaffirmed)</b>
<i>Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.</i>	
<i>1 crore = 10 million</i>	
<i>Refer to Annexure for Details of Instruments &amp; Bank Facilities</i>	

<b>Rating History</b>			
<b>Date</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>	<b>Rating Watch/Outlook</b>
Aug 21, 2024	CRISIL BBB-	--	Stable
May 25, 2023	CRISIL BBB-	--	Stable
Aug 12, 2022	CRISIL BBB-	--	Stable
Dec 13, 2021	CRISIL BBB-	--	Stable

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Stable' rating on the long-term bank facilities of IRIS Clothings Ltd (IRISCL).

## **Key rating drivers**

### **Strengths**

- Extensive experience of the promoters
- Sound operating margin
- Comfortable financial risk profile

### **Weaknesses**

- Exposure to intense competition
- Large working capital requirement

### **Outlook: Stable**

IRISCL will continue to benefit from the extensive experience of its promoters and established brand.

## **Rating sensitivity factors**

### **Upward factors**

- Increase in scale and stable operating margin with accruals more than Rs 18 crore
- Efficient working capital management leading to better liquidity management

#### **Downward factors**

- Decline in revenue or operating margin, resulting in net cash accrual below Rs 5 crore
- Further stretch in the working capital cycle or large, debt-funded capital expenditure weakening the capital structure

#### **About the Company**

Set up as a proprietorship in 2011, IRISCL was reconstituted as a public limited company with the current name in 2012. The company manufactures readymade garments for kids under the brand DOREME at its facility in Howrah, West Bengal. Mr Santosh Ladha, Ms Geeta Ladha and Mr Baldev Ladha are the promoters. The company was listed on the National Stock Exchange in October 2018.

#### **Key rating drivers and detailed description**

##### **Market Position**

**Extensive experience of the promoters:** The promoters have experience of over 15 years in the readymade garments industry. This has enabled a strong understanding of local market dynamics and healthy relationships with suppliers and customers, which will continue to support the business. Prominent position of the brand DOREME in the kids casual-wear segment has led to an established market position, further strengthened by an expanding exclusive brand outlet (EBO) network. IRISCL currently has 6 EBOs and plans to expand rapidly, strengthening its presence in the retail segment.

**Exposure to intense competition:** Presence of several unorganised players as well as other kids-wear brands (both multinational and Indian) in the readymade garments segment limits pricing flexibility, bargaining power and scalability, as reflected in modest turnover of Rs 121.92 crore in fiscal 2024.

##### **Operating Efficiency**

**Sound operating margin:** The operating margin was healthy, as indicated by earnings before interest, tax, depreciation and amortisation (Ebitda) of ~21% in fiscal 2024, driven by robust brand value aiding premium realisations, and experienced management and a 100% in-house manufacturing unit. Profitability should remain healthy over the medium term.

**Large working capital requirement:** Gross current assets (GCAs) were 303 days as on March 31, 2024 (253 days a year earlier), driven by large receivables and inventory of above 109 days and 236 days, respectively. Inventory days stretched significantly during the second half of fiscal 2024 and improvement in the same will remain a key monitorable over the medium term.

##### **Financial Risk**

**Comfortable financial risk profile:** Gearing stood at 0.5 time as on March 31, 2024, aided by moderate networth of around Rs 69.14 crore and low reliance on external debt. Debt protection metrics were robust owing to modest debt and healthy profitability, as reflected in interest coverage and net cash accrual to adjusted debt ratios of 6.85 times and 0.53 time, respectively, in fiscal 2024. Better accretion to reserve and absence of major term debt obligation will continue to support the financial risk profile.

##### **Liquidity: Adequate**

Bank limit utilisation averaged a high 94% for the 12 months ended June 2024. In the absence of debt obligation, expected cash accrual of Rs 18-20 crore will support liquidity.

**Financial Policy:** The financial policy is moderate with gearing of around 0.5 as of March 31, 2024 and that is expected to remain at similar level over the medium term as well.

### Key Financial Indicators (Standalone)

As on for the year ended March 31	Unit	2024	2023	2022
		Provisionals	Actuals	Actuals
Net Sales	Rs Crore	121	113	111
Operating Income	Rs Crore	122	113	112
OPBDIT	Rs Crore	26	19	21
PAT	Rs Crore	12	8	10
Net Cash Accruals	Rs Crore	18	14	16
Equity Share Capital	Rs Crore	16	16	16
Adjusted Networkth	Rs Crore	69	57	49
Adjusted Debt	Rs Crore	34	28	26
OPBDIT Margins	%	21.6	17.2	19.2
Net Profit Margins	%	10.0	7.3	9.1
ROCE	%	21.8	18.0	24.2
PBDIT / Int. & Finance Charges	Times	6.88	6.51	9.04
Net Cash Accruals / Adjusted Debt	Times	0.53	0.48	0.62
Adjusted Debt / Adjusted Networkth	Times	0.50	0.50	0.52
Adjusted Debt / PBDIT	Times	1.30	1.46	1.18
Current Ratio	Times	1.86	1.73	1.58
Cashflow from operations	Rs Crore	-2	-1	1
TOL/ ANW	Times	0.91	0.90	0.91
Operating Income/Gross Block	Times	2.04	2.03	2.12
Gross Current Assets days	Days	303	253	195
Debtor Days	Days	109	101	78
Inventory Days	Days	236	175	137
Creditor Days	Days	113	92	61

### Annexure 1: Bank-Details of Facility Classes

#### 1.Cash Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	Axis Bank Limited	35	CRISIL BBB- / Stable
-	Total	35	-