Conference Call Transcript

Monte Carlo Fashions

Q1FY16 Results

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Corporate Participants

Mr. Sandeep Jain
Executive Director

Mr. Dinesh Gogna
Director

Questions and Answers

Moderator: Good day, ladies and gentlemen and welcome to the Q1 FY16 Earnings Conference Call of Monte Carlo hosted by Edelweiss Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tanmay Sharma from Edelweiss Securities. Thank you and over to you Mr. Sharma.

Tanmay Sharma: Thank you Malika. Good day and a warm welcome to all the investors and participants. We at Edelweiss Securities are very pleased to host Monte Carlo Fashions Q1 FY16 earning conference call. Today from the management we have with us Mr. Sandeep Jain – the Executive Director and Mr. Dinesh Gogna – the Director of the company. We thank the management for giving this opportunity. Now I would like to hand over the call to the management for their opening remarks post which we will have the Q&A session. Over to you Sir. Thank you.

Sandeep Jain: Good evening. Hello everyone and welcome to the conference call of Monte Carlo Limited for the 1st Quarter of a financial year 2015-16. It's a great pleasure to greet you all once again on behalf of our Board of Directors and the senior management. We begin by thanking all of you for having spared your time in joining us here today to discuss our 1st Quarter earnings for the financial year 2016. Before I delve upon the performance I would like to brief you a little. Our brand Monte Carlo was launched in 1984 as an exclusive woolen wear brand by Oswal Woolen Mills Limited, our flagship brand Monte Carlo has emerged bigger each year and it's today a clear market leader, making us enjoy a head start in this space.

Over the years we have successfully diversified and created a comprehensive range of woolens, cotton and cotton blended knitted and woven apparels and home furnishing through some of our ranges under the umbrella brand-name Monte Carlo such as Platine, Denim, Alpha, and Tweens. We believe we have successfully positioned ourselves as a lifestyle brand with a well-diversified product offering.

Let us now discuss our key strengths. One of our key strength is a wide and a growing distribution network with diversified presence across India. We have been present through 1400 plus multi-brand outlets, 220 exclusive brand outlets and 89 national chain stores. Majority of our net revenues come from MBOs and franchise EBOs where we primarily sell on a pre-ordered outright basis. By virtue of this business model there is no a major inventory risk and we remain adequately protected from normal hazards of the branded apparel business. For the large format store, it's very important for our brand to have presence and visibility across the formats and hence we have agreed to provide our apparels on a consignment or SOR basis. However, we believe our sales to large formats stores are lower than 10% of overall revenues thereby minimizing the inventory risk.

What also gives us deep satisfaction is our in-house dedicated design team comprising over 30 professionals, who rigorously follow and forecast emerging global fashion trends. We have a separate design team each for winter and non-winter wears. Our design team is further supported with dedicated facilities for product development, design studio, and sampling infrastructure.

Now sharing with you some of the capabilities; we are consistently modernized by implementing our expansion projects for increasing our production capacities. We have three manufacturing facilities; one for woolen, and two for cotton based products. Our entire woolen products are manufactured at our facility in Ludhiana. In April last year we put in a facility for manufacturing cotton T-shirts and thermals.

For cotton and cotton blended products, we also follow an asset light model of outsourcing production to a network with whom we enjoy a long-term and a fruitful relationship. Having recently extended our facilities we anticipate no major CAPEX with only some machines to be added if we need to enhance production capacity and a warehouse.

Talking about our financial performance during the quarter; our Q1 FY16 margin revenues have marginally reduced by 5.9% to 68.8 crores. This is mainly due to adjustment for the stock correction and also unsold inventory returns primarily for the woolen segment from the large format store. EBOs are allowed 5% stock correction whereas the large format store our sales are through consignment and SOR basis. For large format store where earlier the sales have been outright basis subsequently as seen earlier all our sales to large format store to have been converted to consignment or SOR basis therefore the adjustment during this quarter. Here after for large format store revenue would be recognized on temporary sale basis only. Also as a prudent accounting policy, the auditors have considered the value of inventory written till the cut-off date of the parcel ordered in the month of July for random quarter whichever is higher. Last year it was considered as of end of June quarter. The revenue has been impacted to the tune of around 5 crores due to this policy. Therefore we shall see positive impact in this following quarter.

Our Q1 FY16 EBITDA without other income decreased by 43.6% YOY to 96.1 million. EBITDA margin decreased to 13.9% from 24.5% in Q1 FY16, mainly due to increase in advertisement expense as the company introduced new ad campaigns during the World Cup and IPL season and also have increased marketing at ad-spend as a part of penetration strategy in southern regions. We believe the strategy would benefit the company in the long run. On a full-year basis our marketing and advertising expense would rationalize and would be around 4% to 5% for overall revenue as last year. Also advertising spends are higher as it includes business promotion expense and in-house branding expense which were earlier part of other expenses. Employee expense has increased as company has recently started in-house manufacturing at the cotton facility. We would witness that operating leverage as the production gains scale during the course of the year.

During the quarter we opened 6 new EBO and majority of them have been in southern part of the country. We are well on track and strategy to increase our presence in South and happy to see very good response from the customer. We believe our overall growth outlook is stable and positive due to good visibility on the order book front and we see our growth around 10% to 15% for the current financial year.

We do have a robust plan for the future, our initial target to open 275 EBOs by the end of financial year 16 and 17 mainly through the franchisee route. We also plan to diversify our pan India presence by penetrating into southern and western regions of India. We are strongly focused on optimizing asset utilization, quality, efficiency, and relationship. We are attractively placed to build on our existing scale. We have a strong balance sheet with very low leverage and a strong cash balance. With no major CAPEX over next 2 years we hope to sustain a robust growth rate which will further improve our return ratios. With this we once again thank you all of you for having spared your valuable time and joining us here today. We are now open to the floor for question and answer session.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Rajiv Berlia from Edelweiss. Please go ahead.

Rajiv Berlia: Because results are not available if you could give more clarity on how the sales growth has been impacted by this distribution exercise which you have taken, could you again take us through that?

Sandeep Jain: In Q1 FY15 revenue was 73.21 crores which is 68.87 crores this year, the reason for fall in revenues, is for two major regions, one was the sales return which was taken as on June end last year amounted to 11.33 crores, but this year as per change in accounting policy and as advised by our auditors, the sales return we have taken as on 15th July amounted to 17.62 crores which is higher as compared to 11.33 crores so that has led to an adverse impact of almost 5 crores and the sample sale of 1.08 crores was reversed in this year's sale which was not done last year. So revenues as per like-to-like accounting policy we see, it is almost same as compared to last year or little more.

Rajiv Berlia: But why is it same because one is you are expecting growth for the full year and other companies are seeing good growth so why even if like-to-like, why is it flat and why not 10% or 12% kind of growth?

Sandeep Jain: Basically this quarter we have only 16% of our revenue as far as whole year is concerned. So it's very insignificant quarter for us as far as revenues are concerned but in this year second, third and fourth quarter we will be having the major revenues. We do not see any reason why we should not grow 10% to 15% on whole year basis because we are very optimistic that in second and third quarter we would see the growth which is coming up and the whole year guidance which we have given earlier in our earlier calls as weel

Rajiv Berlia: Sir 16% still is not a small number so in this quarter if you could take us through how much has been the winter sales and the non-winter sales and if you could take us through the region wise sales mix, how north has done, how east has done like that.

Sandeep Jain: This quarter the sale is basically of summer season only because it's a cotton sale which is a major contributor and also home furnishing sales. These are the two sales which are major contributing around 98% of the total sales and balance 2%-3% comes from the kids-wear. Majorly around 90% to 94% sale is contributed from northern and eastern region and the balance has come from southern and western region.

Rajiv Berlia: But summer season and home, these are slightly sunrise categories in the sense it's not as old as your winter wear business. I am a bit surprised why the sales are a bit soft in this because you must be expanding at a new distribution, new stores, and new lines of the collection so why still we are not seeing growth here?

Sandeep Jain: Growth is basically there but actually some of the sales had happened in the first quarter of last year and some of the sales will happen in this quarter which is running quarter so again I repeat my earlier statement there is the overall yearly growth. It would be around 10% to 15% if we include all the four quarters as this quarter has always been the weakest quarter for us that is why the growth is flat in this quarter. But as we move into next quarter, second quarter and third quarter you would see that the growth is picking up.

Moderator: Thank you. Next question is from the line of Sunil Jain from Aditya Birla Private Equity. Please go ahead.

Sunil Jain: Could you take us through in terms of how has been the order collection in this quarter because you would be collecting orders for the winter season now? The second part is in terms of strategy related to west and south market has increased the cotton mix because that's what the company has sort of initially said at the present IPO that there were strategies to cater to these newer markets and also increase the cotton mix. So have we seen sort of 6-8 months downs the line of the IPO, how has that strategy shaping up could you sort of take us through those plans at the strategic level?

Sandeep Jain: As far as our order book is concerned if we see right now, our order book is more as compared to last year if we talk about the winter season which is going to begin this quarter and next quarter. As far as our southern strategy is concerned as we have said earlier also that we will be going for our own exclusive showrooms in the southern region to make our presence felt in that region. So in this quarter we opened a store in Coimbatore and in Hyderabad and last quarter we opened stores in Ooty, Mysore and also in Bangalore. These stores will definitely be spreading the brand awareness in those regions and also we have appointed new distributors in Kerala and Karnataka. So we hope that as compared to last year there should be jump of 1% to 2% points for the total revenue of south.

Moderator: Thank you. Next question is from the line of Mehul Sawla from RippleWave Equity. Please go ahead.

Mehul Sawla: We have a high interest in this company but unfortunately the results are not available either on BSE or on NSE. So in the absence of having the results in our hand it becomes very difficult to utilize your valuable time and get feedback. My request will be to you and Edelweiss is maybe next time when you are doing the conference please keep it a day later so that at least we have the results with us and we can make use of this opportunity more meaningfully because otherwise it's like just shooting in the dark right now.

Sandeep Jain: We are very sorry for this actually, I was not available tomorrow so we have to arrange this call today itself and my team is already updating the results right now.

Dinesh Gogna: Because of some technical fault in the transmission, there has been a delay in uploading the results on the exchanges. Our team is working and trying their level best to upload the results even as we speak just bear with us for 5-10 min more and the results should be available but anyways for the purpose of convenience in case you want I can read out the total results.

Mehul Sawla: If you can give us the sales, the EBITDA and the PAT for Q1 for this year.

Dinesh Gogna: Total Income from operations including other income is 6887.69 lakhs for Q1 FY16, on expenses side the cost of goods sold is around 1890.32 lakhs.

Mehul Sawla: If you can give it in crores that will be convenient.

Dinesh Gogna: then employee benefit expense is 11.74 crores, depreciation and amortization is 7.02 crores, advertisement is 8.01 crores, other expenses are 20.60 crores so total expenses comes to around 66.29 crores and profit from operations before other income, finance cost and exceptional item is around 2.58 crores and profit from ordinary activity before finance cost and exceptional item is 6.33 crores and finance cost is 3.56 crores and profit from ordinary activity after finance cost but before exceptional item is 2.77 crores and then tax expenses 1.28 crores and then the net profit is 1.48 crores and paid up equity you know. So these are the figures for this year and in case you want the corresponding quarter also, the last year I can give you the figures.

Mehul Sawla: Sir just a few figures, one is what is the total income from operations including other operations?

Dinesh Gogna: Total income including other operations as per last year was 73.21 crores.

Mehul Sawla: What is the profit before interest and tax?

Dinesh Gogna: Profit before interest and tax was 11.31 crores.

Mehul Sawla: So that is actually dropped from 11.31 crores to 2.58 crores?

Dinesh Gogna: Absolutely correct but there are sufficient reasons and Mr. Jain has already explained it to you.

Mehul Sawla: That I went through that given the factors of whatever the seasonality and the booking of the revenues.

Dinesh Gogna: The results has just been uploaded on BSE, this is the news. Our team has been able to upload it on BSE, the results have been uploaded. In case if you have any questions regarding the fall and other things like I can explain it to you.

Mehul Sawla: No sir I think more was in the sector I mean all the results have not come but one was just to understand whether any of the online activity is having an impact on established player because our people, they are spending more, buying lot of stuff online that the traditional channels through which the sales are happening those have been muted that was one question and I know there is no hard data probably be available but from your feedback from the market, do you see any such trend? I think given our business model which is predominantly distributor driven and like you are opening stores in other regions just wanted some sense on the strategies because that model is kind of fairly mature and I would say saturated because whatever are the key geographies and the key distributors you would already be established. So from of growth point of view assuming the same brands and same product category is we are present in, how do we target growth from a distribution point of view.

Sandeep Jain: If I clearly understood your question, first was how we are doing in e-commerce and secondly how is it affecting us and thirdly how we are gaining in distribution in our existing categories and the addition of categories, am I right?

Mehul Sawla: I mean from growth point of view the question is that obviously there are two ways to grow one is getting into new product categories or new brand I mean it's a big experiment in itself. The other is existing brands and existing product categories, are there other channels like e-commerce or getting into departmental stores or own stores that would drive growth?

Sandeep Jain: Last year e-commerce contributed approximately 1% of our revenues. This year we expect it should be 2% or more of our revenues. We have our own website and we also sell through our channel partners which includes Snapdeal, Myntra and Flipkart. As far as existing categories are concerned, there we have seen an increase in bookings. We have also seen growth in our newer categories which were added in the last 2 years. One is Tweens, the children wear range which is picking up and it's going to grow more than 20%-25% and the stores which we just started this year are witnessing very good response. We should see revenue of around Rs.50 crores over the next four year from this category. Cloak & Decker is our economic range which we introduced last year will see a growth of more than Rs.10 crores this year .Hence we see newer categories contributing and the existing categories gaining growth. As far as geographical expansion is concerned we are expanding to other radio cities for instance in South where we opened our exclusive showrooms in cities where we were not present. This has actually helped to generate a good response from other small multi-brand outlets recognizing Monte Carlo brands as a city brand. We are strengthening our presence in northern and eastern regions. In southern & western regions the showrooms have been opened, enquiries have started, the sale is happening and the brand is getting established. So we will definitely benefit in the coming years. We are very optimistic even though the situation is little challenging looking at the overall economic growth, consumer sentiments and other things. We should touch about of 10% to 15% growth and maintain our margins this year as well.

Moderator: Thank you. Next question is from the line of Rishabh Nahar from Grade Capital. Please go ahead.

Rishabh Nahar: EBITDA has fallen mainly because you have been spending on ads. So what will be the figure for this year and the previous year same quarter?

Sandeep Jain: The last year that ad expense was Rs 4.58 crores and this year it is Rs 8.01 crores, so the ad expense has gone up by 3.5 crores. However, the increased ad expenses will benefit us in the coming quarters.

Rishabh Nahar: This ad is mainly for the Southern and Western states?

Sandeep Jain: Mainly for the summer wear across India.

Rishabh Nahar: And this is targeting your summer wear.

Sandeep Jain: For the cotton wear.

Rishabh Nahar: What will be the figure for the whole year, any budget?

Sandeep Jain: Whole year, we still maintain our guidance of 4% to 5% of our revenues similar to the last year.

Rishabh Nahar: So for the whole year there is no significant change, would this quarter be a one-off?

Sandeep Jain: Yes, but overall for full-year it would be around 4% to 5% of revenues.

Rishabh Nahar: With respect to sales return you said there was revenue mismatch because of change in accounting policy. If you could just brief in on that, that will be good.

Sandeep Jain: Basically there were two major reasons; one was the sample sales which we give it to agents for booking. Last year it was not reversed in sales, this year we reversed Rs 1.08 crores. Secondly the sale returns, last year what we took a sale returns only till 30^{th} June which was Rs 11.33 crores but this year we took till 15^{th} July which is Rs 17.62 crores.

Moderator: Thank you. Next question is from the line of Tanmany Sharma from Edelweiss. Please go ahead.

Tanmany Sharma: First on the revenue I want the clarification like in last quarter we had some change in accounting policy in which we had deducted the direct expenses directly from the sales. So I want to know whether the figure that you have quoted of 73 crores in Q1 FY15 and now that 69 crores in Q1 FY16, are they like-to-like in terms of that accounting policy?

Sandeep Jain: No I just explained, last year the two things which were not done in the first quarter was, one the sale returns taken till 30^{th} June which actually should be consider around 15^{th} July which we did this year and secondly the sample sale of 1 crore was not reversed last year from the sales so these two things were not there last quarter. If we had last quarter also then the sales would be less in last quarter.

Dinesh Gogna: Last year in fact when we finalized our balance sheet on 31st of March, 2015 then whatever the discounts which we had given were reduced from the turnover and now this year again the same thing has happened. When we have finalized this quarter results we have adopted the same accounting policy because this is accounting standard now. But if you see last year results when turnover was 73 crores, there this effect was not given.

Tanmany Sharma: That's why the growth might be…..

Dinesh Gogna: That is also one of the reasons because those expenses got booked separately as selling expenses.

Tanmany Sharma: What will be the like-to-like growth if I deduct the selling expenses from revenue account?

Dinesh Gogna: That is precisely I'm saying, the exact figures are not handy, I have taken only the major figure that is because sample sales of 1.08 which we have reversed, earlier be used to recognize sample sales in this revenue generation and other sales like sales return are considered only on the close of the quarter. But now as per the Accounting Standard 4, the auditors insisted and as this is the first year when the partial audited results for the quarter ending of June has been published. So the auditors said that now onwards we will consider the returns that have come till date of accounting. So in this quarter if we sum it up it will go to around 8-8.5 crores and in that case my sales on like-to-like basis will then be on the higher side, there is no fall in the sales that is actual fact.

Tanmany Sharma: My next question is on our overall growth as far as the EBO is concerned, what has been the same store sales growth in the exclusive brand outlets in this quarter?

Sandeep Jain: In the first three months we are seeing the sales growth is around 9% like-to-like growth.

Tanmany Sharma: Can you give me region wise growth – is South doing better or North doing better for the company?

Sandeep Jain: We are actually established in North and East so North and East are our major revenue generators but in case of South we have just begun so the revenues from this year the South will grow up. As compared to last year the contribution from South will be more. But exactly we can only tell you once we have year ended figures. But definitely the growth from South is coming up.

Dinesh Gogna: In case you see the last year result my growth in South is around 30% on standalone basis. This year also I think I will be able to cross that line whereas my overall growth is around 15% to 18%; last year growth was only 18.61%. Though overall contribution if you see earlier it was 7% contribution by South and West the contribution was 8% to the extent of full-year. This year I'm expecting the total growth will be more than 30% in South on a standalone basis. As the denominator in South is lower so obviously the percentage is higher.

Tanmany Sharma: what about north How has been growth there?

Sandeep Jain: For established markets like North and East which generates almost 90% to the revenues, we should see a growth of 10% to 15% depending upon the market scenario.

Moderator: Thank you. The next question is from the line of Dixit Mittal from Subhkam Ventures. Please go ahead.

Dixit Mittal: Sir can you give some rough idea like if we adjust the things you mentioned like discount and sample sales so what would be the growth on the like-to-like basis?

Sandeep Jain: Like-to-like growth I said earlier it is around 8% to 9% in this 1st Quarter. We should see the same growth coming up in this financial year also, last year also the growth on like-to-like score was around 6% so this year we expect around 8% to 9% if like-to-like score.

Dixit Mittal: In terms of EBITDA margin we have seen sharp dip in EBITDA margins so I think one of the reasons is increase in advertising cost so what kind of ad-cost run that we will maintaining from next quarter onwards?

Sandeep Jain: The total ad-cost would be around 4% to 5% of the revenues so this year the ad-cost was more for summer wear and the benefit of this will come definitely into the following quarters. But overall expense for the ad we will maintain as a last year level of 4% To 5%.

Dixit Mittal: Finally for the full-year you mentioned that your Northern and Eastern reigon will grow by around 10% to 15% and the southern and western region will be growing at around 30% so blended what kind of growth can we look?

Sandeep Jain: Overall growth for the company should be around 10% to 15% as Mr. Gogna has rightly explained. The base is very low in South so even if it grows at 30% it adds only 2 to 3 crores in overall turnover. As far as the North and East is concerned which constitutes 90% of the turnover so that 2-3 crores is not going to contributor more as far as total growth is concerned. So overall as far as all the regions are concerned, we should grow optimistically around 10% to 15%.

Dixit Mittal: What kind of EBITDA margins you are targeting for this year?

Sandeep Jain: We are very confident to maintain our EBITDA margin of last year.

Dixit Mittal: Any CAPEX plans for this year?

Sandeep Jain: We have a normal CAPEX of 10 to 15 Cr.

Moderator: Thank you. Next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.

Rahul Agarwal: On the fabric sale, is the accounting treatment changed in this quarter?

Sandeep Jain: No, it's not changed yet. It is same as last year; the fabric sale has been accounted as revenue sales.

Rahul Agarwal: Will that be different from 2nd Quarter?

Sandeep Jain: Still we have not like decided on this, we are still talking to our auditor for that. Once we have complete information will definitely inform everyone about that.

Moderator: Thank you. The next question is from the line of Rajiv Berlia from Edelweiss. Please go ahead.

Rajiv Berlia: Sir you took us through the revenue line items in detail. Similarly on the costing if I see on the gross margins could you comment because it seems gross margin while the raw material its flattish YOY so what was the volume growth, how much was the inflation, how do you see the gross margin for the next three quarters?

Sandeep Jain: The gross margin of this quarter is actually not indicating of the full-year. The gross margin we would have said to be same as last year and as far as full-year is concerned as I said earlier also that we will be able to maintain our EBITDA and the growth would be around 10% to 15%.

Rajiv Berlia: But what was the volume growth is, what is the raw material inflation you are seeing, is it down, or is it up?

Sandeep Jain: Volume growth should be around 6% to 7%.

Rajiv Berlia: This quarter?

Sandeep Jain: In whole year I'm talking about.

Rajiv Berlia: This quarter how much?

Sandeep Jain: So volume has actually gone down in this quarter which was 9,35,000 pieces last year, this year it is 8,34,000 pieces so it's de-grown by 10%.

Rajiv Berlia: So if you see the raw material cost is flat…

Sandeep Jain: The raw material is for winter-wear, for the winter production.

Rajiv Berlia: How do I analyze your numbers? How is the inflation for example I am seeing packing cost for other consumer companies has come down? In your case if you could take us through the key raw material not this quarter specific but going ahead also next 3 quarters how is the trend?

Sandeep Jain: Key raw material for this quarter was cotton and cotton is down as compared to last year. But the reasons we have mentioned is why the fall in EBITDA and why the fall in PAT, was the increase in ad-expense and increase in the personal cost so there was a reason. But overall the raw material price remained down as Compared to last year.

Rajiv Berlia: How much is it down if I could know, cotton how much is down?

Sandeep Jain: It's around 4% to 5% as compared to last year.

Rajiv Berlia: Do you expect that trend to be maintained next three quarters?

Sandeep Jain: We don't see any further increase in raw material prices as the market is very depressed so we see that this price is going to continue for next 2 to 3 quarters.

Rajiv Berlia: Other raw materials?

Sandeep Jain: Wool is also stable, it has not gone down but it has not gone up also so we don't see any reduction as far as our EBITDA is concerned because of raw material because the prices are either down or stable.

Rajiv Berlia: Employee expense and ad expense if you could take us through what was the reason that will be very helpful.

Sandeep Jain: The reason was we were outsourcing most of our cotton garments. But now we have started in-house manufacturing facility so it's the initial cost where you appoint the people, it will take little time to start the units and the production on full stream. So that cost has actually gone into production cost but the garments which have been produced would be going into second and third quarter. So the cost has already been incurred by the company but the realization will happen in the following quarters like second and third quarter. So that is the reason personal cost has gone up from almost 2 crores, of which 1.2 crores was for the new employees and for the new production facility and 80 lakhs were basically the increment which has given to the old employee. But the benefit of this production facility will start coming in second and third quarter.

Rajiv Berlia: Why you have shifted from outsourcing to in-house?

Sandeep Jain: There is the reason for that, one is that because when you're 100% dependent on the outside suppliers in some of the vendor sales it makes difficult to supply on time. Just to cushion those timelines we have thought of putting up around 15% to 20% facility in-house so that we can supply our retailers on time so that was the only reason. Otherwise there is not much margin involved as far as cotton garments are concerned because the margin is only 4% to 5%. But the reason for putting up in-house production is to match the timelines given by our retailers.

Rajiv Berlia: Why ad-spends have gone up, you're not changing the full-year number?

Sandeep Jain: Ad-spend actually to promote more our thermal wear and also we have spent some ad-spend in Southern region so that is why the ad-spend has gone up, but as far as full-year guidance is concerned the ad-spend will be same as compared to last year.

Rajiv Berlia: But southern region you will be targeting in the balance three quarters also so why it should not go up because are you not spending on southern region in the balance three quarters?

Sandeep Jain: But we will balance that out because the total ad spend we will keep the same, we don't need to spend that much in Northern and Eastern region right now as we are already established. Definitely we will be spending money but we will be spending very prudently so we have decided to have the same ad-spend as compared to last year which was there in the last year also.

Rajiv Berlia: As a percentage of sales or as absolute amount?

Sandeep Jain: As a percentage of sales, 4% to 5% of the revenue.

Moderator: Thank you. As there are no questions from the participants, I now hand the conference over to the management for their closing comment.

Sandeep Jain: Thank everyone for participating in the conference call and we welcome all the questions which have been asked. We hope that we have answered all these questions satisfactorily. If you have any question in mind which is still not answered you can always give us a call or you can send a mail to us. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentleman, on behalf of Edelweiss Securities, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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