May 10, 2022

To,
National Stock Exchange of India Limited
Symbol – SYMPHONY

To,
BSE Limited
Security Code – 517385

Sub.: Transcript of the earnings conference call of Q4 & FY22 earnings call

Dear Sir/ Madam,

We are submitting herewith the transcript of the earnings conference call for the fourth quarter and financial year ended March 31, 2022, conducted on May 3, 2022.

The above information is also available on the website of Company at https://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

Encl: as above.

Email: companysecretary@symphonylimited.com

"Symphony Limited
Q4 FY2022 Earnings Conference Call"

May 03, 2022

ANALYST:	**MS. RENU BAID - IIFL SECURITIES LIMITED**
MANAGEMENT:	**MR. ACHAL BAKERI - CHAIRMAN & MANAGING DIRECTOR - SYMPHONY LIMITED** **MR. NRUPESH SHAH - EXECUTIVE DIRECTOR - CORPORATE AFFAIRS- SYMPHONY LIMITED** **MR. AMIT KUMAR - GROUP CEO & EXECUTIVE DIRECTOR - SYMPHONY LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Q4 FY2022 earnings conference call of Symphony Limited hosted by IIFL Securities Limited. At this moment all participants are in the listen only mode, later we will conduct question and answer session at that time you may click on the raise hand icon to ask a live question. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid from IIFL Securities. Thank you and over to you Madam!

Renu Baid: Thank you. A very warm welcome to all the participants for Symphony's Q4 FY22 Earnings Conference Call. Today we have with us from the management - Mr. Achal Bakeri, Chairman & Managing Director; Mr. Nrupesh Shah, Executive Director - Corporate Affairs; and Mr. Amit Kumar, Group CEO & Executive Director, to discuss the results and thereafter share the growth outlook of the Company. With these words, I would now like to hand over the call to Mr. Achal Bakeri for his opening remarks, where he first starts with the presentation, followed by Q&A. Thank you and over to you Sir.

Achal Bakeri: Thank you Renu. Good afternoon everybody and welcome to this call. Since we have a fairly exhaustive presentation to follow, I will keep my remarks brief. I think at the end of this presentation, the key takeaway that I would like you to go with is that our Symphony's international business or Rest of the World business has really sort of proven to a clean rates for Symphony this year and in the year we ended in 2021-2022 ,the contribution of revenue from the Rest of the World on Consolidated basis has been 51% for the year, it is 56% for the quarter, but more importantly the contribution in PBIT has been 39% for the year, it is 64% for the quarter, and these are primarily driven by our two subsidiaries, one in Mexico and the other in US & Australia. This comprises of the sales of the subsidiary, the sales of Symphony India to those subsidiaries, and the sales of Symphony India to other markets, other customers in other geographies, so this is the entire international piece, all the revenues that Symphony generates outside India together. So, the point is that all along there have been apprehensions about the international subsidiaries' financial performance, not in terms of revenue but at least in terms of their margins, so I believe those apprehensions would leave and be sort of allied. So, the key takeaway that I would like you all to get is that, so of course the India businesses bounced back because of the COVID being behind us, the summer has been good, March itself is also very good. So, the India businesses bounced back and then there are a host of other things which we will talk about, but I just wanted you to sort of get this big message about the international business and turnaround. Thank you. I will request Nrupesh Bhai now to take us through the presentation.

Nrupesh Shah: Hello good afternoon and warm welcome. I am presenting the earnings presentation for FY2022. Of course, customary safe harbor statement applies. To take you through these about eight different sections in the presentation. So starting with the performance highlights and summary for 2021-2022. First and foremost, Consolidated gross profit margin percentage for 2021-2022 stands at 45% versus EBITDA margin percentage of 19% and despite input cost pressure, additional cost pressure GP margin remained at the same level which was in 2020-2021. Secondly, I wish to clearly highlight that gross profit margin and EBITDA margin are most relevant now in this structure to look at Consolidated level and not at sub company level or sub segment level, the reason being large chunk of sales from Symphony is happening to US through Climate Technologies and there, margin sharing is taking place between Symphony India and Climate Technologies, but if we combine margins being retained by Symphony India on account of transfer pricing and Climate Technologies, that profitability is quite robust. Consolidated PBIT stands at ₹ 177 Crores i.e. YoY growth of 25% and Rest of the World i.e. international businesses contributed about ₹ 70 Crores versus ₹ 11 Crores last year and this Rest of the World or international business as Achal Bhai outlined consists of exports from India and our overseas subsidiaries business. So, this translates into 39% of the Consolidated PBIT from international business. In FY2022, USA sales was ₹ 133 Crores i.e. up from ₹ 90 Crores in FY2021 and up from ₹ 48 Crores in FY2020 and still we have excellent visibility of decent growth in the US business in the current year and the USA business is happening at extremely profitable level. The total dividend payout for the current year including final dividend which has been announced today amounts to ₹ 63 Crores translating into dividend payout of 52%.

Complete normalization of the trade inventory in India. So as all of you know that last two years were badly impacted by the COVID, but because of good summer and COVID free summer, there has been complete normalization of the trade inventory. There has been excellent consumer sales across the country, across the models and in fact as of now, some of the models are in out-of-stock position. April 2022 sales at the domestic level is higher than historical highest ever April sales and this is on top of inventory which was lying at trade level which means that the trade successfully sold their inventory and on top of it we have registered the highest ever April 2022 sales. There has been good traction in LFS and e-commerce channels, and LSV also at large, which was earlier centralized industrial air cooling, is also attaining good traction. So whatever initiatives were taken including local outsourcing, launching of Movicool and few other new models, they are also getting very good response.

Now coming to specific financials. FY2022 Consolidated financials. At a gross revenue level FY2022, gross revenue stands at ₹ 1079 Crores. Finally, we are back to ₹ 1,000 Crores plus, up by 16% YoY. EBITDA is ₹ 201 Crores and PAT is ₹ 121 Crores, up by 13%. As shared earlier and as we shared this specific data in this slide, there is a robust profitability of international business. So out of ₹ 1039 Crores of revenue, ₹ 527 Crores i.e. 51% of the topline has been generated from international business, while ₹ 512 Crores, up from ₹ 431 Crores year before, i.e. 49%, is from domestic business. Coming to PBIT, total PBIT is ₹ 177 Crores out of which ₹ 70 Crores is from international business, which is 39% versus just 7% year before. While ₹ 107 Crores i.e. 61% of total PBIT has been generated from domestic business. Coming to gross profit margin percentage, as shared earlier, stands at 45% in line with previous year. EBITDA margin is 1% higher at 19% versus the 18% and PAT margin is 11% slightly lower mainly on account of deeper taxation**,** which is more like a notional accounting. Coming to ROCE percentage, i.e. PBIT percentage on capital employed, in our core business of air cooler and other appliances is

42% versus 41%. While treasury is about ₹ 564 Crores excluding equity investments and loans & advances in subsidiaries.

Now FY2022 Symphony India standalone. So gross revenue is ₹ 679 Crores, up from ₹ 124 Crores but big chunk is on account of business in USA i.e. exports from Symphony India via Climate Technologies to USA and EBITDA stands at ₹ 153 Crores but EBITDA is in line with previous year despite topline has increased. Number one as explained earlier, the business in USA generates profitability in Symphony India as well as Climate Technologies and Symphony India has retained profit as per transfer pricing and rest of the profit - good chunk is at Climate Technologies level, so that impacted this ratio. Secondly, we had to also take about ₹ 5.5 Crores of provisioning in last quarter on account of schemes granted which is more about a notional provisioning and due to accounting standard, and that will be written back in the subsequent quarter most of it. So EBITDA margin percentage stands at 23% versus 29% and PAT margin 16% versus 21%. So the reason of lower EBITDA margin, which is impacted by 6%, apart from two reasons that we mentioned is also on account of very high amount of advertisement and sales promotion expenses mainly incurred in April 2021 when suddenly second wave of COVID started, and also we had good visibility in March quarter that is March 2022 quarter, and in anticipation of these results, we have spent high amount, certain higher amount of overhead as we have also did some verticals plus normalcy in the overhead and also leading to impact on PAT margin on standalone. On our standalone basis, PBIT that is ROCE on air cooling and other appliances stands at 132% while standalone treasury is ₹ 511 Crores.

Coming to FY2022 subsidiaries performance, so left-hand side is Climate Technologies and Bonaire. For the year, it registered a topline of ₹ 371 Crores, up from ₹ 338 Crores despite challenges of COVID, but this is mainly on account of decent growth in US business and in fact Australia local business was to an extent impacted on account of COVID because Melbourne and many parts of Australia had major and extended lockdowns. Importantly, Climate Technologies at standalone level registered EBITDA of ₹ 38 Crores, up from 15 Crores and many of you may recollect that we had acquired this company about four years before at a multiple of 7.33. With this EBITDA and actually the EBITDA what has been generated in Symphony India now clearly, Climate Technologies is value accretive. Coming to IMPCO Mexico. It has registered robust topline growth from around ₹ 75 Crores to ₹ 103 Crores and EBITDA of ₹ 13 Crores, while PAT of about ₹ 8 Crores and GSK China, topline of ₹ 38 Crores**,** which has been badly impacted. It is increasing the rate at EBITDA level, which is negative ₹ 2 Crores, versus negative ₹ 3 Crores a year before and cash loss excluding interest paid to Symphony India on the loan is about ₹ 6 Crores and below that the financial ratios for CT, IMPCO and GSK, which are by and large in line with previous year but EBITDA margin in Climate Technologies now stands at 10% up from 4% and cash profit margins ends at 6% up from 4% and we clearly are convinced that Climate Technologies has a great potential in terms of the growth and performance.

So coming to March 2022 i.e. Q4 Consolidated. Gross revenue is ₹ 400 Crores, up from ₹ 345 Crores. EBITDA is ₹ 98 Crores. In absolute value, the gross revenue as well as EBITDA is the highest ever and profit after tax ₹ 64 Crores is also the highest ever. So as I shared earlier, partly the profitability as well as EBITDA and PAT margin because of that accounting entry and sharing of the profit which is CT and Symphony, and too that extent, they are impacted, but it should be seen at the Consolidated levels. So again much of international business is skewed towards March quarter and hence in March, the international business contributed almost 56% of the topline amounting to ₹ 214 Crores out of consolidated topline of ₹ 384 Crores. While Symphony India's topline is ₹ 170 Crores down from ₹ 174 Crores, so this ₹ 170 Crores is Symphony domestic sales and that contributed 44% of the topline at Consolidated level. While PBIT of ₹ 59 Crores, out of ₹ 92 Crores, was generated from international business, the domestic business generated ₹ 33 Crores i.e. still 36% of the Consolidated PBIT in March 2022.

Coming to profitability ratio. Gross profit margin percentage stands at 46%. EBITDA margin at 24% and PAT margin at 16%. Symphony Standalone, so gross revenue is ₹ 263 Crores up from ₹ 220 Crores as explained earlier on account of exports to USA. EBITDA at ₹ 60 Crores and profit after tax at ₹ 43 Crores and at standalone level, gross profit margin stands at 42% versus 48% year before. The difference and the reasons were explained earlier. EBITDA margin at 23% versus 31% and PAT margin stands at 16%.

Now coming to outlook and the visibility what we have. We are certainly quite upbeat on domestic as well as overseas business not only in terms of the topline but also the profitability. We believe that despite massive increase in input cost and logistic cost, at current level of input cost, our standalone GP margin percentage in June quarter should be around historical level. Having said that we are certainly keeping a very close watch and quite agile to fluctuating input cost, logistics cost as well as supply chain. Because of our operational subsidiaries and ground presence internationally, we have passed supply chain challenges as well as logistic challenges and they have really helped us. So, in some of the models which we were manufacturing in India for Australia, we have started manufacturing those models in Australia because logistic costs from India to Australia was much higher vis-à-vis material cost. Same about IMPCO Mexico and IMPCO Mexico is now also catering to Latin America and to that respect, in fact we are also quite competitive vis-à-vis many Chinese players. Increasing traction for LSV is driven by new products, much better cost structure and above the line advertising spends. So about new product launches, Surround and Duet. Duet, apart from India, has received overwhelming response even in US. These are exclusive D2C products, in all six products. So our D2C store offered different models to minimize conflict between GT and other channels, and very shortly, we are launching exclusive D2C products, one Disney range that is Frozen and Cinderella and Marvel range which is Ironman and Spiderman. Under LSV, VENTI-COOL. In our overseas subsidiaries, Roof Mounted Air Coolers and MovilXL were launched.

Advancing ESG agenda. As our product itself is environment friendly, our offices are also environment friendly and we are quite stringent in all the core dealings in respect of the planet, the business and the people. There is unparalleled commitment to the respect of energy conservation, energy efficient products as well as improving carbon credits. So also embracing socioeconomics within Symphony by CSR for some of the important activity also we believe people are the biggest asset, the company's sustained improvements being attributed to the overall culture, ambience, ethics, dedication, energy and agility of the people. Work environment and HR processes are such so as to help continuous creativity and teamwork.

Coming to Corporate Government philosophy. even before Governance became a buzz word, Governance has been in DNA and blood of Symphony and very clearly, Corporate has a duty to adhere much beyond compliance, so whether it is ethics, integrity, hygiene of financials. Apart from that, despite company law permits, audit committee as well as nomination and remuneration committee consist of 100% independent directors. We do have Board approved various major policies, also uploaded on the Company's website, and across the functions, we do have operational manual self-control check list with the supervisory system of control.

So, this is advertising campaign for summer 2022. So these are some types. Left hand side conveys cooling at the cost of one cup of tea, second one at the cost of Khaman which is famous food item in Ahmedabad and Gujarat and so on and so forth and these have relatively received good traction. TV commercial in household category. These are not television commercials. These are going to be news in social media by our dealers, so may be getting each of dealers as it says his name and then he will sort of circulate it in social network. So we do have a D2C brand store and it has been completely uplifted in all respect. And shareholder profile. Thank you. So, we are open for question and answer.

Moderator: Thank you very much, Sir. We will now begin the question-and-answer session. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Hi! Sir, good evening thank you for the opportunity. My first question is that when we look at the domestic part of the business given what kind of a temperature country is seeing right now, can you throw some light with respect to two things. One is obviously you said April is highest ever sales, so generally in your view what kind of a growth you are seeing for the industry for the cooler market as such and how is the inventory positioning now in the system that is my first question?

Amit Kumar: Nitin thanks asking questions. As you noted rightly. The April sales has been the highest ever that we see both in terms of our own history as well as the overall air-cooling industry and why only air cooling, it is an air conditioning business**.** We are seeing all kind of cooling products. It has been a very good quarter, but what is very exciting for us, the summer this year has been early, in March especially in the south and central part of the country. There have not been much of intermittent showers and in many parts of the country, we are hearing temperatures getting records for decades, more than century kind of, but even if you look at let's say 2019 summer period which was also one of the seasons when the overall air cooling product sales was pretty high. Our sentiment as of now is the season is going to be substantially better than 2019. I would like to highlight that in terms of how companies like Symphony that we need to take into account the fact that there was a lot of pent up investment in the channel that is also getting cleared during the season so sales through the channel for the last two years some of that only was getting into channel which is getting cleared now so the kind of growth I am talking about the primary sales that the company do but the kind of a tertiary sales that we are seeing currently in the market.

Nitin Arora: So inventory as of today would be down closer to let us say 15, 20 days we will have strong sales or it is full at one month plus if one has to conclude on the inventory side?

Amit Kumar: So overall the way we see the inventory possibly reported inventory sales during the entire three months over that we see today is inventory of around 3 weeks.

Nitin Arora: My second question is the export sales which we are doing with the Climate Technologies from India it looks like the margins diluted to the standalone now because whenever your share of revenue goes up your margin diluted I understand you have to keep the profitability at the subsidiary level as well, so I want to understand two things here. One is the understanding correct what I am asking you on the share of proportion of Climate going up the exports the margin dilutes further and second in this quarter any margin impact there or is it purely because of the mix the margins have come down?

Nrupesh Shah: So, 2021-2022 including the recent quarter that is March 2022 quarter, domestic sales were subdued and that was on account of back-to-back COVID summer and COVID years. So certainly, international business has turnaround, doing well now, but no way it is at the cost of domestic business and domestic business now is poised for decent growth and performance. The point is hadn't we diversified and remained domestic and if we exclude that pile of business in FY2021-22, our profitability would have been almost 40% lower. Secondly even if we consider now return on capital employed on international business that is also quite descent. Coming back to domestic business, I have mentioned earlier, in June quarter, at a current level of input raw material cost and logistic cost, our profitability margin percentage should be by and large in line with historical GP margin percentage as well as EBITDA margin percentage for India business.

Achal Bakeri: Of course, the margin appears a little muted at India but then you have to see the whole thing at a Consolidated level.

Nitin Arora: I got it, it is more of a mix impact which we can see continue if obviously a domestic will bounce back I am not saying it but just on an calculation perspective if my share of revenue goes to CT from domestic the margin eventually on a calculated basis they look optically lower.

Achal Bakeri: At the India level. But you have to see at the Consolidated level.

Nrupesh Shah: Secondly in FY2022, export to CT and USA percentage wise was very high because India business was low. So despite decent growth in export to CT as well as US, that percentage will not increase. If at all, it will come down. So, it is an impact of numerator as well as denominator. Denominator will obviously increase as India business will grow.

Achal Bakeri: The higher margin India business will grow as we go forward so when I take the denominator will increase.

Nitin Arora: So let us say if this mix would have been not there what is your EBITDA margin in that case for a domestic business because this mix is impacting you, so what we are trying to understand are two things here one as you understand there is a mix because you have to maintain the same from here profitability at the standalone as well as at the subsidiary level, so at the consolidated level it is fine the profitability still looks optically muted compared to the overall number what I am trying to understand is, is there a margin pressure also because of the commodity which has impacted the domestic margin or will that impact will come in the next quarter so if you can help us understand what would have been the margin in the domestic business at the current 170 Crores of domestic sales?

Nrupesh Shah: The gross profit margin percentage at a run rate of slightly in excess of 47% for the quarter from domestic business, which has been impacted by the commodity prices and if that has not been the case it would have been higher by 3% - 5%. Having said that, it is a cost of repetition, the June 2022 quarter, it is expected to be couple of points higher than 47% in June 2022 quarter domestic business.

Nitin Arora: This is helpful Sir. Thank you very much for all the answers. I will come back in the queue. Thank you Sir.

Moderator: Thank you. The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: Good evening gentlemen. Thanks for the elaborate presentation. I have a couple of questions. First given that we have seen a very, very strong month of April could you comment on the price gap which is there now between your RM and the price that you are selling now, so basically have you passed on all the price increase that you have or there is still some cost that you all are absorbing that is the first question?

Achal Bakeri: No, we are absorbing some cost we have not been able to pass on all and the only reason being that the price increases have been constant. So based on price let's say in February, we sort of do our pricing, our cost increase in February, we do our pricing again, suddenly the price also goes up. We cannot keep on repeat price increases over and over again. So primarily that has been the reason why we have not been able to keep passing this. Even in the month of April, there were cost increases. Commodity cost increases or basically raw material increases. You cannot just keep on changing your prices frequently in business like ours which is a consumer business. So we certainly have absorbed quite a bit of the cost increases.

Rahul Gajare: Your gross profits have got impacted but do you think that during the course of the year you will be able to catch up on the pricing or you think that is something which is difficult once the season is behind?

Achal Bakeri: No, So for the next year, it is only happening in the next quarter if at all and you have to see what net costs are at that time, if there is a cooling off and if the cost go down, then it is a different story but otherwise whatever we do will have to be basically now put into effect, when we have such a large inventory always available in the market difficult to change the pricing.

Rahul Gajare: I understand that is right. Sir my second question is on your overseas performance we have seen an improved performance in IMPCO and Climate Technologies and your China business as well, but you have indicated even the US business have done exceptionally well could you list down a couple of points what exactly have led that improvement, I have to understand we have seen heat waves in various parts of the world but specifically since you have said US have done exceptionally well what it is that has played well for Symphony in that market whether the market has grown or you have taken market share from the competition, do you think this is a onetime move or you think this kind of growth is going to be sustainable both on the revenue and profitability so if you can just comment on this aspect? Thank you.

Achal Bakeri: So as far as the US is concerned, Climate Technologies had the business relationships, but did not really have a very wide portfolio of products. So with some of the Symphony models being offered to them who are selling in that market maybe we have to offer a wider sort of bouquet of products to their customers. So essentially it is from that, that is having more products to offer for different segments and at different price points where earlier they were limited by a couple of sort of SKUs that they had to be in the US market now they have got 51 SKUs to offer, so I think essentially it is just having the relevant product portfolio to offer in that market.

Rahul Gajare: Do you think the market itself has grown the US market?

Achal Bakeri: US market we believe it has grown especially because of COVID, but the important point is that we have been able to dislodge some other suppliers or some other manufactures in that market. Even at this level, our market share in the US is very, very small, so there is significant headroom for growth and the market has also grown. The point is that our market share is so low that we have significant headroom for growth and that too very profitable business.

Rahul Gajare: Growth in market share will be a function of if you can see more products or what do you think is going to drive the next leg of market share improvement in the US market?

Achal Bakeri: It is a combination of both products and new customers.

Rahul Gajare: You have also mentioned that you started more manufacturing in Australia so what is happening on the US side there is a large part of export in terms of logistically both US and Australia is going to be similar in terms of logistical part so just wanted your thoughts?

Achal Bakeri: Last year in fact we had re-located some manufacturing from China to India, from Australia to India, to supply to Australia or the US which we have had to, sort of, rework on that. So we are sort of now relocating some manufacturing to Australia for the Australian market and to Mexico for the US market and Mexican market because of manufacturing cost overall manufacturing cost per labor in India is lower in India but the logistics cost would far outweigh the savings in manufacturing cost, now we are going back closer to the market.

Rahul Gajare: Sir my last question is on the provisioning. I think you have mentioned about ₹ 5.5 Crores of provisioning I could not understand what exactly was the provisions part?

Nrupesh Shah: No, certain trade scheme has been offered whereby Symphony air coolers have to be supplied, but as per accounting standard and practice, we are asked by the auditor to get the provision for the entire value and not for the cost of that, so that has resulted into an extra provisioning of ₹ 5.5 Crores in March 2022 quarter and that is on domestic sales, so as soon as those air coolers will be supplied and sold and delivered, it will be reversed.

Rahul Gajare: That will happen in the current quarter?

Nrupesh Shah: Yes, mostly in the current quarter.

Rahul Gajare: This is noncash charge basically?

Nrupesh Shah: That is right and coming back to US and international business. We have already launched in a small way D2C in Australia as well as Mexico and very shortly, we are launching in US. On top of it in US, we are also going to be active for e-commerce so that will also happen in current accounting year.

Rahul Gajare: Thank you.

Moderator: Thank you. The next question is from the line of Omkar Kulkarni from Sri Investment. Please go ahead.

Omkar Kulkarni: Yes, I joined the call little bit late so just wanted to know what are your expectations from the current summer, which is going on, seems to be a much, much better summer?

Achal Bakeri: Yes we have already covered that.

Moderator: Mr. Kulkarni you have any other questions?

Omkar Kulkarni: Yes, just wanted to know what happens to the buyback which you have talked about earlier?

Achal Bakeri: We are probably considering that in the current year.

Omkar Kulkarni: Current fiscal year?

Nrupesh Shah: Yes, but in FY2022 itself including the final dividend declared today, the total payout ratio is about 52% for FY2022 PAT. So payout is dividend and on/or buyback, so payout is happening.

Moderator: Thank you. The next question is from the line of Shantanu Chatterjee from Mount Intra Finance. Please go ahead.

Shantanu Chatterjee: Thank you very much Sir for providing me this opportunity. I have couple of questions. Want to know what is the percentage contribution of your industrial cooler segment in the Q4 revenue and FY2022 as a whole and how much growth we are envisaging in the next couple of years for this industrial cooler segment?

Achal Bakeri: So the industrial cooler segment has grown significantly in the current year over the previous year. It is at its highest ever and so it has sort of gain momentum, very good traction and we expect it to continue growing going forward. However, at the moment, it is still relatively small percentage of the total revenue and so an exact percentage is something which we may not be able to share, but it is still not a significant percentage.

Shantanu Chatterjee: What is our present capacity utilization?

Achal Bakeri: So in our case capacity is a very sort of I would say difficult term because our capacity is in one sense fairly flexible. To increase capacity, we have to identify one new set of third party manufacturer and investing in some new moulds. So our capacity is fairly flexible, it can go up, it can go down, so the typical sort of measures of capacity utilization does not quite apply because of our business model.

Amit Kumar: That said**,** on some of our models, at this point in time, we are over oversold and to that extent on them, we are running at more than 100% of the capacity at this point in time that we have been talking about.

Shantanu Chatterjee: Okay Sir that means we need not to be invest anything in the capex in the upcoming quarter or year?

Achal Bakeri: No, we keep on investing in capex more for new product, new model so that is an ongoing process if you look at our balance sheet for the last several years, every year we keep on investing certain investments nothing sort, of are not huge investments. It will be ₹ 5 Crores, ₹ 10 Crores, ₹ 12 Crores kind of investment every year so that is not significant.

Nrupesh Shah: So, ours is a capital light asset light business model on account of OEM manufacturing. So it is just above single digit percentage of the PAT.

Amit Kumar: The investments in these assets are less about creating new capacity and more about creating new models, new features getting new value propositions to the market, so they are less from a capacity perspective and more from a value proposition perspective.

Shantanu Chatterjee: Understood Sir and my last question as we all know that Symphony commands more or less 50% on value terms and 42% more or less on volume share in India's organized air cooler market but overall volume is still hovering around more or less 15%, 16% now in the post GST shift in the market from unorganized to organized players and ongoing pandemic scenario how much volume growth we are expecting Sir in the next couple of quarters?

Achal Bakeri: GST has not led to major shift of the unorganized to the organized sector in our industry and neither has the pandemic sort of had a major impact on that. What we have relatively seen is what impact does the commodity price increases and how the commodity price increases impact to the industry or the unorganized sector industry that is something which we will do in the times to come. As far as market share is concerned, the second wave more peaked during the summer. Not only Symphony but the entire cooling industry has shrunk but within that sort of shrunk industry our share has remained the same.

Nrupesh Shah: Shift from unorganized to organized it is on account of other reasons like increasing purchasing power to rural prosperity, better aspiration that is really driving shift from unorganized to organized and that is happening continuously.

Shantanu Chatterjee: My last question is in domestic market what is our present distribution reach and how much growth we are anticipating in FY2023.

Achal Bakeri: In a country like India you can keep on growing your reach. Even a company like Hindustan Lever talks about increasing its reach so I think for companies like us the potential to increase our reach is significant, we can keep on deepening our each for years to come so I think that is given.

Shantanu Chatterjee: Thanks a lot for answering my questions.

Moderator: Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thanks for the opportunity. Thanks for the detailed presentation that was very helpful. Secondly if we look at the domestic business standalone business and we look at the export revenues that is rest of world revenues, so those include sales done to subsidiaries as well is this understanding correct the three subsidiaries?

Nrupesh Shah: Right.

Manoj Gori: Also would like to understand like how do we account for the subsidiary sales like if something is sold to US so that would be accounted in standalone business or it would be so ideally it should be in Climate Technologies if it is done through Climate Technologies?

Nrupesh Shah: If we supply at ₹100, sales in symphony India will be booked at ₹100. Climate Technology sales at ₹140, in Climate Technologies it will be booked at ₹140 and it will register profit of ₹40. Having said that when accounts are consolidated that is Symphony India and subsidiaries, the sales is ₹140, Symphony to Climate Technologies ₹100 is net off. Not only that if there is any stock in transit for Climate Technologies, even that is also deducted so that is how it is work out.

Manoj Gori: That was very helpful. Sir one question so you gave a lot of explanation about the demand, so how should we look at the margins going forward I think it would be better to look at the consolidated level so should we expect like given that it is a normal business environment, domestic markets are doing very well so probably operating leverage and some price hikes from July onwards should lead to better profitability and margins for the next year?

Nrupesh Shah: That is right, in fact in June quarter itself as this being season and we do not discount the product and at current cost level, June quarter itself at a standalone level also should register better profitability.

Manoj Gori: Sir lastly would just like to touch upon see there are few categories where we have started witnessing some supply challenges in terms of component sourcing as well so are we cover for the entire summer season probably till June, July if required and there would not be any shortages at least that can adversely impact our primary sales?

Achal Bakeri: That is correct Manoj you can by and large assume what you said, but at the same time what Amit Kumar said a little while ago there are some models, range of models where the demand is far greater than our ability to produce. So there, we have a significant backlog but that is a different issue. As far as component sourcing is concerned, we are fairly well covered.

Nrupesh Shah: And in fact in the last two years also did Made in India so many, many components we shifted from China to India in terms of the sourcing and at a comparable price and quality.

Manoj Gori: Lastly you touched upon some of the models witnessing strong demand and we have been facing supply challenges because you are not able to meet the demand in such a scenario do, we actually lose sales or we try to convert it into other models or how does it pan out at the ground level?

Achal Bakeri: So we do try and convert as much as possible to other models for sure, but there will also be some loss of sales and the worst thing is that our work also becomes a competitor's gain, so to some extent that would also happen.

Amit Kumar: To Convert consumer from one model to the other also comes from our strength having such a wide range of model so vis-à-vis sort of personal coolers, desert coolers, any kind of sort of value offering the 50 plus products that we have is simply unmatched by any competitor, so part of that and the one model to the other happens and in some cases, it ends up being a case of consumer.

Achal Bakeri: You have also asked a question about the margins for the current quarter. The current quarter, we will also not have significant exports to our subsidiaries, so by and large the majority of the sales would be to India, within India and also to third party customers outside India, so not to subsidiaries so our margins will also therefore be a little higher than in the previous quarter which was highly skewed towards exports to subsidiary.

Manoj Gori: Great, got it Sir, very thankful Sir and wish you all the best.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi! Good evening Sir. My first question is on the exceptional performance that we have delivered in the international business. It seems that we have recorded pretty strong margins both at the standalone entity, the exports that we made to Climate Tech as well as we ended up recording good margins at subsidiary level as well, so how sustainable do you consider this performance to be and as you mentioned that you are now relocating some manufacturing facilities back to their original locations does it mean that there could be some more margin benefits which may come through over the next few years?

Achal Bakeri: Yes, and yes, so to both your questions yes. So first of all this is absolutely sustainable. What was sort of unsustainable, was what happened in the last two years because of exceptional circumstances, this very honestly is back to normal and if you exclude the last two years this is what it was, so for years-on-years this is what it has always been so we are just back to normal, so it is very much sustainable and by relocating manufacturing closer to the market also there will be some improvement in margins for sure.

Nrupesh Shah: In response to your specific question of international business profitability now we are very much confident and there is excellent visibility of decent growth with good profitability coupled with domestic business.

Achal Bakeri: When we acquired IMPCO, Mexico many, many years ago we were able to turn it around fairly quickly and it became value accretive very quickly and of course we had also paid very less for it but regardless, it became value accretive fairly quickly. Australia we paid for our top model for it and then post acquisition things did not quite sort of go as expected or else we were sort of yet to believe before we bought the company, but as Nrupesh Bhai said finally now after four years the titanic has turned and we are able to sort of put the company on track and it is finally value accretive four years after the acquisition and going forward we believe that we will continue to sort of improve on its current performance.

Aditya Bhartia: Perfect that is great to hear Sir. Sir my second question is on employee expenses which have been going up sharply in the last few quarters just want to understand which are the new teams and capabilities that we are building?

Amit Kumar: Aditya thanks for noting that point it is something that we are very, very cognizant of and very successfully doing. So some of the new teams that we have focused on building in the current year, they include one our D2C teams and this D2C not only for India but for D2C in Australia and Mexico which we already talked about and going forward even in the USA so this is one team we are building completely from scratch and team members have been on-boarded and they are working fully in this area. We have also built a parallel global e-Commerce team again a completely new vertical that we had built which will help us expand business on e-commerce channels as far as we grow. We have identified the countries for this financial year FY2023 where is an initial e-Com with the help of the team. In addition, we have strengthened our team in marketing in LSV and in IT, so all of these teams again given the kind of expansion we are seeing and the kind of future challenges we are anticipating, we have strengthened these teams substantially at the top.

Amit Kumar: Even international whether it is Brazil or some other countries.

Nrupesh Shah: So, they are sort of revenue expenses for the year, but might for future growth and expansion,

Achal Bakeri: Future meaning we are talking this year currently.

Aditya Bhartia: Understood Sir that is good to hear and lastly one thing that you are also noticing is that inventory levels have gone up in this particular quarter which is very unusual for a company like Symphony so just want to understand if that is a conscious call to operate with higher inventory mainly keeping in terms with rising RM cost?

Nrupesh Shah: No, in fact now we are regretting if we had a much higher inventory, it would have been better. So by the way obviously this was expected to be COVID free summer and hence there was inventory buildup expectation of that, whether at Symphony India level or at subsidiary company level.

Achal Bakeri: Again the numbers that we are talking about are basically end of March. As we speak today, things are very different.

Aditya Bhartia: Understood Sir thanks for all these clarifications all the best.

Moderator: Thank you. The next question is from the line of Khadija Mantri from Sharekhan. Please go ahead.

Khadija Mantri: Sir I just needed two clarifications one is that what is the inventory days I heard that you said that it is about 20 days at the dealers end so just wanted to confirm that and also whether we would be taking any more price hikes in this particular quarter April to June?

Amit Kumar: Right so on the first part, it is an estimate. You would appreciate that given the kind of velocity we are seeing in the market the distributor and dealer is but at this point in time our estimate is that about 20 days i.e. three weeks is broadly what is the channel inventory out there in the market despite what we hold so that is the first part. The second part is we talked about the cost pressures we are seeing on the raw material side in context of that a thought around whether to take price increases but at this point of time I do not think we can.

Achal Bakeri: No, she is talking about the current quarter. This current quarter may be difficult because always we have seen a material out there in the market.

Khadija Mantri: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from ValueQuest. Please go ahead.

Chirag Lodaya: Thank you for the opportunity. Sir can you clarify India business current profitability it would be really helpful and you mentioned that in coming quarters you will be back to pre-COVID historical level profitability you alluded to gross margins which will improve, but if you can just help us understand core domestic business profitability how one should look now with revenues coming back to pre-COVID levels and situation improving after like three years?

Nrupesh Shah: We already answered that, but in March 2022 quarter itself, Symphony India domestic sales that is excluding exports mainly to subsidiary company our GP margin was about 47%. Secondly in June quarter at current raw material and logistic cost, the visibility in GP margin should be couple of points higher than this.

Chirag Lodaya: No, what I am trying to understand is operating profitability so historically we used to do say 28%, 30% domestic margin now because of exports coming in, standalone, etc., it is very difficult to understand the core domestic profitability and on top of it last three years were very weak so I understand that, so going ahead what should be a sustainable range if you can help us understand?

Nrupesh Shah: I believe in current quarter that is in June 2022 quarter itself, one domestic sales in India itself would be substantial business. Secondly there will be a full price realization and thirdly, also on account of operating efficiency because there will be higher topline so that should by and large EBITDA margin while you say operating margin percentage should be by and large in line with historical level.

Chirag Lodaya: My second question was on international business if you can help us understand in international business what kind of growth we can achieve and with 11%, 12% profitability which we have attained is it a number we should look going ahead also or there is lot of headroom to grow this margin also?

Achal Bakeri Certainly there is headroom to grow because as we sort of we keep on improving our operations especially in the Australia, US subsidiary, as we keep on increasing the topline, reducing the COGS, reducing the CODB and we have specific sort of measures that we are in the process of taking. So there is a lot of need to improvement in the profitability, as we have seen even from last year to this year there has been a sharp increase from ₹ 13 Crores EBITDA to ₹ 38 Crores so this is something which will further go up in the current year.

Chirag Lodaya: In terms of growth Sir?

Nrupesh Shah: Total international business that includes subsidiaries and export from India generated PBIT of ₹ 70 Crores up fron ₹ 11 Crores so almost 39% of the consolidated PBIT and there is a good scope to grow in that respect. Secondly this is despite massive increase in commodity cost and other cost even in international subsidiaries, so it was also on account of several other initiatives and measures which were taken and implemented in last couple of years this has been achieved.

Chirag Lodaya: Sir in terms of growth if you can highlight how we should look at international business growth?

Achal Bakeri: No, it will be difficult to sort of give you a sort of a forecast of this, but we expect that in different geographies for us to grow.

Chirag Lodaya: Thank you and all the best.

Moderator: Thank you. Ms. Renu Baid over to you!

Renu Baid: Thank you. Well on behalf of IIFL Securities I would like to thank the management for the detailed presentation and the patience with which they have answered all the questions. So with these comments any closing remarks that you would like to give before we close today's conference call?

Achal Bakeri: First of all thank you very much to everyone, to IIFL and to all the participants for their interest and for their participation. As I said in my opening remarks, this year sort of marked the turnaround of our international business and validation of our strategy of international diversification and derisking through international diversification, so as far as India goes we sort of remain committed to the air cooling we have also recently introduced tower fan which was shown in the presentation and we intend to grow these categories not only in India but across the world so we want to remain focused on this and the opportunity exists everywhere in the world, it is a matter of entering new markets and offering new products for different segments and at different price points. So had a few troubled years, but not only us but the world at large and we hope that that is all behind us and we can go back to cooling the world.

Renu Baid: Thanks much and thank you all the participants for taking time out this sunny afternoon for the conference call with Symphony. Thank you and all the best.

Achal Bakeri: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Securities Limited that concludes today's session. Thank you for your participation. You may now click on the exit meeting to disconnect.