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MONTE CARLO FASHIONS LIMITED

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Symbol: MONTECARLO	**Scrip Code: 538836**

Sub: TRANSCRIPT OF EARNINGS CONFERENCE CALL - Q4 &FY24

Dear Sir / Madam,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on May 29, 2024 to discuss Q4 FY24 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: 2024.05.30 11:05:29 +05'30'

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

Monte Carlo Fashions Limited
Q4 FY24 Earnings Conference Call
May 29, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY24 Earnings Conference Call of Monte Carlo Fashions Limited.

As a reminder, all participant lines will be in listen only mode, and there will be an opportunity for you to ask questions after the opening remarks conclude. 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. Purvangi Jain from Valorem Advisors. Thank you and over to you ma'am.

Purvangi Jain: Warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations of Monte Carlo Fashions Limited. On behalf of the Company, I would like to thank you all for participating in the Company's Earnings Call for the 4th Quarter and Financial Year 2024.

Before we begin a quick cautionary statement, some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are caution not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us Mr. Sandeep Jain – Executive Director; Mr. R.K. Sharma – Chief Financial Officer, and Mr. Ankur Gauba – Company Secretary.

Without any further delay, I request Mr. Sandeep Jain to start with his opening remarks on the financial highlights. Thank you and over to you, sir.

Sandeep Jain: A very good morning to everyone and thank you all for joining us for today's earnings call to discuss the quarterly performance for 4th Quarter and financial year ending 2024. Let me start by sharing the financial and operational highlights:

For the 4th Quarter under review, the Company reported revenue of Rs.207 crore representing a decline of 13% year-on-year. We had EBITDA loss for this quarter of Rs.10 crore while net loss stood at Rs.19 crore for this quarter. Unfortunately, this quarter was one of the worst we have seen in a long, long time due to depressed retail sentiments resulting in overall higher returns. And also higher discounts been given resulted in the loss for this quarter.

For the financial year ending 2024, the Company reported revenue of Rs.1062 crore on a consolidated basis representing a de-growth of 5% year-on-year. EBITDA for this year stood at Rs.143 crore which declined by 34% year-on-year and EBITDA margins were reported at 13.46. Net profit for the year stood at Rs.61 crore.

Monte Carlo Fashions continues with it's endeavor to build a leading branded apparel Company with continued effort to increase its distribution network. The Company has added 55 new EBOs in financial year 24. The total number of EBOs now have reached 411.

Overall, Financial '24 has not been a good year as per our initial estimates. This is a result of the poor retail sentiments, and the purchasing power that you may have witnessed across companies in the similar sector. Our strategy to diversify our sales have started bearing fruits, our online sales have picked up, home textile sale will continue to show good growth rates, brand Rock.it has also performed well and has been widely accepted by market. Our premium brand Luxuria has also started contributing to the overall sales. For the coming year we are again committed to open 45 to 50 EBOs across India including Western South. With this now we open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sakshi Sharma from ICICI Bank. Please go ahead. The line for the current participants seems to have been disconnected, we will take the next question. The next question is from the line of Venkata Subramanian from Organic Capital. Please go ahead.

Venkata Subramanian: as a Company we had probably the least amount of sales and we have said in multiple conversations and con-calls that, that will be a fundamental strength of the Company. Now, that unfortunately seems to be actually reversing, which is one and two is the strength of the Company in cash conversion, and therefore lower finance cost, which also seems to have reverse because our current finance cost is almost about three times that of about, is there a trend here or.

Sandeep Jain: Your voice is not audible it is actually muffling, can you please repeat the question?

Venkata Subramanian: Okay. Now, basically just two one, we have had a lot of sales return, which has never been the case. And our strength previously was that our business model basically ensured that we didn't have the kind of sales returns that we are currently having, that was question one is anything changing fundamentally. And the second question is regarding our finance cost. Since we have had very good cash conversions in the past, all of us have were under the impression that, that will continue, while our finance cost have kind of tripled in the last two years or so. Is anything changing fundamentally, do you want to actually achieve this on any other way?

Management: Thank you. So the first question is basically the higher sales returns. So there is only reason is that as from last two years, we have been aggressively pushing our brands to large format stores, online sales, and also we are opening our EBOs. So the business of MBO sales, and SIS sales have actually gone down. So MBO sale is one area where the returns are not there, but otherwise all the areas now including large format stores, and EBOs what we are opening, so we are having more returns, but this year is definitely something what happened in this year was because, if you see that in last two years, before this year, we grew by around 33%, from 624, we reached to around 1100 crore. So, the trade ratio was also good, and the booking was also good, and we make more merchandise also to support the growth for going ahead. But what happened was, so there was a disturbance, basically winter season it started very late. And secondly, the merchandise was more and thirdly when it started. So at that time, the time was very less, so we have to go for higher discounts. So all these three factors basically resulted in higher returns and higher discount and affected our EBITDA. So, this is the only reason that the sales returns and higher discounts are because of the delayed winter season. And as far as finance cost is concerned, yes because there was higher inventory in the system as compared to last year and also the interest rates have gone up as compared to last two years. So that is also actually the interest cost have gone up because of these two reasons. And even also, when we opening a new showroom, that also adds to the financial cost. Further, give you some details about the finance cost which we entered as compared to last year.

Management: Whenever the new showrooms are open, due to the lease accounting as per the IndAS all the rental part is capitalized, and depreciation and finance cost is incorporated. So, in this year you can see there is an increase in finance cost due to the lease is 4 crore approximately.

Venkata Subramanian: Sandeep, my question is not regarding what happened in 24. But we just wanted a larger actually forward-looking guidance. Are we now in for much higher sales return, structurally based on the change in business model now than we have had let's say in the early 20s, early, 2020 and 21 at the start that's question one. And two, what is your broad estimate with respect to finance costs going forward. I am not talking about just what happened in 2024.

Sandeep Jain: I understand. So going forward, the first and foremost focus for the Company is, as already we have taken a lot of action on the returns, and we have allocated stocks also where to sell the stock also in the existing channels. And secondly, this year we have decided to put more focus on the profitability as profitability, as that came down from the historic level of 21 EBITDA, which you have been maintaining last 15, 20 years which has come down to around 14% this year. So our focus of this year is basically to improve our profitability, for that we have taken few actions so that I will just let all the investors know. So one of the few action is that we are shutting down some of the stores which are unprofitable, and there have been some shop-in-shop also where we have more discounts and more returns that also we have shut down. At the same time, we have increased the price around 7% to 8% in this financial year, to counter the effect of discount which happens in the discount season. So with all these I am pretty sure that we will be having much better profitability as what we had in this financial year, but we are forecasting a flat revenue guidance as there will be addition of around 40 to 45 store but at the same time some of the unprofitable store and some of the SIS and some of the channels where returns were low we are shutting it down. So the revenue will remain flat, but definitely there will be significant improvement in the profitability going forward.

Venkata Subramanian: And you didn't touch upon the finance cost angle, what is your outlook for what the cash conversions will be and the inventory carrying cost and broadly finance cost?

Sandeep Jain: The finance cost will come down in this financial year as we are liquidating some old stock also. So one thing I am pretty sure about that, it should be coming down to 100 to 200 basis points.

Moderator: Thank you. And the next question is from the line of Kiran Gadge from Kingstone Capital Management LLP. Please go ahead.

Kiran Gadge: So please correct me if I am wrong, the sales return is in the issue is EBO, FOFO wherein 5% to 10% sales return is allowed and NCS, even the sales through this channel as a percentage did not increase significantly, why was there issue of sales return this year particularly?

Sandeep Jain: Can you please speak little louder because your voice was, I was not able to hear you exactly.

Kiran Gadge: So, the only channel where in sales return is an issue is EBO, FOFO wherein sales return is allowed 5% to 10% and NCS even though sales through this channel as a percent did not increase significantly why was there an issue of sales return this year?

Management: No, there are two kind of EBOs one is which is buyer seller EBO where the correction is allowed 5%, but second is Company owned EBOs and also the Company owned franchise operated EBOs where the return is around 14% to 15%. So basically, this year because of more merchandise, the return came from these channel as well as from large format stores. So large format stores this year the return has increased tremendously. So, as we have in place at many counters in Reliance and Shoppers Stop and in Lifestyle also. So all together, all the channels basically when the winter was delayed, so time was less for selling the goods so we have to go for quickly higher discounts but when the season is ending, we have to place the summer goods also, so we have to take back the goods also. So there is a reason because I would admit that there have been some of the miss planning from our end also because we planned more goods as compared to last financial year to grow our bills. But it backfired because of the season, because of, when you have higher merchandise at the store. The only thing you think at that point of time is to how to get rid of this inventory. So we went for higher discount and early discounting and whatever discounting after discounting, still merchandise was there. So to clear the store and to foresee summer sales we have to take back the inventory also. But, this was one of the few year where the planning was a little wrong because of higher merchandise being planned, but this year we have taken corrective action. So some of the merchandise which came back is already being allocated to the respective stores. For USS to save ourselves at the same time, the production is planned as per the last year's level. So, I don't see any increase in revenues going forward in this financial year, and would be sticking into the same revenues. But one thing again I am reiterating that, the profitability will be significantly higher what we achieved in this financial year.

Moderator: Thank you. The next question is from the line of Kaushik Jhawar from AKA Investment. Please go ahead.

Kaushik Jhawar: Sir, what would be the revenue guidance going forward because I remember you have said that we are targeting 2000 crores of revenue in coming three to four years. So, where do you see that, when can we achieve that?

Sandeep Jain: It all depends on the economy and the discretionary spending also. Definitely, this is what we planned and we were aggressively opening our stores also but we are seeing this year where there is a lot of inflationary impact on the consumers and the discretionary spending is down and overall as far as correction is concerned it has not rebounded. So, as far as this year is concerned, definitely very cautious, because we have been hit hard by the profitability in last financial year. So, the Company has decided to stick to the, maintain the profitability so, this year we are forecasting flat revenue guidance and to improve our profitability, but definitely the target which you are saying is definitely which on our cards. And we will again come back in second quarter once we see that, how the market is improving, and we may revise our guidance also just for the information of the investors.

Kaushik Jhawar: Okay. Sir in quarter three, you did not anticipate this much sale return because you said that, we would be doing much better and much good margins, but I see the numbers are not reflecting that?

Management: Yes, if you remember last year on concall, we always maintained that our guidance is flat, we never said that it will be growing, but because of higher sales return actually it de-grew my revenue, because when you get higher returns it is minus of your sales. So, that is why the revenue has went down 5%, but otherwise whatever we have stated in our conference call, we achieved our guidance.

Kaushik Jhawar: But at the margin front, I understand last.

Management: Definitely we admit that, we apologize for that, we failed margin crunch, we never expected that we have to go for such higher discount and such heavily discount and being very heavy quarter for us, the third quarter contributes almost 55% of the revenues and we need to have only a 15 to 20 days or one month window to get rid of the inventory. So, we went for aggressive discount, which we never thought in any of the earlier years. So that has resulted in impacting the margins.

Kaushik Jhawar: Okay. I understand basically this is one of the year where everything has gone other way around. So in the coming years, when do you see we get back to the previous margins, 20% or so, next year should be possible that because we are cleaning up all the non-stores. So basically whichever stores are not generating as much profitability, so we are closing them down. So, the better profitability, better margin above than 20 is possible next year?

Management: Sorry, I can't say that, but the one thing I am very, very sure is that we will definitely improve from here onwards, the margin will have a significant jump, but whether we will be able to maintain 20% or not that I can only comment by second quarter conference call, that will give a more clear picture as far as our retail is concerned.

Kaushik Jhawar: Sir, even though if we have a good jump in profitability, this year we had roughly around 60 odd crores of profit and last year we had 130 crores of profit. Still we are down 50%, so when you say much growth, what should we think about the growth in the profitability, what should be the number?

Management: See, as of now as we have just begun this year so, I can’t have a statement which is not prudent on my side to give you exact profit figure. But by the end of second quarter I'll be able to give you some more information about the profitability front, but one thing which again we are saying again and again is that, definitely it will be better as compared to what we achieved in this financial year.

Kaushik Jhawar: Right. So, when you said you are closing down on some of the stores these are what EBOs, or these are NCA stores, what are the stores you are talking about, where you see there is no much traffic or?

Management: So, let me give me some information on this, so it's a mix of some large format stores, where our returns was very high and discounting was very high. So some of the large performance store, some of the apparels shop-in-shop business where the MRP sales were very less and the returns was more high and there are three to four stores also where we have the same issues because of the low footfalls and returns were more. So those actions Company have already taken and we are again adding around 40 to 45. So that will compensate the loss of sales, what it means having at these places. So that is why I'm not giving any increase in revenue guidance. But yes, in second quarter if we see that the market has improved, because to produce more goods, to sell again in the shop is not an issue we can produce in September, October also some of the goods like basically more of sweatshirts and jackets, the sweater is difficult to make in a such a short notice. So in that case, if we see the scenario that the economy has rebounded, discretionary spending is improving, we can revise our guidance and we can come back with revised guidance of growth also, but that's only in the second quarter conference call.

Moderator: So, the next question is from the line of Parvin Sharan an Individual Investor. Please go ahead.

Parvin Sharan: So, I have few questions. First one is that in the Q1 also, we had a lot of sales returns. And it was management said that this is one off and we don't expect this to happen again, and in the concall of Q3 as late as in February we are expecting a descent Q4, all of a sudden last 45 days, we see a tsunami of the sales return, drastic sales returns. So this kind of, is this a roller coaster kind of profitability scenario is going to continue, because it's very difficult for investor and analysts to project. We have a good quarter, and then all of a sudden, in the next year we booked the sales and in next quarter it in return. So it's very tough, so this is one of the remark and in order to understand what happened in the last, because I have seen the results of Raymond's and other companies, economy was down, it was subdued but not to the quantum of what we have performed. So, that is a one point which is to be noted. The second point is, do you think that it's not an issue of our brand pull, or product positioning, wherein in the market, the customers are not ready to buy our stuff is that a gap or you expect, you are seeing that it is entirely due to the economic scenario, where in discretionary spending is not there. So people are not taking our garments and stuff. So this is question number one.

Management: I understand your point. So, if you see that in last 10 years, this is one of year where this thing has happened. Otherwise, you might be tracking this Company from last 10 years, you must have noticed how many times we have failed in our guidance's. So, this is one year, where definitely we admit that there have been some miscalculation, as far as inventory merchandise was concerned, as we normally don't get data from our SIS and MBOs, we get online data from our EBOs and from our LFS. But in SIS, MBO front, we could not get exact data, we only get up to 15 days. So that is how where we fail to plug that gap, but there again we have taken a action there and we are installing one app at our gross store also to get the live data from our customer representative, so that these things should not happen in the future. And we should know that what is going to come back and how much merchandise is lying here, those store also. But again, there's no excuse for the failures, definitely whatever we have committed, we committed for the flat guidance and for margin. So margins we failed, but there is a lesson to learn from here. And we know that from whichever areas where basically we go these leakages and where we got more returns and more higher discounts. So Company is taking appropriate action and I don't want to say again and again the coming quarters rather myself to speak, I would see that my results speaks for ourselves.

Parvin Sharan: Okay. The second question is on the summer sales.

Management: So, just to answer again one party is there, so he was asking about whether the customer brand pull is lesser or not. See, this is again from the fact that our volume has grown. So, there is a no fall in the volume even though some of the companies have de-grown the volume but our volumes have grown but, our volumes have grown but only because of higher discount the revenue has gone down and because of higher returns the sale has got impacted because when we have to take back the goods we reduce that from the sale, otherwise our revenue was up. So, the volume growth was I just give you some information on the volume growth. In case of woolen it was from 19 lakh to 21,46,000. In the case of cotton category, it was 74 lakh to 76,06,000 so, volume growth was there but only because of higher discounts and revenues. Revenue has to be reduced as returns were more, hope that answers your questions also regarding**….**

Moderator: Thank you. And the next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: Sir are these higher discount are still there in the current scenario?

Management: Pardon.

Management: Can you please repeat it?

Dhiral Shah: Sir this higher discount are still there in the current scenario?

Management: Higher discount are, what are you saying?

Dhiral Shah: Are still there in the market?

Management: No, right now it's summer season, the winter season is already over. But yes, the summer season is also the consumption is not picking up. So as far as retail sales are concerned, it is almost flat. So, all the companies in India are planning for discounts starting from next week. So this is our latest information from our marketing team. So we have to follow the same.

Dhiral Shah: So, again sir in Q1 we will be accepting from the higher discount and again margin will be on the operating side will be much lower?

Management: See, I can't give quarter-to-quarter guidance, I can give you yearly guidance. And yearly guidance we are sticking on fair revenue and improving our margins.

Dhiral Shah: Okay. And sir on the home textile side what is our strategy overall because last year what we have in our home textile has not grown as compared to the other business. So, overall section as you are saying that we have seen the improved demand, so what is the overall guidance for the home textile?

Management: Home textile is one of the silver lining in all the product category. And we anticipate a growth of minimum 15% to 20% going forward in this home furnishings segment also, in this financial year.

Moderator: Thank you. And the next question is from the line of Viraj Parekh from Carnelian Asset Management. Please go ahead.

Viraj Parekh: Just one question, geographically if we see North has been more or less the same as on last year. And, we were trying to concentrate a little bit, we got some confidence on the previous earnings calls and opening some outlets in the West and South in the central region. It's fair to say that a lot of our returns have come from our core markets which is North and the East. So first question is, how are you seeing the store operativity in these regions in terms of opening new stores. Are you opening in the same district or same city or are you exploring new regions, and the second question is the weaker part of our pan India presence, which is West, South and Central. How are you looking at these regions where probably other brands are much stronger or do we see that FY25 we still maintain these kind of its like around 12% or 15% kind of contribution from the other three regions?

Management: The high returns are basically exactly from the Northern Eastern region, where we have a lot of winters, and the returns from South and Western market because there was no more winter so returns are less from that. But if you see the growth both the regions have grown, the Western region just for your information have grown from 69 crore to 80 crore, and the South has grown from 40 to 53 crore. So both the region have grown even though the North has de-grown and East has de-grow, but there are no declining sale as far as South and West is concerned. So last year, we opened around 8 EBOs in the South and West and this year again, the plan is opening 10 EBOs in South and West. So we project that the South and West will keep on growing and even in this financial year, we have ambitious target of South should be crossing around 70 crore from existing 52 crore. And others should be taking around 90 crore from existing 80 crore.

Viraj Parekh: And sir the balance of our EBOs which will be opening in North and East, so will we be concentrating the areas we are present or are we exploring new areas in the Northern and the Eastern markets?

Management: No, there are areas where we are not present, we have a map of each and every region. So, there are areas where the potential is here, and we have only MBOs and SIS, but don't have EBOs but everybody now, actually MBO business is becoming very risky as these smaller MBOs are basically shutting down now, because they have high expensive and when they buy outright, they are not able to meet their expenses, when the discounts are there from all the brands. So these smaller MBOs, which were thriving in last 10 years and 15 years they are now closing down. So those are the areas where we have a potential to open our own EBOs. So we have shortlisted around 50, 60 places all across India, basically more in Northern, Eastern and

Central region, where we are opening these stores. It's not only competing with our own store or SIS, it's only complementing in the areas where we are not present.

Moderator: Thank you. The next question is from the line of Deep Chitalia from 9 Rays EquiResearch. Please go ahead.

Deep Chitalia: Sir my first question is, what is the SSSG growth and how much revenue came from online sales. This is my first question and sir my second question is, are these gross margins sustainable in FY25 or are we seeing any improvement going ahead?

Management: Yes, I will come to the first question, the same store growth is zero. Even it was minus three in December quarter, but the full year in Jan, Feb, March the total SSSG is zero there is no growth and no de-growth. And as far as online sale is concerned, it has improved from 91 crore to 111 crore in this financial year and the contribution which was around 6% to 7% has gone to 9% of overall sales. And the margins, I have already shared that the margins will be definitely having a improvement as compared to last year's margins. But exact how much EBITDA we can make, we can let you know by second quarter concall.

Moderator: Thank you. And the next question is from the line of Vivek Gupta from Novus Capital. Please go ahead.

Vivek Gupta: I have two questions regarding the other smaller segments. That's the home textiles and the kids. So since the segments are much smaller, are the margins lesser in that business. And given the overall business these two segments are not much contributing to the entire volume and revenues. So what is the strategy around these two segments of the Company?

Management: Yes, it definitely have lower margin as compared to men's and women's, but kids contribute approximately, 8% to 9% of the turnover. And home furnishing margins have improved this year as compared to last financial year it has reached around 20% of EBITDA as per Silver Lining and as far as Monte Carlo is concerned. And in home furnishing, basically we are even seeing this year additional growth of 15% to 20% also. Home furnishing contributed approximately 141 crore in last year's revenues and kids contributed around 92 crore in last years revenues.

Vivek Gupta: But the home furnishing has declined on an annual basis from 150 to 140?

Management: De-growth of around 4%.

Vivek Gupta: Okay. And you have set up a new capacity?

Management: No, not new capacity, but we have added few categories like we have added towels, throws, bathrobes, and some of other smaller categories. So that is actually showing a very good growth and also there's a good demand in the market. We have recently, we had a trade show at Ludhiana so, where normally we collect advance. So the advance collection is more than 15%

as compared to last year. So that gives us a convenience of going forward the growth around 15% to 20% in home furnishing segment, there is a data recently I had, just few days back.

Vivek Gupta: And the kids segment what is the strategy around that given the sales is also not much and margin is also not much?

Management: Kids again, there is a lot of competition in the kids, the margins are also less we will be sticking to the revenue contribution at this level only.

Vivek Gupta: Okay. And the sales channels for these two segments are similar to the cotton woolen or they are different?

Management: No, they are same.

Vivek Gupta: Okay. So, they do not add on to additional costs?

Management: No, they are same channels which sells cotton and woolens. Home furnishing segment is different.

Vivek Gupta: Home furnishing sales channel is different?

Management: Yes, its' altogether different.

Moderator: Thank you. And the next question is from the line of Shikhar Mundra, from Vivo Commercial Limited. Please go ahead.

Shikhar Mundra: For the stores we are looking to close down, how much are they contributing in revenues?

Management: They are contributing around including SIS, including EBos, including LFS should be around 20 to 25 crore.

Shikhar Mundra: And what are the number of stores we are looking to close down?

Management: In total, there are four to five EBOs, then there are 30 SIS. And then again there are 40 to 50 sale points in LFS. So, those are already we are taking to close it down. And we are adding around 45 to 50 EBOs. So, those new additions would definitely compensate the sales, what we are losing from here.

Shikhar Mundra: And the reason to close them are, basically lower margins or?

Management: There are two reasons for that, in case of SIS, basically we tell them to have at least 35% of MRP sales. And then we have some restrictions on the returns also. So both these criteria have been filled in these SIS which we are shutting it down. And in EBOs the rentals were more and the footfalls were less so, the expenses coming were more as compared to sales. So those were the reason for that. Again in large format stores, it was open in those areas, because it was forced by some of the like Reliance and Shoppers Stop to supply goods in this area, which we have refused this year, where the footfalls were not there and also we have to pay lot of returns probably 75 returns from those locations, they could not sell it. So that is why we have decided to take action on all these areas to save ourselves as far as profitability is concerned.

Shikhar Mundra: Alright. And which are the geographical areas in which these stores are located, is there any one particular geographical area?

Management: It's a spread across entire India mostly Northern and Eastern region and Central region.

Shikhar Mundra: Okay. And how do you quantify how much were these stores making losses on a EBITDA level or how do you quantify the impact of these stores?

Management: We have desired parameters we see the rental percentage, the employee percentage and the sales returns and discounts. So, when it is more than what we have decided that this is a benchmark. So we decided to close it down, whether it is SIS, LFS or any other store, because this year it has become more important as there have been a lot of impact on the profitability. So we have to take all these actions to save ourselves for the future.

Shikhar Mundra: Okay. So just wanted to understand, just compared to the other stores on a Company level how bad were the numbers of these stores, compared to the average store, any other store which is performing well?

Management: No, it's not bad, but discounts were more, so that has impacted us. I can't say that the stores were performing bad but because one reason is that people prefer to shop and discount these days. And secondly, being a very heavy quarter most of our goods we had in December 15, 20. So, it was becoming, it was evident that if we don't go for early discount, we may left out with a lot of merchandise, even though we have already left with a lot of merchandise. Otherwise, if we have not gone for early discounting, there would have been every bigger problems. So, that is why the Company has taken action to go for early discounting and heavy discounting to get rid of these stocks.

Shikhar Mundra: So, on a Company level are we planning to hire any, to take services on the strategic consulting since there have been some, I would say some strategic mistakes last year and are we planning to change our strategy or hire some consulting services to understand the market better or to develop a better strategy?

Management: There is no confusion as far as understanding of market is concerned. But yes, definitely when we were growing at a 30 CAGR definitely we want to grow 15 or 24 next year also. So you plan more inventory, but the season didn't supported you, it didn't turn out the way we wanted.

But again now you have taken an action. So this is the only thing, what the Company can do. Otherwise, when in 2021 we had a P&L of 624 crore and 2023 we did a P&L 1100 crore. So the momentum was build up, and the trade show happened, the strong order flow was there. So we planned more merchandise, but when the season didn't support us, so what consultant will do in that case, also, merchandise is already there, the only thing you can do is that you can save some merchandise, you hold it back just to sell it next year, and plus we have gone for the discounts. So that's the best you can do in that circumstances.

Shikhar Mundra: Okay. And are we sure that we haven't lost any market share to competitors or any competitors have done better which has led to this performance?

Management: Not at all, because the volumes have grown, I have just earlier also, the volumes have grown. Only the area where we need to look at very seriously, to the planning of merchandise in this winters that we have already selling in few locations, which we are shutting it down and there are location which we are sending it less than we will sell more in USS. So now we have two merchandise. So in those stores where USS is more, so we have some last year's goods we sell there. So that will save in our margin front. So we will not sell the fresh goods, particularly December, January in those areas. So that we decided how we can reduce the inventory in those stores.

Moderator: Thank you. And the next question is from the line of Amit Kumar from Determine Investment. Please go ahead.

Amit Kumar: Thank you so much for the opportunity. I just wanted to know, exactly how many of the EBOs and SIS and not meeting your benchmarks and you sort of plan to close this year, if you can sort of?

Management: Those numbers are not there right now. So, I can broadly say that this is the number which I'm closing it down.

Amit Kumar: Yes, so what is broadly that number, I missed it.

Management: I said four to five EBOs, 30 SIS and 35 LFS stores.

Amit Kumar: I am sorry, SIS are part of LFS only right?

Management: No, SIS shop-in-shop business which we do at multi brand outlets. So, bigger multi brand outlets normally have shop-in-shop model where all the brands have a wall where we display our goods and shelf on that particular store.

Amit Kumar: So, this is part of MBOs and LFS is a separate thing, all put together about 65 to 70 locations?

Management: Locations, yes.

Amit Kumar: And correspondingly how much on a gross basis, how much in terms of new EBOs and location we are looking to add during the year?

Management: We have guided for 40 to 45 stores.

Amit Kumar: But that's EBOs specifically?

Management: Yes, pure EBOs.

Amit Kumar: But I'm seeing that, you are talking to other MBOs and LFS in terms of addition of locations also, would you also…..

Management: Sorry, we are not adding any LFS because of higher discounts and higher returns, large format business is a very, very tricky business. So it's completely SOR, and the returns and margins are less in LFS business of all the channels we operate.

Amit Kumar: Okay. And in terms of SIS and MBOs also, that also you are not looking?

Management: No, SIS definitely, there are some locations which our marketing team is looking at, if we can get this place, because those are the good SIS. So we are trying to have, particularly in South and West we are trying to have those stores, but we can let you know only in the second quarter.

Moderator: Thank you. And the next question is from the line of Deep Chitalia from 9 Rays EquiResearch. Please go ahead.

Deep Chitalia: Sir my follow up question is, can you provide me the geographical mix from North, West, South and East, that's question one. And sir my second question is, what is the current ASP in quarter four. And how are we looking at in FY25, that's my first question.

Management: Geographical mix for the year basically almost 88% to 89% business come from the Northern, Central and East region and thus comes the Western and Southern region. So it is there in the presentation also which we have shared.

Deep Chitalia: Sure sir. Sir my second question is, are we looking for improvement in ASP going forward and what is the current ASP for this quarter?

Management: Yes, we have raised our prices around 7% to 8% in this financial year in summers also. And also the same hike has been taken place in the winters. So my ASP should go around 7% to 8% and it should also mitigate the effect of discounting also. So that's why the Company has taken this decision.

Moderator: Thank you. And the next question is from the line of Parvin Sharan an Individual Investor. Please go ahead.

Parvin Sharan: Two questions, first is in the last concall it was mentioned that the September which was good, and we were expecting decent summer, garments being shipped. So has that sales been accounted, the summer sales which we were expecting or what is the situation on that?

Management: Yes, we have grown in volume as I said earlier also, but then because of winter discounting, it has affected the revenues, otherwise the summer volumes have grown.

Parvin Sharan: Okay. The next question is sir, it's more of a command/ suggestion. Is there a possibility of cost rationalization because as you said that consumers are preferring to go for discount sales, wait for discounts, and discounts have become norm. So, shouldn't we look at discount prices being more of a norm rather than our MRPs and things like that and aligning our business model and cost structure accordingly?

Management: Seeing that only we have raised the price of 7% to 8%. Normally it increases 3% to 4%. So to cut down the factor of discounting the prices have been raised. And also some other steps have been taken at the traveling and marketing level also, and to business promotion level also to cut down the cost. So that will definitely help us in improving the margins going forward.

Moderator: Thank you. I now hand the conference over to management for closing comments.

Management: Thank you all for participating in this earning concall. I hope we have been able to answer all the questions satisfactory. If you have any further questions or would like to know about the Company please reach out to our IR managers Valorem Advisors, or us at investor@montecarlocorporate.com. Thank you very much.

Moderator: On behalf of Monte Carlo Fashions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.