"Monte Carlo Fashions Limited Q1 FY2022 Earnings Conference Call"

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ANALYST:	**MR. DEVANSHU BANSAL - EMKAY GLOBAL FINANCIAL SERVICES**
MANAGEMENT:	**MR. DINESH GOGNA – DIRECTOR – MONTE CARLO FASHIONS LIMITED** **MR. SANDEEP JAIN – EXECUTIVE DIRECTOR – MONTE CARLO FASHIONS LIMITED** **MR. RISHABH OSWAL – EXECUTIVE DIRECTOR - MONTE CARLO FASHIONS LIMITED** **R.K. SHARMA – CHIEF FINANCIAL OFFICER - MONTE CARLO FASHIONS LIMITED** **MR. ANKUR GAUBA – COMPANY SECRETARY - MONTE CARLO FASHIONS LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY2022 earnings conference call of Monte Carlo Fashions Limited hosted by Emkay Global Financial Services. We have with us today from the management, Mr. Dinesh Gogna – Director, Mr. Sandeep Jain – Executive Director, and Mr. Rishabh Oswal – Executive Director, Mr. R.K. Sharma – CFO, 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 for an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devanshu Bansal from Emkay Global. Thank you and over to you!

Devanshu Bansal: Good morning everyone. I would like to welcome the Monte Carlo management team and also thank them for giving us this opportunity. Without taking much time I shall now hand over the call to the management team for their opening remarks. Over to you Sir!

Sandeep Jain: Good morning everyone and thank you for joining us to this earning call of Monte Carlo Fashions to discuss the financial and the operating performance for Q1 FY2022. I would like to highlight that certain statements made or discussed over the conference call today will be a forward-looking statements and a disclaimer to this effect has been included in the result presentation shared with you earlier. Result documents are available on company's website and also have been updated on the stock exchanges. A transcript of this call would also be made available on the investor section over the company's website. Now let me share with you the financial and the operational performance for this quarter in discussion.

The company reported revenue of 41.7 Crores during the Q1 FY2022 as against 11.2 Crores in Q1 FY2021. We continued to witness a decent contribution from online channel sales which are 4.8 Crores this year as compared to 70 lakhs in the last financial year. EBITDA loss for this quarter was 8.6 Crores against 14.3 Crores Q1 FY2021. Loss at PAT level was lower at 10 Crores as against 13.5 Crores in Q1 FY2021. Our balance sheet continues to remain robust and we continue to enjoy a net debt free status. We have a cash balance of 197 Crores which comprises of cash and bank balances along with current and non-current investments. Long-term borrowing is 10.7 Crores as of June 2021 as compared to 11.7 Crores of March 2021 which shows our efficiency in servicing the debts.

Monte Carlo Fashion continues with its endeavour to build a leading branded apparel company with a well-diversified product portfolio such as cotton, woolen, kids, and home furnishing. Apart from cotton segment we also produce different other garments. We also produce cotton and cotton branded T-shirts in economy category under the brand Cloak & Decker. The ability to tap various segments of market provides the company with tremendous opportunities for growth in coming years. The key strength is wide and growing distribution network with a diversified presence across India. The company's products reach the end user through different distribution channels at present the company has presence through 1,265 plus MBOs, 296 EBOs, 224 National Chain Stores. Even during the tough time of COVID pandemic last financial year the company was able to open 28 new stores in different regions and at the same time closed few nonperformance stores also. As mentioned, we are witnessing a strong traction in online few channels. With regard to online sales we are looking to focus more on selling through our own portal but also our clothes are available on various e-commerce websites such Amazon, Flipkart, Myntra, Jabong, and Kapsons. Our growth strategy is to focus more on cotton and cotton-blended apparels catering to all seasons and extension of our retail distribution network.

Given the uncertainty gathered by the continually evolving COVID-19 pandemic the company has implemented stringent cost control measures across organization to conserve cash to address any unwanted situations resulting from this pandemic. The company continues to enjoy a comfortable net cash position and with adequate banking limits in place, its ability to service debts and financing obligations on time remains unaffected. Healthy credit terms with the suppliers help the company to operate the business smoothly. Monte Carlo Fashions Limited can sustain robust growth without any significant capital expenditure and is fully geared to withstand the challenges as the situation unfolds on the back of its financial and its operational strength. We can now open the floor for question and answer session. If any of you have any queries post this earnings call you many connect us or to Dickenson World, our Investor Relation Advisors. Thank you very much.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Zaki Nasser an individual investor. Please go ahead.

Zaki Nasser: Good morning Sir. Congrats to you on squeezing the cost of the operations in a difficult time. Sandeep bhai last concall you had broadly given us guidance in terms of the topline for the current year which you said there has been growth over March 2020 does that still stands Sir and how does the high cotton and yarn prices affect the operations currently? This is the first part of my question sir.

Sandeep Jain: Thank you Mr. Zaki. See basically now if you see we are giving a financial year guidance for this financial year is 15 to 20% growth over last year so that is what we have discussed in our many management meeting and we stick with this guidance.

Zaki Nasser: Last year means March 2020 Sir?

Sandeep Jain: See on March 2020 we were hopeful of achieving or surpassing the pre-COVID sales also that is March 2020 but I am talking about the growth for this financial year over the last year should be around 15 to 20%. As far as your question about the high cotton prices are concerned yes there have been increase in the cotton prices but fortunately, we have been able to pass all the cost increase to our garments and we have been booked also so going forward we do not see any of above as far as raw material price increase of cotton yarn is concerned we have already passed on to the customers.

Zaki Nasser: Sir we have a reasonable cash balance of 197 Crores there are lot of small brands which are maybe upward sale and Monte Carlo had indicated your willingness to go in for acquisition for inorganic growth what is your thoughts on that part of it to utilize our balance in this period?

Sandeep Jain: You are rightly put this question to us, but the issue with I think most of the brands which are available right now are having very distressed sales and also the brand equity with those brands is not available so the kind of EBITDA we enjoy and the kind of brand reputation we have is not there in those brands. So, yes those options are definitely available with us, but no option is looking very attractive at this point of time so cannot comment much on this.

Zaki Nasser: But as we are already in the second quarter you are already booking your winter sales, did the pipeline looks strong to you?

Sandeep Jain: We are very confident going forward on this financial year there are two reasons for that. The first reason is that definitely there is a strong order book which has come to us in this financial year that is the first reason which gives us confidence. The second reason is that there is a very less stock at the retail level whether it is EBOs or MBOs so that gives us another push so I think both the surplus makes us very confident to state that we can easily grow 15% to 20% or even surpass if the situations are improving as far as COVID cases are concerned and if there is a no third wave or no COVID disruptions we are very confident of achieving 15% to 20% growth rate which we have commented earlier.

Zaki Nasser: Thanks a lot Sir and best of luck to team Monte Carlo and you Sir.

Moderator: Thank you very much. The next question is from the line of Monica Arora from Sharegiants Wealth Advisors. Please go ahead.

Monica Arora: Good morning Sir. Thank you for giving me this opportunity. Sir I wanted to ask that how has the gross EBITDA margins from online channels as compared to other channels?

Sandeep Jain: See previously we used to see that there has been a difference in the gross margins in case of online and other channels but fortunately after the pandemic and all other things now the gross margin with offline and online channels are almost same and that is very good news for the company and for our investors.

Monica Arora: Okay if we see the investor presentation your MBO and distributors numbers have gone down sharply so any particular reason for this and how do you see this panning out in the near to medium term?

Sandeep Jain: We need to see full year's number because the first quarter number is not reflecting the actual picture of particularly our sales what happens is that when the COVID cases come distributor and MBOs do not take deliveries that is why the sale is also less but our own EBOs they actually took the deliveries because they know that they have to sell these garments as we have time July, August also, so that is the reason the sales in MBO distribution channel is down, but I think if we go for as far as overall yearly sales are concerned we will match the last year's number and definitely will grow the last year's numbers also.

Monica Arora: Okay. Thank you Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Ritika Ghosh from Sequent Investments. Please go ahead.

Ritika Ghosh: Good morning Sir and thank you for taking my question. Could you please elaborate on what would be our capex plans in the near to long-term like around four to five years and also how is the company planning to expand its reach like are there any special plans to expand the online sales further?

Sandeep Jain: Thank you Ritika the capex plan guidance which we gave last to last year is around Rs.15 to Rs.20 Crores and going forward for the next four to five years we think Rs.15 to Rs.20 Crores will be sufficient capex to fulfill the capex requirment of the company and as far as expansion is concerned I think definitely I have with me Mr. Rishabh he can also give ideas on how we are improving our online sales and how it is shaping the other journals as well.

Rishabh Oswal: Good morning. the online sales have grown considerably in this quarter also. Going forward to answer your question of expanding the reach we have done a turnover of Rs.4.9 Crores as against Rs.70 lakhs through the online channel and full year we are targeting turnover of around Rs.50 Crores which was Rs.37 Crores last year. To expand online channel we are reworking on the website and you will see a new website up, along with that we are also working with our online partners like Amazon and Flipkart to develop special range for them which does not compete with the offline channels in terms of discounting and we are focusing on growing our own portal sales as well as shifting our sales from sale of return towards outright sales to our online channel partners which gives us better control over our inventory.

Ritika Ghosh: Thank you so much that was helpful.

Moderator: Thank you very much. The next question is from the line of Rajesh Kumar from AUM Capital. Please go ahead.

Rajesh Kumar: Thank you for excellent set of results and taking my question. I want you to discuss on the outlook so as the second wave has receded and your performance has also improved year-on-year drastically so what did it take like how are we seeing improvement overall on a yearly perspective and what is the outlook going forward as the COVID takes backseat?

Sandeep Jain: As I mentioned earlier also we have a very strong order book as compared to last year so that is definitely giving us the confidence of giving a projection of 15% to 20% for yearly growth as compared to last year and I think we will be going to achieve or surpass even the pre-COVID sales also so unfortunately the first quarter was washed out because of the COVID situation otherwise the company would have revised their guidance earlier also if the COVID was not there in first quarter and if we see the Q3 and Q4 of last year we were achieving the pre-COVID sales at that point of time also. So going forward if we see that we do not have that much of severity of the third COVID wave which we had in COVID second wave as the vaccination is also picking up and we have seen that after vaccination the symptoms are not there and hospitalization is not that much required so that gives us the confidence that economy will keep on opening up and there will be no more restrictions by the government. So, I think if we see the order book as far as our order book is concerned and seeing the economic restrictions which is also lifting up so that give us the confidence that we whould be having a very good year ahead as compared to last financial year.

Rajesh Kumar: Thanks very heartening to hear sir. Sir another question if I can take up is on the like on your balance sheet which is one of the most reverse in the sector so like using this balance sheet strength can you think of any plans of rewarding the shareholders by way of bonus shares or dividend anything planned on that front?

Sandeep Jain: I think the company has been very generous in giving the dividend and also to provide benefit to our stakeholders and shareholders. The company has paid dividend every year since inception and one year when the dividend was not given company has gone for buyback where 55 Crores were spent, and the promoters did not participate in that so that shows the intention of the promoters that how we would like to benefit our shareholders and going forward also I can strongly say that company will always act in the benefit of its shareholders and investors. Even in this year company has given dividend of 150% which comes to Rs.15 per share even in the times of pandemic so by that you can assess the company's intention to benefit its shareholders. Buyback year also we gave the dividend of Rs.5 so that shows that we are definitely acting in the interest of our shareholders.

Rajesh Kumar: Intention is definitely there so that is why I was awaiting to see your comments on that like can we utilize that cash to reward the shares, shares are definitely undervalued and lot of potential, also on the front like another aspect to look at the growth perspective so will you be doing some major capex like to increase the pace of the growth of the company something like that, any thoughts on that?

Sandeep Jain: Basically, the garment industry is not that much of capex intensive it is more labour intensive industry and also we have our cotton division where we mostly outsource our goods so we do not require much capex to be incurred in our companies to get our production increased or the sales increases it is only the woolen that we do some capex to add some machines otherwise in other areas not much capex is required. So, we will require a normal capex of 15 to 20 Crores and company can increase its sales without even incurring for capex because of outsourcing models.

Rajesh Kumar: Okay, thanks.

Moderator: Thank you. The next question is from the line of Shraddha Sheth from Samarthya Capital. Please go ahead.

Shraddha Sheth: Good morning sir. Thank you for the opportunity. Sir my first question is on the sales front how is the situation panning now after COVID-19 second wave?

Sandeep Jain: If I talk about July sales definitely there has been pickup in the sales as the economy opens as we had restrictions in place in the month of May, June, so now I think two things are happening one is that economy is growing faster as compared to the first quarter and we are happy that we have seen that customers are spending more and there are more footfalls even at our exclusive outlets also, I feel we are reaching almost to our pre-COVID sales of 2019 as now the customers are stepping out of their homes after getting vacation they are going out for shopping so that is helping the spending so we must see good sales going forward in this quarter.

Shraddha Sheth: How do we see ourselves in four to five years' time like what is your assessment of an apparel industry as a whole in near to medium term?

Sandeep Jain: I think lot more depends on the economy also and lot more depends on how the situation pans out how the things shape up in India and how our government responds to it but I think as far as Monte Carlo is concerned we have set a internal target of doubling our sales of garment in the next five years.

Shraddha Sheth: What is the reason for the increase in employee and other expenses?

Sandeep Jain: Last year factory was shut so workers were not there they had gone to their homes so that is why there have been reduction in the wages and in salary and there had been salary cuts also, but this year we have gone back to the 2019 level we have given the increment and also all the all the salaries as per grades as usual according to 2019 so recently there has been increase in personal expenses.

Shraddha Sheth: Okay. That is it from my side. Thank you.

Moderator: Thank you very much. The next question is a follow up from the line of Zaki Nasser an individual investor. Please go ahead.

Zaki Nasser: This question is for Mr. Rishabh. Sir you know even on online in the way Amazon is going ahead with its own brand Amazon Basics so you would have to be extra agile to counter these kind of actions by the online sales what is the outlook in terms of how Monte Carlo wants to position themselves online in terms of selling through its own website and a third party vendor?

Rishabh Oswal: Thanks for this question. So one of the things that are we at Monte Carlo believe is maintaining the price and discount parity across the offline and online channel, so right now we are focusing more on our own website as I said we are reconfiguring and we will be relaunching our website along with mobile app in the coming future to focus more on the online segment. Other than that in regards to the competition from own brands of portals like Amazon is concerned we are working closely with Amazon and we do not see that much of a competition from the private labels of Amazon and other than that we have launched a new exclusive range for online partner which is not available offline which gives them the freedom to use discounting on leverage terms as they could be with the brand Monte Carlo.

Sandeep Jain: I would like to add to what Rishabh has said, see competition has always been there whether it is from the online channels or Amazon is launching its private band but also there was in large format stores everybody has gone for their private brands but we have a very strong brand equity and loyal customer base so customer who find convenient in buying from online sale channels if they are not going to offline they are buying from Amazon Monte Carlo products also so I think it is the brand which sells it is not like that people are going to Amazon for buying some products.

Zaki Nasser: See Monte Carlo has been growing fast past three to four years have been tracking quarter-to-quarter each year there has been improvement. Sir, do you foresee a year when Monte Carlo will post a profit in June quarter at least in the next three years?

Sandeep Jain: I think this is a very good question which you have asked, 99.9% we were hopeful post profit in this quarter but unfortunately something beyond our control happened that is the pandemic occurred.Lot of stock was left unsold at our stores even at our godowns if it would had not been the case than we may have seen profits this quarter itself.Fortunately but going ahead if there are no more disruptions from COVID you would see that in the Q1 FY2023 we would be posting profit in June quarter also.

Zaki Nasser: Than you Sir.

Moderator: Thank you. The next question is from the line of Mohit Rathi from CCIBCL. Please go ahead.

Mohit Rathi: Thank you for the opportunity. I have two questions one is we are having such as a strong brand Monte Carlo so how are we getting attention on the other brands like Alpha, Rock It, is it worthwhile or should we just focus more on Monte Carlo and second question is one of the participants asked about the dividend, etc., I would request that you go for a buyback because shares are so undervalued so please consider some?

Sandeep Jain: I will come to the first question, as far as Monte Carlo is concerned it has its own brand equity but there are certain areas where Monte Carlo is not operating the reason being is that your brand is basically you cannot be in all these spheres you have to be focused only on one category so Monte Carlo is a premium brand, in case of Cloak & Decker it serves the economy segment where Monte Carlo cannot participate or cannot operate in that sphere and the Rock It brand which is totally athleisure wear so you cannot expect Monte Carlo to be athleisure brand athleisure brand has to be under different name so that customer can recognize and the strength of particular category with the name associated with it rather than everything under the Monte Carlo so that is why these brands have actually been started by us so that the incoming times when there is a growth in the category or particularly economy segment we have something in our hand and when there is a growth in the category of athleisure we have something in the hand and at the same time Monte Carlo keep on enjoying its existing strength and keep on increasing its presence in its existing areas and existing categories. As far as buyback is concerned that decision can only be taken by the Board so I cannot comment particularly at this point of time on this conference call, but I think the company is doing every effort and attending every conference calls and also having the investor calls time on time that is why we have seen with all these efforts I think the shares have moved from 225 to almost 370 it is a jump of 50% in last six months and company will keep on doing all the efforts to comment, to discuss with their investors, with their stakeholders and also if there are any query we are always ready to answer it and keep on rewarding our shareholders also with the dividend and anything which Board decides.

Mohit Rathi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sanjeev Goswami from Fractal Capital. Please go ahead.

Sanjeev Goswami: Thanks for the opportunity Sir. Give me the mix of your own manufacturing vis-à-vis outsourcing?

Sandeep Jain: See in case of woolen sweaters the manufacturing is 100% in-house, in case of cotton garments it is approximately 25% to 30% in-house and rest everything is outsourced.

Sanjeev Goswami: In case of cotton garments approximately how much is manufacturing, how much is outsourced?

Sandeep Jain: In case of cotton garments I am saying 25% to 30% is in-house and rest balance is outsourced in cotton.

Sanjeev Goswami: Cotton contributes how much of your revenue?

Sandeep Jain: If I give you a breakup of financial March 2021 sales you can note it down 28% is contributed by the woolen category, 50% was contributed by the cotton category, 7% was contributed by the kids' category, and 14% was contributed by the textiles category and 2% by athleisure.

Sanjeev Goswami: Home textiles is primarily cotton right?

Sandeep Jain: Yes, home textile we have put it as separate category it is 14% in last year. It is basically a mix of cotton and woolen we have bedsheets also, we have launched towels also at the same we have blankets and quilts also.

Sanjeev Goswami: Sir in terms of dividend do we have any specific dividend policy that the Board has adopted?

Sandeep Jain: Dividend policy adopted by the Board in the last financial year in the last meeting so its already been in place.

Sanjeev Goswami: What is the dividend payout issued that we have agreed upon?

Sandeep Jain: Minimum dividend policy we have adopted is 20% but company this year has given 150% of face value. Policy is also available on the website you can have a look at it.

Sanjeev Goswami: Okay, thanks a lot.

Moderator: Thank you very much. The next question is from the line of Saurabh Shroff from QRC Investments. Please go ahead.

Saurabh Shroff: First one on the new brands, etc, I just wanted to understand how do we propose to support multiple brands that is Monte Carlo is a well known brand, advertising, etc., how do you think about supporting and growing the other brands like we spoke about and that we started?

Sandeep Jain: I think the biggest advantage we have is that when it comes from the house of Monte Carlo definitely there is traction going forward in the market so in that case like if I talk about the Cloak & Decker now these are completely unorganized segment in T-shirt and in jackets, denims, even in sweaters also which is being carried by the unorganized market so now those players, those multibrand outlets and small retailers they want the branded goods but at a lower price so it made sense for us to go for a brand like Cloak & Decker, at the same time it does not dilute our brand equity because there is a lot of price difference in the Cloak & Decker and Monte Carlo at the same time we are able to service those customers who wants to buy a brand but the branded goods are not available in that particular segment that is how this idea of launching Cloak & Decker was conceived and we are getting very good response and will be growing almost I think around 40% in this year, in financial year in Cloak & Decker and Cloak & Decker I think should be around 15 Crores of revenues in just five years of launch so it is getting acceptance in the market at the same time Monte Carlo is enjoying its premium position.

Saurabh Shroff: Okay because the reason why I was asking that mainly was that fashion is elevated in any physical business globally its one place when there are brands sort of going into bankrupts every now and then and some brands which have been around for years and what we are seeing is that brands which have sort of lasted the test of time are increasingly becoming brands who are sort of growing one big brand whether it is a Zara or H&M or whatever because then they are able to push all of their marketing power and muscle in that particular category so that is why I was asking what is our thought process on that and how can we support all of that but I take your point that our 15 Crores then I guess it had its own budget at a certain time and date. Second question was on inventory how do you sort of assess your old inventory, markdown, write off if you can just sort of share internally how you all think about what is the good number to carry obviously there is a certain seasonality in the business and this whole sort of order book cycle but on an average when you take write offs or when you sort of do markdowns and let it go out if you can just explain to us now please?

Sandeep Jain: Just to add you talked about Zara. Zara is not actually selling under own Zara name so it has a premium range which comes under Massimo Dutti and it also has some casual ranges comes under Pull&Bear, it also the ladies range which comes under Stradivarius, it also has a brand for a casual premium Bershka so it is not that Zara is operating only under Zara name so likewise we have our own categories depending upon the prices and the segments. Coming back to the next question which is how we write down our inventories and how we get rid off? See what happens is that at a company level we have approximately around 5% to 6% of the returns which comes from different channels so we have a factory outlet available with us so all the returns we sell it on our factory outlets and whatever is left and is not sold by the factory outlet we sell to our distributors and our smaller MBOs so that is how we get rid of inventory at the end of this. Normally in the next season like if you are sitting in this winter season we are carrying a zero inventory of last winter season from this you can assess that how efficiently we operate as far as controlling our inventory is concerned so by the time we reach the next season we just finishe our last season's inventory either by selling it in our factory outlets or selling to our distributors and/or small MBOs at a reduced price so that we get rid of complete inventory by the time we began the next winter season.

Saurabh Shroff: Basically at any point of time on a 12-month basis you are saying that you do not have too much inventory in the system just because that fashion either is not relevant or they are classic which anyways you know if they did not sell in one season they will sell next season?

Sandeep Jain: We do not have a policy to carry forward the garment for two years we just want that any garment which we have in the circuit last year as far as session garments are concerned we normally sell it to our factory outlet and to our distributors and our trade partners so we get rid of the inventory and as far as basics are concerned yes if there are some garments which comes back to us which is in a basic category which we can sell it in the next year we refinish it and we supply it again to our outlets.

Saurabh Shroff: Understood Sir. Thank you very much. This is very helpful and wishes you all the best.

Moderator: Thank you very much. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.

Mihir Desai: Thank you for the opportunity. Sir my first question would be on business front which is that I do understand that most of our revenue kick in from H2 that is Q3 and Q4 so as a company are we doing any strategy or coming to some new regions where we can see that the equality of revenue or business comes in other quarters too?

Sandeep Jain: Basically if you see that at one point of time we were having 100% contribution from Q3 then definitely it is now only 52% or 53% from Q3 and balance comes from the rest of three quarters so its reducing every quarter so it shows that the other products are picking up, the cotton products are picking up, the textile products are picking up, the Cloak & Decker segment is growing, the Rock It is growing, so I think going forward also I would not say that all quarters will become equal but definitely the revenue from the Q3 will keep on going down and the revenue from the other quarters will keep on going up. Sir one point of time definitely I would say we have the contribution from other quarters also will also grow as far as total yearly sales are concerned.

Mihir Desai: Okay understood sir. Sir followup on this like can you please give me a breakup, if you can share a breakup our t-shirts and shirts sales happened in FY2021, 2020, and this quarter, just a ballpark or the percentage terms?

Sandeep Jain: I can share the total sales of shirt if you want. Value is around Rs.20 Crores and for T-shirts it is around Rs.85 Crore if I talk about last financial year, last financial year that is the pandemic affected year so if you want I can give you actual sales data of March 2020 full year which was not affected by the COVID and that year we sold T-shirts worth around Rs.115 Crores and the shirt value was Rs.30 Crores.

Mihir Desai: Okay, any strategy to increase these shares, any strategy specifically for our shirts and T-shirts sales?

Sandeep Jain: I would give you a data of FY2018, FY2019, FY2020 you would see that there has been a growth in case of T-shirt and shirt both category. In FY2018 we sold Rs.86 Crores of T-shirts and then in FY2019 we sold around Rs.109 then in FY2020 we sold Rs.115, so there has been a gradual growth in these categories and then if we talk about the shirts category it went from Rs.23 to Rs.30 Crores so there has been growth in the shirt category as well, but definitely March 2021 is a pandemic affected year so I am not taking into account all the drops which has happened, but going forward in this financial year we have been affected because of the first quarter COVID cases, but going forward I think we should definitely match the figures FY2020 as far as the numbers are concerned.

Mihir Desai: Now on the online front if you could share the gross profit margin of our online business, gross profit and EBTIDA level if you can share?

Rishabh Oswal: Good morning. We do not have the exact numbers with us right now.

Mihir Desai: If you could give us a ballpark that is also fine.

Rishabh Oswal: So the gross margins and the EBITDA margins almost the same on our online channel as compared to our offline channels but still we will send you the exact numbers through e-mail.

Mihir Desai: Sir lastly I just wanted to understand apart from the numbers and everything Sir. At ground levels we have been in the business for so many years and you have seen Indian consumer growing from basically the behavior of Indian consumers growing for so many years so at ground level what is your feeling like how our consumption pattern is different or increasing or how it is different and how it will impact our business?

Sandeep Jain: I think we have been able to understand the consumers definitely well the reason being is that there have been a trend of changing the consumer preferences accordingly the brand is also taking expense, we have seen that the consumers are becoming more casual in their approach as far as their buying pattern is concerned, they are moving to casual clothes so that is why the company is also moving more to casual clothes like jackets, t-shirts and all and that is helping the company also so that is how we read the consumer preferences from our feedback from our EPOs and other channels and accordingly company is taking actions also.

Mihir Desai: Last on my part wanted to understand about the festive season have we started seeing the demand coming in or is it still laggard because of COVID?

Sandeep Jain: I answered this question to a previous participant also. The demand has started picking up in July as the economy opened up and most of the showrooms are now opened barring some of our EBOs in UP which even today are closed like Saturday and Sunday they are closed, but barring those I think demand has picked up in each and every part of the India and as far as the sales are concerned we are almost reaching the pre-COVID sales of July 2019. So, it is our benchmark of sales that shows that economy is definitely improving and recovering and people are stepping out of their houses, they are going for shopping and they are also spending more as compared to the last financial year.

Mihir Desai: Okay Sir. If I have further questions I will join back the queue.

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

Devanshu Bansal: Thanks for the opportunity. Sir just wanted to understand have prospects for organized players like Monte Carlo improved post COVID versus pre-COVID like in terms of partnership from unorganized to organized?

Sandeep Jain: We do not have a data for organized and unorganized but as far as like we are concerned definitely we have grown as compared to last quarter in July we see the sales are picking up and I think the customer spend is more as compared to last quarter and that will definitely boost our sales but as far as data for organized and unorganized share is concerned I am sorry to say that those kind of data even not available in the public domain also.

Devanshu Bansal: On the ground are you seeing any supply side challenges with smaller unorganized or smaller organized players?

Sandeep Jain: I think yes because of disruptions due to COVID and also because of labour there have been challenges for the small scale industry and also for the small players also there have been liquidity challenges because of COVID so yes I would say that small scale industry is more affected than the large industry.

Devanshu Bansal: In the PPT you have indicated that we shared some part of discount with channel partners without going to the details I just wanted to know if you can share the broad range of discounts that we shared with partners?

Sandeep Jain: Basically, we have four channels one is our EBO channel, the second is SIS channel then large format channel and online channels. As far as EBO channels are concerned all the discounts are borne by the company and as far as the SIS channels are concerned again all the discounts and LFS channel are borne by the company but in case of online even again all the discounts have been borne by the company, but we pay less commission to them when the EOSS sale is here and we pay more commission when the MRP sale is on.

Devanshu Bansal: Lastly, we have seen an increase in our gross margins relatively in both the years versus the full year average despite higher online mix so how should we read into this?

Sandeep Jain: I would like Mr. R.K. Sharma to answer on this question.

R.K. Sharma: Can you repeat the question please?

Devanshu Bansal: So, I am saying our gross margins in the current quarter as well as last year's quarter are significantly higher than the full year average so what is the reason for this?

R.K. Sharma: Actually, gross margin for the current quarter wise is not natural it is high due to the accumulation of the stocks and all the margins are stuck in the accumulated stocks so our annualized gross margin should be looked at and which is approximately 47%.

Devanshu Bansal: You indicated sort of that you have taken price hikes so do we get a benefit here as well as in we sell inventory with a lower price and at a higher realization?

Sandeep Jain: Can you please repeat the question?

Devanshu Bansal: So, I am saying the inventory in your books must be older which has been recognized at a lower cost of raw material with increase in raw materials we have taken price hikes so does that help in better realization for the old inventory?

Sandeep Jain: There is no old inventory. When we booked the goods at that time we cover the cotton yarn as well as the woolen yarns are concerned and also we have passed on the increase of prices to the consumers so I would not see there is any benefit of older material which is available with us for this financial year.

Devanshu Bansal: Okay, thanks.

Moderator: Thank you very much. The next question is from the line of CS Chaudhary from CFS Financial. Please go ahead.

CS Chaudhary: Good morning for the management. My question is linked to the previous question on inventory benefits or losses being carried the management in earlier reply has said that we write off the entire inventory let us say winter has ended we write off or sell off to the distributors or partners the entire inventory so in few months do you actually book a loss or a profit or whatever final realization is of that inventory does the Q1 have that impact because looking at the numbers now I feel every year Q1 has those numbers?

Sandeep Jain: First of all it is not a write off we sell it at a lesser price or sometime below the cost price anything which is left after the factory outlet sales so it is not write offs but yes we have to bear some losses to get rid of that inventory and yes that inventory definitely is getting sold in Q1 also particularly in case of some of the inventory which is not sold in EOSS sales so that has some impact as far as margins are concerned.

CS Chaudhary: My second question or rather a continuation of the first question is if you look at the presentation that we have uploaded today to the exchanges on page 6 you have given Q1 FY2021-FY2022 the woolen segment is -18% of the total revenue so if I take the total revenue of cotton and home textile it is around 116%, kids is 2%, 118%, -18% is the woolen segment what is the significance of this -18% is roughly around 8 to 9 Crores?

Sandeep Jain: This is returns which we get from our sales channels so that is why because of sale return it has become negative.

CS Chaudhary: So, the inventories with the write off or we sell if we have a loss are we booking that in the topline or in the other expenses?

Sandeep Jain: It reduces from the topline also it reduces from the bottomline also.

CS Chaudhary: Can we quantify the effect in the current year Q1 please?

Sandeep Jain: Definitely all the inventories which comes back to us we take it at cost and when it is getting sold we realized the sales, so all the channels returns woolen material particularly after March sale has end so we booked the goods at any cost, so we sell it in the sales value.

CS Chaudhary: With due respect is it possible to quantify this in when you produce the first quarter or in the current quarter what would be the rough impact of all them because we have to understand Q1 negative figure in the light of all these adjustments which happen every year and since the business nature is changing to more cotton I think the winter going away and the disposal of the stock has a distortion on the Q1 and it is very difficult to understand in unaudited such as like this and I think we are not able to appreciate the entire working and hence the stock price sometimes gets distorted?

Sandeep Jain: I understand your concern you have a very valid question definitely when it comes back it has an impact on the cotton sales also, we can quantify that number separately that what is impact of the returns which has come back to us and what is the profit of cotton garment which we have sold in this quarter.

CS Chaudhary: Thank you so much.

Moderator: Thank you very much. The next question is from the line of JK Jain from JK Jain & Co. Please go ahead.

JK Jain: Congratulations for the good set of numbers. It is not a question it is some sort of suggestion because while going through shareholders list I found that 74% sales are being held by promoters and 26% by retail there is no name such as of any mutual fund and marquee investors because your company which has got a very good brand value which you must be knowing I do not need to put the name but those sales are putting at 70, 80, 90 something like that and whereas whether the management is thinking anyway how to give information or how to make conference with those marquee investors because now it is very important whether it is in Asia, India, USA unless some big investors are there the shareholders value are not fully reflected so that is one question? Another question is you are going for home textiles because the way the China one plus story is beginning either you are going very slow what we have found that what is the market comprehension is that your group is very conservative though now most of the shares are going up but this particular share is I rather think this has not gone up like other shares so what is the reason because this has got a tremendous value, tremendous brand value and all this thing so these are two major questions and third question is the question because how is your raw material cost in winter how will be your woolen cost going on and I think you must be mixing acrylic fiber also because that is substitute how is the acrylic fiber cotton?

Sandeep Jain: There were three questions from your side I will answer one by one. First is about the marquee investors if you see that share price which was at Rs.225 has moved to around Rs.375 that has moved only because many marquee investors have come up but I cannot disclose their names as they have come up in the last three to four months but because of that only the share is actually moving up because they understood the company better than I think before and that is why the share price have risen so as far as home furnishing is concerned it think your point was how strong we are in home furnishing or we are not like going ahead, we are going very slow. Home furnishing is one segment which is growing faster than any other segment in the company right now it is growing at around 30% from last so many years, even in the pandemic year it actually did not lose a single rupee it increased its sales as compared to its previous year's sales, even this year we are expecting growth of more than 25% so this is one segment this is contributing now more than 100 Crores of our sales which is growing at around 25% so I think it is very good growth sales going forward at a base of like Rs.100 Crores and we see that the product is accepted now much more than before and we have launched a few more categories in this home furnishing last year we launched bed sheet which is picking up very well, this year we have added towels also which has started now so I think going forward we should have a good growth in home textiles also. Third question was raw material, see raw material cost have gone up but we do not feel any pinch of increase in raw material prices because already those prices have been like put it onto the consumers so all the garments when we go for a trade show we take into account all the increase in the raw material prices and accordingly we put the prices so that has already been grown.

JK Jain: Can you give some idea how much price increase was in acrylic fiber?

Sandeep Jain: Acrylic fiber price it went up by around 30% it came down again by 20% so right now I think 5% to 7% as compared to last year so acrylic yarn at one point of time it went up to Rs.430 it again came back to Rs.370 so there is a drop in the prices and in cotton yarn also the increase is approximately 30% as compared to last year, overall impacts on the garment is around 5% if we take the raw material component.

JK Jain: Another question if you will permit I think that you are just catering to the Indian market I think is it because of this particular brand you cannot sale outside of India is it any reason or why the management is not thinking about selling out of India?

Sandeep Jain: We can only do the contract manufacturing we cannot register our brand in many countries because of name Monte Carlo as it is a city name in France so we tried registering ourselves in Dubai and other countries, but we could not do it. So, we are right now focusing only on the domestic market and I see there is a lot of potential going forward because we still have more areas to cover, we are very strong in North and East but still South and West are two areas which I think the company's strengthening its position from last few years so still there is a lot of growth potential as far as India is concerned.

JK Jain: Because there is enough chance your company sale can quadruple from this level I think management must be aware of this that the volume of sales the way the brand recall is the sale value can increase many folds I think that must be in the management mind also. Thank you.

Moderator: Thank you. As there are no further questions I now hand the conference over to the management for closing comments. Over to you.

Sandeep Jain: Thank you very much for your participation and if there is any question which remains unanswered or any query please send it to Dickenson World or to Mr. R.K. Sharma and Mr. Ankur Gauba, our CFO and Company Secretary. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.