Operator: Ladies and gentlemen, good day, and welcome to Iris Clothings Ltd. Q2 and H1 FY27 earnings conference call. Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance are available on the stock exchange. We trust you have been able to go through them. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Harshwardhan Sarda. Thank you, and over to you, sir.

Harshwardhan Sarda: Good morning, everyone. Thank you for joining us today for our Q2 and H1 FY27 earnings call.

Over the past year, we have continued to build on our business fundamentals while focusing on expanding our market presence and strengthening our capabilities.

Our aim has been to create a stronger foundation for sustainable growth by investing in our brand, distribution network, and operational infrastructure.

We have seen encouraging business momentum during the quarter, with total income growing 40.3% year-on-year and net profit increasing 23.3% in Q2 FY27.

Alongside this performance, we have continued to make progress on several initiatives that we believe will support the next phase of growth for Iris Clothings and the DOREME brand.

Our key priorities are to expand our distribution reach, strengthen our manufacturing capabilities, and explore new growth opportunities across domestic and international markets.

On the digital front, we see e-commerce as an important channel for reaching a wider consumer base and enhancing DOREME's visibility in the children's apparel segment.

In line with this, we have entered into an agreement to sell DOREME products on Amazon and have also partnered with Myntra.

These partnerships will strengthen our presence across leading online marketplaces and complement our existing distribution network.

We have also entered the quick commerce segment, initially offering our products in Bengaluru and Hyderabad. In addition, we have launched newborn gift sets in 4-piece and 6-piece formats across multiple sales channels, expanding our offerings in the newborn category.

Together, these initiatives will help us broaden our product reach, diversify our sales channels, and make DOREME products more accessible to our customers.

Alongside expanding our distribution, we are also investing in manufacturing capabilities to support our growing product portfolio, particularly for the infant wear segment. We are setting up a dedicated manufacturing facility for infant wear, which is expected to enhance production capacity

Report is AI-generated and may contain inaccuracies.

and provide greater operational flexibility.

This will help us cater more effectively to our evolving demand and support future product expansion.

We have also commenced operations at a new in-house embroidery unit equipped with machines imported from Japan. This capability will enable us to develop premium embroidered collections, adding further depth to our product offerings and strengthening our manufacturing capabilities.

Beyond the domestic market, we are also exploring opportunities to expand DOREME's presence internationally. Our participation in the Saudi Fashion & Tex Expo provided a platform to showcase our products and engage with potential large-format retailers, wholesalers, and distribution partners.

These interactions have helped us explore market requirements and assess opportunities across the Middle East and Africa.

Our approach will remain measured, with a focus on identifying suitable partners and establishing sustainable distribution channels.

Taken together, these initiatives reflect our focus on building a stronger brand, expanding our product offerings, and creating multiple avenues for growth.

As we move ahead, our priority will be to execute these plans effectively while maintaining operational efficiency and a strong emphasis on profitable growth.

We believe these efforts will strengthen Iris Clothings' position in the children's apparel segment and provide a solid foundation for its next phase of growth.

Thank you. I will now hand over the call to Niraj Agrawal, our Chief Financial Officer, who will take you through the financial performance for Q2 and H1 FY27.

Niraj Agrawal – Chief Financial Officer: Thank you, Harsh. Good morning, everyone, and thank you for joining us today.

I will take you through our financial performance for Q2 and H1 FY27.

We delivered strong revenue growth during the quarter, with total income increasing 40.3% year-on-year to Rs.62.22 crores, compared with Rs.44.35 crores in Q2 FY26.

For H1 FY27, total income grew 33.9% year-on-year to Rs.{? 109.51 crores ?}, reflecting continued business momentum.

Our EBITDA stood at Rs.9.47 crores for Q2 FY27, with an EBITDA margin of 15.2%.

For H1 FY27, EBITDA reached Rs.17.57 crores, with margins improving to 16%, compared with 15.1% in the corresponding period last year.

This reflects an improvement in our operating profitability over the first half.

Report is AI-generated and may contain inaccuracies.

Moving to the bottom line, profit after tax grew 23.3% year-on-year to Rs.5.08 crores in Q2 FY27.

For H1 FY27, PAT increased 34.7% to Rs.9.09 crores.

PAT margins stood at 8.2% for the quarter and 8.3% for the first half.

Overall, our financial performance reflects healthy revenue growth alongside improved first-half profitability.

Going forward, we will continue to focus on strengthening our operating efficiency, expanding our market presence, and pursuing sustainable, profitable growth.

With this, we can now open the floor for questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Vidhi Shah, an individual investor. Please go ahead.

Vidhi Shah – Individual Investor: Hi, thank you for the opportunity, and congratulations on the good quarter.

I had a question. With the company expanding its presence across e-commerce platforms such as Amazon, and having recently entered quick commerce in Bengaluru and Hyderabad, could you elaborate on the overall strategy for growing the DOREME brand online?

Harshwardhan Sarda: Hi, Vidhi. Thank you so much for your question. The idea is to build the brand. We have been in the e-commerce segment for the last 3-4 years in partnership with FirstCry, where we have established a decent online presence. Now we are expanding that presence across categories.

We are growing our own website, DOREME.in. Along with that, we have just partnered with Amazon, we are closing a deal with Myntra, and we also have a quick commerce presence. We have started our partnership with BigBasket, and we are looking to expand our product categories into multiple quick commerce platforms as well. That is the overall strategy for how we want to [cut off]

Management: Create the DOREME brand online and take it across multiple marketplaces and channels.

Vidhi Shah – Individual Investor: Okay, so how has the response been across these channels so far?

Management: The response has been incredible, and we see some very encouraging numbers, which we think will grow over the next 1-1.5 years.

Vidhi Shah – Individual Investor: Okay, and do we have any plans to expand into additional cities and platforms?

Report is AI-generated and may contain inaccuracies.

Management: We are looking at expanding into cities using our own DOREME.in platform, where we are planning to expand marketing to multiple cities. That is the overall idea for growth right now.

Vidhi Shah – Individual Investor: Will we see margin improvement?

Management: Currently, because raw material prices are on the higher side, we are seeing some challenges in growing margins. But we definitely see a basis-point improvement from here for the full year.

Vidhi Shah – Individual Investor: Okay. Thank you for the opportunity, and all the best for the coming quarters.

Management: Done. Thank you.

Vidhi Shah – Individual Investor: Thank you.

Operator: A reminder to all participants: you may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. The next question comes from the line of Deepali Kumari from Arihant Capital Markets Limited. Please go ahead.

Deepali Kumari – Arihant Capital Markets Limited: Hi, thank you for the opportunity. I have just a few questions. How much of the Q2 growth came from volume, and how much came from realization per piece?

Management: [pause] Q2 growth was primarily from volume because of the expansion in product categories and our production capacities as well. Specifically, in existing product categories.

Deepali Kumari – Arihant Capital Markets Limited: Okay. And can you give the split of Q2 revenue between the distributor or retail business, e-commerce, exports, and EBOs?

Management: I'm sorry, Deepali. Can you repeat that? I think I lost your question.

Deepali Kumari – Arihant Capital Markets Limited: I am asking whether you can please split Q2 revenue across distributor or retail, e-commerce, EBOs, and exports.

Management: Deepali, currently we do not have the split revenue numbers readily available. We can share them later.

Deepali Kumari – Arihant Capital Markets Limited: Okay. On the outsourcing side, currently you outsource some products such as {? jeans ?} to OEMs. What share of revenue is outsourced today, if you can give me some idea? And how much lower is the gross margin on those products?

Management: Currently, we are outsourcing around 15% of our overall revenue. These are products that we are not manufacturing in-house. Therefore, the gross margins are slightly lower on those products. Having said that, this is helping us expand our product portfolio.

Deepali Kumari – Arihant Capital Markets Limited: On the vision for 2030 of 300 distributors and 20,000 retail touch points, what revenue and EBITDA do you expect to achieve in 2 to 5 years? And

Report is AI-generated and may contain inaccuracies.

how much capex and working capital will be needed?

Management: In the next 2 years, we are targeting revenue of around 500 crores. In terms of capex, we are looking at expanding our manufacturing facility. We are still looking at expanding into a new greenfield project, but that is still in the works, and we will be able to give more details once we have more concrete proposals.

Deepali Kumari – Arihant Capital Markets Limited: Okay. On the EBO side, you will open 80 stores a year from FY27. How many will you open in FY27 and FY28?

Management: Deepali, EBOs are something that we are still figuring out in terms of the right approach. We have a lot of interest from our franchisee partners to help open stores as well, but we are perfecting the model and figuring out the right strategy to grow. Then we will decide how aggressively we want to expand the EBOs.

Deepali Kumari – Arihant Capital Markets Limited: Okay, so EBOs are not currently the main focus?

Management: They are definitely part of the focus. We are figuring out the right strategy for them. Along with that, digital is a big part of our current focus, and we want to grow that because we see a very encouraging response on our digital platforms. We want to build the DOREME brand through digital access currently.

Deepali Kumari – Arihant Capital Markets Limited: Okay. For a mature EBO, can you please share sales per square foot, store-level EBITDA margin, and capex per store? Also, on the distributor side, what can be the average revenue per distributor?

Management: For stores, good revenue is Rs.1,000 per square foot per month. EBITDA margins stay somewhere around 20%, or 15%-20%, at the store level. Capex is around Rs.2,500-3,000 per square foot. That is for the stores.

In terms of our distributor count, average distributor revenue comes to somewhere around 80 lakhs per distributor for us.

Deepali Kumari – Arihant Capital Markets Limited: Okay. On pricing, chains such as Zudio, Max, Trends, and similar chains have very low prices. How is that affecting your distributor or retail customer? And what is your current ASP?

Management: Since we are in the slightly sub-premium segment, we are not directly competing with the value retail format. Since we are a brand that is slightly higher-priced than value retail brands, this is not directly affecting our distributors because we have an advantage in providing quality products with better designs and much better product resilience. This helps us create that differentiation in the market. Hence, we are not directly competing with value retailers.

Deepali Kumari – Arihant Capital Markets Limited: Okay. You mentioned that you are setting up a manufacturing plant for infants. What will be its capacity, and what revenue can we expect from it?

Management: The infant plant that we have set up will currently produce around 2.5 thousand pieces per day in terms of our overall capacity. We expect additional revenue of around 3-4 crores

Report is AI-generated and may contain inaccuracies.

annually.

Deepali Kumari – Arihant Capital Markets Limited: Can you tell me again what the capex plan is for the upcoming 2 to 5 years?

Management: As I said, we are planning a greenfield capacity, but we will have more details on the breakdown of the exact numbers perhaps in the next quarter, in the second half of the year, actually.

Deepali Kumari – Arihant Capital Markets Limited: Okay, so will that be funded through debt or internal accruals?

Management: We are still figuring out the right approach, but mostly it will be through internal accruals. Since we do not have any long-term debt on our books currently, we might fund it through debt as well.

Deepali Kumari – Arihant Capital Markets Limited: Okay, thank you so much.

Management: Thank you, Deepali.

Deepali Kumari – Arihant Capital Markets Limited: Thank you.

Operator: Participants who wish to ask a question may press star and one on the touchtone telephone. The next question comes from the line of Nihal Shah from Stellar AMC. Please go ahead.

Nihal Shah – Stellar AMC: Hello?

Management: Hello, Nihal.

Nihal Shah – Stellar AMC: Hi, sir. Thank you for the opportunity. My first question is with respect to one of the earlier participants. You mentioned that the traction from Myntra and Amazon has been good so far. Specifically, how is the traction from our own website? How do customer acquisition cost and the contribution margin differ between sales through our own website and the other digital platforms? There will be some platform commission that we will pay to the partners.

Management: I think there was some confusion in understanding. We are saying that digital overall has shown a very encouraging response. Amazon and Myntra are platforms that we are just starting with. We started with Amazon just 3 weeks ago, and Myntra is something for which we have just signed the agreement and will start by the end of next week, mostly.

Most of the response we have currently received is from our own platform, which has received a really encouraging response. Along with that, our expanding presence on FirstCry is helping the overall brand visibility on digital for us.

Nihal Shah – Stellar AMC: Okay, sir. Is there anything to share on the margins between sales from our own website and other platforms?

Management: Of course, margins on our own website are definitely better. However, we are currently spending on advertisements for our own website to build traffic directly to it. Margin is

Report is AI-generated and may contain inaccuracies.

something that we will discuss once we have bigger volumes at our own website level.

Nihal Shah – Stellar AMC: Okay, sir. What is the current contribution from digital revenue in H1?

Management: Digital overall, including marketplaces, would be around 10 crores. It is 10% of our overall revenue.

Nihal Shah – Stellar AMC: Yes, sir.

Management: Yes.

Nihal Shah – Stellar AMC: Sir, our infant segment would be roughly 12%–13%, correct?

Management: Yes, infants account for 12%–13%, but we are expanding that to around 20% in the next couple of quarters.

Nihal Shah – Stellar AMC: Okay, sir. Are other categories, such as women's apparel and thermal wear, showing good traction currently?

Management: Infant wear is one segment that is showing very, very promising responses. Along with that, woven is something for which we are adding new categories. Along with woven night suits, we are adding woven pants, which we expect to be one of our highlight categories this summer. We think woven will become a decent part of our segment by the end of next year.

Nihal Shah – Stellar AMC: Okay. Will it be a significant part of revenue or just a small part?

Management: I think woven will become around 10% of our revenue by the end of next year, which will be significant.

Nihal Shah – Stellar AMC: On the margin side, employee expenses and other operating expenses have increased. Should we consider this as the base going forward, or was there some one-off here?

Management: No, I think this will be the base. However, since our revenue will grow over the next few quarters, in percentage terms, these expenses will come back to the original levels.

Nihal Shah – Stellar AMC: Okay, because gross margins have increased, but EBITDA margins have declined on account of expenses...

Management: Right. We set up 2 new units in the last couple of quarters, which has added to employee benefit expenses. In the next 2 quarters, we will get productivity from those units, which will help us bring the overall percentage down in terms of employee benefit expenses.

Nihal Shah – Stellar AMC: Understood, sir. One thing on the balance sheet side: operating cash flow was negative in H1, inventory has also increased, and short-term borrowings also increased. How much of this outflow in inventory was because of seasonal inventory build-up, or was this related to some Infinia transaction?

Report is AI-generated and may contain inaccuracies.

Management: Yes, operating cash flow has been positive. It was because of the Infinia transaction, which is not complete yet; hence, it is showing in operating cash flow. It will eventually move down to the investing cash flow number.

Nihal Shah – Stellar AMC: Understood. When do we expect operating cash flow to turn positive, and what about the borrowings...

Management: It is already positive. We expect it to turn positive in this quarter itself.

Nihal Shah – Stellar AMC: Okay, sir. Understood. Thank you, sir.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Ichhani Kacholia from NV Alpha. Please go ahead.

Ichhani Kacholia – NV Alpha: Hi. Can I ask what your current conversion rate is and how much you are spending on advertising, as well as whether you have any further plans to increase your marketing budget?

Management: Currently, in terms of the overall revenue percentage, we are spending around 2% on overall advertising. We intend to increase that to around 3.5% by the end of the year. That is the conversion that we look at in terms of advertising spend for the overall business.

Ichhani Kacholia – NV Alpha: And is that by the end of this year?

Management: Yes.

Ichhani Kacholia – NV Alpha: Excellent. That is all. Thank you.

Management: Thank you.

Operator: Thank you. Participants who wish to ask a question may press star and one on the touchtone telephone.

Ladies and gentlemen, we will take this as the last question for today. I now hand over to the management for closing comments. Over to you, sir.

Management: Thank you once again for your interest in our company and for being a part of our journey. We look forward to sharing our successes with you in the next earnings call. In case you have any queries after this call or anything remains unanswered, you may connect with our IR team. Thank you so much, everyone. Have a great day.

Operator: Thank you. On behalf of Iris Clothings Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.