

**Q2FY22: Strong growth led by premium category, supported by mid-premium category**

- Revenue from operations grew 25% YoY, led by 59% premium sales growth, well supported by mid-premium range while volume decline by 1% YoY.
- Gross margin expanded by 544 bps to 38.7% YoY.
- EBITDA increased by 44% with margin expansion by 299 bps to 22.3% YoY.
- PAT increased by 50% with margin expansion by 264 bps to 15.9% YoY.

**Important Statistics**

<b>M.CAP (₹ cr)</b>	₹11,958
52 Week H/L (₹)	₹4,641/₹1,505
NSE Code	LUXIND
BSE Code	539542

**Key takeaways from Q2FY22 result**

➤ **Volumes & Sales Growth**

- Revenues for the quarter stood at ₹631cr vs ₹504cr, registering a growth of 25% compared to the same period last year. This growth was led by strong demand across product portfolio.
- For H1FY22, Premium and Mid - Premium segment reported a volume growth of 38% YoY and 5% YoY respectively, while the economy segment reported a volume decline of 5% YoY due to high base of the last year. For H1FY22, revenues grew by 28% YoY driven by healthy demand traction across all its product categories.
- The company is also witnessing healthy traction in the womenswear portfolio, which is partially untapped by the branded players. In H1FY22, womenswear brand Lyra contributed 12.8% of total revenue.

➤ **Profitability Margin:**

- Gross margin for Q2FY22 increased by 544 bps YoY and 52 bps QoQ to 38.3% on account of better product mix, price increase taken by the company and merger synergies.
- EBITDA increased by 44% with margin expansion by 299 bps to 22.3% YoY. This was majorly attributable to improving product mix, prudent cost rationalization that was taken by the company over a period of time.
- Quarterly profits crossed ₹100cr mark for the first time ever, registering a strong growth of 50% with margin expansion by 264 bps to 15.9% YoY on account of better operational performance.

➤ **Operational Efficiency:**

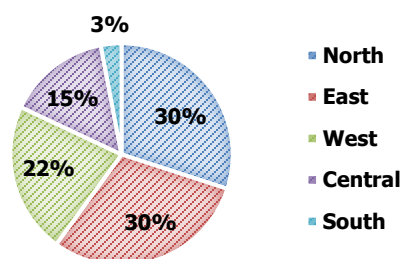
- Employee cost as a % of revenue increased 30bps; Subcontracting/ Jobbing expenses as % of sales contracted by 50 bps, Other expenses increased by 21% YoY.
- For H1FY22, every rupee spent on branding and marketing expenses has yielded ₹50.57 while the total branding on marketing expenses for the same period stood at ₹67.6cr which is ~6.42% of the H1 FY2022 revenues.
- Debt/equity ratio stood at 0.14 as against 0.16 in September 30, 2020. This signifies constant endeavor to deleverage the balance sheet and create strong liquidity buffer.

➤ **Demand Trend/Export:**

- Q2FY2022 saw a significant green shoots in demand as major states started to lift the lockdown restriction leading to resumption in the local supply chain.
- This in turn aided to export sales gradually returning near normalcy levels. The export sales for H1FY22 contributed approximately 8% of the revenue which comes to roughly about ₹83cr. Currently company export to 46+ countries majorly in the continents of Asia and Africa and aim to grow exports revenue by 60% to 60+ countries by 2025.

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

**REGION WISE CONTRIBUTION FOR H1FY22**



➤ **Price Hike:**

- Company took price increase of ~11-12% in the last 12 months due to cost inflation and it is expecting price increase of ~6-7%, going forward.

➤ **Greenfield capacity expansion:**

- The company plans to undertake a greenfield capacity expansion of ₹110cr is on track and will be funded through internal accruals. With the capex coming on stream, the company is expecting to generate an incremental sales of ₹400cr from it.

➤ **Other highlights:**

- E-commerce sales, the company is currently shipping 4000 plus online orders daily and have also entered into marketing alliances with Amazon, Myntra, Flipkart, Ajio among others to ride the growing popularity of marketplaces.
- The company will gradually normalise its advertising expense back to 7-8% of its sales.

**Story in Nutshell**

Product category in H1FY22		
Revenue Share	Amount %	Volume %
Premium	14%	11%
Sub Premium	56%	40%
Economy	30%	49%

Product category in H1FY21		
Revenue Share	Amount %	Volume %
Premium	10%	8%
Sub Premium	57%	39%
Economy	33%	53%

H1FY22		
Category	Sales Growth	Volume Growth
Premium	83%	38%
Sub Premium	25%	5%
Economy	16%	-5%

Q1FY22		
Category	Sales Growth	Volume Growth
Premium	59%	2%
Sub Premium	23%	0%
Economy	12%	-2%

Source: Company, Way2Wealth

**Risks**

- Inflation in raw material prices
- Slow down in the economy

**View**

Over the years, the innerwear industry is gradually evolving from a functional category to a fashionable one. Lux being one of the leading organized players in the industry understands the magnitude of such shift and is well positioned to address this unprecedented upside the industry has to offer.

We continue to remain positive on Lux's ability to deliver healthy earnings growth in the medium term considering its strong product portfolio, distribution network and healthy balance sheet.

**At the current price of ₹3,986 it is trading at 44.2 times P/E to its FY21 EPS of ₹90.2. We advise investors to add this business on dips for the long term.**

29<sup>th</sup> November 2021

CMP – ₹3,986/-

 View – **Add on Dips**
**Quarterly Performance**

(₹ Cr)

	Q2FY22	Q2FY21	VAR[%]	Q1FY22	VAR[%]	H1FY22	H1FY12	VAR[%]
Sale of Products and Services	620.0	499.0	24.2%	416.7	48.8%	1036.7	812.4	27.6%
Other Operating Income	7.1	2.8	153.6%	0.8	787.5%	7.9	6.4	23.4%
<b>Total Operating Income</b>	<b>627.1</b>	<b>501.8</b>	<b>25.0%</b>	<b>417.5</b>	<b>50.2%</b>	<b>1044.6</b>	<b>818.8</b>	<b>27.6%</b>
Other Income	3.7	2.7	34.6%	3.6	0.5%	7.3	5.0	46.6%
<b>TOTAL INCOME</b>	<b>630.8</b>	<b>504.5</b>	<b>25.0%</b>	<b>421.1</b>	<b>49.8%</b>	<b>1051.9</b>	<b>823.7</b>	<b>27.7%</b>
Total Raw Material Cost	226.4	205.8	10.0%	144.8	56.4%	371.1	368.6	0.7%
Cost of Raw Material & Components Consumed	332.7	202.3	64.5%	247.2	34.6%	579.9	305.4	89.9%
(Increase)/ Decrease in Inventories	-110.1	1.4	-8195.6%	-103.3	6.6%	-213.5	60.6	-452.3%
Purchase of Traded Goods	3.8	2.1	81.4%	0.8	376.3%	4.6	2.6	78.1%
<i>Total Raw Material Cost % to Sales</i>	<i>36.1%</i>	<i>41.0%</i>	<i>-12.0%</i>	<i>34.7%</i>	<i>4.1%</i>	<i>35.5%</i>	<i>45.0%</i>	<i>-21.1%</i>
Employee Cost	23.6	17.6	34.0%	18.2	29.1%	41.8	30.1	38.9%
<i>Employee Cost % to Sales</i>	<i>3.8%</i>	<i>3.5%</i>	<i>7.3%</i>	<i>4.4%</i>	<i>-14.0%</i>	<i>4.0%</i>	<i>3.7%</i>	<i>8.9%</i>
Subcontracting/ Jobbing expenses	160.5	131.0	22.5%	114.8	39.8%	275.3	189.7	45.1%
<i>Subcontracting/ Jobbing expenses % of Sales</i>	<i>25.6%</i>	<i>26.1%</i>	<i>-2.0%</i>	<i>27.5%</i>	<i>-6.9%</i>	<i>26.4%</i>	<i>23.2%</i>	<i>13.8%</i>
Other Expenses	79.6	52.5	51.5%	52.3	52.0%	131.9	80.6	63.6%
<i>Other Expenses % of Sales</i>	<i>12.7%</i>	<i>10.5%</i>	<i>21.2%</i>	<i>12.5%</i>	<i>1.2%</i>	<i>12.6%</i>	<i>9.8%</i>	<i>28.3%</i>
<b>TOTAL EXPENDITURE</b>	<b>490.0</b>	<b>406.9</b>	<b>20.4%</b>	<b>330.1</b>	<b>48.4%</b>	<b>820.0</b>	<b>668.9</b>	<b>22.6%</b>
<b>EBIDTA</b>	<b>137.1</b>	<b>94.9</b>	<b>44.5%</b>	<b>87.4</b>	<b>56.9%</b>	<b>224.6</b>	<b>149.8</b>	<b>49.9%</b>
<i>EBIDTA Margin %</i>	<i>21.9%</i>	<i>18.9%</i>	<i>15.6%</i>	<i>20.9%</i>	<i>4.5%</i>	<i>21.5%</i>	<i>18.3%</i>	<i>17.5%</i>
Finance Costs	2.7	3.4	-18.5%	2.6	4.2%	5.4	7.5	-28.9%
<b>PBDT</b>	<b>138.1</b>	<b>94.3</b>	<b>46.4%</b>	<b>88.4</b>	<b>56.2%</b>	<b>226.6</b>	<b>147.3</b>	<b>53.8%</b>
Depreciation, Ammortization & Impairment	4.3	4.3	1.2%	4.3	0.5%	8.7	8.5	1.4%
<b>PBT before Exceptional Items</b>	<b>133.7</b>	<b>90.0</b>	<b>48.6%</b>	<b>84.1</b>	<b>59.0%</b>	<b>217.9</b>	<b>138.8</b>	<b>57.0%</b>
Exceptional Items	-	-	-	-	-	-	-	-
<b>PBT after Exceptional Items</b>	<b>133.7</b>	<b>90.0</b>	<b>48.6%</b>	<b>84.1</b>	<b>59.0%</b>	<b>217.9</b>	<b>138.8</b>	<b>57.0%</b>
Tax	33.9	23.3	45.4%	20.3	66.9%	54.2	35.1	54.3%
<i>Tax Rate %</i>	<i>25.3%</i>	<i>25.9%</i>	<i>-2.1%</i>	<i>24.1%</i>	<i>5.0%</i>	<i>24.9%</i>	<i>25.3%</i>	<i>-1.7%</i>
<b>Reported Profit After Tax</b>	<b>99.8</b>	<b>66.7</b>	<b>49.7%</b>	<b>63.8</b>	<b>56.5%</b>	<b>163.7</b>	<b>103.6</b>	<b>58.0%</b>
<i>PAT Margin %</i>	<i>15.9%</i>	<i>13.3%</i>		<i>15.3%</i>		<i>15.7%</i>	<i>12.7%</i>	
Other Comprehensive Income (net of tax)	0.0	0.0	-200.0%	0.0		0.1	-0.1	-220.0%
<b>Total Comprehensive Income</b>	<b>99.9</b>	<b>66.7</b>	<b>49.8%</b>	<b>63.8</b>	<b>56.4%</b>	<b>163.8</b>	<b>103.6</b>	<b>58.1%</b>
Basic:								
<b>EPS</b>	<b>31.89</b>	<b>21.30</b>	<b>49.7%</b>	<b>20.39</b>		<b>52.32</b>	<b>33.10</b>	<b>58.1%</b>
Equity	6.3	6.3		6.3		6.3	6.3	
Face Value	2.0	2.0		2.0		2.0	2.0	

Source: Company Filing, Way2wealth Research

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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
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