PROFITMART

RESEARCH REPORT

18th April 2022

IRIS CLOTHINGS LIMITED (ICL)

Sector: Kids Wear Apparel

NSE: INE01GN01017

SYMBOL: IRISDOREME

View - BUY

CMP : Rs. 218.70

Target Price: **Rs 303** (In the next 18 months)

BUSINESS BACKGROUND

Founded in the year 2004, Iris Clothings Limited (ICL) is a fast-growing readymade garment company, that is primarily engaged in designing, manufacturing, branding and selling garments for kids wear under its brand name **DOREME** in India.

ICL's product range includes affordable and good quality apparels for infants, toddlers and children in their pre-teens, serving both their indoor and outdoor requirements. ICL has 9 manufacturing facilities spread across Howrah, West Bengal with a manufacturing capacity of 9 million units per annum and has a complete in-house integrated infrastructure right from the design conceptualisation, manufacturing, branding and selling of finished goods to wholesalers

INVESTMENT HIGHLIGHTS

Steady Financial Performance for FY21 & first 9 months of FY22 –

ICL reported a steady set of FY21 numbers, in a difficult year with net sales at Rs 87 Crores, as compared to a revenue of Rs 60 Crores last year, with EBIDTA placed at Rs 17 Crores from Rs 14 Crores last year and a PAT of Rs 7 Crores from Rs 4 Crores.

For ICL during first 9 Months ending Dec 2021, Revenue was up by 43% YoY at Rs 78.77 Crores while EBITDA grew by 41% YoY at Rs 16.14 Crores vs Rs 11.46 Crores in 9 mths of last year with the PAT at Rs 7.76 Crores vs Rs 3.60 Crores in 9 months of the last year.

ICL enjoys a strong & niche product basket within the Kidswear segment –

ICL owns a strong brand, DOREME and offers a wide range of apparels for infants, toddlers, junior boys and girls that suit both their indoor and outdoor requirements.

Having launched the DOREME brand in 2005, ICL has consolidated its market position significantly in the domestic markets with its products available largely in markets like Maharashtra, Gujarat and Rajasthan. More ever 10% of ICL's sales also come from First Cry, an online apparel platform apart from other online platforms like Amazon, Flipkart, Hopscoth etc.

More importantly ICL is an integrated player with 100% in-house infrastructure right from design conceptualisation, manufacturing, branding and selling of finished goods to distributors enabling ICL, to have better control over quality and be cost-efficient. This is reflective from the fact, that, operating margins have improved from 6% in FY2012 to 20% in FY21.

KEY DATA

FACE VALUE	Rs	10.00
DIVD YIELD	%	NA
52 WK HI/LOW	Rs	239/82
NSE CODE	**INE01GN01017**	
BSE CODE	NA	
MARKET CAP	**RS 337 CRS**	

SHAREHOLDING PATTERN

PROMOTERS	-	75%
BANKS, MFs & DIIs	-	%
FIIs	-	%
PUBLIC	-	25%

KEY FUNDAMENTALS

YE	FY22	FY23	FY24	FY25
Rev Gr %	26	36	33	50
EBIDTAGr %	29	45	34	50
PAT Gr %	52	55	45	50
EPS Gr %	52	55	45	50
EPS (Rs)	6.5	10.15	14.7	22
ROE %	24	29	30	33
ROCE %	31	37	40	45
P/E(x)		20	14	9

ICL enjoys a strong & niche business model across various product categories –

Iris' brand DOREME offers a wide range of apparels for infants, toddlers, junior boys and girls that suit both their indoor and outdoor requirements.

Some of the key product categories under the Doreme brand include :–

- Tops
- T-Shirts
- Sweatshirts
- Trousers
- Hoodies
- Shorts
- Polyfil suits
- Dresses
- Padded suits
- Loungewear
- Nightwear

ICL currently has 300 to 350 S.K.U's across its products and currently it's product mix is 60% for girls and 40% for boys.

ICL has 130 distributors & has an online presence across various fast-growing ecommerce channels like FirstCry, among others and enjoys, a very strong market presence in Maharashtra, Gujarat and Rajasthan. The company is planning to enter new markets like Delhi and UP soon, where it expects to consolidate its position in the next 2-3 years.

ICL's Distributor network as on date –

ICL clear focus and growth drivers has been its designing skills, constant innovation in its product line etc. The company's management has stated that 5-10% old designs are repeated every year, but 90% new designs are launched every year. This has been the key for its growth and will continue in the future as well.

This is also visible from the fact that **Doreme,** as a brand has significantly enjoyed higher customer patronage, due to its superior product quality, stronger durability with better look and feel features, which has helped it garner a higher average selling price for their garments from Rs. 285 last year, which is expected to go up to Rs. 350 in the current year i.e. FY 22.

To support its business model ICL has also made significant effort in putting up an integrated unit right from conceptualization of Designing & Development, Raw material procurement, Manufacturing and Branding and finally selling this to wholesalers.

ICL initially started with cutting, stitching and finishing operations at its facilities and initially outsourced its printing work, as this was a highly capital intensive operation. Before 2012, printing was outsourced and all remaining work like cutting, stitching etc. was done inhouse. After 2012, ICL installed its own printing machines, which has helped it control quality in the 3 stges, which is cutting stitching and finishing.

ICL was fully integrated from 2012 onwards and was amongst the first to introduce printing in Kolkata. The advantages of starting printing inhouse was quality control and timely production, as it was getting orders processed in 20 to 30 days earlier because of outsourcing, which has now reduced significantly because of inhouse printing. This has also helped faster turnaround time for ICL increasing its sales and taking fresh orders from its dealers, making the product available faster to customers in the market.

Also, some products are printed in just 2 days flat, because of inhouse printing, wherein the company's designing team was also able to experiment on the quality on printing of garments, which was not possible earlier due to outsourcing.

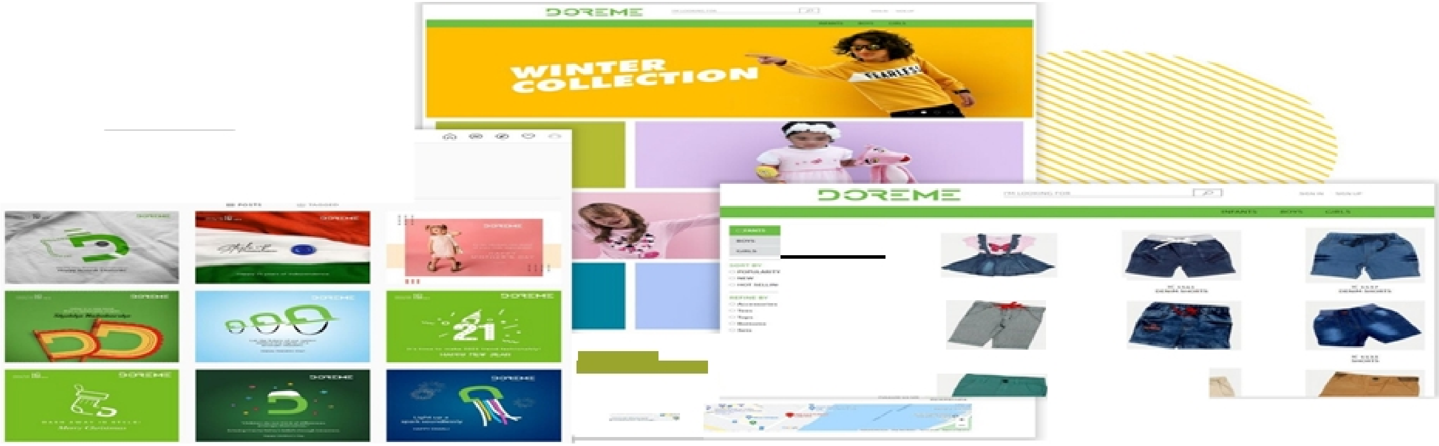
To capitalise on the growth potential of the Kidswear segment, ICL has chalked out aggressive capex plans ahead :–

ICL has incurred a capex of Rs 3 Crores in FY22 and expects to spend Rs 6 Crores, over the next 2 years which makes us believe that, there is significant operating leverage with the company.

Going ahead ICL plans to boost its product reach by focusing its expansion in Tier II and III cities. It further plans to add distributors, in newer geographies especially in South India, to deepen market penetration and expand reach to markets with higher demand potential.

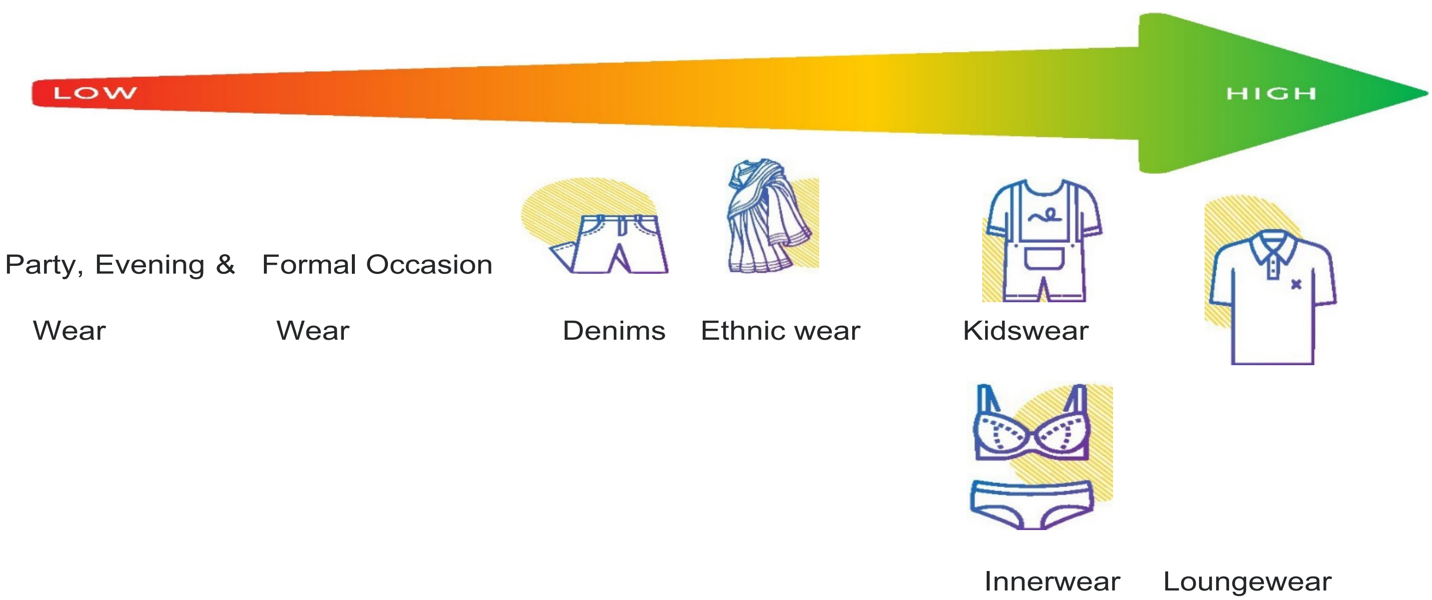
ICL is also planning an extensive channel partner loyalty and engagement programme, to drive their stickiness and boost morale. It is also planning to launch direct sales stores in the metros and expects to launch 1 to 2 stores in FY23. For its online initiative, which was not present earlier ICL is now developing an ecommerce portal on its website, where it expects good business from the online business and it also plans to invest Rs. 40 lakhs.

ICL plans to undertake activities to enhance its brand recall and customer connect on social media channels. This would eventually drive traffic to its exclusive online store.



Source: Company

Kidswear Market is expected to grow at a CAGR of 8.76% between 2021-2026 :



In 2021, the Boys' apparel market was US$4.3 billion and is growing at a CAGR of 10%. In the meantime, the Girls' apparel market (US$ 4 billion) is growing at a rate of 11%.

A huge customer base of an estimated 120 million children, between the age group of 0-4 years and approximately 250 million children between 5-15 years, provides a huge lucrative market for the Indian kids apparel industry.

It is expected that by 2023, this segment will grow faster than the dominating menswear and womenswear segments, with a huge focus on the new-born babies and toddlers' selection.

The toddler-wear sales have witnessed a steady 100% YOY (year-on-year) sales for the past couple of years, with the majority of sales drivers being Tier-2 and Tier-3 cities from Maharashtra, UP, Karnataka and West Bengal.

The kidswear market in India has witnessed seismic changes in the last few years , both product wise and consumer wise. Parents now exhibit a considerable brand awareness and inclination towards high quality apparel products for their kids. This has even trickled down to the kids as well, who have now emerged as a new, independent buyer group altogether.

As families travel more and have more awareness of western markets, the tastes of parents and kids are changing. Movies/Music and easy to access mass media platforms like youtube, etc., are also influencing their tastes.

Another critical thrust in the kidswear market came in the guise of e-commerce. E-commerce helped brands across the sector by making them available across all demographics and geographies.

Traditionally, the trend was basic functional life-style kids apparel dominated by the unorganised sector, but today, the growing trend and brand awareness among parents and kids, has resulted in an increased inclination towards branded clothing.

Growing trend and brand awareness, stemming from international travels and the growth of social media has led to increased consciousness and more awareness of global fashion trends, making parents more inclined to buy branded clothing.

The kidswear market is segmented into boys' and girls' wear, with the market being slightly skewed towards boys wear owing to 53 percent boy's population for age group 0 to 14. The boys' wear market is diversified with various categories like t-shirts, shirts, denims, bottom wear, ethnic wear, winter wear, uniforms etc. For obvious reasons uniforms, t-shirts, shirts and bottom wear are the dominating categories, together contributing around 80 percent of the total boys wear market.

The Indian girls' wear market mainly comprises bottom wear, ethnic wear, t-shirts, shirts, denims, dresses, winter wear ,uniforms etc. Uniforms and ethnic wear are the two largest categories within this segment contributing to around 53% of the girls' wear market. Around 60% of India's population is rural, thus dominance of ethnic wear in rural India, contributes to its major share in the girls wear segment.

It has been witnessed worldwide that market for girl's wear is far larger than that of boy's wear. This is because boy's clothing is restricted to basics, while girls have a lot of options like skirts, tops, spaghettis, frocks, pants, halters, dresses etc.

For new born babies, cotton is the only fibre that is comfortable, but this fibre needs to be softer and have extra stretchability. Therefore, garments for kidswear need to be produced by extra long-staple cotton, which offers both these properties.

Though children outgrow their size very quickly, it is always difficult for parents to make sure that their wardrobe is sufficiently stacked, though not over-stacked.

The quality parameters of kids wear are precise, as orders have increased. Quality compliance is strictly followed in kids wear, more than that of adult's wear. Greatest care is taken in making kid's wear and the garments are kept at a lesser pH value and are free of lead, nickel, etc. For children wear, cotton is the most preferred fibre, though it now faces a tough competition with cotton-polyester due to the washability and crease-resistance characteristics of the latter.

Today, kids' apparel has evolved drastically having designer element, range in fabric pattern and colour to grow rapidly, as a separate vertical in fashion industry. Kids wear segment accounts for almost 20% of the total apparel market in India, and its estimated value is expected to cross ₹1.7 trillion by 2028.

The kids wear market in India is currently dominated by unorganised players, with the branded market accounting for a very small market share. Over 95% of the market is still unbranded, as per a recent Technopak analysis of Indian kidswear market.

The kids wear market has been propelled chiefly by the increase in the income and changing lifestyle of modern parents, as parents want their kids to stay with the trends. This has given immense opportunity to retailers, at all levels and geographical regions to expand their market.

Changes in the composition and structure of Indian families have also been instrumental in boosting the growth of this industry. The rise of the nuclear family in urban India has resulted in increased purchasing power, with parents willing to shell out anything for their children.

Key Demand drivers for the Kidswear Industry ahead :–

Propensity Towards Brands:

Traditionally, the trend was basic functional life-style kids apparel dominated by the unorganised sector, but today the growing trend and brand awareness among parents and kids has resulted, in an increased inclination towards branded clothing.

Evolving Consumer Preferences:

The most prominent change seen in the kids wear market today, is the growing awareness about the materials being used. The fact that, materials used need to be soft, long-lasting, easy to wash and maintain are the chief concerns of anyone wanting to make a wise purchase. This is another reason behind the growing inclination towards western outfits, as they seem to be perfect for their children's active lifestyle by offering durability, practicality and convenience.

These days parents are preferring branded apparel for their children, as there is a rise in their disposable income. There is also a liking for branded kids wear, because of better quality and there is also an inclination towards western culture.

Kids as Independent Buyers :–

These days children select what they wish to buy. The increase in peer group pressure, influence of media and marketing are some of the factors which highly influence the buying decision of the kids. Moreover, they are well informed about latest trends.

Social Media is expected to further increase, the Children's wear market growth. Parents in both developed and developing countries, are increasingly posting pics of themselves and their children in matching outfits on Instagram and other social media platforms.

Furthermore, the increasing trend of online shopping, is expected to further fuel the growth of the Children's wear market.

Based on end-users, the girl's segment is expected to be the most lucrative segment. Girls are expected to make up the majority of the market, because they are more interested in clothing than boys. Similarly, the desire of many girls to beautify and improve their appearance, fuels demand in this segment.

Other factors such as aggressive promotional activities by manufacturers and the growth of the online retailing market, provides a hassle-free shopping experience. It also provides consumers with a wide range of options and this is expected to further propel the kids market.

Also key factors driving Children's wear market growth include raising brand awareness among children and parents, the growing influence of television and mass media, and the active participation of celebrities in various brands campaigns and advertisements. Increasing exposure to celebrities is also positively impacting product sales.

Key Business Developments in the Domestic Kidswear Market :–

Entry of larger players in the Kidswear domain :

Over the years, there were only a handful of textile companies that focussed solely on kids wear. Brands like Gini and Jony, Weekender, Firstcry and Lilliput were some of the preferred brands. However, this scenario has changed with many other brands diversifying into this section

Raymond, textile giant in Mens' Fashionwear, has come up with their own brand, 'Zapp', for kids apparel. Reliance Trends has also entered the kids wear segment.

The collaboration of Walt Disney and Warner Brothers, with Weekender has led to a launch of their new collection, named as 'Toon World', enabling the use of cartoon characters in the new line of clothing.

Several international brands like Little Kangaroos, Cucumber and Chicco have entered the Indian kids wear market.

Some major players of Men's and Women's Fashion wear and Sportswear have also joined the race, with Gap, Zara, Puma, Benetton Group, Marks & Spencers, Dolce & Gabbana, Levi Strauss, Diesel and DKNY are entering the kids and baby wear industry in India.

Another critical thrust in the kidswear market came in the guise of e-commerce. E-commerce helped brands across the sector by making them available across all demographics and geographies.

Amongst international brands Walt Disney, Barbie, Hot Wheels, Okaidi have already set up their base in India. Lifestyle jeans brand Spykar, is also now foraying into the kidswear segment through the launch of a new brand OYO.

Growth in kids wear segment is about 15% per annum and the bulk of India's population is below 25 years. Also the disposable income of couples are increasing alongwith the global awareness about kids wear; people traveling a lot and with the opening of number of malls, there is significant potential and headroom to see a huge increase in kids wear market going ahead.

Another kind of line extension is seen with the foraying of many sportswear brands into kids wear. Reebok, Kappa kids, Nike and a few more brands have entered this domain.

Malaysian kids wear brand Poney has entered India and has plans of opening around 25 stores. Pepe has announced plans of entering the kids wear segment, joining the likes of Zara, Tommy Hilfiger, Benetton and Gap, being the different number of brands vying for a chunk of the enormous baby garments market in India. The Children's Place, America's largest specialty retailer of children's apparel and accessories, has also made an entry into the Indian markets last year catering up to the 14 year-olds.

ICL plans to launch the accessories line of the infant wear vertical, sportswear and kids undergarments space by QIFY23. Additionally it will be introducing Exports Wear, Mothers Bag and accessories from China like tiffin box, water bottles etc. in FY23.

Exports are also another area offering good growth prospects:

While international counterparts are eyeing a share in the Indian kids wear market, domestic brands are also gearing to storm the international platform. Companies are opening stores in Nepal, China, Australia, Gulf countries, South Africa, Dubai, West Asia etc.

Changing consumer preference and increasing fashion consciousness in the Middle East region offers a huge opportunity in markets like Qatar, Kuwait and Saudi Arabia.

Presently, Lilliput another kids wear player has stores in Bahrain, China and Egypt. A Lilliput product sold at $ 14 (approximately Rs 560) in India is sold at $ 21 (approximately Rs 840) in the Gulf and $ 23 (approximately Rs 920) in China.

Enormous growth along with greater retail presence is attracting these retailers to the global markets. They feel that, when people visit abroad and find a familiar brand, they would definitely go in to buy the required product, as they can identify with it easily.

According to the 'Global market review of children's wear', the top ten global markets viz., US, UK, France, Germany, Spain, Italy, China, India, Russia and Japan accounted for an estimated $ 92.6 billion (approximately Rs 2,804 Billion) in children's apparel retail sales. By 2028 these top ten markets are expected to account for an estimated $ 131.5 billion (approximately Rs 5,260 billion) in children's apparel retail sales.

ICL is currently exporting to Mozambique, Africa. For FY 22, it will be exporting around 3% of its topline to Mozambique.

Robust export demand from the US aiding textile sector growth –

The US has been one of the leading markets for Indian textiles and apparel products. Also, the US is the biggest and most crucial geography for Indian home textile players, due to the country being the largest consumer market in the world, large size of its economy, large proportion of organised retail in the country and homogeneity in consumer tastes.

India has a strong presence in the home textiles category in the US, with 39% share in the total imports by US. The US is currently witnessing exuberant retail demand as a result of subdued spending during the Covid-19 pandemic lockdowns and stimulus checks, which have boosted disposable income significantly.

Textile Sector is poised for strong growth ahead: –

Based on the industry estimates, the global home textiles market is estimated at about $45 billion, wherein the major consumers are US and Europe, each accounting for about one-third of the world's total demand. The segment includes towels, bed sheets, top of the beds, curtains, pillow cases, rugs, carpets etc. used for home furnishings. India along with China and Pakistan, are the biggest exporters constituting more than 50% of the World Trade.

The share of India in total home textile trade is 14%, which is more than double its share in textiles. Further, the share of "cotton" Home Textiles is even higher and better than China in many products. As per the data released by Office of Textiles and Apparels, India's share of exports of cotton bed sheets to the US has grown from just 27% in 2009 to almost 50% in 2021.

Government is also supporting the Textile industry with buoyant policies: –

A stronger and more experienced Textile Ministry in the spotlight, has now turned around the Textile Ministry with the accession of veteran minister, Mr. Piyush Goyal as Textile Minister, who is known for his vast experience, tremendous skills, and great executional capabilities.

The Textile Ministry under Mr. Piyush Goyal has wasted no time and have ensured the continuation of RoSCTL (Rebate of State & Central Taxes and Levies), under the prevailing rates till 31st Mar'24. The maximum rebate allowed remains at 6.05% for apparel and 8.2% for made-ups. The delay in declaring the rates was hurting textile exporters, and thus, the announcement has cast away the shadow of doubt over reduced rebate rates.

This move was aimed at maintaining global competitiveness of the textile sector. RoSCTL, has a net effect of 4 to 6% on the top line of Textile exporters and therefore, continuation of the same will preserve the level-playing field.

The Textile industry has witnessed a major shift in last four decades, in terms of production base. In the 1980s the production of textiles was largely concentrated in the US and EU region, owing to the vast availability of raw material and technological capability.

However, given the Labour and Power intensive nature of the industry; the production base started shifting gradually to developing economies of Asia like China, India, Bangladesh and Vietnam which together account for about 50% of the global production of textiles and apparels.

The forthcoming FY22-26 period, will see the Indian T&A industry register a CAGR of 10%, largely driven by the Technical Textiles segment (estimated CAGR of 13% over the same period). Apparel and Home Textiles, is expected to register a CAGR of 10% and 8% respectively in the FY22- 26 period.

We believe that with the strong demand buoyancy seen in the textile exports, alongwith the domestic textiles demand picking up across the home textiles, the traditional fabrics and kids wear segments aided by the strong support by the government in the form of duty concessions, PLI schemes etc. will have a positive impact on the speciality niche textile player like Iris Clothings Ltd.

Key Competitive Moats enjoyed by ICL –

ICL has built a strong domestic brand **Doreme.** which we believe has great potential and going ahead can be scaled up significantly.

Due to the presence of a strong brand, backed by strong designing and innovation skills, ICL has cleverly carved out a sticky and loyal customer base, which is willing to pay a premium for the company's products.

This is further backed by the fact that, ICL is an integrated player, with all inhouse facilities like designing, raw material procurement, cutting, finishing and printing under one roof. This has reduced the time frame for new product launches, quality control maintenance and has also avoided logistic delays from outsourced partners.

Despite a challenging market in FY21 due to covid, ICL has managed its operations quite well and has maintained EBIDTA margins of 20%. The management is confident of achieving pre covid EBIDTA levels of 23% once business normalcy is achieved, thereby going ahead it will enable incremental topline and profit growth to be stronger.

Q3FY22 revenues took a hit, as the company refrained from selling goods due to the expected GST rate hike from the GST Council, which impacted all the domestic suppliers of garments. This also led to large investments in working capital during Q3FY22. ICL will be launching, its new accessories line of this vertical and sportswear by QIFY23. ICL expects the revenues to return to normalcy from Q4FY22 onwards.

Experienced Management, Skilled Employee Base and the Promoters of ICL, have an average of approximately 50 years experience in the textile business. The majority of the company's Key Management Personnel have been employed with the company for over ten years and have contributed towards the growth of the company through their commitment and experience.

More importantly the kids wear market, is a huge growth opportunity and going ahead in terms of potential market size, the growth is expected to be strong for the next 5-10 years, which will essentially puts ICL in a sweet spot, in this industry segment.

Key Weakness –

Exposure to intense competition with limited size –

Despite existing and emerging competition, we believe that, ICL has built a strong brand driven business, presently catering largely to the B2B segment. This is very clear from the operating margins of 20% in FY21, which look attractive and going ahead, is expected to improve further, largely due to higher pricing power and higher value growth.

Working capital-intensive operations –

Despite being a working capital intensive business, ICL has always maintained positive OCFs, but net working capital days at 135 days, have come down from 173 a year back. Going forward the company expects this number to stabilise here.

ICL enjoys a strong balance sheet with big scalability potential going ahead –

ICL runs a strong business model covering multiple product segments and continues to invest on a sustained basis largely from internal accruals and debt.

We expect that going ahead, overall bottomline growth in the next 3 years, starting FY22 onwards should easily increase at a CAGR of 35-40%, with the capex funded largely from internal cash flows.

ICL will not be incurring any major capex and will require minimal funding of Rs 6 Crores, for the capex, with the working capital being funded by internally generated cashflows.

What is important is that, CFO has remained positive since FY2018 till FY2021, with the average conversion cycle having reduced to 189 days in FY21 from 308 days in FY20.

Going ahead, over the next 2 years, we expect revenues to get a big boost, along with profitability levels, which would also drive earnings growth for the next 2 years.

Business Outlook & Stock Valuation –

On a rough cut basis, in FY22E, Topline is expected to touch Rs 110 Crores, followed by Rs 150 Crores in FY23E and Rs 200 Crores in FY24E.

On the bottomline level, we expect the company to record a PAT of Rs 10.66 Crores in FY22E, which is expected to move upwards to Rs 16.55 Crores in FY23 and Rs 24 Crores in FY24.

Thus on a conservative basis, ICL should record an EPS of Rs 6.50 for FY22E. For FY23E and FY24E, our expectation is that earnings traction for ICL would continue to be strong, wherein we expect an EPS of Rs 10.14 and Rs 14.71 respectively.

Also, another attractive point for ICL is that, EPS growth over the next three years between FY22 to FY24, is expected to average 40% plus YoY, but valuation multiples look quite low at 14x on FY24E.

We have also introduced FY25 earnings, as we believe that the visibility of growth looks strong and by this time, all the initiatives of the company like digital marketing, increased market reach and increase in distributor strength will get reflected. We believe that, since the base value is still small, these numbers for FY25 look achievable.

Also, looking at the potential increase in topline of over Rs 200 Crores in FY24 and Rs 300 Crores by FY25, the current market cap of Rs 345 Crores gives a market cap to revenue multiple of 1.72x on FY24 and 0.82x based on FY25 numbers. We believe that, going ahead if the company delivers on its numbers, it could potentially enjoy a market cap to revenue of 2x.

The company management, going ahead is confident of improving EBIDTA margins, because of operational efficiency and better product mix.

Looking at ICL's steady financial track record, strong product domain and strong promoters, we expect the stock to get re rated in future.

We believe ICL, is a 2 year story, which will get captured in its high valuations over a period of time, initially because of EPS growth and then multiple expansion. But investors need to have patience here.

Hence, we believe that the ICL stock should be purchased at the current price, for a price target of around Rs 303 over the next 18 months.

FINANCIALS

YE March (Rs Crores)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Net Sales	62	60	87	110	150	200	300
EBIDTA	11	14	17	22	32	43	64.5
EBIDTA %	17.74	23.33	19.54	20.00	21.33	21.50	21.50
Interest	2	3	3	2.37	3.6	4.5	4.6
Depreciation	2	5	5	5.5	6	6.5	7.5
Other Income	0	0	0	0	0	0	0
Profit Before Tax	7	6	9	14.13	22.4	32	50.4
Profit After Tax	5	4	7	10.66	16.55	24	36
Diluted EPS (Rs)	3.07	2.45	4.29	6.54	10.15	14.71	22.07
Equity Capital	16.31	16.31	16.31	16.31	16.31	16.31	16.31
Reserves	24	27.5	22.5	33.16	49.71	73.71	109.71
Borrowings	21	27.28	27.11	27.11	28	28.5	28.5
GrossBlock	22.68	47.92	50.46	53.46	56	59	62
Investments	0	0	0	0	0	0	0

Source: Company and our Estimates

KEY CONCERNS

Any sharp rise in raw material costs especially basic input prices can impact ICL’s financials adversely.

Also any negative development in the domestic textile markets, could also impact ICL’s financials negatively.