

SKNL: FY2010 Financial Results Highlights

Net Sales up 69.6% to Rs. 38,609 million

EBIDTA at Rs. 7,734 million, up by 58.5%

Mumbai, 28 May 2010: S.Kumars Nationwide Limited (SKNL), a leading brand-led conglomerate engaged in design, manufacturing, marketing and distribution of high quality fabrics, ready-to-wear garments and home textiles has announced its results for the year ended 31 March, 2010.

Financial performance highlights FY 2010: (All figures are consolidated unless stated otherwise)

- ❖ Net income from operations enhances by 69.6% to Rs. 38,609 million from Rs 22,762 million
- ❖ EBIDTA increases 58.5% to Rs. 7,734 million from Rs. 4,881 million
- ❖ Net profit (before minority interest) up 42.1% to Rs. 2,773 million compared to Rs. 1,951 million
- ❖ Net Profit after minority interest at Rs. 2,290 million
- ❖ Basic EPS after minority interest at Rs. 9.68

Operational Performance Highlights FY 2010:

- ❖ Domestic businesses deliver robust revenue and margin growth
- ❖ HMX business turns EBIDTA positive
- ❖ Entered into Joint Venture with DKNY for the global menswear licence of the DKNY brand
- ❖ Changing product mix in favour of garments, which is lean on working capital
 - FY 2009 Garment to Fabric ratio was 11:89
 - FY 2010 Garment to Fabric ratio is 25:75
- ❖ Ongoing process of achieving back end and front end synergies with international businesses

SKNL has delivered positive financial and operating results for FY2010. The company's focus to cater to all socio economic segments along with capabilities of creating diversified brand portfolio has made it possible to achieve such a buoyant result. Despite the economic slowdown the company was focused to strengthen its brand and product portfolio. Adverse economic conditions made the company rework its strategies and strengthen execution in areas of branding, designing, marketing and distribution-led activities. Domestically, the Company has a strong set of brands catering to all socio-economic segments in the branded garment and fabric space. Internationally, with the recent acquisition of Hartmarx (now HMX Corp.), the largest men's tailored clothing Company in America, SKNL now has access to an array of leading international brands including Hickey Freeman, Bobby Jones, Hart Schaffner Marx, Exclusively Misook, Austin Reed, Monarchy amongst others.

(SKNL results that are being reviewed are consolidated with Reid and Taylor India Limited (RTIL), Leggiuno S.p.A along with holding Companies and HMX LLC and Copley Inc.)

In the financial year under review, SKNL's net sales grew 69.6% to Rs. 38,609 million from Rs. 22,762 million. This growth in sales was driven by volume enhancement across brands. Starting August 7, 2009 the financial performance of HMX has also been consolidated in the Company's results. This contributed to the enhancement of revenues in FY2010. Overseas subsidiaries contribution in the total sales of the Company was Rs 7,144 million. Sales for the luxury textile segment, which comes under Reid and Taylor fabrics, grew by about 41.5%. Ready-to-wear garments contributed strongly with a 58.8% increase in sales over the last year. This healthy improvement in garment sales was driven by volume increment in Reid & Taylor and Belmonte brands. Driven also by volume expansion across product categories, sales in the consumer textiles division grew by over 45.9%. Baruche Superfine Cotton - 12.75 million meters per annum state-of-the-art BSFC facility is stabilized. Sales in the BSFC division are poised to grow as Core product lines are synergised through Backward-forward integration strategy with Leggiuno, Italy.

EBIDTA during the year stood at Rs. 7,734 million compared to Rs. 4,881 million, an increase of 58.5%. EBIDTA Margins for the year under review stood approximately at 20.0%. Although operating margins seems to be dampened compared to 21.4% delivered in FY2009, it is important to point out that the domestic margins have improved to 24.3% from 22.0% during last year. Overseas EBIDTA margins currently are 1.4% which is in line with the planned estimates. With initiatives such as re-energised customer and vendors relations, reducing operating expenses, improving capacity utilization and integration efforts underway; we are very confident that in the coming year we will have significant contribution from these businesses.

Commenting on the performance for FY2010 Mr. Nitin S. Kasliwal, Managing Director and Vice Chairman of SKNL said,

"Our performance during the year showcases our dedication towards achieving excellence in all spheres of operations. It has forever been our endeavour to target all economic strata's of the society. This customer centric approach has reaped us huge benefits over the years and we expect the same to continue in the years to come. While our domestic business continues to grow well, our international business too shows huge potential with our various acquisitions.

Although we recognize the tremendous potential of the domestic market, we would also continue to focus on enhancing our international operations through back end and front end synergies. A significant step in this regard is our international acquisition of the HMX Corp. which has amplified our brand portfolio significantly. With this acquisition the garment mix has increased considerably during the year and is expected to increase further in FY2011. Going forward this acquisition would provide us with various avenues in the US market. Also, we recently signed joint venture agreement with Dona Karan International to design, source, produce and distribute the full range of DKNY men's apparel globally (except Japan) which presents substantial growth opportunities in the apparel domain globally. Our performance now truly demonstrates that we are making sustained progress on our vision of being a well-established global player in the branded apparel segment"

Financial overview:

(All Rupee figures in millions unless stated otherwise)

(All figures are consolidated unless stated otherwise)

Key Financials:

Particulars	FY2010	FY2009	Change (%)
Net sales	38,609	22,762	69.6%
EBIDTA	7,734	4,881	58.5%
<i>Margins</i>	20.0%	21.4%	
PBT	4,247	2,913	45.8%
<i>Margins</i>	11.0%	12.8%	
PAT	2,773	1,951	42.1%
<i>Margins</i>	7.2%	8.6%	

SBU-wise revenue analysis:

Strategic Business Unit (SBU)	FY2010	FY2009	Change (%)
Consumer Textiles			
Sales & Other Income	15,848	10,865	45.9
EBIDTA	3,295	1,795	83.6
Luxury Textiles			
Sales & Other Income	7,648	5,405	41.5
EBIDTA	2,809	2,085	34.7
Total Wardrobe Solution			
Sales & Other Income	3,971	2,501	58.8
EBIDTA	837	414	102.2
Total Home Expressions			
Sales & Other Income	3,859	3,405	13.4
EBIDTA	691	593	16.5
BSFC			
Sales and other income	156		
EBIDTA	5		
Overseas businesses			
Sales & Other Income	7,144	592	
EBIDTA	97	-7	

About SKNL

S. Kumars Nationwide Ltd. (SKNL) is one of India's leading textiles and apparel manufacturing company with expertise in multi-fiber manufacturing. The company has extended its presence in multiple product categories from fabrics to apparels and home textiles. The Company has recently extended its presence overseas to the European and North American markets expanding its brand portfolio of 45 leading brands catering to various price points, socio economic segments and age groups globally. Apart from top design, market and distribution capabilities, SKNL also has state-of-the-art manufacturing facilities that have been instrumental in the Company's success story.

HMX Corporation:

In Q2 FY2010, SKNL's wholly owned subsidiary, SKNL North America B.V., acquired Hartmarx Corporation, USA, the largest men's formal-wear clothing company in the US (established in 1887 as Hart Schaffner and Marx) and a leading American producer of luxury apparel. HMX directly owns / controls 34 diverse brands catering to the premium and luxury segments of the men's, women's and sports apparel and garment market. HMX brands include iconic American brands such as *Hickey Freeman* and *Hart Schaffner Marx* – worn by President Barack Obama, leading women's lifestyle brands like *Exclusively Misook*, *Monarchy*, *Christopher Blue* and licenses for leading tailored clothing brands *Austin Reed*, *Ted Baker*, *Clairborne* and *Pierre Cardin*. Hartmarx also licenses leading golf wear brands *Bobby Jones*, *Jack Nicklaus* and *Golden Bear*.

Leggiuno S.p.A, Italy:

Leggiuno is among the top 3 Italian Shirting Fabrics businesses. Leggiuno's products are patronized by leading fashion houses & brands such as Prada, Hermes, Versace, Zegna, Etro, Kenzo, Faconnable, Burberry & Paul Smith, to name a few. This is a strategic acquisition for SKNL, as it brings to the plate numerous synergies with SKNL's new state-of-the-art HVFC. SKNL expects better earnings delivery from this new venture once it is able to synergistically operate the new HVFC facility, which commenced commercial in the last quarter.

SKNL UK Ltd:

SKNL has entered into an Agreement with DKNY for Design, Manufacture and Distribution of products under the DKNYs men's wear brand. The License will also allow SKNL to open its own DKNY boutiques and to appoint new retailers. This arrangement will bring about a revenue of US \$ 200 Mn with an EBIDTA of 20% in the next 2-3 years. Accordingly, SKNL has set up a complete infrastructure facility in UK for doing this business.

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