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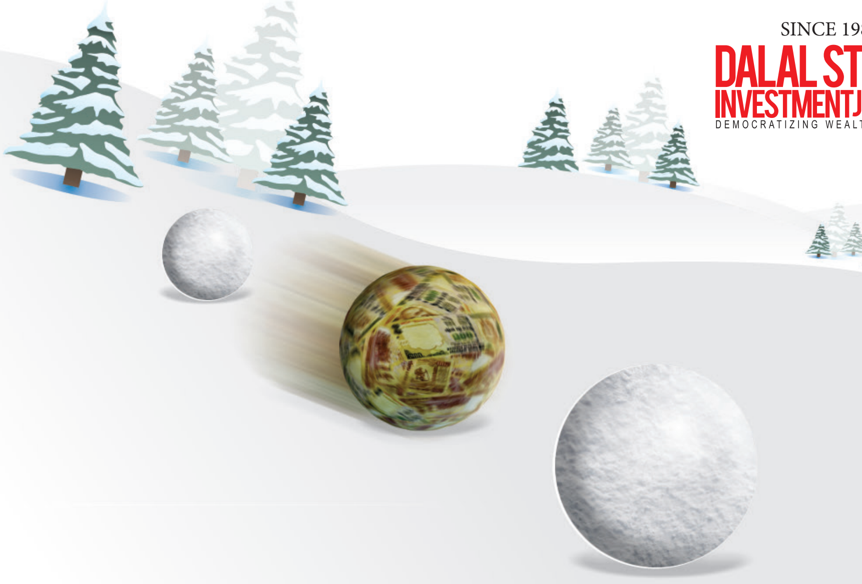

# MID BRIDGE
THE MIDCAP MARVEL



| | | |
|---|---|---|
| COMPANY NAME | : | **Monte Carlo Fashions** |
| BSE Code | : | **538836** |
| Time Duration | : | **1 year** |
| CMP | : | **₹589.45 (as on 21 Dec., 2017)** |
| Target Price | : | **₹760** |

The Mid Bridge for the month of December is Monte Carlo Fashions Limited (MCFL). Earlier, the company was well-known for its exclusive woollen brand. But now, the company has diversified its business across various categories like cotton, woollen, home furnishings, kids wear, etc. Cotton contributes to 58% of the company's total revenue and the company has strong geographical presence in eastern and northern regions of India.

**Topline to double till FY20**

In FY17, the company generated revenue of Rs 585 crore. The company has set a target of generating topline of Rs 1,000 crore by FY20. To achieve this target, the company is focusing to expand in western and southern regions of India. As per the historic trend, the company performs exceptionally well in its third quarter of every financial year. This is due to the peak winter season that prevails during Q3, which boosts demand for woollen clothes. The company management is optimistic of delivering exceptional performance in Q3FY18 too. It expects to generate 55% of the revenue for FY18 in Q3FY18 itself. It is also confident that the company will be able to achieve the guidance of 15% growth in revenues for FY18 to around Rs 670 crore. The margins are expected to be in the range of 18-19% in FY18.

**Expansion in southern & western regions**

The company has strong presence in eastern and northern regions of India and these regions contribute almost 80% of the total revenue. Central India contributes almost 10% whereas, western and southern regions cumulatively contribute only 10% towards the total revenue. Therefore, the company aims to generate higher percentage of revenue from western and southern regions by implementing robust expansion plans. This expansion will include distribution network policy as against commission agent network used for eastern and northern regions.

The company currently has 240 stores all over India and it plans to ramp up its store count by adding 20-25 stores annually and expand through the franchisee route. It expects good business from Tier II and Tier III cities.

**Focus on e-commerce portal**

Operating through e-commerce portal is the recent trend that enables customers to shop online with availability of variety of products across numerous brands. MCFL also has adopted this marketing strategy and has tied-up with leading e-commerce players like Snapdeal, Flipkart, Myntra and Jabong. As the e-tailers have become profit-oriented, the company offers many price and volume schemes to attract more customers. the company generates 40% of the revenue from these e-commerce portals.

**Company's unique products**

The company's collection includes a varied range of jackets, sweat pants, knitted lowers, woven lowers, knitted shorts, polo T-shirts, crew neck and V neck T-shirts which are sweat absorbent, super-flexible, breathable, anti-static, quick-dry and anti-microbial. Every style has only 300 pieces to maintain the exclusiveness of the collection and to make its customers stand out in the crowd.

It has launched three ranges under the brand Monte Carlo – 'Alpha', 'Denim', and 'Tweens'. It has also launched a brand targeting the mass segment – 'Cloak & Decker' in casual wear. Monte Carlo has entered sportswear under – 'Rock.it' which has given it a competitive edge over its peers. It is also focusing to increase its share of all-season products and cotton apparels to reach customers across all segments.

**Financial Performance**

The company has delivered decent growth since FY14. However in FY17, the company's revenue and net profit declined. The two main reasons for the decline were very low winter season sales in December 2015, which left the stocks with the franchisees unsold and affected the sales in the succeeding year, i.e. FY17. Also, the demonetisation drive in Q3FY17 (Q3 being the peak sales season for the company) affected the retail business. But we expect FY18 would be better and will deliver good growth.

In H1FY18, the company's revenue grew marginally by 2.2% YoY to Rs 203.74 cr from Rs 199.34 cr. But its PAT increased exceptionally by 34.59% YoY to Rs 20.78 cr from Rs 15.4 cr in H1FY17. Its debt-equity ratio for FY17 stood at 0.14x and interest coverage ratio at 6.24x. From FY15, the company has been declaring 100% dividend every year, i.e., dividend of Rs 10 per share.

**Valuation**

The company is trading at TTM P/E of 26.7x with TTM EPS of Rs 21.93. It has delivered ROE and ROCE of 9.06% and 13.58% respectively for FY17. Its geographical expansion would trigger its

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revenue going forward. Also, it is focusing on growth to achieve management's aggressive target to double its topline in the upcoming years. Diversification of product line will enable the company to attract and expand its customer base. We see an upside of 29% from the current level, with a target price of Rs 760 over a period of one year.

**Inc/Exp Statement(Standalone) (Rs in Crore)**

| Description | 201703 | 201603 | 201503 | 201403 | 201303 |
|---|---|---|---|---|---|
| Net Sales | 584.11 | 621.53 | 582.58 | 503.10 | 402.41 |
| Total Income | 606.21 | 637.76 | 601.53 | 518.26 | 414.46 |
| Total Expenditure | 506.80 | 502.15 | 459.60 | 410.39 | 335.70 |
| PBIDT | 99.41 | 135.61 | 141.93 | 107.88 | 78.76 |
| PAT | 42.32 | 58.94 | 59.77 | 54.40 | 45.94 |
| Dividend % | 100.00 | 100.00 | 100.00 | | |
| Adj. EPS(Rs) | 19.47 | 27.12 | 27.50 | 25.03 | 21.14 |

**Quarter On Quarter (Standalone) (Rs in Crore)**

| Particulars | 201709 | 201706 | Q on Q Var% | 201609 | Y on Y Var% |
|---|---|---|---|---|---|
| Net Sales | 137.68 | 66.49 | 107.07 | 126.00 | 9.27 |
| Total Expenditure | 111.79 | 58.05 | 92.56 | 101.35 | 10.30 |
| PBIDT (Excl OI) | 25.89 | 8.44 | 206.86 | 24.64 | 5.06 |
| PAT | 15.56 | 5.21 | 198.52 | 13.46 | 15.59 |
| PBIDTM% (Excl OI) | 18.80 | 12.69 | 48.15 | 19.56 | -3.89 |
| PBIDTM% | 21.27 | 20.82 | 2.16 | 23.93 | -11.12 |
| PATM% | 11.30 | 7.84 | 44.13 | 10.69 | 5.71 |
| Adj. EPS(Rs) | 7.16 | 2.40 | 198.33 | 6.20 | 15.48 |