

K-LOUNGE

KEWAL KIRAN CLOTHING LTD

Financial Results Review - Q1 FY2018

Quarter ended 30.06.2017

# K-L OUNGE

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## Executive Summary – Financial Performance

- As per the government norm GST was implemented from 1<sup>st</sup> July 2017.
- Rate of GST for Apparels have been specified based on the sale price of less than Rs. 1,000 and more than Rs. 1,000 with 5% and 12% respectively;
- Earlier, under various taxation law, average cost of tax was between 7%-9%;
- Due to difference between old & new taxation rates, market reaction was for destocking of apparels – across channel / location;
- Reportable Revenue and Profitability for the current quarter is not comparable with previous quarter due to:
  - Applicability of GST;
  - Applicability of IND-AS to the company beginning from current reporting quarter;
- Due to above factors, resultant:
  - Revenue achieved Rs. 80.01 Cr as compared to Rs. 106.59Cr.
  - Operating EBIDTA achieved Rs. 7.28 Cr as against Rs. 19.54 Cr;
  - PAT achieved Rs. 8.24 Cr as compared to Rs. 15.49Cr;

## Operational Performance: Q1 FY 2018

Particulars	Q1 FY 2018 Rs crs	% of sales	Q1FY 2017 Rs crs	% of sales
Total Revenue	80.01	100.00%	106.59	100.00%
Operating EBITDA	7.28	9.10%	19.54	18.33%
Profit before tax (PBT)	11.39	14.24%	22.36	20.98%
Profit after tax (PAT)	8.24	10.30%	15.49	14.53%
Apparel Sales value growth		-26.23%		
Volume Growth		-25.94%		
Realisation growth		-0.39%		

# Operational Performance: Q1 FY 2018

	Q1 FY 2018 Rs crs	% of Revenue	Q1 FY 2017 Rs crs	% of Revenue	Variation
<b>Total Revenue from Operations</b>	<b>78.86</b>	<b>98.56%</b>	105.33	98.82%	
<b>Other operating income</b>	<b>1.15</b>	<b>1.44%</b>	1.26	1.18%	
<b>Total Revenue</b>	<b>80.01</b>	<b>100.00%</b>	106.59	100.00%	
<b>Cost of goods sold</b>	<b>30.86</b>	<b>38.57%</b>	43.06	40.40%	-1.83%
<b>Excise duty on sales</b>	<b>1.64</b>	<b>2.05%</b>	2.27	2.13%	-0.08%
<b>Personnel cost</b>	<b>15.41</b>	<b>19.26%</b>	13.96	13.10%	6.16%
<b>Manufacturing and operating expenses</b>	<b>10.82</b>	<b>13.52%</b>	13.25	12.43%	1.09%
<b>Administrative and other expenses</b>	<b>7.28</b>	<b>9.10%</b>	5.23	4.91%	4.19%
<b>Selling and distribution expenses</b>	<b>6.72</b>	<b>8.40%</b>	9.28	8.71%	-0.31%
<b>Operational expenditure</b>	<b>72.73</b>	<b>90.90%</b>	87.05	81.67%	9.23%
<b>EBITDA</b>	<b>7.28</b>	<b>9.10%</b>	19.54	18.33%	-9.23%
<b>Finance expenses</b>	<b>0.97</b>	<b>1.21%</b>	0.70	0.66%	0.55%
<b>Depreciation/ Amortisation</b>	<b>1.29</b>	<b>1.61%</b>	1.01	0.95%	0.66%
<b>Other income</b>	<b>6.37</b>	<b>7.96%</b>	4.53	4.25%	3.71%
<b>Profit before tax (PBT)</b>	<b>11.39</b>	<b>14.23%</b>	22.36	20.98%	-6.75%
<b>Income Tax</b>	<b>3.15</b>	<b>3.94%</b>	6.87	6.45%	-2.51%
<b>Profit after tax (PAT)</b>	<b>8.24</b>	<b>10.30%</b>	15.49	14.53%	-4.23%
<b>Other Comprehensive Income (OCI)</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
<b>Remeasurement [gain / (loss)] of net defined benefit liability</b>	<b>0.06</b>	<b>0.08%</b>	(0.46)	-0.43%	0.51%
<b>Income tax on above</b>	<b>(0.02)</b>	<b>-0.02%</b>	0.11	0.10%	-0.13%
<b>Effect [gain / (loss)] of measuring equity instruments at fair value through OCI</b>	<b>(0.21)</b>	<b>-0.26%</b>	(0.31)	-0.29%	0.03%
<b>Income tax on above</b>	<b>-</b>	<b>0.00%</b>	-	0.00%	0.00%
<b>Total Comprehensive income for the period</b>	<b>8.07</b>	<b>10.09%</b>	14.83	13.91%	-3.83%

## Financial Highlights: Q1 FY 2018

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

- a. Increase in other income from Rs.4.53Cr. to Rs.6.37 Cr.

**Factors responsible for dampening profitability:-**

- a. decrease in realisation per garment by 0.39% as compared to corresponding quarter last year.

- b. decrease in volume by 25.94% as compared to corresponding quarter last year.

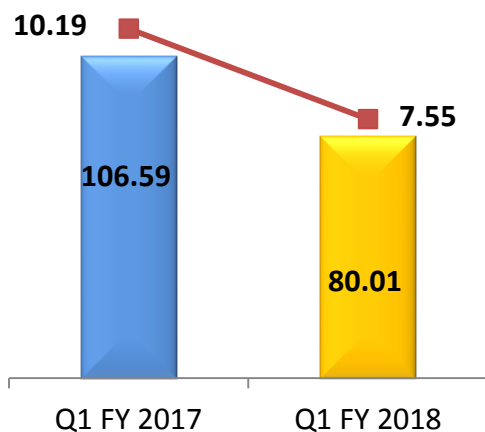
- c. Increase in operating expenses by 4.9% of revenue.



## Trend in Sales and Operating Profit

### Sales - Q1 FY2017-18

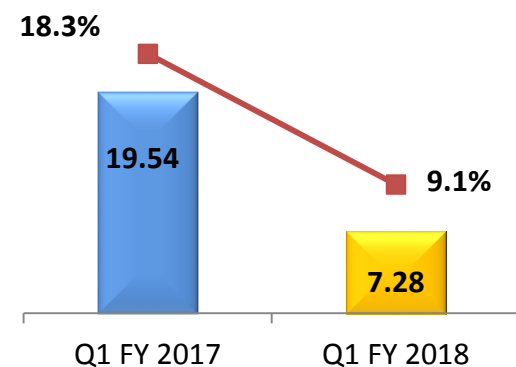
- Total Revenue at Rs.80.01 crs from Rs.106.59 crs
- Apparel sales value at Rs.73.5 crs from Rs.101.3 crs
- Apparel sales quantity down by 25.94%
- Apparel sales realization per unit down by 2.03% at Rs.974



■ Total Revenue (Rs crs)  
 ■ Sales Quantity (units in lakhs)

### EBITDA – Q1 FY2017-18

- EBITDA a Rs.7.28 crs
- EBITDA margin at 9.1%

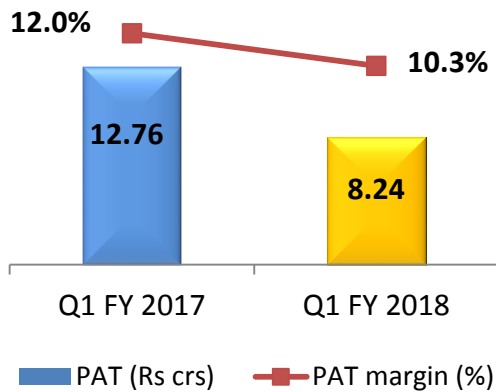


■ EBITDA (Rs crs) ■ EBITDA margin (%)

## Trend in Net Profit and Cash Position

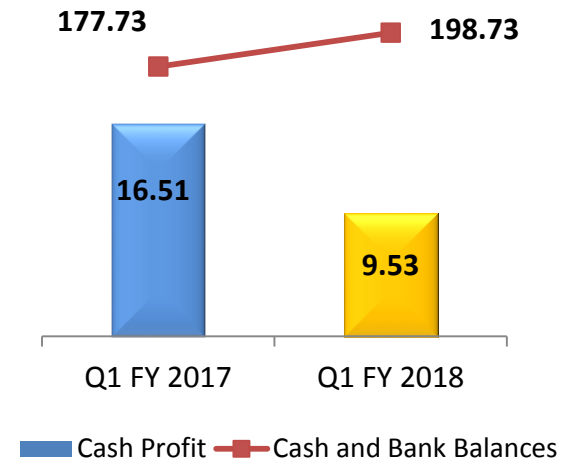
### PAT - Q1 FY2017-18

- PAT at Rs.8.24 crs
- PAT margin at 10.3%
- Quarterly EPS at Rs.6.68 (Rs.12.57)



### Cash - Q1 FY2017-18

- Cash & Bank balances, Current Investments and Investments in Mutual Funds increased to Rs.198.73 crs
- Cash profit at Rs.9.53 crs





# Balance Sheet

(Rs. In Lakhs)

	30-Jun-17 Audited	31-Mar-17 Unaudited
<b>ASSETS</b>		
<b>1) Non-Current Assets</b>		
a) Property, Plant and Equipment	6,568	6,299
b) Capital Work in Progress	995	725
c) Investment Property	104	106
d) Other Intangible Assets	43	50
e) Intangible Assets under Development	9	3
f) Financial Assets		
i) Investments	13,737	12,929
ii) Loans	-	-
iii) Other Financial Assets	199	190
g) Deferred Tax Assets (Net)	-	-
h) Other Non-Current Assets	766	533
	22,422	20,835
<b>2) Current Assets</b>		
a) Inventories	7,931	5,126
b) Financial Assets		
i) Investments	7,374	7,583
ii) Trade Receivables	7,817	10,615
iii) Cash & Cash Equivalents	6,406	6,556
iv) Bank balances (other than iii above)	81	88
v) Loans	-	-
vi) Other Financial Assets	157	133
c) Current Tax Assets ( Net)	-	-
d) Other Current Assets	605	377
	30,372	30,479
<b>TOTAL ASSETS</b>	<b>52,794</b>	<b>51,314</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity</b>		
a) Equity Share Capital	1,233	1,233
b) Other Equity	35,987	36,219
	37,219	37,452
<b>Liabilities</b>		
<b>1) Non-Current Liabilities</b>		
a) Financial Liabilities		
i) Other financial liabilities	-	-
ii) Other Long-Term Liabilities	-	-
b) Provisions	7	8
c) Deferred Tax Liability	235	113
d) Other non - current liabilities	184	-
	427	121
<b>2) Current Liabilities</b>		
a) Financial Liabilities		
i) Borrowings	5,119	4,051
ii) Trade Payables		
- Due to Micro and Small Enterprises	50	21
- Due to Others	4,742	3,926
iii) Other financial liabilities	854	956
b) Other Current Liabilities	2,525	2,598
c) Provisions	1,775	2,105
d) Current Tax Liabilities (Net)	83	86
	15,148	13,742
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>52,794</b>	<b>51,314</b>

# Ratios and Cash-flow Analysis

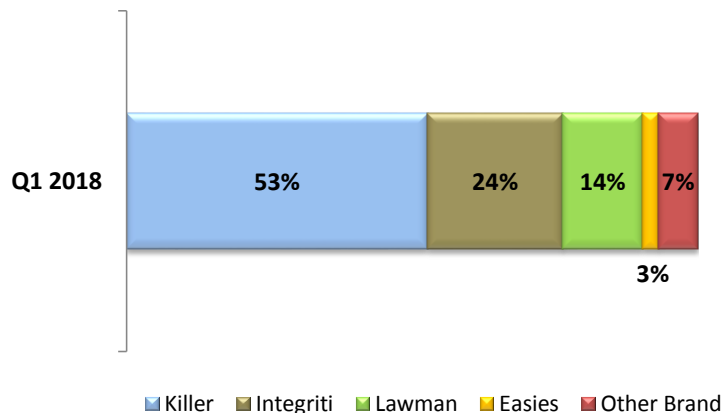
Cash Flows (in Rs crs)		Q1 FY2018	Ratios	30.06.17
<b>I. Cash Flow from Operating Activity</b>		<b>2.18</b>	<b>Debt Equity ratio</b>	0.11
*Operating Profit before Working Capital Changes		7.23	<b>Current Ratio</b>	2.01
*Adjustment for Working Capital		0.58	<b>Debtors turnover (days)</b>	92
*Direct Taxes Paid		(5.63)	<b>Creditors turnover (days)</b>	72
<b>II. Cash Flow from Investing Activity</b>		<b>(2.56)</b>	<b>Inventory turnover (days)</b>	73
*(Purchase)/Sale of Fixed Assets		(2.49)	<b>RONW</b>	2.21%
*(Purchase)/Redemption of Investments in mutual funds		(0.15)	<b>ROCE in operations</b>	16.28%
<b>III. Cash Flow from Financing Activity</b>		<b>(1.12)</b>	<b>ROCE overall</b>	5.72%
*Secured Loans (Working Capital Demand Loan)		10.69		
*Payment of Dividend (Including Dividend Tax)		(10.38)		
<b>Cash and Cash Equivalents - Closing</b>		<b>64.06</b>		

Due to application of IND-AS in FY2017-18, quarter ended June 2016 are not presented

## Brands

- Killer remains the flagship brand with 53% share and Rs. 41.55 crs in revenues
- Integriti has a share of 24% with sales of Rs. 18.67 crs

### Brand wise sales break up Q1 FY 2018



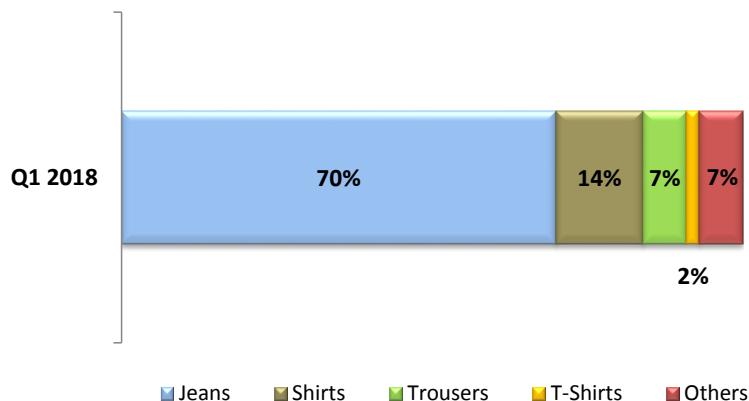
Sales (Rs crs)	Q1 2018	Q1 2017	% Change
Killer	41.55	51.97	-20%
Integriti	18.67	26.94	-31%
Lawman	11.03	18.31	-40%
Easies	2.25	2.40	-6%
Other Brand	5.36	5.70	-6%
<b>Total</b>	<b>78.86</b>	<b>105.32</b>	<b>-25%</b>

## Products

- Jeans continues to be the largest selling product with a share of 70% of sales
- Shirts sales stood at Rs.10.73 crs and had a share of 14% of sales

Sales (Rs crs)	Q1 2018	Q1 2017	% Change
Jeans	54.94	71.60	-23%
Shirts	10.73	18.49	-42%
Trousers	5.44	4.75	14%
T-Shirts	1.96	3.72	-47%
Others	5.79	6.76	-14%
<b>Total</b>	<b>78.86</b>	<b>105.32</b>	<b>-25%</b>

Product wise sales break up Q1 FY 2018

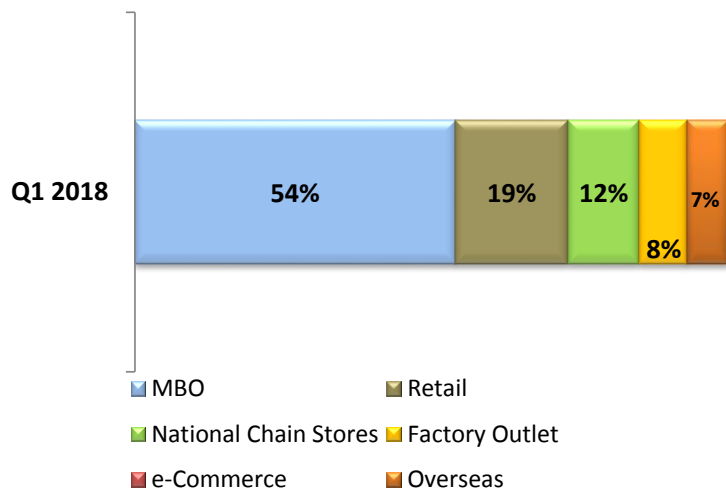


## Channels

- MBOs maintained the largest share at 54% of sales
- Sales from Retail stood at Rs.14.85 crs and had a share of 19% of sales

Sales (Rs crs)	Q1 2018	Q1 2017	% Change
MBO	42.88	59.24	-28%
Retail	14.85	21.84	-32%
National Chain Stores	9.32	13.70	-32%
Factory Outlet	5.98	3.22	86%
Overseas	5.83	7.33	-20%
<b>Total</b>	<b>78.86</b>	<b>105.33</b>	<b>-25%</b>

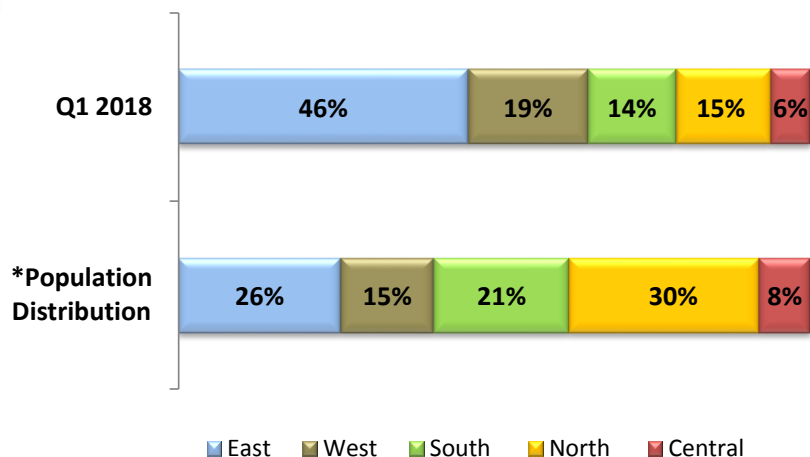
Channel wise sales break up Q1 FY 2018



## Regional Distribution

- Eastern region retains the largest share at 46%
- Western region share stood at 19%

### Region wise sales break up Q1 FY 2018



Sales (Rs crs)	Q1 2018	Q1 2017	% Change
East	33.89	37.35	-9%
West	13.77	19.50	-29%
South	10.33	18.28	-43%
North	10.85	16.72	-35%
Central	4.19	6.14	-32%
<b>Domestic Sales</b>	<b>73.03</b>	<b>97.99</b>	<b>-25%</b>
<b>Overseas</b>	<b>5.83</b>	<b>7.33</b>	<b>-20%</b>
<b>Total</b>	<b>78.86</b>	<b>105.32</b>	<b>-25%</b>



## Retail Stores

Particulars	COCO	COMFO	FOFO	Total
K-Lounge	2	7	178	187
Killer EBO			83	83
LawmanPg3-EBO			14	14
Integrity-EBO			43	43
LawmanPg3 cum Integrity-EBO			1	1
Easies - EBO			-	-
Factory Outlet		1	1	2
<b>Total</b>	<b>2</b>	<b>8</b>	<b>320</b>	<b>330</b>

COCO - Company Owned Company Operated

COMFO - Company Owned Management Franchisee Operated

FOFO - Franchisee Owned Franchisee Operated

Retail Stores (YTD)	30.06.17	31.03.17
Existing	331	327
New opened	6	43
Converted		
Relocated/closed		7
Work-in process		26
<b>Total Retail Stores</b>	<b>356</b>	<b>352</b>





## 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.*