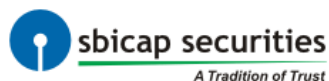




“Monte Carlo Fashions Limited Q3 FY 2016  
Earnings Conference Call”

February 02, 2016



**ANALYST: MR. JIMESH SANGHAVI – SBI CAPITAL SECURITIES LIMITED**

**MANAGEMENT: MR. SANDEEP JAIN - EXECUTIVE DIRECTOR – MONTE CARLO FASHIONS LIMITED  
MR. DINESH GOGNA – DIRECTOR – MONTE CARLO FASHIONS LIMITED**



*Monte Carlo Fashions Limited*  
*February 02, 2016*

**Moderator:** Ladies and gentlemen, good day and welcome to Monte Carlo Fashions Limited Q3 FY 2016 Earning Conference Call, hosted by SBI Capital Securities Limited. 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, 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. Jimesh Sanghavi of SBI Capital Securities Limited. Thank you and over to you Sir!

**Jimesh Sanghavi:** Thanks. Good morning everybody. On behalf of SBI Cap Securities I welcome you all to this conference call we thank the Monte Carlo Management for giving us the opportunity to host this call. We have with us today Mr. Sandeep Jain – ED and Mr. Dinesh Gogna, Director and other senior management of Monte Carlo. I would now like to handover the floor to Mr. Sandeep Jain.

**Sandeep Jain:** Hello everyone and welcome to the conference call of Monte Carlo Limited for the third quarter and first nine-month of financial year 2015-2016. It is a great pleasure to greet to 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 time in joining us today to discuss our second quarter earnings for the financial year 2016.

Before I delve upon our performance, I would like to brief you a little. Our brand Monte Carlo was launched in 1984 as an exclusive brand by Oswal Woolen Mills. Our flagship brand Monte Carlo has emerged bigger each year and it is today it is 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 woollens, cotton and cotton blended knitted and woven apparels, home furnishing through some of our ranges like Platine, Denim, Alpha and Tweens. We believe we have successfully positioned ourselves as a lifestyle brand with a well-diversified product offering.

One of our key strength is wide and growing distribution network with diversified presence across India. We have presence through 1700 plus MBOs, 222 EBOs, 156 national chain store outlets. Majority of our net revenues emanates from MBOs and franchise EBOs where we primarily sell on a pre-order basis. By virtue of this business model, there is no major inventory risk and we remain adequately protected from normal hazard of branded apparel business.

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 for winter and non-winter. Our design team is further supported with dedicated facilities for product development, design studio and a sampling infrastructure.

Now let us talk about our financial performance during this quarter. Our Q3 financial 2016 revenue from operations increased by 12.3% to 351 Crores revenues have increased mainly due to overall growth across all segments that is cotton and woolen we believe that overall growth outlook is stable and we remain optimistic due to good visibility on the order book.

Our Q3 financial year 2016 EBITDA without other income increased by 7.2% year-on-year to 77.2 Crores. Margins decreased by 100 basis points to 22% from 23% in Q3 financial 2016 primarily due to change in product mix and increase in other expenses. Overall EBITDA margins have been stable.

Also, there was rationalization of marketing and advertising expenses as a larger share of advertising expense were incurred in Q1 financial 2016. Marketing and advertising expenses decreased by 8.1% from 14 Crores compared to 15.5 Crores in Q3 financial year 2016. We had mentioned in our last quarterly call also, on a full year basis our marketing and advertising expense would rationalize and would be around 4% to 5% of our overall revenues. Since we do not have any major capex plan for next two years, therefore we expect positive operating leverage as a production gain scale during the course of upcoming quarters.

Our Q3 financial 2016 PAT increased by 9.2% Y-o-Y to 44.5 Crores and PAT margins remains stable. During the quarter we opened eleven EBOs and also improved our MBOs and national chain store presence. We are well on track on our strategy to increase our presence across pan India and have been receiving good response from the customers.

Our strategic focus is to reduce dependence on northern region and improve market presence and market share across pan India. We also plan to diversify our pan India presence by penetrating into southern and western region of India. We are strongly focus on optimizing asset utilization, quality, efficiency and relationships.

We are aggressively placed to build on our existing scale. We have a strong balance sheet with low leverage and strong cash balance. With no major capex planned over the next few years we hope to sustain a robust growth rate, which will further improve over our return ratios.

With this, we once again thank you all of you for having spared your valuable time and joining us today. We can now open the floor for question and answer session.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rishab Nahar of Girik Capital. Please go ahead.

**Rishab Nahar:** Sir I have a couple of questions. In the presentation as right now you mentioned that there would not be any major capex plans so operating leverage will kick in, so I just want to know what our current capacity is and that the woolen what is the capacity and cotton what is the capacity and how much of the cotton do we outsource?

**Sandeep Jain:** Can you please repeat the last line because your voice is not that clear?

**Rishab Nahar:** Basically we spoke about that we do not have capex plan for the next two years and because of that operating leverage will kick in so I just want to know what our current capacity is and in terms of woolen how much the capacity is and for cotton how much is the capacity is and how much of cotton do we outsource?

**Sandeep Jain:** As far as woolen is concerned we have a capacity of around 1.6 million pieces that will depend on the design-to-design. It may vary to it can make even 1.8 million pieces also so as far as, as on today we have a capacity for making sweaters completely everything in-house as far as sweaters are concerned but in case of cotton garments knitted portion I think around 40% to 50% we are making in-house and balance we outsource but as far as woolen, cottons are concerned that is completely outsourced as of now.

**Rishab Nahar:** So for expanding cotton we do not have problem even for next five years because we can keep outsourcing?

**Sandeep Jain:** Yes, we are depending on in-house production also and we are also outsourcing the balance production but as we know that the cotton is basically knitted cotton is basically very less capital intensive industry even if we would like to put up facility for 10 lakhs T-shirts it has been our cost is more than 1.5 to 2 Crores so that is what our capital intensive industry it is more of labour intensive industry, but we have put a facility with a due around 1 million cotton garments in-house last year and right now we are outsourcing almost 50% of our cotton production from outside vendors and the knitted particularly.

**Rishab Nahar:** Sir one more thing, so how do you see the sales mix as three years down the line for cotton and woolen right now it is about 45 approximately how will it be three years down the line what your intent to make it?

**Sandeep Jain:** See basically right now if you see the nine-months of financial 2016 woolen cotton segment mix woolen segment contributes almost around 36.7%, cotton segment is contributing 48% and home furnishing 10.6% and kids 4.7% that is not going to change

in the next quarter because next quarter is more of cotton where all our summer goods are dispatched so we compare the last year financial 2015 our cotton segment was 52.6% and our woolen segment was 34.5% and I am sure that it would not go up in cotton segment which would have another rise because cotton segment is growing faster than the woolen segment so that is the reason that the cotton segment is now dominating as far as woolen sweaters are concerning overall product mix.

- Rishab Nahar:** Is it a conscious effort to increase cotton or just that cotton just as faster than woolen?
- Sandeep Jain:** Well it is a conscious effort also because we are all tropical country where we have a nine-month of season which export cotton product so there is a conscious effort from our side to increase our presence in those areas where we are not present like southern and western region also as well as then has publishing and strengthening our presence in the existing areas.
- Rishab Nahar:** Sir just one last thing in terms of EBOs we have 222 EBOs as of now and to what is the plan three years down the line what should this number be?
- Sandeep Jain:** See we have planned around 30 EBOs in next financial year, financial 2016-2017.
- Rishab Nahar:** Sir and we are having trouble and because we opened 11 EBOs and shutdown 7 so what is the criteria to open EBOs give someone have franchise and what is the cost like what is it that we incur when we shutdown an EBO?
- Sandeep Jain:** See there are multiple reviews when we shutting out these EBOs one reason is basically what happens is that a mall which starts it is a very promising mall but after a year or two that mall footfall comes down a new mall come up so that is why the footfalls come down so we have to close the EBOs in that location and sometime there are financial problems with the franchise so that might be the reason. So that is why I think a few guys we were closed but we open 11 EBOs and we were plan to open 30 more EBOs in the financial year.
- Rishab Nahar:** What is the cost when we shutdown an EBO what is that did you incur?
- Sandeep Jain:** Basically we have to take that the goods at that time and what happens is that some of the good franchise are able to sell it off but I think some of the goods we have to lift it back to close the EBOs so there the cost we incur because there is no cost as far as interior is concerned because its spent by the franchise only.
- Rishab Nahar:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from BEC Investment. Please go ahead.

- Rahul Agarwal:** Very good morning. First question was for the nine-months could you give me breakdown into what is the absolute number for cotton and woolen garment sold and Y-o-Y growth?
- Sandeep Jain:** I will tell you the exact volume of nine months of woolen and cotton in last financial year and nine-months we sold approximately 1267548 pieces of woolen and this year it is 1361480. When we talk about cotton it was 2520133 for last year and this year it is 2722729 so growth of approximately 8% in volume and in kids it was 280982 for last year and this year it is 314271, a growth of around 11.85%. So there has been volume growth across all these categories that is woolen, cotton, and kids approximately 7% to 8%.
- Rahul Agarwal:** So that is very similar to what revenue growth we have reported for nine-months right in value basis?
- Sandeep Jain:** Yes, I think 1.5% to 2% is the value growth and balance is the volume growth.
- Rahul Agarwal:** Secondly on the balance sheet could you give me gross debt cash balance is in inventory?
- Sandeep Jain:** The long-term debt is 72 Crores as of December and the cash in hand is approximately 140 Crores.
- Rahul Agarwal:** Anything on the working capital debt?
- Sandeep Jain:** Working capital as on nine-month is 98 Crores.
- Rahul Agarwal:** And inventory?
- Sandeep Jain:** Inventory as on now is 161 Crores.
- Rahul Agarwal:** Thirdly on the capex how much have we done for nine-months for this year how much have we spend on capex?
- Sandeep Jain:** 7.5 Crores.
- Rahul Agarwal:** Next year you are saying you have a very minimal capex so it should be similar Y-o-Y like about 10 Crores a year?
- Sandeep Jain:** Yes it should be around 15 Crores to 20 Crores.
- Rahul Agarwal:** Just two couple of more broad questions. Firstly on the EBO addition I think for this, if I look at your number fiscal 2012, 2013, 2014, 2015, 2016 this year has been the slowest in terms of net addition to EBOs. I just wanted to understand in terms of your target when you started fiscal 2016; March 2015 it was 214, today we are at 222 so it is

about 8 EBOs we have added. Is that according to plan and secondly when you are saying you will add about 30 EBOs for fiscal 2017 how do you plan for those as on what stage would those be in terms of locations and planning?

**Sandeep Jain:** See this year actually we have little slowed down as far as opening of EBOs are concerned because the margin was not that much supporting as you know that there are challenges are on so that is why less EBOs opened this year but we are optimistic as far as next year is concerned because we are opening new EBOs in west as well as in south so an addition of EBOs in eastern and northern market so we are talking about our total target of around 25 to 30 EBOs in the next financial year.

**Rahul Agarwal:** So in terms of planning those 25 to 30 have you identified locations has in the west or south how has the rollout happen?

**Sandeep Jain:** Out of that seven to eight EBOs will happen in south and west and balance will happen in northern and eastern market.

**Rahul Agarwal:** So it is again more skewed towards the core markets right?

**Sandeep Jain:** Yes but addition of southern and western also which were not there in the last year.

**Rahul Agarwal:** Lastly on the cash balance you said you have about 140 Crores apart from you have already started paying dividends last year apart from the dividend payout any thoughts in terms of utilizing this cash and reinvesting in the business?

**Sandeep Jain:** I think as our business does not require more capex so definitely the cash is not going to be used in the business but this cash has been kept aside for any opportunities if it comes on our way which is giving equal value proposition to our business so we are open for that.

**Rahul Agarwal:** Which you earlier had also mentioned that you do not want to dilute your margins so essentially whatever you buy will stay will the target would be 20% plus EBITDA right?

**Sandeep Jain:** Yes.

**Rahul Agarwal:** But I think we have not been able to find anything last year right?

**Sandeep Jain:** No we were not able to find anything, which can give us equal EBITDA.

**Rahul Agarwal:** So this would stay like this?

**Sandeep Jain:** For time being yes.



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- Rahul Agarwal:** Lastly on the IPO thing when the IPO of the company happened overall target was by fiscal 2020 you wanted to be a 1000 Crores kind of topline for this brand any changes to that you would like to make right now or you think you can still grow to that level?
- Sandeep Jain:** Definitely, I think but right now we are just seeing that the market has little slowed down as the guidance which we gave you two years back so if it depends on the market growth also but we are very confident to achieve the growth kind of growth we are having in last two three years.
- Rahul Agarwal:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Tanmai Sharma from Edelweiss. Please go ahead.
- Tanmai Sharma:** Sir thanks for the opportunity. My first question is in terms of the south and east which are your focus markets can you tell us how the growth has been across cotton and I understand woolen will be quite small here but how you are seeing the ramp up in woolen part also in these two geographies?
- Sandeep Jain:** I think the figure we will come to know by when we close to March 2016 financial year because most of the cotton dispatches happen in February and March but we are optimistic that we should grow in those areas around 20% to 25% as far as dispatches are concerned.
- Tanmai Sharma:** Sir in January there has been some pickup in the winter so did you see also commensurate pickup in your winter sales or was it too late and so the pickup did not really happen?
- Sandeep Jain:** See basically we dispatch everything for March. The good thing is that the January sales basically the winter has picked up so it will help us in clearing the retail stocks at the retail level. The stocks at the retail level will be cleared if this winter keeps on going ahead actually we have got very good news from last 15, 20 days that a lot of stocks have been cleared from the retail outlets because the clear winter and all that.
- Tanmai Sharma:** Sir the gross margin surprisingly has dipped for you by almost 100 BPS this quarter so what are the reason for that because across the board we are seeing most other commodities correct so why in this case called either not really corrected on a Y-o-Y basis?
- Sandeep Jain:** The other expenses have actually gone up which have shrunk the EBITDA at the 100 basis points the other expenses have gone up in that space.
- Tanmai Sharma:** The gross margins I said, gross.



- Sandeep Jain:** Ultimate effect of that only.
- Tanmai Sharma:** How Sir?
- Dinesh Gogna:** Because in case the winter has been affected then obviously the gross margin will also come down.
- Tanmai Sharma:** It will start from gross margin and then in EBITDA comes.
- Dinesh Gogna:** I know that gross margin ultimately because these are the expenses and which are directly related for the purpose of cotton side. Like you know my gross margin is only after expenses and not the selling expenses but so far the woolen part is concerned woolen like the consumption of the stores and spare parts and everything there is a part of the gross margin and there, there is an increase to the extent of like in the woolen side consumption of stores has gone up by 3.69 Crores and likewise some other expenses have also gone up because of that the difference to the extent of 1%.
- Tanmai Sharma:** Sir this 12% growth looks decent in the context of the delayed winter will this be largely volume led so price growth will be hardly 1% or 2%?
- Dinesh Gogna:** We have already explained it to you that some of the volume growth is concerned we have already recorded volume growth to extent of 6% to 7% and rest 1.5% to 2% is from the value growth we will ultimately reach to 10% approximately by the close of the year, because this is what according to our understanding if the volume growth is there then the value growth suppose will not to compensate the same trend or he could do the plan that will be a cheat.
- Tanmai Sharma:** No, if the sales growth this quarter is 12.3% you are saying 6% to 7% is volume growth right?
- Dinesh Gogna:** Yes.
- Tanmai Sharma:** So balance 5% is coming from where 1.5 you said is price.
- Dinesh Gogna:** From value only.
- Tanmai Sharma:** But you said this 1.5 is price so other is mix?
- Dinesh Gogna:** No that is overall nine-months I am talking about that.
- Tanmai Sharma:** Sir my last question is how has modern trade done this quarter and how much is it percentage of sales?



- Sandeep Jain:** See that is approximately around 3% to 4% of the company's total turnover in modern trade, which is national chain store as compared to last year it was around almost I think it is doubled as compared to last year 1.5%.
- Tanmai Sharma:** So the growth in modern trade would also have been more than 100% right?
- Sandeep Jain:** It is around 100%.
- Tanmai Sharma:** Why such a good growth because you have tapped into new modern trade outlets or same store growth for example stores growth is around 16%, 17%?
- Sandeep Jain:** We have increased the number of national chain store. Last year it was less so we increased it because last year it was a test launch so this year we increased the number of outlets.
- Tanmai Sharma:** Sir could you give us the same thing on the online share?
- Sandeep Jain:** See online sales we are doing almost three times as compared to last financial year.
- Tanmai Sharma:** Percentage wise has it reached?
- Sandeep Jain:** Percentage wise it was around 1% even less than 1% last year this year it is going to be I think it is around 2% to 2.5%.
- Tanmai Sharma:** Sir margins there would be lower in the online because discounts are quite common there?
- Sandeep Jain:** Yes, margins are a little lower as compared to other sales in online sales.
- Tanmai Sharma:** Are you able to share that with us?
- Sandeep Jain:** I cannot share it right now because still the sales are on, unless and until the final figure from the sales, which is happening, right now then only we can disclose about the margins.
- Tanmai Sharma:** You would be with all the three four key retailers for example the Snapdeal, Amazon, Flipkart, and the Myntra kind of players?
- Sandeep Jain:** Yes we are present on Myntra, Jabong, Snapdeal, Amazon and our own website.
- Tanmai Sharma:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Rukun Tarachandani from Kotak Mahindra Assets. Please go ahead.



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**Rukun Tarachandani:** You shared the volume numbers for different categories earlier can you just repeat that once again?

**Sandeep Jain:** In woolen nine-months last year was 1257000 and this year it is 1351000, in cotton it was 2520000, this year it is 2722000 and kids it was 280000, this year it is 314000, in home furnishing it was 383000, this year it is 398000.

**Rukun Tarachandani:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Sunil Jain from Aditya Birla Equity. Please go ahead.

**Sunil Jain:** Sandeep Ji congratulations on a good set of numbers. Just wanted to get some more color on the overall working capital position, which will show us that what the cash accretion is, so could you share with us that what was the networking capital in the December 2014 vis-à-vis December 2015.

**Sandeep Jain:** The networking capital it was 95 Crores in December 2014 and 98 Crores in December 2015.

**Sunil Jain:** 95 Crores in December 2014.

**Sandeep Jain:** Working capital borrowings.

**Sunil Jain:** No, I am saying overall working capital asset side current financial year?

**Sandeep Jain:** That was 276.93 in 2014 and 339 in 2015.

**Sunil Jain:** So overall increase of about 40 Crores?

**Sandeep Jain:** No, overall increase of around 60 Crores it has increased basically because of increase in revenues and also increase in debtors also.

**Sunil Jain:** But these would be debtors typically, which are less than three months old because you have just completed your peak season?

**Sandeep Jain:** Yes it is three months old but basically what happens is that this year payments are little delayed as compared to last year because of delayed winter.

**Sunil Jain:** But you are expecting that since the winter has pushed on those payments you will get cleared quickly now?

**Sandeep Jain:** Yes we are already receiving in January we received the payment and February we are going to like slowly receive all the payments, but it was increased in January because of good winter.



- Sunil Jain:** That is quite encouraging and what is the outlook that you are getting in terms of your cotton dispatches now?
- Sandeep Jain:** Cotton dispatches I think right now we have good order book and we would like to dispatch everything by March 31 and we will be meeting the guidance which we gave earlier also around 10% to 12% overall revenue growth as far as full year is concerned.
- Sunil Jain:** The second thing is you were earlier disclosing about this sale of raw material but now it is not appearing in the presentation so is there some change in that thing or how is it?
- Sandeep Jain:** Now we have been decided that from last 12 months we will do the sales as global sales not as we sell to the supplier sell to the vendor and then book the sales. So that fabric sale will not be there in next year financial balance sheet it will be more of a job work kind of a thing where the sale will not be book and the garments will be purchased on the job work basis.
- Sunil Jain:** So therefore if I see on a like-to-like basis that if you see your financials for the quarter ended 312 Crores would have been included some amount of raw material sales whereas 350 Crores will includes much lesser quantity of raw material sales is it that what you are saying?
- Sandeep Jain:** Yes definitely you are right. After adjustment of raw material sales if I then my EBITDA become 22.44% as compared to 21.97%.
- Sunil Jain:** Sorry as compared to?
- Sandeep Jain:** 21.97% which we reported right now, but in the next quarter onwards I think all the fabric sales will be cut down, we will be spending all our fabric to the job worker and will get the job work done from the vendors so our fabric sale will not be booked, so actual sales will not contain any fabric mills from next quarter.
- Sunil Jain:** So therefore there is some scope of increasing the EBITDA margin there?
- Sandeep Jain:** Yes, EBITDA will increase in that case.
- Sunil Jain:** The other thing which I therefore understand is that while the sales growth on overall basis looks at about 8%, 9% but if you take out the raw material sales from last year three months number and take out the raw material sales of this year number's then what is the kind of because that is the real sales growth right?
- Sandeep Jain:** Yes, I think it will become 9.76% then in nine-months, which is 8.78% right now will become 9.76%.
- Sunil Jain:** Let us leave the nine months. I am talking about quarter-to-quarter?



- Sandeep Jain:** Quarter-to-quarter it is become 12.69% as compared to 12.27%.
- Sunil Jain:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aman Batra from Goldman Sachs. Please go ahead.
- Aman Batra:** Good morning Sandeep Ji. Sandeep Ji, can you give me this YTD value growth for various segments woolens and cottons in value growth?
- Sandeep Jain:** As I explained earlier the 7% is around 6% to 7% is the volume growth and the balance is the value growth.
- Aman Batra:** Then in terms of segments woolen and cotton separately if you can give?
- Sandeep Jain:** I will give you the figure. In nine months total it was 175 Crores in financial 2014-2015 for woolen now it is 185.9 Crores and in quarters it was 221 Crores which is 239 Crores this financial year in case of kids it was 19.2 Crores ad this year it is 23.5 Crores and home furnishing 42.9 Crores which is 53.6 Crores.
- Aman Batra:** The cotton growth seems to be fairly low YTD any specific reason because that is the segment that could have grown phenomenally?
- Sandeep Jain:** It will come in this quarter because most of our cotton dispatches of summer happen in fourth quarter so once we have a final year full year figure then the cotton dispatches will definitely have the more growth as compared to the nine months.
- Aman Batra:** Anything on the working capital that seems to be again fairly high even on Y-o-Y basis 60 Crores increases it is looking like in number of days this is expanding as well?
- Sandeep Jain:** That is basically because of delayed winter and actually the debtors have increased because of that but now we have started receiving payments once January has started so I think we will have more posted figure once we have in March closing.
- Aman Batra:** Lastly is on the tax rate, tax rate is you are running at 35% any specific reason that it is higher than 33%, 34%?
- Sandeep Jain:** No, tax rate that is basically is not this. It is deferred tax liability, which is inclusive of deferred tax liability, which is not real liability. It is because under law we have to calculate that so otherwise it comes to only 33 point in our sales generation comes to around 33.9%.
- Aman Batra:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Prashant Tapse from Mehta Equities. Please go ahead.

**Prashant Tapse:** Good afternoon Sandeep Ji. Looking at your presentation, page number six your focus is to reduce dependency on north region and improve in the south region while looking at the slide number 13 that is your retail presence and the retail network your presence in Karnataka is less than 10 stores what about Tamil Nadu, Kerala and other states?

**Sandeep Jain:** We have started spending in southern region in the last financial year only so we opened one store in Kochi, one store we are opening in Chennai, one store now we are opening in Mangalore so and one store we are opening in Hyderabad also in this financial year only by March 2016 so totally we have 12 stores as compared to 8 stores right now in south so we are increasing regularly.

**Prashant Tapse:** In December 2015 there will be eight stores and March it will be around 12?

**Sandeep Jain:** We will have around 12 stores in south by March 2016.

**Prashant Tapse:** What is your target for next year from South India because the more focus will be on the South Indian expansion?

**Sandeep Jain:** We plan to open around 25 to 30 EBOs out of that we plan that 35% to 40% to come in southern and western region.

**Prashant Tapse:** Thank you Sir.

**Moderator:** Thank you. The next question is from the lone of Vinod Malviya from Florin Free Advisors. Please go ahead.

**Vinod Malviya:** Sir can you provide me what could be the inventory level at the vendor's retail level?

**Sandeep Jain:** The retail level see as far as EBOs are concerned the level is almost same as compared to last year, but in case of MBOs because we are not aware of their system so that we cannot know but as far as our marketing team is concerned the levels are almost same right now as we setting on January 31 as compared to last year.

**Vinod Malviya:** So there is no difference in terms of inventory I because the winter this time was much shorter so I thought that the inventory would be much higher and the next year sales can get impacted is there anything?

**Sandeep Jain:** You are absolutely right on December 31 it was higher but when that winter sale started and in January when the winter was clear in Northern India and Eastern India so that inventory came down.

- Vinod Malviya:** Sir second question was on the cotton side so for the next cotton season the cotton there would be a degrowth in the cotton cultivation so some 10% to 15% degrowth is expected so the cotton price will shoot up from the current level so in terms of margin how what would be your margin profile going forward in the quarter's space?
- Sandeep Jain:** Cotton we have already booked in September and October so as of now our dispatches have started so we are not like affected by any cotton prices increases, we have summer production as of now because already the raw material was sourced in October and September and the dispatches is happening in February and March and next year if the cotton prices goes up then also there will be an increase in the garment price also but as of now in this financial year I do not think there is any difference and it will effect as far as our cotton raw materials are concerned.
- Vinod Malviya:** So that is what I wanted to understand so in the cotton space how well you are positioned to take some price hike for our garment basically?
- Sandeep Jain:** Basically it is 15% to 20% lower as compared to our competing brand so we still have a gap of around 15% to 20% which we can kill year-by-year as the cotton price goes up.
- Vinod Malviya:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sahil Doshi from Birla Sun Life. Please go ahead.
- Sahil Doshi:** Good morning. There are two parts to the question. One is which Abneesh was trying to ask on the gross margin why has cost of goods sold gone up and the second part is the other expenditures has gone up 30% in three month and 18.4% in nine-month if you can just explain us?
- Sandeep Jain:** That is because of this so far the cost of material is concerned there is a little hike in the cost of material and secondly because in the woolen side stores and other parts which are part of the manufacturing expenses that has also gone high and so far the other overall margins are concerned that has been effected because of the increase in the other expenses.
- Sahil Doshi:** So why has the other expenditure gone up Sir?
- Sandeep Jain:** The other expenditure for example for the rent like the rent have gone up so because of that this rent has gone as high 1447 lakhs it is a normal increase, likewise the traveling expenses also has gone up the processing charges has also gone up so advertisement expenses like as compared to the last year it was around 22 Crores and this year it has been booked as roughly around 24750000 Corers so there also 2340000 lakhs

difference and the rebated discount has also gone up by 83.46 because earlier stocks were there those have been disposed up and there the further discounts which have been given either for the cash sale or some of the sales.

**Sahil Doshi:** Bids and discount are part of other expenditure, is it?

**Sandeep Jain:** Yes this rebate and discount as on today in case we give any discount for the purpose of pushing the sales that is to be netted from the sales side, but this is the cash discount and other things like which we give and of the earlier goods like that is to be debited separately or early debt discount or something.

**Sahil Doshi:** As a percentage of sales how much will be rebate and discount be today vis-à-vis last year?

**Sandeep Jain:** As percentage of sales like in this we see this rebate and discounts as 83.46 lakhs and my total sales is 350 Crores so it will be approximately 1.5%.

**Sahil Doshi:** How much of this 1.5% last year?

**Sandeep Jain:** Last year figure I do not have at the moment like I can check it up and email to you please.

**Sahil Doshi:** Secondly what is the same store sales growth of the EBO?

**Sandeep Jain:** The same store growth is in single digits in nine-months.

**Sahil Doshi:** How much is the number?

**Sandeep Jain:** It is around 3% to 4%.

**Sahil Doshi:** Is it that the EBO stores are not contributing the way we would like to because we have also reduced the guidance of the EBO stores are you happy with the performance of EBO stores or you think the other formats are doing better?

**Sandeep Jain:** No it is not like that, the reason is that other format like LFS is national chain store is the base is very low so the growth appears very large on the smaller base but in case of EBOs the base has become very large but as you also know that right now we are sitting in the nine months so we still have three months whether where we have the sales figure from our EBOs also, so we had set a single digit growth to be there for the EBOs in this financial year also and overall because we are getting good response from online sales also, online sales have improved almost three time sales compared to last year, national chain store sales would be almost double as compared to last year so these channels will actually help us in future growth also?





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- Sahil Doshi:** Thank you. Wish you all the best.
- Moderator:** Thank you. We have a follow on question from the line of Rahul Agarwal from VEC Investment. Please go ahead.
- Rahul Agarwal:** Just lastly based on what has happened over nine-months which has been a bit slower than what was expected in our opinion 85% to 90% of the business almost done by in nine-month and fourth quarter is left would you like to give an indication for fiscal 2017 topline growth and EBITDA margin right now?
- Sandeep Jain:** It is difficult for us to give any guidance for financial 2017 unless and until we see this stock level at the retail level in March 2016 and also we have the booking which is coming up in April so it is too early to give us any guidance but as far as experience over past so many years we should see that we should continue to have the kind of growth we are having.
- Rahul Agarwal:** So maybe on the year-end call we could get some number right?
- Sandeep Jain:** Yes.
- Rahul Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dikshit Mittal from Shubhkam Ventures. Please go ahead.
- Dikshit Mittal:** Good afternoon Sir. Sir in the press release you mentioned the margin pressure is because of the change in product mix, so which are the products, which have the lower margins in the company level Sir?
- Sandeep Jain:** Basically it is not like the difference is only 100 basis points as far as different parts are concerned in cotton and woolen but overall other expenses actually have gone up that is why the margin is only 100 basis points less as compared to last year the difference is not that much there is only 100 basis points in EBITDA and in PAT it is even less the difference is only 0.4% as far as PAT is concerned in a overall nine-months.
- Dikshit Mittal:** So on a full year basis what kinds of margin are sustainable Sir should be build in?
- Sandeep Jain:** Definitely.
- Dikshit Mittal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manu Segal and Individual Investor. Please go ahead.



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- Manu Segal:** Good morning and good afternoon. Thanks for this call. I was actually wanting to just thank you for this call and for this initiative so this gives us one opportunity to maybe speak to the management and ask our questions. I would also request through you if this can be perhaps done for other group companies as well?
- Sandeep Jain:** Yes, we will try that. We will take your suggestion like and for next quarter results we will try to arrange the same type of conference for the other group companies also.
- Manu Segal:** Thanks a lot.
- Moderator:** Thank you. As there are no further questions, I would like to hand the floor over to Mr. Jimesh Sanghavi for closing comments.
- Jimesh Sanghavi:** I would like to thank you all again for joining us on this call. I would request Mr. Sandeep Jain if you have any closing comments.
- Sandeep Jain:** Thank you very much for attending this conference. We value all the questions, which have been asked. You also say that if there are any questions, which you want to ask, or you have any queries please mail to our representative at Bombay we will be more welcome to answer all the queries. Thank you.
- Moderator:** Thank you. Ladies and gentlemen on behalf of SBI Capital Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.



**Conference Name:** Monte Carlo Earnings Conference Call  
**Time:** February 02, 2016 - 11:30 hrs. IST  
**Main Speaker(s):** Management - Monte Carlo

*Total 49 Participants including the Speakers.*

### Participants List

Sr. No.	Name	Company
1	HOST: Mangement	Monte Carlo
2	HOST: Jimesh Sanghavi	SBI Cap
3	Abhijit Tripathi	Religare
4	Akshay Barjatya	Rubicon Capital
5	Aman Batra	Goldman Sachs
6	Ami Sabarwal	Dickenson Segull
7	Amit Khurana	Dolat Cap
8	Bhavesj Jain	Envision Capital
9	Dikshit Mittal	Shubhkam Ventures
10	Dipanshu Madan	Locus
11	Ennette Fernandes	TATA AMC
12	Gaurav Jogani	PL
13	Gokul Maheshwari	Allard Partners
14	Harshil Shah	Anvil Research
15	Jinal Fofalia	Alf Accurate Advisors
16	Kush Gangar	Care PMS
17	Madhukar K	Individual Investor
18	Madhuri Sawant	Anmol Sekhri Pvt Ltd
19	Manju Bhashini	Sundaram Mutual Fund
20	Manu Sehgal	Individual Investor
21	Mehak Oberoi	Emkay Gloabl
22	Mihir Shah	Axis Capital
23	Nirvi Ashar	KR Choksey
24	P Venkatesh	Optimum Securities
25	Pragati Khadse	NRC
26	Prashant Tapse	Mehta Equities
27	Pratik Naulakha	Samara Capital
28	Puneet Sharma	Aadhar Securities
29	Rahul Agarwal	VEC Investments
30	Resham Jain	B&K Securities
31	Runjhun Jain	Nirmal Bang
32	Rishab C	Enam Holdings
33	Rishabh Sheth	Girik Capital
34	Rukun Tarachandani	Kotak Mahindra Asset Management
35	Sadhana Dalvi	Research Bytes
36	Sagarika Mukherjee	Antique Stock Broking
37	Sahil Doshi	Birla Sunlife
38	Sameep Kasbekar	Emkay Gloabl
39	Shirish Matal	Cogencis
40	Shivani Vishwanathan	Way2Wealth
41	Sonal Gandhi	Anand Rathi
42	Sumit Jain	ASK Investments
43	Sunil Jain	Aditya Birla Equity
44	Surbhi Moondra	Anand Rathi
45	Tanmai Sharma	Edelweiss
46	Tejas Doshi	Labdhi Investments
47	Varun E	ILFS
48	Vinod Malviya	Florine Tree Advisors
49	Vishal Shah	Doha Bank