

February 10, 2025

To,  
**National Stock Exchange of India Limited**  
Symbol – Symphony

To,  
**BSE Limited**  
Security Code – 517385

**Sub.: Transcript of the earnings conference call of Q3FY25**

Dear Sir/ Madam,

We are submitting herewith the transcript of the earnings conference call for the nine months/ quarter ended December 31, 2024, conducted on February 5, 2025.

The above information is also available on the website of company at [www.symphonylimited.com/quarterly-results](http://www.symphonylimited.com/quarterly-results)

This is in due compliance of applicable regulations of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015.

Thanking You,

Yours Truly,  
**For, Symphony Limited**

**Mayur Barvadiya**  
**Company Secretary and Head - Legal**

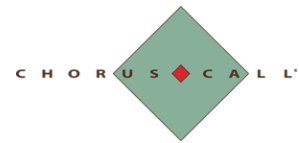
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*Thinking of Tomorrow*

“Symphony Limited  
Q3 FY '25 Earnings Conference Call”

February 05, 2025



**MANAGEMENT:** **MR. ACHAL BAKERI – CHAIRMAN AND MANAGING DIRECTOR – SYMPHONY LIMITED**  
**MR. NRUPESH SHAH – MANAGING DIRECTOR, CORPORATE AFFAIRS – SYMPHONY LIMITED**  
**MR. AMIT KUMAR – EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SYMPHONY LIMITED**

**MODERATOR:** **MR. AAKASH FADIA – YES SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q3 FY '25 Earnings Conference Call of Symphony Limited, hosted by YES Securities. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aakash Fadia from YES Securities. Thank you, and over to you.

**Aakash Fadia:** Yes. Thank you, Yashashri. So good afternoon, everyone. On behalf of YES Securities, I welcome everyone to Symphony's 3Q and 9M FY '25 Earnings Conference Call. We have with us the senior management team of Symphony, represented by Mr. Achal Bakeri, Chairman and Managing Director; Mr. Nrupesh Shah, Managing Director (Corporate Affairs); and Mr. Amit Kumar, Group CEO & Executive Director.

I will now hand over the floor to the management for the opening remarks, along with the presentation, post which we will start the question-and-answer session. Over to you, sir.

**Achal Bakeri:** Thank you, Aakash. And thank you very much, all participants on the call for being here this afternoon. The customary Safe Harbor statement applies to whatever we say this afternoon. Now my colleague, Nrupesh Shah, will take us through the presentation, post which we will all respond to any queries that you may have. Thank you.

**Nrupesh Shah:** Welcome to this conference call. So to start with the performance highlights for our stand-alone and consolidated performance. 9M as a whole, top line is up by 49%, while for the quarter, it is muted. As on 31st December, for Q3 end, there has been a record unbilled advances surpassing even domestic sales, which is about ₹150 crores. And primarily, they are meant for 17 new models.

So these new models production was and has been slated to start from December, January and current month. So there has been essentially a spillover of sales from December quarter to March quarter to this extent. However, overall end-to-end, as consumer sales happen during summer, there is no business loss.

There has been temporary calibration in EBITDA and business PAT, mainly because low margin models have been billed in December '24 quarter, and in addition to that, there has been water heater launch expenses and also forex loss of ₹3.8 crores on a stand-alone basis, while on a consolidated basis, there is a forex loss of almost ₹9 crores during the quarter. It is more a notional loss i.e. mark-to-market, mainly on account of investments made in subsidiary companies.

So on a consol basis for first 9M, top line is up by 32%. So during the quarter, we launched storage water heaters and it's a promising start. Its major USP in terms of prevention of hair loss

and much better and positive for skin coupled with AI features has received very well and acclaimed well. We have launched them in selected states and cities and starting January, it has been launched country-wide through e-commerce and D2C.

So as it was conveyed during the last quarter, wish to give an update about the legal action taken towards the recovery and the overdue was from Pathways Retail Private Limited, which is based out of Delhi, an e-commerce distributor, and they were our distributor for 13 years and for e-commerce, they are distributor for many other consumer-facing companies. So, we had carried out forensic check and came out with several irregularities, including falsification of the records as well as forgery of government documents etc., and also diversion of funds. Hence, we initiated stringent criminal proceedings towards forgery, cheating, criminal breach of trust etc. under Bhartiya Nyaya Sahitya Act. We have created the right over their immovable property, which are based in Gurugram and Delhi, essentially, they are on their corporate office as well as land parcels and other properties. Residual value of the properties seems to be taking care of our outstanding. On account of criminal proceedings, their promoters, Directors, and Ex-Directors were arrested and later, bail was granted. It was a conditional bail. However, the bail conditions in terms of the repayment have not been honoured. And hence, recently, we have filed for cancellation of their bail application. At the same time, their other three Directors had filed for anticipatory bail and their anticipatory bail has been rejected by the Hon'ble Court. And in addition to that, as updated earlier, we have also filed the criminal complaint under section 138 towards dishonour of the cheque. So, this is the legal update in terms of the recovery.

So we have and we will go all out very aggressively for recovery and do our best. However, as per accounting standard, and also on a conservative basis, residual outstanding of ₹46 crores from Pathways has been provided for during the quarter as a doubtful debt. This is in addition to earlier provisions made. And this will no way compromise legally or otherwise our recovery from them.

Post this incident, we have tightened and implemented stringent credit risk mitigation in terms of the in-depth credit evaluation, party-wise credit limit, we have also taken the credit insurance, and across the parties, credit limit has been also rationalized.

**Achal Bakeri:**

And we may also add that we do not give credit as a principle to general trade. It is only to modern retail and the regional chain stores or to this e-commerce distributor that we have been giving credit. Other than that, in the general trade, which still constitutes the vast majority of our sales, we have an absolute zero credit policy. That has been the case since the outset of the company, and that continues till today.

**Nrupesh Shah:**

And during the quarter, interim dividend of ₹2 per share i.e. 100% has been announced. This is in addition to buyback of shares as well as earlier interim dividends. All-in-all, total payout in 9M amounting to about ₹124 crores, i.e. 92% of the consol profit.

Coming to overseas subsidiaries, IMPCO Mexico and GSK China, 9M as a whole, have registered decent performance. However, while translating to Indian currency, on account of

depreciation of Mexican currency during the quarter, as well as for 9M, there is a major difference.

About GSK China, it has achieved a remarkable turnover and performance. For 9M, the turnover stands at ₹75 crores versus ₹33 crores, while PAT stands at ₹10 crores versus ₹1 crore. This includes its domestic sales and also now we have synergized and complemented international operations. And hence, earlier, IMPCO Mexico and Climate Technologies were sourcing their products from other suppliers based in China, now that has been synchronized through the expertise and local presence of GSK China. So, its local operations have also turned profitable and in addition to that, it's also complementing IMPCO as well as Climate Technologies. And as a result of that, as updated earlier, GSK has repaid a loan in excess of ₹10 crores, resulting into remaining outstanding of ₹50 crores. And there is a clear visibility and path for repayment of this loan in the time to come.

About Symphony Brazil, it's more about our trading subsidiary to take care of regulatory requirement. Otherwise, it's purely exports out of India. But again, on account of forex fluctuation, there is a wide variation in terms of INR, even though it has registered huge growth in terms of top line, and there are huge prospects and potential.

So, Climate Technologies, Australia is not performing well. Its performance currently is in line with earlier years of IMPCO and GSK China. As conveyed earlier, its first phase of transformation i.e. CODB reduction from A\$15 million to A\$7.5 million has been already achieved. And its business transformation Phase 2 is almost done. We expect the fruits to gain down the line.

So 9M stand-alone performance as of 31st December, top line is up by 49% at ₹814 crores. EBITDA at ₹188 crores versus ₹98 crores, i.e. up by 91%, and PAT, after providing for exceptional item and December quarter specific expenses in all ₹54 crores, stands at ₹132 crores.

Coming to capital employed in trailing 12 months in stand-alone core business, Capital employed is negative ₹21 crores versus ₹60 crores in earlier year, despite increase in sales and performance translating into infinite ROCE. And the Return on Net Worth stands at 24%. And treasury as on 31st December is ₹488 crores.

For the quarter, overall, as I explained earlier, performance is subdued, but mainly spill over to March quarter and for the quarter, there are December quarter specific expenses in all ₹53 crores, which includes provisions for doubtful debt of ₹46 crores, water heater launch expenses of ₹3.6 crores and forex loss of ₹3.80 crores, in all ₹53 crores. So EBITDA otherwise stands at ₹34 crores, but after providing for all other expenses, etc, PAT is negative ₹4 crores. And about EBITDA margin movement, which stands at 18.8% for the quarter.

Coming to consolidated financials. For the first time in 9 months at a consol level, Symphony has crossed revenue of ₹1,000 crores and it stands at ₹1,088 crores, up by 32%. Its gross margin stands at 50.50 %, Y-o-Y up by 260 bps. And on consol basis, December specific expenses stand at ₹59 crores, additional ₹5.6 crores on account of forex loss, which is mark to market as

explained earlier for Brazil as well as Climate Technologies and partly IMPCO Mexico. And EBITDA stands at ₹211 crores and EBITDA Margin at 19.40%, up by 570 bps. And after providing for all these December specific expenses, PAT stands at ₹134 crores, up by 34%. And on a consol basis, capital employed is ₹273 crores, down from ₹305 crores, leading to ROCE for trailing 12 months at 90 % on core capital employed. And the Return on Net Worth is 26% versus 15%.

About consol quarterly also, it is almost flattish as explained earlier. So at top line level, it stands at ₹242 crores. And at a PAT level, it is negative ₹10 crores, while EBITDA is positive ₹35 crores. And for December '24 quarter on a consol basis, EBITDA stands at 14.7% with this waterfall chart.

So subsidiary-wise financials for 9 months, all Subsidiaries put together in the 9 months have registered top line of ₹327 crores, up by 10% Y-o-Y. EBITDA is ₹24 crores, up from ₹15 crores, while ex-forex PAT is ₹8 crores versus negative ₹5 crores. And for the quarter, 4 subsidiaries put together, top line is ₹88 crores, while EBITDA is almost zero, and at PAT level ex-forex is negative ₹3 crores. As it can be seen in 9 months, GSK China, IMPCO Mexico, and Symphony Brazil have done pretty well. Brazil needs to be seen ex-forex, and in Brazil business, we also make money on exports from India. It is Climate Technologies, Australia, which is still bleeding, and we are quite cognizant of its performance as well as concern of the shareholders. And obviously, whatever is best in the interest of shareholders as well as all stakeholders, needful will be done.

Coming to outlook. So ahead of Summer '25, very robust positive demand and sentiment across the trade channel, across the geographies and on top of it, as all of you are aware, considering the major income tax relief given which will be mainly availed by air cooler class of consumers that should further boost our business. And we are quite confident about performance of March '25 quarter. There has been overwhelming response to 17 new range of air coolers, and they will be margin accretive. There has been strategic focus and decent demand from LFS, RCS E-Commerce as well as D2C. Thank you. So, with this, we can take the questions.

**Moderator:** Thank you very much. We'll take our first question from the line of Manoj Gori from Equirus Capital. Please go ahead.

**Manoj Gori:** Yes. So based on your opening remarks, what I understood is optically, this quarter is looking weak on the domestic front. But probably, there will be a lot of spillover into Q4. So probably for the fourth quarter, we should expect normal growth that we would have expected earlier and plus this spillover effect. Is that understanding correct?

**Nrupesh Shah:** That's right.

**Manoj Gori:** Yes. And secondly, if I look at some of the other cooling product categories, channel has been going very aggressive. So, in fact, in terms of number of days or in terms of absolute volumes, they have been betting on the summer building huge inventories. In anticipation, probably if there is any supply chain disruption for any of the categories. So, are we seeing like probably

channel going very aggressive as compared to previous historical trends? And accordingly, it should further boost volumes during the quarter.

**Achal Bakeri:** Certainly, not only the channel but so are we. We've also built out a huge inventory in anticipation of good sales in the summer. So yes, all in all, everyone concerned in the business is very upbeat.

**Manoj Gori:** Perfect. Good to hear that. Lastly, Nrupesh bhai said like the new models are margin accretive. So, looking at the stand-alone gross margins probably there has been minor contraction. So probably there won't be any major contribution from these new models during this current quarter and that we should expect during the fourth quarter.

**Achal Bakeri:** That's correct. That's correct. Yes.

**Nrupesh Shah:** And we, as a company, have a focus when we talk about margin or EBITDA margin. So that doesn't mistake it or club it with gross margin or otherwise because primarily, our focus is on that.

**Manoj Gori:** Correct. Understood. And sir, lastly, on the subsidiaries, probably still when we look at the top line performance. So, we are still not able to see any meaningful uptick over there. Obviously, you have taken a lot of efforts on CODB, which where we are able to see some benefit taking it. Can you throw some light on these subsidiaries, probably how do we see from next 1 year point of view?

**Achal Bakeri:** So Manoj Bhai, by subsidiaries, I suppose you mean Climate Technologies of Australia because IPMCO, Mexico and GSK in China are already sort of cruising along very well. So as far as Climate Technologies is concerned, there were 2 sort of levers that we were working on. One was how do we reduce the cost of doing business through a transformation of its business, which is outsourcing the manufacturing and cutting down its manufacturing related overhead. That has been by and large achieved. So, the manufacturing is at the tail end in Australia, by June, everything will be wrapped up. That's when the lease for our factory also expires, and will be done and dusted with any sort of manufacturing in Australia come June.

Simultaneously, the other sort of levers that we have been working on is adding new products, expanding our product portfolio in Australia, because historically, we were selling gas-ducted heaters and rooftop mounted air coolers. Now over and above that, we have added highwall split air conditioners. We have also added a reverse cycle, ducted air conditioners. By reverse cycle ducted air conditioners, I mean air conditioners, which both cool and heat, because remember that Australia is as hot as it gets cold in the winter. It gets very hot in the summer, and it also gets cold in the winter. So, it requires both sorts of interventions. So, we have introduced the complete range of air conditioners. We've also added products like electric panel heaters, fireplaces, strip heaters. We are in the process of adding air purifiers. So, we are really increasing the entire portfolio of products that we will be selling in Australia. And now the introduction of these products is more or less in place. And now scaling up the entire business, offering them to the entire geography all over the country, offering them to all customers is a process which is

currently underway. But identifying the right products, getting them certified, identifying the suppliers and then getting the product certified, testing, sampling, all that is all done. Now it's just a question of how do we ramp up sales? So, the focus here onwards is going to be entirely on the growth of the top line. Whatever had to be done by the Australian team in terms of reduction of the CODB and its manufacturing transformation is almost all done. And like I said, and the focus is now clearly on ramping up sales. So, the issue now in Australia is nothing other than top line. As soon as the top line, if we are able to crank up the top line, all the numbers will immediately fall into place. Exactly what happened in GSK China. Till last year, our turnover was some ₹33 crores and some barely breaking even on a cash basis. And suddenly, as soon as the top line increased to ₹75 crores in 9 months, we are seeing bottom line growth. So, the operating leverage has kicked in China, and the same thing will happen in Australia. So that is what is currently going on.

However, I may also add that as Nrupesh bhai mentioned, we fully appreciate the sort of concerns that the market has about this subsidiary and its performance and its consequent impact on the valuations of the company as a whole. And we will certainly take into all that into consideration and chart out the way forward.

**Moderator:** We'll take our next question from the line of Pulkit Patni from Goldman Sachs.

**Pulkit Patni:** Sir, can you highlight in a scenario that there is tariff imposed on Mexico, China, do we get impacted in any way? Do any of these products directly, indirectly make their way into the U.S.? We know Australia does supply to U.S. Does Mexico also do? If you could just tell us, one, if there is an impact? And second, if there is, how are you looking at navigating the same?

**Achal Bakeri:** Okay, good question, Pulkit. Until about a couple of years ago, 2 summers ago, we used to have very good business in the U.S. At the peak, we did about 23 million U.S. dollar sales in the U.S. Now for different reasons, that has not happened in the last 2 years, and that also as a tailing effect on Climate Technologies' sales. So as of now, our sales from either Australia or Mexico, and/or China to the U.S. is fairly low. Whatever the U.S. company sells does come from all of these geographies. But as of now, it's fairly low. So really speaking, the tariff will have no impact on us.

In fact, if there is sales in the U.S., we believe that the tariffs will be passed on to the consumer. For example, Home Depot sells our product, takes orders from us for our product, they would pay duties, or we would add the duties to the price at which we sell to them. So, if at all, it will get passed on to the US consumer. As far as we are concerned, really, nothing changes.

**Pulkit Patni:** And sir, if I may flip that more on the positive side that tomorrow in a scenario that China and Mexico have duties, can the Australian subsidiary become more relevant for us from a US export perspective?

**Achal Bakeri:** Absolutely. Yes, absolutely because there would be no duties from Australia to the US as they currently are not. So absolutely right, yes. So, we do have that other avenue of routing product to the US. You are absolutely right.



- Pulkit Patni:** Yes. But on an as basis, if duties are put, we don't get hit significantly negatively. That's really what I take away from this.
- Achal Bakeri:** Absolutely. Certainly not. Although there is the impact that this entire turmoil in the US has had on currencies is something what is affecting us indirectly, as what was explained in the presentation, that the Brazilian Real has devalued, the Mexican Peso has devalued, the Indian Rupee has devalued. So whatever impact that has, is there. But other than that, directly, the tariff has not hurt us or we don't expect it to hurt us.
- Pulkit Patni:** Sure. Sir, my second question is, a lot of these EMS companies, which originally used to do air conditioner, etcetera, are now also talking doing air cooler EMS. Does it in any way play into our strategy of looking at incremental suppliers? Or for us, the business model of sourcing will remain the same the way it has been for years.
- Achal Bakeri:** Sorry, Pulkit, I was trying to understand what you meant by EMS.
- Pulkit Patni:** So the likes of EPACK, etc, who are now making air coolers for different brands. And as you'd appreciate, multiple brands now want to get to air coolers. I wanted to know, if for us from a sourcing perspective, could they be relevant suppliers or we will stick to our existing strategy of sourcing? Which is basically we do all the designing and then stick to the few players who do manufacturing for us.
- Achal Bakeri:** Essentially, we will stick to what we are doing now. But EPACK has also become one of our OEMs / contract manufacturers. So, products that we have designed and developed and the moulds of which are owned by Symphony, have been given for a few models to EPACK to produce on our behalf. We will not really just source a product which has not been developed by us and where we see no product differentiation. And where the same product would be hocked to different brand brands is not something -- it's not a direction that we will go into.
- Pulkit Patni:** Got it, sir. Very clear. Thank you and good luck for the next quarter
- Moderator:** Thank you. We'll take our next question from the line of from Shraddha Kapadia from Share India. Please go ahead.
- Shraddha Kapadia:** Thank you so much for the opportunity. So basically, I wanted to understand if we have taken any price hikes? Or do we expect to take any price hikes in future? So, in the current quarter, if we have taken any price hikes and what would be the price hikes considering the season is almost over here?
- Achal Bakeri:** Yes. So again, good question, Shraddha. As a part of our overall pricing policy, our prices keep on sort of inching up every fortnight beginning July all the way up to the summer season. So that has been part of our -- the long-standing pricing policy. So yes, the price what I'm referring to is the price at which Symphony sells to its channel partners. So, in the first fortnight of February, the rate that we will offer is not what the channel would get on the 16th of February.

**Shraddha Kapadia:** I just have one more question regarding the new 17 air coolers, which we have launched, if you could highlight the new features and how much revenue can we like expect. So majorly it would be the new features, which would be there, if you could highlight the same for the upcoming season?

**Achal Bakeri:** Yes. That would be a very long story. It's all there in our corporate presentation, which is on our website. So, if you care to go through that, that will probably serve you better than me talking to you on the phone.

**Shraddha Kapadia:** Okay, sir. I'll do that. Thank you so much and all the best for the upcoming quarter.

**Moderator:** Thank you. We take our next question from the line of Mayur Parkeria from Wealth Managers India Private Limited. Please go ahead.

**Mayur Parkeria:** Sir, we understand that this event of provision was there, and it has happened one-off situation in that way. But my question is slightly a little longish and slightly more strategic. Modern trade as well as E-Commerce or even Quick-commerce, and this is what other brands and OEMs also have been saying that the working capital or they have a credit period unlike our bargaining capacity in terms of general trade being higher versus in front of them, and it is relatively lower, and hence, the credit periods are also there.

And the structural change is that their share in the overall sales is rising in that sense, gradually over multiple years, and it will continue to rise given the consumer behaviour and experience on modern trade, E-Commerce, Quick commerce, all put together the new channels.

So how would you address this assessment that credit, which we have always stuck to the cash and carry model as far as the general trade is there. But then we are giving credit on the other channels. And on one side as a structural impact. And the second is our credit on our assessment in the credit profile and the measures which you have taken now, where do you think the lapse actually happened in terms of internal situations, if any?

And where did we miss that in that? Because we have always maintained that, and we have maintained that. So just as a learning curve perspective, where does the internal process miss? And are there any heads which are rolled out because of this? Or what kind of measures did we miss on that side? And how do we address the structural issue of credit, which anyways, this channel, we will have to continue

**Achal Bakeri:** So, when it comes to modern trade, you're talking about the likes of Croma or Reliance or Vijay Sales or when it comes to regional chain stores, you are talking about the likes of Bajaj Electronics in Hyderabad, the Aditya Vision in Bihar. And there are several in the South, Tamil Nadu, so on and so forth. There, we have been giving credit. And there, of course, we obviously look at the financials. While no point in looking at the financials of Reliance Retail or Croma. But for all the others, we do keep a look at our eye on the financials of the other parties.

As far as this one particular case is concerned, we had been doing business with this distributor for a long time. Initially, it was not on credit, gradually because to sort of increased sales, we

began to provide credit. But historically, we kept a close eye on how the repayment was happening. But in this 1 year, I think I can admit to saying that there was a lapse in judgment. And we should have picked up the signals, people who are at the operating level who do the business should have picked up the signals and been able to sort of tighten the sales. But sometimes in the lure of sales or with the fear of not losing sales, we sometimes tend to overlook some signals which would have been otherwise very evident. And I think this situation has happened. So, there's clearly a lapse of judgment. As to your question about heads have rolled or not, no heads have not rolled. And we believe that the people who are responsible for this lapse in judgment are wiser now and this will not happen again.

**Mayur Parkeria:**

Sir, actually ₹45 crores and even earlier what we provide is a huge sum in terms of the kind of credit. It's just that, Achal bhai's philosophy of cash and carry. And I remember on your earlier days, you had faced this issue very long time back almost two decades back or something and that what made you to stick to cash and carry. And that philosophy, we have always been looking at. And while we understand it was an event, but coming from Symphony was something which took us too much of a surprise in terms of that.

**Achal Bakeri:**

Yes, Mayur, I entirely agree with you. All in all, it is ₹46 crores plus whatever provisions we have taken earlier. So all in all, it's ₹58 crores. ₹46 crores plus ₹12 crores so ₹58 crores. It's an enormous amount of money. That is something wherefor much less back 20 years ago, we became a BIFR company. So, this is an enormous amount of money. And under normal circumstances, you are right. This shouldn't have happened.

But like I said, it's a lapse in judgment. And so, we are sure that whoever is responsible for this, the people responsible for this are wiser now and this will not happen again. Heads could have rolled that would have been easy, simple thing to do to sort of also even demonstrate to the market that actions have been taken or to our Board.

But we have chosen the other direction where our people are learning from this experience, very expensive learning, but learning nonetheless. So, we are hoping that this is something which will not happen again. I mean, we are sure.

**Mayur Parkeria:**

The investor concern is only actually our long-term concern only comes because the channel share gradually keeps on rising in terms of modern trade and these. And we are at a stage where the assessment on this itself has gone early stages wrong. So just to ensure and request you to give your personal attention and ensure that processes are well established, even while it's a very generalized way to say that there are big players, but there are small and medium - modern trade players also which are there and the likes where we face an issue. So, to strengthen and ensure that the processes are well set because the channel will keep on becoming important as we go ahead. So, it's not that we cannot solve that channel, but we need to take care. So, the second question is on the Climate Technologies...

**Nrupesh Shah:**

Sorry, Mayur. So just to add to that. So, as we covered in the presentation, it has been placed on the screen. So, of course, it was a valuable lesson. And hence stringent credit risk mitigation has

been implemented which includes in their credit evaluation, which is much beyond what used to be done earlier.

Secondly, now for entire modern trade, credit insurance has been taken. So for the first time, this credit insurance policy has been taken. And wherever required, we have substantially rationalized the credit limit. And of course, many times, just by knowing the financials, just by knowing the balance sheet, it's like giving a pulse, but as it was mentioned sometimes there may be a lure of not losing the sales.

And in fact, last year actually, there was a loss of sales because of non-supply. So had it being rationalized to these channels, otherwise also there would not have been a loss of sales. But of course, it's a valuable lesson. And at the same time as it was conveyed in the presentation, we have taken stringent actions against the modern trade distributor. And by the way, several other consumer-facing companies have also lost the money with them.

**Mayur Parkeria:**

Sir, we believe all the actions will be taken.

**Achal Bakeri:**

Also, in continuation. In the past, you must have heard of Future Retail going under and many suppliers having lost money. In our case, we didn't because again, there were a different set of people involved at that time and who sort of exercise judgment and ensured that we do not lose our shirt.

So even though many other companies fail to do that, our team was successful in minimizing our exposure to Future Retail when it was going under. So, it's just a matter of, like I said, it's just a matter of judgment of the people involved.

**Mayur Parkeria:**

Yes. Sir, second question on the CT Australia. If I remember, if my memory serves well, I think this is the first time where we have apart from the other actions which anyways we are taking for a couple of our strategy Phase I, Phase II, we have mentioned about transforming and all that.

But I think first time, we have clearly come out with a kind of a I'll say, an outlook where we are saying that we are open to any other options also which may be possible in the light of the investors' concern on Australia. So just to understand this a little bit better, are we looking at some strategic kind of initiative apart from the other options which are there on the table?

Is there something more to read in your intent and the way we are looking at it because this is a very big event if it happens and just to get a more idea on that, sir?

**Achal Bakeri:**

No, Mayur there is nothing really on the table. I mean, in fact, I'm asking you if what would be you suggest we should do.

**Mayur Parkeria:**

Sir, firstly it is beyond my pay grade to give a strategic view on to something and especially to. Mr. Achal Bakeri who has been the master.

**Achal Bakeri:**

You are a smart person, I'm sure you can maybe share your thoughts.

**Mayur Parkeria:** Sir, many times in and we have mentioned that our intent has been to focus on Return on Capital Employed and margins very clearly. At a very strategic intent level, I remember we were talking about this way back when this acquisition was taken that India is the most promising place as far as ROCE and growth both were concerned as a combination of that. But we do understand that air cooling in Australia was a big market.

We wanted to address that and possibly also look at US as a play through Australia, which actually did not materialize over a long period the way we would have thought over it, but then apart from the growth, the ROCE of all developed countries are very, very subpar any which case.

I think that is something which needs a very closer look in terms of our intent and how we look at addressing the opportunity because absolute value of sales can come in and invariably when sorry to name, I'm not naming in others, but we have seen experiences whether Tatas have gone through or for a very long period of time, Bharti or Hindal...

All of them have gone through where developed countries or global companies are acquired and their ROCE are significantly lower and it is very difficult for us to have a cultural map to understand and turn it around in a time period that investor horizons are there any, in fact, at this kind of a situation.

So you have been instrumental in turning that around the complete closing the manufacturing operations and normally, these are not possible and easy to do. But then ROCE was one indicator which actually could have given us a signal whether this was worth doing at that point in time.

And now that this has been done, I think while we are taking all measures at the margin, trying to improve it, I think there is a there is still a question which one of the participants asked that does the tariff war for opens up opportunity for Australia to turn around. But I still think that one has to look at this not from 1 year, but over 5 years, 7 years, 8 years, can we really add wealth to Symphony parent and then the wealth to the investor will come in the second part.

But overall how does this developed country operations actually fit into that entire efficiency in ROCE, which we already have. It will always dilute our proposition for that. And it is not like that those markets are growing at very high double digits. So we will have to do completely different, we are doing and launching new products there which has not been our core focus in other markets.

So, we are doing measures just to turn that around. Is that so much of effort and so much of your time and resources of the company over a long period one can have a look at that. That's just a small suggestion way to look at it.

**Achal Bakeri:** No, I really appreciate it. Really appreciate your thoughts. Thank you. Thank you very much.

**Mayur Parkeria:** Thank you and wish you all the best.

**Moderator:** Thank you. We'll take our next question from the line of Vineet Pasad from Investec. Please go ahead.

**Vineet Pasad:** Hi, good evening, sir. Thank you for giving the opportunity. I just wanted to get a sense around how are we thinking on water heaters business, what has been the initial feedback which we have gained from the market, particularly given this is the peak season for water heaters, how has it done this month?

And also, how are we looking at the overall business in terms of whether this business will continue to invest maybe in the near term creating a drag to our profitability. And lastly, what is the market share target we're targeting over a medium term, let's say, 2-year to 3-year perspective?

**Achal Bakeri:** So, in terms of the market for water heater it's about as big as coolers in value terms. So, it's a significant market. It's significantly large category, but we do recognize that there are very, very well established, well entrenched players. So, we had to make sure that whatever we offer has a distinct differentiation. And which is why we have developed this hair fall control geyser and with the AI powered controller. And we believe that these two together have a compelling differentiation in the market. When we launched it, it was already well into the cycle, the channel buying cycle and all. So, we were sort of fairly late, although the winter hasn't quite set in, but by the time the product was given to the channels, they had already stocked up on other brands.

So, this really was just more of a trial kind of a year. Going forward is when, we would be sort of making sure that all the channel partners stock it for the coming winter, winter of '25, '26. So in reality, the next year, the coming 12 months is what is going to be the key time, when this product will sort of demonstrate what it can do.

So it's really too early to say anything, but we've had so far in whichever markets we've launched and whichever customers have bought are very happy. So, the product has certainly lived up to its promise. And now it's just a matter of just doing more of the same across the country.

**Vineet Pasad:** Understood. And sir, if you can throw some light on how will be our GTM in this category before the next winter, will we be selling through dealer network, GT network or at least for the initial couple of years, the focus will remain more on modern trade and e-com?

**Achal Bakeri:** Yes. I think initially, it will remain on modern trade and E-Com and some large regional chain change stores.

**Vineet Pasad:** Okay. Understood. And sir, just one clarification. We understand some push out of some sales which did not happen this quarter, to the next quarter. So, from that perspective, outlook for the next quarter appears robust. But just from a fundamental point of view, are you seeing any change in terms of the way our business model operates whether we used to sell it evenly throughout the year to channel partners.

Is that something what is changing? Should we read into that? Or if it's just a pure push out of sales. And going forward, we should again see a more evenly spread-out sales throughout the year?

**Achal Bakeri:**

No, absolutely. In fact, if the production of the new models had happened has been initiated a couple of months sooner, then the entire sales would have happened in the previous quarter. It's just that people gave us the money. They wanted the product. In fact, they are quite impatient to get the new product. But it's just that we had begun the product development a little late, and there were some transit issues and there were some reasons of delay beyond our control. And so the production initiation pushed to the current quarter.

But now they are already in production. Most of them couple will begin towards the end of February. But this will all be in production and be sent across to the channel by the end of the quarter. So, this is just one of those events.

And this happens. I mean a few years ago, 7-8 years ago, we had launched a range called the Touch range which instead of July, when usually when all our new products are unveiled, but this one was unveiled in the month of November. So, we had a similar situation. So again, see, up until the temperature picks up, whatever is sold goes to the channel. Even whether we sell in January or February, there's no loss of sales. It's just a deferment of sales because the eventual customer only buys, when the temperature picks up.

**Moderator:**

Sir, we'll take the next question as line is disconnected. We'll take our next question from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:**

So just in terms of the loss of sales that we have had in this current quarter, otherwise, on a steady basis, you would have seen teens kind of a growth, which is what you're kind of looking at would have been possible?

**Achal Bakeri:**

What kind of approach?

**Nrupesh Shah:**

Yes, absolutely. So that's what we registered in September quarter, and that is the kind of the collection and unbilled amounts we are sitting on.

**Abhishek Ghosh:**

Okay. And sir, in terms of the channel sentiment, we have almost seen one-third of the quarter having gone by. So, is the channel sentiment buoyant in terms of stocking up or are there apprehensions about the upcoming season? If you can just help us understand with that?

**Achal Bakeri:**

The channel is very, very upbeat. This year, January, as you all know, has been one of the hottest January in the last 125 years. February also, as we speak, is fairly warm. So, the channel is very, very upbeat. They all expect there to be an early summer and a good summer in terms of reasonably high temperatures and consistently high temperatures. So those are all expectations, and the channel is geared up for that.

- Nrupesh Shah:** And in addition to that, as everybody expects, Nirmala Sitharaman has made consumers also very happy especially for our kind of products in addition to good summer. So, I think that should also be helpful.
- Achal Bakeri:** Yes, the higher disposable income, thanks to the tweaking of the tax regime would certainly help us as well as others.
- Nrupesh Shah:** So, I think as per 1 statistic, it is said that savings of 1 trillion of taxation will increase the consumerism to an extent of 3 trillion to 5 trillion because it is 3x to 5x. And that helps to consumer-facing companies.
- Achal Bakeri:** And 18% of that is what goes back to revenue.
- Abhishek Ghosh:** Correct. Sir, other thing in terms of the competitive landscape, are you seeing any meaningful changes in your category? Are you seeing new players coming through? Any news on that?
- Achal Bakeri:** I don't think there are any player left to come, whoever had to come is already here or whoever exists is already in the category. So, there's almost everybody that you can think of is in this category.
- Abhishek Ghosh:** But I was more asking, sir, is anybody exiting now?
- Achal Bakeri:** Well, it's not exiting. Many of them have lost their initial sort of Euphoria and Passion and all of that. They realize that grass is always greener on the other side. So that certainly is visible. Some of our esteemed partners, again, I can't talk about them in an open call like this, who couldn't and just talk about anything other than coolers or Symphony, don't even talk about that anymore. So, they are so busy with the other products, and they've realized that this is not all as easy as it seems. So yes, it has certainly been that.
- Abhishek Ghosh:** Okay. And sir, just in terms of standalone P&L, there is almost about ₹7.4 crores of onetime outlay because of forex loss and water heater launch expenses. And a corresponding number for consol will be about ₹13 crores. Is that the right way to look at it?
- Nrupesh Shah:** That's right.
- Abhishek Ghosh:** Okay. And you will see some amount of gross margin improvement as the sale of new models happen?
- Nrupesh Shah:** So, as we say, rather than gross margin, focus is on EBITDA margin. So, our target is EBITDA, which may be partly to gross margin, partly items in between gross margin to EBITDA. Gross margin is very high, but if we can't control or manage the items in between, which are substantial, then doesn't lead anywhere.
- Moderator:** We'll take our next question from the line of Vinay Nadkarni from Hathway Investments. Please go ahead.



- Vinay Nadkarni:** Just one question on the volume of procurement for this season. By how much have you increased your procurement levels for this summer for air coolers?
- Achal Bakeri:** Well, we have produced a record number of coolers, already sold quite a record number of coolers and sitting on high inventory. I can't really talk in % terms, but it's fairly high. What we have sold before summer is much higher than any of our competitors. The inventory that we have is more than what most of our competitors would sell in a year. So, in every respect, we have gone bullish, and we have gone all out.
- Vinay Nadkarni:** Okay. Regarding CT Australia, you said you are closing down the manufacturing facility there by June. What would be the impact of that on your overhead space by how much would they come down? If you can give us some figure on that?
- Achal Bakeri:** Maybe you joined a little late, but in our presentation, we talked about we have reduced our cost of doing business from A\$15 million which it was when we acquired the company to about A\$7.5 million now. So, we are almost there. Maybe a little bit will be further will be reduced because the process of reducing manufacturing has been going on.
- We are at what we currently doing is very, very small compared to what we were doing earlier. We are occupying very little space. We have very few people just converting the last bit into finished products, the last bit of raw material into finished product. So, most of the gains of CODB reduction that we had planned on have already been realized.
- Vinay Nadkarni:** Okay. And then you will be subcontracting it in Australia? Or would you be supplying it from China and India?
- Achal Bakeri:** Again, like we said before, we will be supplying mainly from China. Our subsidiary in China is going to be supplying to Australia. Some products –have already been going from India to Australia. So, it will essentially be either China or India.
- Vinay Nadkarni:** Okay. And lastly, what is the % of sales that you get from modern trade as compared to for general trade.
- Achal Bakeri:** Where in China / Australia?
- Vinay Nadkarni:** In India?
- Achal Bakeri:** In India, well, whatever is the general average for the industry as a whole applies to us.
- Moderator:** We'll take the next question from Vineet Prasad. Please go ahead.
- Vineet Prasad:** Just my line was disconnected. Just wanted one clarification. Generally, we would have started manufacturing newer models somewhere around September, October. But this time due to various reasons that got pushed to December. Is the understanding, right?
- Achal Bakeri:** Yes. December, January, February.

- Vineet Prasad:** But generally, in a normal year, not this year, but generally, is it a case where we start manufacturing new models a lot early?
- Achal Bakeri:** No. Absolutely.
- Vineet Prasad:** Okay. So is it just a matter of delay in starting of manufacturing of new products
- Achal Bakeri:** Correct. Again, not all new models. We've launched 17 new models, some we were already able to produce and introduce in the previous quarter, some will happen, and the balance will happen in the current quarter.
- Moderator:** We'll take our next question from the line of Ashish Shah from Business Match.
- Ashish Shah:** I just have one question, sir, slightly long term on your China subsidiary. So last few years, we obviously struggled in terms of business environment, margins and now things have come on track. So, do you have any plans, any thought 2, 3 years out? Can this meaningfully scale up from where we are now?
- Achal Bakeri:** So, the China subsidiary serves multiple purposes. One is, of course, it becomes like a production source for Mexico, Brazil, Australia and other geographies. So that's one. Secondly, it also helps the India procurement team, where it also buys components from China and to get better deals, find other suppliers. So, it actually serves multiple purposes. Over and above that serving the local domestic China market. This business is a fairly low capital employed business in nature. And it will certainly grow in the years to come. And that growth will come with very low capital employed.
- Ashish Shah:** And sir, just continue to that same line of business. Like do you have a plan in place at the strategy in place to grow China business meaningfully?
- Achal Bakeri:** So the China business will grow when the other subsidiaries grow. So, the focus is not necessarily on growing the China business. The focus is on getting in growing Australia, growing Mexico, growing US, growing other geographies, and orders from that there will flow to China as well as to India. Growing the local China market itself is also a focus area. So, I mean, growth of the Chinese company will be a consequence of our growth in many other geographies.
- Moderator:** We take the next question from the line of Jayesh Gandhi from Harshad H Gandhi Securities.
- Jayesh Gandhi:** If I heard you correct, you said that in Australia, you have introduced air conditioners, air purifiers. Are you thinking of introducing it in India as well?
- Achal Bakeri:** No. So, we are introducing these products in Australia because like I said, historically, we were selling coolers, rooftop coolers and ducted heaters in Australia. Because of regulatory reasons, there has been a ban on gas heating in Australia. So, we have to exit from that category. And cooler and gas heaters are sold in tandem. So, if heaters are not sold, cooler sales, rooftop cooler sales will also reduce. So, we have to find a substitute product. And the substitute product is air

conditioners which can both cool and heat, because we have the brand and the distribution, we've decided to do that. And along with that, these are other complementary products, electric panel heaters, purifiers, etcetera, etcetera, which our research also revealed could have very good prospects and which is why we had got into those. We are really not planning on introducing any of those in the Indian market, at least today, I'll never say never, at least today.

**Jayesh Gandhi:** No, I was just wondering, because I think we have a far poor air quality than what Australia might be having. So, if you are actually thinking of introducing air purifiers in India. Anyway, that's a difficult answer.

**Achal Bakeri:** Yes, it could be a good product. But even our air coolers, at least in the summer months, our air coolers also filter air. So, they are also -- this is also a product with both cleans, filters as well as cools air. So, if one is using an air cooler, you really don't even need a purifier.

**Moderator:** We'll take our next question from the line of Mayur Parkeria from Wealth Managers India Private Limited.

**Mayur Parkeria:** Sir, just again, a slightly issue, which has been also, not played too as well over a long period of time is the commercial and industrial air-cooling segment. While in normal season, normal times, we understand that there is no tailwind of the summer. But last year as well as if this year is anything to go by, this is a strong tailwind of the summer itself. And we have, over the past taken multiple efforts as far as sales team initiatives doing a lot of, I would say, distributed through in other programs and everything put together.

And there was a time when we used to look at Voltas air condition factory was cooled by the Symphony. The outlook for industrial air cooling and even for commercial to that extent was expected to be much larger. And to that -- from that perspective, we have actually gone nothing material. We are still sub single digits on the overall revenue side.

So, over the next 3 years, how do you see this? And why is it the sales momentum in terms of the summer season of the last two years is not. Again, where is the problem coming on? How do you see market acceptance?

**Achal Bakeri:** So, first of all, Mayur, guilty as charged. Yes, agreed is that we have not been able to scale this business up. And despite everything that we have done, the issue is not the summer. The issue is not tailwind. The issues of actually educating the market, maybe Indian factory owners are content with whatever indoor temperature conditions that may exist in their factories. So, it's really a question of market education and explaining and convincing people the merits of better thermal comfort, indoor thermal comfort, in factories and warehouses.

It's just that we've got the product. We have the team. We have everything concerned. But we believe that we are -- despite it being many years of trying and us not having succeeded despite many years of trying. We continue to work at it because we believe that at some point, they'll come at -- they'll reach the tipping point and this thing will begin to roll.

There are several other examples in countries like China, and I've said this many times before, countries like China, in Southern China, in Guangdong province, which is the manufacturing hub of China, and the economy of Guangdong is bigger than the economy of India, the GDP, there every factory is air-cooled, every factory.

I mean, if factory is not air cooled, workers refuse to work in that factory. So, I believe it's a matter of time that Indian sort of worker becomes demanding that threshold of comfort will be sort of much lower or higher, whichever you look at it. And there will be a demand for industrial cooling. It's just a matter of time, Mayur, just a matter of time.

**Mayur Parkeria:** I wish you all the best on that. And one small suggestion on the heater side, some of our channels have been talking to the dealers on this side. A.O. Smith as heaters have done really well in terms of product positioning and premiumization. And when we understand why, one of the factors which other heater -- sorry, boilers, sorry, I..

**Achal Bakeri:** Heaters -- water heaters.

**Mayur Parkeria:** Yes, water heaters, they have. Some of the companies have not been able to do it. Now this because of the pressure problems of water, most people or in housing societies, there is a pressure pump or internal pressure, the kind of pressure which comes through the heaters -- boilers, it becomes very difficult for many of the water boilers to manage that, where A.O. Smith has done a very good job. So just small feedback in terms of differentiated positioning for you to think on.

**Achal Bakeri:** Excellent. No, very good point, very good point. No, we have taken care that our products, our heaters can withstand 8 bar of pressure which is what we in a high-rise building or with a pressure pump. So -- but you're absolutely right. Your market understanding is bang on.

**Moderator:** Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

**Achal Bakeri:** Thank you very much, everybody, and your questions were also quite insightful and now sort of gave us a lot of food for thought. So, we look forward to discussing once again 3 months down the road. Have a great evening. Thank you. Bye-bye.

**Moderator:** Thank you. On behalf of YES Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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