

Press Release

SKNL Q1 FY 2010-11 Net Sales up 67.5% to Rs. 11,911.5 Mn

EBIDTA at Rs. 2,255.1 million, a 39.3% increase

(All figures in brackets refer to Q1 FY 2009-10, unless otherwise stated. All figures denote consolidated figures unless otherwise stated)

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Mumbai, July 30, 2010: Textile and apparel major S Kumars Nationwide Limited (SKNL), has recorded net sales of Rs. 11,911.5 Mn (Rs 7,109.6 Mn), an increase of 67.5%.

Earnings before Interest, Depreciation, Taxes and Amortization (EBIDTA) increased by 39.3% to Rs. 2,255.1 Mn (Rs. 1,619.2 Mn). Net profit (before minority interest) was up 25% to Rs. 771.9 Mn (Rs. 617.5 Mn). Net Profit after minority interest was at Rs. 627.1 Mn.

One of the highlights of the performance in the quarter is the contribution of international businesses to the total revenue. At Rs. 3,290.4 Mn, international business contributed about 28% of the total sales for the quarter. The International business has turned EBITDA positive and has contributed 8% to the overall EBITDA of the Company

Other operational highlights:

- ❖ In the domestic market, Belmonte and Reid & Taylor were key drivers for overall revenue and earnings growth
- ❖ Initiatives taken at strengthening the distribution network in both Tier 1 & 2 cities - opening up of more Exclusive Brand Outlets and Multi Brand Outlets drive the performance for Reid & Taylor in its segment
- ❖ “World Player” - brand catering to the economy segment, introduced in South India
- ❖ There has been volume improvement in key SBUs like Consumer Textiles, Luxury Textiles, and Total Wardrobe Solutions (TWS)
- ❖ The joint venture with DKNY for the global menswear licence of the DKNY brand is expected to contribute to revenues in the coming quarters.
- ❖ The Baruche Superfine Cottons - 12.75 million meters per annum state-of-the-art HVFC facility has started delivering results as the operations stabilized during the quarter.

Commenting on the performance for Q1 FY 2011 Mr. Nitin S. Kasliwal, Managing Director and Vice Chairman of SKNL said,

“I am happy to announce that all our SBUs including international businesses have made a healthy start to the financial year. A clear focus on catering to all economic strata of society, delivering in accordance with the current market trends and making strategic acquisitions globally has reinforced our market position as a global player in the Branded Apparel Segment and in-turn contributed substantially to our top-line and bottom-line.”

Our Consumer Textiles, Luxury Textiles and Total Wardrobe Solutions segments continue to contribute substantially to revenues. We have launched a new brand “World Player” in the economy segment of the Ready-to-Wear market, in South India and it has been very well received. We expect volumes to improve and eventually margins for this brand, as we spread across India. We also plan to launch “Kruger” in the Casual Premium segment, towards the end of this financial year.

Having made strategic international acquisitions, we are now focusing on capitalizing and deriving value from the back-end and front-end synergies. Our International business has turned EBITDA positive and we expect greater contributions in the coming quarters.

We are confident that growth strategies in each of our business units along with a unique business model will continue to service our long-term goals of growth and performance.”

Financial overview:

(All Rupee figures in millions unless stated otherwise)

(All figures are consolidated unless stated otherwise)

Key Financials:

| Particulars | Q1 FY2011 | Q1 FY2010 | Change (%) |
|--|------------------|------------------|-------------------|
| Net sales | 11,911.5 | 7,109.6 | 67.5 |
| EBIDTA | 2,255.1 | 1,619.2 | 39.3 |
| <i>Margins</i> | <i>18.9%</i> | <i>22.8%</i> | |
| PBT | 1,169.6 | 929.0 | 25.9 |
| <i>Margins</i> | <i>9.8%</i> | <i>13.1%</i> | |
| PAT (Before Minority Interest) | 771.9 | 617.5 | 25.0 |
| <i>Margins</i> | <i>6.5%</i> | <i>8.7%</i> | |

Financial Performance Review

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

Revenues

In the quarter under review, SKNL's net sales grew 67.5% mainly driven by enhanced performance reported by RTIL and Belmonte and significant contribution from International business. There has been volume improvement in key SBUs namely Consumer Textiles, Luxury Textiles, and Total Wardrobe Solutions (TWS). The joint venture with DKNY for the global menswear licence of the DKNY brand is expected to contribute to revenues in the coming quarters. The Baruche Superfine Cotton - 12.75 million meters per annum state-of-the-art HVFC facility has started delivering results as the operations stabilized during the quarter. Overseas subsidiaries contribution to the total sales of the Company has been Rs. 3,290.4 million in Q1 FY2011.

EBIDTA

EBIDTA margins during the quarter were at 18.9%. Initiatives to improve sales from high margin brands like Belmonte and Reid & Taylor will help improve margins going forward. EBIDTA margins from the overseas businesses have grown to 5.2% from 4.2%.

Depreciation

Depreciation increased by about 96.2% owing to depreciation charges incurred on the BSFC plant in Gujarat and capitalisation during FY2010. Consolidation of Leggiuno and HMX has also added to the depreciation cost.

Interest

Interest cost has gone up in tune with the increase in the turnover. Interest charges stood at Rs. 732.7 million. As the Company is growing, working capital requirements have expanded resulting in higher interest expenses. The Company has also availed Term Loans on its various growth plans including overseas acquisitions.

Net Profit

Profit after tax but before minority interest has grown at the rate of 25% on a Y-o-Y basis implying a robust earnings performance. The minority interest pertains to GIC's investment in RTIL. Earnings have improved on the back of improved volumes as well as margins from the domestic as well as international businesses.

Mr. Jitender Balakrishnan, Former Deputy Managing Director, IDBI Bank has joined the SKNL Board as a Non-Executive Independent Director. SKNL has also strengthened the Reid & Taylor Board. Mr. Nasser Munjee has joined the board as Non Executive Chairman, while Mr. Pradip Shah as been appointed as an additional Independent Director. SKNL holds 74 percent in Reid & Taylor and 26 percent with Singapore Government Investment Corp.

About SKNL

SKNL is a leading global conglomerate involved in design, manufacturing, marketing and distribution of high quality fabrics and ready-to-wear garments. 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.

Domestically, SKNL offers an excellent set of high value products ranging from high quality textiles to world class premium ready-to-wear garments and is present in all segments of the Indian textiles market.

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. Its adequate manufacturing capabilities will play a key role in the Company's synergistic relationship with its overseas acquisitions.

For further information please contact:

Manish Mallick
SKNL
Tel: +91 22 2493 3185
Email: manish.mallick@sknl.co.in

Pranav Thakkar / Nida Pathan
Sampark Public Relations
Tel: +91 22 2202550
Email: pranav.thakkar@sampark.com
nida.pathan@sampark.com

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