KEWAL KIRAN CLOTHING LIMITED

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Date: May 03, 2023

To,

National Stock Exchange of India Limited	BSE (Bombay Stock Exchange) Limited
Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra(East), Mumbai-400051 **NSE Code -** KKCL	”Phiroze Jeejeebhoy Tower”, Dalal Street, Mumbai-400001 **BSE Code -** 532732

Dear Sir/Madam,

Sub: Transcript of the conference call on Q4 FY23 & FY23 held on April 28, 2023.

In continuation to our letter dated April 21, 2023 and pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please be informed that the Company had convened and participated in the conference/analyst call, details of which is as follows :

Day, Date & Time	Subject / Type of Event
Friday, April 28, 2023 - 11.00 am (IST)	Q4 & FY23 Conference Call

We now enclose herewith the transcript for the said conference call. The same is also available on the Company’s website at

https://kewalkiran.com/investor.html#Press+Release+/+Conference+Call+Recording%20&%20Transcript#Press+Release+/+Conference+Call+Recording%20&%20Transcript

Kindly take the same on record
Thanking you.
Yours Truly
For Kewal Kiran Clothing Limited

ABHIJIT BHALCHANDRA WARANGE
Digitally signed by ABHIJIT BHALCHANDRA WARANGE
Date: 2023.05.03 16:54:12 +05'30'

Abhijit B. Warange
Vice President – Legal & Company Secretary

Encl.: a/a

"Kewal Kiran Clothing Limited
Q4 and FY23 Results Conference Call"

April 28, 2023

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**
MR. PANKAJ JAIN – PRESIDENT - RETAIL

Moderator: Ladies and gentlemen, good day and welcome to Kewal Kiran Clothing Limited Q4 and FY23 Results Conference Call.

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

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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Hemant Jain: Good morning. On behalf of Kewal Kiran Clothing Limited, I welcome everyone to the Q4 and FY23 Earning Conference Call of the company. Joining me on this call is Mr. Pankaj Jain and Marathon Capital, our Investor Relation Advisors.

I hope everyone had an opportunity to look at our result. The presentation and result release have been uploaded on the stock exchange and our company's website. Our company scaled new peak in sales both in the terms of value and volumes backed with impressive EBIDTA and PAT in FY2023. Continuing our practice of consistent dividend payout, the board of directors has declared a second interim dividend at 20% for the financial years 2022-23. The consistent growth in our performance reflects the power of the company's brand to connect with consumer in providing the unparalleled fashion experience.

Today from being denim-focused brand we have evolved as a leading lifestyle brand. Our continued focus on growing our presence and visibility through increasing our brand focus EBOs coupled with expanding our product portfolio and aggressive marketing coverage are the key contributors for this robust performance. The company added net 97 EBO in FY23 and 15 EBO in Q4 FY23 across the region taking the tally to 453 EBOs as at March 31st, 2023, from 356 as on March 31st, 2022. Additionally, 49 stores are under development. For enhancing brand visibility and aspirational value, we undertook aggressive marketing campaign including our outdoor advertising to event a sponsorship to sports sponsorship as well as advertisement across multiplex and theaters. We entered into a strategic partnership with BCCI as an official partner for the Indian Cricket team. Additionally, we were the title sponsor for the India v/s Bangladesh Cricket Test series and also carried out aggressive in-stadium brand advertisement during the India v/s South Africa Series. All of these we believe has helped the brand Killer to reach out to the millions of cricket fans across gender and age that are spread across the country and overseas.

The company's brand today reflects the attitude of today's youth the Killer state, to achieve high on Integriti, bold as LawmanPg3 and friendly and relaxed as Easies. Driven by the power brand and accompanied with the high level of governance and physical prudence, the company has formally established itself as a credible long-term player in world of branded fashion wear. We are very confident in our ability to further build on the progress made so far and continue to drive a strong overall growth.

Now coming to the financial performance highlights. Standalone performance highlights for FY23. Revenue from operations for FY23 grew by 28.3% to Rs. 779.5 crores as compared to Rs. 607.6 crores in FY22. Gross profit grew by 32.8% to Rs. 330.6 crores in FY23 as compared to Rs. 248.9 crores in FY22. Gross margin for FY23 stood at 42.4% as compared to 41% in FY22. EBITDA for FY23 grew by 51.9% to Rs. 151.9 crores as compared to Rs. 100 crores in FY22. EBITDA margin for FY23 stood at 19.5% as compared to 16.5% in FY22. PBT for FY23 grew by 49.1% to Rs. 157.1 crores as compared to Rs. 105.3 crores in FY22. PBT margin for FY23 stood at 19.6% as compared to 16.9% in FY22. PAT for FY23 grew by 46.1% to Rs.119.3 crores as compared to Rs. 81.7 crores in FY22. PAT margin for FY23 stood at 14.9% as compared to 13.1% in FY22.

Now, Standalone performance highlights for Q4 FY23. Revenue from operations for Q4 FY23 grew by 17.6% to Rs. 199.5 crores as compared to Rs. 169.6 crores in Q4 FY22. Gross profits grew by 22.8% to Rs. 89.2 crores in Q4 FY23 as compared to Rs. 72.6 crores in Q4 FY22. Gross margin for Q4 FY23 stood at 44.7% as compared to 42.8% in Q4 FY22. EBITDA for Q4 FY23 grew by 21.3% to Rs. 39.0 crores as compared to Rs. 32.2 crores in Q4 FY22. EBITDA margin for Q4 FY23 stood at 19.6% as compared to 19.0% in Q4 FY22. PBT for Q4 FY23 grew by 29.2% to Rs. 42.4 crores as compared to Rs. 32.8 crores in Q4 FY22. PBT margin for Q4 FY23 stood at 20.5% as compared to 19.0% in Q4 FY22. PAT for Q4 FY23 grew by 27.4% to Rs. 31.6 crores as compared to Rs. 24.8 crores in Q4 FY22. PAT margins for Q4 FY23 stood at 15.3% as compared to 14.3% in Q4 FY22.

We may now begin the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Varun from ICICI Securities. Please go ahead.

Varun: Sir first of all congratulations on good set of numbers, sir my first question is on revenue from retail channel, so if I look at year-on-year growth, so the growth looks muted roughly 3% - 4% declines and also if I look at the EBO retail expansion year-on-year, that number looks quite impressive at 27% growth, so how should we reconcile these 2 numbers? Also does this not reflect softness in same store sales growth for our EBO stores?

Management: Just to clarify your question is, the number of stores have increased by closed to around 28% scenario and the revenue growth on the retail side on the total side has been at 17%. Is that what are you asking?

Varun: Sir revenue growth for retail channel like we have given a breakup of revenue from retail and non-retail in our investor presentation, so if I look at only the retail channel revenue growth, so that number looks relatively muted?

Management: The annualized number at retail for FY23 was around Rs. 350 crores where in FY22 it was around Rs. 253 crores, that reflects the total business structure on the revenue aspect also. If the revenue has increased by the same percentage, so has retail.

Varun: Sir for the current quarter number for example our revenue contribution from retail channel is 46.9% and roughly 47% and for same quarter last year it was 55.4%.

Management: No, so that is a percentage structure of the total business. So absolute numbers has increased, so the retail numbers for the quarter, Q4 is around Rs. 75 crores and it was Rs. 75 crores last year as compared to current year which is Rs. 104.9 that is close to equivalent to the growth of the revenue number.

Varun: Just wanted one clarification that in the PBT we said 47% revenue contribution from retail channel this 47% number you said?

Management: Retail is a combination of EBO stores as well as LFS stores

Varun: I understand that, so in that case our revenue contribution from large format stores should be much higher? What should be that contribution?

Management: No, I am saying the retails number is at 104.9 in the current quarter as compared to 75 of the last quarter which reflects the growth which is above the scenario of the current quarter.

Varun: When you say retail which means only for EBO channel?

Management: No, when I say retail it is a combination of retail and LFS.

Varun: Sir my second question is if we look at revenue from jeans, so that has a kind of roughly also stayed muted under the consequence of that average selling price or our revenue outperformance was driven by volume growth, so how should we look at revenue from jeans to be growing in future given that it contributes roughly 50% to our total revenue?

Management: (Inaudible) . . . grown but the base of jeans was okay anyways at a higher level, so jeans has grown but the other categories including the shirts, the trousers, t-shirts have outgrown the jeans category.

Moderator: Thank you. The next question is from the line of Kapil Jagasia from Nuvama Wealth. Please go ahead.

Kapil Jagasia: First of all congratulations on great set of numbers. Sir my first question is on gross margins, just wanted to understand the reasons for increase in gross margins, sir as I believe winter wear sales would have been higher in this quarter and this winter wear is a kind of a lower gross margin product as compared to the company average?

Management: So, the gross margins for the current quarter when you say that winter wear is included in the current quarter - winter wear is generally forms a part of the third quarter. In case of any provision or markdowns which have to be done that is being taken as a part of this quarter. Gross profit you will see that also there has been a margin increase - Two reasons for that one is that there has been a reduction in cotton price in the current quarter, so that has added to that value.

Kapil Jagasia: And how your accessory segment grew this quarter? How is that as compared to company average is that a higher margin, gross margin, or margins are lower over there?

Management: Accessories is a trading business structure when margins are lower as compared to the garment average.

Kapil Jagasia: How have accessories growing for you this quarter?

Management: On the absolute business it has grown.

Kapil Jagasia: On a higher level?

Management: Yes.

Kapil Jagasia: Sir my next question is regarding your product portfolio. Now with increase in this winter wear and accessories going forward would we be seeing lower operating margin and return ratios for you in the future? Because probably we would be attaining the lower end of the targets, so probably 18% mentioned by you earlier on the margins how that would be?

Management: We say that for next 2 years perspective we will be able to maintain the current EBITDA structures.

Kapil Jagasia: And the return ratios would be for you going forward? The return on capital incurred?

Management: Grow - More or less similar.

Kapil Jagasia: Sir how much was the Ad expense for you this quarter? And what would be the same in terms of FY24?

Management: The spends for the current quarter was around 8.2% as compared to 5.4% of last quarter.

Kapil Jagasia: Sir the percentage for FY24 would be?

Management: It was similar to what was for last year, so last year it was around 5.5, this year we have been able to close it at 5.7.

Kapil Jagasia: No, sir I am asking for the coming year FY24?

Management: Yes, it would be at similar margins only.

Kapil Jagasia: 5.5%?

Management: Generally around 5% to 7%.

Moderator: Thank you. Next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Congrats on good numbers. My first question is on the FY23 number - for full year number, what kind of growth would have come from your existing setup and come from the new additions in terms of stores that we have done. Some color at the overall annual number level would be helpful? My second question is we have added substantial store last year and just a year before that? Any closures, any learning which needs to be implemented in the next round of store additions that we are going through?

Management: Pritesh, learning is there on all the phase perspective. Retail allows you to learn on everyday basis. When you were looking at comparison structure, SSG has been around 7% growth on a like-to-like format from FY21-22 to 22-23, all like-to-like stores on a 9 months basis. I have excluded the first quarter business because first quarter was very subdued in the 21-22.

Pritesh Chheda: And on the store expansion side any closure that you have gone through in the last round of stores that you have opened?

Management: There will be some closure perspective happening, but this is the net figure which we are giving right now.

Pritesh Chheda: What kind of store expansion is lined up in FY24?

Management: I just said that close to around when Hemant bhai was going through it, 49 stores are under development.

Pritesh Chheda: Will we add the same 80, 90 stores that we added in 23?

Management: Close to 90 to 100 stores.

Pritesh Chheda: How easy or difficult is to get a location? And in the last 5, 7 years there have been so many closures of these denim brands, so is it fairly easier to find a store or find franchisee for creating these stores?

Management: Most of the stores have been on a franchise module itself. So when there is success ratio it is easier to convince the other franchises.

Pritesh Chheda: My last question is, we grew substantially this year the same matrix lines are happening next year because we have a 90-store addition again, will the growth rate, revenue growth rate be continuously in FY24 as well on higher side?

Management: Our estimate still remains at 18% to 20% on the revenue growth and similar on the EBITDA margins also.

Pritesh Chheda: Any difficulty or ease that you are seeing on the working capital side for doing this business?

Management: No. We have improved our working capital.

Moderator: Thank you. The next question is from the line of Shrinjana Mittal from Ratna Traya Capital. Please go ahead.

Shrinjana Mittal: Firstly congrats on great set of numbers for the year. Just one question from my side, on the gross margin side like partly like gross margins like you mentioned that because of cotton prices it has increased and what I am trying to understand is, is it also because of the product mix that is changing for us winter wear and accessories are little lower under gross margin side. EBITDA margin is more roughly the same, but other categories also between jeans and shirts is there a difference that shirts are a higher gross margin, is that the case?

Management: The base category, which is jeans, t-shirts, trousers operate on the same level, winter wear and since it is a trading business it operates on a lower level.

Shrinjana Mittal: All the gross margin benefit that we got this quarter that is majorly because of cotton prices is it?

Management: It is because of the mix percentage also as well as the cotton prices.

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

Deepak Lalwani: Congrats on a very good set of numbers. So the first question is on the jeans category we have seen a 5% de-growth in the second half, so how should we be reading into this? Is there because we are at the top of slowdown with other retail companies, so do we see any sort of slowdown in the non-retail channel specifically online or MBOs? If you can just throw some light on that?

Management: When we are giving a number, Retail and Non-Retail on the EBITDA margins almost contribute similar - that is one aspect. Secondly, yes the non-retail channel for us has been growing at a slow speed as compared to our retail channel scenario.

Deepak Lalwani: Is there any demand slowdown which you see because even other companies are talking about the same as a discretionary sector itself is seeing some slowdown, so if you can throw some light if our demand is impacted in Tier-2 or Tier-3 or urban if you can just give us a sense on that?

Management: It is like that market sentiment is low, that is right, but because my product range and my price is so reasonable, so we don't have that much difficulty in growing our business. Also because our strategies, our product mix and our prices are supporting us to grow on a pace, so we do not have as many problems as other brands have. Anyway we have to find the way, then you should make your own way according to your strategy if you want to grow. Market sentiment is slow, if the market sentiment was good then we would have grown on a double speed. I am not saying that market sentiment is not low, but yes we are maintaining it and growing because of company's strategy which is our strategy and our product supports us in growing.

Deepak Lalwani: Sir this cotton benefit, the lower cotton prices the benefits which you have got will we be passing it on to the customers in lower ASPs going forward or should we maintain this sort of gross profit margin?

Management: See when prices of cotton was higher at that time we did not increase our MRP, at that time other brand who increased their prices we did not increase our prices and now when cotton prices are little stable or have not gone very down, but it is okay we maintained it because in today's date we are getting its benefit.

Management: To add what Hemant has said even if there has been a marginal impact on the gross margins and even if it comes ahead also that the same will be passed on in the marketing aspect and will be spend on marketing.

Deepak Lalwani: Sir you have done great work on the new product category, so if you can just give us a sense as to how the Athleisure category is shaping up for you because this is your first year of launching it, so how is the demand for that?

Management: Demand is okay but see to establish any category you need minimum 3 season. Before 3 season if I talk about it with you because this is a first season is a learning for us, what is good what is bad, people's view come and in second improvement comes and in third season impact comes on it. It is a very small category, so slowly we are trying to increase that category.

Deepak Lalwani: Sir, lastly, we have cash of about Rs. 300 crores on the balance sheet and we will generating good amount of cash next year as well, so any sense on how we will be using it in terms of CAPEX or any M&A activity or should we assume this dividend payout policy or dividend payout to continue?

Management: We are assuming that every year Rs. 30 crores to Rs. 35 crores will be needed for CAPEX and the cash which is remaining we are also looking for the inorganic growth if anywhere if we get a good deal for doing inorganic growth then that cash we will utilize and whatever cash will be generating then we are thinking that we have to invest money in the business and have to grow the business. So we have to work on internal accruals, we don't want to borrow the funds.

Deepak Lalwani: Sir historically we have maintained 50% dividend payout, this year it was slightly on the lower side, so if you can give us a sense as to if this will be the new range or will we be considering to take it up or are we looking at other avenues like a buyback or something to increase the payouts next year?

Management: The company intend to convert cash to capitalize upon various growth opportunities. Both organic and inorganic which would add its plan to continue to focus on growth in the years to come. In this it is like that in today's date we are seeing that if we have to increase our business then we have to take the opportunities that come. Looking for that we have reduced our dividend payout a little. It is a strategic decision. I have told you that we don't want to do any work by borrowing, we have to work in internal accrual only and we are ready for any of the opportunity that we have to take the opportunity that comes from anywhere. So that is why we have held the cash in company.

Management: To add to what he said, there is going to be a CAPEX investment this year because we are already operating on almost 100% efficiency on the production line that is one, secondly we are exploring the idea of inorganic growth also, that is why we are reserving the cash with us.

Deepak Lalwani: Thanks Pankaj and you mentioned that there is scope for working capital improvement from 135 days today so any number which you want to share on that how much improvement in terms of working capital can we do?

Management: I said that also the working capital has improved during this year. I am saying it on the balance sheet it was close to around 135 odd days. I presume for the next year it is going to be stay somewhere between 120 to 130 odd days.

Moderator: Thank you. The next question is from the line of Nitin Gosar from BOI AXA Mutual Fund. Please go ahead.

Nitin Gosar: Couple of questions. Wanted to understand what has been your observation in terms of growth between 2 regions like metro Tier-1 versus Tier-2, Tier-3?

Management: It is like that we cannot signify that growth will be more in metro or in Tier-2 or Tier-3. We have to take the opportunity from wherever it comes, wherever business increases, it is not necessary that if business increases in metro then we don't have to do or if increases in Tier-2 then we don't have to do it. From wherever, whatever opportunity we will get, wherever business is build, we have to do the business, so we are not looking that we have to increase our business in metro or have to increase in Tier-2 or Tier-3. But yes in today's date if we see the growing market then if we do comparison with metro to Tier-2, Tier-3 then growth percentage is much better in Tier-2, Tier-3.

Nitin Gosar: Right now it is better momentum there.

Management: Nitin just to answer to what you asked, I said we generally don't follow a metro and a non-metro centric bifurcation, we follow a zone-wise bifurcation and all the zones have grown this year.

Nitin Gosar: And any region specific like North, East, South, West?

Management: We have grown in all the regions; on an absolute number I have grown in all the regions.

Nitin Gosar: If we look at the FY23 numbers then it seems that Kewal Kiran would have done better versus national as well as peer set which is at local level in terms of growth and a business development work, but if we specifically want to understand this from a local players point of view, what has been your observation? Post COVID have they been able to come back? Is there any change in competition which used to be there?

Management: After corona few brands have left their space, so we got one opportunity there, that the brands who lost there and the local players who got out of the market, so one space which was created was this, whose opportunities we have got. Because we have an in-house production, so were able to convert it quickly.

Management: That was one benefit which we got. And second as and when cotton prices were high, other people had hiked prices on their MRP, we had not hiked the prices and we at that time felt that it would be nice to take market share instead of doing price hike. So today we are seeing that benefit today. So last year the benefit which we got was because of two reasons, first was our competitor emptied the space and second was that we did not put the full load of MRP on our consumers and increased our market share, that was one benefit which we got.

Nitin Gosar: And because of this we would have seen more and more MBOs giving us some kind of shelf space?

Management: Yes it is but natural, if your competitors are out then you will get the benefit of the vacuum created there and we have got that and will get that in the future as well. Because in today's date also the price and product which we have still hold, so I feel that for Kewal Kiran, for the Killer jeans, still we have many doors open for growth and we will grow in that speed also.

Nitin Gosar: And, sir in large format stores is there a way to understand the clients with whom we are working? Are we present in all stores or part of the stores, number of stores?

Management: We are working with almost everyone so far.

Nitin Gosar: Yes, but there the store sizes for example if the client that you are working with has 100 store are we present in all 100 stores or are we in between and there is scope for?

Management: No, we choose the stores where we have to work, because there is cost which is incurred, so we choose the stores and then we do the work with them there. It is not necessary that we have to work in all the stores, it is our choice.

Nitin Gosar: And internally if one were to see outlook, then the growth which is coming from retail going forward it will continue to be led by large format stores or EBOs and large format stores will equally participate in from here?

Management: You have to see the mix because growth will come from large format stores which are opening and will also come from our EBOs which we are opening, so it is a mix.

Nitin Gosar: Mix so far was largely in favor of large format stores?

Management: May be and next year also we are going to open 80 to 100 stores, so you will get growth from there also.

Nitin Gosar: Last question, jeans contribution which has come down to almost like 51% for full year?

Management: Don't see that in percentage wise. See in absolute terms, your numbers have increased for jeans. What has happened that we increased the focus on the low category like shirts in which our focus was not more earlier and increased that category, so you should not think that de-growth has happened to jeans. Jeans is also growing, in absolute terms if you see the numbers are increased, but if you see the top-wear category we were not in that product line or in that product category. Today we are focusing on that category and now that category is increasing that is why you are seeing increased percentage otherwise if you see then in absolute number you will see the growth in both of these categories.

Nitin Gosar: Fair point in fact the question was the shirt as a category, how are we trying to position ourselves? It seems that we have done a good job there, so like in Jeans every brands has their own positioning but shirt is slightly an area where Kewal Kiran didn't have such kind of positioning in the past, but we have been able to capture some kind of market share, mind share from the MBOs, EBOs.

Management: Previously we were only denim focused brand. Now today the brand is all about the lifestyle. Now you cannot depend on one product, so you have to be established in all the categories. Earlier jeans as a product was a category, now we are not thinking that we should focus on only one category, we now say brand is all about the lifestyle, so you have to focus in all types of categories and you have to involve in all category to increase the brands.

Nitin Gosar: So internally inside the team from organization point of view, it is very much clear that all the segments have to now contribute. Earlier which used to be jeans driven organization, now it has changed?

Management: It has completed changed.

Management: Just to add, on a contribution level on percentage basis jeans, shirt, t-shirt contribute almost similar.

Nitin Gosar: So, fair point, I was just trying to understand that as a jeans-driven organization, all the promoters have done a good execution, but at the ground level also same understanding will be there of our team members? We as an organization now are a lifestyle organization and not jeans driven organization?

Management: The company is now capitalizing on the brand aspect. When you start operating on a retail aspect, you also looking at increasing the basket side of the product. And that's why new categories are adding up and that has also started contributing.

Moderator: Thank you. Next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.

Himanshu Upadhyay: Congrats on a good set of numbers and it seems we are on track to reach the Rs.1,000 crores aspiration we have laid out historically. Can you give an idea of how has the brands done in this year? Is the growth still driven by Killer or the LawmanPg3, Easies and Integriti are also starting to contribute? So, some idea on how the brands have been doing would be helpful and what are we doing now on….

Management: The focus has always been on the Killer brand followed by Integriti and both have grown, so that has not been a problem.

Himanshu Upadhyay: Will Killer be still 60% of revenue and 15% type of to LawmanPg3?

Management: No, Killer contributes the highest which is more than 60% and it will still contribute add also. Focus would be brand Killer for Kewal Kiran.

Himanshu Upadhyay: Yes, so I am seeing the revenue contribution from Killer remains more than 60%? And LawmanPg3 would be nearing 15% which has been historical?

Management: No, brand wise numbers. But I am just saying that Killer still contributes more than 60% of the business.

Himanshu Upadhyay: What was the advertisement expense related with BCCI and Title sponsorship for the things and have all these being expenses flowed through P&L or something got capitalized in FY23?

Management: I am not going through the exact numbers, first - selling and distribution expenses for the entire year has been close to around 5.7% as compared to a 5.5 of last year. Not give exact numbers and I am sorry I cannot give you exact numbers of what were the deals regarding the BCCI.

Himanshu Upadhyay: But it has been all expensed out in this year's P&L, nothing has got capitalized?

Management: Yes, it has been expensed out in the current year.

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

Siddharth Purohit: Congrats for the good numbers. Hemantji only one clarification is there, last year sir we did an aggressive store expansion, but this year you are saying 49 planned are there and could there be more additional plans?

Management: It was there in my speech that we are planning to open 80 to 100 stores this year also, 49 is already in the pipeline and still working on that, team is working on that, so this year also we are assuming that 80 to 100 stores must be opened.

Siddharth Purohit: Sir last year almost close to 100 were done, so their contribution also should reflect more this year also because normally it take some time for it to mature?

Management: Time is taken to mature and also none of the stores has done complete 12 months sales because some of the stores would have been opened in October, some opened in November, some opened in December, so their benefit will also carry forward in this year. Because this year if we count from April 01 then the stores which have already opened it will get full 12 months sale. They will also contribute in sales.

Siddharth Purohit: Sir one more thing like last year our volume growth was quite strong and price led growth is also seen in that, but now onwards you may not raise prices, so price led growth is still possible here or it will be more or less like we will see the same realizations like how one should look at it?

Management: The strategy has been that there is going to be a price hike, but it also depends on how the competitors react to during this current season.

Siddharth Purohit: So, most of them are kind of now thinking of some price cut so our price hike would be….

Management: We haven't got any clarity on the pricing aspect of other brands, when we get that depending on that we will be defining our prices.

Management: In spite of this when we are talking that we will be maintaining last year's EBITDA margin. Today also we are saying that when we are talking about our last year's EBITDA margin 18% to 20% (+/-1%), but we will maintain 18% to 20% EBITDA margin. Our full focus will be that we retain that margin going forward.

Siddharth Purohit: Pankajji one more data points - like we have introduced a whole lot of categories this year. So due to this little bit inventory has increased in days and in absolute term and you say that it will normalize next year and how is that?

Management: If we see the inventory day and debtors days scenario, then total working capital has reduced from last year period and I am saying that it will fall down for next year also. I will keep my working capital at 120 to 130 odd days.

Moderator: Thank you. Next question is from the line of Yogesh Bhatia from SeQuent Investments. Please go ahead.

Yogesh Bhatia: First of all congratulation sir on very good set of numbers. Sir I wanted to know we have done a very solid volume growth in this year on a full year basis, almost 23%, what is our sense on the volume growth further on a full year basis for FY24? You think a similar level can be maintained or how do you see this? And if you can throw some light that is it mainly because of new store additions and since we are adding a similar number of stores, is it right to assume that we can do a similar volume growth?

Management: It is like that, growth has happened in like-to-like stores and your business growth will happen with the new stores which are added. This same thing you will see this year also. So if we see growth in like-to-like and if we see in new store addition, then see, when you say growth, for growth you have to do something, so if new stores are added plus the stores that opened last years, we are trying. See that to start a store time is taken. So I feel that if we are telling you we will do a growth of 18% to 20%, then this year our focus is very clear that we will do growth of 18% to 20% this year.

Yogesh Bhatia: But in the sense the realization has not grown so much on an year-on-year basis Rs. 674 to Rs. 700?

Management: You don't give much focus on realization has increased or not, 18% to 20% EBITDA margin is a good margin and in that mix of product is done, sometimes we have to do averaging for the product like in some category like we told that our profit from winter wears is not much, it is a trading business, accessory business is a trading business, if you see mix of the product as a whole then our averaging comes.In some it is more and in some it is less and only after averaging a products pricing is done. So realizations increases or not, but EBITDA margin remains the same.

Management: Just to add the average realization is a composite number, it can also change because of the composite mix which has changed this year.

Yogesh Bhatia: There are too many different products to just average it out like this?

Management: Too many categories which have been added up, then there is accessories business in terms of which has been also added up, so on that total mix you are looking at that number.

Moderator: Thank you. The next question is from the line of Shreya Baheti from Anand Rathi. Please go ahead.

Shreya Baheti: Sir I just wanted to ask like what drove the improvement in our debtors for FY23 if we compare it to last year? And why is the inventory comparatively higher than last year? What is the reason for it?

Management: First of all if you see the business in comparison to last year's percentage from Rs. 605 crores to Rs. 779 crores. If you have to grow the business then your inventory will also increase and at the same time business is also growing. If you do not keep the inventory little bit. It is a seasonal business. What happens is that few things are like we have to finish our winters inventory till October, but its sale comes in November and December, so you have to be little bit flexible in inventory days. And for the growth of business your focus on inventory will have to be flexible.. But you see the inventory in comparison to your growth in business then hardly any percentage would have increased.

Management: Shreya just to add I am saying I have been able to improve on the debtor cycle, if the inventory has gone up marginally so I am trying to maintain my working capital in the same limit.

Moderator: Thank you. Next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Congratulations, sir for very strong set of numbers. Sir I wanted to understand, I joined late, so sorry for that, but if this question has been asked earlier, but what will drive this 17% to 18% growth plus you are saying that margin will also be strong at 18%-19% range, so just wanted to understand how is the competition in the market that the margin will not have to be compromised to grow the business?

Management: Thank you for asking this question, it was not asked earlier by any of them, so you are not repeating your question. I am saying that this entire year we haven't taken up price increment as what the price as my COGS have increased. I still had that vacuum to increase my prices. But it also depends on what my competitors does. So if my competitors are reducing the price then I will have to re-strategize myself and when I am saying that I will be able to maintain my margins I am saying that on my topline, I will be able to maintain my 18% to 20% growth and on my EBITDA I will be able to maintain the 18% to 20% structure also.

Prerna Jhunjhunwala: I am still not very clear like for example if we are doing denim and shirts and all these categories then there is a competition growth also, competition is also there in this markets, so are we going to newer markets or are we opening into area stores that is under served or are we going to product categories which are not very well service in the area that we are servicing? What is going to drive this growth?

Management: It is a mix of all three of what you have said. I am strengthening my position in the stronger markets, I am going to the markets where my positioning has been low also, I am entering new markets also along with it I am changing the mix also.

Prerna Jhunjhunwala: Second point, you have done a fantastic job on receivables where your business has increased, but receivable have actually remained same, so any change in the debtors policy that has been implemented?

Management: There has been no change in the debtors policy.

Moderator: Thank you. The next question is from the line of Pavan Kumar from Ratna Traya Capital Partners. Please go ahead.

Pavan Kumar: Sir congratulations on a good set of results. I wanted to understand more on the shirts part of the business. In the sense, what steps have we taken we seem to have developed almost in new category which earlier were not there, though we had, but was not moving that fast.So what are the efforts that have been taken to actually migrate from a denim brand to a lifestyle brand and what are the other steps that are expected to be taken in that direction?

Management: It is like today the brand is all about the lifestyle, which I have told earlier also. Earlier it was like we were more focused more on the jeans wear and denim wear only. One full category was shirts where my business was very slow then we put our whole team into it and hired professionals and focused on it. Today 3 shirts are sold in front of 1 jeans, which we were not doing that business earlier. When we establish a category, people like it, product pricing is good, product is good, so by default sales has to come, so you are eating somebody's share with you strategy, with your good product and good pricing. If you see previous 3 years to 4 years, it was like that with the brand a product label was recognized. Like jeans means this brand only and if we have to buy a shirt then we have to buy of this brand only, but now it is not like that. Now people mindset has changed because today is all about branding, we say that if you sell a shoe then it can be sold by a brand and you can sell an innerwear also with the same brand, so whole concept has changed today. If you want to focus on a brand, then you have to focus on a lifestyle brand not only a product based brand should be made, so we changed this policy whose benefit we are getting now.

Pavan Kumar: And for this the new design team and our whole range has increased?

Management: Yes.

Management: For increasing any of the category you have to hire experts, so we have hired professionals. Everyone has its own specialized product category. Suppose somebody is working on denim then his expertise is the jeans only, he cannot make a good shirt, so for shirts you have to hire a team. Athleisure is a different kind of product, if you do kids, if you do ladies, then different team and different concepts are there. So you have to hire people and we have started all that and we are receiving its benefit. If you see in the last years business also, then shirt contribution is very good.

Management: For each category you have to hire different team.

Pavan Kumar: Sir one more thing I wanted to ask in all the stores where we supply, what is the percentage of the stores where we supply the shirts too?

Management: All stores. See retail is all about not only a product. In retail if you go to any store then you don't go there only to buy jeans, if you see a good shirt then you will buy shirt also, if you like the t-shirt then you will buy the t-shirt also. So when you have to focus on the retail concept then you have to keep the whole category in mind because otherwise how will you increase the ticket size, if you have to increase the ticket size then you have to increase the product range.

Pavan Kumar: And when we are talking about the shirt then one shirts price in comparison to one jeans price would be around 60-75%?

Management: Yes, it is that much.

Pavan Kumar: Congrats for a good set of results.

Moderator: Thank you very much. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Sir first of all congratulations on good set of numbers and it was a proud moment to see Killer on the Indian jersey. Sir my question is recently this Reliance is getting big into these brands and off late I had been watching this IPL and there are brands like Buda Jeans, so earlier this aspirational value they were not focusing on, now what is happening is online brands and these aspirational value, fast fashion brands are also growing, so this is one part of it. And secondly big players like Zudio is also expanding on the retail side. So what sort of communication signals do we get from channel partners regarding competition? These were broadly 2 questions?

Management: There is no direct competition with the Zudio or Reliance as a partner, infact Reliance is a channel partners with us and our business with him has been growing on a year-on-year basis. I want to understand what exactly are you trying to ask, that is there any competition from their in-house brand?

Akshay Kothari: Yes, so what has actually happened if you watch IPL, I think there are adds which are running on the Reliance Jio platform of some company called Buda Jeans, so it is a hustle brand. Now what actually happens is they are targeting only a segment of people, but the price range is much lower. Now we are trying to create that aspirational value without owning that manufacturing setup or overhead cost which actually go in our setup, so they are able to offer it, so once they start creating these aspirational value and there are other fast fashion brands, so how do you perceive this competition coming because in the end they would be gaining some market share?

Management: Would be, so the market is growing on a overall basis, so some percentage of market share will be taken by them also. I don't feel that it is an exact competition to Killer Jeans right now.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Couple of questions, sir this 18% to 20% growth which you are targeting I believe this is a pure organic growth which you are targeting?

Management: Yes.

Ankit Babel: And do you have the visibility that this kind of organic growth can continue at least for next 3, 4 years?

Management: Sir we are not saying 3 to 4 years. Today if I am sitting with you and talking, then I can talk about the next 2 years. After that there is no point in talking for too much ahead. So yes year-on-year next 2 years we will grow by these percentage. Because next year when I will sit, the whole position is changed, more new things will be added then I will talk with you, but next 2 years I am saying yes, 18% to 20% growth will be there and that is what we are planning on that.

Ankit Babel: Sir, which are the new categories you plan to enter in the next say 1 or 2 years?

Management: We are going to come with ladies categories and the kids categories. Still they are under working, so next year you will see that.

Ankit Babel: So within those also would it be bottom, tops, across, athleisure, innerwear?

Management: When we say kids, it mean all the categories in that everything come t-shirt, shirt, trousers everything. Whatever is there, we will do all categories.

Management: So I am adding new genders probably which is kids wears and ladies wear as a category, so every categories will come in that.

Ankit Babel: Sir next question is any channel financing option you have explored to reduce our debtor days further?

Management: Not yet, we are exploring that idea, but not have come to any conclusion or any result.

Ankit Babel: So what kind of headwinds you are facing in that?

Management: I am still comparing the different channel financing options as compared to my CC limits on an interest percentage.

Ankit Babel: Sir my last question is that you did alluded to the fact that you people are looking at some inorganic opportunities as well and at the same time you also mentioned that whatever you do, you will do through internal accruals and you don’t plan to borrow, so considering your existing cash balance which is around Rs. 200 crores to Rs. 250 crores and an additional say about Rs.

50 crores -100 crores which you might generate in the coming year, so any consumer brand in that ticket size? What is your belief is it available or you plan to look at only regional brands or some small size which is within this Rs. 200 crores - Rs. 300 crores value or you can even look at bigger say Rs. 500 crores to Rs. 1,000 crores acquisition?

Management: When I am saying this on the internal accrual aspects whatever the earnings come, will be invested first on the CAPEX as well as the working capital that is two. Whatever scenario is leftover or of the treasury we are exploring the idea of getting into inorganic growth on a segment if it has any operational synergies. It is too early to comment on that as of today.

Ankit Babel: No, sir you didn't get my question, sir my question is that sir, is there any brand available within the range of Rs. 200 crores to Rs. 300 crores? Are you looking at such small size regional brands or you might look at even a larger ticket size acquisition, is what I am trying to understand?

Management: To the extent, I am exploring the idea of a ticket size from a Rs. 50 to a Rs. 250 is not a problem to me, but it should have an operational synergy with Kewal Kiran.

Ankit Babel: Of course, I am just trying to understand the ticket size which you are looking at?

Management: See, if we are getting any brand in a good price and in good opportunities with a profit, Rs. 200 to Rs. 250 is not a benchmark. If we are getting at Rs. 500 crores then we will borrow the money what is wrong in that. See everything is fair, business should be fair, it must be profitable. My shareholders, my investor's money should not go anywhere, their faith in Kewal Kiran should continue. So I am not thinking, that would I be purchasing Rs. 200 crores brand or Rs. 500 crores brand, it all depends on the opportunity. Wherever I get a good opportunity I will take that opportunity. If I have to do borrowing then I have to do. I am not saying that I won't have to do. I am not strict on that, I am open for that.

Ankit Babel: So, sir from product categories point of view I believe other than formals, in the casual wear you are present in almost all categories now and with athleisure, kids wear, ladies which are the current category you are launching your own products, so you will be present in those areas also, so which other product categories you might look at for an inorganic growth?

Management: That is not necessary, I told you that anything like now I am planning in kids, I am planning in ladies and if I get any of my competitor brand and competition is finished in market and I am getting additional values then I will buy that also. So it all depends. It is too early to say anything. If any of my competitor brand gives me additional business and I get it then I will go with my competitor brand with them also. What's wrong in that? It is a business, if your competitor leaves place for you and you get that and it is added to your business, then there is no fixed mindset that only this should be done and this should not be done. By inorganic growth from wherever we get opportunities, I am saying whatever good opportunity will be there, at good pricing point, which will do addition in my business and my margins, I will look into it.

Moderator: Thank you. Next question is from the line of Yash Bajaj from Lucky Investment Managers. Please go ahead.

Yash Bajaj: Sorry all my questions were answered. It was regarding inorganic growth which was answered by the previous question.

Moderator: Thank you. Next question is from the lines of Chinmay Shah, Individual Investor. Please go ahead.

Chinmay Shah: Congratulations for the good set of numbers, sir. Sir my first question is how much time cycle it takes for Kewal Kiran from buying fabric and processing the fabric to finished stage?

Management: It is around 90 days, buying fabric to convert into the garment is around 60 to 90 days.

Chinmay Shah: Sir, second question is that how much time it takes for the raw cotton rates fluctuation to be effective in terms of fabric to Kewal Kiran?

Management: I didn't understand the question.

Chinmay Shah: Suppose raw cotton prices are fluctuating, so sometimes if you see the past trend for 6 months the prices were going up, so at that time while buying the fabric how much time it takes to pass on, not to pass on actually, but effective to us. Like if today the prices increases then fabrics price does not increases today itself?

Management: No, it is not like that what happens is that you start working one season before and like if I am planning for next winters then order is already fixed with my mills, it is like contract that if I am buying a few lakh metres from any mill then the price is already seized. If today the price is increased then today itself I will not get its impact like as I told earlier, if prices are reduced then its benefit I will see in the next quarter, see it in the next season. Same day it is not impact to the business.

Chinmay Shah: Yes, sir wanted to know how much approx. time is required, but as you said we have contract with the mill?

Management: Our contract with the mill is done already one season before because we are working 6 months in advance. Production circle is 90 days, so we have to give the buying order of the clothes in advance itself. Mill will take 60 days to make the fabric so the orders are already confirmed.

Moderator: Thank you. Next question is from the line of Marsal, Individual Investor. Please go ahead.

Marsal: My question is regarding in press release it was there that we have started in the branding of cricket and in the press release you have written you have sponsored Indian Cricket Team's kits and were Bangladesh title sponsor, you have done in-stadium brands ad. So my question is that in this full add campaign the deal which has been done, the deal is of how much? - number one.

Out of that how much we have made payment in March quarter and in that how much we have booked in P&L? How much payment has to be done which in our P&L will be charged in the financial year 23-24?

Management: To answer this question full expense out has been done, that is one and secondly none of the expenses have been capitalized for next year period and thirdly for the exact revenue, I am not giving exact numbers what exactly the spend has happened.

Marsal: So is there any payment still to be done? Which will be due in this year, which will become due in June quarter?

Management: All the payment has been done because in Cricket it happens no work is done without taking the payments, so advance payment is done and the payment is already made. There is not a single paisa is balance.

Marsal: When you released your first press release, we thought it would be a Rs. 50-60 crores deal which would have been done, hence there should have been a negative impact on the P&L, that's why we are asking the question.

Marsal: Your perception and things are two different things. I have good deal structure which I took it, got it, done it. This deal is finished.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Hemant Jain for closing comments.

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

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