

KEWAL KIRAN CLOTHING LTD

Financial Results Review – Q2 FY2013 and
H1 ended 30.09.2012

Operational Performance-Snapshot

Particulars	Quarter ended					Half year ended				
	30.09.12	30.09.11				30.09.12	30.09.11			
	(Rs crs)	% of sales	(Rs crs)	% of sales	Growth	(Rs crs)	% of sales	(Rs crs)	% of sales	Growth
Total revenue	91.69	100.00%	100.78	100.00%	-9%	148.56	100.00%	170.11	100.00%	-13%
Operating EBITDA	25.44	27.75%	26.30	26.10%	-3%	35.07	38.25%	43.63	43.29%	-20%
Profit before tax (PBT)	25.93	28.28%	26.98	26.77%	-4%	36.54	39.85%	45.38	45.03%	-19%
Profit after tax (PAT)	17.65	19.25%	18.36	18.22%	-4%	24.92	27.18%	30.98	30.74%	-20%
Sales value de-growth	9.02%					12.67%				
Apparels Volume de-growth	6.22%					10.07%				
Realisations Growth	6.32%					4.80%				
No. of stores opened	17					32				
Closed	24					33				
New opened on Dashera	12									

Operational Performance: Q2 and H1 FY 2013

	Q2 FY 2013	% of	Q2 FY 2012	% of	Variation	H1 FY 2013	% of	H1 FY 2012	% of	Variation
	Rs crs	sales	Rs crs	sales		Rs crs	sales	Rs crs	sales	
Net Sales	90.95		100.35			147.39		169.26		
Other operating income	0.74		0.43			1.17		0.85		
	91.69	100.00%	100.78	100.00%	0.00%	148.56	100.00%	170.11	100.00%	0.00%
Cost of goods sold	35.86	39.11%	43.50	43.16%	-4.05%	57.75	38.87%	70.94	41.70%	-2.83%
Personnel cost	9.63	10.50%	8.40	8.33%	2.17%	17.68	11.90%	15.85	9.32%	2.58%
Manufacturing and operating expenses	8.48	9.25%	8.54	8.47%	0.77%	13.62	9.17%	13.64	8.02%	1.15%
Administrative and other expenses	4.48	4.89%	3.08	3.06%	1.83%	7.23	4.87%	5.90	3.47%	1.40%
Selling and distribution expenses	7.80	8.51%	10.96	10.88%	-2.37%	17.21	11.58%	20.15	11.85%	-0.26%
Operational expenditure	66.25	72.25%	74.48	73.90%	-1.65%	113.49	76.39%	126.48	74.35%	2.04%
EBITDA	25.44	27.75%	26.30	26.10%	1.65%	35.07	23.61%	43.63	25.65%	-2.04%
Finance expenses	0.79	0.86%	0.82	0.81%	0.05%	1.44	0.97%	1.37	0.81%	0.16%
Depreciation/ Amortisation	1.54	1.68%	1.50	1.48%	0.20%	3.00	2.02%	2.91	1.71%	0.31%
Other income	2.82	3.08%	2.99	2.97%	0.10%	5.92	3.98%	6.03	3.54%	0.44%
Profit before tax (PBT)	25.93	28.28%	26.98	26.77%	1.51%	36.54	24.60%	45.38	26.68%	-2.08%
Income Tax	8.28	9.03%	8.62	8.55%	0.48%	11.62	7.82%	14.40	8.47%	-0.64%
Profit after tax (PAT)	17.65	19.25%	18.36	18.22%	1.03%	24.92	16.77%	30.98	18.21%	-1.44%

Financial Highlights: Q2 FY 2013

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

- a. Shifting of Diwali festival season in November this year against October last year has impacted sales volume by 11.73%. However Company witnessed historically highest dispatches during October 12 and combined sales for the months of September and October last year vis-à-vis current year implies a modest growth.
- b. With the changing market trend, Company has been compelled to accept Sale or Return (SoR) terms with National Chain Stores as a result, though primary sale of Rs 2.95 Cr executed in Q2, will be booked as sale in accounts during Q3 when secondary sales takes place.
- c. Increase in personnel cost and manufacturing and Operating expenses and Administrative expenses by 2.17% , 0.77% and 1.83% respectively due to inflation.
- d. Turbulence in North eastern region and Andhra Pradesh and flood in Orissa, undermined sales potential in East and South region.
- e. Closure of 24 Retail Stores during the quarter.

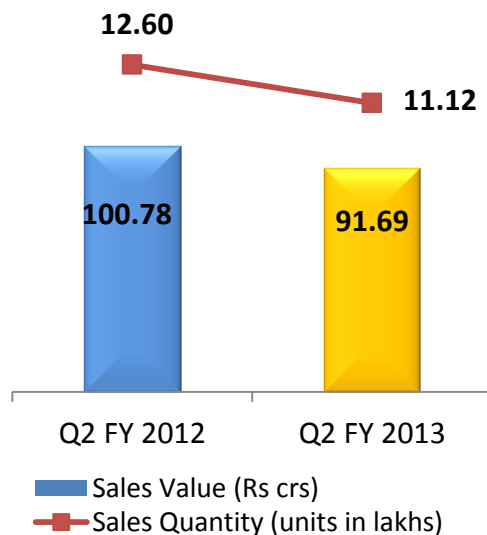
- **Factors contributing to profitability :**

- a. Realisation per garment increased by 6.32% as compared to corresponding quarter previous year.
- b. Cost of goods sold as a percentage of sales decreased by 4.05% as compared to last year due to improvement in realisations and slight correction in cotton fabric prices.
- c. Selling and Distribution expenses decreased by Rs 3.16 Crores and by 2.37% of sales due to higher spend in Q1 and deferral of festival season.
- d. Opening of 17 New retail Stores during the quarter on franchisee model.

Trend in Sales

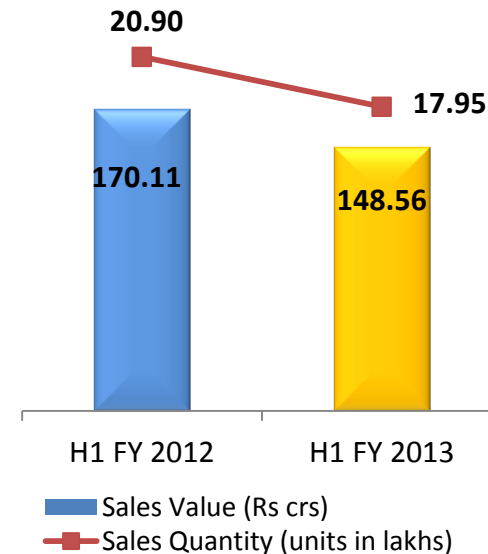
Q2 FY2012-13

- Sales value down by 9.02%
- Apparel sales value down by 6.22% to Rs 87.93 Crs
- Apparel sales quantity down by 11.73%
- Apparel sales realization per unit up by 6.32% to Rs. 791



H1 FY2012-13

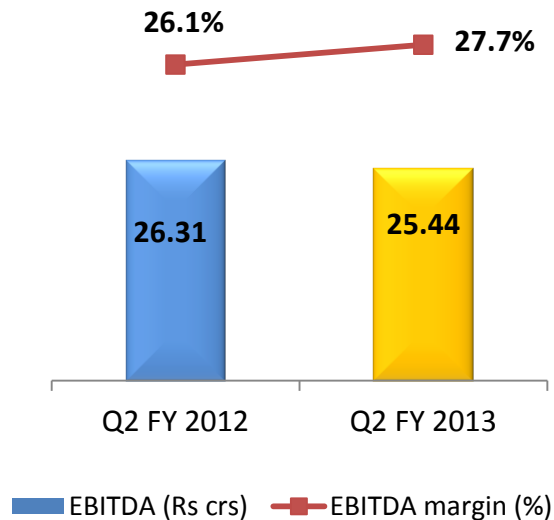
- Sales value down by 12.67%
- Apparel sales value down by 10.07% to Rs 140.99 crores
- Apparel sales quantity down by 14.11%
- Apparel sales realization per unit up 4.80% to Rs. 786



Trend in Operating Profit

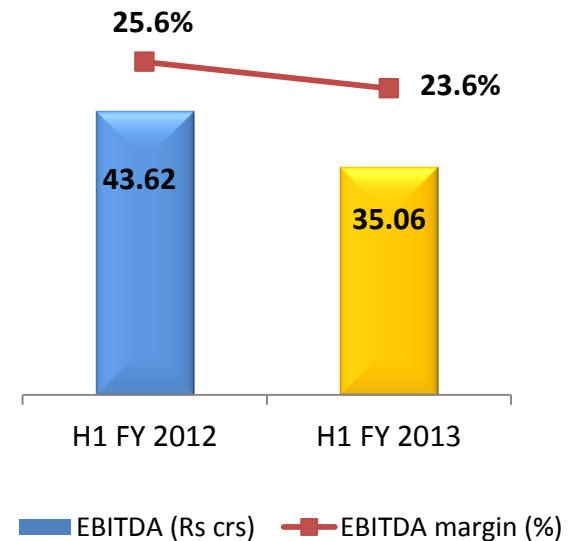
Q2 FY2012-13

- EBITDA down by 3.32%
- EBITDA margin surged to 27.7%



H1 FY2012-13

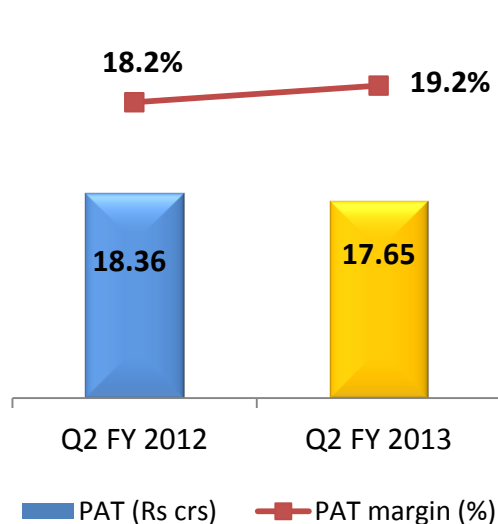
- EBITDA down by 19.62%
- EBITDA margin down to 23.6%



Trend in Net Profit

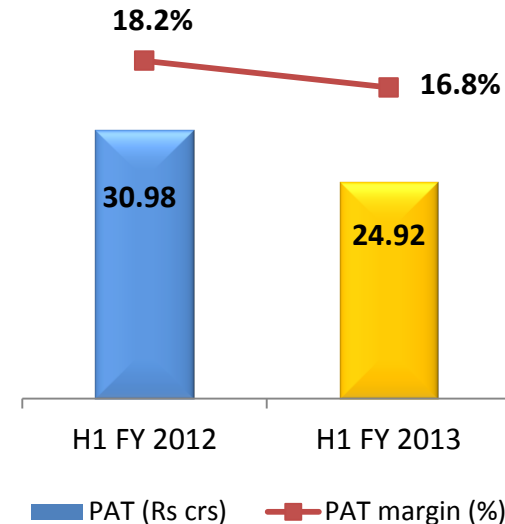
Q2 FY2012-13

- PAT down by 3.86%
- PAT margin surged to 19.2%
- Quarterly EPS at Rs. 14.32 (14.90)



H1 FY2012-13

- PAT down by 19.57%
- PAT margin down to 16.8%
- H1 EPS at Rs. 20.22 (25.14)



Balance Sheet

(Rs crs)	As at Sept. 2012 (Audited)	As at Mar. 2012 (Audited)
Share Capital	12.33	12.33
Reserves and Surplus	228.10	213.22
Shareholders' Funds	240.43	225.55
Other Long-Term Liabilities	3.96	3.87
Long-Term Provisions	0.63	0.69
Non Current Liabilities	4.59	4.56
Short-term borrowings	14.67	14.89
Trade Payables	28.45	15.78
Other Current Liabilities	8.62	7.80
Short-term Provisions	23.81	14.42
Current Liabilities	75.55	52.89
Total Shareholders' Funds and Liabilities	320.57	283.00
Fixed Assets	44.25	44.32
Non Current Investments	3.50	3.51
Deferred Tax Assets (Net)	1.71	1.73
Long-term loans and advances	10.38	10.65
Other non-current assets	1.02	1.09
Non-Current Assets	60.86	61.30
Current Investments	33.32	28.07
Inventories	47.12	32.09
Trade receivables	59.25	48.22
Cash & Cash Equivalents	101.69	101.32
Short-term Loans & Advances	6.93	4.56
Other Current Assets	11.40	7.44
Current Assets	259.71	221.70
Total Assets	320.57	283.00

Ratios and Cash-flow Analysis

Cash Flows (in Rs crs)	Q2 FY2013
I. Cash Flow from Operating Activity	15.26
<i>*Operating Profit before Working Capital Changes</i>	36.09
<i>*Adjustment for Working Capital</i>	(10.63)
<i>*Direct Taxes Paid</i>	(10.21)
II. Cash Flow from Investing Activity	(7.97)
<i>*Purchase of Fixed Assets</i>	(3.28)
<i>*Purchase/Redemption of Investments in mutual funds</i>	(5.26)
III. Cash Flow from Financing Activity	(7.06)
<i>*Secured Loans - Bank Overdraft (Net)</i>	(0.23)
<i>*Interest Paid</i>	(1.10)
Cash and Cash Equivalents - Closing	100.88

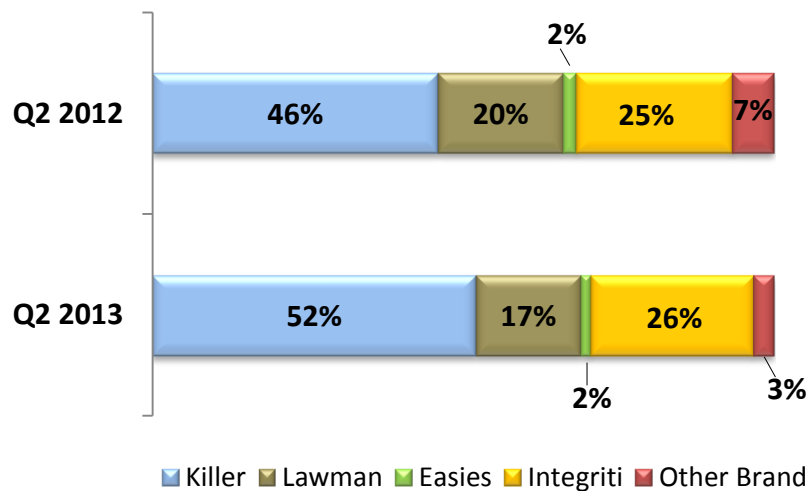
Ratios	Q2 FY2013	Q2 FY2012
Debt Equity ratio	0.06	0.08
Current Ratio	5.02	4.37
Debtors turnover (days)	62	51
Creditors turnover (days)	42	33
Inventory turnover (days)	48	45
RONW	20.94%	29.05%
ROCE	25.39%	27.92%

- The financial position remains strong with healthy cash reserves
- Cash flows have been stable

Brands

- Killer maintains its flagship status with enhanced brand share of 52%
- Integriti, the second largest brand has modestly increased its share to 26%

Brand wise sales break up Q2 FY 2013

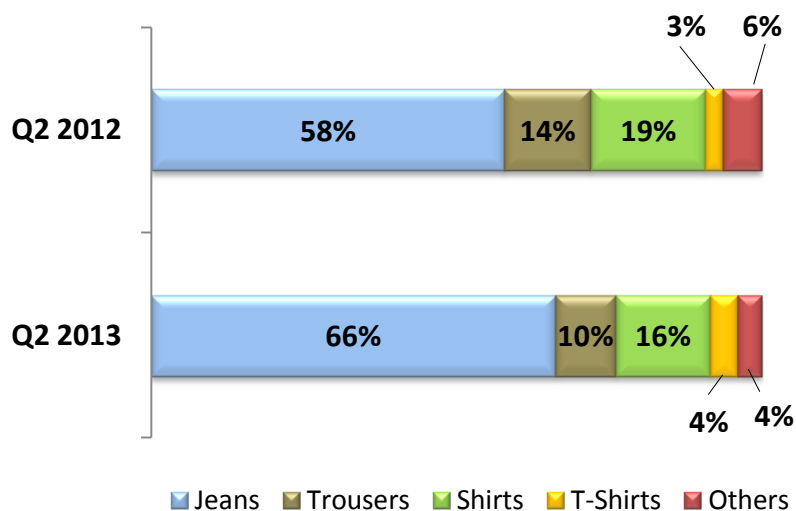


Sales (Rs crs)	Q2 2013	Q2 2012	% Change
Killer	47.29	46.11	3%
Lawman	15.33	20.21	-24%
Easies	1.51	2.15	-30%
Integriti	23.72	25.23	-6%
Others	3.04	6.63	na
Total	90.88	100.33	-9%

Products

- Jeans is the largest selling product and increased its share to 66%
- Jeans and T-Shirts showed strong growth while share of Trousers, Shirts and Accessories were lower

Product wise sales break up Q2 FY 2013

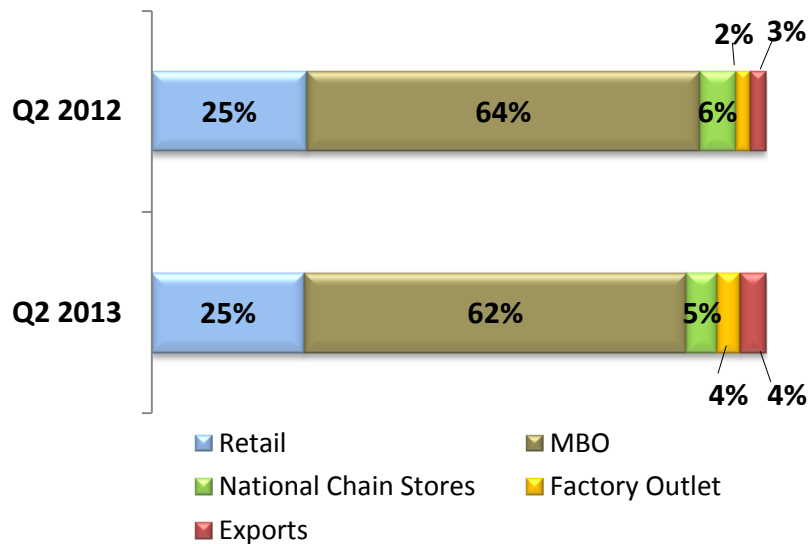


Sales (Rs crs)	Q2 2013	Q2 2012	% Change
Jeans	60.15	58.05	4%
Trousers	8.97	14.23	-37%
Shirts	14.14	18.81	-25%
T-Shirts	4.01	2.95	36%
Others	3.61	6.29	-43%
Total	90.88	100.33	-9%

Channels

- The channel mix share been stable with marginal change
- NCS contribution reduced due to accepting SoR terms thus postponing booking of sales in accounts
- Exports showed higher growth

Channel wise sales break up Q2 FY 2013

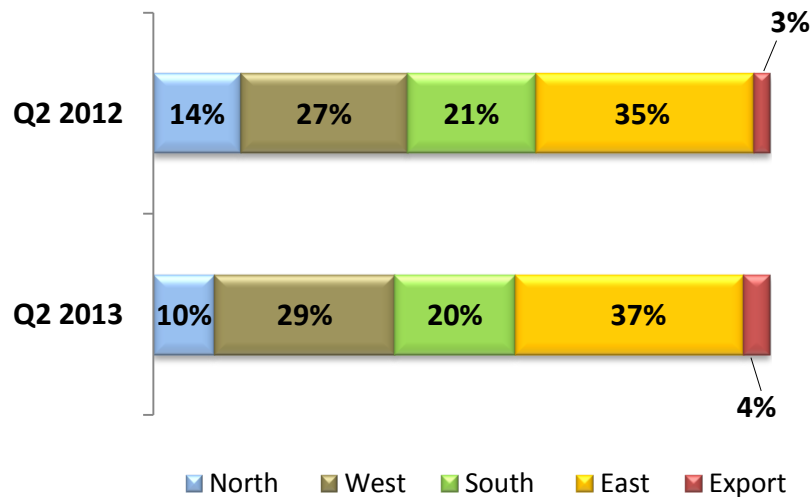


Sales (Rs crs)	Q2 2013	Q2 2012	% Change
Retail	22.48	25.25	-11%
MBO	56.68	64.29	-12%
National Chain Stores	4.50	5.76	-22%
Factory Outlet	3.34	2.38	40%
Exports	3.88	2.65	46%
Total	90.88	100.33	-9%

Regional Distribution

- Eastern and Western region's share has increased with marginal decline in Sales

Region wise sales break up Q2 FY 2013



Sales (Rs crs)	Q2 2013	Q2 2012	% Change
North	9.06	14.27	-36%
West	26.49	27.05	-2%
South	17.79	20.91	-15%
East	33.66	35.45	-5%
Exports	3.88	2.65	46%
Total	90.88	100.33	-9%

➤ Key developments

- Company proposed an interim dividend of Rs 7 per share.
- The Company has created “Business Progressive Fund” by appropriating a sum of Rs. 5 Crores out of its profits during the period to maintain normal growth in sluggish market conditions and support superior growth for long term.
- Advertisement & Branding initiatives
 - K-Lounge had the Title Sponsorship of One of India’s Biggest College Festival held at IIT Kanpur titled Antaragini 2012. Over 13,000 IITian’s and collegians from all over India participated in the event.
 - Lawman Pg3 brand has been title sponsors for “Lawman Pg3 Asian Super Model Contest 2012”
 - Company’s Integriti brand is title sponsorer for Superdude program on UTV bindass.
 - KILLER brand has been “Associate Sponsor” for Grand Inaugural T20 Sri Lanka Cricket League.
 - Lawman Pg3 has been Fashion Partner for the new release of Balaji Motion Pictures Movie titled “Kya Super Kool Hain Hum
 - Integriti was the title sponsor for India’s Only Heavy Metal Fest which had performances by world renowned heavy metal groups.
 - Integriti in association with Saregama Music Company presented performances by the popular band Strings in Delhi and Mumbai recently
 - Integriti was an Associate Sponsor of an MTV Show titled “Rush”
 - Integriti Associated with Universal Music to promote itself with the Album Launch of Justin Bieber titled “Believe”
- Opened 17 retail stores i.e. 5 K-Lounges , 1 K-Lounge for Her, 4 Killer EBO, 5 Integriti EBO and 2 Lawman Pg3 during the quarter. Closed 8 K-Lounges, 2 K-Lounge for Her, 9 Killer store, 1-Lawman Pg3/Integriti ,3 integriti stores and 1 Addiction EBO. However opened 12 new stores on Dahesara during October and expected 10 more before Diwali.

Retail stores as on 31.10.2012

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	1	11	126	138
K-Lounge for her			1	1
Killer EBO		1	55	56
LawmanPg3-EBO		2	12	14
Integriti-EBO			47	47
Easies - EBO			1	1
Addiction-EBO			1	1
Factoy Outlet		5		5
Total	1	19	243	263

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores	31.10.12	31.03.12
Opening balance	252	176
Opened during the period*	44	99
Closed during the period*	33	23
Work-in process	15	20
Total Retail Stores	278	272

* Includes 9 retail stores relocated/expanded

Thank You

Disclaimer: Certain statements in this document or explanation thereof during discussions may be forward looking statements. Such forward looking statements are subject to certain risks and uncertainties like government actions, direct and indirect tax structures, local, political or economic developments, weather conditions deferring season, technological risks, overall market scenario and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. Kewal Kiran Clothing Limited (“KKCL”) will not be in anyway responsible for any action taken based on such statements and undertake no obligation to publicly update these forward looking statement to reflect subsequent events or circumstances