



“Kewal Kiran Clothing Limited
Q1 FY24 Results Conference Call”

August 03, 2023

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**MANAGEMENT: MR. HEMANT JAIN – JOINT MANAGING DIRECTOR
MR. PANKAJ JAIN- PRESIDENT RETAIL**

Moderator: Ladies and gentlemen, good day and welcome to the Kewal Kiran Clothing Limited Q1 FY24 Conference Call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we begin, a brief disclaimer, the presentation which Kewal Kiran Clothing Limited has uploaded on the stock Exchange and their website including this discussion during this conference contains or may contain certain forward-looking statements concerning Kewal Kiran's business prospects and profitability which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

I now hand the conference over to Mr. Hemant Jain – Joint Managing Director. Thank you and over to you, sir.

Hemant Jain: Good evening. On behalf of Kewal Kiran Clothing Limited, I welcome everyone to Q1 FY24 Earnings Conference Call of the Company. Joining me on this call is Mr. Pankaj Jain – President Retail and Marathon Capital, our Investor Relations Advisor.

I hope everyone had an opportunity to look at our Results. The "Presentation and the Result Release" have been uploaded on the stock exchange and our Company's website.

We are delighted to start the year on a positive note by continuing our growth trajectory registering an increase of 15.5% in our revenue from operations backed by consistent margins. In line with our consumer focus approach, as well as our brand acceptability, the Apparel sales show a volume growth of 10.3% despite weaken consumer sentiment and general slowdown in the sector during the quarter. Our continued focus on enhancing visibility and availability through increasing our brand focussed EBOs coupled with expanding our product portfolio and marketing initiatives are the key contributors for this robust performance.

Continuing our strategy towards expanding exclusive brand focussed EBOs, the Company has had a net addition of 27 brand EBOs during the quarter taking the total tally of Killer EBOs to 249 and overall EBOs to 454 EBOs as at June 30th, 2023. Further, work on additional identified 50 EBOs is ongoing and expected to be launched in coming months. These expansions align with our strategy to bring our product closer to the consumer enhancing acceptability and convenience.

For enhancing brand visibility and aspirational value, we continued our marketing campaign including outdoor advertising to advertisement across multiplex and theaters. Our recently concluded Brand Trade Show of Killer and Easies, Lawman and Integriti in July 23, showcasing our SS'24 style trends received overwhelming response from our channel partners, reiterating

the strength of Company's brand to connect with consumer in providing an unparalleled fashion experience.

Our core brands have evolved over time from being denim-focussed brand to lifestyle brand. Our strategy revolves around discipline expansion successfully navigating channel to emerge strong than ever. By following our business approach and working on the primary principle of 3S i.e: business stability, sustainability, and scalability, we have proven time and again that our vision and strategies are resilient. We will keep pushing our limits and reaching new milestone to rise above and our confidence in our ability to further build on the progress made so far and continue to drive a strong overall growth.

Coming to the financial performance highlights:

Standalone performance highlight for Q1 FY24 - Revenue from operations for Q1 FY24 grew by 15.4% to Rs. 178.4 crores as compared to Rs. 154.5 crores in Q1 FY23. Gross profit grew to Rs. 76.8 crores in Q1 FY24 as compared to Rs. 66.8 crores in Q1 FY23. Gross margin of Q1 FY24 was almost similar at 43% as compared to 43.2% in Q1 23. EBITDA for Q1 FY24 grew by 16.4% to Rs. 34.1 crores as compared to Rs. 29.3 crores in Q1 FY23. EBITDA margin for Q1 FY24 stood at 19.1% as compared to 19.0% in Q1 FY23. PBT for Q1 FY24 grew by 58.0% to Rs. 41.4 crores as compared to Rs. 26.2 crores in Q1 FY23. PBT margin for Q1 FY24 stood at 21.9% as compared to 17.0% in Q1 FY23. PAT for Q1 FY24 grew by 56.8% to Rs. 33.8 crores as compared to Rs. 21.6 crores in Q1 FY23. PAT margins for Q1 FY24 stood at 17.9 % as compared to 13.9% in Q1 FY23.

We may now begin the Q&A session.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Priyanka Trivedi from Antique Stock Broking Limited. Please go ahead.

Priyanka Trivedi: Sir my first question is, the growth in this quarter has been majorly driven by jeans and the others category, while the shirts has grown at a lower rate of around 11%, so what has been the reason for same? And also could you mention what categories in the Other category has grown?

Pankaj Jain: Priyanka, it generally depends on quarter-to-quarter business. So generally jeans and T-shirt, trousers is an overall business. T-shirt generally starts going down on the first quarter of the year. It grows at a similar percentage. So, we work on the season plan. The summer season, which was carried forward, so that is why most of the dispatch has happened for denim on this proportion and the supply of shirts would have been higher in the earlier quarter scenario. Look at annualize basis. We work on the season plan, not on a quarter-on-quarter plan, that is why you will see there is a mixed changed scenario and this will keep on happening quarter-on-quarter basis.

Priyanka Trivedi: So, for the year our shirts category would grow the fastest? We maintain that, right.

- Pankaj Jain:** Yes, we presume that.
- Priyanka Trivedi:** And my second question is also if you could mention on the Others category, what has grown faster in the others category?
- Pankaj Jain:** It is a minute percentage scenario which it was earlier 5 point something, which is now 5 point above percentage, so it doesn't matter. Other categories would include other accessories categories.
- Priyanka Trivedi:** So, it is not like. Basically the accessories, footwear and all must have grown at a faster rate?
- Pankaj Jain:** Other accessories category, so in terms of volume it is a higher percentage, when you start putting it to a value it hardly forms a percentage that is the reason, generally minute percentage.
- Priyanka Trivedi:** And my second question is with regards to the average realization that has declined by 12% for the quarter, so what is the reason for that?
- Pankaj Jain:** With these numbers, its volume is based on all the categories put together, so in accessories category the volume has been tremendously high, but the other realization has been lower, so mix percentage has given the number like that.
- Priyanka Trivedi:** So, apparels, what would be the average realization of apparels on year-on-year basis?
- Pankaj Jain:** Generally we say that average realization will grow by 4% to 5%.
- Priyanka Trivedi:** And my last question is on the store expansion, so if you have to look at 22 K-Lounge stores we have closed and 4 other brands EBOs we have closed, so that sums up to around 26 stores and we have opened 27 Killer stores, so is it more like the stores have been converted into Killer stores or have had there been store closures and going ahead, how would that pan out?
- Pankaj Jain:** Basically you are right on your aspect. So there has been 3 reasons for it. 1 some of the stores have been converted to Killer stores that is one of the reason. Some stores have been under revamping also, we generally put and there have been shifting of the stores also because of a higher size store that is 2 and third it has been with the closure store, so it is a combination of all 3 bracket.
- Moderator:** Thank you. The next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.
- Jagvir Singh:** My first question is related to the EBOs. So if we talk about the full year basis, so what will be the number on a full year basis for the EBOs?
- Pankaj Jain:** We estimate that we will still grow, we are targeting around 80 to 100 stores this year also.

- Jagvir Singh:** 80 or 100, sir?
- Pankaj Jain:** 80 to 100.
- Jagvir Singh:** Sir any guidance for the EBITDA margins for the closing for the full year FY24 and revenue guidance?
- Pankaj Jain:** Generally, our estimate says that the revenue would be around 18% to 20%, similar would be with the EBITDA margins.
- Jagvir Singh:** So, in this quarter, the EBITDA margins are sustainable, you are saying?
- Pankaj Jain:** Yes.
- Jagvir Singh:** Overall what is the scenario because there are some news that there is some slowdown in the apparel segment because we heard the Shoppers Stop call, so they have a slowdown in the June quarter, so what is our overall sense?
- Pankaj Jain:** I would not deny that there haven't been a slowdown. There has been a slowdown and that is the reason we have missed our estimates on a top line basis. But we have ensured that in terms of changed scenario and price bracket scenario, we have been able to achieve it on EBITDA levels and feel that we will be able to achieve it on the annualize basis atleast.
- Jagvir Singh:** Sir what was the Same Store Growth in this quarter Q1?
- Pankaj Jain:** The SSG was around 4%.
- Jagvir Singh:** Ok. Now cotton prices are down from 1lakh to 56,000 or 55,000, so we will get any benefit from this in the margins going forward?
- Pankaj Jain:** See we did get that and we said we did get that in the first quarter also, but since the sales were preponed this season, that entire benefit was taken over by that category that was one. And we feel that hence forth also even if there is any levels of margins or betterment of the gross margins, we will try to capitalize it and do much more of amortizing on that aspects.
- Jagvir Singh:** This year the yearly sales were started in June or July?
- Pankaj Jain:** This time it was preponed, so sales started during the June period.
- Jagvir Singh:** So, in the next quarter, there will be some impact on the revenues because due to the preponed of the sales earlier?

- Pankaj Jain:** We don't feel that. There is a fresh sales through and there is discounted sales through. We have to stick to the market. so if the market continues till sale period and I have to continue it till that period.
- Moderator:** Thank you. Next question is from the line of Shrinjana from Ratna Traya Capital. Please go ahead.
- Shrinjana:** Sir I have 3 questions, so one is on the other income, this quarter our other income was on the higher side, Rs. 11 odd crores, so what is the reason for that?
- Pankaj Jain:** Other income is the income on FDs and Mutual Funds. The market has been good, and it is related to the fair market value current that the reason it was higher.
- Shrinjana:** And second is there is a clarification - in between our K-Lounge store and Killer specialty store, the difference would be that the K-Lounge store would have other brands as well like Lawman and Integriti and other brands and Killer is just Killer, is that right?
- Pankaj Jain:** Yes.
- Shrinjana:** One more question is on the Same Store sales Growth, like you mentioned for this quarter was around 4%, so I just wanted to understand how do you calculate your Same Store Sales Growth?
- Pankaj Jain:** It is related to like-to-like format, who have been present on last quarter as well as this quarter.
- Shrinjana:** That is only for EBOs you are saying the Same Store Sales Growth?
- Pankaj Jain:** That is only for EBOs.
- Shrinjana:** The EBOs which were there in the last quarter which was already opened in the last quarter....
- Pankaj Jain:** We have seen the entire quarter last year as well as this quarter.
- Shrinjana:** So, on those EBOs the growth have been around 4%.
- Pankaj Jain:** Yes.
- Moderator:** Thank you. Next question is from the line of Ankit Babel from Shubkam Ventures. Please go ahead.
- Ankit Babel:** Sir few questions from my side. First is, have you taken any price hike in this quarter or do you plan to take any price hike in the coming quarters?
- Hemant Jain:** Actually, this time we have not taken price hike because cotton prices had already became normal, so there was no point in taking price hike. Also we don't want to lose the market shares,

so we haven't taken price hike, but yes, the cotton prices have decreased slightly and we have taken its benefit. But we haven't taken any price hike.

Ankit Babel: You have also guided for launches in new categories, maybe in children category or ladies category, so any progress on that?

Hemant Jain: Yes, we are already working on that and as soon as it is launched, we will let you know. But we are more focused on kids wear. We are going to launch our kids wear very soon. But until a business is established - it requires 2 or 3 season for a business to be established, until then we would not be sharing the numbers with you, but yes kidswear we will launch very soon.

Ankit Babel: Sir, one more thing what we understand is that your other brands means other than Killer, the Lawman, Integriti and Easies are pretty small as on date. So what are your plans to scale those brands? Will you focus on those brands or you will continue to focus on Killer as the main brand?

Hemant Jain: Yes, we are focusing on that brands also. We have built a team, we have hired some professionals. It takes some time to bring any brand to the limelight, but we are also working on that and in future you will see the growth of those brands also. Recently we did a Tradeshow and we got a good response, so we feel that in future that brand will grow at a great speed.

Ankit Babel: So, any ballpark idea what could be the size of those brands? And what are you targeting in the next 2 years, 3 years, 4 years?

Hemant Jain: It is too early to say anything. But we are working on that and already there is a brand and already good turnover are coming. We are working to improve it furthermore, so in future we can see its benefit in quarter to quarter.

Ankit Babel: Sir my last question is, in the last couple of conference calls, you had mentioned that to increase your growth rate you are looking for some acquisitions, so just wanted to know any progress on that? Any categories you have identified? What is the progress on that?

Hemant Jain: We team is working on that. We cannot tell you anything until something is finalized. But yes, my team is really working on that. We are also looking at that and finding good opportunities. As soon as anything is done, we will tell you about that. But we are open for that and we are working on it.

Ankit Babel: So, can we be rest assured that the ticket size of such acquisitions will be not more than the cash balance what you have? Just from a....

Hemant Jain: No, it is not like that. See, because it is a cash balance, we had kept an opportunity. But if any good opportunity comes and even if we have to invest money, we are ready to invest in that. It is like that, we don't know which opportunity will come at what time. But not only of how

much cash we have. But yes, we will try that, if we get good opportunity and if the Company gets additional business, then we will definitely take that opportunity 100%.

Ankit Babel: Sir what are your key areas you are looking at when you are shortlisting any candidate for acquisition? I mean is it the category or is it a profitable brand?

Hemant Jain: We are looking for garment business only. Not other than the garment business, not out of the garment business.

Ankit Babel: What I am asking is, are you ready to buy any Company even if it is a loss-making brand if you feel confident of turning it around and so you are ready for that also or you are looking at for some regional brands to capture some geographical area? I mean what is your thought process while shortlisting any candidate for acquisition?

Hemant Jain: It consists of 2 to 3 things. Any Company which is a loss making Company and if there is a confidence that we can turnaround it, then its valuation will be X or will be X- and if it is a profitable Company then its valuation will be different, we have to look at it in a different way. But we are open for both the things. If my team and my management feels that we can do turnaround on that, then we will see according to that value and if any profitable Company comes and its valuation is different, then we will see accordingly. See it all depends on which opportunity we are getting. So, you can't block the mind saying I want a profitable Company only, I don't want a loss-making Company. Suppose, it is men's wear and we feel that we can focus it even better, my team is already built in and that Company is making losses due to its own reasons, it all depends that why it is making losses. If we feel that we can correct it then we can see that also, it is not like that we will not do anything.

Pankaj Jain: To answer your question, too many deals are available in market as of today and in all the genres and in all the genders also. So whichever fits best to our synergies, we will definitely explore them.

Moderator: Thank you. Next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Firstly, I had a clarification on the store growth number. You have spoken about 80 to 100 stores, so this is net of closures and net of conversion stores?

Pankaj Jain: Yes, net of closure.

Deepak Lalwani: And the second question was on the apparel growth rate. Our volumes have grown at 8% to 10% in this quarter and we hear about slowdown in the retail spends. So if you can speak to us about what is happening on the secondary sales? Has demand picked up? What gives you confidence that you will be able to achieve the 18% to 20% growth for the full year?

Pankaj Jain: Deepak, the total quantity growth has been close to around 50% right.

- Deepak Lalwani:** Yes, but that includes the accessories right which is a lower realization business?
- Pankaj Jain:** So?
- Deepak Lalwani:** What I wanted to ask is on the apparel side you have grown at 8% to 10%, but the aspiration to grow revenue is at 18% to 20% right?
- Pankaj Jain:** Yes.
- Deepak Lalwani:** So, on the volume side we will have to pick up much more in this next 9 months?
- Pankaj Jain:** What we have said, the growth has been there on the volume side also as well as the revenue side. Right?
- Deepak Lalwani:** Right, but it is being on the lower end that is my question what gives you the confidence that in the next 9 months you will be able to catch up? That you are able to meet your guidance of 18% to 20%?
- Pankaj Jain:** Deepak, on our estimate we have been short by about close to around 3% to 4% on the topline basis. I feel quarter 2 and 3 becomes the bigger season scenario and we feel that we will be able to cover it up in quarter 2 or the quarter 3 period.
- Hemant Jain:** Deepakji, what happens this time the apparel business was very dull. There are many festivals in the coming time. If you see the peak time of any garment business, that is quarter 2 and quarter 3. So, we feel that whatever commitment we have made and whatever we are making today, we can do it. All the festivals are in the coming time and Indian market is more dependent on the festival market, so we are confident. I have talked to my channel partners also, everyone is confident that we can achieve it.
- Deepak Lalwani:** Sir these secondary sales have also improved from July onwards?
- Hemant Jain:** Yes, but not as much as of April. But not improved too much also. But yes in a better position. Compared to April it is in a better position.
- Moderator:** Thank you. Next question is from the line of Priyanka Trivedi from Antique Stock Broking. Please go ahead.
- Priyanka Trivedi:** Sir my question is on working capital days, if you have to look it on year-on-year basis, they have declined and it was majorly driven by inventory days decline, so what has driven this reduction? And is this sustainable for the year? Or we will maintain FY23 working capital days?
- Pankaj Jain:** The working capital will stay at what it is. Generally, we say it should be around 120 days to 130 odd days period and it will stay in the same limits.

- Priyanka Trivedi:** My second question is that manufacturing expenses have reduced by almost 22% on year-on-year basis, what is the reason behind that? And will that sustain?
- Pankaj Jain:** Bifurcation perspective, you should generally consider the COGS, I would advise that.
- Moderator:** Thank you. Next question is from the line of Rajiv from DAM Capital. Please go ahead.
- Rajiv:** Sir this is in terms of the stores under development, for the last year or so, the percentage of stores under development as a percentage of the current network was close to 20% plus and that helped in terms of materializing in 4-5 quarters. Now that number has come down to close to 12%, so this 70 - 80 store addition, do we have a stronger pipeline visibility in Q2 in terms of that this 50 number going to 80 by Q2 end?
- Pankaj Jain:** I have under-development stores where contracts or things are decided, is close to around 50 stores.
- Rajiv:** Yes, I see that you are 50 on a base of 450 currently that is 12%?
- Pankaj Jain:** At a lower base also, I consider at 80 to 100 stores at the base also I am considering at 80 to 100 stores only, so it is the absolute quantity which I am considering not the percentage.
- Rajiv:** Yes, I understand that, the point I am making is for example Q2 of FY22, you had 80 stores under work and you had 323 which were operational total becoming a 400 odd stores and this 400 network basically got materialized by mid of Q2 of 23. So it took close to 4.5 quarters. So now if I look at the current number which is put together close to 500 odd stores, if you take the historical last few quarters average if it continues for 4.5 more quarters then you will hit may be 500 stores by the end of this year or may be Q1 and versus let us say you are guiding for 530 number?
- Pankaj Jain:** I am saying that on this base, I have already under-development close to around 50 odd stores. It also depends on the market sentiments, since the market sentiments were low, the customer also resist himself for investments. So whenever market sentiments become better also the franchise involvement becomes much higher. You just have to work on the faster pace during that period.
- Rajiv:** Secondly I missed a few data point, you initially said that there was a 10% volume growth on apparel side, is it?
- Pankaj Jain:** Yes, that is true.
- Rajiv:** But if we reverse the volume number from the data that you have shared, it seems that if your volume per store number is on an average 10% down as compared to last year, so at once?

- Pankaj Jain:** I am not understanding from what number are you making that particular number, if you may elaborate?
- Rajiv:** So, you have given the total volume number which is 3 million which is apparel plus lifestyle and then we have indicated.....
- Pankaj Jain:** That includes garment and accessories.
- Rajiv:** No, I am elaborating further. And then you have mentioned that apparel is 60% of the total, so you take basically 60% of this number and that will give you the apparel number. And then I adjust it for the retail portion of the revenue and then divide by the number of stores and that is where we have seen 10% Y-o-Y decline and then the same way if you do there is a price increase of close to 4% and I assume that because you have not taken price hike, so is largely mix lead. So there is a volume decline it seems, is what I think?
- Pankaj Jain:** It is due to seasonality, The absolute number right now, the number of 3 million is of garment plus accessories on the overall Company basis. The accessories growth which I said was only on the retail format. When you consider the number of stores format, this is the total number for all the channels put together. You cannot divide it by the number of stores directly.
- Rajiv:** No, I multiplied by the retail thing right, 43% which is the retail channel revenue?
- Pankaj Jain:** Retail includes 2 channels, which is my exclusive stores as well as LFS.
- Rajiv:** Okay it includes the LFS as well as, is it?
- Pankaj Jain:** It does.
- Moderator:** Thank you. The next question is from the line of Ritesh Badjatya from Motilal Oswal Financial Service. Please go ahead.
- Ritesh Badjatya:** Sir just looking your few comments on category of a plus size, you have any plans to enter this category because we have seen there is a good demand for this product and recently Shoppers Stop also entered into this category?
- Hemant Jain:** Not yet. Because currently we are not working on this, but in future may be it is possible because now the first focus is on the Kids, we want to launch the Kids first and then ladies, so currently we don't have any plan, we will let you know whenever we have a plan.
- Moderator:** Thank you. Next question is from the line of Drishti from Thinqwise. Please go ahead.
- Drishti:** Sir in your Presentation I see that you have mentioned that you have 80 distributors with 3,000 retail MBO touchpoints, so what are your thought process of increasing these MBO count further

if we are thinking over that? And in case you can give the bifurcation of semi-urban and metro or Tier-1, Tier-2, Tier-3 city bifurcation of these retail MBOs if that is possible?

Pankaj Jain: The bifurcation which we give on retail and non-retail, both have been growing on the similar percentage. MBO forms a part of the non-retail format, so it has been growing at the similar pace perspective. I will not be able to directly give you the numbers exactly on how I will penetrate or at what value or what quantity I will be penetrating to. But when I say that my retail as well as non-retail has grown at a similar percentage in this quarter.

Drishiti: Fair point but that is the same sales growth right? I wanted to understand that we are increasing the number of retail touchpoints.

Pankaj Jain: We are, but I don't have an exact number on my platter right now.

Moderator: Thank you. Next question is from the line of Siddharth Purohit from InvesQ Investment Advisors Private Limited. Please go ahead.

Siddharth Purohit: Hemantji, last time also you discussed that our focus is increasing in Northern market and winter, So how is the response there for this season? I think you must have already taken orders for winter right?

Hemant Jain: Right. Our business from the North is 60% in winter only. We did good business in North in the last season there and the response was also good. And this season we are hopeful that our business will grow from North side.

Siddharth Purohit: Then in comparison to last year is this season satisfactory? Can you tell some ballpark figure like how much North market will grow?

Hemant Jain: In today's date, I cannot give you figures zone wise, but yes, today in our kitty the East is #1 and we follow North, West and South. Slowly our penetration is increasing in the North. So I cannot say the exact numbers of percentage today, but yes our business is growing in North.

Moderator: Thank you. Next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: Sir my question is related to the competitive intensity. So recently in the last 2, 3 4 years Zudio has come out with the big expansion and they are selling jeans in the Rs. 500 and Rs. 600 range. And in the last quarter, Shoppers Stop also launched their brand Intune. Their average price is also Rs. 500, Rs. 600, so they are growing big in the Tier-3 and Tier-4 markets also Zudio, Reliance Trends. So competitive intensity is increasing in the jeans and other products also, so what is our thought process on this, sir?

Pankaj Jain: When you say as a segment, denim there is an economy range, there is a mid-premium range and there is a premium range perspective. I fall in the mid-premium perspective, but what

comparison you are doing may be on the value format, I don't fall in that category. And when you are talking about the Reliance Trends, I am already a part of Reliance Trends.

Moderator: Thank you. Next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Sir my question was on the K-Lounge stores. How many stores did we close in this quarter and how many were converted to Killer stores?

Pankaj Jain: Total closure was around 22. Deepak, 6 to 8 were converted, 6 to 8 were under renovation and 6 were closure stores.

Deepak Lalwani: Sir are we seeing more store which will get converted into the Killer format?

Pankaj Jain: The number of stores on K-Lounge are on a 5-year period. So majority of the stores close to around 70% of the store fall under a 5 year period. So I am revamping the strategy on those stores.

Deepak Lalwani: So, all the stores will get renovated/converted into a Killer store, is that the strategy?

Pankaj Jain: Working on a strategy aspect. How to sustain, how to maintain, both the aspects.

Hemant Jain: Deepakji, in this it is like that all the stores will not be changed to Killer overnight. Few stores will be converted into Killer and may be few will be converted into Integriti and Lawman. Because we are looking forward to the future of K-Lounge in a different manner and we want to go in the big format. Likewise as my gender, my categories are all established then we would like the K-Lounge should be the bigger size stores and with all my categories. So its strategy is still not yet done. But we are doing slowly because we don't want to lose the sales from that store, so we are converting it into single brand, so somewhere Integriti stores will be opened, somewhere Lawman's store will be opened, somewhere Killer's store will be opened. So it all depends on the sales, that the sale data what we have today and the sale of which brands is better there, if Integriti is performing better in Tier-3, Tier-4 there, then we will open as an Integriti store, independent store of Integriti, so we are working on that. We are doing conversions slowly because we do not want to lose our sales. And K-Lounge will be a different policy. So, in future we will talk to you about K-Lounge separately. Today we don't want to close any stores and the stores which are not able to do even sustain, then may be 2, 5 stores will be closed, otherwise we will retain all the stores.

Deepak Lalwani: Sir in the 50 store that we have in the pipeline, what should one expect to come within the few quarters?

Hemant Jain: We are trying that it gets open before the festival, but sir in this few stores are there which are to be opened in the mall and whose possession we have not received till now, a few stores are

already are under fixtures. Slowly the 50 stores which is in my pipeline will almost opened in next quarter or by the quarter 3.

- Deepak Lalwani:** In this conversion is not included right? These are apart from the converted stores.
- Hemant Jain:** No, some stores are there which can go under conversion, around 2 to 4 stores can be go under conversion.
- Moderator:** Thank you. Next question is from the line of Varun Singh from ICICI Securities. Please go ahead.
- Varun Singh:** Sir my first question is and sir I am sorry if this is a repeated question because I joined the call little bit late around half an hour late. So, sir my first question is have we taken any price hike in the jeans segment?
- Hemant Jain:** No, because already cotton prices had become normal and few prices were reduced and we didn't take price hike.
- Varun Singh:** If not taken then what will be the component of SSG in this 19% growth compared to retail expansion?
- Pankaj Jain:** The growth has been around 15%, but how are you saying 19%?
- Varun Singh:** Sir using your segmental contribution number I calculated, but still, what is the accessory number at overall system level?
- Pankaj Jain:** Generally, calculate some store when we deal with non-retail format, we don't give the exact numbers on the tertiary sales. So we generally calculate SSG only on the retail store format.
- Varun Singh:** What is our SSG in the retail store format compared to revenue growth?
- Pankaj Jain:** SSG growth was around 4%.
- Varun Singh:** Both in retail and non-retail a growth of 15% and 16% is very much healthy, so other companies are facing slowdown in discretionary consumption, specially, in Tier-3 city and it is not reflecting in our case, so anything you want to callout what is the reason for our relative outperformance?
- Hemant Jain:** Good quality, better price, good service and for a brand what more it can be to make the growth. And you are converting the weakness of the other brand into positive, that is the growth path of any business.
- Varun Singh:** Right, like as we said we have not taken price hike, so competition has taken price hike and for this our performance is relatively high, have gained market shares.

- Hemant Jain:** This time what happened that in the first quarter April month was very bad for any brand of my competitors. So it was like that in June we are very aggressive in the sale part. So, when people started in June, we went in a very aggressive sale so our business was not hampered. Yes, we had to take a hit of 1% or 2% in our EBITDA margins, but yes we have not slowed down our growth path. We didn't lose our market share.
- Varun Singh:** Understood, but why this question is because we don't have any contraction in our gross margins, is in a very healthy level whereas competitors and everyone has reported some contraction.
- Pankaj Jain:** The contraction is not there because it got offset from the savings which was done.
- Hemant Jain:** It got offset from the benefit which we received.
- Varun Singh:** My second question is in this K-Lounge format, how much more rationalization is left? You are saying 70% of stores are 5 years old, so going forward, from our total number of stores how much money is to be spent on store closer, conversion, renovation and till when this rationalization will go on?
- Hemant Jain:** The major stores are the franchise model stores; there it doesn't cost our Company. We convert them to single brand store from K-Lounge. So as far as the CAPEX is concerned, not too much of expense comes on the Company, we do a little bit of sharing with them, but it is not a very big amount. We are not closing that store, but we are converting it into single brands.
- Varun Singh:** Understood, so sir how much rationalization is remaining in this?
- Pankaj Jain:** It is an ongoing process.
- Hemant Jain:** This keeps on happening. So as the season approaches, everybody gets ready before the festive and after festive they don't get ready that quickly. We also take some time. And it is not like all the stores will get converted. The store which is doing good business why he will change in single brands. It may not happen also. Not all stores will be converted.
- Pankaj Jain:** To answer your question the K-Lounge as a brand format is not closing down.
- Varun Singh:** In K-Lounge from when we are expecting store addition?
- Pankaj Jain:** This year focus has been on individual stores.
- Varun Singh:** Individual brands?
- Pankaj Jain:** Yes.

- Varun Singh:** And sir final question is on the value price range. Earlier we said that Integriti should be growing at a higher rate and because value price is a high growth segment, currently Reliance is also bringing its new format less than Rs. 500 price point in that segment. Shoppers Stop has also entered and we have a value brand also with us, so on the value price point, sir what is your growth plan? If you have any, if you want to share and other consequence what is revenue contribution etc., we are expecting over next 1 year-2 years?
- Hemant Jain:** Till now no stores of there's have come. Until and unless their format is cleared and their policy is not defined, till then we cannot say. And the value chain and price they talk, maybe we are not fit in that channel, so unless anything is concrete what should we reply on that to you. so it is just little time is....
- Varun Singh:** No, sir I am asking what are business plans regarding Integriti?
- Hemant Jain:** I am talking about overall Kewal Kiran only and when we are talking about Kewal Kiran, then we have already planned that we will grow by 18% to 20% and we will maintain our 18% to 20% EBITDA margins. May be in that, sometimes Integriti will grow, sometimes Killer will grow, but yes as a Kewal Kiran we will grow by 18% to 20%. In that all the channel mix is included. And our major focus is to retain that 18% to 20% what we have committed. We don't mind which ever channel or whichever brand grows. Business is business.
- Moderator:** Thank you. Next question is from the line of Arpan Rathod an Individual Investor. Please go ahead.
- Arpan Rathod:** Just wanted to understand on sales and distribution expenses grown by 18% Y-o-Y, so what is your take on that. What are new initiatives which we have taken and also if you can help me with the full year guidance for sales and distribution expenses?
- Pankaj Jain:** Generally, S&D expenses, it remains in the bracket of 5% to 6%.
- Arpan Rathod:** So, 5% to 6% on annualized basis, right?
- Pankaj Jain:** Yes, from the operating revenue if you are looking at it the sales has being at the similar percentage.
- Arpan Rathod:** Any plan for the upcoming World Cup?
- Hemant Jain:** We cannot say right now. But I can tell you currently we are sponsoring the T20 West Indies series. T20, India and West Indies starts from today night.
- Arpan Rathod:** Sir my last question, you have guided for 18% to 20% growth, this is without taking into consideration of any acquisition as and when it happens?

Hemant Jain: Yes, consideration without any acquisitions. We are talking about the pure business which we are doing today.

Pankaj Jain: Organic.

Arpan Rathod: And last question, sir, considering this time around the festive season is starting a little late, Diwali would be in November, will it have an impact on our Q2 in terms of dispatches and all?

Pankaj Jain: We generally say that the Q2 and Q3 should be looked together. So sometimes because Diwali sometimes it is in quarter 2 and sometimes it is in Q3. Generally, you should look at the number which is Q2 and Q3 through together to have a realistic picture.

Moderator: Thank you. Ladies and gentlemen as there are no further questions, I would now like to hand the conference over to Mr. Hemant Jain for the closing comments.

Hemant Jain: I would like to once again thank all of you for joining us on this call today. We hope we have been able to answer your queries. Please feel free to reach out to our IR team for any clarification or feedback. Thank you all.

Moderator: Thank you. On behalf of Kewal Kiran Clothing Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.