

KEWAL KIRAN CLOTHING LTD

Financial Results Review - Q2 FY2015 and H1 ended
30.09.2014

Operational Performance :-

Particulars	Quarter ended 30.09.14		Quarter ended 30.09.13		Growth
	(Rs crs)	% of sales	(Rs crs)	% of sales	
Total revenue	129.83	100.00%	116.55	100.00%	11.40%
Operating EBITDA	35.75	27.54%	35.82	30.73%	-0.19%
Profit before tax (PBT)	36.61	28.20%	35.32	30.30%	3.66%
Profit after tax (PAT)	24.26	18.68%	23.53	20.19%	3.09%
Apparel Sales value growth	10.02%				
Apparels Volume growth	5.21%				
Realisations Growth	4.61%				

Operational Performance: Q2 and H1 FY 2014-15

	Q2 FY 2015	% of	Q2 FY 2014	% of		H1 FY 2015	% of	H1 FY 2014	% of	
	Rs crs	sales	Rs crs	sales	Variation	Rs crs	sales	Rs crs	sales	Variation
Net Sales	129.08		115.80			213.51		189.51		
Other operating income	0.75		0.75			1.63		1.53		
Total Revenue	129.83	100.00%	116.55	100.00%	0.00%	215.14	100.00%	191.04	100.00%	0.00%
Cost of goods sold	55.34	42.62%	45.71	39.22%	3.40%	93.04	43.25%	74.04	38.76%	4.49%
Personnel cost	12.32	9.49%	10.87	9.33%	0.16%	22.77	10.59%	20.17	10.56%	0.03%
Manufacturing and operating expenses	11.48	8.84%	11.02	9.46%	-0.62%	18.19	8.46%	18.31	9.59%	-1.13%
Administrative and other expenses	5.24	4.04%	5.56	4.77%	-0.74%	10.38	4.83%	9.89	5.18%	-0.35%
Selling and distribution expenses	9.71	7.48%	7.56	6.49%	0.99%	18.95	8.81%	15.37	8.05%	0.76%
Operational expenditure	94.08	72.46%	80.72	69.26%	3.20%	163.34	75.92%	137.79	72.13%	3.80%
EBITDA	35.75	27.54%	35.82	30.73%	-3.20%	51.80	24.08%	53.26	27.88%	-3.80%
Finance expenses	0.84	0.65%	0.82	0.70%	-0.06%	1.48	0.69%	1.50	0.78%	-0.09%
Depreciation/ Ammotisation	0.93	0.72%	1.31	1.12%	-0.41%	1.84	0.85%	2.53	1.32%	-0.47%
Other income	2.63	2.03%	1.63	1.40%	0.63%	3.40	1.58%	4.02	2.10%	-0.52%
Profit before tax (PBT)	36.61	28.20%	35.32	30.30%	-2.10%	51.88	24.11%	53.25	27.87%	-3.76%
Income Tax	12.35	9.52%	11.79	10.12%	-0.60%	17.48	8.13%	17.54	9.18%	-1.05%
Profit after tax (PAT)	24.26	18.68%	23.53	20.19%	-1.50%	34.40	15.99%	35.71	18.69%	-2.70%

Financial Highlights: Q2 FY 2014-15

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

- a. Increase in apparel sale volume by 5.21% and realisation per garment by 4.61 % as compared to corresponding quarter last year.
- b. Reduction in manufacturing and operating expenses by 0.62% of sales (Reduction partly attributable to increase in CoGS) and administrative expenses by 0.74% of sales.

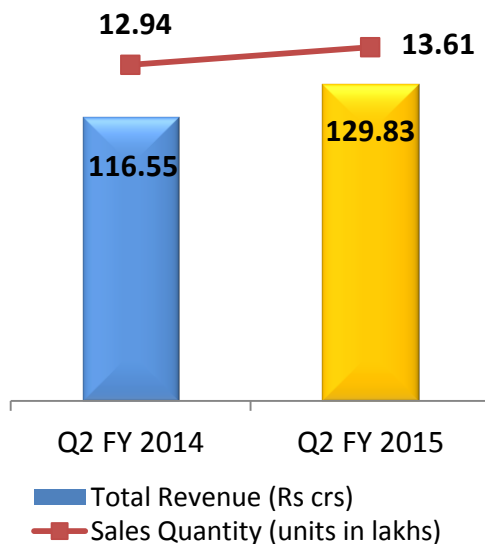
- **Factors responsible for sluggish profitability growth :-**

- a. Higher advertisement and publicity initiatives by Rs 2.15 Crs and personnel cost of Rs 1.45 Crs
- b. Cost of Goods Sold (CoGS) have increased YoY by 3.40% of sales due to :-
 - *Realisation growth was not adequate to cover increase in product cost.*
 - *Company's endeavor to offer higher value added and innovative products with superior quality standards.*
 - *Change in product sourcing mix in favour of ready stitched garments against through job workers.*
 - *Augmentation of franchisees under master stockist where trade discounts are higher but post sales expenses are lower thus saving selling & distribution expenses.*
 - *67% growth in sale of life style accessories and personal care products which are at promotional stage.*
- c. Strengthening of provisions for research and development and receivables
- d. Contribution of Rs 45 Lakhs towards Corporate Social Responsibility during the quarter.

Trend in Revenue

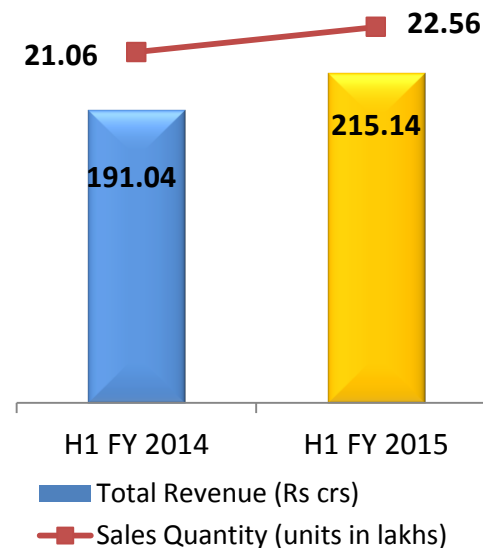
Q2 FY2014-15

- Total Revenue up by 11.40%
- Apparel sales value up by 10.06% to Rs. 124.36 crores
- Apparel sales quantity up by 5.21%
- Apparel sales realization per unit up by 4.61% to Rs. 914



H1 FY2014-15

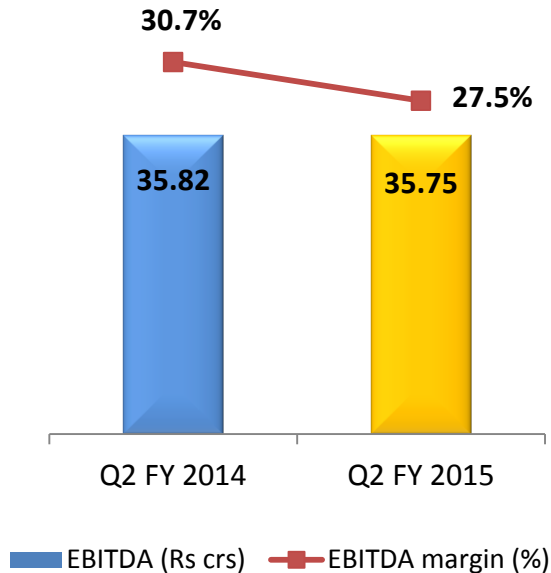
- Total Revenue up by 12.61%
- Apparel sales value up by 10.95% to Rs. 204.16 crores
- Apparel sales quantity up by 7.16%
- Apparel sales realization per unit up by 3.54% to Rs. 905



Trend in Operating Profit

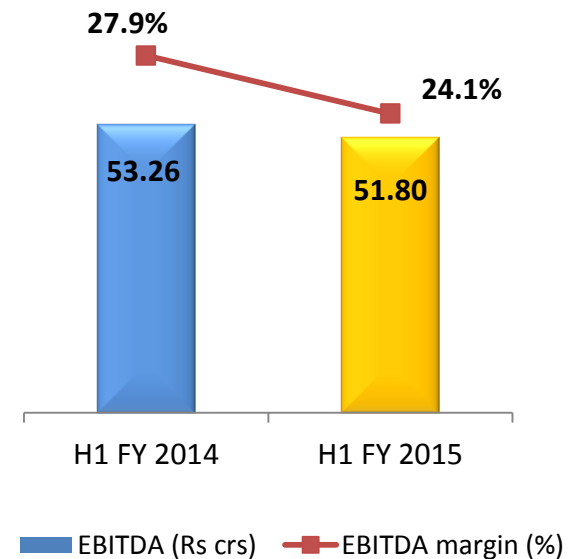
Q2 FY2014-15

- EBITDA has been steady at Rs. 35.75 crores
- EBITDA margin stood at 27.5%



H1 FY2014-15

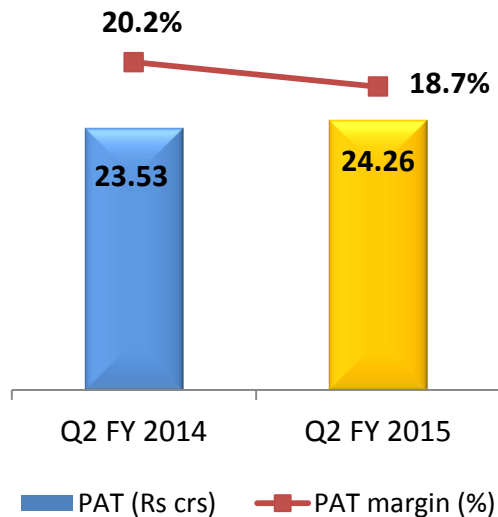
- EBITDA marginally down at Rs. 51.80 crores
- EBITDA margin stood at 24.1%



Trend in Net Profit

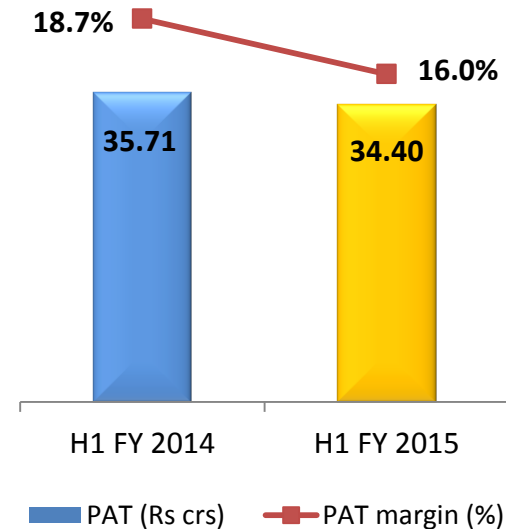
Q2 FY2014-15

- PAT up by 3.08%
- PAT margin stood at 18.7%
- Quarterly EPS at Rs. 19.68 (19.09)



H1 FY2014-15

- PAT down by 3.67%
- PAT margin stood at 16.0%
- H1 EPS at Rs. 27.91 (28.98)



Balance Sheet(Subject to proposed dividend)

(Rs crs)	As at Sept. 2014 (Audited)	As at Mar. 2014 (Audited)
Share Capital	12.33	12.33
Reserves and Surplus	300.77	278.28
Shareholders' Funds	313.10	290.61
Other Long-Term Liabilities	9.60	7.28
Long-Term Provisions	0.51	0.59
Non Current Liabilities	10.11	7.87
Short-term borrowings	12.65	11.88
Trade Payables	38.18	27.28
Other Current Liabilities	20.63	9.28
Short-term Provisions	21.32	23.63
Current Liabilities	92.78	72.06
Total Shareholders' Funds and Liabilities	416.00	370.54
Fixed Assets	41.94	42.67
Non Current Investments	154.91	3.49
Deferred Tax Assets (Net)	1.68	1.78
Long-term loans and advances	7.08	8.19
Other non-current assets	0.37	0.73
Non-Current Assets	205.98	56.86
Current Investments	-	163.20
Inventories	54.56	47.89
Trade receivables	94.40	63.68
Cash & Cash Equivalents	55.55	34.17
Short-term Loans & Advances	4.13	3.63
Other Current Assets	1.38	1.11
Current Assets	210.02	313.68
Total Assets	416.00	370.54

Cash-flow Analysis and Ratios

Cash Flows (in Rs crs)	Q2 FY2015
I. Cash Flow from Operating Activity	34.91
<i>*Operating Profit before Working Capital Changes</i>	52.51
<i>*Adjustment for Working Capital</i>	(3.15)
<i>*Direct Taxes Paid</i>	(14.45)
II. Cash Flow from Investing Activity	12.41
<i>*Purchase of Fixed Assets</i>	(1.75)
<i>*Purchase/Redemption of Investments in mutual funds</i>	13.25
III. Cash Flow from Financing Activity	(36.24)
<i>*Payment of Dividend (including Dividend Tax)</i>	(20.91)
<i>*Amount transferred in interim dividend bank account</i>	(9.86)
Cash and Cash Equivalents - Closing	44.51

Ratios	Q2 FY2015	Q2 FY2014
Debt Equity ratio	0.04	0.07
Current Ratio	2.94*	5.05
Debtors turnover (days)	63	55
Creditors turnover (days)	33	37
Inventory turnover (days)	43	41
Finished Goods	18	17
WIP	18	17
Raw Materials	7	7
ROCE in operations	86.93%	94.43%
ROCE overall for Company*	31.81%	37.86%
RONW *	22.79%	26.29%

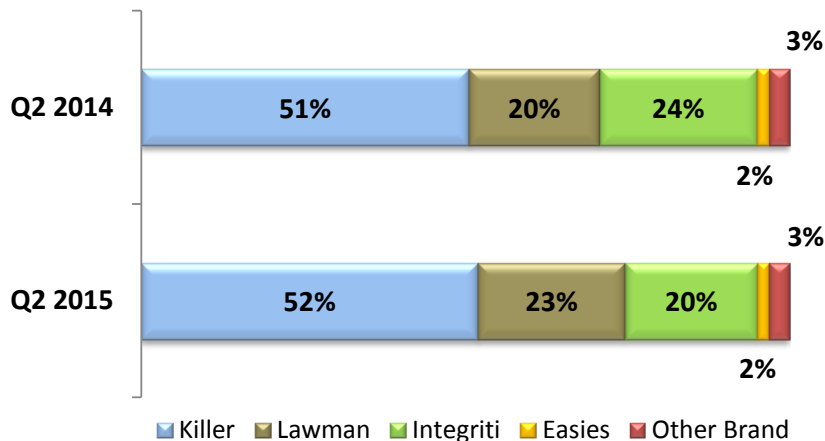
- The financial position remains strong with healthy cash reserves

*Lower due to conversion of investment in FMP from Current to Non-current post Union budget 2014-15

Brands

- Killer, the flagship brand, showed healthy growth of 13%
- Lawman sales up by 24% to Rs. 29.15 crores

Brand wise sales break up Q2 FY 2015

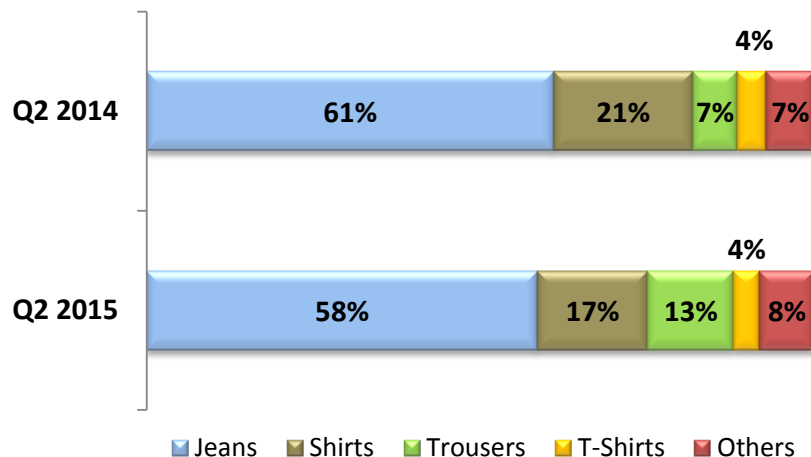


Sales (Rs crs)	Q2 2015	Q2 2014	% Change
Killer	66.63	58.89	13%
Lawman	29.15	23.50	24%
Integriti	26.14	28.27	-8%
Easies	2.44	2.32	5%
Peronal care and lifestyle accessories	4.72	2.82	67%
Total	129.08	115.80	11%

Products

- Jeans is the largest selling product with share of 58%
- Pants/trousers sales up by 115%
- Sales of Bottoms (Jeans & Trousers together) grew by 18%

Product wise sales break up Q2 FY 2015

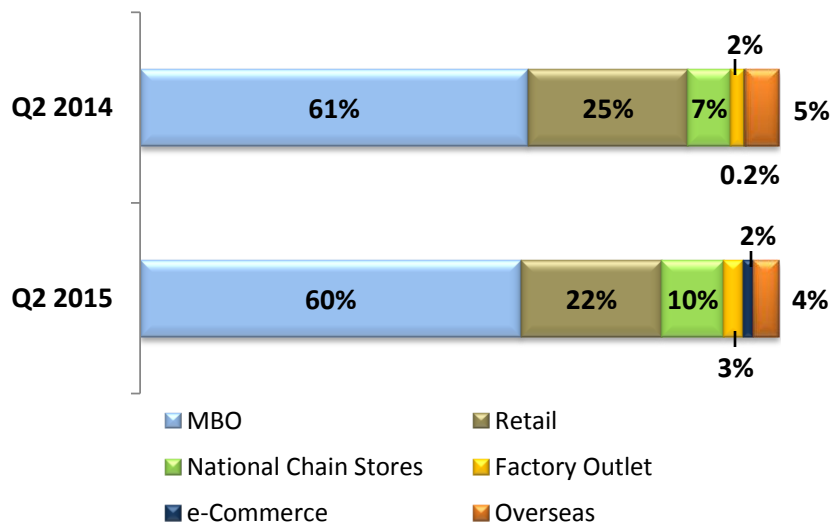


Sales (Rs crs)	Q2 2015	Q2 2014	% Change
Jeans	75.49	70.52	7%
Shirts	21.39	24.20	-12%
Pants/trousers	16.63	7.75	115%
T-Shirts	5.07	5.02	1%
Others	10.50	8.31	26%
Total	129.08	115.80	11%

Channels

- Share of National Chain Stores now at 10% with 62% growth in sales
- Significant increase in sales through e-Commerce

Channel wise sales break up Q2 FY 2015

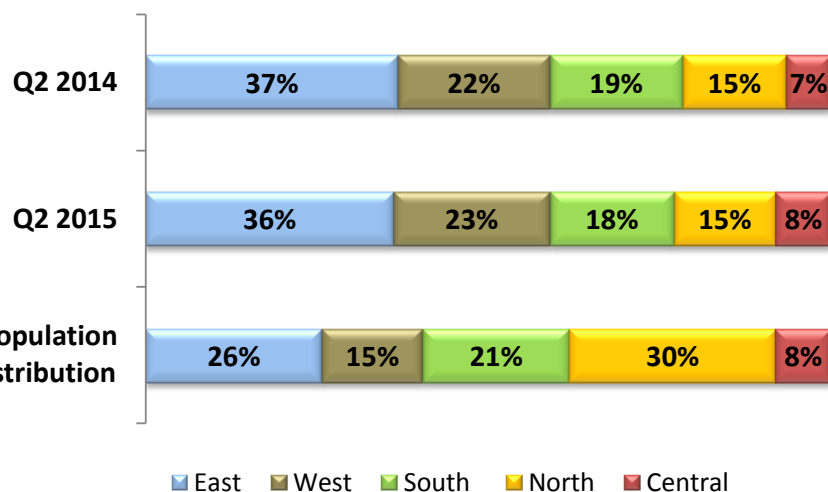


Sales (Rs crs)	Q2 2015	Q2 2014	% Change
MBO	76.60	70.27	9%
Retail	28.60	28.98	-1%
National Chain Stores	12.58	7.78	62%
Factory Outlet	3.95	2.51	58%
e-Commerce	2.05	0.19	985%
Overseas	5.30	6.08	-13%
Total	129.08	115.80	11%

Regional Distribution

- Region-wise mix was stable and all regions have shown positive growth
- Central and Western regions showed 38% and 16% growth respectively

Region wise sales break up Q2 FY 2015



Sales (Rs crs)	Q2 2015	Q2 2014	% Change
East	44.49	40.37	10%
West	28.10	24.30	16%
South	22.93	21.24	8%
North	18.37	16.66	10%
Central	9.89	7.15	38%
Domestic Sales	123.78	109.72	13%
Overseas	5.30	6.08	-13%
Total	129.08	115.80	11%

Key Developments

- The Company achieved historically highest turnover, volumes and profit during the quarter.
- Company paid Rs 8 per equity share as first interim dividend and proposed second interim dividend of Rs 7.5 per equity share.
- The Company enhanced “Business Progressive Fund” to Rs 17 Cr by additionally creating Rs 2 Cr during current quarter out of its profits.
- Advertisement & Branding initiatives :
 - Killer – Official Sponsor of Cricket Champions League T20 Tournament 2014 and Title Sponsor of the MTV Channels most watched show “Splitsvilla” hosted by Sunny Leone & Nikhil Chinnappa
 - LawmanPg3 – Title Sponsor of Britains Got Talent on the Youth Music Channel VH1 and Associate Sponsor of VH1 Hip Hop Hustle and e Sponsor of VH1 Dance 101 and Title Sponsor of Love Bytes on the only Youth Music Channel in Kerala KappaTV
 - Integriti – Main Sponsor of Music Mojo (Similar to Coke Studio on MTV) on the only Youth Music Channel in Kerala KappaTV
 - K-Lounge sponsors of College Festivals in Thakur College of Engineering ,Thakur College of Commerce, Welingkar Institute of Technology
 - In-Stadia Branding for Killer, LawmanPg3, Easies & Integriti in India vs West Indies Kochi ODI match

Opened 18 retail stores (Including 9 converted/relocated) i.e. 13 K-Lounges , 4 Killer EBOs and 1 Integriti EBO. Closed-relocated-converted 11 K-Lounges, 6 Integriti EBOs, 2 LawmanPg3 EBOs and 6 Killer EBOs

Retail Stores

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	1	10	156	167
K-lounge for <i>Her</i>			1	1
Killer EBO		1	77	78
LawmanPg3-EBO			13	13
Integriti-EBO			49	49
LawmanPg3 cum Integriti-EBO			1	1
Easies - EBO			1	1
Factoy Outlet		2		2
Total	1	13	298	312

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores	30.09.14	31.03.14
Existing	308	272
New opened	29	66
Converted	6	
Relocated/closed	19	30
Work-in process	7	29
Total Retail Stores	319	337

Thank You

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