



“Kewal Kiran Clothing Limited Q4 & FY 24 Earnings Conference Call”

May 31, 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 Q4 and FY '24 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 and then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Hemant Jain: It is our pleasure to welcome all participants to the Earnings Conference Call for Q4 and for the Financial Year ending March 31, 2024. Joining me on this call is Pankaj Jain, President - Retail and Marathon Capital, our Investor Relations advisor. I hope everyone had an opportunity to go through our investor deck and results release that we have uploaded on the exchange and our company's website.

Let me begin by sharing an exciting development. It gives me immense pleasure to share that our Board of Directors have approved acquisition of 50% stake in Kraus Casuals Private Limited for a total consolidation of INR166.51 crores. KCPL, which currently operates under the brand Kraus Jeans and its business of manufacturing, designing and selling women's clothings, including denim bottom and top wear.

This strategic acquisition will help us accelerate our entry into the women's denim and casual wear segments. The acquisition coupled with our recent foray into kids wear segment accelerate KKCL evolutions into a complete casual wear brand catering to the entire family. This is a milestone achievement for our company and provides us an opportunity to enter into a complementary line of business and help us to capitalize our existing distribution and sales network further. This will further also help to expand our addressable market size and capture higher consumer wallet share.

Coming to the business performance for Q4 and FY '24. The response to our trade show across our brands, including that for Junior Killer for upcoming autumn-winter 2024 season was encouraging. On the distribution front, as a strategy, we will continue to focus to add more exclusive brand-focused EBOs. This also helps to enhance brand visibility and goodwill. Coming to the financial performance for Q4 and for the financial year ending March 31, 2024.

Performing highlights for Q4. Revenue from operations for Q4 FY '24 grew by 10% to INR 219.4 crores as compared to INR 199.5 crores in Q4 FY '23. Gross profit grew to INR 97.9 crores in Q4 FY '24 as compared to INR 89.2 crores in FY '23. Gross margin for Q4 '24 stood at 44.6% as compared to 44.7% in Q4 FY '23. EBITDA for Q4 FY '24 grew by 8.7% to INR 42.4 crores as compared to INR 39 crores in Q4 FY '23. EBITDA margin for Q4 FY '24 stood at 19.3% as compared to 19.6% in Q4 FY '23.

PAT for Q4 FY '24 grew by 19% to INR 37.6 crores as compared to INR 31.6 crores in Q4 FY '23. PAT margin for Q4 FY '23 expanded to 16.5% as compared to 15.3% in Q4 FY '23. Performing highlights for FY '24.

Revenue from operations for FY '24 grew by 10.4% to INR 860.5 crores as compared to INR 779.5 crores in FY '23. Gross profit grew to INR 373.3 crores in FY '24 as compared to INR 330.6 crores in FY '23, reflecting a growth of 12.9% year-on-year. Gross margin for FY '24 expanded to 43.4% as compared to 42.4% in FY '23. EBITDA for FY '24 grew by 16.6% to INR 177.2 crores as compared to INR 151.9 crores in FY '23. EBITDA margin for FY '24 increased to 20.6% as compared to 19.5% in FY '23. PAT for FY '24 grew by a robust 29.5% to INR 154.5 crores as compared to INR 119.3 crores in FY '23. PAT margin for FY '24 increased to an impressive 17.2% as compared to 14.8% in FY '23. The double-digit growth of 10% in FY '24 with an impressive EBITDA upward of 20% despite a general slowdown in the market clearly demonstrates our company's business model resilience.

Given the market opportunity, coupled with a well-led out growth strategy, resulting of both organic and inorganic opportunities, we continue to target a yearly double-digit growth in our core business.

With this, I'll leave the floor now open for Q&A session.

- Moderator:** Thank you sir. We have the first question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Congrats for a good acquisition. Sir, my first question is, if you could just give some more details about the Kraus brand and the company in terms of how is the profitability in this company, how is the working capital cycle here?
- Pankaj Jain:** Hi, Ankit, okay. Kraus Casuals Private Limited is majorly into women's denim-centric category. That's one. Second, the working capital cycle is almost similar to as what Kewal Kiran is, which is to around 120- to 130-odd days period, okay. Major channel of sales is LFS there.
- Ankit Babel:** Okay. And how is the profitability?
- Pankaj Jain:** Profitability - the EBITDA margins are similar to what Kewal Kiran has, okay, close to around 14% to 15%.
- Ankit Babel:** Okay. Our margins are at 20%. So...
- Pankaj Jain:** This was this year categorized, okay. But if you come to a PBT level, it will be almost similar, Ankit.
- Ankit Babel:** Okay. So our PBT level margins last year was 21% including other income, so...

- Pankaj Jain:** That includes other income, yes.
- Ankit Babel:** So what was the PBT margins for Kraus, say last year?
- Pankaj Jain:** 14% to 15%.
- Ankit Babel:** 14% to 15%. And what's your strategy going forward? How are you going to scale up this business to what level? And what's your call on the profitability front?
- Pankaj Jain:** We feel that, okay, it's a right mix for us, okay. Since it allows us to make Kewal Kiran as a complete family apparel, as a house of brand, okay. It's [inaudible 0:10:17] for cash reserves also. There is a matching working culture as well as the margin profile. And I feel the acquisition will have a positive impact on the revenue and profitability. Since it is majorly focused in LFS, we feel that, okay, the synergies of KKCL on the front will help to explore other doors and new doors of channels of sales for them as well as manufacturing capabilities.
- Ankit Babel:** So what kind of growth you are looking at in this business because the base is very small? Yes.
- Pankaj Jain:** It's too early to comment there, but still for the current year guidance, I would say it would stay similar to what Kewal Kiran has.
- Ankit Babel:** Okay. Because in Kewal Kiran also, at the beginning of the year, you had guided for 18% to 20% top line growth. But have ended somewhere at 10%, 11%. And...
- Pankaj Jain:** We revised our...
- Ankit Babel:** Yes, I understand. I understand but...
- Pankaj Jain:** Ankit, we revised it to a 15% to 18% guidance structure. Okay. Yes, the last quarter were a little restrictive and that's why, okay, the percentage has fallen down.
- Ankit Babel:** So on a lower base, again, you are guiding for just a double-digit growth. So is there any structural issue in the category wherein we are not in a -- we are not able to grow it at a healthy pace?
- Pankaj Jain:** You have to look at the market scenarios also, okay. That the view -- performance structure-wise, okay, you have to look at the market scenarios also. What has happened is when the numbers were, okay, when I was planning it ahead and the fashion is becoming more faster and faster and faster. If you see, our working capital cycle has reduced down because of that only, but we are trying to come more closer to the market so that we could address the market in a better position.
- Ankit Babel:** So what should we infer from here on? Is that 10%, 11% a new normal for the company? Or you can do a 14%, 15% kind of a growth or even 18%, 20%...
- Pankaj Jain:** For the FY '24-'25, our guidance is still at 15% to 18%.

- Ankit Babel:** 15% to 18%. Okay. And the EBITDA margins, you had shown a good improvement there. I mean your EBITDA performance has been good. So are the current margins of around about 20.6% before other income, is it sustainable...
- Pankaj Jain:** Our guidance would be around 15% to 18% there also -- EBITDA would be around 18% to 20%.
- Hemant Jain:** And we try to match what we are doing but it depends on the market scenario. We have to understand if winter is back, we have to go for the heavily discount. It all depends on the seasons also. But still we say, we will try to match that EBITDA margin.
- Ankit Babel:** Okay. Last question is on -- sir, you had a healthy cash balance at the end of the year. I understand a part of it would be going to -- for the acquisition part, but still, we'll be left with good cash. So this time, you have not given any dividends. So any reason for that? Because your cash generations will also be good in the coming quarters.
- Hemant Jain:** Ankit, actually we are trying to -- that taking acquisitions for this brand, and we are keeping some brands. And still, we say we will keep some brands for the future. Any natural calamity so we don't want to -- we want at least INR 250 crores -- INR 200 crores to INR 250 crores, at least we will keep the reserve in the company.
- Ankit Babel:** That will continue forever, I mean that as a policy?
- Hemant Jain:** Yes. See, you know the last -- if you see in 2021, there's corona calamities. We not fired any my employees or we are not borrowing any funds. So we -- that's why I keep this fund is we will keep for any future calamities. But that's INR 200 crores to INR 250 crores reserve always will be with the company.
- Pankaj Jain:** The treasury will not go below INR 200 crores, at least.
- Ankit Babel:** Okay. Okay. And sir, just 1 small more question. What's the distribution expansion strategy for this year? What kind of growth you are looking at in this year for expanding our distribution network?
- Pankaj Jain:** Distribution network, okay. The growth has been there. So I would say that, okay, when we're seeing on the entire perspective and we give the bifurcation, the retail as well as non-retail, both have been growing at similar percentages.
- Ankit Babel:** I'm asking about the coming year, I mean FY '25, what kind of growth you are looking at?
- Pankaj Jain:** We're talking about the distribution network or are you talking about the EBO network?
- Ankit Babel:** Everything put together, EBOs, LFS, MBOs, overall distribution network, what would be the growth? I mean, because the 15% to 18% growth, which you are targeting, it would be a mix of retail area expansion -- I mean the distribution expansion plus any SSG or the like-to-like growth plus any product mix. So what would be the main driver for this growth? One would be distribution. So I just need to understand what kind of growth you are looking at...

- Pankaj Jain:** As you said, it would be channel expansions also as well as the price bracket and what you say, my number of stores opening.
- Ankit Babel:** Can we expect a double-digit growth in the retail area for you across all the segments?
- Hemant Jain:** Ankit...
- Pankaj Jain:** There is going to be a double-digit growth. That's what the guidance is.
- Hemant Jain:** Ankit, we launched kids wear just this season. So I think so this also will add some turnover in the company.
- Ankit Babel:** But that you would have factored in while giving the 15% to 18%? Or you feel that the kids wear will be over and above that?
- Hemant Jain:** That is at 15% to 20%.
- Pankaj Jain:** The base is too small for that category. So -- okay, I have already factored for it. So on channel mix structure as well as the price mix, we stick to our guidance of 15% to 18%.
- Moderator:** We have the next question from the line of Palash Kawale from Nuvama Wealth.
- Palash Kawale:** Congratulations for a good acquisition. Sir, a couple of account-keeping questions first. So what was the retail SSG for full year?
- Pankaj Jain:** The SSG for the entire year was flattish.
- Palash Kawale:** Okay. And what was the contribution from winter wear for full year? Or what was the total sale for the whole year?
- Pankaj Jain:** Winter and accessories total contribute to around 13% of the total business.
- Palash Kawale:** No, but what was winter wear sale? I think, it was around INR 55 crores last year. So what was the number for this year? If you could...
- Pankaj Jain:** Both the groups together of winter wear and accessories, so I said it totally contributes around 13% of the business.
- Palash Kawale:** Okay. And sir, my next question is around Kraus. So the number -- revenue for Kraus for FY '23 and '24 is flattish. So what was the reason for this?
- Pankaj Jain:** So as I said, the market scenarios were such that it had to close on a flattish perspective.
- Moderator:** We have the next question from the line of Shrinjana Mittal from RatnaTraya Capital.
- Shrinjana Mittal:** Yes. So I have a couple of questions. So one is on the inventory days. This year, our inventory rate is around 30, 35 days, which has come down from 80 odd days that we usually have. So can

you just help me understand what would be the reason for that? Is it because we have made probably higher provisions or something? Can you just...

Pankaj Jain: Nothing related to the provision. As we said, okay fashion has been keeping -- changing and okay, market scenarios are such, that we are trying -- since we have an in-house manufacturing capability, we are trying to make our manufacturing setup also very real time and be close to the market. That's the only reason.

Shrinjana Mittal: Understood. So it's the finished good inventory that we -- that we keep the -- we are trying to reduce the cycle for that?

Pankaj Jain: Yes.

Shrinjana Mittal: Okay. And -- okay. And so going forward also, it would be in the similar range like that is what we are trying to keep?

Pankaj Jain: I will try for the same. And -- but we say that, okay, the working capital will stay between 120 to 130 days' period.

Shrinjana Mittal: Understood. Understood. Okay. My second question is that in this quarter, particularly the other expenses is a little bit on the higher side. So what were the additional expenses that we incurred this quarter?

Pankaj Jain: Generally, one of the major perspective was related to the acquisition only, okay? We have started -- since the discussions were on, we have already provided for that expenses.

Shrinjana Mittal: Right. Understood. Understood. Just one last question, Pankaj. So for -- if we look at our core category, which is the jeans, that has done for the full year that has grown at a pretty healthy rate. But if we look at the other non-core categories where we are trying to increase our sales, that is the shirts and trousers, the growth has been a little bit lower than the core category. So is it in the range that you were expecting? Or what was the reason, like that we are not able to -- do satisfiable growth in the non-core category?

Pankaj Jain: I'll put it that way. See -- the jean, shirt and T-shirts have performed really well. Trousers, I think, okay, there has been a regrouping on our sales where, okay, this year, the cargo categories, we have added in others as a category since it was a new category. So trousers got replaced by cargos. So if you see, okay, all the categories has actually grown, but because of our regrouping structure, it seems looking on a lower side there.

Shrinjana Mittal: Understood. So cargos is then clubbed under jeans?

Pankaj Jain: No, cargos is actually clubbed under others.

Shrinjana Mittal: Others. Okay. Okay. Got it.

- Pavan Kumar:** Pankaj, Pavan here. I just wanted to understand what would be the long-term growth rate that we should expect on the shirt category, specifically?
- Pankaj Jain:** Okay. See, the -- we look at that our retail mix is going to increase, so it's an average basket size on that period. So we say that, okay, it's going to be in a similar percentage of what the company is going to be. The 2 main categories, which be jeans and shirts would go out at similar percentages.
- Pavan Kumar:** Okay. You don't expect shirts to grow faster than jeans now, is it?
- Pankaj Jain:** Not really. Okay. We have already built that base, and now we feel that it will grow at similar percentages.
- Pavan Kumar:** Okay. And can you just talk about what are the kind of channel -- what is the kind of channel mix in Kraus? Is it totally large-scale format stores? Or is there some kind of MBO mix also in Kraus?
- Pankaj Jain:** 90% of the sales is LFS.
- Pavan Kumar:** Okay. And do we -- as Kewal Kiran get some benefit because of the Kraus coming in from the distribution perspective? Or anything of that particular nature? Or we don't expect anything of that?
- Pankaj Jain:** No, I didn't get your question.
- Pavan Kumar:** So Kraus, does it have more reach in LFS than Kewal Kiran or would the reach be lesser?
- Pankaj Jain:** The number of counters would be definitely different, but performance-wise perspective, it helps KKCL to strengthen our position with those buyers.
- Pavan Kumar:** Okay. So you are saying basically there would be stores, which would be different in Kraus and Killer?
- Pankaj Jain:** Yes. The parties would be the same, but the counters could be different.
- Pavan Kumar:** Okay. Okay. And we can try selling both the products in different counters?
- Pankaj Jain:** The synergy is to expand it to other channels of sales. That would be the major focus.
- Moderator:** We have the next question from the line of Himanshu Nayyar from Systematix.
- Himanshu Nayyar:** Firstly, could you now talk about over the next 2 to 3 years, how do you see your mix evolving in terms of men, women and kids post this Kraus acquisition and your recent entry, which you had on the kids side? So once things scale up 2, 3 years down the line, what is the sort of mix that we can expect in the apparel space?

- Pankaj Jain:** It's too early to comment on that, okay. But we have already have orders in hand for our kids as a category and the response has been good, okay. Ladies, we see the number to add up, but as a percentage mix, maybe on the next quarter or maybe after 2 quarters that we'll be able to give you a ballpark number of how the mix will look at.
- Himanshu Nayyar:** Understood, sir. Secondly, on this Kraus transaction again, in terms of the leadership team, I mean, would the existing teams stay or your existing guys will take care of that business now?
- Pankaj Jain:** The -- One of the partners will stay and will be Managing Director of KCPL.
- Himanshu Nayyar:** Okay. And the other bit was on our capex. So apart from the store expansion that we will plan in terms -- for increasing our retail mix, do we plan any other capex, say, on manufacturing capacity or warehousing capacity, etc., over the next couple of years? Anything in the pipeline?
- Pankaj Jain:** Yes, we do.
- Himanshu Nayyar:** So if you can quantify that, sir, what sort of...
- Pankaj Jain:** Around INR 30 crores to INR 40 crores.
- Himanshu Nayyar:** And that would be on?
- Pankaj Jain:** On the warehousing capability structure.
- Himanshu Nayyar:** And any manufacturing capacity expansion do we need?
- Pankaj Jain:** Warehouse plus manufacturing is an integrated model structure. So it's both put together.
- Himanshu Nayyar:** INR 30 crores to INR 40 crores over the next 2 years or both years, sir?
- Pankaj Jain:** So in the coming year, yes.
- Moderator:** We have the next question from the line of Prolin Nandu and from Edelweiss. Please go ahead.
- Prolin Nandu:** I have 3 questions. The first one is on this acquisition. Now if we look at the any women brands, right, there have been very few successes in terms of scaling up the brands profitably. So what gives us the confidence that we will be able to do this?
- And in terms of the brand that we have acquired, you have mentioned in the press release that they sell at around 1,000 plus counters in LFL stores. So that brings an -- on an average, INR 17 lakh to INR18 lakh per counter. What has been the ranking in that particular category in some of these LFL stores to -- which will help us understand the strength of this brand?
- Pankaj Jain:** So Kraus is among the top 3 women wear casual brand in majority of the LFS stores, to answer that question. Okay, second question, okay, we feel that since the penetration was more LFS driven, okay. We feel that the other channels -- it could help Kraus as an expansion structure

that we will expand other networks -- our network of sales to them, so which is basically the distribution channel.

Prolin Nandu: Sure. And currently, for Killer and some of the brands that we have, what would be the percentage of sales happening through women casuals?

Pankaj Jain: Negligible.

Prolin Nandu: Okay. And sir, second question is just I wanted to understand your customers better in terms of our core denim segment. Who is our typical customer? What kind of socio-economic background does he comes from? What is age? And which are the brands that he will evaluate when he makes the purchase decision to buy our brand?

Pankaj Jain: Okay. Generally, if I look at my B2B trade or my B2C consumer, okay, my core competition to Killer, say that, Levi's, Lee, Wrangler, Mufti, Pepe Spykar. That's the brand consideration generally when he goes to buy. Does that answer your question?

Prolin Nandu: Yes, it does. Actually, can you just repeat which -- Levi's, Lee, Wrangler? And what did you say after that? I just missed that.

Pankaj Jain: Pepe, Spykar.

Prolin Nandu: Okay. And I mean, what -- so these are the brands that you will compare with, right?

Pankaj Jain: Generally, yes. What I feel the B2B as well as the B2C consumers, both compared with -- me with.

Prolin Nandu: Sure, sure. And last question is that when we talk about EBOs, a large part of our EBOs are under FOFO model. So from a franchisee point of view, what is the typical investment that is required in store as well as inventory? And is this inventory on an outright sale or SOR kind of model. And what are the IRRs that some of these franchisees would be generating? And I mean, what percentage of our franchisee would have given up our operations and what could be the reason for that in last couple of years?

Pankaj Jain: The typical investment stays around INR 4,000 per square feet. Store size is right now at rose to around INR 500 to INR 600 -- 500 to 600 square feet, okay? On the investment cycle, I said INR 4,000, that includes the capex as well as the opex cost or the inventory cost. Whenever a franchise is approached, we -- okay, we prepare a P&L, which says that the first year return would be close to around 18% period. But going forward, it's close to around 24% per year period. 24%.

Prolin Nandu: Sure. So 18% to 24%. And how many franchisees would we have closed for the last 2 years in FY '24 and FY '23? And what were the reasons for that?

- Pankaj Jain:** Reason -- some of the reasons would be that most of the stores which have closed down have generally relocated, which were related to K-Lounge only, okay, which have been relocated or have been branded with Killer now. But there will be some set of percentage which is -- close to around 5% to 7% closures would be, say, may do -- maybe because of the performance, maybe regarding to the area changeover structure or something or the other.
- Prolin Nandu:** Sure. So on an average, 5% to 7% is the closure rate, right?
- Pankaj Jain:** Right.
- Moderator:** We have the next question on the line of Sahil Doshi from Thinkwise.
- Sahil Doshi:** My question is related to one thing that you said in Q3, we were expecting a slightly better outlook for Q4. Now we've seen winter, though it was delayed, but later the onset was better, and we saw the other players actually doing far better. So what really transpired? Why is the growth profile being weaker than what we were expecting?
- Second, related to the channel expansion for the year, we were expecting around 50 to 60 stores. And we've come at around 34 stores. So what's the dynamics now? And how confident are we of the 60 stores, which are in pipeline coming through in the next year?
- Pankaj Jain:** Okay. Coming to the store perspective, okay, if you have to file, you have to look at the market scenarios also. When the market scenarios are weaker, okay, the time line taken for discussing and starting a store takes a longer period phase. We still have stores in pipeline, and we still feel that close to around 50 -- 50-odd net stores, we will be adding this year itself.
- Sahil Doshi:** Okay. Okay.
- Pankaj Jain:** The majority of the net closures, as you said, were related to K-Lounges, which have been closed, some have been relocated and branded with Killer now.
- Sahil Doshi:** Right. So that entire transition phase now, are we complete with our strategy? And what would be our strategy going forward?
- Pankaj Jain:** One phase at a time. So it's not yet completed. So if you see, as of March '24, there was still 144 K-Lounges -- as of March '24.
- Sahil Doshi:** Okay, okay. And going forward, now these new expansions would be K-Lounge or if it can be Killer?
- Pankaj Jain:** Majorly, it will be into the branded segment, which will be Killer and other brand EBOs.

- Sahil Doshi:** Understood. Understood. And sir, for the next year, essentially, when you're guiding for 15% to 18% growth, assuming we have boys also, which will possibly do INR 30 crores, INR 50-odd crores, which is almost 5%, 6%. Are we net building in like a flat same-store sales growth for the FY '25?
- Pankaj Jain:** Kids wear is still a smaller business perspective over the overall business. I don't see -- there will be a close SSG, but it will be a single-digit SSG for the retail stores. We feel that 15% to 18% contribution will be in terms of quantity as well as value.
- Sahil Doshi:** Okay. So because 7%-8% could come through your footprint expansion, 2% to 3% from SSG and the balance from new categories. Is this how we should think about it?
- Pankaj Jain:** 5%, you could say to SSG contribution. New categories will be lower because new category will be on a lower percentage of that mix.
- Sahil Doshi:** Understood. Understood. My other question relates to the acquisition. Now we've acquired only 50%. So is there an optionality, which you have going forward to take the full control? And second, do we still have cash guidance? And will you look at other pockets of acquisition going forward as well?
- Pankaj Jain:** The existing promoters wanted to have equal shareholding wherein Ravi Punjabi will be as the Managing Director of the brand and continue to lead the business. We were impressed with the founder as is -- the way he has been able to create a credible brand in unpenetrated and complemented women denim wear category.
- The -- when you talked about, okay, the buyout structure, I -- okay -- because of the confidentiality, I can't discuss over the additional percentage structure. But, okay, we have taken opinion from a reputed advisory where we'll be able to consolidate as per the accounting standards.
- Sahil Doshi:** Okay, okay. And just a related question, the PAT for this year will be at INR 17 crores, INR 18-odd crores or higher?
- Pankaj Jain:** I said PAT is around 14% to 15%.
- Sahil Doshi:** Okay's, so that is EBITDA...
- Pankaj Jain:** PBT. PBT is around 14% to 15%.
- Sahil Doshi:** Okay. Okay. And just the other question related to further acquisitions. Are you yet open to looking at more acquisitions in the complementary spaces?
- Pankaj Jain:** We have not completed the entire wardrobe yet. And so we do look forward for it.

- Moderator:** We have the next question from the line of Palash Kawale from Nuvama Wealth.
- Palash Kawale:** Sir, my question is on Kraus. So what would be the price range for Kraus?
- Pankaj Jain:** Denim is above -- is around INR1,299 to INR1,999 price bracket.
- Palash Kawale:** Okay. And what is the ASP?
- Pankaj Jain:** ASP is around INR 850.
- Palash Kawale:** Okay. And sir, the Kraus is mainly focused on LFS channels. So do you think that our MBO, network of MBOs could benefit in scaling up at a faster rate? It would be a LFS-focused only?
- Pankaj Jain:** I think, okay, that was the synergy, and that's the reason, okay. It was one of the reasons for the acquisition.
- Palash Kawale:** Okay. And sir, what are the other 2 brands, like you mentioned that Kraus is among the top 3 brands. So what are the other -- who are the other competitors in womenswear?
- Pankaj Jain:** Levi's would be one. Vero Moda would be second.
- Palash Kawale:** Okay. And sir, what are our store addition plans for FY '25?
- Pankaj Jain:** 60 to 70 EBOs.
- Palash Kawale:** 60 to 70. And sir, any plan to increase the price in the coming years? Like our ASP has suffered because of multiple reasons. So do you foresee increase in prices from now on or stable ASP?
- Pankaj Jain:** We still look at, okay, there will be a price increase for the current year.
- Palash Kawale:** Okay. And sir, how is the demand and footfalls are panning out in Q1 now that the April and May months are gone? So is there any pickup or the situation is still the same?
- Pankaj Jain:** Market scenarios are not exciting.
- Moderator:** We have the next in the line of Ankit Babel from Subhkam Ventures.
- Ankit Babel:** Sir, a couple of questions again. In the press release, you have mentioned that you are spending some INR166 crores to buy 50% stake. Now out of this INR166 crores, some money would -- you would be infusing also into the company. So what would be that amount, which you are infusing into the company?
- Pankaj Jain:** It's a combination of primary as well as secondary.
- Ankit Babel:** Can you just give us the breakup?
- Pankaj Jain:** The primary infusion would be not a significant amount. It's just related to working capital.

- Ankit Babel:** So what it would be, sir, amount-wise?
- Pankaj Jain:** I can't give you an exact number for that. But okay, it will be just related to the working capital. Is that what I can say.
- Ankit Babel:** So less than INR10 crores is what you are -- I mean, as it's immaterial, then it would be less than INR 10 crores.
- Pankaj Jain:** It's significantly lower to the total deal value.
- Ankit Babel:** Okay. And this INR166 crores, how the payment structure would be? I mean, at one go, you'll be paying everything once the -- you get all the approvals? Or how is it?
- Pankaj Jain:** Major proportion is at first outgo, but then it is paid in tranches.
- Ankit Babel:** So again, can you give us a breakup of that?
- Pankaj Jain:** I'm sorry, I can't disclose the exact number to you.
- Ankit Babel:** By when can we expect the consolidation to take place?
- Pankaj Jain:** There are certain proceedings to be met. I feel 45-day period would be good enough.
- Ankit Babel:** Okay. Okay. Somewhere in July we might get the control?
- Pankaj Jain:** Would be.
- Ankit Babel:** Okay. And sir, what would be the amount of goodwill that would be created because of this acquisition?
- Pankaj Jain:** I think I can answer you in the next call perspective, that will give you that answer for the same.
- Ankit Babel:** Okay, okay. And you mentioned that -- I'm sorry, I missed that part, what you said about the remaining 50% stake in the company. Do you have the optionality to buy it? And if yes, then how the valuations would be decided?
- Pankaj Jain:** The current -- see, as I said that, okay, the current partner is interested to run the business. So it's a new marriage perspective. We have some numbers, but because of the confidentiality, I can't disclose anything regarding to the second tranche perspective.
- Moderator:** We have the next question from the line of Rohit Jain from Anand Rathi.
- Rohit Jain:** So sir, my first question will be related to the acquisition. So would the acquisition of Kraus would mean discontinuation of Desi Belle, which we are currently associated with or it would also continue, Desi Belle.

- Pankaj Jain:** If you see it's a smaller business size of the total business, okay. As of the current quarters, we don't see there will be a discontinuance. However, we will evaluate after 2-quarter structure that how the brand will go forward with.
- Rohit Jain:** Okay. And sir, my next question would be regarding the ASP of Kraus. So what is the ASP of Kraus?
- Pankaj Jain:** It's around INR 850.
- Rohit Jain:** Okay. And are we aiming to increase or keep it the same, which it is right now?
- Management:** It's too early to say.
- Hemant Jain:** It's too early to say because just we completed the acquisition. It's too early to say anything. So it will take some time, at least quarter or -- 1 quarter, then we'll let you know.
- Rohit Jain:** Okay. And sir, so we have acquired 50%. So would there be consolidation available to us or...
- Pankaj Jain:** As I said that yes, we have consulted advisories. There will be consolidation available to us.
- Rohit Jain:** Okay. And sir, coming to my next question, how has April and May been currently and in this quarter? And what are we looking at in FY '25?
- Pankaj Jain:** For the entire FY '25?
- Rohit Jain:** No, no. In April and May.
- Hemant Jain:** As far as April is concerned, the April business is good. But May is a little bit slow. But as we said we will grow by double digit in -- you have to see the festival and the season because these times in May, there is no marriages. And even that's why the market is a little bit low. And Diwali is also early -- if you have to compare, then compare 2 quarters continuously, Q1 and Q2 and after that, you can see the results.
- Moderator:** We have the next question of the line of Arpan Rathore from Inside Advisory.
- Arpan Rathore:** Congrats on the acquisition. My question also revolves around the acquisition. Just wanted to understand in terms of capacity for the -- for Kraus. Is it -- are they at full capacity utilization, which will entail us more capex going forward? How is the scenario out there?
- Pankaj Jain:** The acquisition is only related to working capital cycle, okay. They don't have their in-house manufacturing, okay. That's where one of the aspects where synergies lies with Kewal Kiran.
- Arpan Rathore:** So in that sense, we would be doing manufacturing for them?
- Pankaj Jain:** Could be.

- Arpan Rathore:** Could be. Okay. Yes, that was one. And secondly, how is the kid wear segment doing?
- Pankaj Jain:** Sorry?
- Arpan Rathore:** The kids wear, kids wear segment?
- Pankaj Jain:** We have already launched it on the store perspective. The first 2 months looks encouraging. We have orders in hand for the going forward season also, and the orders are also encouraging.
- Arpan Rathore:** So if we have to sum it up, how much is the kids segment revenue, which we are expecting or which we are targeting for FY '25?
- Pankaj Jain:** Not be major proportion of the total business.
- Moderator:** We have the next question from the line of Sahil Doshi from Thinkwise.
- Sahil Doshi:** We used to give MRP turnover. What will that number be for FY '24?
- Hemant Jain:** Around INR 2,300 crores, approximate.
- Sahil Doshi:** Understood. And sir, on Kraus -- in terms of strategy, would we look to take this to MBOs and even EBOs in the new revamped K-lounge [inaudible 0:48:36]
- Pankaj Jain:** Sahil, you are not audible.
- Sahil Doshi:** Yes. On Kraus -- my question was on Kraus. In terms of incremental, do we look at expanding more EBOs or this will be now part of the revamped K-Lounge...
- Moderator:** Sorry to interrupt you, Sahil, but your audio is sounding very muffled. If you go off the handset and come on the address, be ready to the microphone.
- Sahil Doshi:** On the Kraus distribution strategy, if you can possibly, incrementally will it be a part of EBO route which we'll be taking or it will be the MBO and the distribution that channel, which will be taking for?
- Pankaj Jain:** We feel that, okay, growth aspect would be more on the distribution as well as retail.
- Sahil Doshi:** Okay. Okay. And the other question was if I see there's a brand called Izel, which now you have developed for the -- which I see in Shoppers Stop as well. Could you possibly comment on the strategy of multiple labels in womenwear, and what's the idea from a 3-year, 5-year perspective from the women wear category as a whole?
- Pankaj Jain:** Sahil, The total women wear category structure, it was started 2 seasons back, okay. The total ladies -- womenswear, denim wear category or the total women wear category for Kewal Kiran is still negligible. We were exploring this idea of maybe getting the counters on such LFS to see the performance structure and to evaluate -- to testcheck the waters. After the acquisition, we

will -- after 2 quarters, maybe we'll be able to give you an exact picture where every branch -- all the ladies brands, where will they position or will there be any change in the profiling of the brands also.

- Moderator:** We have the next question from the line of Deepak Lalwani from Unifi Capital.
- Deepak Lalwani:** Congratulations on the deal. Yes. Firstly, on the deal structure, so you mentioned that the cost related to the acquisition has already been factored in. Is there any hit that you could see from...
- Pankaj Jain:** I didn't say that. I said any expenses which we could foresee, and we could provide for it, we have already done for it.
- Deepak Lalwani:** So should we foresee any inventory or receivable hit from this acquisition? Is there...
- Pankaj Jain:** No.
- Deepak Lalwani:** Okay, sure. And secondly, on the Kewal Kiran business, we have seen growth in the non-retail channel for this quarter. And the retail channel has sort of been muted for the last 2 quarters. So within retail, is it the LFS or is it the EBOs, which have slowed down in terms of growth rates?
- Pankaj Jain:** Both are related to secondary market. So okay, both are in at similar percentages, Deepak.
- Deepak Lalwani:** Okay, sure. Got it. And what will be the online contribution for the full year? Online revenues?
- Pankaj Jain:** Deepak, we give bifurcation of retail and non-retail only.
- Moderator:** That was the last question. I would now like to hand it over to the management for closing comments.
- Hemant Jain:** Okay. I would like to once again thank all 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.
- Moderator:** On behalf of Kewal Kiran Clothing Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
- Hemant Jain:** Okay. Thank you.