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Building our brands

II

Fuelled by innovation

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Leveraging stable strategies

THE POWER OF 7...

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Strengthening our sustainability

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Scalable solutions

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Passion and long-term vision

VII

Responsible development of communities



ANNUAL REPORT 2011-12

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Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



CATALYSING OUR GROWTH

THE POWER OF 7... CATALYSING OUR GROWTH



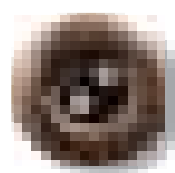
In a world where globalisation has enabled customers to find, evaluate, and purchase just about anything, anywhere, anytime, knowing how to get and keep customers is an essential business strategy. For many businesses this means developing new methods to monitor measure and improve their sales development systems. For Kewal Kiran Clothing Limited (KKCL), these values are at the heart of our identity as a socially responsible Company. We have adopted the seven core values of wisdom, innovation, stability, sustainability, scalability, passion & long-term vision and responsibly developing communities.

These seven powerful values enable us to stay focused and grow our business.

Today, we have secured our position as one of the largest Indian apparel Company, with a diversified portfolio of premier lifestyle apparel brands focused on global growth while staying true to our core values.

‘Living our values’ states our focus on consistently doing the right thing and acting responsibly through a simple yet compelling promise.

KKCL is aiming to carve a niche with a diversified portfolio of brands matching the present and the future needs of customers resulting in development of stronger stakeholder relationships and building competitive advantages.



CORPORATE IDENTITY

A premier Indian entity established in 1989, leverages its rich heritage, proven strategies and talented team to assure sustainable and profitable growth.

Over two decades of experience in readymade fashion apparel with a strong character whose style, quality and passion are clearly seen in its brands - 'Killer', 'Lawman Pg³', 'Integriti' and 'Easies'.

Our core values are aimed at creating value for stakeholders and achieving financial continuity, now and into the future.

Company philosophy

To be a world-class business enterprise, creating values, excellence in every business and service to consumers, stakeholders and society.

We look ahead with the young eyes of the future. Our story is built on innovation and seeing where others fail to see. KKCL has successfully made its presence felt with fashionable denim apparel and gradually expanded the offerings to trousers, t-shirts and jackets. The organisation has solidified its unique democratic positioning within the retail arena by entering lifestyle accessories segment-shoes, belts, watches, bracelets, wallets, caps, bags, sunglasses and deodorants, perfumes and cosmetics to name a few.



CMD'S MESSAGE



Dear Shareholders,
It is my pleasure to present to you the 21st Annual Report of your Company and the 7th Annual Report since the IPO.

Our journey since the listing has been very encouraging, despite the sector facing several challenges along the way. On the apparel business front, KKCL is facing issues like subdued demand due to excise duty levy and higher inflation affecting discretionary spends. With strong fundamentals, an asset light business model and virtually debt-free status of KKCL, we are well-positioned for the future. The dual impact of higher product prices in 2011-12 driven by excise duty and high cotton prices along with continuing headwinds in the form of stubborn inflation and high interest rates have impacted the consumer wallet share for discretionary expenditure. The slower volume growth was partially offset by higher prices and sales in 2011-12 stood at ₹ 301.90 Crores, a growth of approximately 28% over previous year, while Profit after Tax at ₹ 52.14 Crores registered a marginal increase of 12.78 %. KKCL enjoys strong cash flows and declared interim dividends of ₹ 7 per share and ₹ 6 per share and has recommended a final dividend of ₹ 4 per share taking the total dividend to ₹ 17 per share. From the sale of ₹ 85.96 Crores in 2005-06, the Company has grown over 250% and achieved sales of ₹ 301.90 Crores in 2011-12. Profit after Tax during this period have increased 348% from ₹ 11.65 Crores to ₹ 52.14 Crores.

We continue to execute the strategy of creating innovative fashion apparel that is at par with the global fashion trends. KKCL is reaching out to fashion conscious consumers across India through various channels including Exclusive Business Outlets, Multi-Brand Outlets, Large Format Stores and K-Lounge stores.

The presence of retail stores has increased from 31 stores in 2005-06 to 252 stores as on 31st March, 2012. With this, the Company has a presence in over 138 cities in 21 states across India. The growth has been driven by the strength of the key brands of the Company, expansion of manufacturing infrastructure, continuous innovation in product design and an aggressive retail role-out. What has not changed during this period is our relentless and single-minded focus on the 'consumer' – the basic foundation of our business. The Company's strong fashion forecasting and trendsetting abilities have created brands which are vibrant, trendy and fashionable. We have the ability to understand consumer behavior and with more than 3 decades of presence and experience in the fashion apparel industry we are well positioned to leverage on our understanding of consumer behavior to propel future growth.

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India with its vast demographics, varied culture and fast changing lifestyle presents opportunities and challenges in equal measure. Growing urbanisation and rising brand consciousness are paving the way for the fashion apparel industry. With India's GDP dropping to a nine year low, rising inflation and depreciation of the rupee are painting a very bleak scenario. This is further aggravated by rising inflation, soaring real estate prices and falling rupee, leaving a meager disposable income in the hands of consumers for discretionary spend. In my previous letter in the last annual report I have shown a vision to touch ₹ 1000 Crores Net Revenues by 2015-16. It is our persistent endeavour to head towards the set target and we continuously strive to achieve the same within scheduled time frame subject that consumers sentiments improves and overall economy normalise to usual growth trajectory.

Formula One (F1) made a grand debut last year in our country. The event signified India's capability to build, organise and execute a world-class sporting spectacle as well as the overwhelming response it received from over 95,000 spectators. I feel that managing the fashion apparel business is similar to F1. The excitement and thrill to succeed, growth opportunity giving an adrenaline rush, astutely tackling the twists and turns along the way and accelerating ahead with confidence to win the race. Presence of strong global competition entails keeping a sharp lookout in the rear view while focusing on the road ahead. The ability to anticipate the way forward and synchronise the speed makes the difference between a winner and a casualty.

The multiple casualties in the apparel and retail business in India are evidence of the criticality of managing growth and profitability in this business without getting in the way of danger. As we move towards our vision of achieving a turnover of ₹ 1,000 Crores, we firmly believe that both man and machine are important and have to be robust to win the race. We have endeavoured to build an organisation that is capable of reaching high speeds but at the same time has internal strength and construct to survive potential collisions without fatally

impacting the Company. This is being done in the form of building an integrated business model and creating a strong financial position which is not leveraged.

We are proud to say that KKCL follows the best practices and adheres to all the financial accounting standards and disclosures. This is not good enough in the fashion industry.

The unique dynamics of this business require a comprehensive risk management approach whereby we would want to create adequate reserves to safeguard against potential risks associated with pursuing a higher growth trajectory. Needless to say, we have and will continue to remain a bottom line driven company and strive for being the industry benchmark in terms of performance and governance.

Our brands remain as the strong pillars of the business and continue to build on their customer loyalty with continued product innovation and brand promotion. ADDITIONS – the accessories business which is at promotional stage has shown encouraging results and achieved sales of ₹ 19.62 Crores, a 287% growth over the previous year. This business has the potential to expand significantly and emerge as an equal with the existing products of the Company. We are optimistic about the forthcoming financial year and expect trends to turn favorable enabling the Company to passionately pursue its growth plans.

I thank all the stakeholders for the trust that they have reposed in KKCL and look forward to continued support and participation in the growth of the Company.

Kewalchand P. Jain
Chairman & Managing Director

KKCL - A FASHION BRAND

- NOT JUST A FASHION RETAILER



Our brands have evolved from a few stores to a wide range of stores across the country. Our brands appeal to diverse customer needs, providing superior quality products at competitive prices. We remain dedicated to growing our brands and executing our strategic plans, with the ultimate goal of maximising value for our stakeholders.

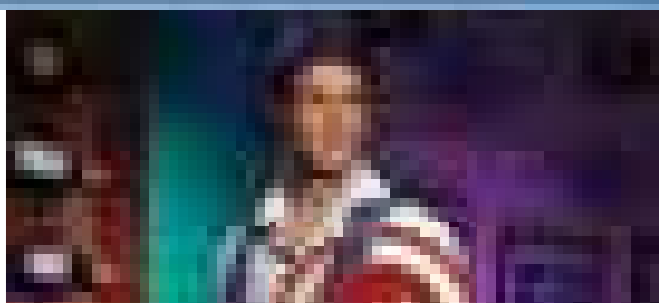
Killer

Youthful, trendy, vibrant and dynamic

One of the best known designer names in the country offering a modern design aesthetic.

Range: Women and men's ready-to-wear denims, trousers, cargos, capris, shirts, jackets, t-shirts, innerwear (vests and briefs), footwear (shoes and socks), eye-wear and other attractive accessories (belts, bracelets, sun glasses, deodorants, personal care products and so on).

Age bracket: 16-25 years



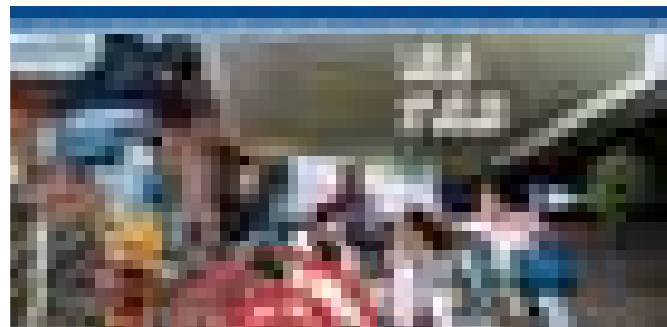
Lawman Pg³

The classic and cool

Leading designer lifestyle brand that delivers 'preppy with a twist' designs that appeal to a diverse range of consumers

Range: Shirts, blazers, jackets, denim and cotton trousers, t-shirts, cargos, capris, drapes, jeggings, skirts, shorts and fashion forward accessories complement the collection - innerwear, socks, footwear, headwear, sunglasses, trinklets and the likes.

Age bracket: 18-28 years



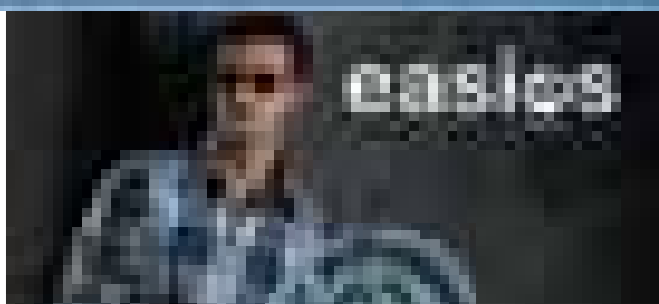
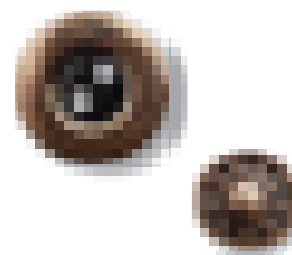
Integriti

Stylish, affordable and superior-quality

Brand for the masses

Range: Casuals and formal shirts, t-shirts, jeans, cotton and formal trousers, blazers, ties and cufflinks, and so on.

Age bracket: 16-26 years



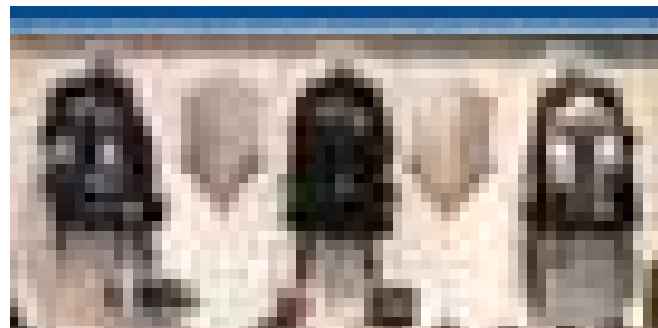
Easies

Fashionable yet functional

Semi-formal range for the new young executives

Range: Shirts, trousers, blazers, etc.

Age bracket: 25-40 years



Addictions

The accessories shoppe

Range: Deodorants, cosmetics, perfumes, footwear, belts, gym wear, swimwear, eyewear, trinklets, formal accessories and more.

K-Lounge stores

Shop in style

KKCL creates desires and makes them achievable. The purpose of the direct sales distribution channel is to develop a presence in areas of high growth potential and to open iconic sales outlets that are attractive to end consumers and serve as a benchmark in the industry. Trend-setting retail chain promoted by KKCL, retails all its brands under one roof.



KKCL markets its products through a chain of:

138

K-Lounge showrooms

2

K-Lounge for her

110

Exclusive Brand Outlets (EBOs)

43 Integriti

56 Killer

10 Lawman

1 Lawman/Integriti

2

Addictions - lifestyle accessories stores

Multiple

National Chain Stores (NCSs), Multi Brand Outlets (MBOs)

Distributors, master stockists, licensees and online modes are other modes of distribution.

Manufacturing facilities

KKCL's designing and manufacturing facilities are mainly located at Dadar and Goregoan (Mumbai); Daman and Vapi in Western India.