



“Kewal Kiran Clothing Limited Q2 & H1 FY'25 Earnings Conference Call”

October 28, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the Kewal Kiran Clothing Limited Q2 and H1 FY '25 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.

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

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

Hemant Jain: Thank you, Ridhi. Good morning, everyone. It is our pleasure to welcome all the participants to the earnings conference call for Q2 and H1 FY '25. Joining me on this call is Mr. Pankaj Jain, President Retail and Marathon Capital, our Investor Relations advisor. I hope everyone had an opportunity to go through our investor deck and result release that we have uploaded on the exchange and our company's website.

Firstly, on behalf of entire KKCL family, I would like to wish each and everyone a Happy Diwali and prosperous New Year. We are delighted to report strong start with Kraus Casuals acquisition, unlocking consolidations benefit and driving growth through Junior Killer brand, which is also gaining good transactions.

The sales performance in the quarter was positive and stood at INR 308.2 crores with the consolidated growth of 17.4% year-on-year. The standalone sales for the quarter was marginally impact on account of lower manufacturing due to slowdown in consumer demand in the first quarter. However, we had corrected that situation, but garment manufacturing being a lengthy process, we couldn't cater the demand fully in Q2. We are also in the process of revising our strategy and focus on our other brands like Integriti and Lawman and believe the result of this effort could be seen in the subsequent quarter.

We are seeing optimism in demand due to Diwali festive and believe this trend to improve further with the upcoming wedding and winter season. We believe that with the growth levers and strategic initiatives in place of creating a diversified product portfolio and transforming into a brand powerhouse across age and gender, we stand at the cusp of transformation from denim-centric origin to becoming a vibrant lifestyle brand company.

To capitalize on the huge potential in the fashion apparel section, we intend to further solidify our position with increasing our retail presence through brand-led EBOs to enhance brand visibility. In this direction, there was a net addition of 21 EBOs in Q2 FY '25 and further 8 Kraus EBOs was added on account of consolidation bringing the total number of EBOs to 534 EBOs

as of September 30, 2024. Further, there are around 55 EBOs which are in various stages of development.

With our enhanced strength of strong balance sheet, in-house manufacturing capabilities and decades of fashion and designing experience, we will continue to bring the best of products offering catering to diversified consumer base across gender and age.

With this, I would like to conclude and open the forum for questions. We can now begin the Q&A.

- Moderator:** The first question is from the line of Laxminarayan KG from Tunga Investments.
- Laxminarayan KG:** Thank you. Good morning. A few questions. So first is from your cash flow from operations on a consolidated basis, right? If I look at it, the cash flows that have -- operating cash flows have come down because there is an increase in trade receivables. Can you just explain whether it is a one-off or how do you see this?
- Pankaj Jain:** Good morning Laxminarayanji. Okay. If you look at the previous quarters, Laxminarayanji, okay, our working capital cycle has drastically come down to 100 to 106-odd period. We were looking at, okay, leveraging this and trying to come as reality as possible and coming close to the market. So that product -- but we feel that, okay, we are losing on the opportunity perspective in terms of the inventory. So I feel, okay, our total working capital would still stay ahead at 120-day to 130-odd days period. And this trade-off receivable is a one-time structure. I think the entire working capital would stay at around 120-days to 130-odd days.
- Laxminarayan KG:** Got it. And because that is more pronounced in the consolidated, I think that's the reason I asked. Second question is that, there is a footnote to the account which says that you are actually purchasing a land for around INR 57 crores, can you just explain -- enough you have explained earlier, I missed out in many other earlier calls. Can you just help me understand what is this regarding?
- Pankaj Jain:** The property, which we are looking at buying out, it is required for the head office and the registered office. Currently, the head office is falling short of the manpower requirement. Also -- we are also looking at exploring the possibility of monetizing the current asset, which is with KKCL right now.
- Laxminarayan KG:** So sorry, I didn't get a clear answer. I mean, maybe I didn't understand it well, but -- so there is a current office which we are -- which you may monetize and you would actually relocate to the new place. Is that a right way to think about it?
- Pankaj Jain:** Yes, that's right.
- Laxminarayan KG:** Okay. And where is this place, this one, this.....
- Pankaj Jain:** 100 meters from the current office.

- Laxminarayan KG:** Got it. And from Kraus sales, what is the -- I mean, how much it has added for the first quarter and for the first half? And how much of Kraus sales have come in this quarter? And how did it compare with the previous year quarter or previous year half?
- Pankaj Jain:** Kraus has performed extremely well, okay, during this quarter, the total revenue is around INR 55 crores, and the EBITDA margin, okay, has become at par with KKCL.
- Laxminarayan KG:** And what is the Kraus sale either the previous quarter as well as the previous year's second quarter?
- Pankaj Jain:** The entire year figure was around INR 175-odd crores. Okay. If you -- okay, there was -- since the numbers are not comparable because of the accounting policy and structure, that's why we are not given a comparable figure.
- Laxminarayan KG:** And what is the total rental expense at a consolidated level? I mean, how much you pay as a rent across all your...
- Pankaj Jain:** It will be miniscule on the total level because most of the KKCL stores are FOFO stores, and okay, the number of EBOs on Kraus brand is also not that high. So the total rental level will be miniscule .
- Laxminarayan KG:** On Kraus, just one last question. If you look at the full first half on a broad basis, how much the growth would have come in Kraus, first half for the brand, H1 FY '25 with respect to H1 FY '24?
- Hemant Jain:** Laxminarayanji, Hemant here. Laxminarayanji as you can see the last year's Kraus's accounting system has been changed by us. So the last figures as per -- as of now we have to do accounting as per IND AS. So we don't have that figures which are comparable. But yes, next quarter, you will get quarter to quarter comparable figure you will get.
- Laxminarayan KG:** Thank you sir. This is very hearting and congratulations on great set of numbers.
- Hemant Jain:** Thank you, Laxminarayanji.
- Laxminarayan KG:** Happy Diwali, sir.
- Moderator:** Thank you very much. The next question is from the line of Tejas Shah from Avendus Spark Institutional Equities. Please go ahead.
- Tejash Shah:** Hi, thanks for the opportunity. So far, we have got very tepid numbers from most of the fashion retailers this quarter. But most of them have also indicated that October was strong because of good festive season. So from your experience, how do you read the current demand environment on the ground?

- Pankaj Jain:** Good morning, Tejas. I feel okay, whatever everyone is saying is, we are at par with okay, those numbers itself. We have seen a strong traction coming from August end itself. And we feel that, okay, this positivity is going to continue for the next 2 quarters at least.
- Tejash Shah:** And looking at the inventory in the system today and not only for us but for industry at large, do you see that the industry will go on very aggressive discounting in this festive season or before December? Or do you think that inventory levels are comfortable?
- Pankaj Jain:** Sir, I think, okay, everyone may have been able to manage the inventory levels well. So I don't feel if the quarter -- if the quarter 3 looks fantastic, I don't think there will be an aggressive discounting happening in the fourth quarter.
- Tejash Shah:** Okay. And Hemant in his opening remark also mentioned that there were some challenges or loss of demand because of production issues. If you can elaborate on the same and what are we doing to kind of address those issues so that we don't lose demand in the future?
- Pankaj Jain:** So Ideally -- okay, last year, we tried one of the experiments, which was trying to work on inventory and try to come in a real-time basis. Okay. That didn't work very well for us, okay. And that's why you'll see that, okay the working capital during that period has drastically come down, okay. We felt that we lost opportunity in the coming quarters. And I feel that, okay, going forward, working capital will definitely increase from 100 days to 120-odd days, but it will definitely not loose on the opportunity.
- Tejash Shah:** Sure, sure. And just hypothetically, if we would have not lost this opportunity, then our growth would have been higher by what amount?
- Pankaj Jain:** Should be around 10%.
- Tejash Shah:** Sorry, should be around?
- Pankaj Jain:** 10%
- Tejash Shah:** Oh wow!. Okay, that's all from my side. I will come back in the queue for more questions and Happy Diwali to you and the team.
- Moderator:** Thank you very much. The next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.
- Palash Kawale:** Hi, sir. Thank you for the opportunity and congratulations on good set of figures.
- Pankaj Jain:** You're not audible. Can you speak loud?
- Palash Kawale:** I hope I'm audible now.
- Hemant Jain:** Yes.

- Palash Kawale:** So sir, my first question is around Killer Junior. So how has that fared and how do you see it panning out in the upcoming quarters?
- Hemant Jain:** Junior, we launched in April and we have a very good performance. And I feel, we will get to good numbers by Season 2 and Season 3. We are getting a very good response in the Junior. It's a very first season for us also. But yes, a very positive sentiment in the market and in future, I feel Junior business will be big. Now it is available in all the large format stores as we started and we are getting a very good response. All the good EBOs, good -- all large format stores. So it is very first season for us also.
- Palash Kawale:** Okay, sir. And sir, how will be margins in Junior in next 2, 3 years, how will you plan?
- Hemant Jain:** See, because a lot of them are coming in Junior because see, if you want to grow them, you can grow, either you increase your category, either you increase gender. So what happens overall is, today the brand is all about the lifestyle. If you think Women Wear brand were different, Menswear brand was different and kids were different, now it is not like that. It's all about the Lifestyle. And if we see on margin -- see, we will maintain as Kewal Kiran, we will maintain 18% to 20% EBITDA margin. And averaging is around 18% to 20%, we will maintain that.
- Palash Kawale:** Okay sir. So that was helpful. And sir, how many EBOs are we planning to add this year?
- Pankaj Jain:** So under development, if you look at the channel okay, under development are close to around 55-odd stores.
- Palash Kawale:** Okay. That's it from my side. Thank you for the -- for your answer sir and happy Diwali.
- Moderator:** Thank you very much. The next question is from the line of Sahil Doshi from Thingwise. Please go ahead.
- Sahil Doshi:** Hello. Yes, I hope I'm audible.
- Hemant Jain:** Yes. Yes, you are.
- Sahil Doshi:** So, Just a question related to Kraus. If I see the receivable days of the working capital, on a sale of INR 55 crores, the debtors was INR 76 crores, the balancing amount. So I just want to understand what's the working capital cycle in Kraus? And is there a readjustment this quarter or a onetime thing, as you said, so if you can explain that?
- Pankaj Jain:** Ideally, okay, on Kraus, we look at the net working capital. The net working capital will be a close around 100-odd days.
- Sahil Doshi:** Okay. So what is the reason for this, mean if I just do console minus stand-alone?
- Pankaj Jain:** Most of it sales -- generally, it operates a majority of it's sales is from one of the channel of sales, which is LFS, where the working capital requirement is very high.

- Sahil Doshi:** So is this a onetime adjustment this quarter or this is a regular feature which is there?
- Pankaj Jain:** Regular perspective. But if we are able to crack the other channels of sales very well. Okay, the working capital cycle will reduce.
- Sahil Doshi:** Understood. But is it right to say, sir, that the debtors is INR 76 on a sale of INR 55-odd crores for this quarter?
- Pankaj Jain:** That's right. That's right.
- Sahil Doshi:** Okay. Understood. Second question, Hemant sir, you said in the initial remarks that you are looking at a rework strategy in Integriti and Lawman .So sir, can you talk a little on that? What is our plan now for this year? And second, on the K-Lounge also, we were working on the new format. So if for the next 1, 2 years, what is the thought now?
- Pankaj Jain:** For the K-Lounges, okay, as we said, okay, it's too early, and it is a stand-still position for at least a year period, okay. Lawman and Integriti, okay, we are looking at -- particularly for Lawman, we are looking at retail expansions, which you'll see from quarter 3 and quarter 4.
- Sahil Doshi:** Okay. And on the Integriti and Lawman, meaning what is the revised strategy?
- Hemant Jain:** Integriti, we have looked at, okay, competing against the value price brands and as well as private label, okay. The extraction or maybe the numbers for the same should fall from quarter 1 of the next year.
- Sahil Doshi:** Understood. And in one of the previous questions, you called out that had this impact of production not been there, you would have seen 10% growth in stand-alone this quarter. So now, since we have moved back to the earlier model, what do you think for the next half for this thing, Kewal Kiran standalone at least? Are we hopeful of a double-digit growth here?
- Pankaj Jain:** I'm hopeful for a double-digit growth there.
- Hemant Jain:** We are trying our best to achieve that figure. Market sentiment is also positive. If you see from August, the market sentiment is also positive and we have hope we will achieve double-digit growth.
- Sahil Doshi:** That's good to know, sir. right. And just last question. In the cash flow, if I see in the first half, we made a payment of INR 117-odd crores for the subsidiary. Could you bifurcate how much of it is for the K-Lounge Limited and how much would be for Kraus and what is the expectation in the next half?
- Hemant Jain:** INR 116 crores, we have paid to the Kraus.
- Sahil Doshi:** So that INR 70 crores of rights of Kewal Kiran will come in next quarter?
- Hemant Jain:** Yes.

- Sahil Doshi:** Yeah. Understood, sir. Thank you so much, sir.
- Moderator:** The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.
- Sameer Gupta:** Hi, good morning sir and thanks for taking my question. Firstly, looking at a 3.5% decline in stand-alone now the company has a higher salience of fees this year, Dusshera and Diwali earlier and we typically sell in our merchandise to the channel partners. All said and done, optically, this quarter Y-o-Y should have been on the higher side. So in last quarter, we had a 17% decline. So all in all, there hasn't been a significant improvement from last quarter. Would you agree with this assessment? In light of most value fashion retailers reporting a good set of numbers, is it not a fair assessment that we are kind of losing share to those players?
- Pankaj Jain:** Okay. saying that, okay, we are losing share to value segment would not be a right assessment. But definitely, as we said, okay, that okay, we lost on the inventory -- on the strategy, which we had placed for our inventories to work on a real-time basis, okay. Had it not been the case, we would have reported an absolute growth in this quarter. So definitely, saying that losing it to the value retail is not the right aspect.
- Sameer Gupta:** So you are saying that because of your manufacturing issues, you lost out on growth. And adjusted for that, you would have grown 10% instead of 3.5% decline. Is that right?
- Pankaj Jain:** That's right.
- Sameer Gupta:** Okay. So basically, I'm assuming that these problems are now behind and going forward with this number, 3Q, you should be clocking upwards of 10% growth, right?
- Pankaj Jain:** It should be in the case of quarter 3 and quarter 4.
- Sameer Gupta:** Got it, sir. That's very helpful. Secondly, I heard the previous participant mentioning a receivable of INR 76 crores versus revenue of INR 55 crores for Kraus. Does it pertain to receivables, which are prior to the acquisition? And if so, have you made adequate provisions for these receivables?
- Pankaj Jain:** No, no. The business works on that operation and the working capital I said, we look at the net working capital there. When we said that there's a debtor cycle, a debtor cycle on that channel of sale will stay at the same levels which are today.
- Sameer Gupta:** But sir, INR 55 crore revenue, the receivable can be more than that unless it is a prior period, right?
- Pankaj Jain:** No, not true.
- Sameer Gupta:** Okay I'll maybe take this offline thanks sir that's all for me thank you very much.
- Moderator:** The next question is from the line of Mehul Pathak, who is an individual investor. Please go ahead.

Mehul Pathak: Congratulations on an excellent set of numbers. I wanted to know at a conceptual level on supply chain management, people plan sales based on estimates of demand or now it has many companies, even in the FMCG, if you take Asian Paints or Marico or even Page Industries, which is similar to your line of business, they replenish demand based on how sale is happening. So Page Industries calls it ARS, Asian Paint calls it vendor-managed inventory, Marico calls it vendor-managed inventory. So what exactly sold is what is getting replaced?

And therefore, the 100 -- I don't know what system you follow, but there could be some scope there, this just a suggestion, you might like to evaluate. According to me, in this system, inventory can easily come down by another 60 days by putting in newer processes in place and newer software?

Pankaj Jain: Putting it on the software would not be the right aspect, okay. And the company's hybrid model structure, where it is into manufacturing, wholesaling as well as retailing. And the working capital is right now standing at close to around 120-odd days. I think that's the most efficient working capital working structure.

Bringing down would be -- okay, we had tried that, okay, in the earlier quarter and we've failed to -- we lost on the opportunity, I would put it that way, on the inventory cycle. So we feel that, going forward, if our inventories or the net working capital going to stay at around 120-odd days.

Mehul Pathak: Sir, but I don't know whether you are following something like an automatic replacement system? Or is it the traditional supply chain planning model where you will estimate in the next 6 months, what the demand is going to be and then you will plan manufacturing?

Pankaj Jain: Really, it's not a FMCG-based business. It has business risk as well as fashion risk. It's not a core item. So most of the products are fashion, which are perishable and could go on sale after a 6-month period. So the same strategy does not apply. But definitely, okay, we'll try to explore some of the opportunities on the automated systems.

Mehul Pathak: Thank you sir. My best wishes to you.

Moderator: Thank you very much. The next question is from the line of Dhiraj Mistry from Antique Stock Broking. Please go ahead.

Dhiraj Mistry: Yes, thank you for the opportunity. Sir, my first question is related to the Kraus. That what would be the ASP of Kraus and when we compare it with Killer, Lawman and Integriti and how it is being positioned against each of the brands?

Pankaj Jain: So if you look at Kraus as a brand, okay, a majority of the sales is women denim wear. Women - denim western wear category. It's core competition, on those channel of sale is, I would say Levi's, Only and it is priced reasonably as compared to these competition brand.

Dhiraj Mistry: Okay. And then it would be lying in much more in premium compared to let say Killer or let's say, Integriti and Lawman?

- Pankaj Jain:** Comparing it vis-à-vis is not the right example because both are in 2 different genders. You compare the ladies to ladies category in the men's to men's category. So every brand of us has a typical TG or competition, which it caters to. As I said that Kraus competes majorly with Levi's, Spykar Women and Only.
- Dhiraj Mistry:** No. The reason why I'm asking this question is that if I see your Sales realization per unit, that is down by almost 22%. I was trying to compare realization of Kraus versus Killer jeans.
- Pankaj Jain:** That would give you a vague example because it has a composition of lot many things. One is the mix. One is the gender. One is the category sales, it has accessories also. So that will not give you a right perspective on that.
- Dhiraj Mistry:** Got it. And the second is related to the P&L, like our depreciation, if I look at that has gone up from INR 2.6 crores to almost INR 93 crores and likewise for employee and other expenditure, I understand that this is because of the integration, but what kind of run rate we can expect in terms of employee, depreciation and other expenditures. And as far as I know that depreciation shouldn't be going up because when we acquired Kraus, there was no manufacturing entity which was acquired with the Kraus manufacturing.
- Pankaj Jain:** You are right in saying that, okay, depreciation should not have gone up, okay. It is an additional amortization of intangible assets which was paid to the company.
- Dhiraj Mistry:** Okay. And regarding employee cost, what kind of run rate we can expect going forward?
- Pankaj Jain:** Similar perspective, which are there right now.
- Dhiraj Mistry:** Okay. And this amortization would continue for how long?
- Pankaj Jain:** 7 years at least. Total amortization for the quarter was around INR 6 crores. And the total --- It is going to continue for a 7-year period.
- Dhiraj Mistry:** Okay. And lastly, if I remember correctly that last year, there was a very bad winter season and that resulted in almost flattish kind of sales last year. So on that base, we still expect that the growth will be still in only in double digit or we can expect high teens kind of a growth with current demands scenario.
- Pankaj Jain:** We have already started our dispatching with winter wear category. We see that there is going to be a good winter this year. The only thing is when it starts, that allows you to have an additional margin or not the margin because if it starts late, the number of stocks sold during the discounted period increases, not in the fresh sell-through. So that is not in our hands.
- Dhiraj Mistry:** Got it. That's it from my side. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

- Pritesh Chheda:** A few questions. Now the EBO expansion that you're talking I hope these are franchise is what you're referring to?
- Hemant Jain:** See, as far as company policy is concerned, 85% should be the FOFO model and the 15% should be the COCO model. So if you see the -- our mix of opening of stores, that is nearly 90% is still is in the FOFO models.
- Pritesh Chheda:** Okay. Incrementally also, it will be like that only, right?
- Hemant Jain:** Yes, yes, yes.
- Pritesh Chheda:** Okay. My second question is, 2, 3 years back when you started your reshaping journey, so our focus was Killer, and Lawman and Integriti, we had an opinion to not expand those brands.....
- Hemant Jain:** No, no, no. Yes, please.
- Pritesh Chheda:** Let's say, have a lesser focus. Okay, not expand but lesser focus. What specialty we have as you guys now talk about Lawman, Integriti because the space -- see you were saying that the market is about casuals and denims. So what basically are you now seeing Integriti and you're talking about adding stores and all what changes are you seeing and what changes are you going to get into the brand also?
- Hemant Jain:** If you see, I have said in the opening notes that, we are again changing the strategy in the Integriti and Lawman. Lawman, we said we will only do the retail stores and the Integriti we are trying our best. So it is too early to say anything. It has already started, see. I have never said, we won't be focusing on that brand, we have just slowed our focus. If you see my past statement, I have said our major focus is on the Killer and the -- first, we will -- because see it's all about the market share. In market share, we decided to compete with Killer and after that we will do Integriti and Lawman.
- Already, we started thinking on those brands. And you see that result in maybe in the first quarter of next year.
- Pankaj Jain:** See Killer has already come to an auto mode position. So that has been scaling also. We have also seen that last 1, 1.5 year period, value segment has moved very well. And that's why we restructured Integriti and competing against the value format as well as the private labels of those brands.
- Pritesh Chheda:** Okay. On the Kraus brand, the numbers are not part of this P&L, right?
- Hemant Jain:** Sorry?
- Pritesh Chheda:** For the Kraus brand, we acquired Kraus brand, the performance is not a part of the reported P&L, right?
- Hemant Jain:** It's a part of this, consolidation.

- Pritesh Chheda:** It's a part of consolidation. Can you tell me the size of the loss of Kraus brand for the quarter?
- Hemant Jain:** This year we did around INR 55 crores.
- Pankaj Jain:** Top line has been around INR 55-odd crores.
- Pritesh Chheda:** INR55 crores for the quarter?
- Pankaj Jain:** The top line has been INR 55 odd crores, and the brand has been able to achieve EBITDA margins, which is equivalent at KKCL.
- Pritesh Chheda:** Okay. And it is a line-by-line consolidation, right? Because we have a 50% holding in it?
- Pankaj Jain:** It's a line-by-line consolidation.
- Pritesh Chheda:** And then a minority?
- Pankaj Jain:** Yes.
- Pritesh Chheda:** Okay. Thank you very much.
- Moderator:** Thank you very much. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.
- Deepak Lalwani:** Hello, sir. Thank you for the opportunity. The question is, in the stand-alone business, since we have production cuts, is there any channel which specifically got affected because of this issue?
- Pankaj Jain:** Sorry, sorry, I didn't get your question, Deepak.
- Deepak Lalwani:** Sir, in the stand-alone business, when we had production cuts did any channel get affected because of this?
- Pankaj Jain:** LFS.
- Deepak Lalwani:** Okay. And the other channels were flat, that's the understanding. Okay. And the growth going forward when you're talking about 10%, what is backing this growth? Is it just the low base of last year or?
- Pankaj Jain:** We work on a pre-booking perspective. So we had orders in hand, but we were not able to produce it equivalently well.
- Deepak Lalwani:** Okay. Understood. And this 10% growth, can you just bifurcate it into volume and prices?
- Pankaj Jain:** We haven't broken down into volume and price, but I'm talking 10% would be in terms of value.

- Deepak Lalwani:** Okay. Got it. And sir, the Kraus run rate for this quarter was about INR 55 crores. So should we assume that this is a seasonally best quarter or if can give some light on what this run rate should be on a quarterly basis across?
- Pankaj Jain:** Overall, they did around INR 175-odd crores last year's period, okay. In the current quarter, it has been on a growth perspective. Looking at the numbers, okay, every quarter, then we are marginal change perspective, not much.
- Deepak Lalwani:** Okay. So this INR 50 crores to INR 55 crores should be maintained, assuming a 10% growth on that INR170 crore number?
- Pankaj Jain:** Yes.
- Deepak Lalwani:** Okay. Understood. And any -- the receivables in Kraus look a bit higher?
- Hemant Jain:** Deepak I want to say something about the Kraus brand. I say, when we acquired the last year turnover was INR176 crores and Kraus is only available in only large format stores. We changed our strategy and the other channels are all open. So we are trying to say that in 3 to 4 years its turnover should double and we have already started working on that.
- Pankaj Jain:** If you will see from the current quarter itself, in the first quarter itself, we are able to come at par of EBITDA with KKCL.
- Deepak Lalwani:** Okay. Understood. And sir, lastly, on the receivables in Kraus, it looks a bit higher. So any provisions that need to be taken for this?
- Hemant Jain:** So any provision, which is as per KKCL norm has been provided in the Kraus also.
- Deepak Lalwani:** Got it. Thank you sir. Those were my questions.
- Moderator:** Thank you very much. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Sir, hi. Thanks for taking my question. Sir from an EBO expansion strategy perspective, currently, our presence is more in the eastern space plus the presence is under mix in metros also. So I just wanted to check on the expansion that you're talking about, what is the strategy in terms of expansion, region-wise and city tier-wise going ahead?
- Pankaj Jain:** See we know that, okay, we are underpenetrated in the metro centric. We are working on a strategy to penetrate it more better. But right now, whatever is in the development, it's a mix of both metro-centric as well as Tier 1 and Tier 2. As we rightly reported that, okay, 85% would be around FOFO-odd stores and 15% as COCO-odd stores. Most of the COCOs would be metro-centric.
- Devanshu Bansal:** Understood. Understood. So going ahead, whatever our expansion plan is that 10%, 15% of that will be towards metro and that will happen via COCO stores? Hello?

- Pankaj Jain:** Yes, yes.
- Devanshu Bansal:** Second question is from this Lee, Wrangler perspective. So this player, Lee brands actually sort of went outside the system and then they are sort of coming back with a new investor also. So anything that you are noticing from a competition perspective, which is also sort of hurting our growth?
- Pankaj Jain:** They're scaling up the business from 0-based structure. So right now, I would not say that it is hampering the business, but definitely, it's a competition.
- Devanshu Bansal:** Okay. Just a little better, sir. So whatever shelf space we were able to acquire from these brands.....
- Pankaj Jain:** And in all our channels of sales, they are now have a concentrated focus on one of the channels.
- Devanshu Bansal:** Concentrated focus on one of the channels. Okay, got it.
- Moderator:** The next question is from the line of Ankit Kedia from Phillip Capital.
- Ankit Kedia:** Sir, just wanted to understand Kraus receivables better. Is the accounting policy such a way that the inventory which we push to LFS is recorded as receivable days, given that as per the SOR now with Ind AS accounting, the inventory will be on their books and hence, receivable days are higher?
- Pankaj Jain:** True, Ankit.
- Ankit Kedia:** And because the festive season was earlier, we would have pushed a lot of inventory in Kraus to LFS channels and hence, it's looking higher. So for the product sold, is it fair to assume 30 to 60 days receivables in Kraus and the remaining amount would purely be inventory at the LFS category level?
- Pankaj Jain:** The inventory has been carried forward over this period. So base stock doesn't increase, we have been able to -- we are maintaining the same base stock structure. And secondary has been -- so if I look at the tertiary levels of sales at Kraus, it has been at growth.
- Ankit Kedia:** Right. So our accounting of INR 55 crores, what we report in Kraus is actual tertiary sales or the sales which we do only to the LFS channel?
- Pankaj Jain:** Tertiary sale.
- Ankit Kedia:** Right. So the inventory, can you give us the inventory number at LFS category for Kraus, because that will sort out the issue of the receivable days actually.
- Pankaj Jain:** We can take this later. And okay, you can talk to me directly on this so that we'll work on the number. I don't have the exact number right now with me.

- Ankit Kedia:** And second question is when you say last year, sales were INR175 crores for Kraus and there's an accounting change. Can you just tell us what has been the change in accounting, which Kraus used to have before versus today as per KKCL, because then that INR 175 crores is not a relevant number for us if the accounting change is very significant.
- Pankaj Jain:** The INR175 crores, which was given last year was with the change in numbers and accounting policies, everything done for, and it was provided for in that number. Actually the reported number in their balance sheet was much higher.
- Ankit Kedia:** Understood. So INR175 crore is it like-to-like after the accounting change?
- Pankaj Jain:** Yes.
- Moderator:** The next question is from the line of Siddharth Purohit from InvesQ Investment Advisors Private Limited.
- Siddharth Purohit:** Just one clarification with regard to the amortization side. Amortization for this quarter was INR6 crores, and that was for the acquired company, and that will continue for 7 years, but quarterly will be INR6 crores, right?
- Pankaj Jain:** Yes, INR 30 crores, INR 20 crores, INR 21 crores is about the annual figure.
- Siddharth Purohit:** Annual figure and that will continue for 7 years, you said. Okay, sir.
- Moderator:** Thank you very much. As there are no further questions, I would now like to hand the conference over to Mr. Hemant Jain for closing comments. Thank you, and over to you, sir.
- Hemant Jain:** Thank you very much. I would like to thank once again to all of you for joining us on this call today. We hope we have been able to answer your queries. Please feel free to reach out to our IR team for any clarifications or feedback. Thank you all, and once again, wishes for a good festive season. Happy Diwali and prosperous New Year.
- Moderator:** On behalf of Kewal Kiran Clothing Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.