



June 04, 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 May 31, 2022.

In continuation of our letter dated May 26, 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 and Year ending 31 March 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 LIMITED



“Lux Industries Limited Q4 FY-22 Earnings Conference Call”

May 31, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on 31st May, 2022 will prevail.



**MANAGEMENT: MR. SAKET TODI – EXECUTIVE DIRECTOR, LUX
INDUSTRIES LIMITED
MR. UDIT TODI – EXECUTIVE DIRECTOR, LUX
INDUSTRIES LIMITED
MR. SAURABH KUMAR BHUDOLIA – CFO, LUX
INDUSTRIES LIMITED
MR. JITENDER KUMAR SHAH – VP (FINANCE), LUX
INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Lux Industries Limited Q4 FY22 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. Saket Todi – Executive Director from Lux Industries Limited. Thank you and over to you Mr. Todi.

Saket Todi: Good afternoon. Thank you everyone for joining the earnings conference call for the quarter and the year ended 31st March, 2022. Along with me I have Mr. Udit Todi – Executive Director, our CFO – Mr. Saurabh Kumar Bhudolia, Mr. Jitender Kumar Shah – VP (Finance) and SGA, our Investor Relation Advisors. I hope you have received our result and investor presentation by now, for those who have not you can view them on our website.

We have witnessed healthy demand across all our product categories in FY22. This growth was largely driven by our power brands especially ONN and Lyra and as well supported by our flagship brand Lux Cozi, the brand which has delivered consistent growth over the past many years. For the first time of premium brand ONN has surpassed the revenue mark of Rs. 100 crores, registering a revenue of Rs. 120 crores, a growth of approximately 52% over the same last year. While Lyra our women's flagship brand has surpassed a revenue mark of Rs. 300 crores registering a revenue of Rs. 302 crores, a growth approximately 34% over same last period last year. Lux Cozi too delivered a strong growth number of Rs. 619 crores, a growth of 12% over the same last year. We have seen a shift towards aspirational buyings, the innerwear industry is becoming more than a necessity. Overtime we have noticed a shift in consumer purchasing behavior with a growing desire for mid and premium category products. There is a notable shift away from choosing clean white vest toward a greater spectrum of purchase preference with patterns, textures, colors and fabric becoming more and more popular. Lux being one of the largest branded innerwear players has consistently assessed the market pulse and responded by introducing creative product lines in the mass, mid and premium categories. We are confident about the future owing towards strong demand scenario, a diversified product portfolio across all price points and our expansion into women's wear market.

The company has posted robust performance for the year ended 31st March, 2022 despite the industry experiencing multiple challenges especially in the last quarter of FY22. The company has reported the highest ever revenue of Rs. 2312 crores, a growth of approximately 18% over the same last period. The company has reported solid top line and bottom-line growth driven primarily by pricing power and increased demand for branded products from Tier I, Tier II and Tier III cities indicating recovery from the pandemic. The company has undertaken several price increases during the year which has led to ASP increase of 19% in our premium wear category, 14% in our mid-premium wear category and 25% in our economic wear category. Sales of our

economy segment which includes brand like Lux Venus, Lux Karishma has increased by 19% while sales of mid-premium segment which includes brands like Lux Cozi, Lux Inero, Lux Cott's Wool, Lyra, GenX has increased by 13%. A share of export has gone up too which for the year FY22 stood at 7% of our total revenues. Our sale in the premium category which includes brands like One8, ONN and Lux premium has seen stable growth of 36% and now contribute 14% of the company's revenue as compared to 12% same period last year indicating our brand building initiatives are paying off.

We are pleased to report company's EBITDA for the year which grew by approximately 25% and stood at 490 crores as compared to Rs. 390 crores same period last year despite disruption in supply chain, increase in raw material price and impact of the third wave of COVID in Quarter 4 FY22. EBITDA margin stood at 21.2% an increase in 121 basis points as compared to the same period last year. This improvement was largely facilitated by the command of pricing and the complete effective inventory and supply chain management across our vendor network which helped them to mitigate the risk of price inflation to an extent. For FY22 our ASP increased by approximately 19% while our volumes have seen a marginal dip of only 1% compared to the same last year.

Now coming to marketing and advertising spends for FY22, we have done several marketing campaigns depending on market condition and they have speed up in terms of expanding our reach and tapping into new audiences. For FY22 we have invested approximately 153 crores on advertising and promotion which is 6.6% of our revenue while we have spent over Rs. 794 crores over the last period which is approximately 8% of our revenue. This has helped us to generate a revenue of Rs. 14.96 for every rupee spent from FY20 onwards we plan to progressively restore our ad spending.

We are committed to remain flexible in the medium and the long-term to handle the challenges and deliver consistent, competitive and cash accretive growth in the quarters to come. With this now I will ask Mr. Udit Todi who oversee the company's strategy to share his thoughts.

Udit Todi:

Good afternoon and a very warm welcome to everyone. During the quarter, the company debuted its lingerie product lines under its women's flagship brand Lyra and promoted it through a targeted television campaign. Previously the majority of this market was unorganized and import dependent but there has been a significant shift towards branded products for wearing the right fit and comfort. The company is transforming Lyra from a single product category which was primarily leggings to a multi-product, multi-category women's wardrobe brand with this launch. Increased penetration in the women's wear category will not only assist Lux in creating brands across gender but has also contributed to increased sales and profitability. Lyra our women's wear brand accounted for approximately 13% of our overall revenue of 2,312 crores in FY22. Our men's premium wear brand ONN has reported net sales of 120 crores with an overall growth of 52% over the same period last year.

With an increased penetration and having a balanced focus between outer and inner wear both ONN has established its own visibility in men's premium wear segment. In FY22 the company was able to manufacture approximately 34 crores garment pieces across brands through its seven state of the art plants and have a market share of approximately 15% in the organized men's innerwear market. Our expansion strategy is in place to improve manufacturing and supply chain capacity in order to capture market share in the women's and kids segment as well. In terms of supply chain, we have one of the largest distribution networks which is our company's core strength. We have been able to maintain long-term relationships with our distributors, dealers and retailers. Thanks to a strong brand equity and goodwill. We are the largest domestic innerwear player by volume with a strong presence in the country's north, east and west. As on 31st March '22, we have been associated with (+1170) dealers where we have less than 1% distribution attrition rate. For faster distribution of products across the country we have set up 11 depots and 19 warehouses spread across 12 states across the country. We aim to further strengthen and streamline our distribution network to reach the untapped and under tapped market of south India where our sales contribution right now stands at 4%. We are also extending our e-commerce presence by partnering with a prominent e-commerce companies like Amazon, Flipkart, Myntra and Ajio. We already shipped over 4000 orders daily each day and intend to achieve Rs. 100 crores in online sales revenue over the next 3 years. With this I would now request Mr. Bhudolia to take you through the financial performance.

Saurabh K. Bhudolia:

Thank you Uditji. The company has posted robust performance for the quarter and the year ended 31st March, 2022 backed by that accelerated demand across categories. Our revenues for the quarter stood at Rs. 593 crores as against Rs. 601 crores registering a de-growth of approximately 1% compared to the same period last year. During the quarter the industry encountered multiple challenges including Omicron COVID-19 wave early in the quarter and higher raw material prices due to supply chain disruption as well as the rising demand for cotton in international markets. Our EBITDA for the quarter stood at Rs. 113 crores as against Rs. 129 crores during the same period last year. The EBITDA margin is at 19.07%. Our quarterly profits stood at 73 crores as against Rs. 91 crores in the same period last year. PAT margin for the quarter stands at 12.33%.

Now coming to the yearly performance, our revenues for FY22 stood at Rs. 2,313 crores as compared to Rs. 1965 crores in FY21, registering a growth of approximately 18%. The region wise revenue contribution for FY22 is as follows; north India is having a contribution of around 36% while east India and west India are at 22% well supported by central India and south India with 16% and 4% respectively. While revenue split from segment stood as follows; mid premium 54%, economy 32% and premium 14%. EBITDA for FY22 stood at Rs. 490 crores as compared to Rs. 393 crores in FY21 with a growth of approximately 25% YOY. The EBITDA margin has seen an improvement by 121 basis points which stood at 21.2% versus 19.99% in FY21. PAT for FY22 stood at Rs. 338 crores as compared to Rs. 269 crores in FY21, recording a growth of approximately 25% same period last year. The PAT margin stood at 14.5% an improvement of 91 basis points as compared to 13.7% in FY21. Debt equity ratio stood at 0.26x. Interest coverage ratio stood at 29X. Our working capital cycle stood at 188 days as of 31st March 2022 and was

slightly on a higher end. This is mostly due to management's deliberate decision to stocking the raw material leading to higher number of inventory days. Our inventory days stands at 132 days as compared to 90 days same period last year. The company on the other hand is continuously monitoring and managing all levers to optimize its working capital cycle and to reduce working capital days in the coming few quarters. As of the closing date the company is cash and cash equivalent balance with a gross cash balance of 140 crores.

Before we open the floor to questions and answers I would like to emphasize that as a responsible company we are always striving to increase our stakeholder's accountability. In all of our business operations and transactions we are guided by our longstanding dedication to the highest ethical standards and transparency. With this we will now open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Bhargav B from Kotak.

Bhargav B: My first question is we have seen extremely strong performance in nine months however in the fourth quarter there has been a significant dip in performance especially double digit volume decline and also a significant deterioration in balance quality with cash cycle deteriorating for the 190 days. So, if you can just sort of briefly explain in terms of what led to this kind of performance that would be helpful.

Saurabh K. Bhudolia: See if you'll see the top line, the top line is almost flattish in the Quarter 4 and definitely we were very much conservative and we were very proactive to manage our working capital. That was the reason we have not allowed to dilute our credit control cycle which we have already put on the debtors. That was the one reason we kept toppling in our control and from the working capital cycle days anyway the way we have explained, there was a lot of ambiguity in the market and in recent past we have seen that there is a sharp increase in the raw material prices. So, company has taken a calculative decision that instead of keeping the money in the FDs or in the investment, we wanted to invest our money in the inventory. So that that is a margin can be protected and in the coming few quarters we can see the good result out of that. That was the only reason we have a stocking the inventory by seeing the near future requirement and basis that how much the margin we can safeguard by keeping the working capital cycle on a bit of higher days.

Bhargav B: When do we expect improvement in terms of working capital cycle because earlier you were net cash, I think we have now net debt as well.

Udit Todi: As Saurabh has already mentioned, so during the last quarter overall across the industry the raw material prices have shot up very high. Even if you happen to follow the news, there was a ministerial level meeting head by Piyush Goyal where they were deciding what steps can the government take with regards to the cotton prices, so the cotton prices right now standing at about Rs. 400 to 450 a kg which on an average last year say about 12 months back used to hover

around Rs. 250-300. So, the prices are on a very sharp rise and the customers generally take some amount of time to adopt to the new price regime. So, although all the across our brands also we have taken a price hike and are in the process of taking a price hike. On (A) the account of cotton prices moving up sharply the cash requirement and the working capital requirement of the company has gone up significantly and (B) because of an inflationary trend in the cotton prices so generally if we use to keep a stock of say 15 to 20 days of yarn in hand now, we are maintaining a 30 day to 35 days stock of yarn in hand. So, on the both the accounts because of the number of days of inventory and because of per unit price of cotton both of these accounts the price being high, so the working capital requirement of the company has really short-up. That is why you see that from a net cash we were into a net debt situation. But if you look at it from a long-term perspective of a medium-term perspective, all of this raw material which is of a lower price which we right now have in hand, later on will ultimately convert to profitability for this one because even the average price of this yarn compared to right now what the prevailing price of the yarn is, we are spending to benefit. As a prudent measure we were taking this step back that we have to first of all have enough yarn stock in hand and also enjoy the increase in price of the yarn.

Bhargav B: Because I was referring to the debtor days which has also jump up 17 days so about 120 days, so we were earlier keeping a very tight control on the receivable cycle.

Udit Todi: Correct Bhargav. Just as you as I had already mentioned, Quarter 4 for across the industry if you look at it, the mid segment and the economy segment have grown slow, have in fact seen a very slight volume degrowth whatever growth is being visible is because of price hike. The cotton prices being so high, the customers are taking some amount of time to adjust to the new price hikes. So that is why because of slightly sluggish sale that is why we are seeing the debtor days going up slightly and you were saying something.

Bhargav B: On 11th of March there was this BSE notification which said that the board has granted leave of absence to Mr. Pradip Kumar Todi and Mr. Udit Todi. If you can just elaborate on this because as shareholders, we didn't get the message properly.

Saurabh K. Bhudolia: That point of time that notice has been served by SEBI on the company. Actually, from the prudence point of view Mr. Udit Todi and Pradip Todi, being the related party, they have served the notice to the company that till the time the investigation is not getting over they do not want to participate in the agenda in which these discussions are going to be discussed. So because of that temporarily they have taken an absence to conduct or to participate in board of meetings wherever the matter of this insider trading and the notice which served by SEBI was getting discussed.

Bhargav B: So, there is no change in board, I mean the family is together and the roles are intact, right? We can assume that the business is as usual especially given that now the confirmatory order has come in favor of the company?



Saurabh K. Bhudolia: No, again if you see it since beginning till now there was no allegation from the company. It was that 14 parties which were involved, SEBI wanted to have a complete investigation against those 14 parties. Even if you refer the confirmatory order which we have received on 27th of May, 2022 and has now modified the restriction imposed in the interim order and the only restraint remains is that they cannot deal in the scrip of the company that is Lux Industries Limited. Otherwise now they are allowed to deal in any other scrip of the any other listed entities, until further order pending completion of investigation.

Bhargav B: So, in terms of business role there is no change in business role as far as responsibilities are concerned, right, within the family?

Saurabh K. Bhudolia: No. Initially they took the leave of absence because they wanted to have the independent view going on and to maintain the good corporate governance. I think that was a major independently they have chosen and they have given this request to the company.

Moderator: We take the next question from the line of Amit Shah from Deep Research Capital.

Amit Shah: I have just one question. Actually, the market chatter does suggest that there is some kind of brand separation which has happened amongst the two families. So, some of the brands bought by Ashokji's family and some of the brands have come to the Pradipji's family. So just a follow up on that if that is true and is that going to happen between the both the families, so how will the company operate, would there be an alternative structure to support the same? How will everything look like if the market chatter is true?

Saurabh K. Bhudolia: I don't think there is any kind official statement from the company side on this topic. I believe this is more of a rumor and the speculation in the market unless and until we don't get the clarity we do not want to comment on this question.

Amit Shah: Is this something which has been on discussion for a while on the board level?

Saurabh K. Bhudolia: No.

Moderator: We have the next question from the line of Rushabh Shah from Anubhuti Advisors.

Rushabh Shah: Just one question on the inventory part. We have largely built up this raw material inventory. So, would it be possible to breakup of how much would be the basic and how much would be the finished goods in terms of the total inventory breakup?

Saurabh K. Bhudolia: Yes, that the breakup is immediately not available. We'll share it with our IR and in turn they can share the database with you.

Rushabh Shah: But largely it would be the basic raw material? I just wanted to understand that part.



Saurabh K. Bhudolia: It is a mix of all the three factors put together between raw materials, WIC and the finished goods but yes, definitely the inventory has gone up because we have increased our inventory days in the raw material largely.

Rushabh Shah: Understood. That's all from my side

Moderator: The next question from the line of Anurag Jain, from Green lantern Capital .

Anurag Jain: My question again was on working capital, so initially if I look at it credit days, debtor days, everything has worsened. While I can understand that we would have supported our vendors, payments or our distributors but even our vendors also we sort of made early payments. The other part was on the inventory really, so then cotton prices are so high and we are actually seeing some kind of a demand disruption happening and some resistance in passing on cotton and yarn prices, is it prudent to hold on to such high levels of inventory at this point in time? Just wanted your thoughts.

Udit Todi: Could you please repeat the last part of your question.

Anurag Jain: What I was saying was that cotton prices have gone up so much, there is kind of demand disruption which is happening. It's difficult to pass on the pricing increases to the market. In such a scenario of cotton prices the likelihood is that they would come down at some point in time. Does it make sense to hold on to such huge levels of inventory at this point in time, it should rather be advisable to be lean on the inventory?

Udit Todi: So, we have taken a very calculated decision. When we see that the yarn prices are on the uprise, we would rather want to hold onto that yarn price rather than buy it at the highest price. So, as I had earlier mentioned, whatever yarn prices or whatever yarn also that we are holding on our inventory, the value of those yarn prices if I do a mark to market position, we would tend to gain. Had we not purchased the yarn at that point of time we would have to purchase it at a much higher price . So, the purchase of yarn was done quite sensibly. We still believe that it was a very good decision on part of the company that actually there are two things. One is price and the other is availability. At times even at whatever X amount of price you pay the yarn is not available because most of it ends up getting exported. So, in order to maintain our supply chain throughout so that the supply chain is working smoothly and on top of that you also get to know that the yarn prices are on the rise. So, you have to take care of both of these factors and on both of these factors the company in fact took a very sensible decision and stood to gain.

Saurabh K. Bhudolia: At some point in time, we would take a call to normalize these inventory levels as well.

Udit Todi: So, see going forward how will the yarn prices play out, it's difficult to comment. Right now it's bending at a lifetime high and we do not see any signs of it coming down for at least the next month or so and beyond that it's difficult to comment because ultimately it's a global commodity

and global commodity, you know there are many factors influencing the price of a global commodity. So, it's difficult to comment.

Anurag Jain: The only thing I had was this that at lifetime high prices you are holding very huge inventory. That was the only thing which I had.

Moderator: We take the next question from the line of Dhiral from PhillipCapital.

Dhiral: My question is if I look at our competitor, despite price hike they have been able to show the volume growth in FY22so which is not the case for us.

Saket Todi: So Dhiral even if you see if you're comparing with our peers like we have managed to at least sustain our margins, so we wanted to be very clear that unless and until we are not very much profitable, we are not going to run behind the topline. But if you compare with our peers, they have lost a considerable amount to secure their margin whereas Lux is considerably almost flat as far as margin is concerned. We were more eager to have a profitable growth instead of just having a top line and to manage the financials.

Dhiral: So, this will remain same even for FY23 or are we looking for any volume growth?

Saurabh K. Bhudolia: Come again Dhiral.

Dhiral: This will remain even for FY23, focus on the profitable growth or we would be looking at volume growth also?

Saket Todi: That would completely depend on the cotton prices as it would pan out in the coming financial year. If there is a continuous increase in the cotton prices as it was in the last financial year, our main focus would be to retain the margins. But if the cotton prices stabilizes in the next few quarters, then our focus would shift that keeping the same margins then we can have a volume growth. While our peers who are at a lower margin, it would be difficult for them to increase the margins to our standards and have a volume growth when the cotton prices gets stabilized. But in the last four to five quarters what we are seeing is a continuous upward trend in the price of the cotton and we believe that someday or the other it might take 2 months, it takes it might take 6 months, it might take 12 months. When the cotton prices get stabilized then we would have the lot of benefit from it.

Dhiral: So, for FY23 are we also looking for improvement in margins as well as in FY22?

Saket Todi: So, for improvement in margins whatever margins would be improved that would be generally from the mix change but the margins would remain the same of every single segment but whatever it will be from the mix in that we have seen in the last financial year that the premium segment has been growing at a much higher rate than the economy and the mid-premium segment. So, as we all know that the premium segment commands a better margin than economy

segment so, due to this mix change, there has been a good margin increase also and in the coming year we can expect the same scenario happening and if the cotton prices get stabilized then we would see a good volume growth as well.

- Dhiral:** What was the Q4 volume decline?
- Saurabh K. Bhudolia:** Quarter 4 volume decline is in the single digit only but we have, we are just overseeing the numbers. We'll share the numbers with our IR team.
- Dhiral:** What will be the ad spend for FY23-24?
- Udit Todi:** FY23-24 going ahead see as a policy we always maintained to try to keep it at around say 7% to 8% and that is what we are targeting to do in the coming year as well.
- Dhiral:** Lastly what was the online sales contribution FY22 as we are targeting Rs. 100 crores kind of a run rate in next 3 years?
- Saurabh K. Bhudolia:** We have already established the run rate of around more than Rs. 50 crores. So, I believe on a 12-month basis, in another 12 to 18 months' time, we should be in a position to get a run rate of (Rs. +100) crores kind of number.
- Moderator:** We take the next question from the line of Vishal Bagadia from Roha Asset Managers.
- Vishal Bagadia:** My question is on the ASP side. We are seeing that cost pressures are still going on. In the new fiscal, since the half of the quarter has gone by; have we seen any price increase and on the future for the near term in this year, are we expecting any further price increases?
- Udit Todi:** As the cotton prices are already on the high, we are definitely taking, we've already taken a price hike and we will be taking a price hike also again depending on how the cotton prices move. So, for example, we will be taking up, we are already in the process of taking up price hike in the current quarter as well. So, yes if I look at the entire overall fiscal next year, we always try and maintain our EBITDA margins intact and that is how we try and increase our prices.
- Vishal Bagadia:** If you could quantify what is the price hike we have taken in the quarter, April and May month as a percentage?
- Udit Todi:** I said we will be going to take a price hike in the current quarter. It's not exactly April and May. We are going to take a price hike within this quarter.
- Vishal Bagadia:** My second question is on the long run. We had set a target that we'll go to about Rs. 5,000 crores in the coming 3 to 4 years' time. So how are we seeing that looking at the demand. So, repeating my question. On the long run we had set a target of about reaching the top line of about Rs. 5,000 crores in 3 to 4 years' time. So how are we seeing, looking at the demand in the market going

forward? Are we on track or we should be able to achieve it on the lower side like in 2.5-3 years' time? Because we have been aggressive on our growth strategy as of now. We are improving our brands, the product mix. So, can you just enlighten more on that?

Udit Todi: See 2.5-3 years will be a shorter, I don't think it would be possible in the next 2 years or something. It would but overall, on the demand side, the demand overall in the economy is quite good because see there is a sense of consumerism which is going on in the Indian economy. Even if you look at post-COVID, people are traveling like anything, flights are full, hotels are full and people just want to spend and splurge because everyone has now understood that there is the savings portion is going down and people are wanting to spend more. So, yes ultimately deep-down fundamental is the demand side is there, what the only constraint or only restriction which we see is that because the cotton prices have gone up significantly so it might just come with a lagged-effect. People get, people take some amount of time to get used to the new prices. It is you know it is not that we increase, we can just pass on the prices immediately. The price increase are always passed on with a lagged-effect and the customer also tends to adjust to the new price regime with a lagged-effect. This time lag is something which is the only constraint but yes deep down in the kind of products which we are offering; they're not fashion wear products, they are basic essentials. These are certain types-set of products which the consumer will have to consume whether today or tomorrow. They can postpone their consumption but they cannot avoid their consumption.

Vishal Bagadia: That we can say about 3.5-4 years should be a good target for Rs. 5,000 crores of top line?

Udit Todi: It is difficult to put a number, exact number to it but yes, we are looking at a healthy growth rate and we're looking to beat the, we're looking at capturing more market share and beating the industry growth rate. That is something which we are targeting ourselves at. But how the industry pans out in the next few years is difficult to comment. But yes, what we are aggressively looking at is capturing more market share.

Moderator: We take the next question from the line of Rajiv from DAM Capital Advisors Limited.

Rajiv: If you can help with the volume numbers across the three segments for the quarter because your slide #35 has a full year number?

Saurabh K. Bhudolia: Yes, the full year number is there. The quarter number we will share with our IR and in turn they can share it with you.

Rajiv: Do you have it handy for Lyra, for example that segment has done well?

Udit Todi: We have the full year number with us. At full year we have, at the volume level we have grown about 22% and we do not have the quarterly numbers with us but quarterly yes, in the we've seen a good growth coming in but we don't have the exact figures with us right now. But on the fiscal

year-to-year level, we have grown about 22% overall from fiscal year ended March '22 over fiscal year ended March '21.

Rajiv: But specifically, if we index Lyra from FY22 as compared to FY19 levels and then we compare against another listed peer in the bottom wear segment; do we think we are slightly doing under a share under the other player?

Udit Todi: No, certainly I will tell you if you're the kind of a peers which you're referring to. So, we are operating in two very different spheres. They are mostly I believe into organized retail whereas we are more into the general trade as well as a bit of organized retail. So, the kind of markets we are catering to are very different but yes, see for example during COVID our sales did not take a hit much because we were in the general trade as well whereas the people those who are only into organized retail has taken a big hit. So, there are pros and cons to it both and yes, we are not only into bottom wear, we are as you mentioned we are also forayed into the lingerie space and we see promising results coming out from the lingerie space because as we have always mentioned in our previous con calls, this is one space which we believe is a very under-tapped and which is still in the hands of unorganized players so as to say non-branded players. We believe that if this entire category, if this entire category sees brands coming in, at a reasonable price point not at a price point which many people can't afford. If you look at a reasonable price point, say about, approximately say on an average of Rs. 300-350 that is a price point which we believe that a lot of traction will come in and that is one of these spaces which we feel is very-very exciting, going ahead. So, yes, bottomwear is definitely growing and doing quite well and at the same time we are also looking at the lingerie space as well as the loungewear space.

Rajiv: This 22% growth will again be largely led by price as we have seen for the segment?

Udit Todi: No, I will break up for the year ended, Lyra would have grown 22% on volume wise and if I look at turnover wise, we have grown 34% so that would translate to 12% value growth. 22% volume and 12% value. So overall 34% growth.

Rajiv: If I look at your premium segment. I mean last year the margins you used to share for this segment, it used to be 18% to 21% bracket and then you shifted that to 22% to 26% I mean possibly some of the price hikes would have been and this time around you have grown at 36% but there is no increase in the margin profile of this segment?

Saurabh K. Bhudolia: Largely of that bracket only and even if you see the margin for the year-on-year basis is coming under that bracket. Last year March '21 versus this year March '22, the margin is almost in the same range. We changed the bracket only in case of there is un-fitment of the brand under that bracket. Otherwise, we keep the brands under the similar kind of range.

Rajiv: But usually most retailers try not to tap their entry level prices, right? Coming onto the economy segment usually most retailers don't tap their entry level segments, their entry level prices. There

also we have seen a very significant jump in the price or am I reading it wrong that the entry level has not been tapped but the overall portfolio has seen a ...?

Udit Todi: Could not get you, understand your question properly. With regards to the economy segment what is it exactly that you're asking?

Rajiv: The ASPs. The ASPs have grown up I think close to 30% in the last 2 years, 30%-31% put together. Usually, most retailers don't touch the entry level prices where customers get intimidated or?

Saurabh K. Bhudolia: No, in economy segment even if you see, there is an overall sales growth of 19% on annualized basis and even this growth has come after taking an ASP growth of close to 25% for the years.

Rajiv: Yes, correct. So, I'm saying that 25% on the economy segment wouldn't it hurt?

Udit Todi: No so see as see cotton being a basic commodity, if the prices of cotton go up all the other manufacturers within that space will have to increase their price. They will be left with no option because if you're selling an economy product, your margins are already quite reasonable and if the yarn prices are going up then you're not left with an option but to increase your prices. It is not that only we have increased the prices. If everyone, if every player in that particular segment happens to increase the price, then the customer has to end up, the retailer and the customer ends up accepting that price.

Rajiv: I get but my point is this volume decline which you're seeing (-5%) is it going to somebody else or that I mean?

Udit Todi: No, it is not that, it is not that in terms of, even if I look at the volume market share of that particular segment, it is not that we have lost any market share in that particular price point. It is just that overall, in the economy there was a decrease in consumption because as I said people tend to take on the price hike with a lagged-effect.

Rajiv: When you are saying that the economy side and on terms of price hikes there will be more coming through in the current fiscal as well?

Udit Todi: I'm sorry?

Rajiv: There'll be more price hikes which will come through in the current fiscal?

Udit Todi: There will be, there will be further price hikes coming in because the as the way the yarn prices are behaving it is quite-quite wise. It's on a complete wise-run. And the way the cotton prices are right now, every player in this sector will have to compulsorily end up increasing their prices. No one is left with an option.



Rajiv: You haven't witnessed downtrading in the sense people going back to from a brand to a non-brand because of this?

Udit Todi: No, it is not that people move from a brand to a non-brand. What people might perhaps do is it for something which you are yet to see but what people might perhaps do is they might move from a mid-premium product to an economy product but they tend to stick to the brand. It is difficult for a customer to move from a branded to a non-branded product. Within the same brand, they might end up depending on the prices and depending on their preferences, they might end up choosing a more cheaper product.

Moderator: We take the next question from the line of Ronak Vora from AUM Fund Advisors LLP.

Ronak Vora: What kind of demand environment are we witnessing in Q1-Q2 as of now? Are we seeing that our inventory is getting picked up and will that lead to lower inventory levels, going ahead?

Udit Todi: It's quite difficult to comment on current quarter figures. But yes, overall, we would say that it's a mixed kind of a response. It is still the yarn prices at which we were in Q4, they are standing at a much higher yarn price in Q1. So, as I said that again when we take a price hike, again the customer tends to respond it with a lagged- effect. The yarn prices are only keeping up it's reaching a lifetime high every day. So, at whatever price you end up buying you end up tending to be a gainer only.

Ronak Vora: I understand the pricing environment. The environment that I want to understand as the volume environment? Are we seeing better volumes month-on-month levels or they are still will they remaining flattish or in a downtrend?

Udit Todi: See the volumes I would say are decent, they're not bad but yes, it's difficult to give an exact picture of the current quarter.

Moderator: We take the next question from the line of Purna Jhunjhunwala from Elara Capital Plc.

Purna Jhunjhunwala: I had few questions. One is out of your total ASP growth of 19% how much will be the total price hike that would be contributing to it?

Udit Todi: Yes, there has been a slight product mix change also. We have moved the premium product portfolio has done much better but I would still contribute most of the ASP growth coming in from the price hike. The bulk of it would be price hike and a bit of it would be due to mix change.

Purna Jhunjhunwala: So, can I assume 15%-16%?

Udit Todi: Yes.



Prerna Jhunjhunwala: You have mentioned, your presentation is very detailed and just going through it and wanted to understand this accelerating digital adoption. So, what exactly are you doing here in terms of digital adoption? Could you please explain that slide?

Saurabh K. Bhudolia: So, allow me to bifurcate this in two parts. One is the from the governance point of view that we are in the process of digitalizing all our SOPs. There is a workflow system via this the entire system can be connected with one wire and everyone can see that how the data is moving and how the approval mechanisms should work in the system. The second part is from the business point of view that how we can more integrate with our retailers. We are working on few of the systems where we can directly have a reach to understand which retailer is working for me, which retailer is not., in which area, how much is the SOP, how many penetrations we have done and what is the scope to grow again further. So, we have bifurcated the things in the two parts. One to have a smooth workflow, the second how to scale up the business with the help of the data.

Prerna Jhunjhunwala: You've mentioned about detail IT investment roadmap for the next 10 years. How much would you be investing as a ballpark number and what as a result of this investment what is the likely improvement in the distribution network that you would be looking at?

Udit Todi: See the company has always been very upbeat about investing in digital and investing in IT and investing in systems. We have always, even with regards to SAP implementation and with regards to our distribution management and with regards to salesman monitoring. There are different spheres that the company is investing in the IT and see right now, it won't be exactly correct to spell out all the details. But yes, what we can safely understand is that we would right now from a manual driven process we want everything gradually and gradually to move to an automated kind of a process where things and decisions are, the data is presented in such a format where things and decisions are taken quite automatically rather than with manual intervention. That is the thought and with that thought we are proceeding and investing in the IT.

Prerna Jhunjhunwala: Fantastic. You've 18 EBOs now. What has been experience and what are the key learnings and how are you going to scale up this format going forward?

Udit Todi: You saw on a mix; we've got to mix sort of a response with the EBOs and so some of the stores have performed fantastically. Some of the stores have been laggard so we have seen both kinds of responses. So, right now it's a learning process for us as well and we are just trying to fine tune the locations where we want to open the EBO.

Prerna Jhunjhunwala: So, but then there is no aggressive target to increase any EBOs, it's still under a learning process side, right?

Udit Todi: So yes, we've seen a mix sort of a response and going ahead when we open a new EBO stores so the company now has the, a learning from his past experience as to what sort of stores, what

size of stores we need to open. So, hopefully in the coming few quarters when we open new stores, the results will be better.

Prerna Jhunjhunwala: The last two questions. One is on the exports market. You've done extremely well on the exports side with Rs. 169 crores of sales. How much growth can we expect in the next 4-5 years, 3 to 5 years whatever period you're comfortable with in that category? Because I mean I believe that segment has done extremely well over the last few years despite COVID related restrictions stuff. Rs. 169 crores is very good because you were around Rs. 100-110 crores 2-3 years back, 3 years; prior to COVID?

Udit Todi: So, we believe that going forward we are expecting the export sector to grow around 15% to 20%.

Prerna Jhunjhunwala: The last question on inflation. We've seen a tremendous price hike in last 1-1.5 years in the economy, economy innerwear segment, largely led by either supply chain or raw material or any other factor. Now when eventually these things cool down, historically do price hikes, are they rolled back or we continue with the same price levels and these remain fixed?

Udit Todi: No so see going forward if the prices go higher then we try to increase our product prices and vice versa when the cotton prices go down so it is not that the prices will stick to what they were. The prices would also come down slightly.

Prerna Jhunjhunwala: But the entire pass on will not happen, so you'll retain some of the price hike?

Udit Todi: You tend to...that depends, that actually depends on what the market's scenario is and how the market is playing out. So, right now, see as I said lot of people have already postponed their consumption. So, if the demand, if all the pent-up demand comes in together then the entire price hike is not rolled back but it actually depends on the market situation. But yes, if the yarn prices come down then we also tend to decrease our prices. That has historically been the trend.

Prerna Jhunjhunwala: Last question on winterwear. Generally, you start winterwear production this time. So, how has been the demand in the winterwear from your distribution network and?

Udit Todi: So, see last year, last fiscal year the winterwear was a super flop season and that was across the entire nation; be it apparels, be it cosmetics, be it any other category which caters to the winterwear products. The overall winterwear demand was quite subdued due to the seasonal play and this year also we are expecting that, we are expecting this year's winter season to be quite good but it is actually something which is very-very season dependent and very weather dependent. It is, it will be very difficult for any player in this economy to comment as to how the winter will play out because it is something which the season only, the weather was only, how will the weather turn out to be. As far as our products are concerned, our product is right now also the top selling product in our category. But if the winter season happens to fail then it's in no one's hand but if the winter season turns out to be good because generally, historically

there are not two back-to-back years when the winters fail. If last year the winter was bad then generally what happens in the next year, winter turns out to be good. There are no two back-to-back failed seasons. So, we are expecting this year weather to be good and in winter we are the market leaders with our products like Lux Inferno and Lux Cott's Wool. In both of these categories we are market leaders. It is just for the season to decide as to how severe the cold ends up to be and at what point of time the winter kicks in, the cold breeze comes in. Last year the season started to happen I think end of December or early Jan which was quite late for the winter season. If the winter sets in around mid-November, it's very good for everyone. If the winter sets in around the mid-December or early Jan then the season tends to fail.

Moderator: Thank you. Due to time constraint, I would now like to hand the conference over to the management for their closing comments.

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

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