

KEWAL KIRAN CLOTHING LTD

Financial Results Review – Q3 FY2014 and YTD ended
31.12.2013



Operational Performance-Snapshot

	Q3 FY2014		Q3 FY 2013			YTD FY2014		YTD FY2013		
	Rs crs	% of sales	Rs crs	% of sales	Growth	Rs crs	% of sales	Rs crs	% of sales	Growth
Total sales	86.95	100.00%	77.45	100.00%	12%	278.00	100.00%	225.94	100.00%	23%
Operating EBITDA	17.19	19.77%	16.82	21.73%	2%	70.46	70.21%	51.83	22.94%	36%
Profit after tax (PAT)	10.63	12.22%	12.00	15.49%	-11%	46.33	16.67%	36.92	16.34%	25%
Sales value growth	12.23%					24.22%				
Volume Growth/(de-growth)	(1.67%)					11.07%				
Realisation growth	14.12%					11.83%				
Number of stores	Opened- 30		Closed-5			YTD- Opened-61		Pipeline- 9- closed 27		

*** Note : Diwali was ahead by one fortnight during Q3, hence YTD figures till 31st December which neutralises seasonal impact offers a better comparison for the Company's performance during the current period vis –a –vis corresponding period last year.**

Operational Performance: Q3 and YTD FY 2013-14

	Q3 FY 2014	% of	Q3 FY 2013	% of		YTD FY 2014	% of	YTD FY 2013	% of	
	Rs crs	sales	Rs crs	sales	Variation	Rs crs	sales	Rs crs	sales	Variation
Net Sales	86.28		76.77			275.80		224.15		
Other operating income	0.67		0.68			2.20		1.79		
	86.95	100.00%	77.45	100.00%	0.00%	278.00	100.00%	225.94	100.00%	0.00%
Cost of goods sold	39.07	44.93%	35.72	46.12%	-1.19%	113.10	40.68%	93.47	41.37%	-0.69%
Personnel cost	9.21	10.59%	7.96	10.28%	0.31%	29.38	10.57%	25.63	11.34%	-0.78%
Manufacturing and operating expenses	6.65	7.65%	5.26	6.79%	0.86%	24.97	8.98%	18.89	8.36%	0.62%
Administrative and other expenses	3.83	4.40%	3.19	4.11%	0.29%	13.72	4.94%	12.22	5.41%	-0.47%
Selling and distribution expenses	11.00	12.65%	8.50	10.97%	1.68%	26.37	9.49%	23.90	10.58%	-1.09%
Operational expenditure	69.76	80.23%	60.63	78.28%	1.95%	207.54	74.65%	174.11	77.06%	-2.41%
EBITDA	17.19	19.77%	16.82	21.72%	-1.95%	70.46	25.35%	51.83	22.94%	2.41%
Finance expenses	0.58	0.66%	0.61	0.79%	-0.13%	2.08	0.75%	2.05	0.91%	-0.16%
Depreciation/ Ammortisation	1.33	1.53%	1.47	1.90%	-0.37%	3.86	1.39%	4.47	1.98%	-0.59%
Other income	0.64	0.74%	2.87	3.71%	-2.97%	4.65	1.67%	8.85	3.92%	-2.24%
Profit before tax (PBT)	15.93	18.32%	17.62	22.75%	-4.43%	69.17	24.88%	54.16	23.97%	0.91%
Income Tax	5.30	6.10%	5.62	7.26%	-1.16%	22.84	8.22%	17.24	7.63%	0.59%
Profit after tax (PAT)	10.63	12.22%	12.00	15.49%	-3.27%	46.33	16.67%	36.92	16.34%	0.32%

Financial Highlights: Q3 FY 2013-14

- **Factors contributing to increase in profitability :**

- a. Increase in apparel sale value by 12.23% and realisation per garments by 14.12% as compared to corresponding quarter last year.
- b. Cost of goods sold (CoGs) decreased YoY by 1.19% of sales due to improvement in realisation per unit by 14.12%.

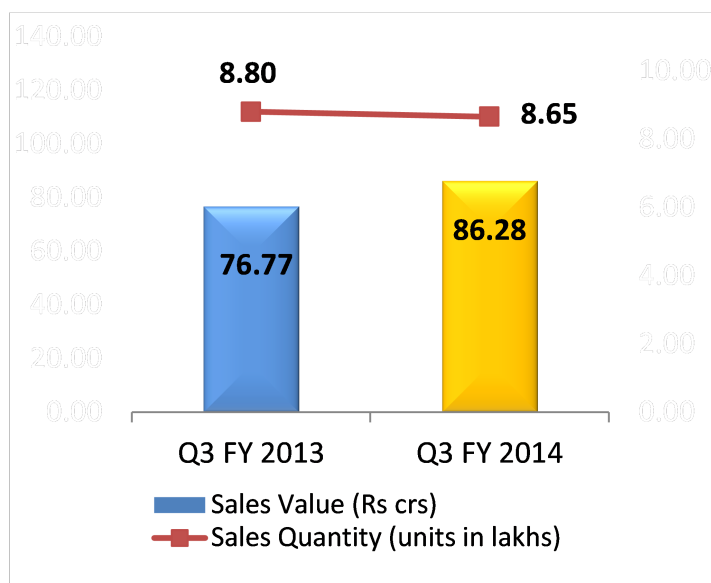
- **Factors responsible for dampening profitability growth :-**

- a. Advertisement spend including digital marketing spend increased (S & D expenses) by 1.68% of sales to Rs 11 Cr during the quarter. It is testimony of Company's commitment for consistent investment for brand liveliness and brand building .
- b. Volume de-growth by 1.67% as compared to corresponding quarter last year. Volume growth was confined in Q3 due to early Diwali in current year as a result sale during the month of November was moderate.
- c. Increase in personnel cost by 0.31%, manufacturing expenses by 0.86%, administrative expenses by 0.29% of sales.
- d. Other income is lower YoY by Rs 2.23 Cr due to switchover of some Bank FDs into mutual funds schemes /FMP where income will be recognised on maturity during Q4.

Trend in Sales

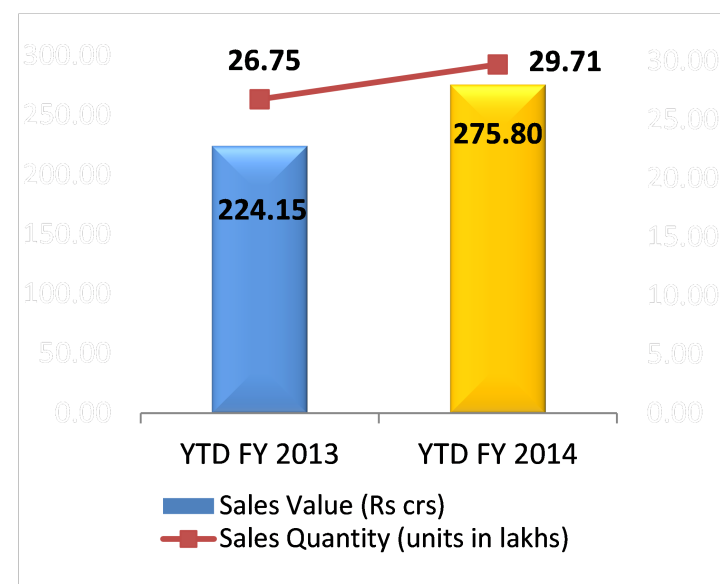
Q3 FY2013-14

- Sales value increased by 12.39%
- Apparel sales value increased by 12.23% to Rs 83.27 crores
- Apparel sales quantity decreased by 1.67%
- Apparel sales realization per unit increased by 14.12% to Rs. 962



YTD FY2013-14

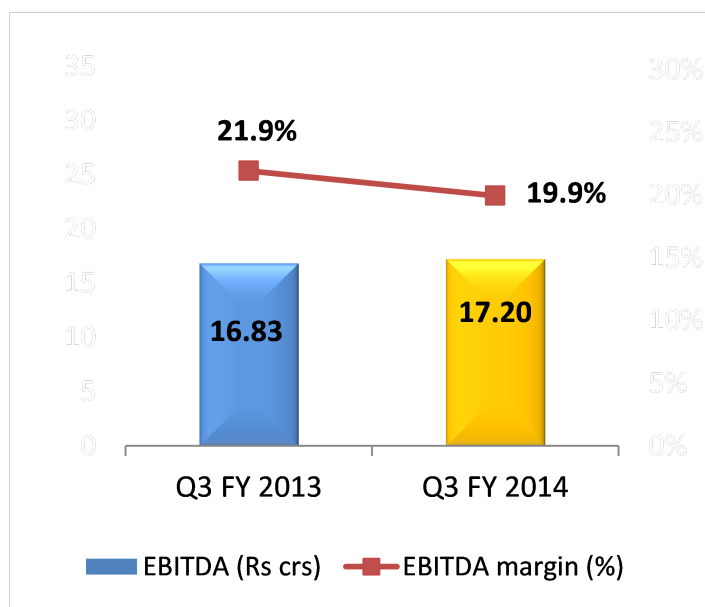
- Sales value increased by 23.04%
- Apparel sales value increased by 24.22% to Rs 267.28 crores
- Apparel sales quantity increased by 11.07%
- Apparel sales realization per unit increased by 11.83% to Rs. 900



Trend in Operating Profit

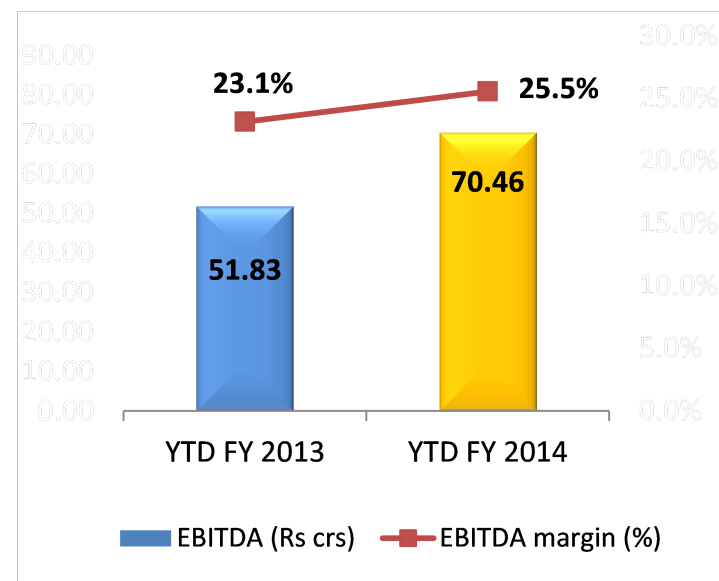
Q3 FY2013-14

- EBITDA increased by 2.21%
- EBITDA margin decreased to 19.9%



YTD FY2013-14

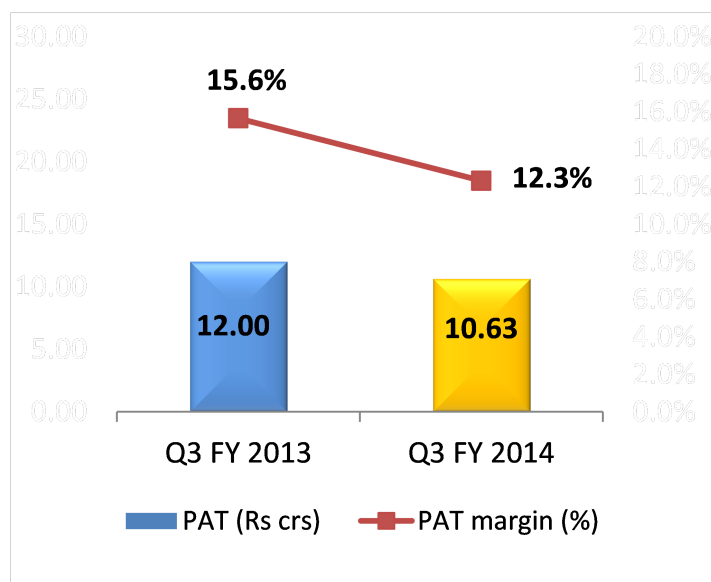
- EBITDA increased by 35.95%
- EBITDA margin increased to 25.55%



Trend in Net Profit

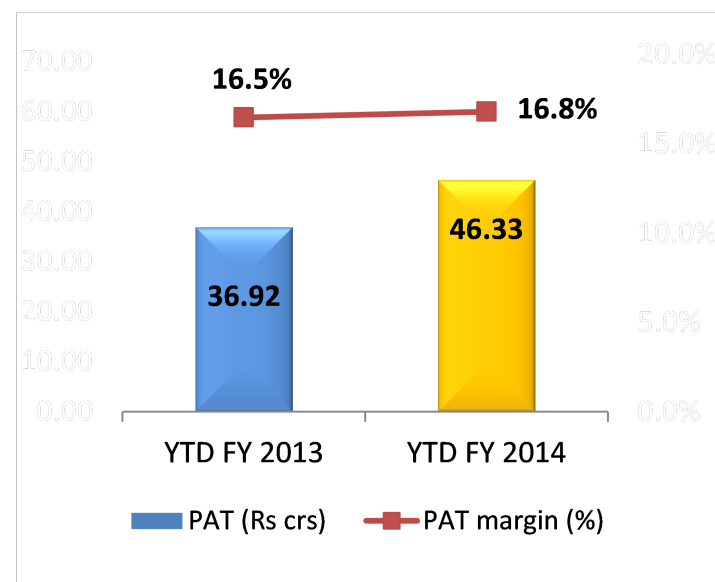
Q3 FY2013-14

- PAT decreased by 11.47%
- PAT margin decreased to 12.31%
- Quarterly EPS at Rs. 8.62 (9.74)



YTD FY2013-14

- PAT increased by 25.48%
- PAT margin increased to 16.8%
- YTD EPS at Rs. 37.59 (29.95)



Balance Sheet (Subject to proposed dividend)

(Rs crs)	As at Dec. 2013 (Audited)	As at Mar. 2013 (Audited)
Share Capital	12.33	12.33
Reserves and Surplus	277.04	241.53
Shareholders' Funds	289.37	253.86
Other Long-Term Liabilities	6.66	5.43
Long-Term Provisions	0.56	0.56
Non Current Liabilities	7.22	5.99
Short-term borrowings	13.36	14.09
Trade Payables	27.33	22.74
Other Current Liabilities	8.76	11.16
Short-term Provisions	16.84	16.59
Current Liabilities	66.29	64.58
Total Shareholders' Funds and Liabilities	362.88	324.43
Fixed Assets	43.08	44.25
Non Current Investments	3.49	3.48
Deferred Tax Assets (Net)	1.14	2.03
Long-term loans and advances	9.46	9.68
Other non-current assets	0.51	0.96
Non-Current Assets	57.68	60.40
Current Investments	143.37	118.13
Inventories	54.30	33.67
Trade receivables	58.54	47.87
Cash & Cash Equivalents	44.51	60.77
Short-term Loans & Advances	3.72	1.82
Other Current Assets	0.76	1.77
Current Assets	305.20	264.03
Total Assets	362.88	324.43

Ratios and Cash-flow Analysis

Cash Flows (in Rs crs)	Q3 FY2014	Ratios*	31.12.13	31.12.12
I. Cash Flow from Operating Activity	26.37	Debt Equity ratio	0.05	0.03
<i>*Operating Profit before Working Capital Changes</i>	71.28	Current Ratio	6.17	6.86
<i>*Adjustment for Working Capital</i>	(23.61)	Debtors turnover (days)	47	52
<i>*Direct Taxes Paid</i>	(21.29)	Creditors turnover (days)	31	24
II. Cash Flow from Investing Activity	(23.62)	Inventory turnover (days)	43	41
<i>*Purchase /Sale of Fixed Assets</i>	(2.74)	Finished Goods	20	23
<i>*Purchase/Redemption of Investments in mutual funds</i>	(23.67)	WIP	15	13
III. Cash Flow from Financing Activity	(19.15)	Raw Materials	8	5
<i>*Secured Loans - Bank Overdraft (Net)</i>	(0.73)	ROCE in operations	89.13%	68.08%
<i>*Payment of Dividend (Including Dividend Tax)</i>	(16.58)	ROCE overall for Company	31.12%	25.40%
Cash and Cash Equivalents - Closing	43.58	RONW	22.74%	20.60%

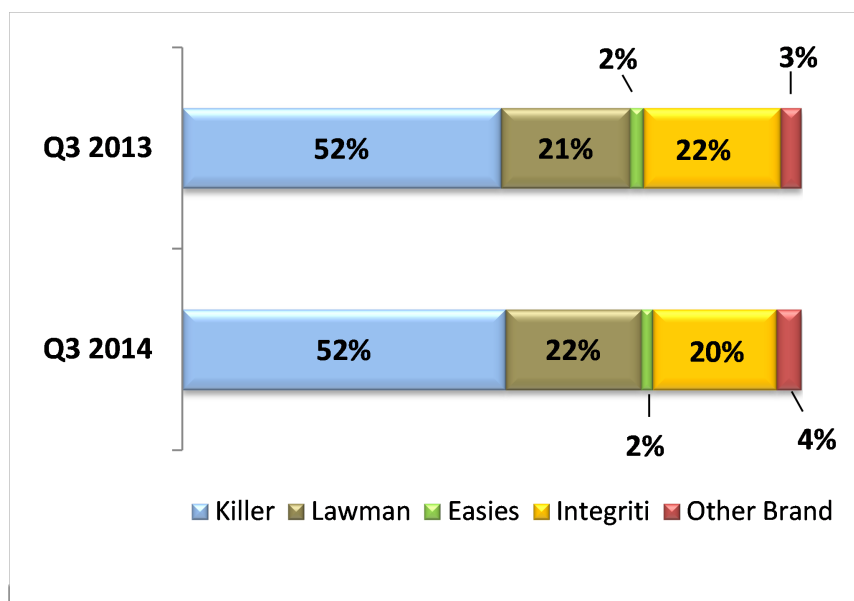
*Annualised wherever applicable

- The financial position remains strong with healthy cash reserves
- Profitability ratios have improved

Brands

- Killer continues to be the flagship brand with share of 52%
- Lawman Pg3 share has increased to 22%

Brand wise sales break up Q3 FY 2014

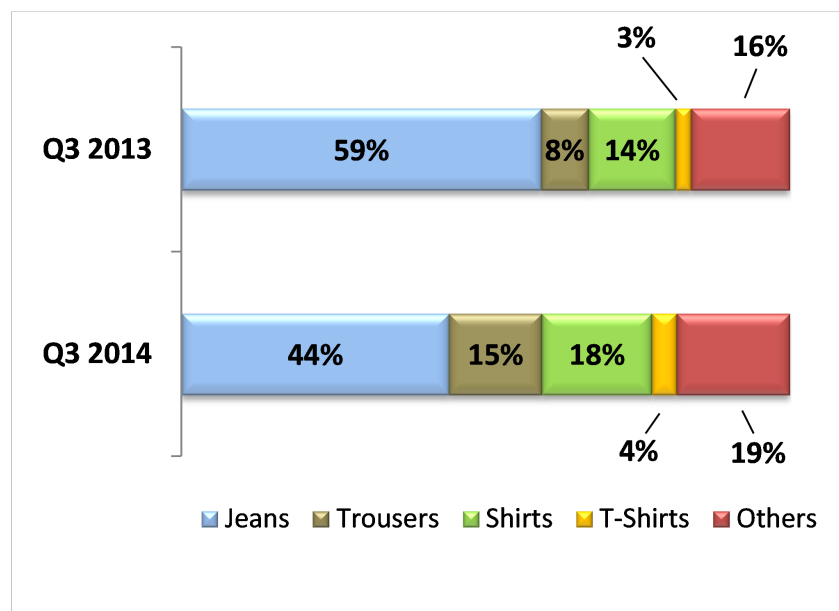


Sales (Rs crs)	Q3 2014	Q3 2013	% Change
Killer	45.26	39.77	14%
Lawman	19.06	15.65	22%
Easies	1.62	1.67	-3%
Integriti	17.33	17.11	1%
Others	3.01	2.57	17%
Total	86.28	76.77	12%

Products

- Jeans is the largest selling product with share of 44%
- Trousers showed strong growth of 120%

Product wise sales break up Q3 FY 2014

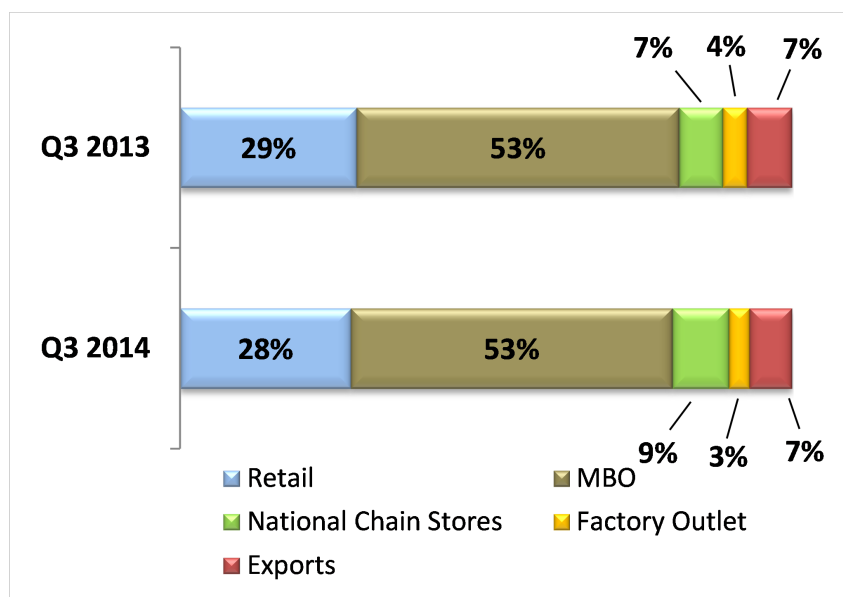


Sales (Rs crs)	Q3 2014	Q3 2013	% Change
Jeans	37.97	45.39	-16%
Trousers	13.17	6.00	120%
Shirts	15.60	10.95	42%
T-Shirts	3.49	1.94	80%
Others	16.05	12.49	29%
Total	86.28	76.77	12%

Channels

- The channel mix been stable with strong growth across all channels
- National Chain Stores showed higher growth

Channel wise sales break up Q3 FY 2014

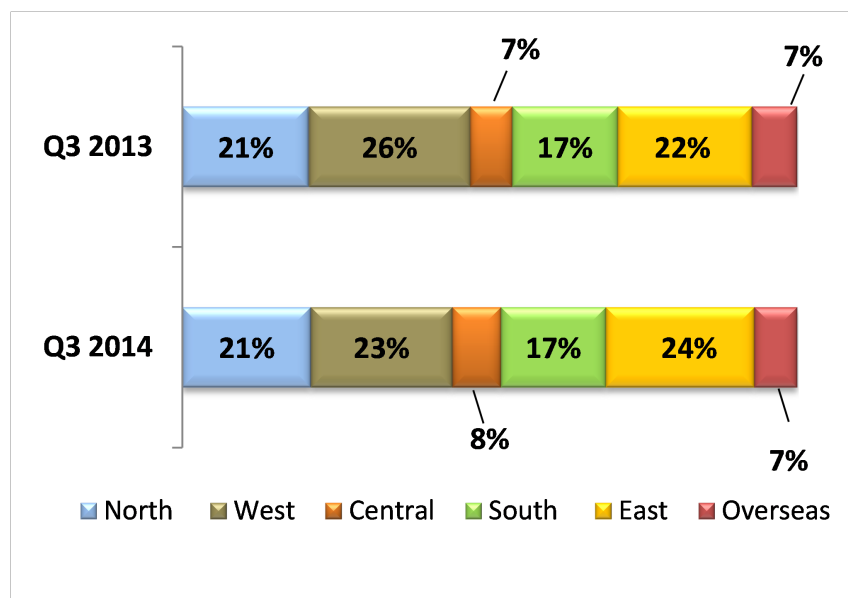


Sales (Rs crs)	Q3 2014	Q3 2013	% Change
Retail	24.07	22.29	8%
MBO	45.35	40.68	11%
National Chain Stores	7.94	5.52	44%
Factory Outlet	2.93	2.62	12%
Exports	5.99	5.66	6%
Total	86.28	76.77	12%

Regional Distribution

- Region-wise mix was stable and most regions have shown growth

Region wise sales break up Q3 FY 2014



Sales (Rs crs)	Q3 2014	Q3 2013	% Change
North	17.90	15.87	13%
West	19.71	20.29	-3%
Central	6.78	5.26	29%
South	14.65	13.27	10%
East	21.25	16.42	29%
Overseas	5.99	5.66	6%
Total	86.28	76.77	12%

Key developments

- Company proposed a second interim dividend of Rs 7 per equity share. The first interim dividend was for Rs 7.5 per equity share.
- CRISIL has upgraded Company's debt rating from A+/Stable (Adequate safety) to AA-/stable (High degree of Safety) which shall enable superior credit terms from the Banks to the Company.
- The Company has augmented "Business Progressive Fund" to Rs 14 Cr by appropriating a sum of Rs. 1.5 Cr out of its profits during the quarter to maintain normal growth in sluggish market conditions and support superior growth for long term.
- Major Advertisement & Branding initiatives
 - Campaign for Integriti "The Spirit called youth"
 - Campaign for Lawman Pg3 "Be the Star"
 - Digital Media Spent was Rs. 48.71 lakhs during the quarter. All brands were active on social platform viz Twitter, face book, You-tube and trended top 10 world over .
 - Integriti brand was the "Powered By" sponsor of Dance India Dance on Zee TV HD and the "Title" sponsor for Super Cars show on National Geography channel and sponsored Suvreen Guggal's Show on Channel V
 - In-Stadia Branding during India-Australia Series in for all brands across stadiums in India.
- Opened 30 new retail stores i.e. 11 K-Lounges , 12 Killer EBO, 5 Integriti and 2 Lawman stores. Though majority of sales was recognised during Q2 on despatch. With this Company has presence in over 181 cities and 24 states across India.
- End of Season Sale started from 10.01.14 and shall last until 10.02.14.



Retail stores

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	1	11	141	153
Killer EBO			82	82
LawmanPg3-EBO			15	15
Integriti-EBO			52	52
LawmanPg3 cum Integriti-EBO			1	1
Easies - EBO			1	1
Factoy Outlet		2		2
Total	1	13	292	306

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores	31.12.13	31.03.13
Existing	272	250
New opened including <i>relocation</i>	61	69
Closures including <i>recolation</i>	27	47
Work-in process	9	21
Total Retail Stores	315	293

Thank You

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