“Monte Carlo Fashions Limited

Q4 FY’23 Earnings Conference Call”

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MODERATOR: **MS. BHAVIKA CHOUDHARY – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to Monte Carlo Fashions Limited Q4 FY '23 Earnings Conference Call hosted by Emkay Global Financial Services. We have with us today Mr. Dinesh Gogna, Director; Mr. Sandeep Jain, Executive Director; Mr. Rishabh Oswal, Executive Director; Mr. RK Sharma, Chief Financial Officer; and Mr. Ankur Gauba, Company Secretary.

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 star then zero on a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhavika Choudhary from Emkay Global Financial Services. Thank you, and over to you.

Bhavika Choudhary: Good morning, everyone. I would like to thank the management and thank them for this opportunity. I shall now hand over the call to the management for the opening remarks. Over to you, management.

Management: A very good morning, everyone. Thank you for joining us for this earning call of Monte Carlo Fashions Limited to discuss the financial and operating performance for the fourth quarter and the annual financial year ending 2023.

I would like to highlight that certain statements made or discussed over the conference call today will be forward-looking statements. A disclaimer to the said has been included in the presentation of results shared with you earlier. Result documents are also available on the company's website, and also have been updated on the stock exchanges. A transcript of this call would also be made available on the Investors section of the company's website.

First, I would like to talk about the macro environment. The Indian economy has rebounded strongly in financial '23 and we have witnessed a very strong financial performance by reaching our highest ever top line, bottom line. All our stores across geographies continue to be operational and the strong brand pool of Monte Carlo is drying in stock solid footfalls and generating sales growth. Indian domestic textile and apparel market is expected to grow 10% CAGR to reach 190 billion by 2026. And the shifting consumer preferences towards branded apparels, give us ample scope for growth.

Let me share the stand-alone financial and operational highlights for the fourth quarter of financial '23. In Q4 financial '23, the company recorded revenue of INR237 crores registering a growth of 46% year-on-year. Operating EBITDA for this quarter was INR33 crores, a growth of 44% year-on-year. The profit after tax stood at INR20 crores, growing by 55% year-on-year. This strong revenue growth is primarily attributed to strong sales in summer categories of T-shirts, denim and trousers, along with a higher number of EBOs and MBOs selling the company's products have also contributed to sales growth.

The company has also increased its presence in Southern and Western states. The financial '23 revenue from operations stood at INR1,118 crores, growing by 24% year-on-year. Operating EBITDA was INR218 crores which is a growth of 21% year-on-year. Profit after tax stood at

INR133 crores, representing a growth of 16% year-on-year. We had a cash balance of INR283 crores which comprises cash and bank balance, along with the current and noncurrent investment.

Long-term borrowing is INR3 crores as of March '23 compared to INR8 crores as of March '22, which shows our efficacy in servicing our debt. Monte Carlo Fashion continues with its endeavour to build a leading branded apparel company with a well-diversified product portfolio such as cotton, wool, kids and home furnishing. Apart from the quarter segment, we also produced other garments. We also made cotton T-shirt, under economical category of Cloak & Decker, the ability to test various market segments provide the company a tremendous opportunities for growth in the years to come.

The key strength is a vast and a growing distribution network with a diversified presence across India. The company's product reaches the end user through different distribution channels. The company currently has 2,450 MBUs, 350-plus EBUs and 1,100-plus national chain store plus SIS.

Concerning online sales, we are looking to focus more on selling through our own portal. However, clothes are available on various e-commerce websites such as Ajio, Amazon, Flipkart, Myntra, First Cry, Jabong and Kapsons.

The company has opened 47 new stores in different regions, out of which 26 stores were opened in Northern region, 7 stores were opened in central region, 7 stores were opened in Eastern region and 4 stores were opened in Western region and 3 stores were opened in Southern region. With this, the total number of EBUs has reached 350 across 20 states and 4 union territories.

The company maintains the next year guidance of opening 50 to 55 new stores. The trade show for summer conducted in 2022 witnessed healthy traction, helping to build our robust order book for summer. The company continued to enjoy and strengthened its position in cotton and woollen portfolio simultaneously, thus building resilience and enhancing its operations.

Most of our net revenue is from franchise EBOs and MBOs where we primarily sell on outright basis. Under the business model, there is no significant inventory risk, and we remain insulated from the average hazard sales in branded apparel business. To date, we have experienced almost zero bad debt business, which is a testimony to our robust business model based on a zero credit risk policy for the company.

At Monte Carlo, we try to provide smartly finance clothing through product innovation, high-quality launch of new collections from time to time. Moreover, we're continually working towards changing the look and feel of our stores to give our customers the best-in-class experience. We're optimistic about our future growth and earnings potential. We believe that we have a strong foundation for the future, which we will provide with sustainable and profitable growth for the long term.

While our focus will be to maximize revenue growth going forward, our considerable interest is in building the profitability by maintaining post control measures. To further enhance our brand's recall and visibility, we focus on advertising through different platforms like television, online, retail channels, national and regional newspapers, boardings, billboards displayed at airports and in cinemas.

The company has recently implemented, SAP S/4HANA solution, which is a fashion and vertical business. This intelligent ERP provides real-time and predictive consumer trend insights in all business areas. This will also enhance the flexibility and the ability to deliver end-to-end customer experience, at the same time achieve significant bottom line cost savings. Now we can open the floor for question and answer session. Thank you very much.

Moderator: The first question comes on the line of Keshav Garg from Counter Cyclical.

Keshav Garg: Congratulations for good numbers. But it's the first time that in a long time that, we are a net debt company and also the first time in a long time when our operating cash flow for the whole year is negative. So there has been a disproportionate increase in working capital. So you think that this will again revert back and we will become a net cash company again?

Management: Yes, surely. This is just a short-term phenomena as we have some stock of last winter, the fresh stock which we were keeping has built the inventory, but they're going to liquidate it, I think in coming 3, 4 months. So as you have rightly said, we'll be definitely a free cash flow positive company by the year-end.

Keshav Garg: Now since we have very strong growth post-COVID, so the base has become higher and now we have crossed INR1,000 crores revenue number also. So from this base now in FY '24, will we be able to sustain anything like 20% kind of growth?

Management: See, let me first tell you that the market right now is discretionary spending is actually has come down in the last few months. But we see that the May is recovering. The May sales have been good as compared to April sales. So, there are certain uncertainty in the market right now. So I would not like to comment on the growth part in this quarter, but definitely, we'll come out with our growth guidance in the next quarter in Q2.

Keshav Garg: And sir as regards margins, sir, with input prices going down, sir, do you think our margins can go up or you expect them to sustain the same level?

Management: One thing which is very, very sure is that we're going to maintain our margins in this financial year because as you have rightly said that the input costs have come down. And the quarter prices have also come down. So there is every chance that it can go up also, but definitely, we'd like to maintain our margins.

Keshav Garg: Right, sir. And sir, lastly, on the capex, what kind of capex are we looking to incur this year as well as next year? And sir, when will our Jammu home textile plant, when is it expected to come on stream?

Management: See, the expected capex in this year is around INR100 crores. And we think that the Jammu plant should be operational by June or July next financial year.

Keshav Garg: So basically, if the plant operates for, let's say, 3 quarters of this financial year, so what kind of capacity utilization, how fast can we ramp up that plant? And sir also, in the initial quarters, there will there be some losses. I mean, by the time the utilization increases, will there be some initial losses in that plant?

Management: The plant is going to come only in the next financial year. So this year, we don't have any effect on any of our current business. So next year, definitely from July onwards, it would add to the revenues.

Moderator: Next question comes from the line of Viraj Parekh from Carnelian.

Viraj Parekh: Congratulations on a great set of numbers. A few questions from my end. Firstly, we had a strong quarter 4 this year. Historically, we haven't been a profitable Q4 quarter. I just wanted to understand that, is this like a one-off quarter, or can this be the same going ahead? And what led to the performance of such strong quarter? Can you highlight a few points for that?

Management: See, I think if you see, the last quarter last quarter also was we have a good profit of around INR16 crores before tax. Before that, yes, we used to have some losses because of winter sales, USS. But as the summer sales is increasing every year and last year, it was good. And this year, it is even better. So as the summer sale is increasing in the fourth quarter, definitely we're going to have a profit every quarter.

Viraj Parekh: Okay. So this quarter 4 was mainly dominated by summer sales. There were no kind of deliver of any late winter sales to Q4?

Management: Yes. There are some winter sales also, but it's dominated by the summer sales because some of these happened normally in February and March.

Viraj Parekh: Sir, second question is, in terms of we upgraded our guidance in store openings, but we have guiding this year 50 to 55 store openings in FY '24. So I just wanted to understand whether we are concentrated in the North and East? Or are we looking to go if you address in the South that's the central region of India?

Management: No. We already said in our last con call also that we are looking at Pan-India. Our 15% to 20% stores are open in South and West and rest are coming in Northern and Eastern, Central India. Last year, we guided for 40 to 45 stores, but we opened 47 stores. And this year, we gave a guidance of 50 to 55 stores. And again, the phenomena remains the same, the 15 to 25 stores will come in Southern and Western markets.

Viraj Parekh: Another question is in terms of Rocket. I guess last year, we decided to take it more towards the off-line channel. So what is the contribution of Rocket or the segment in FY '23? And how are we looking into ramp up going in FY '24? Like what's our strategy going ahead?

Rishabh Oswal: This is Rishabh Oswal. So as you said, we launched the Rocket category during summer in this financial year, and we are seeing good traction. We've also done the order taking for the next winter session, and the sample that we made was well accepted by the market. The pricing was suitable and we've got a good order book value.

So I see Rocket doing good in the coming years. More focus is on the leisure segment. We saw that the 100% polyester dry fit t-shirts do not really sell well in the multi-brand outlet. So we've differentiated the mix of the products and we're getting a good response with that. We're targeting a turnover of INR15 crores in this financial year from the brand.

Viraj Parekh: I'm sorry, 15 or 50?

Rishabh Oswal: 15, 1-5.

Moderator: Next question comes from the line of Himanshu Upadhyay from O3 Wealth & Asset Management.

Himanshu Upadhyay: Congrats on a good set of numbers. Can you give an idea of how the rents moving for commercial? And are we seeing the rents or reducing on that space? And is it a good time to growth? What is leading to so much of a penetration on retail side new store openings can you give...

Management: There are some slowness in the market, which I think you have witnessed. So there are some negotiations which are happening right now, but it's not considerable ones. The locations which are prime locations are not offering any discounts. But yes, there are locations on high streets where when we are going for a negotiation for the new locations, we are definitely, there is scope – scope is there for reduction of the rents.

Himanshu Upadhyay: Okay. And do you think that this would be a good time to grow because of -- and are the agreements also happening for a longer period of time?

Management: The agreement normally happens for 3 plus-3, 9 years, so that has been changed after 3 years. So all the agreements basically what we do is for 9 years.

Himanshu Upadhyay: Okay. And one more thing. Are you seeing competition being -- that aggressive on the retail side? Because do you think competition has also reduced because what we see is the market, there is some slowdown what we hear from most companies. But most of the listed players have shown very decent growth rate in last 2, 3 years. And almost everyone said revenue is far higher than what it was in the COVID and the type of growth, what we are seeing in FY '22 and '23 is also much ahead of what we're seeing from FY '15 to '19. So is it just some competitive intensity reduced or you also seeing that customer affinity is significantly changed towards some of the brands? How should you as an investor try to understand these phenomena?

Management: See, I think if I say that after COVID, people were not shopping at all. There was no event traveling. So they were not going out. So I would say that these two years have been -- most people were confined at home. So these two years have been people are shopping, people are going for traveling, you're not getting airline tickets. Those are getting expensive. Rails are not available.

So I think these two years, everybody grew because people were spending money like anything as they were confined to the rooms. But now as we see that the inflation is actually moving up, but in the last one month, it has gone down. So there are some cuts in the discretionary spending what we have witnessed.

And that is also witnessed from the mass market, if you see the results of all the like Dollar, Lux or Page Industry, they have gone down when the margins are also affected. So the mass level, definitely, there is some debt. But fortunately, we are in a segment, which is a premium segment, where the effect is not that, I would say that intense. So we have been able to grow.

But definitely, people are actually getting impacted when the price rise is there and when inflation is there. But one good thing which I think that we see is that, now inflation is under control from last two months. And there is every chance that in next 2, 3 months, there is some cut in the interest rate also, which could further pay to the recovery, and we are very confident that going forward, I think in the September/October time, which would have the recovery in place.

Himanshu Upadhyay: And you are not seeing any down trading on the customer side? Means, you are seeing the -- because this is a discretionary product what we are selling and a lot of scope for downtrading is there, okay? Are you seeing some risks of that or the customer behaviour in that direction? Or do you think customer is moving on the up trade only right now?

Management: Yes. That's what I said. The April was little slow for us. So major recovery has started and we are confident that going forward as the inflation is contained and also, there is every scope that RBI cuts interest rate also. So I think that will boost the spending also. So we are confident that -- when we reach to September/October time, the economy will be back on track.

Moderator: Next question comes from the line of Nitya Shah from Kamayakya Wealth Management Pvt. Ltd.

Nitya Shah: Congratulations on a good set of numbers. I just wanted to understand how is the online segment of your business doing like all the channel partners have online? How is the sales from there?

Rishabh Oswal: Again this is Rishabh, this side. So as you would have seen after the cohort, we almost doubled our sales. This year, it has been stagnant. There were some issues because of doubling the sale. We had some operational issues, which has now been resolved. We've hired a couple of new third-party logistic companies to take care of the inventory and we've also increased production and focus on the supply chain of online. Also, for three months during winter, our online advertisement accounts were affected due to some technical difficulties, which have now been resolved. And this weighing back again in January.

So if you see, I can share the data later on month-on-month. From January, we've been doubling our own website sales, which is the AdSense account issue has been sold. So we see going forward, this year, we should be growing at a 15% to 20% rate.

Nitya Shah: For the online part, right?

Rishabh Oswal: For the online part. And the main focus on this would be on our own website. So we want to increase our own website by around 50% to 60%.

Moderator: The next question comes from the line of Arjun Sharma Chandnani, an individual investor.

Arjun Chandnani: Congrats on a great set of numbers. So what I wanted to understand was, since there's a lot of inventory build-up this year, is this inventory going to be discounted now because it's winter inventory over the next 3, 4 months? And is this how it's going to be sold? And also what's the inventory levels at the franchise stores?

Management: No, no. This is basically what happened. The last winter, the winter was delayed. So what we did was that some of the sites, some of the articles, which were complete new articles and they were like set-wise, when we say it's a fresh merchandise. So we kept it at our store, and we have not dispatched it. So, there is inventory which is showing in the books.

But that inventory we will liquidate it in August and September this financial year. So going forward, we see that the inventory comes down once this inventory goes back to the stores. And yes, there are inventory as far as franchises and our reviews are concerned, it is same as the last year's levels, so it's under control.

Arjun Chandnani: And just one more question. The store that you'll be opening, how many will be franchise operated and how many will be company-operated?

Management: 90% it's a franchise operator only. It's only 10% are company operated.

Arjun Chandnani: For the next year also that you will be opening, you're looking at the ratio.

Management: The ratio remains the same.

Moderator: Next question comes from the line of Keshav Garg from Counter Cynical PMS.

Keshav Garg: Sir even though last year, we had good growth for our dividend, it's constant year-on-year. And also, for any thoughts on the share buyback instead of dividend? Because it was more back efficient than most of our shareholding. And individual main only and not institutional shareholding, so the taxation is 35% versus 23% in our buyback. So your thoughts on the trend?

Management: See, I think we discussed the same in our management meeting. So in case we go for a buyback as the price is also very high now, it involves a lot of -- that has to be distributed. But as far as this year is concerned, you know that we are putting up a blanket plant in J&K, which requires a lot of investment, it's around INR100 crores investment, which is going in there also. So that is why we completely decided that it's the right time to give dividend to conserve some cash, so that the future capex is also kept in mind in the company's mind so that we can use that cash in the upcoming plans.

Moderator: Next question comes from the line of Viraj Parekh from Carnelian.

Viraj Parekh: Just one question. If you can share some numbers in terms of volume growth segment-wide for FY '23, that would be helpful, like how will we trend them?

Management: I can give you the broad woollen and cotton numbers. The broad number is that in volume terms, we grew almost -- so it was 15,11,000 for woollen division which is 17 lakh 31,000 for this financial year. And for cotton, it was 57 lakh 67,000. And this year, it is 66 lakhs 87,000. And for textile, it is 9 lakh 93,000, which is 10 lakh 71,000 for this financial year. And for this segment, it was 11 lakh last year, 12 lakh 76,000 this year. Overall, the volume growth is 1 crores 6 lakh, which was last year and 1 crores, 16 lakh which is almost 15% growth in the volumes. Total all the business.

Moderator: Next question comes from the line of Danesh Mistry from. Investor First Advisor.

Danesh Mistry: Congratulations on a good set of numbers. I had 2 questions both related to your working capital. Number one is as you talked about the inventory being high, I think roughly INR171 crores, the increase that has happened as per your cash flow. Sir, did we -- did we have more winter inventory than what we anticipated to sell? That's question number one.

Management: See, as I explained earlier also, the last winter was a delayed one. So some of the merchandise inventory, we didn't send it to our EBOs and LFS channel because it would have gone for discount sales. To save that part, we just kept that inventory at our warehouse, which we thought that will be used next year because these are the fresh articles, they were not a discounted amounts. So that is why the inventory around 100 crores went up in last financial year, and I think that will be liquidated in August and September this financial year. It will come back to the normal level.

Danesh Mistry: So we will sell it at full price going into the next winter season.

Management: That is why it was not sent to the showrooms in ESS period last year.

Danesh Mistry: And sir, on a similar round, if you could help explain understand the receivables as well because the receivable increase has been fairly high. So what is the situation there?

Management: One was because of the increase in sales also as increase in sale is there, so receivables have also gone up. And secondly, definitely, there have been some delayed payment, but I think that by June 30, we'll be able to recover everything.

Danesh Mistry: Got it, sir. And these delays are from existing channel partners or some new channel partners, sir?

Management: It's more from NPL business where there are some delays, but those have been sorted out. And by 30th June, we'll be getting everything.

Moderator: Next question comes from the line of Danesh Mistry Investor First Advisor.

Danesh Mistry: Sorry, I just wanted to ask 1 more question. What would be this receivable that we are hoping to recover from the MBOs by June 30? Any sense on the quantum?

Management: That's regular sales. So anything which is a large sometimes what happens is that the payment which comes in 90 days normally takes 100 days, 10, 15 days extra. So that's what is there. So when we have a lower balance sheet ready, so you would see that this comfortable normal level.

Danesh Mistry: Got it. And sir, just 1 more question. But last year, I know you had locked in rates on the raw material side. So this year, how are you looking at the raw material purchase and locking in rates for the rest of the year?

Management: They're very favourable. You know that the cotton prices have come down from a peak to almost 30%. And this year, we'll be getting benefit of that that purchase. So definitely, you would see that it's helping us in improving our margins.

Danesh Mistry: Got it. Because I'm just trying to understand from the perspective that if you see Q4 over Q4, our gross margins have contracted a bit. So was that on account of product mix, selling price or was that on account of the raw material, sir?

Management: No, no, I don't think this is a significant one. And please see us on a yearly basis. So there are variations quarter to quarter.

Danesh Mistry: No. I see yearly basis only. I'm seeing Q4 versus Q4.

Management: On a yearly basis for a full year revenue I'm talking about. So there might be some quarter-to-quarter variations. But if you see the yearly wave, we are more than stable.

Danesh Mistry: Got it. Understood. And our advertising will be stable at that 3%, 4% of sale?

Management: No, no, it's going to go down. So last year, it was just 2.3% of our sales. This year it is going to 4% of our revenues in this financial year. But next year, we're going to bring it down to 3% of our revenues.

Danesh Mistry: And you see that it will not impact our brand and our distribution and all that.

Management: No, no, no. Because even we thought of spending 3% last financial year, but there are some areas we think that it is required to spend more. So there was spent because of that. But otherwise, the normally we maintain 3% of our guidance in every financial year.

Moderator: Next question comes from the line of Dhiral from Philip Capital.

Dhiral: So I can see that in last two years, sir, we have seen a very strong expansion in revenue in our store opening in our margins. So what has changed in our underlying strategy, which has led to the phenomenal growth because if I look at the past few years growth, not comparing FY '21, but beyond that, growth has remained stagnant, but now we have -- our business has improved drastically.

Management: I think there were two reasons for that. One reason is that acceptability of summer quarter is increasing every year. So it always takes time when you introduce a new product. So customers takes time to accept it and then comes with weak purchases. So that's what is happening from the last two years. So there have been some aggressive expansion of plans also in online, and also, we have started aggressively opening our EBOs from 25, 32, 40 to 45 because summer range is now more acceptable. So we started opening our EBOs at South and West also, which we were not doing earlier. And you see that in the last two years, the sale which was INR37 crores in South and West has gone to INR100 crores in two years' time. So that is how -- when the summer products are gaining acceptance so also the revenue is also increasing every year.

Dhiral: And sir, when you talked about the discretionary spending is somewhat slowing down, although you have seen some recovery in May, but what gives you confidence to open INR55 crores to INR60 crores in FY '24 40, 45 or 47 stores in FY '23?

Management: Again, I would repeat what I said is that. So the inflation is impacting the masses. Definitely, it is impacting the upper middle class also. But that is less as compared to masses. So that is why as we have seen a traction in our sales in last financial year also. And going forward, as we're getting acceptance in South and West also, so it gives us confidence that we should go ahead with our current expansion plan. And we think that this is a short-term phenomena. India is a long story. So there are three month or six months, which are definitely comes always, and there are two years of aggressive spending by the Indians. So I would say that it's a break of four months to five months. And again, we'll be back on track by September or October. As inflation is also coming down, so there would definitely be a de - spending going forward.

Dhiral: And sir, lastly, on the online side, when we are talking about just a 15% to 20% kind of a growth in FY '24, so on a low base, growth should be, in fact, even higher, right? Why we are talking about just a 15%, 20% kind of a growth, sir?

Rishabh Oswal: This is Rishabh Oswal. So as you know, most or majority of the sales that happen online are on a discount basis. Because we have a large off-line presence, we are very particular in terms of the discounting parity that we offer across all the channels. So that is 1 reason. But as mentioned earlier also, we're also seeing a shift from some buying patterns. Earlier, these partners used to buy outright from all the brands. But as they are working on their profitability their outright purchases have reduced significantly and most focus is on the marketplace model. So you're not taking that into account, we've given a guidance of 15% to 20% and 50% growth for our own website.

Dhiral: Okay. So working capital remains same when we sell it to the online partner as compared to the partners?

Rishabh Oswal: It is more or less same because they pay us on a sales-based method. So whenever the sale happens, the payment comes to us in the next month. So more or less, it is in line with the large format store and shop-in-shop partners, the payment terms.

Moderator: Next question comes from the line of Akshay Kothari from Envision Capital.

Akshay Kothari: Congratulations on a good set of numbers. So if you look at the Northern, Central and Eastern part where your 86% revenue is concentrated, the GDP per capita of these states are increasing. But what is actually driving the growth over there in terms of structurally, if you can mention it?

Management: I think the merchandise and addition of categories, which is driving our sales in these markets.

Akshay Kothari: So I'm talking from the economy perspective. For example, UP, Bihar, what has actually changed over there because these states are growing x amount around 15% plus.

Management: Yes, I think the government is definitely supporting -- as far as UP is concerned, it has -- the spending is increasing because income level is increasing. So we see that UP offers a lot more potential than it was, I would say, that five years, seven years back. So similarly, in any state where we have good governance, definitely, the sales increases.

Akshay Kothari: Are we looking for any inorganic acquisition for foraying in South and Western markets?

Management: No, not at all. Not right now. So we are just concentrating on improving our brand awareness and improving our businesses in those areas.

Akshay Kothari: Okay. And sir, what are processing charges in your other expenses, which you have mentioned?

Management: Smaller items small electric costs.

Management: They are smaller -- some of the contract work which we do at the factory, which is in the process of the garments. That was the processing charges we pay to the contractors.

Moderator: Next question comes from the line of Keshav Garg from Counter Cyclical.

Keshav Garg: Sir, I just wanted to understand that last year, out of roughly 24% growth in our revenues, sir, what percentage was approximately revenue and what percentage was realization growth?

Management: 16% was the volume growth, as was value growth.

Keshav Garg: And sir, have you taken any price cuts due to falling raw material price of prices till now, or do we plan to take it going forward?

Management: No, no. MRP doesn't go down even if raw material prices are going down. So MRP remains same, but it actually goes up 1% to 2% every year because we cover the other expenses.

Keshav Garg: And sir, I was just comparing our company with other listed company growth fashion, so their working capital is a fraction of our working capital. So I mean, can we do something to reduce our state working capital? I mean I understand that this 31, March, there was a disproportionate increase, temporary increase, but I'm talking from a mid to long-term time horizon, that can we do anything to reduce our steady state working capital?

Management: See, both the businesses are not comparable at all. So they are like FMCG products. So we are basically more focused on apparels. So if you see that the third quarter constitutes almost 50% of the sales. So for that to go for that sale, we need to have the inventory build-up at least 3 to

4 months in advance. So our cycle will remain like that. But definitely, we have to compare us on an annual basis. That about the other parameters, not only inventory parameter.

Moderator: Next question comes from the line of Nitya Shah from Kamayakya.

Nitya Shah: Yes. So last con call, you had spoken about the fact that you all were planning to hire a few brand ambassadors or new faces for advertising of the company. Is there any update on that?

Management: Yes, we have finalized the two brand ambassadors, and we'll let you know in the next con call. One is for home furnishing range and second is for Monte Carlo.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Management: Thank you very much for attending our session. And if there's any query which is unanswered or if you have any future queries, you can please talk to our investor relation agency for further interaction. Thank you very much.

Rishabh Oswal: Thank you.

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