

KEWAL KIRAN CLOTHING LTD

Financial Results Review – Q3 FY2015 and YTD ended
31.12.2014

Operational Performance-Snapshot

	Q3 FY2014		Q3 FY 2013			9m FY2014		9m FY2013		
	Rs crs	% of sales	Rs crs	% of sales	Growth	Rs crs	% of sales	Rs crs	% of sales	Growth
Total sales	88.53	100.00%	86.95	100.00%	2%	303.67	100.00%	278.00	100.00%	9%
Operating EBITDA	16.51	18.65%	17.19	19.78%	-4%	68.33	22.50%	70.46	25.35%	-3%
Profit before tax (PBT)	15.75	17.79%	15.93	18.32%	-1%	67.63	22.27%	69.17	24.88%	-2%
Profit after tax (PAT)	10.44	11.79%	10.63	12.22%	-2%	44.84	14.77%	46.33	16.67%	-3%

Apparel sales value growth	0.74%	7.77%
Apparel volume Growth	0.55%	5.24%
Realisation growth	0.20%	2.40%
Number of stores during Q3	Opened 7, Closed-2	YTD- opened 36, relocated/closed 27, pipeline 21

Operational Performance: Q3 and YTD FY 2015

	Q3 FY 2015	% of	Q3 FY 2014	% of		YTD FY 2015	% of	YTD FY 2014	% of	
	Rs crs	sales	Rs crs	sales	Variation	Rs crs	sales	Rs crs	sales	Variation
Net Sales	87.68		86.28			301.19		275.80		
Other operating income	0.85		0.67			2.48		2.20		
Total Revenue	88.53	100.00%	86.95	100.00%	0.00%	303.67	100.00%	278.00	100.00%	0.00%
Cost of goods sold	39.12	44.19%	39.06	44.93%	-0.74%	132.16	43.52%	113.10	40.68%	2.84%
Personnel cost	10.68	12.06%	9.20	10.58%	1.48%	33.45	11.02%	29.38	10.57%	0.45%
Manufacturing and operating expenses	8.40	9.49%	6.65	7.65%	1.84%	26.59	8.76%	24.97	8.98%	-0.23%
Administrative and other expenses	4.91	5.55%	3.83	4.40%	1.14%	15.27	5.03%	13.72	4.94%	0.09%
Selling and distribution expenses	8.91	10.06%	11.00	12.65%	-2.59%	27.86	9.17%	26.37	9.49%	-0.31%
Operational expenditure	72.02	81.35%	69.74	80.21%	1.14%	235.33	77.50%	207.54	74.65%	2.84%
EBITDA	16.51	18.65%	17.21	19.79%	-1.14%	68.33	22.50%	70.46	25.35%	-2.84%
Finance expenses	0.67	0.76%	0.58	0.67%	0.09%	2.15	0.71%	2.08	0.75%	-0.04%
Depreciation/ Ammortisation	0.99	1.12%	1.33	1.53%	-0.41%	2.83	0.93%	3.86	1.39%	-0.46%
Other income	0.90	1.02%	0.64	0.74%	0.28%	4.28	1.41%	4.65	1.67%	-0.26%
Profit before tax (PBT)	15.75	17.79%	15.93	18.32%	-0.53%	67.63	22.27%	69.17	24.88%	-2.61%
Income Tax	5.31	6.00%	5.31	6.11%	-0.11%	22.79	7.50%	22.84	8.22%	-0.71%
Profit after tax (PAT)	10.44	11.79%	10.62	12.21%	-0.42%	44.84	14.77%	46.33	16.67%	-1.90%

Financial Highlights: Q3 FY 2014-15

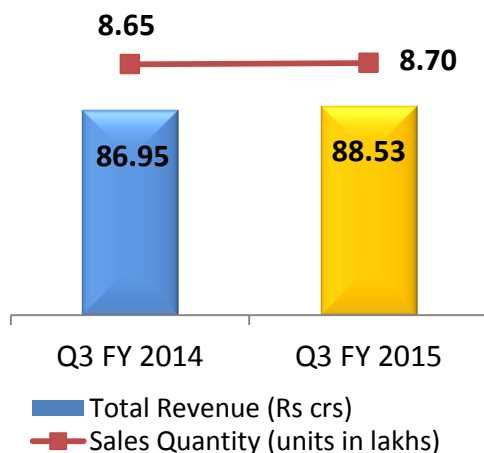
- **Factors responsible for dampening profitability growth :-**
 - a. The Company had muted growth of 1.82% as compared to corresponding quarter last year due to sluggish market conditions and early Diwali festival in current year.
 - b. Apparels volume growth was confined to 0.55% and realisation growth to 0.20%.
 - c. Opening of 7 new retail stores in comparison of 30 new stores during same quarter previous year.
 - d. Increase in personnel cost by 1.47%, manufacturing expenses by 1.84%, administrative expenses by 1.14% of sales.

- **Factors contributing to increase in profitability :**
 - a. Cost of goods sold (CoGs) decreased YoY by 0.74% of sales due to rationalisation of cotton fabric prices
 - b. Advertisement spend including digital marketing spend reduced (S & D expenses) by 2.59% of sales to Rs 8.91Cr during the quarter. Maximum Ad spend was completed during Q2 due to early Diwali festival.
 - c. Increase in gratuity provision by Rs. 50 Lacs on account of restructuring salary components in line with revised ceilings for PF and Minimum Wages.

Trend in Revenue

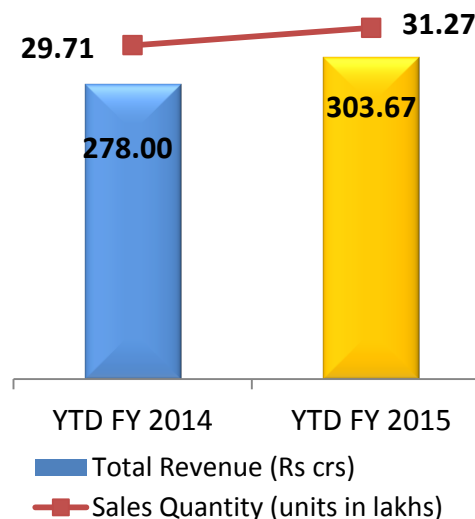
Q3 FY2014-15

- Total revenue up by 1.82%
- Apparel sales value up by 0.74% to Rs 83.89 crores
- Apparel sales units up by 0.55%
- Apparel sales realization per unit up by 0.20% to Rs. 964



YTD FY2014-15

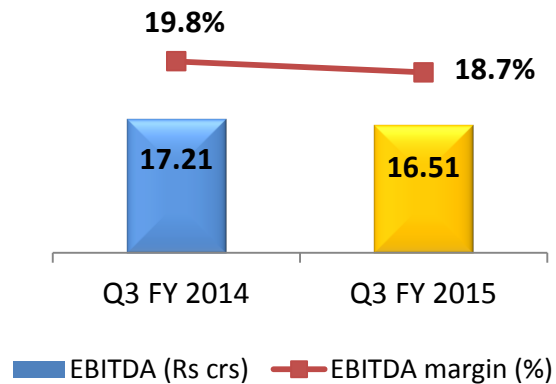
- Total revenue up by 9.23%
- Apparel sales value up by 7.77% to Rs 288 crores
- Apparel sales units up by 5.24%
- Apparel sales realization per unit up by 2.41% to Rs. 921



Trend in Operating Profit

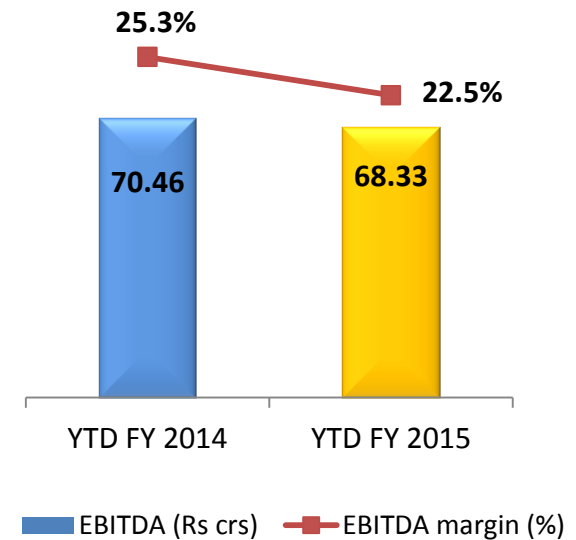
Q3 FY2014-15

- EBITDA down to 16.51 crores
- EBITDA margin stood at 18.7%



YTD FY2014-15

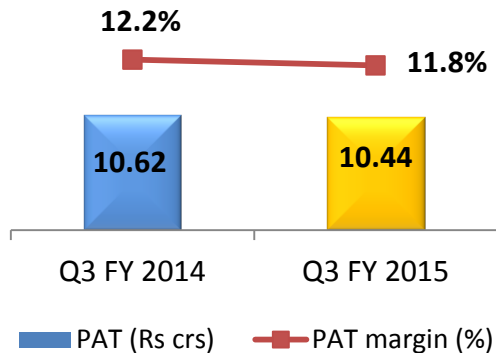
- EBITDA down to 68.33 crores
- EBITDA margin stood at 22.5%



Trend in Net Profit

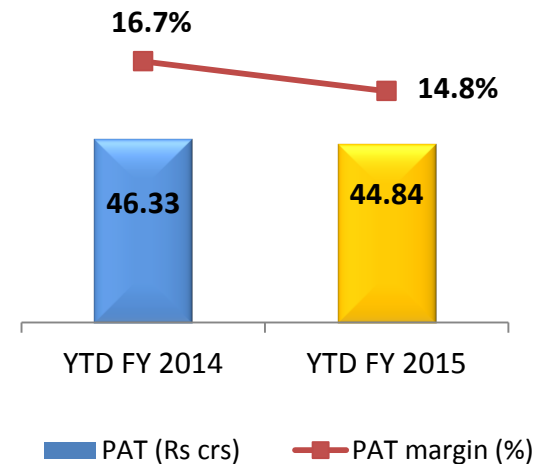
Q3 FY2014-15

- PAT has been steady at 10.44 crores
- PAT margin stood at 11.8%
- Quarterly EPS at Rs. 8.47 (8.62)



YTD FY2014-15

- PAT down to 44.84 crores
- PAT margin stood at 14.8%
- YTD EPS at Rs. 36.37 (37.59)



Balance Sheet (Subject to proposed dividend)

(Rs crs)	As at Dec. 2014 (Audited)	As at Mar. 2014 (Audited)
Share Capital	12.33	12.33
Reserves and Surplus	300.13	278.28
Shareholders' Funds	312.46	290.61
Other Long-Term Liabilities	9.32	7.28
Long-Term Provisions	0.51	0.59
Non Current Liabilities	9.83	7.87
Short-term borrowings	7.40	11.88
Trade Payables	31.15	27.28
Other Current Liabilities	12.37	9.28
Short-term Provisions	18.69	23.63
Current Liabilities	69.61	72.06
Total Shareholders' Funds and Liabilities	391.90	370.54
Fixed Assets	41.31	42.67
Non Current Investments	152.91	3.49
Deferred Tax Assets (Net)	1.52	1.78
Long-term loans and advances	8.49	8.19
Other non-current assets	0.28	0.73
Non-Current Assets	204.51	56.86
Current Investments	6.00	163.20
Inventories	48.21	47.89
Trade receivables	72.92	63.68
Cash & Cash Equivalents	56.15	34.17
Short-term Loans & Advances	2.98	3.63
Other Current Assets	1.13	1.11
Current Assets	187.39	313.68
Total Assets	391.90	370.54

Cash-flow Analysis and Ratios

Cash Flows (in Rs crs)	Period Ended 31st December 2014	Ratios	Q3 FY2015	Q3 FY2014
		Debt Equity ratio	0.02	0.05
I. Cash Flow from Operating Activity	51.54	Current Ratio #	3.68	6.17
<i>*Operating Profit before Working Capital Changes</i>	68.74	Debtors turnover (days)	57	47
<i>*Adjustment for Working Capital</i>	6.03	Creditors turnover (days)	30	31
<i>*Direct Taxes Paid</i>	(23.23)	Inventory turnover (days)	43	43
II. Cash Flow from Investing Activity	8.30	Finished Goods	19	20
<i>*Purchase of Fixed Assets</i>	(2.61)	W I P	17	15
<i>*Purchase/Redemption of Investments in mutual funds</i>	9.64	Raw Material	7	8
III. Cash Flow from Financing Activity	(38.31)	RONW *	19.83%	22.74%
<i>*Secured Loans - Bank Overdraft (Net)</i>	(4.47)	ROCE in Operations*	83.19%	89.13%
<i>*Interest Paid</i>	(1.84)	ROCE *	28.07%	31.12%
<i>Payment of Dividend (Including Dividend Tax)</i>	(32.00)			
Cash and Cash Equivalents - Closing	54.95			

- The financial position remains strong with healthy cash reserves

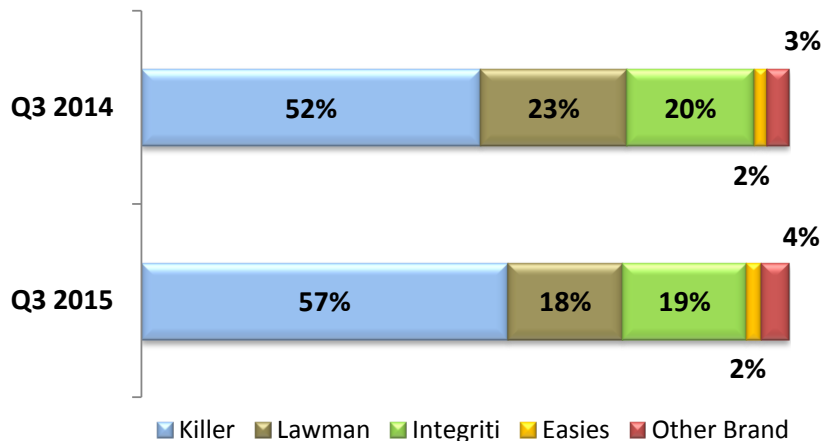
*Annualised wherever applicable

Lower due to roll over of FMP for 3 years resulting into classifying investment from current to Non-current investments.

Brands

- Killer has shown steady sales growth of 10% and continues to be the flagship brand with share of 57%

Brand wise sales break up Q3 FY 2015

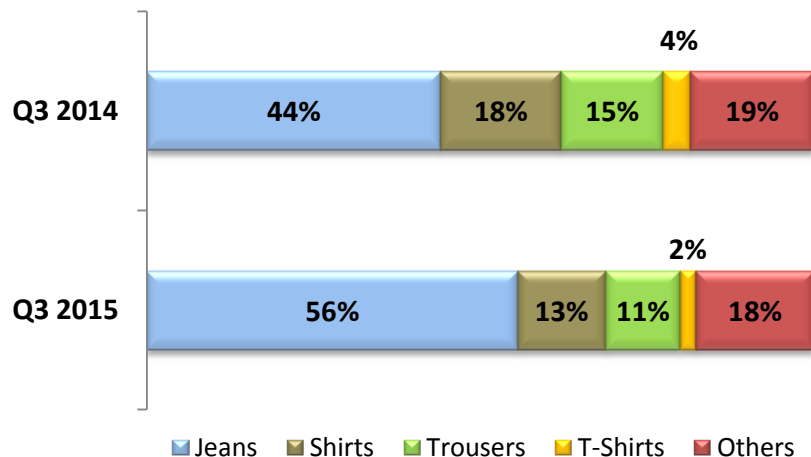


Sales (Rs crs)	Q3 2015	Q3 2014	% Change
Killer	49.61	45.20	10%
Lawman	15.53	19.45	-20%
Integriti	16.80	17.00	-1%
Easies	1.95	1.62	20%
Other Brands	3.79	3.01	26%
Total	87.68	86.28	2%

Products

- There is shift in fashion trends from casual pants back to jeans, as a result jeans has shown strong sales growth of 30% against de-growth in casual pants category

Product wise sales break up Q3 FY 2015

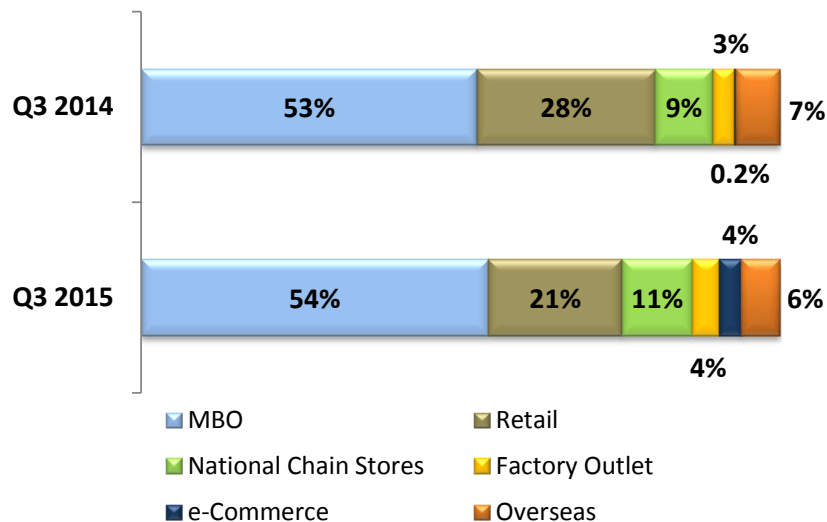


Sales (Rs crs)	Q3 2015	Q3 2014	% Change
Jeans	49.40	37.97	30%
Shirts	11.73	15.60	-25%
Pants/ Trousers	9.94	13.17	-25%
T-Shirts	2.08	3.49	-40%
Others	14.53	16.05	-9%
Total	87.68	86.28	2%

Channels

- MBOs continue to be the largest channel with 54% share
- National Chain Stores, Factory Outlet and e-Commerce, with combined share of 19%, have each shown healthy growth

Channel wise sales break up Q3 FY 2015

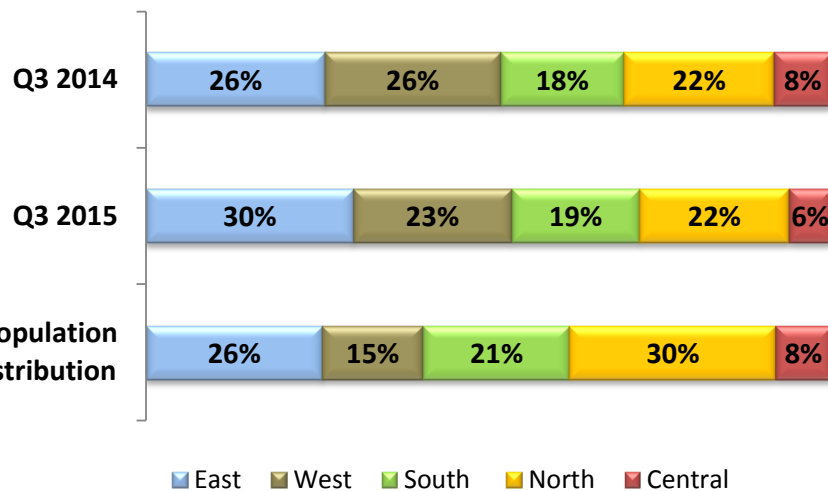


Sales (Rs crs)	Q3 2015	Q3 2014	% Change
MBO	47.64	45.34	5%
Retail	18.34	24.07	-24%
National Chain Stores	9.68	7.77	25%
Factory Outlet	3.69	2.93	26%
e-Commerce	3.07	0.18	NA
Overseas	5.26	5.99	-12%
Total	87.68	86.28	2%

Regional Distribution

- Region-wise mix was stable with Eastern region achieving strong sales growth of 17%

Region wise sales break up Q3 FY 2015



Sales (Rs crs)	Q3 2015	Q3 2014	% Change
East	24.95	21.25	17%
West	19.00	19.71	-4%
South	15.43	14.65	5%
North	17.98	17.90	0.5%
Central	5.10	6.78	-25%
Domestic Sales	82.46	80.29	3%
Overseas	5.22	5.99	-13%
Total	87.68	86.28	2%

Key developments

- Company proposed a third interim dividend of Rs 5 per equity share. The first and the second interim dividend was for Rs 8 and Rs 7.5 per equity share aggregating to Rs 15.5 per share respectively.
- The Company's Annual Report including Financial Statements for 2013-14 has won prestigious "Silver Shield award" for **Excellence in Financial Reporting** by the Institute of Chartered Accountants of India.
- The Company has augmented "Business Progressive Fund" to Rs 20 Crs by appropriating a sum of Rs. 3 Crs 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
 - LawmanPg3 was the co-presenter of the Box Cricket League- Dec 2014 show actively participated by Killer, Easies, Integriti & K-Lounge Box Cricket League- Dec 2014
 - FHM's Bachelor of The Year was Co-Presented by LawmanPg3, vying for the coveted title were the likes of Salman Khan, Hrithik Roshan, Ranveer Singh, Ranbir Kapoor, Shahid Kapur, Virat Kohli, Yuvraj Singh. The show was televised on NDTV
 - Killer's renowned Water Saver Ad was continued on MTV through out the quarter.
 - Sponsorship of India vs West Indies & India vs Sri Lanka ODIs for Killer, Easies, LawmanPg3 & Integriti
 - New LawmanPg3 TVC was Launched on Sony Entertainment Television - Dec 2015
 - Killer, LawmanPg3 & Integriti TV commercials were played out on Youth Music Channel VH1 and Kerala Specific Youth Music Channel Kappa TV throughout the quarter
 - Digital Media Spent was consistent and all brands were active on social platform viz Twitter, face book, You-tube.
 -
- Opened 7 new retail stores i.e. 4 K-Lounges, 1 Killer EBO, 1 Integriti and 1 LawmanPg3 stores. Though majority of sales was recognised during Q2 on despatch. Company has presence in over 190 cities and 24 states across India.

Retail stores

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	1	10	160	171
K-lounge for <i>Her</i>			1	1
Killer EBO		1	77	78
LawmanPg3-EBO			14	14
Integriti-EBO			49	49
LawmanPg3 and Integriti-EBO			1	1
Easies - EBO			1	1
Factoy Outlet		2		2
Total	1	13	303	317

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores (YTD)	31.12.14	31.03.14
Existing	308	272
New opened	36	66
Converted	6	
Relocated/closed	21	30
Work-in process	21	29
Total Retail Stores	338	337

Thank You

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