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MONTE CARLO FASHIONS LIMITED

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MCFL/SE/2022-23

August 10, 2022

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Symbol: MONTECARLO	Scrip Code: 538836

Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q1FY23

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 August 5, 2022 to discuss Q1 FY23 results.

We request you to kindly take this in your record.

Thanking You,

Yours Faithfully

For MONTE CARLO FASHIONS LIMITED

MONTE CARLO FASHIONS LTD. LUDHIANA

ANKUR GAUBA
COMPANY SECRETARY & COMPLIANCE OFFICER
ICSI Membership No: FCS 10577

"Monte Carlo Fashions Limited
Q1 FY2023 Conference Call"

August 05, 2022

ANALYST:	**MS. JIGISHA KAPOOR– EMKAY GLOBAL FINANCIAL SERVICES**
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** **MR. R K SHARMA – CFO – MONTE CARLO FASHIONS LIMITED** **MR. ANKUR GAUBA –COMPANY SECRETARY – MONTE CARLO FASHIONS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Monte Carlo Fashions Limited Q1 FY2023conference call hosted by Emkay Global Financial Services. We have with us today, Mr. Dinesh Gogna – Director, Mr. Sandeep Jain – Executive Director, Mr. Rishabh Oswal – Executive Director, Mr. R K. Sharma – CFO and Mr. Ankur Gauba – Company Secretary. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of the presentation today. 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 Ms. Jigisha Kapoor from Emkay Global Services. Thank you and over to you Madam!

Jigisha Kapoor: Good morning, 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 the opening remarks. Over to you gentlemen!

Sandeep Jain: Good morning, everyone and thank you for joining us for this earnings call of Monte Carlo Fashions Limited to discuss the financial and the operating performance for Q1 FY2023. I would like to highlight those certain statements made or discussed over the conference call today will be a forward-looking statements and disclaimer to this has been included in the results presentation shared with you earlier. Result documents are available on company's website and also have been updated on stock exchanges. A transcript of this call could also be made available on the investor section on the company's website.

Now, let me share with you the financial and the operational performance for this quarter. The company reported revenue of Rs. 113 Crores during Q1FY2023 as against Rs. 42 Crores in Q1 FY2022 thus, registering a growth of 171% year-on-year. This quarter has been the best ever Q1 even through the entire existence of this company. Operating EBITDA for this quarter was Rs.4 Crore as against loss of Rs.8.6 Crore in Q1 FY2022, loss at PAT level lower at Rs.3.9 Crore as against Rs.10 Crore in Q1 FY2022. Our balance sheet continues to remain robust, and we continue to enjoy a net debt-free status.

We have a cash balance of Rs.275.6 Crore which comprises of cash and then currencies along with current and non-current investments. Long-term borrowing is Rs.7.5 Crore as of June 2022 as compared to Rs.8.3 Crores in March 2022 which shows our efficacy in serving the debt. Monte Carlo continues with this and give up building a leading branded apparel company with a well-diversified portfolio such as cotton, woollen, kids, and home furnishing apart from cotton segment, we also produce different other garments. We also produce cotton and cotton blended T-shirts in economic category under the brand Cloak and Decker. The ability to tap various segments over the market provides the company with tremendous opportunities for growth in coming years. The key strength is wide and growing distribution network with a diversified presence across India. The company's product reaches the end users through different distribution channels. The company has presence through 1,363 MBOs, 323 EBOs, 268 national care stores. With regard to our online sales, we are looking to focus more on selling through our own portal, also our cloth are available on various e-commerce websites such as Ajio, Amazon, Flipkart, Myntra, First cry, Jabong and Kapsons. Majority of our net revenues comes from the franchise, EBOs and MBOs where we primarily sell on pre-order for outright basis by virtue of this business model there is a no major inventories and we always remain insulated from the normal hazard sales 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 as a testimony to our strong business models based no zero-credit risk policy for the company. At Monte Carlo we are pledged to provide our customers with finest clothing through product innovations, high quality, and the launch of new collections from time to time. Moreover, we continuously work towards changing the look and feel of us to also give our customers best in fabrics business.

Setting up a new cloudy blanket manufacturing unit by subsidiary company Monte Carlo Home Textiles Limited. Monte Carlo Fashions Limited is entitled under the PLI scheme for manufacturing home textile products like rugs and mint leather fabrics post a visibility in the foresaid PLI scheme the management conducted a feasibility study on the product profile, competitive landscape, and economic viability of the scenario about. The company's feasibility study concluded that the manufacturing of said products were not favourable even with the aid of PLI scheme, thus the board of directors concluded to undertake other projects which will be beneficial for the company and will also benefit our stakeholders. Now, under our subsidiary company Monte Carlo Home Textile Limited we are planning to set up a cloudy blended manufacturing unit with a project cost of Rs.80 Crore approximately in Jammu and Kashmir which will align with the overall growth strategy of the company. The benefit of setting up plant in J&K are capital investment incentive, capital interest subvention, GST-linked incentive, a low rate of electricity and other tax exemptions. We are optimistic about our future growth and earning potential, we believe that we have a strong foundation for the future which can provide us sustainable and the profitable growth for the longer-term. While our focus will be to maximise revenue growth going forward, our large interest is to build profitability by maintaining cost control measures. With this now we can open the floor for question-and- answer session, if any of you have any queries post this earning call, you may also contact us at investros@montecalrocorporate.com or through Dickenson World our Investor Relation Advisors. Thank you very much.

Moderator: Thank you very much sir. We will now begin with the question-and-answer session. We take the first question is from the line of Deepan Sankara Narayanan from Trust Line. Please go ahead, sir.

Deepan Sankara N: Good morning, everyone, and congratulations for good set of numbers. Sir, firstly I wanted to understand this Rs.80 Crore investment we are talking about in home textile, so will this capex be enough to replace our current trading volumes in home textile business to manufacturing and what kind of margins improvement we can foresee from our own manufacturing?

Sandeep Jain: Thank you Mr. Deepan. Basically, in our home textile segment it is not only the blanket which we trade, we also do towels, bed sheets, and quilts. So, this plant is basically for blanket manufacturing we are putting up at J&K. Out of that also there are some of the blankets which we cannot produce in this unit some of that would keep on outsourcing from China and 70 to 75% of these blankets what we do right now can be produced in this blanket units. As far as EBITDA is concerned we have checked and as far as the standalone unit is concerned the EBITDA including the incentives are in the range of 20-22% which is in line with the company's strategy and when we start producing these blankets it will definitely add in our profitability because right now the EBITDA of the blanket trading is around 14 to 15%, so when we have higher EBITDA in our manufacturing that benefit will definitely come to the company.

Deepan Sankara N: Okay, and what kind of revenues we can generate from this Rs.80 Crore investment?

Sandeep Jain: If we see the standalone revenues from these units should be in the range of Rs.140 to Rs.150 Crore but out of that around 50% will be sourced in-house the additional revenue which the company will generate will be around Rs.70 to Rs.75 Crore and this plant we hope that should be operational by second half of next fiscal.

Deepan Sankara N: Okay, and secondly how is the order book pipeline for our winter cloths, having we taken any price increase for current season as well?

Sandeep Jain: The order book is very strong as we already mentioned in our earlier conference call also, we had a very strong trade show where we have very good order booking and another advantage, we have is that a low level of stock at the retail levels. So, we are very optimistic and hopeful for this, and we are going ahead.

Deepan Sankara N: Are we planning to increase our growth guidance for full year, sir?

Sandeep Jain: Right now, we stand by the growth guidance of 20 to 25% which we gave earlier in our last conference call, so if there is any change in the guidelines during the course of the year we will definitely update you.

Deepan Sankara N: Okay, so lastly from my side last quarter we have said that we are planning to add 20 to 25 new stores every year but this quarter itself we have added some 11 stores, so are we planning to do aggressive expansions?

Sandeep Jain: We are on track to open around 30 stores this financial year and I hope that we might even cross this figure going forward in this financial year.

Deepan Sankara N: Okay. Thanks a lot, and all the best.

Moderator: Thank you sir. We take the next question from the line of Vikas Khemani from Carnelian Asset Management. Please go ahead.

Vikas Khemani: Sandeep, congratulations on good set of numbers and the entire team. I think first time in Q1 reported a positive EBITDA which is a very good sign of slowly reducing the seasonality. I have couple of questions, one is that what happens to our earlier rug plant have we scrapped that or is there any update on that because in the last call you said that you are reviewing it and of course you have announced a new plant in Jammu and Kashmir for the blanket but what happens to that plant is there any decision you made on that?

Sandeep Jain: Yes, decision has already been taken in the board that it is not lucrative enough to go with the rugs manufacturing plant seeing the global scenario and the overall EBITDA after making the day's project report. So, as of now we have cancelled the rugs manufacturing plants and now we are going ahead with the cloudy blanket manufacturing plant in J&K and which the company has made a detailed project report, and which is definitely EBITDA accretive to the company and also in line with the company's adjusting blanket marketing.

Vikas Khemani: Correct. But given the size of our balance sheet and opportunity and all I think there were PLIs earlier the investment size was far bigger than what we are currently doing it. So, are there then any more projects of similar kind on the drawing board which you are considering because we have a reasonably good amount of cash opportunities where you pay specially on the export front, so are there any projects on you drawing board still?

Sandeep Jain: We are always on the lookout of good projects which we have shared earlier also that it should be having the same kind of EBITDA level what the company is doing right now. In Monte Carlo in the blanket manufacturing unit when we made the detailed project report the EBITDA level was coming at the same levels, so it is not going to further EBITDA and will definitely add to the revenues. We are thinking of going into two phases, in first phase we are putting up an investment of Rs.80 Crore for the first line and if everything goes well then there is second line which will come up in the same area because we are taking the land according to three lines. So, second capex we expect of Rs.70 Crore which will follow once the first line is commissioned, and it is as per the expected lines. I think the company is always open for future investments in the areas where it can have good EBITDA which is in the line of the company and also company is open for higher dividends and buybacks in the future.

Vikas Khemani: And this project is only for domestic replacing our demand, because our demand may not consider if that export element out there as well?

Sandeep Jain: Most of it will go into the domestic marketing because the benefits which we get by putting up this plant in J&K are GST, SGST and CGST there we get the refund of all the duties whatever pay. So, most of the products will go into the domestic market but I cannot rule out even small percentage can be done for the exports also.

Dinesh Gogna: Vikas, in fact part of it is for the captive use also, we can say it so because we have been giving the textile trading in our results and textile trading includes trading in blankets and hitherto we have been importing all the blankets from China and only some portion of this year we have taken the blankets from Panipat and other place because of some problem with China. Now, when this unit is put up basically some portion of that will be sold to Monte Carlo's main unit (holding company) and from there they will do as hugely as they used to do earlier as trading in that and that will certainly increase our EBITDA margin in Monte Carlo also. Secondly, as for the extension process is concerned as Mr. Jain has already explained to you that this is the beginning, now to begin with we are very careful, and we have been always going ahead for the expansion which actually earns company a profitable growth. That is the reason to begin this we are going ahead with the Rs.80 Crore of this total project and thereafter this project will go to Rs.150 Crore and we will not stop there, if we find good opportunity we will go further ahead.

Vikas Khemani: Sure, I think that is good. One more only suggestion or observation to other than any question, while we are expanding about 20 – 25 odd stores and I guess this quarter you have done very well but given the fact that we are a very category leader and there is not any meaningful brand which is there to compete with us. I thought probably and right now demand environment across the board is very, very strong, so using this opportunity to scale up the growth slightly faster would be great idea according to me. Of course, I know that you guys are conservative and generally you follow very conservative policy but environment right now is such that unorganised to organised shift is happening in our brand addition when I recall , capturing the white space would be great idea that is my observation. Any comment on that?

Sandeep Jain: Vikas, we are in line with what you are saying, as you know that the company has grown 45% last financial year, so on a larger base we are projecting a growth of 20 to 25% that shows our aggressive nature as compared to last few years where we were growing at 10 to 15%. So, I think we are in line with what you are saying and definitely, we have noted your points.

Vikas Khemani: Great Sandeep. Thank you.

Moderator: Thank you sir. We take the next question from the line of Naresh Kataria from Money Curves Investment. Please go ahead.

Naresh Kataria: Sir, congratulations. My question is on the long-term growth very good to know that you are reiterating 20 – 25% growth this year I am hoping this momentum continues. I am thinking what has changed structurally to give us this growth confidence. Because last five years growth is more like 10 – 12% CAGR of course we had Covid impact. But is it that we have reached the scale where they are able to grow or is it the previous year's focus on?

Sandeep Jain: If I clearly understood your question, you wanted to ask that how we are very confident of achieving the growth of 20 – 25% going forward.

Naresh Kataria: Exactly.

Sandeep Jain: What happens is that we have different areas in Monte Carlo; basically, in our distribution channel also we have four different channels which are large format stores then SIS which is shop-in-shop then EBOs and MBOs. So, it takes time when you consolidate all the areas as well as when they start complementing each other rather than competing with each other. So, we are doing lot of exercise in the last few years so that all these channels complement each other and also, we are keeping a strategy of almost having the same price at all the levels that is helping the company to grow and giving the confidence among the retailers and the consumers as far as when they go to any channels. So, besides that we have been doing well in our economy range Cloak and Decker, we are doing well in our blanket section which is home textile section, and our Rockit band is also picking up in this financial year. All these things on which company was putting efforts in last three-four years are aptly giving us the fruits and that is why we are confident of giving this growth.

Naresh Kataria: Perfect, good to know and you mentioned in the last call and interview also and even in this call on the winter visibility de-growth, winter is still away. What gives us the confidence that winter will work to be good. Is it the economy low fund or is it our tailors and MBOs and EBOs are telling that enquiry are good or what is the monitor right over here?

Sandeep Jain: Basically, when we say that our winter should be good it depends on order book. In the recently conducted trade show, we have got a very strong order book. Now, the second benefit which we get in this financial year is the lower inventory at the dealer level and also at MBO level.. So, that gives us another confidence that when the inventory is low, the order book is strong and economy is doing well as far as India is concerned, I do not see any issues as far as any forthcoming recession is concerned. So, we are very confident that if economy is performing definitely all the brand including us will definitely perform.

Naresh Kataria: Okay sir. Thank you.

Moderator: Thank you sir. We take the next question from the line of Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: Thank you for the opportunity. Just a couple of questions, first was about reconfirming that the new plant that you are setting in J&K that is primarily for domestic and we will be using it under the Monte Carlo brands, right?

Sandeep Jain: Basically, if we do our cult business and the kind of capacity we are putting up in J&K as of now we should be able to use around 50 to 60% of the capacity of that particular unit and rest I think we can sell in the open market the blankets, so that is how we proceed.

Nikhil Jain: Okay and as the requirement grows then you go ahead with phase-2 of expansion as you suggested, right?

Sandeep Jain: This can increase because we have been growing in 30 to 35% per year in our blankets and home textiles. Going forward we think that the demand will keep on rising and definitely the outsourcing will be more from us blanket units and we are planning our expansion also in the second phase once this starts in the second half of next fiscal.

Nikhil Jain: Okay, great. My second question is with respect to this quarter, as compared to the last year first quarter our top line has tripled almost from Rs.40 Crore odd to Rs.120 Crore odd in a great achievement on the EBITDA side also. So, we are now positive, but I am trying to understand what would make us net positive on this particular quarter because our sales has grown three times but still on the net profit side we were not positive. So, what is it that will make us positive, if the product mix is different which we have actually sold in this quarter which is having less margin as compared to our regular products and all?

Sandeep Jain: Basically, this is historically a weak quarter for us. The reason for this weak quarter as far as PAT is concerned the biggest thing is that we start manufacturing of our sweaters, jackets, and other winter goods in the month of February -March itself. So, all the production expense in making those garments are actually in this quarter but the product that sold only in the second and third quarter. That is why there we are showing some loss in this quarter but otherwise if you see that all the majority expense when we enter in this quarter, we do not take note of rather then we book when we sell it then it can turn into profits. That is the basically reason why we are showing growth in this quarter.

Nikhil Jain: Okay, thank you. Just a last question, the 11 stores that we have opened can you advise which zones or which states have you opened these stores?

Sandeep Jain: Yes, the two are opened in Southern State which is one is in Bengaluru and one is in Hyderabad and one is opened in the Eastern region then balance are opened in the Northern and Central region.

Nikhil Jain: Right and can you also highlight what is your strategy for expansion, because of winter if you say privately, we are selling the winter wears. So we are a very strong brand on the winter wear side. Are we looking to open more on the states where the winters are much stronger compared to other states where winters may not be so heavy?

Sandeep Jain: We are opening pan India as I have said just now that we have opened in Hyderabad also, we have opened in Bengaluru also but we are making a very conscious movement to these states as and when we get a good location and good rentals and definitely because being a topical country we know that there are nine months of summer and in those states where we have very less winters we have to be present only because of summer wear products. That is why we are making roads in Southern states and Western states and I am glad to say that we have been growing in both states also if you compare the first quarter number of Southern states, last year the sales was Rs.2 Crore in South and other state, it is Rs.8.9 Crores in this financial year and in case of West also it grew from Rs.0.24 Crore to Rs.3.78 Crore. So, there has been a growth in Western and Southern states also and also plan of opening retail outlet in these states going forward.

Nikhil Jain: Okay, great. Thank you. That is all from my side.

Moderator: Thank you sir. We take the next question from the line of Zaki Naseer from Retail Investor. Please go ahead.

Zaki Naseer: Sandeep bhai, Namaskar. Congratulations on phenomenal first quarter as you had performance last year and thanks for opening place in Hyderabad purely you were looking quite for a long time. Sandeep bhai, now my question number one is regarding raw material prices. Cotton and Yarn has been volatile, how does this affect you, does it affect your product sizing in this season, sir. Number two is this year more or less you have given growth guidance of 20%. Do you think a year after that you will be able to maintain that momentum, or it will get back to more of a normalized growth? Thank you.

Sandeep Jain: Thank you. As far as raw material prices are concerned, we made ourselves insulated whenever we go for a trade show we normally cover all our round depending upon the availability and depending upon the order book we expect. I do not think any variation in the raw material price going forward after the trade show would affect us because we have already covered the material whichever we require for the winter products. But you see that the cotton prices are coming down, so going forward we see that the MRP does not come down once we fix it in the last season and this season also we do not see that the MRP goes down. If the MRP does not go down and there is a reduction in the raw material prices definitely it will benefit the company going forward in the summer wear product. As far as growth pattern is concerned even though last year we grew at 45% and we gave very strong guidance to 20 to 25% and we are very optimistic about the economy of this county as we see that there have been many steps taken by the government which is pushing the economy to grow at 7.5% in this fiscal and as per the RBI report going forward we do not see any recession which is coming to India and the economy should remain strong going forward. So, we do not think any problems or any issues that we should not continue our growth going forward also.

Zaki Naseer: Thank you sir, and if I may just ask one more thing. Sir, in regard to digital marketing what is the share of your sale on the online networks right now and how do you plan to push this up going forward, sir?

Rishabh Oswal: Good morning. Currently, this year around 4% of our sales have come from online channels, this is less as there were some supplies constrains from our side towards supply to the online channel and our website is undergoing maintenance in this quarter, but we are confident of making it up in the coming quarters or good financial year. So, at the end of the financial year we will be in online as well.

Zaki Naseer: Yes, Rishabh Ji, but let us say 2025 what is your aspiration for this figure 4% would become 7-8% in 2025?

Rishabh Oswal: Our target is 7 to 8% of our overall sales will come from online channel.

Zaki Naseer: Thank you sir, fantastic. Best wishes sir.

Moderator: Thank you. We take the next question from the line of Riya from Equitas investments. Please go ahead.

Riya: Sir, my first question is since we are expecting this kind of growth in online presence as well as we have a line up for new stores to be opened. What kind of brand and marketing expenses do we see coming forward like are we going to invest in that or how is the outlook?

Rishabh Oswal: As far as Monte Carlo brand is concerned the brand recognition and brand pull is good enough that we can maintain our advertisement spend at 2 to 3% of our turnover and that is what we are spending currently and that is our guidance going forward. However, there is a shift between the compositions of this spend that we do, so we are shifting more from offline towards online, ad spend. However, the total ad spend remains at 2% to 3%, so we are focusing more on digital advertisements and performance-based advertisement when it comes to this point.

Riya: Okay, because increase in penetration in online channels you will need much more brand presence which is in other part of the country it is less prevalent?

Rishabh Oswal: It can cross 3% but overall, it will be at the same level but obviously we can increase our exposure towards Southern states and Western states when it comes to digital advertisement.

Sandeep Jain: But as you know the revenue is almost growing from Rs.900 to Rs.1,100 Crore even that itself become Rs.30 Crores as compared to Rs.20 Crores in this financial year.

Dinesh Gogna: That is quantitative, value will rise.

Riya: Right, and in terms of core network do you want to give any guidance for the current year how many stores you want to open up and what kind of sales from each store do we look forward to?

Sandeep Jain: We have given a guidance of 30 stores to open up in this financial year and normally we see that a 1,000square feet should do a sale of around Rs.1.2 Crores.

Riya: Okay and all these 30 stores will be more than 1,000square feet?

Sandeep Jain: Yes, more than 1000square feet. Sometimes we get lesser area also depending upon the location when it is not available but mostly it is around 1,000square feet or more than 1,000square feet.

Riya: Also, now coming to a broader outlook some demand point of view, could give me a sense of how is the demand because I was recently reading about some articles where the demand is going down, region wise as well product wise your woollen as well as cotton wear?

Sandeep Jain: We are very glad to say that we are not seeing any downfall in the demand as far as any growth is concerned, we are having a very strong demand coming from the retail outlet and also our other channels like our MBO asset and LFI channel we have seen a very strong demand coming up and we do not see any fall in the demand in the near future.

Riya: Okay this is for both North region as well as South region, right?

Sandeep Jain: Yes, it is both the regions.

Riya: Okay, and what percentage of a product is not booked for order book and can you give me a timeline how many months before the order book is placed and what is the exact procedure if I may ask?

Sandeep Jain: We do a trade show almost six to seven months in advance, like for winter we do a trade show in the month of March and then we start producing our goods and the goods goes normally up to five months like we start despatching in August and it ends in October basically, 90% of the goods and then again in summer we do a trade show around August and September and the despatches are in January- February and it ends in April.

Riya: Okay, and what percentage of our products are non-order book oriented?

Sandeep Jain: That is very small, there are some repeats which come once the order goes into the retails floors, but that percentage is not that much mostly we produce on the order-based goods only. But there are some corporate enquiries which come as and when there is demand for that, so that is separate from the normal trade business.

Riya: Okay. That is, it from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: Good morning, sir, and congratulations for a good set of number. I had a few questions, one if you could tell us what is our current mix of revenue between economy mid and luxury segment and what is the type of gross difference which we enjoy there between the three segments?

Sandeep Jain: We have Cloak and Decker brand which is in economy segment rest everything is upper premium. Basically if I talk about the overall revenue of the company, it should be around 5 to 6% of the turnover not more than that otherwise everything is upper premium only. The gross margins at both the brands in Monte Carlo it is little higher and in Cloak & Decker it is little lower 100 basis point.

Sachin Kasera: Sure, if you could tell us little bit about your niche that you're trying to do in terms of X of Monte Carlo which is primarily your winter wear segment, in the cotton segment what we are trying to do to improve the realization or move up the chain in terms of the presence?

Sandeep Jain: Cotton realization is even more than the winter realizations, at PBT level we are having more PBT at cotton segment rather than in winter wear segment.

Sachin Kasera: You mentioned that we are trying to increase the non-cotton mix in favour of cotton; you also mentioned that you plan to have an expansion of footprint more into west and Southern region where it is more of cotton base. Does it mean that going forward as the share of this cotton keeps increasing overall EBITDA margin should increase in that because you mentioned that margins in cotton are higher than wool.

Sandeep Jain: I think the cotton segment is growing faster than the woollen wear segment and winter segment being a tropical county and the cotton products are sold nine months in a year so definitely it has more growth rate as compared to winter wear products. Going forward we think that as overheads are also becoming less when we increase our turnover definitely it should help us in increasing our margins going forward but it also depends on the economy and kind of discounts and EOSS sales of other brands. But we are very positive of sustaining our margins, especially front margin of 18 to 20% of EBITDA.

Sachin Kasera: That is fair sir, that is something at least you are maintain but my sense was that the type of growth we are talking and the way we are talking of increasing mix of cotton, should be from two to three-year perspective we aspire to be in the range to move to like 22 to 24% from 18 to 20% that we are there today?

Sandeep Jain: I cannot say at this moment that we can increase our EBITDA to 22 to 24% but we can say with confidence that we will be able to sustain our margins for the increase in EBITDA.

Sachin Kasera: What is the difference in margin between this cotton and non-cotton if you could tell us at least that would help us model once how the share of cotton moving will help in terms of the margins?

Sandeep Jain: At PBT level I would say that is around 50 to 100 basis points more than the non-winter segment.

Sachin Kasera: Sure, secondly sir on the capital allocation policy and how do we look at become so from what I understand is primarily more of our branded and retail apparel company, now we announced this manufacturing unit. So, is it that most of the manufacturing that we plan to allocate would primarily be mainly based on the decision if we have it as a for a captive for example this new plant that you mentioned 50% will be captive and rest will be bit noncaptive, how do we look at in terms of allocation of your funds for manufacturing would always be primarily driven by the fact that a large portion should be captive consumption or we may look at independent manufacturing opportunities also where there is not be any synergies with our retailing?

Sandeep Jain: If I have clearly understood the question, you wanted to ask that how much we are doing captive and how much we are outsourcing?

Sachin Kasera: No, my question is that going forward when you have to allocate any large capex for any manufacturing plant will it be mainly for segments where we have a good portion of captive consumption or is manufacturing also an independent profitable, for example you may look at an opportunity where the IRR is good and we may have to invest Rs.200 – Rs.300 Crores but need not have any captive consumption, we will also avail dual opportunity. So, how should we look at the company, is it that it is more of a branded retail apparel company, or it is a manufacturing cum trade apparel, how should we say?

Sandeep Jain: We will do captive only where we think that there are some roadblocks for outsourcing like in sweaters, it is a very complex process. So, we are completely 100% captive like in production but in case of blankets again there are bottlenecks from importing from China and lot of in the product and also the freight and also sourcing from other. So, we are putting up J&K blanket manufacturing plant. But as far as T-shirts, Shirts and Trousers are concerned it is not that margin accretive as we see that it is not like in our case, we are going to put up more of captive production in case of shirts, trouser and T-shirts as the margins in these is not that much as we compare to blankets and the sweaters. So, we do not see much capex coming up in T-shirts or in shirts and trousers and Denims, but if there is any demand for sweaters, we might do some capex in that.

Sachin Kasera: Okay, majority of the manufacturing capacity primarily the main purpose would be for captive consumption it is not like for example some of these players that we have like Indo Count, or we fund which primarily do as example our home textiles?

Rishabh Oswal: To answer your question going forward even if we invest in more capex we will be primarily focusing for a captive consumption where we already have presence, like blankets we already have a presence and 50% of the production will be consumed by our brand itself. Going forward we would prefer putting up manufacturing for products where we already have our brand presence.

Dinesh Gogna: Can I say something dear friend, like so far, my both the colleagues they have said so. So far, the captive consumption is concerned we have two categories, one is cotton and other is woollen. So, far as woollen is concerned we have got the manufacturing facilities available with us, in case there is an increase in demand of the woollen then in that case the balancing machine and other things we will stock but that will not be for captive consumption that will be only to beat the demand of the market and so far the cotton is concerned we are normally outsourcing because that is more profitable for us. So, expansion in our area would be only as per the market demand of our product. It is not that in-house consumption that to increase our sales and other things it is not something that product will be used for making any production in our own house or something.

Sachin Kasera: Sure, and then lastly sir on the payouts and the captive allocation again, in that case are we looking at further because I think we have lot of cash and that would mean that it has been not be more than like Rs.80 – Rs.100 Crore for a year. Would we look in terms of further increase in terms of return to shareholders either by dividend or buyback from what we have been doing last four-five years?

Sandeep Jain: I have already said same thing that we are going for some capex for the plant and definitely when board decides it can increase the dividends or it can go for buyback also in the future to utilise the cash which available on the books.

Sachin Kasera: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Viraj Parekh from Carnelian. Please go ahead.

Viraj Parekh: Congratulations on a great set of numbers. I just have one question on the growth front; we have grown as you said 170% on year-on-year basis and close to 88% on pre-Covid levels. So, last year on an annual basis we taken close to 18 to 20% price hike and the market had absorbed that price hike and that is sustainable margins. Could you provide me with the breakup for pre-Covid volume growth how much have we grown on pre-Covid levels on volume and how much has it been on price hikes, if you have that number handy?

Sandeep Jain: 17,68,000 pieces in quantity which we did in March 2022 and the total volume which did in pre-Covid level March 2019 it was 47,60,000 in cotton segment which has grown to 57.67 lakh in March 2022 full year.

Viraj Parekh: All right and sir what would be the number as on Q1 FY2022 based on that?

Sandeep Jain: The volume which we did last quarter was 7,40,000 and in this financial year it is 11,43,000.

Viraj Parekh: All right thank you sir. All the best going ahead great set of numbers.

Moderator: Thank you sir. We take the next question from the line of Anil Jain from Equipassion Capital. Please go ahead.

Anil Jain: Congratulations for the great first quarter in the company's history, first time in the company's history we are EBITDA positive in the first quarter. I wanted to know from your past experience when you open a store how much time it takes to become EBITDA positive.

Sandeep Jain: Two to three years.

Anil Jain: And how much time it takes to come at the company level EBITDA?

Sandeep Jain: You cannot compare the store level EBITDA with company level EBITDA because we normally have franchisees who do the stores. In that case we see that ROI is between 16 to 20% on their investment. But in case of company owned stores, we only open the store in an area where we don't find franchise or where the rentals are very high, so it is more to keep our brand presence and brand awareness, it is not for increasing the profits in those areas.

Anil Jain: You mean to say it takes three years to reach company level EBITDA approximately?

Sandeep Jain: There is no comparison in that because most of the stores are owned by the Franchisees, primarily we sell them out rightly, and the Franchisees do not share their balance sheet with us that how much they are in profit.

Anil Jain: Okay, we become EBITDA positive from first day which is that of franchisee also?

Sandeep Jain: Yes, as far as you see our sales wise from our end.

Anil Jain: Okay, got it. That is all from my side.

Moderator: Thank you sir. We take the next question from the line of Sakshi Somalia from SE Associates. Please go ahead.

Sakshi Somalia: Good morning and congratulations for your result. I have one small question, how is your sportswear brand 'Rockit' performing. Can you throw some light on it?

Rishabh Oswal: The brand Rockit was launched one year before the Covid season and once Covid hit we took a conscious decision to make it online only. In the past two years we sold it only online but going forward from next financial year we are building up a completely independent team for Rockit with the independent design team, independent market, so we foresee from the next financial year you will good numbers in Rockit.

Sakshi Somalia: When you are saying that it was available only online so how it performed online and what is your expectation when you are going ahead with in the main market. So, what is your expectation to that?

Rishabh Oswal: Online the response was good there were some feedbacks that we got from the customers related to pricing and the discounting policies which we incorporated and now I think majority of sales for this brand will be coming from offline channels which is much more profitable for us as well. So, we have got good learning from our online sales and now we are focusing on implementing these changes in the offline segment.

Sakshi Somalia: Okay and when you are putting from online to offline are we doing any major modification or win-win strategy or designer something or still you want to go in the same way?

Rishabh Oswal: There will be almost a 360-degree change in terms of what product we are making, the pricing strategy and the packaging that we are using to promote it. Also, in terms of our advertisement affect towards the brand, the exposure and expenditure towards the brand will increase as it goes offline. We are right now in the process of making an independent distribution channel for this brand which is independent from the distribution channel of Monte Carlo or Cloak and Decker or our textile segment.

Sakshi Somalia: Okay. Thank you so much.

Moderator: Thank you madam. We take the next follow-up question from the line Riya from Equitas Investments. Please go ahead.

Riya: My question was in regards, to what percentage of our raw material do we import or outsource?

Sandeep Jain: We don't, much of our requirements as far as woollen yarns is concerned, it is our sister company where we procure our woollen yarn and cotton fabrics are actually available in India and we buy from various companies who make cotton fabrics and cotton garments and then there are some blankets which we import from China and there are some specialty fabrics which are not available in India, we import from China and some other countries.

Riya: To what percentage would that be?

Sandeep Jain: And I think in blankets it is approximately around 15 to 25% if I see the total turnover of the home textile segment and in case of jackets, approximately 30 to 35% of the fabrics comes from overseas.

Riya: Okay, are we seeing any issues right now with China shutting down or something?

Sandeep Jain: No, we are not much dependent on the overseas fabrics percentage is very small but there are some delays as China has zero Covid policy so some of the areas got closed in last two months but now it is normal we do not expect any delays as far as our procurement is concerned.

Riya: Okay, do we have any impact on the delay in this quarter by any chance?

Sandeep Jain: No, it will not have any impact in this quarter or going forward also.

Riya: Okay, and for the current FY2023 can you give us the breakup of what kind of segmental do we see from woollen and cotton like the breakup if any?

Sandeep Jain: We can give you last year's break-up.

Riya: I have the last years break up; I was asking for guidance actually?

Sandeep Jain: It will be almost same there might be some more cotton garments added to it otherwise it will remain almost same.

Riya: Okay. That is, it. Thank you.

Moderator: Thank you, madam. We take the next question from the line of Sachin Kasera from Svan Investments. Please go ahead, sir.

Sachin Kasera: You shared the volume number for cotton segment FY2019 versus FY2022, can also share the same on woollen segment?

Sandeep Jain: It is almost stable price, so I do not see any precession in the prices and as far as our margins are concerned, we will be sustaining our margins for last year also in woollen cloths.

Sachin Kasera: No, my question is the volume in the woollen segment for FY2022 versus FY2019?

Sandeep Jain: It was Rs.13 lakhs in case of FY2019 and it was 15 Lakhs in case of March 2022 last year.

Sachin Kasera: Sure, sir next is if I see your presentation the share of kids and home textile has grown from 15% to almost 23-24% in the last three years. Can you tell us what is the reason for this sharp increase in share of kids and home textiles why are they growing so fast, is there any special focus you are putting there?

Sandeep Jain: There is less competition on textile segment which is helping it to grow more than the complete growth rate, last year we grew at 50%, this year we anticipate a growth of around 30 to 35% because of less competition in this segment. Home textile segment is growing faster than the other segments and similarly in the kids. As known many brands are present in the kids segment that is why it is having competition from other brands and the growth is faster that compared to the overall brand that is why the share has increased.

Sachin Kasera: And the margin in home and kids is that with company or whether it is higher or lower?

Sandeep Jain: Kids margins are lesser as compared to parent brands because in kids and garments we do not get that much price as you get in men's and women's wardrobe and in case of home textile segment also the margins are lesser than the parent brand Monte Carlo.

Sachin Kasera: Sure, and can give some sense on market share trends for our brand to see as how market share has moved, if you have any data on that?

Sandeep Jain: We don't have an exact data because it is an unorganised market but we see that in premium section in Monte Carlo in sweaters, we control approximately more than 50% share in the premium segment as we don't see other brands which are competing with us in that price range but it is very difficult to estimate the exact market share of our brand in apparel section because not most of the companies are listed and there is a lot of unorganized players which are available, so very different to quantify the exact market share of Monte Carlo.

Sachin Kasera: Sure. Thank you.

Moderator: Thank you. We take the next question from the line of Deepak Mehta an individual Investor. Please go ahead.

Deepak Mehta: Thanks for the opportunity and great set of numbers. Sir, I want to ask about the breakup of right now additionally Monte Carlo is known for the woollen wears or right now what is the mix of woollen, T-shirt, and non-woollen kind of this?

Sandeep Jain: I can share the last year's figure,in that case the sweater contribution was Rs.151 Crore and the cotton contribution including jackets and other garments were around Rs.489 Crore and in case of textile it was Rs.127 Crore and in case of kids cotton were Rs.58.39 Crore and kids woollen were Rs.11.64 Crore total Rs.70 Crore.

Deepak Mehta: Okay, right now what is your focus area?

Sandeep Jain: We want that we should grow at 20 to 25% in this financial year and going forwarding in all segments. We are on the right track to achieve this growth rate going forward also.

Deepak Mehta: And what is your expectation for three to five years in terms of revenue and margin?

Sandeep Jain: Again, we say that the company is basically focusing on year-by-year and this year we have projected a growth of 20 to 25% and going forward the company is maintaining the same strategy of growing at these kinds of growth rates.

Deepak Mehta: Okay. Thank you so much. what is your expectation on margins?

Sandeep Jain: Could be able to sustain our margins, of last year margins.

Deepak Mehta: And I think the inflations now like high cotton prices and all the input cost is behind us, we can assume that right sir?

Sandeep Jain: Yes, cotton prices have come down from its peak but still it is 10 to 15% higher as compared to last summer prices but we expect that these prices should remain stable or it might come down a few percentages, but very difficult to say unless and until we see next two months about the cotton crop and demand of cotton yarn.

Deepak Mehta: One last question sir, do we have the break-up of online and retail sales like right now what is the sales contribution to total sales?

Sandeep Jain: Last year contributed to around 7% as compared to the total overall revenue of the company and going forward we will maintain this kind of share in the online sales.

Deepak Mehta: Okay, by last year you mean FY2022, right March 31st, 2022?

Sandeep Jain: Financial 2023.

Deepak Mehta: Thank you so much sir. You guys are doing great job and best wishes.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for the day, I now hand the conference over to the management for closing comments. Thank you and over to you sir!

Sandeep Jain: Thank you very much for all the participants and if there is any question which remains un-answered or if there is query which you want to have you can definitely mail us at investos@montecalrocorporate.com or Dickenson World our Investment Advisors. Thank you very much.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference call. We thank you for joining us and you may now disconnect lines.