



“Lux Industries Limited
Q2 FY2020 Earnings Conference Call”

November 14, 2019



**MANAGEMENT: MR. SAKET TODI –PRESIDENT (MARKETING) – LUX
INDUSTRIES LIMITED
MR. AJAY KUMAR PATODIA – CHIEF FINANCIAL
OFFICER – LUX INDUSTRIES LIMITED
MR. UDIT TODI – SENIOR VICE PRESIDENT (STRATEGY)
– LUX INDUSTRIES LIMITED**



Lux Industries Limited
November 14, 2019

Moderator: Good morning, ladies and gentlemen, welcome to the Lux Industries Limited Q2 FY2020 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saket Todi – President (Marketing) from Lux Industries. Thank you and over to you Sir!

Saket Todi: Good afternoon and a very warm welcome to everyone. Along with me, I have Mr. Udit Todi, Mr. Ajay Patodia, and SGA our Investor Relation Advisors. I hope you have received the results and investor presentations by now, for those who have not, you can view them on our website.

I am happy to share that your company has delivered another quarter of study performance in the backdrop of continued sluggishness in the macroeconomic environment. We are seeing several structural changes across the industry both in India and internationally and innerwear industry is no different.

The Indian innerwear industry has been continuously evolving and there has been a structural shift towards use of branded products. Customers are becoming more informed with the rise in marketing and promotional activities on traditional as well as several social media platforms.

They seek high fashion quotient along with comfort, hygiene, brand image and smart prices. Youth residing in metros and mini metros engage mostly with premium brands. They keenness to show off the brands coupled with a desire to look good, in a significantly strong attribute in the choice of innerwear products.

With this kind of behavioral and preferential shift, we expect a larger share of pie from the unbranded players and expect the industry to grow around 10% CAGR over the next decade.

Now coming to our company; Lux has managed to constantly outperform the industry and grow at a healthy rate. Our strong product portfolio management best in class quality as well as innovation in products and services has helped us to meet customer expectation.



Lux Industries Limited
November 14, 2019

Over the years the company has bought a differentiated capability towards brand by engaging in prominent celebrity endorsements and continuous investments in the state of art facility.

Now I would like to share an update on our pre-winter and winter wear segment which has witnessed the great growth. The company successfully launched a wide range of winter products, which are available at retail points spread across India as well on several online platforms.

We derive approximately 31% of our total revenue of this quarter from these segments and expect the current winter season to witness improved volumes and better pricing. As a part of our branding and marketing initiative, we have onboarded Bollywood star Mr. Kartik Aaryan to co-promote our winter wear brands Lux Inferno along with the mega star Mr. Amitabh Bachchan, which has resulted in strengthened off take of sale of our winter wear brand Lux Inferno.

We have state of art manufacturing facility where we constantly focus on technology and automation led production process which has helped us improve our profitability and deliver consistently superior quality products to our consumers.

With this I would now ask Mr. Udit Todi who is spearheading the strategy of the company to share his thoughts.

Udit Todi:

Good morning and a very warm welcome to everyone, we have witnessed a strong growth during the quarter and our results demonstrate the growing profitability despite many headwinds faced due to challenging economic environment and weak consumer sentiments.

At Lux, we have always believed in constantly evolving and adopting ourselves with ever-changing environment by taking several strategic initiatives. Our initiatives involved brand building and strengthening our product portfolio, implementation and adoption of latest technology in our manufacturing processes to improve quality, which has helped us take ahead of the curve in the industry.

Despite being present in an industry where there are larger number of unorganized and small scale manufacturing units, we have been able to establish and leverage our parent brand Lux through which we offer a wide range of well diversified products under our 15 well established brands spanning from mass consumption products like Lux Cozi, Lux Venus, Lux Cott's Wool to value added products under the brand ONN which allows maximum inclusion of our customers across geographies.



Lux Industries Limited
November 14, 2019

We also look to further penetrate deep into under penetrated markets of Southern India and strengthen our footprints in North, East and Western parts of the country. Our wide distribution network helps last mile delivery of our products and achieve our motto of “Lux is available wherever the customers are”. We continue to invest heavily to improve our distribution and reach in our country.

On the working capital front, we expect to grow revenues with the same amount of working capital which we expect will translate into a superior return on capital employed. Going ahead we expect to moderate our working capital cycle across more than 5000 SKUs.

In the first half even with our sales growing by 14% our working capital has reduced from 515 Crores to 498 Crores. We are undertaking several measures to aggressively promote and position our brands. We have streamlined our supply and distribution network and are working closely with our channel partners and distributors to monitor our working capital cycle.

Now I hand over to our CFO, Mr. Ajay Patodia to provide you an insight of our financial performance.

Ajay Kumar Patodia: Thank you Uditji. Our company reported a strong growth for the quarter and half year ended September 30, 2019. Our revenue has seen a robust growth of 28% to Rs.355 Crores as against Rs.278 Crores for same period last year this is mainly due to high volume growth in our winter wear segment across all categories.

EBITDA has seen a healthy growth of 27% which stood at Rs.54 Crores while our PAT for the quarter almost doubled registering a growth of 95% to Rs.41 Crores. We have reduced our working capital cycle over the last year. This has had reduced our interest cost as well. Our interest cost has nearly halved to Rs.6.6 Crores for the first half. Despite of weak sluggishness across industry we have been able to maintain our EBITDA margin which stood at 15.3%. This is majorly on account of good traction from value added products coupled with manufacturing excellence. We have also seen a stellar improvement in PAT margin by 396 basis points majorly driven by our operational efficiencies coupled with corporate tax cut.

Now coming to our half year performance, our revenue stood at Rs.618 Crores vis-à-vis Rs.542 Crores signifying a growth of 14%. EBITDA for half year FY2020 stood at Rs.90 Crores as compared to Rs.80 Crores in H1 FY2019 signifying a growth of 12% year-on-year basis. The EBITDA margin stood at 14.5% for half year FY2020.



Lux Industries Limited
November 14, 2019

PAT for half year FY2020 stood at Rs.59 Crores as compared to Rs.38 Crores in half year FY2019 recording a growth of 55% year-on-year basis. The PAT margin stood at 9.6% for half year FY2020.

The revenue of J.M. Hosiery Limited has grown by 11% to Rs.165 Crores in half year FY2020 while Ebell Fashion has seen a growth of 11% which stood at Rs.143 Crores.

With this we will now open the floor for question and answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Himanshu Nayyar from Systematix Shares. Please go ahead.

Himanshu Nayyar: Congratulations on a great set of numbers in the current environment. To start with could you throw some more light on what has actually driven this revenue growth because last quarter we were also saying that the demand is very sluggish so just wanted to understand what has driven this is in more distribution penetration driving more volumes, is it a significant change in mix in favor of winter wear or any one off, or any significant price rise that we have taken or is it a significant market share gain that we have seen in an industry which is not really growing at this rate. So just some color on what basically has been behind this 27% growth?

Udit Todi: Thank you Himanshu. Thank you for your congratulations, and yes as you have seen the quarter two numbers are really well, so quarter one was very sluggish for us, but towards the end of quarter two all the festive seasons are started coming in, so the Diwali sales and the Durga Pooja sales a lot of sales were captured by the end of quarter two, so we have seen growth overall across all categories across summer products and talking about winter products. So winter has been one of our forte, we are very strong in the winter segment, I believe we are one of the market leaders operating when it comes to thermal wearwear and there has seen almost more than 50% jump in sales. So as you mentioned about the 27% growth which is coming in for the quarter two we would attribute almost half of it to winter sales and growth in winter and the rest half is coming from the existing product categories which are basically Lux Cozi, Lux Venus on an export.

Himanshu Nayyar: Could you give a number of volume growth that you would have seen for the quarter in this 27?

Udit Todi: Just to give you a flavor of what was happening we have seen about a blended average of 20%, 21% volume growth, it was basically as you mentioned it was not due to the increase in prices, but due to increased market share that the growth has come in.



Lux Industries Limited
November 14, 2019

Himanshu Nayyar: So any sense you would have on how is the market growing and in the last six months or so.

Udit Todi: I believe it is tough to put a figure to it because it is fairly unorganized but the sense which we are getting is that it was not a very high growth season the first half which went and we would peg the growth somewhere between 5% and 10%.

Himanshu Nayyar: Second bit was on our margins because seeing that significant part of this growth is driven by winter wear which I believe is a higher margin category for us we would have expected some margin improvement as well, but margins are flattish at 15.3% so what would be the reason for that, is it higher discounts or higher incentive that we would have given or how do you explain this?

Saket Todi: Here we have done many processes in-house in the winter wear segment which we use to outsource it, so because there are many new innovations in our product, which we have done and that we have done because we have done in-house production.

Himanshu Nayyar: And is A&P also higher which has limited our margin improvement.

Saket Todi: Pardon can you come again.

Himanshu Nayyar: I am saying if the advertising and promotion activity also higher this quarter which has limited any margin improvement for us.

Saket Todi: No, it remains the same.

Himanshu Nayyar: It remains the same at 8%, 9% of sales, is it?

Udit Todi: Yes correct so it is in line with our budgeted expenses.

Himanshu Nayyar: Next question was on the cash flow side despite you said that working capital has improved and PBT of course has gone up, we have not been able to generate any operating or free cash flows so any specific area you could highlight where that cash has gone because I see cash flow from operations of only 1 Crores in the first half versus 30 Crores last year.

Saket Todi: If you would see the breakup our receivables have gone up that is mainly due to our winter wear segment growth, the winter wear segment the sales happened in the month of August, September, October and the payment is realized in the month of November and December, but so like to see the absolute numbers the debtors on September 2019 was at 363 Crores in respect to September 2018 which was at 303 Crores. So the debtors have gone up, but the inventory has gone down which was like 358 Crores on September 2018, September 2019 has gone down to 278 Crores. So the receivables which are increasing mainly due to our



Lux Industries Limited
November 14, 2019

winter wear segment for which the payment will be realized in the month of November, December so this is completely seasonal.

Himanshu Nayyar: Final question from me, we have seen very good growth on the standalone business as well as on J.M. but Ebell this quarter has grown at only 13%, so any issues that you would want to highlight there why the growth has come down in Ebell?

Saket Todi: If you would look at the six months sales so Ebell has grown at the same percentage as that of Lux. So because there is no particular winter wear in Ebell, so Ebell had a standard growth across all six months, whereas Lux had a bigger growth in the quarter two than that of quarter one, but for the first half of Lux Ebell and J.M. all would be same.

Himanshu Nayyar: Just one final thing on the merger any update if you can give us on the timelines for that and where we are in the process?

Saket Todi: We will try to give it as soon as possible. It was results. The silent period is going on now. It should be done as soon as possible.

Himanshu Nayyar: All the best to you guys. That is all from my side. Thanks.

Moderator: Thank you. The next question is from the line of Mohit Khanna from Future Generali. Please go ahead.

Mohit Khanna: Congratulations on strong set of numbers here, I just wanted to confirm from what Himanshu ask, the volume growth for the quarter was 20%, 21%.

Saket Todi: Yes.

Mohit Khanna: And what was the volume growth for the first half.

Saket Todi: First half it should be, we are not having the quarter one numbers ready with us but the sense was it was fairly flattish.

Mohit Khanna: Fair enough Sir it was flat.

UditTodi: But for the first quarter it was fairly flat for the second quarter it has grown at about 20%, 21%, so if you look at half yearly figures it should roughly be a blended average.

Mohit Khanna: Also in this 20% volume growth for this quarter how much would you attribute to the winter wear because that is probably something going new to the market for the season and how much is the regular daily stuff that is sold? **Udit Todi:** So out of the 27%, 28%



Lux Industries Limited
November 14, 2019

growth if we have clocked this quarter about 13.5%, 14% growth is coming from the winter and the balance 13.5% is coming from the regular items.

Mohit Khanna: 13.5% sorry the volume growth was 20% right?

UditTodi: Are you talking about volume growth or overall percentage of growth?

Mohit Khanna: Volume growth.

UditTodi: Volume growth for our winter wear category has been about 50%, 55%.

Mohit Khanna: So basically half and half that is how it is.

Udit Todi: Yes.

Mohit Khanna: How do you see the upcoming winter season, I mean do you think the inventory in the channel is up or in the third quarter as well you would need to push some more stocks?

Udit Todi: So this year the onset of winter was very timely and we have already in the mornings and late nights started feeling a bit of chill in the air so we believe that going forward the winter should be a very good season and since winter is one of the categories where we are leaders and we have invested very heavily into our branding exercises as far as this winter is concerned. We have got Mr. Amitabh Bachchan and Kartik Aaryan also to endorse our winter wear product. So the company has already invested into brand building for the past number of years and we believe that in the coming day it is the time when we reap what we have shown.

Mohit Khanna: Next question I had regarding the liquidity in the market and everybody has been talking about the vendors and the wholesalers are facing current liquidity crunch what is your sense have you seen your receivables especially with the wholesalers and traders or dealers going up and any sense of the market now?

Udit Todi: So there is a sense of liquidity crunch in the channel which you rightly said but we believe that ultimately it is the brand which gets sold first in the market and which will get sold second or third, so we have been very strict with our policy as far as when it comes to credit so over the past few quarters we have been fairly strict with our receivables. On our balance sheet we have not seen much of liquidity crunch as to say but yes in the market it is definitely there but going to our strong brand pool we have been able to work on that.

Mohit Khanna: According to you what could be a reason for this kind of liquidity crunch in the market that is my final question. Thank you.



Lux Industries Limited
November 14, 2019

Udit Todi: I think that the liquidity crunch is widespread across the entire economy across all industries, so this is a little difficult to put an exact reason as to why the liquidity crunch is there, but yes it is definitely there.

Mohit Khanna: Fair enough, thank you.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

Sachin Kasera: Two, three questions, one is that in the presentation you have been indicating around 75 to 100 basis point margin improvement every year, first half has been little flattish, so does that guidance remain intact or for this year we should look more at a flattish EBITDA margin?

Udit Todi: This year has not been a very good year for the industry per se, so this year we are looking at flattish EBITDA margin, because overall the industry we are looking at growing and capturing growing fast and capturing more market share so that is what our objective for the current year is, so we believe that the EBITDA margins would fairly be flattish.

Sachin Kasera: Sir what has been the industry growth for the first half, I just missed that number?

Udit Todi: See the first half industry growth is about 5% to 10%.

Sachin Kasera: And we have grown at some 12%, 13% if I get it right?

Udit Todi: For us, our first half growth has been about 14%.

Sachin Kasera: So if I remember in the previous call also you have been mentioning that we expect the industry grow between say 5% to 10% and we will outperform by 400 to 500 basis points and along with that we expect to see margin improvement because of product mix and obviously growth in the market. So that basic parameter that you have mentioned wherein the market is growing say 5%, 10% and you are growing 5% plus product mix also does not change so what is then the reason for this margin guidance remaining flattish of a 100 basis point improvement?

UditTodi: As I have already said, it has been a challenging environment in this industry right now and I believe overall economy has been pretty challenging so the fact that we have been able to outperform industry growth by 5% to 7% percentage points is what is keeping us excited and that is what we are chasing right now.

Sachin Kasera: Has the product mix improve in the first half?



Lux Industries Limited
November 14, 2019

- Udit Todi:** Come again.
- Sachin Kasera:** Product mix has improved in favor of more premium and mid size how is that?
- Udit Todi:** I would say our premium products such as ONN and exports have grown fairly at the company average rate only so the product mix would have slightly been remaining the same.
- Sachin Kasera:** Secondly what is the response from that scented vest that we had launched I remember last call you mentioned it has been just been 20 days?
- Udit Todi:** As far as the scented vest is concerned it has been a phenomenal success in the market. It was something which this industry had not seen before. It was a very good innovation on the company's part so I believe it is one of those innovation which is inspiring many other in the industry to come up with a similar innovations so we have received a phenomenal success and given us good heads up with regards to our peers in terms of our sales and volume growth.
- Sachin Kasera:** Now coming to the merger I believe you have been mentioning that because of some regulatory approvals is pending so one if you could be little more specific as to from which agencies the approval pending what are the one or two key issues, and secondly is that I think you are also telling that you are waiting for clarity whether to reduce the shareholding premerger or post-merger and thirdly in the Q4 call you had mentioned that the EBITDA and PAT numbers were not ready now I think if the second quarter is over it would be really helpful if you could also share with us the EBITDA and PAT numbers for both the entities for FY2019?
- Udit Todi:** Since both the unlisted entities are not audited on a quarterly basis so we just have tentative figures along with us so to give you an idea the growth in the Ebell company has been about 13% in the topline and about 30% in the bottomline.
- Sachin Kasera:** So this is for the first half or this is for FY2019 you are sharing? **Udit Todi:** I am talking about quarter two.
- Sachin Kasera:** I am saying can you at least share the EBITDA and PAT number for FY2019?
- Udit Todi:** Yes, yes so FY2019 figures for Ebell are ready with us. We will just let you know in a while or coming to your first question about the merger so as a company the entire management is very aggressive and trying to get this merger close as soon as possible we believe that as you mentioned the since we as promoter we will be crossing the threshold



Lux Industries Limited
November 14, 2019

limit so a dilution is what is suggested by the SEBI and whether that is to be done premerger or post-merger is what an application has been made for to SEBI and the dialogue is on and we are waiting to get some more sense and clarity on the same. So as soon as we get clarity the share should get placed and we believe that is the only road blocks so as to say for the merger to go through and post that whenever we sit and discuss we will be talking about consolidate figures I guess.

Sachin Kasera: So as of now basically on the regulatory mainly is SEBI permission that we are waiting for some clarity?

Udit Todi: Exactly. Talking about the audited figures for J.M. and Ebell so for Ebell the topline has been about 254 Crores and the bottomline had been about 32 Crores, this is FY2019 and talking about J.M. Hosiery the topline has been about 328 and the bottomline has been about 18.5.

Sachin Kasera: Approximately combined is 50 Crores. I remember FY2018 you had said the combined profit of around 37, 38 Crores so FY2019 had been a good year for both of them combined.

Udit Todi: Yes, so FY2019 has been good for both.

Sachin Kasera: If you could give any broad sense of what the first half is, I know, you said it is not audited but a very broad sense would also help?

Udit Todi: The unlisted entities combined in the first half of FY2020 if I talk about topline growth would have been about 13% to 14%, I am talking combined figure for both the entities and I am talking about the bottomline growth it should be about 25% to 30%.

Sachin Kasera: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much. Congratulations for a great set of numbers Saket and Udit. My first question was that excluding the winter wear category what has been the growth in the core category for this quarter.

Saket Todi: The total growth was around 28% out of that 14% percentage point was contributed by the core segment and 14% percentage point was contributed by the winter wear segment. So the co-product would be like Venus and Cozi, out of 14%, 9% percentage point was contributed by them and ONN and Export contributed to around 5% percentage point.



Lux Industries Limited
November 14, 2019

Nihal Jham: That is very helpful. Second question was on the winter wear category, I know you mentioned that the onset of winter has been as per expectations, but I would believe that even in this scenario the market we have not grown as strongly as the sales growth that you have recorded. So there has definitely been an improvement a significant improvement in market share. So is it that some of the other competitors because of liquidity issues were not able place their products or what is it that made us by such a strong expansion in this quarter specially in terms of market share?

Udit Todi: When it comes to winter wear as we said we have already been a very, very strong brand in the winter wear category. So our market share compared to any other peer in this industry is pretty high and when it comes to marketing it also depends a lot on your marketing strength and marketing capability, so we believe our keen and our incentivization structure and the distribution policies were bang on this time and so was the season is onset so we have all of this combined together has resulted in the winter wear growing pretty strong.

Nihal Jham: Sir just one more thing on this is that compared to last year I think a brand campaign and brand ambassador stayed the same but as I said that this kind of growth is a significant improvement in market share. So anything has changed specifically especially in terms of policies which may not be visible at least when you check for the products that has changed that has led to such a great off take from the distribution side.

Saket Todi: So when it comes to winter since it is a seasonal product it depends as to even how our manufacturing process are placed, we already started manufacturing 10 to 12 months before the season starts, so it also depends on us how we took the decision last year as to what kind of quantity we need to produce for the coming season and what kind of a policy do we need to put in place so I think we have produced a right amount of quantities and placed the products in the market at the right time and that is what has lead to the products getting accepted well and with the support of the advertising campaigns also it is seeing a good consumer pull andalso from the marketing we believe it is a very strategic decision with regards to advertising and with regards to production which has led us and help us to capture this market share.

Nihal Jham: And just in terms of what is the policy on return say after the reason the season is over if there is say certain unsold inventory lying with the retailer so they cannot send it back to you right if I understand that.

Saket Todi: No, so we do not operate on policies in which we do not sell goods on consignment so whatever goods are getting sold it is sold on an outright basis so by the end of the season also there is no question of any goods return happening, so we are very clear and strict on that.



Lux Industries Limited
November 14, 2019

Nihal Jham: Just one last question on the cash flow side, so I think this was discussed earlier but last year in the same first half period there was a big release of 84 Crores from the receivable side, so can you explain that why so that, that last year there was such a big reduction in receivables whereas this year it is only a 4 Crores release.

Saket Todi: When you are talking about last year the 84 Crores which got released was also because the base effect has come into play the period prior to that there was a huge amount of the debtor level was pretty high and that is what the cash flow had come in during quarter two last year and since we have already taken strict measure so this year the base figure itself was not very high. So I believe that was a onetime release which we were seeing, but otherwise quarter two is a period when the winter wear sales are just starting to happen so generally the Sundry debtors is always high, because we typically book sales by August and September the realization of which happens as we said in November and December so the debtor level tends to rise during this period but the last year did not happen because the base figure itself was pretty high so which have seen release of fund.

Nihal Jham: Sure Sir, that is very helpful. Thank you so much. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Sparsh Raina from Mirabilis Investments. Please go ahead.

Sparsh Raina: Sir I had two questions first of all could you provide your revenue breakup in terms of Men's inner wear, Women's inner wear and active wear the major core categories. The core categories, the Men's wear, the Women's wear and active wear if we have the revenue breakup for these categories.

Saket Todi: So I will give you a very broad breakup for the first half for the six months figure of the current financial year talking about Lux Industries it is mainly Men's product we will see Men's winter Men's thermal as about 21%, Men's inner wear at about 75%, and Women's at about 4% because the bulk of our Women's sales is being captured in our entity called Ebell Fashion. So when we look at the combined figures of all the three entities together we will get a clear picture of but the Men's, Women's and outer wear picture looks like.

Sparsh Raina: Sir my second question would be, could you just provide the details regarding your distribution network as of now the total touch points and dealers and also what is your expansion plan for the next coming few years so how do you plan to expand your distribution network.

Saket Todi: At the distribution front the number of distributors at a group level which combined all the unlisted and listed entities would be around 950 and right now we are focusing on adding



Lux Industries Limited
November 14, 2019

more products to these distributors as we see a gap of more products which they require there has been continuous product innovation and new product development which we are trying to give the distributor as well as our secondary target is to add on more distributors which would happen in the next financial year.

- Sparsh Raina:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Tanvi Shetty from Axis Securities. Please go ahead.
- Tanvi Shetty:** Sir could you help me with your average selling price within your economy premium and mid premium segment in the Men's inner wear.
- Saket Todi:** This is for H1.
- Tanvi Shetty:** Yes Sir.
- Saket Todi:** The average pricing would be in the mid segment would be approximately Rs.60 approximately in the Men's mid segment inner wear segment, the winter wear segment is around 200 the Mass Men's inner wear segment is around 40, 45 and the premium wear ONN is around 120, and export is around 60, 65.
- Tanvi Shetty:** That is very helpful Sir and could you tell me how much was the contribution from your Mass segment for H1 as a percentage of revenue from Venus, Cozi basically.
- Saket Todi:** We have our quarterly numbers ready with us, in the quarterly numbers Venus contributed to around 7% percentage point of the out of 28% and Cozi contributed to around 2% percentage point out of the 28%.
- Tanvi Shetty:** Sir and could you please help me with like out of the total inner wear market of about 27,000 Crores so what would be our market share ballpark number.
- Saket Todi:** Our Mens inner wear sale is around 1000 Crores so you can calculate out of that that what would be our market share.
- Tanvi Shetty:** That is very helpful Sir thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Arvind Krishna from Allegro Advisors Private Limited. Please go ahead.



Lux Industries Limited
November 14, 2019

Arvind Krishna: I just have a couple of questions. First one is on One8, if we launch One8 brand in the last quarter.

Saket Todi: We launched One8 in the month of June 2019 current year.

Arvind Krishna: So how has the response to this launch and what is the strategy with this one particular brand and what is our outlook as to how we scaling this brand up.

Saket Todi: Right now in the MBO channel the season actually starts from January, February so we would launch in our distribution front in the month of January February and currently from June to till date we have currently launch it only in our online platforms which is Amazon, Flipkart, etc, so and at distribution front when we launch from the month of January, February of 2020.

Arvind Krishna: From January or February on 2020 onwards the distribution channel will start for One8. Another question in terms of are we looking at any strategic JV that we are evaluating with other foreign brands or are we in that kind of mindset.

Saket Todi: Currently there are no JVs right now planned for us but if there would be anything you would definitely have a look at it.

Arvind Krishna: Yes, sure. Thank you.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Sir what will be the share of in-house manufacturing now and is it fair to say that the same has been rising because also if we see trends in job work charges it has been remaining more or less flattish?

Saket Todi: For in-house manufacturing we have done production of stitching just one process which we have done that in-house and it is remaining the knitting and the cutting still remains the same as it was before so the job working expenses which was there in terms of stitching right now that is converted into in-house mainly in the winter wear segment and in the premium ONN segment and the export segment.

Bhargav Buddhadev: So the entire winter wear is now in house?...

Saket Todi: Not the entire we can say around 40%.



Lux Industries Limited
November 14, 2019

Bhargav Buddhadev: And lastly Sir we have seen good cash flow generation through working capital release is we have any thoughts to sort of increase the dividend payout.

Saket Todi: That has to be decided by the board of director and if there will be any decision we will definitely let you know about it.

Bhargav Buddhadev: Okay Sir thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Kedar B from Composite PMS. Please go ahead.

Kedar B: Can you help us with the exports number for H1 please?

Saket Todi: For the H1 the export is around 70 Crores.

Kedar B: So referring to your latest annual report there is a mention of putting in place a dealer financing scheme so could you tell us in terms of what has been the progress on this and say over a three to four year period how will this help you optimize the working capital across the channel?

Saket Todi: What we have seen is that some of our peers have already tried to implement it in a dealer network and they have drastically failed on it. So right now I think so we are keeping that as a drop because from a peer market we have seen that they have not be successful in it.

Kedar B: So in a sense so are we saying that this is something that we will try out or are we saying that we are still sort of yet to take a decision on implementing this within Lux.

Udit Todi: So we have parked this idea for a while and we will see how other players those who are experimenting with this idea we are waiting to see the results and how to say and after that probably we will take a call, but when it comes to working capital we have already been kind of changed our policies with regards to the receivable days so that is something which is of more important to us right now and also this is the time and we believe under such market condition chasing growth is something which is really, really important so if we take on all these strategies at one point of time it might not be a very good idea so right now for us the number one idea is to just chase growth and not be very relaxed with regards to debtor days but at the same time not go to strict on that.

Kedar B: So within Lyra as a particular category so we started with leggings and then we did an extension in to Lingerie that is specifically bottom wear so what is the split across both these categories in term of revenue.



Lux Industries Limited
November 14, 2019

Saket Todi: In terms of revenue it is still primarily bottom wear and when we talk about bottom wear it is not just leggings it is a variety of bottom wear which is launched in the market depending on the different kinds of trends and fashions which are in place so we have also launched palazzos, we have launched night wear and also inner wears was also launched last year so it is difficult to give a breakup but the sense is that obviously since lingerie is a new category and it is well accepted by the market the growth in lingerie is almost troubling up every year.

Kedar B: Okay, but primarily the revenue still comes from?

Saket Todi: The revenue will still be I think more than 90%, 95% in favor of the bottom wear.

Kedar B: Final question from my side, in terms of the production model for both the entities that is J.M.H and Ebell so is it the same in terms of outsourcing and employee cost or are we running a slightly different model over there.

Saket Todi: No so the model is pretty much similar to what Lux is doing so you can assume that it is fairly a simple model and so even the parts of, the manufacturing processes which are outsourced are almost outsourced to dedicated job workers so it just turns out to be more asset light without compromising on any margins.

Kedar B: Fair enough, I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of James from Angel Broking. Please go ahead.

James: I just had one question, with respect to your winter wear wanted to understand what is the like for like growth between last H1 and now and have we accelerated any winter wear sales.

Saket Todi: So winter wear sales always happens in Q2 only so as we mentioned about the figure, winter wear sales, volume wise, and value wise both has grown by about 50% to 55%.

James: So last year what would have been the growth Sir did we see a similar significant growth last year as well.

Saket Todi: Last year it was not to the tune of 55%, last year it was about 20%. So this year the onset of the winter season has been very much on time so that is one of the biggest reasons why we see the growth in Q2 itself otherwise some of it would have spilled over to Q3 but this time most of the growth was captured in Q2.



Lux Industries Limited
November 14, 2019

- James:** So in Q3 we might expect a slightly lower winter wear growth.
- Saket Todi:** Yes, so when you look at the blended average of Q2 and Q3 winter growth that will be a more realistic picture but so right now Q2 stands at about 50% to 55%.
- James:** Can you tell the absolute number Sir for H1 or rather Q2.
- Saket Todi:** To give you absolute number the winter wear sales it is about 116 Crores.
- James:** And regarding the advertisement promotion do we expect to spend in the similar tunes for the full year around 90, 95 Crores like last year or will there be a increase this year Sir.
- Saket Todi:** So we always budget about around 8%, 8.5% for our advertisement expenses with regards to topline sales and so even in H1 we have been along the budgeted estimates only and we keep we believe that going forward also for the full year we will be within our budgeted limits of 8%, 8.5%.
- James:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Mehul Mehta from SPA Securities. Please go ahead.
- Mehul Mehta:** My question is with regard to profitability of winter wear business is it similar to that of inner wear business or it is significantly different.
- Udit Todi:** In winter wear the margins are slightly better than your summer products but at the same time it also takes a much more amount of investment because as we said the kind of volumes that we are doing we need to start production 10 to 12 months in advance. So at the same time your investment and everything goes up at the same time, but yes it is at the gross level it gives us a slightly better margins.
- Mehul Mehta:** Next is on your vision which you shared like an 1500 Crores of revenue at about 13%, 15% so you are talking about FY2020 or like over a period like you want to achieve like I am not getting exactly like what would be the number.
- Udit Todi:** If I look at the entire FY2020 so we are looking at about yearly growth of 12% to 15%.
- Mehul Mehta:** No because FY2019 sorry to interrupt FY2019 it was about 1200 Crores plus like console revenue right.



Lux Industries Limited
November 14, 2019

- Udit Todi:** No, it is not it was standalone revenue, yes, consolidated I mean leaving aside the two group entities.
- Mehul Mehta:** Yes, so what target you are giving also is leaving these two group entities right.
- Udit Todi:** Yes.
- Mehul Mehta:** So that is where I am coming from the 1200 Crores becoming 1500 Crores would be much higher growth rate like where you are saying about 13%, 15% so I just wanted to understand like what are the numbers we are talking about.
- Udit Todi:** I do not know so last year we have clocked about 1200 and this year we are looking at about on a yearly rate 12% to 15% growth and if you combine all the three entities together even the both unlisted entities are growing at a similar rate.
- Mehul Mehta:** No why I am asking this is like if we are talking about 1500 Crores over 1200 Crores then second half like our growth rate asking rate becomes about 30% plus so is that correct assumption and are you on it like how should I look at it.
- Udit Todi:** I am sorry but the 1500 Crores which you are talking about. we are looking at achieving by 2021 so from starting FY2020 so on the onset of FY2020 we will be looking at achieving that. We will be setting our growth on achieving the 1500 Crores mark so I believe that there has been a slight misinterpretation of our vision segment so this year we are looking at 12% to 15% growth and given the market condition we believe that would be a good performance of the company.
- Mehul Mehta:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to the management for their closing comments.
- Udit Todi:** I take this opportunity to thank everyone for joining the call, I hope we have been able to address all your queries for any further information kindly get in touch with us or strategic growth advisors our investor relation advisors. Thank you once again to everyone.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Lux Industries Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.