

# MONTE CARLO FASHIONS LIMITED

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Manufacturers & Exporters of High Class Woollen Hosiery Knitwear, Textiles & Exclusive Fully Fashion Knitwears

November 08, 2017

National Stock Exchange of India Limited Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai-400051.	BSE Limited. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
Symbol: MONTECARLO	Scrip Code: 538836

**SUB: Q2FY18 INVESTOR PRESENTATION**

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we are enclosing herewith the Investor Presentation for the Quarter and half year ended 30<sup>th</sup> September, 2017.

You are requested to take the same on record and acknowledge the receipt.

Thanking You,

For MONTE CARLO FASHIONS LIMITED

  
CO. SECRETARY & COMPLIANCE OFFICER

Encl. As Above





Its the way you make me feel

Q2 FY18

## INVESTOR PRESENTATION

November 2017





## Q2 FY18 RESULTS UPDATE

## VISIBILITY FOR STRONG GROWTH

- Well positioned to deliver strong growth for the current year
  - Effect of demonetization and early impact of GST now behind
  - Robust orderbook to deliver strong sales during the winter
- Low inventory from last winter as goods were sold at discount in March quarter

## POSITIVE BUSINESS OUTLOOK

- Focus on new markets and new product offerings
- Strong traction in making further inroads in western and southern markets in India
- Launch fitness & fashion wear range “Rock.it”.

## CONSISTENT FOCUS ON SHAREHOLDER RETURN

- Low Capex requirement for next two years, near term growth will be achieved from higher capacity utilization
- Committed to generate strong shareholder returns with increasing cash flows in future

## IMPROVED WORKING CAPITAL CYCLE

- Reduction in inventory leading to efficient working capital cycle and higher operating cash flow in FY2017
- Working capital increased during H1 FY2018 as we are preparing for strong growth with high inventory & receivables

## HEALTHY CASH FLOW & STRONGER BALANCE SHEET

- Strong balance sheet with low overall debt; Long term borrowing at INR 141 mn as of September 2017
- Strong balance sheet is reflected through high cash balance of INR 1,361 mn (includes cash and bank balance along with current and non-current investments)

## PRICING POWER

- Being a premium brand, Monte Carlo enjoys strong pricing power
- No discount sharing with MBOs
- Limited discount sharing with franchisee owned EBO

## ORDER TO PRODUCE MODEL

- Majority of revenues come from outright sales
- Sales to MBOs and franchisee owned EBOs (FOFO) are pre-booked and on outright basis
- Inventory is owned only in case of Company owned EBOs (COCO)

## MINIMUM GOODS RETURNED

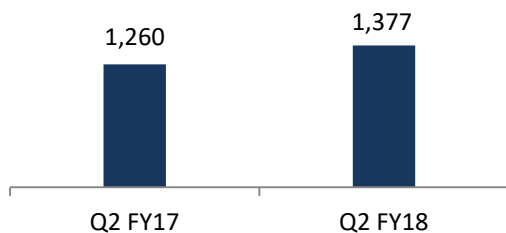
- Goods sold have minimum risk
- Product return is only allowed in case of NCS (<10% of sales) and franchisee owned EBOs (5-15% return allowed)
- No inventory risk in case of sales to MBOs

## LOW CREDIT RISK

- Zero bad debts till date
- MBO sales are through exclusive commissioned agents and distributors
- Franchisee owned EBOs work on bank guarantee and PDC

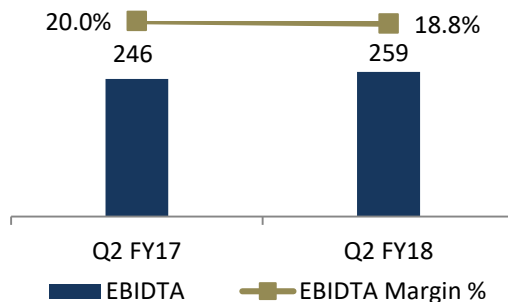
# Q2 FY18 – RESULT HIGHLIGHTS

## REVENUES \*

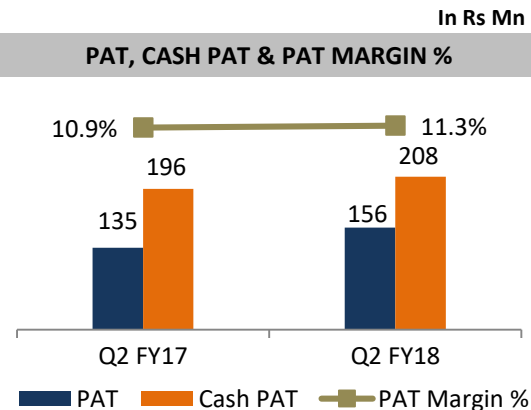


## Q2 FY18 YoY ANALYSIS

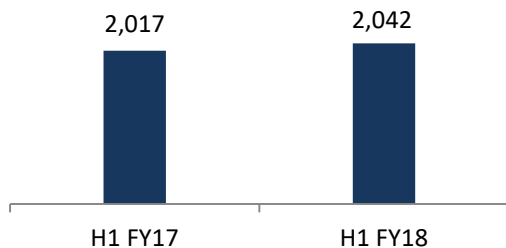
### EBIDTA & EBIDTA MARGIN% #



### PAT, CASH PAT & PAT MARGIN %

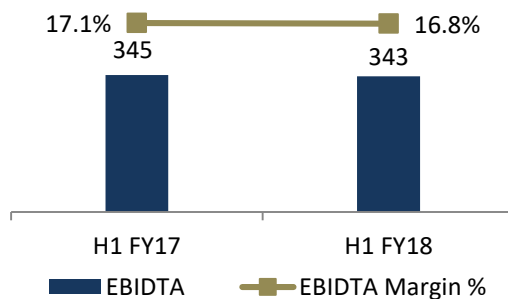


## REVENUES \*

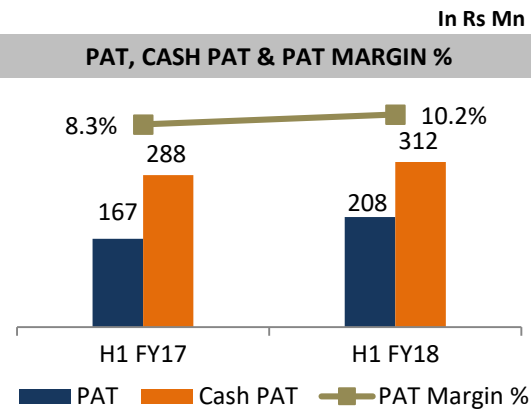


## H1 FY18 YoY ANALYSIS

### EBIDTA & EBIDTA MARGIN% #



### PAT, CASH PAT & PAT MARGIN %



Note – \*Previous year figures have been recast as per Indian Accounting Standards to make them comparable with current year figures

# EBITDA W/O Other Income, Cash PAT = PAT + Depreciation

\* Revenues includes sale of raw materials (Fabric & Yarn) but doesn't include other income. Fabric & Yarn sales: Q2 FY17 – Rs 253 Mn, Q2 FY18 – Rs 313 Mn & H1 FY17 – Rs 376.8 Mn, H1 FY18 – Rs 432 Mn

## Q2 FY18 – REVENUE ANALYSIS

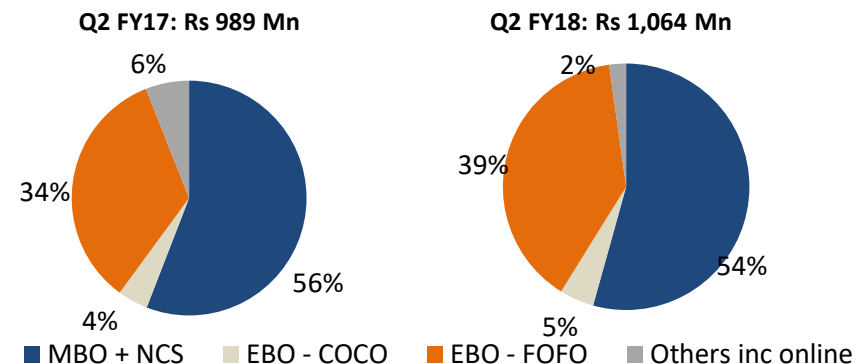
### REVENUE \* BREAKUP – SEGMENT WISE

	FY16	FY17	Q2 FY17	Q2 FY18
<b>Total Revenues (Rs. Mn)</b>	<b>5,665</b>	<b>5,343</b>	<b>989</b>	<b>1,064</b>
<b>Woollen Segment</b>	<b>34.2%</b>	<b>28.1%</b>	<b>29.0%</b>	<b>30.9%</b>
<b>Cotton Segment</b>	<b>51.3%</b>	<b>58.1%</b>	<b>49.8%</b>	<b>56.5%</b>
<b>Home Furnishings</b>	<b>9.7%</b>	<b>9.1%</b>	<b>17.5%</b>	<b>9.6%</b>
<b>Kids</b>	<b>4.9%</b>	<b>4.8%</b>	<b>3.7%</b>	<b>3.0%</b>

### FOCUS ON PRODUCT DIVERSIFICATION

- Consistent growth in Cotton products
- Winter sales have picked up in Northern India, signalling strong winter during the year
- Woollen sales registered strong growth during the quarter

### REVENUE \* BREAKUP – CHANNEL WISE



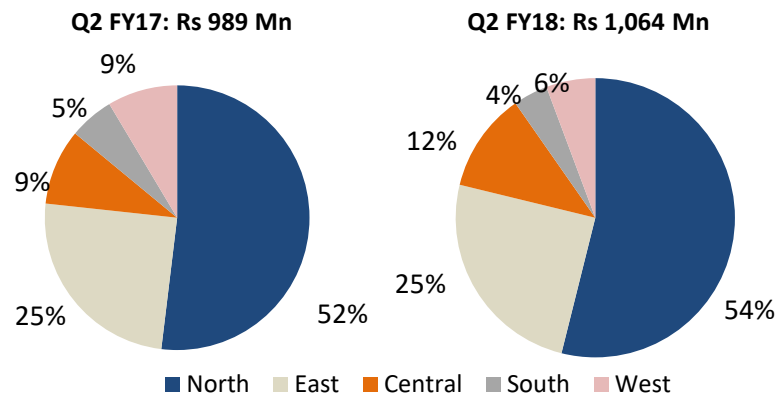
### FOCUS ON CHANNEL DIVERSIFICATION

- Improved traction across NCS, including large format stores like Reliance retail, Shopper stop, Madura, Pantaloons, Central, Kapsons.

\* Revenue from Core Products

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet  
COCO – Company own Company operated, FOFO – Franchise own Franchise operated

### REVENUE \* BREAKUP – REGION WISE



#### FOCUS ON REGIONAL DIVERSIFICATION

- Strategic focus to build a pan India presence
- Central region is contributing 12% of the overall sales for the quarter

## Q2 FY18 – STORE NETWORK ANALYSIS

STORE NETWORK			
Type of Store	FY16	FY17	H1 FY18
EBO – COCO	21	20	21
EBO – FOFO	202	211	211
MBO	2,000+	2,300+	2400+
NCS	164	198	249

EBO – NET ADDITIONS			
	FY16	FY17	H1 FY18
Existing	214	223	231
New Opened	24	17	5
Closed	15	9	4
Total EBOs	223	231	232

- Strategic focus to build a pan India presence; Focus on increasing presence in Southern and Western markets
- Significant increase in MBO and NCS outlet in FY17, which continued in H1 FY18

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet

COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

## Q2 FY18 – CONSOLIDATED PROFIT & LOSS

Particulars (in million)	Q2FY 18	Q2 FY 17	FY17	FY16
Net Sales	1375.05	1230.87	5828.6	6199.9
Other Operating Income	1.75	2.43	12.4	15.4
<b>Total Income from Operations</b>	<b>1376.8</b>	<b>1233.30</b>	<b>5841.0</b>	<b>6215.3</b>
Cost of Goods Sold	721.3	559.39	3281.2	3118.0
<b>Gross Profit</b>	<b>655.5</b>	<b>673.9</b>	<b>2559.8</b>	<b>3097.3</b>
<b>Gross Margin</b>	<b>48%</b>	<b>55%</b>	<b>44%</b>	<b>50%</b>
Personnel Expenses	135.5	126.5	492.3	463.8
Advertisement Expenses	32.0	42.2	299.2	348.5
Other Expenses	229.1	258.8	992.2	1051.9
<b>EBITDA</b>	<b>258.9</b>	<b>246.4</b>	<b>776.1</b>	<b>1233.1</b>
<b>EBITDA Margin</b>	<b>18.8%</b>	<b>20.0%</b>	<b>13.3%</b>	<b>19.8%</b>
Other Income	33.9	55.1	221.0	139.1
<b>EBITDA Margin (incl. Other Income)</b>	<b>21.3%</b>	<b>24.4%</b>	<b>17%</b>	<b>22%</b>
Depreciation	52.5	61.1	247.4	292.7
Interest Expense	18.6	44.1	119.6	162.4
CSR Expenditure	-	-	3.0	16.2
<b>PBT</b>	<b>221.7</b>	<b>196.3</b>	<b>627.1</b>	<b>900.9</b>
Taxes	66.1	61.7	203.9	311.6
<b>PAT</b>	<b>155.6</b>	<b>134.6</b>	<b>423.2</b>	<b>589.3</b>
<b>PAT Margin</b>	<b>11.3%</b>	<b>10.9%</b>	<b>7%</b>	<b>10%</b>
<b>Total Comprehensive income</b>	<b>154.6</b>	<b>134.5</b>	<b>423.2</b>	<b>589.3</b>
<b>EPS</b>	<b>7.16</b>	<b>6.19</b>	<b>19.47</b>	<b>27.12</b>

Note – \*Quarterly figures are as per Indian Accounting Standards (INDAS) whereas the annual figures are as per Indian GAAP.

\* Revenues includes sale of raw materials (Fabric & Yarn). Fabric & Yarn sales: Q2 FY17 – Rs 253 Mn, Q2 FY18 – Rs 313 Mn FY16 – Rs 425.9 Mn, FY17 – Rs 498 Mn

# H1 FY18 – CONSOLIDATED BALANCE SHEET

Particulars (Rs Million)	Sep-17	FY17
<b>Equities &amp; Liabilities</b>		
<b>Shareholder's Funds</b>		
Share Capital	217.3	217.3
Reserves & Surplus	4960.4	4667.7
<b>Total Shareholder's Funds</b>	<b>5177.7</b>	<b>4885.0</b>
<b>Non-Current Liabilities</b>		
Long-term Borrowings	141.0	153.8
Deferred Tax Liabilities (net)	-	-
Other Long-term Liabilities	146.0	143.2
<b>Total of Non-current liabilities</b>	<b>287.0</b>	<b>297.0</b>
<b>Current Liabilities</b>		
Short-term Borrowings	1003.6	343.8
Trade Payables	1409.3	1033.3
Other Current Liabilities	338.1	367.4
Short-term Provisions	11.4	35.8
<b>Total of Current liabilities</b>	<b>2762.4</b>	<b>1780.3</b>
<b>Total Liabilities</b>	<b>8227.1</b>	<b>6962.3</b>

Particulars (Rs Million)	Sep-17	FY17
<b>Assets</b>		
<b>Non-Current Assets</b>		
Fixed Assets	1,554.0	1,655.7
Non-Current Investments	159.0	215.0
Deferred Tax Assets (net)	36.8	49.3
Long-term Loans & Advances	199.5	69.8
Other non-current assets	130.1	165.1
<b>Total non-current assets</b>	<b>2,079.4</b>	<b>2,154.9</b>
<b>Current Assets</b>		
Current Investments	912.5	855.0
Inventories	2,766.0	2,020.1
Trade Receivables	1,815.2	1,463.1
Cash & Bank Balance	289.7	259.7
Short-term Loans & Advances	22.9	182.1
Other Current Assets	341.4	27.3
<b>Total Current Assets</b>	<b>6,147.7</b>	<b>4,807.3</b>
<b>Total Assets</b>	<b>8,227.1</b>	<b>6,962.3</b>

## FOCUS ON BRAND & PRODUCT PORTFOLIO EXPANSION

- Focus on branding and promotion to further increase our visibility and market share across India
- Focus on a comprehensive range of cotton and cotton-blended products which cater to all seasons in-order to expand our all-season product range and strengthen our pan-India operations.

## FOCUS ON RETAIL NETWORK EXPANSION

- Plan to diversify our pan-India presence by penetrating into the southern and western regions of India.
- Focus on Online sales through own portal as well as Tie-ups with e-commerce portals such as Flipkart, Jabong, Snapdeal and India Shopping.

## FOCUS ON RETURN RATIOS EXPANSION

- No major capex requirement for over next 2 years. Average sustaining capex is to be in the range of INR 100-150 mn on yearly basis in the next two years
- Ability to sustain Robust growth without any major capex. Therefore Return ratios set to improve.



## COMPANY OVERVIEW

### RECOGNISED BRAND & DIVERSE PRODUCT PORTFOLIO

- Launched in 1984, '**Monte Carlo**' has emerged as one of the leading brands in apparel industry in India
- 'Monte Carlo' is recognized as '**Superbrand**' for woollen knitted apparels by Consumer Superbrands India since 2004
- Under the umbrella brand of 'Monte Carlo', Company has a comprehensive product portfolio across woollen, cotton & cotton blended, home furnishing and kids segments
- The Company has various sub-brands under the Umbrella Brand 'Monte Carlo'
  - 'Platine' - premium range for menswear & 'Cloak and Decker' - economy range for menswear
  - 'Denim' - exclusive range for denim apparels
  - 'Alpha' - exclusive range for womenswear & 'Twins' - exclusive range for kidswear
  - 'ROCK IT' – Premium range for sportswear

### WIDE-SPREAD REACH & PRESENCE

- Wide-spread retail presence across India through a judicious mix of EBOs, MBOs and national chain stores located in 19 states & 1 union territory
- As on Sep 2017, the Company had 232 EBOs (21 EBO – COCO, 211 EBO – FOFO), 2400+ MBOs and 249 NCS
- E-commerce presence through own portal [www.montecarlo.in](http://www.montecarlo.in) as well as tie-ups with Digital platforms such as Flipkart, Snapdeal, Jabong, Myntra and Kapsons

### KEY FINANCIALS

- Consolidated Revenues, EBITDA and PAT were Rs. 5,841 mn, Rs. 776 mn and Rs.423 mn in 2017
- Strong balance sheet is reflected through high cash balance of INR 1,361 mn (includes cash and bank balance along with current and non-current investments)

# COMPANY OVERVIEW

## DIVERSIFIED PRODUCT PORTFOLIO

MONTE CARLO 

### RANGES LAUNCHED UNDER THE BRAND – “MONTE CARLO”



Range	Woollens & Woollen-blended	Cottons & Cotton-blended	Home Furnishing	Kids
<b>Monte Carlo</b> – Premium and mid-premium segments for men	Sweaters, jackets, thermals, woolen accessories (caps, mufflers, shawls, stoles)	Shirts, trousers, t-shirts, track-suits and jackets	Mink blankets, bed sheets and quilts	
<b>Platine</b> – Premium range for Men	Cashmere and cash-wool sweaters, blazers, coats	Cotton shirts, trousers and t-shirts		
<b>Denim</b> – Mid-premium Range		Denim trousers (jeans) and shirts		
<b>Alpha</b> – Exclusive range for Women	Sweaters, cardigans	Shirts, t-shirts, tops, trousers, jackets and sweat-shirts		Sweat-shirts
<b>Tweens</b> – Exclusive Kids wear Collection for 7-13 years age group				Sweaters, Cardigans, Shirts, t-shirts and Bottoms
<b>Cloak &amp; Decker</b> – Economy range for men		Cotton and cotton-blended t-shirts		

### IN-HOUSE DESIGN & PRODUCT DEVELOPMENT:

- Strong design team of over 30 professionals closely tracking the trending global fashion
- Focus on developing new products, improving existing ones and forecasting fashion trends
- Regular market surveys done by exclusive commissioned agents to understand consumer tastes and feedback

### MANUFACTURING CAPABILITIES:

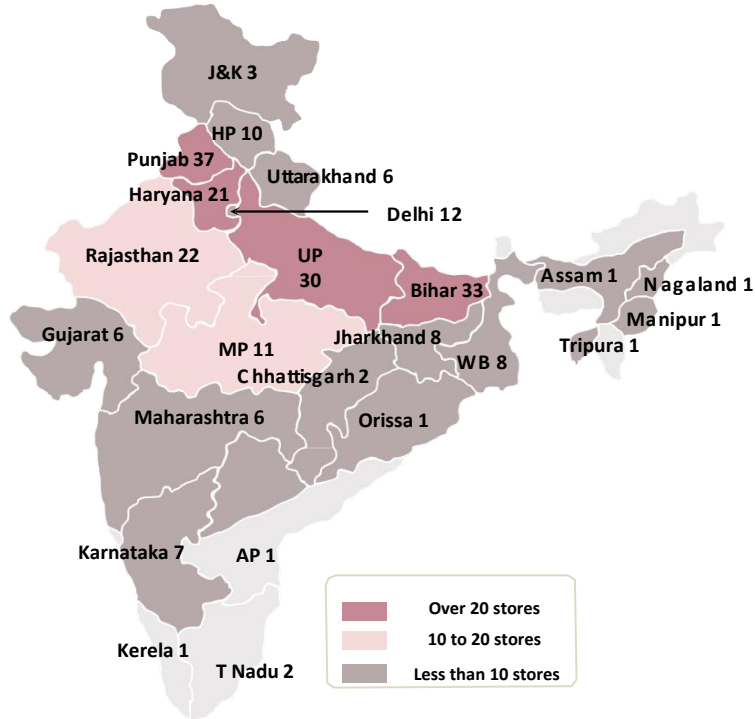
- Three manufacturing facilities in Ludhiana, Punjab -
  - One for woollen apparels
  - Two for cotton apparels
  - The manufacturing facilities include facilities for product development, design studio and sampling infrastructure
- In-house manufacturing of woollen knitted apparels
- Outsourced manufacturing of cotton and cotton-blended apparels
- Recently started in-house manufacturing of cotton t-shirts and thermals



# COMPANY OVERVIEW

## OUR RETAIL PRESENCE

### PAN INDIA PRESENCE ACROSS 19 STATES & 1 UNION TERRITORY



### STORE NETWORK

Type of Store	FY16	FY17	Q2 FY18
EBO – COCO	21	20	21
EBO – FOFO	202	211	211
MBO	2,000+	2,300+	2400+
NCS	164	198	249

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet

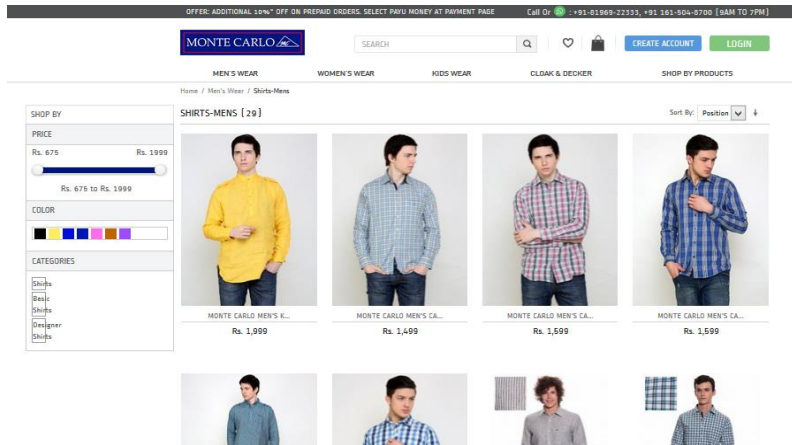
COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

# COMPANY OVERVIEW

## OUR E-COMMERCE PRESENCE

- Building our presence on e-commerce platform through our own portal [www.montecarlo.in](http://www.montecarlo.in)
- Have Entered into distribution agreements with some of the leading Indian digital commerce platforms for online sale of our products

### OWN PORTAL – [WWW.MONTECARLO.IN](http://WWW.MONTECARLO.IN)

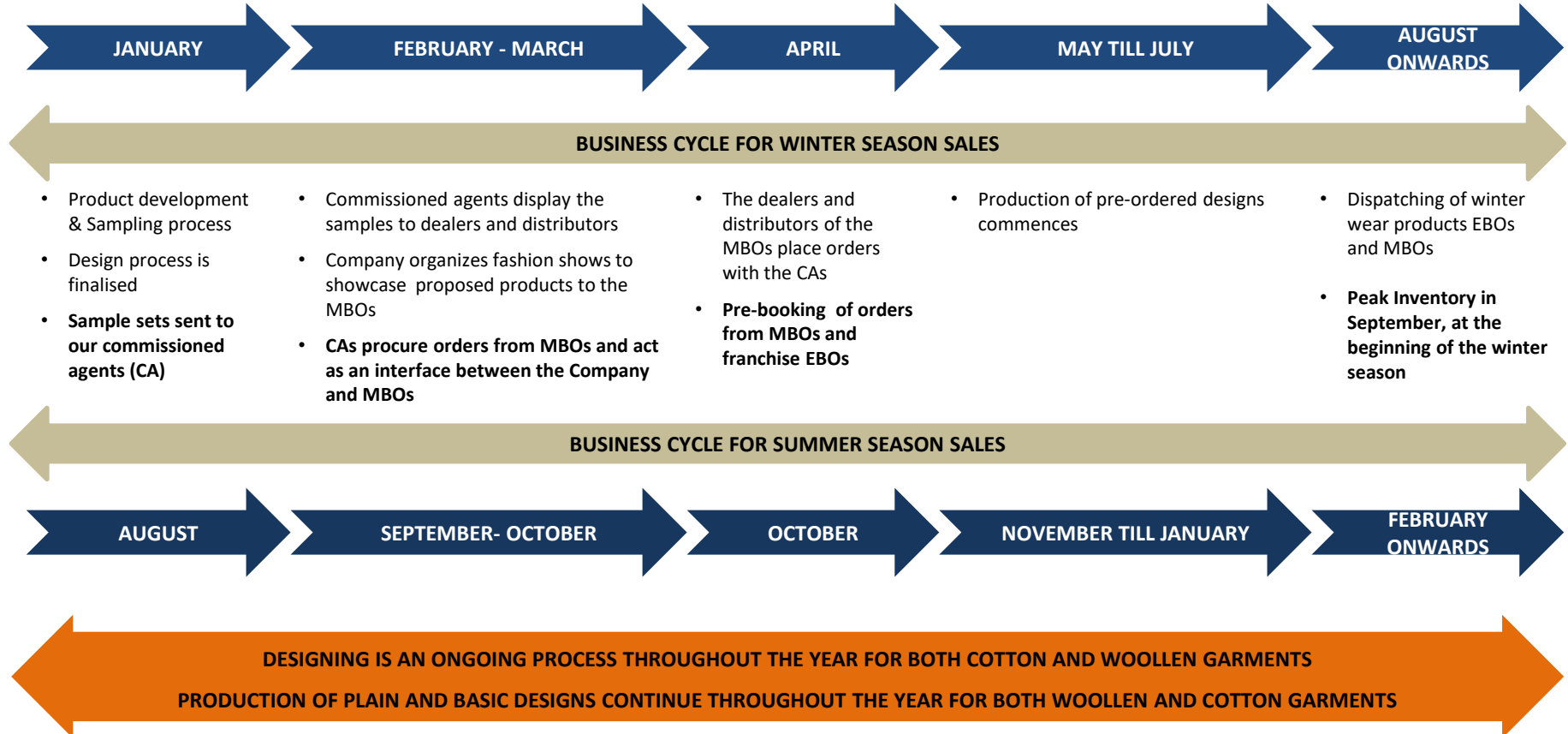


### TIE-UPS WITH ONLINE PLATFORMS



# COMPANY OVERVIEW

## UNDERSTANDING OUR BUSINESS MODEL



# COMPANY OVERVIEW

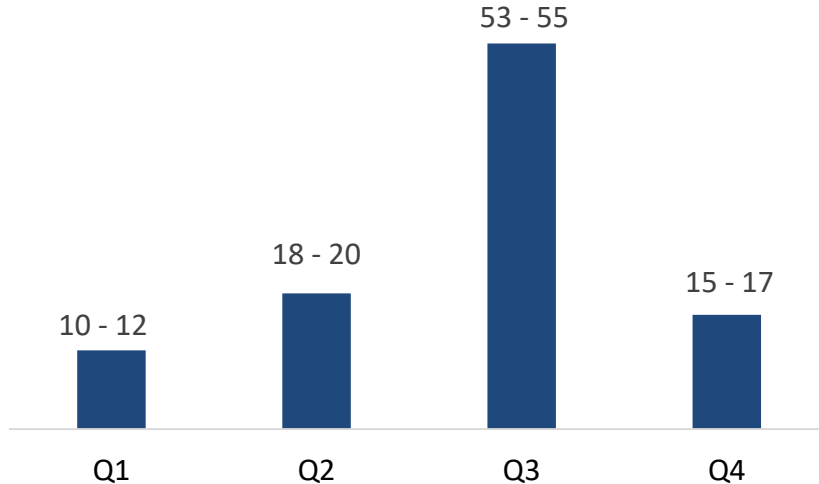
## ROBUST DISTRIBUTION MODEL

	MBO	NCS	EBO-COCO	EBO –FOFO
Total Number of Outlets (Sep17)	2,400+	249	21	211
% of Revenue Contribution – FY17	57% (NCS Contribute less than 10%)		39%	
Distribution Sale Model	Pre-Booking of orders Outright Sales	SOR – Sale or Return / Outright Sales	Inventory owned by Company	Pre-Booking of orders Outright sale
Inventory Risk	No	Yes	Yes	Minimal 5% - 15 % of Products Return Allowed
Discount Sharing	No	Yes	Yes	Yes Range of 5% - 17.5%
Payment Collection – Credit Risk	Exclusive commissioned agents are liable to pay	Reputed retail chains	-	Bank guarantee's and PDC taken from franchise

**ROBUST DISTRIBUTION MODEL ASSURES MINIMAL INVENTORY RISK AND CREDIT RISK**  
**TILL DATE, THERE HAS BEEN NO BAD DEBTS OR RECEIVABLES WRITE OFF FOR THE COMPANY**

MBO – Multi Brand Outlet, EBO – Exclusive Brand Outlet  
COCO – Company own Company operated, FOFO – Franchise own Franchise operated, NCS – National Chain Stores

### SEASONALITY IMPACT ON REVENUES (In % terms)



### BUSINESS SEASONALITY:

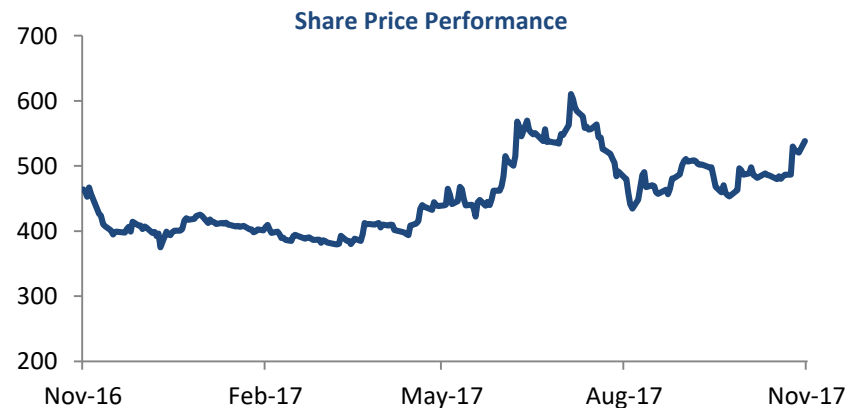
- Q3 generates highest quarterly revenues in any fiscal year
- Q3 typically involves sale of winter products –
  - Woollens / woollen blended - sweaters, jackets, cardigans
  - Cotton / cotton blended - cotton jackets, suits, sweat shirts, full sleeve t-shirts and shirts
- Winter products are sold during October to January.
- Winter products are higher in value in terms of both revenues and cost
- The Company is expanding presence in western and southern markets as well as expanding its product offerings in home furnishing and kids segments in order to reduce the overall seasonality impact

# COMPANY OVERVIEW

## SHAREHOLDING STRUCTURE

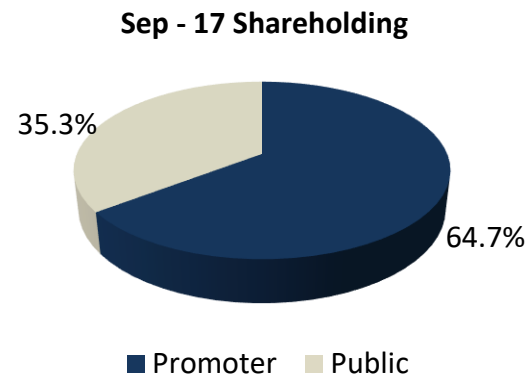
Market Data	As on 06.11.2017 (BSE)
Market Capitalization (Rs Mn)	11,518
Share Price	INR 539.3
No. of shares outstanding (Mn)	21.7
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	640 – 370

Source – BSE



Key Institutional Investors	% Holding
Kanchi Investments Ltd (Samara Capital)	10.94
Goldman Sachs India	3.64
Birla Sun Life Trustee Co.	2.89
ICICI Prudential Life Insurance	1.82
Aditya Birla Pvt Equity Trust	1.57

Source – Company / BSE as on 30<sup>th</sup> September 2017

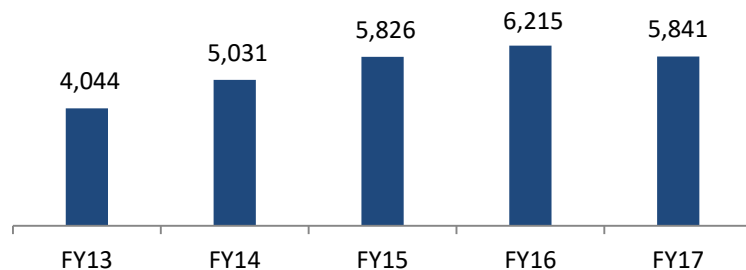


# COMPANY OVERVIEW

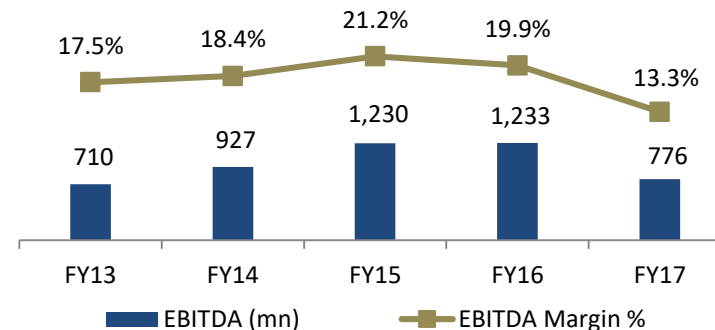
## FINANCIAL HIGHLIGHTS

### REVENUES

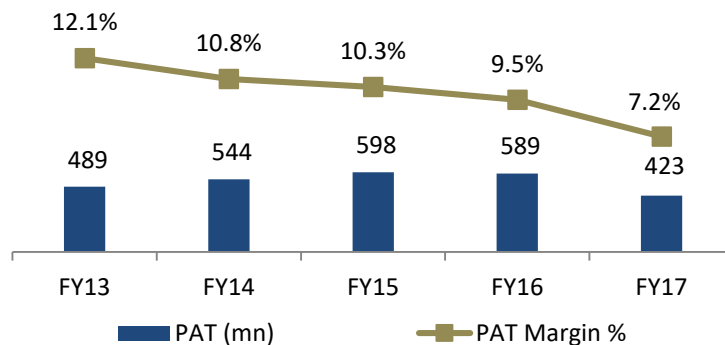
CAGR: 9.6%



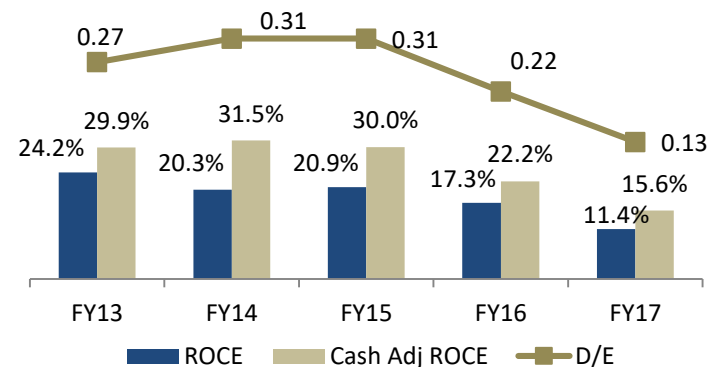
### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



### LEVERAGE & RETURN RATIOS



Note –Equity, ROCE: EBIT/Avg. Capital Employed [(Capital Employed = Equity + Total Debt), (Cash Adj. Capital Employed = Equity + Total Debt – C&E)]



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### DISCLAIMER

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*These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond MCFL’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of MCFL.*

*In particular, such statements should not be regarded as a projection of future performance of MCFL. It should be noted that the actual performance or achievements of MCFL may vary significantly from such statements.*