KEWAL KIRAN CLOTHING LTD

Financial Results Review – Q2 FY2012 and H1 ended 30.09.2011

KKCL

Operational Performance: Q2 and H1 - FY 2012

	Q2 FY2012 Rs crs	**% of sales**	Q2 FY 2011 Rs crs	% of sales	Variation	**H1 FY2012 Rs crs**	**% of sales**	H1 FY2011 Rs crs	% of sales	Variation
Net Sales	**100.35**		72.46			**169.26**		117.60		
Other operating income	**0.43**		0.31			**0.85**		0.58		
	100.78	**100.00%**	72.77	100.00%		**170.11**	**100.00%**	118.18	100.00%	
Cost of goods sold	**43.49**	**43.15%**	27.45	37.72%	5.43%	**70.94**	**41.70%**	44.48	37.64%	4.06%
Personnel cost	**8.40**	**8.34%**	7.17	9.86%	-1.52%	**15.85**	**9.32%**	13.27	11.23%	-1.91%
Manufacturing and operating expenses	**8.54**	**8.48%**	5.15	7.08%	1.39%	**13.64**	**8.02%**	8.13	6.88%	1.14%
Administrative and othe expenses	**3.08**	**3.06%**	2.54	3.49%	-0.44%	**5.91**	**3.47%**	4.46	3.78%	-0.30%
Selling and distribution expenses	**10.96**	**10.87%**	8.08	11.11%	-0.24%	**20.15**	**11.84%**	12.46	10.54%	1.30%
Operational expenditure	**74.47**	**73.89%**	50.40	69.27%	4.63%	**126.49**	**74.36%**	82.80	70.07%	4.29%
EBITDA	**26.31**	**26.11%**	22.37	30.73%	-4.63%	**43.62**	**25.64%**	35.37	29.93%	-4.29%
Finance expenses	**0.82**	**0.81%**	0.55	0.76%	0.06%	**1.37**	**0.80%**	1.07	0.90%	-0.10%
Depreciation/ Ammotisation	**1.50**	**1.49%**	1.37	1.88%	-0.40%	**2.91**	**1.71%**	2.70	2.28%	-0.58%
Other income	**2.99**	**2.96%**	2.05	2.82%	0.15%	**6.04**	**3.55%**	4.15	3.51%	0.04%
Profit before tax (PBT)	**26.98**	**26.77%**	22.49	30.91%	-4.14%	**45.38**	**26.68%**	35.75	30.25%	-3.58%
Income Tax	**8.62**	**8.56%**	7.47	10.27%	-1.71%	**14.40**	**8.47%**	11.90	10.07%	-1.60%
Profit after tax (PAT)	**18.36**	**18.21%**	15.02	20.64%	-2.43%	**30.98**	**18.21%**	23.85	20.19%	-1.97%

Financial Highlights: Q2 – FY 2012

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

a. Increase in apparel sales volume by 19.97 % and realisation per garment by 9.09% as compared to corresponding period previous year.
b. Increased share of Lifestyle accessories items sold under ADDICTIONS brand. Sold 7.02 Lakhs units totaling Rs 6.51 Crores at average WSP realisations of Rs 93 per unit
c. All expenses though increased in absolute value but lower as percentage of sales due to higher sales except Cost of goods sold and Manufacturing and Operating expenses
d. Opening of 28 Retail Stores during the quarter under franchisee model enhancing the sales.

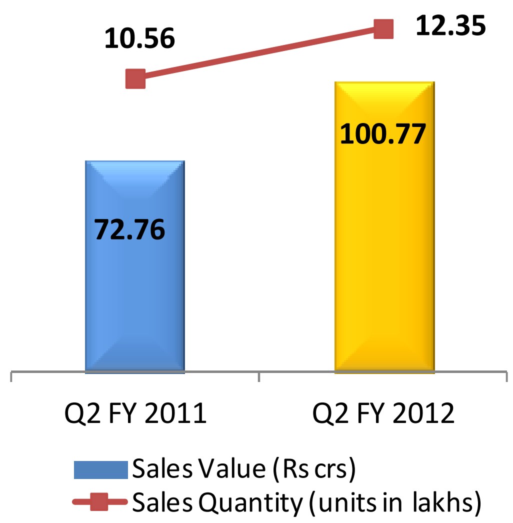
- **Factors responsible for dampening profitability growth :-**

a. Cost of goods sold increased by 5.43% of sales due to increased share of lifestyle accessories which are at promotional stage, appointment of master stockists and benefit of cotton and denim fabric prices softening yet to accrue in Q3.
b. Manufacturing and Operating expenses increased by 1.39% due to increased outsourcing to cater to festival season demand.
c. Selling and Distribution expenses increased by Rs 2.88 Crores due to advertisement Campaign for KILLER Deodorant on Electronic media

Trend in Sales

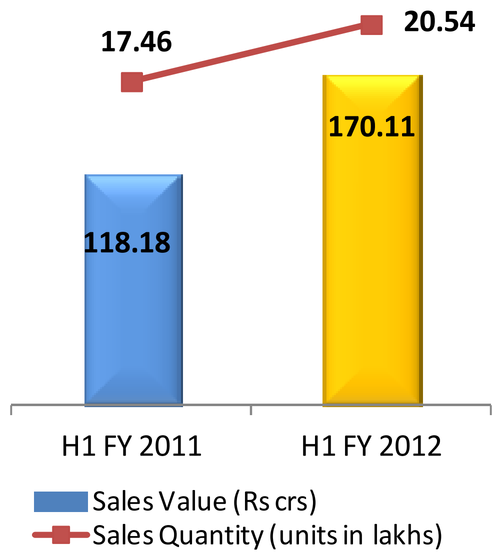
Q2 FY2011-12

- **Sales value increased by 38.5%**
- **Apparel sales quantity increased by 19.97%**
- **Apparel sales realization per unit increased by 9.1% to Rs. 744**



H1 FY2011-12

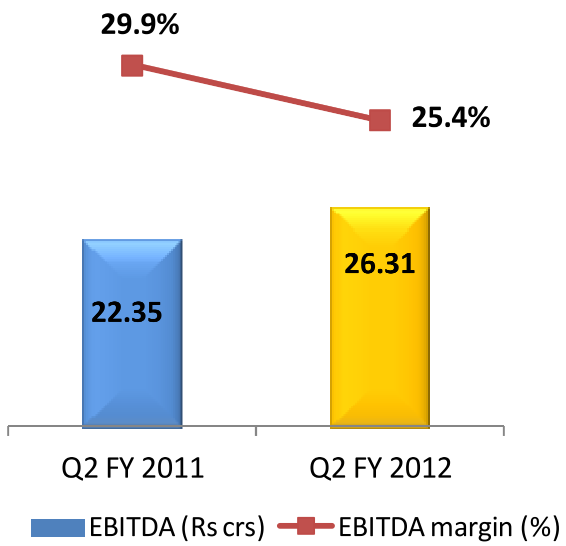
- **Sales value increased by 43.9%**
- **Apparel sales quantity increased by 17.64%**
- **Apparel sales realization per unit improved by 14.15% to Rs. 750**



Trend in Operating Profit

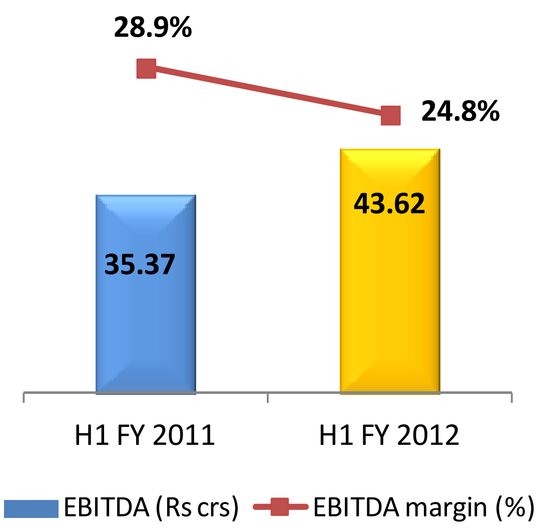
Q2 FY2011-12

- **EBITDA increased by 17.7%**
- **EBITDA margin is at 25.4%**



H1 FY2011-12

- **EBITDA increased by 23.3%**
- **EBITDA margin is at 24.8%**



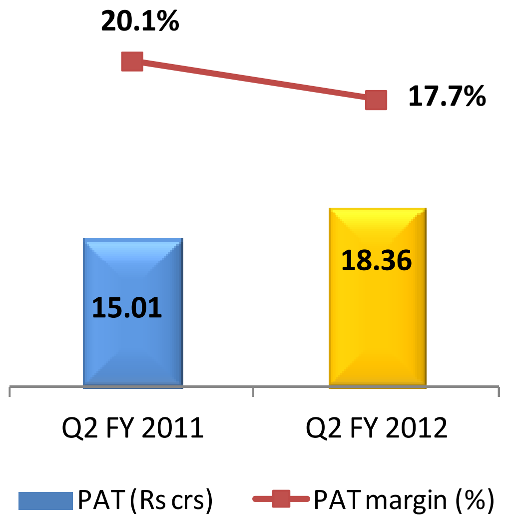
Trend in Net Profit

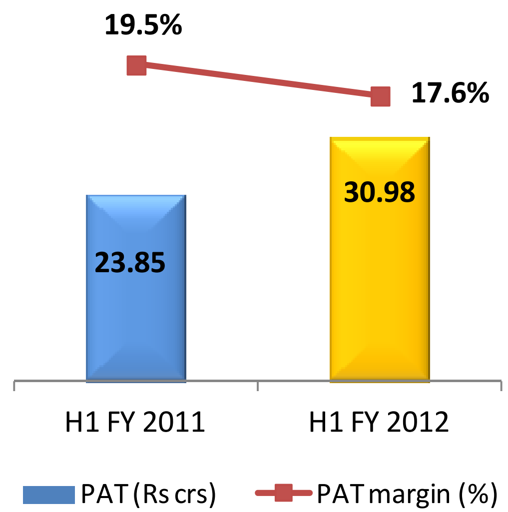
Q2 FY2011-12

- **PAT increased by 22.3%**
- **PAT margin is at 17.7%**
- **Quarterly EPS at Rs. 14.89 (12.81)**

H1 FY2011-12

- **PAT increased by 29.9%**
- **PAT margin is at 17.6%**
- **H1 FY 2011-12 EPS is Rs. 25.14 (19.35)**





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Balance Sheet (Subject to Proposed Interim Dividend)

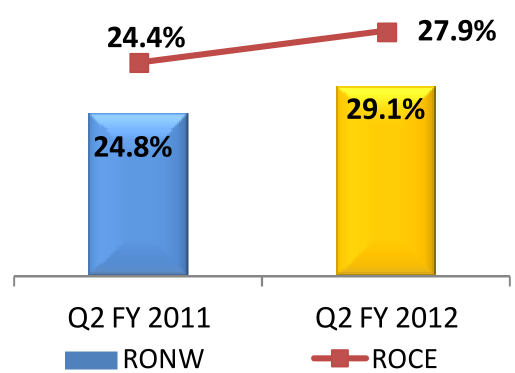
(Rs crs)	As at Sept. 2011 (Audited)	As at March 2011 (Audited)
Share Capital	12.33	12.33
Reserves and Surplus	216.41	185.43
Shareholders' Funds	228.74	197.76
Non current Liabilities	6.01	3.68
Current Liabilities		
Short-term borrowings	17.34	5.55
Trade Payables	27.12	15.72
Other Current Liabilities	10.33	7.88
Short-term Provisions	14.78	21.80
Total Shareholders' Funds and Liabilities	304.33	252.39
Fixed Assets	44.74	40.57
Capital Work in Progress	0.45	2.15
Non Current Investments	3.49	3.51
Deferred Tax Assets (Net)	1.57	1.64
Long-term loans and advances	10.98	10.91
Other non-current assets	4.86	1.71
Non-Current Assets	66.10	60.49
Current Investments	22.22	23.36
Inventories	48.29	36.81
Trade receivables	67.06	29.93
Cash & Cash Equivalents	91.49	95.35
Short-term Loans & Advances	5.98	4.33
Other Current Assets	3.18	2.13
Current Assets	238.22	191.90
Total Assets	304.33	252.39

Ratios and Cash-flow Analysis

Cash Flows (in Rs crs)	Q2 FY2012
I. Cash Flow from Operating Activity	**2.61**
**Operating Profit before Working Capital Changes*	*44.65*
**Adjustment for Working Capital*	*(29.22)*
**Direct Taxes Paid*	*(12.82)*
II. Cash Flow from Investing Activity	**0.51**
**Purchase of Fixed Assets*	*(5.44)*
**Redemption of Investments in mutual funds*	*4.28*
III. Cash Flow from Financing Activity	**3.82**
**Secured Loans - Bank Overdraft (Net)*	*10.64*
**Payment of Dividend (Including Dividend Tax)*	*(14.32)*
Cash and Cash Equivalents - Closing	**103.20**

- **Strong profitability and robust cash flows continue to strengthen the financial position**
- **Company continues to invest in growth along with sharing profits with shareholders**

Ratios	Q2 FY 2012	FY 2011
Debt Equity ratio	0.08	0.03
Current Ratio	4.37	6.58
Debtors turnover (days)	51.16	41.13
Creditors turnover (days)	33.23	31.82
Inventory turnover (days)	45.03	44.58
RONW	29.05%	24.79%
ROCE	27.92%	24.43%



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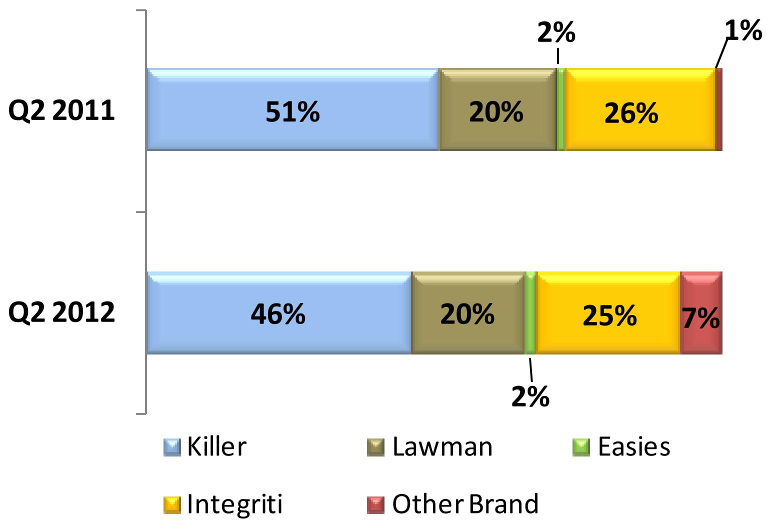
Brands

- All brands showed robust growth over the same period last year
- 'Killer' has been the top selling brand followed by Integriti. 'Easies' has recorded the highest growth as well
- * Lifestyle accessories marketed under ADDICTIONS is at promotional stage

<u>**Brand wise sales break up Q2 FY 2012**</u>

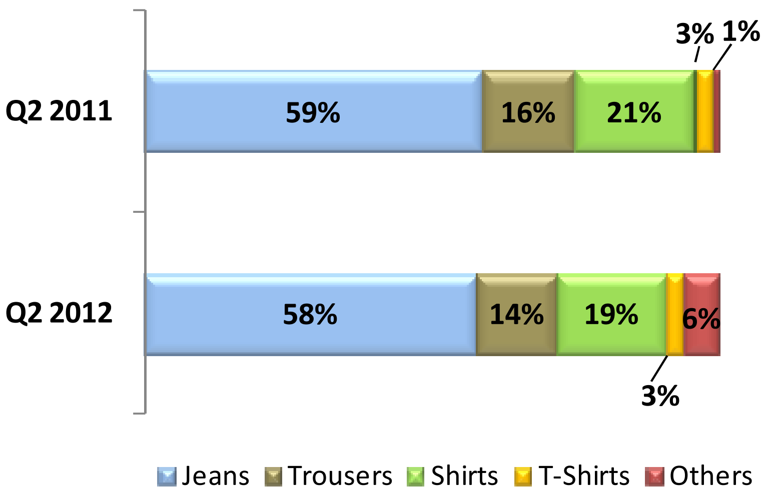


Sales (Rs crs)	Q2 2012	Q2 2011	% Change
Killer	46.09	36.77	25%
Lawman	20.31	14.84	37%
Easies	2.14	1.41	52%
Integriti	25.28	19.10	32%
ADDICTIONS	6.50	0.34	*
Total	100.33	72.46	38%

Products

- **Jeans is the largest selling product and enhanced its share to 59%**
- **Others include Accessories which have seen higher growth**

Product wise sales break up Q2 FY 2012

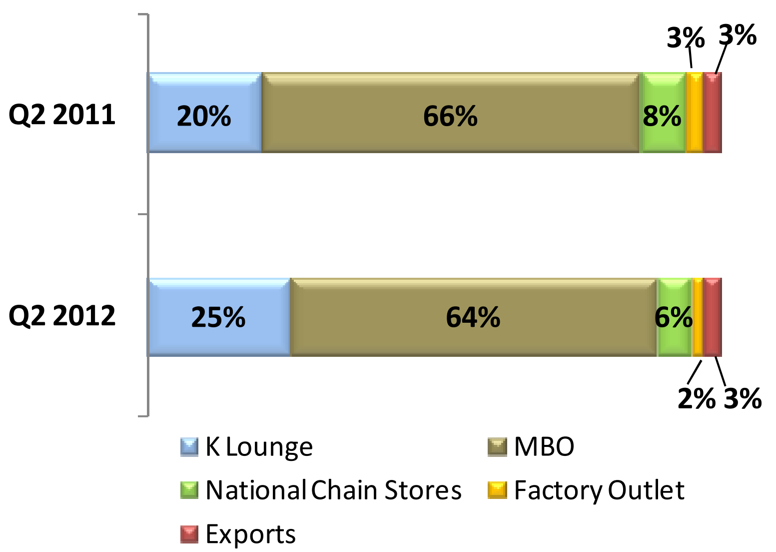


Sales (Rs crs)	Q2 2012	Q2 2011	% Change
Jeans	58.05	42.87	35%
Trousers	14.23	11.35	25%
Shirts	18.81	15.12	24%
T-Shirts	2.95	2.42	22%
Others	6.29	0.71	NA
Total	100.33	72.46	38%

Channels

- K-Lounge stores account for the highest growth among the channels
- MBOs continue to remain the dominant contributor to sales

Channel wise sales break up Q2 FY 2012

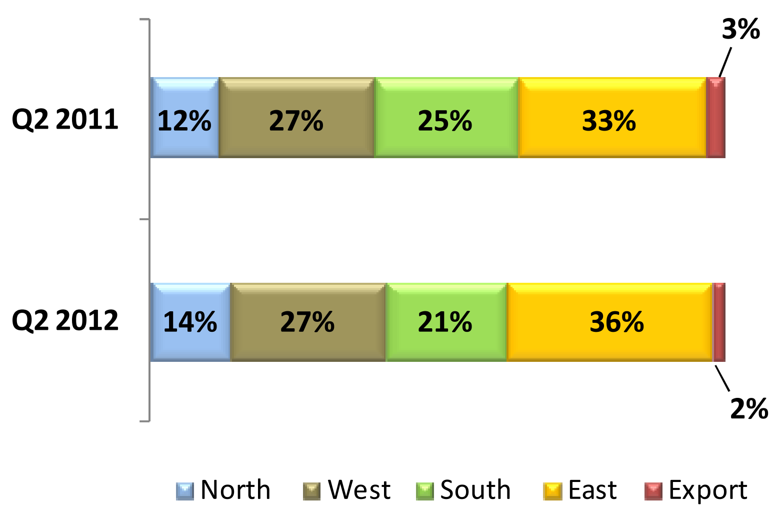


Sales (Rs crs)	Q2 2012	Q2 2011	% Change
K Lounge	25.60	14.64	75%
MBO	63.88	47.78	34%
National Chain Store	5.94	5.80	3%
Factory Outlet	2.29	1.97	16%
Exports	2.62	2.27	16%
Others Channels	-	0.34	NA
Total	100.33	72.46	38%

Regional Distribution

- Sales across India were more diversified with strong performance from North, East and West
- Northern region has registered the strongest growth and has overtaken the Western region in growth

Region wise sales break up Q2 FY 2012



Sales (Rs crs)	Q2 2012	Q2 2011	% Change
North	14.27	9.14	56%
West	27.05	19.25	41%
South	20.91	18.07	16%
East	35.60	23.73	50%
Export	2.50	2.27	10%
Total	100.33	72.46	38%

Key developments

- Company achieved historically highest sales turnover and profit during the quarter

- Company proposed an interim dividend of Rs. 7 per share.

- Company promoted personal care products with an advertisement campaign for KILLER Deodorant over 40 TV channels during the quarter.

- Opened 28 new retail stores i.e. 13 K-Lounges , 9 Killer EBO, 5 Integriti stores and 1 Lawman Pg3. Closed 1 Killer store ,2 K-Lounges and 2 integriti stores. Net increased 23 Retail stores.

- Added 11 new distributors and master stockists for wider and deeper penetration of market. Total Distributors for all brands reached to 100.

- KILLER brand sponsored AUCKLAND ACERS in champions league cricket, Lawman Pg3 brand's associated as style partner for movies RASCALS and MURDER-2 and Integriti brand as style partner for two Punjabi Movies Jinhe Mere Dil Luteya and Khushian.

Retail stores

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	1	11	113	125
Killer EBO		3	45	48
LawmanPg3-EBO		4	3	7
Integriti-EBO			32	32
Addiction-EBO			5	4
Factoy Outlet		7		7
Total	1	25	198	223

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores	30.09.11	30.06.11
Existing	200	174
New opened	28	29
Closures	5	3
Work-in process	31	
Total Retail Stores	254	200

Thank You