

26th October 2021

CMP – ₹3,508/-

View – Buy on Dips

Company Background

Lux Industries Ltd (LUX), incorporated in 1995, is one of the largest players (No.1 in volume terms) in the hosiery business, having a market share of 15% of the organised industry. The company was promoted by Shri Giridhari Lal Todi.

Products include inner-wear for men, women & kid's, winter wear, socks & slacks for women in varied colours and designs. The Lux Ind has a presence across the globe with exports to 47 countries (Exports in FY21=7%). The company has a strong +20 years relationship with dealers.

Price range of product: ₹24 to ₹1790.

Over the last few years LUX has shifted its focus more towards premium and semi-premium products.

Important Statistics

M.Cap (₹ cr)	10,691
52 Week H/L (₹)	4,500/1,341
NSE Code	LUXIND
BSE Code	539542

Shareholding pattern (%)	Sep'21
Promoter	74.4
Institutions	10.7
Public & Others	14.9

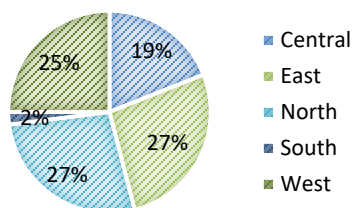
Experience Board & Strong Management Team

- Promoter-Directors with 24 years of average industry experience; expertise-Sales & Marketing, Brand Promotion, Product Development, Board service & Governance
- Inducted several new members in the past two years
- **Nischal Puri**, a hosiery industry veteran as the Director, Operations in Artimas Fashions Pvt. Ltd. (Subsidiary of Lux)
- **Saurabh Bhudolia** – CFO

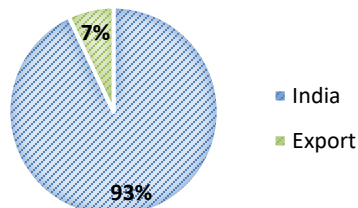
Financials

Particulars (cr)	FY20	FY21	Growth
Sales	1,203	1,938	61.1%
EBITDA	175	370	111.0%
EBITDA Margin	15%	19%	
Reported PAT	113	261	130.1%
PAT Margin	9%	13%	
Reported EPS	48.7	90.2	
D/E Ratio	0.3	0.1	
ROE	25%	27%	

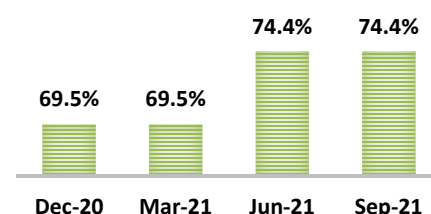
DOMESTIC SALES



BUSINESS MIX (FY21)



PROMOTERS HOLDING



Source: Company, Way2Wealth

Why we like Lux Industries Ltd?

Enjoys a leadership position across a wide range of product portfolios

Lux to benefit from operational synergies with merged entities

Capitalising with speed on a structural market shift

Strong brand equity and robust distribution network

Superior profitability and a healthy return ratios

Source: Company, Way2Wealth

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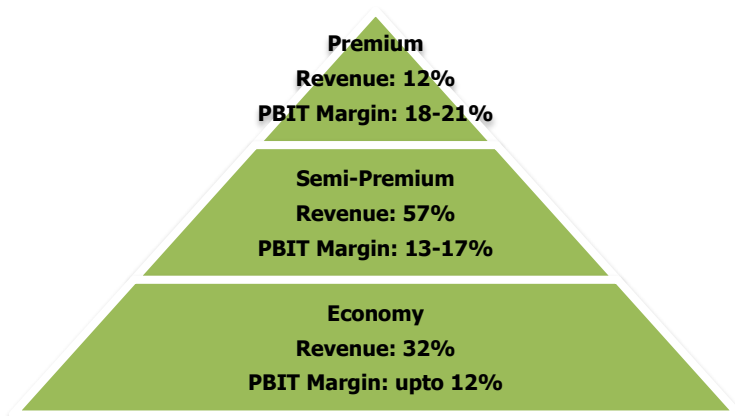
View – Buy on Dips

Investment Rationale

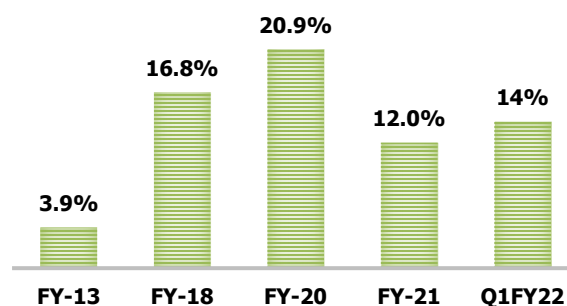
- **Diversified product portfolio with strong market position** – The company has reached a point where its brands extend from the sub-economy to the mid-market and finally the premium. Brand Lux is not just a reference to a single brand; it stands as a reference to an entire portfolio of brands that are marked by a superior price-value proposition.

It has presence across diverse price points (₹24 to ₹1790+)

Categories	Prominent brands			Winter Wear
Premium				
₹ Cr	16	79	133	
Semi-premium				
₹ Cr	103	225	554	217*
Economy			Others	
₹ Cr	46	553	17	



REVENUE FROM PREMIUM BRAND



Premium products to grow at a CAGR of 22% by 2025

Only 20% of the innerwear market accounted by the premium and Semi- premium Segments.

Lux's ONN is a premium brand growing at ~ 20% every year

- **Lux to benefit from operational synergies with merged entities** – In a decisive corporate move, Lux Industries merged two group companies -J. M. Hosiery & Co. Limited (JMHL) and Ebell Fashions Private Limited (Ebell) merged with itself on April 1, 2020.
- **There are a number of benefits that could arise out of the merger**
 1. Lux Industries Ltd will become bigger following the consolidation of the group constituents into its identity. A consolidated size will send out a stronger message of scale, enhancing brand, ability to enter alliances or recruit professional talent.

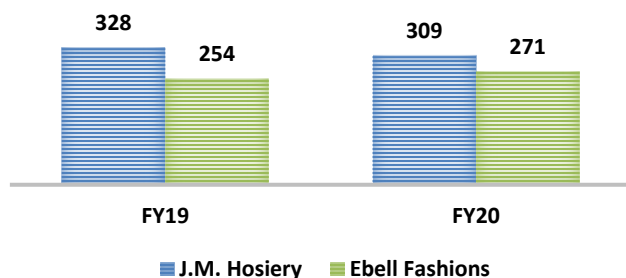
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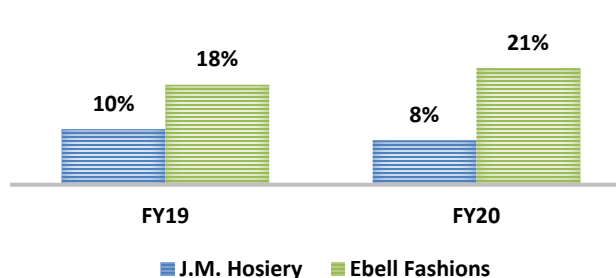
View – **Buy on Dips**

2. Consolidated will strengthen governance, sending out a message that the promoters do not have any other business within the same sector.
3. The merger will help transform Lux from what is largely a men's hosiery brand to a multi-gender brand, considering that the acquired company Ebell deals with the prominent women's brand Lyra.
4. The merger will help remove cost redundancy and eliminate a duplicity of administrative overheads.

SALES (₹ CR)



EBITDA MARGIN

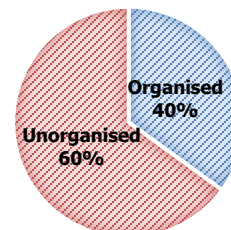


Source: Company, Way2Wealth

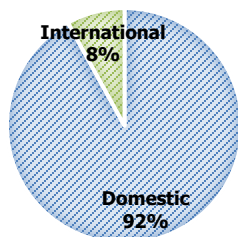
EPS ₹90.2 in FY 21 (Post merger)

EPS ₹48.7 in FY20 (Pre-merger)

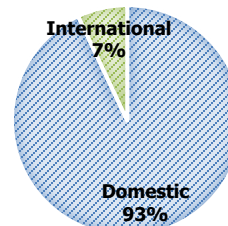
- **Capitalising with speed on a structural market shift** – The country's unorganized players could not access bank credit, organize their labour or restart their facilities due to enforced lockdown on consumption market due to COVID-19. The result is that unorganized manufacturers yielded precious store space to larger branded players like Lux Industries. Lux moved with speed; it strengthened services to distributors, provided a wider range of sizes, varieties and strengthened its positioning as a dependable single-point solution provider.
- **Robust Distribution Network** – The company's extensive distribution network is spread across the country, comprising more than 1,150 dealers and +2,00,000 retailers. The company exports products under its own brand to around 46 countries.



REVENUE BY GEOGRAPHY, FY 2019-20



REVENUE BY GEOGRAPHY, FY 2020-21



Source: Company, Way2Wealth

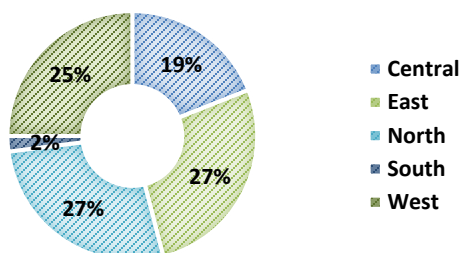
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View – **Buy on Dips**

Over the last six decades, Lux emerged as the largest mid-sized hosiery brand in India. Interestingly, this growth was largely driven out of the company's presence in only four (of five) zones of the country. The Company widened its presence across North, West, Central and East India; it remained largely absent in South India.

DOMESTIC SALES



Source: Company, Way2Wealth

However, the company has started to widen its footprint from a multi-regional brand to a pan-Indian personality. Lux's penetration of South India will be increasingly visible from 2021-22, initiating the next growth phase for the company.

The other exciting development was the spread of e-commerce. Currently the company has an annual run rate of ₹15-20cr and has a target to achieve ₹100cr in annual revenues in three years.

- **Strong growth in Export business** – In last five years, company's export has grown at 10% CAGR to ₹1.36bn in FY21.

The company target to have a presence in 60 countries by FY25 and guides for double-digit growth on a sustainable basis.

Presence felt in 46 other countries like Middle East, Africa, South East Asia, Australia, Europe, etc

Export (₹ mn)	FY17	FY18	FY19	FY20	FY21	CAGR
Sales	927	1057	1360	1330	1360	10%
% Contribution	9.5%	9.3%	11.3%	8.0%	7.0%	

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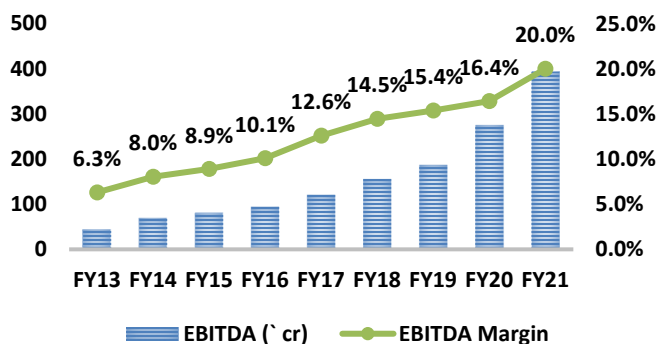
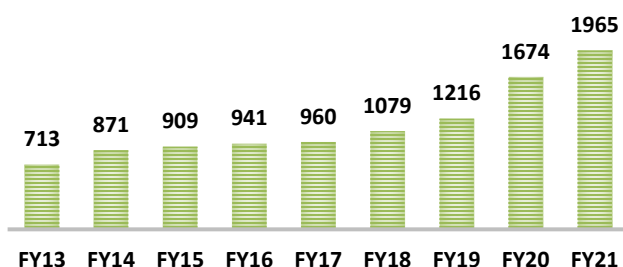
CMP - ₹3,508/-

View - **Buy on Dips**

Robust financial profile

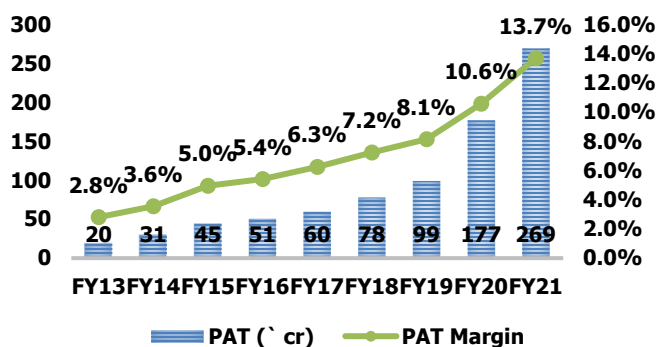
Healthy Sales and Profitability growth across the years along with strengthening margins

REVENUE (₹ CR)



CAGR 14%

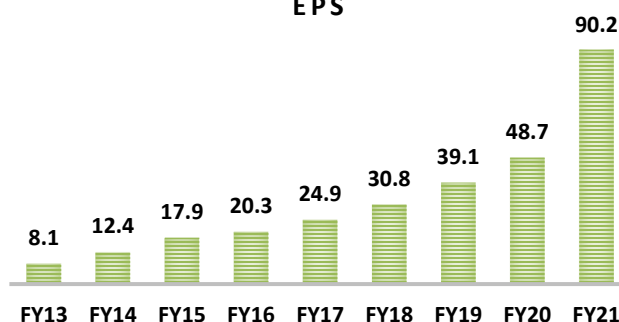
CAGR 31%



CAGR 38%

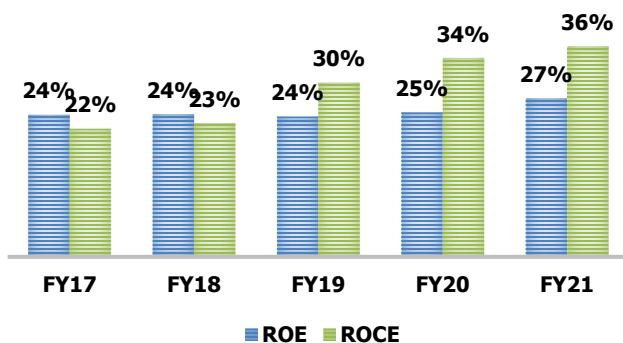
CAGR 31%

EPS

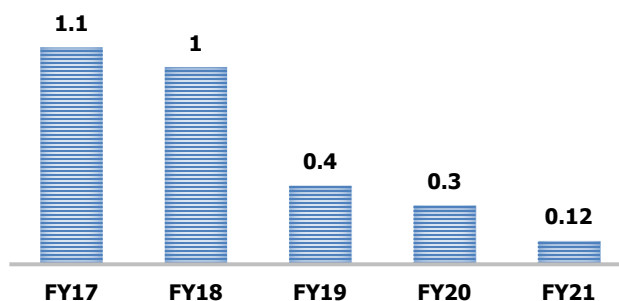


Return ratio remain attractive

Debt/Equity reducing from 1.1 in FY17 to 0.12 in FY21



NET DEBT TO EQUITY



Source: Company, Way2Wealth

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View - **Buy on Dips**

Increasing brand spend efficiency

Sustained brand investments at 8% of turnover

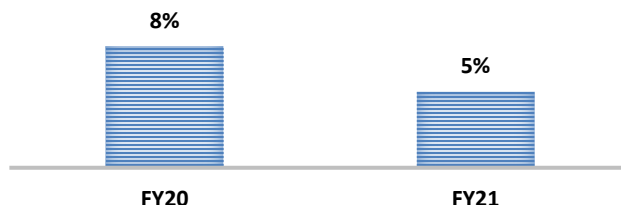
₹18.50

Return on every rupee spent on advertisement and promotion in FY21

₹12.38

Return on every rupee spent on advertisement and promotion in FY20

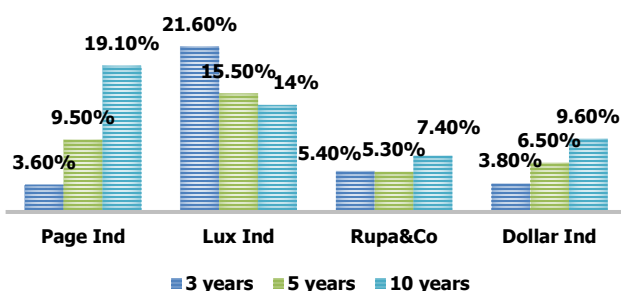
ADVERTISEMENT & PUBLICITY



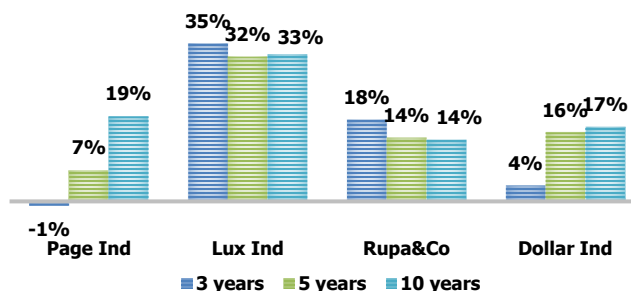
Source: Company, Way2Wealth

Peer Comparison

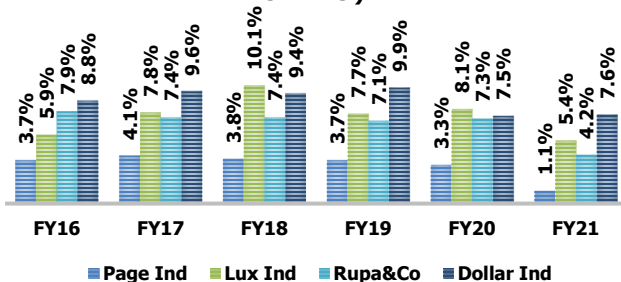
SALES GROWTH



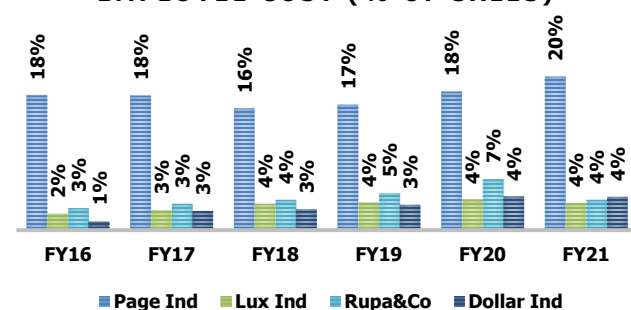
EBITDA GROWTH



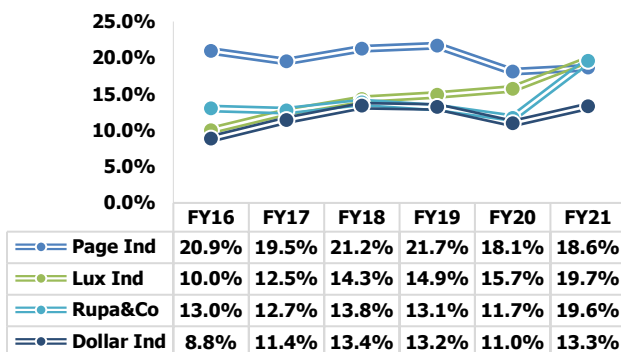
ADVT&SALES PROMOTION (% OF SALES)



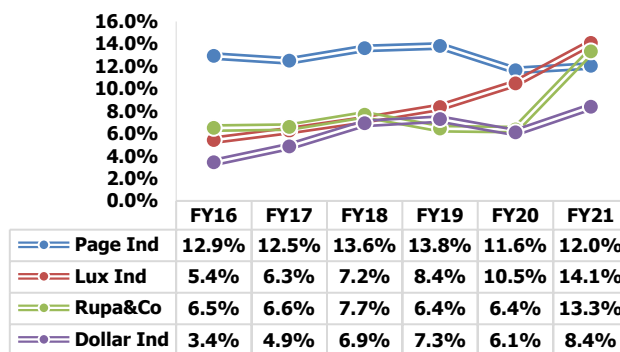
EMPLOYEE COST (% OF SALES)



EBITDA %



PAT %



Source: Company, Way2Wealth

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View – **Buy on Dips**

Risk

- Slowdown in the economy
- Inflationary raw material prices

View

Lux Industries Ltd (LUX), is one of the largest players (No.1 in volume terms) in the hosiery business, having a market share of 15% of the organised industry. The company has delivered robust Sales/EBITDA/PAT CAGR of 14%/31%/38% over FY13-21.

Over the last few years Lux has shifted its focus more towards premium and semi-premium brands which resulted in an improvement in margins and growth profile. Recent merger with group companies i.e. JM Hosiery and Ebell Fashion with Lux Industries would strengthen Lux Industries position in the market in terms of new product offering (Lyra and GenX), cost rationalization and improved profitability.

Company's focus on operating efficiencies, enhancing share of premium products and deleveraging the balance sheet has kept the growth momentum steady.

At the current price of ₹3,508 it is trading at 38.9x times P/E to its FY21 EPS of ₹90.2. We view good growth prospect for Lux Industries Ltd from a long term perspective and advise investors to Buy on Dips this business.

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View – Buy on Dips

Financial Statement

Category	FY20	FY21	Sales Growth	Volume Growth
Premium	214	228	7%	1%
Mid-Premium	969	1099	13%	7%
Economy	474	616	30%	21%
Total	1657	1943	17%	13%

Particulars	FY17	FY18	FY19	FY20	FY21
Sales	972	1137	1208	1203	1938
Other Income	0.5	1.73	9.2	4.21	12.34
Total Revenue	972.5	1138.73	1217.2	1207.21	1950.34
Expenditure	869	1007	1052	1028	1568
EBITDA	103	130	156	175	370
EBITDA margin	11%	11%	13%	15%	19%
Depreciation	7	9.7	11.2	12.4	17.1
PBIT	96.5	122.03	154	166.81	365.24
PBIT Margin	10%	11%	13%	14%	19%
Finance cost	17	25	24	13	11
PBT	79.5	97.03	130	153.81	354.24
Tax expenses	33	43	53	41	93
Net Profit	46.5	54.03	77	112.81	261.24
Net Profit Margin	5%	5%	6%	9%	13%
EPS	24.89	31.38	40.12	49.9	90.9

Source: Company Data, Way2Wealth Inst Equity

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Disclosure of Interest Statement Lux Industries Ltd. as on October 26th, 2021

Name of the Security	Lux Industries Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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