



“Monte Carlo Fashions Limited
Earnings Conference Call”
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MODERATOR: **MR. MOHIT DODEJA – EMKAY GLOBAL FINANCIAL
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Moderator: Ladies and gentlemen, good day, and welcome to the Monte Carlo Fashions Limited Earnings 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 star then zero on your touchtone phone.

I now hand the conference over to Mohit Dodeja from Emkay Global Financial Services Limited. Thank you, and over to you.

Mohit Dodeja: Good morning, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today, Mr. Sandeep Jain, Executive Director; Mr. Rishabh Oswal, Executive Director; Mr. R.K. Sharma, Chief Financial Officer; and Mr. Ankur, Company Secretary.

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

Sandeep Jain: Very good morning to everyone and thank you all for joining us today for earnings call to discuss the performance for fourth quarter and financial year 2025. Let me start by sharing some financial and operational highlights.

For the fourth quarter under review, the consolidated revenue from operation was INR206 crores, EBITDA was INR6 crores, and EBITDA margin reported at 2.77%, while net loss stood at INR10 crores for this quarter.

For the financial year ending 2025, the revenue from operation was INR1,100 crores on a consolidated basis, representing a growth of around 4% year-on-year. EBITDA for the year stood at INR187 crores, which grew by 31% year-on-year. EBITDA margins were reported at 16.9%, net profit for the year stood at INR81 crores, representing a growth of 36% year-on-year.

The home textile segment remains a key growth driver and is expected to sustain its upward momentum. As of 31st March 2025, we have launched 12 EBOs under the Cloak & Decker brand, and we intend to scale this further with stores ranging between 500 to 1,000 square feet. Our youth-focused brand Rock it, continues to perform well and on a steady growth path. We continue to pursue on our expansion strategy with plan to open 45 to 50 EBOs across India, including key focus area in West and South.

Our online channel is also gaining traction, particularly through our own website, reflecting the growing shift towards digital shopping. To meet evolving customer expectations, we have partnered with quick commerce platforms such as Blinkit, Swiggy, enabling delivery within 30 minutes. In addition, we have collaborated with Salesforce to enhance operational efficiency and elevate customer experience and loyalty.

I would also like to inform you that the Board of Directors, in its meeting held yesterday, has recommended a final dividend of INR20 per equity share, that is 200%, having a face value of INR10 each for financial year 2024-'25. The final dividend will be paid upon approval by the shareholder at the incoming Annual General Meeting.

With this, now we open the floor for question-and-answer session.

Moderator: Thank you very much. The first question is from the line of Jigar, an individual investor. The participant seems to have disconnected.

The next question is from the line of Mohit Dodeja from Emkay Global.

Mohit Dodeja: So 2 questions from my side. So, first is, while the FY '25 EBITDA margin improved almost 360 bps to 16.95% Q4 EBITDA margin was just 2.7%. Could you explain the seasonal or structural reasons behind the softness? And second question is inventory rose 16% year-on-year. So, is proactive season stocking or a reflection of slower secondary sales? Two questions from my side.

Sandeep Jain: The first question is that EBITDA improved to 360 basis points year-on-year. But in the fourth quarter, it has come down to 2.77%. The reason for that is that we have discounts which occurs in this quarter and also returns which comes into this quarter. So that normally affects the EBITDA, and that is basically a tendency which is happening from last so many years because third quarter basically is the heaviest quarter.

In the fourth quarter, we do have some returns and discounts. So that is why EBITDA goes down. So please see us as an annual basis because there may be a quarter-to-quarter variation. But on an annual basis, I think it will be better to look at. And the inventory, yes, there is a small amount of increase in the inventory, but I think that will be taken care of in the next 2 quarters.

Moderator: Next question is from the line of Viraj Parekh from Carnelian Asset Management.

Viraj Parekh: Congratulations on your results. I have a few questions. Firstly, sir I mean, just on the follow-up on the previous participant's question on the Q4 numbers. I mean, last year, we understand how the March '24 quarter went, and we were taking corrective action towards it this year. But historically, I feel that Q4 as a quarter has been not a loss-making quarter for us, but it has been either no profit, no loss. There has been a good amount of profitability there.

How do we see that coming back in terms of company? I understand that in this last quarter, we do discounts, we account for returns in this quarter. But if you can help me understand the outlook for FY '26 and again, how we look at Q4 and the discounting and the returns policy of the company?

Sandeep Jain: So, first -- come to the first question. This fourth quarter, as you rightly mentioned, historically, we have seen that this quarter basically have more discounts and returns. That is why it affects the profitability, and we normally have loss in this quarter.

But as compared to last financial year, we have cut down this loss by almost half. The reason being is that adequate provisioning has been taken in the third quarter. And we will ensure that in next year also, we will take adequate provisioning to cut down the loss or to make it zero because it's very difficult to judge the exact discount, which happens in the fourth quarter.

And as far as looking ahead in the guidance for financial '26, I think we are very confident of achieving double-digit growth going forward in next financial year. And also, we are very hopeful of improving our EBITDA from this level also.

And if you see that whenever we have given guidance, we are giving a guidance close to reality. So last year also, we mentioned that we will have a flat year ahead and improvement in the margins. And if you compare the last year's closing numbers, we have basically grown of around 4%. And also, there has been improvement in the margins around 300 basis points. So, this year, again, we think of going for a double-digit growth and improvement in the margins going ahead.

Viraj Parekh:

Sir, correct me if I'm wrong, but the Q4 of FY '22 and Q4 of FY '23, both were very profitable quarters, Q4 for us where we were EBITDA at 14%. We had PAT of INR13 crores INR 20 crores. So, it has not traditionally been a loss-making quarter for us. That has just been a phenomenon of the last 2 years.

So, before that also, it was there, but maybe we saw things turning post-COVID for the company where Q4 kind of became profitable and that continued. So how do we see that? Do we still see that Q4 would be at these levels of the last 2 years? Or do we see the improvement of what we saw in FY 2022 and 2023?

Sandeep Jain:

Viraj, there have been 3 reasons for that. The first reason is that if you compare financial '22, financial '23, the returns we used to take in May and June. So, at that time, returns were not taken in March. So that is why the effect of that returns were not there. And secondly, the discounting has actually increased from financial '22 to financial '24, financial '25. And this is the same in each and every brand that now the End-of-Season Sale (EOSS) has starts very early.

And the third is that more of our business is now going into SOR. So, returns are more as compared to financial '22 as we are increasing our business in LFS, we're increasing in SOR, EBOs and SIS. So that also affects the profitability. But still, the company is taking adequate provisioning to improve on the fourth quarter results.

And this year, adequate provisioning has been taken. But still, I think we have seen that the discount exceeded beyond our expectation in fourth quarter. But we'll make sure that, again, this financial year, we take adequate provisioning to make at least at a zero level for fourth quarter.

Viraj Parekh:

That answers my question. Secondly, sir, when we are looking at the guiding of margins improvement for the upcoming years, can you help me understand, is it going to be more of operating leverage being played?

Because as I see this year, in our average realizations across our 4 segments have improved really well I mean in cotton and woollen, which are our 2 strong segments, despite having slight volume degrowth, our realizations have improved really well. So, are we seeing that trend continuing earlier? Or we see some cost efficiencies coming in, in terms of employee cost and other expenses?

Sandeep Jain:

Thanks for asking this question. Actually, you rightly said that the realizations have improved. It is because the price hike has been taken last year. And this year also, we have taken a price

hike. So luckily, our brand has a pricing power, and we can pass on the prices to the consumers, even though the raw material prices have not increased much. So, there's a further chance of improvement in the EBITDA and the realization level in this year also.

Raj Sharma:

6% discounts are there.

Sandeep Jain:

And also, in this year, particularly, we have seen that the discount from as compared to last year, it has come down. So that has again added into profitability. And that cost optimizations in case of expenses and also at the discount level, at the returns level and vis-a-vis increase in the prices of all the categories in where we are operating. So that will further improve the EBITDA level going forward.

Viraj Parekh:

Understood. Sir, just a bookkeeping question. There was a very sharp increase in our other expenses this year, which was around 33% of our revenue at around INR203 crores, and that has become around 38% of our revenue at INR220 crores this year, around a 500-bps increase, is there any one-off here? Or is this the kind of number we should see going ahead?

Sandeep Jain:

No, no, let me look at it. No, no, no. If you rightly see that the other expenses as far as I have with me, it was...

Viraj Parekh:

INR203 crores last year and INR 220 crores this year, right?

Sandeep Jain:

No, no, I'm talking about the annual basis. In annual basis, I'll just give you the figure. So, there is a jump of around INR 16 crores.

Viraj Parekh:

My question is more in terms of margin improvement here. I mean in absolute value, I agree, it's just INR16 crores, INR17 crores kind of a jump, which is around 8% year-on-year increase. But if I see as a percentage of our revenue, last year, it was around 33% of our revenue. This is around 38% of our revenue. I'm just trying to understand if there's kind of any operating leverage which can come in, whether is there any one-off or this is the level it should sustain of 8%, 10% increase year-on-year?

Sandeep Jain:

If you see the major reason was advertisement and business promotion expenses. So, the turnover has not increased, but we have seen INR10 crores of increase in the advertisement and business promotion, and that is happening because the turnover is almost same. So that is a percentage-wise, other expenses have gone up.

But as I mentioned earlier also that we are looking forward for a 10% growth at least a double-digit growth going forward. So that will definitely -- the advertisement expenses won't be going into that kind of increase as we have seen last year. So that will definitely reduce the percentage of other expenses as compared to this financial year.

Viraj Parekh:

Understood. And just one bookkeeping question. I feel that our tax rate this year has been a little bit on the higher side, around 29% of our revenue. Is there any kind of one-off here? And there's a negative cash flow for Q4?

Sandeep Jain:

So Mr. R. K Sharma is with me, so he will answer this question.

- Raj Sharma:** Actually, this year, there is a change in the long-term capital gain structure. So, this year, deferred tax element has changed. The context is okay. So next year, it will not be like this. 29%, it has come because of this budget changes with respect to the long-term capital gains. So, it's just information only. It's not actually tax.
- Viraj Parekh:** So, what would be a steady-state tax rate applicable to the company, 25%?
- Raj Sharma:** Yes, yes, 25.168%.
- Viraj Parekh:** Understood. Sir, I believe you would have concluded some of our trade shows. So, if there's any kind of guidance or commentary you want to give? I know you've already given a kind of a double-digit growth guidance, but is there something you would want to add on in soft comments in terms of how the trade shows went for the upcoming year?
- Rishabh Oswal:** Viraj, you're right, we just concluded our 7-day winter trade show and the response was very good. We had more than 1,500 retailers coming over for the trade show and we've gotten a very good order book. That gives us the confidence to give a guidance of double-digit growth for the next financial year, and we are confident of achieving that.
- Also, what we see is now especially winter as a category, a lot of other brands are pulling out of it. So that gives us a lot of leverage with bigger players like Reliance, Myntra or Amazon in terms of negotiating power and asking for better margins. So, we see that also playing out in the next couple of years.
- Viraj Parekh:** Understood. Just a few more questions before I get in queue. We've seen our EBO network expand really well this year. I think we've added around 60, 65 new stores, and I believe we maintained the current guidance. So, if you can just help me understand in terms of region-wise, what went well this year versus last year?
- And how are we strategizing ourselves in different regions for the upcoming year where I think the guidance remains same around 50, 55 stores for the next year? And also, I saw in the presentation that you have even started being aggressive on the clock & Decker exclusive stores of around 12. So maybe on both those lines, if you could help me understand the strategy for next year?
- Sandeep Jain:** You rightly mentioned that last year, we opened around 66 stores, including everything. So, this year also, we have plan to open 45 to 50 Monte Carlo stores and 10 to 15 Clock & Decker stores. And so, the speed will continue, I think, going forward for next 2 years. And we don't see any problems, any challenges to keep that pace with the EBO's expansion plan.
- Viraj Parekh:** Can you give me some kind of region strategy of how we are looking to open stores across?
- Sandeep Jain:** So last year also, we have said that the 80% to 85% would be opening in our main regions, that is Northern and Eastern and Central region. And the 20% balance would be opened in the Western and Southern region, 15% to 20%. And last year also, the same strategy was adopted. So, 15% was opened in Southern and Western region.

- Moderator:** We take the next question from the line of Amit Kumar from Determined Investments.
- Amit Kumar:** Just one question. On the LFS side, you indicated that you are sort of ramping up. I remember a couple of years back. And actually, it was exactly on the same issue of SOR that we did not want to do too much business on that side and we wanted to do a little bit more on the outright sale. So, is there a little bit of a reversal in strategy on that side of the LFS side?
- Rishabh Oswal:** So yes, I would like to clarify that. So, there's a lot of difference in the market situation 2 years back and today. So, the last 3, 4 winter seasons have not been that good. And for other brands, winter season constitutes a minority part of the revenue. So now their focus is shifting entirely from winter towards pre-winter and summer category range where there is less risk involved.
- Now that leaves lesser brands in the market to service the winter wear market for players like Reliance or all of these large-format stores. Saying that, we are increasing our sales and number of doors with Reliance and all the other major large-format stores, but these are at a better term than what we were doing a couple of years back.
- So, we were not comfortable with -- the terms are still SOR. But in terms of our negotiating power, in terms of our power in terms of what merchandise is to be displayed in these stores, that has increased in the past couple of years, and that gives us confidence to perform better in terms of discounting and return percentage in these chains.
- Amit Kumar:** It's more of a tactical...
- Rishabh Oswal:** It's more of a tactical approach, yes, you can say.
- Amit Kumar:** And just sort of a follow-up to the previous participant also. So, I mean, April, May, we have already sort of seen half the summer over. So, both from the EBO side and wholesale, EBO obviously have sort of fairly good data. I mean in terms of sell-throughs and any sort of color from wholesale also I'll appreciate that.
- I mean, how do you sort of see -- because at some -- at a point in time previously, we also had a view that we also were looking to sort of balance our portfolio towards more summer and that way, a more even sort of financial performance over the years -- over the quarters rather. So, what is sort of happening on that side? If you can just give me a little bit of color, please?
- Sandeep Jain:** Yes. So let me give you some broader picture. So, we begin this year with a muted start. So, April was not that great. But May, we begin very well. And we have seen some of the sales recovery, which we lost in April has happened in May as far as EBO levels are concerned.
- So now I think going forward, we see that we should have a very good year ahead because of 3 or 4 factors, which are I would list out. One was basically, there was a lot of apprehension about -- among all the retailers, among all the customers, also Indo-Pak war. So fortunately, which ended sooner than expected. So that was one reason which affected some of the like sentiments.
- And second was there have been 3, 4 months, we have wasted on the trade wars, which has happened across the world, and India cannot remain insulated to that. So, in that case also, we

just signed with FTA with U.K. and also FTA with U.S. is also in the pipeline, and we are talking to EU also. So those things will definitely boost the export as well as boost the economy.

So, the third factor, I think, which will contribute, but in our sport of -- like we are talking about the growth. The third is that as already RBI has reduced the interest rate two months back. And in June policy, it is widely expected that they will go for another 25-basis cut on the interest rate. So that will again further bring down the inflation and boost the economy.

And fourth, IMDA has announced that the monsoon for this year would be 105% as compared to last year. And we also have seen that the Bombay monsoon have come 15 days before and in Kerala it has also arrived. So, it is widely expected that the monsoon this year should be very, very good, and that would definitely help us in containing the food inflation, food security, and that would be a very big boost to rural economy.

So, all these factors, I think, are now running in our favour as compared to last financial year. So that gives us the confidence of maintaining a double-digit growth target, even though Rishabh has rightly said that in our trade show, we got very good orders. And based on that, we have the visibility of sales coming in second quarter and third quarter and fourth quarter. So, there's no reason that we should not see double-digit growth this year and as well as improvement in the EBITDA.

Amit Kumar:

Sir, I understand the macro factors, and I understand the winter is any which is a sort of strong point for the company. And I think second quarter, third quarter is typically winter sales on wholesale, et cetera, is where you end up booking. I still just wanted to understand on the summer side, right? So, we were also looking to sort of balance because our -- the brand skew is very much towards the winters.

So, we were looking to sort of ramp up both the brand visibility as well as sales on the summer side also. So now what you're basically indicating is that, okay, macro factors being as it April, May, whichever way it will go. But how do you sort of manage that also? I mean we understand that Monte Carlo is a very strong brand on the winter side. But how do you sort of manage that balance between winters and summer, which you were sort of aspiring to some time back?

Sandeep Jain:

Every year I...

Amit Kumar:

What are the steps that the company is taking is what I'm trying to understand?

Sandeep Jain:

Yes. So, every year, if you see the volumes in summers are growing, even if we have this year volume with summers that the volumes have grown even though the winter volumes have not grown. So summer is one area where the company is continuously growing from last 4, 5 years. That is why the overall percentage of summer wear has actually increased from last 3, 4 years as compared to winter wear sales.

But definitely, winter wear has been a very huge segment. So, it might take 1 or 2 more years for a company to have around 45% to 55% ratio. But as of now, I think we have reached almost 30%, 35% of summer wear sales, including total garment sale in whole year. So that is a very good percentage. If you talk about around 10 to 15 years back, it was just 4% to 5%. So, the

company is taking steps to improve its summer sales year-on-year. And also, it has been visibility in our volumes also as far as summer sales are concerned.

Moderator: Next question is from the line of Yuvraj Kunwar from Emkay Global.

Yuvraj Kunwar: So, we see tie-ups with Blinkit, Zepto and Swiggy are notable. So which geographies and product types are seeing the most traction here?

Rishabh Oswal: So, as you know, Blinkit itself around 50% of its revenue comes from Delhi NCR region. So, with Blinkit and Swiggy, we are piloting in the Delhi NCR or the northern part of the country as of now. So, these are basically pre-winter and winter clothing, along with -- we are also speaking with Swiggy on an exclusive tie-up for our home furnishing category.

Yuvraj Kunwar: Okay. And sir, you opened about 12 EBOs for the brand Clock & Decker. So how will you -- if you could share the revenue contribution and the store level economics compared with the core brands per se?

Sandeep Jain: See, when we opened our Clock & Decker EBO, it's a discount -- basically economy discount brand. So, we targeted around INR8,000 per square feet sales. So, I'm pleased to share that we have been achieving this kind of sales in the last 1 year where we have started. It's almost 8 months and already 12 EBOs we have opened. So, we are getting a sale of around INR8,000 per square foot per annum. So that was the initial target which we have set for ourselves.

And so that is why the inquiries which are coming from the market, basically, the people who have opened their earlier Clock & Decker EBOs. So, some of the inquiries which we have received for this financial year was the person who is already running the C&D EBO. So, it seems that we are going into the right direction. But still, it is very early to say about like how would be the sales in this financial year. So -- but we are very positive that the initial response has been very encouraging.

Moderator: We take the next question from the line of Jimit from Emkay Global. Jimit sir, your sound is a bit distant. Could you please come closer to the mic?

Jimit: So, I see that the working capital days remain elevated. So, what are the key initiatives that are driven to improve the cash conversion?

Sandeep Jain: Can you please repeat it?

Jimit: So, what I'm trying to see that working capital days are elevated, right? So, are there any key initiatives that are underway to improve the cash conversion?

Sandeep Jain: Yes, we are working on the working capital days because we see that now we have installed, as we said in our investor presentation also that we have installed Salesforce software, our Tableau software. So that led us to give us the better planning as far as our retail merchandise are concerned in our EBOs even at our other stores. So, when we can plan better, definitely, we can sell more on the lesser inventory in our EBOs. So that would help us in improving the working capital days going forward.

- Moderator:** We'll take the next question from the line of Maitri Shah from Sapphire Capital.
- Maitri Shah:** My questions have been answered. Thank you.
- Moderator:** We take the next question from the line of Shivang from Emkay Global.
- Shivang:** I was looking at the MBO channel, and I saw that it fell 7.9% Y-o-Y. So, was this driven by rationalization of some kind or demand side challenges? And if yes, how do you plan to revive or replace this channel?
- Rishabh Oswal:** Yes. So, thank you for the question. As we've been saying that MBO as a segment is on a downfall overall across the country. Smaller MBOs are not able to compete with bigger EBOs or national chain stores in terms of offering discounts to the customers.
- So, what we see is smaller MBOs getting shut down and bigger MBOs will convert into SIS. So, if you see, even though our number of MBOs have reduced, the number -- the sales which comes from MBO and SIS is at -- is almost flat. So that means bigger MBOs, which are now converted into SIS are doing bigger -- I would say, higher revenue per store as compared to previous years.
- Also, in some states like West Bengal and Northeast, we realized that we had a lot of MBOs, approximately 150, which were doing a very less amount of average per store sale. And so, what we've taken a call is we are going to shut down these 150-odd MBO outlets and instead open our own exclusive brand outlets to service these markets.
- Moderator:** Next question is from the line of Madhur Rathi from Counter Cyclical Investments.
- Madhur Rathi:** Sir, I'm trying to understand, sir, our inventory cycle as well as our working capital cycle has constantly increased over the past 3 to 4 years. But sir, in the same time, we are saying that we have given higher discount during this Q4 as well as -- so why is this inventory not reflecting in our balance sheet? And sir, when can we expect some improvements in our inventory and working capital cycle going forward?
- Sandeep Jain:** See, I don't see a major improvement happening in the inventory cycle as our business is, as Rishabh has rightly said that MBOs are also converting into SIS and LFS business is also growing. So, inventory will remain in the cycle. So even in COCO, we booked that inventory in our books also. So, in that case, we don't see a very significant improvement in the inventory level, but it will remain at this level, plus/minus 5%.
- Madhur Rathi:** So, going forward, if I consider if we can stretch our debtors or if you can stretch our creditors, so what should be the working capital or cash conversion cycle we can expect on a consolidated basis going forward, we can maintain?
- Sandeep Jain:** Debtors will definitely come down because we are now tying up with some distributors also to have us advance payment basically on that cycle. So, debtors will be coming down. But creditors basically have come down because of MSME. There we have to make the payments in 45 days to our creditors. So that is basically as per the government regulations. So, 45 days payment, we

have to make to all our vendors. But in that case, we do get a discount from those vendors. So that reflects in the other income. But the creditor days have come down.

Madhur Rathi: Got it. Sir, can you quantify the amount of benefit we should get from the debtors tying up with distributors for our debtor days?

Sandeep Jain: Can you please repeat it?

Madhur Rathi: Sir, can you quantify the amount of debtor days -- the amount by which debtor days should come down because of us tying up with distributors?

Sandeep Jain: We expect 5 to 10 days of debtor days should come down going forward.

Madhur Rathi: Got it. Sir, what was the price hike that we took last year? And what is the price hike that we expect in the coming FY '26?

Sandeep Jain: So last year, across all categories on average, 6% to 8% price hike was taken. And this year, 8% to 10% price hike was taken.

Madhur Rathi: Sir, so the guidance we have given is on a very conservative basis because of strong monsoons, winters are good, we can expect even further revenue growth. Is that understanding, correct?

Sandeep Jain: Yes, we can revise our guidance in Q2 con call. So, if we see that everything is going as per the expectation, we may revise our guidance upwards in Q2 onwards.

Moderator: Next question is from the line of Jigar, an individual investor.

Jigar: My first question is, what initiatives the company is planning to undertake to improve ROE going forward? Hello?

Sandeep Jain: Yes?

Jigar: What initiatives is the company planning to undertake to improve the ROE? Our ROE is, sir, around 10%. So, from an individual shareholder perspective, what can we expect to have to improve going forward?

Sandeep Jain: I think the same steps that we have taken last year to improve our margins will definitely improve our ROE also going forward in this financial year. As we talked about our improvement in EBITDA margin going forward this year, so definitely, we'll see that the ROE is going to improve this year as compared to last year.

Rishabh Oswal: Also, I would like to add that the company carries a big chunk of cash on its books, which was till now invested in debt mutual funds, which were leaving us a yield of 6% to 7%, which we've now started investing in higher-yield debt instruments.

Jigar: Okay. And sir, any revenue growth aspirations over the next 3 years? I mean, is there a vision the management is working towards in terms of top line or market expansion?

- Rishabh Oswal:** Sorry, can you please repeat your question?
- Jigar:** Sir, any aspirational growth target or revenue target over the next 3 years?
- Rishabh Oswal:** Yes, we're just focusing on double-digit growth. We would not like to give an aspirational target and not be able to achieve it. So, we are very conservative when we give our guidance. So, we stick to our guidance of double-digit growth this year.
- Jigar:** Okay. And sir, my last question is, any strategic plans to expand the export business over the next few years if a good India, U.S. bilateral trade deal happens or anything like that?
- Rishabh Oswal:** So yes. So here, I would like to add. So, there are 2 parts of exports. One is producing goods for other brands and exporting them, which Monte Carlo Fashions Limited as a company, does not engage in. When we say exports, what we are referring to is exporting Monte Carlo-branded goods to other markets and then selling it. So, for that, we've already tied up with some online platforms like Amazon and sent some of our products to countries like the U.S. and Canada, where they will be sold under the Monte Carlo brand name.
- Also, last week, we had 2 members from our team visiting Dubai for the IATF, which is the International Trade Fair. And we've also tied up with Style, which is from the Landmark Group in the UAE, to supply around 8,000 to 10,000 pieces of Monte Carlo products in the UAE market. So, this year, we are experimenting with expanding globally overseas. And I think by the end of this financial year, we'll be in a better position to give guidance to tell about our strategy for global expansion.
- So again, I would like to highlight that the FTA will not be involved or interested in exporting goods, white-label goods under other brand names. That is not what Monte Carlo is involved in.
- Moderator:** The next question is from the line of Arjun, an individual investor.
- Arjun:** I'm actually a little new to this company. So, I was hoping to ask a bookkeeping question, which I hope will help me understand the company a little bit better.
- So, sir, as I see that your finance costs are at about INR48 crores, yet we have a largely working capital of INR300-odd crores. So, I wanted to understand how does the debt figure moves through the year? And I mean, how high does the peak debt go that we have a high cost of borrowing? And correspondingly, the other income is at INR35 crores at our investments at year-end, something like INR200-odd crores. So, like, how does the cash balance also correspondingly move throughout the year? If you can help throw some light on this, it would be very helpful.
- Sandeep Jain:** Finance cost is basically of 2 parts. One is the interest cost, and the second is the asset liability CLM, which is the rent; we have to have the depreciation on the rent, and some part goes to the finance cost. So that is the rent cost. So actual finance cost is only INR34 crores. And the other income is basically from government bonds, mutual funds, and debt, that is, again, INR34 crores. So, on a net basis, we are not paying any money to the bank as far as finance cost is concerned.

- Arjun:** Okay. But INR35 crores, and how much is your investment, sir?
- Sandeep Jain:** Around INR290 crores as of now.
- Moderator:** We take the next question from the line of Viraj Parekh from Carnelian Asset Management.
- Viraj Parekh:** Sir, a few questions were asked about our working capital, especially our inventory days. So, I believe that this year, sir, we have taken a call to decrease the kind of production we had because of the kind of returns we had received last year, right?
- And I feel that since EBO COCO inventory is part of the company's inventory and that has increased by around 50% this year in terms of store count. How are we managing inventory at the COCO level in terms of how many days of inventory are we giving them? So, I'm just trying to understand more on the strategy part of inventory management at the COCO level. I'm assuming that is what is majorly driving the spike in our inventory days. Is that correct?
- Sandeep Jain:** See, if I clearly understood your question, you are talking about how we are managing inventory at the COCO level. So basically, when we supply the inventory to COCO level, it is all season-based, like the summer inventory, which we ship to, like, February, March. So, we conclude it in the EOSS in July and August.
- So, by I think, 15th to 20th of August, most of the summer merchandise has been sold off and some of it comes back to us. So, then we supply the winter merchandise. And again, that cycle follows on March 15 and some of it comes back. So, the inventory stays there for 4 to 5 months every season. So that is being counted in the books at that point in time.
- Viraj Parekh:** So sir, second question is despite having some kind of reduced production for this year given the inventory last year, shouldn't our inventory been better managed this year than if you look at that the sales haven't been good at the company level in terms of COCO, the inventories spiked up despite production being low?
- Sandeep Jain:** As Rishabh Ji has rightly mentioned about the trade show, there are 2 things in it. So one is that when we hold a trade show, say, accordingly, we receive the order for production. And we produce the goods. And secondly, it is up to us how much goods we want to supply. So sometimes the order received from the trade is higher, but we normally supply at a lower side, seeing the last sell-through at the country level, at the EBOs, and also at the SIS level.
- And then there are returns which we receive at the end of the EOSS. So those are also clubbed. So, if we club the returns as well as the new orders. So, accordingly, as far as today is concerned, we have to produce a little larger than last year to fulfil the demand from the market. So, inventory, as far as whatever we have and whatever we are producing, it will take care of total sales, which is happening this year, and will take care of the inventory also.
- Viraj Parekh:** Sir, like this year, our inventory is INR503 crores, and last year it was INR435 crores. Do we have a breakup of how much of COCO finished good inventory is in this number?

- Sandeep Jain:** Yes, we can mail it to you. I will ask Mr. R. K Sharma to have a specific query from you, and he can mail it to you the specific requirement.
- Viraj Parekh:** Secondly, sir, I think a previous participant asked on ROE in terms of how we can improve it. I would suggest that using our cash to grow the business rather than investing it for yields would be more prudent for our growth prospects. So, any thoughts you have of how we are going to deploy our INR250-plus crores cash reserves?
- Sandeep Jain:** So, there are some plans which have been discussed in the Board meeting, but I might not be able to disclose at this point of time. But maybe we can come out with some of the points in the next con call.
- Moderator:** The next question is from the line of Mohit Dodeja from Emkay Global.
- Mohit Dodeja:** So, first is, could you share your targeted store additions across formats for FY'26 and whether you're seeing higher potential in Tier 2, Tier 3 towns, or metros? And second, what was the SSSG for quarter 4 FY'25 across key formats? And how do you see it trending in the FY25 class?
- Sandeep Jain:** See, the opening of stores would be spread across Tier 1, Tier 2, Tier 3, Tier 4, and Tier 5 stores. So, we have marked out the areas where we see there is a lot of potential. But that is in all areas. It's not restricted to Tier 3 or Tier 4. But as far as SSG is concerned, last year, we had seen a decline of around 4% in SSG, same-store growth.
- Moderator:** We have a question from the line of Madhur Rathie from Counter Cyclical Investments.
- Madhur Rathie:** Sir, do we have a breakup of how much of the inventory would be on our books for more than a year or more than 6 months? And how much would be from the current season?
- Sandeep Jain:** That, I think, we can mail it to you.
- Madhur Rathie:** Okay. That would be very helpful, Sir. On the margin front, sir, can we expect, because of the operating leverage and price hikes, to move to our historical 20% margin in FY'26?
- Sandeep Jain:** I'm confident that we'll be touching above 20% going forward, including other income.
- Madhur Rathie:** And sir, excluding other income, can we achieve that number?
- Sandeep Jain:** Then it should be around 200 basis points.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Sandeep Jain:** Yes. Thank you, everyone, for participating in this earnings call, and we hope that we have been able to answer all the questions. But still, if you have any query which has not been answered or any query which you want to mail it to us, please reach us at investor@montecarlocorporate.com or our IR managers Valorem Advisors. Thank you very much.

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