

CMP: INR 36

Rating: BUY

Target Price: INR 58

Stock Info

| | |
|-------------------------|-------------|
| BSE | |
| NSE | IRISDOREME |
| Bloomberg | IRISDORE:IN |
| Reuters | IRIC.NS |
| Sector | Textiles |
| Face Value (INR) | 2 |
| Equity Capital (INR Cr) | 38 |
| Mkt Cap (INR Cr) | 695 |
| 52w H/L (INR) | 40/26 |
| Avg Daily Vol (in 000') | 182 |

Shareholding Pattern %

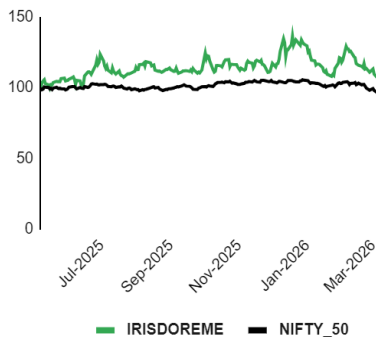
(As on Mar 2026)

| | |
|-----------------|-------|
| Promoters | 61.17 |
| FII | 0.00 |
| DII | 0.79 |
| Public & Others | 38.04 |

Stock Performance (%)

| | 1m | 6m | 12m |
|----------------|--------|--------|--------|
| IRIS Clothings | 10.21 | 8.21 | 23.98 |
| Nifty 50 | (1.94) | (9.65) | (6.20) |

IRIS Vs Nifty 50



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Iris Clothing Ltd delivered a healthy FY26 performance driven by strong growth across its branded kidswear business. Consolidated income for FY26 stood at INR 1,908 Mn, reflecting growth of 30.5% YoY, while Q4FY26 revenue increased 50.2% YoY to INR 604 Mn. EBITDA for FY26 came in at INR 294 Mn with margins of 15.4%, while Q4 EBITDA stood at INR 110 Mn with margins of 18.2%. PAT for FY26 stood at INR 161 Mn, with Q4 PAT growing 43.5% YoY to INR 64 Mn. Margins remained under pressure due to investments in D2C expansion, branding initiatives, and category diversification; however, the company continued to maintain healthy profitability and operational discipline while strengthening its omni-channel growth strategy.

Investment Rationale

Strategic Transformation into a Branded Kidswear Powerhouse: The company is successfully executing a pivot from a pure-play garment manufacturer into a rapidly emerging branded kidswear entity. This transition is anchored by the increasing strength of its core brand, DOREME, which is gaining traction in the organized kids' market. The company "Vision 2030" specifically targets becoming India's biggest kidswear brand, supported by a scalable distribution-led platform.

Strategic Alliance with Disney and Marvel Franchises: The company leverages a high-value licensing agreement to design and sell apparel featuring Disney and Marvel characters, which facilitates a premium market positioning. This partnership grants the company premium pricing capability, as exclusive character-driven products allow for higher profit margins compared to generic offerings. Furthermore, the company has secured FAMA approval for manufacturing these global brands, opening significant doors for regulated international export opportunities.

Valuation & Outlook: The company maintains an aggressive growth outlook, targeting 30% to 35% revenue expansion for FY27 as it transitions into a leading branded kidswear player. This trajectory is supported by a planned INR 500 Mn Greenfield facility in West Bengal, which is projected to generate INR 3,000 Mn in incremental revenue at optimal utilization. Strategic focus remains on the Vision 2030 roadmap, aiming for 300+ Exclusive Brand Outlets and a daily production capacity of 120,000 pieces. Additionally, the company expects its digital and D2C platforms to contribute 20%–25% of total revenue by next year, while aiming to restore EBITDA margins to the 18%–20% range through category optimization and omnichannel scaling. We maintain a 'BUY' rating at INR 58 with an upside of 77% from the CMP of INR 36. We arrive at this value using an EV/EBITDA Valuation method.

| Particulars (INR Mn) | FY25 | FY26 | FY27E | FY28E | FY29E |
|-------------------------|---------|---------|---------|---------|---------|
| Revenue from Operations | 1,462.7 | 1,908.7 | 2,375.6 | 2,953.8 | 3,636.6 |
| YoY | 20.0% | 30.5% | 24.5% | 24.3% | 23.1% |
| EBITDA | 280.1 | 291.3 | 488.7 | 611.8 | 766.9 |
| EBITDA Margin | 19.1% | 15.3% | 20.6% | 20.7% | 21.1% |
| PAT | 131.2 | 161.9 | 269.1 | 336.0 | 423.6 |
| PAT Margin | 8.97% | 8.48% | 11.33% | 11.38% | 11.65% |
| EPS (INR) | 1.61 | 0.85 | 1.41 | 1.77 | 2.23 |
| P/E | 22.38 | 42.32 | 25.46 | 20.39 | 16.18 |

Source: Arihant Research, Company Filings

| INR Mn (Consolidated) | Q4FY26 | Q3FY26 | Q4FY25 | Q-o-Q | Y-o-Y |
|----------------------------|---------------|---------------|---------------|---------------|----------------|
| Net Revenue | 604.79 | 487 | 402 | 24.27% | 50.43% |
| Raw Material Costs | 343 | 305 | 208 | 12.48% | 64.74% |
| Gross Profit | 261.5 | 181 | 194 | 44.09% | 35.03% |
| <i>Gross Margin</i> | <i>43.24%</i> | <i>37.29%</i> | <i>48.17%</i> | <i>595bps</i> | <i>-493bps</i> |
| Employee costs | 75 | 71 | 60 | 5.66% | 24.87% |
| Other Expenses | 79 | 39 | 48 | 100.15% | 63.63% |
| EBITDA | 108 | 71 | 86 | 51.20% | 26.06% |
| <i>EBITDA margin</i> | <i>17.87%</i> | <i>14.69%</i> | <i>21.32%</i> | <i>318bps</i> | <i>-345bps</i> |
| Other Non-Operating Income | 2 | 0 | 1 | 554.73% | 85.92% |
| Depreciation | 13 | 12 | 10 | 6.14% | 25.86% |
| EBIT | 98 | 60 | 77 | 63.19% | 27.05% |
| Finance costs | 9 | 7 | 11 | 27.01% | -18.12% |
| PBT | 89 | 53 | 66 | 68.01% | 34.52% |
| Tax Expense | 24 | 11 | 16 | 112.93% | 48.33% |
| <i>Effective tax rate</i> | <i>27.46%</i> | <i>21.66%</i> | <i>24.90%</i> | <i>579bps</i> | <i>256bps</i> |
| PAT | 64 | 41 | 50 | 55.58% | 29.94% |

Source: Arianth Research, Company Filings

Vertically Integrated Manufacturing Moat: The company operates a fully integrated business model with 13 in-house manufacturing and dispatch units, providing absolute control over scale, speed, and quality. This manufacturing excellence is a core strength, featuring fully automated machinery from Japan, the USA, and Italy to minimize lead times. Such integration allows Iris to remain highly competitive in the "affordable premium" segment while maintaining rigorous process controls.

Massive Capacity Expansion and Incremental Revenue Potential: To support its aggressive growth targets, the company has planned an INR 500 Mn Greenfield expansion in West Bengal covering 200,000 sq. ft. Once this facility reaches optimal utilization, it is projected to generate an additional INR 3,000 Mn in revenue, potentially bringing the total facility output to INR 5,000 Mn over the next two years. This is complemented by "Brownfield" debottlenecking aimed at increasing current capacity utilization by approximately 10%.

Future-Ready Omnichannel and D2C Ecosystem: The launch of a dedicated Direct-to-Consumer platform marks a strategic shift toward a digitally integrated brand ecosystem. The company anticipates this channel will contribute 10% of total revenue this year, scaling rapidly to 20–25% by next year. By bypassing traditional layers, the D2C model is expected to eventually yield 65% gross margins and 20–22% EBITDA margins once established.

Portfolio Optimization for Margin Accretion: Iris is actively shifting its product mix toward higher-margin categories to combat recent margin compression. Specifically, the company aims to increase the revenue share of infant wear from ~12% to 20%. Additionally, the recent entry into the woven category (pants, suits, and sets) and niche segments like kids' winter sportswear are expected to be primary drivers of bottom-line growth in the coming fiscal years.

Conservative Capital Structure and Balance Sheet Strength: The company maintains a highly disciplined financial profile, evidenced by a Debt-to-Equity ratio that improved sharply to 0.14x in FY26. This low leverage, combined with the absence of long-term debt, provides the company with significant flexibility to fund upcoming capital expenditures through internal accruals or strategic re-leveraging if required.

Untapped Market Opportunity in Organized Kidswear: The company operates in a segment characterized by high fragmentation and a dearth of large organized players. With kidswear identified as a high-growth category within the Indian apparel industry, the company is well-positioned to capitalize on rising disposable incomes and a growing consumer preference for branded, quality apparel. Its plan to reach 20,000+ retail touchpoints and 300+ EBOs by 2030 underscores its commitment to capturing this massive market gap.

| Income Statement INR (Mn) | FY25 | FY26 | FY27E | FY28E | FY29E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue from Operations | 1,463 | 1,909 | 2,376 | 2,954 | 3,637 |
| YoY | 20% | 30% | 24% | 24% | 23% |
| COGS | 766 | 1,137 | 1,182 | 1,456 | 1,747 |
| YoY | 33% | 48% | 4% | 23% | 20% |
| Personnel/ Employee benefit expenses | 244 | 256 | 397 | 479 | 537 |
| YoY | 13% | 5% | 55% | 20% | 12% |
| Manufacturing & Other Expenses | 172 | 225 | 308 | 407 | 585 |
| YoY | 5% | 30% | 37% | 32% | 44% |
| EBITDA | 280 | 291 | 489 | 612 | 767 |
| YoY | 6% | 4% | 68% | 25% | 25% |
| EBITDA Margin (%) | 19% | 15% | 21% | 21% | 21% |
| Depreciation | 63 | 47 | 62 | 65 | 72 |
| EBIT | 217 | 245 | 427 | 546 | 695 |
| EBIT Margin (%) | 15% | 13% | 18% | 18% | 19% |
| Interest Expenses | 42 | 27 | 63 | 92 | 123 |
| Non-operating/ Other income | 3 | 3 | 0 | 0 | 0 |
| Extraordinary expense | 0 | 0 | 0 | 0 | 0 |
| PBT | 178 | 221 | 364 | 454 | 572 |
| Tax-Total | 47 | 59 | 95 | 118 | 149 |
| PAT | 131 | 162 | 269 | 336 | 424 |
| Adj. Net Profit | 131 | 162 | 269 | 336 | 424 |
| YoY | 7% | 23% | 66% | 25% | 26% |
| PAT Margin | 9% | 8% | 11% | 11% | 12% |
| Shares o/s paid up equity sh capital | 82 | 190 | 190 | 190 | 190 |
| Adj EPS (INR) | 1.6 | 0.9 | 1.4 | 1.8 | 2.2 |

| Cashflow Statement (INR Mn) | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|----------|----------|------------|-------------|-------------|
| Profit Before Tax | 178.2 | 221.1 | 363.7 | 454.1 | 572.4 |
| Depreciation & Amortization | 63.0 | 46.6 | 61.9 | 65.5 | 71.8 |
| Interest Expense | 42.0 | 26.7 | 63.2 | 92.2 | 122.7 |
| Interest Income | 3.1 | 3.1 | 0.0 | 0.0 | 0.0 |
| Tax | 46.9 | 59.2 | 94.6 | 118.1 | 148.8 |
| Extra-ordinary and Other items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OCF before WC changes | 233.2 | 232.1 | 394.2 | 493.7 | 618.1 |
| WC changes | 160.9 | 452.2 | -223.2 | 133.1 | 115.8 |
| OCF | 72.2 | -220.1 | 617.3 | 360.6 | 502.3 |
| Capex | 53.3 | 107.3 | 27.6 | 48.6 | 85.6 |
| FCF | 18.9 | -327.4 | 589.8 | 312.1 | 416.7 |
| Change in other Assets | 5.2 | 87.9 | -2.5 | 25.6 | 28.4 |
| Change in Equity | 0.0 | 432.8 | 0.0 | 0.0 | 0.0 |
| Change in Debt & other financing activities | -13.4 | -16.5 | 147.6 | 130.7 | -73.0 |
| Net change in cash | 0 | 1 | 740 | 417 | 315 |
| Opening Cash Balance | 0 | 1 | 2 | 742 | 1159 |
| Ending Cash balance | 1 | 2 | 742 | 1159 | 1474 |

Source: Arianth Research, Company Filings

| Balance Sheet (INR Mn) | FY25 | FY26 | FY27E | FY28E | FY29E |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Sources of Funds | | | | | |
| Equity Share Capital | 163 | 381 | 381 | 381 | 381 |
| Reserves & Surplus/ Other Equity | 660 | 1037 | 1306 | 1642 | 2066 |
| Networth | 823 | 1418 | 1687 | 2023 | 2446 |
| Current Borrowings | 391 | 223 | 426 | 455 | 484 |
| Non-Current Borrowings | 113 | 120 | 331 | 554 | 604 |
| Borrowings | 504 | 343 | 757 | 1009 | 1088 |
| Total Funds Employed | 1327 | 1761 | 2444 | 3032 | 3534 |
| Application of Funds | | | | | |
| Gross block | 691 | 798 | 825 | 873 | 958 |
| Less: accumulated depreciation | 423 | 469 | 531 | 595 | 667 |
| Net Fixed Assets | 268 | 329 | 294 | 277 | 291 |
| Capital WIP | 0 | 70 | 0 | 0 | 0 |
| Investments | 14 | 35 | 114 | 140 | 168 |
| Goodwill | 1 | 1 | 1 | 1 | 1 |
| Other non-current assets | 15 | 12 | 0 | 0 | 0 |
| Current assets | 1270 | 1591 | 2369 | 3020 | 3566 |
| Inventory | 697 | 760 | 846 | 971 | 1096 |
| Days | 174 | 145 | 130 | 120 | 110 |
| Debtors | 530 | 723 | 781 | 890 | 996 |
| Days | 132 | 138 | 120 | 110 | 100 |
| Other Current Assets | 34 | 97 | 0 | 0 | 0 |
| Bank | 8 | 9 | 0 | 0 | 0 |
| Cash | 1 | 2 | 742 | 1159 | 1474 |
| Current Liabilities | 631 | 499 | 733 | 837 | 955 |
| Creditors | 234 | 247 | 307 | 382 | 470 |
| Days | 248 | 236 | 203 | 183 | 163 |
| Other current liabilities | 6 | 30 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Net Working Capital | 639 | 1092 | 1635 | 2183 | 2612 |
| Total Liabilities and Capital | 1568 | 2037 | 2751 | 3414 | 4005 |
| Total Assets | 1568 | 2037 | 2778 | 3438 | 4026 |

Key Ratios

| Solvency Ratios (X) | FY25 | FY26 | FY27E | FY28E | FY29E |
|--|-------------|-------------|--------------|--------------|--------------|
| Debt / Equity | 0.61 | 0.24 | 0.45 | 0.50 | 0.44 |
| Net Debt / Equity | 0.60 | 0.23 | 0.01 | -0.07 | -0.16 |
| Debt / EBITDA | 1.80 | 1.18 | 1.55 | 1.65 | 1.42 |
| Net Debt / EBITDA | 1.77 | 1.14 | 0.03 | -0.24 | -0.50 |
| Debt/ Asset | 0.32 | 0.17 | 0.27 | 0.29 | 0.27 |
| Liquidity Ratios (x) | | | | | |
| Current Ratio | 2.01 | 3.18 | 2.14 | 2.16 | 2.14 |
| Quick Ratio | 0.77 | 1.34 | 0.72 | 0.63 | 0.63 |
| Important Metrics | | | | | |
| Net Debt (includes lease liabilities and excludes investments) | 495 | 332 | 16 | -150 | -386 |
| FCF | 19 | -327 | 590 | 312 | 417 |
| EV | 6784 | 6622 | 6297 | 6131 | 5895 |
| DuPont Analysis | | | | | |
| Sales/Assets (Asset Turnover) | 0.93 | 0.94 | 0.86 | 0.86 | 0.90 |
| Assets/Equity (Equity Multiplier) | 1.91 | 1.44 | 1.65 | 1.70 | 1.65 |
| Net Profit Margin | 0.09 | 0.08 | 0.11 | 0.11 | 0.12 |
| RoE | 0.16 | 0.11 | 0.16 | 0.17 | 0.17 |
| Per share ratios (INR) | | | | | |
| Reported EPS | 1.61 | 0.85 | 1.41 | 1.77 | 2.23 |
| Adjusted EPS | 1.61 | 0.85 | 1.41 | 1.77 | 2.23 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BV | 10.09 | 7.45 | 8.86 | 10.63 | 12.85 |
| Cash & Bank | 1 | 2 | 742 | 1159 | 1474 |
| Revenue | 17.93 | 10.03 | 12.48 | 15.52 | 19.11 |
| Profitability ratios | | | | | |
| Gross Profit Margin | 48% | 40% | 50% | 51% | 52% |
| EBITDA Margin | 19% | 15% | 21% | 21% | 21% |
| EBIT Margin | 15% | 13% | 18% | 18% | 19% |
| PAT Margin | 9% | 8% | 11% | 11% | 12% |
| ROE | 16% | 11% | 16% | 17% | 17% |
| ROCE | 23% | 16% | 21% | 21% | 23% |
| ROIC | 8% | 8% | 11% | 12% | 14% |
| ROA | 8% | 8% | 10% | 10% | 11% |
| Activity ratios | | | | | |
| Inventory Days | 174 | 145 | 130 | 120 | 110 |
| Debtor Days | 132 | 138 | 120 | 110 | 100 |
| Creditor Days | 58 | 47 | 47 | 47 | 47 |
| Days(Cash Cycle)WC Cycle | 248 | 236 | 203 | 183 | 163 |
| Valuation ratios (X) | | | | | |
| EV / EBITDA | 24.22 | 22.73 | 12.88 | 10.02 | 7.69 |
| EV / EBIT | 31.25 | 27.06 | 14.75 | 11.22 | 8.48 |
| EV / Net Sales | 4.64 | 3.47 | 2.65 | 2.08 | 1.62 |
| EPS (INR) | 1.61 | 0.85 | 1.41 | 1.77 | 2.23 |
| Adj EPS (INR) | 1.61 | 0.85 | 1.41 | 1.77 | 2.23 |
| CMP | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 |
| P/E | 22.38 | 42.32 | 25.46 | 20.39 | 16.18 |
| P/B | 3.57 | 4.83 | 4.06 | 3.39 | 2.80 |

Source: Arianth 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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