"Monte Carlo Fashions Limited Q2 FY '27 Earnings Conference Call"

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MANAGEMENT: **MR. RISHABH OSWAL – EXECUTIVE DIRECTOR, MONTE CARLO FASHIONS LIMITED**
MR. SANDEEP JAIN – EXECUTIVE DIRECTOR, MONTE CARLO FASHIONS LIMITED
MR. DINESH GOGNA – DIRECTOR, MONTE CARLO FASHIONS LIMITED
MR. R. K. SHARMA – CHIEF FINANCIAL OFFICER, MONTE CARLO FASHIONS LIMITED
MR. ANKUR GAUBA – COMPANY SECRETARY, MONTE CARLO FASHIONS LIMITED

MODERATOR: **MR. SUNNY BHADRA – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Monte Carlo Fashions Limited Q2 FY '27 Earning Conference Call hosted by Emkay Global Financial Services 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 call, please signal an operator by pressing "*", then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunny Bhadra from Emkay Global Financial Services Limited. Thank you and over to you, Mr. Bhadra.

Sunny Bhadra: Thank you. Good morning, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today Mr. Rishabh Oswal - Executive Director; Mr. Sandeep Jain - Executive Director; Mr. Dinesh Gowna – Director; Mr. R. K. Sharma - Chief Financial Officer, and Mr. Ankur Gauba - Company Secretary.

I shall now hand over the call to the Management for the opening remarks. Over to you, gentlemen.

Rishabh Oswal: Good morning, everyone and thank you for joining us for Monte Carlo Fashions Limited's Quarter 2 and H1 FY '27 Earnings Call.

Before Sandeep ji discusses our performance and priorities, let me spend a few minutes on how we see Monte Carlo today and importantly, where we are taking the business from here. For us, the opportunity is not about changing what Monte Carlo stands for. It is about making the brand relevant to more consumers across more categories and for a larger part of the year.

Over the years, Monte Carlo has built a strong franchise in winter wear, but the business today is already much broader. Cotton apparel, kids wear, home textiles are established parts of our portfolio and our focus is now to scale these categories meaningfully. That changes the opportunity for Monte Carlo as it gives us the ability to engage with consumers beyond the winter season, expand our presence in markets where our penetration is still relatively low and get more out of our distribution network and brand that we have built over several decades. This evolution is already beginning to show in our sales mix. Cotton has been our largest reported product category since FY '22 and contributed approximately 63% of gross product sales in H1 FY '27. This is an important part of Monte Carlo's business today.

Winter nevertheless remains significant to annual performance, including through jackets within cotton apparel and blankets and quilts within home textiles. Therefore, we see two areas of opportunity. The first is to grow our established business. Our brand, long-standing retailer relationships, distribution network, and sourcing and textile capabilities provide a strong base. We see scope to grow our established categories and improve productivity across existing businesses. The second is to develop newer businesses, markets, and channels selectively.

Footwear and our newer brands are still relatively small. West and South remain markets for further expansion alongside digital and modern retail channels. We will build these opportunities with discipline.

Our priority is growth supported by consumer demand, profitability, and cash generation. We will judge progress by the quality of the business we build, not expansion alone. As we enter the second half, execution through the festive and winter selling season is the immediate priority. The first half includes inventory build and preparation across our distribution network, with quarter 3 particularly important to full-year performance. Our longer-term focus remains on growing the broader portfolio and improving business and productivity.

With that, I will now hand over to Sandeep ji to share his perspective on our priorities and discuss our Q2 and H1 FY '27 performance.

Sandeep Jain: Thank you, Rishabh. Good morning, everyone. As we grow the business, our responsibility is to balance expansion with the economics of each category and channel. The coming selling season is important, both for sales and for converting the inventory prepared in the first half into collections. This is the context in which we are assessing our performance and decision for the remainder of the year.

Let me now take you through our Q2 and H1 performance:

For Q2, revenue from operations stood at Rs. 262 crores compared with Rs. 248 crores as compared to last year, representing a growth of 5.51%. Operating EBITDA was Rs. 28.35 crores, with an operating EBITDA margin of 10.80%. Profit after tax was Rs. 1.17 crores. For H1, revenue from operations stood at Rs. 411 crores compared with Rs. 387 crores in H1 FY '26, representing a growth of 6.25%. Operating EBITDA stood at Rs. 15.42 crores with a margin of 3.7% and a loss after tax was Rs. 22.25 crores. While revenue grew, profitability was slightly lower due to higher material cost, lower other income and increased employee cost. So, there are two points that are important while reading the H1 performance.

Monte Carlo continued to have a meaningful seasonal cycle. Q3 contributed approximately 48% of FY '26 revenue. The September half includes production, inventory build and the dispatch activity ahead of the important winter selling period. This year, the later festive season shifted a meaningful part of consumer demand and winter sell-through towards Q3. H1 should therefore be read together with the seasonally important second half rather than in isolation actual consumer sell-through and collections will determine the outcome. Second, as discussed in our Q1 call, retailer returns were processed earlier in Q1 and we expect the timing effect to reverse over the following two quarters. So, gross dispatches need to be read alongside returns, rebates and provision to understand reported net revenue. For Q2, the return ratio was 16.17% compared with 23.18% last year. On H1 basis, returns were 30.70 compared with 29.47 in H1 FY '26.

On the portfolio, H1 gross sales increased across cotton, home textiles, kids wear and footwear. These are the gross category sales before returns and other adjustments rather than a reported net revenue. Cotton sales increased from Rs. 326 crores in H1 to Rs. 390 crores in H1 FY '27. Home textiles sales increased from Rs. 83 crores to Rs. 91.6 crores. Kids wear sales increased from Rs. 30 crores to Rs. 34.5 crores. Footwear increased from Rs. 4.9 crores to Rs. 9.3 crores. Woolen gross sales declined from approximately Rs. 106 crores to Rs. 94 crores. Our distribution network is also evolving. As on September 26, we reported 506 EBOs compared with 497 EBOs a year earlier. Our shop-in-shop network increased to 632 from 578. MBO declined to 1,413 from 1,615 while National Chain Stores declined to 846 from 891. We continue to assess expansion on the basis of store profitability and returns potential other than the actual outlet count alone.

Geographically, North remains our largest market. West and South together accounted for approximately 9.7% of gross sales and remain important medium-term expansion opportunities. At the same time, reported geography should be read carefully because online and certain other sales are not attributed to the individual states in the available classification. Working capital discipline remains a priority. Reported and working capital days improved from 176 in FY '25 to 146 in FY '26. The seasonal funding requirement needs to be considered alongside capital expenditure and other investment commitments. For the remainder of FY '27, our priorities are consumer sell-through, productive retail expansion and cash conversion. We continue to maintain our guidance for low double-digit revenue growth, 20% home textile growth and 40-45 new EBOs focused on West and South also.

To conclude, the business enters the important second half with a broader portfolio, an established distribution base, and multiple avenues for growth. Our approach remains consistent, profitable growth, disciplined inventory, and sensible deployment of capital.

With that, we can now open the floor for the questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Yuvraj Kunwar from Emkay Global. Please go ahead.

Yuvraj Kunwar: Hi, sir. Good morning. Sir, the first question would be around the RM inflation, how are you seeing it affecting your margins, if you quantify something, how has been the inflation trend and in Q3, what has been the trend around inflation?

Sandeep Jain: I think inflation is definitely increasing the material cost and that is evident in this quarterly performance also. But we are adequately protected as we move in Q3 because that hike has already been taken. But yes, at a macro level, inflation is actually reducing the discretionary spending. But we are confident as far as long-term outlook of the company is concerned.

Yuvraj Kunwar: Sir, any price hikes you are taking, any number you want to quantify or any qualitative output you want to share?

Sandeep Jain: We have taken a price rise of around 8% to 9% in this winter and I think that will suffice whatever raw material cost increased we have in the winter wear category.

Yuvraj Kunwar: And that might have an effect on demand as well in volumes? Easy flow through on that?

Sandeep Jain: No, I don't think so because we see that the Indian economy is growing at 7% so that shows that we have a resilient economy despite the oil price upper inflation is up and we are very confident moving into Q3.

Yuvraj Kunwar: Sir, the other question would be, the rental winter market is picking up in India as the winter window is reducing. So, there are a lot of models which are emerging which is facilitating this trend. Checking if you could share some insights on the emerging trend?

Rishabh Oswal: Hi, thank you Yuvraj. You are right, Yuvraj, the rented economy on these apparels are growing. But as you see, the product value is not that high that we can get into this business model. So, as of now, there is no plan to get into the rental model.

Yuvraj Kunwar: Thank you.

Moderator: Thank you. The next question comes from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: So, Mr. Oswal, I am really concerned with the numbers of the company and if you see our stock price, our stock price is lower than what it was in 2014. So, basically 12 years back, stock was at 570 and today it is at 490. And sir, I am not able to understand what is going on. Because if you see until 2 years back, we were a net debt free company. But now, we have a very decent amount of net debt on our balance sheet. We are opening EBOs, but our revenue is not growing. I believe the SSG is in negative since a long time. So, sir, what is the point of opening new stores when our SSG is only not growing?

Sandeep Jain: See, I will come first to the SSG. So, as far as like-to-like growth is concerned, I need to correct you here. Last year, we grew at around 10% in like-to-like growth. And this year in first 6 months, we have grew by 9% in like-to-like growth. So, it is not that like-to-like growth has not been happening. It is there in last year also and we are confident that we should be growing around 9%-10% in this financial year also as far as like-to-like growth is concerned. And as far as performance of the company is concerned, I think if you see that in 2014, when you are talking about the price was 570, we had a revenue of Rs. 375 crores. And the profit was, if I remember, approximately it was around Rs. 40 crores. So, now the company has grown from 375 to will be ending as we have given the guidance of around double digit growth. It should be ending in the vicinity of around Rs. 1,400 crores. So, the company has grown 4 times from the revenue of 375 when we came out with the IPO. So, share price is something where we don't have any control. But we are definitely working hard to improve our company's performance. Last year, we grew at around 15% and that was what was committed by the management at that point of time and

the EBITDA was also around 20% including other income. So, this year we gave the guidance of another double digit growth. Yes, there has been some challenging quarter for this second quarter because of the material cost which went up. So, that definitely hurt us. But that does not deter us as far as our long-term outlook for the company is concerned. We stand committed for a double digit growth in this financial year and going forward also, you will see that the company would be performing better as compared to this financial year. Thank you.

Keshav Garg: Now, sir, if you look at page number 28 of investor presentation, nearly 8% of revenue is coming from non-Monte Carlo brands. Sir, so after so many decades, what is the point of running so many brands if they are contributing nearly 8% of our revenue? It is best to push Monte Carlo brand only because anyway it is contributing 92% of the revenue. And sir, the second point is that despite our non-woolen category continuously growing, what is the point if still 3 quarters out of 4, we are going to make losses and our Q3 is only going to be the major earning quarter. So, then what is the point of getting into all that cotton wear, summer wear?

Sandeep Jain: Sir, first of all, I will go through the first question that you talked about that what is the need of having so many brands. See, when a category is totally different, it cannot be clubbed into the parent brand. So, the Rock.it is one category which deals in Athleisure. So, Athleisure, I cannot club into Monte Carlo as it is a different category altogether. Then if you talk about Cloak & Decker which is an economy segment, again it cannot be clubbed into Monte Carlo because Monte Carlo is a premium brand. So, both these brands if you see in last 2-3 years, they have been grown handsomely and they will have substantial revenue going forward. So, sometime in the initial years, when you want to establish, the growth is a little slow. But once the brand is known to the people, the growth starts coming. And you would see that this year onwards, even in this year also, you would see that these brands are growing faster than the parent brand. And as far as Monte Carlo Home is concerned, it is a totally different category. And this category is also growing around 20% CAGR and which is, I would say that it is outgrowing even the Monte Carlo Garment section also. So, I think that answers your questions regarding the brands.

Keshav Garg: Now, sir, again, this sales return issue is again going on since past 2 years and it is continuously. So, till when will this keep on going on that in one quarter we book the sales and next quarter we get the sales return?

Rishabh Oswal: I think this is based on the current business model we have. We dispatch during quarter 3 and we take returns in the subsequent quarters. This chronology will keep on following because our dispatches happen during the third quarter and we have to give it some time before the returns come back to us. However, because the dispatches in quarter 3 is very high, that is why you see this imbalance. So, as and when the other quarters gain contribution in the overall sale, you will see this evening out.

Sandeep Jain: I would like to add what Rishabh has rightly said. See, please don't judge us on the basis of just one quarter alone. Please judge us on the basis of annual performance. Last year also, so there have been some quarterly variations, but we stand committed whatever guidance we have given.

In the last year also, we met our guidance and this year also bearing margins, we see that there might be a decline of 100 basis point at EBITDA level. Otherwise, all the guidance remains stands.

R. K. Sharma: And I want to clarify about the returns. For each quarter, we make adequate provision for the expected returns. But somehow, sometimes additional returns come and that is only marginal. That affects the quarterly results. So, as such, it is not that we book the whole sale and then subsequent quarters show the returns. For each quarter, even we have shown the returns provisions in the PPT as per India's requirement. So, for each quarter, we make adequate returns. So, this is just to clarify that returns are properly adequately protected for each quarter's performance.

Keshav Garg: Now, sir, if we look at our PAT in FY '23, the company was debt-free on a net basis and we did Rs. 133 crores net profit. Now, past 12 years, net profit is Rs. 90 crores and company has Rs. 300 crores of net debt. And now, we are getting into solar for basically low teen returns. So, basically, it is a kind of implicit admission that our core business is going nowhere. So, we are trying to just make some money on the side by solar?

R. K. Sharma: So, as far as the debt is concerned, this is just the working capital requirement being our accumulation model. We have to accumulate all the inventories. So, the working capital requirement as on 30th September is always high. So, you kind of look at our debt position as on 31st March only, which will be for this year around Rs. 200 crores, which is our permanent working capital requirement.

Moderator: The next question comes from the line of Aman Kumar, who is an Individual Investor. Please go ahead.

Aman Kumar: So, one question at my end. Given the festival season shift and I don't know how you sort of calculate this, but would you have some sort of estimation that how much of business you would have lost in this particular quarter because of this shift, roughly?

Sandeep Jain: No. See, what happens is that when there are festivals which are a little late, as you see that last year Diwali was in October and this year it has shifted to November. So, some of the dispatches normally shift to the next quarter. So, that is a variation normally we have, depending upon the festivals every year.

Aman Kumar: I am not talking about dispatches because any which way your wholesale business has become a relatively smaller proportion of overall sales overtime. I think that now your EBO channel is, by far the largest contributor to your sales, right? And there on the retail channel line, you will be sort of keeping the inventory also on your books and then correspondingly sales will happen in third quarter only fully this time versus sort of split between 2Q and 3Q. So, I was coming more from an EBO retail, perspective that, how much of sales or if you have sort of done any sort of estimation on that side, how much of sales would you have lost on that account in 2Q?

Sandeep Jain: But there are two kinds of EBOs. One is which is outright where we don't have any inventory on our books. That is on the books of the franchise. And second is a company owned. Yes, definitely, where we have our inventory on our books. And third is again a model where we have a correction of 15%. So, their inventory lies on the books of the franchise only. So, these are the same models. Yes, beside that, in case of large format stores and in case of online store, yes, we do keep inventory. In online, we do keep inventory on our books. I think this is what you asked.

Aman Kumar: No, that is okay. What I am basically saying is that in those channels where you sort of keep inventory on your books, given the fact that, festival season is entirely into third quarter this time versus 2Q and 3Q split last year. Some festival season was there in second quarter also last year. How much of sales would you have lost on that account? Would you have some estimate on that?

Sandeep Jain: That we can't quantify, but definitely yes, because when the festival shifts, so sales also shifts. So, some of the sales I think has shifted from quarter 2 to quarter 3 because of that. But exact quantification, I might not be able to do at this point of time.

Aman Kumar: And on the R&D side, I am just trying to understand what is, sort of going on because, majority of your business, again, is on the cotton side. When we look at, cotton prices, India, US, they have moved a little bit, but, the raw material prices have moved by like 10%. So, that should sort of, I am saying the raw cotton prices, that should sort of typically imply like a, couple of percentage point, impact to you in terms of, fabric, cost, basically, or, you will be buying, you don't even manufacture that much, today it is more garmenting. So, a couple of percentage point in terms of garment cost. So, why 89% increase in end product pricing is actually quite high, on the cotton, side. So, what is going on?

Rishabh Oswal: So, Aman, as you mentioned, the cotton pricing, especially all commodity prices have been very fluctuating. So, even though we can't look at the last cotton prices, we have to look at what period was the raw material booked by the company. Also, if you look at the books, our cost of goods have only increased by 3%. So, it is in line with your expectation of 2% to 3% impact on our numbers. So, that is the impact.

Aman Kumar: So, that is my exact question that, you are talking about an 89% kind of price hike. What is the need for that? That is what I am just trying to ask.

Sandeep Jain: So, sir, for the price hike, there are increase in cost. Also, the raw material prices have increased from last year. It is not a one-time price increase that we look at it. Also, if you look at our quarter 3 products, which supplies woolen products, the raw material price for pure wool has grown by almost 20% over the last year. This year also, we expect the same increase in the raw material price. So, there is no other option with the company than to just pass on these prices and as a practice.

Moderator: The next question comes from the line of Ritika Pahwa from Pahwa Securities Private Limited. Please go ahead.

Ritika Pahwa: Yes. Hi. Good morning. Am I audible?

Sandeep Jain: Yes. You are audible.

Ritika Pahwa: Thank you. So, my first question is regarding the full-year performance. I just wanted an idea that you have already told us that you have hiked your prices by 89% this quarter. So, on a full-year basis, what kind of profitability are you expecting? Do you expect to maintain the EBITDA in the range of the 18%-20% or could we see a dip? My second question is regarding your subsidiary. If you could elaborate on this business, what are the timelines? Have you tied up with the vendor? Do you plan to enter a PPA for this? What will be the end-use and by when can we see the revenue coming from this new subsidiary? These are the two I want to ask?

Sandeep Jain: So, as far as margins are concerned, we are into third quarter and this quarter is very important for us. So, we see plus-minus 100 basis point margin as compared to last financial year, depending on how this quarter goes.

Rishabh Oswal: So, for the solar bid, I would like to mention that the PPAs for all these three sites have already been signed. It is a 35-megawatt plant that we are putting in Madhya Pradesh. The land has been identified, land aggregation is in place and all the three sites are supposed to go live on 31st March 2027 and we are on track to achieve that.

Ritika Pahwa: So, next year onwards, what kind of profitability are you expecting in the subsidiary from FY '28?

Rishabh Oswal: We expect a ROI of 17%-18%. Yes, but we will send you the exact details over mail.

Ritika Pahwa: Sure. I will drop an email for that. Thank you so much.

Moderator: Thank you. The next question comes from the line of Diwakar Rana from Prudent Equity. Please go ahead.

Diwakar Rana: So, what sort of PAT margin are you expecting in this year, considering our interest cost and depreciation both have increased?

Sandeep Jain: We already stated that EBITDA margin should be in the range of plus-minus 100 basis point, depending upon this quarter's performance. So, PAT margins would also remain in the same range.

Diwakar Rana: Same range.

Sandeep Jain: Plus-minus 100 basis point, which again depends only on this quarter's performance.

Diwakar Rana: And, sir, can you give any update on the buyback? Have you had any discussions?

Rishabh Oswal: We didn't have any discussion as far as any buyback is concerned in the management. As and when we have any discussion, we will definitely let the exchanges know about that. Next question, please.

Moderator: Thank you. The next question comes from the line of Neeraj Khandelwal, who is an Individual Investor. Please go ahead.

Neeraj Khandelwal: Sir, my question is on the rebates. What is the nature of this rebate and why it has increased by almost 70% year-on-year? So, last year, in the same quarter, it was 230 million and right now, for the current quarter, it is 389 million. So, if you can just provide an explanation on that?

Sandeep Jain: What information are you asking?

Neeraj Khandelwal: Rebates.

R.K. Sharma: Actually, the rebate and discount has increased by 4% this year for H1 position. But for the whole year, we expect it to remain between up to 10% maximum of the total.

Neeraj Khandelwal: But if I see on your PPT, slide 18, your rebates and discount for the last corresponding half-year was Rs. 35 crores, which has increased to Rs. 54 crores. So, it is not 4%. It is almost like 40% or I may say 50%.

R. K. Sharma: Compare it with the revenue in proportion to revenue. In proportion to revenue, it is 12%. As against last year, it was 9%. So, we have to see every percentage in relation to revenue only.

Sandeep Jain: I would just like to add here. So, please do not look at this quarter's rebate as an annual benchmark for this. So, the annual benchmark as Sharma ji has rightly said, it should be around 3%-4% in the range of rebates and discounts. It may go up at that point in absolute terms. Note that in percentage wise. Because discounts have increased in this quarter. So, please do not take it as an annual benchmark for this.

Neeraj Khandelwal: So, any specific reason why it has increased in the current quarter?

Sandeep Jain: Because end of season sales started early and it prolonged because of low season because of macroeconomic factors were not in favorable. And also, there were geopolitical situations which actually, because of which we have to go for early discounts to sell our material, to increase our sell-through. So, that is why the discounts have increased as compared to last year.

Rishabh Oswal: Also, if you see, we had some buildup of inventory over the past few years, which we are trying to liquidate this year. And this year, we sold a substantially higher number of older merchandise than we had last year. So, some impact of that discount is also coming in since they are heavily discounted sales. But the idea is to clear the inventory this time.

Neeraj Khandelwal: Thanks. That is it from my side.

Rishabh Oswal: Thank you.

Moderator: Thank you. The next question comes from the line of Jitesh Popat who is an Individual Investor. Please go ahead.

Jitesh Popat: Good morning. Thanks for the opportunity. First thing I would like to tell is I was in waiting for 8-10 minutes at the start of the call. So, we should look into this thing as a suggestion. Another thing, respectfully, I would like to discuss with management that we were trying to justify the sales performance since IPO. Actually, if I consider 2015 figures, we have more than doubled the sales till now in 11 years. Operating profit has not doubled even. And net profit is 1-1/2 times. So, this is not the performance to justify anywhere. A prominent brand like us, sales perform in a way that it doubles in 3-4 years. This is a suggestion. So, we should have a valid justification. Another thing is why we are not looking at the opportunities, export opportunities we discussed, I believe, some 2 years back. We were having some samples sent to European countries. So, why we are not able to capitalize on this thing? Second thing and last thing, there was a participant who asked about question on this diversification. So, I do not think he will get a chance again in queue. But if he does not get, I would request the management to clarify on this thing at the end of the call? Thank you.

Rishabh Oswal: Sure. So, I will start with the export question. A couple of years back, we tried working for an export order. But we realized there are not enough margin in exporting and doing white labelling for other brands. And we are a branded retail player. So, we do not want to get into doing white labelling for other players. On the other hand, we are exploring the export market, but it is not a priority sector for us. We still believe India has a lot of opportunities, especially in the West and Southern market. And we would want to focus there where we have more experience and bandwidth than an export market, which is relatively unknown to us. So, that is from the export point of view.

Sandeep Jain: And you rightly said about the performance. Yes, the profitability which we used to have is down as compared to 2015-16. But I think if you see last year, there have been a lot of efforts from our side to improve our profitability. And we did that also. But unfortunately, this year, we got interruption by the material cost rise because of geopolitical tensions and all. So, that has hurt us in this quarter. But we are very positive and very hopeful that going forward also, we will be concentrating more on the profitability and sales growth also.

Moderator: Thank you. The next question comes from the line of Mahendra Jain, who is an Individual Investor. Please go ahead.

Mahendra Jain: Yes. Hello, sir. Thanks for giving me opportunity. Am I audible, sir?

Rishabh Oswal: Yes.

Mahendra Jain: Sir, looking at all the discussions what we are having in this call, sir, I would request you to just tell us about next 5 years plan because whatever happened has happened. So, like the previous analyst asked diversification to solar, that must be because of you are having cash in book and giving 15% return that is okay. But the thing was that why we are diverting from our core business? Can't we expect in next 5 years from our core business 20% return like that? And what we are planning for next 5 years, so that the quality of profit will improve and the summer business, this home textile business will contribute equally in the next 3 quarters, for the 3 quarters, what we are planning for this cotton business and home textile, so that we can move up from this woolen business to next level like. So, are we planning any roadmap? Can you share with us for next 5 years? Where will be our topline or bottomline in the case of projection that the cotton and home textile will perform, sir?

Rishabh Oswal: See, as far as our long-term vision and long-term outlook is concerned, we even stated earlier also that we intend to go 15% to 20% every financial year. Bearing any year which has suffered some economic consequences, like this year, there have been some interruptions because of inflation. Otherwise, if the economy is resilient as we see that India is in a very, shining spot and growing at 7% and we see that there is no way that we should not grow from 15% to 20% going forward as far as our 5-year vision is concerned. Yes, there have been interruptions in this quarter because of material cost, but we are very confident that as we move into third quarter, you would see that the company's performance, improves as we move. And I am talking about this core business only, core business of garments and also the home textiles. So, as far as the solar business is concerned, so we got the opportunity basically in this Madhya Pradesh. That was mainly because of we have funds available and we wanted to improve our ROI on investment part also. So, that is why this opportunity has been taken. And it is a small investment. It is not a business vertical that we are operating on and it is not a new business line that we are getting into. It is a one-off investment and it should be treated like one.

Mahendra Jain: Sir, in cotton textile, are you doing trading also like buying from other vendors and like or other way of manufacturing everything inside?

Rishabh Oswal: No. It is only 20% of the garments which are manufactured in-house. There is basically more of t-shirts and thermal. Rest everything is outsourced in cotton category. Woollen, we make everything in-house.

Mahendra Jain: So, are we planning in next 5 years for manufacturing more cotton textile and this thing in-house like any CAPEX plan or any vision on cotton business like that for next 5 years?

Rishabh Oswal: No, we don't have such plans. We believe that outsourcing we have to make it more efficient. So, we are believing in that model only.

Mahendra Jain: So, we want to monetize our brand from outsourcing and we are using our brand to monetize it?

Rishabh Oswal: Yes, we will be putting more stress on the marketing part rather than the manufacturing part.

Mahendra Jain: Thank you, sir.

Rishabh Oswal: Thank you.

Moderator: Thank you. The next question comes from the line of Gunit Singh from Counter. Please go ahead.

Gunit Singh: Hi, sir. Thank you for this opportunity. So, firstly, I would like to understand how has the onset of winter season been for us? What kind of momentum do we see in the current quarter?

Sandeep Jain: I think it is very early to say about this because the winter normally starts in the November. So, November and December are the two months which normally commands around 80% to 85% of the revenues of this winter season. So, I will be in a good position to answer this once we have ended this quarter. But I am very confident that the kind of the season has started, we should have a good quarter going forward.

Gunit Singh: Got it. So, we still expect about a double-digit sales growth this year?

Sandeep Jain: That we already give the guidance of double-digit growth and we stand by that guidance, revenue growth.

Gunit Singh: Got it. But if you look at the last 3 years, our sales have grown by just 5% year-on-year, whereas you just mentioned even in the previous remark that you expect to grow at 10%, 15%, 20% over the long term annually. So, I want to understand what has been going wrong over the last 3 years that we haven't seen this growth. One year can be, like you mentioned, one year we can see inflation or something. But since the last 3 years, it has just been 5% sales growth, which is maybe even lower than inflation. So, can you throw some light? Is it some macro scenario over the last 3 years or do you believe that the company's strategy needs to be changed for us to again come back to the growth phase?

Sandeep Jain: See, I would like to put it like that. Please look into the last year sales growth where we, in the last concall also we guided. We were in the establishing phase in last to last year where some of the steps have been taken, which resulted in the lower sales in that financial year. So, in last year, those steps have been taken. So, that is why the sales growth have been 15% in last year. Even in this year also, even though there are so many challenges of geopolitical tensions at macro level, we again say that it will be growing double-digit. And again, I am giving a long-term vision of 15%-20% growth. So, if you see last year growth, this year growth, those steps which have been taken 2-3 years back actually is resulting in getting us a growth of around double-digit of this financial year also and last financial year also. And I am very positive that as we see that the Indian economy is also growing at around 7%, we will be outperforming the economy going forward also.

Gunit Singh: And what is the SSSG for EBOs? You mentioned around 10%?

Sandeep Jain: Like-to-like growth last year has been 10%. Even in this first half, it is 9%. So, we are positive that we will be ending this financial year also in around 9%-10% of like-to-like growth.

Gunit Singh: Like-to-like growth is basically for matured EBOs, you are mentioning?

Sandeep Jain: EBOs which have been existing, the newer EBOs again increase the sales of the total EBO sales. So, like-to-like growth is the EBOs which are present last year also.

Gunit Singh: Got it. And what are your plans for expanding the number of EBOs? How many EBOs do you plan to open in FY '27 coming 2 quarters and next year, what are your plans regarding that?

Sandeep Jain: So, already we gave the guidance of 40-45 EBOs in this financial year and we stand by that guidance. And we are in a process of opening these number of EBOs.

Gunit Singh: Got it. And do you have any long-term aspiration of reaching a certain number of EBOs? Because the SSSG for EBOs is quite healthy. So, I think we should focus more on investing on EBOs rather than any other projects. So, I just wanted to say, what is your long-term aspiration in terms of number of EBOs that you open? And if you can also give me the store economics of EBOs, I think the revenue per EBO is around Rs. 1.4 Cr. So, what is the EBITDA part per EBO, if you can help me understand?

Rishabh Oswal: We have the aspiration of opening around 40-45 EBOs. But again, it depends on how the economy is behaving. And we might increase it next year also. That again depends on the economic conditions of the country. And yes, as far as store economics are concerned, we are right now at around Rs. 12,000 per square feet. And we have aspiration to increase it to Rs. 15,000 per square feet in next 2-3 years.

The next question comes from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I wanted to understand about our EBITDA margin that our EBITDA margin used to be 20% till FY '23. And now, for the past 12 months, they are 16%. And now, we are saying that we will have 20% EBITDA margin, but EBITDA margin is EBITDA plus other income. Sir, so, in FY '23, it was pure EBITDA. In fact, even this is overstated because there is Rs. 60 crore lease rental, which is by no stretch of imagination part of EBITDA. So, our actually pre-Ind AS EBITDA is far lower?

R. K. Sharma: Actually, if you want to exclude lease rental, you should compare the pre-lease Ind AS also. Before that, we were having the same range of EBITDA margin. So, if you compare without lease, you have to compare the earlier period also. So, before lease rental, EBITDA margin used to be 18%. Now, it is 20% including lease and including other income. So, accordingly, you have to see. Compare both the scenarios in the same situation.

Keshav Garg: Sir, basically, if we see, I take your point that the FY '23 EBITDA number also has lease rental component. But now the point is that our total lease liability in FY '23 was Rs. 129 crore, which

has doubled to Rs. 252 crore. So, if the lease liability has doubled, safe to say that the Rs. 60 crores rental outgo would be roughly half of that till FY '23. So, now the larger point being that, sir, if we are shareholders, we want the company to succeed. The thing is that first we have to diagnose that what is the ailment. If until we believe that everything is great and stock price is not in our hands, so we cannot do anything. If stock was Rs. 570 in FY '14 and today it is Rs. 490, then sir, there is something that is not working out. If you look at Cantabil, if you look at Kewal Kiran and other listed players in the same space, they are posting better numbers than us. So, I really believe there some introspection is required and maybe some course correction is required. Sir, and why don't we explore more FOFO stores rather than COCO and making our balance sheet asset heavy and the fixed cost is constantly increasing because of constantly increasing rentals. So, have we thought about adopting FOFO model or COCO model instead of

Sandeep Jain: See, that is a very good question. So, I would like to answer in this way. So, Financial '23 EBITDA margin was definitely highest. We were just coming out of COVID and there have been a demand and there have been, raw material prices were less at that point of time and also we got a good price rise also. But those we cannot take it as a benchmark for going forward. We see that we are comfortable with 20% EBITDA margin including other income and that would basically, why I am saying that because business model has also changed after Financial '23. We have moved into opening more SIS where we are sharing some discounts and also, EBOs when we go for more consignment stores and then again there is a discount sharing. So, I think this trend will now remain same around 20% EBITDA margin and definitely, yes, it has come down as you stated earlier from the Financial Year 23 level. But this is something which I comfortably we can say that this is EBITDA margin which can be sustainable going forward also.

Keshav Garg: Sir, only one suggestion. Sir, why don't we contemplate a share buyback? Because the stock is cheap, at least the earning per share will increase if we do share buyback and now company has to pay no tax on share buyback which earlier used to be 25% tax. So, that is a humble suggestion. Kindly consider that.

Rishabh Oswal: Definitely, we take your feedback.

Moderator: Thank you. The next question comes from the line of Sheetal Shah who is an Individual Investor. Please go ahead.

Sheetal Shah: Am I audible, sir?

Rishabh Oswal: Yes.

Sheetal Shah: Very good morning, sir. Sir, my all questions has been answered. The pain of individual shareholders is clearly visible in the call. Just to suggest you put all your efforts, whatever is in control, to bring glory to the company and smile to the shareholder's face who has been with you since last so many years. Thank you, sir.

Sandeep Jain : Thank you so much for your suggestion. Believe us, we are really working hard to going into third quarter and this financial year also and will try our best to have the best performance going forward also.

Sheetal Shah: Yes, we are hoping. Since last so many years, we are hoping the best from the company, sir. But till date, we are just disappointed. Hope this does not continue, sir. Thank you, sir.

Rishabh Oswal: Thank you.

Moderator: Thank you. The next question comes from the line of Amit Sanghvi who is an Individual Investor. Please go ahead.

Amit Sanghvi: Yes. As you say that Q3 should be good. But I just wanted to know whether it would be better as compared to Y-o-Y or it is better compared to quarter-on-quarter? That is my first question. And my second question is you said that Q2 performance was affected by higher discount on old inventories which you have liquidated. So just I wanted to know what is the value of the old inventory still we are holding? One more thing that when we know that we are holding the inventory for the past 2-3 years, then why can't we provide in the earlier years when we know that this is going to be liquidated in the future and it attracts a better discount? That is what I want to know?

Sandeep Jain: I think there were three questions in one question. So I will come back to the first of all the second part. The second quarter performance was basically hampered by the material cost rise which I think we told earlier also. And as far as going into third quarter is concerned, it is too early to say about the quarterly performance that how it will be Y-o-Y or quarter-on-quarter. But definitely, we are more positive going into third quarter as compared to any other time. And thirdly, the last part of the question was the lot sales that is not in our control. So whenever we get a good buyer, so it happens at that point of time. It is not that we can sell at any point of time. So there is a particular time then when somebody comes with a demand. So we have something which is lying with us. So unfortunately, that has happened in this quarter and that impact has also come into this quarter.

Rishabh Oswal: But just adding to what Sandeep ji has said before this, as you know, we were a wholesale business. So as we grow our modern channels, the returns will keep on increasing. However, you will not find this complaint going forward because we have created a proper SOP on how to liquidate old inventory and we will not hold on to inventory any longer. It will be cleared out from our books within a set period of time.

Amit Sanghvi: So according to you, you mean to say that you are not sure whether this quarter 3 would be better year-on-year or it could be better?

Rishabh Oswal: No. Amit, it is obviously year-on-year. Quarter-on-quarter, quarter 2 and quarter 3 are not comparable. So it is a year-on-year commentary that we are giving on quarter 3.

Amit Sanghvi: So it will be better than the last quarter Q3 FY '26, right?

Rishabh Oswal: Yes, it was so going into this third quarter. Yes.

Amit Sanghvi: Thank you very much.

Moderator: Thank you. The next question comes from the line of Diwakar Rana from Prudent Equity. Please go ahead.

Diwakar Rana: Sir, how soon we can recognize the revenue from the solar order?

Rishabh Oswal: So the commissioning will start Diwakar ji from 31st March. That is our COD. And so next Financial Year, we can have the revenue recognition.

Diwakar Rana: So how much revenue are you expecting in FY '28?

Rishabh Oswal: I don't have the number readily available. We will get back to you with this. We don't have an absolute number to give you. But we will come back to you. But it is a predefined PPA. So the range will be plus minus 5%. We will send you that amount.

Rishabh Oswal: Sorry, Diwakar ji, it will be around anywhere between Rs. 17 and Rs. 18 odd crores of revenue. And the EBITDA margins are upwards of 80% in a solar project.

Diwakar Rana: Only 17 to 18?

Rishabh Oswal: Yes, from the revenue and EBITDA of around 80% plus.

Diwakar Rana: And so there are a lot of questions around the growth. So I would like to ask, what are we doing differently than we were doing 10 years ago? So why should investors expect a different outcome now? Because the growth is same around 8%-10%. Now, the same thing is happening around 11%-12% we are going. So why should we expect a different outcome in the share price? There are no additional triggers as such?

Rishabh Oswal: See, we cannot compare 10 years back to this financial year. But as I said earlier also that last year, we grew at 15%. So that gives you the confidence that the company has the ability to grow double digit. And company has given the guidance of double digit growth this year also. So we are not shying away from saying that we will not be growing. So already we have established whatever we have said, we delivered also in last financial year. So, this year also, we will definitely be delivering as we guided you. But just definitely, this quarter was below our expectation also. But that does not change the long-term vision for this company. So you should take this point positively.

Diwakar Rana: Yes, but investors do not benefit from the past growth. You can grow 13%-14% this year, but there is no additional trigger in the company. If we as an investor look at the company, we will

see what the growth triggers are. So the growth triggers have remained the same in last 10-12 years. There is no additional thing you have done. Just that you diversified into solar thing. That was another issue because as soon as you announced that order, our share price fell. Because I have not seen any textile, I will not say textile, you are a branded clothing brand to go into solar thing. You can see, you said that there are no margin in the export. That is why you didn't pursue that. But there are many white labelling company in India that are doing very well. You are right, there is marginal less, they are doing down to 12%. But look at the profitability, look at the market cap they are getting because they are banning from China Plus One and lot of things. But we have not capitalized any of those things. And you have decided last year to move into solar thing. Because that is why you are not getting a valuation because we are not doing anything to benefit the shareholders. We are just doing the same thing that we are doing 10 years ago.

Rishabh Oswal: Yes, we have taken your point. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I now hand the conference over to management for closing comments.

Sandeep Jain: Thank you so much for participating in this call. And if you have any query, you can please refer to our Investor Relations agency and company's email ID investor@ montecarlocorporate.com. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.