

October 28, 2022

To,

The General Manager Department of Corporate Services BSE Ltd Mumbai Samachar Marg Mumbai-400 001 Scrip Code : 532732	The Listing Department National Stock Exchange of India Ltd Exchange Plaza, Plot No. C/1, G-Block Bandra- Kurla Complex, Bandra East Mumbai-400051 Scrip Name :KKCL
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ISIN : INE401H01017

 Sub: **Disclosure under Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)**

 Ref: Transcript of the Conference Call held on 21st October, 2022

Dear Sir/Madam,

In continuation to our letter dated October 19, 2022 and in pursuance of Regulation 30(6) SEBI Listing Regulations read with Part A of Schedule III of the said SEBI Listing Regulations, please be informed that the Company had convened and participated in the conference/analyst call details of which are as under:

Day, Date and Time	Subject Type of the Event
Friday, 21 st October, 2022 and 5 P.M. (IST)	2Q FY23 & H1 FY23

We now enclose herewith the transcript of the said conference call.

Kindly disseminate the above information on your website for the information of shareholders

Yours truly,
 For Kewal Kiran Clothing Limited

ABHIJIT B. WARANGE
 VICE PRESIDENT – LEGAL & COMPANY SECRETARY

Encl: a/a



“Kewal Kiran Clothing Limited
Q2 & H1 FY 23 Earnings Conference Call”

October 21, 2022

Disclaimer: E&OE - Some portion of the concall audio spoken in language other than English has been translated in English language in this transcript for ease of reading. Further, in case of discrepancy, the audio recordings uploaded on the website of the Company will prevail.



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

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '23 Earnings 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hemant Jain, Joint Managing Director of Kewal Kiran Clothing Limited. Thank you and over to you, sir.

Hemant Jain: Hi. Good evening, everyone. Welcome everyone to the Q2 and H1 FY '23 Earnings Conference Call of the Company. On behalf of Kewal Kiran, I would like to wish everyone a Happy Diwali. Joining me on this call is Mr. Pankaj Jain and Marathon Capital, our Investor Relations team. I hope everyone had an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchange and our Company's website.

Before I begin the overview, a brief disclaimer. The presentation which we have uploaded on the stock exchange and our website including the discussions during this call contain or may contain certain forward-looking statements concerning KKCL business prospects and profitability, which are subject to several risks and uncertainties and actual results could materially differ from those in such forward-looking statements.

I'm happy to inform you that we have registered a robust revenue growth backed with a healthy margin, which is added by strong performance across all product categories. Our intensified focus on distribution and increasing our presence through brand-focused EBOs, along with our drive for expansions of product categories and marketing coverage are the key contributor for this amazing performance.

Looking ahead, despite the volatile macroeconomic environment, we are very confident in our ability to further build on the progress made so far and continue to drive a strong top and bottom line growth. This is possible by our incredible team who come together to connect closer to the consumer than any time before.

Now standalone performance highlights for Q2 FY '23. Revenue from operations for Q2 FY '23 grew by 29% to INR 26.3 crores as compared to INR 175.1 crores in Q2 FY '22. EBITDA for Q2 FY '23 grew by 55% to INR 50 crores as compared to INR 32.3 crores in Q2 FY '22. EBITDA margin for Q2 FY '23 stood at 22.1% as compared to 18.4% in Q2 FY '22. PBT for Q2 FY '23 grew by 48% to INR 52.3 crores as compared to INR 35.3 crore in Q2 FY '22. PAT margin for Q2 FY '23 stood at 16.9% as compared to 14.9% in Q2 FY '22.

Standalone performance highlights for H1 FY '23. Revenue from operation from H1 FY '23 grew by 43% to INR 380.9 crores as compared to INR 266.6 crores in H1 FY '22. EBITDA for

H1 FY '23 grew by 97% to INR 79.4 crores as compared to INR 40.2 crores in H1 FY '22. EBITDA margin for H1 FY '23 stood at 20.8% as compared to 15.1% in H1 FY '22.

Now PBT. PBT for H1 FY '23 grew by 79% to INR 78.5 crores as compared to INR 44 crores in H1 FY '22. PBT margin for H1 FY '23 stood at 20.3% as compared to 15.9% in H1 FY '22. PAT for H1 FY '23 grew by 71% to INR 60.7 crores as compared to INR 35.6 crores in H1 FY '22. PAT margin for H1 FY '23 stood at 15.7% as compared to 12.9% in H1 FY '22.

So we may now begin the Q&A session.

Moderator: Thank you. And we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Pritesh Chheda from Lucky Investment Managers Private.

Pritesh Chheda: Thank you for the opportunity and congratulations for a good set of numbers. Sir, I have just one question. In the past interactions, we have made these adjustments, whereby we had brought down the margins to about 16% to 17%. And those two adjustments for participation in the end of season sale and some stock to be on a returnable basis in order to facilitate the whole business and start looking for a better growth.

But when we are seeing the margins, the margins are a good 20%, which are back to your original number, just wanted your comment on what kind of margins do you see now in your business post all these adjustments and the revenue growth, which has started coming in?

Hemant Jain: Pankaj is with me. He will give you the answer for this.

Pankaj Jain: Pritesh, the numbers do look okay better. But okay, you can't see the performance on a holistic basis for the quarter itself. So if you leverage out the quarter two as well as the quarterly performance, I think, okay, the estimates, which we had given will be sticking to that itself and we'll be on the same estimates there, okay, where the EBITDA margins would be in the range of 17% to 18%.

Pritesh Chheda: Despite the fact that you have done 20% in the first half?

Hemant Jain: We always believe, it should be better than whatever we have said today.

Pritesh Chheda: Secondly, on the revenue growth side. Now how do you see the year panning out for us? And what kind of ground level consumer feedback or activity or demand scenarios do you see?

- Pankaj Jain:** On a primary level, things have been good for us, okay. Let's wait for a month period and then evaluate what has been the scenario. So answering this question, what I said looking at the quarter two performance in the okay isolation would not...
- Pritesh Chheda:** Sir you need to give your answer back because the audio went off?
- Pankaj Jain:** Okay, I said. Answering the same question which you asked for the EBITDA margin, I said looking at quarter two in isolation would not be true. Let's look at the quarter two and quarter three numbers together, then we'll be able to give you a holistic number. However, the projections which we had given you for the revenue, the revenue would be targeted around 20% to 22% for the financial year '23.
- Moderator:** Our next question comes from the line of Deepak Lalwani from Unifi Capital.
- Deepak Lalwani:** Sir, three questions. One is, could you speak about the seasonality in the business? Is this seasonally the best quarter? And how do you expect trajectory to be for the third quarter and fourth quarter?
- Pankaj Jain:** Sorry, can you repeat the question?
- Deepak Lalwani:** Yes, I want to ask you about the seasonality in your business. Is the second quarter the best quarter from a seasonality perspective and how do you see the run rate for third quarter and fourth quarter? That's my first question.
- Pankaj Jain:** So right now, okay, generally, if you're comparison on the seasonality basis, the quarter two and the quarter three are always better off. Okay. But it depends on the festival on which one the festive is falling to.
- Deepak Lalwani:** Yes. So this year, as it is the festive pre-buying season taking place in the second quarter you're expecting that to take place in the third quarter?
- Pankaj Jain:** Since winter wear as a category has been added, I would say the quarter two and quarter three should be on a similar perspective only, but we'll still wait for the quarter three markets also to understand how the quarter three numbers remain.
- Deepak Lalwani:** Got it. Your second question is on the gross margin. So gross margins were seasonally weak this quarter. And I believe you've taken some price hikes. So could you expand about where do you see gross margins for the next two quarters?
- Pankaj Jain:** The gross margins for the quarter as compared to the last quarter has almost been similar.
- Deepak Lalwani:** Sir, I'm able to see that last quarter, you were at 52% gross margin.

- Pankaj Jain:** No. I'm comparing it to the last year quarter okay, quarter-to-quarter basis us. So the quarter two FY '22 as well as the quarter two FY '23, the numbers have always been right been similar.
- Deepak Lalwani:** Right. So what is the reason why second quarter gross margins are then weaker?
- Pankaj Jain:** You are saying about the last year or the current year?
- Deepak Lalwani:** Sir current year, for example, why are they weaker
- Pankaj Jain:** It's almost similar.
- Deepak Lalwani:** Sir, okay, for the remaining two quarters of quarter three and quarter four, how do you expect gross margins to be?
- Pankaj Jain:** It will be on the similar line itself.
- Deepak Lalwani:** So around 51% only.
- Pankaj Jain:** Yes
- Deepak Lalwani:** Okay. And what do you expect from a cost structure perspective, as you know, you ramp up the EBOs we expect the cost structure to be, employee cost to be in the similar range and other expenses to be in the similar range? Or do you expect it to increase?
- Pankaj Jain:** It will be in the similar range itself, which is the growth has not been only in the EBOs. The growth has been in all the channels. So okay, proportionately, everything will average out and it will be on the similar structure.
- Deepak Lalwani:** Got it. So sir, then I don't understand if third quarter is also going to be a good quarter because there's winter wear sales. And you're saying the cost structures are going to be broadly in line with gross margins also being in line, are you giving the EBITDA guidance at 17% to 18% because it's quite clear that third quarter even margins could be quite robust?
- Pankaj Jain:** Marketing budgets, okay, when we had given earlier and met people we had given earlier guidance that marketing spend would increase during the third quarter.
- Deepak Lalwani:** Okay. So other expense may go up slightly.
- Pankaj Jain:** Maybe.
- Moderator:** Thank you. Our next question comes from the line of Abhishek from B&K Securities.
- Abhishek Ghosh:** Just a couple of questions. So one, if you can just elaborate on why will the marketing spend rise in Q3? That's my first question.

- Pankaj Jain:** It would be related to ATL activities, which we have been doing right now to support the secondary sales.
- Abhishek Ghosh:** Ok. And is it possible to provide some sort of medium to long-term guidance, say, two to three year revenue target or an EBITDA target, what you see, say, by FY '25?
- Pankaj Jain:** Revenue guidance, as we have already spoken, okay, it would be around 18% to 20% over for the next two years and EBITDA would be around 17% to 18%.
- Abhishek Ghosh:** Okay. Similar guidance, the numbers you've been doing last. Okay. And on the distribution side, I'm seeing a pretty good pick up this quarter. I think another 41 units, which are under development. So what is driving this? And like where should we see this figure at maybe, say, two quarters, three quarters from now?
- Pankaj Jain:** If you see the figures, okay, the number of stores, okay, the net addition during the quarter has been around 38 stores and the net addition until year-to-date has been around 63 stores.
- Abhishek Ghosh:** Ok. That's pretty good. So are you entering a new geography? Or are you still like sort of just developing your network more deeply in the areas you have present in?
- Pankaj Jain:** I am entering into it, Tier 2, Tier 3 and Tier 4 markets.
- Abhishek Ghosh:** Okay. And should we -- like what can we expect by the end of the year FY '23?
- Pankaj Jain:** Okay. Close to around -- okay, 40 to 45 stores should be added during the year itself. But on the EBO count perspective, we're looking to double it by FY '25.
- Moderator:** Thank you. Our next question comes from the line of Agam Shah an Investor. Please go ahead.
- Agam Shah:** A good sort of numbers. So most of my questions have answered. Just a quick follow-up question. So, as you have been guiding for a 17% - 20% growth for the next couple of years, that is on a more conservative side or how should we look at it?
- Hemant Jain:** Sir it is like, whatever we plan accordingly we share a figure. If it is better than that, then it is good. But it is like what we say it should be comparable to a minimum to what we plan to at least grow. If it is more than that, it's good. But whatever we share a data that is under plan and should be done this way, if it is better, we will try to get more, but what we are committing, at least a wrong message should not go.
- Agam Shah:** The only point is I'm asking because the way your current quarter has gone, I think you will easily beat your guidance.
- Moderator:** Thank you. Our next question comes from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Thank you for taking my question and Congratulations on a set of great numbers. Sir, most of the questions have been answered. So I would just like to just one if I could briefly understand how does the store economics or we've added 63 stores. So do we -- what is our breakeven time, payback period of time? And how does that work? And how much -- could you just somewhat briefly explain that? Because 63 stores have been quite a good addition that we have done. We are planning for more 40, so 100 new stores. So just if you could explain some thing on those lines that would be great.

Pankaj Jain: Most of the stores which have been added okay, have been on a FOFO driven model. So if I add around 10 stores, 1 store is COCO and around 9 stores are around FOFO stores.

Pankaj Jain: Okay. So where the investment of the CapEx as well as the inventory has been done by the franchisees. And regarding the return, okay, franchisee, generally his return on his investment is around 18% for the first two years period, and then it increases to around 24% okay, hence forth.

Darshil Jhaveri: Okay. So sir, how many COCO stores would we be planning going forward? That would be very [inaudible] ?

Pankaj Jain: 1 on 10. Okay.

Darshil Jhaveri: Yes, thank you so much, that answers my question. And thank you for great numbers and all the information.

Moderator: Thank you. Our next question comes from the line of Marsal an Investor. Please go ahead.

Marsal: Yes. So like in the quarter gone by in the Q2, I mean, we can see that the sales has gone up by almost 50%. So do you mean to say that we will sustain this sale in the Q3 or Q2 is mainly you can say like this a primary sale and the secondary sales t has not been because if you open a lot of new stores during Q2, it means company may have sold to the stores, but if the off-take has not happened from the stores like -- the same sales may not happen during the Q3?

Pankaj Jain: Okay. As I said that, okay, most of the stores opened are on a franchisee owned, franchisee-operated stores. So where the CapEx as well as the inventory investment have been done, the primary sales definitely comes in the second quarter, okay. You can see the secondary results from the third quarter.

If the market is good and very good itself, okay, you will see the secondary numbers coming in the third quarter also for the stores. So you rightly said that, okay, the primary numbers will generally come one month before to what secondary sales are.

Marsal: No, that's okay. Let me just rephrase my question, what I'm saying that since suppose if you open for example, 20 stores during Q2. So whatever sales you have made to allstores, including those 20 stores, which were newly opened, Company sales you can the primary sales will be higher. But if the goods sold to those 20 stores has not been resold by the store to the individual

customers or consumers, then those stores will not be buying the so much quantity again from the company.

So what I'm saying that whether the such a fantastic 50% sale, like increase in the Q2 is just the it just like for the sale made to the store for the sale purpose, like just to fill up the sales or whether they whatever sales have been made during Q2, Like how is the sales going on from the new stores which you sold like the last 50 days, last 20 days, for example?

Pankaj Jain: The growth has not only been in the EBO channel. The growth has been there in all the channels of sales. Okay. So it's a proportionate mix of what you are saying and moreover, okay, the number of stores which have been opened are a FOFO based model. So definitely, there is a base stock investment, which has been done by the franchisee, which adds up.

Marsal: And then like how many more FOFO stores are you trying to open in the next six months?

Pankaj Jain: I said, okay, most of the stores, which will be opened up, okay, it will be generally COCO to FOFO will be 1:10.

Marsal: No. I'm saying a total number, for example, during the last six months, if you opened FOFO stores 60 stores we open, right? So how much -- so how many more stores are we going to open during the next six months?

Pankaj Jain: In process there are close to around 40 stores, which is under pipeline. And I plan to, okay, double the store count by FY '25.

Marsal: And then like we have heard lot about the price. So for example, cotton is so on, like cotton price very high during this like for example you can say during Q1, Q2. And like now last 45 days and so, 60 days or so, cotton price is now going down. So how is that impacting whether this for example, like the profit margin is high because of low price inventory or high price inventory or the inventory valuations, how does it impact to our sales?

Pankaj Jain: The cotton price do not have a direct impact on the product. I'm not buying yarn, I'm buying fabric here. So it doesn't have an impact. Anyway, if the price goes down, it gives us room to negotiate on the fabric level, which -- okay, and there is no spot buying happening on -- so anything which has an impact or the loosening of the price, you will see that impact coming in maybe a quarter three or last month of quarter three or maybe in the quarter four perspective.

Marsal: No, what I'm saying. Now we can see that like everyday prices like going down in US price today become \$0.77 for example cotton. So what I'm saying the inventory you are holding, if you're buying Fabric, so whatever price inventory you are holding for example June or September and if you compare, for example, like were valuing inventory like at cost market value, yes, at cost realizable value is lower -- so is there any effect we are going to take this...

Pankaj Jain: No, there is no impact of cotton price on inventory.

- Marsal:** No, I am not saying cotton price, if you're buying fabric also. So what happen suppose you purchase fabric in the month of July. So, in the month of July, the price is still higher...
- Hemant Jain:** Sir let me explain, when cotton price inflated at that time, we didn't load all the MRP to the customer. If current the prices will go down, then profit on EBITDA will get increase, but it will don't go down. We already have taken that separately.
- Moderator:** Thank you. Our next question comes from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** On the revenue recognition part, we book revenue when we bill to the franchisee, right? -- irrespective whether sales is happen or not by the franchisees. So our revenue is inflated to [inaudible] and hence the profit because generally, the franchisees will take three to six months to sell the inventory?
- Pankaj Jain:** No. Can you repeat the question again, please?
- Jignesh Kamani:** Since we book revenue when we bill to the franchise irrespective whether if you're material sold by the franchisee or no? -- in this case and since we are aggressively opening new store under the FOFO model. So revenue is front loaded in our case, right? And hence...
- Pankaj Jain:** The agreement that most of the stores have been on a principal to principal basis only.
- Jignesh Kamani:** Agree. But hypothetically, if the store has been COCO model instead of FOFO, the revenue recognition would have been delayed by six months or nine months because then it is on actual sale?
- Pankaj Jain:** True. Not six months, maybe a quarter, yes.
- Jignesh Kamani:** Yes. To that extent , our revenue is inflated, right? And hence, the profit?
- Pankaj Jain:** But you'll have the secondary sales aspects also to add up.
- Jignesh Kamani:** Yes. But because we are aggressively expanding the store now...
- Pankaj Jain:** But, we look at the inventory model also. So when... we are closely monitoring the secondary sales. So if you see that, okay, in the entire year, we have two sale periods, which comes up to liquidate the seasonal stock also. And we provide for that EOSS But the cost savings for that discounting structure -- during the revenue recognition only
- Jignesh Kamani:** Understood. Second thing, what is the SSG Same-store Sales Growth and the revenue per square feet for this quarter and comparatively Y-o-Y number?
- Pankaj Jain:** It has been positive. I will not be able to give you the number exactly, but okay it has been positive. So there has been a like-to-like growth, but I will not be able to give you the numbers.

- Jignesh Kamani:** And revenue per square feet?
- Pankaj Jain:** Generally here, okay. When every city, the CP structure has been different. So somewhere it adds about bottom line aspect, because okay, most of the stores have been owned by the franchisees.
- Jignesh Kamani:** I just want to understand the total blended revenue per square feet and how it is...
- Hemant Jain:** Normally it doesn't happen like this, when you work with some franchisee, then it is like, franchisee calculate the margin end of the year, what percentage he has made the profit. The amount invested what will be the return profit on the amount invested. So we say, it is 18% for the first year and 20% - 24% for the next two years. We deal accordingly. So per square feet there is nothing. We cannot tell you exact figure what the percentage we are getting -- internally, we are working on that, but we will not able to get perfectly, in per square feet, when you can compare with other retail stores.
- Moderator:** Thank you. Our next question comes from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Yes. So sir, my first question was on your working capital. My calculation suggests it is somewhere around 125 days on a net basis. So is there any room for improvement here? Are you opting for some channel financing with your dealers and retailers?
- Pankaj Jain:** I am exploring the possibility of channel financing also. But looking at the growth aspect, okay, the working capital may reduce marginally, but not to a great extent.
- Ankit Babel:** So any guidance on that, sir, where you see your working capital by the end of this year and also sales....
- Pankaj Jain:** Should be around this year itself.
- Ankit Babel:** No. How many days you are expecting? I mean, this 125 days to come to, what, 100 days, 120 days, any guidance on that?
- Pankaj Jain:** 110 to 120 days.
- Ankit Babel:** Okay. And sir, what would be your dividend payout policy, sir, going forward?
- Hemant Jain:** In case of Dividend, it all depends on the revenue. Currently we give dividend but in future if want to grow business and want to expand, may be at that time we can lessen the dividend. It is like if we lessen the dividend, we will utilize the same dividend amount in business, no need to borrow we will utilize in business expansion only.

- Ankit Babel:** Okay. Sir. Excellent. Generally, we had a perception that denim jeans and casual shirts are your main products. But when I was going through the presentation, there were some athleisure and all those. So, what are the new categories which you have added recently?
- Hemant Jain:** We have not added anything now. We have just added women's wear, now in future we are going to add some –Athleisure you know last time we have added. But still it is on the right now for that how much sale is going to be, right now I can't say, but just last season we have added that. In future years, we are going to add some category.
- Ankit Babel:** Okay. And sir, you also mentioned in your press release regarding some good booking in your trade show for summer 2023. Can you elaborate on that, sir?
- Hemant Jain:** First we were not doing Road shows, right now we are doing road shows and take booking for six month in advance. In today's date as far as Kewal Kiran is concerned, we have booking till March order books are full. Now, in February we are again doing show for winter 2023. So we plan in advance and in book order in advance so that we don't bear any losses on inventory.
- Ankit Babel:** So that order book is giving you visibility of the growth, which you mentioned. Okay. And sir, one more question. You also mentioned a few minutes back that you plan to double your EBO count by FY '25. Do you see the share of EBO will increase in your total revenue going forward then?
- Hemant Jain:** Yes, it is possible.
- Ankit Babel:** So EBO is about relatively high-margin business or a low-margin business comparing to...
- Hemant Jain:** As far as business's one of the highest earning is from the MBO business - distribution business, when we say MBO. The second is EBO.
- Ankit Babel:** Okay. And sir, my last question is what kind of money you plan to spend on your marketing in the current quarter, that is Q3 quarter?
- Hemant Jain:** It's all correlated to the revenue of the business. we are always targeting 6% to 7% on marketing spend.
- Ankit Babel:** So my question was pertaining to this particular quarter because you mentioned that higher marketing spend can bring the margins down in the Q3 compared to Q2.
- Pankaj Jain:** Currently, in the last two quarters, there was always a price hike in terms of the fabric okay. So ATL activities had been low and that to support the secondary market activities, most of the spend would be around Q3 only. And that's the reason we are saying to look at the – figures in a holistic aspect of the entire year, where the advertising spending should be around 6% to 7%.

- Moderator:** Thank you. Our next question comes from the line of Akshay Kothari from Envision Cap. Please go ahead.
- Akshay Kothari:** Sir, just wanted to know, in FY '18 our sales realization per unit was around 779 and currently, it is 674. So what were the major reasons for the fall in ASP?
- Hemant Jain:** First we were mainly bottom wear brand, so we have added the category Top wear. So if Top wear added category is increased so at the end of the day, averaging its little down, but there is price difference in top and bottom wear, that's the reason or otherwise. And second you had noticed that we have added many things in accessories. So accessories is the low margin, mean low price thing. That's the reason for average is down..
- Akshay Kothari:** Okay. But our main brand is Killer only, right? From Killer, getting the highest contribution
- Hemant Jain:** 60% - 62% contribution from Killer.
- Akshay Kothari:** Okay. Great. And sir, recently, there was some time back one article in newspaper, KKCL has had made an investment in Kolkata based Company along with other family offices?
- Hemant Jain:** Yes, investment was done not with family offices it was done from a strategic aspect only.
- Akshay Kothari:** I'm forgetting the name -- can you elaborate on that part?
- Pankaj Jain:** What exactly you want to know. So the investment was named in term of retail format named Style Bazar.
- Akshay Kothari:** Sorry, I did not get the name.
- Pankaj Jain:** The investment was done, okay, in a retail format, named Style Bazar.
- Akshay Kothari:** Style Bazar yes.
- Pankaj Jain:** So what exactly you wanted me to elaborate on it. It was done from operational synergies only.
- Akshay Kothari:** So what sort of synergies are we?
- Pankaj Jain:** They have close to around 150-odd stores going forward, where Kewal Kiran is present in close to around 32-odd counters. It was done from that as to increase the number of footprints for KKCL.
- Akshay Kothari:** Okay. Got it.
- Pankaj Jain:** And post our investment, we have already seen a significant uptick in that.

- Moderator:** Our next question comes from the line of Shrinjana Mittal from Ratnatraya Capital. Please go ahead.
- Shrinjana Mittal:** I just have a couple of follow-up questions. So sir, can you -- like you have mentioned the channel right - MBO is the biggest channel -- can you -- is it -- would it be possible to provide some channel wise breakup for the quarter, like how much percentage?
- Pankaj Jain:** I'll be able to provide you only with the two formats, which is retail generally segregate into retail and nonretail format. So there is three formats, retail or non-retail and others. This is the number which I can give you.
- Shrinjana Mittal:** Yes, that's there in the presentation. So in retail, like what are we considering retail is non-retail and others, can you...
- Pankaj Jain:** So retail is EBO and LFS, non-retail is MBO.
- Shrinjana Mittal:** Okay.
- Pankaj Jain:** And others would be exports e-commerce and all others.
- Shrinjana Mittal:** Okay. That is helpful. And just one more follow-up question. So you mentioned that the marketing spend to the correct way to think about it would be 6% to 7% of sales, right, for the year? Yes. Okay. Sir, these are my two questions. Thank you and Happy Diwali to you all.
- Moderator:** Our next question comes from the line of Amit Kumar with Determinant Investments.
- Amit Kumar:** So just again on this primary sales, secondary sales point. So it would be sort of quite fair to say that as far as second quarter is concerned, because you did a lot of pre-selling in anticipation of festive season in third quarter, your Primary sales growth has been ahead of secondary sales. What I just wanted to understand is that is there any sort of estimation at your end in terms of what the difference is going to be? Is it like 2%, 3% only? Or are we talking a larger delta as far as second quarter is concerned?
- Pankaj Jain:** No. You're comparing which data, Second quarter this quarter.
- Amit Kumar:** Yes. Second quarter, your primary sales growth is what is sort of reflected in the numbers. So the secondary sales growth seemingly, I mean, based on the discussion only, it would be sort of lower than the primary sales growth. Would you have a sense in terms of how much?
- Pankaj Jain:** So the quarter two and quarter three and have put together, it will be almost similar on the primary level as well as the secondary level
- Amit Kumar:** Okay. So in third quarter, your primary will come down, primary growth will come down slightly and your secondary will sort of pick up. That's what the...

- Pankaj Jain:** You look on a like-to-like basis, yes.
- Amit Kumar:** Okay. And how has been this festival season, we are almost 24th is Diwali just three days away. How has -- festive season in third quarter is more or less sort of ending and we do sort of see a little bit of a lull period after that. So how is this period of around 20, 21 odd days been in terms of whatever sort of feedback that you're getting from your EBOs or MBOs basically, what is the kind of sell-through that they are seeing?
- Pankaj Jain:** I have already given my revenue guidance for the entire year period -- that includes the quarter three as well in the quarter four period.
- Amit Kumar:** I'm really sorry. And I'm just sort of trying to get a little bit of a here. In terms of -- are you sort of seeing that strength in the market where the sort of secondary sell-through is like very, very strong in the last 20, 21 days of the current quarter?
- Pankaj Jain:** It were meeting our estimates. I can give you that
- Amit Kumar:** It's meeting your estimates. Okay.
- Moderator:** Thank you. Our next question is from the line of Ankit Kedia from Phillip Capital.
- Ankit Kedia:** Sir, is it right that your revenue guidance is spot this year is 20% to 23%?
- Pankaj Jain:** Yes.
- Ankit Kedia:** And sir, if I back calculate the second half revenue growth, it comes to around 10%- 11% for the second half of the year. Also on your comment that your tradeshow, you have got very good response for the summer season. That doesn't dwell well with 11% growth given the price hike in the system as well. So are you under guiding the 20% - 23% or there is something where you're anticipating a slowdown in the business and primary sales in quarter two is very high. And hence, quarter three growth would be single digit? Sir, did you hear the question, sir?
- Pankaj Jain:** I did hear the question. You said the quarter three and quarter four perspective am I under guiding the revenue estimate?
- Ankit Kedia:** Right. Given that they are given that 20% to 23% is the revenue growth for the full year, it translates to only 11% kind of a revenue growth for the second half of the year. And also on your comment that your trade show has been very good for the summer season. That doesn't go well with the 11% revenue growth number for the second half?
- Pankaj Jain:** It is absolutely right. So I said, okay, if you isolate the first quarter, it says the quarter two and quarter three estimate have given in the estimate which we have given in par with the fourth quarter. Okay. The first quarter, we surpassed it because last year, okay, the first quarter was subdued.

- Ankit Kedia:** So because of the first quarter numbers, probably you can exceed your guidance as well?
- Pankaj Jain:** And this year, Ankit, I think the festive season, which is Durga Pooja was in Q2, so obviously, I think you have to consider both the quarters together . Q2 and Q3 quarter, you have to consider both together. So I think in the Q2, we have done 29% growth.
- Ankit Kedia:** Sure. Sir, I understand that. It's just that people asking questions on the primary versus secondary. And my question is because of your -- the growth seems very low for the second half of the year? I just -- I'm done with my comment on my question, sir.
- Moderator:** Thank you. Our next question comes from the line of Dhwanil from I-Wealth. Please go ahead.
- Dhwanil Shah:** And congrats on a good set of numbers. Sir, I had a couple of questions. One to Hemant-ji sir. I just want to understand that you showed winter collection, was there in December quarter or it is arrived now?
- Hemant Jain:** No. it was there in last December quarter and just we started, it will be shown again in this quarter for winter sales.
- Dhwanil Shah:** So winter collection compared to last December this time it would be better?
- Hemant Jain:** Yes.
- Dhwanil Shah:** Last December your pieces sell was 18 lakhs pieces which was mix of everything. So in this how much is winter ballpark?
- Hemant Jain:** We can't say this much in detail right now. But I can say the percentage of sales growth we will maintain that, whether it is winter, Denim, shirt, whatever the category or maybe the category mix that whatever we committed in terms of sales that order we have in my hand. May be winter percentage is higher than normal garment, but, winter will be more, but we can't say the exact figure in terms of percentage.
- Dhwanil Shah:** Understood. In winter, we are outsourcing that, right? It is not in-house make, it can be lower, is it safe to assume like that?
- Hemant Jain:** We will maintain almost we will maintain that what EBITDA margin we are committed, we will maintain that.
- Dhwanil Shah:** Understood. Last on balance sheet Pankaj-ji, I had one question. So the short-term provisions I was seeing in our balance sheet from March quarter, it has gone up by INR 30 crores - 35 crores -- so sir, can you tell us in what is it exactly this INR 160 crores...
- Pankaj Jain:** It is related to some of the chain store groups, okay, having problems.
- Dhwanil Shah:** Yes. Pankaj ji, Sir, I didn't understand.

- Pankaj Jain:** I'm operating. Okay. It is basic on the LFS aspect. I provided on the LFS aspect, the stores which have been closed right now. I don't want to provide a name.
- Dhwanil Shah:** Got it. So can this start increase going ahead or this is, I think the -- you've done all the provisions?
- Pankaj Jain:** I have done -- no. This cannot increase. I have already provided for whole .
- Moderator:** Our next question comes from the line of Marsal an Investor. Please go ahead.
- Marsal:** Just maybe I missed the early part. So can you please see like this quarter gone by, we have done a sale of INR 226 crores, so what kind of growth are we looking for the third quarter in sales, that's my first question?
- Pankaj Jain:** So I won't be able to give you quarter three numbers, but I said, no, okay, the estimate is revenue guidance, which I have given that this year, it will be around 20% to 22% for the entire year Okay, we're going to touch that estimate.
- Marsal:** Okay. Number two, since we opened 38 new stores during the Q2 and what is the sales you have made from our side like that is booked in our sales as per the accounting standards -- so how is the off-take from those 38 store newly opened that? Yes, how is the second is moving like from those particular that we are store? Is it only stocking there or 10%, 20% sold or more than 50% sold, just the idea on this?
- Pankaj Jain:** Earlier, when the revenue recognition done, it is done also on the base stock aspect. So whatever secondary sales has happened. I have also again resold the product for that number of quantity?
- Marsal:** No, that's okay. I understand. I'm a chartered accountant. I understand that like that when we recognize sale, what I'm asking? -- that whether you sold the first stocking or whether you replenish the stock like your...
- Pankaj Jain:** It will vary for every store. Okay, something. It will vary for everything. Some stores have opened on 30th September only. So I get that one day sale only.
- Marsal:** No, I'm just saying that, for example, how are the stores selling? How are the stores like sale happening? I'm just talking about...
- Pankaj Jain:** If I say they are meeting my estimates right now.
- Marsal:** Okay. This is number one.
- Hemant Jain:** Let me explain, any store is having a base stock. When that base stock is sold, the sales come from itsrefilling . And the average of the particular store, can't do for one month, it should be done for 12 month, in which we have festival time and some EOSS period. Altogether

maintaining that we say one average. In every category, when stores are open, some stores do extremely well, some do average and some do below average. When we talk to you it is on averaging

Marsal: Second thing. -- in the digital sales, we have mentioned in the PPT three names, Flipkart Myntra, Amazon. Is to see in the market now, there are 15 sites, even everyone is opening COCO Blue and like India Mart, Paytm there's a lot of things are happening. So are we selling only through these 3 like major e-commerce platform? Or are we using all the 50, 20 whatever platform...

Pankaj Jain: I've been selling only on these three platforms.

Marsal: No, sorry, it means like it means we are losing the opportunity because...[inaudible]

Pankaj Jain: On the e-commerce front, the killer as a brand perspective has already signed okay, exclusive tie-up has an exclusive tie-up with Flipkart Group with revenue commitment. That's the reason I have not loaded it on other sites.

Marsal: No, I fully appreciate it because he said I don't want to go in the confidence of thing. But if I want to put some feedback here. We do understand that till two to three years before, Flipkart was the only thing which was coming to mind whenever you want to buy anything. Now we all know that like all the middle class, upper middle class, they are like having this comfort of home like and everybody wanting to e-commerce.

But what I'm saying nowadays, Flipkart is not the number one, which come in the mind because there are a lot of other competitors have come up. So I'm just saying that, yes, I respect that you have already signed an exclusive agreement, but whether the exclusive agreement is for the next five years? Or is it renewable every year so that if it renewable every year, then it's better that we also take other e-commerce site so that we can grow -- we can grow the sales substantial?

Hemant Jain: Sit it is like when you sign exclusive agreement with some company, with it the revenue and every year and suppose we continue for two or three years agreement, we sign it by adding a growth percentage to it.

Marsal: Okay. But what I am saying that like now suppose Flipkart is in agreement, but there are also other e-commerce website are doing very good for example, Nykaa,...

Hemant Jain: If we also doing an exclusive agreement with someone, we also have checked the data of other sites and then only we have done this agreement with Flipkart. We also know where we will get highest revenue, on which thing and what margin we will work. There not only revenue, along that margin is also important, that who is giving you the better margin.

After that you have to also consider brand aspiration is also seen, how you are selling it. There is a lot of things. Every management is always looking to sale more, no management will say want to sell less. So whatever is the best opportunity management will select that only.

- Marsal:** Okay. Its correct, fully respect. I am only saying. Before 30 years there was only Flipkart, now India....
- Hemant Jain:** Top three company, the names you mentioned, I am working with them already. You said Flipkart, Amazon, Myntra, do you have any better companies other than this? For Reliance, we already working with AJIO also. After this what else extra need to do.
- Marsal:** Now, AJIO, Coco Blue, Nykaa...have come
- Hemant Jain:** To answer you Coco Blue is part of Amazon, first. Secondly on a Fashion format Flipkart as a group holds close to around 75% to 80% of the market share
- Marsal:** Okay. Sir, like my next point since Killer has been a very good brand. So it's umbrella extension, are we planning to launch some innerwear or some, for example, some ladies wear kind of thing like the other, for example, all what will you say Dollar or like, for example, the Dollar, LUX, they have attended, they are likely to other, then innerwear also. So similarly, if we can extend this brand to innerwear kind of or some other products also like for example for the winter wear, you can get some additional sales.
- Hemant Jain:** Thank you for your review and feedback structure on regarding the same, but we have already started this, and we are doing that as a category. Innerwear, bags, luggage, deodorants, perfumes, okay, entire set, okay, which can add to the ticket size of the store, we have already started that.
- Marsal:** I don't know because since, I didn't see anything in the PPT section, I mentioned because it will not only, like increase the sales, but it will also increase the brand image and the brand popularity of Killer also, whatever somebody see like somebody see other product of Killer? So it will remind them about jeans also.
- Hemant Jain:** Yes. Thank you for your feedback, sir. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Roshan from B&K Securities. Please go ahead.
- Roshan:** So I just wanted to understand how the trajectory of other expenses would be due to the opening of new stores. In the sense, how it is going to shoot up?
- Pankaj Jain:** In proportion to sales, it will be in line up. Why would it shoot up ? Any particular reason it should shoot up ?
- Roshan:** I'm just trying to understand that. So is this expected to go up with the opening of new stores?
- Pankaj Jain:** It will be in line with sales structure. EBITDA margins will be maintained.

- Roshan:** And can you give some idea on the like winter wear products? How is the initial reaction from the launches?
- Hemant Jain:** Winterwear is like, it is too early to say anything. Because winter we just place in the shop. Unless winter is not started, we cannot say about the sales, what will be percentage. But we are thinking, winter is basically seasonal product. If the winter is good, then sales is also good. It's all depend on season. So we just placed in store, sales result will November, we also place target post Diwali from November 15 slowly slowly it starts to pick up. So we'll give you the exact figure in the quarter three after the quarter three only.
- Moderator:** Thank you. Our next question comes from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** So out of INR 760 crores revenue we did in the first half, how much were revenue was from the, say, FOFO model roughly?
- Pankaj Jain:** Sorry, out of the...
- Jignesh Kamani:** Out of INR 760 crores revenue we did in first half. How much revenue was from the franchise, FOFO model? Franchise operated?
- Hemant Jain:** I said, okay, we do generally give three formats only, which is retail, non-retail and others. I've already shared that numbers.
- Jignesh Kamani:** So just I want to check about inventory days. So like out of INR 178 crores inventory. So if you take about the MBO. MBO is mostly inventory lies in their own books, similarly franchisee inventory lies on their books. So if I adjust for that, only 50% of revenue or less than that inventory is in our books. So if I adjust for that, so -- and the entire revenue, inventory of INR 178 crores, I just said for the 50% revenue, on COGS basis, our inventory days is in excess of 200 days to 225 days?
- Hemant Jain:** No, no. Inventory would not be to that extent, number of days. 85 is the inventory days.
- Jignesh Kamani:** I know, if you take about the non-retail - MBO, MBO inventory lies on the books of the MBO estimate, if you have a 1 month - 1.5 months inventory just to support the MBO, right? Similarly, if you take about others, partly inventories in our books, partly in the books [inaudible]?
- Hemant Jain:** MBO we have already sold out,
- Panjak Jain:** You are comparing on a product-to-product, which is a fresh product perspective. The company also has a manufacturing unit. So I'll also have --
- Jignesh Kamani:** It will be 1.5 months inventory to support MBO.

- Pankaj Jain:** I'm saying the Company also has manufacturing units. So that's the reason I also have a WIP.
- Jignesh Kamani:** So what will be your WIP to support the MBO and everything one and half month?
- Pankaj Jain:** No, that's a finished good finished goods and WIP are two different things. As for the next season, the planning has already been taken care and the inventory has already started piling in my stores -- in Kewal Kiran, at my warehouse.
- Jignesh Kamani:** So out of INR 178 crore inventory, how much is WIP in this case?
- Hemant Jain:** Almost 50%, 50%. Almost INR 50 crores.
- Jignesh Kamani:** Okay. So even if I adjust that, so out of INR 178 crores, if I remove the INR 50 crores, INR 120 crores kind of inventory – while out of total revenue, retail were 42% is the retail. If I take out the FOFO model, roughly 30% - 35% if you maybe COCO kind of where inventory is actually in our books. So only 30%, 35% of total revenue for total COGS inventories is in our books. And if you take about inventory of close store to around INR 120 crores on COGS of INR 350 crores adjusted COGS of around INR 440 crores annually. If you adjust it, the inventory is close to around 225 days. On the pure retail side.
- Hemant Jain:** Actually may be I am not understanding your question completely
- Pankaj Jain:** Okay, let's complete this call and can definitely discuss on the last aspect on this. Okay. I don't think, okay, what you're saying is true. But definitely, I'll answer that on the last aspect. Is that fine with you?
- Moderator:** Thank you. Our next question comes from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.
- Himanshu Upadhyay:** Congratulations on great set of numbers. I have two strategic questions only. So earlier, we had a Franchisee-Owned Franchisee Operated store, but in FY '18, FY '19, what we were seeing is the number of stores that we were opening was nearly equal to stores which were getting closed down, okay, in franchisee model, okay. Have we changed any policies or any thoughts on that? And why -- so that the success ratio improves, okay? So can you elaborate on what changes have you brought in why the life of franchiser should be longer with us because till FY – pre-COVID churn was very-very high some elaboration on that or improvement, what you have done in that model will be helpful to understand the business.
- Pankaj Jain:** So earlier, okay, as compared to my competitors, okay, I was working on a stricter norm, which I have leveraged it to an extent. And that's the reason you'll see that also my EBITDA margins have gone down to a proportionate to that extent. So, I have leveraged that, but not to a full extent. As a result, you'll see that the growth aspect is coming. Now as of today, we are at par with the commercial aspect with most of our competitors.

- Himanshu Upadhyay:** Okay. And one more thing. See, generally, the franchiser will not be profitable from -- it takes time to recover the overall capital cost, but in our agreements with franchisee, is there a minimum duration with which he has to be there with us, like 3 years or 5 years or any minimum time, so that we have a long-lasting relationship or there is no time duration in the agreement?
- Pankaj Jain:** See, generally, whenever the stores are open and I'm comparing the FOFO stores only, the CapEx investment is done by him. So generally, if it doesn't run the store for 3 years, there will be negative P&L for, okay, in his books only.
- Himanshu Upadhyay:** I agree to it. But just because -- partly replied, okay, that you have taken some better margins to the franchisee and you have taken some amount of store costs from your side of the proportion for the better profitability of the franchisee? How much would be that hit you would have taken? How much reduction in your margins have taken in the franchisee, let say, at MRP, you were taking or giving you at MRP minus x%. Now at what percentage reduction you are selling in?
- Hemant Jain:** I have not reduced on the percentage aspect. The commercial aspect has been in par with most of the competitors. So, what I have done is I have added an additional support in terms of sales support during the discount period.
- Himanshu Upadhyay:** Okay. And one more thing. We had bought this Desi Belle brand, 3 years or 3.5 years back in 2018, 2019. So what is the progress on that? Because we were quite optimistic, but the market presence is still not very visible for the product?
- Pankaj Jain:** See, after taking over the brand, the brand was not able to focus and structure it because of the COVID for the two years period. I see this happening in this year itself and still it's in the -- I would say, it's a pilot pace. We'll see the growth happening in the next quarter or maybe the next year or the next year itself.
- Himanshu Upadhyay:** Okay. And one last thing. So at one point of time, the strategy was high profitability and -- so we were around INR 500 crores of revenue from FY '16 to FY '20, that in 5 years, they were nearly at INR 500 crores. And after COVID, FY '23, let's say FY '22 also, some inventory built up was there, it must be some. But let's say FY '23, we are sufficiently going to cross that mark by decent margin. Is there any change in the market or competition also and which is helping us grow?
- Or it is just everybody is growing in the market. So can you elaborate what has changed that growth which was not visible from FY '16 onwards till FY '20, we have seen sudden growth and sustainability of the growth. So I think a lot of discussion has happened but your thoughts on how sustainable is what has changed in the market?
- Hemant Jain:** In this there are two or three things. One, your competitor has given you space, because of after COVID due to financial problems competitors have given space, some we have improve ourselves. After that for business growth, we have hired professional team. There was a focus towards business to create a strength for the company and hence focus was not to work without

profit, now we have leveraged the same to some extent to support to the market. First, we use to not support EOSS support. So basically, one competition made space for us, second we improved ourselves and little we brought in some policy changes, built up team and hence we planning on growth.

Himanshu Upadhyay: Sir, you changed the policy a little bit, and a little improvement, that's why I respect you in this business, because your profitability, cash flow in this industry is one of the best. Some established and old brand are there, you scored on cash flows better than them. These policy changes impact, what will be the limit for these margin and working capital, what are the changes? Can you say little bit more on these changes?

Hemant Jain: Working capital which we have mentioned we will not go above 120 days. And next whatever profit we are generating we are returning it to business. So there is no need of extra capital. Every month there is profit generated, same capital is reinvested in own business. As I said in future, we may lessen our dividend so we will same reinvest and expand the business, hire more professionals, on this theory, when we say to you, will be saying marginally, EBITDA is maintained at 17% to 18%, if it is higher it is and good, if it's not so we will maintain it, so it can be reinvest in our business, changes in policies should be there, provide EOSS support, suppose if winter season sale is not good, we may have to provide larger EOSS support.. Anyways we have to sell, by giving benefits to customers we have to sell the stock, so that we can replenish the stock for the next season. So anywhere we have to give the leverage. So we are maintaining or telling you EBIDTA margin around 17%-18%.

Himanshu Upadhyay: Thank you, and congratulation. Sir, if you could continue the call let say at least for six months in a year also, it will be at least very helpful.

Hemant Jain: Yes. We will do that.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer-session. I would now like to hand the conference over to Mr. Hemant Jain for 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 query. Please feel free to reach out to our IR team for any clarifications or feedback. Thank you all. Happy Dhanteras and happy Diwali.

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