## KEWAL KIRAN CLOTHING LTD

Financial Results Review - Q4 FY2014
and fiscal year ended 31.03.2014

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## Operational Performance-Snapshot

| Total revenue | Q4 FY2014 |  | Q4 FY 2013 |  |  | FY2013-14 |  | FY2012-13 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Rs crs | \% of sales | Rscrs | \% of sales | Growth | Rs crs | \% of sales | Rs crs | \% of sales | Growth |
|  | 89.18 | 100.00\% | 77.12 | 100.00\% | 15.64\% | 367.21 | 100.00\% | 302.99 | 100.00\% | 21.20\% |
| Operating EBITDA | 22.92 | 25.70\% | 21.77 | 28.24\% | 5.28\% | 93.41 | 25.44\% | 73.66 | 24.31\% | 26.81\% |
| Profit before tax (PBT) | 27.94 | 31.33\% | 23.10 | 29.95\% | 20.95\% | 97.12 | 26.45\% | 77.27 | 25.50\% | 25.69\% |
| Profit after tax (PAT) | 20.69 | 23.20\% | 16.49 | 21.38\% | 25.47\% | 67.02 | 18.25\% | 53.42 | 17.63\% | 25.46\% |
| Sales value growth |  |  | 15.64\% |  |  |  |  | 21.20\% |  |  |
| Volume Growth |  |  | 8.43\% |  |  |  |  | 10.88\% |  |  |
| Realisation growth |  |  | 4.26\% |  |  |  |  | 9.45\% |  |  |
| Number of stores | Q4 opened -4, closed-4 |  |  |  |  | Opened-66 |  | Pipeline-29-closed -30 |  |  |

## Operational Performance: Q4 and FY 2014

| Particulars | Q4 FY 2014 <br> Rs crs |  | Q4FY 2013 <br> Rs crs | \% of Revenue | Variation | FY 2014 <br> Rs crs | \% of Revenue | $\begin{gathered} \text { FY } 2013 \\ \text { Rs crr } \end{gathered}$ | $\% \text { of }$ | Variation |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net Sales | 88.06 | 98.74\% | 76.37 | 99.03\% |  | 363.86 | 99.09\% | 300.52 | 99.18\% |  |
| Other operating income | 1.12 | 1.26\% | 0.75 | 0.97\% |  | 3.35 | 0.91\% | 2.47 | 0.82\% |  |
| Total Revenue | 89.18 | 100.00\% | 77.12 | 100.00\% |  | 367.21 | 100.00\% | 302.99 | 100.00\% |  |
| Cost of goods sold | 39.17 | 43.92\% | 32.89 | 42.65\% | 1.27\% | 152.26 | 41.46\% | 126.29 | 41.68\% | -0.22\% |
| Personnel cost | 8.88 | 9.96\% | 8.44 | 10.94\% | -0.99\% | 38.26 | 10.42\% | 34.07 | 11.24\% | -0.83\% |
| Manufacturing and operating expenses | 5.87 | 6.58\% | 4.91 | 6.37\% | 0.22\% | 30.83 | 8.40\% | 23.83 | 7.86\% | 0.53\% |
| Administrative and other expenses | 4.61 | 5.17\% | 4.63 | 6.00\% | -0.83\% | 18.18 | 4.95\% | 16.75 | 5.53\% | -0.58\% |
| Selling and distribution expenses | 7.73 | 8.67\% | 4.49 | 5.82\% | 2.85\% | 34.27 | 9.33\% | 28.39 | 9.37\% | -0.04\% |
| Operational expenditure | 66.26 | 74.30\% | 55.36 | 71.78\% | 2.51\% | 273.80 | 74.56\% | 229.33 | 75.69\% | -1.13\% |
| EBITDA | 22.92 | 25.70\% | 21.76 | 28.22\% | -2.51\% | 93.41 | 25.44\% | 73.66 | 24.31\% | 1.13\% |
| Finance expenses | 0.72 | 0.81\% | 0.57 | 0.74\% | 0.07\% | 2.96 | 0.81\% | 2.62 | 0.86\% | -0.06\% |
| Depreciation/ Ammortisation | 1.29 | 1.45\% | 1.47 | 1.91\% | -0.46\% | 5.15 | 1.40\% | 5.94 | 1.96\% | -0.56\% |
| Other income | 7.03 | 7.88\% | 3.38 | 4.38\% | 3.50\% | 11.82 | 3.22\% | 12.17 | 4.02\% | -0.80\% |
| Profit before tax (PBT) | 27.94 | 31.33\% | 23.10 | 29.95\% | 1.38\% | 97.12 | 26.45\% | 77.27 | 25.50\% | 0.95\% |
| Income Tax | 7.25 | 8.13\% | 6.61 | 8.57\% | -0.44\% | 30.10 | 8.20\% | 23.85 | 7.87\% | 0.33\% |
| Profit after tax (PAT) | 20.69 | 23.20\% | 16.49 | 21.38\% | 1.82\% | 67.02 | 18.25\% | 53.42 | 17.63\% | 0.62\% |

## Financial Highlights: Q4 FY 2014

- Factors contributing to increase in profitability :
a. Increase in apparel sale volume by $8.43 \%$ and realisation per garment by $4.26 \%$ as compared to corresponding quarter last year.
b. Reduction in personnel cost YoY by $0.99 \%$ of sales and administrative expenses by $0.83 \%$ of sales.
c. Higher other income due to maturity of Fixed Maturity Plans(FMP) during the quarter
- Factors responsible for dampening profitability growth :-
a. Increase in cost of goods sold by $1.27 \%$ of sales and selling and distribution expenses by $2.85 \%$ of sales.
b. Sales tax exemption at Daman completed during end of previous year, hence all manufactured products has been subjected to Central sales Tax Act (CST) at 2\% of WSP.
c. Voluntary higher contribution of Rs 35 Lakhs towards CSR activities during the quarter.


## Industry Overview - Branded Apparels

## Industry Size

- The Domestic apparel industry is estimated at $\sim$ Rs. 1,25,000 crores
- The casual wear segment i.e. Jeans and TShirts accounts for ${ }^{\sim}$ Rs. 15,000 crores


## Branded Apparel Industry

- Within the apparel industry the share of Branded apparel is estimated at 40\%, up from $\sim 25 \%$ a decade ago
- The share of branded apparel is low to medium in Casual wear, while the share is high in Men's formal wear and Women's western wear
- Branded apparel sales are expected to grow at 10-15\% over the next 5 years; close to twice the growth rate in overall apparel industry

| Particulars | Size <br> (Rs. in <br> crores) | Share of <br> branded <br> apparels |
| :--- | ---: | ---: |
| Domestic apparels market | $1,25,000$ | $40 \%$ |
| Category-wise |  |  |
| Women's traditional wear | 34,200 | Low |
| Men's formal wear | 31,900 | High |
| Kid's wear | 10,100 | Low |
| Casuals - Jeans | 8,600 | Medium |
| Casual - T Shirts | 6,400 | Low |
| Women's western wear | 2,100 | High |

Source: Crisil Research
Note: Market size is estimated size in 2012; Category-wise share of branded apparel is relative to the share in total apparel market

## Industry Overview - Retailing

## Retail Industry

- India is among the top 10 retail markets globally
- The Indian retailing industry is estimated at Rs. 30.47 lakh crores in 2013 and expected to touch Rs. 55.67 lakh crores by 2018
- Organized retail currently accounts for $7.5 \%$ of the total retail industry and this share is expected to increase to $10 \%$ by 2018, representing an annualized growth of $\sim 20 \%$ in organized retail


## Retail Industry - Branded Apparel

- The share of organized retail in branded apparels is estimated at $18 \%$ providing scope for continued growth driven by demographic factors, rising disposable incomes and increasing brand awareness


Indian Retail Market

Source: Industry Estimates

Branded Apparel Retailing

## Trend in Total Revenue

## Q4 FY2013-14

- Total Revenue up by $15.64 \%$
- Apparel sales value up by $13.10 \%$ to Rs 83.20 crs
- Apparel sales quantity up by $8.43 \%$
- Apparel sales realization per unit up by 4.26\% to Rs 844


FY2013-14

- Total Revenue up by $\mathbf{2 1 . 2 0 \%}$
- Apparel sales value up by $21.39 \%$ to Rs 350.49 crs
- Apparel sales quantity up by $\mathbf{1 0 . 8 8 \%}$
- Apparel sales realization per unit up 9.45\% to Rs 882



## Trend in Operating Profit

Q4 FY2013-14

- EBITDA up by 5.32\%
- EBITDA margin at 25.7\%

- EBITDA (Rs crs) - EBITDA margin (\%)

FY2013-14

- EBITDA up by $\mathbf{2 6 . 8 2 \%}$
- EBITDA margin at 25.4\%


EBITDA (Rs crs) - EBITDA margin (\%)

## Trend in Net Profit

Q4 FY2013-14

- PAT up by $\mathbf{2 5 . 4 8 \%}$
- PAT margin increased to 23.2\%
- Quarterly EPS at Rs. 16.80 (13.39)

FY2013-14

- PAT up by $25.47 \%$
- PAT margin increased to 18.3\%
- FY 2014 EPS at Rs. 54.38 (43.34)


## Balance Sheet

| (Rs crs) | As at Mar. 2014 (Audited) | As at Mar. 2013 (Audited) |
| :---: | :---: | :---: |
| Share Capital | 12.33 | 12.33 |
| Reserves and Surplus | 287.65 | 241.53 |
| Shareholders' Funds | 299.98 | 253.86 |
| Other Long-Term Liabilities | 7.28 | 5.43 |
| Long-Term Provisions | 0.59 | 0.56 |
| Non Current Liabilities | 7.87 | 5.99 |
| Short-term borrowings | 11.88 | 14.09 |
| Trade Payables | 27.28 | 22.74 |
| Other Current Liabilities | 9.28 | 11.16 |
| Short-term Provisions | 14.25 | 16.59 |
| Current Liabilities | 62.69 | 64.58 |
| Total Shareholders' Funds and Liabilities | 370.54 | 324.43 |
| Fixed Assets | 42.67 | 44.25 |
| Non Current Investments | 3.49 | 3.48 |
| Deferred Tax Assets (Net) | 1.78 | 2.03 |
| Long-term loans and advances | 8.19 | 9.68 |
| Other non-current assets | 0.73 | 0.96 |
| Non-Current Assets | 56.86 | 60.40 |
| Current Investments | 163.20 | 118.13 |
| Inventories | 47.89 | 33.67 |
| Trade receivables | 63.68 | 47.87 |
| Cash \& Cash Equivalents | 34.17 | 60.77 |
| Short-term Loans \& Advances | 3.62 | 1.82 |
| Other Current Assets | 1.12 | 1.77 |
| Current Assets | 313.68 | 264.03 |
| Total Assets | 370.54 | 324.43 |

## Ratios and Cash-flow Analysis

|  | Cash Flows (in Rs crs) | FY2013 | Ratios | 31.03.14 | 31.03.13 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| I. | Cash Flow from Operating Activity | 41.18 | Debt Equity ratio | 0.04 | 0.05 |
|  | *Operating Profit before Working Capital Changes | 94.74 |  |  |  |
|  | *Adjustment for Working Capital | (26.39) | Current Ratio | 6.48 | 5.50 |
|  | *Direct Taxes Paid | (27.17) |  |  |  |
|  | Cash Flow from Investing Activity | (37.37) | Debtors turnover (days) | 51 | 50 |
|  | *Purchase of Fixed Assets | (3.64) |  |  |  |
|  | *Purchase/Redemption of Investments in mutual funds | (37.35) | Creditors turnover (days) | 35 | 33 |
|  | Cash Flow from Financing Activity | (31.39) | Inventory turnover (days) | 40 | 37 |
|  | *Interest and Finance Charges | (2.50) | Finished Goods | 17 | 17 |
|  | *Payment of Dividend (Including Dividend Tax) | (26.68) | WIP | 17 | 15 |
|  |  |  | Raw Materials | 6 | 5 |
| Cash and Cash Equivalents - Closing |  | 33.43 |  |  |  |
|  |  |  | ROCE in operations | 88.57\% | 71.78\% |
| - Strong cash flows driven by higher operating profits |  |  | ROCE overall for Company | 30.44\% | 26.73\% |
|  |  |  | RONW | 24.20\% | 22.02\% |

## Brands : Q4 FY 2013-14

- Lawman sales grew by 47\%
- Integriti sales increased by $\mathbf{1 7 \%}$
- Killer is the flagship brand with $\mathbf{5 2 \%}$ share

Brand wise sales break up Q4 FY 2014


| Killer | 46.06 | 45.33 | $2 \%$ |
| :--- | ---: | :---: | :---: |
| Lawman | 17.61 | 11.97 | $47 \%$ |
| Easies | 3.16 | 2.28 | $39 \%$ |
| Integriti | 16.37 | 13.98 | $17 \%$ |
| ADDICTION | 4.86 | 2.81 | $73 \%$ |
| Total |  |  |  |

## Brands : FY 2013-14

- All brands showed strong double digit growth
- Killer and Lawman increased by 20\% and $37 \%$ respectively


Killer Lawman Easies Integriti Other Brand
Sales (Rs crs) Q4 2014 Q4 2013 \% Change

| Killer | 46.06 | 45.33 | $2 \%$ |
| :--- | ---: | ---: | ---: |
| Lawman | 17.61 | 11.97 | $47 \%$ |


| Easies | 3.16 | 2.28 | $39 \%$ |
| :--- | :--- | :--- | :--- |


| Integriti | $16.37 \quad 13.98$ | $17 \%$ |
| :--- | :--- | :--- | :--- |


| ADDICTION | 4.86 | 2.81 | $73 \%$ |
| :--- | :--- | :--- | :--- |

Total
$88.06 \quad 76.37$
15\%

## Products : Q4 FY 2013-14

- Shirts and T shirts grew by 50\% and 84\% respectively
- Trousers sales up by 76\% due to trend in cotton casual colored pants

Product wise sales break up Q4 FY 2014


| Sales (Rs crs) | Q4 2014 | Q4 2013 | \% Change |
| :--- | ---: | ---: | ---: |
| Jeans |  |  |  |
| Trousers | 45.43 | 49.87 | $-9 \%$ |
| Shirts | 11.91 | 6.78 | $76 \%$ |
|  |  |  |  |
|  | 20.45 | 13.67 | $50 \%$ |
| T-Shirts | 5.09 | 2.77 | $84 \%$ |
|  |  |  |  |
| Others | 5.18 | 3.27 | $58 \%$ |
|  |  |  |  |
| Total | 88.06 | 76.37 | $15 \%$ |

## Products : FY 2013-14

- Jeans is the largest selling product with 55\% share
- Share of Shirts and T-Shirts increased from 20\% to 25\%

| Sales (Rs crs) | FY 2014 | FY 2013 | \% Change |
| :--- | ---: | ---: | ---: |
| Jeans |  |  |  |
| Trousers | 200.60 | 191.96 | $4 \%$ |
| Shirts | 45.48 | 27.45 | $66 \%$ |
|  |  |  |  |
| T-Shirts | 72.65 | 47.43 | $53 \%$ |
|  | 17.37 | 10.56 | $64 \%$ |
| Others | 27.76 | 23.12 | $20 \%$ |
| Total |  |  |  |

## Channels: Q4 FY 2013-14

- National Chain Stores showed strong growth of 45\%
- MBOs maintained the largest share at 51\% of sales

Sales (Rs crs) Q4 2014 Q4 2013 \% Change

| Retail | 24.87 | 21.49 | $16 \%$ |
| :--- | :---: | :---: | :---: |
| MBO | 43.79 | 39.12 | $12 \%$ |
| National Chain <br> Stores | 10.91 | 7.55 | $45 \%$ |
| Factory Outlet | 3.75 | 3.57 | $5 \%$ |
| Overseas | 4.74 | 4.64 | $2 \%$ |
| Total | 88.06 | 76.37 | $15 \%$ |

## Channels : FY 2013-14

- Sales through National Chain Stores showed strong growth of 59\%
- Exports grew by 44\% and accounts for 7\% of total sales
- Reduction in Factory Outlet sales indicates reduction in defectives and better quality

Channel wise sales break up FY 2014


| Sales (Rs crs) | FY 2014 | FY 2013 \% Change |
| :--- | :--- | :--- | :--- |


| Retail | 98.67 | 81.45 | $21 \%$ |
| :--- | ---: | ---: | ---: |
| MBO | 197.38 | 170.40 | $16 \%$ |


| National Chain <br> Stores | 31.93 | 20.11 | $59 \%$ |
| :--- | :---: | :---: | :---: |
| Factory Outlet | 10.73 | 11.07 | $-3 \%$ |

Overseas $25.15 \quad 17.49 \quad 44 \%$

| Total | 363.86 | 300.52 | $21 \%$ |
| :--- | :--- | :--- | :--- |

## Regional Distribution : Q4 FY 2013-14

- Central Region showed strong growth of 57\%
- Western region grew by 26\%

*based on comparable distribution data for 11-50 years age group Source: India Population Census Data - 2011


## Regional Distribution : FY 2013-14

- Sales from Central and North region grew by $52 \%$ and $25 \%$ respectively
- Region-wise sales mix stable as all regions showed growth

Region wise sales break up FY 2014

*based on comparable distribution data for 11-50 years age group Source: India Population Census Data - 2011

| Sales (Rs crs) | FY 2014 | FY 2013 | \%Change |
| :--- | ---: | ---: | ---: |
| North | 59.88 | 47.94 | $25 \%$ |
| West | 79.65 | 78.82 | $1 \%$ |
| Central | 25.54 | 16.76 | $52 \%$ |
| South | 63.96 | 56.47 | $13 \%$ |
| East | 109.68 | 83.05 | $32 \%$ |
| Domestic Sales | 338.71 | 283.04 | $20 \%$ |
|  |  |  |  |
| Overseas | 25.15 | 17.48 | $44 \%$ |
| Total |  |  |  |

## Key Developments

- The Company has announced third interim dividend of Rs 5 per equity share and proposed final dividend of Rs 1.5 per equity share in its board meeting held on 10.05.2014.The Company had earlier declared and paid interim dividends of Rs 7 and Rs 7.5 per equity share. Aggregate dividend for the financial year 2014 is 210 \%
- The Company has augmented the "Business Progressive Fund" by Rs 5 Cr out of its profits during FY 2013-14 aggregating to Rs 15 Cr , to maintain normal growth in sluggish market conditions and support superior growth for long term.


## - Advertisement and branding initiatives :-

- Integriti brand has been principal sponsor for Rajasthan Royals during the IPL season 2014
- In-Stadia advertisements of three brands-KILLER, Lawman Pg3 and Integriti during India Vs
- New Zealand cricket match series .
- KILLER was the "Arm Sponsor" for Afghanistan cricket team in T20 World Cup, 2014 held in Bangladesh
- The Company contributed Rs 32.65 Cr as income tax and corporate dividend tax (CDT) and Rs 7.17 Cr as sales tax to the exchequer, constituting 59.42 \% of PAT earned by the Company during the year.
- Opened 66 new retail stores Closed 30 retail stores. With this Company has presence in over 183 cities and 24 states across India.


## Retail Stores

| Particulars | COCO | COMFO | FOFO | Total |
| :---: | :---: | :---: | :---: | :---: |
| K-Lounge | 1 | 10 | 148 | 159 |
| Killer EBO |  | 1 | 77 | 78 |
| 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 | 294 | 308 |
| COCO - Company Owned Company Operated |  |  |  |  |
| COMFO - Company Owned Management Franchisee Operated |  |  |  |  |
| FOFO - Franchisee Owned Franchisee Operated |  |  |  |  |
| Retail Stores |  | 31.03.14 |  | 31.03.13 |
| Existing |  | 272 |  | 250 |
| New opened including relocation |  | 66 |  | 69 |
| Closures including recolation |  | 30 |  | 47 |
| Work-in process |  | 29 |  | 21 |
| Total Retail Stores |  | 337 |  | 293 |

## 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 s no obligation to publicly update these forward looking statement to reflect subsequent events or circumstances.

