

# IRIS Clothings Limited

## Rating reaffirmed at 'CRISIL BBB- / Stable'

### Rating Action

Total Bank Loan Facilities Rated	Rs.35 Crore
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)

*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.*

*1 crore = 10 million*

*Refer to annexure for Details of Instruments & Bank Facilities*

### Detailed Rationale

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

The rating continues to reflect the extensive experience of the promoters in the readymade garments industry and the sound operating margin of the company. These strengths are partially offset by large working capital requirement and exposure to intense competition.

**Analytical Approach:** Not applicable

### **Key Rating Drivers & Detailed Description**

#### **Strengths:**

**Extensive experience of the promoters:** The promoters have experience of over 15 years in the readymade garments industry. This has enabled 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 rapidly expand its EBO network, strengthening its presence in the retail segment.

**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 strong brand value aiding premium realisations, and experienced management and a 100% in-house manufacturing unit. Profitability should remain healthy over the medium term.

**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 small 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.

#### **Weakness:**

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

**Large working capital requirement:** Gross current assets (GCAs) stood at 303 days as on March 31, 2024 (against 253 days as on March 31, 2023), 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.

**Liquidity: Adequate**

Bank limit utilisation is high at around 94 percent for the past twelve months ended June 2024. Cash accrual are expected to be over Rs 18-20 crore which are sufficient against nil term debt obligation over the medium term and will act as cushion to the liquidity of the company.

**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 18 Cr
- 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**

IRISCL was incorporated in 2011 as a proprietorship. The firm was reconstituted as a public limited company 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 Financial Indicators**

<b>As on / for the period ended March 31</b>		<b>2024</b>	<b>2023</b>
Operating income	Rs crore	121.92	113.02
Reported profit after tax	Rs crore	11.84	8.09
PAT margins	%	10.02	7.31
Adjusted Debt/Adjusted Net worth	Times	0.50	0.50
Interest coverage	Times	6.85	6.48

**Status of non cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

*CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.*

*CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.*

*For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments*

### **Annexure - Details of Instrument(s)**

<b>ISIN</b>	<b>Name of instrument</b>	<b>Date of allotment</b>	<b>Coupon rate (%)</b>	<b>Maturity date</b>	<b>Issue size</b>	<b>Complexity level</b>	<b>Rating assigned</b>
					<b>(Rs crore)</b>		<b>with outlook</b>
NA	Cash credit	NA	NA	NA	35.0	NA	CRISIL BBB-/Stable

### **Annexure - Rating History for last 3 Years**

		<b>Current</b>		<b>2024 (History)</b>		<b>2023</b>		<b>2022</b>		<b>2021</b>		<b>Start of 2021</b>
<b>Instrument</b>	<b>Type</b>	<b>Outstanding Amount</b>	<b>Rating</b>	<b>Date</b>	<b>Rating</b>	<b>Date</b>	<b>Rating</b>	<b>Date</b>	<b>Rating</b>	<b>Date</b>	<b>Rating</b>	<b>Rating</b>

Fund Based Facilities	LT	35.0	CRISIL BBB-/Stable		--	25-05-23	CRISIL BBB-/Stable	12-08-22	CRISIL BBB-/Stable	13-12-21	CRISIL BBB-/Stable	CRISIL BB+/Stable
-----------------------	----	------	--------------------	--	----	----------	--------------------	----------	--------------------	----------	--------------------	-------------------

All amounts are in Rs.Cr.

**Annexure – Details of Bank Lenders/Facilities**

Facility	Amount (Rs. Crore)	Name of Lender	Rating
Cash Credit	35	Axis Bank Limited	CRISIL BBB-/Stable