KEWAL KIRAN CLOTHING LTD

Financial Results Review - Q2 FY2014 and H1 ended 30.09.2013

Operational Performance-Snapshot

Particulars	Quarter ended 30.09.13 (Rs crs)	% of sales	Quarter ended 30.09.12 (Rs crs)	% of sales	Growth
Total revenue	**116.55**	**100.00%**	**91.64**	100.00%	**27.18%**
Operating EBITDA	**35.82**	**30.73%**	**25.39**	27.71%	**41.08%**
Profit before tax (PBT)	**35.32**	**30.30%**	**25.93**	28.30%	**36.21%**
Profit after tax (PAT)	**23.53**	**20.19%**	**17.65**	19.26%	**33.31%**
Apparel Sales value growth			**28.54%**		
Apparels Volume growth			**16.37%**		
Realisations Growth			**10.44%**		

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Operational Performance: Q2 and H1 FY 2014

	Q2 FY 2014 Rs crs	**% of sales**	Q2 FY 2013 Rs crs	% of sales	Variation	**H1 FY 2014 Rs crs**	**% of sales**	H1 FY 2013 Rs crs	% of sales	Variation
Net Sales	**115.80**		90.95			**189.51**		147.39		
Other operating income	**0.75**		0.69			**1.53**		1.12		
	116.55	**100.00%**	91.64	100.00%	0.00%	**191.04**	**100.00%**	148.51	100.00%	0.00%
Cost of goods sold	**45.72**	**39.23%**	35.86	39.13%	0.10%	**74.04**	**38.76%**	57.76	38.89%	-0.13%
Personnel cost	**10.87**	**9.33%**	9.63	10.51%	-1.18%	**20.17**	**10.56%**	17.68	11.90%	-1.34%
Manufacturing and operating expenses	**11.02**	**9.46%**	8.48	9.25%	0.21%	**18.31**	**9.58%**	13.62	9.17%	0.41%
Administrative and other expenses	**5.56**	**4.77%**	5.38	5.87%	-1.10%	**9.89**	**5.18%**	9.04	6.09%	-0.91%
Selling and distribution expenses	**7.56**	**6.49%**	6.90	7.53%	-1.04%	**15.37**	**8.05%**	15.40	10.37%	-2.32%
Operational expenditure	**80.73**	**69.27%**	66.25	72.29%	-3.02%	**137.78**	**72.12%**	113.50	76.43%	-4.31%
EBITDA	**35.82**	**30.73%**	25.39	27.71%	3.02%	**53.26**	**27.88%**	35.01	23.57%	4.31%
Finance expenses	**0.82**	**0.70%**	0.79	0.86%	-0.16%	**1.50**	**0.79%**	1.44	0.97%	-0.18%
Depreciation/ Ammotisation	**1.31**	**1.12%**	1.54	1.68%	-0.56%	**2.53**	**1.32%**	3.00	2.02%	-0.70%
Other income	**1.63**	**1.40%**	2.87	3.13%	-1.73%	**4.02**	**2.10%**	5.98	4.03%	-1.93%
Profit before tax (PBT)	**35.32**	**30.30%**	25.93	28.30%	2.00%	**53.25**	**27.87%**	36.55	24.61%	3.26%
Income Tax	**11.79**	**10.12%**	8.28	9.04%	1.08%	**17.54**	**9.18%**	11.62	7.82%	1.36%
Profit after tax (PAT)	**23.53**	**20.19%**	17.65	19.26%	0.93%	**35.71**	**18.69%**	24.93	16.79%	1.90%

Financial Highlights: Q2 FY 2014

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

a. The Company registered historically highest turnover and profitability during the quarter.

b. Increase in apparel sale volume by 16.37% and realisation per garment by 10.44% resulting in growth in apparel sales value by 28.52% as compared to corresponding quarter last year.

c. Though personnel cost, administrative and other expenses, selling and distribution expenses increased in absolute terms yet are lower by 1.18%,1.10% and 1.04% of sales respectively.

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

a. Cost of goods sold (CoGs) increased YoY by 0.10% of sales despite improvement in realisation per unit by 10.44%. Thus effective increase in CoGS on per unit basis was approx. 3.6% of sales.

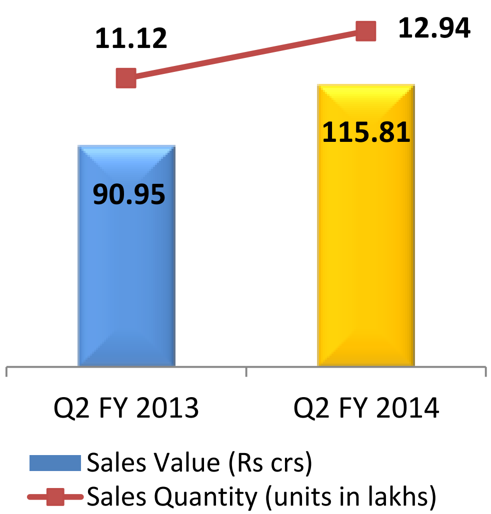
b. Increase in manufacturing and operating expenses YoY by 0.20% of sales.

c. Other income is lower YoY by Rs 1.24 crore due to switchover of Bank FDs into mutual funds schemes /FMPs where income will be recognised on maturity.

Trend in Sales

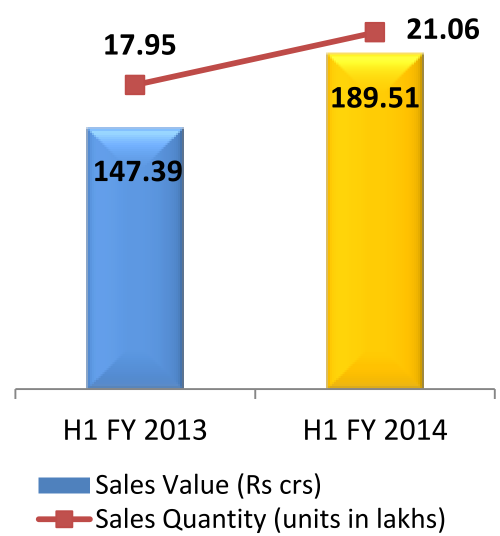
Q2 FY2013-14

- **Sales value increased by 27.33%**
- **Apparel sales value increased by 28.52% to Rs 112.99 crores**
- **Apparel sales quantity increased by 16.37%**
- **Apparel sales realization per unit increased by 10.44% to Rs. 873**



H1 FY2013-14

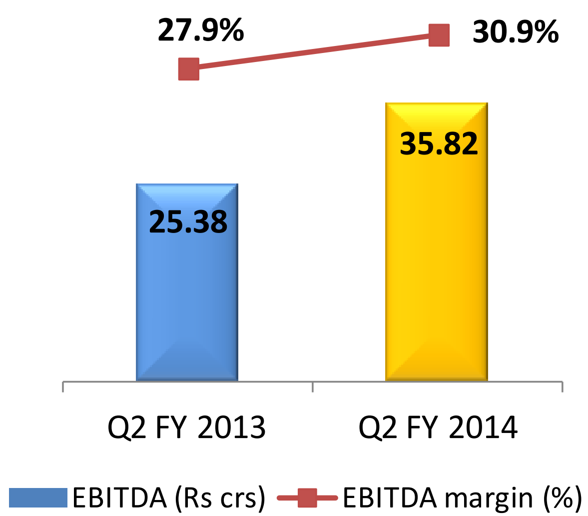
- **Sales value increased by 28.58%**
- **Apparel sales value increased by 30.52% to Rs 184.02 crores**
- **Apparel sales quantity increased by 17.31%**
- **Apparel sales realization per unit increased by 11.26% to Rs. 874**



Trend in Operating Profit

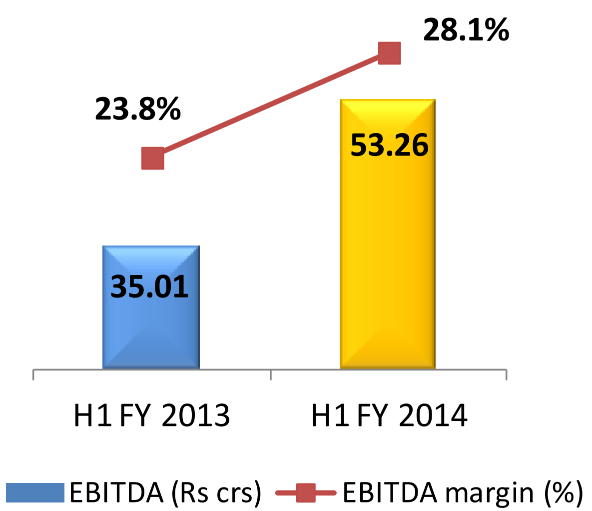
Q2 FY2013-14

- **EBITDA increased by 41.12%**
- **EBITDA margin increased to 30.9%**



H1 FY2013-14

- **EBITDA increased by 52.10%**
- **EBITDA margin increased to 28.1%**



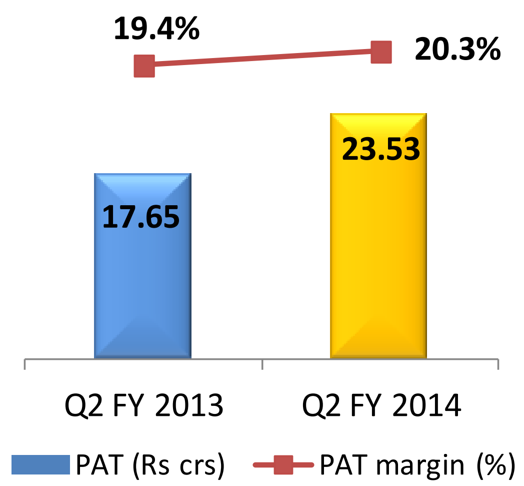
Trend in Net Profit

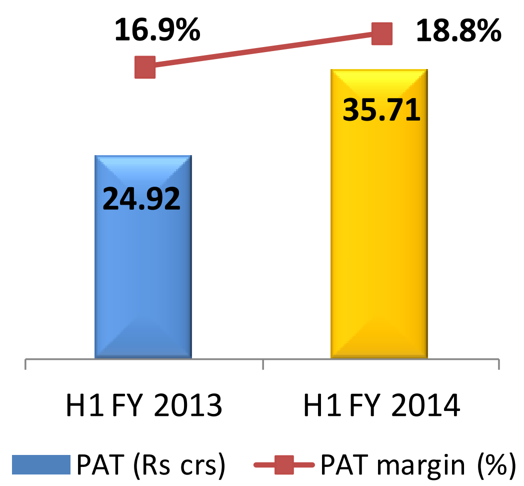
Q2 FY2013-14

- **PAT increased by 33.35%**
- **PAT margin increased to 20.3%**
- **Quarterly EPS at Rs. 19.09 (14.32)**

H1 FY2013-14

- **PAT increased by 43.32%**
- **PAT margin increased to 18.8%**
- **H1 EPS at Rs. 28.98 (20.22)**





Balance Sheet (Subject to Interim Dividend)

(Rs crs)	As at Sept. 2013 (Audited)	As at Mar. 2013 (Audited)
Share Capital	12.33	12.33
Reserves and Surplus	277.24	241.53
Shareholders' Funds	289.57	253.86
Other Long-Term Liabilities	7.20	5.43
Long-Term Provisions	0.56	0.55
Non Current Liabilities	7.76	5.99
Short-term borrowings	20.97	14.09
Trade Payables	32.97	22.74
Other Current Liabilities	9.25	11.16
Short-term Provisions	17.68	16.59
Current Liabilities	80.87	64.58
Total Shareholders' Funds and Liabilities	378.20	324.43
Fixed Assets	43.58	44.25
Non Current Investments	3.48	3.48
Deferred Tax Assets (Net)	1.39	2.03
Long-term loans and advances	9.41	9.68
Other non-current assets	1.01	0.96
Non-Current Assets	58.87	60.40
Current Investments	135.82	118.13
Inventories	58.23	33.67
Trade receivables	76.52	47.87
Cash & Cash Equivalents	45.02	60.77
Short-term Loans & Advances	2.94	1.82
Other Current Assets	0.80	1.77
Current Assets	319.33	264.03
Total Assets	378.20	324.43

Cash-flow Analysis and Ratios

	Cash Flows (in Rs crs)	Q2 FY2014
I.	**Cash Flow from Operating Activity**	**0.13**
	**Operating Profit before Working Capital Changes*	*54.45*
	**Adjustment for Working Capital*	*(41.00)*
	**Direct Taxes Paid*	*(13.32)*
II.	**Cash Flow from Investing Activity**	**(15.85)**
	**Purchase of Fixed Assets*	*(1.89)*
	**Purchase/Redemption of Investments in mutual funds*	*(16.18)*
III.	**Cash Flow from Financing Activity**	**(0.07)**
	**Secured Loans - Bank Overdraft (Net)*	*6.88*
	**Interest Paid*	*(1.19)*
	Cash and Cash Equivalents - Closing	**44.19**

Ratios	Q2 FY2014	Q2 FY2013
Debt Equity ratio	**0.07**	0.06
Current Ratio	**5.05**	5.02
Debtors turnover (days)	**55**	62
Creditors turnover (days)	**37**	42
Inventory turnover (days)	**41**	48
Finished Goods	17	17
WIP	17	15
Raw Materials	7	8
ROCE in operations*	**94.43%**	78.08%
ROCE overall for Company*	**37.86%**	25.39%
RONW *	**26.29%**	20.94%

- **The financial position remains strong with healthy cash reserves**

- *** Annualised**
- **Activity ratios, Efficiency ratios and Profitability ratios have significantly improved as compared to last year**

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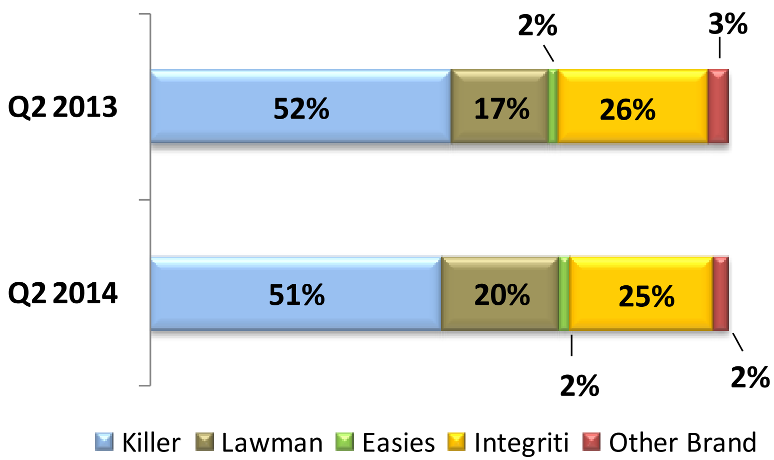
Brands

- Killer continues to be the flagship brand with share of 51%
- Lawman Pg3 share has increased to 20%

Brand wise sales break up Q2 FY 2014



Sales (Rs crs)	Q2 2014	Q2 2013	% Change
Killer	58.90	47.29	25%
Lawman	23.50	15.33	53%
Easies	2.32	1.51	54%
Integriti	28.27	23.72	19%
Others	2.82	3.04	-7%
Total	115.81	90.88	27%

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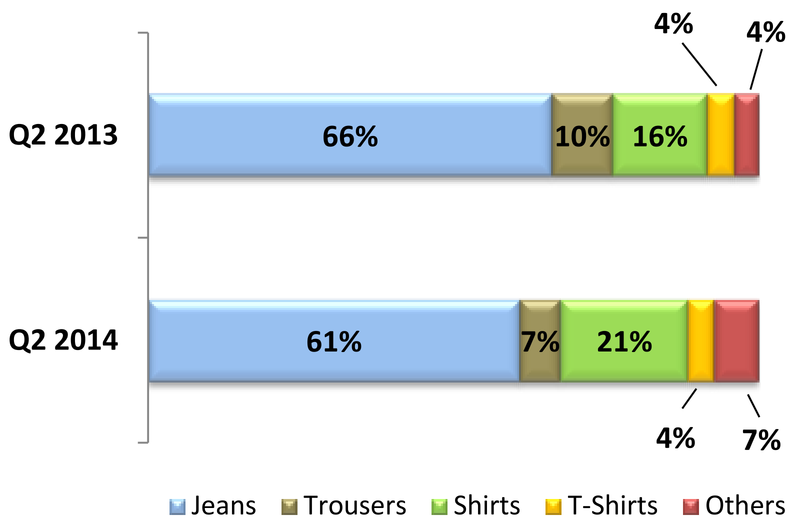
Products

- Jeans is the largest selling product with share of 61%
- Shirts showed strong growth and increased its share to 21%

Product wise sales break up Q2 FY 2014

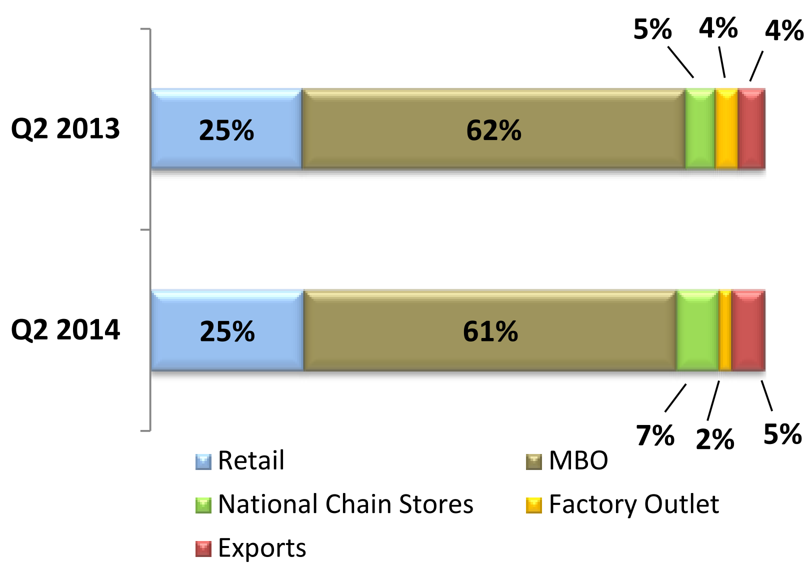


Sales (Rs crs)	Q2 2014	Q2 2013	% Change
Jeans	70.53	60.15	17%
Trousers	7.75	8.97	-14%
Shirts	24.20	14.14	71%
T-Shirts	5.02	4.01	25%
Others	8.31	3.61	130%
Total	115.81	90.88	27%

Channels

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

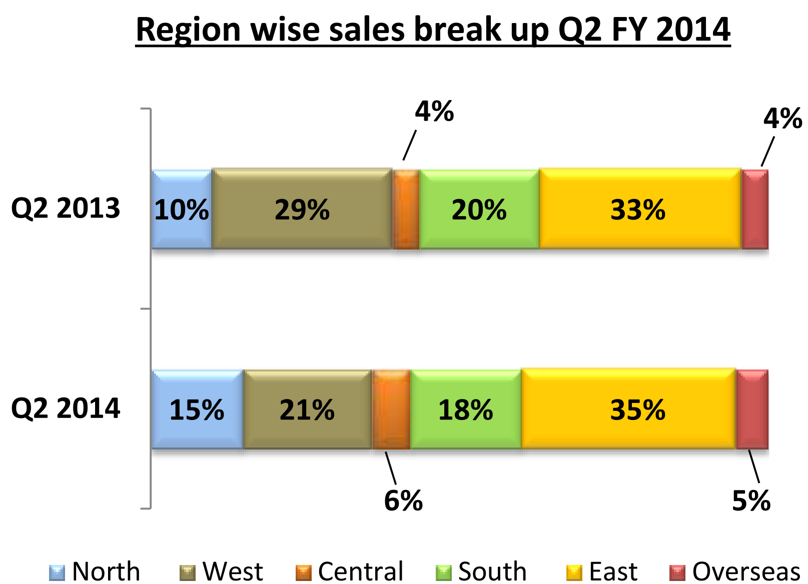
Channel wise sales break up Q2 FY 2014



Sales (Rs crs)	Q2 2014	Q2 2013	% Change
Retail	28.98	22.48	29%
MBO	70.27	56.68	24%
National Chain Stores	7.97	4.50	77%
Factory Outlet	2.51	3.34	-25%
Exports	6.08	3.88	57%
Total	**115.81**	**90.88**	**27%**

Regional Distribution

- East region has been divided into East and Central region to map holistic geographical growth
- Northern and Central regions showed strong growth and increased their share by 50%



Sales (Rs crs)	Q2 2014	Q2 2013	% Change
North	16.66	9.06	84%
West	24.30	26.49	-8%
Central	7.15	3.92	82%
South	21.24	17.79	19%
East	40.38	29.74	36%
Overseas	6.08	3.88	57%
Total	115.81	90.88	27%

Key developments

- The Company achieved historically highest turnover, volumes and profitability during the quarter.
- Company proposed an interim dividend of Rs 7.5 per share.
- The Company enhanced "Business Progressive Fund" to Rs 12.5 Cr by additionally creating Rs 1.5 Cr during current quarter out of its profits.
- Advertisement & Branding initiatives :
  - "LawmanPg3" brand was extensively promoted during the quarter. It has been the "Style Partner" for "Chennai Express" and Ad was publicized in almost all editions of Times of India an was broadcast on various TV Channels
  - Killer was the "Associate Sponsor" for one of the biggest Bollywood Award Shows - "IIFA Awards"
  - Overseas Photo Shoot Production for "Killer" & "LawmanPg3".
  - The New Campaign of Integriti brand named as "The Spirit called Youth" has started which will be used for promotion of Integriti brand during the next quarter.

•Opened 35 retail stores(Including 3 relocated) i.e. 15 K-Lounges , 12 Killer EBOs, 5 Integriti EBOs and 3 Lawman Pg3 EBOs during Q2 and Navratri festival season. Closed 3 K-Lounge, 1 K-Lounge for *Her,* 2 Integriti EBOs and 1 Killer EBOs. Relocated 3 retail stores.

Retail stores

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	1	11	140	152
K-Lounge for her			1	1
Killer EBO			80	80
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	290	304

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores	15.10.13	31.03.13
Existing	279	250
New opened including *relocation*	35	69
Relocated	3	
Closures	7	47
Work-in process	14	21
Total Retail Stores	318	293

Thank You

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