



“Monte Carlo Fashions Limited Q2 FY 2016
Earnings Conference Call”

November 10, 2015



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Moderator: Ladies and gentlemen good day and welcome to Monte Carlo Fashion Limited Q2 FY 2016 Earnings Conference Call, hosted by SBICAP 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 the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jimesh Sanghvi from SBICAP Securities Thank you and over to you Sir!

Jimesh Sanghvi: Good morning everyone and thank you for joining us for the Monte Carlo Fashions Second Quarter Fiscal 2015 results call. For our call this morning, we have with us Mr. Sandeep Jain – the Executive Director and Mr. Dinesh Gogna from Monte Carlo. Now without taking much of your time I would like to handover the conference to Mr. Sandeep Jain.

Sandeep Jain: Good morning everyone and welcome to the conference call of Monte Carlo Limited for the Second quarter and first half of financial year 2015-2016. It is a great pleasure to greet to you all once again on behalf of our Board of Director and Senior Management. We begin by thanking all of you for having spared time in joining us today to discuss our second quarter earnings for the financial year 2015.

First of all, I would like to extend my warm greetings to everyone present on the auspicious season of Diwali. Before I dwell upon our performance, I would like to brief you a little. Our brand Monte Carlo was launched in 1984 as an exclusive woolen brand by an Oswal Woolen Mills Limited. Our flagship brand Monte Carlo has emerged bigger each year and it is today a clear market leader and making us enjoy head start in this space. Over the years we have successfully diversified and created a comprehensive range of woolen, cotton, cotton blended, knitted and woven apparels and home furnishings through some of our ranges under umbrella brand Monte Carlo such as Platine, Denim, Alpha, and Tweens. We believe we have successfully positioned ourselves as a lifestyle brand with a well-diversified product offering.

Let us now discuss our key strengths. One of our key strength is wide and growing distribution network in the diversified presence across India. We have presence through 1600 plus MBOs, 218 EBOs and 145 national chain store outlets. Majority of our net revenues emanates from MBOs and franchise EBOs where we primarily sell on a pre-ordered basis. By virtue of this business model, there is no a major inventory risk and we remain adequately protected from normal hazards of the branded apparel business.

What also gives us deep satisfaction is our in-house dedicated design team comprising over 30 professionals, who rigorously follow and forecast emerging global fashion trends. We have a separate design team each for winter and non-winter wears. Our design team is further supported with dedicated facilities for product development, design studio and sampling infrastructure.

Now talking about our financial performance during the quarter, our Q2 financial 2016 revenues of operation increased by 8.7% to 136 Crore and revenues have increased mainly due to overall growth across both segments that is both cotton and woolen. We believe that overall growth outlook is stable and positive due to good visibility on the order book. Our Q2 financial 2016



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EBITDA without other income increased by 45.1% Y-o-Y to 266 million EBITDA margin increase by 489 basis points Y-o-Y to 19.5% from 14.6% in Q2 financial 2015 driven by robust growth in volume and better product mix.

Also, there was rationalization of marketing and advertising expense as a large share of advertising expense were incurred in Q1 financial 2016. Marketing and advertising spends increased by 27.9% from 2.5 Crores as compared to 3.48 Crores in Q2 financial year 2015. As we had mentioned in our last quarterly call also, that on a full year basis our marketing and advertising expense would rationalize and would be around 4% to 5% of overall revenues. Since we do not have any major capex planned for next two years, we expect positive operations leverage as a production gain scale during the course of the year.

Our Q2 financial 2016 PAT increased by 75% Y-o-Y to 13.6 Crores, PAT margin increased by 377 basis point Y-o-Y to 10% from 6.2% in Q2 financial 2015. Commenting on the balance sheet I would like to highlight that the inventory figure of September are more comparable to March as a company manufacturing woolen apparels for the upcoming winter season therefore inventory peaks in the month of September and our receivables peak in December quarter.

During the quarter we opened four new EBOs and also improved our MBO presence. We are well on track on our strategy to increase our presence across pan India and have been receiving good response from the customers.

Our strategic focus is to reduce dependence from north region and improve market presence and market share across pan India. We do have a robust plan for the future our initial target is to open 275 EBOs by the end of financial 2016 and 2017 mainly through the franchise route. We also plan to diversify our pan India presence by penetrating into the southern and western region of India. We are strongly focused on optimizing asset utilization, quality, efficiency and relationships.

We are fashionably placed to build on our existing scale. We have a strong balance sheet with lower leverage and strong cash balance. With no major capex over the next few years we hope to sustain a robust growth, which will further improve over our return ratios.

With this, we once again thank all of you for having spared your valuable time and joining us today. Now we can open the floor for question and answer session.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Rishab Nahar of Girik Capital.

Rishab Nahar: Thanks for taking my question. There are just two questions. One what is the number of EBOs and MBOs that we opened in this quarter?

Sandeep Jain: It was four, I mentioned.

Rishab Nahar: Four new EBOs this quarter and Sir you had spent a lot in advertisement last quarter and especially in South India you had mentioned that you had opened new stores so that is taking up. Can you give some highlight on that?



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- Sandeep Jain:** The initial response has been encouraging as far as the showrooms, which were opened in Hyderabad, in Coimbatore and in Bangalore and we have planned three more stores to open before March ending in south only, so total outlets will be increased to 12 from March 2016 for EBOs in south.
- Rishab Nahar:** Sir, this should be totally 12 we will be opening how many more new ones in the next half?
- Sandeep Jain:** Three more are in pipeline right now, which we will be opening in December, one in January then two in March.
- Rishab Nahar:** Sir how much does the south contribute to the total revenue?
- Sandeep Jain:** It is less than 5% right now.
- Rishab Nahar:** What is the current same store growth?
- Sandeep Jain:** Same store sales growth for this financial year if I talk about the first half of the financial year it is around 10%.
- Rishab Nahar:** Okay and you think it should be that way as we move forward, because next quarter, December quarter is supposed to be adequate?
- Sandeep Jain:** It should be very good for Monte Carlo.
- Rishab Nahar:** Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Arun Malhotra from Santalun Capital.
- Arun Malhotra:** Just wanted to understand the economics of our store, what is the rental as a percentage of the sales and how long does it take to breakeven?
- Sandeep Jain:** Normally what happens whenever we choose any franchise the rental portion should be around 10% to see the workability of the store, as we give around 36-37% of the margins and we expect that the return on investment should be around 15% per annum basis. So that is the thing we do that but what happens is that most of the franchise actually we look at normally, own the properties. So even though we consider the rent portion but actually the rent is more incurred by them. Basically they are more in operations from such a long time so they have experience also and they have earned more as compared to what we perceive when we open an outlet and we keep on monitoring that whatever expenses are incurred and whatever income is generated it is as per the estimates and if there is any problem then we can mutually discuss and settle.
- Arun Malhotra:** We have seen a dramatic increase in the margins this quarter would we see the similar trend going forward that is one and what is the sustainable margin for us?
- Sandeep Jain:** That is a good question. The margin increased because the advertising and margin expense which were incurred in first quarter actually the sales happened in second quarter and secondly we got better margin because of low cotton prices also in second quarter and as far as full year guidance



is concerned, we think we will be able to maintain the EBITDA, which we maintained last year and hence we still stand on the overall revenue guidance of double digit growth.

Arun Malhotra: Lastly, could you give us a sense of the competitive landscape who are our main competitors and do we compete on price or do we compete on our brand?

Sandeep Jain: Well, we try to compete on brand always but people might be comparing with the prices only but our perception about our brand is that we have a loyal customer base as far as woolen winter wear is concerned, we have a very loyal customer base and I do not think we have been compared on the prices front on winter wears in the sweater and jackets business but yes, in our cotton business we are do compared with our prices as we are still not that strong as other brands are there in the markets but we have our own USPs regarding we are little lesser in price in our shirt, trouser and T-shirt range so that gives us an edge so overall I think we have governed both by the prices and by the brand.

Arun Malhotra: Thank you.

Moderator: Thank you very much. We will take the next question from the line of Rukun Tarachandani from Kotak Asset Management.

Rukun Tarachandani: Sir, can you please share what is the volume growth in both the woolen and cotton for this quarter both quarter-on-quarter and year-over-year?

Sandeep Jain: It is equally contributed by the volume and by the value. A rise of around 8.7% will equally be contributed by volume and the price.

Rukun Tarachandani: Okay so roughly around 4% – 4.5% is volume.

Sandeep Jain: Similarly, by the price.

Rukun Tarachandani: What would you see on a quarter-on-quarter basis?

Sandeep Jain: No this is year-on-year.

Rukun Tarachandani: Yes, I get it. I am saying what would this is on a Q-o-Q basis?

Sandeep Jain: See, in our business we do not see quarter-on-quarter because we are a seasonal business. It varies every quarter. So right now to give you comparison a year-on-year basis what we did in September last financial year and what we did in this financial year.

Rukun Tarachandani: But can you share the woolen and cotton growth separately?

Sandeep Jain: In Q2, if we talk about financial 2016 the woolen segment contributes around 36.7% and the cotton segment contributes 48.2%, home furnishing segment contributes 12.6% and kids contribute 2.5%. This is the break-up of this quarter.

Rukun Tarachandani: But in terms of volume growth what was the growth in woolen garments year-over-year and in cotton garments year-over-year?



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Sandeep Jain: The volume growth in woolen it was 327,000 Crore pieces last financial year September and now it is 352,000 pieces and as far as quarters are concerned it was 372,000 pieces last year it is 408,000 pieces this year. As far as kids are concerned it is 20,000 pieces last year it is 22,000 pieces this year.

Rukun Tarachandani: Sir, if I look out your contribution from south and west it was something like 7.7% in FY 2013 which has grown to about 8.6%-8.5%-odd now so there the growth has not been really spectacular, I mean you have grown in east, but south and west seem to have not grown that way, so what is it that you are doing there and what is the strategy there?

Sandeep Jain: Basically, when we started south we were already sitting at a turnover I think around 450-460 Crores so now to match that growth which happened in north, I think even if we achieve 50 Crores it will contribute only 9% of my turnover right now. So basically what is happening is that as the base is quite large in northern and eastern market even if I grow 30%-40% in south the contribution will not be more than 10%-11% even in this financial year because the base is quite small but we are hopeful as we are getting good response from southern market that is why we are opening our own exclusive showrooms as well as we are adding multibrand outlet. So going forward I expect to grow around 30% to 35% in southern market even in this current economic scenario but the reason is that as we have very large base in northern and eastern market so total contribution of south revenues remain little less as compared to overall revenues.

Rukun Tarachandani: Sir in non-woolen and cotton we had been growing at almost 20% till last year. Do we see that growth continuing at about 20% or 25% or is it coming off?

Sandeep Jain: Still we are half the way marked in this financial year and still we have six months there in the margin but as we have guidance earlier also, cotton would be likely to grow 15% to 20% and the woolen to grow between 5% and 10% so overall we expect that in this financial year also to close the year by 10% to 15% of the guidance again it depends on how is market behaves in next six months, but this is as per the experience we have in last so many years.

Rukun Tarachandani: One final question, in terms of margins, I understand the quarter is a lower EBITDA margin segment for you so as you grow in south and west there again since you do not have as a stronger brand as it is in the north and east you will have to probably advertise or probably you can spend more on promotion and combing this with the bad debt the cotton is a lower EBITDA margin division and going forward do you see that margins come under pressure from what they have right now?

Sandeep Jain: First of all let me have one correction. In cotton, my PBT is more as compared to woolen so, I think there is information not available in the market but as far as our balance sheet speaks my cotton PBT is more as compared to woolen but yes, one question you have asked is very right that when we expand in southern region and when we do spend on advertising and marketing campaigns then definitely my margin will be lower in that particular area but as a contribution from that particular area is less than 5% so I do not think it will overall affect my margin profile as I am growing in other areas also but the overall as far as company is concerned I do not see

any major influence on the EBITDA margins for the overall company, yes in southern region if I compare with the north eastern region, the margin would be little less.

Rukun Tarachandani: Can you just elaborate on the point that you mentioned that cotton is the higher PBT margin segment than the woolen because the understanding is that you manufacture the woolen garments most of it is in-house the woolen would have been higher margin segment, can you just elaborate on this?

Sandeep Jain: It used to be higher five – six years back but over the years as cotton range is now being recognized by the market so we have been able to increase the price so as the price have been increased consistently over four –five years now at this point of time and last year financials if I see my PBT in cotton has become more as compared to wool.

Dinesh Gogna: Besides this, you must have seen that the enabling capex was done in last two three years and that is all pertaining to the woolen side installing the machine, and everything that has cost a very high depreciation plus interest also so because of that my PBT from the woolen side has come down but it is temporary phase, like once we are providing the depreciation ultimately within the period of two three years that itself will disappear and now my capex as Mr. Sandeep said in the beginning that my capex is only to the extent of a very minor profit, so I will not be having a burden of the higher depreciation in the coming years. So my woolen and as well as the cotton PBT level will almost be the same because my woolen side also will come to around say EBITDA margin of around 19% or 20% and from the cotton side it will be around 21% to 22%.

Rukun Tarachandani: Got it.

Moderator: Thank you very much. We will take the next question from the line of Sunil Jain from Aditya Birla Private Equity.

Sunil Jain: Congratulations on good set of numbers. Sandeep Ji, the volume numbers that you gave explains about 23% volume growth in cotton so could you explain where this growth is coming from, is it primarily from south, your south strategy is working out within that or what is it that that is sort of this number is backing up?

Sandeep Jain: Major growth is coming in the northern and eastern region only but south is contributing now which was not there in the last financial year and as far as overall revenues are concerned if you want I can give you the region wise breakup.

Sunil Jain: You can just tell me that in terms of what has been the overall year-on-year cotton growth and year-on-year woolen growth for the quarter?

Sandeep Jain: As on Q2 financial 2016, for the segment wise breakup in the north eastern regions, northern region contributes 48.2% as compared to 51.3% financial 2015, east contributes 29.1% as compared to 27.1% financial 2016, central contributes 13.5% as compared to 13.8% and the south has increased to 4.2% as compared to 3.1% and west is 4.4% as compared to 4%.

Sunil Jain: But in terms of last quarter what was it I mean Q2 FY 2015?



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- Sandeep Jain:** As far as the revenues are concerned if I talk about the woolen, it was 32.7 Crores in Q2 FY 2015 and which has gone to 36.2 Crore in Q2 FY 2016. And if I talk about cotton, it was 33.2 Crores from Q2 FY 2015 it has gone to 40.8 Crores in Q2 FY 2016.
- Sunil Jain:** So basically it is a good 20% plus increase.
- Sandeep Jain:** Yes.
- Sunil Jain:** This you are saying is I mean the mix is coming from north is getting the larger growth from here?
- Sandeep Jain:** Yes, we see as far as the initial guidance we have received from the market the sales has picked up, so we assume that the third quarter will be good for us.
- Sunil Jain:** That is very good. That is it from me.
- Moderator:** Thank you very much. We will take the next question from the line of Bhavesh Jain from Envision Capital.
- Bhavesh Jain:** Sir, could you tell us the performance in this national chain store and institutional channel for H1 FY2016?
- Sandeep Jain:** Yes, the national chain store this year we assume should grow around 70% to 80% as we started last year only but giving the sales figure till date is not possible because they are SOR, sales on return, so we receive everyday sales so even the sales which we have done to national chain stores 11 Crores we have not booked actually this year sales. It is 205 but actual sale is 217 Crores in this quarter but we have not considered those 12 Crores of sales because it is as per accounting standards it is the primary sales but we are hopeful that as we did some business in last year, the returns are going to be more than 10% to 15% so if I include those sales also, the sales for even this quarter becomes almost around 145 Crores so I think going forward we should have a contribution from national chain store in an overall revenue around 5%.
- Bhavesh Jain:** Sir, can you give us the segment wise revenue share from home furnishing and kids for last quarter that is Q2 FY 2015?
- Sandeep Jain:** I gave it earlier also.
- Bhavesh Jain:** No for Q2 FY 2015 I am saying?
- Sandeep Jain:** Revenue from woolen was 32.70 Crores in Q2 FY 2015 and revenue this year in woolen is 36.2 Crore in Q2 FY 2016. In cotton it was 33.2 Crores in Q2 FY 2015 it is 40.8 Crore in Q2 FY 2016. In home furnishing it was 17.9 Crores in Q2 FY 2015 it is 13.5 Crores in Q2 FY 2016 and in kids it was 2 Crores in Q2 FY 2015 and 2.2 Crore in Q2 FY 2016.
- Bhavesh Jain:** Thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Hemant Patel from Elder Capital.



Hemant Patel: I have two three questions, one on your inventory and notice that it is up by around over 50% on a year-on-year basis and I do get the fact that it is going to be peaking at this particular quarter so is this the reflection of the kind of order that we are expecting in Q3 and could you give us the sense of what would be the finished inventory versus raw material?

Sandeep Jain: Thanks that you asked this question because this question I was expecting this morning. As far as my inventory position of September 2015 versus September FY 2016 are concerned we are up by 45 Crore. It was 225 at that time which is now 218. The reason for that is that the production is planned well in advance for winter wear and the dispatches normally happen in October and November so that is why in the balance sheet it is reflecting a higher inventory position but as we approach towards December 31 this year, we would see that the winter inventories should be less than the last year's winter inventory as already we have received the order and by seeing the order books and the dispatch status we are 100% sure that our winter inventory hence FY 2016 December quarter would be less than the winter inventory year 2015.

Hemant Patel: Could you give us the sense Sir of what the inventory would have been as of September last year?

Sandeep Jain: It was 225.

Hemant Patel: I believe that your winter season orders would have actually gone through by April, May, and June. How does that look in terms of the woolen wear?

Sandeep Jain: We received order booking in April but the dispatches happen normally in September, October and November so we are on the last phase of dispatch of winter ware item and this year one good thing which happened this is year is that we would be finishing our total dispatch by November 20 which we have finished November 30 last year that is why the inventory is planned earlier to make early dispatches. Now this will have another benefit that the goods will have more time more than their shelves in this winter year as compared to last winter so that is a good sign for us as we have more presence as far as our winter wear categories on the shelf are concerned as compared to last financial year.

Hemant Patel: One more thing on this, could you give us the sense of how the pipeline inventory was prior to these to the sales, I mean as of last year was it lower than the longer-term average?

Sandeep Jain: I did not understand your question?

Hemant Patel: What I meant was typically if your winter season sales of as of last year did not do well you would have a higher pipeline inventory and therein lower primary sales so just wanted to understand as of last year did your MBOs sell out all their winter wear?

Sandeep Jain: That is a good question. Yes, now there are two things No.1 as far as our EBOs are concerned we have almost 6% to 7% of less stock as compared to last year, last year stock if I compared to previous year now the profit remains once we close the year right on our (inaudible) 32.47 but as far as MBOs are concerned they have 3% to 4% more stock as compared to last year. But MBOs do not only the retail Monte Carlo product they retail 15-20 brands. Now which brand has stuck

up and which brand has not stuck up I cannot talk about the marketing in terms of other brands but as far as Monte Carlo we did have a study that we are equal at the stock level as well as our MBOs pan India.

Hemant Patel: One final question Sir, could you give us some indication as to how you see the working capital pan out by the end of the year considering the fact that sale and the run down on the inventory post the winter season and how do you see the receivables at the end of the year March 2016?

Sandeep Jain: I think whatever receivables and payables we have in the last financial 2015 will be able to manage that level only.

Hemant Patel: Thanks a lot and all the best. And wish you a happy Diwali.

Moderator: Thank you very much. We will take the next question from the line of Arjun Vyas from SBI Capital Securities.

Arjun Vyas: Mr. Jain and Mr. Gogna congratulations for good set of numbers. Just wanted to understand what is the other expenses which reflects around 121 Crores and my other question obviously that you have very well articulated in terms of how does the Q3 look to you vis-à-vis Q3 of last year which will give a fair idea but if you can just give us, give me a sense on what exactly is the other expenses that is showing in terms of 31 Crores?

Sandeep Jain: The other expenses include power and fuel, rent, repair, machinery, legal expense, traveling and processing production. And if you compare with the last year, I think 4.29 was last year this year it is 5.56. If we compare the other expense it is 30.88 Crore this financial year and last financial year it was 27.32 Crore so there is a jump of around 2.7 Crore in other expenses.

Arjun Vyas: So this is anything particularly you like to attribute this to?

Sandeep Jain: I think power and fuel are the main because 9% we have hike in power and increments, it is power and fuel I will just give you brief for that also. Power and fuel and consumables have actually gone up.

Arjun Vyas: Congrats once again. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Hiren Dasani from Goldman Sachs.

Hiren Dasani: Wish you a very Happy Diwali to start with. Sir the questions on the woolen segment I understand September is not the right quarter to look at the segment because products but year-on-year basis also the woolen segment seems to be more or less flat in revenues so is there anything which we should be reading into it?

Sandeep Jain: We do not anticipate high growth in basically primarily in high-end woolen, it is more or less a single digit growth which is happening and I think it is the cotton range which is driving the growth which is growing handsomely 15% or 20% so I think this trend is going to continue in this financial year also. So a little early to talk about the next financial year but in this financial year I think this trend will be continue.

- Hiren Dasani:** Basically woolen we should think of a high single digit growth going forward I mean at least for this financial year right?
- Sandeep Jain:** Yes we are expecting a single digit growth but the numbers I cannot give it to you right now because we are still in the middle of the season so we need to see this November December and January then I will be able to tell you exactly that.
- Hiren Dasani:** Sir just one question on the EBO strategy. Apparently every quarter we are opening some four five but we also seem to be closing down four to six EBOs so why this closure also happening almost at the same pace of the new opening, are we getting the locations wrong or what is happening there?
- Sandeep Jain:** I think there are two reasons we are not closing the same number of EBOs what we are opening, yes in this financial year we have closed four to five EBOs but there are reasons for that, the reason is that if you can like I can give you a little detail like the showroom we closed in Mohali it was in an area which was (inaudible) 38.45 last year but this year the walk-ins have reduced so that is why we have to reduce we have to stop that showroom and secondly in Pinjore because highway has been made now people are not going on that road to travel to Shimla from Chandigarh so that is why that also we had to close and one in Ujjain has a similar problem so that is why, see sometime what happens is that when you anticipate a particular area about the walk-ins and all, we are not cracked always so the dynamics has changed so this is happening in case of three but if we talk about the total number of showroom we opened till date we have 221 showrooms which are live and running and we do not have any showroom to be getting closed in next six months but we do have plan of opening another 7 showrooms in this financial years I think so that will be launched very soon.
- Hiren Dasani:** Let us say when you close down a particular showroom do you have to take any write offs?
- Sandeep Jain:** We just call our inventory back so that is a kind of write back because those inventory definitely goes at a lesser price which we use to sell normally otherwise there is no write back on company as a whole.
- Hiren Dasani:** Incrementally also the EBOs are opened by franchise route only right?
- Sandeep Jain:** Yes, mostly it is franchise route, but yes there are some EBOs where I think as earlier also we opened on our company and showrooms also.
- Hiren Dasani:** If there is any capex on the interior and all that would be on his part so I mean?
- Sandeep Jain:** That would be on the franchise part, in company owned showroom it is on company's part.
- Hiren Dasani:** But do you have to compensate if let us say the store kind of closes down or something?
- Sandeep Jain:** No, we do not have any agreement clause like that. It is only that we need to take back all the goods whatever we have supplied.
- Hiren Dasani:** Thank you Sir and wish you all the best for the winter season.



- Moderator:** Thank you. We will take the next question from the line of Rukun Tarachandani from Kotak Asset Management.
- Rukun Tarachandani:** Sir, you mentioned the figure of 36.2 Crores this quarter and 32.7 Crores in Q2 FY 2015 for woolen. These are the volumes you are talking about right?
- Sandeep Jain:** Revenue.
- Rukun Tarachandani:** So is it possible to share the volume numbers as well?
- Sandeep Jain:** As far as woolen revenue is concerned that is 32.7 Crores it was Q2 FY 2015 and 36.2 in Q2 FY 2016 as far as volume is concerned it was 251,000 Q2 FY 2015 and 280,000 Q2 FY 2016.
- Rukun Tarachandani:** Okay can you give us the similar volume numbers 281,000 corresponding to that for the cotton?
- Sandeep Jain:** In cotton it was 33.2 Crores in Q2 financial year 2015 and this year it is 40.8 Crores and the volume which was 547,000 in Q2 FY 2016 it is 548,000 in Q2 FY 2015. But actually the more woolen will come in this quarter for our jackets because jackets has not been included in Q2 sales they will also go in Q3.
- Rukun Tarachandani:** Sir, if I look at the revenue numbers if I just add all that it comes to around 90.7 Crores for this quarter; however, the presentation shows it has something like 108 Crores so there is some disconnect there, so what is it?
- Sandeep Jain:** No Sir! We have home furnishing, which we have not included in the garment sale. Home furnishing sale is separate, e-commerce and kid's sale is separate. I can give you that figure also, the home furnishing sale is 13.5 Crores and the kids sale is 2.69 Crores and then we have e-commerce sale which is 1.3 Crores and then we have brand sale of 1.02 Crores.
- Rukun Tarachandani:** Sir if I look at your volume numbers in cotton it has been almost flat at this year-over-year from 547,000 pieces 548,000 pieces so bulk of the growth that has come in cotton and only from realization is it?
- Sandeep Jain:** Yes it has come from realization because the realization price increase from 6 Crores to 7 Crores but going forward in this third quarter and fourth quarter we would see the total volume going to jump as compared to last financial year in their quarter because the dispatches keeps on varying and shifting from one quarter to another quarter so this quarter the cotton range will be more.
- Rukun Tarachandani:** One final question, since you do not have a lot of capex requirement coming. So any thought on dividend policy or is there a thought on what would be your dividend policy?
- Sandeep Jain:** We have not made any dividend policy but as we have seen in this first year of listing we have given 100% maiden dividend so going forward we do not see any capex happening over the year so dividend will definitely be like same philosophy the policy is not yet formed by the company.
- Rukun Tarachandani:** Okay got it.
- Moderator:** Thank you. We will take the next question from the line of Bhavesh Jain from Envision Capital.



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- Bhavesh Jain:** Sir, can you tell us the channel wise mix for last year Q2 FY 2015?
- Sandeep Jain:** In this quarter the MBOs contributed around 60% and EBOs contributed around 34%.
- Bhavesh Jain:** Sir that is there in the presentation. I am asking for last year financial year Q2 FY 2015?
- Sandeep Jain:** We'll reply back on this. Can you send an email on this, because at this moment I do not have the full year figure? Last financial year figure I have that is March 2015.
- Bhavesh Jain:** So what has been the distribution addition in terms of MBOs and how has been the traction over the last one year?
- Sandeep Jain:** I think around 8% to 10% MBOs have been added.
- Bhavesh Jain:** Sir what is your sense on the kid's segment outlook going ahead over the next two to three years?
- Sandeep Jain:** We expect to grow 20% to 25% in kid's segment. This financial year also I mean we expect the same growth in the next financial year.
- Bhavesh Jain:** Thanks a lot Sir and all the best for future.
- Moderator:** Thank you. We have a question from the line of Rukun Tarachandani from Kotak Asset Management.
- Rukun Tarachandani:** Sir once again on the volume front, you have shared that volume for woolen and cotton. Can you do the same for kids and home furnishing as well?
- Sandeep Jain:** Sure.
- Moderator:** As there are no further questions, I now hand the conference over to Mr. Jimesh Sanghvi for closing comments.
- Jimesh Shangri:** I guess you are supposed to share the home furnishing and kid's volume?
- Sandeep Jain:** I have with me right now, for this the volume was 30000 pieces Q2 FY 2015, this year it has gone to 38,000 pieces in case of home textile I am just getting it because it might take three four minutes if you want I can send the email.
- Jimesh Sanghvi:** So I think on behalf of SBICAP Securities we would like to thank the management and all the participants for joining this conference call. Sir, would you like to have any other closing remarks?
- Sandeep Jain:** I thank all the participants who have shared their valuable time and joined this conference thank you very much and once again wish you all a very Happy Diwali.
- Moderator:** On behalf of SBICAP Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.