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Symbol: MONTECARLO	Scrip Code: 538836

Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q2 and H1 FY23

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 November 9, 2022 to discuss Q2 and H1 FY23 results.

We request you to kindly take this in your record.

Thanking You,

Yours Faithfully

For MONTE CARLO FASHIONS LIMITED

ANKUR GAUBA

Digitally signed by ANKUR GAUBA
Date: 2022.11.15 12:08:57 +05'30'

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

"Monte Carlo Fashions Limited
Q2 FY2023 Conference Call"

November 09, 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 – CHIEF FINANCIAL OFFICER – MONTE CARLO FASHIONS LIMITED**

Moderator: Ladies and gentlemen, welcome to the Q2 FY2023 results conference call of Monte Carlo Fashions Limited hosted by Emkay Global Financial Services. 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. Should you need assistance during the conference call, please signal an operator by pressing "*" and 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.

Jigisha Kapoor: Thank you. Good morning everyone. On behalf of Emkay Global I would like to welcome you all to Q2 and H1 FY2023 post results conference call of Monte Carlo Fashions Limited. From the company we have with us the senior management including Mr. Dinesh Gogna Director, Mr. Sandeep Jain Executive Director, Mr. Rishabh Oswal Executive Director and Mr. R K Sharma CFO of the company. I would now like to hand over the call to Mr. Sandeep Jain for initial comments. Thank you and over to you Sir.

Sandeep Jain: Very good evening everyone and thank you for joining us for this earnings call of Monte Carlo Fashion to discuss the financial and the operating performance for half yearly and quarterly performance of FY2023. I would like to highlight that certain statements made or discussed over the conference call today will be a forward-looking statement. A disclaimer to this effect has been included in the results presentation shared with you earlier. Result documents are also available on the company's website and also have been updated on the stock exchanges. A transcript of this call would also be made available on the investor section of company's website.

Now, let me share the financial and the operational highlights of H1 and Q2 of financial 2023. The company reported revenues of Rs.248 Crores during Q2 FY2023 as against Rs.238 Crores thus registering a growth of 4.3% year-on-year. Revenue from online channel sale is 8.2 Crores for this quarter. Operating EBITDA for this quarter was 50 Crores against 52.7 Crores in Q2 FY2022. The PAT stood at 30.3 Crores as compared to 33.9 Crores in Q2 FY2022. Revenue from operation, H1 FY2023 stood at 361 Crores as against 280 Crores in H1 FY2022 growing by 29% year-on-year. Online sales for the first half stood at 12.2 Crores. Operating EBITDA was 55.2 Crores in H1 FY2023 as against 44 Crores in H1 FY2022. Thus it is growing 25% year-on-year. PAT stood at 26.4 Crores as against 23.7 Crores in H1 FY2022 growing by 11% year-on-year. Our balance sheet remains robust and we continue to enjoy a net debt free status. We have a cash balance of Rs.277 Crores which comprises cash and bank balances along with current and non-current investments. Long-term borrowing is 6.7 Crores as of September 2022 compared to Rs.8.3 Crores as of March 2022, which shows our efficiency in serving the debt.

Monte Carlo Fashion continues with this endeavour to build a leading branded apparel company with a well-diversified product portfolio such as cotton, woollen, kids, and home furnishing. Apart from the cotton segment, we also produce different other garments. We also produce cotton and cotton branded T-shirts in the economic category under the brand Cloak and Decker.

The ability to tap various market segments provides the company with tremendous opportunities for growth in the 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 currently has 2252 MBOs plus SIS and 336 EBOs, 687 national chain stores. Concerning online sales, we are looking to focus more on selling through our own portal however our clothes are also available on various e-commerce websites such as Ajio, Amazon, Flipkart, Myntra, First Cry, Jabong and Kapsons. The company has opened 14 new stores in different regions and at the same time closed a few non performing stores also. In the half yearly itself the company achieved more than 60% of the target of the opening 30 EBO in financial year. Most of our net revenues is from the franchise, EBOs and MBOs where we primarily sell on pre-order or outright basis. Under this business model there is a no significant inventory risk and we remain insulated from the average hazard sales in the branded apparel business. I would like to highlight that to date we have experienced almost zero bad debts in our business which stands as a testimony to our robust business model based on zero-credit risk policy for the company. At Monte Carlo, we pledge 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 the feel of our stores to give our customers the best in class experience. We are optimistic about our future growth and earning potential. We believe that we have a strong foundation for the future which can provide with sustainable and profitable growth for the longer-term. While our focus will be to maximize revenue growth going forward, our considerable interest is to build profitability by maintaining cost control measures. 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 write us at investros@montecalrocorporate.com or contact us through Dickenson World our Investor Relation Advisors. Thank you very much.

Moderator: Thank you. We will now begin with the question-and-answer session. We have the first question from the line of Rahul Shah an individual investor. Please go ahead.

Rahul Shah: Thank you for the opportunity. Sir I would like to know how your brand Rock It performed in this quarter.

Sandeep Jain: Okay I will ask Mr. Rishabh to comment on this.

Rishabh Oswal: Hi Good morning. So the brand Rock It is currently only available online. Coming forward in this summer we will be available in offline and in this financial year we will be clocking around 10 to 15 Crores of turnover from the brand which was 5 Crores last year.

Rahul Shah: Okay and so my next question is what is the current status of the new Jammu and Kashmir project.

Sandeep Jain: See the current status is that I think we will be hopefully able to register the land in this November itself as most of the documents have been processed and change of land use documents has been processed by the government. So most probably the land will be registered in our name in November itself and we have already hired an architect and CMC consultant and we also hired two people so hopefully we will be able to start the process by next month.

Rahul Shah: So you are telling that in your point the land will be acquired by next one or two months.

Sandeep Jain: No land will be acquired in this month itself.

Rahul Shah: Okay and when can we expect the operation.

Sandeep Jain: It takes almost 9 months to 12 months to have the production on the floor. So we can expect this to have a production in third quarter of next financial year.

Rahul Shah: Okay so probably around Diwali.

Sandeep Jain: Around that time positively.

Rahul Shah: Okay thank you so much.

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

Viraj Parekh: Good morning Sir. A couple of questions from my side. We have doubled our online sale to close to 19 Crores from 8.2 Crores year-on-year and even the H1 figures have almost doubled so you are saying that since Rock It is sold only online so just wanted to understand whether these sales are coming from our online partners or our own website. How have we been able to achieve double the number of online sales and the second question is will we open more 30 new stores this FY net of closing or do we stick to our annual guidance of opening 30 stores this financial year.

Sandeep Jain: So I would come to the second question first. We have given a guidance of 30 stores in the beginning of this year for this financial year. Now we are revising the guidance. I am happy to know that we will be opening around 40 to 45 stores in this financial year and the net store addition should be between 40 to 45 in this financial year as compared to last year. Again I will ask Mr. Rishabh to comment on the online sales and the Rock It sales for this financial year.

Rishabh Oswal: So for the first question if I heard it right, our contribution of our own website montecarlo.in is around 15 to 20% of the total online sale. The other 80% happens through different portals under different models and Rock It right now is selling online but it is not a major contributor to the sales online. So where I give the guidance of 10 to 15 Crores majority of it will come through offline distribution channels going forward in the upcoming summer season. So the contribution of Rock It in online sale is not that much. Majority of it is through Monte Carlo brand.

Sandeep Jain: See we took a decision to change this strategy in favour of offline channel and we have discussed with the market people and the distributors so it make sense for us to launch Rock It in the distribution channel to have more growth in this brand.

Viraj Parekh: Okay just a followup to the first question. If our own website contributing 15 to 20% so are we seeing more demands from the other e-commerce partners we have in online sale and the second question follow up is that we are revising a guidance for 40 to 45 Crores so we would be opening net 40 to 45 right after closing.

Sandeep Jain: Yes net 40 to 45 stores in this financial year as compared to earlier guidance of 30.

Viraj Parekh: So what I am asking is that since our own website is contributing close to 15% to 20% of online sale so are we seeing more traction in terms of demand from the e-commerce partners we have in terms of online sales.

Rishabh Oswal: Yes there is higher demand from our e-commerce partners and also we are now focusing more on outright sales to these partners so like Amazon and Flipkart they have started buying outright products from us where there is no discount sharing no return from the company side so we are preferring more of that method since that is more profitable for us.

Viraj Parekh: Alright can I just squeeze my last question. So I feel that we have doubled our ad expenses from close to 2% of revenue in H1 FY2022 to close to 5% of revenue in H1 FY2023 and in your presentation you highlighted from where we are spending through which channel we are doing advertisements so what is the strategy in terms of advertising are we targeting more digital, are we targeting more media can you help me in which region is the advertising being done, is it done in the northern region, eastern region where we have a substantial good presence or is it being done in west, south or central region where the presence will be little bit less compared to north.

Sandeep Jain: The first question you asked about how it doubled in this quarter as compared to last financial year. See on the year basis I think we will stick to our guidance of 2% to 3% of budget to the revenues as far as advertisement spend is concerned and it is spread across all the geographies. It is not limited to northern, eastern or central region. It is spread to southern and western also because we have took the cinemas all across India and the digital is already suppressed through various websites and various channels all across India, so I will ask Rishabh also to contribute in this particular topic.

Rishabh Oswal: So as far as our strategy is concerned towards advertisement as Sandeep said we are spread across geographies more focus is on online. We have reduced our spend to almost negligible when it comes to TV advertisement but we have tied up with Air Asia. We have 10 aircrafts on board with Monte Carlo advertisement inside the aircraft. We have also taken up spots in Hotstar during the current world cup that is happening so we have increased up but we are trying to keep more effective with this spend that we are doing and we are ditching offline and TV advertisements in favour of advertisements like in theatre, in aircraft, online OTT so things like this, but the overall spend will stick to the guidance.

Viraj Parekh: Up 2 to 3%.

Rishabh Oswal: 2 to 3% yes.

Viraj Parekh: Okay alright. Thank you. Just last question if you could help me with the volume numbers of H1 FY2022 and H1 FY2023 segment wise of how we have been able to grow that could be helpful.

Sandeep Jain: I think we have broad figure of woollen division, cotton division and textiles. In woollen division the volumes for first half was 4,16,000 which was 3.83,000 in last financial year in last H1. In cotton segment the volume grew to 26.65 lakh pieces as compared to 22.67 lakh pieces last financial year. In textile it is 5,82,000 pieces as compared to 5,13,000 pieces in last financial year so overall the growth if we see in quantity it is 44,04,000 as compared to 42 lakh pieces.

Viraj Parekh: Thank you Sir. All the best for future. That is all from my end.

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

Nikhil Jain: Thank you for the opportunity. I just wanted to actually check see in this quarter we had only 5% sales growth and on top of that the margins have also declined and this is in spite the fact that we have passed on all the price hike as communicated in earlier call. I just wanted to know like what is actually happening and if we look at other companies in the discretionary space I think they have shown better growth so I just wanted to have your thoughts on it.

Sandeep Jain: Thank you Nikhil. Basically when we give our guidance we always give our annual guidance we never give quarterly guidance. Quarterly guidance there are variations season to season. Sometimes there are wedding which are late, sometimes dispatches are happening as far as seasonality is concerned so there are variations in quarter to quarter but overall we remain committed to the guidance which we have given and the margin decline the main reason was advertising cost has come into this quarter but the overall guidance will remain same so it will get compensated in the next few quarters. If you see clearly there is 10 Crores jump in advertising cost in this quarter as compared to last quarter but that will again nullify in the coming quarters so the overall spend will remain at 2% to 3% and there is drop in other income also on the extent of 4 Crores so we will have some benefit also now the bond yield has increased so we will get that benefit in coming two quarters so overall I do not see any issues anywhere as far as margins are concerned, but yes there are variations from one quarter to another quarter but overall for the year we remain optimistic and positive.

Nikhil Jain: I just wanted to get your perspective on the next two quarters given that earlier we have said that we have passed on all the price hike in the commodity and also we had a robust season coming in so we will make up for guidance in the next two quarters both on sales as well as margins.

Sandeep Jain: Surely we stand committed on our guidance which we gave earlier and when we give annual guidance we take into account all the prices hikes and also the discounts which we give in the season so I think we remain committed to the guidance which we have given earlier and as far as raw material price increase is concerned that is already being passed on to the customers but whatever raw material prices have come down in the last two months so that benefit will come in the next financial year.

Nikhil Jain: Okay fair enough. Thank you.

Moderator: Thank you sir. We take the next question from the line of Zaki Naseer an individual investor. Please go ahead.

Zaki Naseer: Good morning and commendable performance for the quarter to team Monte Carlo, Sandeep bhai the thing in retail apparel if you see the trend for other companies also there has been a slight shift between Q3 and Q2 this year in terms of the season going up so what is in your opinion will happen to Monte Carlo because out best season is Q3 so would it remain the same that is my question number one. My question number two is you have made foray into south how is your feel on that market Sir. Thank you.

Sandeep Jain: The first question is Q3 you are asking over Q2 am I right.

Zaki Naseer: There is a bit of overlap between the two seasons this year so your opinion on that Sir.

Sandeep Jain: See what happens where a company like us when there is a change in the wedding season, change in the festival so there are some supply happening in September, some supplies are happening in October so there are quarter to quarter variation but we are not worried about that as the guidance which we gave is basically for full year basis so the sale which has not happened in September quarter will happen in October quarter so that is one area and what was the second question.

Zaki Naseer: Your feel on the southern markets.

Sandeep Jain: In southern markets I think as we committed earlier also we will be growing around 35% to 40% as compared to last financial year and we are well on track. We have opened four outlets also, two in Hyderabad, one in Chennai and one in Bangalore and the response is excellent and we have a plan to open another three outlets in south and also two outlets in west so overall we will be opening around 20% of the total outlet when we open in pan India in south and west so that gives us the confidence we are going forward. The guidance which we gave 35 to 40 will be achievable.

Zaki Naseer: Thank you Sir and best wishes Sir.

Moderator: Thank you. We have the next question from the line of Danish Misri from First Advisors. Please go ahead.

Danish Misri: Hi Sir good afternoon and thank you for taking my questions, congratulations. I had a couple of questions the first one was that you have increased your guidance of the stores from 30 to 45, that is a quite a large jump so do you have visibility of opening of the stores in terms of locking in the leases and all and second what has driven your sudden positivity around the store opening that is question number one.

Sandeep Jain: See the reason for going to 45 stores from current 30 store is depending upon the market conditions. There is demand of opening EBOs in some of the market where were not present so that gives us the confidence that definitely the number can be increased to 45 as compared to 30 as compared to last year and we were bit conservative also in our guidance in the beginning of the year because just COVID was ended so the guidance was very conservative but I think now it has given us the confidence that we can increase our guidance to 45 stores.

Danish Misri: Got it and these are again where, in the north or in the south or is it equally spread?

Sandeep Jain: See as I said earlier that we will be opening 20% of new stores in southern and western market and the rest will be opened in rest of India.

Danish Misri: Got it. Okay thank you very much for that. I had just another question see if I compare your inventory position as of September 2021 versus September 2022 of course I know that Q3 is generally the strong quarter for us so we have to stock up on inventory but the inventory has grown about 30 odd percent Y-o-Y on our balance sheet basis so is it safe to assume that we can see that kind of throughput in sales in Q3.

Sandeep Jain: Definitely when the company is giving a guidance of 20% to 25% definitely there should be more inventory in the system to achieve that sales so this is how this inventory is build up.

Danish Misri: Got it and lastly if I remember correctly last year Q3 the CSR expenses do we have it this time as well.

Sandeep Jain: No we book it every quarter. The rules have changed. This quarter also we have booked it.

Danish Misri: Got it and is that why your other expenses are up.

Sandeep Jain: That is why other expenses are up because of CSR addition of 1 Crores in this balance sheet**.**

Danish Misri: Understood so it is safe to assume 1 Crores every quarter of CSR is that a correct assumption.

Sandeep Jain: It is first half 1 Crores and 1 Crores will again come into the second half**.**

Danish Misri: Got it. Okay thank you very much and wish you the very best of luck.

Moderator: Thank you. We have the next question from the line of Sonal Minhas from Prescient Investment Management. Please go ahead.

Sonal Minhas: Sir thank you for taking my question. I wanted to understand that the efforts the company has made in terms of reducing the debtor days and inventory by and large, basically this share what has happened in terms of digitization of inventory in terms of fagging the inventory. Even writing down let us say one year, two year old inventory because that is something which significantly affects the gross margins of the business and we have seen that vary quite a lot quarter on quarter so just wanted to understand how you first value your inventory which is one year old, two year old and how inventory bench marking practices over the course of last three quarters.

Sandeep Jain: See inventory is valued at the cost so whenever it comes back we value it on the cost and when it gets old we realize the profit or if it is sold at lesser price. Normally that inventory is very, very less approximately 8% to 9% inventory of total company which comes back which is getting sold at our own factory outlet. Out of that it is only 1% or 2% of the inventory which goes into bulk loss so that I think incur some loss but otherwise all the inventory is sold above the cost.

Sonal Minhas: So every inventory is valued at cost and whether it is one year old, two year old, three year old.

Sandeep Jain: We do not keep three year old inventory in system it is mostly one and two year old so we try to get rid of last two season inventory as early as possible.

Sonal Minhas: And that is done through factory outlets that is done through e-commerce how is that done actually.

Sandeep Jain: Some of them are done by factory outlets and some of them are done by selling of bulk lots.

Sonal Minhas: And bulk lots as B2B.

Sandeep Jain: Bulk lot is basically B2B.

Sonal Minhas: And if were to just quantify what percentage of inventory would be sold in bulk lot just a ball park number.

Sandeep Jain: That is think hardly 1% of the total inventory. I can give you actual figure also of last financial year. That is approximately 1% of the total inventory. It is not that much because most of the inventory is getting sold at our own factory outlets so it is just a balance some of the items like two year or three back we need to sell through bulk lots as it was not getting sold at our factory outlets.

Sonal Minhas: Got it and you said roughly 8% to 9% of the inventory comes back from third party.

Sandeep Jain: Approximately in whole company**.**

Sonal Minhas: Sir on debtors I just want to understand I see a downward trend from March till now debt is going down but on the ground can you say what the company is doing to actually improve its working capital. I wanted to understand that if you could explain that.

Sandeep Jain: See we are making every conscious effort to bring the debtors down and having a tight control on our agents and distributors also and our EBOs also so that is helping us and that is helping us to bring the debtors down.

Sonal Minhas: Okay any near term target for example one year out, two year out what is company aspiring to achieve in terms of cash conversion or debtors if there is any way.

Sandeep Jain: We would like to bring the debtors down every year. The number of days debtor position but it cannot come down at 120 level because we sell it around 90 days in most of the goods and also there is some end sales basis which also takes time so that would be prudent level. I think 120 days you can consider at the debtors level.

Sonal Minhas: Sir compared to let us say your competitors what could be our channel practice if I were just to compare you to your peers in the market are we leaving more credit on the table, is it comparable to your competitors just trying to understand that.

Sandeep Jain: It is comparable to all the brands. Because when we are selling to retailers they have the credit period from all the companies so mostly all of the companies who operate in the same business area normally have more or less same credit days. In our case our sales is basically happening in the third quarter so at that time we have to supply our goods little earlier before the starting of the season so that means some number of days more than the other companies. As some sale in happening in discounts also in Jan and Feb because in end sales period they give us the payment once the goods are sold so that makes some of the days increase in that case and not all the companies have third quarter revenue which is more than other quarters so basically we are segment where the third quarters contributes almost 50% of the sales of the company.

Sonal Minhas: There is a reason for even holding to inventory and debtors.

Sandeep Jain: That is the reason that we hold maximum inventory in September quarter because we have to dispatch those goods in September and October and some goods go at 15th November so that is the reason we have to hold high inventory in our system to fulfil the winter sales.

Sonal Minhas: Got it. Sir if I just my ask let us say the MRP of the product is 100 bucks how much roughly do we leave in the channel and realize in our gross sale.

Sandeep Jain: I do not have the figure available with me. I can ask my account department to check it and let you know after this call is finished**.**

Moderator: Thank you. We have the next question from the line of Gaurav Sachdeva an investor. Please go ahead.

Gaurav Sachdeva: Hello good morning Sir. You have given estimate of around 20% growth this year. If I may ask what is your vision for the next few years maybe three to five years will we be able to grow in the same pace.

Sandeep Jain: See we intend to grow at the same pace but again it depends on the economy, it depends on macro condition globally also but if everything goes well and the economy is growing at 6% to 7% per annum in India as we have been growing in this financial year, I do not think this target is difficult for us.

Gaurav Sachdeva: Okay that is all Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Abhishek Maheshwari from SkyRidge Wealth. Please go ahead.

Abhishek Maheshwari: Hi thank you for the opportunity. Couple of questions so Sir this Q2 your advertising and business promotion expenses are very high and you said that you will be maintaining the levels at 2.5% to 3%. Like going forward in coming year should we expect that every Q2 this particular line item will be higher than other quarters or will it spread even more across all four quarters in coming years?

Sandeep Jain: We cut down our advertisement expense heavily in the COVID year and the next year and now there is need to increase our advertising cost because we need to promote in various geographies and various channels also so that is why the guidance which was 1% to 2% last two years has gone up 2% to 3% but we will stick to your guidance. There can be variation in quarter to quarter. In some quarter it may appear more and in some quarter it may appear less but the overall guidance will remain at 2% to 3% of the revenue.

Abhishek Maheshwari: Okay so I should not assume that Q2 will be the highest.

Sandeep Jain: The overall percentage will remain same, but separate depending upon the season, depending upon the supply, depending upon the requirement of the market it can change from quarter to quarter.

Abhishek Maheshwari: Okay good to know. Sir second question regarding your sales growth. Sir in H1 you have already crossed 29% sales growth so Q3 being the best quarter and now that you are opening a lot many stores you think you will be able to cross 30% sales for the full year FY2023.

Sandeep Jain: It is a good guess. So H1 already I think we have achieved on the line of what the company has given the guidance and we again reiterate the earlier statement that 20% to 25% growth is very much achievable and we are on track of that and there might be some surprises if the season goes very well.

Abhishek Maheshwari: Very good Sir. J&K facility it will only be producing blankets or we will have the equipment and machine to be able to product some other products too.

Sandeep Jain: This facility is put for blankets and quilt. So we will be making quilts also. We will be making blankets also and then we have a future plan to put up another line which is blanket and flannel fabrics so that is in the second phase of this project, but the first phase of this project will be having a blanket line and also the quilting line and there is also a plan of doubling this capacity after 1 year.

Abhishek Maheshwari: Sir phase one comprising a capex of Rs.80 Crores spread over the next 1 year.

Sandeep Jain: Yes.

Abhishek Maheshwari: Okay and Sir my last question any capex are you planing for backward integration also or you are focusing more on brand development and the garment manufacturing.

Sandeep Jain: There is requirement of some warehousing for the company as the business is growing. Last year we grew at 45%. This year we will be growing around 20% to 25% so we need more space for our products to be dispatched from central warehouse so we are putting up two warehouse in Ludhiana. One warehouse is already completed which is 82,000 square feet and one warehouse is under construction which is approximately 2 lakh square feet so this will be having a cost of 26 to 27 Crores in the capex but no backward integration it is just the requirement for future business and supplies.

Abhishek Maheshwari: Okay thank you very much Sir all the best.

Moderator: Thank you. We have the next question from the line of Dhiral Shah from Philip Capital. Please go ahead.

Dhiral Shah: Good morning Sir, thanks for the opportunity. Sir what is our capacity utilization.

Sandeep Jain: See right now we are going at 100% capacity in both the plants.

Dhiral Shah: Just wanted to know if we are guiding for almost 20% to 25% growth so do we have incremental capacity to achieve our growth guidance?

Sandeep Jain: See incremental capacity is not the issue basically more of 70% of the products are outsourced for cotton segments and woollen we have surplus capacity available with us so there is no constraint as far as increase in capacity or increase in outsourcing expenses.

Dhiral Shah: Okay and Sir any reasons why our online sales have been half if I compare with H1 to H1.

Sandeep Jain: See we already told that there are variations from quarter to quarter. Some supplies are happening in October so that will get compensated when the next quarter comes.

Dhiral Shah: Okay thank you so much Sir.

Moderator: Thank you. We have the next question from the line of Sagar Shah an individual investor. Please go ahead.

Sagar Shah: Thanks for the opportunity. Sir I just want to know what top line or revenue growth can we expect for next 2 to 3 years. Can you give some guidance on that?

Sandeep Jain: Again we already stated this earlier also that this year we intend to grow 20% to 25% and we hope to grow at the same range. Again it depends on the macro condition of the country and also if the country keeps on growing at this kind of pace which we have been growing this financial year so we do not see any difficulty to manage the growth rate whatever we achieve in this financial year.

Sagar Shah: Thank you.

Moderator: Thank you. We have the next question from the line of Amarnath from Ministry of Finance, Oman. Please go ahead.

Amarnath: See I just wanted to have some clarity in respect of this transfer pricing mechanism between Monte Carlo as a company and all this Nahar group of companies. Now I can see from your annual report as well a lot of purchase and sales transaction are happening between this two group companies, purchase side as well as sales sides. Can you just give the clarity that how you decide this transfer pricing mechanism, what exactly is the purchase and sales going on with this group of companies.

Sandeep Jain: See this happens at arm length prices so whatever price they sell to the market they sell to Monte Carlo also and there are some niche product which are available with our group companies we buy from them. If you talk about woollen yarn so they are one of the few suppliers in India who supply quality woollen yarn and it comes to us at arm length prices.

Amarnath: I do understand that part because the volume of the transaction of buying and selling considering your total yearly purchase and yearly sales is quite substantial do not you have other supplier other than your group company.

Sandeep Jain: No this is not substantial at all. If you see I think it is around 10% of the total purchases we do in a year. It is less than 10% the total purchase we do in a year.

Amarnath: What you sale to them.

Sandeep Jain: We do not sell anything to them. If there are some requirements from their side like sometimes they ask for some sweaters, some jackets or some products which are available with us we sell them at the market price. So basically this transaction all are at arm length prices.

Amarnath: Second thing if I read into your quarter by quarter all your quarters presentation, it seems that the focus of management is going too much towards cotton side and it is being highlighted every time that every quarter cotton related sales are increasing compared to woollen. Why does the company's expertise is on the woollen brand and virtually there is no competition in terms of your brand capability on the woollen side. So I am just trying to understand why you are going so much towards this cotton side which is 100s of other companies are there in the competition compared to woollen though I know woollen is a more of a seasonal product where you have a very huge competitive advantage, brand name, and others which is well established and even now your competitor cannot come close to it in terms of your brand capability, why you are going so low there are and higher to the side. I understand this seasonality factor you want to mitigate and everything but is it not going too much on the one side coming out of your expertise area.

Sandeep Jain: I will answer in two steps. See being a tropical country where we have 9 months of almost summer and three months of winter it gives less scope for winter products to grow exponentially at a higher growth rate and secondly if you see geographically, it is only the northern and eastern region we have winters but if you want to compete with south and west you need to have very strong cotton here also. So thoroughly we do not want to restrict ourselves only to one category and that to limit ourselves at the mercy of the weather also if sometimes the weather is not that severe and the weather is mild it may affect us also so considering all these facts the company has taken a thought of going aggressively into cotton wear segment to stay competitive in all the geographies and also that helps company not to have dependence on one category but other categories should score the growth.

Amarnath: Probably a little clarification. In terms of your brand and your quality of the product especially in the last 2 years it has improved a lot but most of our sales are going towards the B2B side and we do not directly go to the customer and that is why your working capital in terms of receivables and other it just increased so what is the company's plan to attract and go directly to the consumers, where your working capital seems to be bit reduced as well as your pricing power and brand power can be more visible rather than going through lot of middle man here and there and selling through B2B not really on B2C level.

Sandeep Jain: This is contradictory to what we are doing. We have around 336 EBOs which are in direct contact with the customers. We have more than 2000 retailers who are in direct contact with the customers whom the goods are going directly from factory to those places so very strange to know that you are saying that we are doing only B2B.

Amarnath: Are you selling directly to the customer or through your retailer.

Sandeep Jain: Yes we are selling directly to the customers. We are selling directly to the retail partners who sell to the customers I just cannot go directly to the customer and sell my goods, so we have to sell through outlets. We have to sell through retail shops. We have to sell through website which is what every brand does in India.

Amarnath: Let me rephrase the question. May be I was not able to put the question properly, let me rephrase this. See the question is that say in other brand for example in similar fashions or other brands they directly sell to the customer through different outlets and they collect the cash almost immediately. So if you see the receivable part is really lower, sometimes they have negative volume capital if I take out the inventory part out then in our case you going to retailer or MBO channels and others where you are keeping our receivables stuck and we are getting it at 120 days compared if I sell to direct customer where the realisation is immediate. I am just trying to understand that part.

Sandeep Jain: We need to correct you in that. All the brands in India follow the same model. They sell through their own outlet. They sell through multi brand outlet. They sell through national format stores. They sell through their websites and yes all the companies in India are operating in the same way in which we also operate but the receivables in our case as I have already told that in winter season the inventory becomes very high and also there is a long winter season sale period also that is why the receivable days have increased otherwise the model is quiet same as other brands in India.

Moderator: Thank you. We have the next question from the line of Riya Mehta from Aequitas investments. Please go ahead.

Riya Mehta: So my first question pertains to the macro front what is the strategy of the company going forward are we going to increase our cotton share or we would be increasing both in cotton as well as woollen so the share remaining constant this is the first question. Second would be in terms of geographical presence where are we looking to foray more and third would be in terms of margin profile since cotton as a percentage is increasing do we see this trend to continue going forward and what kind of outlook would you want to give for that.

Sandeep Jain: Consciously we are increasing our cotton presence year by year because we know that. As I answered earlier also this is being a tropical country where we have 9 months of summer and also geographies where the summers are almost 11 months so consciously we are moving into more of increasing cotton sales as there are limitations for selling the woollen items in those areas. See margins I think we will be able to sustain our margins going forward in this financial year also because all of the increase in cotton prices have been passed on to the consumers.

Riya Mehta: And what kind of winter order book are we are looking for.

Sandeep Jain: See winter order book has been quite strong as we said earlier also in our business update which we have given in last quarter so the order booking was more than 15% overall as far as volumes are concerned. So that is giving us the confidence to reiterate that we will be growing for 20% to 25% in this financial year.

Riya Mehta: Okay thank you that is it from my side.

Moderator: Thank you. We have the next question from the line of Sonal Minhas from Prescient Investment Management. Please go ahead.

Sonal Minhas: I had two questions. The first one was around induction of professional management in the top ranks of the company I wanted to understand let us say what is the plan of the company in the next 3-4 years or in the last 2 years. What have we done to actually professionalise the management over and beyond the promoter group and secondly I think just wanted to understand the related party transactions I think as a investor or I think as this a being new community I think we will love to understand a little bit more disclosure around the related party transactions because if I see FY2021 annual reports as well, there is a fair bit in those numbers. So if this is not a business a call can this be done from other entities just want to understand the commercials of this little bit and if this can be tapered over the course of next 2 to 3 years.

Sandeep Jain: See I will come to the first part of your question where you are asking about the professional who have been inducted. See our company is basically a professional driven company definitely there are owners involved but they are involved only in the major decisions. All the decisions have been taken by the professionals depending upon the markets and depending upon everything. As far as related party transactions are concerned it is an arm length prices I answered earlier also that it is all audited by the auditors also and this all related party transactions are even less than 10% of our total overall purchase. I do not think that there is anything which says that we purchased more from our group companies and less from others. It is just less than 10% of the total purchase which has happened in the company. Our audit firm is best in the country. Deloitte is auditing us and they are also auditing the related party transactions.

Sonal Minhas: I understand that and is there a business commercial reason to buy it from these group entity just wanted to understand they are sole vendor for that or is there something which they solely produce.

Sandeep Jain: In case of woollen yarn Oswal is only one which produce woollen yarn and they supply to other people also. Even they supply to Madura. They supply to US Polo. They supply to Benetton so they supply to us also and it is all arm length price.

Sonal Minhas: Okay Sir thanks a lot. Thank you.

Moderator: Thank you. We have the next question from the line of Danish Misri from First Advisors. Please go ahead.

Danish Misri: Yes hi thank you for taking my question again. I had a question on the stores. You said it was 30 to 45 so these are EBOs so that means that we will be paying more lease for these stores and how does that work out for us. Thank you.

Sandeep Jain: Mostly they are franchise outlets so 85% to 90% of the outlets we opened are franchise mode where franchise pays the rental and there are some locations which are high rental location which they cannot afford to pay so those are taken by the company and managed by the company so that is how we proceed every year.

Danish Misri: Okay but do you see any major incremental increase in our capex because of that let us say in the major location we take it on.

Sandeep Jain: No we do not see a major capex going in to this side.

Danish Misri: Okay thank you so much and the rent part also we do not see major increase right.

Sandeep Jain: Rent part is borne by the franchise normally, but wherever we take the store for rent, we bear the rent and then we pay commission to the franchise.

Danish Misri: Correct but we do not see a big increase in that rental cost for us on a company level.

Sandeep Jain: We do not see a big increase in the rental cost for the company.

Danish Misri: All right. Okay thank you very much.

Moderator: Thank you. We have the last question from the line of Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: Thank you for the opportunity again. I just have two questions. One in the cotton segment and in the woollen segment so what would be the kind of margin difference between these two and do we have anticipate that margins for cotton segment will kind of catch up with woollen segment as we move along over the next 2 to 3 years so that is question number one. Second is on the store front just wanted to get some idea on the economics of the store. Let us say when do the franchise generally are able to breakeven on the stores that they open so if you have any view on that.

Sandeep Jain: Let us come to the first question where you are asking about the margins in the cotton and woollen segments. I am happy to share that the cotton segment is actually more margins at PBT levels as compared to woollen segment so that I think answers your question and secondly we expect the franchise to break even in 3 years as and when he opens the franchise, breakeven in 3 years.

Nikhil Jain: The past performance of the EBO stores is in line with this expectation right.

Sandeep Jain: Yes yes that is why we have been able to increase and most of our existing franchise actually open more showroom and more EBOs for us so that shows us that whatever we have planned actually it is as per that expectations only.

Nikhil Jain: Okay thank you.

Moderator: Thank you. I would now like to hand it over to the management for closing comments.

Sandeep Jain: Thank you very much for participating in our conference call. Still if you have any questions which are not answered or any queries which have not been replied you can please ask always for Mr. R.K. Sharma our CFO at montecarlocorporate.com and also you can ask our investor agency Dickenson World for any query. Thank you very much.

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