Company Name: Monte Carlo Fashions Ltd.

Quarter under review: Q1-FY27

Monte Carlo Fashions Ltd. - Q1-FY27 Concall Highlights:

Monte Carlo Fashions Ltd (Consolidated)					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Y-o-Y**	**Q4-FY26**	**Q-o-Q**
Operational Income	1,490	1,385	7.6%	2,803	-46.8%
EBITDA	-129	-59	NA	258	NA
EBITDA M (%)	-8.68%	-4.24%	(444) bps	9.21%	NA
PAT	-234	-162	44.4%	50	NA
PAT M (%)	-15.71%	-11.71%	(400) bps	1.79%	NA
Diluted EPS	-11.30	-7.82	44.5%	2.42	NA

Operational Highlights:

- Witnessed broad-based growth across key product categories, with cotton volumes up 23% YoY, home textiles up 42% YoY, and kids-wear up 5% YoY.
- Maintained strong growth momentum in the Rock it brand while the home textile segment continued to deliver healthy performance.
- Recorded a 38% YoY growth in footwear sales, with management remaining optimistic about continued traction in emerging categories.
- Continued the retail expansion strategy, targeting the addition of 40-45 Exclusive Brand Outlets (EBOs) during FY27, with a strategic focus on western and southern India.
- Achieved 15% YoY growth in online sales, reflecting continued traction across digital channels.
- Online sales grew 15% YoY, further strengthened through partnerships with Blinkit, Swiggy, and Zepto for deliveries within 30 minutes. A collaboration with Salesforce is helping streamline operations and enhance customer experience through digital transformation.
- Advanced the digital transformation journey through the Salesforce collaboration, aimed at streamlining operations, enhancing customer experience and improving long-term customer loyalty.
- Successfully organized the pre-winter and winter trade shows during February and March 2026, receiving encouraging participation and supporting order bookings for the upcoming season.
- Cotton (summer) wear now contributes 45% of total sales versus 55% for winter wear, with management targeting an even split over the next 2-3 years and eventual cotton dominance; home furnishing/summer wear within home textile is growing 60-70% YoY.
- Refinishing capacity was doubled (from 5,000 to 10,000 pieces/day) via added warehouse space and manpower, enabling the company to process 65% of total expected annual returns in Q1 itself (vs. a 50:50 Q1/Q2 split last year), so subsequent quarters will see fewer B2B returns.

Key Questions & Answers discussed during the Concall:

- **What are the key priorities for the coming quarters?** We are focused on improving inventory planning, processing retailer returns earlier, strengthening digital channels, enhancing stock allocation through analytics, and achieving low double-digit revenue growth while protecting margins.

- **Why were sales returns significantly higher in Q1 FY27?** We intentionally processed a larger portion of retailer (B2B) returns in Q1 by expanding warehouse space and increasing manpower. This is a timing change rather than an increase in overall returns and is expected to normalize over the next quarter.

- **How should investors interpret the higher sales returns?** We recalled unsold inventory from retailers earlier, refurbished it, and have already redirected it to factory outlets and online channels. These products will be resold, allowing revenue and profitability to be recognized in subsequent quarters.

- **What measures are being taken to improve margins?** We maintained strict control over discounts and returns, pre-booked raw materials to reduce input cost volatility, closely monitored receivables, and implemented calibrated price hikes to offset inflationary pressures.

- **Why was the revenue growth lower despite strong volume growth?** We witnessed healthy growth across cotton and home textile volumes; however, higher retailer returns processed during Q1 reduced reported revenue. We expect this impact to reverse over the next two quarters.

- **How is the cotton business progressing?** We continued increasing the contribution of cotton products and expect summer categories to eventually surpass winter wear. Cotton products currently generate margins that are around 100 bps higher than winter wear.

- **What is the outlook for the home textile business?** We remain optimistic about the segment and expect 20-25% growth in FY27, supported by strong brand recall and healthy traction across both summer and home furnishing collections.

- **What is the company's capex plan?** We continue to operate an asset-light business model with annual capex of around INR 30 crore, primarily towards warehousing, plant modernization, and machinery upgrades. Incremental production demand will largely be met through outsourcing rather than significant manufacturing expansion.

- **What is the status of the solar project?** We are currently aggregating land and expect to commission the project within 9-12 months, with billing commencing from the next financial year. The project involves a 50 MW DC capacity with an investment of around INR 150 crore.

- **How is the company reducing sales returns over the long term?** We continue to treat sales returns as a key performance metric and have maintained one of the lowest return ratios in the industry at around 11-12%. While returns cannot be eliminated, we aim to reduce them gradually through better planning and inventory management.

- **What is the revenue and margin outlook for FY27?** We continue to expect low double-digit revenue growth, target around 10% same-store sales growth, and plan to open 40–45 new stores. While inflation may result in a 100 bps margin impact, improving input costs could support margins in the second half of the year.

- **What is the strategy for exports?** We remain focused on the domestic market and do not view exports as a strategic growth driver. Our international presence is limited to select overseas channels that sell products under the Monte Carlo brand, while our primary focus remains on expanding the domestic retail business.

- **How will future production growth be supported?** We have strengthened our woollen manufacturing capacity through selective machinery additions and continue to invest in plant modernization. However, given our asset-light strategy, most incremental demand will be fulfilled through third-party manufacturing partners rather than significant investments in new production facilities.

- **Can the solar investment be monetized?** We have structured the solar project under a separate SPV, providing flexibility to monetize or exit the investment after one year of commissioning, subject to the agreement. Since the project generates long-term contracted cash flows under a 25-year PPA, the SPV can be transferred to strategic investors or infrastructure funds if an attractive opportunity arises.

Key Participants:
- *Gunit Singh – Counter Cyclical Investments*
- *Diwakar Rana – Prudent Equity*
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