

MONTE CARLO FASHIONS LIMITED

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Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q3 FY24

Dear Sir / Madam,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on February 8, 2024 to discuss Q3FY24 results.

We request you to kindly take this in your record.

Thanking You,

Yours Faithfully

For **MONTE CARLO FASHIONS LIMITED****ANKUR
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COMPANY SECRETARY & COMPLIANCE OFFICER
ICSI Membership No: FCS 10577



Monte Carlo Fashions Limited
Q3 FY24 Earnings Conference Call

Event Date / Time : 08/02/2024, 11:30 Hrs.
Event Duration : 35 mins 38 secs

CORPORATE PARTICIPANTS:

Mr. Dinesh Gogna
Director

Mr. Sandeep Jain
Executive Director

Mr. Rishabh Oswal
Executive Director

Mr. R.K. Sharma
Chief Financial Officer

Mr. Ankur Gauba
Company Secretary

Mr. Tushar Pendharkar
Ventura Securities Limited

Q&A PARTICIPANTS:

1. **Dhiral Shah** : Philip Capital PCG
2. **Vipul Shah** : RW Equity
3. **Sriram R** : Individual Investor
4. **Viraj Parekh** : Carnelian
5. **Parth M** : Individual Investor
6. **Aditya Jawar** : JNJ Capital
7. **Amit Kumar** : Determined Investments
8. **Santosh Keshri** : Keshri Finance
9. **Ranjana Chhabria** : **ITI Capital**

Moderator

Ladies and gentlemen, good day and welcome to the Monte Carlo Fashions Limited Q3 and 9M FY24 Earnings Conference Call hosted by Ventura Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * and 0 on your touchtone telephone. Please note this conference this being recorded. I would now like to hand over the conference over to Tushar from Ventura Securities Limited. Thank you. And over to you sir.

Tushar Pendharkar

Thank you. Good day, ladies, and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Monte Carlo Fashions Limited Q3 and 9M FY24 earnings conference call. The company is today represented by Mr. Dinesh Gogna, Director; Mr. Sandeep Jain, Executive Director; Mr. Rishabh Oswal, Executive Director; Mr. R.K. Sharma, Chief Financial Officer; Mr. Ankur Gauba, Company Secretary. I would now like to hand over the call to the management of the company, Thank you.

Sandeep Jain

Good morning. This is Sandeep here. Thank you everyone for joining us for this today's earning call to discuss the quarterly performance for Q3 and 9M of FY24. Let me start sharing the consolidated and the financial and the operational highlights. The company reported revenues of INR 504 crore during Q3 representing a degrowth of 2.9% YoY. Operational EBITDA for this quarter was INR 122 crore, which declined by 6.5% YoY and the EBITDA margins were reported at 24.16%.

Net profit stood at INR 77 crore for this quarter which is declined by 10.4% YoY. Talking about the 9M performance, the revenue from operations stood at INR 855 crore which degree by 2.9% YoY. Operational EBITDA was at INR 152 crore witnessing a decline of 18% YoY with EBITDA margin reported at 17.75%. Net profit stood at INR 79 crore, a decline of 30% YoY.

Now, moving on to the operational performance for 9M. Monte Carlo Fashions continues with its endeavor to build a leading branded apparel company with continued effort to increase its distribution network. The company has added 48 new EBOs, 2200 COCO model and 2600 FOFO model in 9M of FY24. With this, the total number of EBOs have reached 398 across 20 states and 4 union territories. Currently we have 1900-plus MBOs, 390-plus EBOs and 1300-plus national chain stores plus SIS.

Our 9M sales from online channel accounted for INR 71.48 crore, which grew by 12.5% YoY basis. Sales from our own website stood at INR 9.71 crore representing a growth of 187% YoY for 9 months FY24. Our Rock.it brand delivered a strong performance registering a revenue of INR 18 crore in 9M as compared to INR 4.5 crore in the previous corresponding period.

We would like to inform that after the careful consideration and the comprehensive review of our current business priorities, resources, and market condition we have evaluated that the proceeding with the Blanket project at Kathua for the subsidiary company Monte Carlo Home Textile is not in the best interest of our organization at this point of time. This is due to procedural drain in the land procurements and also there have been some new additions of blanket manufacturers in the market, which has led to the oversupply in the Blanket segment which has dented the margins of the blanket companies.

The company will continue to do business in blankets with the old model. That is by sourcing blankets from domestic and international suppliers, ensuring a diverse range of products that meet our customer preferences. And this doesn't have any material impact on the company's performance.

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

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Dear participants, if you have any questions, please press * and 1 on your telephone keypad. Dear participants, if you have any questions, please press * and 1 on your telephone keypad. The first question comes from Dhiral Shah Phillip Capital. Please go ahead.

Dhiral Shah

Good morning, sir. Thanks for the opportunity. So, what is the reason for the fall in the Kids volume growth in Q3 as well as 9M FY24?

Sandeep Jain

The Kids volume growth?

Dhiral Shah

Yes, sir.

Sandeep Jain

So, the reason was there have been more inventory in the system at retail level and also at the company level. So that is why the sales volume has fallen.

Dhiral Shah

So, now, the inventory has been rationalized or it is still there, sir?

Sandeep Jain

Now the good news is that, now inventory has reduced at the retail level also and also at the company's warehouse level, because there have been a very good winter in last one and a half month. So, which helped us to clear the inventories at the store level also.

Dhiral Shah

Okay. Sir, on the cotton side particularly, are we facing any increase in competition with bigger guys like Trent becoming very aggressive in the market through video and that is impacting our growth or is it due to the low consumer spending which is there right now which is not giving us the fresh growth in the cotton segment?

Sandeep Jain

No, no we are not impacting by Trent and Zudio because they are basically operating in the lower middle-class segment. So, we basically operate in the upper middle-class segment which is already we are competing with other brands which is Zara, Bennington and Louis Philippe and Vanheusen. So, our segment is entirely different from the Trent and Zudio segment.

Dhiral Shah

Okay. Are we seeing any revival in the demand scenario on the ground now?

Sandeep Jain

Yes, we see that the work seems to be behind now as we have seen that there have been pickup in the sales when the US sales have started, and also there have been increased footfall on our stores level also. And you will witness that the online sales have also grown. So, all these things shown that definitely there have been some slowness in the past because of delayed winter also and because of inflation also. But I think these things have now already been countered. So, we think that they are going ahead we should have a good quarter coming ahead for us.

Dhiral Shah

So, what kind of growth projection we are expecting now for FY25 particularly and in terms of margins also?

Sandeep Jain

See, I can't give you a guidance for next financial year, because we normally give for next financial year in the first quarter of next year. So, right now, I think this guidance already been given for this financial year was that we already talked about this in our last conference call that we'll have a flat year of revenues in this financial year and we stand by that guidance.

Dhiral Shah

Okay. And sir is the discounting in the current season which is in the month of January which generally happens in USA the same as last year?

Sandeep Jain

It is more as compared to last year, because discounts have been started early, and also the discount percentage was higher as compared to last year. But only thing, good thing, which happened in this quarter was the winter was extreme, particularly in the northern region and eastern region. So that helped us to clear the inventory at the store level and also at our SAS and other channels.

Dhiral Shah

So, is the higher discounting will have any impact on the margin or margins will remain stable at around 18%, 20% band which you are guiding earlier also?

Sandeep Jain

We have already taken the provision in this quarter, so adequate provision has been taken for this.

Dhiral Shah

Okay. So, what was the SSS growth overall in Q3 and 9M FY24?

Sandeep Jain

What growth?

Dhiral Shah

Sir, same store sales growth?

Sandeep Jain

No, it is a decline of 5% as compared to last financial year.

Dhiral Shah

Okay. And are we seeing any improvement, sir?

Sandeep Jain

The January we have grown by around 3% like-to-like. So, I think this trend will continue now.

Dhiral Shah

Okay. Thank you so much, sir.

Sandeep Jain

Thank you.

Moderator

Thank you, sir. The next question comes from Vipul Shah from RW Equity. Please go ahead.

Vipul Shah

Thank you for the opportunity and congratulations, sir, for the decent set of results this quarter, considering that we had a delayed start to the winter. Very commendable the numbers which have come in. Sir, I just have one question based on last year's analysis, where in the June quarter we had taken provision for sales returns. Has that been factored in while adequate provisions have been taken while coming out with the results for this quarter, sir?

Sandeep Jain

Yes, we have taken adequate provision in this quarter itself. So going ahead, we should have. I don't think we have any other extra provision coming up in the next few quarters.

Vipul Shah

So, what I hear is that there will not be any negative surprises coming in, say, the future quarters because of sales returns this quarter, right, if at all, they have been accounted for now.

Sandeep Jain

Definitely.

Vipul Shah

All right, sir. Thank you so much, sir. All the best.

Sandeep Jain

Thank you.

Moderator

Thank you, sir. The next question comes from Sriram R an Individual investor. Please go ahead.

Sriram R

Thank you for the opportunity. Sir, what I'm not able to understand is, we have degrown by 5% in the SSSG. While some of the value fashion players have actually grown in the SSSG. So, I'm unable to understand, despite being a decent winter, we have not pluck the growth in this quarter. So, can you please elaborate on this?

Sandeep Jain

Yes. Thank you for asking this question and I was anticipating this question. See, basically when we compare ourselves with other players, the thing is that around 50% of the revenue come from this quarter. So, even if there is a slight delay in winter or if there is a slight disturbance in the northern eastern region for winter, we are more impacted than any other player in the industry because their contribution from winter is not that much. And as far as decline of this SAS like-to-like growth is concerned, it is only because of the delayed winter. We were declining around, I think 5% in 9M. But in January, as the winter started, which was delayed, so, we covered up the 5% decline, and now decline is contained at 2% only. Even in January month we grew almost around 10-11% like to like as far as our retail performance are concerned.

So definitely, yes, there have been some impact because of delayed winter and there have been decline also in the like-to-like growth. But we think that in another two months we should be at par with the same-store growth to zero level. I won't say that we'll be growing much in this. And I am very confident that the decline which has been happened in 9M would be covered up in this quarter itself.

Sriram R

You mean in the January to March quarter, right?

Sandeep Jain

Yes.

Sriram R

And sir, what would be the normalized sale, like if you just normalize for the delayed onset, what would be that? Can you give some ballpark number?

Sandeep Jain

Any account, say that the only thing I can share with you is that the MRP sales basically goes down to almost 25%, 26%, which used to be around 44-45%. So that 20% goods which used to be, we could have sold in last quarter, we have to be selling in this quarter and also on the discounts. So that impacted the margins also and that impacted the revenues also, because when you sell INR 100 rupees goods at INR 90 rupees, that affects the revenue also. So, in that case, revenue also fell because of discounting part and margin also hit. And because we have taken adequate provisioning in this quarter itself. So that gives us a surety that we'll have a good quarter coming ahead.

Sriram R

Okay. And sir my second question is on the EBO expansion plan. Like, what is that you have for FY25?

Sandeep Jain

I think we stood by the guidance in last financial year, we gave up around 50 to 55 stores. So, 48 stores have already been opened, and there are 4 to 5 stores in the pipeline. So, we'll be fitting up in that guidance band only. And next year also, we have the same guidance around 50 stores we'll be opening in the next financial year. We are moving ahead with a one store every week plan which we followed last year also.

Sriram R

And in terms of geographical mix, where would those be?

Sandeep Jain

Yes, last year also, I indicated in the conference call that 20% of the stores would be opening in the southern and western region and balance would be opening in the northern, eastern and central region. So, the same phenomena continued this financial year also. Out of 48 stores, 10 stores we opened in west and south, and 38 stores have been opened in northern, eastern and central regions. And the phenomena will continue for the next year also.

Sriram R

Okay, sir. Thank you so much. All the best.

Moderator

Thank you, sir. The next question comes from Viraj Parekh from Carnelian. Please go ahead.

Viraj Parekh

Thank you for the opportunity. Good morning, sir. Just one question. Now, since that you have decided to not go ahead with the Blanket project in J&K. Have you identified any potential opportunities or at Board level are you evaluating some other states where you can invest the capital you've accumulated for that project?

Sandeep Jain

I think the cancellation of the project was already we have gave the reason, but as of now we do not have any other projects under discussion at the management level. So, whenever, if there is any project which the company thinks that can give us the good value and the good value to our shareholders, we definitely will bring into the notice of stock exchanges and all.

Viraj Parekh

Understood. Just a quarter ago you announced that you have entered the shoe line as well. So, just wanted to understand if you could elaborate on how that is panning out and do you see any kind of potential investment in that space for the company as a whole?

Sandeep Jain

See, that was the decision we took because we have bigger stores, where I think we can add some more categories. So, that is how this shoes category was added. And Mr. Rishabh can further explain into this the online froyo of shoes as well.

Rishabh Oswal

Yes. Hi Viraj. Rishabh this side. So, as you mentioned, we launched our footwear last quarter itself. So, we've centered to across 30, 35 EBOs as of now. We are seeing good traction. They are on discount right now. But I think we've sold around 3000 or INR 1 crore worth of footwear in the last quarter. But that is mostly just we had just pasted in 30 stores. Now, we are expanding it to more stores, putting proper modules, hiring people who are well versed in selling shoes. So, going forward we should see this category moving up. Also, from this month we've launched footwear on our online website as well. We've also tied up with Amazon who are buying some quantity outright from us as a pilot run. So, that gives us confidence that the product is okay, the pricing is acceptable in the market and it should grow at a good pace.

Viraj Parekh

Thanks Rishabh. Just to follow up. How are we positioning our footwear in the market? And what price range and with whom are we competing directly in terms of formal, casual, both?

Rishabh Oswal

So, our range is more focused towards the formal category with more focused on leather footwear. We see less competition in this category as compared to casual shoes. So, in terms of price point, you can compare us with Metro shoes, Florsheim shoes and brands like that.

Viraj Parekh

Sure. Thank you so much. I'll get back in the queue. All the best.

Rishabh Oswal

Thank you.

Moderator

Thank you, sir. Dear participants, if you have any questions please press * and 1 on your telephone keypad. So, the next question comes from Parth M an Individual Investor. Please go ahead.

Parth M

Hi. So, my question was that, we haven't opened any major stores in the south in this quarter whereas our focus was majorly geared towards the south. Any reason for that?

Sandeep Jain

No, no we already opened stores in the south in this quarter also. So, total almost 10 stores have been opened in south and west in 9M which is almost 20% of the total stores opened pan India. Even in this quarter we've opened one store in south, in Tamil Nadu region, and also in the last quarter, last two quarter we opened around six stores in south.

Parth M

Okay. Thank you so much.

Moderator

Thank you, sir. Dear participants, if you have any questions please press * and 1 on your telephone keypad. Sir, the next question comes from Aditya Jawar from JNJ Capital. Please go ahead.

Aditya Jawar

Yes, thanks for the opportunity. Sir, my question is regarding the exclusive brand outlets what we are doing. Currently we are doing 54, current year saying, and the last year also we have done a couple of good, and in the next couple of years also we are targeting 50, 50. But I want to understand when if we go on increasing our brand outlets, but the growth is not kicking in, that is my first question. And the next

question is on the marketing initiatives. Because currently if you focus on this strategy then marketing focus also should be higher in order to get attract the growth from the competition, right? Because it is very competitive market. When you are building this extensive brand outlet, I think marketing plays a major role. So, any thoughts on that in the growth part?

Sandeep Jain

Yes, thank you. So, you're right that the growth is not visible like-to-like growth in this financial year. But last year, we grew at around 13% like-to-like. So, this year I have already stated the reason because of delayed winters, and also as we have been impacted by the inflation and certain discretionary spending also. So, we could not achieve the like-to-like growth. But still we are confident that we'll not be degrowing as far as full year is concerned. I think by the time we end in the full financial year we will have the zero growth as compared to last financial year, but we'll not be declining it. And as far as marketing initiatives are concerned, I would ask Mr. Rishab.

Rishabh Oswal

Hi. So, as far as marketing initiatives are concerned. So, earlier, majority of our budget used to go towards newspaper advertisement or hoardings and other offline modes. What we've realized that these places have become very crowded, and it is very difficult to stand out in these places. But however, we are not leaving the offline space and we've tied up with theaters, multiplex screens across the country. We've done annual deal with them. We've also tied up with eight airports in India including Amritsar, Srinagar, Lucknow and other high footfall areas. So, we are just shifting our focus towards high eyeball areas where our target audience is coming up.

And also, we have shifted around 20% of our budget towards digital promotion. We realize we get a better return on our investment when we promote online. So, our major expenditure is happening on social media platforms like Facebook and Instagram. And if you see our website has also increased, has also improved in terms of ranking when it comes. So, our major focus towards is performance marketing and when it comes to offline, we are trying to do annual deals and we want to be present throughout the year in places where there is high footfall and high eyeballs.

Aditya Jawar

Okay, that's helpful. So, currently our mix is more towards winter season. Right? So, I know we are taking initiatives to diversify into summer all to have non volatility in our revenues. So how do you see in the next three years this shaping up?

Sandeep Jain

I think if you see this year's third quarter revenues, and if we compare the revenues from last three-four years, you would see that shift is happening. The third quarter revenue, I think if I talk around 10 years back it was 80%. If I talk three years back, it was 61%, and this year presently, this year it has gone below 50%. So, Q3 revenue, which used to be contributing significantly to the company's revenue is going down every year. So, this year it has gone down below 50%. So, I'm confident that as we move ahead in the next 2, 3 years, the revenue will be spread evenly in all the four quarters rather than sticking to the third quarter itself for 50% of the revenues.

Aditya Jawar

Okay, that's helpful. And the marketing, how much we are spending, sir? Absolute number? See, what I am trying to understand, if we don't spend right now, then our brands don't get visibility, then the growth, what we are envisaging, that can be slowed down. That is what my worry is.

Sandeep Jain

Yes. We have indicated 3% of our ad spends on the revenues, and we are continuing with that, and within that is sufficient as of now.

Aditya Jawar

Okay. And you have loads of cash, sir. Are we thinking of buyback? So, last time also we have asked this one, but yes, because since our plan also on Kashmir has got removed so that's why.

Sandeep Jain

Yes, definitely we'll let the shareholder and the stock exchanges know if something happens on this front.

Aditya Jawar

Okay, sir. All the best. Thank you.

Sandeep Jain

Board has to decide about this.

Aditya Jawar

Right. Okay.

Moderator

Thank you, sir. The next question comes from Amit Kumar from Determined Investments. Please go ahead.

Amit Kumar

Hi. Good morning, team. Just two questions and I'm sorry I joined the call a little bit late. So, if these are repeats, my apologies up front. On the Q4 specifically, I think you already sort of talked about the fact that full year revenues, Q4, you will catch up a little bit. But I just wanted to get a sense. I mean, this time north winters and obviously winter season is pretty important for the company. The northern winters have shifted a little bit. So, December was sort of reasonably okay, but January, February have been pretty strong winters in the north. So, how are you sort of seeing the business sort of shape up for the fourth quarter?

Sandeep Jain

I think partly you have answered my question. As the winter was delayed and it happened mostly in January and February. So, we have been able to sell most of our inventory, which was not sold in December to January and February. So, that would cover-up the sales which we were planning in December itself. So that happened. Some of the sales have shifted to January quarter. And also, we have a strong summer sales going ahead in this quarter, because of the trade show where we had a double-digit volume growth as far as our bookings were concerned. So that gives us the confidence that the full year basis will be flat in the revenues and will be meeting our flat guidance, which we gave almost six months back, that we'll be having the flat revenue in this financial year. And definitely, yes, there have been some impact on the margins because of higher discounting in this quarter.

Amit Kumar

Sir, I'm sorry, this trade show was for winter wear or for summer wear going into the summer season?

Sandeep Jain

No, it was in September. It was in September that we had a trade show for summer wear products where we had a double-digit growth in volumes as far as bookings are concerned.

Amit Kumar

Okay. So, that is going to filter through into the March quarter you are saying?

Sandeep Jain

Yes, that dispatch have started in this month itself and this will be happening for February, March and April.

Amit Kumar

Understood, sir. Final point. See, last year, also because of a bad winter, we had some inventory, and then from MBOs and large format stores also, we had to sort of get that inventory back, which we were hoping to sort of exit in this winter season. We are almost sort of sitting at the end of winter season now. So, has that inventory correction sort of fully happened, and do we sort of start at least next year on a clean slate?

Sandeep Jain

Yes. I am pleased to announce that that inventory correction has taken place. Now, we are at the minimum inventory at the store level, so we will not have any impact of inventory in the future sales and future quarters.

Amit Kumar

Understood. That's it from my end, sir, and thank you so much for this.

Moderator

Thank you, sir. Dear participants, if you have any questions, please press * and 1 on your telephone keypad. The next question comes from Santosh Keshri from Keshri Finance. Please go ahead.

Santosh Keshri

Thank you for taking the question. I just have two questions. One is, the cash balance that we have in the books as of 31st December 2023. That's my first question. If you can just share the net cash balance that you have, net of debt?

Sandeep Jain

INR 250 crore.

Santosh Keshri

INR 250 crore. Okay. Secondly, sir, I can see that the inventory has been going up YoY and trade receivables also has been going up YoY. So, is it that we can expect the same averages, same DSO, and inventory days of sales every year at the current rate or there is a chance that it's going to come down?

Sandeep Jain

If you look at the last year's inventory level and this year inventory level, it is almost same and the debtor level is almost same. So, there have not been any increase. But we think that going ahead in this quarter as far as number of days of inventories are concerned and as far as number of days of debtors are concerned, both will come down.

Santosh Keshri

Okay. And reason is the late winter that the earlier participant talking about **[Inaudible 00:28:42]**.

Sandeep Jain

Yes. The reason was because of higher stocks, because of delayed winters. And I think those things have been taken care of particularly in this quarter as a lot of sales has happened at the retail level also at our SIS, at our channel partners, like at our LFS stores also, EBOs also. So that inventory has now come down.

Santosh Keshri

So, sir, with that, can we expect the borrowing also to go down in the current quarter with the inventory cash being freed up from inventory and trade receivables?

Sandeep Jain

Yes. The borrowing would be less as compared to last financial year. But there can be increase because of the growth is coming up in the next financial year. So that will add up some inventory because we have to plan more for more sales.

Santosh Keshri

Okay, and sir one last question. Is there any plan for buyback or rewarding the shareholders more? We can see that the profit is holding up quite well.

Sandeep Jain

Yes, these things are under discussion at the management level and we'll let the shareholders and the stock exchanges know in the appropriate time.

Santosh Keshri

Okay. Thank you so much, sir. Wish you all good luck.

Sandeep Jain

Thank you.

Moderator

Thank you, sir. the next question comes from Aditya Jawar from JNJ Capital. Please go ahead.

Aditya Jawar

Thanks again. So, sir, my question is, so last couple of years we are opening 50-50. And maybe next year how much time it takes to get the maturity level in the EBO? That is my first question. And in FY25, I think it will take time. FY26, should we see a good growth then?

Sandeep Jain

Your first question please.

Aditya Jawar

How much time it takes to scale the EBOs, whatever we are setting up in the last, suppose 100 or 200?

Sandeep Jain

If I actually understood your question. You want that in how many years the EBO gets stabilized?

Aditya Jawar

Yes, yes, whatever the EBOs we are opening. But that might be contributing less. Right? So, I'm asking about the maturity when this will start going in the numbers.

Sandeep Jain

No, no, the day the EBOs open, the sale starts and it starts contributing to the revenues from day one.

Aditya Jawar

Yes, sir, it starts. But we have some visibility of revenue. Right? This EBOs would get you this much number. So, I'm asking that from the day one or the first year of operation, it reached to a **[Inaudible 00:31:08]**.

Sandeep Jain

No, no, day one, and we target normally 13,000 to 14,000 per square feet per annum revenues from EBOs, whatever we open. So that is a benchmark actually we have considered. So, if I open 1000 square foot EBO, just for example, so we do a sale around INR 1.2 crore in a year's time. For a 1000 square feet store.

Aditya Jawar

Okay. So basically, whatever stores we are opening, that should we see up in the next year, maybe whatever the growth, it should actually show up because cumulatively we have added.

Dinesh Gogna

Yes, the absolute return growth can be seen in the next year.

Sandeep Jain

Yes. And also, because I already indicated that we had actually 5-6% decline of like-to-like growth. That is why actually it is not adding up to the revenues. But I think that will be taken care of in this quarter. So, we would see growth coming up in the next year itself.

Moderator

Sir, he has withdrawn his question, sir. The next follow up questions comes from Viraj Parekh from Carnelian. Please go ahead.

Viraj Parekh

My question has been answered. Thank you so much.

Moderator

Dear participants, if you have any questions, please press * and 1 on your telephone keypad. So, the next question comes from Ranjana Chhabria from ITI Capital. Please go ahead.

Ranjana Chhabria

Hi, sir. I just had one quick question. Is there any plans for any inorganic opportunities or expansion plans that we can acquire brand?

Sandeep Jain

Not as of now.

Ranjana Chhabria

All right. Thank you so much, sir. That's all from my end.

Moderator

The next follow up question comes from Viraj Parekh from Carnelian. Please go ahead.

Viraj Parekh

Thanks for the follow up. So just one question. I mean, this year we were seeing the inventory getting rationalized in the channel, so we had cut down on our production, I assume. So, for the next year can we see some kind of operating leverage coming in as production ramp up, like we are at 17%, 18% kind of margin this year? Do we see that going back to 2024, different kind of margins in the coming year as we come back to the normal level of production, as we generally do?

Sandeep Jain

Yes, the margins, margins can improve going forward because of two things. One is to increase in the sales. So definitely some overheads will come down, and secondly, raw materials are stable. So, we think that going ahead there can be some improvement in the margins.

Rishabh Oswal

Also Viraj, the old inventories, does not have any impact on our production capabilities. Since we only produce a small fraction of whatever we sell in-house. So whatever reduction is done in the production is done in the outsourcing orders, not in the in-house production facilities.

Viraj Parekh

Understood. Just to confirm, mainly the woolen wear is manufactured in-house and the cotton wear and home textile, and the kids segment is mainly outsourced, right?

Rishabh Oswal

Yes, woolen is 100% in-house. But if you see the woolens volumes have not reduced from the last year. In fact, it has shown a small growth, 10% growth. So, the woolen production is running at a good capacity, and we don't see any reduction in margins due to less products being produced in our factory.

Viraj Parekh

Understood. Thank you so much, sir.

Rishabh Oswal

Thank you.

Moderator

Thank you, sir. Now, I hand over the call to the management for the closing remarks.

Sandeep Jain

Once again, thank you very much for all the participants. Still, if you have any queries which is left unanswered. Please you can write to our Valorem Advisors. So, they can write back to us. Thank you very much.

Moderator

Thank you, members of the management. Ladies and gentlemen, on behalf of Ventura Securities that concludes this conference. Thank you for joining us, and you may disconnect your lines now.

Note: 1. This document has been edited to improve readability 2. Blanks in this transcript represent inaudible or incomprehensible words.