"Symphony Ltd Q1 FY20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Symphony Limited Q1 FY'20 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Renu Baid from IIFL Securities Limited. Thank you, and over to you, ma'am.

Renu Baid: Thank you, Karuna. Good Morning, everyone. On behalf of IIFL, I would like to welcome you to Symphony Limited's First Quarter FY'20 Conference Call.

We have with us from the management today Mr. Achal Bakeri -- Chairman and Managing Director; Mr. Nrupesh Shah -- Executive Director; Mr. Bhadresh Mehta -- Global CFO; Mr. Girish Thakkar -- Senior GM, Accounts & Finance; Mr. Mayur Barvadiya -- Company Secretary; and Mr. Milind Kotecha -- Senior Associate, IR & Treasury.

Without taking much time, I would like to hand over the call to Mr. Bakeri for his opening remarks, and thereafter we can start the call for Q&A. Thank you and over to you, sir.

Achal Bakeri: Thank you, Renu. Good Morning, everybody. First of all, welcome to everybody to this conference call of Symphony on this lovely rainy day. My colleague, Nrupesh Shah, usually take these calls, but at his insistence I am here today and it is a pleasure to be here.

I will give an "Overview" and Nrupesh bhai will then give you some more "Granular Details."

Though all the numbers and the data sheets are with the participants, so we would ideally like to spend more time on Q&A. So, getting into the call, you know the Safe Harbor statement that customary applies, I would not sort of repeat it.

As far as the numbers are concerned, the revenue from operations for the last quarter April to June 2019 on standalone basis was Rs.160 crores, including other income it was Rs.171 crores. The revenue from operations was the highest ever for this quarter in our history and it also represents over 100% increase from the same quarter of the previous year. Though we do not consider that as any benchmark because previous summer was a disaster, but even if you look at it from the year before that which is 2017, we had clocked a turnover of Rs. 130 crores in this quarter. So, from that point of view, it is an 11% CAGR, but again, we are cognizant of the fact that the results is also no reference, because year prior to that in 2016, it was Rs.152 crores. So, from Rs.152 crores to Rs.160 crores in three years is really nothing to write home about; however, we know that it could have been much higher except for the fact that we took advantage of a good summer to ensure that the channel was completely destocked. We had dealers and distributors who had been sort of nursing some inventory for some time and we ensured that their inventory was liquidated entirely or almost entirely. We actually compromised on maybe Rs. 15 - 25 crores of sales. But it was being appropriate in the long-term for us to ensure that the trade inventory was cleaned out.

But, I think what is important for all the participants to recognize is that, we have done these numbers, because last year and the year before that there were apprehensions about how Symphony is going to fair, there were apprehensions about competition, about market for Air Coolers. So, all these sort of pessimistic sort of apprehensions which I think this summer and our performance have put to rest. So, although it could have been better like I said because of the inventory that we liquidated from the channel, but despite that even in the Rs.150 crores, I think the people should recognize that Symphony is back with a bang. As we go forward, we believe that there are better times to come.

As far as the EBITDA is concerned, as you can see, it was at Rs. 35 crores which is 21% of revenue compared to 35% in the previous quarter, immediately with the quarter about 30% for all of last year. By and large, this is because of the increase in ad spend that we incurred in this quarter. And this being the summer quarter, basically pretty much the ad spends for the entire financial year up to March 2020 has been incurred. So, going forward, there will be some in the last quarter, but there would not be a huge amount that will be spent. So, I would say that by the end of the year, we should be able to restore our usual EBITDA levels.

And this ad campaign was necessary for us because we had introduced new models and it was also necessary to revive trade sentiment which has been dampened because of two consecutive bad summers. As the market leader, we basically see as incumbent on us to do that and I think it gives us the desired results. As I said, it also help the trade liquidate all the inventory. To some extent, even our competitors would have been gained by our advertising, but then that is how the business works.

Coming to the Consolidated Revenue, it is at Rs. 292 crores which is almost 100% more than the same quarter previous year, again largely on account of the consolidation of a number of Climate Technologies, Australia and the EBITDA also consolidated at Rs.50 crores, again for primarily the same reason.

Actually for IMPCO Mexico, the financial year is January to December. So, if I were to look at the last nine months, we have had very good double-digit growth so far and we although had a good summer in Mexico besides our new models which were introduced in Mexico have also been well received and we are gaining market share in Mexico. So, I think all in all, Mexico is also doing well.

Climate Technologies, the financial year is April to March, so April to June was their first quarter. So, even Climate Technologies have clocked reasonable growth in their top line

As far as Keruilai, our subsidiary in China is concerned which is GSK, that is in negative territory unfortunately. But since the base itself is small, so the overall impact is not significant.

Coming to how we see the balance of the year, we are very bullish. We have already introduced to the market range of new models, and although the products have not yet even being produced, but just on the basis of a brochure and a picture, the kind of bookings that we have received for the new range is probably more than what some of our esteemed competitors sell in a whole year. So, I think that is also testimony to the kind of phase that the trade channel and the market has in Symphony and in our products. So, despite what happened last year, despite the weak year, Symphony's innovation engine as always was on high gear and it was working on a range of new models which have already been sort of introduced to the market. But once they actually hit the market in the months to come, we expect them to get better response.

We have introduced new models not only in the household Cooler segment, but also in the Commercial Cooler and Industrial Cooler segments. So, far, in the Commercial Cooler and Industrial Cooler segments, whatever we used to sell was being import from our subsidiary in China. That has been going on for the last three years. Prior to that we were importing our Industrial Coolers from the subsidiary in Mexico. Because of the fact that they were imported, they were subject to 34% customs duties, transit cost, freight cost, and the time that it took there was always a mismatch between demand and supply. Now with the products being going to be made locally, we believe that we should be able to do away with the demand and supply mismatches and have better margins to invest in brand building and in market development. Over and above that, these models are also very innovative some of the models, some of the features that we have or some of the virtues is much beyond features, I would say the virtues of the models are such that they are the first of their kind in the world and we have patented them and we believe that the Commercial and Industrial Cooler segment will going forward from now onwards really be able to truly blossom as we expect.

So, all in all, I would say, so far, the trade sentiment is very positive. Like I said, as we have always done in the past, we have the off-season sort of booking, and what we have received in July is significantly higher than last year which is also signal of the positivity that the trade has because of the last season and all the initiatives by Symphony. So, we believe that this year we should be sort of back at least at historical levels and in the next two years, we should be able to also restore our historical CAGR.

So, that is an overview from my side, and I request Nrupesh bhai to delve into more of the financial details.

Nrupesh Shah: Thank you, and welcome all to Symphony's Q1 Conference Call. To start with, the title of our Annual Report of 2018-'19 aptly says "Eye of the Storm" and that was the case during the summer of 2017 and summer of 2018. As we shared in the past, we maintained calm, we maintained patience and we look much beyond bad summer. We really focus in respect of innovation, new format of air coolers, nurturing, trade channel and cultivating strong relationships through variety of initiatives and substantial focus on branding as well as sales promotion. And that has led to and reflected in the financials of June '19 and we have achieved market leadership by far, and all in line with as it was shared about 15-months before, Symphony Version 3.0. So, as a part of Symphony Version 3.0, variety of initiatives have been launched and many more are in the pipeline.

As Achalbhai shared, we have launched a series of new models across residential range, commercial range as well as package air cooler. At a retail price level they are ranging from Rs.8,999 to as high as Rs.1,00,000 with some of the path-breaking features and formats model-to-model. Some of the models do have 3D Cooling, i.e. three side cooling, four side cooling, very robust body, all weather-proof, highly efficient cooling pads which increases cooling efficiencies by about 30%. Fan blades have been specially designed, whereby they generate very powerful air throw. Some of the models also do have for the first time Universal Air Cooling that has top and bottom discharge.

Many of these models and features we have applied for domestic as well as global patent and design registration. So, Symphony as a whole on a global basis now we have 500 plus intellectual property rights including 60 plus patents and 100 plus design, one of the highest by any Indian consumer durable part appliance company. Out of these 500 plus IP Rights, about 330 plus are in India.

So, as we have shared in the past, we are very optimistic about the Air Cooling industry, whether in respect of residential air cooler, industrial air cooler or international markets. We really foresee a huge runway. And as usual we are highly excited about the prospects and the potential.

In respect of overall performance, out of Rs. 292 crores, about Rs. 144 crores have been generated from the rest of the world that is close to 49% including exports from India.

As far as standalone performance is concerned, most of the financials have been already shared. Just to reiterate about the margin, our operating margin, is about 50% and we are quite comfortable at this operating margin and we are reasonably sure to maintain this level of operating margin.

Coming to EBITDA margin, for the quarter, there has been some hit mainly on account of advertisement and sales promotion expenses, but the year as a whole in line with earlier years, it should be in the range of 4-6% of the annual turnover.

As far as overseas subsidiaries and consolidated performance is concerned, overseas subsidiaries have generated almost Rs. 132 crores of top line. In respect of IMPCO, Mexico and GSK, China, they are on track, in line with expectations. As far as Climate Technologies is concerned, it is about one year since we have acquired. Of course, its performance in the first year is not in line with our expectations, but its integration is on track. We have identified and initiated series of strategic measures to enhance its performance and profitability including launching of Indian residential air coolers in Australia as well as United States through its existing dealer distribution network. Through Climate Technologies, it is having a market potential of about Rs. 3,000 crores, out of which Rs. 900 crores plus is in Australia and Rs. 2,100 crores in United States. We are upgrading in some of the existing models. There is a huge potential of value engineering and rationalization of some of the overheads and also taking advantage of sourcing from China leading to further cost reduction. We do expect that these initiatives should yield a result in ensuing quarters and also in in the long-term. Thank you.

Achal Bakeri: Also, just to add to that, some of the models that we have in the Industrial Coolers that will be introduced, will be about a lakh of rupees, and although some of our Commercial Coolers will be about Rs. 50,000 or so. So, these would be higher valued products. As volumes buildup, this will result in a significant improvement in realizations per unit.

Nrupesh Shah: So, with this, we can open for question-answer.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: Sir, my first question is on the inventory level. So, has inventory been completely done or still we have at the dealer level? And how is the trade sentiment now because there has been a slowdown in the consumption phase, the broader phase, are we seeing any slow down or can we expect similar kind of growth even in the coming quarters?

Achal Bakeri: Inventory is at historically low levels as well as with the channel.

Prithvi Raj: How is the trade sentiment, I mean, are we seeing any slowdown in the take off?

Achal Bakeri: I think you probably would have joined after my comments ended, but I said that the trade sentiment is very bullish. As far as we are concerned, there is no slowdown, in fact, what we have done so far in the current quarter is significantly higher than what we did in the corresponding quarter of last year so far.

Nrupesh Shah: So, just to elaborate it, unlike most of the consumer durables or consumer facing industry, fortunately, we are not much impacted by the overall economy or by the various parameters of the economy. It is more about the summer, about the innovation and our focus, and hence we are quite buoyed and same is the trade sentiments.

Prithvi Raj: So, if that is the case, we can expect a similar growth even in the coming quarters, right?

Achal Bakeri: We are keeping our fingers crossed.

Prithvi Raj: Can you give the breakup of IMPCO, China and Climate Technologies revenue, EBITDA and PAT number?

Nrupesh Shah: For the quarter, as you know, Symphony standalone revenues of Rs. 160 crores, Symphony Australia, that is Climate Technologies Rs. 69 crores. IMPCO is about Rs. 51 crores, and GSK, China is about Rs. 16 crores. And all in all overseas subsidiaries have generated top line of Rs. 132 crores and profit after tax about Rs. 7 crores.

Prithvi Raj: Can you give the breakup of it also?

Nrupesh Shah: So, IMPCO Mexico has generated EBITDA of Rs. 7 crores and profit after tax of about Rs. 6 crores. Symphony Australia, has generated, EBITDA of Rs. 3 crores and profit after tax Rs. (-1) crores and GSK, China has generated EBIDTA and PAT of Rs. (-1) crores There is also intercompany positive adjustment of Rs. 3 crores, so that results into end-to-end consolidated overseas subsidiaries profit after tax of Rs. 7 crores.

Prithvi Raj: Going with the current run rate, shall we get Rs. 20 - 25 crores kind of PAT for Climate Technologies in the full year?

Achal Bakeri: Certainly. At the EBITDA level, the expectations are somewhat higher than that. But once all our value engineering initiatives and other market development initiatives start bearing fruit, this should improve significantly.

Prithvi Raj: You are guiding say 50% - 51% kind of gross margin and historically we were doing somewhere around 54 kind of level. Have the prices come down, is it because you are offering higher discounts to the dealers?

Achal Bakeri: First of all, it was about 52% - 53% and it is about 50% - 51% now. It is not a huge difference between what it was before and now. And by and large it is a function of the model mix and also maybe a little bit of higher trade incentives, combination of various things, which does not necessarily mean that this is the new normal. This could change going forward.

Moderator: Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

Naveen Trivedi: Considering your press release mention that the growth was across the market while what we have observed that the north market post-May, particularly June was very strong. So, do you think that at your primary level for you, there were some divergence in the growth maybe if you want to share about?

Nrupesh Shah: What do you mean by diversion of growth related to June if you can just elaborate and specify that?

Naveen Trivedi: I am just trying to understand the consumer offtake between north and the rest of the markets, is the north really supported for you or you have seen offtake level growth across the market?

Nrupesh Shah: It was across the market and also across the trade channels. When we say across the trade channels, traditional trade channels, large format stores, ecommerce, etc., and when we say inventory has been rationalized or almost negligible, that is also across the market and across format of the stores.

Naveen Trivedi: Considering the kind of growth we have seen particularly in the last quarter, have you observed that we have gained market share and if we add for Q4 and Q1, that is obviously the operating level performance, can we expect that Symphony has gained market share?

Achal Bakeri: As far as the last quarter is concerned, we do not really yet have conclusive numbers, but for the previous year where we degrew by 24%, we know for a fact that some of our competitors degrew by significantly larger number. So, mathematically our market share would have increased or improved. I am talking about the financial year '18-19. Like I said, for the last quarter itself is concerned, we do not really have yet any conclusive numbers.

Naveen Trivedi: As per your sales from the field, you must have observed a positive trend with respect to your market share?

Achal Bakeri: Yes, we believe that our market share would have improved.

Naveen Trivedi: Considering you take price hike during the July month, so have we taken any initiatives during this month?

Achal Bakeri: Nothing significant. It varies from model-to-model. It is an ongoing sort of process, depending on the model, we might improve the pricing somewhere, we might even rationalize it somewhere. So, I would not say there is anything which is significant. The new models of course are sort of higher value models, so the margin will also be better and the realizations per unit will also be much better.

Naveen Trivedi: You talked about your launch of lots of products in the residential side and even in the commercial side also. Can you give us some quantity in terms of how many launches you have done so far and how much do you expect that this year will have launches because last year we rollback our new launches traction, so can we expect that this year will be the year in terms of our R&D capability side, like you talked about also innovative product you will launch this year, so, if you can give us quantifying number also?

Achal Bakeri: Entirely new models would be about seven new models in the Household Cooler segment, but we have also upgraded several existing models, refresh them. So, for all practical purposes, they are like new models, so that would be another seven. So, in the Household Cooler segment, where we have all the other competitive noise, we have something like 14 new models. And in our Commercial Cooler segment, we have actually just marketed so far about six new models. As far as industrial coolers are concerned, they have not even been introduced. We plan to introduce them in the months to come. The products are ready and they will now be introduced and those are about three or four new models.

Naveen Trivedi: When can we expect or do you think that there can be some change in the guidance for FY'20 numbers or do you think that the kind of initiatives which you are taking, your FY'20 guidance will be maintained?

Achal Bakeri: Like I said in my opening comments there are various initiatives whether it is in manufacturing cost reduction, overhead reduction and business development phase enhancement, so far Climate Technologies has never really sold household coolers, or portable coolers which will be now introduced next summer in Australia, Indian models will be introduced in Australia next summer. Then Indian models will also be introduced through Climate Technologies subsidiary in the US, and also models Household Cooler models from our China subsidiary will also be introduced in the US. So, there are all these initiatives which are underway, and it will be another I would say two years or so, by the time the entire results are visible. But regardless of that, even if we do nothing, I think Climate Technologies was a profitable company when we acquired and we will continue to do that, we will at least maintain that going forward, and all the initiatives that we are undertaking will only add to both the top and the bottom line. Full effect of that will be felt over the next two years.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: My first question is that when we look at the competition growth in especially the Coolers, the kind of growth which you have got, considering the base remain the same even for the competitors, not in absolute term but the magnitude wise I am saying in terms of growth, they have grown far lesser than you in this season. Is it that you have gained market share or is it more to do with unorganized and finally coming into an organized and you being the highest market share guy getting that benefit? That is my first question. And my second question is though you have spoken about EBITDA margin is more of a function of top line, but you have been a very consistent EBITDA margin of 30% when we look at in FY'18, FY'17, last year because of the season issue while the ad expense cannot come down suddenly margins were little lower. So, is it something which you can guide us with respect to runway for the whole year where we should stand in terms of EBITDA margin? Those two are my questions.

Achal Bakeri: Like I said, again in my opening remarks, the EBITDA margin for the year as a whole should be more or less in line with the previous years in terms of percentage if we were to ignore last year, until last to last year was about give or take 30%. I think that is something which we feel should be maintained. So, that was your second question. Your first question was about market share and our competitors not growing as much as us. Again, like I said before, we really do not have conclusive numbers yet, but we do sort of get the sense from the market that our growth was better than our competitors. So, if we were to accept that contention, then theoretically our market share would have improved.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: A couple of questions: So, the newer models that you are introducing now, the expectation of gross margin from there will be higher than what 50% you are currently clocking because of the better realization and better utility of the product?

Achal Bakeri: It varies from model-to-model. So, it is not that all models are at 50%, there are some which are significantly higher, some which are significantly lower across the range. So, I would not really get into specifics. But suffice it to say that net-net we will be in this vicinity of 50%-odd.

Nrupesh Shah: More importantly, in respect of new models, they are like absolutely next-generation model. So, vis-à-vis competition in terms of the saleability, and in terms of not only gaining the market share, but scaling up the top line substantially, and hence, kitty of overall profitability should improve.

Abhishek Ghosh: Last couple of years, we have seen lot inventory issues, bad season, other things. Now we are coming off where the channel inventory is quite lean. So, is there any change in kind of dealer margins that you kind of resort to is it constant for all the time?

Achal Bakeri: Again, that is something which vary from time to time and also varies from model-to-model, also varies from market-to-market. So, I would say by and large, it remains in more or less the same territory as before.

Abhishek Ghosh: Just one last thing in terms of the Industrial Coolers which is on a low base today, so would you attribute that segment has grown at a higher pace for the domestic revenues than the Household Coolers for us?

Achal Bakeri: No, like I said, Industrial Coolers or the new Commercial Coolers are yet to be introduced into the market. In terms of percentage, of course better than the Household Coolers because the base is very low. But that was with the existing models. Now with the new models and the new range, we expect the scaling up to happen and the rate of growth in that should be significantly better.

Abhishek Ghosh: Yes, but the margin profile is…

Achal Bakeri: The margins will also be better. I said in my opening remarks it will be manufactured locally. So, we will not have all the customs duties and import logistics costs and all of that to bear. So, we will have a higher margin and also higher ability to invest in market development, and they are higher value products also. So, they will help us in improving per unit realizations.

Abhishek Ghosh: And in that segment will be largely competing with the semi-organized guys, would that be a right assumption to make?

Achal Bakeri: To be honest, in that segment, almost nothing exists. So, our challenge or our job is to actually educate the market about what we have and the possibilities that exists with our product. Most industries that you would visit have no air cooling, have nothing. So, our job is to actually go out and sensitize management that if you air cool your premises, you are provided with the comfort of your workers, productivity will improve, quality will improve, and so on and so forth. As we see in other countries especially in China, there almost every factory in China is air cooled. Workers will not work in a factory if the indoor temperature is high. So, I think it is a combination of two factors -- One is in India, as the threshold of comfort reduces and it is, so the workers will become more demanding, and hopefully management will also become more sensitive to workers comfort. So, in essence what we are doing is actually creating a market. So, pretty much like what we did 30-years ago when we introduced Symphony Coolers. At that time, as far as plastic coolers are concerned or the organized sector is concerned, there was no market. So, over the last 30, 31 years, that is what we have done. In the Commercial and Industrial Cooler space, that is what we have been doing for the last few years and we will continue to do that going forward. And with better resources available to us we will be able to invest more in creating that market henceforth.

Moderator: Thank you. The next question is from the line of Mayur Parkeria of Wealth Managers India Pvt. Ltd. Please go ahead.

Mayur Parkeria: If you have to put a benchmark cost of Q1 FY'18 for all practical purposes, if we remove the Q1 FY'19 which was a bad summer, even from a Q1 FY'18 perspective, that time the advertisement costs were almost only around Rs. 19 crores on a standalone, standalone P&L whereas right now it is Rs. 28 crores. Even if we adjust some of those numbers, still the EBITDA margins would not have crossed 20% in this quarter compared to our historical levels. So, while you have initiated that by the year end, it will be back to normal levels. But I was just trying to understand where did this go wrong in a time when we had such a strong growth situation?

Achal Bakeri: I do not think we should view advertising spend with the length of just one quarter. I think in a seasonal business we have to improve ad spend and EBITDA as a result of that in a larger context. So, we have to view it from how it is for the whole year.

Mayur Parkeria: While you reply to the previous question, you believe that by the year-end, we will be back to our normal levels of EBITDA of 30%, because that is a worry which is coming on the standalone numbers?

Nrupesh Shah: So, to add to that and to justify the numbers, even though in 2018-19 there was a degrowth, and on degrowth of EBITDA margin for the entire year was 26% versus EBITDA margin of 21% in June '19. It meant in the current year considering already we are back on track. So, the year as a whole, we should see EBITDA margin in line with what it was in earlier years and certainly higher than what it was in 2018-19. In fact, whatever advertisement and sales promotion expenses have been incurred in the quarter of June '19, that has helped not only in liquidating the inventory on which trade was sitting in the beginning of the year and the beginning of the season, but has also helped to substantially give the off-season business. So, it is not just a quarterly number.

Mayur Parkeria: Sir, on the Climate Technologies again, when we acquired, we had indicated that it was 7x EV/EBITDA which we had acquired, around 7.3x, close to that and it was roughly around Rs. 275 - 300 crores revenue top line which translates into almost 12 - 13% of EBITDA margin. What happened in this one year, where even at the EBITDA level which is cash profit, it turned so negative from 12% margins to negative. And while you have indicated again about the value engineering and this, in the next one year, where do you think this negative can translate into in terms of margin?

Bhadresh Mehta: Basically, first of all, we already narrated in the opening speech what went wrong particularly in terms of expectations from Climate Technologies. This is the very first year of acquisition. In March 2019, it was nine months accounting year-end and of course there were many challenges in terms of understanding the market, understanding the product, understanding the culture over there. So, all combination of that altogether in the different geographies, we knew it was a challenge. Now, I think we have set right almost all the things. Now we are on the innovation of the product line and also the improvement in the overheads and other expenses, and these all have shown an improvement in this quarter. The June '19 quarter, Sales is slightly higher than June '18 quarter. Of course, the June '18 quarter was not consolidated as, our acquisition was w.e.f. 1st of July 2018. But, we have seen the improvement in this quarter itself. So, going forward, there will be further improvement. One more thing is that there is an impact of interest expense also because we have taken the acquisition loan. Had we not taken that, their the bottom line, would have been positive.

Mayur Parkeria: Has the debt level changed from March level?

Bhadresh Mehta: We have taken long-term debt in terms of acquisition funding and as far as working capital level is concerned, the working capital level has reduced and prior to our acquisition the working capital facility of Climate Technologies was higher which we have been able to substantially make it lower.

Achal Bakeri: Basically, for the period we agree the performance is below expectations. But then again, that company is also in a seasonal business, and there are issues of season arriving later, the sales maybe happening in a later period. As I said in my opening remarks, all-in-all I would say YoY CT is on a growth path. For that specific period, it was affected negatively. But all-in-all, I would say Climate Technologies is showing good growth. And Bhadresh bhai mentioned, we have to recognize that this was the first year of acquisition. Ten years ago, when we acquired the company in Mexico, IMPCO, at that time too there were questions about the wisdom of making an acquisition so far away. But what that acquisition has given us in the last 10-years on an investment of just a little over Rs. 3.5 crores 10-years ago, over 10-years, it has generated revenue of ~ $100 million and net profit after tax end-to-end between Mexico and India of more than ~ Rs. 100 crores. So, I think this acquisition again should not be viewed narrowly with the performance of nine months or a year or a quarter. I think we have to see like I said before the full effect of everything that we intend to do over there will be visible in the next two years. One has to take a slightly longer-term view. IMPCO'S, an investment of Rs. 3.25 crores yielded top line of $100 million in 10-years and more than Rs. 100 crores of net profit after tax over 10-years. This was not visible 10-years ago and there were all these questions. The opportunity in the case of Climate Technologies is there in Australia, but much greater opportunity lies in the US where not only is the market much bigger, but now because of Symphony and China, the range of products available for Climate Technologies to sell over there is much faster. And therefore, I think the opportunity of scaling up especially in the US is much better than in Australia. So, I think once all these sorts of initiatives start kicking in, you will see the result over the next couple of years.

Moderator: Thank you. The next question is from the line of Hitesh Tak from ICICI Direct. Please go ahead.

Hitesh Tak: I missed the revenue, EBITDA and PAT number from the subsidiaries. Can you repeat it once?

Nrupesh Shah: GSK, China has been slightly lower than last year same quarter. The top line is Rs. 16 crores for the quarter, Symphony AU, that is Australian 69 crores, IMPCO is Rs. 51 crores and at the EBITDA level, GSK is about Rs. 1 crore profit, Symphony AU is about Rs. 3 crores profit, IMPCO is Rs. 7 crores, at the PAT level, GSK is Rs. (-1) crore, IMPCO is Rs. 6 crores positive, and Symphony AU is Rs. (-1) crore negative.

Hitesh Tak: Since you have given centralized cooling industry size of around Rs. 4,000 crores in your annual report and you are very positive in the market of commercial cooling and industrial cooling in the coming two years, can you just quantify in terms of how much market share of this Rs. 4,000 crores could be converted into the top line for Symphony?

Achal Bakeri: We would have gladly quantified had we known. I think the opportunity is out there but at the moment it is something which we have to develop. So, how big it turns out to be, only time will tell. But the fact that we believe it is significant and we believe that we would be able to harness that is borne out by the investment that we have made in the new products, not only in terms of financial investment which is also significant, but also the development efforts and all which has gone into it for the last two, three years. This is unprecedented at Symphony. All the effort of the investment, sum total of that is testimony to the fact that we are very positive, we are very bullish about the potential.

Nrupesh Shah: And as we shared in the past in terms of the potential, it is actually as we get residential air cooler which we can monetize over a period of time. And that too unlike residential cooler is going to generate the business around the year and despite there are going to be many corporate and institutional clients, our business model is such which will be absolutely line with residential air cooler that is asset-light, capital-light and working capital-light business model. So, again, in terms of the return on capital employed, it is going to be absolutely incremental. But very difficult to quantify in respect of the value and also the time.

Hitesh Tak: Last question is again on the overseas subsidiary. Since the overseas subsidiaries are now contributing around 50% in the top line, but the Symphony standalone business is 50%. So, I just wanted to know whether the margin profile of the consolidated business would be at par with the Symphony standalone or will it be lower in terms of margin?

Bhadresh Mehta: Actually, the margins which we have created and earned in India, out of the Symphony's innovation and Symphony India is the market leader and the price trend setter. As far as the global geographies are concerned, we do not say that the margins in India are achievable over there, but we have substantially improved the margins after each of the acquisitions.

Moderator: Thank you. The next question is from the line of Aniruddha Shetty from Securities Investment Management. Please go ahead.

Manish Gupta: This is Manish Gupta. I am Anirudh's colleague. Two questions. First one is on the segmental revenue standalone from outside India. That does not seem to be growing. Is that because we are serving other geographies now from China or is it that that business is not getting as much traction as we had hoped?

Nrupesh Shah: No, you are right. So, some of the overseas markets are being served directly from overseas territory. So, part of the export is being reflected in standalone financials of other countries. But at the same time in the last two years in some of the Southeast Asian countries where we had sold, there was some slowdown, but even I believe in current year we are seeing robust enquiries from those markets also.

Manish Gupta: The last question was how are you thinking about cash distribution, now that the tax on buybacks have also been plugged?

Nrupesh Shah: Of course, in earlier board meeting we had announced the intention of buyback. We would like to have some wait and watch. But despite taxation implications, our business model is such we do not need substantial capital and hence we are likely to consider it positively subject to board decision in the ensuing meetings.

Moderator: Ladies and gentlemen, that was the last question for today. I am going to hand over to Renu Baid for closing comments. Over to you, ma'am.

Renu Baid: Thank you so much everyone for participating in the call. And we would like to thank the management for giving us the opportunity to host the call for them. Thank you, everyone. And any closing comments from the management, please?

Bhadresh Mehta: Actually, we are all enlightened by the valuable questions from the participants. We thank all of them.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.