



**“LUX Industries Limited
Q1 FY2022 Earnings Conference Call”**

July 28, 2021

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Moderator: Ladies and gentlemen, good day, and welcome to the Lux Industries Limited Q1 FY2022 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, there will be an opportunity for you to ask questions after the presentation concludes. 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 Mr. Saket Todi, Executive Director from Lux Industries Limited. Thank you, and over to you, Sir!

Saket Todi: Good evening and thank you everyone for joining for the earnings conference call for the quarter ended June 30, 2021, along with me I have Mr. Udit Todi - Executive director, our CFO - Mr. Saurabh Kumar Bhudolia and SGA - our investor relations advisors. I hope you have received our quarterly results and investor presentation by now, for those who have not, you can view them on our website. I hope you and your family are keeping safe amid the ongoing COVID-19 wave and I am happy to share that despite facing a challenging environment caused by the second wave of COVID-19 pandemic. Our company has delivered robust revenue growth of 32% in Q1 FY2022. We, at Lux Industries, have been proactive to understand the significance of the guidelines issued by the authorities and adhered to all the necessary COVID-19 protocols. During this challenging situation, we at Lux have extended all possible support to all our employees and have rolled out mass vaccination drives for them, their family members as well as the people residing in the nearby areas of our manufacturing units. We are always emphasized on health and well-being of our employees including the family members and this vaccination drive will create a safe and healthy working environment for all the stakeholders.

In the current quarter of COVID-19, the curve is flattening, and we are operating at our optimum capacity and have started our regular manufacturing activities. Given the recovery of economy in Q2 FY2022, the resilient industry growth over the last few quarters, better availability of vaccines and declining cases we are optimistic of the upper trajectory to continue and expect a further revival of demand consumption in the economy.

Now coming to our performance for the quarter ended June 30, 2021, we are pleased to report a resilient performance that was mainly driven by the increased consumption of our products in the semi-urban and the rural market where we have a strong presence, in addition, we are witnessing a structural shift of consumer preference in the use of the innerwear products from unorganized sector to the organized sector and sustained traction



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for the mid premium and premium categories. We have also seen a positive momentum in our online and export segment. For Q1 FY2022, we witnessed healthy revenue growth from our economy segment, which registered a growth of 32% and stood at Rs.421 Crores as compared to Rs.319 Crores in Q1 FY2021, this was led by approximately 9% growth in volumes while the ASP saw a growth of 24%, which was well above the industry average. We have also been able to increase our share of pie where Lux enjoys approximately 15% of the market share in the organized men's innerwear category. We at Lux have been catering to a large part of consumption basket and have product pricing ranging from Rs.24 to Rs. 1,790. Our mid premium segment registered a growth of 30% and the volume growth here was at 12% where the ASP growth was 20%. In our premium category, the growth registered is at 136%, we expect a revenue share of Rs.500 Crores from our premium wear category by FY2025. For the first quarter, advertising expense stood at Rs.26 Crores, which is approximately 6% of our Q1 revenue. As guided earlier for FY2022, we will gradually be reinstating our ad spends back to 7% to 8% of our revenue but seeing the pandemic situation of the current year, we might even revise it back to 6% to 7%. Advertisement and marketing has been one of the key pillars in building our brand equity. Starting FY2017 till Q1 FY2022, we have invested Rs.667 Crores, which is approximately 8% of our revenues and we have been able to generate Rs.16.47 on every rupee ad spent

With this I will now ask Mr. Udit Todi to share his thoughts.

Udit Todi:

Good afternoon and a very warm welcome to everyone. I hope everyone is keeping safe and healthy during the situation. The results of the first quarter FY2022 demonstrate the resilience of the company's diversified portfolio that caters to large parts of the consumption basket. We have achieved better-than-expected performance for the quarter ended June 30, 2021, not only from a topline point of view, but also from the profitability point of view. Despite being present in an industry where there are a large number of unorganized and small-scale manufacturing unit, we have been able to establish and leverage our parent brands Lux in a way that we have not only been able to gain market share from the unorganized sector, but also penetrate in the organized sector space. Today, Lux is present across various market segments, which has led to risk mitigation, higher growth and increase penetration across various market segments. We also have plans to explore categories like women's innerwear, women's athleisure, t-shirts, pajamas, track pants etc. The merged entity will not only provide a greater financial agility, but also help us gear for the next leg of growth. On the supply chain aspect, we have one of the largest distribution network in this industry, having a strong presence in North East and Western parts of the country. A distribution network of approximately 1,170 distributors, 12 depots and 2 lakh plus retail outlets across India has helped us in the last mile delivery of our products also during this pandemic. Going ahead it will be our effort to further invest and improve our distribution and expand presence in the South India market. We have a field rate of 95%



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against the industry average of 80%. We continue to endeavor healthy profitability ratios by focusing on better product mix and rationale cost optimization. Over the last few quarters, we have been able to continuously optimize our working capital cycle, our working capital days as of June 30, 2021 stood at 165 days, which is lowered by 13 days as compared to June 30 2020, as the business is very much seasonal in nature, so in the near term it is expected to be in the similar range of March 2021 which was approximately 120 days. We expect healthy growth in our revenues in FY2022 as we are placed to capitalize on the ongoing upturn in the Hosiery industry and going forward, we will continue to provide newer products that are fashionable with the best quality and comfort.

With this, I will now request Mr. Saurabh Kumar Bhudolia to take you through the financial performance.

Saurabh Bhudolia:

Thank you Udit Ji. Our company reported a strong performance for the quarter June 30, 2021. Our revenues for Q1 FY2022 stood at Rs.421.09 Crores versus Rs.319.25 Crores, registering a stellar growth of 32%. Contribution from premium brands stood at Rs.57 Crores, while mid premium and economic category contributed revenue of Rs.195 Crores and Rs.165 Crores respectively. Our well thought business acumen has helped us deliver consistent profitability and margins without compromising on our growth. Our EBITDA for the quarter stood at around Rs.91 Crores as compared to Rs.57 Crores in Q1 FY2021, a strong growth of 59%. Our EBITDA margin has shown a significant improvement of 373 basis point, which stood at 21.6%. Our PAT for the quarter stood at Rs.63.72 Crores versus Rs.37 Crores in Q1 FY2021, which registered a growth of 73%. PAT margin for the quarter stood at 15%, showing an improvement of 360 basis point compared to 11.5% in the same period last year. Our revenue contribution from export sales is at 9% while domestic sales contribute to 91%. We have a strong export presence in around 46 + countries. The region wise revenue split is as follows, led by Northern India and Eastern India with 27% share, followed by Western India 25% and Central India 19%. While revenue split from segment stood as follows, mid premium 47%, economy 39% and premium 14%. We have sufficient cash reserves, which will not only be utilized to meet the company's growth requirement but also to reward our shareholders on a timely basis. Over the years, our prudent financial decisions have not only helped us reduce debt but also become a net cash company. Please note the numbers highlighted in the speech and the presentation are consolidation numbers post completion of merger with our group companies. On the CSR front for the quarter, the company has till now contributed around 17.2 lakhs while we are expecting a budgeted number of CSR for the complete year should be in the range of 4.5 Crores, out of which company has already given a commitment to support Tata Medical Center for Rs.2.5 Crores for one operation theater, including infrastructure and medical equipments. With this we will now open the floor for question and answer.



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Moderator: Thank you very much. We will now begin the question and answer session. The first question for the line of Shalini Gupta from Ashika Securities. Please go ahead.

Shalini Gupta: Sir I had a couple of questions, one is like, I believe GenX is your main athleisure brand and that is Rs.21 Crores brand in the quarter, so I mean if you could just say what has been growth in the brand in GenX and therefore athleisure?

Saket Todi: Athleisure is not only GenX, in our marked menswear category, GenX has a major part in the men's athleisure wear, then in our women's wear, we supply athleisure to the brand Lyra and in our men's premium wear we supply athleisure in the brand ONN, so there are three brands, so we do not have at present the athleisure wise breakup of all three brands constituted together but yes we are seeing very good traction in athleisure wear and the overall growth in athleisure is above the average growth rate of the company.

Shalini Gupta: Okay and Sir my second question is that in premium category Lux premium is about Rs.38 Crores and I think that is almost entirely exported, so I mean net of that we have a very small premium portfolio as for the quarter it would Rs.20 Crores, so we have been targeting the premium category for a fair bit of time and we have been saying that is going to be the focus area for us but are you satisfied with the kind of figures that you are seeing as in the premium product of Rs.20 Crores in the quarter versus your overall sales figure?

Saket Todi: Allow us to split the question into two different parts. You were right, that we are having only three brands, One 8, ONN and Lux premium which is nothing but mainly the export business what we do have, these three brands constitute put together giving me a premium category, so the idea over here is like One 8 and ONN both are very much a growing brand and definitely companies looking for that in the near future both the brands will become three digit number, ONN has almost reached to Rs.80 Crores to Rs.90 Crores and we are very much sure that over a period of two to three years it will become around Rs.150 Crores brand, but apart from this category as this categorization has been done basis by keeping in the mind that what kind of customer we are going to service the product, but in case we bifurcate the brand, this is my margin structure, then around 5 brands, which is a very high potential margin driver which is One 8, Lux premium, ONN, Inferno and Lyra, so this will become a kind of my margin driver brands falls under the premium category. So if you refer my slide #9, then it will give you a realistic picture that apart from the customer servicing if we are going with the margin structure, then out of 10 brands, 5 brands are coming under premium, balance 5 coming mid premium and the economy.

Shalini Gupta: Okay Sir can you just repeat the names of brands, one is Lyra.



- UditTodi:** It is clearly mentioned on slide #9, you can just have look at slide 9 and it will be quite visible to you.
- Shalini Gupta:** And Sir my other question was that we have seen a lot of growth coming to us from the unorganized sector and which I would assume is because of the unorganized sector facing a lot of liquidity problems due to COVID, but Sir how long do you expect this kind of growth to continue because I think probably in the next four or five months, the liquidity issues for the unorganized sector are going to ease, so if you could just share the thoughts on this?
- Saket Todi:** There are two things, one is the demand in the rural market and the other thing is liquidity issue, so regarding the demand as we are seeing the demand is pretty much stable in the rural market but now the production of the supply or the service from the unorganized sector due to COVID has not been taking place properly due to which the whole demand has been shifted to the organized sector who can supply the product in the pandemic time of COVID, so that is why we are seeing a very good traction in the rural market where we are seeing the shift going from the unorganized sector to the organized sector. Now coming to the liquidity issue, yes there is a liquidity issue in the rural market and the next four to five months it is assumed that it will ease out very well, but as our brand has been demanding the unorganized in the rural market, the first payment from retailers to the distributors or from the distributors to the company is coming to us, so we are not facing as much liquidity or payment issues for the dealers and distributors as it might be with our peers but yes there is liquidity issues, which will get solved in the next few months.
- Shalini Gupta:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Vaishnavi Mandhaniya from Anand Rathi. Please go ahead.
- Vaishnavi Mandhaniya:** Basically, can you provide us with the breakup of the gross margin expansion, the reason for why the gross margin expansion was so high in this quarter?
- Saurabh Bhudolia:** There are multiple reasons associated to it, the first thing is definitely there is a change in the mix, so if you see the high margin portfolio from the number perspective has grown form like with the growth rate of around 136% so that is primarily one of the reason which is contributing the higher rate of the gross margin. Second is the price hike, between last year and this year around two to three times we have already taken the price hike and by keeping things in mind that inventory or the raw material price is going up, we have already taken exposers quite a bit early to stock the raw material stock in our godown so we got dual advantage that we got a raw material at a lower cost vis-à-vis we have increased the price so we were in a position to sell the goods at a higher price in the market.



Vaishnavi Mandhaniya: Okay so what would be the split between the impact of both of these like how much would you attribute the gross margin expansion to the change in mix of the price hike?

Saket Todi: Approximately because of the mixing there will be an increase of around 200-250 basis points from the mix change in the gross margin level whereas the remaining 400 basis point would be coming from the increase in the price.

Vaishnavi Mandhaniya: Okay also other cost items right like the ad spends, employee expenses, other expenses etc., were significantly higher this quarter on a Y-o-Y basis, so should we expect a similar run rate going forward for the rest of the year as well?

Saurabh Bhudolia: Yes definitely so this quarter like my ad expenditure is standing at around 6% which we are expecting to continue, if you see my last few quarters and the year's performance, generally we carry our ad expenditure at the rate of 7% to 8% but this year we are expecting it should continue at 6%, so everything has been factored and the company is very much expecting that this is the best possible cost at which company should run.

Vaishnavi Mandhaniya: Okay, so then EBITDA margin at 20% to 21% is sustainable going forward?

Saurabh Bhudolia: Yes definitely it is very much sustainable, even if you see my EBITDA margin of March 2021, it is in the similar line so since last two quarters I think we are very much delivering the number in the similar range and we do expect that for coming few quarters this number should continue in the similar range.

Vaishnavi Mandhaniya: But then if the price hikes come into the base, like price hike last year then the premiumization that will rise the margin of this as well right?

Saket Todi: No see the price hike, the actual effective of the price hike was from Q4 of last financial year, so for the first three quarters there will be ASP growth in comparison to the first three quarters of the last financial year but if the cost of the product has increased by, for example, the cost of the product has increased by 10%, then we have tried to increase the price to 11% to 12% so there has been an incremental increase in price above the cost of a product so that is the gain, which we are gaining in a gross margin plus there is a mix change.

Vaishnavi Mandhaniya: Okay so 20% to 21% EBITDA margin is sustainable.

Saket Todi: Yes, very much.

Vaishnavi Mandhaniya: Okay got it thank you.



- Moderator:** Thank you. The next question is from the line of Himanshu Nayyar from Yes Securities. Please go ahead.
- Himanshu Nayyar:** Congratulations on a great performance so firstly just a clarification this 20% to 24% pricing growth that you are talking about, are these actual increase in realizations or price hikes that you have taken or is there some mix impacted as well as that within the mid premium you have sold higher realization products more.
- Udit Todi:** So Himanshu as you see the product, we have already stated this previously also that the mix has changed and when the mix changes, for example last year this time say ONN as premium wear brand or Lyra as a ladies wear brand was not selling much because of the lockdown scenario, the urban areas was not much open which in this current lockdown we saw that as soon as lockdown was lifted, ladies wear, men's premium wear everything started to sell so obviously the product mix changed, so earlier outer wear was not selling much whereas this year outer wear is also selling much, so yes when the product changes, there is change in ASP as well and at the same time there has also been an increase throughout the range of products because of the increase in raw material prices.
- Himanshu Nayyar:** Okay so but if you can give a number as to what would be the price hike versus last year on the same product?
- Udit Todi:** It is difficult to put an exact number to it but just to give you sense, in the 24%, I am believing about 15% should have been due to the price hike whereas about 10% should be due to change in products.
- Himanshu Nayyar:** Understood got it. Second question would be to understand your philosophy with regards to gross margin like in the current environment we have grown well, over the last couple of years we have seen a significant expansion, so do you think we are at the risk of losing out on some growth prospects or market share going forward given that we are running at a much higher gross margin level now or do you think you could have taken a slightly lesser price hike and may be driven growth, so just wanted to understand whether you are aggressive at price hike and in your view you are impacting your growth in anyway or not?
- Udit Todi:** If you look at the growth figure this quarter we have achieved about 32% topline growth and even if you look at the overall industry growth, we are pretty sure that the industry will not be growing at this higher rate, so we are definitely gaining market share, there is no two ways about that and even despite the price hike we have always kept this at the back of our head that at no point of time are we willing to lose out on market share, so whatever price hikes are taken are always taken keeping in mind that market share is something which we have to gain not lose and we have consistently done that over the past few quarters. So, we



can be rest assured from that point of view that all the price hikes which are taken are the decisions taken after seeing the market situation and keeping in mind the fact that we should not lose out on our growth and overall if you even look at the current quarter, the growth has come in quite well only.

Himanshu Nayyar: Understood. Just a followup on that growth that you are talking about for the current quarter, we have seen a lot of companies talking about the stress especially in the month of May where semiurban and rural markets also were impacted by the pandemic, so what explains the strong growth, do you think that we could have done even better than this if not for this pandemic because your numbers do not seem to be impacted by this to a large extent?

Udit Todi: There are two ways to look at that. A, definitely has the pandemic not been there, the topline would have been considerably higher, we have lost out on a good number of working days and B, if you also look at the fact that last year, again during the lockdown, the flavor of the lockdown was very different. Last year in the lockdown urban cities were not quite open, whereas in the current lockdown scenario we have seen demand coming in from the urban side as well, so due to a low base effect also in the premium wear category if you see there has been a kind of low base effect due to which you can see significant amount of growth coming in on the premium side.

Himanshu Nayyar: Understood. Just my final question would be on the working capital front, again we have seen a very strong improvement out there, so just wanted to understand are there any structural changes that you have done in the way you worked with your dealer etc., in terms of receivables and are you working with the much lesser level of inventory, so just wanted to understand how much improvement over the long term we can see, what is the steady state number for you on this side?

Saurabh Bhudolia: As you will see like in the March itself, we have achieved a working capital days of around 122 days and still like we are very much expecting that similar kind of number we should deliver in the current year, definitely there is some level of scope to improve the working capital further, but it will take its own time, immediately if you ask me between 12 to 15 months, any kind of working capital further improvement it is very difficult or it is challenging.

Himanshu Nayyar: Understood. Alright Sir. That is it from me. Thanks and all the best to you.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.



- Ankit Kedia:** I have two questions. First is on the inventory. You mentioned you are sitting on the low cost inventory, which would have helped in margin expansion, so how much more inventory do we have in the system and have we started to buy the high cost inventory now?
- Saurabh Bhudolia:** Still we have a similar level of the inventory which we are carrying, so it is a kind of visitor cycle like we are always buying the inventory at the lower price whereas we are increasing the price of our product, so once we buy the inventory basis that we decide how much is the price hike we are going to do for the future right, so on a continuous basis my consumption will be at a lower cost as compared to the price at which I am selling the product in the market.
- Ankit Kedia:** Sure, but I just wanted to understand, yarn prices are up by 20%, 30% in the last six months, so currently what is the old cost in December or January inventory still there in the system because we have taken a price hike in the month of March, incrementally now as you all alluded already the price hike is much more than the raw material price increase you are taking, so I believe the next price hike will come after five, six months and not immediately, the raw material prices stabilizes from here on and hence I just wanted to know what is the low cost inventory in the system?
- Saket Todi:** Just to add on to it for the next two quarters, majority of sales comes from the winter wear product and in the winter wear we start the manufacturing from December last year, so whatever yarn which they have procured for manufacturing in December over the low cost, then January the cost increase more than sequentially, it has increased more over the next six months from December, but the product of the winter wear product which we are selling right now is at the price, which is currently prevailing in the market, so we will get that advantage over the next two quarters in the winter wear segment at least that our cost of production will be very low and in comparison to that our growth margins would increase and similarly now coming to the inner wear segment, yes inner wear segment for the next two to three months, we would easily assume that we will be able to consume all our yarns at the lower price and the pricing in the market is being done according to the current market price.
- Ankit Kedia:** That is helpful. My second question is on the premium products, what is the strategy there, we are setting up a distributor network instead of a wholesale channel for the premium portfolio, so which market are we targeting, are the counter similar to an entrylevel product counters in next three years from the south market or from the other markets how are we looking to penetrate the stronghold of some of the other competitors who are there in the distribution network?



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- Saket Todi:** See our premium wear product is majorly sold in a distribution led channel other than wholesale led channel, so the sales team of the company is responsible for selling the goods in the market rather than the wholesalers wholesaling it. So that is the structural difference in selling the products number one and secondly, we are planning to enter into the south Indian market on a very organized basis, so it is a long term program and I think so you can see South India getting compared to the other parts of the country in the next four to five years.
- Ankit Kedia:** To take the point ahead, what is the current distributors strength we have and also from the EBO channel, those strategy which we have, how will that club in with the premiumization, so in three years' time what would be the share of premium products we are looking at predominantly because that mix change will also help in the margin expansion.
- Saurabh Bhudolia:** Currently we have around 1170 plus distributor close to 1200 and over a period of two to three years, we are expecting that our premium segment should give us a revenue in the range of around Rs.500 Crores.
- Ankit Kedia:** That is helpful. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from BOI AXA. Please go ahead.
- Dhruv Bhatia:** Good evening Sir. First question is I will take it in the slide #9 of your presentation, this presentation of PBT margin we have broken down between certain of the brands, when seeing the last presentation, it seems to suggest that the PBT margin bandwidth is given for brands like One 8, Lux Premium, ONN about 22% to 26% versus the last quarter where you had mentioned the band to be 16% to 21% for GenX and Lux Cozi last quarter, all the three brand segmentation you have inched up the margin band, could you talk about why that has been so and why when guiding for better EBITDA margins as well for the company?
- Saurabh Bhudolia:** This basket has been changing mainly because of the incremental margin, because earlier the products we are delivering say 12%, 13%, 14% now it is coming under the 15% basket and similarly about the different other basket from 15% to 21% and 20% to 26%, so it is mainly because of the price hike and my price hike has just few minutes back we have explained it is incremental as compared to my increase in the cost.
- Dhruv Bhatia:** Does it mean that the price hike that you have taken is more than the raw material cost increase?



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- Saurabh Bhudolia:** Yes, definitely this is what we are saying, the price hike taken as compared to my cost is quite incremental in the nature.
- Dhruv Bhatia:** Does it mean that the EBITDA margin, guidance which you are giving that it will be similar 25% band and still a very conservative numbers that you are working with?
- Saurabh Bhudolia:** No, we think this is the best possible number at which we are running the business because the price hike what we are taking versus the goods at which we are buying our raw material both has difference of around 2% to 3% and this difference will continue for further few quarters and the similar level of the EBITDA margin we can deliver.
- Dhruv Bhatia:** My second and last question is if I look at your mixed premium segment last quarter the revenue was about Rs.313 Crores, this quarter Rs.195 Crores and a dip of almost about 38%, could you breakup which brand has actually degraded significantly because is it Lux Inferno was part of last quarter number and obviously this quarter it is showing zero and hence much the high decline on a sequential basis even the mid premium?
- Udit Todi:** So Inferno as a product is a winter wear product, so the sales will come in quarter second and quarter third, so that is why Lux Inferno right now is standing at zero and if I talk about growth of each individual brand in the mid premium category, so it is just to give you a flavor that as I said because of the low base effect you could see astounding figures so for example Lyra would have grown by about 180% and GenX has been fairly flattish because last season also we did quite a good amount of sales, Lyra has grown quite fast and talking about Cozi, Cozi has grown by about 17% to 18% and Inferno as because it is not the season for Inferno, we do not see any figure for that.
- Dhruv Bhatia:** I was actually asking from a sequential point of view, what is led to 38% dip in mid premium segment?
- Udit Todi:** I am sorry what is led to?
- Dhruv Bhatia:** The mid premium segment if I see the sequential decline in revenue was about 38%, so which brand has actually led to such a sharp decline in sequential of this?
- Udit Todi:** I believe you are comparing it with the March quarter numbers?
- Dhruv Bhatia:** That is right.
- Udit Todi:** You also have to take into account two factors. One is the seasonality of the business and second of all the March quarter was a complete quarter, may be got full 90 days of working



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whereas if you look at the current quarter, the number of day of working due to the lockdown scenario was about 60 to 70 days.

Dhruv Bhatia: Okay, got it. Alright. Thank you.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Co. please go ahead.

Faisal Hawa: Do we have a coherent strategy for selling through our own website, also selling to e-commerce channels, how are we doing with the modern trade and are we employing any influencers on the social medial channels like Instagram and all?

Udit Todi: Just recently off late, we have created a separate vertical for our e-commerce sales and separate vertical for our EBO sales, so these are two separate verticals which the company has created with the separate team and dedicated effort in that direction, so the team is already working both in the EBO direction as well as e-com direction. E-com we have set an internal target that in the next three years, we will reach a run rate of Rs.100 Crores per year ex-factory sales, I am not talking about GMV sales and given the efforts and what the team is already doing, we are pretty sure we should be able to achieve that in the next three years and that will be on account of both third party website such as Flipkart, Myntra and at the same time our own website so that is the strategy which we are doing on that front and again modern trade again as a channel for us is a very important channel and definitely we already present in the modern trade vertical as well and that is one area which we need to scale up which we are looking at.

Faisal Hawa: Have we done any special hiring because this will require a totally different skillsets from the traditional management cadre because lot of other brands like bewakoof.com and all are now planning to go into expensive inner wear and stuff that really we could capture a lot of space there?

Saurabh Bhudolia: As we are speaking like we have already created a separate dedicated team including a lot of new hiring as well as the combination of the old team member for the purpose of online and EBO, so a complete team of around 12 to 15 members has been deployed or this vertical has been created just to focus on the online and the brand outlets business for Lux.

Faisal Hawa: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Jagdish Divani, Individual Investor. Please go ahead.



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- Jagdish Divani:** When can you expect dividend to be declared, you have reserved the declaration in the march quarter?
- Saurabh Bhudolia:** In our next board meeting we are planning to go with the board and we will give out proposal and basis the board direction we will take the decision for the purpose of dividend.
- Jagdish Divani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** On the cost saving for the two companies we have merged of the promoter group, so how much of that synergy benefits already there in this quarter and over the next two to three quarters how much more synergy benefits would come in the fiscal?
- Saket Todi:** Around 100 to 100-basis point of the cost revenue has already been factored in the P&L and we believe that this is the range which will continue for the few quarters.
- Ankit Kedia:** Already this quarter we have seen that benefit of 100-bps in the margin?
- Saket Todi:** Yes, right.
- Ankit Kedia:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please proceed.
- Arpit Shah:** Congratulations for a good set of number. I had just one question. What could be the sales from the wholesale channel versus the distribution channel currently?
- Saket Todi:** Can you come again with the question?
- Arpit Shah:** How much would be the sales coming from distribution channel versus the wholesale channel for the company as of now?
- Saket Todi:** All our premium wear product majorly sold in the distribution led channel and the semi-premium and the economic products are being sold from the wholesale led channel.
- Arpit Shah:** So the plan is moving economy products with the distribution led channel because that will actually unlock a lot of working capital for the company?



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Saket Todi: No actually all these three categories are being very specific to their selling channels and there are no thoughts of changing the selling channel as of now.

Arpit Shah: So, 120 days that is the working days for FY2022?

Saket Todi: Yes, the working capital was at 120 days and we will try to improve with as much as possible..

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to management for their closing comments.

Saket Todi: I take this opportunity to take thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with us our Strategy Growth Advisors, our IR Advisors. Thank you once again.

Moderator: Thank you very much. On behalf of Lux Industries Limited we conclude this conference. Thank you for joining us and you may now disconnect your lines.