"Monte Carlo Fashions
Q2 FY2020 Results Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Q2 FY2020 results conference call of Monte Carlo Fashions hosted by Emkay Global Financial Services. We have with us today Mr. Dinesh Gogna, Director, and Mr. Sandeep Jain, Executive Director. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ashit Desai of Emkay Global. Thank you and over to you Sir!

Ashit Desai: Thanks Melissa. Good afternoon everyone. We would like to welcome the management of Monte Carlo and thank them for giving us this opportunity. Handing over to the management for opening remarks. Over to you, Sir!

Sandeep Jain: Thank you. Very good afternoon. It is a great pleasure to welcome you all on behalf of our Board of Directors and the senior management to this earnings conference call to discuss our financial performance for the second quarter of FY2020.

Thank you for sparing your valuable time and joining us here today. Before sharing the recent developments and strategies undertaken for growth, let me share with you the key financial indicators reported during Q2 FY2020. Revenue during the quarter stands at Rs. 152 Crores as against Rs. 126 Crores, the company reported a gross margin of 52.8% in Q2 and EBITDA margin during the quarter stood at 13.2% versus 11.5% in Q2 FY2019.

In our direction of positioning all fashion brands, we have gradually reduced our dependence on the wool segment. The share of the woollen, the segment decreasing as per our diversification strategy, we feel proud to share that we have been continuously recognised as a super brand for woollen knitted apparels in eight editions of consumer super brand India since the last seven to eight years.

The cotton segment now contributes around 62% of the total revenues as reported in Q2 FY2020. T-shirt, shirts, and denim jackets form a major share in the cotton product category. Home furnishing and kids segment continue to grow at a healthy rate. The home furnishing segment grew by 54% Y-o-Y, and kids segment grew by 34% Y-o-Y for Q2 FY2020. One of our key strengths is the wide and growing distribution network with a holistic presence across India. We have a deep presence across the countries that have more than 2500 multi-brand outlets, 270 EBOs, and 308 national chain store outlets and 120 shopping shops. The majority of our net revenues come from MBOs and franchise EBOs, where we primarily sell on preorder and outright basis. By virtue of this business model, there is no major inventory risk, and we remain adequately protected from the normal hazard sales in branded apparel business.

We have strategically eyed for increased revenue contribution from online sales and happy to share that Online sales for Q2 FY2020 stood at Rs. 6.7 Crores as compared to Rs. 3.3 Crores during the same period in the last financial year. With regard to technology, we always look for up-gradation and modernisation of technology leading to cost-saving and high output. such a unit have installed whole garment machine, a technology that can knit one entire piece in one knit.

We plan to diversify our pan India presence with our major focus currently on the western and southern India. We already have encouraging beginning towards this pole. We are strongly focused on - enhancing our shareholder value by following an asset-light model. In this endeavour, we are focusing on optimising our asset utilisation, quality, efficiency, and relationships. We are continually rewarding our shareholders by a cumulative dividend payment of Rs. 91 Crores from FY2015 to FY2018 and a share buyback of Rs. 55 Crores in FY2019. While our focus will be to maximise revenue growth, going ahead, our larger interest is to build profitability by maintaining cost control measures. We now open the floor for a question and answer session. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Praveen Shah from Edelweiss. Please go ahead.

Praveen Shah: Thank you, Sir, for taking my question. Firstly, you have delivered a very healthy growth of 21% this quarter, and we are simultaneously observing some correction in the cotton segment contribution as well and which you are guiding for a quite long to increase their contribution in the entire business, so can you elaborate on this like from where you had grown quite faster, which ultimately given a contribution reduction in the cotton segment?

Sandeep Jain: I think as you rightly remember since the beginning, we have been emphasising that the cotton segment is growing faster than the woollen segment across all the channels. Hence, the contribution from the cotton is increasing every year, and that is happening from the last five to six years, and we think that going forward, the cotton segment is growing faster. The contribution of the cotton segment in overall business will continue to grow in the future as well.

Praveen Shah: So why that is down this quarter as a contribution?

Sandeep Jain: See what happens is that the season quarter-to-quarter variations will always be there so sometimes the festivals are early, sometimes the festivals are delayed. These quarter variation will always be there year-to-year. But as far as the whole year is concerned, we stick to the guidance that the cotton contribution is going to increase this year as well since we have to see our business as per full-year guidance rather than quarter-to-quarter variations.

Praveen Shah: Okay. Can you give some highlights on your new brands? How are they doing like Rockit in terms of growth in that sector?

Sandeep Jain: Rockit is steady as far as performance is concerned, it has not grown to the extent of what we had anticipated as compared to last year. However, we are positive on the feedback, which is coming from the retailers. This being said, it will take little more time than what we had anticipated as far as the overall target of achieving around Rs. 6-7 Crores of sales of Rockit is concerned in the next financial year.

Praveen Shah: Are you talking for the next financial year?

Sandeep Jain: Yes.

Praveen Shah: Okay, thank you, Sir. Thank you for taking my question.

Moderator: Thank you. We have the next question from the line of Zaki Abbas Nasser, an investor. Please go ahead.

Zaki Abbas N: Sir, congrats on a healthy set of numbers for this quarter. Where has this current quarter growth come from? Is it the season shifting or is it the overall sales picking up or the territorial expansion is my question number one. Question number two is, you had at the beginning of the year, given a guidance of 15% growth on the overall sales. How do you foresee the next two quarters, which are the main quarters for Monte Carlo and do you opt to fulfil this target?

Sandeep Jain: First of all, thank you very much for asking this question. I think this answer will cover most of the other participants' questions also. See, at the beginning of the year, when we gave our guidance of around 15% of overall growth for this financial year, the reason being the booking that we had in the winter wear segment at that point of time. So, naturally, if we have the booking from our EBOs, MBOs, LFS and online channel definitely that is going to be also decided, so we remain positive as of now. As far as the full-year results are concerned, we still maintain that guidance. I do not think that there are any major variations occurring in the near future despite the challenging environment we have in the Indian economy right now. We are very positive about the company's performance of 15% guidance for the financial year, and we also stated at that point of time that we maintain our EBITDA margins and the profitability as well. So, we still maintain our guidance, which we gave at the beginning of the year. So, we are very positive as far as our order book and retail sales are concerned. So, I think, the next 45 days are very critical for us, as the winter season had just begun , but we are hopeful of the commitment that we have made to our shareholders and to our investors, and we believe that we will be able to fulfil it.

Praveen Shah: Thank you, Sir. And how is the feel about the retail sales, have they picked up, is the feel in the market that is good for all brand, the consumer sentiment because you will have a direct pulse of it. So do you think it is slightly better than what it was a couple of months back?

Sandeep Jain: I think as far as our business is concerned, we are significantly improving, the consumer sentiments, which were there in September or August. It has improved in October and has resulted in higher sales as far as retail sales are concerned. So I think it is picking up, but still, it is very early to say about the forecast for the next 45 days. However, the signs are there. Consumer sentiments are turning positive as compared to the last three to four months.

Praveen Shah: Thank you, Sir. That is all from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Venkat Subramanian from Organic Capital. Please go ahead.

Venkat S: Thanks for taking my question. Mine is a continuation of the previous one, we hear from a lot of other apparel manufacturers and distributors that demand scenario, pull from consumers and their propensity to spend is fairly low, how are we differentiated, from what we hear from you and your experience is not exactly the same?

Sandeep Jain: I think you are true. As far as the market scenario is concerned, it is not that healthy, and it is not that good under consumer confidence. It has gone down as compared to last year. Having said that, as far as our business is concerned, I think there are some areas where we have improved. So, that is helping us in penetrating the market effectively. The reason why I am saying this is that we have seen that there are some brands, which have failed in complementing the channels where they are operating. What is happening in the market is that, at times, some of the brands have different pricing strategy. As far as some of the channels are concerned, which are MBOs, EBOs, and LFS, they start to compete with each other rather than complement each other, and we are taking lot of portion in that. Our pricing strategy should remain same and also studying consumer behaviour how we can penetrate further and how we can increase our acceptability and increase our aspiration. As far as our brand is concerned, I think we have been able to successfully do it from last two to three months. So, that is helping us to have a little more sales as compared to others and also opposed to the market sentiments.

Venkat S: I am saying our offerings are much wider than that of a lot of our competitors and therefore is it not necessary that our inventory levels will be higher?

Sandeep Jain: No, I would just come to this also, like the offerings are wider, I agree with that because most of the players in the branded segments who compete with us do not have the home furnishing segment. Now, the home furnishing segment is one area where the branded competition is very less, so that is helping us to grow. If you see the sale of home furnishing, it has grown 54% in the six months as compared to the last six months from Rs. 27 Crores, we have reached to Rs. 41 Crores and also the profitability improved in home furnishing area, so there are areas, which are untouched where the opportunities are there, but it has not been grabbed, so we have been able to identify those opportunities so if some of the segments are not performing at least other segment is performing so overall company is benefiting from the strategy, which we are launched from last few years.

Dinesh Gogna: Your particular question regarding the increase in inventory and reaching to a different situation, let me just take as Mr. Jain has just explained to you, so far the other inventory is concerned like this home furnishing, yes, it is not, the total inventory is not bagged by the orders, but regarding the other things, like so far this hosiery part is concerned, cotton part is concerned, other things are concerned, we right from the very beginning have been commenting on this that our inventory is bagged by orders. Firstly we book the orders, we procure the orders, and thereafter we start moving to procure the inventory. Therefore, our inventory level can never reach to a dangerous situation where the other people are, so this is what Mr. Jain had said earlier also to all the investors, this is one of the important points in our way of working that our inventory level is always maintained, which is bagged with the order barring 5% to 10%.

Sandeep Jain: I would just like to continue to what Mr. Gogna has said. We have mentioned in all the investor presentation that most of the production, which happens in Monte Carlo is based on the pre-book orders. So, at the beginning of the season, we have the bookings in our hand and accordingly the production is planned, so that is why the inventory level remains at a very considerable level because already we have planned what has been booked by the retailers and the distributors.

Venkat S: And lastly although our topline growth has been quite interesting, on the first six month basis, our profitability, relative to last year, is much lower and therefore if we have to achieve 15% growth for the year overall, we will need to have a much higher growth in profitability, disproportionate to topline. Are we geared up to do that?

Sandeep Jain: Yes, I 100% agree, what you said is absolutely correct, but if you see minutely, there are two or three major sectors, which have reduced our profitability. One was the lease rent in Q2 IND-AS 116, so that is approximately Rs. 2 Crores, which is a notional loss it is not accrual loss, which is affecting the balance sheet. The second is a finance cost, which actually went up to Rs. 1.21 Crores as compared to last year because of the buyback we have done Rs.55 Crores from the working capital so that has increased the finance cost and another thing was the depreciation of Rs. 2.44 Crores as compared to last year so this is again because of the new machines, which are added into depreciation, so that has reduced the profitability. Otherwise, EBITDA went up from last year as compared to this year, if you see it in the half-year and quarterly basis.

Venkat S: Thanks.

Moderator: We have the next question from the line of Prerna Jhunjhunwala from Batliwala and Karani Securities. Please go ahead.

Prerna J: Thank you for the opportunity. Just wanted to understand the home furnishing segment strategy. The contribution of that segment has always been below 10%, and in the first half we have 20% share of revenue coming from there, is there any change in strategy, product mix target segment geographically, which is leading to this improvement in the market in the revenue share?

Sandeep Jain: Yes, there is the addition of bed sheets in this financial year as compared to last year, which was not there last year and the contribution from the home furnishing segment last year was around 9.5%, and this year we should think that it should go to around 11%. So, the sales from the home furnishing. I think that in my opinion, it should grow a minimum 25% to 30% year-on-year this financial year as compared to last year.

Prerna J: Okay so which means the revenue share would largely be around 15% for the year so second-half growth could be lower than the first half?

Sandeep Jain: No, what I am saying is that overall guidance of 15% if we see in this first quarter, we have shown degrowth, but in the second quarter the revenue growth would be 21% so that compensated the degrowth of the first quarter and we achieved almost 15% revenue growth in the overall six months. We see that the second half would also have a similar kind of growth, and the overall achievement for this financial year should be around 15% as far as the revenue is concerned.

Prerna J: Okay. Also, this quarter we have seen good sales in the winter wear also coming in, do we see winter to be good this year and how was the channel supply chain? How was the inventory in the supply chain in the last year and will this pop up the growth in the second half?

Sandeep Jain: See it is very difficult to predict about the winter growth, but there are two- to three sectors, which are at least spurting us in what we have committed in the full-year guidance, one sector, which is spurting us is the weather. This year the November weather is better as compared to last year's November and, I think, it is a kind of early onset of winter as far as our northern region is concerned. Second, a lot of sales happened in the wedding season and this year the wedding season is much bigger than the last year. So, that would also contribute to growth. Third, the economy is slightly showing signs of picking up. It is too early to comment about that, but I think the earlier two sectors in the third sector, which I have said that makes us confident that we will definitely have better sales as compared to last year.

Prerna J: Okay. How is the liquidity scenario in the debtors because we have seen a continuous increase in the debtor position of the company?

Sandeep Jain: See if the sales will increase. Accordingly, the debtors will also increase, if you see that the debtors have increased by 13% and the sales have increased overall 15%, so debtors are increasing accordingly along with the sales.

Prerna J: So, is there nothing alarming from here?

Sandeep Jain: Nothing alarming because if the debtor goes beyond the sales, it becomes alarming, but actually debtors are growing at 13%, and sales have grown at 15% half-yearly.

Prerna J: Okay, Sir. Thank you so much.

Moderator: Thank you. We have the next question from the line of Vivek Ganguly from Nine Rivers Capital. Please go ahead.

Vivek Ganguly: Good morning gentlemen. During the last two calls for Q4 FY2019 and Q1 there was a commentary that generally the market conditions are hypercompetitive, and there was a lot of discounting that had to be done. So, are we seeing a bottoming it out of that scene where a mass competition was trying to liquidate its inventory left, right and centre and we also had to participate in that process and are we out of that kind of situation, I am talking of the general market and also Monte Carlo?

Sandeep Jain: You have asked a very good question. Actually, if you see in the last two to three months, there are so many statements, which are coming from our Commerce Minister, Mr. Piyush Goyal also. He is always restricting the online discount channels not to go for predatory discounts, they are having meetings at the retailers association also, which is asking for not to go for discount sales, it is hurting the sentiment. So, I think the discount pattern, which has been prevalent from past few years is bottoming out, so people are now concerned that if they want to make profits, they have to cut down the discounts and EOSS as well. As far as my opinion is concerned, we are almost at the end of the discount period cycle where the increasing of discounts and the increasing of periods that seem too distant, so now even the government is very concerned and they are regularly seeing what kind of discounts being offered by the online channel. If you see, this year in the online sales, even the spike discounts have gone down, so there is change as far as accounting policy is concerned. That is what I can say.

Vivek Ganguly: And you are all also not feeling the heat of it?

Sandeep Jain: Not as of now.

Vivek Ganguly: Sir the other question that I had is you know historically woollens have been a larger segment and off late it has been coming down as the other segments home furnishings and cotton have grown at a faster pace, now we understand and please correct if I am wrong that the woollens are possibly the most profitable segment in your scheme of things and if you go back two-three years you all had been working in the 16% to 18% EBITDA margin range, even gone as high as 19% - 19.5% so as the salience of woollens in your portfolio decreases are we likely to see a more benign or your EBITDA margin moving to the 15% range on a longer-term basis?

Sandeep Jain: Thanks again for asking this question I think it will help to other investors also, actually the PBT in the cotton is high as compared to woollen so that might be sounding surprising, but the profitability in the cotton segment is actually more as compared to the woollen segment if we compare at the PBT level and secondly yes the woolen segment contribution is, it is not that the woollen segment is not growing they are also growing, but the cotton segment is growing faster that is why the overall revenue contribution from the cotton segment appears higher as compared to woollen segment, but as far as profitability is concerned, cotton right now has higher profitability than woollen at PBT level.

Vivek Ganguly: And the home furnishing, which was at profitability level lower than that of the company overall is improving or is it moving towards the overall company level?

Sandeep Jain: If I just compare the last six months profitability of our home furnishing segment, I would be happy to state that the profitability in the home furnishing segment has actually gone up, it was having a net profitability of 11.6%, which has gone to 13.4% in the home furnishing in six months as compared to last six months.

Vivek Ganguly: So when you say net profitability, what does that translate into?

Sandeep Jain: It is PBT.

Vivek Ganguly: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Mihir Desai from Desai Investment. Please go ahead.

Mihir Desai: Thank you for the opportunity. Sir, I just want to ask the question of specific segments, which is our kid's segment, can you throw some light on the segment how it is growing and what would be the future strategy to grow this segment?

Sandeep Jain: You are asking about the kid's segment?

Mihir Desai: Yes.

Sandeep Jain: The kids segment I think we have given the guidance in the beginning of the year that this year we are going to grow at 25% to 30%, so we stick at that guidance and we see that as the kids segment is actually getting present in the market and it is also a segment, which is growing faster than men and women, and we hope that this segment should continue to grow at this kind of growth rate in double-digit plus 20% in the coming years as well.

Mihir Desai: Okay. So is there any trend which we have seen over there because it is growing faster than the other segments or it is just a typical nature of the segment?

Sandeep Jain: See earlier the children used to wear what their parents chose for them, but now with the advent of media and awareness, children want to wear the branded garment. So, that awareness was not there in the past, so that is changing in the current scenario and 7 to 13 years, what we cater to right now, actually has become more brand wear cautious than in the past, so that would help us to grow in the segment.

Mihir Desai: Correct. Sir just on the online business, yes we know that is a segment, which will come and go and everyone is moving towards the segment so can you please share the strategy, which we are eyeing to grow that segment in future?

Sandeep Jain: Especially the online channel, what we think, is we are present because of convenience, so there are places, there are people who want to go to the showrooms, there is a class of people who just want to buy online because they have been habitual of buying online, so we are present in the channel more of convenience and need-based buying, we are not offering any discounts in the online channel specifically as compared to our other channels like MBO, LFS, and EBO the discount percentage is same at all the channels so people who know what they want to buy Monte Carlo they have tried Monte Carlo earlier and they want to have the convenience to buy at home rather than going to a store they use the product, so that is why we are present in the channel, and I think that it should contribute 3.5% of revenue for financial year in online.

Mihir Desai: So we are not trying for a huge pie of revenue from this segment?

Sandeep Jain: Yes.

Mihir Desai: And lastly on the industry front, Sir, we have seen that the Indian mentality is now accepting the use of polyester.So, I think most of the demand is also shifting towards TDS and filaments, so is basically the mixture in the garment of polyester is increasing do you see that ? , how do you see this change, which is happening in the market ?

Sandeep Jain: You are absolutely right, there is a trend, which is moving towards polyester and we have also added a lot of polyester fabrics to our range of cotton garments in jackets and other areas , so because there have been more developments in polyester than any other fibre, so that is helping that particular segment to grow, you are right in that.

Mihir Desai: Correct. Thank you, Sir. That is all. If I have more questions, I will come in the queue, Sir.

Sandeep Jain: Thank you very much.

Moderator: Thank you. We have the next question from the line of Zaki Abbas Nasser, an investor. Please go ahead.

Zaki Abbas N: Sir one followup question, that is about taxation Sir, see in the current quarter your tax, if you calculate, roughly it is coming up to 33%. So, have you not migrated to the 25% regime?

Sandeep Jain: Yes. We have migrated to 25% tax regime, and overall we see a saving of 7% to 8% in full financial year, in this financial year as compared to last year as far as taxation is concerned.

Zaki Abbas N: So that will I think only reflect in the full-year results, right Sir?

Sandeep Jain: It will result in third-quarter basically more in Q3.

Zaki Abbas N: And Sir about this home furnishing, what part of home furnishing does Monte Carlo cater to is it blanket or is it curtains or is it bedsheets I mean what is your area of expertise?

Sandeep Jain: 80% to 85% business coming from the blankets, around 10% to 15% comes from the quilts and balance from the bedsheets.

Zaki Abbas N: These are made by Monte Carlo or outsourced?

Sandeep Jain: These are all outsourced.

Zaki Abbas N: From within the country or these are mostly imported kind of stuff?

Sandeep Jain: Within the country as well as we import from Japan, Korea, China and other countries as well.

Zaki Abbas N: Okay, thank you, Sir.

Moderator: Thank you. We have the next question from the line of Devesh Kayal from Carnelian Capital. Please go ahead.

Devesh Kayal: One following question on furnishing. Since we are outsourcing this within the country and from outside the country how do you see, so first of all if you could give the inventory composition what percentages of home furnishing and secondly do we see any inventory risk because of our home furnishing business increasing since we are outsourcing it from different locations and also it is not made to order?

Sandeep Jain: No, who said it is not made to order?

Devesh Kayal: It is not made to order, right?

Sandeep Jain: It is made to order, it is a booking that takes place in the month of May. We have a tradeshow where we invite all the retails across India who comes and book with us, they pay advance to us along with the booking, this you would not hear in any other trade segment they pay advance also along with the booking then only we close the book, there is no risk cash credit inventory is concerned.

Devesh Kayal: Okay all fine, nice to hear that and the other question as far as the balance sheet and you have already explained because of Ind-AS impact our EBITDA has grown, but still not an impact on the PBT because of increase in EBITDA, also when I look at the balance sheet there is an increase in the long-term borrowing, and short-term borrowing so is that also on account of Ind-AS impact if you could help us understand that as well Sir?

Sandeep Jain: There are two reasons for that, we have gone for capital expansion capex of around Rs.11 Crores machinery, which we already explained the new technology, which we have installed at our sweater unit and second is because of the buyback Rs. 55 Crores of buyback being used from working capital in this financial year, if you remember in just a few months back, we get the buyback of Rs. 55 Crores, so that has actually increased the short-term borrowing.

Devesh Kayal: Okay, fair enough, Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Gautam Gupta from MRP. Please go ahead.

Gautam Gupta: Thank you, Sir, for taking my questions. South and West have been slightly challenging geographies for us and given that the winter season is on, would you be able to share any outlook on how the south and west is shaping up for the next season?

Sandeep Jain: I think we would admit that there have been difficulties in penetrating in the south and we did not anticipate that the growth as far as south is concerned, west we have performed well and in this financial year, we will be doing better in the west as compared to the south. South will take little more time to have our presence felt in that particular region. We would like to again start as before I said initially in the April conference call that we will grow in south also. So, I could take back my words particularly as far as southern region is concerned and it is actually not doing well for us, but the contribution is very insignificant as far as company's overall revenue is concerned.

Gautam Gupta: Fair enough. Second question Sir, is when we move to Ind-AS we have made certain provisions for discounts, and our expectation was this would smoothen out because lot of discounting is to take into Q4 earlier, I just wanted to know whether our returns and discounts are in line with us provisioning or do we still see some lumpiness in Q4, given that this is the first year so there may be some slippages?

Sandeep Jain: No, I will be taking more portion in discounts and returns we would be putting in every quarter than putting in the last Q4 we have done last time we have also like stated in the conference callafter that, see how we are taking appropriate provisioning in every quarter so that it is not one quarter itself.

Gautam Gupta: Sir we are seeing the provisions being by and large sufficient with what visibility we have now.

Sandeep Jain: Yes.

Gautam Gupta: Sir if I can squeeze in one last question if you could share the unit sales for cotton and woollens?

Sandeep Jain: Yes, I think it is already mentioned in the presentation; also, I would like to even just read it out for your references. The volume of woollen is 2,21,000 pieces as compared to 2,49,000 pieces as compared to last year dispatches will happen mostly in October and November, it will change as we move into the next quarter and as far as cotton are concerned the volume is 28.61 lakh pieces as against 24.68 lakh pieces.

Gautam Gupta: Okay, thank you Sir.

Moderator: Thank you. We have the next question from the line of Venkat Subramaniam from Organic Capital. Please go ahead.

Venkat S: Thanks for the followup opportunity. In terms of trends and buying pattern of the youth, I think the signals are a little confusing, people seem to take convenience more as a driver than fate or a brand, etc., on the other hand, there is also some perception that brands are important for the millennials, do we have a clear signal now, what is our perception?

Sandeep Jain: I think you are absolutely right, the one sector which was dominating in the e-commerce trade from last six to seven years was discount, but that trend has changed, now it is more of convenience buying, which is happening and also I would say that people who are brand cautious would not go to buy any other stuff, which is available cheaper because they also have the aspiration for wearing a particular brand, so they only buy a brand, which they like it rather than buying any stuff, which is available cheaper at any online websites. Secondly, I would like to mention over here, if you see the kind of convenience has brought, if you see the restaurant business I am just giving an example of the food the restaurant business 40% business has been shifted to online and they are not offering any discount, it has only shifted because of the convenience to have the food at home rather than going at the restaurants. Even they are charging with delivery charges also, so the convenience is actually happening in the online purchase because people knew that see they do not want to waste their time, some other things , which they knew that it come exactly the same even if they go and buy and go to the shops.

Venkat S: What is our online contribution just now you said, Sir?

Sandeep Jain: It is around 3 to 3.5% of our overall business.

Venkat S: And what is our vision, where do you think it will get in the next year and in the next three to five years?

Sandeep Jain: I think it will remain at this level because the online segment is also growing in the same proportion as other businesses are growing, so we are not opening major discounts on that. So that is why I think the growth rate will remain around 20% in online business as well.

Venkat S: And secondly in terms of use of capital for our growth what is our vision, for instance now we are in slightly challenging times and credit culture is not the best and you are not sure about how the buyers will pay but should that change a little bit, are we open to buying brand, are we open to funding some of our outlets, etc., a little bit more etc., for higher growth and what is our vision for?

Sandeep Jain: I think in the last financial call we have also told all investors we are here to create value for our shareholders, so we tried to find out the good opportunities, which are having good EBITDA, which can gel with the Monte Carlo, but we are not able to find it, then we announce the buyback because we knew that the money has to be shared and you would recall that our promoters have not even participated in the buyback, which normally every promoter does whenever any buyback is announced, it was only to benefit the shareholders and also we have given the liberal dividend in the past and as far as capex is concerned ours is basically not a capital intensive industry and the guidelines we have given in the past around Rs.15 to 20 Crores of capex, which has happened every year, which is more of demand of the business, machines and some warehouses or some showrooms as we have clearly mentioned.

Moderator: Thank you, Sir. We have the next question from the line of Abhishek Vigneshwar from Trustline Holdings Private Limited. Please go ahead.

Abhishek V: Can you just repeat the outlet breakup, Sir, two minutes before you said the number of outlets?

Sandeep Jain: Yes, so as far as our EBOs are concerned last year September 2018 we have 245, which we have added 27 EBOs and this year in September end it stands at 272, and we have planned to add another 10 in the last six months we have. By March 2020 we should have around 282 as compared to 245 last year.

Abhishek V: Sir, my second question is regarding capex, do we have planned any further capex for the three years like that?

Sandeep Jain: It will be a normal capex of Rs. 15 Crore to 20 Crores. No major capex.

Abhishek V: Rs. 15 to 20 Crores?

Sandeep Jain: **Rs.** 15 to 20 Crores. No major capex is planned for the next financial year.

Abhishek V: Maintenance capex. Thanks Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Please go ahead.

Sandeep Jain: First of all thank you very much for participating in Monte Carlo's conference call, and I think there were various questions, which we have answered, but I think there might be some questions in your mind, which have not been answered or any queries, which you have in your mind you can always e-mail us and e-mails are there I think with the Emkay people also so you can always e-mail us or telephonic conversations we can have to answer the further queries. Once again thank you very much for coming to our presentation.

Moderator: Thank you gentlemen. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.