

MONTE CARLO 

It's the way you make me feel

Q3 & 9M FY19
INVESTOR PRESENTATION

February 2019





MONTE CARLO 
It's the way you make me feel

Q3 & 9M FY19 Results Update

MONTE CARLO: POISED FOR LONG TERM GROWTH

PRODUCT MIX MOVING TOWARDS COTTON

- Cotton scaling above 60% of total FY18 revenue reflecting shift towards Cotton from Woollen segment
- Textile and Kids segment delivered strong growth, contributing higher revenue for the overall business

POSITIVE BUSINESS OUTLOOK

- Focus on new markets and new product offerings
- Strong traction in making further inroads in western and southern markets in India

CONSISTENT FOCUS ON SHAREHOLDER RETURN

- Low Capex requirement for next two years, near term growth will be achieved from higher capacity utilization
- Full year dividend increased by 20%, with pay out ratio of 43.7% before Dividend Distribution Tax

STRONG WORKING CAPITAL CYCLE

- Tight control over Inventory and trade payables as both remain flat with higher sales achieved during the year
- Overall Working capital moved higher with receivables moved slightly higher during year end

HEALTHY CASH FLOW & STRONGER BALANCE SHEET

- Strong balance sheet with low overall debt; Long term borrowing at Rs 116.4 mn as of September 2018
- Strong balance sheet is reflected through high cash balance of Rs 1,480 mn (includes cash and bank balance along with current and non-current investments)

MONTE CARLO: DIFFERENTIATED BUSINESS MODEL

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 MBO's 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 (5-10% return allowed)
- No inventory risk in case of sales to MBOs

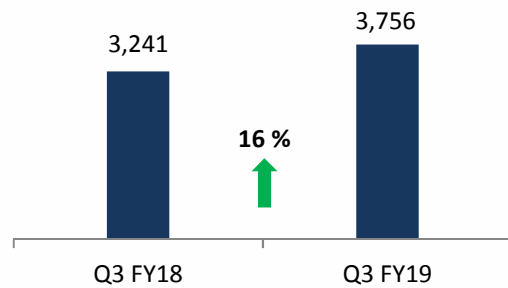
LOW CREDIT RISK

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

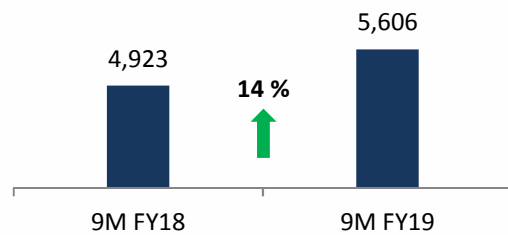
Note: We have started our sale through Shop In Shop (SIS) business model with 0% stock return

Q3 & 9M FY19: KEY HIGHLIGHTS

REVENUES

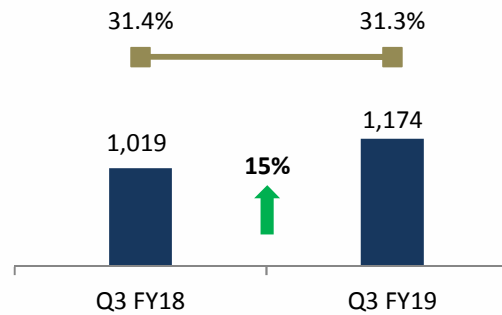


REVENUES



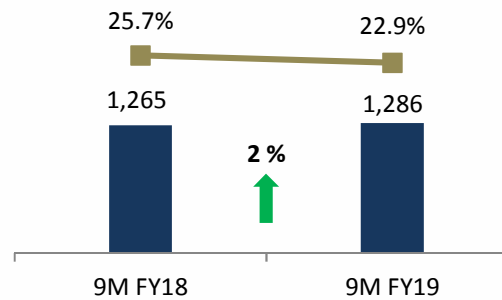
Q3 FY19 YoY ANALYSIS

EBIDTA & EBIDTA MARGIN%



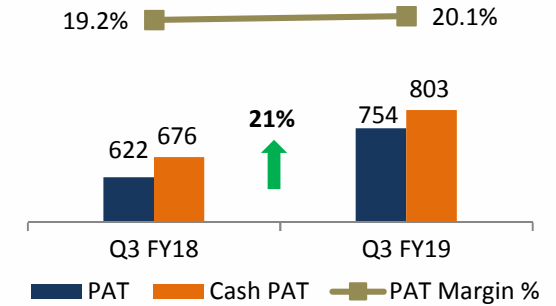
9M FY19 YoY ANALYSIS

EBIDTA & EBIDTA MARGIN%

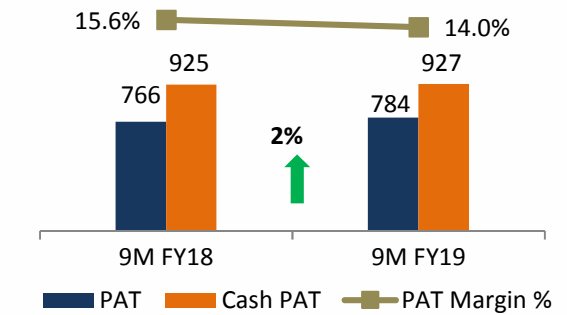


In Rs Mn

PAT, CASH PAT & PAT MARGIN %



PAT, CASH PAT & PAT MARGIN %



Q3 & 9M FY19: REVENUE ANALYSIS

REVENUES BREAKUP – SEGMENT WISE

In Rs Mn	Q3 FY18	Q3 FY19	9M FY18	9M FY19
Total Revenues*	3,367	3,872	4,936	5,759
Woollen Segment	35.0%	34.9%	29.1%	27.9%
Cotton Segment	52.3%	50.8%	57.4%	56.6%
Home Furnishings	7.3%	8.1%	8.5%	10.1%
Kids	5.4%	6.2%	5.0%	5.4%

FOCUS ON PRODUCT DIVERSIFICATION

- Focus on cotton products in summers, contribution of cotton in 9M FY19 remained stable at 57%
- Positioning as all fashion brand to reduce seasonality impact, woollen segment contribution has moved marginally lower in 9M FY19

* Revenue from core products (Excluding Yarn, Fabrics & Miscellaneous sales)

* Q3FY18 Sales of scrap and accessories was Rs. 3.39 Mn, Other Operating revenue was 5.8 Mn & INDAS adj. was Rs. 134.9 Mn

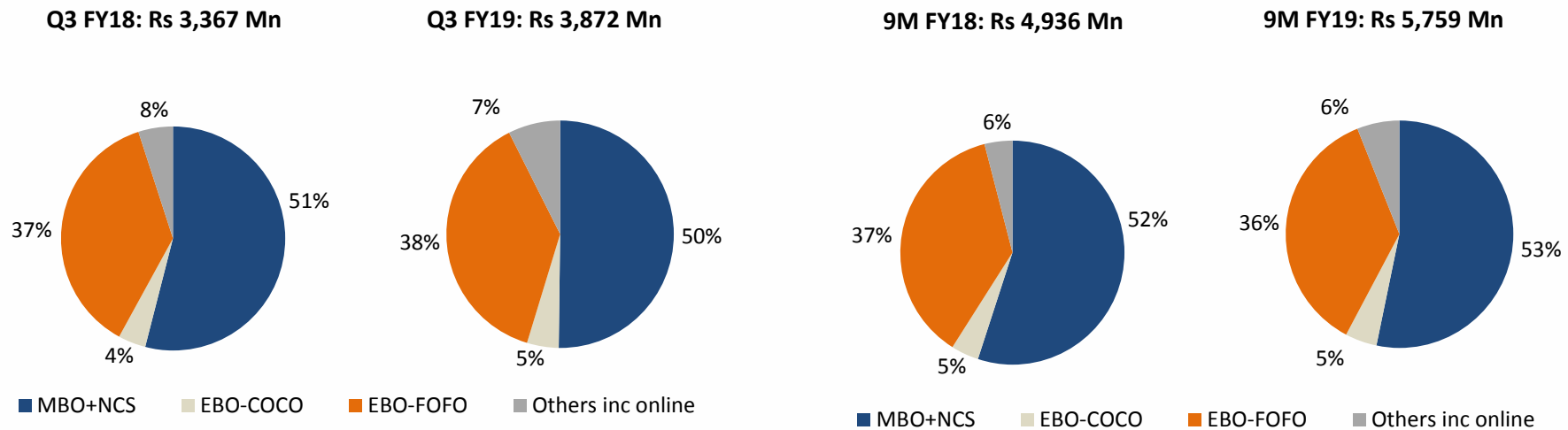
* Q3 FY19 Sales of scrap and accessories was Rs. 6.10 Mn, Other Operating revenue was 6.0 Mn & INDAS adj. was Rs. 128.0 Mn

* 9M FY18 Sales of scrap and accessories was Rs. 9.99 Mn, Other Operating revenue was 9.5 Mn & INDAS adj. was Rs. 32.79 Mn

* 9M FY19 Sales of scrap and accessories was Rs. 20.65 Mn, Other Operating revenue was 10.4 Mn & INDAS adj. was Rs. 184.25 Mn

Q3 & 9M FY19: REVENUE ANALYSIS

REVENUE BREAKUP – CHANNEL WISE



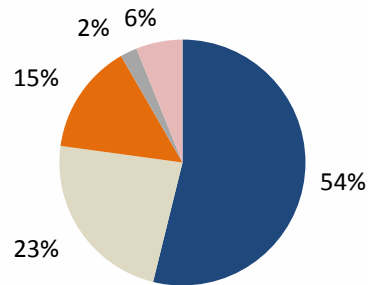
Improving Diversification across various Channels of Sale

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

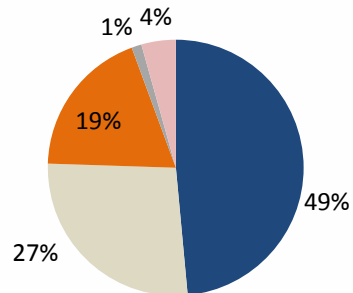
Q3 & 9M FY19: REVENUE ANALYSIS

REVENUE BREAKUP – REGION WISE

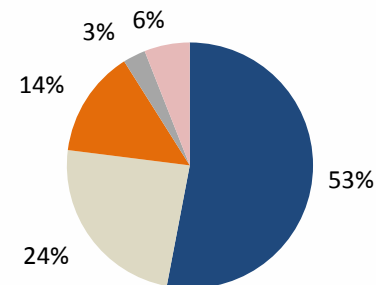
Q3 FY18: Rs 3,367 Mn



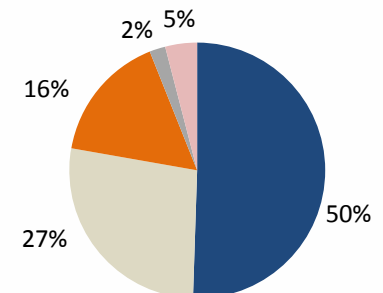
Q3 FY19: Rs 3,872 Mn



9M FY18: Rs 4,936 Mn



9M FY19: Rs 5,759 Mn



■ North ■ East ■ Central ■ South ■ West

■ North ■ East ■ Central ■ South ■ West

Improving Regional Diversification

Q3 & 9M FY19: STORE NETWORK ANALYSIS

STORE NETWORK			
Type of Store	FY17	FY18	9M FY19
EBO – COCO	20	21	27
EBO – FOFO	211	214	226
MBO's and Distributors	2,300+	2,500+	2,500+
NCS	198	283	321

EBO – NET ADDITIONS			
	FY17	FY18	9M FY19
Existing	223	231	235
New Opened	17	10	22
Closed	9	6	4
Total EBOs	231	235	253

In addition to 253 EBO's, company has 2 Overseas EBOs in Nepal.

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

Q3 & 9M FY19: CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q3 FY19	Q3 FY18	YoY%	9M FY19	9M FY18	YoY%	FY18
Revenue From Operations	3,756	3,241	15.9%	5,606	4,923	13.9%	5,759
Material Costs	2,009	1,742	15.3%	2,788	2,409	15.7%	2,922
Gross Margin	1,747	1,499	16.5%	2,818	2,514	12.1%	2,837
Gross Margin %	46.5%	46.3%	23 bps	50.3%	51.1%	-79 bps	49.3%
Personnel Expenses	148	122	21.3%	440	387	13.7%	531
Advertisement Expenses	79	71	11.3%	222	155	43.2%	248
Other Expenses	346	288	20.1%	871	707	23.2%	926
EBITDA	1,174	1,018	15.3%	1,285	1,265	1.6%	1,132
EBITDA Margin %	31.3%	31.4%	-19 bps	22.9%	25.7%	-277 bps	19.7%
Other Income	56	9	522.2%	126	97	29.9%	178
Depreciation	49	54	-9.3%	142	159	-10.7%	210
Interest Expense	34	25	36.0%	74	61	21.3%	77
CSR Expenditure	0	0	-	0	1	-	1
PBT	1,147	948	21.0%	1,195	1,141	4.7%	1,022
Taxes	393	326	20.6%	411	375	9.6%	343
PAT	754	622	21.2%	784	766	2.4%	679
PAT Margin %	20.1%	19.2%	91 bps	14.0%	15.6%	-157 bps	11.8%
EPS	34.72	28.61	21.4%	36.10	35.25	2.4%	31.25

Note: Company has changed the policy of manufactured finished goods valuation from retail method to actual cost method. The company has applied the change in accounting policy retrospectively by adjusting the opening balance of equity for the earliest prior period presented and the other comparative amounts disclosed in unaudited financial results for each prior period presented to the extent possible

FUTURE GROWTH STRATEGY

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

- We have started our sale through Shop in Shop(SIS) Model.
- Focus on Online sales through own portal as well as Tie-ups with e-commerce portals such as Flipkart, Jabong, Myntra, Amazon and Kapsons

FOCUS ON RETURN RATIOS EXPANSION

- No major capex requirement for over next 2 years. Average sustaining capex is to be in the range of Rs 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

COMPANY OVERVIEW

BRIEF PROFILE



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'
 - 'Luxuria' - premium range for menswear & 'Cloak and Decker' - economy range for menswear
 - 'Denim' - exclusive range for denim apparels
 - 'Alpha' - exclusive range for womenswear & 'Tweens' - 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 distributors and national chain stores located in 22 states & 1 union territory
- As on December 2018, the Company had 253 EBOs (27 EBO – COCO, 226 EBO – FOFO), 2,500+ MBO and distributors and 321 NCS
- E-commerce presence through own portal www.montecarlo.in and www.rockit.co.in as well as tie-ups with Digital platforms such as Flipkart, Amazon, Jabong, Myntra and Kapsons

KEY FINANCIALS

- Consolidated Revenues, EBITDA and PAT were Rs. 5759 mn, Rs. 1,132 mn and Rs.679 mn in FY18
- Strong balance sheet is reflected through high cash balance of Rs 1,465 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, Pullovers thermals, woollen accessories (caps, mufflers, shawls, stoles)	Shirts, trousers, t-shirts, track-suits and jackets	Mink blankets, bed sheets and quilts	
Luxuria – Premium range for Men	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		
Sportswear – fitness & fashion wear range “Rock.it”		Tank, Polo T-Shirts, Shorts, Track Pants		

COMPANY OVERVIEW

STRONG DESIGN & MANUFACTURING CAPABILITIES

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 Marketing Team to understand consumer tastes and feedback

MANUFACTURING CAPABILITIES:

- Two manufacturing facilities in Ludhiana, Punjab -
 - One for woollen apparels
 - One 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

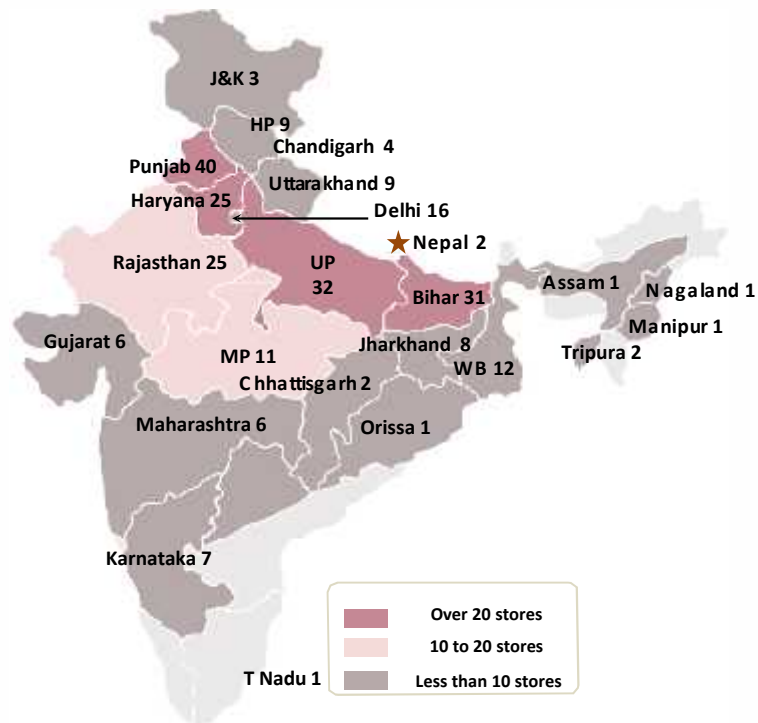


COMPANY OVERVIEW

RETAIL PRESENCE



PAN INDIA PRESENCE ACROSS 22 STATES & 1 UNION TERRITORY



STORE NETWORK

Type of Store	FY17	FY18	9M FY19
EBO – COCO	20	21	27
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NCS	198	283	321
E-Commerce	Amazon, Flipkart, Myntra, Jabong and Kapsons		

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet
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 ★ Pan India 253 EBOs, excluding 2 EBOs in Nepal

COMPANY OVERVIEW

E-COMMERCE PRESENCE

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



COMPANY OVERVIEW

UNDERSTANDING OUR BUSINESS MODEL



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 and EBOs
- 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 to 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 and Distributors	NCS	EBO-COCO	EBO –FOFO
Total Number of Outlets (December'18)	2,500+	321	27	226
% of Revenue Contribution – FY18	55% (NCS Contribute less than 10%)		45%	
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% - 10 % 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

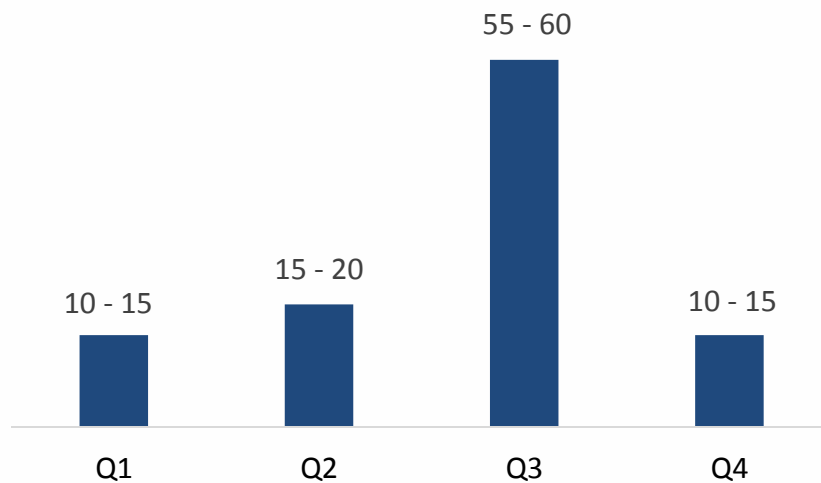
**ROBUST DISTRIBUTION MODEL ASSURES MINIMAL INVENTORY RISK AND CREDIT RISK
TILL DATE, THERE HAS BEEN NO BAD DEBTS OR RECEIVABLES WRITE OFF FOR THE COMPANY**

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COMPANY OVERVIEW

UNDERSTANDING SEASONALITY

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.
- Product mix is tilted towards Winter products both in terms of cost and revenues
- 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

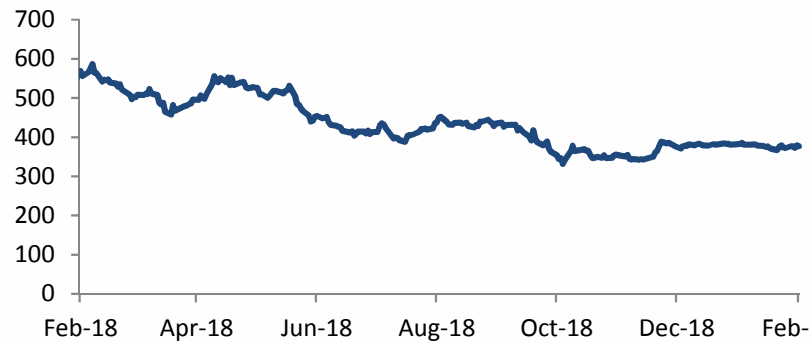
SHAREHOLDING STRUCTURE



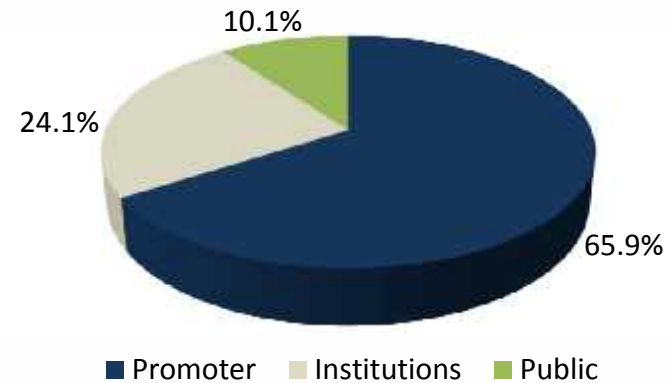
Market Data	As on 8.2.2019 (BSE)
Market Capitalization (Rs Mn)	8,192.9
Share Price	Rs 377
No. of shares outstanding (Mn)	21.7
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	601 – 328

Key Institutional Investors – Dec 18	% Holding
Kanchi Investments Ltd (Samara Capital)	10.94%
Goldman Sachs India	3.64%
ICICI Prudential Life Insurance	1.19%
Aditya Birla Sun Life Trustee Co.	1.32%

Share Price Performance

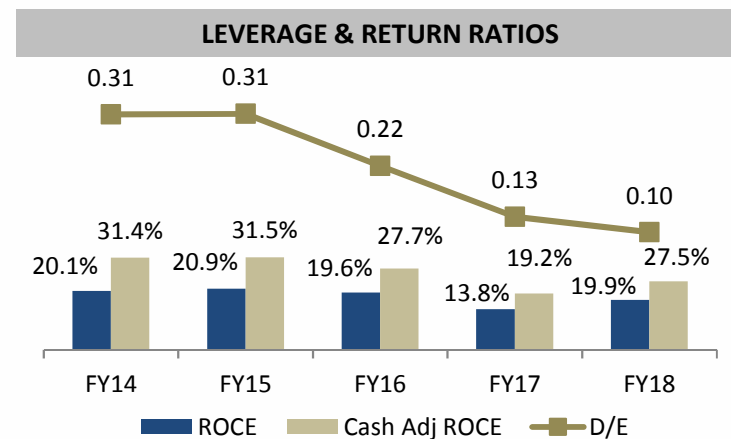
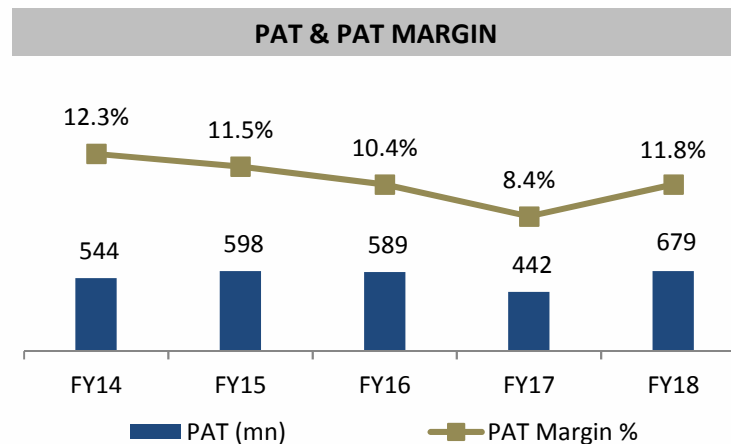
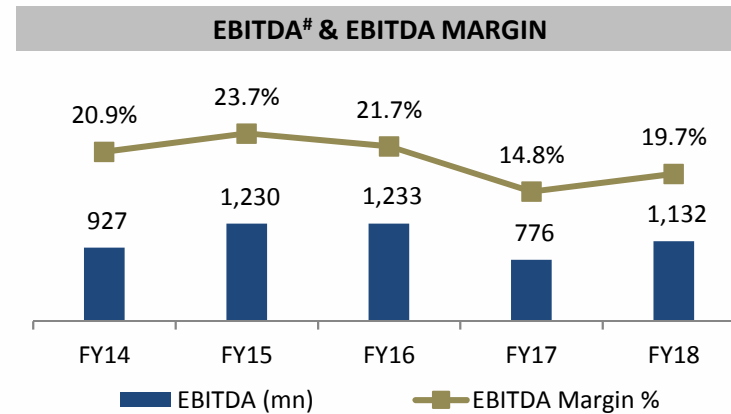
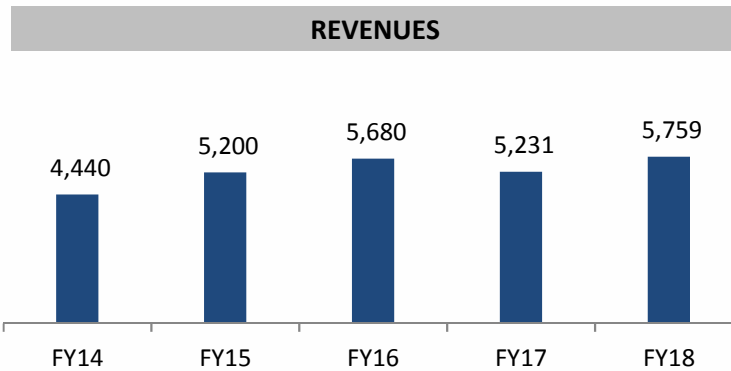


Shareholding Pattern – Dec 18



COMPANY OVERVIEW

FINANCIAL HIGHLIGHTS



Note – *Previous year figures have been recast as per Ind AS to make them comparable with current year figures, # EBITDA W/O Other Income

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

Sales Figures excludes Raw Material Sales (Yarns, Fabrics & Trims).

Inventory Data related to FY 18 onwards is according to the cost method of valuation and the data related prior to FY 18 is according to retail method of valuation

FOR FURTHER QUERIES

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