



Its the way you make me feel

Q2 FY18

INVESTOR PRESENTATION

November 2017





Its the way you make me feel

Q2 FY18 RESULTS UPDATE

VISIBILITY FOR STRONG GROWTH

- Well positioned to deliver strong growth for the current year
 - Effect of demonetization and early impact of GST now behind
 - Robust orderbook to deliver strong sales during the winter
- Low inventory from last winter as goods were sold at discount in March quarter

POSITIVE BUSINESS OUTLOOK

- Focus on new markets and new product offerings
- Strong traction in making further inroads in western and southern markets in India
- Launch fitness & fashion wear range “Rock.it”.

CONSISTENT FOCUS ON SHAREHOLDER RETURN

- Low Capex requirement for next two years, near term growth will be achieved from higher capacity utilization
- Committed to generate strong shareholder returns with increasing cash flows in future

IMPROVED WORKING CAPITAL CYCLE

- Reduction in inventory leading to efficient working capital cycle and higher operating cash flow in FY2017
- Working capital increased during H1 FY2018 as we are preparing for strong growth with high inventory & receivables

HEALTHY CASH FLOW & STRONGER BALANCE SHEET

- Strong balance sheet with low overall debt; Long term borrowing at INR 141 mn as of September 2017
- Strong balance sheet is reflected through high cash balance of INR 1,361 mn (includes cash and bank balance along with current and non-current investments)

PRICING POWER

- Being a premium brand, Monte Carlo enjoys strong pricing power
- No discount sharing with MBOs
- Limited discount sharing with franchisee owned EBO

ORDER TO PRODUCE MODEL

- Majority of revenues come from outright sales
- Sales to MBOs and franchisee owned EBOs (FOFO) are pre-booked and on outright basis
- Inventory is owned only in case of Company owned EBOs (COCO)

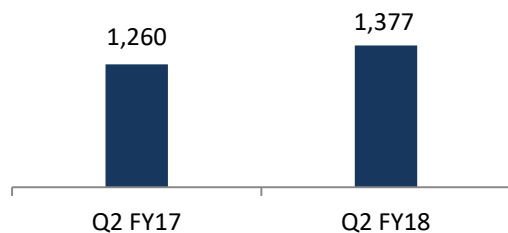
MINIMUM GOODS RETURNED

- Goods sold have minimum risk
- Product return is only allowed in case of NCS (<10% of sales) and franchisee owned EBOs (5-15% return allowed)
- No inventory risk in case of sales to MBOs

LOW CREDIT RISK

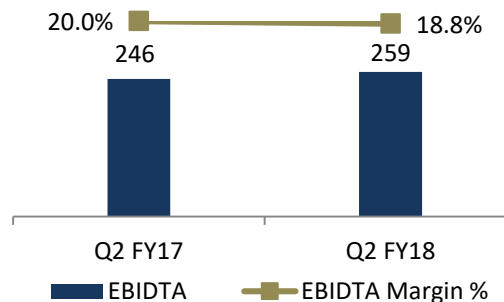
- Zero bad debts till date
- MBO sales are through exclusive commissioned agents and distributors
- Franchisee owned EBOs work on bank guarantee and PDC

REVENUES *



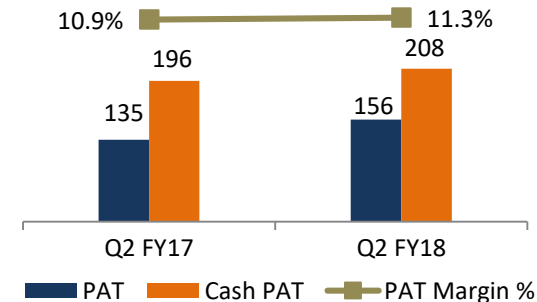
Q2 FY18 YoY ANALYSIS

EBIDTA & EBIDTA MARGIN%

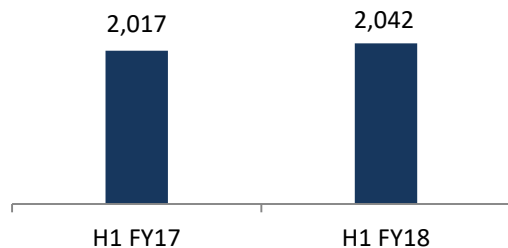


In Rs Mn

PAT, CASH PAT & PAT MARGIN %

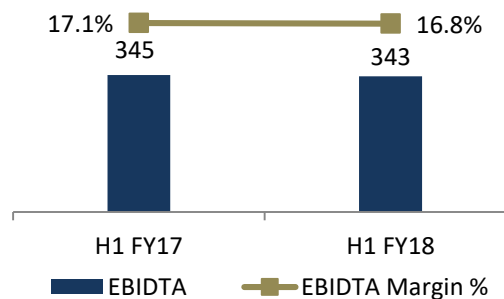


REVENUES *



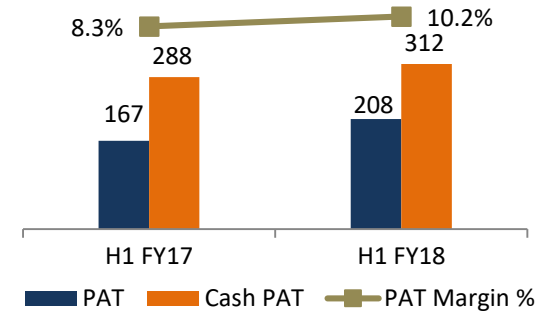
H1 FY18 YoY ANALYSIS

EBIDTA & EBIDTA MARGIN%



In Rs Mn

PAT, CASH PAT & PAT MARGIN %



Note – *Previous year figures have been recast as per Indian Accounting Standards to make them comparable with current year figures

EBIDTA W/O Other Income, Cash PAT = PAT + Depreciation

* Revenues includes sale of raw materials (Fabric & Yarn) but doesn't include other income. Fabric & Yarn sales: Q2 FY17 – Rs 253 Mn, Q2 FY18 – Rs 313 Mn & H1 FY17 – Rs 376.8 Mn, H1 FY18 – Rs 432 Mn

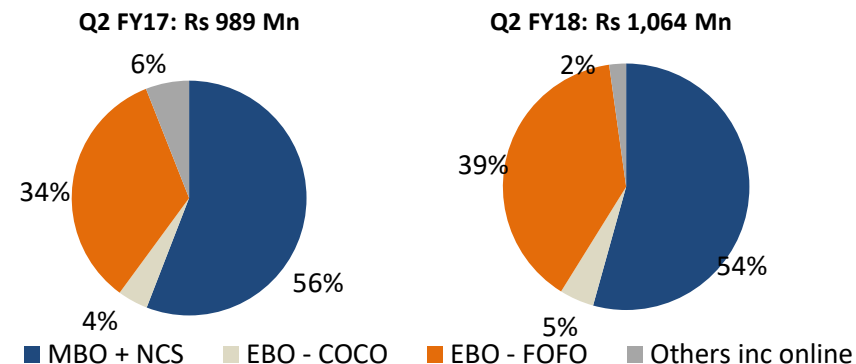
REVENUE * BREAKUP – SEGMENT WISE

| | FY16 | FY17 | Q2 FY17 | Q2 FY18 |
|--------------------------------|--------------|--------------|--------------|--------------|
| Total Revenues (Rs. Mn) | 5,665 | 5,343 | 989 | 1,064 |
| Woollen Segment | 34.2% | 28.1% | 29.0% | 30.9% |
| Cotton Segment | 51.3% | 58.1% | 49.8% | 56.5% |
| Home Furnishings | 9.7% | 9.1% | 17.5% | 9.6% |
| Kids | 4.9% | 4.8% | 3.7% | 3.0% |

FOCUS ON PRODUCT DIVERSIFICATION

- Consistent growth in Cotton products
- Winter sales have picked up in Northern India, signalling strong winter during the year
- Woollen sales registered strong growth during the quarter

REVENUE * BREAKUP – CHANNEL WISE



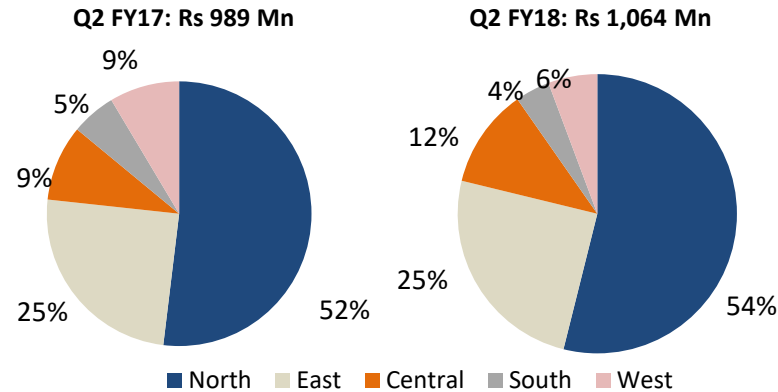
FOCUS ON CHANNEL DIVERSIFICATION

- Improved traction across NCS, including large format stores like Reliance retail, Shopper stop, Madura, Pantaloons, Central, Kapsons.

* Revenue from Core Products

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet
COCO – Company own Company operated, FOFO – Franchise own Franchise operated

REVENUE * BREAKUP – REGION WISE



FOCUS ON REGIONAL DIVERSIFICATION

- Strategic focus to build a pan India presence
- Central region is contributing 12% of the overall sales for the quarter

* Revenue from Core Products

| STORE NETWORK | | | |
|---------------|--------|--------|---------|
| Type of Store | FY16 | FY17 | H1 FY18 |
| EBO – COCO | 21 | 20 | 21 |
| EBO – FOFO | 202 | 211 | 211 |
| MBO | 2,000+ | 2,300+ | 2400+ |
| NCS | 164 | 198 | 249 |

| EBO – NET ADDITIONS | | | |
|---------------------|------------|------------|------------|
| | FY16 | FY17 | H1 FY18 |
| Existing | 214 | 223 | 231 |
| New Opened | 24 | 17 | 5 |
| Closed | 15 | 9 | 4 |
| Total EBOs | 223 | 231 | 232 |

- Strategic focus to build a pan India presence; Focus on increasing presence in Southern and Western markets
- Significant increase in MBO and NCS outlet in FY17, which continued in H1 FY18

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet

COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

Q2 FY18 – CONSOLIDATED PROFIT & LOSS

| Particulars (in million) | Q2FY 18 | Q2 FY 17 | FY17 | FY16 |
|---|---------------|----------------|---------------|---------------|
| Net Sales | 1375.05 | 1230.87 | 5828.6 | 6199.9 |
| Other Operating Income | 1.75 | 2.43 | 12.4 | 15.4 |
| Total Income from Operations | 1376.8 | 1233.30 | 5841.0 | 6215.3 |
| Cost of Goods Sold | 721.3 | 559.39 | 3281.2 | 3118.0 |
| Gross Profit | 655.5 | 673.9 | 2559.8 | 3097.3 |
| Gross Margin | 48% | 55% | 44% | 50% |
| Personnel Expenses | 135.5 | 126.5 | 492.3 | 463.8 |
| Advertisement Expenses | 32.0 | 42.2 | 299.2 | 348.5 |
| Other Expenses | 229.1 | 258.8 | 992.2 | 1051.9 |
| EBITDA | 258.9 | 246.4 | 776.1 | 1233.1 |
| EBITDA Margin | 18.8% | 20.0% | 13.3% | 19.8% |
| Other Income | 33.9 | 55.1 | 221.0 | 139.1 |
| EBITDA Margin (incl. Other Income) | 21.3% | 24.4% | 17% | 22% |
| Depreciation | 52.5 | 61.1 | 247.4 | 292.7 |
| Interest Expense | 18.6 | 44.1 | 119.6 | 162.4 |
| CSR Expenditure | - | - | 3.0 | 16.2 |
| PBT | 221.7 | 196.3 | 627.1 | 900.9 |
| Taxes | 66.1 | 61.7 | 203.9 | 311.6 |
| PAT | 155.6 | 134.6 | 423.2 | 589.3 |
| PAT Margin | 11.3% | 10.9% | 7% | 10% |
| Total Comprehensive income | 154.6 | 134.5 | 423.2 | 589.3 |
| EPS | 7.16 | 6.19 | 19.47 | 27.12 |

Note – *Quarterly figures are as per Indian Accounting Standards (INDAS) whereas the annual figures are as per Indian GAAP.

* Revenues includes sale of raw materials (Fabric & Yarn). Fabric & Yarn sales: Q2 FY17 – Rs 253 Mn, Q2 FY18 – Rs 313 Mn FY16 – RS 425.9 Mn, FY17 – Rs 498 Mn

H1 FY18 – CONSOLIDATED BALANCE SHEET

| Particulars (Rs Million) | Sep-17 | FY17 |
|---|---------------|---------------|
| Equities & Liabilities | | |
| Shareholder's Funds | | |
| Share Capital | 217.3 | 217.3 |
| Reserves & Surplus | 4960.4 | 4667.7 |
| Total Shareholder's Funds | 5177.7 | 4885.0 |
| Non-Current Liabilities | | |
| Long-term Borrowings | 141.0 | 153.8 |
| Deferred Tax Liabilities (net) | - | - |
| Other Long-term Liabilities | 146.0 | 143.2 |
| Total of Non-current liabilities | 287.0 | 297.0 |
| Current Liabilities | | |
| Short-term Borrowings | 1003.6 | 343.8 |
| Trade Payables | 1409.3 | 1033.3 |
| Other Current Liabilities | 338.1 | 367.4 |
| Short-term Provisions | 11.4 | 35.8 |
| Total of Current liabilities | 2762.4 | 1780.3 |
| Total Liabilities | 8227.1 | 6962.3 |

| Particulars (Rs Million) | Sep-17 | FY17 |
|---------------------------------|----------------|----------------|
| Assets | | |
| Non-Current Assets | | |
| Fixed Assets | 1,554.0 | 1,655.7 |
| Non-Current Investments | 159.0 | 215.0 |
| Deferred Tax Assets (net) | 36.8 | 49.3 |
| Long-term Loans & Advances | 199.5 | 69.8 |
| Other non-current assets | 130.1 | 165.1 |
| Total non-current assets | 2,079.4 | 2,154.9 |
| Current Assets | | |
| Current Investments | 912.5 | 855.0 |
| Inventories | 2,766.0 | 2,020.1 |
| Trade Receivables | 1,815.2 | 1,463.1 |
| Cash & Bank Balance | 289.7 | 259.7 |
| Short-term Loans & Advances | 22.9 | 182.1 |
| Other Current Assets | 341.4 | 27.3 |
| Total Current Assets | 6,147.7 | 4,807.3 |
| Total Assets | 8,227.1 | 6,962.3 |

FOCUS ON BRAND & PRODUCT PORTFOLIO EXPANSION

- Focus on branding and promotion to further increase our visibility and market share across India
- Focus on a comprehensive range of cotton and cotton-blended products which cater to all seasons in-order to expand our all-season product range and strengthen our pan-India operations.

FOCUS ON RETAIL NETWORK EXPANSION

- Plan to diversify our pan-India presence by penetrating into the southern and western regions of India.
- Focus on Online sales through own portal as well as Tie-ups with e-commerce portals such as Flipkart, Jabong, Snapdeal and India Shopping.

FOCUS ON RETURN RATIOS EXPANSION

- No major capex requirement for over next 2 years. Average sustaining capex is to be in the range of INR 100-150 mn on yearly basis in the next two years
- Ability to sustain Robust growth without any major capex. Therefore Return ratios set to improve.



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COMPANY OVERVIEW

RECOGNISED BRAND & DIVERSE PRODUCT PORTFOLIO

- Launched in 1984, '**Monte Carlo**' has emerged as one of the leading brands in apparel industry in India
- 'Monte Carlo' is recognized as '**Superbrand**' for woollen knitted apparels by Consumer Superbrands India since 2004
- Under the umbrella brand of 'Monte Carlo', Company has a comprehensive product portfolio across woollen, cotton & cotton blended, home furnishing and kids segments
- The Company has various sub-brands under the Umbrella Brand 'Monte Carlo'
 - 'Platine' - premium range for menswear & 'Cloak and Decker' - economy range for menswear
 - 'Denim' - exclusive range for denim apparels
 - 'Alpha' - exclusive range for womenswear & 'Twens' - exclusive range for kidswear
 - 'ROCK IT' – Premium range for sportswear

WIDE-SPREAD REACH & PRESENCE

- Wide-spread retail presence across India through a judicious mix of EBOs, MBOs and national chain stores located in 19 states & 1 union territory
- As on Sep 2017, the Company had 232 EBOs (21 EBO – COCO, 211 EBO – FOFO), 2400+ MBOs and 249 NCS
- E-commerce presence through own portal www.montecarlo.in as well as tie-ups with Digital platforms such as Flipkart, Snapdeal, Jabong, Myntra and Kapsons

KEY FINANCIALS

- Consolidated Revenues, EBITDA and PAT were Rs. 5,841 mn, Rs. 776 mn and Rs.423 mn in 2017
- Strong balance sheet is reflected through high cash balance of INR 1,361 mn (includes cash and bank balance along with current and non-current investments)

COMPANY OVERVIEW

DIVERSIFIED PRODUCT PORTFOLIO



RANGES LAUNCHED UNDER THE BRAND – “MONTE CARLO”



| Range | Woollens & Woollen-blended | Cottons & Cotton-blended | Home Furnishing | Kids |
|---|--|--|--------------------------------------|---|
| Monte Carlo – Premium and mid-premium segments for men | Sweaters, jackets, thermals, woolen accessories (caps, mufflers, shawls, stoles) | Shirts, trousers, t-shirts, track-suits and jackets | Mink blankets, bed sheets and quilts | |
| Platine – Premium range for Men | Cashmere and cash-wool sweaters, blazers, coats | Cotton shirts, trousers and t-shirts | | |
| Denim – Mid-premium Range | | Denim trousers (jeans) and shirts | | |
| Alpha – Exclusive range for Women | Sweaters, cardigans | Shirts, t-shirts, tops, trousers, jackets and sweat-shirts | | Sweat-shirts |
| Tweens – Exclusive Kids wear Collection for 7-13 years age group | | | | Sweaters, Cardigans, Shirts, t-shirts and Bottoms |
| Cloak & Decker – Economy range for men | | Cotton and cotton-blended t-shirts | | |

IN-HOUSE DESIGN & PRODUCT DEVELOPMENT:

- Strong design team of over 30 professionals closely tracking the trending global fashion
- Focus on developing new products, improving existing ones and forecasting fashion trends
- Regular market surveys done by exclusive commissioned agents to understand consumer tastes and feedback

MANUFACTURING CAPABILITIES:

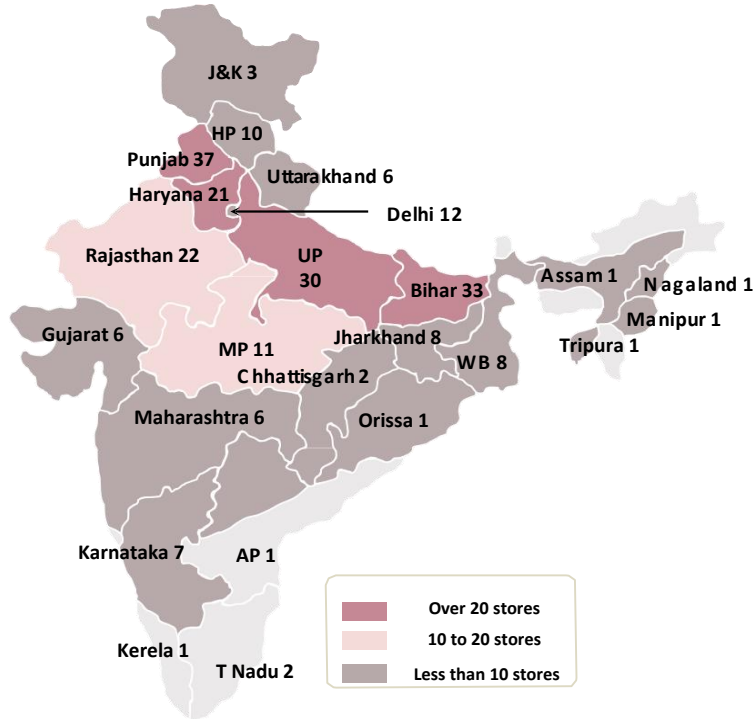
- Three manufacturing facilities in Ludhiana, Punjab -
 - One for woollen apparels
 - Two for cotton apparels
 - The manufacturing facilities include facilities for product development, design studio and sampling infrastructure
- In-house manufacturing of woollen knitted apparels
- Outsourced manufacturing of cotton and cotton-blended apparels
- Recently started in-house manufacturing of cotton t-shirts and thermals



COMPANY OVERVIEW

OUR RETAIL PRESENCE

PAN INDIA PRESENCE ACROSS 19 STATES & 1 UNION TERRITORY



STORE NETWORK

| Type of Store | FY16 | FY17 | Q2 FY18 |
|---------------|--------|--------|---------|
| EBO – COCO | 21 | 20 | 21 |
| EBO – FOFO | 202 | 211 | 211 |
| MBO | 2,000+ | 2,300+ | 2400+ |
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COMPANY OVERVIEW

OUR E-COMMERCE PRESENCE

- Building our presence on e-commerce platform through our own portal www.montecarlo.in
- Have Entered into distribution agreements with some of the leading Indian digital commerce platforms for online sale of our products

OWN PORTAL – WWW.MONTECARLO.IN

The screenshot displays the Monte Carlo e-commerce portal. At the top, there is a navigation bar with the Monte Carlo logo, a search bar, and links for 'CREATE ACCOUNT' and 'LOGIN'. Below the navigation bar, there are category tabs for 'MEN'S WEAR', 'WOMEN'S WEAR', 'KIDS WEAR', 'CLD&K & DECKER', and 'SHOP BY PRODUCTS'. The main content area shows a product listing for 'SHIRTS-MENS [20]'. On the left, there is a sidebar with filters for 'SHOP BY', 'PRICE' (ranging from Rs. 675 to Rs. 1999), 'COLOR', and 'CATEGORIES'. The product grid displays four shirts with their respective prices: a yellow shirt (Rs. 1,999), a blue and white checkered shirt (Rs. 1,499), a red and white checkered shirt (Rs. 1,599), and a blue and white checkered shirt (Rs. 1,599). Below the grid, there are more product thumbnails.

TIE-UPS WITH ONLINE PLATFORMS





BUSINESS CYCLE FOR WINTER SEASON SALES

- Product development & Sampling process
- Design process is finalised
- Sample sets sent to our commissioned agents (CA)
- Commissioned agents display the samples to dealers and distributors
- Company organizes fashion shows to showcase proposed products to the MBOs
- CAs procure orders from MBOs and act as an interface between the Company and MBOs
- The dealers and distributors of the MBOs place orders with the CAs
- Pre-booking of orders from MBOs and franchise EBOs
- Production of pre-ordered designs commences
- Dispatching of winter wear products EBOs and MBOs
- Peak Inventory in September, at the beginning of the winter season

BUSINESS CYCLE FOR SUMMER SEASON SALES



DESIGNING IS AN ONGOING PROCESS THROUGHOUT THE YEAR FOR BOTH COTTON AND WOOLLEN GARMENTS

PRODUCTION OF PLAIN AND BASIC DESIGNS CONTINUE THROUGHOUT THE YEAR FOR BOTH WOOLLEN AND COTTON GARMENTS

COMPANY OVERVIEW

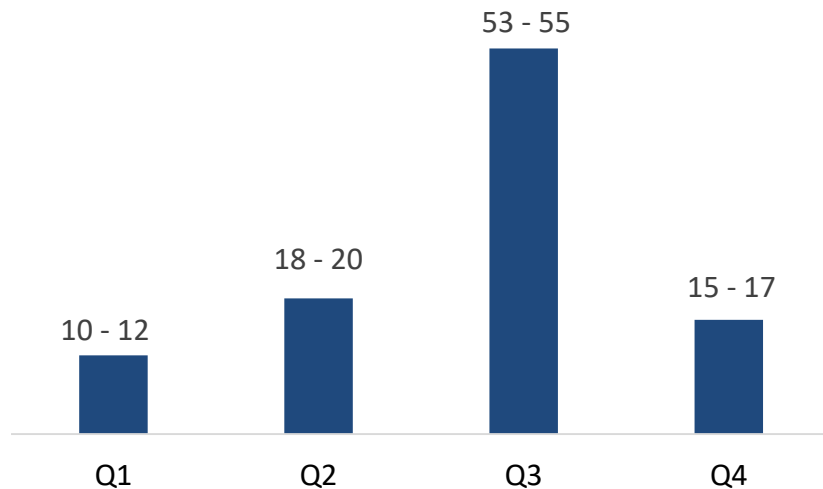
ROBUST DISTRIBUTION MODEL

| | MBO | NCS | EBO-COCO | EBO –FOFO |
|----------------------------------|--|--|-------------------------------|--|
| Total Number of Outlets (Sep17) | 2,400+ | 249 | 21 | 211 |
| % of Revenue Contribution – FY17 | 57% (NCS Contribute less than 10%) | | 39% | |
| Distribution Sale Model | Pre-Booking of orders Outright Sales | SOR – Sale or Return / Outright Sales | Inventory owned by Company | Pre-Booking of orders Outright sale |
| Inventory Risk | No | Yes | Yes | Minimal 5% - 15 % of Products Return Allowed |
| Discount Sharing | No | Yes | Yes | Yes Range of 5% - 17.5% |
| Payment Collection – Credit Risk | Exclusive commissioned agents are liable to pay | Reputed retail chains | - | Bank guarantee's and PDC taken from franchise |

**ROBUST DISTRIBUTION MODEL ASSURES MINIMAL INVENTORY RISK AND CREDIT RISK
TILL DATE, THERE HAS BEEN NO BAD DEBTS OR RECEIVABLES WRITE OFF FOR THE COMPANY**

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet
COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

SEASONALITY IMPACT ON REVENUES (In % terms)



BUSINESS SEASONALITY:

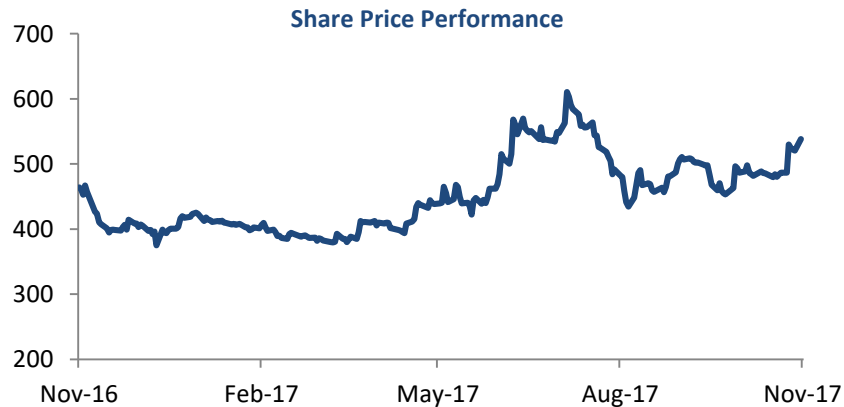
- Q3 generates highest quarterly revenues in any fiscal year
- Q3 typically involves sale of winter products –
 - Woollens / woollen blended - sweaters, jackets, cardigans
 - Cotton / cotton blended - cotton jackets, suits, sweat shirts, full sleeve t-shirts and shirts
- Winter products are sold during October to January.
- Winter products are higher in value in terms of both revenues and cost
- The Company is expanding presence in western and southern markets as well as expanding its product offerings in home furnishing and kids segments in order to reduce the overall seasonality impact

COMPANY OVERVIEW

SHAREHOLDING STRUCTURE

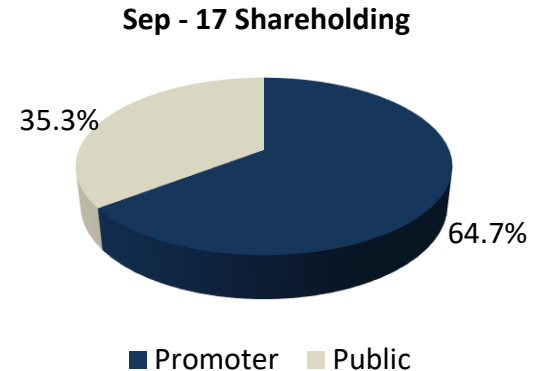
| Market Data | As on 06.11.2017 (BSE) |
|--------------------------------|------------------------|
| Market Capitalization (Rs Mn) | 11,518 |
| Share Price | INR 539.3 |
| No. of shares outstanding (Mn) | 21.7 |
| Face Value (Rs.) | 10.0 |
| 52 week High-Low (Rs.) | 640 – 370 |

Source – BSE



| Key Institutional Investors | % Holding |
|---|-----------|
| Kanchi Investments Ltd (Samara Capital) | 10.94 |
| Goldman Sachs India | 3.64 |
| Birla Sun Life Trustee Co. | 2.89 |
| ICICI Prudential Life Insurance | 1.82 |
| Aditya Birla Pvt Eqity Trust | 1.57 |

Source – Company / BSE as on 30th September 2017

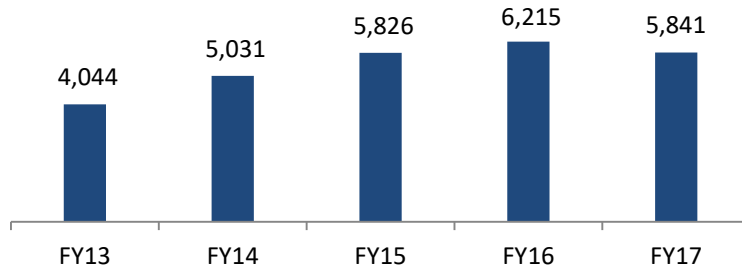


COMPANY OVERVIEW

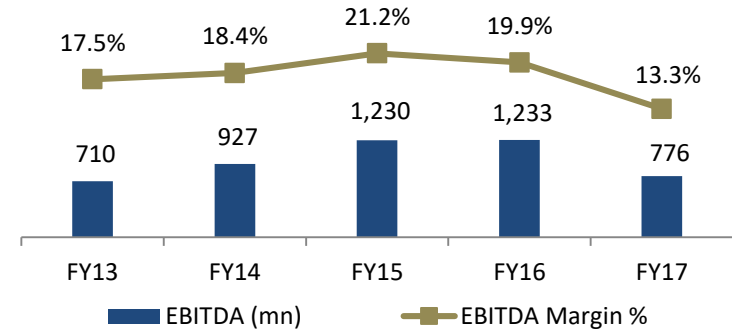
FINANCIAL HIGHLIGHTS

REVENUES

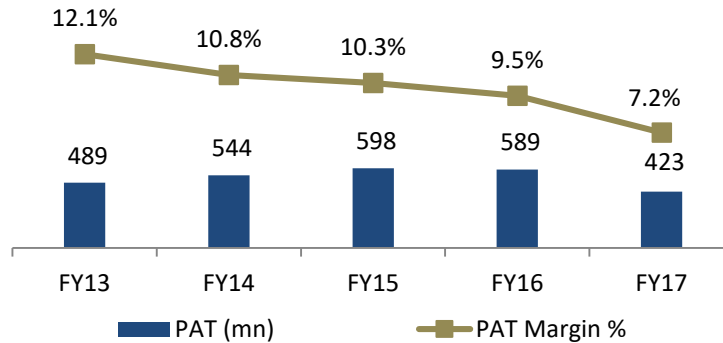
CAGR: 9.6%



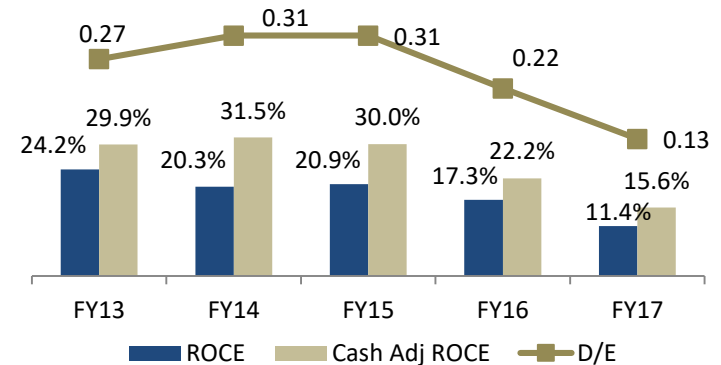
EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



LEVERAGE & RETURN RATIOS



Note –Equity, ROCE: EBIT/Avg. Capital Employed [(Capital Employed = Equity + Total Debt), (Cash Adj. Capital Employed = Equity + Total Debt – C&E)]



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These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond MCFL’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of MCFL.

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