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MONTE CARLO FASHIONS LIMITED

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Symbol: MONTECARLO	Scrip Code: 538836

Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q3FY23

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 February 7, 2023 to discuss Q3FY23 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: 2023.02.11 17:23:09 +05'30'

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

"Monte Carlo Fashions Limited
Q3 FY2023 Conference Call"
February 07, 2023

ANALYST: MS. BHAVIKA CHOUDHARY – EMKAY GLOBAL FINANCIAL SERVICES LIMITED

MANAGEMENT: MR. DINESH GOGNA – DIRECTOR – MONTE CARLO FASHIONS LIMITED
MR. SANDEEP JAIN – EXECUTIVE DIRECTOR – MONTE CARLO FASHIONS LIMITED
MR. R.K. SHARMA – CHIEF FINANCIAL OFFICER – MONTE CARLO FASHIONS LIMITED
MR. ANKUR GAUBA – COMPANY SECRETARY – MONTE CARLO FASHIONS LIMITED

Moderator: Ladies and gentlemen, welcome to the Q3 FY2023 Results Conference Call of Monte Carlo Fashions Limited hosted by Emkay Global Financial Services. We have with us today the management of Monte Carlo Fashions, Mr. Dinesh Gogna, Director, Mr. Sandeep Jain, Executive Director, Mr. R.K. Sharma, Chief Financial Officer and Mr. Ankur Gauba, Company Secretary. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference to Ms. Bhavika Choudhary from Emkay Global Financial Services. Thank you. Over to you, Madam!

Bhavika Choudhary: Thank you. Good morning everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand the call to the management for the opening remarks. Over to you, gentlemen!

Sandeep Jain: Very good morning, everyone. Thank you for joining us for this earnings call of Monte Carlo Fashions Limited to discuss the financial and operating performance for nine months and the third quarter performance of FY2023. I would like to highlight that certain statements made or discussed over the conference call today will be forward-looking statements. A disclaimer to this effect has been included in the presentation of the results 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 the Company's website.

First, I would like to talk about the macro environment. The Indian economy has rebounded strongly despite the significant COVID-19 waves. FY2023 has seen a solid showing of the Indian consumption story returning in full force, and we have also witnessed better than pre-COVID performance. All our stores across geographies continue to be fully operational, and the strong brand pool of Monte Carlo is drawing in solid footfalls and generating sales growth. Indian domestic textiles and apparel market is expected to grow 10% CAGR to reach Rs.190 billion by 2026, and the shipping consumer preferences towards branded apparel give us ample scope for growth.

Let me share the financial and operational highlights for nine months of Q3 of FY2023. The Company recorded revenues of Rs.519 Crores during Q3 FY2023 as against Rs.462 Crores during Q3 FY2022, thus registering a growth of 12.4% year-on-year. Operating EBITDA for this quarter was Rs.130 Crores against Rs.114 Crores in Q3 FY2022. The profit after tax stood at Rs.86.3 Crores compared to Rs.77.5 Crores in Q3 FY2022. Revenue from operations in nine months stood at Rs.881 Crores as against Rs.742 Crores in FY2022, growing by 19% year-on-year. Operating EBITDA was Rs.185.4 Crores in nine months as against Rs.157.7 Crores as compared to last year, which is a growing 18% year-on-year. PAT stood at Rs.112 Crores in nine months FY2023 as against Rs.101 Crores in nine months FY2022, growing 12% 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.265 Crores, which comprises cash and bank balance along with the current and noncurrent investments. Long-term borrowing is Rs.5.85 Crores as of December 2022 compared to Rs8.3 Crores of March 2022, which shows our efficiency in serving the debts.

Monte Carlo Fashions continues with its endeavor to build a leading branded apparel company with a well-diversified product portfolio such as cotton, woolen, kids, and home furnishing. Apart from the cotton segment, we also produce different other garments. We also make cotton T-shirts under the economical category of Cloak & Decker. The ability to tap various market segments provides the Company with tremendous opportunities for growth in the coming years. The key strength is a vast 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 2670 MBOs plus SIS, 347 EBOs, and 788 national chain stores.

Concerning online sales, we are looking to focus more on selling through our portal, however, clothes are available on various e-commerce websites such as AJIO, Amazon, Flipkart, Myntra, FirstCry, Jabong, and Kapsons. The Company has opened 30 new stores in different regions, out of which seven stores were opened in the northern region, two in the central, and four in the eastern region. With this, the total number of EBOs has reached approximately 347 across 20 states and four union territories. The Company maintains its yearly guidance of opening 40 to 45 new stores, as informed earlier. The tradeshow for September 2023, conducted in September 2022, witnessed healthy traction helping to build a robust order book for summer. The Company continued to enjoy and strengthen its position in the cotton and woolen portfolio simultaneously, thus building resilience and enhancing its operation.

Most of our net revenue is from franchise EBOs and MBOs, where we primarily sell on an outright basis. Under the business model, there is no significant inventory risk, and we remain insulated from the average hazard sales in a branded apparel business. To date, we have experienced almost zero bad debts in our business, which is a testimony to our robust business model based on a zero credit risk policy for the Company. At Monte Carlo, we tried to provide our customers with finance closing through product innovation, high quality, and the launch of new collections from time to time. Moreover, we continually work towards changing the look and feel of our stores to give our customers the best-in-class experience. We are optimistic about our future growth and earnings potential. We believe that we have a strong foundation for the future, which we will provide with sustainable and profitable growth for the long term.

While our focus will be to maximize revenue growth going forward, our considerable interest is in building profitability by maintaining cost control measures. To further enhance our brand's recall and visibility, we focus on advertising through different platforms like televisions, online and retail channels, national and regional newspapers, hoardings, and billboards displayed at airports and cinemas. Monte Carlo maintained its first-mover streak to implement digital solutions in the industry. We are also pleased to share that in line with our digital focus to build robust processes and enhance our customer experience. The Company has implemented SAP S/4HANA solutions, fashion, and vertical business. This intelligent ERP provides real-time and predictive consumer trend insights in all business areas. This will enhance the flexibility and agility to deliver end-to-end customer experience and, at the same time, achieve significant bottom-line cost savings. Now we can open the floor for question and answer sessions. Thank you.

Moderator. Thank you very much. We will now begin with the question and answer session. The first question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah. Just one question regarding the outlook for the next financial year regarding your revenue growth and your EBITDA margin. How do you expect the business to build over for the next year if you have any views on that?

Sandeep Jain. Thank you. So as far as the forward-looking guidance for next financial year, we normally give once we have the fourth quarter results because, in that case, we get the inventory at our retail stores and our warehouse. Also, we have a tradeshow which usually happens in March. So we will be in the best position to give the forward-looking guidance and for the EBITDA margin once we have the final results of next quarter.

Rahil Shah. But overall, as an idea, you do expect the growth you have seen so far to continue on similar lines if I had to ask?

Sandeep Jain. Definitely, there is no doubt about that. Last year we grew around 40%, and this year we will be around 20%, so we think this momentum will continue because we had a perfect winter this year. Also, we expect a store's retail inventory should be as of last year's level. So we do not see any challenges going forward, and I think macros are also now very favorable compared to the previous quarter.

Rahil Shah. So you expect the current run rate to continue, which is a positive sign. Yes. Okay. So thank you, and I wish you the best.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Good morning, everyone. Thanks a lot for the opportunity, and congratulations on a good set of numbers. Sir, firstly I wanted to understand how we foresee more growth extending to Q4 due to the extended winter.

Sandeep Jain: Normally, USS happens in January and February, so the woolen sale is on, so. This sale will be closed by February 20, but at the same time, the summer dispatches have started, so the significant contribution from the fourth quarter would be from the summer sales.

Deepan Shankar: How is the inventory level for woolen products in the market, and how is the discounting season happening for Q4 for woolen?

Sandeep Jain: Inventory levels we will only come to know once we have around March 15, but we think that it has come down to last year's level, seeing the sales trend which has happened in January and February, and we are very hopeful that even it can go down before the last year's level.

Deepan Shankar: What is the specific reason for a 16% decline in online sales, Sir?

Sandeep Jain: I think some dispatches have been delayed, and there is one more reason that, actually, one of our customers, who was an outright buyer, so shifted to consignment sales, so some of the orders we have to miss in that case, so that affected this quarter, but we are hopeful that it will start picking up from the next quarter.

Deepan Shankar: This advertisement expense has been higher for Q3 and nine months, so do we expect this Rs.33 Crores, 36 Crores yearly run rate to sustain from now on?

Sandeep Jain: We were previously doing 3% to 4% advertisement only, COVID in the last two years, we brought it down to 1% to 2% to save our cost, but now we think that to enhance our brand visibility and also to enhance our presence in south and west we need to do around 3% of advertising that is what the Company did in this financial year.

Deepan Shankar: From my side, this home textile and kids segment growth has been lower, so is there any specific reason, or do you expect in the coming quarters to pick up?

Sandeep Jain: We guided for 30% growth in the kids and home textiles segment, and we will be achieving that in the full financial year.

Deepan Shankar: Thanks a lot, and all the best.

Moderator. Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal Thanks for the opportunity, and congrats on a good set of numbers. Sir, I wanted to check if winters this time around were delayed. So in December, winters were not that cold. Holi is a bit earlier this time around, so you have alluded to this, but I just wanted to understand better, do you expect higher discounting this time around just because Holi is also a bit earlier?

Sandeep Jain. You are correct that the winters were delayed, so the USS sales have started, and also there were more discounts as compared to last financial year, but we have a lot of cushions as far as our pricing is concerned, and I think that we have already done the adequate provisioning to safeguard ourselves as far as the margins are concerned.

Devanshu Bansal So this provisioning impact has already been taken in Q3, or can it come in Q4?

Sandeep Jain. It has already been taken in Q3.

Devanshu Bansal Got it, Sir, and there were also indications that from an entire company point of view that there was mixed sort of growth trends during the quarter with October, December being good, and November being a little weak, so do you also expect some sort of a postponement of that demand into Q4?

Sandeep Jain. I did not get your questions properly. Can you please repeat it?

Devanshu Bansal Sir, this time around, the general feedback that we are getting is that October and December were good, but November saw a very sort of weakish growth trend, so I was asking since January has also been a little colder so do you expect some of that demand to happen in Q4?

Sandeep Jain. Generally, it exceeded our expectations. You were right that October was strong, December was strong, and November was weak. Still, in January, we grew by almost more than 30% at our retail stores. Hence, the demand was excellent because of delayed and extreme winters, so we have been able to lower our inventory as I said earlier.

Devanshu Bansal Correct, and Sir, what is the extent of price hikes we have taken over the last two or three years? I just want to understand when higher prices can also impact demand and due to a higher inflationary environment, so what is your sense of that?

Sandeep Jain. As far as this year is concerned, we took a price hike of almost around 8% to 10% in our winter wear category, and in the summer wear category, it was around 5% to 7%, and if we go last year again it was 5% to 7%, so it depends on normally if you see on average we increased 5% to 6% prices every year depending upon the raw material and other cost increases, but last year was exceptional where the raw material price has gone up the very steep hike, so we have to increase our price around 10% to sustain our margins.

Devanshu Bansal Correct, and how is the RM situation now, Sir?

Sandeep Jain. Now, I am happy to share that the price of raw materials has come down, so it will benefit us in the next financial year. As raw material commodity prices are going down every year, we will benefit from lower cotton and wool prices.

Devanshu Bansal So you do not intend to sort of take a price cut, and whatever the improvements will be there through RM decline that should come in our gross margin, is it a good understanding?

Sandeep Jain. No. The price once it is absorbed, the price is accepted by the consumers, and no point in cutting down the prices, so normally, if it goes up 2% to 3% every year, certain costs are getting up, so we are not going to cut any prices going forward.

Devanshu Bansal Last one from my side. I just wanted to understand how this movement for the online channel from outright sales to consignment-based sales impacts the unit economics at this time, so obviously, however, I guess working capital will be higher. Still, we will be making higher margins, so I just wanted to understand if this understanding is correct.

Sandeep Jain. There is nothing to worry about there. It contributes only 4% to 5% of my turnover, which is significantly very less, and even any other channel is just 5% of outrage sales, and 1% is not going to make any significant difference as far as our revenue and margins are concerned.

Devanshu Bansal But still, Sir, in the consignment model, how are the unit economics different than outright sales?

Sandeep Jain. Consignment models are slightly less than 100, 150 basis points compared to outright sales.

Devanshu Bansal Got it Sir. Thanks, and that is it from my side.

Moderator. Thank you. The next question is from the line of Nithya Shah from Kamaaya Kya Asset Management. Please go ahead.

Nithya Shah. Congrats on a good set of numbers. So I wanted to understand, in the past, we have hired Andre Russell, the Cricketer, as part of advertising campaigns and now you have spoken about the fact that the margin going forward will also improve due to lower raw material costs, so I just want to understand are you planning to increase your advertisement expenditures as a percentage of revenue and what are your advertising plans in the future, do you plan to hire any more celebrities for better brand awareness and so on so I just wanted some guidance on that?

Sandeep Jain. Yes, sure. We would like to keep our advertising guidance at 3% as far as revenues are concerned. Yes, we are also thinking of including one celebrity in our ad campaigns, so when that happens, we will inform you in our next conference call.

Nithya Shah. Great, Sir. All the best for future quarters.

Moderator. Thank you. The next question is from Vikas Khemani from Carnelian Asset Advisors. Please go ahead.

Vikas Khemani Congratulations on a good number. A few questions. Could you share your store opening target next year? We only exceeded your guidance, so what do you think about next year or maybe the next couple of years? It is good to hear that it could be an excellent extra growth as we are still very, very underpenetrated in the south and west of India, so some more concrete guidance on that would help?

Sandeep Jain. Vikas, your voice is breaking, but as I understood the question clearly, you wanted to ask how many store opening plans we have for the next financial year and strategy. I think this year we opened around 40 stores to 45 stores. We are on track to achieving that guidance, so next year, we are increasing our guidance to 50 to 60 stores. As far as store openings are concerned, we are putting a lot of focus on the south and west, and we assume that at least 20% of stores will come in the south and west out of the new store openings.

Vikas Khemani Right, and secondly, we now have a lot of cash sitting in our books, which obviously will drag on ROE, and you can get almost Rs.120 Crores, Rs.130 Crores cash every year now, so any plan to do any buyback dividend because you last did it was only 2019 so it has been like three, four years now so what is the plan of cash which you gave on the balance sheet?

Sandeep Jain. As I think we have discussed in our last financial call also that this year's capex will be huge because we are putting up a blanket plant and quilt plant at J&K, so some of the cash would be used because not everything we are taking on debt so as far as land and building is concerned, as with no interest subvention scheme on there, so we are putting our own money in land and building, a wholly-owned subsidiary, so that would be on Rs.40 Crores, Rs.50 Crores, so some of the cash would be used over there, and yes definitely we are a dividend-paying company and paying handsome dividend every year dividend will be shared with the shareholders and also if there is any plan for any buyback and anything that all can be discussed in the Board meeting, but that has not discussed yet. So if there is any plan, we will let exchanges know.

Vikas Khemani: Okay Sir. Thanks.

Moderator: Thank you. We have the following question from the line of Danesh Mistry from Investor First Advisors. Please go ahead.

Danesh Mistry: Good afternoon, and thank you for taking the call congratulations on the good numbers. It is heartening to see that your gross margin has been improving as you had guided at the beginning of the year. Sir, I have just a couple of questions. The first is on your other expenses. You can just help us understand what has driven these other expenses this time around because remember, last year same quarter Q3 FY2022 we had the CSR expenses in the bay, so last quarter, you had said that now you are amortizing some of these expenses, so what was the reason behind this 25% increase in other expenses that is question number one?

Sandeep Jain: I think in other expenses, the significant cost is advertising, which was a...

Danesh Mistry: Without advertising, advertising has increased from Rs.8 Crores to Rs.15 Crores.

Sandeep Jain: Rs.28 Crores, yes.

Danesh Mistry: For the quarter, I am saying Sir, but if you…

Sandeep Jain: I think all other expenses are normal. Advertising costs which could be higher **(audio cut) 22:19,** and business promotion expenses have also gone up in nine months compared to last year. Otherwise, all other expenses are in line, 15.76% was last year, and 16.2% is this year, so it is in line.

Danesh Mistry: No, I was trying to understand on a quarterly basis. If you see slide #10 of your presentation there, you said that in Q3 FY2022, other expenses of Rs.47 Crores are now close to Rs.57 Crores, so is there any one-off in that as well? Is what I am trying to understand in the quarterly number?

Sandeep Jain: If we see the percentage-wise, it is 10.16% and 10.9%, so it has gone up accordingly.

Danesh Mistry: Understood, and Sir, in terms of this, you mentioned that in January you had a good sale of your inventory given that you had some winter spillover, so is it possible to share the current debt number that we have, Sir, on our books, the gross debt?

Sandeep Jain. The long-term debt you are asking for?

Danesh Mistry. Both, Sir, long-term and short-term working capital, Sir.

Sandeep Jain. The long-term debt is just Rs.5.8 Crores only, and the short-term debt is Rs.200 Crores.

Danesh Mistry. Got it, and in September, Sir, what was this figure?

Sandeep Jain. Just wait for a moment.

R K Sharma. Long term, it was only Rs.7 Crores.

Danesh Mistry. How much was the short term?

R K Sharma. Short term was approximately Rs.150 Crores.

Sandeep Jain. Rs.150 Crores in September.

Danesh Mistry. In September, our debt paydown will still happen in the short term. Is it this quarter?

Sandeep Jain. We are actually using working capital, which becomes very heavy in September and December. It comes down in the March quarter, so we would see that in this quarter, it would come down to Rs.50 Crores short-term debt.

Danesh Mistry. Got it. Understood. Sir, right now, Sir, what is the cash on the books?

Sandeep Jain. Rs.265 Crores.

Danesh Mistry. Okay, Sir. Thank you, and I wish you the very best of luck.

Moderator. Thank you. The next question is from the line of Govindlal Gilada, an Individual Investor. Please go ahead.

Govindlal Gilada. Thanks for the opportunity. I got only one question. This finance cost has gone up substantially any specific reason, Sir?

Sandeep Jain. Finance cost is because of two reasons. the interest rates have gone up, and utilization has gone up as the sales have increased.

Govindlal Gilada. Interest rates have substantially gone up?

Sandeep Jain. Utilization has gone up, and secondly, the interest rate was also higher compared to last year, so that is where the finance costs have gone up. These are the only two reasons for this, and if you see the percentage-wise, it was just 1.55% last year, and it is 2.16% this year.

Govindlal Gilada. No, H2 it has gone up 128% from Rs.4 Crores to Rs.10 Crores.

Sandeep Jain. Yes, that is the reason for the interest rate hike, and the more utilization compared to last year is the reason.

Govindlal Gilada. Okay, thanks. So this run rate will continue, Sir?

Sandeep Jain. No, I think the interest rates have stabilized now, and I think it will come down going forward, so definitely it will come down, and also, I think utilization will also come down.

Govindlal Gilada. But debt is almost around Rs.200 Crores, and Rs.200 Crores quarterly interest Rs.10 Crores is, I think, working capital also, we are using more, I do not know?

Sandeep Jain. We can separately share with you the cost of interest and how much financial charges are extra compared to last year, depending on these two factors.

Govindlal Gilada. Okay, Sir. Thank you very much.

Moderator. Thank you. The next question is from line Dhiral from Philip Capital - PCG. Please go ahead.

Dhiral Good morning, Sir. Thanks for the opportunity. Sir, as you said, you are guiding us to increase 50, 60 new stores next year. So, if you are still planning to add only 20% in the south and west region, on an overall basis, will the south and west still contribute a minimum to the overall revenue?

Sandeep Jain. If you see, the contribution from the south is just 3% and 4%, and we are adding 20% more stores as compared to 20% of total stores, so you think that this is how we are penetrating more in south and west. If I see the percentage-wise, it should be only 5% of the stores we should open in the south and west. Still, to increase our presence and penetrate further, we are making 20% of the total stores open in the south and west, which shows the Company's intention to grow in the south and west.

Dhiral But Sir, why then at a slow pace, just 20%, and why not so maybe at a higher pace because our presence in that region is minuscule?

Sandeep Jain. Sir, I think you are not getting my point. What I am saying is that right now, the sales contribution from the south and west is just 7%, and the sales contribution from the north and east is 93%, so when I say 20%, it means 2.5 times I am making the sales, try to make the sales in south and west as compared to northern regions that are why I am saying 20% of the stores new store will be open up those regions.

Dhiral In the next three to five years, what kind of south and west revenue can it contribute to the overall pie? What is our target for that?

Sandeep Jain. I can say that last year the contribution was around 5.95%, and this year it is going to be, I think, around 8%, and going forward in the next three years, we should need to touch, I think, around 15% of our turnover from south and west.

Dhiral As you are guiding to open 50, 60 stores from 40, 45 stores, what gives you this confidence to grow at a significantly higher pace? So is there any indication for that, Sir?

Sandeep Jain. I think it is only that we see the potential for Monte Carlo to grow in some of the areas where we are not present, and, as we said earlier, there are south and west where we were opening just two to three stores we are opening now 10 to 15 stores, so that is giving us the confidence to open more stores in those areas where we are doing well, and we are getting a good response so that is why I would like to explore those areas, where we present more aggressively.

Dhiral What will be the capex guidance for FY2024 and the remaining part of FY2023?

Sandeep Jain. Capex, I think, as you already know, that we have a main plant and manufacturing plant, which is coming up in this financial year, and also some of the expansion will happen in next year, so we think that going forward we should have a capex of Rs.125 Crores including the regular capex of Monte Carlo and the additional capex of the blanket plant.

Dhiral Thank you so much, Sir.

Moderator. Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari Thanks for the opportunity. I had some questions. Do we have any debt stock?

Sandeep Jain. We do not carry debt stock. We usually get rid of inventory by March 31, and whatever stock is there, we either sell to some people at a significantly discounted price or write it off.

Akshay Kothari So when selling it for the discounted price, would not that **hurt** our brand?

Sandeep Jain. No. It is like we cut our labels and give them to some of the people who sell the lot, so that is just around 10% to 12% of the MRP when we sell it to the people selling at their outlets. There are some outlets in the northern region also where we sell out this merchandise, and we make sure that it does not disturb my existing channels of MBOs and EBOs.

Akshay Kothari Some other brands are aware of these factors, but people are generally aware of this Monte Carlo sale, which happens annually. People would wait for that sale, right?

Sandeep Jain. Yes.

Akshay Kothari So, is it not affecting our sales in the prior period just before the sale?

Sandeep Jain. Some customers do not see when the sale is coming, so they have a high disposable income and purchase whenever they want. So those kinds of customers come in October, November, and December. Then definitely, a valuable customer thinks he only wants to purchase when the prices are lower. So there are two kinds of customers we are dealing with. We are happy to sell to both types of customers, and it is for all brands. It is not for Monte Carlo. It is a worldwide phenomenon.

Akshay Kothari How many sales seasons do we have in a year?

Sandeep Jain. We have two sales periods. One is for summer USS and the second is for winter USS. There are no in-between mid-sales. We do not make any mid-summer or mid-winter sales. It is only two sales.

Akshay Kothari Which months would be?

Sandeep Jain. Normally, summer sales happen in July and August, and winter sales happen in January, and February. January and February till 15.

Akshay Kothari Can we expect any improvement in the working capital cycle?

Sandeep Jain. Working capital will remain like that only. We are in a business with a heavy third quarter, so working capital remains like that. It comes down in the fourth quarter.

Akshay Kothari We are using manmade fibers, right?

Sandeep Jain. We do use manmade fiber.

Akshay Kothari So when you say cotton, it is not pure cotton, which we are selling. It must be a mix, right?

Sandeep Jain. That is a mix. Some garments are made of cotton and polyester, and some are made only of cotton, so we use both fabrics.

Akshay Kothari Advertisement expenses. Where are we advertising? Is it some ROI-based advertisement?

Sandeep Jain. Definitely, it is ROI-based advertising. We are doing ATL and BTL activities above and below the line. We are present in digital. We are present on TV. We are present in the theater also. We are present in hoardings and also in outdoor media. We are also doing print advertising, so we are exploring all kinds of tenders, some OTT apps, and other apps where we are making our presence felt.

Akshay Kothari I visited one of your stores in Borivali West for the price point that they are offering aspirational value. Not there was no very good response in terms of I visited on a Sunday, so I understand it is just starting for us in the western and southern regions. Still, for the price point you are offering, some of the very premium foreign brands are also offering, so what is the aspirational value we are trying to create?

Sandeep Jain. I think the simple answer is that if my customers are accepting the price, then only we can sell on MRPs in all the regions, but I am not sure about how you perceive the aspirational value of Monte Carlo when you visit stores, but generally as I said earlier that in the western region, we do not have that much of a presence, so that is why the customers might not even recognize Monte Carlo as high a brand as it is being recognized in the northern and eastern region so that might be a difference.

Akshay Kothari Yes. That is what I am trying to ask you. In the western region, for the same price point, I can go for it. My only point is, are we going from that strategy to catering to the western and southern markets?

Sandeep Jain. We are competing with all the brands as far as our summer range is concerned. We are very, very competitive. I think you might have taken for buying the winter things, which are a little more expensive than others, but as far as summer products are concerned, we are very competitive. If you see all T-shirts, trousers, and denims, they are at least competitively priced with all the Madura brands, Raymond brands, and Arvind brands. You can compare our prices with them and definitely in winter wear brands. Also, if you compare our pure gold sweater with their pure gold sweater of UNIQLO or H&M, our prices are more competitive. Still, we are a little expensive if you compare my pure gold sweater with other sweater or polyester sweater.

Akshay Kothari: That is it from my side, and all the best. Thank you.

Moderator: Thank you. That was the last question for today. I would like to hand the conference over to the management for closing comments. Over to you, Sir!

Sandeep Jain: Thank you very much. If you have any queries or questions, please write to our IR agency, Dickenson, and our CFO, Mr. R.K. Sharma, for further clarification or any of the queries you have asked.

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