

**MONTE CARLO** 

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**MONTE CARLO FASHIONS LIMITED**

Regd. Office : B-XXIX-106, G.T. Road, Sherpur, Ludhiana - 141003 (Pb.) India.

Tel.: 91-161-5048610, 5048620, 5048630, 5048640 Fax : 91-161-5048650

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National Stock Exchange of India Limited Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai-400051.	BSE Limited. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
Symbol: MONTECARLO	Scrip Code: 538836

Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL - Q4 & FY22

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 May 31, 2022 to discuss Q4 FY22 results

We request you to kindly take this in your record.

Thanking You,

Yours Faithfully

For MONTE CARLO FASHIONS LIMITED



ANKUR GAUBA

COMPANY SECRETARY & COMPLIANCE OFFICER

ICSI Membership No: FCS 10577



“Monte Carlo Fashions Limited  
Q4 FY 22 Results Conference Call”

**May 31, 2022**



**MANAGEMENT:**      **MR. DINESH GOGNA - DIRECTOR, MONTE CARLO FASHIONS LIMITED**  
**MR. SANDEEP JAIN - EXECUTIVE DIRECTOR, MONTE CARLO FASHIONS LIMITED**  
**MR. RISHABH OSWAL - EXECUTIVE DIRECTOR, MONTE CARLO FASHIONS LIMITED**

**MODERATOR:**      **MS. JIGISHA KAPOOR - EMKAY GLOBAL FINANCIAL SERVICES**

**Moderator:** Good day, ladies, and gentlemen. Welcome to the Q4 and FY22 Results Conference Call of Monte Carlo Fashions, hosted by Emkay Global Financial Services. We have with us today, Mr. Dinesh Gogna, Director; Mr. Sandeep Jain, Executive Director; and Mr. Rishabh Oswal, Executive Director.

As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal and operator by pressing "\*" than "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jigisha Kapoor from Emkay Global Financial Services. Thank you. And over to you, ma'am.

**Jigisha Kapoor:** Good afternoon, everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to the management for their opening remarks. Over to you, gentlemen.

**Sandeep Jain:** Good afternoon, everyone. It's a great pleasure to greet you all on behalf of Board of Directors. Thank you for joining us for the earnings call of Monte Carlo Fashion Limited to discuss the financial and operating performance for quarter four in financial '22. I hope you and your family members are keeping safe and healthy.

I would like to highlight that certain statements made or discussed on this conference call today, maybe a forward looking and actual results may vary from those contemplated by forward looking statements. Result documents are available on company's website and have been uploaded on stock exchanges as well. A transcript of this call would also be made available on the investor section of the company's website.

Before talking about our financial and operational performance, I would like to talk about the macro environment. The quarter started off with a minor disruptions due to Omicron variant of COVID-19. But the impact of the same could not last long and situation has returned back to the normal.

Branded apparel industry in India is ready for strong growth with growing preferences of people towards branded apparels. Moreover, India is witnessing clear change in demographics in the form of large young populations, growing middle class, growth, and disposable income and the fact that more and more people are moving from rural to urban areas.

Now, let me share with you the financial and the operational highlights for the quarter and year ended March '22. In this challenging circumstances as well, we have delivered the best ever quarterly and the yearly performance while keeping our margins protected. And that is a testimony to our strong brand positioning period, product quality, operational excellence, and a robust business model. The company reported its best ever fourth quarterly and yearly revenue of INR 162.5 crore and INR 904 crore respectively, growing by a 45% year on year and over financial '21 and moreover, we were one of the only brands who have grown more than 25% over the pre COVID level.

We continue to witness encouraging trends from our online channels which stood at INR 62 crore now, as compared to INR 37 crore in financial '21 with a growth of 67% year on year. The gross margin registered a growth of 489 basis point for the quarter, and 149 basis point for the year. Operating EBITDA margin grew by 133 basis point for the year from 18.6% to 19.9% in financial '22. The PAT margin grew by 195 basis point from 10.7% to 12.6% during financial '22. The margins remain protected due to the post control measures and the calibrated price increase to factor inflation and a steep rise in cotton prices.

Our balance sheet continues to remain strong with cash and cash equivalent of INR 266 crore and the zero debt as far as 31st March '22 is concerned. The company continues to invest in brand building and brand promotion activities with strategic focus on customer communication, acquisitions, and retention. The advertising initiatives are targeted to reach every set of audience by the use of multiple channels like television, online, digital, regional, and national newspaper sponsored events, coding in cinemas, malls, airports, aeroplanes, roads, and highways etcetera. Apart from this we are consistently working towards introducing the latest designs, wide variety, and best quality products to our consumers.

In line with our digital focus to build robust process and to enhance our customer experience, the company is in the process of implementing SAP as for HANA solution which is an intelligent ERP providing real time and a predictive consumer trend insights. This will enhance our flexibility and agility to deliver end to end customer experience and at the same time to achieve significant bottom line cost savings. As on 31<sup>st</sup> March '22, our company has a presence through 315 EBOs, more than 2,100+ MBOs and distributors, 740 National Chain Stores, and 287 SIS along with a presence across major online platforms like Amazon, Flipkart, Mynta, Jabong, and Capsons, in addition to our website.

During financial '22, the company opened 35 new stores in different regions and at the same time closed few nonperforming stores also. I would like to highlight that majority of our revenue comes from the franchisee EBOs and MBOs where we primarily sell on pre order or outright bases by virtue of this business. There's a no major inventory risk and we remain adequately insulated from the normal hazards in the branded apparel business.

I would like to highlight that till date we have experienced almost zero bad debts in our business, which stands testimony to our strong business model based on a zero-credit risk policy for the company. We are confident of medium to long term growth perspective in Indian apparel sector and remain focused on delivering a consistent, competitive, profitable and responsible growth.

Lastly, I would like to inform you that Board of Directors of the company have recommended to pay a dividend of INR 20 per share which is 200% over the face value of INR 10 per share and endeavor to create value for our shareholders and stakeholders.

With this, we open the floor for question-and-answer session, if any of you have any queries over this learning call, you may also connect us at [investor@montecarloincorporate.com](mailto:investor@montecarloincorporate.com) or Dickenson World or Investor Relation Advisor. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is from the line of Dipen Shankar from Trust Line PMS. Please go ahead.

**Dipen Shankar:** Thanks a lot for the opportunity and congratulations for a great set of numbers. So, firstly, wanted to understand this gross margins of 53% so, this is mainly driven by low-cost cotton inventory we had during the quarter, or we could do price increase higher than our raw material increase?

**Sandeep Jain:** Thank you, Dipen. See the main reason for this is the price rise which we have taken when the raw material price had increased. So, I think in summer products we increased around 18% of our prices and in winter we increased around 8% to 10% of the price. So that offsets all the raw material increase, which has happened in the last one year.

**Dipen Shankar:** Okay.

**Sandeep Jain:** And secondly, there was operational efficiencies at various levels like there have been cutting costs, if you see that most of the expenses remain same or are below last year's level. Even if we talk about the increments after employee benefit expense, it has gone down to 8.98% as

compared to 9.63% and that's in our course has come down to 1.73% as compared to 2.17%. So, the costs have also come down as compared to last year and that added into operational efficiencies and that is why the gross margins are more as compared to last year.

**Dipen Shankar:** Okay. And so, what kind of price hikes we are looking for next year given the price increase in raw materials are still looking higher?

**Sandeep Jain:** See already we have taken increase in the summer prices, which I've already told we have increased almost 18% to 19% and summer products have already gone to the stores and even after the increase we are seeing the good response, as far as retail is concerned. And as far as winter products is concerned, we took a hike of around 8% to 10% in various categories depending upon the raw material increase.

**Dipen Shankar:** Okay. So how is the next winter season orderbook panning out? And overall outlook for growth for next year?

**Sandeep Jain:** See we have been very pleased to say that we have recently conducted trade show at Delhi, and where we have got very strong order booking because of the low level of inventory last year at the retail level and at our various other platforms. So, we think that seeing the order book and seeing the economy rebounding, and also the COVID is now almost nil as far as India is concerned, and I think we can easily have a growth of 20% to 25% next year. Based on the large growth which we achieved also become large. So, we're very pleased to announce that we anticipate growth to 20% to 25% in next financial year.

**Dipen Shankar:** Okay, sir. And margins, this 18% to 20% is sustainable for us?

**Sandeep Jain:** We hope to sustain our margins going forward as we have already taken increase in the prices.

**Dipen Shankar:** Okay, sir. Thanks a lot, and all the best.

**Moderator:** Thank you. The next question is from the of Dhaval Shah from Svan Investments. Please go ahead.

**Dhaval Shah:** Yes, hello, sir. Great set of numbers. I think this is one of the best March quarters for our company, in such high inflation in environment. Sir, couple of questions. Post this price increase compared to pre COVID, what will be our average selling price in the cotton and in the woolen segment? So how much there would be an absolute amount of increase or percentage increase in our ASP? Second question, we have hearing that you know that since cotton is at around 1,05,000 lot of garment companies have shifted to a mix from being only pure cotton to more of other synthetic material. So, what is our thought process? How would that impact our positioning in the market etcetera? And third, would be now at this revenue base, any sort of more operating leverage do we see going forward given you are guiding a healthy double digit growth rate? Yes, these are my three questions.

**Sandeep Jain:** First, I'll come to the first question, which is you said how much we have increased as compared to pre COVID level. See, sir, there have been two increases in the prices, if we talk about the summers, we took almost a 5% increase in year '21 and 18% to 19% we have taken increase in year '22. So, almost 25% we are above the price of pre COVID 2019 levels. And in case of winter garments, again it is around 14% to 15%. So, as far as operational efficiencies are concerned, I think this is a continuous process definitely company keeps on looking at various expenditures which are incurred in course of business, and we always try to minimize it depending upon the market scenarios.

**Dhaval Shah:** Okay. And sir, what would be our average selling price on the cotton side and on the woolen side?

- Sandeep Jain:** I can give you the category wise details because we don't have a complete detail of each and clubbing all together like in T shirts average selling price is INR 800, denim and trouser it is around INR 1,332, in shirts it is INR 846, in jacket it is INR 2,222, in track suit it is INR 1,700, in cloak and decker we have around INR 500.
- Dhaval Shah:** Okay. So, this will be to the consumer, right?
- Sandeep Jain:** This is a gross sale average price to retailers.
- Dhaval Shah:** To the retailer's, okay.
- Sandeep Jain:** Retailers add their margins and then they sell the products. I don't have a complete data of retailers because we sell to MBOs, EBOs and various channels.
- Dhaval Shah:** So, basically, minimum 25% we have to add on this.
- Sandeep Jain:** No, the markup is approximately 55% to 60% in case of even garments which are priced above 1,000, there's a 71% markup.
- Dhaval Shah:** On 1,000, All right. Okay. So, after these 25%, 26% increase over two-year period you are seeing a very good response for your products in the market.
- Sandeep Jain:** We have not seen any lack of demand because of increase in prices because recently we conducted trade show where the prices were increased, we actually got a strong booking. So, this shows that the price has been accepted and price only gets accepted when the brand has a pricing power. So, I think we are an established brand which has a pricing power, and we can absorb the raw material hike as far as the quarter is concerned which already been absorbed by the market.
- Dhaval Shah:** Got it. And sir, one more question. Now you mentioned the inventory risk is given your model is more franchisees driven. The inventory risk is not on the company. But isn't the brand risk also get diluted because the inventory is now with the franchisee and now if they want to liquidate the inventory so, they can do it their own will or do you have a company wise policy for the franchisee where they cannot sell at a below certain price and just to maintain the brand you know, the pricing point of the brand?
- Sandeep Jain:** See as far EBOs SISs and large com stores and online channels are concerned, the pricing policy is decided by the company, and what discount to be given in which period, it's also decided by the company. And in case of EBOs it is centrally controlled, like if I want to give 20% discount starting from next week, so, it is 20% discount across the channels. In case of LFS, we discuss with the LFS partner and whenever there is any discount policy change, they intimidate us, and we keep the same discount level in our SIS and other channels also. So, everything is decided by the company and communicated to respective channels.
- Dhaval Shah:** And sorry the franchise is a part of which?
- Sandeep Jain:** Franchisee is part of EBOs, exclusive business outlets.
- Dhaval Shah:** Exclusive brand outlets, yes. So, the company decides the pricing, even for all the discounting side, if once they want to liquidate the inventory or if they want to shift the inventory. So, would you have live access to the inventory, the EBOs and across distribution channel, what each one of them is holding? Would you have a real time access to that?

- Sandeep Jain:** Yes, we have a POS point of sale system, which is integrated with our SAP system. So, we get real time information from this POS in EBOs.
- Dhaval Shah:** Okay. So, this could help you to shift the unsold product from one region to the other depending on the demand and the pricing and extra.
- Sandeep Jain:** We're already doing this.
- Dhaval Shah:** Yes. Okay. Great, sir. And you remain confident of maintaining this operating margins?
- Sandeep Jain:** Yes, of course.
- Moderator:** Thank you. The next question is from the line of Zaki Nasser, an Individual Investor. Please go ahead.
- Zaki Nasser:** Congrats, Sandeep and team Monte Carlo for the phenomenal performance during a tough period, and I'm actually very happy, for the confidence you have in your voice that you will grow 20% - 25% in the current year. Sir, if I may ask, this 20% - 25%, what percentage would you expect it to come from cotton and woolen. And do you find any wool in the last stage of demand because cotton prices have gone up the way they have, sir. So that is question number one.
- Question number two, is the stage of our PLI scheme of our rug and blanketing materials, how is that panning out? Thank you.
- Sandeep Jain:** See, the growth which we're talking about 20% to 25% is definitely across the categories. And we expect a little more growth in our cotton categories and in textile business, but it will be double digit growth for our woolen garments and other garments also. So, at this moment, I cannot quantify a specific number of each and every category in terms of growth. But we're sure that all the categories will be growing around 20% to 25%, as far as this financial year is concerned.
- And as far as the second question about the PLI. So, the discussions are still going on at the management level that what to do and when to start it, because there are certain questions which remains to be unanswered. So, unless and until we have the clear information from all the channels, as far as our profitability of this project is concerned, we are still holding it. And once we have the complete information we'll share with the investors, and all our shareholders.
- Zaki Nasser:** Fantastic. So, that may take another two to three quarters for your manufacturing on the PLI to get frozen, is that correct, sir?
- Sandeep Jain:** I can't comment, it will take two quarter, but I think by the next quarter, we'll be able to share complete information about this project.
- Zaki Nasser:** And sir, last financial year, as you had promised a couple of years back you have kind of ironed out the quarter discrepancy. So, going forward, you expect this to sustain?
- Sandeep Jain:** See, we actually in the last conference call we have already told all our shareholders that now we have started taking the provision for the discounts, which happens in the fourth quarter. So, that provision was already taken in the third quarter, that is where the proximity was relatively less in third quarter. So, the company has taken a policy where they are taking the adequate protection as far as discount provisions are concerned. And they calculate and divide it in the quarters, so that the profitability can be maintained in all the quarters as per accounting standards.

- Zaki Nasser:** Okay. But also, as your cotton business grows, the discrepancy will get ironed out automatically also, to a certain extent?
- Sandeep Jain:** Yes, you're right. That is where the profit will come in the fourth quarter because the cotton sales have been at least 50% more as compared to last quarter in financial '21 that added into the profitability.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.
- Keshav Garg:** Sir, first of all, many congratulations on behalf of all the shareholders for tremendous performance and for showing profits in March quarter as well. So, can we now expect the June quarter also which is our worst quarter seasonally for the company to break even on operating level?
- Sandeep Jain:** See, I cannot comment on quarter-on-quarter performance because there are variations in the dispatches which happens from our level. So, in some quarters, we have more sales and some quarter we have sale depending on the season. But what I can comment is that definitely we will grow 20% to 25% on annual basis. So please see our company on an annual basis, don't see our company as a quarterly basis. We have said repeatedly many times, in our other conference call also. So as far as annual guidance is concerned, we stand committed to that.
- Keshav Garg:** Sure, sir. And sir, also over the past few years, the proportion of home textile and kids wear has been growing in our total revenue as a percentage. So, is the profitability of these two segments higher than the cotton and woolen segment or is it more or less the same?
- Sandeep Jain:** No, it is not higher than the cotton or woolen segment, but it is one segment where the profitability increases every year. So, I think in next two to three years, this profitability will match the parent companies woolen cotton products profitability also, because these segments have been growing very fast. If you see textiles, it has grown almost 50% as compared to last year. And if I talk about kids, it has grown almost 60% as compared to last year. And we don't say that the growth will come 50% to 60% next financial year, but it will be growing higher than the average of the company's growth as far as next year is concerned. But definitely the profitability is improving as the volume is increasing.
- Keshav Garg:** Sir, and when we are dealing with the modern retail organized retailers, so are we dealing with them on the same terms that we are dealing with other, standalone store that we have?
- Rishabh Oswal:** So, hi, Rishabh this side, so as far as these modern retailers are concerned, obviously the margins are different and are negotiated depending on retailer to retailer, but we maintain a form parity in our discounting policies. So whatever discount is being offered in our EBOs or online that will be offered in our modern retail as well.
- Keshav Garg:** Sir, but basically, our margin and our realizations would be lower while selling through modern retailers, is that a correct statement?
- Rishabh Oswal:** Yes, it's slightly lower when we sell through modern retails.
- Keshav Garg:** So, like going forward as the share of modern retail and online retail grows as a percentage of our sales, do you foresee a structural challenge to our margin?
- Rishabh Oswal:** So, when it comes to modern retail, over there also we have different sets of customers. So, some customers are more profitable, some customers are less profitable. So, we try to maintain a balance so that the profitability of the company is not affected and the profitability in our online channel is not lower than the other channels, it is at par with our EBOs and MBOs, it is just the large format stores where our profitability is a bit less. In online we maintain the profitability.

- Keshav Garg:** Okay, sir. Thank you very much and best of luck. And sir, just one request sir, that instead of dividends, if we can do regular share buybacks so then it will be better for everyone because our earnings per share will increase permanently for all times to come, and our stock is still very undervalued. So, you can carefully consider that suggestion. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vivek Ganguly from Nine Rivers Capital Private Limited. Please go ahead.
- Vivek Ganguly:** Thank you for the opportunity. I had one question on the proposed rugs business investment. While you know you're not finalized it earlier and spoken about it, can you'll indicate or repeat what is the kind of investment that you're looking on and as an when it were, to come through and if you'll are to go ahead with that, what would be the timeline for the same? Thank you.
- Sandeep Jain:** See again, I said earlier also, this is still under discussion at the management level. So, there are certain questions which are unanswered as of now. So, I might not be able to give you complete clarity about this project, but the projected investment was INR 350 crore, but there are certain questions of profitability, because we have seen the recent crash in the cotton yarn prices. And also, we have seen the export has come down in case of rugs to Europe and to US. So, the company is considering each and every possibility of how this project will remain at the profitability which will be decided, when the project report will be conceived. So, I'm not able to give any clarity at this point of time, but I think in next two to three months, we'll have the complete clarity, and we'll share with our shareholders and investors.
- Moderator:** Thank you. The next question is from the line of Vikas from Carnelian Asset Management. Please go ahead.
- Vikas:** I think sort of formal over last couple of years. Few questions on the growth, I think our sort of outlet expansion we've been adding about this purchase every year. Right? Of course, last two years have been difficult, but can you give some color about how are you looking at some of the non-relational geography you've opened outlets and then it's been received very well. So, what is our plan for next couple of years, in terms of how many outlets we will add to the geographical expansion, we will have specially in sort of core business?
- Sandeep Jain:** See as far as outlet expansion is concerned, we have internal plans about opening almost two to three EBOs every month. So, it means we are approximately talking about 25 to 30 EBOs in a year. And out of that 80% will come in the Northern market, Northern and Eastern market and we plan that around 10% should come in southern and western market and 10% in Central and Eastern Market. So, that is a plan which we have made last year and we are going to continue this plan. And this is actually helping us to increase our range in basically in Southern and Western region.
- If you would see in this, I think the presentation which we have sent to our investors are South and West market, because of our expansion SIS and EBOs have grown from if I say West has grown from INR 22 crore to INR 33 crore which is almost a jump of around 60%. And in case of South, it has grown almost from INR 12 crore INR 21 crore. So, I think this strategy is helping us and will keep on adding some of the source in South and West and rest expansion of EBOs in Northern and Eastern region will continue.
- Vikas:** If you look even in the bad time like COVID and all, we've had this kind of expansion. So why not to specially when we have a good success, we've been well up our hand is well recognized and competition is weak, then why not to have more aggression in terms of store expansion because we did better in bad times, 20, 25 outlets you are doing in bad times also?
- Sandeep Jain:** See, our intention is to grow our sale and complement all the channels. So, it's not the EBOs which we are adding, we're adding SIS also. So, SIS is shopping show business, so there are areas where we think that EBO might not be profitable, so we open our SIS. We have

established channels, and definitely give these sales which is almost half of the EBO. So, our intention is to take all the channels together so that the profitability of the company is not hurt at the same time the market is also not disturbed.

**Vikas:** Right. Secondly, I mean generally, of course, you know, because of a lot of focus on winter wear, we always have some amount of volatility or lumpiness in revenue but diversify away with the summer collections and all. So, can you share something around in this year as they sort of look at '23? How do you see that strategy playing out in Q1, Q2? What will be the proportion of summer wear and all those things?

**Sandeep Jain:** See, I think it's clearly evident from the fourth quarter results where the revenues have increased almost 50% as compared to last summer quarter. So that shows that the Summer Sale is actually picking up very fast and it is adding in the revenue that as far as total revenues are concerned even if we see that normally it used to be around 70% of the sales used to come from the third quarter which has come down to almost 50%. And going forward again, as you see share of first quarter, second quarter and third quarter is actually improving. So, the share of winter products are actually coming down and the share of cotton products and the share of Q1 and Q2 and Q4 actually is increasing and it will keep on increasing in the next financial year as well.

**Vikas:** Right. So, let me ask a slightly broader question then. So, let's say that this is a year on year, and you know, broadly, you walked me through the strategy of diversifying into multiple geographies diversifying into multiple seasons. If you were to look at, let's say the next three to five years, how do you see Monte Carlo evolving? What would it look like in next, let's say five years' time?

**Sandeep Jain:** See, our target is to become a number one apparel brand in India. And definitely, I think in last two, three years, we have made a lot of efforts. We have worked a lot on our SIS channel, we have worked a lot on our online and MBO and LFS channel definitely work is going on EBO channels also. We are paying attention to our Western and Southern market; we are paying attention to our textile furnishing business. So, I think last two, three years, we have been establishing and strengthening our existing channels and existing business.

Now the time has come where we actually have started performing, if you see this year's results, after COVID we are the only company if you compare the COVID sales of 2019. See, we grew almost 25% as compared to financial '19 COVID sales, no other brand and actually closed even 10% also, I have the data available with me which I can share if anybody wants. See what happened is when the COVID came, most of the brand degrew by 40% to 50%. And we degrew only by 15%. So, this growth looks a little less, but if you compare the financial '19 numbers, this growth becomes more clear, it's around 25% as compared to financial '19. So that is happening because the brand has acceptability, and the brand has the strength which actually is transforming into the business.

So, we are very confident that going forward not only geographically, but even the category wise growth, which is definitely evident as just a few moments back I talked about kids' business, which is growing very fast, our home furnishing and textile business which is contributing almost higher growth than company's average growth. So, all these factors will definitely make this company a number one apparel company in coming five, six years, and we are putting every effort on all the areas wherever we see any weakness like you already people have mentioned about the South and West, where we are little weak, we are making a lot of efforts.

And if you see the online sales, which has grown 67%, it has reached to INR 62 core from INR 37 crore. So that was one area where we were not doing, much. And Rishabh has already answered in the last question that the margins in online sales actually better than the offline sales. Why? Because the company has a policy of making the same discounts in all the

channels. So, I think all these efforts will definitely put ourselves in our leading position in coming years.

**Vikas:** Right. No, absolutely, I totally agree with you that I think in the difficult period, our brand saliency, and the way we conducted our business is far better than many of the competitions. So, there's no question in that and compliments to you. And I see a lot more promise. Last two questions. And I see a lot of promise in the brand. And I think probably you are being a little bit more conservative in expansion, so I would always believe that you should little bit more to expansion, a little bit more aggressive geographical growth. But I mean that I will leave it to you.

Two questions. One is that, given our old brands, our advertisement expense has remained only around 3%. Do you think given your decent margin, and we're also looking, will you step up on the business in advertisement side?

**Sandeep Jain:** You want to know that whether we are increasing the advertising, no, percentage wise, it will remain same. By percentage wise it will not go up, absolute terms it will go up.

**Vikas:** Okay, because we will grow at 20%, 25%%. So, to that extent the advertisement will grow that much?

**Sandeep Jain:** Yes.

**Vikas:** Okay. And lastly, I think this question keeps coming repeatedly on the rug business, which you will know. So, if we are not clear, then why did we go ahead and announce that we are going to get into this? I mean, it looks like that once we were kind of very clear that they are going to do it, but why did we then announce, I'm not so clear about it?

**Sandeep Jain:** Yes, I think I said earlier also that will announce in the next one to two months. I will definitely inform all our shareholders and investors and we'll come up with a detailed presentation.

**Vikas:** No. What I'm asking is that Sandeep, is there uncertainty whether we will do it or not, that's the sense I'm getting from what your commentary or in a way something happening?

**Sandeep Jain:** Already, we have got the project report, but there were certain areas where we are not confident of, these actually happened in reality, or it is just the presentation which has come to us. So, that has created a confusion. So, because of that, we are taking a little more time, because once we take a decision, we cannot go back. So, we have ample amount of time before we take a decision. So that is why I think in a month's time, we'll be having a clear position on our stand on our PLI team and the project and definitely it will be in the interest of shareholder and all the investors.

**Vikas:** I understand. That I think you guys are conservative, you will do whatever is right. So, I don't doubt on that. I'm just asking is there a small probability that you might not do the project at all?

**Sandeep Jain:** Yes, there might be probability.

**Vikas:** Okay. So, you're reconsidering the whole project?

**Sandeep Jain:** Yes.

**Vikas:** Okay. Got it. Understood. So, I think that's fine. And lastly, on the home textile, which is I think, again, probably according to me very, no source spoken business of yours. And this is,

again, a very promising business, and there's no permanent store home textile brand. So, can you give us some idea about, let's say, three, five years, how large that business can become for us especially with the quilt and towels and all the things which you talked about multiple times?

**Sandeep Jain:** See, in our own assessment, which we have made internally so, we are targeting a sale of around INR 500 crore in next five to six years in home furnishing business, which is currently INR 130 crore.

**Vikas:** Okay. Around four, five years in that. Superb. I think that's a very, in my opinion, apart from, I mean, whatever people know about whether that's a very sort of less understood business or less appreciated, because there's no brand in the country, so you should probably over invest in that, according to me, and which is doing good, by overall growth. That's superb. Great, Sandeep. Thanks a lot, all the best.

**Moderator:** Thank you. The next question is from the line of Danesh Mistry from Investor First Advisors. Please go ahead.

**Danesh Mistry:** Hi, Sandeep, and congratulations on the growth and your strategy panning out. I had two questions regarding two segments of yours. So, one, I remember a few calls ago, you had mentioned about the T shirt segment. And you had said that was something that you were focusing on, and if I'm not mistaken, you had kind of mentioned number of INR 110 crore of revenue. So, are we looking at that as well to kind of grow? I know it's to be part of cloak and decker. And number two is, especially in the kids' segment, which is there, what have we been doing that has given us this kind of growth that we are seeing?

**Sandeep Jain:** See, you have answered my first question and second question also. See, one is that definitely we have less competition kids as well. If you recall it that in kids category also there are not many brands which are available, it was same in T shirts when I talked about INR 100 crore of sales, so it's a less branded competition is helping us in our kids segment to grow and same is happening in a textile business also, the branded competition is less and even T shirts also most of the brands have not put much focus earlier on the T shirt segment. So, these less focus by other brands and less branded competition and we have a better product, better design in our category. So that is helping us.

**Danesh Mistry:** Are the discounts lesser in this category?

**Sandeep Jain:** See, basically when we go for a discount it is for all the products, it's not that we have lesser discount in the kids' category or we have lesser discount in the T shirt categories. It is normally across the categories.

**Danesh Mistry:** Got it. And are these T shirts and kids available across all our EBOs and the entire distribution network? Or are we still rolling that out and is limited to few stores only?

**Sandeep Jain:** See, T shirts are available across all the EBOs, across all the channels. But in case of kids wear, we are not actually having more than 1,000 step stores everywhere. So, wherever we have more than 1,000 step store, the kids are available and where we ever less than 1,000 step store, we don't have kid's zone on those stores.

**Danesh Mistry:** Got it? And what about shop in shop? That's something again, that will not be there for kids, because?

- Sandeep Jain:** Not in all shop in shop we have the kids bus yes, in some of shop in shop, we have kids shops with us.
- Danesh Mistry:** Got it. And in terms of our future pricing, let's say for example, if cotton prices remain where they are, you are saying that we passed on all the price increase already in the market. And it's been well absorbed, so that extent we are covered?
- Sandeep Jain:** Yes, I think the best thing about the brand is that if there's any increase in raw material prices, does the brand have the power to increase the prices? Yes. So, Monte Carlo has the power to increase the prices and that has been accepted by the market as well. So, in that front, we are adequately protected. Because we know that if there is a certain increase in raw material prices, we have the power to pass on increase. And that is why when the price of cotton was up price of all the commodities was up, we have been able to even improve our margin as compared to last financial year. Where most of the other I think competitive players, they have actually got their margin reduced because of increase in costs. So, I think we are doing well as far as increasing in price when there is an increase in raw material prices. And it's accepted by our customers as well.
- Moderator:** Thank you. The next question is from the line of Nitin Kumar, an Individual Investor. Please go ahead.
- Nitin Kumar:** Yes. Good afternoon, Sandeep and MonteCarlo team. I just wanted a confirmation that you have guided a 20% to 25% growth. I think that's in volume terms?
- Sandeep Jain:** No, that is a sales growth, I'm talking about, the revenue.
- Nitin Kumar:** Total growth in top line?
- Sandeep Jain:** Revenue top line growth, yes.
- Nitin Kumar:** Okay. So, that should be around 10% to 15% in volume and 10% to 15% is due to price increase?
- Sandeep Jain:** Approximately.
- Nitin Kumar:** Okay. And secondly, now, this your expansion project is now uncertain, and you have around INR 260 odd crore lying with you. So, what do you plan to do with that?
- Sandeep Jain:** There are some plans which are being discussed internally in the management meeting and give us one- or two-months' time, we'll come out with clear, I would say views on this upcoming project.
- Dinesh Gogna:** Excuse me, this Dinesh Gogna here. So, far this project is concerned in case you can recollect when government introduced the PLI scheme. At that time, we tried to identify a similar type of line where we can venture out and rugs was identified as one of the one of the product. So, we thought we will wholly owned subsidiary, but later, when we collected all the data from all centers, now, the position is changing. So, we are again revisiting those data's and we are trying to calculate whether, because it is just like a growth of the company, whether the growth will be profitable, as we have been doing in past, if it is not, then in that case also the company will identify some other project because the company has got surplus and company is committed to use that surplus for the purpose of growth. So, at the moment, the Board is considering the various aspects and Board is considering the rugs project also. They're collecting all the information thereafter we'll come to conclusion and as Mr. Sandeep Jain has informed you then within that period of one and a half months, we will be able to take a final decision. But it is

sure that if this project is sell, and we are not going ahead with this project then some other projects will be there.

- Moderator:** Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.
- Keshav Garg:** Sir, we appreciate your caution before proceeding with the large capex, we really appreciate that. And sir wanted to understand that whether we are planning to get into some other categories like socks and underwear, et cetera?
- Sandeep Jain:** Socks we are already doing it and is doing very well. But in case of underwear's and briefs we are pursuing it, as of now.
- Keshav Garg:** Okay, sir. And lastly wanted to understand, what do you think is the main differentiating factor in terms of this as the market is so cluttered so what sets up Monte-Carlo apart from the competition?
- Sandeep Jain:** I think we have our designing strength because we are one of the few brands who make almost 3,000 designs every year. And no other brand in India has that kind of variety of designs in each and every category. So, that is actually setting us apart as compared to other brands. And at the same time, we're very committed to our deliveries also, because what we have seen in last financial year, many brands have booked the winter articles, but they didn't go for a production. So, retailer depended on us because they knew that Monte Carlo is one company which delivers on time and whatever it books it remains committed to deliver on time as far as our products are concerned. So, that is one area which is actually making confident as far as retailers are concerned.
- Keshav Garg:** Sure, sir. And sir, also wanted to understand whether our in-house capacity is enough for the kind of growth that we are looking at or will we have to do some capex on the cotton wear side?
- Sandeep Jain:** See cotton, most of these products are outsourced. So, we are not dependent on the in-house capacity, in house capacity is only for the thermals and some of the T shirts. And rest everything is outsourced, and we are happy to outsource it because it actually saves a lot of hassles as far as some constraints are concerned. So woolen is completely in house, where all these sweaters we make it in-house, and all the capex is being done last year, also.
- Keshav Garg:** Okay, sir, thank you very much. And sir, please consider a share buyback.
- Moderator:** Thank you. The next question is from the line of Komal Arora from Global Investments. Please go ahead.
- Komal Arora:** Yes, I wanted to understand a few things like I could see that the revenue from online channels is growing very fast. So, what is your plan to further penetrate better via online sales? Another thing like do you want to hire any brand ambassador?
- Rishabh Oswal:** Hi, this is Rishabh this side again. So, you rightly said we've grown by a good multiple, as far as our online channels are concerned. And we continue to maintain this growth rate for the upcoming year also. –So, we've reached INR 62 crore of net sales as against INR 37 crore. And we maintain the same growth rate for this year as well.
- Komal Arora:** And would you be able to give any outlook or guidance on the revenue expansion?
- Rishabh Oswal:** Of the online segment?

- Komal Arora:** Overall, and of course, if you can highlight more on online sales also?
- Rishabh Oswal:** So overall, as Mr. Sandeep Jain has already mentioned we are targeting 20% to 25% growth on the top line of the company. As far as online is concerned, we'll be targeting around 40% to 45% growth.
- Moderator:** Thank you. Ladies and gentlemen. That was the last question for today. I now hand the conference over to the management for the closing comments.
- Sandeep Jain:** Thank you very much for holding this conference call. I think most of the questions have been answered. So, if there's anything which have not been answered, please mail us at: investor@montecarlocorporate.com or to our Investor Relations Dickenson World. We will be happy to address those questions as well. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.