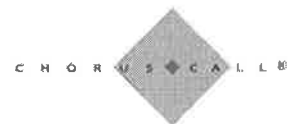




**“Lux Industries Limited  
Q4 FY2018 Earnings Conference Call”**

**May 21, 2018**



**MANAGEMENT: MR. UDIT TODI – PROMOTER & SENIOR VICE-PRESIDENT  
- LUX INDUSTRIES LIMITED  
MR. AJAY PATODIA - CHIEF FINANCIAL OFFICER - LUX  
INDUSTRIES LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Lux Industries Limited Q4 FY2018 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 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Udit Todi, Promoter & Senior Vice President of Lux Industries Limited. Thank you and over to you Sir!

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

I will start with a brief on the industry background. The men's innerwear market is expected to grow by 14% CAGR over the next three to four years and is expected to be Rs.16500 Crores by 2020; this will be mainly driven by increase in income and change in attitude and mindset of the Indian consumer. The major contributor to the Indian innerwear industry is through the mass segment, which contributes 55% followed by mid priced segment contributing to 30% and balance 15% like premium and super premium product.

Post the hiccups phase during the initial implementation of GST, the Government of India has done commendable job in organizing the effect of GST implementation considering its scale. The organized sector has been a major beneficiary of the GST and the compliance for the unorganized sector has increased and the price itself between the organized and the unorganized sector has reduced. We expect the organized players to grow at a much faster rate due to the economics of scale and superior manufacturing technology and increased brand consciousness.

To capitalize on the same and to gain market share of the unorganized players in the economy and the mass segment, we are signed as an Mr. Amitabh Bachchan as a Brand Ambassador for our brand Lux Venus, which caters to mass segment, which help us, strengthen the bond with the masses.

We launched Mr. Bachchan through an extensive campaign from January 2018 across the mix of media like television, online print and out of phone media. During the last year, we also signed Mr. Varun Dhawan as a brand ambassador of Lux Cozi. Mr. Varun Dhawan has created a niche in the minds of youth and his connect with youth audience will work in our favor.

During the year, we acquired through our wholly owned subsidiary Artimas Fashion Private Limited, the manufacturing and marketing rights of Virat Kohli's brand One8 known for its innovative and customer demand driven product offering. Lux industry will be manufacturing



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and marketing a unique collection of socks, innerwear and sleepwear for One8 globally. With One8, we gained to disrupt the premium innerwear segment. We feel extremely confident about the distribution and resource strength coupled with youth appeal of Virat Kohli, which will make One8 the most preferred brands in the premium category.

On the brand investment side, our endeavour is to keep the investment in brands at around 7% to 8% of turnover. Over the past six years, we had invested approximately Rs.386 Crores across the brands. We have over 900 plus distributors and most of them have been associated with us for over a decade. This shows the strength Lux has been maintaining relationships with distributors. Our attrition rate amongst them is less than 1%. We have a very strong presence in the Northern, Eastern and Western parts of the country, generating approximately 63% of revenues; however, we are relatively weaker in southern state and our endeavour is to focus on increasing distribution strength there.

Our main focus is on technology and automation less manufacturing, which would less us maintain high quality standards and deliver consistently superior quality products to our customers. This focus has helped us to be cost leader within the manufacture at the one of the lowest costs in this industry. During the year, the board has also approved in principle to consider merger of Messrs. J.M. Hosiery & Co Company Limited and Ebell Fashions Private Limited with the company. The strategic merger will lead to the presence of Lux as a whole across various market segments leading to risk mitigation and higher growth. This would also provide greater financial strength and flexibility to the company. 2017 has been a great year for Lux Industry for everyone including our dealers, distributor and retailers.

Our aim is to sustain our growth in the coming years and for that our main focus is on increasing product offering across ages, genders, geography and seasons, be present in high growth segments of Activewear and Sportswear and increase our share of premium and semi-premium segments. To reward our shareholders, the board subject to the approval of the AGM had recommended a final dividend of Rs.2 per equity share that is 100% of face value of Rs.2 each.

Now I hand over to our CFO, Mr. Ajay Patodia to provide you result of financial performance for the year.

**Ajay Patodia:**

Thank you Mr. Udit. First, I will take you or through the brief financial highlights for Q4. Revenue for the Q4 FY2018 grew by 27% to Rs.356 Crores as compared to Rs.280 Crores in Q4 FY2017. EBITDA for Q4 FY2018 grew by 52% to Rs.59 Crores as compared to Rs.39 Crores in Q4 FY2017. EBITDA margin saw an improvement of 280basis points to 16.7% in Q4 from 13.9% in Q4 FY2017. Profit after tax grew by 67% to Rs.32 Crores in Q4 FY2018 as compared to Rs.90 Crores in Q4 FY2017. Our debt margins have also improved by 210 basis point to 8.9% in Q4 FY2018 from 6.8% in Q4 FY2017.

Now I will give you the brief highlights for FY2018. Our revenue saw growth of 19% in FY2018 to Rs.1140 Crores as compared to Rs.960 Crores in FY2017. Export accounting for 9.5% for our



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revenue for FY2018, EBITDA grew by 30% to Rs.158 Crores in FY2018 compared to Rs.121 Crores in FY2017 whereas the EBITDA margins saw an improvement of 120 basis point to 13.8% in FY2018 as compared to 12.6% in FY2017. The profit for FY2018 came in at Rs.79 Crores, a growth of 33% as compared to FY2017. The PAT margin improved by 80-basis point to 7% in FY2018 as compared to FY2017. Our Return on Equity, for FY2018 is at 24.7% where is our Return On Capital Employed for the year is at 23%, our net debt equity has reduced from last year and is currently at 1x. With this we now open the floor for question and answer.

**Moderator:** Thank you very much. The first question is from the line of Ashish Agarwal from Pinakin Advisors. Please go ahead

**Ashish Agarwal:** Thanks for taking my question and congratulations for a brilliant set of numbers. I had two sets of questions, the first is on financials reported in the quarter, so one I have seen that your raw material cost as a % of sales has gone up substantially during the quarter and the second was other expenses have come down significantly, so if you could just give a brief commentary on these and how do you see this in coming quarters?

**Udit Todi:** In Q4 FY2018, the yarn price has significantly fluctuated, In the beginning of February there was a huge increase in the prices, therefore the raw material cost has increased. With regards to decrease in other expenses, there is a fluctuation gain this quarter and in Q4 FY2017 there was a fluctuation loss for an expense of currency loss due to this the other expenses figure as compared to last year has reduced.

**Ashish Agarwal:** On a yarn prices, since the import prices have gone up, do you foresee increasing prices or you think the gross margins would remain at the level what we have seen in Q4?

**Udit Todi:** As far as the gross margin levels are concerned, if we look at the annual percentage for FY2018 that is I think a good guidance going forward as to what the gross margin figure will look like. Although going forward we are also expecting that within the next 2 to 3 years, through efficiency gains and change of product mix the EBITDA margins should improve by 100 to 150-basis points.

**Ashish Agarwal:** Another question was on th strategy side, on the exports and premium segment that you are targeting. Now on the exports if you could just give a general guidance as to how you think the export market can look like and what kind of opportunity it throws up and on the premium market my question was on the overall strategy where people are looking at established brands to break into the market. We have chosen a newer brand no doubt with a very strong ambassador and we could have chosen to tie up with one of the international brands as well. So I just wanted to understand your thoughts on these two aspects? Thanks.

**Udit Todi:** Thank you for your question. As far as the exports is concerned, exports going forward look pretty good. In fact the rate of rupee against the dollar has also been increasing which also leads to better realization for the company and strategically if you are looking at geographies, we have



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also been exploring different European countries at the moment, so you would be happy to know that Lux Industries has always primarily been exporting to the gulf countries and the African nations, which form bulk of our exports, but of late we are also looking into developed market such as France, where good export orders are coming in and going forward we are very hopeful that within the next 2 to 3 years export will see a good growth in the overall company. Coming to your second question about premiumization, when you talk about premiumization on our Home Grown Brand "ONN" which this year has contributed about 11% of the topline which roughly comes up to 25% growth figures, so it has been growing in a very healthy rate, obviously because may be small base effect, but if we look at the overall market response, the overall market response for the premium segment has been good and in order to fortify our position in the premium segment, we have also tied up with Virat Kohli under its brand One8 whereby we will be licensee partner in the innerwear, sleepwear and socks category. The brand One8 is scheduled to be launched in the end of Q1 or beginning of Q2 in the current year and the way the things are getting executed, I am very hopeful that going forward it should give good competition to the prevailing competitors in the premium segment.

**Ashish Agarwal:**

Just to understand whatever I understand is that you have been chosen to tie up with one of the international brands and you have chosen to create a brand One8, which we will not be owning, so if you would have chosen to take your own brand you would have complete control over that brand, but you chosen to license a brand which was not existing before?

**Udit Todi:**

As I mentioned earlier, our Home Grown Brand by the name of ONN is a brand which is owned by the company, and this brand has been performing pretty well. It has contributed to about 11% of the topline and when we talk about One8, One8 is a licensee brand and in fact One8 will also be co-branded as One8 by One, so even when you are marketing One8 products there will be a good amount of rub off which will be accruing to the Home Grown Brand.

**Moderator:**

Thank you. The next question is from the line of Himanshu Nayyar from Systematix Shares. Please go ahead.

**Himanshu Nayyar:**

Good afternoon and congratulations on a great set of numbers. The growth seems quite strong compared to what the industry has done especially in this quarter. Could you throw some light on the exact reasons of this very strong growth with regards to the volume growth and a mix change that you have seen which has given you this sort of topline growth?

**Udit Todi:**

Let me talk about FY2018, the value growth has been 19% out of which volume growth was 16%. We have seen 16% volume growth and 3% additional value growth bringing the total turnover to about 19% and when we talk about the margins of the company improving, so there have been various factors instrumental in increasing the margin of the company. If you look at the gross margin level, the gross margin level of the company has increased substantially, primarily owing to cost reduction benefits as well as premiumization of the product portfolio. Although there has been a significant increase in the advertisement expenses, but that was on



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account of launching a new campaign of Mr. Amitabh Bachchan. Going forward we are looking at bringing down the advertisement expense back to the normal rate of 8% to 8.5%.

**Himanshu Nayyar:** Sir just a followup to that what sort of number you think, is sustainable both on volumes and margins going forward?

**Udit Todi:** Going forward over the next two to three years we are looking at 13% to 15% rate of growth in terms of volume growth and talking about the bottomline as I said we are expecting 100 to 150-basis point increase in EBITDA level.

**Himanshu Nayyar:** Got it. Second thing was on this merger, would you be able to give some timelines and if you have decided anything on the sort of valuation etc. that you will be looking to merge these two companies?

**Udit Todi:** The company is very confident and everything has been put on fast track and the valuations of both the unlisted entities are already in progress. We are waiting audited figures for the year ended to come out for the unlisted company and we are very hopeful that given a very short span of time, we will be able to hear about the valuation figures and share exchange ratio.

**Himanshu Nayyar:** Any capex plan that we would have for the next couple of years and just wanted to know what is a sort of outsourcing that we do currently and whether as a result of that capex we can increase our in-house share of manufacturing as a whole? Thanks.

**Udit Todi:** We are not looking at any major capex in the next 1 to 2 years. It will only be slight incremental capex occurring due to repair and maintenance and regular capex, which the company needs, but nothing substantial in the next 1 to 2 years. As far as the question on outsourcing is concerned, the mode of production which the company follows, is the one which is a hub and a spoke model whereby at every step, when we talk about knitting it is what we have already taken it in-house, when we talk about processing, processing is one step where we are looking at only dedicated vendors, when we talk about cutting, cutting is one step which the company is completely doing in-house, when we talk about stitching, stitching as far as the mass and mid segment is concerned, it has been done on job booking basis and as far as premium products are concerned it has been done completely in-house. So going forward in the next 1 to 2 years we are not looking at taking any of these processes further in-house.

**Himanshu Nayyar:** Got it Sir. Thank you and all the best.

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

**Nehal Jham:** Good afternoon and congratulations on this great set of number. Just wanted to confirm if I look at the Q4 FY2018 performance is that the improvement in gross and EBITDA margins compared to the growth in revenues is related to premiumization ?

**Udit Todi:** It is majorly in an account of our premium brands, which has done very well in Q4FY2018.



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- Nehal Jham:** That would be mainly be, ONN right?
- Udit Todi:** Yes
- Nehal Jham:** The second question is if I have to look at the arrangement with One8, first of all what would be the price point of One8 that we are looking at?
- Udit Todi:** When we talk about One8, One8 would be priced similar to the competitor's operating at the premium segment and it would be in a similar price range.
- Nehal Jham:** It would be at premium to our ONN-brand if I understand right?
- Udit Todi:** It would be slightly ahead in terms of pricing of ONN and if you compare it to the market leaders in the premium segment it will be priced similarly.
- Nehal Jain:** Just to understand the arrangement better in terms of licensing, so how would we look at the revenues and when it comes to say brand spending specifically on the One8 innerwear that you are looking that is it something that we have to incur or something that will be taken care of the One8 brand in total itself?
- Udit Todi:** So if we talk about One8, we are not looking at any major advertisement expenses in the first year even we are looking at making some good profits from the brand and then may be looking at making any advertisement expenses, but as part of talking about the agreement because the Virat Kohli has agreed to contribute a certain number of days because generally the way the things works is the celebrity gives their time and you can utilize that time and whatever they want whether that is for product photo shoot or for shooting in ad film or for general marketing purposes so that would be his share of marketing and as far as if you are doing any release of media that would be borne by us, but you would also be happy to know that the brand One8 is not just restricted to innerwear. The way the brand One8 will work is that One8 also has licensing agreement with Puma whereby they will be doing sportswear, shoes, they also have a licensing agreement with the mineral water company whereby they will be producing vitamin water for them. One8 also has a licensing agreement with one of the eyewear company whereas they will be making sunglasses with the brand One8. So when you talk about marketing if any these of players advertising One8 each player gets a rub off from the other. In terms of brand awareness, I think the brand should already once everyone start launching their products in the market every one stands to gain from the other businesses.
- Nehal Jham:** Right and what are the kinds of revenues that we say targeting from One8 in the coming year?
- Udit Todi:** Right now I think it will be too early to comment on any revenue figure, but the first year on a conservative side we are looking at maybe say around Rs. 8 to 10 Crores and going forward due to small base effect and due to the growing popularity of the brand it should increase almost double every year.



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- Nehal Jham:** Sure, just one last question on the distribution side, looking at number of distribution retail point that is more or less stayed flat over the last three years, so any specific reason that we are not trying to increase our touch points?
- Udit Todi:** When we talk about touch points we almost tapped all the touch points present in North, East and West India, the only increase which is yet to come is from Southern Indian markets and that is where see a scope of growth and the company is already focusing all its marketing strength towards the Southern India state whereby we see good arena to go.
- Nehal Jham:** But we have not increased our touch points in the southern region over the last 3 years you would say?
- Udit Todi:** In the last 3 years we have increased the few touch points and in fact we have also let go a touch points since they were not performing very well, so on a net-net basis it has somewhat remained flat, but I think the number of touch points in the regions in which the company is already present is very strong and kind of saturated so I believe if there is any touch point, which is worth to the company has already been tapped, so it is only the Southern India market which needs to be tapped.
- Nehal Jham:** Absolutely. Thank you so much Sir. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Perna Jhunjunwala from B&K Securities. Please go ahead.
- Perna Jhunjunwala:** Thank you for the opportunity. Congratulation on good set of numbers. Sir, I would like to understand brand wise growth of the company, so which brand has contributed to the highest growth and how will it pan out in the next 2 to 3 years?
- Udit Todi:** Talking about the growth figures brand wise, I think it would be better if you take it segment wise because the company has a lot of sub-brands, which are operating and we have bifurcated these brand, sub-brand into mass, mid and the premium segment. Talking about the mass segment, which is catered to by the brand Lux Venus and Lux Cott'sWool the percentage contribution stands at 34%, the mid segment, which is catered to by Lux Cozi and Lux Inferno stands at about 45% and the premium segment, which is ONN and exports, because the exports enjoy healthier margin that is why we have categorized it into the premium segment, so the contribution of the premium segments stands at 21% out of which about 11% is ONN and around 9.5% is export.
- Perna Jhunjunwala:** Sir, With respect to the exports, with rupee depreciation the revenues would increase, so if there is no rupee depreciation what would be the growth in exports that you are targeting by from the European region?





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- Udit Todi:** When we talk about export, we believe that the export growth should also be somewhere in the zone of 13% to 18%.
- Prerna Jhunjunwala:** Same level of growth despite rupee depreciation?
- Udit Todi:** Yes.
- Prerna Jhunjunwala:** Sir, with yarn prices increasing this year what would be your strategy to tackle the same, what kind of price growth can we expect in the next year and are we expecting yarn prices to increase going forward?
- Udit Todi:** Correctly, as the yarn prices are on the rise, so the strategy is to pass on the increased yarn prices to the consumer thus we are looking at maintaining similar margins and the price increase will be calculated accordingly.
- Prerna Jhunjunwala:** What about the competitors? I mean if the competitors does not increase the prices, so how does it function?
- Udit Todi:** You know it is in fact trade practices that whenever there is an increase in yarn prices it is always passed on to the consumer and all the competitors react in a similar way that has been in the trend so far .
- Prerna Jhunjunwala:** No problem Sir. I come back to the question queue again. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Harish Thakkar from Anand Rathi. Please go ahead.
- Harish Thakkar:** Thank you for the opportunity. Sir, may I know the reason for stretched working receivable days?
- Udit Todi:** The receivable days have slightly increased and that was primarily on an account of GST because post-implementation of GST there was a paucity of funds in the market whereby distributors and dealers were facing difficulties in remitting so we have slightly relaxed our credit period days.
- Harish Thakkar:** In closing stock, may I have bifurcation of raw material and finished goods because of increased cotton prices, we should have stocked some sort of cotton?
- Ajay Patodia:** Actually in inventory the Work-in-progress has increased of yarn and clothes. The finished goods level is same.
- Udit Todi:** If you want we can get back to you with the absolute figure, but qualitatively if you have to talk about the data the finished stock level at an absolute prices were somewhat similar. The increase was mainly on an account of work-in-progress.



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- Harish Thakkar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Krishna Karwa from MC Resource. Please go ahead.
- Krishna Karwa:** Good afternoon team and congratulations on a good performance. Sir what I want to know is, how is this composition among the three categories mass, mid and premium from 34%, 45% and 21% respectively going to change by virtue of these initiatives taken over the next couple of years?
- Udit Todi:** Going forward we are looking at the premium end of the premium segment to contribute much more than what it is right now. In fact compared to last year, last year it was about 20%, this year already it is contributing 21% and what we see is that going forward every year at least 1% increase in contribution to the total turnover is what we are looking at from the premium segment and as far as the mid and mass segment is concerned, so whatever increase is being achieved in the premium segment will be proportionately lost by the mass and the mid segment.
- Krishna Karwa:** And you are talking about average realizations across the three categories what was the numbers if you could provide a ballpark figure or something?
- Udit Todi:** Talking about ASPs, should you want to go the ASP in sense of segmental wise or like?
- Krishna Karwa:** Average yield?
- Udit Todi:** So when we talk about brand wise, Lux Venus, which is a mass segment brand it was around Rs.40 to Rs.42, Lux Cozi it was around Rs.63 to Rs.65, for the winterwear brand, this was Lux Cott'sWool, Lux Cott'sWool is a mass winterwear brand, the ASP was around Rs.180 to Rs.185, for Lux Inferno, which is mid winterwear brand would be Rs.220 to Rs.225 and for our brand ONN, which is the premium segment the ASP stands to that around Rs.105 to Rs.110.
- Krishna Karwa:** How many distributors are you looking forward to adding in South India to the present count of over 900 that you mentioned?
- Udit Todi:** So, we believe South India we are looking at adding about 30 to 40 distributors in this current year and another 30 to 40 in the next year.
- Krishna Karwa:** And with these additions incrementally what can be the addition to the topline from South India?
- Udit Todi:** To comment right now about any turnover expectations would not be correct, but just to give you qualitatively we believe that whatever growth we are looking at a good portion of it would be coming at from this.



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**Krishna Karwa:** Correct and lastly in terms of capacity, the capacity stands at 18.25 Crores garments a year, so for FY2018 what was the utilization level and going forward are you looking at any capacity additions or scaling up utilization?

**Udit Todi:** As I mentioned when we talk about capacities, which is 18.25 Crores, these capacities are related to cutting capacities of the company, because most of the stitching capacity are done on a job working basis so for us to increase or decrease production to an extent of 20% to 25%, we do not have to incur any capex to increase or decrease our production because the way the industry is setup to scale up or scale down the production to the extent of 22% does not require any incremental capex.

**Krishna Karwa:** Sure, that answers my questions. Thank you so much and all the very best.

**Moderator:** Thank you. The next question is from the line of Nirav Savai from JM Financial. Please go ahead.

**Nirav Savai:** Sir, sorry I missed the number, what kind of revenue proportion that we are looking from premium segment, currently it is 21% and what will it be over the next 2 to 3 years?

**Udit Todi:** As I mentioned, every year they are looking at increasing the contribution by 1%.

**Nirav Savai:** 1% of contribution?

**Udit Todi:** 1% every year.

**Nirav Savai:** Sir, what we are saying about 100-150 basis point of margin expansion, so majorly it seems from cost efficiency basically?

**Udit Todi:** No, that would primarily be on an account of premiumization of the portfolio and partly on account of cost efficiencies because majority of the cost efficiencies have already been factored in by the last few years. In the last few years we have already brought in a lot of cost efficiency and going forward it would be primarily on account of product mix.

**Nirav Savai:** But with the 1% increase in premiumization are we able to increase our margin to increase by 100- 150 basis point?

**Udit Todi:** We would be able to achieve 100, 150 points over the next 2-3 years, so by the end of next 2-3 years the percentage contribution should somewhere be 23%, 24%.

**Nirav Savai:** So, incremental 200 basis points or 300 basis points improvement in premium segment, actually I try to understand the impact of premiumization on our margins basically?



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- Udit Todi:** The premium segment enjoys much healthier margins as compared to the mass and the mid segments and any contribution of the premium segment in the overall portfolio increases it also leads to better EBITDA margins for the company.
- Nirav Savai:** My question is the premiumization segment is growing only by 1% basically, so can that increase the margin by 100 or 150 basis points?
- Udit Todi:** 100 or 150 basis points is over a 2 to 3 year horizon and there would be also some cost efficiencies coming into play, but I think if you just workout when we talk about 1% increase in the overall turnover you also have to remember the fact that the company itself is growing at a say 13% to 15% projected rate of growth and along with projected rate of growth you are also increasing the percentage contribution, which leads to premium segment growing by a very fast rate.
- Nirav Savai:** Sir, last one is what is the total advertising expenses for this year?
- Udit Todi:** Total advertising expenses as a% of the topline was around 9.5%.
- Nirav Savai:** Thank you Sir,
- Moderator:** Thank you. The next question is a followup from the line of Ashish Agarwal from Pinakin Advisors. Please go ahead.
- Ashish Agarwal:** Thanks for taking my question again. My question is on the GST impact on this sector. We are expecting a greater level of organized players to have a role in the new scenario, are we seeing any initial impact in terms of higher growth for the organized players or in a higher market share compared to last year?
- Udit Todi:** Ashish as far as the GST implementation is concerned, as we mentioned we are already witnessing a shift from the unorganized sector to the organized sector and that was primarily why we had signed with Mr. Amitabh Bachchan as a brand ambassador for the mass category. Our strategy was always to capture whatever share of market is accruing to the organized sector to capture maximum amount of share, which we can at the mass segment because the competition between the unorganized sectors with the organized sector is only at the mass segment. The mid segment and the premium segment are not in competition with the unorganized sector, so that was primarily why we launched this campaign with Mr. Bachchan and the results are already visible and going forward we are hopeful that a good percentage of whatever market is getting accrued to us would be from the unorganized player.
- Ashish Agarwal:** This is extremely helpful. Can you just give broad view as to like how numbers might be shaping up for the organized sector as a whole in this mass segment, say for example if the overall industry growing at 8% in organized and now going at 10%, 12% some numbers could be very, very appreciated?



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- Udit Todi:** The figures of the unorganized market is not available, so for us to comment anything on the organized sector would just be an guesstimate and as far as the unorganized sector is concerned, the unorganized is more or less stagnant or what we perceive it might be declining, so majority of our turnover growth, which has accrued in the mass segment was an account of shift from the unorganized to the organized.
- Ashish Agarwal:** Thanks so much and wish you all the best.
- Udit Todi:** Thank you Ashish.
- Moderator:** Thank you. The next question is a followup from the line of Prerna Jhunjunwala from B&K Securities. Please go ahead.
- Prerna Jhunjunwala:** Sir, I wanted to know the turnover and the profitability of the two group companies that we are merging this year?
- Udit Todi:** For us to comment anything on the financials of the company, I think would not be correct because even we are bound by regulations, but we are waiting audited figures to come in as audited figures should be available within the next 15, 20 days and as we mentioned that even we have put this process on a fast track and pretty soon you will be able to hear about the merger, but as per qualitatively if I had to say the J.M.Hoisery would be enjoying similar margins compared to Lux and even Ebell Fashions Private Limited enjoy the much healthier margin compared to Lux.
- Prerna Jhunjunwala:** With this merger there should not be any margin dilution that we should see?
- Udit Todi:** In fact there should be a margin enhancement.
- Prerna Jhunjunwala:** Sir, for ONN, who is our brand ambassador?
- Udit Todi:** Earlier we launched ONN we launched it with Mr. Shahrukh Khan, but Shahrukh Khan had already helped to establish the brand and then going forward in order to cut down cost we let go off a brand ambassador and all we are concentrating more on contemporary forms of advertising such as social media and cinema advertising.
- Prerna Jhunjunwala:** So, do not you think your mass and mid segments have very strong brand ambassadors and they will grow at a higher rate than ONN because of higher brand recall?
- Udit Todi:** No, I think it is totally a marketing teams call whereby they say that it is better in fact in the premium segment, it is better not to have a brand ambassador. In fact to spend the same amount of money see by the amount of budget, which you have allocated for advertising in the premium segment we spend in other ways rather than spending it on a brand ambassador.
- Prerna Jhunjunwala:** So, basically your ONN brand will be more social media driven?



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- Udit Todi:** It is social media driven and at the same time we are also doing cinema advertising, we are doing television advertising, but we are not doing it with any brand ambassador, we have given it a more international look, the kind of campaign also which is currently running is more on international lines than on local celebrity.
- Prerna Jhunjunwala:** The kind of media spends would be similar across the categories like the percentage contribution types?
- Udit Todi:** When you talk about percentage contribution once the budget for advertisement is fixed for a particular year then that same budget is the allocated to various brands depending on the need of the market, but as a percentage of this turnover, the advertising budget is somewhat 8% to 9%.
- Prerna Jhunjunwala:** No, I am just talking between the brands like for ONN and for Lux Cozi or Venus the type of expenditure on the various platforms of advertisement, would it be similar or it would be very different?
- Udit Todi:** Because ONN is a relatively newer brand, so the marketing spend would slightly disproportionate, but whenever we talk about marketing spend we always take a macro view and we fix percentages from considering what kind of a topline we are expecting to achieve and keep the marketing spend about 8% to 9%.
- Prerna Jhunjunwala:** Thank you so much, Sir.
- Moderator:** Thank you. The next question is a followup from the line of Himanshu Nayyar from Systematix Shares & Stocks. Please go ahead.
- Himanshu Nayyar:** Sir, on the exports front just wanted to understand what would be the key products that we will be exporting at what sort of realizations because you said that the margins are quite premium there?
- Udit Todi:** When we are talking about exports it would primarily be innerwear segment, the same segment, in which Lux has been operating that would be men's innerwear and as far as margins are concerned the margins would be in the range 16% to 18% at EBITDA level.
- Himanshu Nayyar:** And what would be the realizations like similar to a domestic realization or higher?
- Udit Todi:** When we talk about exports there are variety of products, which are getting exported though it can be a brief, it can be wears, it can be trouser and it can be a T-shirt, so for us to give you a realization would be pretty misleading.
- Himanshu Nayyar:** Got it. Secondly I believe J.M. Hosiery houses are Genx brand are sportswear and activewear?
- Udit Todi:** Correct.



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- Himanshu Nayyar:** So, do we have a brand ambassador there and if you can just give us some outlook on that category specifically?
- Udit Todi:** We are not having any brand ambassador firstly in the brand Genx and I think as far as outlook or any comments on the merger or other two companies are concerned I think we are not in a right position to comment at the moment and once the financials and everything are in place, only then we would be in a better position to comment.
- Himanshu Nayyar:** No Sir, I was just asking on the industry outlook for sportswear and active activewear as a category from your perspective?
- Udit Todi:** Sportswear and activewear as a category has been growing pretty fast and a lot of products are already there in the brand. GenX brand is into sportswear category as well as casual innerwear and we believe that the industry has been pretty good.
- Himanshu Nayyar:** Thank you.
- Moderator:** Thank you. That was the last question. I now hand the conference over to Udit Todi for closing comments. Over to you!
- Udit: Todi:** I take this opportunity to 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 or SGA, our Investor Relation Advisors. Thank you once again. Thank you for your support.
- Moderator:** Thank you. On behalf of Lux Industries Limited we conclude this conference. Thank you for joining us. You may now disconnect your lines.