

**CMP: INR 33**

**Rating: BUY**

**Target Price: INR 46**

**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)	634
52w H/L (INR)	38/21
Avg Daily Vol (in 000')	182

**Shareholding Pattern %**

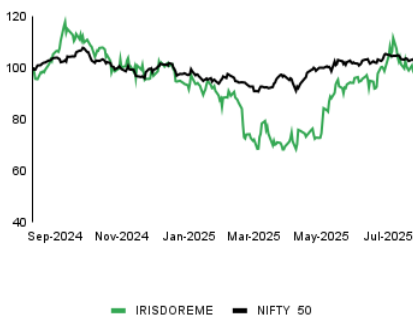
(As on Jun 2025)

Promoters	61.17
FII	0.02
DII	0.91
Public & Others	37.90

**Stock Performance (%)** 1m 3m 12m

IRIS Clothings	4.42	20.04	5.78
Nifty 50	(2.25)	2.4	0.98

**IRIS Vs Nifty 50**



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Iris Clothing Ltd delivered a resilient performance in Q1 FY26, maintaining healthy profitability amid a dip in revenue. The company posted net revenue of INR 373.99 Mn (-6.98% QoQ, +18.99% YoY), reflecting a moderate sequential decline but a robust increase versus the previous year. Gross profit stood at INR 159.87 Mn (-17.44% QoQ, +3.88% YoY), supported by a solid gross margin of 42.75% (-542bps QoQ, -614bps YoY). EBITDA was INR 52.67Mn (-35.01% QoQ, -11.18% YoY), resulting in an EBITDA margin of 14.08%, which was compressed both sequentially and YoY. PAT came in at INR 26.3 Mn (-41.32% QoQ, +8.47% YoY) with a PAT margin of 7.03% (-409bps QoQ, -68bps YoY). Despite margin pressures and top-line softness, the company demonstrated steady operating discipline through its cost structure and continues to deliver resilient result.

**Investment Rationale**

**Expanding Distribution Network:** The company is actively expanding its market presence, particularly in the B2B segment. It added eight new distributors during Q1 FY26, increasing its total to 194. The company plans to further expand this network to "around 205 distributors by the end of the year". This expansion is a "clear indication of their growing market presence and the trust that our partners place in their plan".

**Enhanced Production Capacity and Efficiency:** Iris Clothing plans to expand its production capacity to 38,000 pieces per day. The company is currently operating at "around 80% capacity utilization". An additional capital expenditure of somewhere around 7 to 8 Cr for the new addition is expected, with commissioning within the next two months. This expansion aims to enhance production and upgrade technology.

**Valuation & Outlook:** Iris Clothing anticipates "strong growth driven by organic demand and new capacity additions" in the forthcoming quarters of FY26. The company expects its revenue to grow to around 10% for this year, with EBITDA margins projected to stabilize around 19% from Q2 onwards. The upcoming fall/winter season is expected to be a significant driver for additional growth. The strategic allocation of newly raised capital, alongside ongoing efforts to expand product categories, distribution networks, and the D2C segment, positions the company for continued growth and sustained profitability. **We maintain a 'BUY' rating at INR 46 with an upside of 39% from the CMP of INR 33. We arrive at this value using a Discounted Cash Flow Valuation method and an EV/EBITDA Valuation method.**

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	1,130.0	1,219.2	1,462.7	1,612.6	1,968.9
YoY	1.3%	7.9%	20.0%	10.2%	22.1%
EBITDA	194.0	263.3	280.1	332.7	409.1
EBITDA Margin	17.2%	21.6%	19.1%	20.6%	20.8%
PAT	82.6	122.1	131.2	155.5	197.0
PAT Margin	7.31%	10.02%	8.97%	9.64%	10.00%
EPS (INR)	1.01	1.50	1.61	0.82	1.03
P/E	62.68	42.08	32.95	63.64	50.24

Source: Arihant Research, Company Filings

INR Mn (Consolidated)	Q1FY26	Q4FY25	Q1FY25	QoQ	YoY
<b>Net Revenue</b>	<b>373.99</b>	<b>402.04</b>	<b>314.30</b>	<b>-6.98%</b>	<b>18.99%</b>
Raw Material Costs	214.12	208.39	160.39	2.75%	33.50%
Gross Profit	159.87	193.65	153.91	-17.44%	3.88%
<i>Gross Margin</i>	<i>42.75%</i>	<i>48.17%</i>	<i>48.97%</i>	<i>-542bps</i>	<i>-622bps</i>
Employee costs	51.84	59.78	57.13	-13.29%	-9.26%
Other Expenses	55.37	52.82	37.48	4.82%	47.71%
<b>EBITDA</b>	<b>52.67</b>	<b>81.04</b>	<b>59.30</b>	<b>-35.01%</b>	<b>-11.18%</b>
<i>EBITDA margin</i>	<i>14.08%</i>	<i>20.16%</i>	<i>18.87%</i>	<i>-608bps</i>	<i>-478bps</i>
Other Non-Operating Income	0.27	1.23	0.36	-78.11%	-24.44%
Depreciation	10.82	10.13	17.07	6.82%	-36.59%
<b>EBIT</b>	<b>42.12</b>	<b>72.14</b>	<b>42.59</b>	<b>-41.62%</b>	<b>-1.10%</b>
Finance costs	5.79	10.91	9.78	-46.92%	-40.81%
<b>PBT</b>	<b>36.33</b>	<b>61.24</b>	<b>32.81</b>	<b>-40.68%</b>	<b>10.74%</b>
Tax Expense	10.03	16.42	8.56	-38.92%	17.17%
<i>Effective tax rate</i>	<i>27.60%</i>	<i>26.81%</i>	<i>26.08%</i>	<i>79bps</i>	<i>151bps</i>
<b>PAT</b>	<b>26.30</b>	<b>44.82</b>	<b>24.25</b>	<b>-41.32%</b>	<b>8.47%</b>
<i>PAT margin</i>	<i>7.03%</i>	<i>11.11%</i>	<i>7.71%</i>	<i>-409bps</i>	<i>-68bps</i>
<b>EPS (INR)</b>	<b>0.14</b>	<b>0.27</b>	<b>0.15</b>	<b>-48.15%</b>	<b>-6.67%</b>

**Product Diversification and Innovation:** The company is committed to innovation and quality, recently launching a "travel collection, which has been very well received by their distributors". They are also excited to introduce new inner lines and enhance their sportswear offerings. Furthermore, the company is looking at adding product categories to their infant wear collection, aiming to expand product categories and offerings to better connect with consumers.

**Strategic Focus on Retail D2C Segment:** While maintaining a strong focus on the B2B market, the company is also dedicated to enhancing their retail D2C segment to accelerate growth trajectory". They are targeting "around 5 to 6 EBOs for this year, with a primary focus on Mumbai due to it being one of their biggest markets. Notably, two existing EBOs have "definitely break even" and have been profitable for over a year. E-commerce currently accounts for "around 8% of total revenue".

**Strategic Capital Allocation for Growth Initiatives:** The company successfully raised capital through a rights issue, totaling INR 475 Mn. This capital will be "strategically allocated to support their growth initiatives," primarily driving working capital initiatives and for general corporate purposes. Specific areas for allocation include expanding the team, supporting new initiatives like B2C, expanding product categories, adding embroidery machines, and upgrading production technology.

Income Statement INR (Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	<b>1,130</b>	<b>1,219</b>	<b>1,463</b>	<b>1,613</b>	<b>1,969</b>
YoY	<b>1%</b>	<b>8%</b>	<b>20%</b>	<b>10%</b>	<b>22%</b>
COGS	617	577	766	799	966
YoY	7%	-7%	33%	4%	21%
Personnel/ Employee benefit expenses	183	215	244	266	314
YoY	9%	18%	13%	9%	18%
Manufacturing & Other Expenses	136	163	172	215	279
YoY	-13%	20%	5%	25%	30%
EBITDA	<b>194</b>	<b>263</b>	<b>280</b>	<b>333</b>	<b>409</b>
YoY	<b>-9%</b>	<b>36%</b>	<b>6%</b>	<b>19%</b>	<b>23%</b>
EBITDA Margin (%)	<b>17%</b>	<b>22%</b>	<b>19%</b>	<b>21%</b>	<b>21%</b>
Depreciation	53	61	63	70	87
EBIT	<b>141</b>	<b>202</b>	<b>217</b>	<b>263</b>	<b>322</b>
EBIT Margin (%)	<b>12%</b>	<b>17%</b>	<b>15%</b>	<b>16%</b>	<b>16%</b>
Interest Expenses	30	38	42	56	59
Non-operating/ Other income	1	1	3	3	3
Extraordinary expense	0	0	0	0	0
PBT	<b>112</b>	<b>165</b>	<b>178</b>	<b>210</b>	<b>266</b>
Tax-Total	29	43	47	55	69
PAT	83	122	131	156	197
Adj. Net Profit	<b>83</b>	<b>122</b>	<b>131</b>	<b>156</b>	<b>197</b>
YoY	<b>-19%</b>	<b>48%</b>	<b>7%</b>	<b>19%</b>	<b>27%</b>
PAT Margin(%)	<b>7%</b>	<b>10%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>
Shares o/s paid up equity sh capital	82	82	82	190	190
Adj EPS (INR)	1.0	1.5	1.6	0.8	1.0

Cashflow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Profit Before Tax	112.0	164.9	178.2	210.1	266.2
Depreciation & Amortization	53.0	60.9	63.0	70.1	86.8
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	54.6	69.2
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	278.1	339.9
WC changes	115.1	138.2	160.9	-268.1	30.8
OCF	49.4	82.3	72.2	546.2	309.0
Capex	10.8	69.6	53.3	9.1	167.4
FCF	38.6	12.7	18.9	537.2	141.7
Change in other Assets	2.0	4.5	5.2	14.9	17.0
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	<b>0</b>	<b>0</b>	<b>0</b>	<b>1514</b>	<b>41</b>
Opening Cash Balance	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1514</b>
Ending Cash balance	<b>0</b>	<b>0</b>	<b>1</b>	<b>1514</b>	<b>1556</b>

Source: Arihant Research, Company Filings

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Sources of Funds					
Equity Share Capital	163	163	163	381	381
Reserves & Surplus/ Other Equity	406	528	660	1074	1270
Networth	<b>569</b>	<b>692</b>	<b>823</b>	<b>1454</b>	<b>1651</b>
Current Borrowings	293	354	391	383	412
Non-Current Borrowings	58	88	113	681	654
Borrowings	351	442	504	1064	1066
Total Funds Employed	<b>920</b>	<b>1134</b>	<b>1327</b>	<b>2519</b>	<b>2717</b>
Application of Funds					
Gross block	568	637	691	699	866
Less: accumulated depreciation	299	360	423	492	578
Net Fixed Assets	<b>269</b>	<b>278</b>	<b>268</b>	<b>207</b>	<b>287</b>
Capital WIP	0	0	0	0	0
Investments	11	12	14	43	60
Goodwill	0	0	1	1	1
Other non-current assets	9	12	15	0	0
Current assets	<b>804</b>	<b>1031</b>	<b>1270</b>	<b>2531</b>	<b>2688</b>
Inventory	449	619	697	619	701
Days	145	185	174	140	130
Debtors	313	363	530	398	432
Days	101	109	132	90	80
Other Current Assets	28	33	34	0	0
Bank	15	15	8	0	0
Cash	0	0	1	1514	1556
Current Liabilities	<b>465</b>	<b>553</b>	<b>631</b>	<b>641</b>	<b>728</b>
Creditors	167	193	234	258	316
Days	192	236	248	172	152
Other current liabilities	5	6	6	0	0
Provisions	0	0	0	0	0
Net Working Capital	<b>339</b>	<b>478</b>	<b>639</b>	<b>1889</b>	<b>1961</b>
Total Liabilities and Capital	<b>1093</b>	<b>1332</b>	<b>1568</b>	<b>2777</b>	<b>3033</b>
Total Assets	<b>1093</b>	<b>1332</b>	<b>1568</b>	<b>2782</b>	<b>3037</b>

Source: Arianth Research, Company Filings

<b>Key Ratios</b>					
<b>Solvency Ratios (X)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
Debt / Equity	0.62	0.64	0.61	0.73	0.65
Net Debt / Equity	0.59	0.62	0.60	-0.31	-0.30
Debt / EBITDA	1.81	1.68	1.80	3.20	2.61
Net Debt / EBITDA	1.73	1.62	1.77	-1.35	-1.20
Debt/ Asset	0.32	0.33	0.32	0.38	0.35
<b>Liquidity Ratios (x)</b>					
Current Ratio	1.73	1.86	2.01	1.57	1.55
Quick Ratio	0.68	0.64	0.77	0.30	0.31
<b>Important Metrics</b>					
Net Debt (includes lease liabilities and excludes investments)	336	426	495	-450	-489
FCF	39	13	19	537	142
EV	6632	6722	6784	5831	5791
<b>DuPont Analysis</b>					
Sales/Assets (Asset Turnover)	1.03	0.92	0.93	0.58	0.65
Assets/Equity (Equity Multiplier)	1.92	1.93	1.91	1.91	1.84
Net Profit Margin	0.07	0.10	0.09	0.10	0.10
RoE	0.15	0.18	0.16	0.11	0.12
<b>Per share ratios (INR)</b>					
Reported EPS	1.01	1.50	1.61	0.82	1.03
Adjusted EPS	1.01	1.50	1.61	0.82	1.03
Dividend	0.00	0.00	0.00	0.00	0.00
BV	6.98	8.48	10.09	7.64	8.68
Cash & Bank	0.36	0.61	1	1514	1556
Revenue	13.85	14.95	17.93	8.47	10.34
<b>Profitability ratios</b>					
Gross Profit Margin	45%	53%	48%	50%	51%
EBITDA Margin	17%	22%	19%	21%	21%
EBIT Margin	12%	17%	15%	16%	16%
PAT Margin	7%	10%	9%	10%	10%
ROE	15%	18%	16%	11%	12%
ROCE	22%	26%	23%	12%	14%
ROIC	7%	9%	8%	8%	9%
ROA	8%	9%	8%	6%	6%
<b>Activity ratios</b>					
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
<b>Valuation ratios (X)</b>					
EV / EBITDA	0.00	25.53	24.22	17.53	14.16
EV / EBIT	0.00	33.21	31.25	22.20	17.97
EV / Net Sales	0.00	5.51	4.64	3.62	2.94
EPS (INR)	1.01	1.50	1.61	0.82	1.03
Adj EPS (INR)	1.01	1.50	1.61	0.82	1.03
CMP	63.46	63.00	53.00	52.00	52.00
P/E	62.68	42.08	32.95	63.64	50.24
P/B	9.09	7.43	5.25	6.81	5.99

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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