"Symphony Limited Q2 FY-22 Earnings Conference Call"

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MODERATORS:	**MR. MANOJ GORI – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Symphony Limited Investor Meet. At this moment, all participants are in listen-only mode. Later we will conduct a question-and-answer session. At that time click on the raised hand icon on the toolbar at the bottom of your screen or click on the Q&A tab on left side of your screen. If you have any technical difficulty, please use the assistance icon present at the bottom left of your screen. I now hand over the proceedings to Mr. Manoj Gori from Equirus Securities. Thank you and over to you sir.

Manoj Gori: Thank you. We welcome you all to Q2 FY22 Results Earnings Call of Symphony Limited. We thank the management for giving us this opportunity to host the call. We have with us from the management team represented by Mr. Achal Bakeri – MD and CEO, Mr. Nrupesh Shah – Executive Director. I now hand over the call to you for your opening remarks post which we can take questions from the participants. Over to you sir.

Achal Bakeri: Thank you very much, Manoj. A warm welcome to all participants to this afternoon's conference call. Thank you for your presence and thank you for your time.

This is Achal Bakeri. I am the Chairman and Managing Director. With me are Mr. Nrupesh Shah – the Executive Director (Corporate Affairs), Mr. Amit Kumar – Group CEO and Executive Director, Girish Thakkar – the Group CFO and Deval Shah from Investor Relations and the rest of the team.

I will request Nrupesh Bhai to explain the financial performance to everyone, post which we are all standing by for the Q&A. Nrupesh Bhai, over to you.

Nrupesh Shah: Welcome to Q2 FY22 Symphony's standalone and consol performance. We will take you through a brief VC presentation. There is our customary Safe Harbor statement. As most of you know Symphony has a portfolio of 7 global brands with the flagship brand of Symphony.

To talk about last quarter and first 6 months performance as shared earlier and as all of you know, unfortunately second wave of COVID-19 again stuck during summer of '21, which happens to be the peak customer sales for Symphony India. Back-to-back second summer really has impacted the performance. On account of that, there has been a large trade inventory, however as you would've observed, despite massive increases in input costs, as well as freight costs, not only on our standalone basis, but also on a consol basis for September quarter as well as June quarter, we have very well maintained our gross profit margin percentage in the vicinity of 48% and in fact, on our consol level, gross profit margin has improved by two percentage and this has happened on account of continuous and vigorous value engineering, cost rationalization and also selective price increase. But in a way, by having minimal price increase in maintaining the gross profit margin, we are maintaining our overall competitive edge.

Starting last quarter, we have intensified our focus on Industrial and Commercial Air Cooler by grouping it into Large Space Venti Cooling and there are some slides to come, and I will deal with it later. It's not really a change of terminology, but many initiatives, have been already taken under that.

Also starting April, '20, we were first company in air cooler industry and probably the first ever company in consumer durable company in the country, whereby on account of stringent lockdown, just in about fortnight, we have initiated D2C, which further viewed in summer of '21. Now we have re-energized our focus on D2C and also creating the separate teams and also very able functional head has been appointed.

As you would have seen in consol performance unlike first half of 2021, there is a dramatic improvement in Climate Technology, as well as Impco performance. Of course, GSK China is still drag on overall performance. And on account of improved performance in first half, of course, below normal year and also decent amount of treasury the Board of Directors have announced 100% interim dividend, that is Rs. 2/- per share.

As far as the outlook is concerned, we are cautiously optimistic for ensuing quarters as well as December. Probably the worst maybe behind Symphony and this is on account of series of initiatives which we have taken during last 18 months. So, in a way during that slack period whether in terms of the new product development, value engineering, substantially improving the trade network and also it seems that, festivals like Diwali season are likely to give much better and that should improve the trade and consumer sentiments and it may be also helpful to clear the trade inventory.

We are penetrating more and more into semi-urban and rural markets and despite massive increasing input costs, unless some further major accidents take place, we are reasonably confident to maintain the gross profit margin percentage on standalone basis as well as consolidated basis. However, as it is known, domestic and especially international logistics continues to be a major constraint. So, despite we are sitting on large orders from US, we are keeping the fingers crossed in that respect. However, our major export order, especially to subsidiary company and the rest of the places by and large are on FOB basis.

Starting September quarter, there is a Large Space Ventilation-Cooling division, converted from industrial and commercial segment and it is the concept of not only air-cooling, but also ventilation. So, this is the only cooling appliance, which serves both the objectives. And we have also enhanced the product range and now we have a complete range, in the sense it makes way the model availability to the demand of offices, shops to mid-size and large-size factories, as well as warehouses and many other applications.

We have launched two new models mainly to cater 200-400 sq. ft. and 300-800 sq. ft. ventilated space. So, our cooling campaign in the space. Even though, there is not huge turnover from this space, however in terms of number of installations in last 7 years, the cumulative installations have increased from just about 100 to 3,400 across the segments. These are two new launches in last quarter. Also, many, many accessories of centralized inducted air cooling, now we have standardized, which will facilitate in terms of installations, service after sales as well as availability and also improving the performance. And with this there is a complete product portfolio in the category, and these are some of the global as well as domestic customers where we have provided the solution.

As talked earlier, we do have dedicated D2C Brand stores and it goes much beyond just creating the website and selling under D2C.

Coming to quarterly financials, for the quarter on a consolidated basis gross revenue stands at 229 crores, that is the growth of about 15% vis-à-vis last year. Of course, the base was low and coming to EBITDA, it is up from 35 crores to 48 crores and profit after tax is almost double from 15 crores to 30 crores. And coming to standalone performance, the standalone top-line stands at about 149 crores versus 120 crores registering a growth of 24% while profit after tax has grown lower than the top-line growth that is 17% up from 27 crores to 32 crores. Gross profit margin percentage stands at about 45% on a consol basis, this is on a consol basis the highest, while on a standalone basis it is very much in line with June quarter, that is summer season where our realization is the highest and also in line with the first six months of last year that is 48%. While EBITDA margin stands at 21% on a consol basis and on a standalone basis it is 29%. So, this is about half yearly performance, standalone gross revenue grew from 170 crores to 262 crores, while PAT has grown from 28 crores to 39 crores and consolidated gross revenue grew from 361 crores to 467 crores up by about 27% and PAT has increased from 17 crores to 36 crores. While gross margin percentage on a standalone basis stands at about 48% for the 6 months and on a consol basis it is about 44% up by 2%. This is the geographical breakup of sales within the country and rest of the world. Treasury stands at about 638 crores excluding equity investment and loans and advances to subsidiaries. Thank you.

Moderator: Ladies and gentlemen will now begin the question-and-answer session. The first question is from the line of Kunal Sharma from SMC Private Wealth. Please go ahead.

Kunal Sharma: A couple of questions I have. Firstly, I just wanted to ask, we are keeping increasing the international business and then now we are contributing more than 50% and the domestic business going down to 48%. So, are we focusing on the international business or when we would like to revenue contribution from the international business to 52%?

Nrupesh Shah: Of course, now international business contributes about 50%, but it is because our standalone business is down, not only last year but current year also on account of COVID during summer there has been a de-growth. However, on account of three major acquisitions and also growth of Climate Technology, secondly, international business will keep on contributing in the range of 40% to 50%. Importantly now we are also driving international business profitably, which was not the case earlier.

Kunal Sharma: Like, in the domestic we are actively reducing the dependency on the domestic market. So, are we facing any competition or losing the market share from the domestic market, or it is just an opportunity?

Achal Bakeri: We are reducing the dependence on the domestic market. That is not a conscious thing. We are just expanding our sales in every market across the world where we can. The way we view this is, the world is one market, the opportunity exists almost everywhere across the world. We happen to be in India and India just one more market out of more than 200 across the world. It isn't that we are reducing our dependence on India and increasing our focus on international business. Our perspective has always been very global in this category. We are specialist, we believe that we are a single technology company, but operating in multiple markets, India being one of them. As we expand more into other markets, it is just a mathematical outcome that the percentage of sales in India would appear to be lower, although even if the sales in India in absolute numbers increases.

Nrupesh Shah: And in a way by adopting this strategy, we are de-risking the business, in terms of the geographical diversification and hence seasonality and more and more, India is becoming the manufacturing hub with all our international subsidiaries also. So, as we successfully did for Impco Mexico last year, substantial manufacturing for Climate Technology Australia, as well as United States market is happening from India.

Moderator: The next question is from the line of Renu Baid from IIFL Securities, please go ahead.

Renu Baid: My few questions here, first is essentially on the business, help us understand, the pickup has been reasonable but when we look at, the core business, can you help us understand how has been the response from the dealer network in terms of your annual dealer addition activities? What is the quantum of YoY growth, in case if I missed in the opening remarks? And given that this year there seems to be more back-ended purchases from your channel partners, what is the broad expectation that the cheer and the festive demand that we have seen should continue or for the core of summer season in the domestic market as well?

Nrupesh Shah: No, certainly dealers and distributors are sitting on inventory, but through variety of sales and marketing initiatives, we are doing their handholding. Even though in the quarter or in first six months when we saw de-growth, but in September quarter, our market share in terms of the collection would be more than 80%, that's number one. Number two, as far as enhancing the dealer and distribution network, that is a continuous exercise, but especially in last two years, there has been a substantial focus in terms of the rural and semi-urban market coupled with e-commerce and D2C.

Renu Baid: Broadly the kind of growth that we have seen in the current quarter should be sustainable for the second half of the year which should see more seasonal revenues picking up for us?

Nrupesh Shah: That's what the current visibility is.

Renu Baid: Secondly, if we check, as in the last time we had mentioned that we are expecting to see increased component sourcing and supplies from India for, CTL. But if we look at the exports or the revenues from rest of world for the current quarter in standalone account is barely a crore and its lower on YoY basis, so is there a timing mismatch in terms of supply chain component shipment from India or there is something else to this?

Nrupesh Shah: No, no, absolutely. They are more skewed towards December and March quarter. So, not only we will see decent numbers in December and March quarter in the respect of exports from India, but YoY we expect major growth and performance in that respect. It is a timing issue.

Renu Baid: Largely, if you can also share some of the comments on the performance of key subsidiaries, I'm not sure if those numbers were shared at the start of the call, I missed them. How has been the individual performance of key subsidiaries CTL, Impco and China, at least on a half yearly basis if we have those numbers to be shared? At revenue EBITDA and PBT and PAT level.

Nrupesh Shah: This question was expected from Renu. So, we have kept the figures handy. So, for Climate Technology on a half yearly basis, turnover wise it is 131 crores versus 130 crores last year for six months. Gross margin is 52 crores versus 43 crores and coming to EBITDA it is positive 6 crores versus negative 10 crores and at PBT level it is -4 versus -21 in April to September '20.

Achal Bakeri: On Climate Technologies, this is despite the fact there's been a very sharp increase in input costs and more importantly of freight costs whether from China or from India, which has at the beginning of the year, as per our budget, the bottom line performance would have been far superior than this, I mean much better than it would have been what it was last year, but, it was supposed to be even better. But much of those expected gains were wiped out by the increase in logistic costs and input costs. Also, stringent lockdown in Australia, still there is no de-growth YoY. As you may have read in, Melbourne had seen the world's longest lockdown with 262 days and that in the state of Victoria being a major market has just opened up. In fact, our factories in the state of South Australia and the city called **Adelaide** as we speak there is no trans- border movement between the state. Despite all these challenges, our team over there has managed to generate the sales that it has. We have also, I think done very well in the US, that has also helped, but going forward, the US is also in the next six months, you will see significant uptick in sales to the US.

Nrupesh Shah: Coming to Impco it is 58 crores of top line versus 44 of previous year and EBITDA of 8 crores versus 0, of course previous year in Impco there was one time write off of one of the large retail. After absorbing that amount and translating into PAT of 5 crores versus 2 crores last year and as I said earlier GSK China is overall drag on the performance. Sales for the six months is 22 crores in line with the previous year about 23 crores and about the PAT, it is -5 versus -3. Anything else Renu?

Moderator: We take our next question from the line of from Rishi Maheshwari from AKSA Capital. Please go ahead.

Rishi Maheshwari: Thanks for taking my question. You mentioned about Diwali season expected to be much better and that will help you clear your trade inventory. Is it possible to highlight what is the number of days of inventory that you are holding by the end of September and how much you think, Diwali is around the corner? So, as I would believe that you would have already been seeing this inventory getting cleared up, if you can, you partly mentioned this in the last response, if you can highlight more on that, just to understand that in the domestic front, what is the scenario over the demand that you've been seeing, prior Diwali sale?

Nrupesh Shah: No, no. We didn't say that, because of robust festival or Diwali season inventory will be cleared, of course somewhat retail sales happens during September and October months on account of temperature in excess of 35^0 in many parts of the country. But what we said was, across the consumer durable and appliances into which most of our distributors and dealers deal with, they are witnessing robust demand, despite price increase and hence overall sentiments and confidence has improved dramatically, which we believe along with other reasons, may down the line drive the performance and also the demand.

Achal Bakeri: What he means is demand for other products, cooler is a product that get largely sold in the summer months, at least during the Diwali time general consumer electronics and other white goods, large appliances etc. get sold. What we are witnessing is sort of very good demand for such other products, which in turn helps the distributors and the channels cash flow, which would sort of help in improving their sentiment.

Rishi Maheshwari: Another question was on one of your products, very well advertised and the one that was wall-mounted cooler, how has that picked up and you think that has a potential to eat up into the AC market, the air conditioner market as well. If you can highlight some, data points over there it will be very helpful for us to understand how has that, picked up?

Achal Bakeri: Yes, 2, 3, 4 years ago when we introduced that product, we had, a very different expectations from that product. But what has happened is that, although the product performs very well, because it looks like an air conditioner. The consumer also expects it to cool like an air conditioner unfortunately. Although it cools like any other cooler does, but because it is expected to, because when it looks like an air conditioner and people expect it to cool like an air conditioner, there is a bit of a, I would say, mismatch between expectation and reality. The product has not done as well as we had hoped it would. Moreover, we have there after launched many other new models, which has seen a very robust demand and that has overshadowed the sales of this model.

Rishi Maheshwari: My last question is, is there any other adjacencies that you are targeting in the electronic goods, white goods or anything else that is there in the fray, which you'd like to apprise us off?

Achal Bakeri: As such, we are always constantly exploring opportunities and so far, we have not yet made up our minds to jump into anything, never say never, but so far we have not. As and when we do, you'll be the first to know.

Moderator: The next question is from Nitin Arora from Axis Mutual Fund, please go ahead.

Nitin Arora: The question was that, when you said that 80%, we have the market share in terms of new collection. I mean, what I understood, you're saying that the industry, if advances would have come at Rs. 100, Rs. 80 is what you have got and remaining Rs. 20 is what the other players have got, is that the right way to look at it?

Nrupesh Shah: That's right.

Nitin Arora: Can you tell us, how the advances will be moved up for you? So that's on the incremental but overall, if I take from the Q3, Q4 and Q2, Q3 important for advances. Versus FY19 Q3 levels versus let's say last year, have the advances moved up for you?

Nrupesh Shah: Vis-à-vis last year, it has moved up, but vis-a-vis normal year that is 19-20, certainly there is a de-growth which is also reflected in September quarterly standalone performance.

Nitin Arora: When you, say about clearing of the inventory, eventually season also will come towards Q4. Do you see, even yourself growing versus last year in Q3, Q4 or will be a struggle given what the inventory we have, until the season comes up, which is in Q4? The question is that in the next one or two quarters, do you really expect to see a growth for yourself, or it will only we will be seeing that how much, the season goes and then the growth will start come in?

Nrupesh Shah: In Q3 and Q4, we expect decent growth. One, as far as December quarter is concerned, sales in domestic market, maybe marginally higher than December '20, but we expect to register major international sales on account of robust demand in US and elsewhere. However, as we shared earlier, gross profit margin percentage in Symphony India for domestic sales, will be in line with what we have registered so far, however sales to our subsidiaries that is being shared by Symphony India and overseas subsidiaries. So, if we combine it on a standalone basis gross profit margin percentage will be adjusted to that extent. Coming to Q4, as it happened last year, we expect closer to the season, barring some major accident, there will be much better trade confidence and in some parts of the country even season would have commenced and in addition to that with the large format stores or our D2C also contributes good amount of sales in Quarter 4. So, we reasonably feel at this point of time, even though March '21 quarter was the record quarter in terms of the sales and also consol performance. There is a good potential to register a growth over it.

Achal Bakeri: And also, as you know we have grown in the first two quarters over the corresponding period of last year, so we expect to maintain that momentum in the two quarters to come. All in all, we will certainly end the year in March 2022 with significant growth over March 2021, although we may still be not on par with March 2020.

Moderator: The next question is from Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: My first question is more on technology. Is there any technology in works that can help us in the near future or say medium term use more wastewater, etc., into this whole cooling process? I am coming more from the environment point of view because today we require fresh water in water coolers. Anything that is in the works which could be say a product of the future? Any sense on that would be helpful. That's my question number one.

Achal Bakeri: It's not necessarily in terms of the kind of water that we could use, but in every other way our product is environmentally friendly product. It is a green product. First of all, it consumes far less energy than conventional air conditioners do, if you were in cooling. Secondly, the kind of materials that we use are also 100% recyclable. The manufacturing processes that are also used are also environmentally friendly. So, we have no, I would say, wastewater discharge or effluent discharge. So, whether the manufacturing process, the materials used, the energy that is consumed, all through the entire chain the product is extremely green and environmentally friendly. That is how it is across the world. In fact, in the West there are some green websites which sells coolers including Symphony because of which green credentials. But the kind of water that can be used is a different, I mean, one could use recycled water, question is how does a family or a house owner pipe that or bring that water. So, the greater challenge is that which as a company we can't solve for the consumer, but otherwise yes, conceivably wastewater from let's say a water purifier which is otherwise discharged in the drain could be used for evaporation.

Pulkit Patni: My second question is if we look at the general awareness it seems that focus on green and clean is a lot more with institutions and companies relative to what it is with individuals. So, would it be fair to assume that over the next few years if I look at growth of our personal cooling product business versus say the institutional business, our institutional business can actually grow at a much-much faster pace as more of the corporates, etc., look at cooling solutions through a company like yours versus air conditioning. Again, it's more like a medium-term question if you could address.

Achal Bakeri: You are absolutely right. We believe that going forward the potential in commercial coolers is immense and it could be much larger than that for residential coolers. Mainly because there are many industrial and commercial spaces which have no form of cooling whatsoever, number one. Number two, many such places cannot be conditioned in the conventional way. So, the only opportunity that exists to cool such spaces is by means of air cooling. So, we do not necessarily compete with air conditioners. Our contention is that whatever cannot be air conditioned can be air cooled. And spaces which cannot be air conditioned are far greater in number and an area than spaces which can be air conditioned.

Nrupesh Shah: And in that respect, as we show in the presentation now in centralized and ducted category the concept of open ventilation, so there are many shops, many offices, and some of the industrial establishment where there is an open ventilation and air condition simply cannot work or not practical. And now considering the complete range of models in that category it should serve well. And secondly, within the residential and household category, there is a class of consumers who prefer environmentally friendly cooling appliance especially in US and some Middle East countries and they are also the consumers.

Amit Kumar: To add to that Pulkit, like you said on the industrial and commercial cooling side especially for organizations which are looking at reducing their GHG footprint. We are working on getting fair proposition which can reduce this scope too and get a kind of GHG calculation for such organization. So that's the value proposition we are offering. And we are also looking at getting into initiatives like counter sale which will help us become more attractive to end users who are looking at those initiatives and they can consider our product.

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

Aditya Bhartiya: My first question is on Bharath range of coolers which you had introduced sometime back. Just want to understand how are they different from our conventional range, and how has the response been to that product category so far?

Nrupesh Shah: Bharath range consist of the models which has better salability in rural and semi urban area. Secondly, their price point is different. So, in terms of affordability it suits. And thirdly, having different dealer and distributor network meant for that. Of course, it was to yield a good result in summer of 2021, but again on account of COVID it hasn't yielded major result but, in the times to come we are reasonably optimistic. So, it is not only in terms of the product, but the kind of short of different sub-vertical which we have created including manpower it has a good potential and promising.

Aditya Bhartiya: Why necessarily are we going for a different distribution network for this product?

Nrupesh Shah: The target consumer for this product is partly geographically at a different point and the places at which the consumer will access the product are also slightly different from the traditional network that we have gone through. And that's where the channel that we are developing, it's not necessarily different, but tactically on the ground in rural and semi urban we are finding that it's more effective to go through a different set of distributors in the hinterland side.

Aditya Bhartiya: On our D2C foray what are the kind of investments that we have made so far, and what is the kind of capability building that has taken place?

Achal Bakeri: There is not much of CAPEX that we have had to incur, it is more of overheads and some expense in terms of tech support. So, it's nothing significant. In terms of capability that we are building, this is a very-very scalable sort of a vertical. So, a lot of it we rely a lot on third party service providers. So, from a few thousand to a few lakh coolers and anything can be serviced through the process that we have developed.

Nrupesh Shah: And in the initial stage as D2C business model is, there may be substantial revenue expenses, so apart from variable cost also per unit sales and marketing costs. But all will be expense out.

Aditya Bhartiya: And we will just be involved in generating the leads and the local dealer would be servicing that demand or we would be doing it end to end?

Achal Bakeri: We are looking at various models. What you suggest being one of them, but we are looking at various models.

Aditya Bhartiya: As of now it is fair to assume that it would not have scaled up significantly. We are keeping our options open and maybe the next season we will get greater clarity on this aspect. Is that a fair assumption?

Achal Bakeri: That is well said, yes.

Moderator: The next question is from Omkar Kulkarni from Shri Consultancy. Please go ahead.

Omkar Kulkarni: As the real estate industry in the country has started reviving the ceramics and other tiles and other companies are getting benefited from this, so is there any way your company is getting benefited from the real estate revival?

Achal Bakeri: It is not a direct correlation with housing starts and home building. But indirectly, certainly as more people move into new homes they will buy more appliances of all kinds, including air coolers. So indirectly for sure we would stand to gain. Although it is not something which is used as part of the building construction process, like tiles or pipes or wires are.

Omkar Kulkarni: The second question is regarding the cash balance we are sitting. How is the plan to use that? Earlier there were talks about buybacks and all that stuff.

Achal Bakeri: Buybacks is also something on the cards. We are not ruling that out. It is all part of our overall shareholder reward policy. Whether it is buybacks or dividends one way or the other, we are committed to a long-term shareholder reward policy of 50% payout.

Omkar Kulkarni: But the buyback has been on the cards from last few years, I guess.

Achal Bakeri: Yes. But we have been given…

Omkar Kulkarni: What is stopping you from doing?

Achal Bakeri: What is stopping us from doing a buyback? Well, we are giving dividends. Buyback is a very onerous process. And the benefits are there but not a huge lot. So, we are just looking at an opportune time.

Moderator: The next question is from Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: My first question again is, given that the sales for us typically tend to skew in the second half of the financial year based on the timings of the season, how well are we stocked for key electronic components and products to avoid any potential supply chain shocks when the season demand actually picks?

Achal Bakeri: Good question. We are fairly well covered. However, both electronics and non-electronic models in our range. In the very worst case, it isn't as if we would be stuck without any product to sell, because we can always promote our non-electronic models. So, the option exists of doing that. So, we are not really extremely concerned about it. Although, like I said, we have covered whatever we need, but in the event that the sales is far greater than what we expect and we run out of supplies, then obviously we will start pushing the non-electronic models.

Nrupesh Shah: And again, to de-risk it earlier some of those items which we used to import from China and elsewhere, one on account of supply chain and logistic cost and earlier because of COVID, many of those items we have developed local sourcing.

Renu Baid: Secondly, on the commodity side given that commodities have started to look up again both in terms of plastic as well as the other metal sides and we tend to take advances and pre-book the revenues, at least bulk of them. So, are we seeing a) how are we managing the risks with respect to margins here? And to what extent are we covered on the cost side to offset any potential further inflationary headwinds in the next six months by the time the deliveries and dispatchers are due? As for Symphony given that the pricing tends to be fixed up at the start of the year of the season when we take up orders, we usually refrain from changing pricing during the year or during the season.

Amit Kumar: That is true. I guess last year the numbers moved substantially. Then we took that call up increasing the prices a bit. So Renu, that's absolutely right. If the situation demands it, absolutely. We do have the option of raising the prices like we did in early 2021. Though it's not the norm that we follow it, but if it's absolutely essential we do that. At the same time, this year when we have looked at our prices, we have taken a modest price increase anticipating some pressures on the cost side. So, this makes up a modest increase in our prices and reserving the step up of raising them further possibly in future if required. It's the mix we will play with as we go forward.

Nrupesh Shah: And Renu, so far whatever has been the price increase, it is not in proportion to the costs increase in the last 9 months or 15 months. It is much lower than that. So, in a way if really required we have that room. And in that respect as you will appreciate, we are better placed.

Renu Baid: Last question is now that the CAPEX cycle or investments from private sector has definitely to pick up, where we are seeing the key headline numbers for our industrial and commercial air-cooling business? The segment has been in the incubation stage for the last two years now, but from here on if we see clearly demand showing a big hockey stick improvement, in the next three years would you have certain numbers which you can share in terms of your targets to drive growth in this portfolio?

Achal Bakeri: So first of all, you are being kind by saying it's been in incubation for two years. It's been in incubation for a lot longer than that, unfortunately. But internally, yes, our plans are very ambitious. And till two years ago we were dependent on imports. We were importing the product from China, from our factory in China and our factory in Mexico. And we always had demand supply mismatches and our costs were higher because of additional freight and import duties, which is why we developed the range in India. That range was developed just two years ago. And soon after that range was rolled out, we have had this entire COVID thing. So, the range has never really received an opportunity to prove what it can do. But in a normal world we feel that we should be able to scale this business up significantly. The local manufacturing and everything is under our control. We also have a significant, I would say, competitive advantage. So, we believe that we are on the cusp of a significant growth or that hockey stick that you spoke about. But again, time will tell.

Moderator: The next question is from Devanshu Sampat from Yes Securities. Please go ahead.

Devanshu Sampat: Two questions from my end, one is like a big picture question, the two small acquisitions that we made in Mexico and China largely gave us access to select technology, while climate technologies helped us with the broader aim of entering a new geography de-risking the India business and as well as entering the US market. So, if you were to find acquisition opportunities at your desired valuations which area do you think the company needs to build up more? Are we looking at more on the tech side or we like to focus more on getting more access into select geographies? So, what is your thought over here?

Achal Bakeri: Geographies, essentially geographies. Even the Mexican one gave us access to the Mexican market and at that time even the US market. So, certainly it is geographies that we are looking at not as much technology. And also, we are fairly present in most of the major markets in the world. But if we were to wish for some great opportunity to come along, we would wish that it comes along from Latin America and from Europe.

Devanshu Sampat: The last question from my end, can you give a sense of how different is the working capital dynamics for the commercial industrial business compared to your legacy residential cooler business?

Achal Bakeri: No different, it is all cash and carry. In fact, I would say maybe even better because we really don't carry large inventory. We don't give credit because we do not sell directly to the end user to corporates. Our product is sold through a set of sales and service dealer or dealers who in turn may extend credit to a corporate client, but as far as the company is concerned it sells on a cash and carry basis to a set of dealers.

Moderator: The next question is from Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: My question is again on the growth in the standalone business. Now, since the basis have been totally distorted due to COVID, can you help us with giving a broad range of revenue you see in FY-22 like between 600 to 650 crores or 650 to 700 crores just to remove any confusion.

Achal Bakeri: In fact, if we give a number, we might add to the confusion so we would rather not give any numbers now and we never have in the past. That has always been our practice. We have never really given any forward-looking statements and forecasts.

Ankit Babel: Again, assuming no further lockdowns or accidents, do you feel that the trade level inventory will get normalized in the coming two quarters and we will start FY23 on a normal base of inventory? I am talking about the standalone business only.

Achal Bakeri: It will largely get consumed or washed out in the first quarter of the new year because that's the summer quarter April to June which is when the retail sales takes place. It's only in the summer that inventory can get sold.

Nrupesh Shah: Except large format stores because they are picking on clean slate and hence, they may give a good momentum in Q4 that is March quarter.

Ankit Babel: I understand that you don't any forward-looking guidance but just for my understanding again historically, you have always mentioned that you aspire to grow at around 20% on a CAGR basis. Now again the basis have been distorted. Next year should we consider FY20 as a base for growth?

Achal Bakeri: Yes absolutely. We consider only a FY20. 2021 and 2022 are for us like a bad dream. So, 2020 internally too we benchmark ourselves against 2019-2020 which is what we consider to be "a normal year".

Ankit Babel: What kind of price hikes you have taken in the last say 6 to 12 months on an average?

Achal Bakeri: Well, varying from I would say anywhere between 8% to 10%, nothing great, nowhere close to what the cost increases have been because we have managed to offset the cost increases through value engineering, so we have just put into effect, depending on the model, not more than 10% in some cases, none at all for price increase.

Ankit Babel: In that case, once if there is any reduction in the raw material prices, any cooling off in the prices, structurally your standalone margins can be like more than 30% also?

Achal Bakeri: Very good point. That is what we believe will happen.

Nrupesh Shah: So very much feasible.

Moderator: Thank you, the next question is from Shivaji Mehta, an individual investor. Please go ahead.

Shivaji Mehta: You had mentioned that the international sales will keep increasing as the percentage of topline going ahead. So, does this mean that the growth going ahead will come at the cost of margins and the international business is low in margins or is there an element of transfer pricing which could probably keep the margins at the same level going ahead?

Achal Bakeri: There certainly is an element of transfer pricing, no doubt about that, as far as subsidiaries are concerned. As far as sales to third parties are concerned internationally, of course, the margins are normal margins. But the subsidiaries generally are operating at lower margins than Symphony standalone does. But what we are looking at is not the percentage but the absolute number or the absolute total value rupees, dollars, whatever currency you want to use it of profits. So, in terms of percentage points it may sort of slide down a bit as the international sales increases or our subsidiary sales grows. But as long as the absolute profits grow that is what really matters to us.

Nrupesh Shah: And ultimately return on capital employed, not only on a standalone basis but on a consol basis so that matters the most.

Shivaji Mehta: Any vision or any kind of a guidance say 3-4-5 years out for the international business now that they are getting synergies and also once the logistic issues, etc., are behind us, any target margins from the current levels for the international business that you would have in mind?

Achal Bakeri: If you can be patient and wait for a year more; we will have much better visibility because in the recent past that all our projections, all our expectations they have all gone out of the window. So, let the world stabilize, let the dust settle and we will all know what the future holds for us. At this moment in time your guess is as good as ours.

Shivaji Mehta: Finally, my last question, any vision for the industrial cooler business in terms of top line for the next 4 to 5 years?

Achal Bakeri: Like I said, a little while ago to the previous person who asked a similar question, the potential for industrial coolers we believe is huge, is much greater than that for residential coolers because first of all a high-ticket item, secondly in residential you also have an option of air conditioning. In industrial situations that option doesn't exist. One has to either live without any form of cooling device or use coolers. I don't think there is a third choice in most situations. So, we believe that long-term that the potential for this category or that vertical is far greater than that for residential coolers. But we really do not know what kind of number to project. It could be much more than what we expect or not. So really, we are not able to give you a specific number.

Shivaji Mehta: And also, is there an element of repayment fees? Say you install the cooler, do you get a certain percentage which can carry on much longer, is that there?

Achal Bakeri: That is a model that we are currently working on, something like an annuity model. Let's see how it works.

Nrupesh Shah: So, there is a different model that we are working on, possibly which would be an annuity model. At the same time, even the CAPEX model, there are AMCs that most of our customers go for. So, the answer in one word is yes for all the sales we make there is some kind of continuous revenue that comes in.

Moderator: Thank you that was the last participant in the queue. We'll take a few questions we have received on text. The first question is from Laxmi Narayanan KG from ICICI Prudential Asset Management. We have received a couple of questions. The questions are what are, what is freight and forwarding charges for standalone for the first half 2022 and for H1 2021. Second question is outlook for employee expenses for FY22 versus FY21 in standalone. Third question, ad spend budget for the year FY22 in standalone. And the fourth question is what is the cost savings that will come due to shifting manufacturing to India?

Achal Bakeri: Very honestly, we will be unable to answer any of those sorts of questions for competitive reasons. We have all those numbers, but we would not be able to give that level of detail.

Moderator: Thank you. The next question is from Mandar Painse, an investor. The question is, can you please quantify sales volume for the industry during H1 and your market share in consumer durables or FMCG industry there is a clear trend of shift from unorganized to organized, pronounced even more during COVID. India being a hot country and global warming only increases temperature in India.

Achal Bakeri: So overall, our market share has been in the vicinity of about 50% in terms of value and there has not been a significant change in that over the years, it might be a couple of percentage here or there, depending on the year. But by and large it has been in the vicinity of 50% in terms of value and that answers this questions.

Moderator: That is the last question. Ladies and gentlemen, I would now like to hand the conference over to Mr. Manoj Gori for closing comments.

Manoj Gori: We thank the management of Symphony Limited for taking time out and sharing their valuable insights on the call. We also thank all the participants for their presence. Sir do you have any closing remarks?

Nrupesh Shah: Thank you very much to all participants and Equirus for hosting this conference call and wishing all of you Happy Diwali and great and safe new year.

Achal Bakeri: You may also wish us very well for the summer to come.

Moderator: Thank you. Ladies and gentlemen, on behalf of Equirus Securities that concludes this conference. We thank you very much for your participation and you may now click on the 'exit meeting' to disconnect. Thank you.