February 14, 2023

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

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

**Sub.: Transcript of the earnings conference call of Q3FY23**

Dear Sir/ Madam,

We are submitting herewith the transcript of the earnings conference call for the third quarter / nine months ended December 31, 2022, conducted on February 08, 2023. No unpublished price sensitive information was shared/ discussed in the call.

The above information is also available on the website of company at 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 CHIMANBHAI BARVADIYA
Digitally signed by MAYUR CHIMANBHAI BARVADIYA
Date: 2023.02.14 17:54:00 +05'30'
**Mayur Barvadiya**
**Company Secretary and Head - Legal**

**Encl.:** As above

"Symphony Limited's Q3FY23 Earnings Conference Call"

**February 08, 2023**

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| **MANAGEMENT:** | **MR. ACHAL BAKERI – CHAIRMAN & MANAGING DIRECTOR, SYMPHONY LIMITED**<br>**MR. NRUPESH SHAH – EXECUTIVE DIRECTOR, CORPORATE AFFAIRS, SYMPHONY LIMITED**<br>**MR. AMIT KUMAR – EXECUTIVE DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER, SYMPHONY LIMITED**<br>**MR. GIRISH THAKKAR – CHIEF FINANCIAL OFFICER** |
| **MODERATOR:** | **MR. AAKASH FADIA – YES SECURITIES** |

**Moderator:** Ladies and gentlemen, good day and welcome to the Symphony Limited Q3FY23 Earnings Conference Call hosted by YES Securities.

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 '*' and then '0' on your touchtone telephone. 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, sir.

**Aakash Fadia:** Thank you, Inba. So, on behalf of YES Securities, we welcome you to Q3 & 9M FY'23 Results Conference Call of Symphony Limited.

We have with us senior management, represented by Mr. Achal Bakeri -- Chairman & Managing Director; Mr. Nrupesh Shah -- Executive Director, Corporate affairs; and Mr. Amit Kumar, Executive Director & Group CEO.

Now, I hand over the call to the management for their initial comments, post which we will open the floor for question-and-answer session. Thank you and over to you, sir.

**Achal Bakeri:** Okay, thank you, Aakash. Good afternoon, everyone, and welcome to this conference call. Thank you very much for being here this afternoon. The customary safe harbor rules apply. This is Achal Bakeri by the way and my colleague, Nrupesh Shah, will be making the presentation, after which we will be taking the questions. Thank you very much. Nrupesh bhai, over to you.

**Nrupesh Shah:** Hello, good evening and welcome to Q3 & 9M Symphony Call Presentation.

So, customary safe harbor statement is applicable. So, as you know, we are in the place of 27 degree world and so far cumulatively Symphony has sold 25 million air coolers worldwide, at least four times higher than the closest competitor.

So, happy to announce launching of Hi-Tech BLDC Air Cooler. BLDC fans are available, but in the air cooler, Symphony has achieved a breakthrough in terms of the technology leading to power saving up to 50% whereby on an average, power saving amounting about Rs. 2,000 p.a. This has a feature of up to eight hours night sleep mode, and there are seven speed options as such because of BLDC technology, one can set the speed at any level, but as of now, it is seven level speed options, and we have fully functional remote control.

To start with, we have three models: Diet 3D has two models and Winter. And, obviously in line with the technology, this will be premiumly priced with a decent profitability.

So, coming to Performance Highlights: During the first nine months, that is April to December, it has been the highest ever standalone as well as consolidated sales vis-à-vis historical high. Gross profit margin percentage as well as EBITDA margin percentage have improved on YoY basis. Now, standalone EBITDA margin percentage excluding other income stands at 19.9%, up by 270 bps YoY, while consolidated it is 13.1%, up by 110 bps. This has been achieved on account of better model mix, decent price increase, and softness of input costs. However, in many, many models, we have substantially upgraded in order to have competitive edge and better salability.

And, as far as our overseas subsidiaries are concerned, particularly, Climate Technologies, the performance has been subdued on account of demand headwinds in US and Australia, and in a short time is likely to continue that way.

As far as Q3 December '23 quarter performance is concerned, on a standalone basis, it has been the highest ever sales vis-à-vis the historical high. There has been robust off-season sales and trade sentiments across the channels, across the geography, across the models and range, quite positive and buoyant.

Again, Standalone gross margin coupled with standalone EBITDA margin and consolidated EBITDA percentage are higher. Now, standalone EBITDA margin excluding other income stands at 25%, a jump of 300 bps YoY for the quarter, while consol is 15.8% on account of the reasons I explained earlier.

Coming to reward to the shareholders, Symphony does follow consistent reward policy and we have a stated payout. So, just to summarize, in last 10 years, until 31st March '22, 51% of the PAT has been paid out. In the last five years, it amounts to 53% and in last three years, that is until March '22, it amounts to 71% inclusive of special one-time dividend of Rs.18 per share in February '20.

And now, in today's board meeting, the board has approved and announced share buyback up to Rs.200 crores at a share price of Rs.2,000 per share. If it is fully bought back, it will amount to reduction in paid up share capital of 1.43%. So, this will lead to total payout of Rs.250 crores including about Rs.50 crores buyback tax and incidental expenses. Currently, our networth stands at about Rs.800 crores and this buyback and pay out, will reduce the networth in excess of 30%, which will lead to approx. return on networth and return on capital employed percentage in the first year by around 4% And obviously, just like any buyback, this is EPS-accretive.

Further, we have changed the shareholder reward policy. As many of you may be aware, until now, it was payout up to 50% of the PAT. Now, the board has decided in today's meeting, it stands increased to payout ratio of at least 60%. This has been decided considering our asset-light, capital-light business model, and we believe that we may not require any major treasury on hand. And of course, this includes dividend, special dividend and buyback.

So, coming to nine months standalone financials, represented by Sankey Chart. So, revenue from operations on standalone is up by 65% in nine months. EBITDA stands at Rs.129 crores, up by 92% versus top line increase of 65%, and profit after tax stands at Rs.122 crores, that is 19% PAT margin, up by 79%. So, these are some of the detailed charts. So, on nine months basis, standalone turnover up from Rs.390 crores to Rs.646 crore and profit after tax up from Rs.68 crores to Rs.122 crores, about 19% of the revenue from operations.

Coming to December quarter, Q3 standalone financials, top line is up by 52%, up from Rs.146 crores to Rs.223 crores. EBITDA is up by 73%, and now EBITDA excluding other income stands at 25% versus 22% last year. while including treasury income, EBITDA margin percentage on standalone stands at about 29% and profit after tax up from Rs.29 crores to Rs.52 crores. This is the waterfall chart of movement of standalone EBITDA for December quarter. So, as it can be seen, gross margin has improved by 1.4percentage points on account of higher sales, percentage of employee cost has come down by 2.6 percentage points. However, in advertisement, freight and other expenses, there is a marginal increase, ranging from 0.2 to 0.50 percentage points.

Coming to standalone capital efficacy items, capital employed during December quarter is back to pre-COVID, highly efficient. So, in our core business, it is negative Rs.31 crores on account of robust off-season collection and hence, PBIT percentage on capital employed, theoretically translates to infinite, having total treasury of Rs.637 crores as on 31st December 2022, and on trailing 12 months, the return on networth stands at 20%.

Coming to consolidated financials about Sankey Chart, YoY, the top line stands at Rs.880 crores, up by 34%, lower than standalone due to headwinds in US and Australia as explained earlier, EBITDA is up by 46%, that is Rs.115 crores, while PAT is up by 76%, stands at Rs.100 crores on a conso basis.

And on some of the key profitability and revenue chart, so, top line on a conso business for the nine months up from Rs.655 crores to Rs.880 crores, while profit after tax up from Rs.57 crores to Rs.100 crores, up by 76%, and gross margin has increased on a conso basis despite headwinds in subsidiaries from 44.4% to 44.7%.

For about quarterly financial, for December quarter, conso top line is up from Rs.205 crores to Rs.277 crores, that is 35% up, while profit after tax is up from Rs.21 crores to Rs.39 crores about 14% of the top line and YoY growth percentage is about 84%.

And this is the waterfall chart of movement of conso EBITDA margin percentage in Q3. On a conso basis, gross margin percentages reduced by 0.6 percentage points; however, on account of economy of scale, employee cost has come down percentage wise by 3.4 percentage points, while there is marginal increase in three other expenses, and EBITDA stands at about 15.8%.

And coming to consolidated capital efficacy, the average capital employed based on the monthly average capital employed for the nine months, conso capital employed stands at Rs.235 crores which translates into PBIT percentage for the nine months not annualized, 17%, while return on networth on trailing 12-months is 20%.

Coming to the outlook, as far as domestic market is concerned, there is a decent visibility of consumer sales, again, across the products, across the channels, across the geography, we see overall buoyancy. Symphony will keep on launching as just shared with you, BLDC and many other value-added products. Still, there will be a graded price increase and there may be further advantage on account of softening of input costs with an objective of reaching to EBITDA margin percentage of historical high. The current global economic situation has already led to demand headwinds especially in the United States and Australia and we are likely to see the impact of that in the short-term. But we believe that some of our large customers who have curtailed the order, maybe during the season, they may run out of stock. And on account of our globalized operations, mainly because of multiple R&D facilities, outsource manufacturing facilities, supply chain and a very agile logistic arrangement, we are optimizing in various respect. Thank you.

So, with this, we open the floor for question-answer.

**Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Manoj Gori from Equirus. Please go ahead.

**Manoj Gori:** Sir, would like to understand like, you highlighted the various initiatives to improve the gross margins. But, when I look at sequentially gross margins have been impacted, especially on your consolidated numbers as well. So, is it largely because of extra discounts or schemes that we have rolled out for the US or Australia market?

**Nrupesh Shah:** So, as far as Q3 standalone EBITDA margin is concerned, it has improved from about 22% to 25%.

**Manoj Gori:** I am referring to gross margins over here.

**Nrupesh Shah:** And coming to gross margin percentage, even on standalone basis for the nine months, it is up from 46.4% to 47.5%, this is about the standalone. Now, coming to consolidated, the gross margin is up from 44.4% to 44.7%. So, only nominally higher, while EBITDA margin is also up from 12% to 13.1%. On conso basis, the impact is not as high as standalone basis on account of headwinds in global demand due to economic situation.

**Achal Bakeri:** Also, we have also been witnessing increase in costs, especially in Australia and which we have not been able to pass on to our customers. So, I think the bigger problem in Australia has been that. But that is a situation which is being in the process of being corrected.

**Manoj Gori:** Can you highlight like what are those cost items, because if you look at RM pressures are definitely behind us, plus logistic cost if you look at, that definitely has come down at global level, so can you highlight like what are the costs that are actually impacting the margins over here for this Australia business?

**Achal Bakeri:** Variety of components, whether it is metal, or plastics, or even freight domestically within Australia. So, I think those are the ones which we have not been able to pass on. And, on top of that, the market over there, in some cases, been able to sort of match our competitors who have been giving extra discounts. So, it's a combination of factors within Australia.

**Manoj Gori:** Probably when we're seeing some demand headwinds as Nrupesh ji already highlighted like some of the larger clients might see shortage of stock and there might be some buying again. But, when do we expect normalization in the overall operations at least from the US or from Australia point of view because if you look at your Q4 was extremely heavy last year for your exports business even in your standalone entity?

**Achal Bakeri:** So even this year, there will be significant sales in Q4 in the US; however, the overall business in the US is going to be much lower than last year, because our over there, primarily, the largest major customers of them all is the home depot, have cut down their orders in anticipation of a recession in the US. From what we have gathered, this is something which they have done across the board for all products that they sell. They are trying to sort of destock and reduce their inventories in anticipation of a recession. But, our sense is that, come summer, they will run out of inventory, and very honestly, there will be no way of fulfilling that excess demand, which they won't be able to fulfill, because the entire cycle time is in excess of three months for us to produce here and ship coolers to the US. So, that demand would be lost. So, we don't expect us to be able to recoup that demand even if the summer is great, and the recession is not so severe. So that is a certainty as far as this year is concerned.

**Manoj Gori:** Lastly, on domestic business, obviously, when we look at the Q2 and Q3 performance, domestic business has been back on track, and obviously margins have also improved over here. So with Q4, obviously, when we look at the base is favorable and in Q1 also though 1Q FY'23 growth numbers seems very high, but channel was still carrying some older inventories. So, do we expect like there is a strong visibility and channel sentiments as Nrupesh ji highlighted is very positive strong performance during Q4 and Q1 of next year?

**Achal Bakeri:** That is something that we certainly expect that internally much better performance in the current quarter and in the next quarter.

**Moderator:** Our next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

**Renu Baid:** I have three, four questions. First, coming back to gross margins, now here I'm comparing the standalone gross margin in 3Q with the standalone gross margin in 2Q, and there has been a sequential drop of 120 basis points despite softness in commodity prices. So, was just trying to understand that typically, sequentially we see improvement in the gross margins as we start nearing the season in terms of pricing. So, what has led to weakness in this India EBIT margin as well as gross margin at the standalone level?

**Nrupesh Shah:** You should not read much into sequential, because it is a function of the sales mix and product mix, that's #1. Number 2, you would have also seen that in December quarter, there is also major export sales including sales to subsidiaries, where margin is divided, and hence the real reflection is nine months as a whole and Q3 versus previous year Q3.

**Renu Baid:** Also, when I compare the standalone India revenues like-to-like comparison, yes, that has improved relatively by 100, 200 basis points there, so, get your point. Second question is, last time when we spoke, you had mentioned that there was significant cost out actions undertaken in Australia for CTL to reduce the fixed cost of that subsidiary. So, where are we in terms of turning around the performance of this business, and also in the backdrop that is very certain that US sales, which last year were fairly strong, this season will be declining, so, how are we gearing on the cost side for this unfortunate turn in revenues?

**Achal Bakeri:** The entire sort of what we call business process transformation that we are working on in Australia, which we had embarked upon soon after we acquired the company, is actually behind schedule, essentially because of COVID, during COVID nothing could happen and that is something which we will only probably witness in the next two years. So, it's a process which is on. But what should have been done by now is actually full two years behind schedule. So that's all on the cost of doing Cost of Doing Business (CODB) front. On the COGS front, again, there are a lot of measures have been undertaken, but unfortunately those have been negated by the sharp increase in commodity costs. Commodity costs, although are lower now than they were at the peak, but they are still significantly higher than they were at pre-COVID levels. So, for the year as a whole, both Australia and the US together, the entire Climate Technologies company is not going to see very healthy numbers.

**Renu Baid:** Nrupesh sir, can we also have some updates on the nine months or 3Q performance of the subsidiaries – IMPCO, GSK China and CTM at least the headline operating numbers?

**Nrupesh Shah:** Climate Technologies top line is Rs.173 crores, I'm saying in INR and at a PAT level it is negative Rs.17 crores. As far as IMPCO Mexico is concerned, it is Rs.80 crores and PAT is Rs.1 crore. And in case of GSK China, top line is Rs.27 crores and a loss of Rs.2 crores. This is what summary of nine months subsidiary performance.

**Renu Baid:** Now coming back to the base India business, as you highlighted that the summer advances have been fairly robust, which has helped working capital to improve sharply. So, can if we go back 2019 December quarter pre-pandemic, we had a similar Rs.200 crores kind of standalone sales and with almost about 10% growth. So, given that the business, everything is back to normal and summers is good, can we expect again robust growth coming back? And this time around, do you see a bit of focus on the economy segment also, which we had sharpened in the last two years with more SKUs should help widen our market share as well as growth in the domestic business?

**Achal Bakeri:** Yes, Renu, both on the top line and the bottom line in the current quarter and in the next quarter, we expect a significant improvement in performance. And also at the model strategy that you spoke about is also something which is very much happening. And so, yes, all of those sorts of levers are being used.

**Renu Baid:** If I can ask any updates on the industrial air cooling business, and given that CAPEX activities also is in general improving at the factory level, how has this business performed for the 3Q and YTD?

**Achal Bakeri::** Certainly, the growth has been a very high double digit growth. However, it is a relatively low base, in absolute numbers, it is still not something which may be worth talking about. That business is moving in the right direction.

**Nrupesh Shah:** And in terms of the product acceptance, as you know the business model wise, terms wise, it is at par with residential air cooler, while it comes to the profitability it is even better than residential.

**Moderator:** Our next question is from the line of Onkar Ghugardare from Shree Investments. Please go ahead.

**Onkar Ghugardare:** My question was regarding actually the subsidiary performance. If you look at the nine months figure, the revenue is contributing around 35% to the top line, but profit is here for everyone to see. I mean, every quarter there comes some headwind. So, what do you think about the performance of the subsidiary and its overall impact on the profitability in the long run?

**Achal Bakeri:** Since you specifically say the long run, we will say that, we are very confident about profitability in the long run. If we were to again break down the subsidiaries into four key components, which is Australia, US, Mexico and China, so as far as Mexico is concerned, it has remained profitable, we've had to take some haircuts with some sort of write-offs that we had to do with some customers who have gone bankrupt because of COVID, which had affected the profitability, but despite that, it still remains profitable. China, we have been able to bring down the losses significantly. We have not even been able to go to China for three years and four months. So, that is something which remains a question mark. As far as the US is concerned, yes, there was this sort of expectation of a recession, which has led to our major customers cutting down on their orders, which we believe is completely unfounded. But, nonetheless, that is something which is being witnessed across the board, across all retailers, across all products in the US. So, the situation that we expect will be corrected by next year. As far as Australia is concerned, I spoke about a little earlier, we are in the process of changing the business model, and the entire benefits of that should be visible in about two years' time, along with that we are in the process of adding new products over there, which have much better margins, and are working hard on improving the margins on the existing products, all of those should surely see effect in '23-24. So while I understand where you are coming from, but believe me, we are equally impatient, if not more. And we are again extremely concerned about it and trying our best to sort of turn things around.

**Nrupesh Shah:** And just to add to that, in '21-22, mainly on account of the US performance and IMPCO performance, '21-22 year as a whole, rest of the world, that is subsidiaries and exports together contributed 50% of the top line, while rest of the world in terms of the PBIT contributed 40%. But, on account of reasons just mentioned, current year, it's not doing well, but otherwise the last year, it was a significant turnaround.

**Onkar Ghugardare:** But if you look at the history, say, last three, four years, the overall performance has been dragged by the subsidiaries?

**Achal Bakeri:** That is true. We also see the subsidiaries as an opportunity going forward, which is why we are hanging in there and making sure that the dragging down will be a thing of the past as we move ahead.

**Onkar Ghugardare:** I specifically ask this question, what would be the impact for the long run? Here, you categorize long run as say, two years, three years, five years.

**Achal Bakeri:** What matters is the next two, three years.

**Onkar Ghugardare:** So, what percentage do you expect at least to add to the bottom line because of subsidiaries… a ballpark figure I'm asking?

**Achal Bakeri:** I wouldn't venture into that, because I really don't know what to expect, we don't know how it is going to be.

**Onkar Ghugardare:** But, as of now, if it is contributing around 30% to the top line, there has to be a decent contribution to the bottom line as well, right, otherwise, there is no use of doing those things, right?

**Achal Bakeri:** We are on the same page. Yes, absolutely. We are very much as an organization, philosophically focused on the bottom line. We just don't chase top line for the sake of top line, which is what top line provided it generates the bottom line that we seek. We are not here to cool the world.

**Onkar Ghugardare:** A similar follow up to that is you had taken a loan for this Climate Technologies acquisition. Do you think it would have been better not to take the loan, you should have gone ahead with the cash you had at that time to acquire?

**Achal Bakeri:** We can still do that, we can still pay off the loan, we still have the money on our books, but we have done that for a reason. And you also have to remember actually, there's a part of the dragging down of Climate Technologies is because of the interest that we pays on the acquisition loan, which in reality shouldn't be considered in its performance. But we've taken it for a reason, and that reason as of now still remains valid. If we want, we can pay off the loan, it takes us very little to pay off that loan.

**Onkar Ghugardare:** As of now, how much loan you have to pay to entirely clear of that?

**Nrupesh Shah:** Acquisition loan outstanding is AUD20 million against original availed AUD25 million.

**Achal Bakeri:** Which is about Rs.100 crores.

**Onkar Ghugardare:** That is still to be paid, right?

**Achal Bakeri:** Yes.

**Onkar Ghugardare:** When do you plan to -?

**Nrupesh Shah:** Half yearly repayment is decided with the bank and that is being done.

**Onkar Ghugardare:** In how many years you plan to pay off that entire?

**Nrupesh Shah:** Balance period is about four years.

**Onkar Ghugardare:** Four years from?

**Achal Bakeri:** Balance from now.

**Nrupesh Shah:** But irrespective of that, at any point of time, from our treasury we can always prepay. But there is a lot of sense and logic in having that loan. Otherwise, Australian dollar fluctuates, and if we would have granted that loan from India, there could have been huge FOREX fluctuation, that's number one. Number two, even in today's time, that is as of today, including hedging costs, the interest is just 3.85%, while today's LIBOR is 4.5%. So just consider that the cost is lower than LIBOR. Otherwise, there is a spread of two to three percentage. And number three, the same amount we are deploying in the treasury in India, and today, pre-tax, it is generating 7%. So, by the way, end-to-end, it generates alpha in excess of 3%. And still, there is an option. As and when required, we can prepay that, but it doesn't make sense to us. And also, partly, in case of acquisition, it also needs some discipline at a level of local organization in terms of the performance and cash flow. So, to an extent it serves that purpose too.

**Onkar Ghugardare:** I just have a suggestion or just the thinking, like, instead of focusing 2%, 3% alpha over here and there, I guess management focus should be there on to doing a business, which is more profitable than generating 2%, 3% alpha, right. focus I'm not saying focus is not there, I'm just stating my views here.

**Achal Bakeri:** Thank you very much for your advice.

**Onkar Ghugardare:** The next question is on the 60% payout, which you mentioned. Earlier, it was up to 50%, right?

**Achal Bakeri:** That's right.

**Onkar Ghugardare:** And now it is 60%, not up to 60%?

**Achal Bakeri:** Everything was up to.

**Onkar Ghugardare:** Because in the dividend policy, you have stated at least 60%.

**Nrupesh Shah:** Yes, it is at least 60%. You are right. Earlier, it was up to 50%, now it is at least 60%, of course subject to contingency, etc., because we believe that in our business model, being asset-light, capital-light, as you would have seen that on a standalone basis, there is a negligible capital employed, whether for the quarter or for the nine months, and similarly, on a conso basis it's just about Rs.235 crores. So we didn't need not to keep much cash whereby to drag down the ROC or RONW.

**Onkar Ghugardare:** Just one question on the buyback front. If you say that management or the promoters are also participating in the buyback offer, don't you think that if the promoters wouldn't have participated in the buyback, that would have been more beneficial to the retail shareholders?

**Nrupesh Shah:** That decision you should leave it to the promoter and concerned shareholders.

**Onkar Ghugardare:** That's what I'm asking, right?

**Nrupesh Shah:** So here also, by the way, now, to answer your question, minority shareholders as per the definition, shareholding is just 1.86% as of now, while the reservation is 15%. So against 1.86%, they are going to get 15%. And can you please tell me why promoters should be penalized? And despite a minority shareholder getting about eight times to their share, why they should be rewarded even higher, and that too after offering the buyback price of Rs.2,000 against the current price of Rs.955?

**Onkar Ghugardare:** That is one point. But one thing also is that for last six to seven years, there has been no return for the shareholders as well apart from the dividends which we have picked, right.

**Nrupesh Shah:** You need not to remain invested. There are more than 5,000 companies in the country. We are not asking anybody to marry with the company, isn't it? That is number one. What you are comparing these five years to six years, there are the shareholders for 15 years, 10 years, eight years and last two years also. So, your perception may be this and there are shareholders who are giving us many, many complimentary e-mails. So, it depends upon that.

**Onkar Ghugardare:** Sir, myself, I have been a shareholder for 15-years, so, just to clarify that.

**Achal Bakeri:** We have been handsomely rewarded on your investments.

**Onkar Ghugardare:** Yes, I have, right.

**Achal Bakeri:** You have no reason to complain.

**Onkar Ghugardare:** I'm just asking for your opinion, sir. There is no complaint and anything I'm talking about.

**Nrupesh Shah:** Somebody is in a capital market, one should be ready for the up and down. Only on the Excel sheet business just grows up and chart shows up, isn't it, as yourself being in a capital market for so long.

**Onkar Ghugardare:** Like the way I gave you the advice, thanks for this advice as well.

**Moderator:** We'll take our next question from the line of Nikhil Gada from Abakkus Asset Management. Please go ahead.

**Nikhil Gada:** Sir, my first question is regarding the standalone business itself. And while our main season will start in the upcoming couple of quarters, we have seen certain amount of slowdown if I can say so in the other sort of consumer verticals. So, what is your view in terms of how we can sort of get hit by it, if by any chance, or you do think that this might be one of the best summers we have?

**Achal Bakeri:** Our category fortunately, or unfortunately is decoupled from the economy. The only thing that really matters is a temperature in the summer. The temperatures are high enough and consistently high enough, then regardless of how badly the economy is doing, we will sell, and the converse is also true. Again, last year was a very good summer. So the channel has completely exhausted its inventory, so which is why the channel has been restocking since the end of the summer, and the channel is fairly upbeat about the prospects of the summer to come. I don't want to get ahead of myself, but we are already witnessing high temperatures across the country, although it's just the sort of the first week of February, we are seeing 35 degree in Bangalore and 34 degree in Pune, and right here in Ahmedabad it is 33 degree. In fact, even has begun some tertiary movement in coolers in the market. So, if all goes well, if this continues, there are no surprises, then we should see a very good summer. Please remember, I said, 'If.'

**Nikhil Gada:** Just on the price hike that you mentioned, can you quantify what kind of price hike we had taken in the quarter and are there any further price hikes that you need to take, because since the commodity prices are now correcting, you are more or less okay with the current pricing that we have?

**Achal Bakeri:** We have been increasing the prices every month in small measures from about six, seven, eight months ago and that is continuing even as we speak. Because please remember that the commodity prices are still higher than what they were pre-COVID. They may have come down from the peak, but overall bill of materials costs are still higher than what they were pre-COVID. So this is something which is going to go on. Our EBITDA margins which are at whatever 19 % were a much higher a few years ago, so our eventual goal is to be at those historical sort of gross and EBITDA margins. So, we're working towards that. So, our price rise is something which is going to go on.

**Nikhil Gada:** Two more questions. So just one on the margin front, specifically, once again to the standalone domestic business, if I can say so. In the past few months, we have done margins upwards of 28%, 29% on EBITDA level, and now that a lot of business in the domestic also happened because we supply through exports. What kind of a realistic EBITDA margin would you internally target from that perspective, is it 25% that we are already hitting the best margins we can do or -?

**Achal Bakeri:** No way. We're looking at our historical high of 32%.

**Nikhil Gada:** Including the export that we do?

**Achal Bakeri:** No, no, no, I'm saying on a standalone basis. Now, with exports or without exports is a matter of detail. Comparatively, it can be on a standalone India business, let's say we're looking at 32%.

**Nrupesh Shah:** So on domestic sales, it will be 32%.

**Nikhil Gada:** That as of now will be 80% of the overall standalone numbers, right?

**Nrupesh Shah:** About that, yes.

**Nikhil Gada:** Regarding the Australia business, you mentioned that we had planned to turn it around and create more enhanced sort of a business model or differentiated business model, sir, can you for just a benefit sort of highlight what you're trying to do over there, because I might have missed that in the past?

**Achal Bakeri:** We haven't even elaborated on that in this call today. But what we're trying to do is, there too we have sort of have a vertically integrated manufacturing facility, which we are sort of converting into an asset-light, third-party manufacturing kind of a facility. We are locked into a lease, which goes on until June '25, so that is one other major cost, which we are trying to sort of exit from, and changing the business model from in-house captive manufacturing to a third-party manufacturing. So, all of those are works in progress. It isn't as if nothing has happened.

We are sort of halfway there, but there's still some work that remains to be done, which as per our original plan would have been sort of behind us by now. But, it was two years of COVID really nothing happened. So, that's one thing on the CODB front. and on the COGS front, like I said a little while before, we had done a lot, but that has also all been sort of washed out by the increase in costs. So, that is broadly what we are attempting to do with the company in Australia. And on top of that, yes, we are also adding products which have much higher gross margins than the current products that are being sold.

**Nikhil Gada:** In Australia region, how much of the total CT business?

**Achal Bakeri:** So till we acquired the company, almost everything came from Australia. They had barely maybe about $5, $6 million dollars' worth of business in the US. About Rs.20 crores of business in the US till we acquired it in rupee terms. And last year was Rs.140 crores. So, from Rs.20 crores to Rs.140 crores, that is what the sort of swing that happened primarily because we acquired the company, we added products and all of that. So, till that happened, Rs.20 crores was US and Australia domestic was maybe about Rs.250 crores or so. Now, last year what was the total?

**Nrupesh Shah:** Last year, the total was about Rs.370 crores, out of which Rs.140 crores was US.

**Achal Bakeri:** Rs.230 crores was Australia. Now, again, this year there is going to be a decline in both the US and in Australia. But at least that is we were able to do last year.

**Nrupesh Shah:** Importantly, US business at an EBITDA percentage and a PAT percentage is even more profitable than domestic business in India. Considering everything that includes margin which is retained in Symphony India and margin which is retained by Climate Technologies, but the point is US business is generating that kind of profitability. And number two, apart from one large customer, we have also forayed into D2C as well as eCommerce on Amazon…of course, it's a beginning, so initially there will be a small sale and there is a good potential.

**Moderator:** Our next question is from the line of Rakesh Wadhwani from Monarch AIF. Please go ahead.

**Rakesh Wadhwani:** Sir, I had one question. So, in the results section, the company has provided the revenue bifurcation based on the geography, India and rest of the world. So, in the rest of the world revenue for Q3 is Rs.79 crores versus Rs.84 crores. So, is the decline because we have shipped some products from India, that's why the India revenues higher, is my understanding correct?

**Nrupesh Shah:** Yes, part of the production for IMPCO, Mexico, which earlier used to take place in India, that has shifted to Mexico.

**Achal Bakeri:** So, because of the high shipping costs, we sort of relocated manufacturing from India to Mexico. So, instead of shipping from India, it has been now produced within Mexico both for the Mexican market and as well as we are using that to supply to the US market.

**Rakesh Wadhwani:** Because the sales have come down, so, I thought maybe the exports would have been done from the Indian markets is my understand. So, just wanted to clarify further, in three months Rs.198 crores India market shares versus Rs.121 crores and for the rest of the world Rs.79 crores versus Rs.84 crores. So, is my understanding correct, because we have shipped more products from India for these markets, that's why the revenue from rest of the world has come down?

**Achal Bakeri:** We have not fully understood your question. Can you repeat your question?

**Rakesh Wadhwani:** Sir, in the consolidated numbers, company has given the revenue bifurcation based on the geographies. So, India revenue was Rs.198 crores.

**Girish Thakker:** Yes, it is Rs.198 crores.

**Rakesh Wadhwani:** So, the higher revenues is because we have shipped the products to the export market from India?

**Achal Bakeri:** Rs.198 crores comprises only domestic sales in India and whatever Rs.79 crores, rest of the world is comprising of the subsidiary sales and India's exports also.

**Nrupesh Shah:** But I believe your question is last year, it was Rs.84 crores, current year it is Rs.79 crores and even in September it was Rs.84 crores, while there is a decline. So, decline, as earlier explains, some of the export from India to IMPCO, Mexico, now, that happens domestically in IMPCO, Mexico on account of logistic costs, mainly on account of that. Otherwise, nine months as a whole, rest of the world is Rs.304 crores, for this last year of Rs.313 crores.

**Girish Thakkar:** And there is some decline in Climate Technologies quarterly revenue. So that's why the rest of the world is lower if you see the consolidated quarterly results. So Rs.84 crores versus Rs.79 is due to the subsidiaries' decline in the revenue in the quarter, mainly Climate Technologies.

**Rakesh Wadhwani:** One more point is regarding the advertising expenses. They have gone to increase to 6% of the total revenue for the nine months, and in the past, they have remained in the range of 4% for the consol and 5% for the standalone. So, any guidance on that part in the coming quarters or years?

**Amit Kumar:** Rakesh, as we have explained earlier also, the summer season that's passed, in the nine month data, you would see, it includes the summer season for calendar year '22, there was substantial starting inventory in the channel, which had to be pushed, and we needed to create enough pull for that. So, increase in A&P is mostly to support the channel inventories liquidation in the market last year. And we intend to get back to our traditional 4.5% to 5% A&P expenses as we move forward.

**Nrupesh Shah:** Secondly, there is also a good amount of cost incurred on D2C as it normally happens, it's inclusive of that. And secondly in current year, especially in September and partly in December quarter, there has been one-time sales promotion and marketing on account of some of the market research expenses, but we have fully treated them as revenue expenses.

**Moderator:** Our next question is from line of Aditya Bhartia from Investec. Please go ahead.

**Aditya Bhartia:** Just wanted to understand on the Australia business. After the acquisition, we also had plans that will start shipping some products from India and Chinese facilities. I understand that those plans had gotten disrupted during COVID. But as of now, we want to have completely local sourcing mechanism or are we still open to the idea of exporting a fair bit from India and China?

**Achal Bakeri:** No, Aditya, last year, we supplied everything from India. But then the freight rates went up so high, cost of freight was much higher than the saving in the manufacturing cost. So, in fact we located the manufacturing to Australia this year. And as replied to an earlier question, in the case of Mexico also, we sort of began manufacturing some products in Mexico, only to save on the freight cost. But going forward if the freight rates come down to pre-COVID level, it still makes sense to produce in India and ship directly from India. Our business model and our manufacturing process are fairly agile and fairly flexible. So, for us to locate or relocate, it requires effort, but it is not something which requires tremendous cost, because this is all third-party. So whether we find an OEM in India or a third-party manufacturer in India, or we find a third-party manufacturer in Australia is all that it takes, and then relocating the tooling. But, to answer your question, we had already began to manufacture from India and then we had to relocate to Australia.

**Aditya Bhartia:** At the current freight rates, it makes sense to be procuring from Australia, freight rates would need to come down meaningfully even from current levels?

**Achal Bakeri:** Yes, so that is also one of the things which I was referring to a little while ago in response to another question, that many of the sort of measures that we had put in place were washed out by the increase in freight rates and increase in costs.

**Aditya Bhartia:** Regarding our D2B business foray, if you could just kind of, say two minutes and explain to us how exactly is that progressing, how large that business could be today, what are the costs that we incur in respect of that, and what are the plans that we are having?

**Achal Bakeri:** D2C?

**Aditya Bhartia:** Yes.

**Achal Bakeri:** I'll maybe request Amit Kumar to respond to that. Amit?

**Amit Kumar:** So, D2C business is still a nascent business. We are building this channel both in India and in a couple of other territories, including Australia and the US. As of now, it accounts for a very small percentage of the revenue. But, what we are focused on is building it profitably and working it in a way that the average cost of sales for the channel remains in the acceptable territory. So, this is work-in progress. And between this year and next year, we will definitely sort of take it to the next level where this is integrated into the overall approach that we are building on the omni-channel front, where D2C also fits into our space through the traditional channels. So, that's the larger approach. And as the volumes become more material, maybe we'll be able to share the numbers also.

**Nrupesh Shah:** Probably, as things stand, I believe in current year or at least in current season from D2C, we expect at least positive EBITDA despite this cost. So, there is going to be positive EBITDA in D2C despite it is at Nascent state, that's how it has been strategized.

**Aditya Bhartia:** In semi-urban areas, rural areas and versus unorganized players, some initiatives that you have taken, how exactly are those shaping up, and are you seeing an expedited shift happening from unorganized players?

**Amit Kumar:** Unorganized continues to be a large sub-segment within the coolers market. And as we work into the market, we are working on two streams. One is increasing the dealers penetration. So, there is a focus on BHARAT Range of products which is taking us deeper into the hinterland and deeper into the unorganized market across. So, that's one approach we are taking to focus products and range going into the smaller retail and hinterland kind of market. The second approach we are taking is also leveraging. So, leveraging a couple of again the six products aimed at the rural market, which are designed bottom up for that segment, and a few of those we will launch within the current year.

**Moderator:** Our next question is from the line of Rahul Gajare from Haitong. Please go ahead.

**Rahul Gajare:** Most of the questions I've got some clarity, but I just need some more details on some of the areas. Now, you talked about price hike that the company has taken over the last several months. Two aspects I want to understand. How many total price hike that you have taken in the first nine months? And what is the gap or the price that you still need to take in order to be neutral on the increased input costs?

**Achal Bakeri:** So, Rahul, first of all, these have been, I would say very moderated price increases. So, we have not attempted to take a big bite in any one-go. So, these are all small increases that we effect every month. And we will go on regardless of where the prices are. It is the price hike actually is not a function of the cost, but it's more a function of what we believe we can extract from the market. The cost may go up and price may have to go down in certain situations. So the price and cost actually have no correlation with each other.

**Rahul Gajare:** The second question I had was on the subsidiary sales. Now, in the second quarter, I recollect, there was some sales deferral in Climate Technologies. What you've talked about with the home depot deferring inventory stocking up. Now that deferral of sales in Climate Technologies in the second quarter, was it more US-centric or was it US and Australia?

**Achal Bakeri:** So, that home depot thing was all US. So, that has been deferred, but that has also been significantly reduced. So, what we had sold last year in December is to a great extent going this time in the new year post-January, but overall orders are significantly lower than last year.

**Rahul Gajare:** Because that deferral was expected to come in the Q3 sales. That has not happened, right? Okay. Sir, my last question is on the other expenses. In the second quarter, we've had seven –

**Achal Bakeri:** Rahul, it was supposed to come in Q3, it's happening in Q4, our point was that.

**Rahul Gajare:** Either Q3 or Q4 that deferral sales would have come through?

**Achal Bakeri:** Sorry.

**Rahul Gajare:** That sales would have either come in third quarter or the fourth quarter, that's what you're basically saying?

**Achal Bakeri:** Correct.

**Rahul Gajare:** Which is not happening this time around.

**Achal Bakeri:** It is happening, but the overall sales is going to be much lower than last year.

**Rahul Gajare:** Last question is on the cost. Apparently, there were several one-time certain expenses in the second quarter. Now, in the third quarter also, other expenses is elevated in both at standalone level and conso level. So, are there any such one-time cost which are fitting in the 3Q number?

**Achal Bakeri:** What you are referring to is, Rahul?

**Rahul Gajare:** Last time, there were no off-season sales promotion.

**Girish Thakkar:** This quarter, there is no one-time type of expenses, only the very few advertisement costs.

**Rahul Gajare:** These are all routine business expenses.

**Girish Thakkar:** Correct.

**Moderator:** Our next question is from the line of Manoj Gori from Equirus. Please go ahead.

**Manoj Gori:** A couple of questions. One, obviously, Amit ji have highlighted many things for the domestic market. So product innovation has been one of our many strengths over the years. So apart from this, in the longer term, probably can you highlight like, what would be the key focus areas, which would help us grow faster than the industry, whether it's unorganized or the total air cooler industry?

**Achal Bakeri:** It's going to be more of the same. It's not that we have any sort of magic wand or a magic bullet. Constant innovation, constantly kam karo, and new and existing markets, whether it's India, Australia, US, Brazil, Mexico, China. So, the same markets maybe new customers, in the case of US and Australia, even adding new products, even in Mexico, we are adding new products, looking at adding new customers. In India, it will be again continued innovation as far as products are concerned and grow the industrial cooler business, grow exports from India. So, it's more of the things

**Nrupesh Shah:** and keep up increasing the marketing network continuously across the channel.

**Achal Bakeri:** All of those things, which we have been historically doing, whatever had to be done or whatever could be done, we have already done, we just have to keep on doing that and keep on doing more of that and do it better continuously.

**Manoj Gori:** So, probably some time back, we came out with this bladeless fan also. Are we seriously considering to get into any other categories, or probably this was just a similar category or probably two air coolers and accordingly we launched it?

**Achal Bakeri:** Correct. This was a very good adjacency to coolers and which is why we sort of got into it. From our point of view, it is basically a cooler without water in a tank. Otherwise, everything has remained the same, it has the same plastic component, the same motor blower and all of that. So, it was clearly an adjacency to coolers and its sort of like was a natural extension of what we are currently doing. But at the moment, we have no plans of getting into any other product category within India, whereas, as I said, in Australia, we're into coolers and heaters, the installed type, but we are introducing the portable cooler, portable heaters, air-conditioners, and in the US also, we have introduced air-conditioners, which we are buying from a company in China and giving to our customer over there, and we will continue to offer more products which are in the air space. Again, these are all clearly opportunistic sort of moves. In Mexico, again, bulk of the business comes from coolers. We introduced portable heaters a few years ago. That business has been growing at a good pace. But, in the next few months, we are also going to be introducing washing machines in Mexico. Again, for various reasons, it makes sense to do that, because there are tariff issues and most of the other players are importing, so we'll be sort of manufacturing that variety of washing machines locally, the only player so far. So, there are these opportunities which we will keep on sort of seeking. But, otherwise, as far as India is concerned, we are not looking at anything other than coolers and fans as of today.

**Moderator:** Our next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

**Renu Baid:** I just have two quick questions. One in IMPCO, Mexico, how large is the non-air cooler portfolio for us today, and in your view, given the new category expansion that you're doing in the market **more of the traded goods,** how large could it become over the next two years?

**Achal Bakeri:** So, the bulk of the business is still air coolers even in Mexico. The heaters is a relatively low value product. Although, we've got reasonable numbers, in terms of value, it is nothing significant. The washing machine category is relatively sort of higher value category that we are diversifying in Mexico. What kind of traction it gets, how much it generates, remains to be seen. So, at least, for now, you may consider that the bulk of the revenue will come from air coolers.

**Nrupesh Shah:** Around 90% even in IMPCO, Mexico is from air cooler.

**Renu Baid:** Secondly, this portfolio typically was relatively soft goods portfolio and had seen a very swift recovery in '22. So, can we expect because of the diversification in the other durable categories in IMPCO, Mexico, should we able to grow the same 15% to 20% CAGR?

**Achal Bakeri:** Internally that is the kind of the plan that we have. But we really don't make sort of forward-looking statements of that kind. So, I will refrain from giving a number.

**Renu Baid:** And just a soft check. You had mentioned in your comments that home depot in some of the large clients in US are going for destocking and they've reduced the order pull through versus last year. So, just to get a sense, this typically when the order values have been declined, would it be like a marginal 10%, 20% kind of decline, because last year season was a bit mixed for them, or this kind of declines, like 40%, 50% kind of drop in the magnitude of withdrawal or the shrinkage in business that we're seeing in the current year from US market?

**Achal Bakeri:** Decline is of a very high magnitude of the kind of order which you mentioned.

**Moderator:** Next question is from the line of Zeeshan Akhter from Happy Gains. Please go ahead.

**Zeeshan Akhter:** I wanted to know about the standalone entity. In India, what has been our sales distribution as far as India geography is concerned, like north, south or east, do we have any numbers on that?

**Achal Bakeri:** Broadly equal.

**Zeeshan Akhter:** Is there any part in India that you're focusing on to increase your sales or do we get some more profit from a certain region in India?

**Amit Kumar:** Not actually. The profitability is linked more to the model mix, different models have different capabilities. So, profitability is linked more to the model mix than the region per se.

**Zeeshan Akhter:** My second question is, have we added any channel partners or dealers this quarter, what is the status over there?

**Achal Bakeri:** It's a continuous process; we've been doing that every year and we'll continue to do that every year.

**Zeeshan Akhter:** We have decided to do the buyback at Rs.2,000 per share. Now, I just want to know a view from you, how have you decided this Rs.2,000 per share, why not like 20%, 30% higher than the share price, is there any specific reason for this?

**Nrupesh Shah:** So essentially the board of directors and the management believes in the strong growth potential possibility and opportunities down the line. So essentially, that was the case. And that's how this price was decided.

**Zeeshan Akhter:** You're justifying that you are sticking to your asset-light volume by giving back to the shareholders.

**Achal Bakeri:** We think this price is still at a discount to what we believe would be fair value going forward.

**Moderator:** Sir, would you like to add a few closing comments. That was the last question for today.

**Nrupesh Shah:** Thanks to all the participants for sparing your valuable time, and thanks to YES Securities for hosting this conference call.

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