“Lux Industries Limited”
Q1 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Lux Industries Limited Q1 FY2019 Earnings Conference Call. This conference call may contain certain 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 would now like to hand the conference over to Mr. Saket Todi, Promoter & Senior Vice President - Marketing of Lux Industries Limited. Thank you and over to you Sir!

Saket Todi: Good morning and a very warm welcome to everyone. Along with me, I have Mr. Udit Todi, our CFO, Mr. Ajay Patodia, and SGA our Investor Relation Advisor. 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 had a good start in FY2019. The innerwear market for men is expected to grow by 15% for the next three to four years mainly driven by the increase in income and change in attitude and mindset of the Indian consumers mostly contributed by the economy and the mid premium segment.

The board has approved the scheme of merger of J.M. Hosiery & Company and Ebell Fashions Private Limited with the Company Lux Industries Limited. 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 will also provide greater financial strength and flexibility. Our revenues for the quarter grew by 7% Y-o-Y as during the base quarter one FY2018, we saw advancing of sales from July to June in the past year as the industry expected certain disruption due to implementation of GST. We expect our growth rate to improve from the Q2 onwards.

We have over 900 distributors and most of them have been associated with us over a decade. We have a very strong presence in Northern, Eastern and Western part of the country generating approximately 63% of the revenues. However, we are relatively weak in the southern states and our endeavour is to focus on increasing distributor strength there. Our main focus is on technology and automations led manufacturing which would help us to maintain high-quality standards and deliver consistently superior quality products to our customers. This focus has helped us to be a cost leader wherein we manufacture at one of the lowest cost in the industry. Now I hand over to Udit to provide you an insight of our future strategies.

Udit Todi: Good morning everyone. Post the hiccups faced during the initial implementation of GST, the Government of India has done commendable job in normalizing the effect of GST implementation considering its scale. The organized sector has been the major beneficiary of the GST as the compliance cost of the unorganized sector had increased and the pricing difference between the organized and the unorganized sector has reduced. To capitalize on the same and to gain market share of the unorganized space in the economy or mass segment, we have signed up Mr. Amitabh Bachchan as brand ambassador for our brand Lux Venus, which caters to the mass segment, which helped us strengthen the bond with the masses. Seeing the success, we have also signed them for our winter brand Inferno. This should help us strengthen our brand connect for the winter wear products as well. Last 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 offerings. With one8, we aim to disrupt the premium innerwear segment. We have started manufacturing various products under the brand Onn by One8 and we expected to be launched during this quarter itself.

Through the merger of J.M. Hosiery and Ebell Fashions with Lux, it will lead to be presence of the most entity across various market segments leading to risk mitigation and higher growth creating increased long-term value appreciation for the existing shareholders of Lux. It will create a single market strategy and single company brand image, which will in turn lead to stronger market presence and higher confidence level with all stakeholders. There would be increased focus on operational effort realizing operational synergy in terms of compliance and governance cost.

On the brand investment side, our endeavour is to keep investment in brands at around 7% to 8% of our topline. Over the past six years we have invested approximately Rs. 386 Crores across brands. Our aim is to sustain our growth in the coming years and for that our main focus is increasing our product offerings across ages, gender, geographies and seasons. Be present in high growth segments of active wear and sports wear and increase our share of premium and semi-premium segment. Now I hand over to our CFO, Mr. Ajay Patodia to provide you an insight of our financial performance for the year.

Ajay Patodia: Thank you Udit. Our revenue grew by 7% to Rs.263 Crores as compared to Rs.246 Crores in Q1 FY2018. EBITDA grew by 19% to Rs.38 Crores as compared to Rs.32 Crores in Q1 FY2018. The EBITDA margin saw an improvement of 150 basis point to 14.6% in Q1 FY2019 from 13.1% in Q1 FY2017. Profit after tax grew by 19% to Rs.19 Crores in Q1 FY2019 as compared to Rs. 16 Crores in Q1 FY2018. Our PAT margins have also improved by 70 basis point to 7.1 this quarter. As per Ind-AS 115, all the expenses related to sales have to be reduced from sales due to which our revenue for last year has been adjusted. With this we will now open the floor for question and answer.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Himanshu Nayyar from Systematix Shares & Stocks. Please go ahead.

Himanshu Nayyar: Hi and congratulation on a good set of numbers. So to start with on the revenue side, I just wanted to understand this growth despite a high base, so how much of it would be volume-led and how much would be due to change in mix?

Saket Todi: The volume growth would be approximately 2.5% whereas the rest would be the value growth and if you would see as you rightly mentioned that in Q1 FY18we had a very high base, which we said it in the speech also that in FY18 for the month of July when GST was getting implemented, many of our distributors they were not sure that they or their retailers would get the GST number. Similarly, the same thought was with the retailers also, but consumes would still go and buy with the retailers in the month of July'17 . So during that point of time, we had sold our goods to the distributor, similarly the distributors sold it to the retailers in the month June itself that is why you have seen a very big growth in the Q1 June 2017 which was approximately 40% to 45%, keeping that higher base, we had done actually 3-1/2 to 4 months of sale.

Himanshu Nayyar: And what would be your guess on the market share as in do you think you would have grown faster than the market and gained the market share?

Saket Todi: Yes, we have grown faster than the market. Like whatever the market growth was there, we have grown much better than that and if you would see and compare it with our peers, the growth, for Lux was much higher than the industry.

Himanshu Nayyar: Correct, and secondly coming to the margins front where we have seen a very strong improvement, what would have contributed to it, I mean is it purely mix led or have we cut down on our ad spends because I see other expenses coming down from last year levels?

Udit Todi: So the profit percentage which has increased was on account of product mix as you mentioned and to a certain extent we can owe it to the cost of manufacturing which has come down. So if you look at the cost of materials consumed along with change in stock and inventory, you will see that it has come down whereas the sale has grown. So we have been able to cut down on our cost. That has primarily led to increase in the profitability.

Himanshu Nayyar: So how our ad spends has moved, I mean can you give a number on that?

Udit Todi: It is similar to that of the last quarter, Q4. The percentage would be similar. I would also like to add as we are talking about the growth percentage, at the group level for for Q1 FY18 our turnover was Rs. 365 Crores which includes JM and Ebell and for JM, Ebell, and Lux together for Q1 of current year, it is Rs. 406 Crores, which is a growth of around 11.5%.

Himanshu Nayyar: Correct and specifically on Venus where we are spending very aggressively after hiring Mr. Amitabh Bachchan and also about Onn our premium brand if you can just give some colour on the performance of these two brands .

Saket Todi: I would say for Lux Industries, Lux Venus is right now the catapult for our company, it is pulling the whole brand forward, whole company forward, seeing that none of our peers are focusing on this category and we have been the only brand which is creating this segment from a commodity to a brand with Mr. Amitabh Bachchan endorsing it. So we are seeing a huge growth in the segment.

Himanshu Nayyar: So I just wanted to understand that part Sir, because Venus I believe historically has been a lowest margin brand for us and with Venus growing fast, we are still seeing a margin expansion, so is it an absolute significant increase in Venus margins at the mass end that we are getting?

Saket Todi: Yes, Our pricing is little premium than our competitors, which is helping us increase and expand our margins of this category.

Himanshu Nayyar: Okay. Next part was on the working capital side, I mean have we seen any sort of improvement from last quarter where the working capital looks slightly on the higher side be it in terms of receivables or inventory?

Saket Todi: See we have changed the policies for the receivable part, which we have implemented a month and a half back, so I think we would see a significant change after Q2 and Q3.

Himanshu Nayyar: Okay and final question, any timeline by which you think the merger should be completed?

Saket Todi: We expect it to complete the merger as soon as it is possible

Himanshu Nayyar: Okay. Alright. That is all from my side. Thanks and all the best.

Saket Todi: Thank you.

Moderator: Thank you. The next question is from the line of Pratim Roy from SMIFS. Please go ahead.

Pratim Roy: Congratulation on good set of numbers Sir. I just wanted to ask two questions if you can share the volume numbers for your brand Lyra and your premium brand Onn's volume growth, it will be helpful for me.

Udit Todi: We do not have the final results of the quarter one right now, but these are the tentative numbers of which we are talking about.

Pratim Roy: Is there any specific volume growth number available with you right now right for Lyra and ONN brands Sir?

Saket Todi: What we are trying to say is that currently the brand Lyra is being operated from the company Ebell Fashions Private Limited, it will then get merged into the Lux Industries Limited. Since Ebell Fashions is the privately held company, the audited figures will be available at the end of year, right now because the merger has already been announced, we have a tentative revenue figure with us, which we have shared with you all. So if you were to talk about Ebell, the turnover that we clocked in the first quarter would be in the range of roughly Rs. 60 Crores which vis-à-vis last year was about Rs. 45 Crores. So there would be roughly 30-35% increase in the topline of Lyra and as far as J.M. Hosiery Industry is concerned, which is the other entity getting merged into Lux Industries, the top line clocked this quarter would be in the range of Rs.80,. --82 Crores, which vis-à-vis last year was about Rs.74 Crores. So that would result in a

11% increase in top line for JM. So I would repeat myself again, J.M. Hosiery has seen a topline growth of about 10% 11%, Ebell has seen a topline growth of about 30%, 35%. And Lux Industries Limited has seen a topline growth of about 7%, but when we talk about Lux Industries Limited, we would also like to bring to your attention the fact that last year Q1, because of advantage of GST sale, where techninically the Q1 sale figures were more or less for about three and a half to four months, which this year it is for three months and despite that we have been able to grow at a 7%. For next quarter when we look at half year over half year that would be a more true picture of the growth of the Lux Industries Limited, which would very well be in line with the expectations, which we have given for the market, which are about for 15% increase in topline.

Pratim Roy: Okay Sir. And if you can share – volume growth figures of brands under Lux Industries?

Saket Todi: As I already mentioned Lux has seen a volume growth of about 2.5%.

Pratim Roy: Can you provide us with separate brand wise volume numbers example Venus?

Saket Todi: Brand wise volume growth figures are not available with us right now. **Pratim Roy:** Okay Sir. Thank you. And what is the EBITDA margin that you are expecting for the FY2019 full year basis?

Saket Todi: FY2019 full year, I think Q1 EBITDA margin has already increased by about 150 basis points, and we will be looking to sustainably maintain that growth in the coming quarters also. and post the merger, this EBITDA margin will again see an increase due to the merger of premium products.

Pratim Roy: Okay so do you expect EBITDA margins to be around 14% to 15%.

Saket Todi: Correct.

Pratim Roy: Okay Sir. Thank you. Thank you and congratulations again Sir.

Saket Todi: Thank you.

Moderator: Thank you. The next question is from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand: Thanks for the opportunity and congrats on a good set of numbers. The question is more in terms of the business mix and the business mix shifting towards the more premium segments, given that fact that the unorganized to the organized shift actually were to happen more at the mass segment, over the next say three to five years, should we expect that this mix shift to either slow or possibly even reverse and what are the kind of implications and margins in such a trend?

Saket Todi: See when we are talking about grabbing market share for the mass segment or the economy segment, which is mostly unorganized at the moment. I believe the capex which the company has already incurred, the same capex would be leverage to gain that additional sale. So ultimately when you look at the balance sheet of the company, the company will be further able to leverage its opex and capex to drive more sales. So ultimately it will be beneficial for the company as far as the product mix is concerned, that is yet to be seen because we are also seeing a very good growth in our premium brand, we are seeing a good growth for the mid premium, which is Cozi., so I believe the product mix should not change drastically .

Ashi Anand: Okay. Excellent, so we have had a very strong track record of expanding margins and part of this happened with the product mix changing, do you think that going forward margin expansion is now behind us and we are kind of reaching towards margin levels, which are sustainable.

Saket Todi: See as we progress there is also always technological advancing taking place, so when we talk about three years ago, the manufacturing process was not so technically advanced, but now at this age, after three year or four years, we are already saying technology process is changing due to which margins have been increasing. So I believe even in the future when technology changes and the new technology is available, the cost of manufacturing should further come down. And as far as the product mix is concerned, we are also striving to grow our premium portfolio further, which will further lead to overall increase in EBITDA margin . **Ashi Anand:** Okay. Excellent. Sir secondly in terms of a slightly longer term – three to five years kind of a perspective, how big do you see active wear, sports wear, as in X innerwear segments becoming for us as a company….And also secondly in terms of growing the premium segment, are we looking at other kind of tie ups similar to the Virat Kohli tie-up perhaps with global brands etc., is that an important part of our strategic growth initiative?

Saket Todi: So coming to your first question you mentioned about active wear, so when we talk about the premium wear segment, active wear has already been a good part of the premium wear segment and it has seen good growth and going forward, we believe that active wear will be one of the fastest growing category within the premium category. And talking about brand licensing, we already have a brand licensing with Virat, we have our own in-house premium wear brand and as far as further licensing is concerned, we have decided as and when any opportunity is available, we will assess the opportunity and if we see it makes economic sense then we shall take up that opportunity.

Ashi Anand: Okay. Great Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum. Please go ahead.

Shalini Gupta: No thanks. My questions have been answered.

Moderator: Thank you. The next question is from the line of Kalpesh Parekh from Prabhudas Lilladher. Please go ahead.

Kalpesh Parekh: Hi Sir. Congratulations on good set of numbers. A couple of questions, one I am just trying to get your product mix right between economy, mid premium, premium, so how will be the product mix in terms of revenue, as we saw 7% type of revenue growth, how if I bifurcate into the three segment, how that would look like?

Saket Todi: The product mix brand wise is not available with us right now

Kalpesh Parekh: If not brand wise, but segment wise, if you can just bifurcate. Big picture is also fine?

Saket Todi: As far as segment wise is concerned, so different segments work differently in different quarters, so when we talk about the year-on-year figure, , so roughly qualitatively when we look at Q1 FY2018 and Q1 FY2019, the segment wise mix should more or less be similar.

Kalpesh Parekh: Okay. So basically my second question was linked particularly on the margin front, so if I am expecting that we moving lowly steadily from economy to mid premium, premium segment, then is there any room for margin expansion because of the product mix changes as well.

Saket Todi: Yes definitely as the product mix changes towards premium segment and as we already mentioned that we are looking for margin improvement owing to product mix change, which has been already witnessed in this quarter itself and going forward, as the premium brand starts getting a bigger share of the pie, it should further get enhanced.

Kalpesh Parekh: Okay, Sir in terms of capacity utilization, how that would be?

Saket Todi: In terms of capacity, as we have a mix of different products and mainly in cutting technology, our outer wear or active wear would take more of the time, so thus the output would be low whereas it would be a mix of more of innerwear, so the capacity would go up. So the utilization always depends on mix between the innerwear and outwear

Kalpesh Parekh: **Okay and** In terms of capex, how that would be for current year and next year, Do we have any big Capex plans?

Saket Todi: No. There is no such capex plan, only maintenance capex, which is there approximately Rs.3 to Rs. 5 Crores.

Kalpesh Parekh: Okay. Fair enough. Wish you all the best.

Saket Todi: Thank you.

Moderator: Thank you. Our next question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

Parthiv Jhonsa: Hi, good afternoon Sir. My question was on the merger basically, so I have got two questions, the first one is on the merger, I was just going through your slide and the revenue has mentioned, but can you throw some light on the profitability of FY2018 of these two companies, the J.M. Hosiery and the Ebell Fashions?

Saket Todi: For J.M. the EBITDA level margin would be approximately 12% and for Ebell, it would be approximately 18%.

Parthiv Jhonsa: Okay 18% to 20%. Okay and what kind of topline these companies do in FY2018?

Saket Todi: For FY2018, the figure for Ebell was little shy of Rs. 200 Crores, it is about 198 crores

Parthiv Jhonsa: Yes, that is fine and how about the J.M.?

Saket Todi: And J.M. was to the tune of about Rs 292 Crores.

Parthiv Jhonsa: J.M. is basically the private limited company of the promoters, right, if I am not mistaken?

Saket Todi: J.M. and Ebell both of them are private limited.

Parthiv Jhonsa: Okay. So that is getting merged into the main brand?

Saket Todi: Both of these companies are getting merged.

Parthiv Jhonsa: Perfect. Okay.

Saket Todi: When we talk about last year, last year we mentioned that the topline figure for J.M. as 292 and Ebell as 199, and the combined PAT figure for both these companies for last year FY2018, was about 37.5.

Parthiv Jhonsa: Okay. Perfect.

Saket Todi: That should give you an idea of what is the kind of profit margin is like.

Parthiv Jhonsa: Perfect. Got it Sir. And my next question is to do more with the general industry, you guys mentioned that this industry as a whole is on the cusp of rapid growth and with standard of living increasing and the mid size segment growing day by day, this is expected to go to about 300 per capita kind of figure, so can I just know what time duration this would grow double to 300 and how do you perceive your company in this entire market as a whole?

Saket Todi: I believe this industry has been witnessing rapid growth primarily on account of increasing income level, and Lux Industries Limited as an entity operationally and as far as the infrastructure is concerned, has always been ready to capture whatever additional growth is accruing in the market. So that is I believe one of the primary reasons why also our growth rates have been on the higher side as far as the industry average growth rate is concerned.

Parthiv Jhonsa: Got it, but I just wanted to know like - by and how many years this per capita consumption of innerwear would grow from say 150 right now to 300?

Saket Todi: That is very difficult to answer. It mainly depends on how fast the income levels of people, per capita income level is increasing in the economy.

Parthiv Jhonsa: Okay. So how has been the trend in last five, six, seven years, how it has been growing, can you throw some light on that, so I will just make my own assumption on that? I am just talking as industry as a whole and not specifically for Lux.

Saket Todi: **The** industry as a whole has pre-GST, been growing at about 8 to 10%.

Parthiv Jhonsa: Okay and post GST?

Saket Todi: And post GST, It is very difficult to answer as it has been just about a year we have completed GST and initial two to three quarters, there were hiccups in the implementation and everything, but the kind of pulse that we are seeing in this sector is very upbeat and we are seeing good volume growth and value growth in this sector. And it will be significantly higher than pre-GST

Parthiv Jhonsa: Yes, got it. But pre-GST you said it was about 8% to 10% right?

Saket Todi: Correct.

Parthiv Jhonsa: Okay Thank you. Excellent. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Vipul Sanhghvi from BOB Capital. Please go ahead.

Vipul Sanhghvi: Thank you. Thanks for the opportunity. Just wanted to understand Sir, if you can update on the working capital situation because as we understand towards the end of FY2018 due to the effects of GST, the working capital particularly inventory and receivables have expanded, so how that has panned out in the last three to four months, if you can give an update on that please?

Saket Todi: As you mentioned at the end of last quarter, there was an increase in working capital which was primarily on account of us stocking up an raw material because the prices of raw material was on the increase, so we had funds available with us due to which we stocked upon raw material that is one of the primary reasons why you have seen an increase in working capital, which was only towards the end of Feb and beginning of March, which is not a very true reflection of what happened during the year. Nonetheless, on the balance sheet the working capital looks slightly inflated and this year onwards as mentioned from the last one and a half months, we have also made a concerned effort towards reducing the working capital dates by (a) reducing the debtor days because we reduced our credit period, and so that effect of such policy will be visible to you over the next two to three quarters and we believe that by the end of this financial year, we will be able to reduce our working capital days.

Vipul Sanhghvi: Okay, any target where do we want to be by the end of FY2019?

Saket Todi: For the FY19, our borrowings will be reduce by Rs. 70 to Rs. 80 Crores.

Vipul Sanhghvi: Okay.

Saket Todi: And as far as working capital days are concerned, we should be able to reduce our working capital days by about 20-30 days.

Vipul Sanhghvi: Okay. That is helpful. Thank you so much.

Moderator: Thank you. Our next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: Just on this Merger of J.M. and Ebell, what is the sort of equity dilution that is going to happen and in terms of the promoters' stake, how much will it go to?

Saket Todi: So when we talk about the proposed merger between Lux and Ebell and J.M. Hosiery Limited, if you look at the bottomline figures, the bottomline figures for Lux Industries Limited would grow by about 47%, whereas equity dilution would be to the tune of 19%.

Shekhar Singh: 19% equity dilution. So how much will the promoter stake go up to post the merger?

Saket Todi: Post the merger, the promoter stake would go up to about 78%, which we have already given an undertaking that we will be reducing it as per SEBI's mandate.

Shekhar Singh: Do we have some specific timeline to reduce the sake or you will reduce it immediately post merger?

Saket Todi: We will be following SEBI guidelines.

Shekhar Singh: So can you just enlighten me on this does SEBI give any timeline like a few months or you have to do it immediately?

Saket Todi: No, so there is no such prescribed timeline as such, but you are supposed to do it as fast as possible. Say if you want to make an assumption say five to six months.

Shekhar Singh: Five to six months, okay and can you just also say what is the ROCE for J.M. and for Ebell?

Saket Todi: We do not have the figures available with us right now because we thought the discussion will be more on the lines of Q1 results, but should you wish to avail such information, you can always write to us.

Shekhar Singh: Perfect. I will do and will you be having some idea of post merger, what will be the debt equity ratio of the company?

Saket Todi: Based on FY2018 figures, post merger debt equity ratio would come down.

Shekhar Singh: It will come down, so currently I think it is around 1x, so it will come down?

Saket Todi: Yes, it will come, it should come down I think to about say 0.9.

Shekhar Singh: Okay. Perfect. Thanks a lot Sir.

Saket Todi: Thank you.

Moderator: Thank you. Our next question is from the line of Abhishek Pamecha from Vibrant Securities. Please go ahead.

Abhishek Pamecha: Hello Sir. Thank you for the opportunity. Sir, my question is regarding the manufacturing operations, so currently we are producing 100% in-house only, and I think so the outsourcing is done just for the stitching. So what is the reason for having all in-house manufacturing as of now, and going forward three to five years and we are going to have a bigger revenue base. At that time, will we think about outsourcing can you add some colour on that?

Saket Todi: we do not have 100% in-house manufacturing there are different processes in manufacturing, if you take the first step, which is knitting that would be in-house, but the second step which is processing that is completely outsourced and third step, which is cutting that is again in-house and the fourth step, which is stitching in the premium segment, where we can have higher EBITDA margins that is also done in-house, whereas the mass and the economy segment, it is completely outsourced. There are certain steps in production which is outsourced and certain steps which is in-house.

Abhishek Pamecha: Okay. Going forward it would be same as it is now?

Saket Todi: Yes. It would be same.

Abhishek Pamecha: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Himanshu Nayyar from Systematix Shares & Stocks. Please go ahead.

Himanshu Nayyar: Thanks for the followup. Just if you can give some colour on our performance in the exports business and given that we are so focused on so many brands in India, whether that still remains a focus area for us?

Saket Todi: See export is always the growing segment for us, and we have been finding, new opportunities in newer countries, in last quarter, Q1 of FY2019, we have started to export in the Eastern African continent also. So the export is being increasing and we are seeing a quarter to quarter increase in export.

Himanshu Nayyar: And I believe the profitability there is higher than our average margins, right.

Saket Todi: Yes, That is right.

Himanshu Nayyar: Right, secondly on ONN, if you can give us some performance update there both in terms of growth as well as profitability and specifically wanted to understand what would be the key growth driver over there in terms of our distribution model there and the other penetration that we have currently achieved specially in modern trade channels where these premium brands do well generally.

Saket Todi: As we have given the guidance for ONN, which is to grow at rate of 30% to 35%, so we are on track on that, and we have achieved much higher growth in this quarter. So ONN is a segment where we believe that it is more of a brand pull than that of push and we are also introducing new outwear products in this category which has a higher ASP with better margins, so in terms of the total revenue, the topline is also increasing as well as the bottomline is also increasing as well as you said about modern trade, modern trade ONN is widely accepted, we are there in many online platforms also, so the base is small, so thus the growth rate in that segment of ONN will be much, much higher.

Himanshu Nayyar: Okay. And can you give us some number – is it more than Rs. 100 Crores brand now?

Saket Todi: Yes.

Himanshu Nayyar: Okay. All right. That is all from me. Thanks.

Moderator: Thank you. We will take the next question from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand: Thanks for the followup. The question is really around the strategic merger as in the merger with J.M. and Ebell, just wanted to understand, what was the rational, in keeping these as companies different in the past as compared to the listed company and what kind of synergies we will get post the merger in terms of what are the benefits on distribution, marketing, and not sure how these are manufactured, so if you can just take us through why it was separate in the past, and how benefits will flow through having it now a combined company?

Saket Todi: So the main rational behind the merger was that there was doubt in the mind of every investor that why are those company left outside and that was the primary reason why we wanted to bring all these companies together under one roof that was the main ration behind this merger, and if you actually look at the valuation that when this merger was also conducted that for say of

47% increase in your bottomline, the kind of dilution that was then very marginal to the tune of 19%, so we always kept the main – the interest of the shareholders of the Lux industries Limited in our mind before conducting the merger valuations and processes.

Ashi Anand: Sure and could you just speak in terms of the kind of synergies that could come through either on distribution side or benefits to the different brands?

Saket Todi: So when we talk the synergies as there would be marketing and operational synergies as well as synergies in the case of purchasing of raw material, so I believe there would be an increased scale in purchase, which would kind of help us reduced our cost, even on the marketing front, there would be certain distributors who would turn out to be common in fact there was also set a exclusive distributor, that will actually help us increase our distributor footprint all over India.

Ashi Anand: Okay. Excellent and Sir lastly in terms of the balance sheet of these companies, are we taking over any debt ?

Saket Todi: No. So when we talk about the blended balance sheet the debt equity ratio will come down

Ashi Anand: Sir but as part of the merger, is that debt that we talking on board?

Saket Todi: So it is only working capital oriented debt that is there no fixed debt which is there,. But given the size and scale of both the companies, which are outside, I believe that the debt levels are on the lower side compared to Lux Industries Limited due to which when you are looking at the blended average, the debt equity ratio in fact is coming down.

Ashi Anand: Okay. Excellent and just lastly how does the manufacturing happen for these companies, do they have their own facilities, or it is outsourced?

Saket Todi: So both of these companies have their own manufacturing facilities and the kind of model which is followed for manufacturing is pretty similar to Lux Industries Limited whereby the premium products are produced in-house and the kind of mid premium products are outsourced.

Ashi Anand: Okay. Excellent. Thanks a lot and all the best for the future.

Saket Todi: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments.

Saket 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 our Strategic Growth Advisors, our Investor Relation Advisors. Thank you once again.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Lux Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines now.