

## **SKNL: Q1 FY2010 Financial Results Highlights**

**Net Sales up 33% to Rs. 7,081 million**

**EBIDTA at Rs. 1,619 million, a 28% increase**

### **Q1 FY2010 Key Events**

**Acquires Hartmarx Corporation, the largest men's tailored Company in America that owns / controls over 34 leading brands**

**Mumbai, 25 July 2009:** SKNL, a leading brand-led conglomerate involved in marketing and distribution of high quality fabrics and ready-to-wear garments, has announced its results for the first quarter ended 30 June, 2009.

**Financial performance update: (All figures are consolidated unless stated otherwise)**

Q1 FY2010 Financial results highlights:

- ❖ Net income from operations up 32.6% to Rs. 7,081.2 million from Rs 5,339.2 million
- ❖ EBIDTA improves 28.3% to Rs. 1,619.1 million from Rs 1,261.5 million
- ❖ Net profit (before minority interest) up 12.1% to Rs. 617.4 million compared to Rs 550.9
- ❖ PAT after minority interest at Rs. 512.0 million
- ❖ Fully diluted EPS after minority interest (not annualized) at Rs. 2.10

**Commenting on the performance in Q1 FY2010 Mr. Nitin S. Kasliwal, Managing director and Vice Chairman of SKNL said,** *"I am pleased to announce that we have commenced the new fiscal with continuity in the delivery of our growth trajectory. We have always emphasized the importance of brand, distribution and marketing led activities and this ideology has been a key contributor to our healthy performances thus far.*

*During the quarter, SKNL, along with its operating partner, acquired Hartmarx Corporation, the largest men's tailored Company in America, which directly owns or controls over 34 leading brands. Apart from significantly enhancing our global footprint, this acquisition will also be synergistically aligned with our business in India through a front-end-back-end support strategy.*

*Our State-of-the-art HVFC manufacturing facility commenced commercial production for a portion of the quarter and once the facility is stabilized, we expect to realize the true potential of our synergistic arrangement between Leggiuno and the HVFC division. With a leading presence in the branded domestic textile and garment space, a growing presence in the international arena and an ever increasing appetite for growth we are truly excited about the opportunities that lie ahead."*

## Financial overview:

(All Rupee figures in millions unless stated otherwise)

(All figures are consolidated unless stated otherwise)

### Key Financials:

Particulars	Q1 FY2010	Q1 FY2009	Change (%)
Net sales	7,081.2	5,339.2	32.6
EBIDTA	1,619.1	1,261.5	28.3
<i>Margins</i>	22.8	23.6	
PBT	928.9	837.9	10.9
<i>Margins</i>	13.1	15.7	
PAT	617.4	550.9	12.1
<i>Margins</i>	8.7	10.3	

## SKNL: Q1 FY2010 Details to Results Announcement

SKNL has been successful in delivering a healthy result in variable market conditions demonstrating the soundness and diversity of its business model. The Company has strategically paid keen attention to brand, marketing and distribution driven activities which has been a major contributor to this encouraging performance. Through dedicated focus on brand building, SKNL has developed leading brands that cater to all socio-economic segments of the Indian consumers. The brands under the SKNL umbrella include Reid & Taylor, Belmonte, Carmichael House and S. Kumars. All these brands are amongst the top brands in their respective segments.

## Financial Performance Review

(SKNL results that are being reviewed are consolidated with Reid and Taylor India Limited (RTIL) and Leggiuno along with holding Companies)

### Revenues

In the quarter under review, SKNL's net sales grew 32.6% to Rs. 7,081.2 million from Rs. 5,339.2 million. This growth in sales was driven by volume enhancement across most products. Sales for the luxury textile segment, which comes under Reid and Taylor fabrics, grew by about 29.4%. Ready-to-wear garments contributed strongly with a 40.9% increase in sales over the corresponding period last year. Driven also by volume expansion across product categories, sales in the consumer textiles division grew by over 30.3%. In the quarter under review, Leggiuno contributed Rs. 405.2 million to the total sales of the Group. The newly commissioned state-of-the-art 12.75 million meters per annum HVFC facility also started commercial production for a portion of the quarter with sales of Rs. 21.3 million.

Increase in sales volumes, despite weak consumer sentiment prevailing currently, can be attributed to the strong recall commanded by SKNL brands.

### **Expenditure**

Total expenditure in the period under review, excluding depreciation, increased by 34.2% to Rs. 5,490.4 million from Rs 4,090.0 million. Increase in total expenditure can be largely linked to an increase in scale of the Company's operations.

In Q1 FY2010, consumption of raw material increased by 40.1% to Rs. 5,042.4 million from Rs. 3,598.4 million in the corresponding quarter last year.

Staff costs in Q1 FY2010 stood at Rs 203.2 million versus Rs 125.7 million in Q1 FY2009. Increase in staff costs has been caused by a general increase in wage cost over previous year and increase in scale of operations both in manufacturing and distribution. There has also been an increase in head count pertaining to new operations and various inorganic growth initiatives. Further, Leggiuno's staff cost have also been consolidated with the Company's Q1 FY2010 results. Given that Leggiuno is an Italian company its staff costs are relatively higher than that of SKNL; this has been reflected in the increase in staff cost.

Selling and distribution expenditure, that includes advertising costs, increased 55.0% to Rs. 320.3 million from Rs. 206.6 million on the back of larger scale of operations and keen emphasis on advertisements and brand building. This has significantly helped the company to achieve over 33% increase in turnover in the backdrop of subdued market conditions. The Company writes off all brand building and advertisements costs as incurred and although expensive these initiatives have long term benefits in terms of brand equity and brand recall.

### **EBIDTA**

EBIDTA for the quarter stood at Rs. 1,619.1 million compared to Rs. 1,261.5 million, an increase of 28.3%. Margins for the quarter under review stood approximately at 22.8%. Although operating margins marginally dampened compared to 23.6% delivered in Q1 FY2009, it is important to note that the Company has been successful in enhancing volumes across most products while keeping costs largely flat even in the variable market environment prevalent today; this has resulted in a delivery of a healthy EBIDTA.

### **Depreciation**

Depreciation during the quarter increased by about 26.0% to Rs. 156.7 million compared to Rs. 124.3 million in Q1 FY2009. This is owing to higher depreciation charges incurred on the expanded manufacturing capacity of RTIL, the HVFC plant in Gujarat and as a result of the consolidation with Leggiuno.

### **Interest Cost**

Owing to the funds raised for the development of the new High Value Fine Cottons (HVFC) facility, the various inorganic growth initiatives and the consciously planned strategic exit of SKNL from Corporate Debt Restructuring (CDR) status, the interest cost for the quarter increased by 76.8% to Rs 488.1 million versus Rs 276.1 million in Q1 FY2009. Post exit from

the CDR scheme, the Company has moved to market-led rate of interest cost versus concessional interest rates enjoyed under the CDR scheme. This has resulted in increased interest expense for the Company.

### PBT

In Q1 FY2010, PBT increased by about 10.9% to Rs. 928.9 million from Rs 837.9 million.

### Tax Expense

Tax expense for the Q1 FY2010 has increased by about 8.5% to Rs. 311.5 million compared to Rs. 287.0 million in Q1 FY2009.

### Net Profit

Profit after tax but before minority interest grew 12.1% to Rs. 617.4 million versus Rs. 550.9 million, implying healthy earnings performance in a highly challenging operating environment.

Net profit after minority interest for the period under review stood at Rs. 512.0 million compared to Rs. 550.9 million. The minority interest pertains to GIC's investment in RTIL where approximately 23% of Reid & Taylor's profit goes to GIC. However, using the proceeds from the GIC investment, SKNL has successfully exited CDR and plans to rapidly expand RTIL's operations which should in the medium to long run enhance value for SKNL shareholders despite the presence of a minority interest.

### SBU-wise revenue analysis:

Strategic Business Unit (SBU)	Q1 FY2010	Q1 FY2009	Change (%)
<b>Consumer Textiles</b>			
Sales & Other Income	3,534.7	2,712.2	30.3
EBIDTA	670.6	482.3	39.1
<b>Luxury Textiles</b>			
Sales & Other Income	1,603.5	1,239.2	29.4
EBIDTA	608.3	494.7	23.0
<b>Total Wardrobe Solution</b>			
Sales & Other Income	733.4	520.5	40.9
EBIDTA	161.2	102.1	57.9
<b>Total Home Expressions</b>			
Sales & Other Income	811.4	879.6	(7.8)
EBIDTA	159.7	182.5	(12.5)
<b>HVFC</b>			
Sales and other income	21.3	-	-
EBIDTA	2.4	-	-
<b>Leggiuno SPA</b>			
Sales & Other Income	405.2	-	-
EBIDTA	16.9	-	-

## SBU-wise Capacity

<b>Business Division</b>	<b>Capacity (in mn meters per annum)</b>
Luxury Textile	8.4
Consumer Textiles	15.19
Home Textiles	3.6 (28 mn under implementation)
HVFC	12.75
Total Wardrobe Solution	1.14 mn pieces

## SBU-wise analysis:

### Consumer Textiles

In Q1 FY2010 revenues in the consumer textiles division increased 30.3% to Rs. 3,534.7 million compared to Rs. 2,712.2 million driven primarily by enhanced volumes and average realizations in Belmonte. The Company's traditional brand of S. Kumars also witnessed enhanced volumes in the year under review. EBIDTA in the consumer textile division grew by 39.1% to Rs. 670.6 million in Q1 FY2010, compared to Rs. 482.3 million in Q1 FY2009. Notably the Company was successful in enhancing operating margins to 19.0% in Q1 FY2010, versus 17.8% in the corresponding quarter last year a market where a volatile environment prevailed.

### Luxury Textiles

The Luxury textiles division reported revenues of Rs. 1,603.5 million in Q1 FY2010 compared to Rs. 1,239.2 million in corresponding period of last year, implying a growth of 29.4%. This healthy revenue growth was primarily on account of enhanced Reid and Taylor fabric sales during the year. EBIDTA in the Luxury Textiles unit grew 23.0% to Rs. 608.3 million compared to Rs. 494.7 million in Q1 FY2009 mainly on account of enhanced volumes in the Reid & Taylor fabric division.

### Total Wardrobe Solutions

Total Wardrobe Solutions includes ready-to-wear garment offerings of Reid & Taylor, Belmonte and Stephens Brothers. Revenues in this division grew healthily by 40.9% to Rs. 733.4 million compared to Rs. 520.5 million in Q1 FY2009. This sales increase can be attributed primarily to enhanced volumes across the three brands. The Company has been successful in enhancing EBIDTA margins in this division to 22.0% in the quarter under review compared to 19.6% in Q1 FY2009.

### Total Home Expressions

In Q1 FY2010, Sales in the Total Home Expression SBU stood at Rs. 811.4 million from Rs. 879.6 million in Q1 FY2009.

### HVFC & Leggiuno

The new state-of-the-art 12.75 million meters per annum HVFC facility has been commissioned and has commenced commercial production. In Q1 FY2010 the plant operated for a portion of the quarter with sales of Rs. 21.3 million and EBIDTA of Rs. 2.4 million. The Company expects to stabilize the plant over the next few quarters, after which the contribution from the HVFC division is expected to be enhanced. Apart from supplying top quality fabrics to leading brands directly, the HVFC facility will also be providing back end manufacturing support for SKNL's recently acquired leading Italian High Value Fine Cotton provider, Leggiuno. Leggiuno has already been contributing to consolidated financial performance from Q4 FY2009. During Q1 FY2010 Leggiuno reported sales of Rs. 405.2 million with an EBIDTA of Rs. 16.9 million. Leggiuno's EBIDTA performance is expected to improve considerably once integration efforts are completed and the HVFC facility commences servicing part of Leggiuno's manufacturing requirement.

### Hartmarx Corporation:

During the quarter under review, SKNL's wholly owned subsidiary, SKNL North America B.V., and its operating partner, Emerisque Brands, UK (Emerisque), acquired Hartmarx Corporation, USA, the largest men's formal-wear clothing company in the US and a leading American producer of luxury apparel for a transaction value that amounts to approximately \$119 million. SKNL will be directly infusing \$35 million into the transaction. In the terms of the agreement SKNL will hold 95% of the equity with the balance 5% in the hands of Emerisque. Emerisque is a UK based Company with special expertise in brand development, turnaround strategies and emerging market roll-out models.

Hartmarx 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. The acquisition will enable SKNL Group to establish a substantial footprint in the global arena and also bring significant business volumes to the SKNL Group operations in India through a 'front-end back-end synergy' strategy.

Established in 1887 as Hart Schaffner and Marx, Hartmarx is synonymous with high quality elegant clothing both for men and women and directly owns or controls 34 brands. Hartmarx 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:

In Q3 FY2009, SKNL through its wholly owned subsidiary SKNL International B.V. acquired Leggiuno S.p.A (Leggiuno). Leggiuno is one of the world's leading High Quality Shirting Fabrics enterprises, which is characterized by a legacy that over 100 years old. It 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 High Value Fine Cotton plant which has been recently commissioned and is expected to be stabilized over the next few quarters. It brings key advantages to the company including an immediate access to the high end brands catered to by Leggiuno and a readily available European market. Leggiuno is a profit making entity at both the operating and the net level. Given the international operating profile of Leggiuno, its operating margins are lower than that of SKNL. 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.

### **Summary of Q1 FY2010 performance and developments:**

As a result of the Company's brand, distribution and marketing led activities and soundness in its business model and strategy SKNL has been successful in delivering a healthy and improved financial and operational performance. In Q1 FY2010, net sales increased 32.6% to Rs. 7,081.2 million compared to Rs 5,339.2 million in Q1 FY2009. EBIDTA during the quarter stood at Rs. 1,619.1 million versus Rs. 1,261.5 million implying an increase of 28.3% over the corresponding period last year. Interest cost for the quarter increased by 76.8% to Rs. 488.1 million versus Rs 276.1 million in Q1 FY2009 owing to a conscious effort on part of the Company to move out of the CDR scheme and also as a result of funds raised for the various inorganic growth initiatives and for the new HVFC facility.

PBT for the year stood at Rs. 928.9 million from Rs. 837.9 million, implying a 10.9% increase. Tax expense in Q1 FY2010 amounted to Rs. 311.5 million compared to Rs. 287.0 million in the corresponding period last year. Net profit before minority interest increased 12.1% to Rs. 617.4 million compared to Rs. 550.9 million in the corresponding quarter last year. An additional minority interest component has been included as a result of the GIC's investment in Reid & Taylor; PAT after minority interest stood at Rs. 512.0 million.

### **Outlook:**

After its encouraging performance in FY2009, SKNL has started of the new fiscal on a right footing with the delivery of a healthy quarterly financial performance and the acquisition of Hartmarx Corporation, America's largest men's luxury tailored Company. SKNL is a brand, distribution and marketing driven Company and in line with its ideology possesses a strong set of diverse brands catering to various socio-economic segments in the Indian textile and garment industry. The Company has a model which is diverse, yet well integrated, both vertically and horizontally. Its strong brand portfolio that includes Reid & Taylor, Stephens Brothers, Belmonte, Carmichael House and S. Kumars, has maximized the Company's penetration in various segments of the branded Indian textile and garment space.

With a strong branded presence in almost all socio-economic divisions of the Indian textile sector, SKNL is already a dominant player in the domestic market. Its recent acquisitions of Leggiuno and Harmarx have enabled it to significantly enhance its global footprint, taking it closer to being a truly global player. The Company plans to service a large chunk of both Leggiuno's and Harmarx's manufacturing through a back-end-support model and the management plans to synergistically integrate its domestic facilities with the requirements of these foreign ventures. Integration efforts for Leggiuno are nearing completion and the

state-of-the-art 12.75 million meters per annum HVFC manufacturing facility has commenced commercial production. Once Integration efforts are complete and the new plant is stabilized there should be a number of synergistic opportunities brought forward to the Company. Hartmarx owns or controls 34 leading brands under one name giving SKNL access to a whole gamut of top brands catering to the premium and luxury segment of the men's, women's and sports garment and apparel space.

The Company, already a leading domestic player, has made notable progress in establishing a presence in the international arena through successful implementation of its inorganic growth strategy for overseas markets. SKNL's strong and diverse existing product portfolio along with its potentially remunerative foreign initiatives puts it in good stead to grow healthily and in a sustained manner going forward.

## About SKNL

SKNL is one of India's leading textiles and apparel manufacturing companies with expertise in multi-fibre manufacturing. The company has extended its presence in multiple product categories from Fabrics to Apparels and Home Textiles. Ever since its inception, the company has been a frontrunner in its line of business and has come to be known as one of the most respected businesses in the sector.

SKNL offers an excellent set of high value products ranging from low cost high quality textiles to world class premium ready-to-wear suiting and is present in every segment of the Indian textile industry.

SKNL has state-of-the-art manufacturing capabilities and is characterized by a distribution network that is unparalleled in terms of its reach. The company also has a management team with several years of experience translating to an exhaustive knowledge of the industry.

### **For further information please contact:**

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CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE, 2009

(Rs. in Lacs)

Particulars	Quarter Ended		Year Ended
	30.06.2009	30.06.2008	31.03.2009
	Unaudited	Unaudited	Audited
Consolidated			
1 (a) Net Sales / Income from Operations	70,812	53,392	226,036
(b) Other Income	284	123	1,585
<b>2 Total Expenditure</b>	<b>56,925</b>	<b>42,375</b>	<b>184,606</b>
(a) Consumption of raw materials	50,424	35,984	154,161
(b) (Increase)/decrease in stock- in- trade	(4,913)	(1,021)	(8,059)
(c) Staff Cost	2,032	1,257	7,306
(d) Selling and Distribution expenditure	3,203	2,066	11,388
(e) Depreciation	1,567	1243	4,421
(f) Miscellaneous expenditure Written off	454	232	1,371
(g) Other operating expenditure	4,158	2,614	14,017
<b>3 Profit from Operations before Interest &amp; Exceptional Items (1-2)</b>	<b>14,171</b>	<b>11,140</b>	<b>43,016</b>
<b>PBIT Margin</b>	<b>20.0%</b>	<b>20.9%</b>	<b>19.0%</b>
4 Interest	4,881	2,761	13,881
<b>5 Profit after Interest but before Exceptional Items (3-4)</b>	<b>9,289</b>	<b>8,379</b>	<b>29,134</b>
6 Exceptional Items - Income	-	-	5,720
<b>7 Profit (+) / Loss (-) from Ordinary Activities before tax (5+6)</b>	<b>9,289</b>	<b>8,379</b>	<b>34,855</b>
8 Tax Expenses	3,115	2,870	15,341
<b>9 Net Profit (+) / Loss (-) for the period (7-8)</b>	<b>6,174</b>	<b>5,509</b>	<b>19,514</b>
10 Less: Minority Interest	1,054	-	1,856
<b>11 Net Profit After Minority Share (9-10)</b>	<b>5,120</b>	<b>5,509</b>	<b>17,659</b>
12 Paid-up Equity share capital (Face value of Rs.10 each)	23,651	21,535	22,339
13 Reserves - excluding revaluation reserve			131,308
14 EPS - Before extraordinary items			
EPS - Basic	2.16	2.57	8.06
- Diluted	2.10	2.28	7.23
15 EPS - After extraordinary items			
EPS - Basic	2.16	2.57	8.06
- Diluted	2.10	2.28	7.23
16 Aggregate of public shareholding			
- No. of equity shares	118,650,557	-	118,650,557
- Percentage of Shareholding	50.17%	0.00%	53.11%
17 Promoters and promoter group Shareholding *			
a) Pledged/Encumbered			
- Number of shares	81003008	-	81003008
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	77.34%	-	77.34%
- Percentage of shares (as a% of the total share capital of the company)	36.26%	-	36.26%
b) Non-encumbered			
- Number of Shares	23737873	-	23737873
- Percentage of shares (as a% of the total shareholding of promoter and promoter group)	22.66%	-	22.66%
- Percentage of shares (as a % of the total share capital of the company)	10.63%	-	10.63%

Notes

- 1 The Financial results of Reid & Taylor (India) Ltd., Leggiuno S.p.A., Italy along with the results of the holding companies are consolidated with the financial results of the company.
- 2 The products of the Company include Uniforms, Work-wear fabrics and Blended suitings (P/V) marketed under *S. Kumars* and *Belmonte* brands; Home Textiles sold under *Carmichaelhouse* brand and Ready-to-Wear Garments sold under *Belmonte* brands. Worsted suitings, Wool-polyester blended suitings Ready-to-Wear Garments sold under *Reid & Taylor* brand are the products of Reid & Taylor (India) Limited.
- 3 During the quarter the Company has received following complaints from its investors :-

Previous complaints	Received during the quarter	Replied	Complaints Pending
NIL	1	1	NIL
- 4 The Company operates in one segment only - Textiles.
- 5 Figures have been regrouped / reclassified wherever necessary.
- 6 \*The Equity Shares as mentioned above have been pledged to the Lenders of the Company for borrowings made by the Company. The security thus created is an additional collateral security in addition to the primary charge created on fixed assets and current assets of the Company which are sufficient to cover the borrowings of the Company. It is further clarified that no shares have been pledged for any loans taken by the promoters.
- 7 The "consolidated" financial results for the quarter ended 30th June 2009 have been reviewed by the Audit Committee and taken on record by the Board of Directors at its meeting held on 25th July, 2009.
- 8 The above results shall be subjected to Limited Review by the Statutory Auditors in terms of Clause 41 of the Listing Agreement.

For and On behalf of the Board of Directors  
S. Kumars Nationwide Limited

Nitin S. Kasliwal  
Vice Chairman & Managing Director

Dated : 25th July, 2009  
Place : Mumbai