



**“Kewal Kiran Clothing Limited
Q3 & 9M FY'25 Earnings Conference Call”**

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**MANAGEMENT: MR. HEMANT JAIN – JT. MANAGING DIRECTOR –
KEWAL KIRAN CLOTHING LIMITED
MR. PANKAJ JAIN – PRESIDENT RETAIL – KEWAL
KIRAN CLOTHING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Kewal Kiran Clothing's Limited Q3 and 9 Months FY '25 Earnings Conference Call. Before we begin, a brief disclaimer. This presentation which Kewal Kiran Clothing Limited has uploaded on the Stock Exchange and their website, including the discussions during this call, contains or may contain certain forward-looking statements concerning Kewal Kiran Clothing Limited business prospects and profitability which are subject to several risks and uncertainties, and the actual results contain materially different from those in such forward-looking statements.

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I now hand the conference over to Mr. Pankaj Jain, President, Retail. Thank you, and over to you, sir.

Pankaj Jain: Good morning, everyone. It's a pleasure to welcome all the participants to the earnings conference call for Q3 and 9 Monthly FY '25. Joining me on this call is Mr. Hemant Jain, Joint Managing Director; and Marathon Capital, Investor Relationship Advisor.

I hope everyone had an opportunity to go through our investor presentation and results release that we have uploaded on the Exchange and our company's website. I am happy to report a nearly 28% growth year-on-year on our consolidated sales of INR 255 crores. Our growth momentum driven by robust volume growth in the Apparel segment and consolidation of Kraus demonstrate the effectiveness of our strategic initiatives and increasing demand for our apparel products. We have seen healthy volume growth in apparel category on a standalone as well as consolidated basis.

As discussed in our previous call, we had reduced inventory in FY' 24 as compared to FY'23 for changing our production process in line with just-in-time or near-to-the-season strategy. But let us admit that the lead time to produce garments is still a 3 to 4 months cycle and we have realized that our ecosystem is not geared up to produce the desired output in such short period. Despite having strong order book, we were not able to supply the products in Q1 and Q2 of FY '25.

Starting from Q2 FY '25 onwards, we have restored our earlier production timeline. But as you know, understand it, it will take at least 6 to 9 month period to reach the optimal level of inventory. Now our production schedules have been streamlined and believe that from Q4 FY '25, we should see a double-digit growth going forward.

Some part of our revenue was lost due to discontinuation of Lawman brand in the MBO channel as part of our brand repositioning strategy as fast fashion brand focusing on youth through our own EBO only. We have opened 61 EBOs of Lawman up to Q3 FY '25. Our total EBO count as on Q3 FY '25 was 591, which includes 404 stores of Killer EBO, 61 of Lawman, 10 Kraus brand and 116 K-Lounge and Other brand EBOs.

As a result, we have seen a marked increase in sales contribution from the EBO channel driving positive momentum in the overall sales performance. Furthermore, we will continue to unlock the potential of the Kraus brand by leveraging the group's extensive distribution network to drive growth through the MBO channel and the export markets, while simultaneously fortifying its retailing presence through strategic expansion of Kraus EBO and targeted counter space acquisition across LFS.

At KKCL, we are working on a lot of pivots, including product category expansions as well as segment expansion and are in the process of making detailed roadmaps for growth. We shall present our new growth strategy as well as our vision in the next annual result interaction. The government proactive measures to stimulate consumer demand, including direct tax cut, is expected to yield positive outcome. As consumer sentiment continues to recover, companies that have prioritized building robust brand equity, fostering strong customer relationship and establishing a solid market presence, are poised to reap disproportionate benefits.

With this, I would like to conclude and open the forum for questions.

Moderator: Thank you very much. The first question is from the line of Bhavesh Shah from 3A Financial Services.

Bhavesh Shah: So my question is, what are our planning for capex? Or are there any future capex planning? Or if that, then how will it will be of internal accruals or what is the planning?

Pankaj Jain: Other than the requirement for our office development, there will be a capex requirement of around INR 30 crores to INR 35 crores for next 2 years, which will be primarily enhanced our manufacturing capability as well as expansion of our retail business, including some EBOs.

Bhavesh Shah: Okay. And can you please – what – Thank you Sir. Thank you.

Moderator: Thank you. The next question is from the line of Surya Narayan Nayak from Sunidhi Securities. Please go ahead.

Surya Narayan Nayak: So just to understand, again, just a follow-up question to you. So what exactly is the current capacity of ours? And in terms of manufacturing to outsourcing, I believe some of the knitted and other shirting items we could be outsourcing. So as a percentage, what is the ballpark percentage from manufacturing to outsourcing, a?

Number two, as you said, around INR 32 crores will be allocated towards the manufacturing capex over the next 2 years, so what will be the ramp up capacity from the current level? I'll come next.

Pankaj Jain: Generally, our manufacturing is built in-house for our core categories, which is jeans, shirt, T-shirt, trousers. Winter wear and T-shirt and other accessories categories are 3 categories which we actually trade in. So to give you a percentage, close to around 80% of the total quantity as we do is in-house production and 20% is around outsourced.

- Surya Narayan Nayak:** Okay. And what about the current INR 32 crores of capex that will go towards the manufacturing? What is the current capacity? And what will be the new capacity?
- Pankaj Jain:** Current capacity we have almost utilized at 100% scenario, okay. We are building capacities on a year-on-year basis. So -- and the INR 35 crores requirement is for manufacturing as well as the retail.
- Moderator:** Sir, does that answer your question? Due to no response from the current participant, we will move on to the next participant. The next question is from the line of Divhy Gosar from Geojit PMS.
- Divhy Gosar:** Sir, what's the strategy for Lawman? So we have discontinued in the MBOs. So going ahead, what will be our strategy? What will be the price point and what will be the store size?
- Pankaj Jain:** Okay. We have discontinued Lawman from MBO channel. And the major focus would be retail friendly. We have already opened 61-odd stores in the current -- okay, during this period for Lawman. And we have got a satisfactory response for the particular brand.
- The price bracket would be in line with the youth-centric brands. We have already hired Ankur Srivastava as a Brand Head for Lawman. He has around 13 years of experience in retail industry and he is a Postgraduate in Marketing and Finance. He has earlier worked with Max. And we are planning to open close to around 40 - 50 stores in the next year itself. And the strategy for retail stores would be more COCO driven for Lawman.
- Divhy Gosar:** Okay. And sir, coming to store openings, what will be our target for next year?
- Pankaj Jain:** So we feel that okay, close to around 50 to 60 stores of Killer EBOs and 40 to 50 stores of Lawman EBOs. That would be our planning for the next year.
- Moderator:** The next question is from the line of Arpan Rathod from MCAP Advisory.
- Arpan Rathod:** Yes. This is Arpan Rathod, not Arpana. Congratulations on decent numbers. I have couple of questions on the strategic initiatives, including the Kraus acquisition which was done. So just wanted to understand how much was Kraus sale in FY '24? And also how much have we done in Q3 FY '25? So obviously, FY '24 wouldn't have been consolidated, but just to understand that whether the growth is coming from Kraus on a standalone basis also?
- Pankaj Jain:** Okay. So if you go through the last year's numbers, okay, FY '24 number of Kraus brand was around INR 175-odd crores. The consolidation happened from the month of July. So you'll see only three quarters for the current year where a consolidation is happening. The quarter 1 number was around INR 55 crores -- the quarter 2 numbers was around INR 55 crores. This year's number is -- quarter 3 number is around INR 53 crores, which has a double-digit growth.

- Arpan Rathod:** Okay. So we are seeing growth in Kraus on an overall basis. If I extrapolate it to a full year basis, then we should see a 15% - 20% growth in Kraus sales vis-a-vis FY '24, though not consolidated?
- Pankaj Jain:** Yes, yes. The EBITDA numbers have also increased and it's around 20% for Q3 of FY '25 for the Kraus particular brand. On a sustainable basis, EBITDA margin should be in the range of around 18% to 20%.
- Arpan Rathod:** And just wanted to further understand on Kraus, how far has the integration happened? Are we also displaying Kraus product in our EBOs? Are we planning to open up more EBOs on Kraus? So broadly, what is the strategy -- overall strategy around Kraus growth?
- Pankaj Jain:** Okay. So when it was acquired, okay, majority of the sales from -- was from the LFS channel. We -- after the consolidation, we have explored and started with exports. Retail has also found real attraction, close to around 10 stores have already been opened up. Numbers are good and exciting for the same. And going forward, retail -- and opening up other channels of the sale -- other channel of sales for Kraus would be the particular strategy for us.
- Arpan Rathod:** Okay. So in terms of EBO, what would be the target, say, for FY '26 for only Kraus and also the family stores which we typically open up?
- Pankaj Jain:** No, no. So it operates on a separate entity perspective. So there will be Killer as a brand EBOs, Lawman as a brand EBOs, Kraus as individual brand EBOs.
- Arpan Rathod:** Okay. So also on the other income, the other income has decreased substantially, which was INR 9-point-some-odd crores in last quarter, and it has come down to INR 1 - 1.5 crores. Sir any specific reason?
- Pankaj Jain:** It's just mark-to-market.
- Arpan Rathod:** Mark-to-market as in -- sorry?
- Pankaj Jain:** So most of the investments have been done in debt funds and that has been mark-to-market the...
- Moderator:** The next question is from the line of Rajesh Sharma from Insight Advisory.
- Rajesh Sharma:** Yes. So I have two questions. So first is regarding -- in this current quarter, what is the proportion of fresh sales and -- versus the discounted sales?
- Pankaj Jain:** So we don't map on a quarter-to-quarter basis. But overall over annualized period, we see that, okay, 60% is a fresh sell-through over two seasons period and our discounted -- discount period -- discount sales is around 40%.
- Rajesh Sharma:** Okay. And sir, the next question is, how do we see the current demand outlook for the Q4? How is it turning up?

- Pankaj Jain:** We feel we have now streamlined our production process. So we believe that in Q4 '25, we should see a double-digit growth.
- Rajesh Sharma:** Okay. And last question, what is regarding our...
- Moderator:** Sorry to interrupt, Mr. Rajesh, we can't hear you clearly. Can you repeat your question again?
- Rajesh Sharma:** My question was the strategy regarding our Kids segment which we have started?
- Pankaj Jain:** Yes. So it's just been, one season for it. We have seen a decent response. And we feel that, okay, it's too early to comment on that category, but attraction has been good.
- Moderator:** The next question is from the line of Anurag from Sunidhi Securities.
- Anurag:** Sir, I wanted to ask regarding your retail channel. Among the retail channels, how much does the Tier 1 city, Tier 2 city, Tier 3 cities contribute to your sales?
- Pankaj Jain:** Okay. So different -- if I evaluate that, different channel or maybe different brands would have different Tier city specifics. So we don't generally evaluate on how Metro centric then Tier 1, Tier 3 cities do. Overall percentage should be around 40% - 60%.
- Anurag:** 40%-60%, like Tier 1 is 40%?
- Pankaj Jain:** Yes.
- Anurag:** And rest is 60%?
- Pankaj Jain:** Yes.
- Anurag:** Okay. And sir, regarding your capex, you said that you are doing around INR 32 crores of capex. So what will be your new capacity after the capex?
- Pankaj Jain:** So we built in our capacity based on our estimation for -- on a year-on-year basis. Capex, I said is around INR 35 crores, which we said it will be for the manufacturing as well as retail capability. Bifurcation should be around 50-50.
- Moderator:** The next question is from the line of Shrinjana Mittal from RatnaTraya Capital.
- Shrinjana Mittal:** I just wanted to understand on your earlier comment of the production time line not being restored. So can you just help me understand like how many days of sales did we lose because of that? And like what were the kind of inventory buildup which was required, which we could not get to?
- Pankaj Jain:** So if you look at -- the first -- the inventory level March '25 to current -- March '24 to the current period, it has drastically increased. This was the inventory levels which we were generally

carrying over a period. And we feel that we have already reached the current levels and this level should allow us to have a double-digit growth for the going quarters.

Hemant Jain: So in March '23, our inventory level was INR 164 crores and which was reduced to INR 82 crores in March '24. So now currently, our inventory on a standalone basis is around INR 153 crores. So I think generally, we used to keep inventory of around INR 180 crores to INR 200 crores for a decent growth for the company.

Shrinjana Mittal: And -- so what is our internal estimate that because of this lower inventory, how many days of sales would we have lost, because you are saying that we expect a double-digit growth next quarter, right?

Hemant Jain: So if you see in the first quarter, Q1 FY '25, I think our sales was decreased by 15%.

Shrinjana Mittal: Right.

Hemant Jain: Yes. So I think we are hopeful, very hopeful. We have also seen a good traction in our SSG in the Q3 as well. So we are seeing a good traction, and we will be able to do a double-digit growth going forward.

Shrinjana Mittal: Understood. Just one more question. On the Kraus sales, like what are the product categories? Is it largely bottoms? Or is there some top wear also?

Pankaj Jain: It's largely bottoms, okay, where denim contributes the biggest there.

Moderator: The next question is from the line of Aashish from InvesQ PMS.

Aashish: So half of our sales, as I see from the presentation, almost come from EBOs, NCS and the other is non-retail. So would it be possible to give some insights on how the economics of different EBOs work for us, because now we have so many brands and different EBOs for them? So just some kind of insights would help.

Pankaj Jain: So, retail as a channel, okay, it's growing for us, and it's a composition of LFS and exclusive own stores. Different brands works on different format scenarios. Killer works on more FOFO as compared to COCO scenarios, okay. Going forward, we feel the proportion of FOFO to COCO should be around 85% to 15%. Lawman is largely operated on a COCO channel and Kraus is pretty new, okay, and the base is still low. So it's too early to comment on Kraus EBOs right now.

Aashish: Okay. So my -- actually, the point was to understand what kind of ROIs or IRRs do different brands in this EBO channel work for us? I mean, you would have certain brands which are really established and the others where we are trying...

Pankaj Jain: Since it's a composite channel -- a composite mix of EBO as well as LFS and non-retail is MBO, exports and e-commerce, on a composite level, EBITDA margins are similar on a retail as compared to a non-retail.

- Aashish:** No, no. I'm not talking about EBITDA margins. It's mostly to do with the return on investments that we make on these stores, because different models are being followed, COFO, COCO and then...
- Pankaj Jain:** Whenever a franchisee invest, okay, we prepare a business plan. We say that, okay, the first year return should be around 18% and going forward should be around 24%.
- Aashish:** Okay. I think we'll have to probably take it offline some time to understand it in detail. And someone asked also this other income, you said that there's a mark-to-market loss that probably has come in the debt funds. Is it right?
- Pankaj Jain:** That's right.
- Aashish:** So how was the positioning of the debt fund? Because typically, that should ideally not happen if the treasury management is kind of pretty active.
- Pankaj Jain:** There is also one of the investment which was done where the company got listed.
- Aashish:** Okay.
- Pankaj Jain:** So that has also impacted the other income.
- Aashish:** Okay. So this is not entirely to do with the MTM loss, some part of it would be?
- Pankaj Jain:** Yes.
- Aashish:** How much would that be? Because I'm just trying to figure out how much the normalized other income would look from maybe the next quarter?
- Pankaj Jain:** INR 3.5 crores.
- Hemant Jain:** INR 3.91 crores.
- Moderator:** Mr. Aashish, does that answer your question?
- Pankaj Jain:** Just a moment. Okay. So the loss for the listed entity would -- brought on books is around INR 3 crores.
- Aashish:** Okay. So normalized other income, any idea you can give us, the amount of investments that we have on the balance sheet? And then what can we expect the yields to be at kind of roughly?
- Pankaj Jain:** INR 8 crores to INR 9 crores is what we actually get as a realized gain on the other income.
- Aashish:** Okay. So that should normalize from Q4?

- Pankaj Jain:** Yes. I feel so.
- Moderator:** The next question is from the line of Deepak Lalwani from Unifi Capital.
- Deepak Lalwani:** Sir, firstly, on the production-related sales loss, if you can quantify the number and which channel was affected because of this?
- Pankaj Jain:** Deepak, it was majorly related to all the channels. You see, we work on a 2-season cycle, okay. So we could not carry forward the inventory because we could not produce.
- Deepak Lalwani:** Okay. And in the INR 200 crores inventory that we have as of December, if you can quantify what would be the mix between finished goods, fabric roughly? And in terms of your growth aspiration for the fourth quarter of double digit, so if you can indicate how has January been for us?
- Hemant Jain:** Deepak, as we told you earlier, because of the low inventory in March, our first quarter was affected a lot. We were planning to do inventory in real time, in-time inventory, but it was not possible in manufacturing facilities. So we have increased the inventory again. Because it took us 6 months to increase the inventory. Quarter 1, quarter 2, quarter 3 have been normalized. And quarter 4, we expect to do double digit growth.
- Pankaj Jain:** Deepak, again, the finished goods inventory last year on a stand-alone basis was INR 54 crores. And this year, we have increased it to INR 80 crores.
- Deepak Lalwani:** Okay. I wanted to understand if the growth has started from January or you expect it to be back ended in this quarter?
- Pankaj Jain:** I would say on a tertiary level, okay, on our retail EBO, SSG for the current quarter was close to around 14%.
- Deepak Lalwani:** Okay, got it. And sir, secondly, on the gross margin, there has been some dip in the stand-alone gross margins. So if you can indicate, is there some level of discounting which has happened in this quarter or some pricing-related -- competition-related pricing discount that you've given this quarter?
- Pankaj Jain:** We were not definitely able to get the price increment in terms of realization. And the discounting has also increased because this current quarter is related to winter wear and winter wear was not as expected.
- Deepak Lalwani:** I see. Okay. Any sort of discounting that we should expect for Q4 and for any old inventory that is left, whether it be in winter wear or any other categories which is probably not selling?
- Pankaj Jain:** We have been able to liquidate the winter wear as a category over this sale period. So there will not be much of carry forward inventory.

- Deepak Lalwani:** Okay, got it. And sir, I wanted to understand your thoughts on marketing? Like how do we plan to differentiate? If you can indicate thoughts on that? And any sort of extra spend that we require for the Killer franchise and the other franchises put together?
- Pankaj Jain:** For that, marketing activity, Deepak, we have not yet pipelined it, okay? But we estimate that on the overall number, it should be around 5% to 7%.
- Deepak Lalwani:** Okay, got it. And how has the spend been for this -- for the last 9 months?
- Pankaj Jain:** Around 5%.
- Deepak Lalwani:** Okay, got it. And sir, given that we are doing the Lawman stores on a COCO basis, how many quarters or months will it take for us to breakeven? Should we expect a lower EBITDA margin because we are taking this initiative on our books? So if you can give a sense on what should be the expectations on EBITDA margins for FY '26?
- Hemant Jain:** Deepak, as we have already said earlier also, we will not take too much hit on our margins. We will continue on our EBITDA margin range of 18% to 20% and will keep continuing it.
- Deepak Lalwani:** I wanted to get a sense, sir, on the debt that we have on the books, I know it is short-term. So any plan to repay it? What's the reason for this debt?
- Hemant Jain:** Deepak, first of all, the Kraus payments that we have made, we have put some of it on cash. And secondly, we have bought some property for the office premises. So, you will see some effect on that.
- Deepak Lalwani:** Okay. Got it. And sir, we used to be a dividend paying company. Any plans to increase dividend pay-out or do a market buyback if possible?
- Hemant Jain:** Right now, there is no such plan. Because, unnecessarily, we don't want to create a bank, or where our cash flow will be low and we will generate it again. But, yes, it is too early. I mean, we have not yet taken any policy decision on how to do it. I will give you a reply on this in the next quarter.
- Moderator:** The next question is from the line of Disha from Sapphire Capital.
- Disha:** Just wanted to know what is like your revenue guidance for FY 2026? And what margins can we expect going forward?
- Pankaj Jain:** We feel that, okay, the growth will be there and we will be close to around double-digit growth. And EBITDA margins would be around 18% to 20%.
- Moderator:** The next follow-up question is from the line of Surya Narayan Nayak from Sunidhi Securities.
- Surya Narayan Nayak:** So just to understand the -- as you said, around INR 35 crores of capex, including the EBOs you are planning. So sir I was just understanding that you are -- we are actually able to generate asset

turn of close to 6x over the gross block. So for the INR 35 crores of gross block, so it will be roughly around close to...

- Pankaj Jain:** There is so much of noise on your background.
- Moderator:** Sorry to interrupt, Mr. Surya Narayan. There's a lot of background noise from your end. I would request you to please repeat your question again.
- Surya Narayan Nayak:** Okay. So I was just asking that the current gross block to -- I mean turnover -- asset turn is around close to 6x. So with the capex of INR 35 crores we are planning, so we could be ending around INR 210 crores. So with double-digit growth, whatever we are thinking, so if I, let's say, go closer to 15%-16%, it could be asking around INR 450 crores of turnover. So I mean, considering your 80-20 ratio of manufacturing to sales, so the capex seems to be on the lower side. So is it the fact that we'll be scaling up further as we progress?
- Hemant Jain:** So I think exactly you can't compare this gross block because I think this is a new strategy which -- because we are opening the new EBOs, okay? That's why I think there is a capex, okay? So that is exactly not mapped with the earlier capex which we have done, okay, for our factory manufacturing facility. So this is not apple-to-apple comparison.
- Surya Narayan Nayak:** Okay. So what would be -- I mean, let's say, on the gross side, on the manufacturing side, compared to around INR 128 crores of gross block, we could be adding another INR 15 crores to INR 18 crores. But what about the ROU assets, are we also scaling up further?
- Hemant Jain:** So on a company level basis, I think if you see, I think we do an ROE of around 23%, 24%, okay? I think this will continue because of the growth also.
- Surya Narayan Nayak:** 23% Y-o-Y growth? ROU?
- Hemant Jain:** Yes. So ROE will be calculated on a net worth only.
- Surya Narayan Nayak:** No, no, I'm talking about right-of-use assets, sir.
- Hemant Jain:** So right-of-use assets, so I think typically -- because I think this year, we have opened new EBOs for Lawman, okay? And we expect, I think this will also generate ROE of at least 20% plus going forward.
- Surya Narayan Nayak:** So what is the plan for ROU expansion -- right-of-use assets expansion?
- Hemant Jain:** So right-of-use asset is only for the rental because I think for the new Ind AS, we have to keep right-of-use assets for the rental property.
- Surya Narayan Nayak:** And in the manufacturing capex, we will be adding, as you said, around close to INR 20 crores over the next 2 years?
- Hemant Jain:** Yes, yes.

- Surya Nayak:** Okay. Okay. So -- and sir, regarding the margin, you are saying that you will be maintaining EBITDA margin at 18% to 20%. So given the raw material situation, especially cotton remaining benign, so are you not expecting any sort of rise in margin? Or I mean, there will be pressure on the pricing scenario?
- Hemant Jain:** No, there is not much pressure right now because if you look at the history, in the last 18 months, neither the prices of cotton increased nor decreased. It is stable. So, as such, it does not look like cotton prices will increase and there will be a cost effect on COGS. As of now, it is running as normal. I don't think it will increase in the future.
- Surya Nayak:** No. I'm not telling -- I'm on the contrary saying that because CCI has bought nearly one-fourth of cotton of last year's production so far at MSP. So the situation is totally very benign for the cotton pricing. So are we not expecting any margin improvement? That is what I'm asking.
- Hemant Jain:** It is too early to say anything because cotton prices, if you ask today, because we also have contracts with the mill for 3-4 months earlier. So, as of today, I don't see any such effect as such for the quarter 4 or first quarter of new year.
- Surya Nayak:** Okay. So shall we mean that 18% to 20% will be our peak EBITDA margin for next 2 years?
- Hemant Jain:** Yes, yes. 100%.
- Moderator:** The next question is from the line of Karthi from Suyash Advisors.
- Karthi:** Sir Good Morning. Just wanted to understand the inventory rationalization that you attempted and you said there was a challenge in getting just-in-time production. A, can you elaborate a bit on that? Is there a case for going back to that or you will not go back to that strategy?
- Hemant Jain:** As such, there is no such case that we will go back to that strategy. See, we tried to get just-in-time productivity but we have failed in that. Because of that, my business also got hampered. We had orders in our hands but we couldn't supply that. So, what happened, as such, we will not do such a big experiment for the time being.
- Karthi:** I mean, where is the problem? Because 80% of the production is done by us. So, you could have managed, right? So, I am just trying to understand where was the constraint?
- Pankaj Jain:** The entire ecosystem works on the supply cycle. Everyone coordinating on that perspective. We tried to map it like most of the e-commerce brands were doing it - on the logistic aspect and all. Okay, which we feel that okay, because of having an entrepreneurship relationship, we were not able to crack it well-versed. So, right now, we are not going ahead with it for at least for a year period. After that, we will decide whether we actually want to explore that or not explore that
- Karthi:** Sure, sure. The other question is, sir, what is the extent of overlap between Kraus brand and your traditional Killer jeans brand, for example? Do you see any cannibalization happening? What is the profile of your customer there?

- Hemant Jain:** No, no, no. It's a women's wear brand. Earlier, we didn't have any women's wear brand in Kewal Kiran. So, there is no chance of cannibalization.
- Karthi:** Sorry, wrong question. Yes, sure. Sorry. Wrong question.
- Hemant Jain:** Sir, I would also like to take ahead what Pankaj said about the production just in-time what we had gone ahead with. Other all players don't have their own manufacturing unit. Our major problem is that we have our own manufacturing unit. In that, what happens is that it takes a little more time for us to work in progress.
- We are not saying that we are not doing vendor-based work so that our supply comes on time. So, as Pankaj said, we are not doing that thing now as we have increased our inventory. In future, we will see how we can do better in the future.
- Moderator:** The next question is from the line of Sahil Doshi from Thinkwise Wealth Managers.
- Sahil Doshi:** So the question first relates on the balance sheet. I just see there is INR 100 crores odd of debt now and roughly INR 250-odd crores of cash and investments. Related to Kraus and other investments which we have in property, how much more outflow is expected? And how should we think about this?
- Hemant Jain:** As such, we will not require too much cash flow. For the property we have purchased, we will need some money for construction. And that is a 3 year plan. It will not have an impact in a quarter or quarter 1 or quarter 2. The construction for the office will have an impact within 3 years. So I don't think there will lot of change in that on an immediate basis.
- Sahil Doshi:** Sir, any further outflows in Kraus over the next 1 year?
- Pankaj Jain:** So the deal was done on a staggered payment. There will be outflows for next 3 years, okay? But -- it will be INR 50 crores for the next 3 years.
- Sahil Doshi:** Cumulative INR 50 crores, right?
- Pankaj Jain:** Cumulative INR 50 crores.
- Sahil Doshi:** Okay. And this also takes on account of increase in our stake over a period of time?
- Pankaj Jain:** No.
- Sahil Doshi:** This is only for the initial...
- Pankaj Jain:** The initial buyout.
- Sahil Doshi:** Okay. And just related to that, when you said the other income should be normalized INR 8 crores to INR 9 crores, this is per quarter you're saying or annually?

- Hemant Jain:** Yes. Per quarter.
- Sahil Doshi:** Okay. So this quarter, we had an M2M impact of INR 3 crores. So that's where it's lower is what you are alluding?
- Pankaj Jain:** Yes.
- Sahil Doshi:** Okay. Secondly, on the strategy on Lawman, I see you called out also you hired Mr. Ankur. Could you just talk about the strategy a little more in terms of when you say the price range would be in the bracket of youth fashion, so who are we benchmarking to? What is the kind of target city audience? And is it more men or it's more overall youth men and...
- Hemant Jain:** See, initially, it's the menswear brand. So now we are doing menswear only. It is too early to say anything. We have just hired Mr. Ankur, the strategy is set up. You have to wait for at least 1 quarter or 2 quarters to make any strategy. We are just opening the store. We are working on what we can do better in the future.
- Pankaj Jain:** So the look aspect, the ambience, the price bracket would be as comparable to a Gen Z brand.
- Sahil Doshi:** When you mean Gen Z as in like something like Snitch or Zudio or?
- Pankaj Jain:** Snitch, Zudio would be the right example.
- Sahil Doshi:** Okay. And in terms of pricing, how would this be?
- Pankaj Jain:** Similar to them or maybe 10% plus-minus.
- Sahil Doshi:** Okay. And also in terms of store economics, if you can share how are these because it's a COCO model? And also in terms of positioning in terms of cities, is it more...
- Pankaj Jain:** We feel that, okay, ROE would be around 20% on the overall investment structure, should be around 20%, okay. But it's been just a quarter and okay, it's too early to comment on that, okay. We see that, okay, in the next presentation, we'll give you a full-fledged presentation or the strategies for the next 3 period -- next 3 years.
- Sahil Doshi:** Okay. And just wanted one clarification. In one of the questions, you said the SSG in standalone was 14% at EBO level. Is that correct?
- Pankaj Jain:** SSG at EBO level during the current quarter was around 14%.
- Sahil Doshi:** Okay. So despite that, if you've seen a reported standalone growth of 1%, so where is the de-growth been in?
- Pankaj Jain:** 1%, what exactly are you comparing ?
- Sahil Doshi:** Overall standalone Y-o-Y growth is 1%...

- Hemant Jain:** That number I'm giving you about the tertiary levels. This is at primary levels. So okay, both are not comparable directly.
- Moderator:** The next question is from the line of Abhijeet Kundu from Antique Stock Broking.
- Abhijeet Kundu:** So essentially, I wanted to get an understanding of the demand scenario because all the -- many of the players have seen some amount of pressure during the quarter, and there was a -- and hence, there was an end of -- early end of season sale, that was done. So what is the overall market scenario? You would do a double-digit growth that...
- Pankaj Jain:** Abhijeet, the current quarter looked exciting for us. We said that, the tertiary sale was plus by 14% on the tertiary level. So I don't feel -- okay, we feel there has been an uptick and okay and that growth should sustain for the current -- going quarters also.
- Abhijeet Kundu:** Okay. And the non-retail part, the LFS part -- because there was some amount of pressure in the MBOs and LFSs, that's what the feedback. So how has that been -- that also has been good for you?
- Pankaj Jain:** That has been good for us. Growth will be on a -- okay, lower percentage perspective, but okay, there was an absolute number, there was a growth on that channel also.
- Moderator:** The next question is from the line of Deepak Lalwani from Unifi Capital.
- Deepak Lalwani:** Hemant Ji, I wanted to ask this question to you again. Sorry, there was less clarity on my side. So you're talking about double-digit growth in Q4. So have you seen growth in primary sales in January, given that tertiary was good?
- Hemant Jain:** Yes.
- Deepak Lalwani:** Okay. If you can give a number to that growth, sir, how much growth have you seen in January?
- Hemant Jain:** No Deepak, we cannot give the number as such.
- Pankaj Jain:** It's a seasonal cycle scenario. Okay, let's wait till the quarter gets ended and then we'll talk about it.
- Deepak Lalwani:** Okay. Sure. And sir, secondly, I wanted your comment on how has the kids portfolio shaped up for us?
- Pankaj Jain:** It's just been okay, one season scenario, and we are finding attraction from all our channel partners.
- Deepak Lalwani:** And what about the athleisure and winterwear portfolio? Any thoughts that you can share? How is it...

- Pankaj Jain:** This year, it has been over, okay? For -- strategy for next year, we will define. And as we said, okay, in the next presentation, we'll give you an entire strategy perspective for all our brands for the next 3 period -- 3 years.
- Deepak Lalwani:** And even on athleisure, any takeaways that -- any takeaways on growth that we should be aware of?
- Pankaj Jain:** It's a micro analysis perspective. On a macro, I'm giving you the number.
- Moderator:** The next question is from the line of Rajesh Jain from Jinande Research.
- Rajesh Jain:** I have a couple of questions. One is regarding the manufacturing expenses, which has increased sharply from 7.1% to 11.2% of revenue, I think like from INR 14 crores to around INR 28 crores. What's the reason behind it? And my second question is with regards to GP margins. On a standalone basis, it has reduced from 43.3% to 40.7% and also on the consolidated basis from 43.3% to 41.4%. It will be better if you can explain?
- Pankaj Jain:** The GP margin, I said, okay, decrease is mainly because of a little bit of a higher discounting and the price increase -- we were not able to take a price increase. That's two aspects that -- okay, that has reduced to the GP margin. What was the other question?
- Rajesh Jain:** With regard to manufacturing expenses, sir. It has increased sharply?
- Pankaj Jain:** Manufacturing expenses. So it comprises of both the companies. That's the reason it has increased.
- Hemant Jain:** So I think INR 11 crores of manufacturing expenses was for Kraus. So that got increased this year as compared to last year, only manufacturing expenses was INR 14 crores. So INR 11 crores additional for Kraus. And also, I think we have built up the finished goods inventory on a standalone basis. That's why overall the manufacturing expenses has gone up.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Hemant Jain for closing comments.
- Hemant Jain:** I would like to thank once again to 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, and once again, wishes for good festive season. Thank you very much.
- Moderator:** On behalf of Kewal Kiran Clothing's Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.