"Monte Carlo Fashions Limited Q3 FY 2015 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Monte Carlo Fashions Limited Q3 FY 2015 Earning Conference Call, hosted by Edelweiss Securities. 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 would now like to hand the conference over to Mr. Alankar Garude from Edelweiss Securities. Thank you and over to you Mr. Garude!

Alankar Garude: Thanks. Good afternoon and a warm welcome to all participants. We at Edelweiss Securities are very pleased to host the maiden earnings conference call of Monte Carlo Fashions. From the management we have with us Mr. Sandeep Jain, Executive Director, Mr. Dinesh Gogna, Director, Mr. R. M. Sood, CFO and Mr. Amarinder Singh Jassar, VP Corporate Finance. Thanks to the Management for this opportunity. Now I would like to hand over the call to the Management for the opening remarks, post which we will have the question and answer session. Thank you and over to you Sir!

Sandeep Jain: Hello everyone and welcome to the maiden conference call of Monte Carlo Limited for the Q3 FY 2014-2015. On behalf of our board of directors extend a welcome to all of you. Before I delve upon our performance I would like to brief you a little. Our brand Monte Carlo was launched in 1984 as an exclusive woolen brand by Oswal Woollen Mills Limited, our flagship brand Monte Carlo has emerged bigger each year and it is today clear market leader, making us enjoy a head start in this space.

The Monte Carlo brand has got good market premium with phenomenal brand recall. We are pleased to share with you that Monte Carlo today is the leading apparel brand in revenue terms and is also well recognized as a super brand for woolen knitted garment since September 2004 by International Society for Super Brands. Over the years, we have successfully diversified and created a comprehensive range of woolens, cotton and cotton blended knitted and woven apparels and home furnishing through some of our ranges under the umbrella brand Monte Carlo. The range names are Platine, Denim, Alpha and Tweens.

Our vast range of products showcases are clear capabilities, in anticipating, identifying and responding to the changing fashion trends. We would like to highlight that the ownership of Monte Carlo brand as well as the sub-brand ranges are the registered trademark and belong to the company.

Let us now discuss our key strengths. One of our key strength is a wide and a growing distribution network with diversified presence across India. We are present through 1400 plus multibrand outlets, 214 exclusive business outlets and 89 national chain store outlets. Majority of our net revenue comes from MBOs and franchise EBOs where we primarily sell on a pre-ordered outright basis. By virtue of this business model there is no major inventory risk and we remain adequately protect from normal hazards of the branded apparel business. We would like to also mention our growing business segment that is online e-commerce, which we sell through our own portal that is Monte Carlo Door Den (**unclear**) as well as we have tie ups with several online portals like Jabong, Snapdeal, Myntra and Flipkart. We continue to be extremely upbeat on this point of sale during the prospects of the online industry.

What also gives us a deep satisfaction is our in-house dedicated design team comprising over 30 professionals, who rigorously follow and forecast emerging global trends. We have a separate design team each for winter and non-winter years. Our design team is further spotted to dedicated facilities for product developments, a design studio and a sampling infrastructure. Sharing with you our capabilities; we have consistently modernized by implementing our expansion projects for increasing our production capacities. We have three manufacturing facilities; one for the woolen, and two for cotton based products. Our entire woolen products are manufactured at our facility in Ludhiana. In April last year we put in place a facility for manufacturing cotton T-shirts and thermals.

For cotton and cotton blended products, we also follow an asset light model of outsourcing production to network with whom we enjoy a long-term and a fruitful relationship. Having recently extended our facilities we anticipate no major capex with only new machines to be added if we just need to enhance our production capacity as this is basically a labor intensive industry, not a capital intensive industry.

Talking about our financial performance, the quarter under review has been favorable for Monte Carlo reflecting an 18.7% growth on year-on-year basis and net revenue to 3168 million. All those interest rates were delayed during this year; however, we still have been able to sustain a robust growth. Our EBITDA without other income has increased by 35% on YOY basis to 720 million during this quarter. Also our EBITDA margins without other income improved by 280 basis points to 20.7% as compared to 19.9%. During Q3 FY 2014 due to operating leverage and improved operational efficiencies our profit after tax increased by 23.8% YOY to Rs.407.7 million from 329.4 million in Q3 FY 2014.

Depreciation is higher due to change in depreciation policy as per the new Companies Act 2013 actually cash profit has increased by 30.4% to Rs.480 million YOY from 368 million in Q3 FY 2014. This improved performance resulted on the back of strong product portfolio, effective marketing network with efficient management and we envisage achieving higher growth in terms of turnover and profits moving forward. Well we do have a robust plan for the future. Our aim is to open 275 EBOs by the end of FY 2016 and 2017, mainly through the franchise route. We also plan to diversify a pan India presence by penetrating into the southern and western regions of India. We are strongly focused on optimizing asset utilization, quality, efficiency and relationships. We are attractively placed to build on our existing scale. We have a strong balance sheet with very low leverage and a strong cash balance. With no major capex over the next few years, we hope to sustain a robust growth rate which will further improve our return ratios. With this once again thank all of you for having spared your valuable time and joining us today. Thanks.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Alankar Garude from Edelweiss Securities. Please go ahead.

Alankar Garude: Congrats on a very good set of numbers. Just wanted to understand the seasonality in our business, if I see the numbers Q3 seems to be a very strong quarter for us in spite of the fact that we have 40% contribution coming from cotton annually, so if you could just take us through various quarters and how seasonality affects our business? That would be very helpful.

Sandeep Jain: Basically the third quarter is strongest quarter for us as we have been known as winter brand over the years. So 60% of the business comes from the third quarter and the 10% of the business comes from the first quarter, 15% of the business comes from the second quarter and balance comes from the final quarter.

Alankar Garude: Sir, with increased contribution of cotton, do you see this mix changing, the seasonality?

Sandeep Jain: We have seen that over the years. If we see the last eight years of patron we have seen the cottons are growing at 30% per annum and the woolens are growing at 18% per annum. So that is why right now the contribution from cotton has increased to 54% in business which is just 34% in case of woolens and the balance from the home furnishings and its division.

Alankar Garude: Sir, my second question is on our interest cost. So if I see in this quarter, there has been a slight increase as compared to the last quarter as well as Q3 FY 2014. So can you spell out the reasons for the same?

Sandeep Jain: The reason being is that because we have constructed a new building so that is why the interest cost has increased and also there is slight increase in the working capital also as the revenue grows up, so use of working capital has also gone up so there is a little increase in this.

Dinesh Gogna: One more additional point in this. This basically earlier as we had explained to our investors that we have a cash surplus with us and that cash surplus we used to deposit because seasonality was deposited into the bank and against the spread of 0.4% to 0.5% we used to take OD from the bank for the working capital requirement. Earlier when we had given the deposit to the bank the rate of interest was 9.5% to 9.70%. Now this year what has happened is that the rate of deposits has gone up to 10.50% then the spread I have to give for 0.5% so basically the amount of interest which has been debited in the profit and loss account had also gone up. But in case if you see the netting of these that effect will be nullified because so far as the interest income is concerned, that I have accounted for as an income from other sources or other income and whereas the expenditure portion is concerned, because the higher rate of interest which I have got from the bank and against that higher spread is there and which I have debited in the profit and loss account is also higher. So in fact I mean, this is basically an accounting entry, but otherwise it will nullify each other to that extent. Secondly there is an increase in the volume of business so because of that some increase in the interest income is there.

Alankar Garude: Thanks a lot Sir. Sir, my last question is on the delayed winters. So do we see some shift happening from Q3 to Q4 in terms of your woolen demand?

Sandeep Jain: Basically this year the winter was delayed but not that much. Actually it started from December 10 so it was on time for us that is why we have been able to do this kind of performance.

Alankar Garude: Thanks a lot.

Moderator: Thank you. The next question is from the line of Dixit Mittal from Shubkam Ventures. Please go ahead.

Dixit Mittal: Good evening Sir. Sir, can you give a breakup of your nine months revenue in terms of woolen and cotton and kid Sir? If you can also give the nine months FY 2014 also, so that will help us in seeing the growth rates in respective segments?

Sandeep Jain: I will just give you a breakup in percentage wise, the revenues for nine months for FY 2015. That 34.3% of the revenue came from the woolen segment, 53.4% came from the cotton segment, 8.3% came from the home furnishing segment, 4% came from the kid segment.

Dixit Mittal: Sir what was it last year nine months in FY 2014?

Sandeep Jain: Last year financial year 2014 it was 33.1% from woolen segment, 56.2% from cotton segment, 6.9% from home furnishing segment and 3.9% from kid segment.

Dixit Mittal: Sir, going forward in woolen and in cotton what kind of growth rates that you are looking it to grow in terms of percentage wise or absolute if you can give some idea?

Sandeep Jain: I just need to correct one thing that the figures, which I have told you it was for full year. So the figures, which I told you earlier for nine months so when you add three months more figures, the cotton revenue segment will further go up.

Dixit Mittal: Sir you mentioned earlier that cotton is growing by 30% CAGR?

Sandeep Jain: Yes.

Dixit Mittal: What is the growth rate in woolen and going forward what kind of growth rates can we expect to see in this segment?

Sandeep Jain: Basically it is very difficult to give any guidance in the future, but we have earlier also said that growing at a cumulative rate of 15% to 20% should not be an issue. Woolen should grow at least a 10% per annum and quarter should grow at least 20% per annum, but they can keep on varying depending upon the economic conditions, depending upon the number of factors which are there in the market, but still we have been able to grow this kind of growth rate in the past so I think achieving this kind of growth rate in the future is not a problem.

Dixit Mittal: Sir, in cotton what percentage are we getting from southern and the western markets out of the total revenues?

Sandeep Jain: It is less than 10%.

Dixit Mittal: So going forward the growth will be driven by existing regions or these southern and western regions will be major growth driver in terms of revenues?

Sandeep Jain: From the last one and a half years, we have seen that the revenues in southern and western regions are increasing. So going forward we see a lot of growth is going to come from the southern and western region also and at the same time existing regions, which are very strong for us will keep on growing.

Dixit Mittal: Thank you.

Moderator: Thank you. The next question is from the line of Prashant Garg from IIFL. Please go ahead.

Prashant Garg: Sir, I have two questions; one is that why is your growth rate in woolen so much lower than what you are seeing in cotton. Is that because you have grown so big and the market is growing at only 10% in cotton and you are getting market share? Second question is what is the difference of profitability among the two segments? You have broadly same profitability or different because Monte Carlo is a much stronger woolen brand than it is on the cotton side?

Sandeep Jain: The first question is why the woolen is growing at a lesser rate, the reason being is that if we talk about the industries cater is the woolen sweater industry is growing only at 9% on that also the growth is coming basically from the grid segment, not from the higher premium segment. So that is where the growth is a little less in sweaters, but in case of cotton garments as it is we being a tropical country the season is for nine months so the growth in cotton segment is more as compared to woolen segment. As we talk about the margins, at PBT level we are in the same margins in cotton as well as in woolen garment.

Prashant Garg: Sir, have you done any competitive study on how your positioning obviously in woolen is very strong, but any sense on how stronger brand is on the cotton side and you know how people perceive it in terms of cotton brand?

Sandeep Jain: We have been considered as a mid premium brand in both cotton and in woolen segment. So that is the reason, if people have accepted this cotton segment that is why it is growing. The growth of 30% over the years is not for one year, it is for eight years, it means the cotton categories also being well appreciated and accepted by our existing customers. That is why it has grown. So it is not a question that in cotton we are not premium. We are premium in cotton also, but the value of cotton garments are less as compared to woolen garments. If woolen sweater is being selling at Rs.3500 total T-shirt we can only sell at Rs.900 and cotton trouser and shirts we can sell only at Rs.1500 price. So value per garment is lower in cotton, even the volume is higher, but in case of woolen the volume is lesser, but the price is higher as per thermal price is higher.

Prashant Garg: The last question is what kind of capex plans would you have over the next two or three years? In the sense what kind of capex you would be looking to do for the next two or three years and what would it be predominantly? Whether it will be on the stores or in the factory?

Sandeep Jain: As I said earlier also that this is an industry which is labour intensity industry. This is not a capital intensive industry. We just constructed a new building and so we do not require a major capex to go in forward for two to three years. Yes for a normal capex of 15 Crores to 20 Crores cannot be ruled out, so you can assume that it should be around 15 Crores to 20 Crores going forward for the next two to three years.

Prashant Garg: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sumit Chugani from White Waves Capital. Please go ahead.

Sumit Chugani: Sir, my question was I am very confused on your interest income and your finance cost. So for your nine months the finance cost was roughly 6.4 Crores and the other income was 4.2 Crores. Can you just elaborate your other income, how much cash is there on the books and how would you exactly earn a 4.2 Crores when your finance cost is 6.4 Crores the differential is 2.2 Crores. It does not really matter of positive layout. So you have more cash than the debt on the books?

Sandeep Jain: So far the interest income is concerned, income is approximately 7 Crores this has come from the deposits and other things, and thereafter I have got another liability to the extent of Rs.5 Crores which is by way of term loan liability, and 7.53 Crores on an interest paid on working capital loans, which was total interest received on FD and from customers were around 12.02, but the difference in the total interest in this year was around 1.55 Crores. Now what happens is again I receive the interest either from the customer or the FD I account it for as an income which is other than the operational income. Am I clear?

Sumit Chugani: So is that reflected under the other income, which is 4.2 Crores for the three months ending December 31, 2014? Under the other income for the three months there is 4.2 Crores. What does that include?

Sandeep Jain: That is interest received from FD and plus customers because any delayed payment which has come in not in time because I give the credit of 75 days to my customer. So in case the payment does not come for me within 75 days I charge interest from that.

Sumit Chugani: So the 4.2 Crores is the interest on delayed payments, plus interest on the company's cash and fixed deposits?

Sandeep Jain: Yes.

Sumit Chugani: In the finance cost of 6.4 Crores is the interest on term loans and working capital?

Sandeep Jain: 2.90 Crores is the interest paid on term loans and 3.51 Crores is the interest paid on working capital.

Sumit Chugani: So a question, what is the total?

Sandeep Jain: Total debt in fact it is 91 Crores is the term loan. Long-term debt that which we can save, but you know as per the accounting standards out of the term loan, whatever is payable in the current year or in the one year that has to be shown as other liability (**inaudible-22.57**) long-term debt.

Sumit Chugani: I am just talking about your profit and loss, not on your balance sheet?

Sandeep Jain: In the balance sheet profit and loss account as far as the loan is concerned, profit and loss account the loan will not come, as far as the balance sheet is concerned the balance sheet in the loan is 67 Crores the total money. 67 Crores is the long-term debt and installment paid during the year is 27.37 Crores.

Sumit Chugani: That is 91 roughly.

Sandeep Jain: Yes.

Sumit Chugani: What is the working capital loan?

Sandeep Jain: Working capital is around 90 Crores.

Sumit Chugani: So the total debt including the current portion of the long-term is about 180-odd Crores is it?

Sandeep Jain: Yes and 163 Crores I have got the cash with me on the books?

Sumit Chugani: So, 163 Crores of cash only gave you an income of something less than 4 Crores for the quarter?

Sandeep Jain: 50 Crores has been invested in the debt security so that in turn will be accounted for later. As far as the FD is concerned, the rest of the money has been given by the way of FD which has been accounted for.

Sumit Chugani: The income from the debt securities where it has been accounted for?

Sandeep Jain: That will be on the date of redemption when the security is redeemed by the mutual fund, 50 Crores we had invested in the debt securities of the mutual fund. So that will be accounted for only on the basis of redemption.

Sumit Chugani: You do not account it for on a mark-to-market?

Sandeep Jain: No, mark-to-market we do not.

Sumit Chugani: My second question is in terms of your EBITDA as your contribution, do you have a better contribution from your company owned stores or is there a better contribution from your franchise or is it Sunela (**unclear**) and roughly if you exclude your interest costs you have EBITDA of roughly 18% is that right? Could you correct me on that?

Sandeep Jain: The first we come to the contribution from different stores and which are company owned outlets and also the franchise owned operates. Definitely the contribution is more from franchise owned outlets because company owned outlets are opened only where we could not be able to find the franchise. They are opened at higher rental locations and also at the places where we are not able to find a franchise so contribution is more from the franchise rather than company owned outlets, but at the same time the contribution is a little higher in case of multibrand outlets, which we sell them outrightly and we do not have anything which we take back and also we do not share any discounts with them.

Sumit Chugani: In terms of the contribution it is roughly 18% is the weighted average contribution for nine months?

Sandeep Jain: Are you talking about EBITDA?

Sumit Chugani: Yes EBITDA.

Sandeep Jain: EBITDA for nine months is 20.95% for nine months.

Sumit Chugani: But I am saying if we exclude the other income, which is more of a non-operating interest income?

Sandeep Jain: Actually if you include the other income, it will become 23.46%. If you do not include the other income it will be 20.95%.

Sumit Chugani: Thank you.

Moderator: Thank you. The next question is from the line of Sameep Kasbekar from Emkay Global. Please go ahead.

Sameep Kasbekar: Good evening Sir. Thank you for taking my call. I just had a question regarding our plan to penetrate the south and the west regions. So you mentioned that we are going to increase the number of EBOs to 275. So is some portion of the EBOs planned for these regions. Can you just throw some colour on that?

Sandeep Jain: We have planned 20% to the proposed EBOs in the south and west only. Out of that four have already been opened this financial year. So we are getting good response at the same time we have also appointed distributors who are taking care of multibrand outlets because normally we have an agent system in case of northern and eastern region. The reason for having agent system is it is easy to supply to nearby areas but when you supply to far areas, you need to have distributors who can take care of small retailers. So at the same time, we have distributors and also we are opening our own exclusive business outlets. In Karnataka itself we opened four business outlets this year and we are also opening two EBOs in Tamil Nadu also. So the process has already been started.

Sameep Kasbekar: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani: Thank you. Congratulations for the good set of numbers. Just a slight more and I know there is a lot of discussion has happened on debt and the interest and all, is it fair to assume that the

December end working capital debt would be probably higher because of the seasonality of the business and as we move towards the March, maybe at the March end the debt levels will be much lower?

Sandeep Jain: Yes, you are absolutely right.

Hiren Dasani: So, because if I look at the last year's balance sheet for March 2014 I think as of March 2014 we were net cash of 60 Crores because the working capital utilization will be much lower as of March?

Sandeep Jain: Definitely.

Hiren Dasani: Similar thing should happen this year as well, right?

Sandeep Jain: Similar thing will happen this year also.

Hiren Dasani: So, basically if you look at largely on a year-on-year basis as of March, one should not see any deterioration in the overall working capital cycle?

Sandeep Jain: Yes.

Sandeep Jain: This will be clarified in case if you look at the comparison of the last nine months, earlier year also the nine months figure has been given and if you see the comparison of nine months of this year and the nine months of the earlier year that will clarify the situation because my working capital goes high only at the end of the third quarter.

Hiren Dasani: Definitely.

Sandeep Jain: Receivables are very high. Receivable will start coming sometime in the month of January and February and it will come cash positive also.

Hiren Dasani: It is probably just that we do not have the balance sheet as of December last year. So that is why I think there is this confusion.

Sandeep Jain: I had given the figure. You might not be having that, but we can share it. I will send it across to you in case you want.

Hiren Dasani: It is fine. We understand that basically it is seasonal in nature and that is one part. The second part is that on the EBITDA margin, now we have seen nice improvement for the current year as well as for the nine months. So what is the outlook going forward on the EBITDA margins?

Sandeep Jain: We again say that the EBITDA margins in the earlier guidance we also said that we will maintain the EBITDA margins going forward so we do not see any reason that the EBITDA margins should be maintained. At least it should improve. That is what it has improved by nine months.

Hiren Dasani: In nine months it has improved by 60-basis points.

Sandeep Jain: Yes.

Hiren Dasani: Do you think that there is scope of further improvement as we go from here on?

Sandeep Jain: I think we will maintain this EBITDA margin going forward.

Hiren Dasani: Sir, is the cotton price reduction kind of fully accounted for or you think there is still some high cost inventory, which is sitting there?

Sandeep Jain: It is fully accounted for.

Hiren Dasani: Thank you. That is it.

Moderator: Thank you. We have next question from the line of Naushad Chaudhary from Aries Stock Trader. Please go ahead.

Naushad Chaudhary: Good evening Sir. My question is again on the margin front and on working capital cycle. Sir, as said the margins from the woolen and cotton business is on PBT level the margins from both the segment is same. Was it correct?

Sandeep Jain: It is correct.

Naushad Chaudhary: Sir, what would it be on the EBITDA level and the gross margins of both the segment, if you could?

Sandeep Jain: The gross margins are higher in woolen because the manufacturing it in-house, so that is why we have manufacturing expense also.

Naushad Chaudhary: If you could quantify on the EBITDA level also?

Sandeep Jain: This time we do not have a figure. We will come back to you and give you the answer on that.

Naushad Chaudhary: Sir qualitatively, the margin on EBITDA level, would it be fair to assume the margins from the woolen segment would be higher than cotton at EBITDA level?

Sandeep Jain: Yes because the interest cost is added in the EBITDA in woolen so it is higher in case of woolen and it is lower in case of cotton, but once we come out without interest cost at PBT level, it becomes same.

Naushad Chaudhary: Lastly on the working capital cycle. Would it be possible to give the idea on the working capital cycle for the woolen segment and cotton segment? Does woolen segment is having a higher working capital cycle number of days compared to cotton? So if you could give some color on that?

Sandeep Jain: In case of woolens the working capital cycle is higher because woolen is not easy to make. We also start the production in the month of March for procuring yarn and start manufacturing and the goods are only supplied in September and October. So basically we have to keep these goods ready till that time. So that is why the working capital cycle is higher in case of woolens, but in case of cotton it is just two months as it is being supplied in two months time in case of cotton garments.

Naushad Chaudhary: Towards cotton segment, what is the numbers in woolen segment? How many numbers of months it takes?

Sandeep Jain: It takes around four to five months.

Naushad Chaudhary: That is it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Pranav Jinodia from Stewart & Mackertich. Please go ahead.

Pranav Jinodia: Congratulations on good results. Sir, on your presentation on slide #8, you have mentioned that the company has a business model which does not carry any inventory risk neither does it carry any credit risk. Can you just elaborate on this point?

Sandeep Jain: When we talk about the inventory risk, our model is basically a model where we book the orders first, then we produce it and then we supply it. So, what happens is that the orders are booked a season in advance. Like in woolens, we book the orders in March and then we start the production and then we supply these goods in September. So what happens is that everything is produced on order basis. Similarly in cotton, so we do not carry any inventory as far as the end-of-the-season is concerned, but yes, there is around 5% returns from the exclusive business outlets. So that 5% is out of only from the EBO channel, which is almost 2% of the total sales stuck with us, which we sell in the factory outlets next year. So that is why we say that we do not have any inventory risk and therefore as credit risk is concerned, our MBO channel, multibrand channel we have agents and distributors who provide us security for the delayed payments, so we do not have any risk of any writing of payments so we give interest also from all the delayed payments. In case of exclusive business outlets we have been guaranteed by deposits and bank guarantees. So (**inaudible-36.09**) we do not have any credit risk. Till date we do not have written out single amount on any payment default.

Pranav Jinodia: Sir, do we follow any outsourcing model in the cotton segment or is it we are manufacturing in-house?

Sandeep Jain: No, we are following outsourcing model and some manufacturing capacities also is available with our company so 15% to 20% of knitted garments are basically manufactured in-house and balance is outsourced from the reputed vendors where we have a long-term arrangements.

Pranav Jinodia: Sir, what kind of sales value have we booked in the current quarter from the e-commerce segment, if you can share that number?

Sandeep Jain: E-Commerce we have a target of achieving 5 Crores in this financial year which was 2 Crores last year so I think 4 Crores has already been achieved. We are still away just 1 Crores to achieve this target.

Pranav Jinodia: Thanks a lot. That is it from my side.

Moderator: Thank you. The next question is from the line of Rahul Salvi from IIFL. Please go ahead.

Rahul Salvi: I just had a question on the EBITDA margin trajectory for the year 2016-2017, where you say that we will be able to maintain margins at the same level and at the same time you say that the share of the revenues from the cottons maybe higher, then how is it possible that the lower margin, the blended margin EBITDA will be at a higher level? Woolen segments keep on going down, so if you have to just provide a colour on the same?

Sandeep Jain: Can you repeat the question again? It is not actually audible?

Rahul Salvi: The question is on the blended EBITDA margin for the years coming ahead, so you are saying that the margins will remain at the same level. So they will go on getting better from what it was in FY 2015 or FY 2014? So, when we say that at the same time, the share of the cotton garments in the overall business mix and the revenue mix is going on increasing, which is a lower margin in product, so how do we see the blended EBITDA margins remaining at the same levels when the share of cotton garments revenue increasing?

Sandeep Jain: It is a very good question. What is happening is that now every year when a dress code comes down EBITDA of even clothes will also come down, but it will be only be at PBT level. In case of cotton EBITDA is actually improving by some basis points. So there is no big difference in EBITDA will happen in the coming next two to three years and if you see at PBT level actually cotton garments have more PBT as compared to woolen garments.

Rahul Salvi: How is PBT same and EBITDA is different? What exactly is the difference?

Sandeep Jain: We see that we will maintain the EBITDA level in the next quarter also easily.

Dinesh Gogna: One more thing more let me just explain it to you. As far as the second part is concerned, we are going very aggressively and achieving the growth as Mr. Jain has communicated to everybody that the growth rate would be about 20% and something so for the cotton part is concerned. When we are competing with the people one of the biggest leverage with us is that their price, those people who are all our competitors they are 15% to 20% already higher than our prices. So that margin is also available. So that cushion is available with us which we will be using for the purpose of obtaining our growth rate.

Rahul Salvi: Thank you.

Sandeep Jain: Thank you.

Moderator: Thank you very much. Ladies and gentlemen as there are no further questions from the participants, I now hand the conference over to Mr. Alankar Garude for his closing comments.

Alankar Garude: Thanks everyone for participating in this concall. A special thanks to the management for giving us this opportunity. Have a great day ahead.

Dinesh Gogna: Thank you.

Sandeep Jain: Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.