



Q3 & 9M FY18

It's the way you make me feel

# INVESTOR PRESENTATION

February 2018



TIMELESS LOVE



Its the way you make me feel

# Q3 & 9M FY18 Investor Presentation

## VISIBILITY FOR STRONG GROWTH

- Well positioned to deliver strong growth for the current year
  - Effect of demonetization and early impact of GST now behind
  - Robust orderbook to deliver strong sales during the winter
- Low inventory from last winter as goods were sold at discount in March quarter

## POSITIVE BUSINESS OUTLOOK

- Focus on new markets and new product offerings
- Strong traction in making further inroads in western and southern markets in India
- Launch fitness & fashion wear range “Rock.it”.

## CONSISTENT FOCUS ON SHAREHOLDER RETURN

- Low Capex requirement for next two years, near term growth will be achieved from higher capacity utilization
- Committed to generate strong shareholder returns with increasing cash flows in future

## IMPROVED WORKING CAPITAL CYCLE

- Reduction in inventory leading to efficient working capital cycle and higher operating cash flow in FY2017
- Working capital increased during December quarter as we made sales for winterwear, which is expected to come down in March quarter

## HEALTHY CASH FLOW & STRONGER BALANCE SHEET

- Strong balance sheet with low overall debt; Long term borrowing at INR 141 mn as of September 2017
- Strong balance sheet is reflected through high cash balance of INR 1,361 mn (includes cash and bank balance along with current and non-current investments)

## PRICING POWER

- Being a premium brand, Monte Carlo enjoys strong pricing power

○ No discount sharing with MBOs

○ Limited discount sharing with franchisee owned EBO

## ORDER TO PRODUCE MODEL

- Majority of revenues come from outright sales

○ Sales to MBOs and franchisee owned EBOs (FOFO) are pre-booked and on outright basis

○ Inventory is owned only in case of Company owned EBOs (COCO)

## MINIMUM GOODS RETURNED

- Goods sold have minimum risk

○ Product return is only allowed in case of NCS (<10% of sales) and franchisee owned EBOs (5-15% return allowed)

○ No inventory risk in case of sales to MBOs

## LOW CREDIT RISK

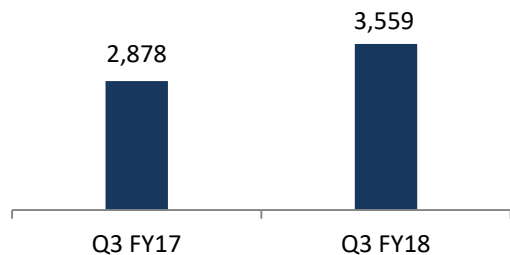
- Zero bad debts till date

○ MBO sales are through exclusive commissioned agents and distributors

○ Franchisee owned EBOs work on bank guarantee and PDC

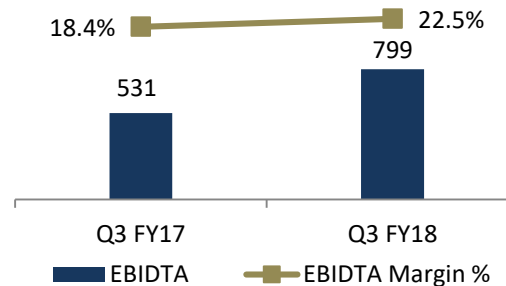
# Q3 & 9M FY18 – RESULT HIGHLIGHTS

## REVENUES \*



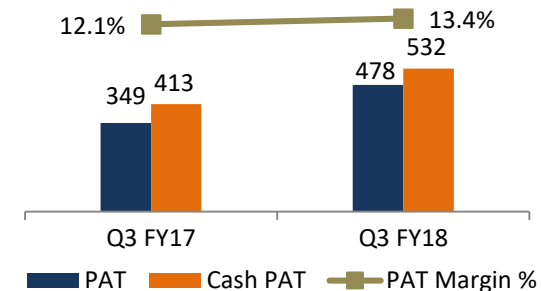
## Q3 FY18 YoY ANALYSIS

### EBIDTA & EBIDTA MARGIN% #

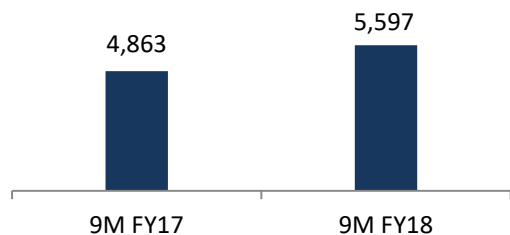


## In Rs Mn

### PAT, CASH PAT & PAT MARGIN %

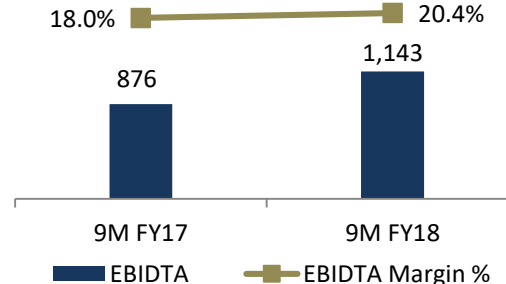


## REVENUES \*

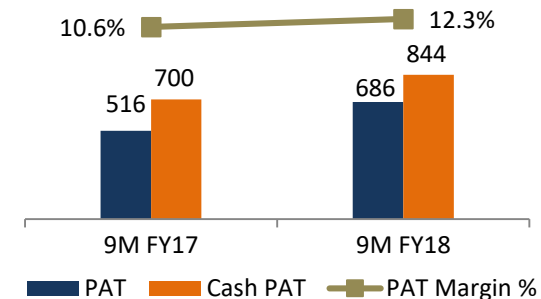


## 9M FY18 YoY ANALYSIS

### EBIDTA & EBIDTA MARGIN% #



### PAT, CASH PAT & PAT MARGIN %



Note – \*Previous year figures have been recast as per Indian Accounting Standards to make them comparable with current year figures

# EBIDTA W/O Other Income, Cash PAT = PAT + Depreciation

\* Revenues includes sale of raw materials (Fabric & Yarn) but doesn't include other income. Fabric & Yarn sales: Q3 FY17 – Rs 88 Mn, Q3 FY18 – Rs 167 Mn &

9M FY17 – Rs 459.8 Mn, 9M FY18 – Rs 595.6 Mn

# Q3 FY17 Revenues is shown net of Excise duty as per Ind AS

## REVENUE \* BREAKUP – SEGMENT WISE

	Q3 FY18	Q3 FY17	9MFY18	9MFY17	FY17	FY16
<b>Total Revenues (Rs. Mn)</b>	<b>3,386</b>	<b>2,856</b>	<b>4,996</b>	<b>4,477</b>	<b>5,343</b>	<b>5665</b>
Woollen Segment	35.1%	41.1%	28.6%	30.8%	28.1%	34.2%
Cotton Segment	51.3%	48.9%	57.1%	54.5%	58.0%	51.3%
Home Furnishings	7.4%	5.9%	8.7%	10.3%	9.1%	9.7%
Kids	5.5%	4.1%	5.1%	4.4%	4.8%	4.9%
Rock it	0.7%	0.0%	0.5%	0.0%	0.0%	0.0%

### FOCUS ON PRODUCT DIVERSIFICATION

- Consistent growth in Cotton products, **Cotton contributes 57.1% of 9M FY18 revenues compared to 54.5% in the corresponding period previous year**
- Winter sales have picked up in Northern India, signalling strong winter during the year
- Woollen sales registered strong growth during the quarter

\* Revenue from Core Products

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet  
COCO – Company own Company operated, FOFO – Franchise own Franchise operated

# Q3 & 9M FY18 – REVENUE ANALYSIS

## Q3 FY 18 REVENUE \* BREAKUP – CHANNEL WISE

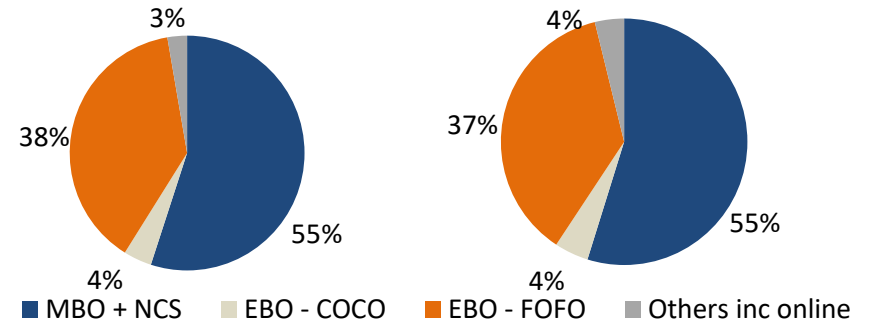
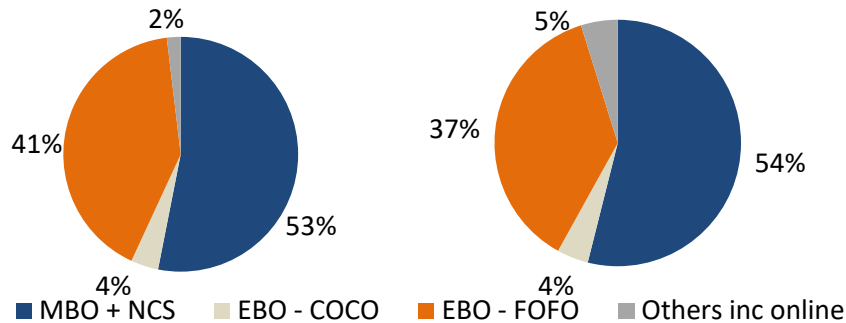
## 9M FY 18 REVENUE \* BREAKUP – CHANNEL WISE

Q3 FY17: Rs 2,856 Mn

Q3 FY18: Rs 3,386 Mn

9M FY17: Rs 4,477 Mn

9M FY18: Rs 4,996 Mn



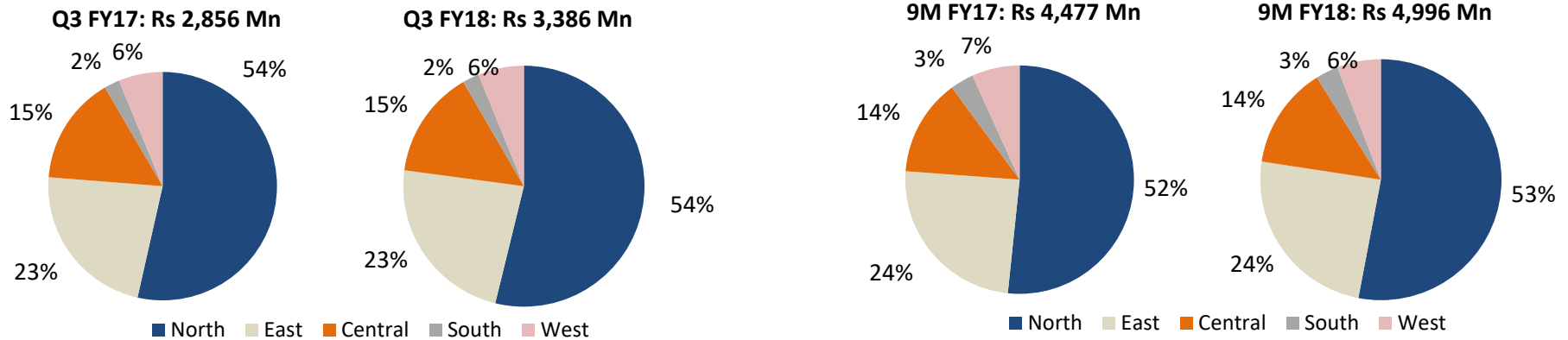
### FOCUS ON CHANNEL DIVERSIFICATION

- Improved traction across NCS, including large format stores like Reliance retail, Shopper stop, Aditya Birla Fashion, Central, Kapsons.

\* Revenue from Core Products

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet  
COCO – Company own Company operated, FOFO – Franchise own Franchise operated

## REVENUE \* BREAKUP – REGION WISE



### FOCUS ON REGIONAL DIVERSIFICATION

- Strategic focus to build a pan India presence
- Central region is contributing 15% of the overall sales for the quarter

\* Revenue from Core Products



STORE NETWORK			
Type of Store	FY16	FY17	9M FY18
EBO – COCO	21	20	21
EBO – FOFO	202	211	213
MBO	2,000+	2,300+	2500+
NCS	164	198	270

EBO – NET ADDITIONS			
	FY16	FY17	9M FY18
Existing	214	223	231
New Opened	24	17	9
Closed	15	9	6
<b>Total EBOs</b>	<b>223</b>	<b>231</b>	<b>234</b>

- Strategic focus to build a pan India presence; Focus on increasing presence in Southern and Western markets
- Significant increase in MBO and NCS outlet in FY17, which continued in 9M FY18
- In addition to 234 EBO'S Company have 3 Overseas EBO'S (Nepal)

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet

COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

# Q3 & 9M FY18 – CONSOLIDATED PROFIT & LOSS

Particulars (in million)	Q3FY 18	Q3 FY 17	YoY%	9M FY18	9M FY17	YoY%	FY17
Net Sales	3,553.3	2,873.0	23.7%	5,587.1	4,853.6	15.1%	5,828.6
Other Operating Income	5.9	5.1	15.7%	9.6	9.0	6.7%	12.4
<b>Total Income from Operations</b>	<b>3,559.2</b>	<b>2,878.1</b>	<b>23.7%</b>	<b>5,596.7</b>	<b>4,862.6</b>	<b>15.1%</b>	<b>5,841.0</b>
Material Costs	2,238.6	1,900.8	17.8%	3,146.1	2,677.2	17.5%	3,281.2
<b>Gross Margin</b>	<b>1,320.6</b>	<b>977.3</b>	<b>35.1%</b>	<b>2,450.6</b>	<b>2,185.4</b>	<b>12.1%</b>	<b>2,559.8</b>
<b>Gross Margin %</b>	<b>37.1%</b>	<b>34.0%</b>	<b>315 bps</b>	<b>43.8%</b>	<b>44.9%</b>	<b>-116 bps</b>	<b>44.0%</b>
Personnel Expenses	122.1	116.5	4.8%	386.5	364.4	6.1%	492.3
Advertisement Expenses	70.8	103.0	-31.3%	155.2	245.3	-36.7%	299.2
Other Expenses	328.4	227.1	44.6%	766.3	699.8	9.5%	992.2
<b>EBITDA</b>	<b>799.3</b>	<b>530.7</b>	<b>50.6%</b>	<b>1,142.6</b>	<b>875.9</b>	<b>30.4%</b>	<b>776.1</b>
<b>EBITDA Margin %</b>	<b>22.5%</b>	<b>18.4%</b>	<b>402 bps</b>	<b>20.4%</b>	<b>18.0%</b>	<b>240 bps</b>	<b>13.3%</b>
Other Income	8.6	88.1	-90.2%	96.6	182.6	-47.1%	221.0
<b>EBITDA Margin (incl. Other Income)</b>	<b>22.7%</b>	<b>21.5%</b>	<b>120 bps</b>	<b>22.1%</b>	<b>21.8%</b>	<b>-37 bps</b>	<b>17.0%</b>
Depreciation	54.4	63.8	-14.7%	158.8	184.3	-13.9%	247.4
Interest Expense	25.4	20.0	27.0%	61.1	98.4	-37.9%	119.6
CSR Expenditure	-	1.1	-100.0%	0.8	1.1	-27.3%	3.0
<b>PBT</b>	<b>728.1</b>	<b>533.9</b>	<b>36.4%</b>	<b>1,018.5</b>	<b>774.7</b>	<b>31.5%</b>	<b>627.1</b>
Taxes	250.3	184.8	35.4%	332.9	258.6	28.7%	203.9
<b>PAT</b>	<b>477.8</b>	<b>349.1</b>	<b>36.9%</b>	<b>685.6</b>	<b>516.1</b>	<b>32.8%</b>	<b>423.2</b>
<b>PAT Margin %</b>	<b>13.4%</b>	<b>12.1%</b>	<b>130 bps</b>	<b>12.3%</b>	<b>10.6%</b>	<b>-164 bps</b>	<b>7.2%</b>
<b>Total Comprehensive income</b>	<b>478.2</b>	<b>349.0</b>	<b>37.0%</b>	<b>684.2</b>	<b>515.7</b>	<b>32.7%</b>	<b>423.2</b>
<b>EPS</b>	<b>21.99</b>	<b>16.06</b>	<b>36.9%</b>	<b>31.55</b>	<b>23.75</b>	<b>32.8%</b>	<b>19.47</b>

Note – \*Quarterly figures are as per Indian Accounting Standards (INDAS) whereas the annual figures are as per Indian GAAP.

\* Revenues includes sale of raw materials (Fabric & Yarn). Fabric & Yarn sales: Q3 FY17 – Rs 87.8 Mn, Q3 FY18 – Rs 167 Mn FY16 – Rs 425.9 Mn, FY17 – Rs 498 Mn

## FOCUS ON BRAND & PRODUCT PORTFOLIO EXPANSION

- Focus on branding and promotion to further increase our visibility and market share across India
- Focus on a comprehensive range of cotton and cotton-blended products which cater to all seasons in-order to expand our all-season product range and strengthen our pan-India operations.

## FOCUS ON RETAIL NETWORK EXPANSION

- Plan to diversify our pan-India presence by penetrating into the southern and western regions of India.
- Focus on Online sales through own portal as well as Tie-ups with e-commerce portals such as Flipkart, Jabong, Myntra and Snapdeal.

## FOCUS ON RETURN RATIOS EXPANSION

- No major capex requirement for over next 2 years. Average sustaining capex is to be in the range of INR 100-150 mn on yearly basis in the next two years
- Ability to sustain Robust growth without any major capex. Therefore Return ratios set to improve.



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## COMPANY OVERVIEW

### RECOGNISED BRAND & DIVERSE PRODUCT PORTFOLIO

- Launched in 1984, '**Monte Carlo**' has emerged as one of the leading brands in apparel industry in India
- 'Monte Carlo' is recognized as '**Superbrand**' for woollen knitted apparels by Consumer Superbrands India since 2004
- Under the umbrella brand of 'Monte Carlo', Company has a comprehensive product portfolio across woollen, cotton & cotton blended, home furnishing and kids segments
- The Company has various sub-brands under the Umbrella Brand 'Monte Carlo'
  - 'Luxuria' - premium range for menswear & 'Cloak and Decker' - economy range for menswear
  - 'Denim' - exclusive range for denim apparels
  - 'Alpha' - exclusive range for womenswear & 'Twens' - exclusive range for kidswear
  - 'ROCK IT' – Premium range for sportswear

### WIDE-SPREAD REACH & PRESENCE

- Wide-spread retail presence across India through a judicious mix of EBOs, MBOs and national chain stores located in 19 states & 1 union territory
- As on Dec 2017, the Company had 234 EBOs (21 EBO – COCO, 213 EBO – FOFO), 2500+ MBOs and 270 NCS
- E-commerce presence through own portal [www.montecarlo.in](http://www.montecarlo.in) and [www.rockit.co.in](http://www.rockit.co.in) as well as tie-ups with Digital platforms such as Flipkart, Amazon, Jabong, Myntra ,Snapdeal and Kapsons

### KEY FINANCIALS

- Consolidated Revenues, EBITDA and PAT were Rs. 5,841 mn, Rs. 776 mn and Rs.423 mn in 2017
- Strong balance sheet is reflected through high cash balance of INR 1,361 mn (includes cash and bank balance along with current and non-current investments)



### RANGES LAUNCHED UNDER THE BRAND – “MONTE CARLO”



Range	Woolens & Woollen-blended	Cottons & Cotton-blended	Home Furnishing	Kids
<b>Monte Carlo</b> – Premium and mid-premium segments for men	Sweaters, Pullovers thermals,,woollen accessories (caps, mufflers, shawls, stoles)	Shirts, trousers, t-shirts, track-suits and jackets	Mink blankets, bed sheets and quilts	
<b>Luxuria</b> – Premium range for Men	cash-wool sweaters, blazers, coats	Cotton shirts, trousers and t-shirts		
<b>Denim</b> – Mid-premium Range		Denim trousers (jeans) and shirts		
<b>Alpha</b> – Exclusive range for Women	Sweaters, cardigans	Shirts, t-shirts, tops, trousers, jackets and sweat-shirts		Sweat-shirts
<b>Tweens</b> – Exclusive Kids wear Collection for 7-13 years age group				Sweaters, Cardigans, Shirts, t-shirts and Bottoms
<b>Cloak &amp; Decker</b> – Economy range for men		Cotton and cotton-blended t-shirts		
<b>Sportswear</b> – fitness & fashion wear range “Rock.it”		Tank, Polo T-Shirts, Shorts, Track Pants		

### IN-HOUSE DESIGN & PRODUCT DEVELOPMENT:

- Strong design team of over 30 professionals closely tracking the trending global fashion
- Focus on developing new products, improving existing ones and forecasting fashion trends
- Regular market surveys done by exclusive commissioned agents to understand consumer tastes and feedback

### MANUFACTURING CAPABILITIES:

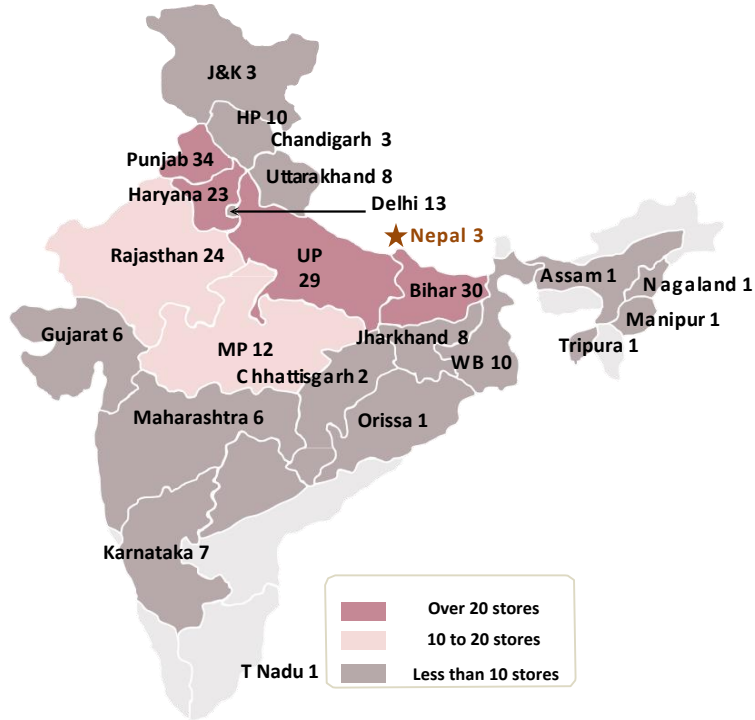
- Three manufacturing facilities in Ludhiana, Punjab -
  - One for woollen apparels
  - Two for cotton apparels
  - The manufacturing facilities include facilities for product development, design studio and sampling infrastructure
- In-house manufacturing of woollen knitted apparels
- Outsourced manufacturing of cotton and cotton-blended apparels
- Recently started in-house manufacturing of cotton t-shirts and thermals



# BUSINESS OVERVIEW

## OUR RETAIL PRESENCE

### PAN INDIA PRESENCE ACROSS 22 STATES & 1 UNION TERRITORY



### STORE NETWORK

Type of Store	FY16	FY17	As on Date
EBO – COCO	21	20	21
EBO – FOFO	202	211	213
MBO	2,000+	2,300+	2500+
NCS	164	198	270
E-Commerce	Amazon, Flipkart, Myntra, Jabong and Snapdeal		

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet

COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

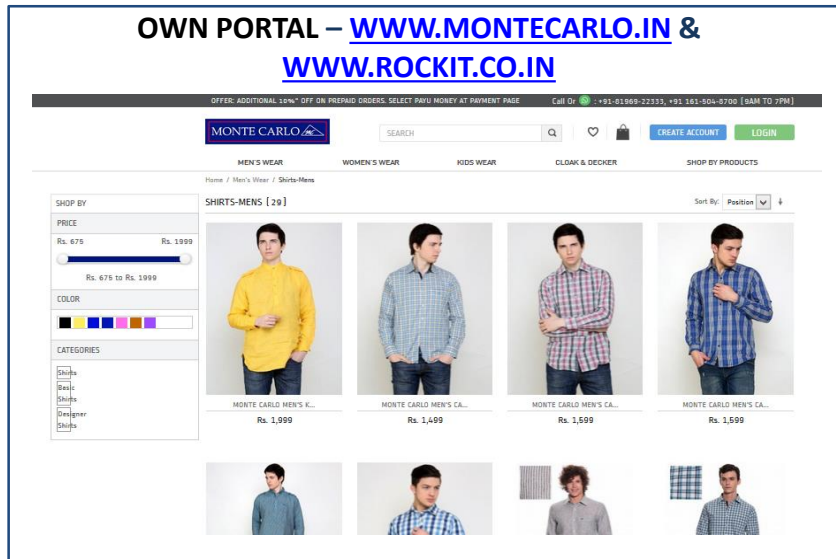


# COMPANY OVERVIEW

## OUR E-COMMERCE PRESENCE

- Building our presence on e-commerce platform through our own portal [www.montecarlo.in](http://www.montecarlo.in) & [www.rockit.co.in](http://www.rockit.co.in)
- Have Entered into distribution agreements with some of the leading Indian digital commerce platforms for online sale of our products

### OWN PORTAL – [WWW.MONTECARLO.IN](http://WWW.MONTECARLO.IN) & [WWW.ROCKIT.CO.IN](http://WWW.ROCKIT.CO.IN)



The screenshot displays the Monte Carlo e-commerce portal interface. At the top, there is a navigation bar with the Monte Carlo logo, a search bar, and links for 'CREATE ACCOUNT' and 'LOGIN'. Below the navigation bar, there are category tabs for 'MEN'S WEAR', 'WOMEN'S WEAR', 'KIDS WEAR', 'CLOAK & DECKER', and 'SHOP BY PRODUCTS'. The main content area shows a product listing for 'SHIRTS-MENS [20]'. On the left, there is a sidebar with filters for 'SHOP BY', 'PRICE' (ranging from Rs. 675 to Rs. 1999), 'COLOR', and 'CATEGORIES'. The product grid displays four shirts with their respective prices: Rs. 1,999, Rs. 1,499, Rs. 1,599, and Rs. 1,599. The bottom of the grid shows four more shirt thumbnails.

### TIE-UPS WITH ONLINE PLATFORMS



The image displays logos for five online platforms: Flipkart.com (The Online Megastore), Amazon, Jabong.com, Myatra.com, and Snapdeal.com. Additionally, there is a circular seal for 'SINCE 1989' with a mountain range and the text 'SINCE 1989'.



### BUSINESS CYCLE FOR WINTER SEASON SALES

- Product development & Sampling process
- Design process is finalised
- Sample sets sent to our commissioned agents (CA)
- Commissioned agents display the samples to dealers and distributors
- Company organizes fashion shows to showcase proposed products to the MBOs
- CAs procure orders from MBOs and act as an interface between the Company and MBOs
- The dealers and distributors of the MBOs place orders with the CAs
- Pre-booking of orders from MBOs and franchise EBOs
- Production of pre-ordered designs commences
- Dispatching of winter wear products EBOs and MBOs
- Peak Inventory in September, at the beginning of the winter season

### BUSINESS CYCLE FOR SUMMER SEASON SALES



DESIGNING IS AN ONGOING PROCESS THROUGHOUT THE YEAR FOR BOTH COTTON AND WOOLLEN GARMENTS

PRODUCTION OF PLAIN AND BASIC DESIGNS CONTINUE THROUGHOUT THE YEAR FOR BOTH WOOLLEN AND COTTON GARMENTS

# COMPANY OVERVIEW

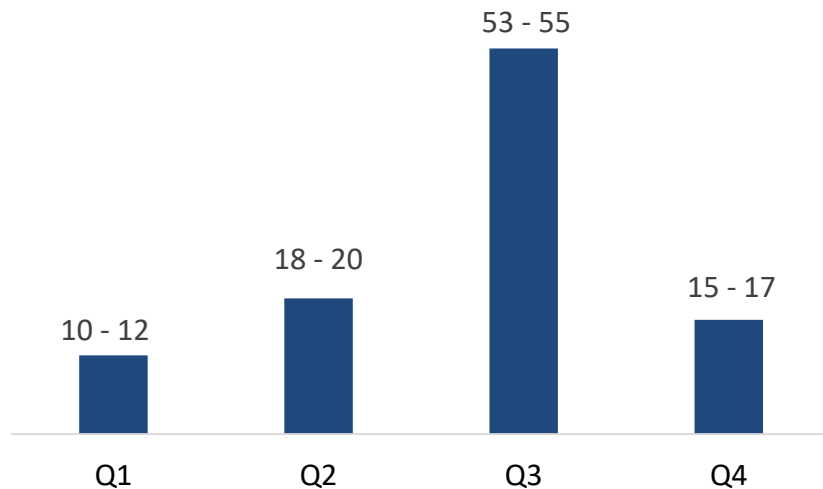
## ROBUST DISTRIBUTION MODEL

	MBO	NCS	EBO-COCO	EBO –FOFO
Total Number of Outlets (Dec17)	2,500+	270	21	213
% of Revenue Contribution – 9M FY18	55% (NCS Contribute less than 10%)		45%	
Distribution Sale Model	Pre-Booking of orders Outright Sales	SOR – Sale or Return / Outright Sales	Inventory owned by Company	Pre-Booking of orders Outright sale
Inventory Risk	No	Yes	Yes	Minimal 5% - 15 % of Products Return Allowed
Discount Sharing	No	Yes	Yes	Yes Range of 5% - 17.5%
Payment Collection – Credit Risk	Exclusive commissioned agents are liable to pay	Reputed retail chains	-	Bank guarantee's and PDC taken from franchise

**ROBUST DISTRIBUTION MODEL ASSURES MINIMAL INVENTORY RISK AND CREDIT RISK  
TILL DATE, THERE HAS BEEN NO BAD DEBTS OR RECEIVABLES WRITE OFF FOR THE COMPANY**

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet  
COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

### SEASONALITY IMPACT ON REVENUES (In % terms)



### BUSINESS SEASONALITY:

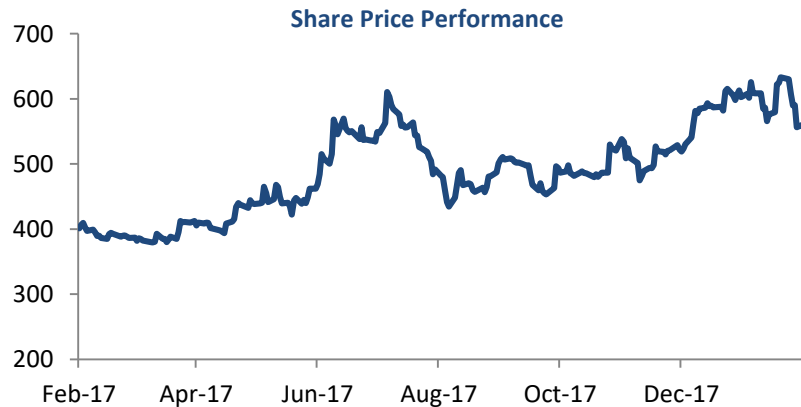
- Q3 generates highest quarterly revenues in any fiscal year
- Q3 typically involves sale of winter products –
  - Woollens / woollen blended - sweaters, jackets, cardigans
  - Cotton / cotton blended - cotton jackets, suits, sweat shirts, full sleeve t-shirts and shirts
- Winter products are sold during October to January.
- Winter products are higher in value in terms of both revenues and cost
- The Company is expanding presence in western and southern markets as well as expanding its product offerings in home furnishing and kids segments in order to reduce the overall seasonality impact

# COMPANY OVERVIEW

## SHAREHOLDING STRUCTURE

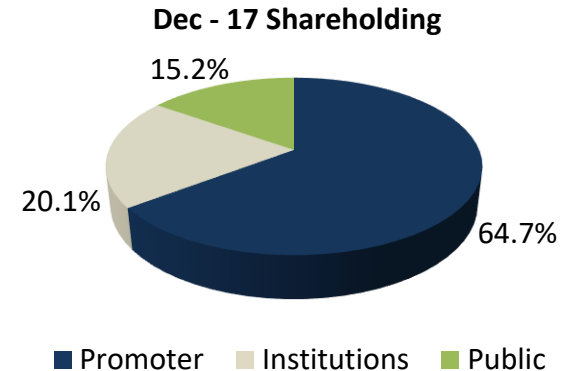
Market Data	As on 07.02.2018 (BSE)
Market Capitalization (Rs Mn)	12,140
Share Price	INR 559
No. of shares outstanding (Mn)	21.7
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	664 – 370

Source – BSE



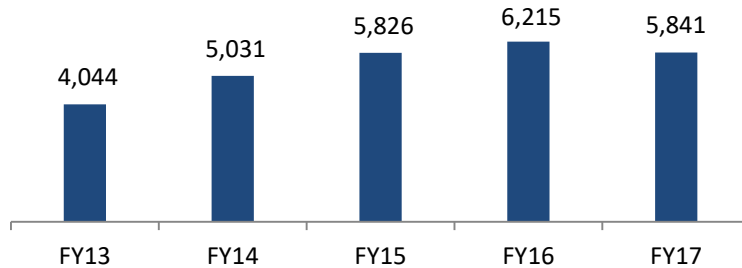
Key Institutional Investors	% Holding
Kanchi Investments Ltd (Samara Capital)	10.94
Goldman Sachs India	3.64
Birla Sun Life Trustee Co.	2.57
ICICI Prudential Life Insurance	1.81

Source – Company / BSE as on 31<sup>st</sup> December 2017

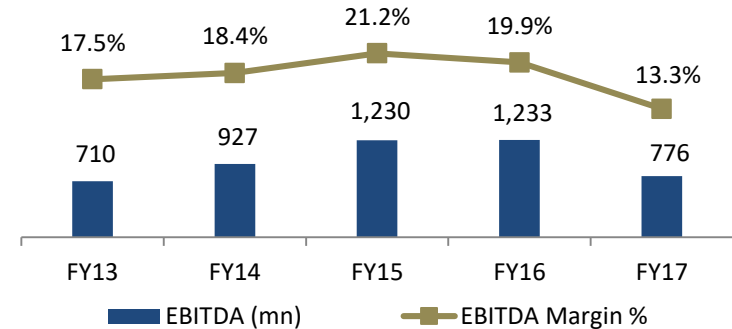


### REVENUES

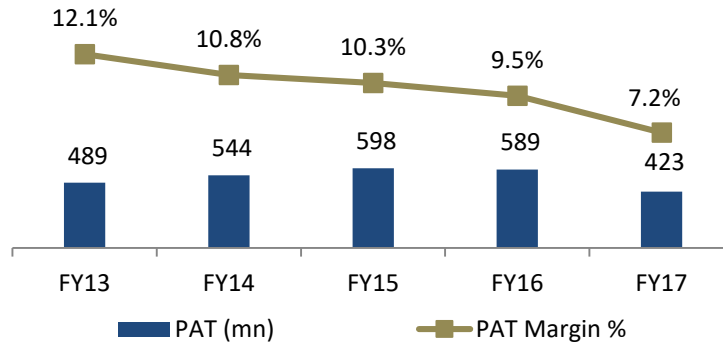
CAGR: 9.6%



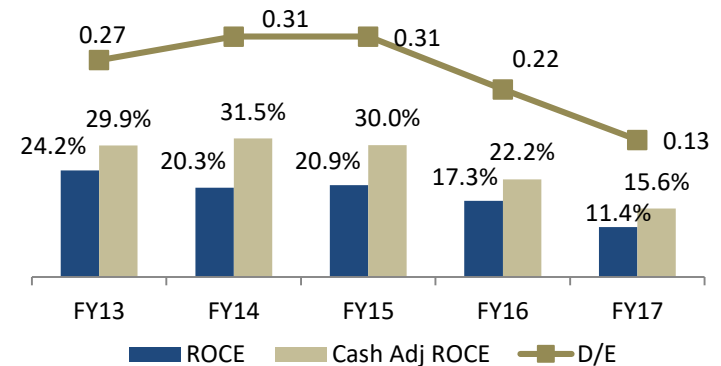
### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



### LEVERAGE & RETURN RATIOS



Note –Equity, ROCE: EBIT/Avg. Capital Employed [(Capital Employed = Equity + Total Debt), (Cash Adj. Capital Employed = Equity + Total Debt – C&E)]



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