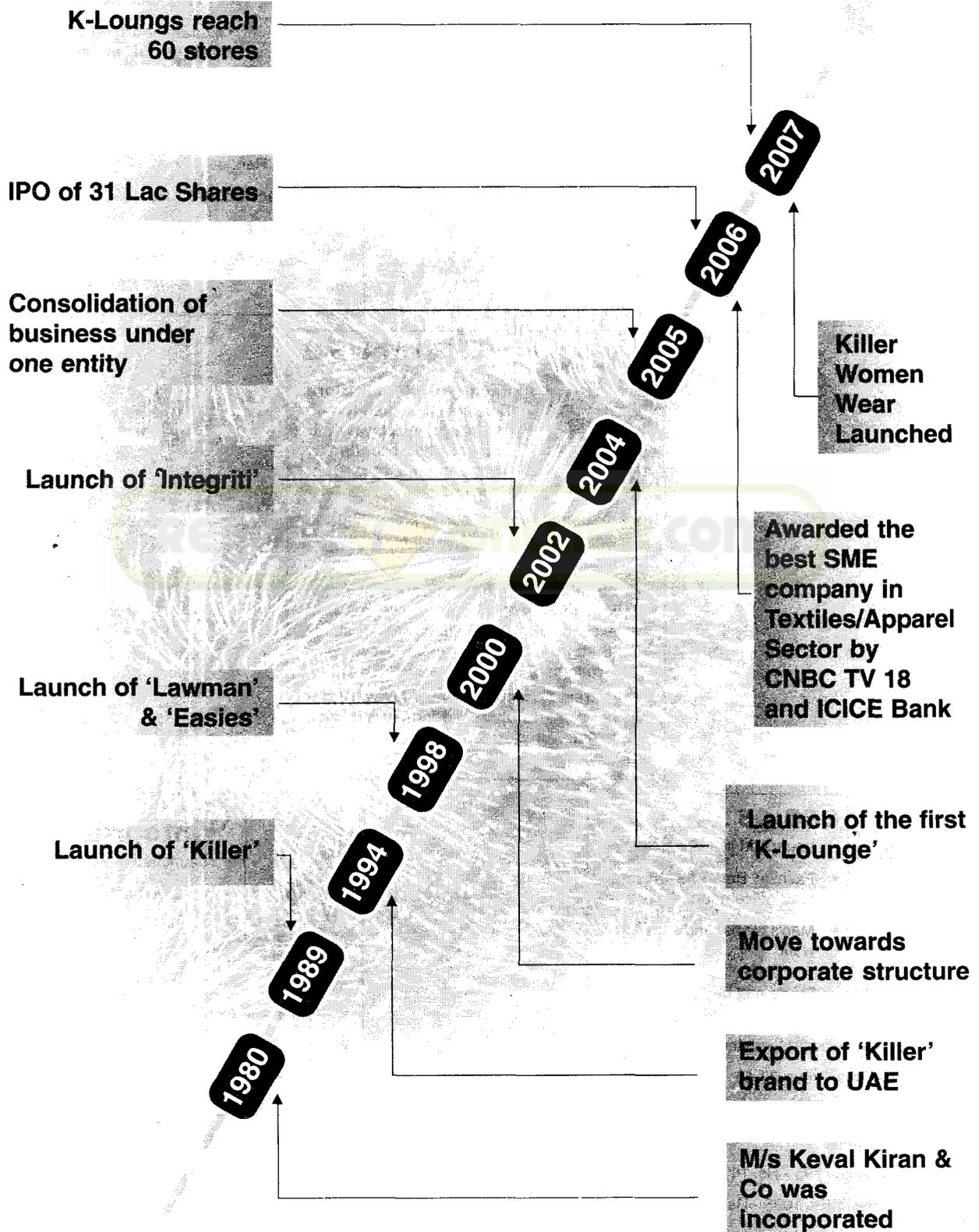




ANNUAL REPORT 2006-07



MILESTONES





KILLER >K

- Launched in 1989
- Power Brand for youth with an international feel and unique style quotient
- Casual Men's wear
- Launched Women's wear in 2007

- Planning to add other lifestyle products like fragrances, time wear, eyewear and innerwear
- Target Age Group 16-25
- Latest collection - Immortal Jeans
- Price Range
 - ❖ Jeans Rs. 845 - Rs. 1895
 - ❖ Trousers Rs. 995 - Rs. 1495
 - ❖ T Shirts Rs. 345 - Rs. 995
 - ❖ Shirts Rs. 745 - Rs. 1295
 - ❖ Jackets Rs. 1795 - Rs. 2695



LAWMAN Pg³

- Launched in 1998
- Design led brand
- Men's Club wear
- Launched high fashion range of shoes and eyewear

- Target Age Group 18-28
- Latest collection • PG 3
- Price Range
 - ❖ Jeans Rs. 695 - Rs. 1695
 - ❖ Trousers Rs. 695 - Rs. 1495
 - ❖ Shirts Rs. 695 - Rs. 1995



K-LOUNGE

- Exclusive Retail Store Concept under brand name "K-Lounge" displaying our four brands creating a compelling mix of fashion, price and quality

- K-Lounge stores help in presenting the complete brand experience to consumers
- Improves brand visibility.
- 60 stores currently operating at prime locations in the country with an area exceeding 1,10,000 sq. ft. with 15 stores in Metro cities like Mumbai, New Delhi, Hyderabad, Kolkatta.
- Current Focus is on small format stores but plans to open mid format and large format stores.



easiqs

- Launched in 1998
- Fashion Brand for office and after office hours
- Men's formal and semi formal wear

- Innovation in Fabric and designs
- Planning to launch range of Cargos, T-Shirts, Jackets, Sweaters, Ties
- Target Age Group 23-40
- Latest collection - Non Repeat Shirts
- Price Range
 - ❖ Shirts Rs. 795 - Rs. 1495
 - ❖ Trousers Rs. 1095 - Rs. 1895



Integrati

- Launched in 2002
- Mass market brand
- Fashionable yet affordable
- Men's formal and semi formal wear

- Target Age Group 18-30
- Price Range
 - ❖ Jeans Rs. 595 - Rs. 1195
 - ❖ Trousers Rs. 595 - Rs. 995
 - ❖ Shirts Rs. 495 - Rs. 895
 - ❖ Jackets Rs. 795 - Rs. 1495

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GENERAL INFORMATION

Board of Directors

Mr. Kewalchand P. Jain
Chairman & Managing Director

Mr. Hemant P. Jain
Whole-time Director

Mr. Dinesh P. Jain
Whole-time Director

Mr. Vikas P. Jain
Whole-time Director

Mr. Popatlal F. Sundesha
Non Executive Independent Director

Mr. Mrudul D. Inamdar
Non Executive Independent Director

Dr. Prakash A. Mody
Non Executive Independent Director

Mr. Nimish G. Pandya
Non Executive Independent Director

Company Secretary

Mr. Abhijit B. Warange

Statutory Auditors

M/s. Jain & Trivedi
Chartered Accountants

M/s. N.A. Shah Associates
Chartered Accountants

Bankers

Standard Chartered Bank
Mumbai.

Registered Office	B-101 to 107, Synthofine Estate, Opp. Virwani Industrial Estate, Goregaon (East), Mumbai - 400 063.
Corporate Office	Kewal Kiran Estate, Behind Tirupati Udyog, 460/7, I.B. Patel Road, Goregaon (East), Mumbai - 400 063.
Registrar & Transfer Agents	Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compounds, L.B.S. Marg, Bhandup (West), Mumbai - 400 078.
Factories	<p>Vapi</p> <p>Plot No. 787/1, 40, Shed IInd Phase, G.I.D.C Vapi - 396 195. Gujarat</p> <p>Daman</p> <p>697/3/5/5A, Near Maharani Estate, Somnath Road, Dhabel Daman - 396 210.</p> <p>Mumbai</p> <p>Synthofine Estate, Opp Virwani Industrial Estate Goregaon (East), Mumbai - 400 063.</p> <p>71-73, Kasturchand Mill Estate Bhawani Shankar Road, Dadar (West), Mumbai - 400 028.</p>



LETTER TO THE SHAREHOLDERS

Dear Shareholders,

It has been one year since your company entered the Indian capital market. During this year, your company has progressed by leaps and bounds, and it is my pleasure to share the milestones of this journey with you.

Industry Scenario: Retail and Manufacturing growth to spur on greater successes

The Indian apparel and fashion accessories market is estimated at \$12 billion, and is growing at the rate of around 15% in value terms and 5% in volume terms. Of the total apparel market, only 13.6% is organized, so that with the logical shift towards branded products by consumers, organized players will grab a large chunk of the pie and grow at a faster pace.

Your company is well-poised to benefit from the impending boom in domestic organized retail and continued strong growth in consumption in India. There is growth in retail space across the country, changing lifestyle and demographics of consumers, rise in disposable income and an increase in consumer appetite for branded products.

According to AT Kearney's 2006 Global Retail Development Index, Asia has reclaimed the top position from Eastern Europe, with India rising to the number one position. The retail sector is one of the most significant contributors to the Indian economy, amounting to about 35% of the GDP. According to a report by the McKinsey Global Institute, India's GDP is also expected to grow at a CAGR of 8% from 2005 to 2010, which would continue to support the retail industry. India's total retail spend is expected to grow at a CAGR of 8.6%, during this time period, totaling \$440 billion in 2010 from \$284 billion in 2005. With the organized retail segment accounting for only 3% of the total spend in 2005, this is expected to more than double to 6.3% in 2010.

The Government has also realized the importance of modernizing the retail sector, as evident from the gradual opening of the sector to Foreign Direct Investment (FDI). While currently foreign companies are able to own up to 51% of a single brand retail company or directly invest through the cash and carry wholesale trading model, there seems to be a definite but gradual movement towards allowing foreign retailers into the country, thus strengthening the hands of organized retail.

The budget 2007 has not been all that favorable to the industry with the CST not being phased out completely; the cost to the industry may not go down after all. The Service Tax on commercial property rent will increase the cost of retailing. Property rentals are already a huge cost component in view of high rentals across the country. On the Direct Tax front the increase in the Dividend Distribution Tax will result in higher cash outflow and the 1% additional cess on all tax will add to higher tax incidence.

Financial Performance: Notching up the numbers

During the financial year ended March 31, 2007, sales and operating income increased to Rs 133.62 crore from Rs 85.96 crore. The net profit before tax stood at Rs 28.18 crore against Rs 18.20 crore in the previous year. The net profit after tax stood at Rs 18.65 crore against Rs 11.93 crore for the previous financial year.

On the back of the high performance achieved by your company, the Board of Directors have pleasure in recommending a dividend of 25% per equity share, that is, Rs 2.50 per share of Rs 10 each, for the year ended March 31, 2007, compared to the Rs 1.50 per share in the previous year.

Operational performance: Working towards higher peaks

Your company is an integrated apparel manufacturer, with capabilities ranging from design to manufacturing processes involving cutting, body stitching, washing, ironing & finishing, marketing and retailing of branded

apparel. Your company has four well-established brands: 'KILLER', 'Pg3 LAWMAN', 'EASIES' and 'INTEGRITI'. Your company has made an aggressive foray into the domestic retail market under its retail brand 'K-LOUNGE'

A. Manufacturing

The current manufacturing capacity of your company has gone up to 3 million garments from 2 million garments last year. Your company has 4 manufacturing units: one each at Dadar (Mumbai), Goregaon (Mumbai), Vapi (Gujarat) and Daman (Union Territory). The facilities at Daman, Vapi and Mumbai have been assessed and registered as ISO 9001:2000 and ISO 14001:2004 compliant, pertaining to quality management system and environment management system respectively.

During the year ended March 31, 2007, your company acquired about 53,000 square feet land and about 40,000 square feet building thereon at Daman. Your company has realigned its manufacturing facilities at Daman to make use of about 20,000 square feet area in the new premises.

B. Brands and Retail Operations

During this year, your company has opened 26 branded K-LOUNGE stores, taking the tally to 55 stores as per March 31, 2007. Subsequent to the financial year-ending, 5 stores have been opened, so that 60 K-LOUNGE stores are operational across the country on the date of this report.

Your company has expanded the product line in 'Pg3 LAWMAN' and 'INTEGRITI' brands, by launching an exclusive knitwear collection. Your company has also introduced fashion accessories like eye wear and casual shoes.

The much-awaited women's wear range under 'KILLER' brand was launched in the *Summer 2007* collection and your company has received an encouraging response from customers.

Awards: Recognition of Performance

During the year ended March 31, 2007, your company has been awarded the '*SMB Industry 2.0 Award*' for achieving highest rating in the ranking of India's Top 500 Manufacturing Small and Mid-Sized Companies. Your company's Chairman and Managing Director has also been presented with the prestigious '*Apex Brand Entrepreneur of the Year Award 2005-2006*'.

Looking Ahead: Banking on Better Retail Spread

The second phase of capacity expansion will be taken up during the current year, taking the total manufacturing capability to 4 million pieces. Your company has placed orders for machinery and other equipments to reach this capacity during the current year.

During the current financial year, your company plans to open about 88 new retail stores, comprising both of K-LOUNGE stores and Exclusive Brand Outlets (EBOs). Your company has planned 16 'KILLER' EBOs, 14 EBOs each for 'Pg3 LAWMAN' and 'INTEGRITI' and 1 flagship store for the 'EASIES' brand. More than 40 stores across the country have also been identified and booked.

Encouraged by the strong response to the limited roll-out of the women's wear range under the 'KILLER' brand, your company intends to expand the product offerings and launch it nationwide shortly. Considering the dearth of women's wear brands in the mid-premium market, this is expected to generate a good response.

Other plans include expanding the product line with apparels and non-apparel accessories like time wear and fragrances. While your company has already launched fashion accessories like eye wear and casual shoes, there are plans to add more accessories under the existing brands in the near future.

The current year continues to be promising and we are doing our utmost to perform even better during the year.

To end, let me take this opportunity to thank our dedicated team for their valuable support and cooperation, without which the company would not have been able to reach the position it enjoys today.

I would also take this opportunity to thank my colleagues on the Board for their valuable participation and contribution while guiding the course of the company.

Kewalchand P Jain

Chairman and Managing Director

NOTICE OF 16TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 16th Annual General Meeting of Kewal Kiran Clothing Limited will be held on Tuesday, August 7, 2007 at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, (Behind Prince of Wales Museum) Mumbai: 400 001 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2007 and the Profit and Loss Account for the financial year ended March 31, 2007 together with the report of the Directors and Auditors thereon.
2. To declare a dividend on Equity shares.
3. To appoint a Director in place of Mr. Dinesh P. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vikas P. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Popatlal F. Sundesha, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Jain & Trivedi, Chartered Accountants as the Statutory Auditors of the company and fix their remuneration.
7. To appoint M/s. N.A. Shah Associates, Chartered Accountants as the joint Statutory Auditors of the company and fix their remuneration.

By order of the Board of Directors

Abhijit B. Warange
 Company Secretary

Regd. Office:

B101-107, Synthofine Estate,
 Opposite Virwani Industrial Estate,
 Goregaon (E),
 Mumbai-400 063

Place: Mumbai

Date: May 15, 2007

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. IN ORDER TO BE VALID, PROXIES DULY STAMPED, SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting
3. There being no Special Business to be transacted at the meeting, explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 would not be required.
4. The Register of Members and the Share Transfer Books of the company will remain closed from Wednesday, July 25, 2007 to Tuesday, August 7, 2007 (both days inclusive).
5. The dividend as may be declared shall be payable to members of the company whose names appear:
 - a) As Beneficial Owners as at the end of business hours on July 24, 2007, as per the list to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., in respect of the shares held in electronic form and

- b) As members on the Register of Members of the Company as at August 7, 2007 after giving effect to valid transfers in respect of transfer request lodged with the company on or before the close of business hours on July 24, 2007.
6. The Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) have advised all listed companies to mandatorily use the Electronic Clearing Services (ECS) facility wherever possible for dividend payment to the shareholders. In view of this stipulation the company proposes to implement the ECS facility. Members are requested to provide the company with ECS mandate for crediting the future dividend payment directly to their respective bank accounts. The Company shall be able to coordinate with the bankers only on receipt of the necessary information. The main information required therein is the type of account, name of the bank and the account number. It should be signed by all the holders, as per the specimen signature recorded with the Company/Depository Participant.
 7. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios alongwith relevant share certificates to the company's Registrar & Transfer Agents, M/s Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai 400 078.
 8. Members holding shares in physical segment are requested to notify change in their address/status, if any, immediately to the company's Registrar & Transfer Agents, M/s Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai 400 078.
 9. The company has designated an exclusive e-mail id called **grievanceredressal@kewalkiran.com** for redressal of shareholders complaints /grievances. In case you have any queries/complaints or grievances then please write to us at **grievanceredressal@kewalkiran.com**
 10. Members who would like to ask any questions on the accounts are requested to send their questions at Registered Office of the company at least 10 days before the Annual General Meeting to enable the company to answer their queries satisfactorily.
 11. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.
 12. Members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
 13. Reappointment of Directors:

Profile of Directors retiring by rotation and offering for re-appointment:

At the ensuing Annual General Meeting Mr. Dinesh P. Jain, Mr. Vikas P. Jain and Mr. Popatlal F. Sundesha retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 of Listing Agreement relating to Code of Corporate Governance, the particulars of the aforesaid Directors are given below:

1. Mr. Dinesh P. Jain:

Born in 1969, Mr. Dinesh Jain joined the business in 1990. Mr. Jain heads the manufacturing operations of the company. He specializes in Production and HR related issues. Mr. Jain is also responsible for ensuring optimum utilization of production facilities of the company at its units at Dadar, Goregaon, Daman and Vapi. Mr. Jain is a trustee of Jatnobai Karmchandji Ratanparia Chauhan Charitable Trust. He is also the treasurer of Daman Industries Association.

Mr. Jain holds 6,27,250 shares in his individual capacity and 16,000 shares as a Karta of Dinesh P. Jain (H.U.F) in the company as on the date of this notice.

The details of other directorships of Mr. Dinesh P. Jain are as follows:-

Name of the Company	Board Position Held
Kornerstone Retail Ltd.	Director
Kewal Kiran Retail India Pvt. Ltd.	Director
Kewal Kiran Realtors Pvt. Ltd.	Director