



August 17, 2022.

To, The Secretary, BSE Limited, P.J. Towers, Dalal Street, Mumbai- 400 001 Scrip Code: 539542	To, The Secretary, National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandera (E), Mumbai – 400 051 Symbol: LUXIND
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Dear Sir,

Sub: Transcript of the Earning Conference Call held on August 10, 2022.

In continuation of our letter dated August 08, 2022 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we herewith enclosed the transcript of investors call for the financial results for the Quarter ending 30th June, 2022 further please note that the same is also available on the Company's website at www.luxinnerwear.com.

This is for your information and record.

Thanking You
Yours faithfully
For Lux Industries Limited

Smita Mishra

Smita Mishra
Company Secretary & Compliance Officer.
M.No.: A26489

LUX INDUSTRIES LTD



“Lux Industries Limited Q1 FY23 Earnings Conference Call”

August 10, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th August, 2022 will prevail.



MANAGEMENT **MR. UDIT TODI -- EXECUTIVE DIRECTOR, LUX INDUSTRIES LIMITED**
MR. SAURABH KUMAR BHUDOLIA – CHIEF FINANCIAL OFFICER, LUX INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Lux Industries Limited Q1 FY '23 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 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. Udit Todi – Executive Director of Lux Industries. Thank you, and over to you, sir.

Udit Todi: Good afternoon, and thank you, everyone, for joining the earnings conference call for the quarter ended 30 June 2022. Along with me, I have our CFO, Mr. Saurabh Kumar Bhudolia; and SGA, our Investor Relations advisor. Mr. Saket could not join the call as he is traveling and the flight got delayed. I hope you have received our results and investor presentation by now. For those who have not, you can view them on our website.

For the quarter ended June 30, '22, the Company has reported a robust revenue growth of 36% over the same period last year. This growth in revenue was largely fueled by improving traction of our power brands, particularly ONN and Lyra, coupled with its legacy brands, Cozi and Venus. For the quarter gone by, ONN has reported a net sale of Rs. 30 crore, which grew over 94% for the same period last year. Whereas when we talk about the womenswear brand Lyra, which stood at about Rs. 97 crore in this quarter, which was a growth of about 136% over the same period last year. Brand Lyra contributes almost 17% of the top line, whereas ONN contributes about 5% of the top line.

The Company's latest offerings of lingerie product range under the brand, Lyra has been gaining good response from the market, helping it to evolve from a legging-centric brand to a multiproduct, multi-category womenswear brand. The Company's increased penetration in the womenswear category is assisting Lux in creating brands across genders along with increased sales and profitability. Additionally, we have seen gradual shift towards the online purchases, largely driven by millennials. This has enabled Lux to create new channels for engaging with the end users and offer a range of more than 100 products, under 15-plus different brands ensuring relevance across ages, genders, geographies and seasons, leading to enhanced value of the brand.

Being one of the biggest players in the branded innerwear industry, Lux has been proactive about changing the consumer preferences and is responding by creating innovative and trendy product lines and maintaining a healthy balance between offline and online channels. In this regard, Company is expanding its e-commerce presence and has partnered with top e-commerce

companies such as Amazon, Flipkart, Myntra and Ajio and is currently shipping more than 4,000 orders daily. Going forward, the Company aims to generate about Rs. 100 crore of top line coming in from the online channel.

Now coming to marketing and advertising spend, which is one of the most important factors in developing the Company's brand equity. The Company has invested a sizable amount of approximately Rs. 836 crore in brand building over the last 6 years while brand investment in the first quarter of FY '23 stood at about Rs. 42 crore. This brand investment accounts for about 7.5% of its net sales, which is similar to what the Company has been spending historically barring the COVID period.

In terms of supply chain, we have one of the largest distribution network, thanks to the Company's strong brand equity and goodwill. It has been able to preserve long-term partnerships with its distributors, dealers and retailers. The Company dominates the domestic innerwear market in terms of volume and is well established in the Northern, Eastern and Western parts of the country. More than 1,170 dealers were associated with the Company as of 30th June with an attrition rate of even less than 1%. The Company has established 11 depots and 19 warehouses located across 12 states to facilitate quicker and timely delivery across the country. The Company targets to penetrate and tap undertapped areas in South India, where sales contribution is less than 4%. The Company plans to further improve and streamline its distribution work.

Now coming to Company's CAPEX plan. The Company intends to invest another Rs. 50 crore in Ludhiana along with other capital expenditures that are on track and progressing according to plan. A major chunk of it would go towards enhancing production and storage capacity. With improved mechanical equipment and a scientific approach in operations, the Company aims for more flexibility in terms of capacity according to market demand. Before I hand over the call to Mr. Bhudolia, I would like to emphasize that the Company is committed to maintain flexibility in the medium to long term to manage the volatility in raw material prices and deliver consistently competitive and cash accretive growth in the coming quarters.

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

Saurabh Bhudolia:

Thank you, Uditji. The Company has posted robust performance for the year ended 30th June 2022. Despite the industry experiencing multiple challenges, the Company has reported a revenue of Rs. 572 crore, a significant growth of around 36% on a Y-o-Y basis. The Company has reported solid top line growth driven primarily by increased demand for branded products from Tier 1, 2 and 3 cities.

The Company's region wise revenue contribution is as follows:

North India, we are getting a contribution of around 35%, whereas in East India and West India, it's 21% and 25%, respectively. Central India, well supported with 16% of the contribution, and

South India is around less than 4%. Well, segmental split stood as follows: mid-premium is giving a contribution of around 52%; economy is 35% and premium is around 13%.

Sales of our economy segment, which include brands like Lux Venus, Lux Karishma increased with a rate of around 20%. The sales of our mid-premium segment, which includes brands like Lux Cozi, Lyra and GenX witnessed a whopping 52% increase in the top line. Our sales in the premium category, which includes brands like One8, ONN and Lux Premium have seen a growth of 25%.

Exports share for the quarter stands at around 6% of the total revenue. Growth in volumes for our economic brands stood at 8%. Mid-premium segment saw a double-digit volume growth of around 27%, whereas premium segment reported a largely stable volume growth with around 1%. The Company's overall ASP has grown by around 20% as compared to the same period last year. The Company's EBITDA for the year declined approximately 14%, which stood at Rs. 78 crore as compared to Rs. 91 crore over the same period last year.

EBITDA margin stands at 13.6% versus 21.6% over the same period last year. The decline in EBITDA margin was majorly attributable to high-cost inventory stocking in the previous quarter and volatile prices of the raw materials, which impacted the gross margin. However, this was partially neutralized by the growth in overall volumes and the Company's ability to pass on the raw material prices.

PAT for the quarter stood at Rs. 50 crore as compared to Rs. 64 crore over the same period last year, while PAT margin for the quarter stand at around 9%. As on June 2022, the Company's working capital cycle stood at 209 days, which is elevated due to stocking of raw material, and semifinished inventory. However, the Company expects to optimize its working capital cycle in the coming quarters and grow its revenues without further working capital deterioration resulting into superior return on capital employed. Inventory days stood at 143 days as compared to 131 days same period last year. Cash and cash equivalents as on 30th of June 2022, stood at Rs. 110 crore.

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

Moderator: We will now begin the question and answer session. The first question comes from the line of Mayank Makkar from Myras Fincap Private Limited. Please go ahead.

Mayank Makkar: I wanted to understand what is the volume growth or degrowth in all the 3 segments, premium, mid-premium and economy segment from quarter-to-quarter? Because this is given year-on-year basis in the presentation, so for quarter-to-quarter, can we have that?

Saurabh Bhudolia: So, we have already given the numbers basis Y-o-Y basis versus June '21 and June '22.

- Mayank Makkar:** Actually, point is that quarter-to-quarter since 2 quarters, we are seeing decline in sales. So, just wanted to understand what is the volume effect in quarter-to-quarter basis.
- Udit Todi:** Mayank, we do not have the figures handy with us. This is something which we can provide with the IR team. If you can just get in touch with them, we'll provide them with the data. We don't have it ready with us right now.
- Mayank Makkar:** And also, now another question is that can you give the inventory breakup into finished goods, raw material and WIP.
- Saurabh Bhudolia:** So, almost 70% of the inventory is lying in the finished goods stage. 20% of the Inventory is in the semi-finished stage and 10% is lying in the raw material. Generally, as a practice now, we start our process from the yarn. So, we don't keep the inventory in the stage of the raw material. As soon as we are getting the yarn, we try to get it converted either in the semi-finished or we move it to the finished product. So, that as soon as the demand is getting cropped up, immediately, we should be ready with the finished goods to get the supply done.
- Mayank Makkar:** And what is the raw material prices now vis-a-vis 30th June? Like the results are reported as on 30th June. But what are the raw material prices and the cotton prices now?
- Udit Todi:** The raw material prices, Mayank, now have already started to decline, so we can expect better gross margins going ahead.
- Moderator:** Next question comes from the line of Akash Mehta from Capaz Investments. Please go ahead.
- Akash Mehta:** I had a couple of questions. One is, any plans to list Lyra as a separate brand as it is doing so well in the portfolio?
- Udit Todi:** So, see, this is something which is quite difficult to comment. But we don't have any such plans. We haven't even given it a thought as of now.
- Akash Mehta:** So, not in the near term as such?
- Udit Todi:** But we can take that as a suggestion. But as of now, we haven't given it a thought.
- Akash Mehta:** And secondly, on the working capital side, can you just throw some light on the working capital going forward and when is it expected to come down?
- Saurabh Bhudolia:** See, the way we are seeing that from quarter 2 onwards, the sales will pick up. And last year, as the winter was not so good, this year, we are expecting the winter will be much better as compared to the last year same period. And my working capital cycle should get stabilized towards the end of third quarter.

- Moderator:** Next question comes from the line of Nikunj Somani from Fugen Capital. Please go ahead.
- Nikunj Somani:** Sir, my first question is about that . How do you cater the women's segment because it is a big opportunity and you should have more brands in this segment? And what you've planned for this segments?
- Saurabh Bhudolia:** Can you please come once again?
- Udit Todi:** I kind of understood. So, see with the womenswear brand, so Lyra, we are already making womenswear products and it is positioned as a mid-premium brand. So, most of the womenswear requirements are taken care of by the brand. We have quite big to leggings. We have also launched lingerie. So, that encompasses the womenswear innerwear portfolio. And then we also have women athleisure in it. So, more or less all the categories which come under the womenswear have been directly, indirectly tapped by the brand.
- Nikunj Somani:** Sir, my second question is related to about the volumes in the premium segment because it has not increased. So, in the premium volumes, in the premium segment, can you give any guidance?
- Udit Todi:** So, in the premium segment it's been more of a value growth rather than a volume growth.
- Saurabh Bhudolia:** So, the volume was quite flattish for the quarter. But definitely, like if you see in this quarter, my export contribution was 6%, whereas, generally, we are keeping a momentum of around upwards to 9% to 10% in the export. So, I believe from the quarter 2 onwards, definitely, there will be a high chances that we can see the volume growth in the premium segment.
- Moderator:** Next question comes from the line of Priyanka Gandhi from Ace Capital. Please go ahead.
- Priyanka Gandhi:** I just have a couple of questions. Firstly being, can you throw some light on such a steep decline on EBITDA margins? Is this purely because of the high cost inventory? Or is there something else to highlight here?
- Udit Todi:** So, see, if you look at our EBITDA margins, if you look at it quarter-over-quarter, they have seen a decline of about 5.5%. And out of that, about 4.5% is on account of dip in gross margins. So, majorly, whatever dip you're seeing in the EBITDA margin was on account of dip in gross margin, which was further in account because primarily because the increase in the raw material prices were not being able to passed on to the customer. So, we can only pass on the increase in raw material prices to a certain extent, but not completely. So, that is why the certain hit on gross margins were taken. But as we have already mentioned that the cotton, raw material, yarn prices have already started to come down. So, we expect the gross margins to be better in the near future. So, by quarter 2 and end of quarter 3, you'll see better margins coming in.
- Priyanka Gandhi:** All right. That answers my question. My second question is where do you see our share of premium wear in the coming years?

Udit Todi: So, see, premium wear as a category has been growing faster for the Company overall, which is a very healthy sign for us as well. But the product mix is also changing towards the premium wear segment. So, we believe that the premium wear should outgrow the overall Company growth rate.

Moderator: Next question comes from the line of Abhishek Singhal from Naredi Investments. Please go ahead.

Abhishek Singhal: In quarter 4 call, you said the Company kept raw material stock and continued increasing in cotton prices. So, profit we'll see in quarter 1 of FY '23. But in quarter 1 FY '23 EBITDA margin, PAT margin and gross margin is overall down from quarter 4. What is the reason behind this?

Saurabh Bhudolia: See, again, as we just now explained, there was an increase in the raw material cost. And to a certain extent, we have passed on the cost to the customer. But beyond that, the Company is absorbing that cost because suddenly now raw material prices have started coming down. So, at this point of time, it would not be the right from the Company perspective that still we are charging a higher cost to the customer. So, if you'll see the raw material prices to the extent of around Rs. 350 of the yarn cost, we have managed to pass on to the customers, but the raw material prices have gone up to Rs. 450. So, the difference between Rs. 350 to in Rs. 450, this is what the cost Company is absorbing in its own P&L. Once the gross margin is getting dipped, definitely all other bottom line ratios, you will see that there is a decline.

Abhishek Singhal: Okay. And the second question. By earning Rs. 2.94 crore from insider trading, do you know your market capitalization declined from Rs. 11,000 crore to Rs. 5,500 crore. So, what blunder you did Company got penalized. Any one director who is involved in such activity. And to make Lux brand again you need at least a 5-year period. So, do you know consequence of insider trading and will you give detail reply to all investors?

Saurabh Bhudolia: I believe this is what we are not here to judge that. Actually, this is an insider trading case or not. Either I believe the case is already being ruled by the SEBI. They are already doing the necessary investigation, and we should protect our comments till the time we are getting the final order from the SEBI.

Last time also, we have explained and we have already uploaded the replies and the confirmations what we have received on the stock exchange in the NSE's and BSE's website. Again, I'm just reiterating my statement that SEBI has already lifted restrictions on 14 entities in Lux Industries insider trading case. SEBI vide confirmatory order dated May 27, '2022 has modified its earlier ex-parte order and allowed all the entities, including Mr. Udit Todi, who is the Director of Lux Industries Limited, to deal in all securities, except in the scrip of Lux. Pending conclusion of investigation, the order has now been modified after considering the facts and circumstances of the case.

Abhishek Singhal: But sir, due to the consequence, our brand value is down from Rs. 11,000 crore to Rs. 5,500 crore.

Saurabh Bhudolia: Yes. So, I believe from the start, till now, there was no allegations on the Company perspective. There were certain allegations on one of the directors of the Company. But for that also the personal hearing has been gone on and basis that only SEBI has given this kind of exemptions and they have lifted the restrictions. So, I believe we should wait for some more time. Let's get the final order out from the SEBI side and then we shall discuss and decide the way forward.

Moderator: Next question comes from the line of Darshit Shah from Helios. Please go ahead.

Darshit Shah: Just 1 question from my side. Could you just throw some light on your distribution network? What are the dealers currently? And what was it 3 and 5 years ago? And what is the current retail distribution network, we as a Company have versus 3 and 5 years ago? And where are we steering towards?

Udit Todi: So, as of quarter 1 ended FY '23, we had about 1,170 odd distributors on board. And typically, the Company on an average adds about 20 to 25 distributors every year. So, if you go back 3 years or so, we would have had about 100-odd distributors lesser than what we have right now. And as far as the direction ahead is concerned, as we have already mentioned, we feel that the under-tapped market of South India is one of the areas where we believe that we want to expand our distribution network in.

Darshit Shah: And on the retail touch points?

Udit Todi: So, the retail touch point goes hand-in-hand with the distributor expansion. So, it is directly proportional to the number of dealers/distributors that we have.

Darshit Shah: So, per distributor, how many retail touch points we would be having?

Udit Todi: So, per distributor, we would be having about 250 to 300 retailers.

Moderator: Next question comes from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: I had the missed the initial comments, so sorry if the questions get repeated. I wanted to understand this inventory increase in the business, now that prices of raw materials are higher. Will you have to take up price decline or an inventory correction in your books going forward to align your product prices with the raw material price correction that you expect? And what can be that hit, if at all it will be there?

Saurabh Bhudolia: So, Prerna, as I explained in the last question, that Company has already passed on the cost to the extent of Rs. 350 of raw material cost to the customers. And anyway, there was a dip in the margin in the current quarter. So, almost the increase in the raw material cost has already been

absorbed in quarter 1. And Company always follows the policy to carry the inventory at cost or NRV, whichever is lower. So, definitely, my sales price is much higher as compared to my cost price. So, there is no question that we should take any kind of hit or provision as far as inventory is concerned.

Prerna Jhunjhunwala: So, maybe my question is wrong. Just wanted to understand if you're selling at Rs. 100 today, absorbing that Rs. 350 to Rs. 450 raw material price increase, then if raw material prices decline maybe Rs. 300 or Rs. 280, will you have to take a price correction in your inventory?

Saurabh Bhudolia: So, definitely, that kind of fluctuation would be there, then the Company definitely is going to, that kind of hit in the P&L. But as you will see my stock turn, my stock turn is around 4.5 plus, so I'm not getting inventory more than, 3.5 to 4 months, right. So, the inventory which I'm carrying now, definitely, this inventory will get channeled by the end of next quarter.

Prerna Jhunjhunwala: That's a great news. Sir, second, I wanted to understand the industry scenario currently. How is the demand panning out because earlier organized versus unorganized in the time of pandemic times? The organized players were quite benefited, but how is the competition coming in from unorganized segment today? Do they still remain out as seen in pandemic time? And how is the experience currently?

Udit Todi: So, see, overall, the share which happened from the unorganized to the organized sector is a theme which has been playing continuously, and once the network, the channel the customers move from the unorganized product to the organized product, they generally don't move back to the unorganized segment. And with the raw material prices being so high, working capital is always an issue with the unorganized players. So, with raw material prices high and the kind of industry scenario, which is playing out right now, it is only helping the organized players even more. And with regards to the market outlook, we believe that okay, the market has been slightly sluggish of late. But we are expecting that because the festive season is about to start with Rakhi coming in, and this festive season goes all the way up to Diwali. After which the winterwear sales starts to happen. So, from Rakhi until Diwali, until the winter season, we are expecting the market to bounce back.

Prerna Jhunjhunwala: So, sir, what kind of sales force you are looking at in this year because it's a very challenging year. It is difficult to visualize growth like in a normal year?

Saurabh Bhudolia: So, it will be a double-digit growth, but it would be very difficult from our side to give any kind of guidance at this point of time. So, I believe we should wait for some more time and by the end of quarter 2, we will get the right visibility to comment on the year-end numbers.

Prerna Jhunjhunwala: Sir, 2 more questions from my side. One is EBOs. You have 12 EBOs today. What is the outlook on EBO openings? And how has been your experience in terms of EBOs because you've just started operating EBOs in last 1- 2 years. So, any learning experience that you would like to share. How is it helping you?

- Udit Todi:** The learning experience has been great, and that was one of the main reasons why we have also opened up the EBOs to get a deeper sense of the retail market. And as far as the financial performance is concerned, it's kind of a mixed bag result. Some of the stores are doing really well. Some of the stores are sluggish. So, overall, it's a mixed bag kind of a response. But yes, from the learnings point of view, it is a great learning curve and the Company, the organization as a whole, gets to learn a lot from the customer sentiments and what is the actual need of the customer at the grassroots level.
- Prerna Jhunjhunwala:** So, these EBOs, are they in your financial investment or they are largely marketing investment kind of thing, and we should not see a very aggressive EBO? Or is it a financial marketing touch point and we should actually see aggressive EBO opening maybe after a year or 2 or something like that?
- Saurabh Bhudolia:** So, it's more of a marketing strategy only. But anyway, largely, almost more than 70% - 80% of the EBOs are in COCO model. So, we have tied up with so many franchisee owners who actually buy the material from us on a bought-out basis. And in turn, they are doing the secondary sale.
- Prerna Jhunjhunwala:** And sir, lastly on Lyra. How has been the traction on the lingerie segment, which has been launched recently? And any numbers that you would like to share?
- Udit Todi:** So, lingerie, we are seeing very good traction because as we said, that, that is one category which we earlier owned. On a national level, you see very few advertisers advertising that category. So, in quarter 1, we went quite bullish with our advertisements and we'll be continuing to do that throughout the year. And once the category has started to see advertisements, a good awareness regarding the brand has come in. Earlier, Lyra was perceived more so as a leggings brand/bottoms wear brand. But with this new advertisement also, it has helped us to reposition our image as a complete womenswear brand. So, overall, the positioning of the brand has improved. The traction in the lingerie segment has improved. So, overall, it has been quite good for the brand. And we can see that percolating down in the numbers as well.
- Prerna Jhunjhunwala:** Sir, what is the reach in the lingerie segment currently?
- Udit Todi:** You mean number of stores?
- Prerna Jhunjhunwala:** Either number of stores, distributors or in terms of east, west, north.
- Udit Todi:** We are working with about 170- 180 odd distributors as of now because we wanted to go slow. And now that we have started to market the product, we are aggressively increasing our distributor reach as well.
- Prerna Jhunjhunwala:** And it is largely present in East or pan-India?
- Saurabh Bhudolia:** It will be mostly pan-India, it will be mostly pan-India.

- Prerna Jhunjunwala:** All the best for this difficult and challenging year.
- Moderator:** Next question comes from the line of Anika Mittal from Nvest Research. Please go ahead.
- Anika Mittal:** Sir, if I look in quarter 4 financial year '21, you have sanctioned investment of about Rs. 110 crore for expansion into existing and new geographies. And from that quarter, in all investor presentations, you are mentioning about short-term investment is approximately Rs. 110 crore. And additional value for proposed expansions will be Rs. 400 crore, but if we look at quarter 1 financial year '23 presentation, that when your guidance is missing and short-term investment amount is of Rs. 50 crore. Does it mean that have you incurred Rs. 50 crore spilled it or anything else?
- Saurabh Bhudolia:** So, no, let me try to clarify you. So, last to last years, we have sanctioned an amount of around Rs. 110 crore for an expansion in Eastern India. The factory is almost done. Maybe it will be functional in another 3 to 6 months of the time. And then we can see the numbers will start coming in, in the books of account. This Rs. 50 crore of the approval for CAPEX has been given for a new setup we are planning to have in Ludhiana. So, this will be the new setup and new investment of the CAPEX starting from this year.
- Anika Mittal:** And sir, what about the revenue guidance?
- Saurabh Bhudolia:** Sorry, come again?
- Anika Mittal:** What is about the revenue guidance that you have given in your investor presentation?
- Saurabh Bhudolia:** So, last time we are completely on track, that once my factory will be kick running for this Rs. 110 crore of the investment, Company can easily see that over a period of 2 to 3 years, we should be in a position to get a Rs. 400 crore of the additional business in the top line side.
- Moderator:** Next question comes from the line of Amit Shah from ACE Securities. Please go ahead.
- Amit Shah:** Sir, I have a couple of questions. Sir, firstly, how much ad spends are we planning this year? I mean as we have reduced ad spend due to COVID last couple of years.
- Udit Todi:** Historically, we've maintained about 8% of top line as ad spend. During COVID, we had really gone down to about 4.5%-5%. But as we had already suggested during our previous con calls as well, that we'll be bouncing back to roughly about 8% going ahead. And because in the last 2 years, we've not spent much. So, maybe this year, we might exceed 8% or maybe it will be border line 8% to 9%.
- Amit Shah:** And sir, what is the strategy in penetrating our Southern region?

Udit Todi: So, Southern region, we are aggressively looking at increasing our distribution network in the South, which will in turn help us to convert it to sales.

Moderator: Next question comes from the line of Devesh from DS Investment. Please go ahead.

Devesh: My question was relatively if you were to look 3-4 years out, which is starting from 2018-2019 onwards. So, we did a great job wherein your top line grew high teens and margin expansion happened. And we were about 21% plus last year, right? Now as you called out in your opening remarks as well that the mix would tilt towards small premium things. So, if you were to sort of broadly talk about next 3 to 4 years from here, how do you see the growth quality both in top line and margin trajectory?

Saurabh Bhudolia: So, as far as premium is concerned, currently, my revenue share from the premium segment is around 12% to 13%. And gradually, the way we are seeing that over a period of another 3 to 4 years, the premium segment should reach to a number of around Rs. 500-plus crore. So, maybe, see, that point of time, the overall revenue will also go up but still, we are expecting that between 15% to 20%, my premium segment contribution should come in.

Devesh: And if you could also comment that last year we had about 21% plus type margins. How would it evolve over the next few years? Do you think this is more sustainable range where we were last year?

Saurabh Bhudolia: We should hold on kind of like, again, the way we are seeing the premium segment should give me a gross margin in the range of 40% plus. But from the bottom line perspective, we need to factor so many other things. That's how we are going to strategize our advertisement costs and other overheads.

Devesh: And one more transactional element. If I were to look at Q-o-Q, there is a sizable jump in the employee expense. Is there a one-off in here? Or this should be the new base? How should we read this?

Saurabh Bhudolia: No. If you see on a Y-o-Y basis, there is an increase in employee costs by around 100 basis points. So, mainly because as we said earlier also, the Company is very much eager to invest in the people and in the IT. So, that is the reason we are filling up a few of the key positions, and we have given a salary hike also to the existing employees. That is the reason. So, this is one of the costs and Company is well maintained to carry this level of the cost as far as the employee is concerned.

Devesh: Sounds good. And one last more qualitatively, if you could comment about, if we were to see, we are probably the second largest in the organized segment, right? How do you see competitive intensity within the organized sector? Do you see enough room for everybody to grow? Or do you see that the market itself is expanding slow, so there would be a heightened competition within organized players? How do you see that playing?

Udit Todi: See, within the organized space, we feel that there is enough room to grow, provided that you have the right mindset and the right vision. So, vision and approach and direction of the Company should be proper and then there is enough room for growth. And by vision and direction, I mean that we should be tapping the right categories at the right time and all of that. Yes. When we talk about the basic essentials, such as the men's western brief, that would be growing at almost industry average rate, give or take a percentage or 2 because of the shift from the unorganized sector to the organized sector.

But when we talk about the Company growth rate within the organized sector, in that case, there are so many new categories which are opening up, which is the outerwear play, which is the athleisure play, which is the womenswear play. So, when you take all of these into account, it is mostly the organized players, which are able to capture such kind of growth. So, when you look at a more macro picture, the organized, we believe at the Company level, the organized sector should grow fairly well.

Moderator: Thank you. This was the last question. So, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Udit Todi: I would take this opportunity to thank everyone for joining the call. I hope we've 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 all.

Moderator: Thank you. On behalf of Lux Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.