



“Symphony Limited
Q1 FY2023 Earnings Conference Call”

July 26, 2022



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Moderator: Ladies and gentlemen, good day, and welcome to the Symphony Limited Q1 FY2023 Earnings Conference Call hosted by Investec Capital 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 at the end of today's presentation. Later, we will conduct a Q&A session, at that time, you may click on the raised hand icon or Q&A tab on the meetings, participants connected on the audio call may enter "*" and "1" to ask a question. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bhartiya from Investec Capital. Thank you, and over to you Sir!

Aditya Bhartiya: Thanks Inba. Good afternoon, everyone. On behalf of Investec, I would like to welcome you all to Symphony's Q1 FY2023 results conference call. We have with us, the senior management team of Symphony Limited represented by Mr. Achal Bakeri – Chairman and Managing Director, Mr. Nrupesh Shah – Executive Director (Corporate Affairs) and Mr. Amit Kumar – Executive Director and Group CEO. I would now like to hand over the call to the management for their comments. There is a presentation which the management would be running through, the link of which was put in the calendar invite. Thank you and over to you Sir!

Achal Bakeri: Thank you. This is Achal Bakeri. Good afternoon to everybody and welcome to the call. We will jump straight into the presentation which our Executive Director, Mr. Nrupesh Shah will be making, post which we will take all the questions. Thank you.

Nrupesh Shah: Good afternoon to everybody. This is Nrupesh Shah. We have already shared the link, if you wish to connect so as to refer the presentation because there will be certain graphs and data. So to start with, customary safe harbor statement applies in respect of forward looking and expected statements.

So, 27°C world that is the space in which we are operating that is the comfortable cooling around the world. We are very pleased to announce that so far Symphony and its subsidiaries have cumulatively sold in excess of 25 million air coolers in the country and globally and almost one third of it is out of India. So that signifies the scale, size and potential not only within the country but globally.

So, now coming to performance highlight for June 2022 quarter. After two COVID summers and COVID years, finally we are back to normal quarter and in June 2022 quarter we have registered highest ever standalone as well as consolidated sales vis-à-vis earlier highest June quarter. On a standalone basis, we have registered almost 30% higher topline, while on consolidated basis it is 13% higher and very importantly, this is on top of and

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despite unprecedented highest ever pre-season channel inventory mainly on account of COVID-19 in two previous seasons. So if we consider the customer sales during the quarter, it should be even at a purchase price of distributor around or in excess of ₹ 700 Crores and finally at the end of the season, we are back to normal channel inventory almost across the country. Also very importantly, whatever work we have done in the last couple of years which we highlighted and shared in the past, despite unprecedented increasing input cost as well as freight cost on a consolidated basis as well as on a standalone basis, our gross margin is higher than pre-COVID quarter i.e. June 2019. However, standalone as well as consolidated EBITDA are lower compared to June 2019. In fact, most of the comparisons, we have made vis-à-vis pre-COVID quarter because obviously last two years' June quarters were of low base and hence, even internally we are not comparing in terms of our performance. So EBITDA margin is lower, one because we have incurred higher advertisement and promotion expenses not only in June 2022 quarter but also in earlier quarter as reported earlier, one to sale historically highest pre-season channel inventory as well as newer initiatives mainly D2C and also e-commerce promotion and in addition to that as it is known very high increasing freight and forwarding charges and also to an extent there has been change in warranty estimate as per the accounting standard. And EBITDA margin has also partly impacted because as it is known in D2C initially apart from advertisement, the cost below gross profit in respect of the fixed overheads as well as initial establishment expenses are also higher and to an extent, that is applicable to e-commerce also. And as it was expected, D2C and e-commerce both have generated robust incremental sales growth. We are also happy to announce that we have initiated, of course with the baby step, globally D2C as well as e-commerce in USA, Mexico and Australia, and we expect that in medium term, they have a huge potential on account of not only global presence, but more importantly, we do have full-fledged operational subsidiaries with a large team, also having Symphony owned local well-known decades old established brands and global model suitable to respective territories. Large space venti-cooling which was earlier known as ducted and centralized air cooling has generated robust traction on account of some of the initiatives which were taken just before COVID set in and also in last two years, that is new models, wider distribution network and localization of product manufacturing which allowed us to offer affordable and competitive prices and which has allowed us not only to offer affordable and competitive pricing, but still to maintain very robust profitability margin in that segment. Symphony has been bestowed with "Great Place To Work" certification and we are attracting and nurturing the brightest talent across the departments at all the level and that is helping us to evolve into strong business leaders and now as normalcy is back so even in respect of payout also we are back to normalcy and we are back to quarterly payout, so we have announced first interim quarterly dividend of ₹ 2 per share i.e. about ₹ 14 Crores.

So, coming to consolidated financials, June 2022 quarter registered ₹ 329 Crores of sales that is up 43% vis-à-vis June 2021 and 13% higher than June 2019 that is pre-COVID quarter. Gross margin percentage during June 2022 is 45.6% on a consolidated basis versus 45.3% in June 2019. However, EBITDA margin is lower by about 2.4% and stands at 10.5% and PAT margin is lower at about 8.9% partly on account of lower EBITDA margin and partly also on account of lower treasury income. So, this has been the EBITDA margin movement in June 2022 versus June 2019 quarter. So as it can be seen that advertisement and promotional expenses are higher by 1.3%, despite higher sales i.e. up from ₹ 31 Crores to ₹ 39 Crores due to reasons as explained earlier and similarly other expenses mainly freight and forwarding and warranty charges higher from ₹ 11 Crores to ₹ 19 Crores. During the quarter, the geographical segment wise total sales was ₹ 329 Crores out of which domestic sales was ₹ 188 Crores i.e. 57%, while rest of the world including exports from India and sales by our subsidiary is ₹ 141 Crores, contributing to 43% of the topline and as it can be seen on a right hand side chart, EBITDA margin percentage is also proportionate to geographical segment that is 44% EBITDA margin from rest of the world and 56% from India.

Coming to capital employed in core business that is air cooler and appliances during the quarter, the capital employed stands at ₹ 413 Crores versus ₹ 288 Crores in June 2019 quarter. This is mainly on account of augmentation of some inventory and continued production even in June quarter to cater off-season requirement and also high sales to LFS and e-commerce on account of which quarter-end receivables which by and large have been realized during current month and ROCE percentage for three months for June 2022 stands at 9% i.e. annualized about 36%, while return on net worth on trailing 12 months profitability stands at 18% on a net worth of ₹ 818 Crores.

Coming to standalone financials that is Symphony India, the topline is ₹ 208 Crores that is 30% higher than pre-COVID quarter and almost twice of June 2021. Treasury income is down to ₹ 4 Crores versus ₹ 7 Crores in June 2021 and ₹ 10 Crores in June 2019 and hence that translates into 1.9% of the revenue which was earlier 6.2% of revenue which has partly contributed to lower PAT percentage. Gross margin percentage on standalone stands at 50.6% versus 47.6% in June 2021 and 50.1% in June 2019 quarter. And EBITDA margin is down to 12.8%. While PAT stands at ₹ 25 Crores i.e. 12.2% and EBITDA shown earlier is purely from business excluding treasury income. And on standalone basis, the EBITDA margin movement in respect of advertisement and sales promotion it is up from ₹ 28 Crores to ₹ 38 Crores despite higher sales and still percentage is higher on account of reasons explained earlier and similarly freight as well as warranty charge is higher from ₹ 8 Crores to ₹ 15 Crores so almost 2 percentage point higher as % of revenue. And on standalone basis, capital employed stands at ₹ 130 Crores translating into ROCE percentage of 19% for

three months i.e. annualized about 76%. And return on net worth percentage on trailing 12 months earnings is 16% on a net worth of ₹ 808 Crores. While treasury stands at ₹ 539 Crores as on June 30, 2022, almost in line with June 2019 quarters.

Coming to way forward, now there is a decent visibility of consumer sales in the domestic market on account of robust trade sentiments, uptick in consumer demand and also that is reflected in off-season collection. We continue to plough the investment which is mainly in terms of the revenue expenditure in domestic and global D2C as well as e-commerce platforms and also continuously leveraging new age technology and tools for products as well as internal processes in the domestic market as well as internationally. So, we are keeping a close watch on evolving global headwinds, which may translate into demand headwinds in some of the overseas markets, but still we are reasonably well placed mainly on account of we are in a position to leverage our Indian as well as global outsourced manufacturing facilities and very agile supply chain strategy. Just to give an example, we used to earlier manufacture plastic air coolers for Mexico in India, but on account of high logistic cost, in a very short period we could shift our mould and dyes to Mexico and started local outsourced manufacturing facility and similarly for some of the models being sold in Australia. As and when tide turns, we can easily reverse that. So, we are pursuing in letter and spirit ESG agenda. So we have carried out detailed ESG assessment and it has come out that Symphony products generate ~ 93% lower GHG emissions vis-à-vis Five Star air conditioners and on an average one Symphony air cooler saves approximately seven trees over its useful life, again great contribution to the earth and finally this is shareholder's profile. So we are open to Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen. We will now begin the question-and-answer session. Our first question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thanks for the opportunity and good evening, everyone. My first question is so if you look at the situation at the ground level, there has been some pressure across product categories. So has it impacted sentiments of channel partners which might resist them to build inventories during Q2 and Q3 and some broad indication like broad trends how the July collection have been that could be helpful?

Achal Bakeri: Manoj, could you repeat your question? We were not very clear.

Manoj Gori: What I meant was situation at ground level seems to be some stress on the consumer demand, especially from the June month onwards. Has it impacted sentiments of channel

partners and accordingly, they might resist on building inventories during Q2 and Q3. Also, if you can share how the July collections have been?

Nrupesh Shah: As earlier shared during the presentation, in fact, that is not true at least for our product and is clearly reflected in our July month off-season collection and it is in line with our business plan that is number one and number two, importantly many trade partners to an extent had no confidence pre-season due to back-to-back two COVID summers. But that has been completely restored and there is a fresh interest and in the past we have seen that when it comes to air cooler, it has no correlation with the economy. In fact if you recollect during 2013-2014 to 2017-2018, when the economy was not doing that well or there were many black swan events, in fact Symphony continues to perform exceedingly well. The only correlation is with the weather.

Manoj Gori: Right, understood. Secondly if you look at the gross margins, we have reached 50% mark after roughly around eight quarters. Going forward can we expect given that the cost pressure was very severe during Q1, could we expect normalized margin levels for the domestic business for the rest of the year?

Nrupesh Shah: We will keep a close watch on input cost and we will decide whether to improve the margin or to take some strategic decisions but as you would have observed that in June 2019, there was no cost pressure and in June 2022 quarter, whether on consolidated level or on a standalone level, we have maintained the margin and obviously that is on account of various factors and initiatives which we have done successfully.

Manoj Gori: Okay, so on the subsidiary gross margin, if we look at consolidated minus standalone, your gross margins for the subsidiary business on sequentially has been impacted significantly. So probably if we look at, this has been the lowest gross margin for last eight quarters to nine quarters and despite all the efforts that we have taken, so how should we read this given that now the RM prices are cooling off and have cooled off significantly, so can you throw some light over there?

Nrupesh Shah: As far as subsidiaries are concerned, that is why in our geographical segment below quarterly performance, we had also shown in respective year and quarter, how the margin moved. So actually, one quarter performance is no way reflecting that. If you can see that slide has been open, so in FY2022, share of RoW in consolidated EBITDA was 51%. So, point is subsidiaries' performance most of the time has been skewed to December quarter and March quarter and by and large we are confident that in the current year also, we will replicate what we achieved last year.

- Manoj Gori:** Right Sir, one last question so obviously you already highlighted like you will take a strategic call on whether to maintain the gross profit margins and all for the domestic business, so suppose today if someone is buying obviously you would be buying relatively at a lower price and channel partner buying air cooler, so probably if you look at in future quarters probably the RM prices would be lower and your manufacturing cost would be lower, so in that case if you maintain your gross margin to be normalized level, so how should it impact the purchase price of your channel partner?
- Nrupesh Shah:** Neither our channel partners will be impacted, nor we will be impacted and that has been our track record in the past. So, there are various ways and means to do that.
- Manoj Gori:** Right. Thanks a lot.
- Moderator:** Thank you. We will take a next question from the line of Renu Baid from IIFL Securities. Please go ahead.
- Renu Baid:** Good evening team and congratulations for the result. My first question is if you look at the India business as numbers are broadly at the standalone level, domestic revenues are almost to June 2019 levels at ₹ 208 Crores but if you look at the impact of inflation and the price hike though not much you have taken during the current fiscal what is your view would be the volume growth over the pre-pandemic and the current levels from the market perspective?
- Achal Bakeri:** As far as price hike is concerned, we really have not taken much of a price increase as we have said in the past. So, we have a significant increase in volume as well, we do not have it readily available, there is very much a significant increase in the volume numbers no doubt about that.
- Nrupesh Shah:** Renu, as we share from time-to-time earlier due to strategic reasons, we did not take much of the price increase. Even in June 2022 quarter, we have taken very selected price increase varying from model-to-model and no way matching to input cost and freight cost increase and as we said earlier that itself is one of the major our competitive moat because there are several ways and means, including product mix including high value models, enhancing the dealer distribution network and spreading across the channels, so essentially they were the ways and means and also we need not to forget as shared earlier massive work done by our operating team in terms of value engineering and also to an extent cost rationalization, so it is a contribution and in fact collective efforts of all this.

Achal Bakeri: But Renu your point is what I believe what you are trying to get to is whether the increase in revenue is because of price increases or because of volume increases.

Renu Baid: Right, broadly on a three-year basis revenue number India revenue is flattish, so there would be some volume growth given the changes in mix would have been there?

Achal Bakeri: Absolutely.

Nrupesh Shah: Renu this June 2022 quarter, sales is in addition to channel inventory which had piled up substantially. Isn't it? So channel inventory got cleared off substantially and channel inventory sales value was substantially higher than our sales in June 2022 quarter.

Renu Baid: Correct Sir, got it and secondly if we look at your comments, you did mention that there has been a meaningful and a visible turn in the sentiment of the trade partners after the current season. So when we look forward towards FY2023 where the off-season booking would have started for you, should we expect a similar kind of jump up in growth the way we have seen in historical trends where growth tends to be 30-40% given now that we have had a low inventory up stocking during the off-season, there was inventory channel also it was there, so if you offset both of these elements then, these are the core domestic revenue growth numbers or the outlook would it be right if we assume it should be fairly strong even in the current environment?

Achal Bakeri: The initial indications and we are now nearly a month into the off-season and into the new business year, the initial indications or the feelers that we get from this trade are very, very upbeat. We would not get into specifics you mentioned 30-40%, we would not dare get into specifics, but we are internally tremendously enthused by the response we are getting, and we expect that when we will end the year, we should revert back to our historical growth trends.

Nrupesh Shah: Renu, after turnaround of our international business in FY2022, now we look at and urge all the analysts to look at consolidated number because consolidated EBITDA margin is in line with domestic margin and amount wise also, so that also matters a lot.

Renu Baid: Got it Sir, if I look at the consolidated numbers now from the same context and we derive the performance of subsidiaries sequentially, there is a visible shrinkage in the gross margins and the EBITDA margins for the subsidiaries. I appreciate there would be a change in the sales mix also between the region US market and the other region, but if you can help throw some light on how the three key subsidiaries for you both Mexico, China and Australia how have they performed in terms of operating profitability that could be helpful?

- Nrupesh Shah:** As I mentioned earlier for subsidiaries importantly, it should be seen year as a whole and especially two significant subsidiaries i.e., Climate Technologies and IMPCO, they are more skewed to particularly Climate Technologies December quarter and March quarter, so this no way signifies the annual performance that is number one and as shared in earlier slide, last year in fact RoW performance was not much impacted and in year as a whole contributed 51% of total EBITDA kitty. While current year they have contributed in June 2022 quarter almost 44% of EBITDA kitty.
- Renu Baid:** Correct and lastly any comments on the industrial part of the business, industry cooling portfolio how has that fared given that it was a seasonal quarter for that business as well?
- Amit Kumar:** LSV business continues to be built and now as we are saying this even, we are getting into normal business mode. So LSV business also is continuing to grow on lines of our expectations. We are not at liberty to disclose the absolute numbers at this point in time, but I would just add that the growth is in line with what we had planned, and we are seeing traction now in the market in both commercial as well as industrial segments.
- Renu Baid:** Sure, thanks much Sir. All the best. I have couple of more questions I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Thank you for taking my question Sir couple of them. Sir firstly if you can give a sense particularly in this quarter when I look at the overall numbers one of the things that I want to understand slightly in greater detail is the performance of Climate Technologies in context of it exporting to The Home Depot in the US, now with US likely to see some slowdown in consumer spending and I understand in the last conversation you were very gung-ho about that business any pressures you are already seeing on that particular piece, that is question number one?
- Achal Bakeri:** Pulkit, what we are currently seeing is that the US is undergoing sort of record summer. So, the sellout is pretty good, but the inflationary trends and recessionary trends are putting pressure on the selling price. So, our customers have to resort to discounts and which obviously something that we as a company have to absorb. The prices at which the retailers are able to sell this year are lower than what they were able to sell in a summer of 2021. In terms of volume thanks to the temperatures, we have not really seen much of an issue but for sure the recession is playing role in the consumers' ability or willingness to pay. So, we have to see how the rest of the year progresses, but if the recession is here to stay, then next

year too probably volumes may not be as badly affected as probably margins or selling prices could be.

Nrupesh Shah: It may be offset by rupee depreciation because as on March 31, 2021 rupee was ₹ 73 and now it ₹ 80 so about 9%. So to an extent, we may have competitive advantage to offset that.

Achal Bakeri: But they do not have much of a competitive advantage but when we convert to rupee it cannot be a significant reduction.

Pulkit Patni: I get that. Sir, secondly if you could talk about competition any rough sense you would have in this particular quarter, any shifts in market share or what is our growth relative to the broader sector any sense on that if you talk about?

Achal Bakeri: I assume you are talking about India?

Pulkit Patni: Yes, India only.

Achal Bakeri: Right, the quarterly market share numbers are not yet out, and we are awaiting those. But the sense that we are getting from our channel partners and from our teams in the field is that our market share is fairly intact, may be a share higher, but there is no significant shift in the market share.

Pulkit Patni: Understood and just one last question more of an observation. Given the fact that we have not really taken meaningful price increases and now we are heading into a period presumably where costs have started coming down we have already got elevated A&P spends and logistics cost in the quarter, so even if we do not take any major price action, will it be fair to assume that our gross margins as well EBITDA margins from here should actually go north, unless there is something that changes in the international business as you highlighted the various developments that are happening, is that a fair observation just on a steady state basis?

Achal Bakeri: I think we should separate this into two parts: one is at the standalone level. So the price increase that you referred to really is more relevant for India numbers. I think although we have not taken significant price increase now so far, but in the current year as we speak we have taken somewhat of a price increase for the year to come, we already actually put into effect the price increase and you are right that with the price increase and with commodity prices or input prices likely to soften, the margins should look better than they did. However, if there are too many uncertainties going forward, let us not get ahead of ourselves, let us hope for the best, but what you say is likely possibility.

- Pulkit Patni:** Sure Sir. Thank you for answering my questions and best of luck.
- Moderator:** Thank you. Our next question is from the line of Manish Poddar from Motilal Oswal. Please go ahead.
- Manish Poddar:** Thanks for taking my call. So, one question, what is the change in accounting estimate for the warranty expenses can you please explain that?
- Achal Bakeri:** Can you repeat your question again?
- Manish Poddar:** Sir, what is the change in accounting estimate for warranty expenses can you explain that please?
- Girish Thakkar:** Warranty is provided as per the accounting standard on the historical movement. So we have to take up the ratio of the past two-three years. So according to that, the provision has increased by ~ 0.50 percentage points as % of revenue from operations in this quarter. So provision is higher compared to June 2019 and June 2021.
- Manish Poddar:** Sir, this is a management estimate of the warranty expenses which you do ₹ 18 Crores spend in FY2020 so this is a management estimate of that?
- Girish Thakkar:** Management estimate as per the historical warranty cost for the last two-three years.
- Manish Poddar:** Got it. Great thanks.
- Moderator:** Thank you. We will take our next question is from the line of Amit Mahawar from Edelweiss. Please go ahead.
- Amit Mahawar:** Hello! Mr. Bakeri, I just have one quick question, if I club your last two quarter results the standalone performance at ₹ 4.6 billion topline seems to be a significantly better number if I compare last three-four seasons of clubbing of these two quarters effectively around 15% CAGR on a six-monthly basis, so may be you try to answer that to the previous question but generally if I see your volume market share I do not know if it is feasible for you to give it this to us, but do you think your volume market share would have headed north by couple of percentage?
- Amit Kumar:** As we said earlier, the detail market share report for the June quarter are yet to come in, but basis our estimates in the market and input from the channel partners, we believe we are totally there, may be decimal point here or there on the higher side, but not major changes in the market share on the volume side as well.

- Amit Mahawar:** Fair point. Sir, second and last question is again on standalone. The profitability of our business, the gross margin that we earn, they do design engineering advantage, SKU rollout, do you think the overhead basically to retain the market share and I am not talking about freight and other costs which are more common to everybody, but more to maintain our competitive. Do you think the ASP that we do again I understand Q1 should not be seen because Q1 is where you will incur bulk of it, but for a year as a whole do you think the cost of retaining market share or slightly improving market share is coming very high, so if you can address this question qualitatively Sir?
- Amit Kumar:** That is a valid question Amit, and the way we would want to highlight this is if you noted we said earlier also that the ratio of primary sales this year to be secondary than tertiary that has happened in the market because of historical stocks there in the market that ratio is a bit skewed. So obviously going forward this ratio is likely to improve. We would think of this more as a onetime blip to correct the stock situation in the market, rather than something which is structurally shifting on towards the higher side.
- Nrupesh Shah:** Having said that further to beef up D2C and e-commerce initiatives, still it is initial time, so there we spent in March quarter, June quarter and we may have to spend even though many of them may give long-term benefits, but by way of advertisement, initial establishment, team cost, many IT cost related initiatives, etc.
- Amit Mahawar:** Fair point Sir. Thank you. Can I squeeze in one last question if you allow Sir? This is on the subsidiaries generally Q4 and Q1, if you see it is equally again volume wise or revenue wise strong quarter, again you try to answer this question in the last participant's query but still at least I am not able to understand if Q4 and Q1, we are able to build more revenues in subsidiaries also in line with what you have in standalone. Generally profitability mark should be healthy, I am sorry to this but I am not able to understand the profitability seen in Q1 in subsidiary so why it is so much skewed?
- Nrupesh Shah:** No, how you are saying it is skewed because RoW have contributed, I believe about 43% of the topline and in total EBITDA also they have contributed almost proportionate. So, RoW have contributed about 43% i.e., ₹141 Crores out of topline of ₹ 329 Crores and out of ₹ 34 Crores of EBITDA, they have contributed ₹ 15 Crores i.e. 44%.
- Amit Mahawar:** I was more referring to Q4 and Q1 topline of 1.3 and 1.2 billion, again June quarter and March quarter and if you see the cost index, generally the RM cost that we have in this quarter that is not very clear to me why there is a very different number vis-à-vis Q4, so why should Q4 and Q1 gross is very different it maybe my question?

- Nrupesh Shah:** Because in Q4, business is skewed to USA, while in Q1, there is a negligible USA based business. Even in Q3, also there is a relatively large USA based business, and there margin percentage is very high and that is how by and large it is likely to continue because their sales happen before their summer starts.
- Amit Mahawar:** Fair point. Thank you, very much and good luck.
- Moderator:** Thank you. Our next question is from the line of Omkar Gangadhare from Shree Investments. Please go ahead.
- Omkar G:** One question is regarding you have been consistently talking about utilizing your funds by the way of buyback which have not materialized so can you throw some more light on that the concrete one?
- Nrupesh Shah:** First and foremost, we have a stated payout policy of 50% of PAT that continues whether in the form of dividend or in any other form and obviously last two years, there were lot of uncertainties. So it was not an opportune time and still we continued with the dividend payout and as stated earlier, may be now sooner than later we will resort to buyback. But there has to be an opportune time also, but I think it should be sooner than later.
- Omkar G:** What is stopping you from going to buyback is the size or what exactly it is?
- Nrupesh Shah:** We cannot preempt the Board decision because ultimately the size, pricing and timing, ultimately Board has to collectively decide, but overall sense what we get is it should be a decent permissible size which I believe is up to 25% of the net worth which we just saw is in excess of ₹ 800 Crores. So permissible size is around ₹ 210 Crores or so, so the size seems to be permissible size or around that and secondly in the respect of buyback, we are also quite aware that there is some conflict between institutional investors and non-institutional investors but institutional investors preference is dividend, and as you know almost 60% of our floating stock is owned by institutional investor and non-institutional investors do prefer buyback, so we have to also manage that balance well.
- Omkar G:** My next question is regarding the channel inventory which you talked about is almost back to normal, so taking into consideration that how do you see couple of quarters performance of yours?
- Amit Kumar:** As I said earlier, the channel inventory seems to be reaching the regular pre-COVID normal levels and with that context and with the experience of the coming season, we do anticipate

and hope that the coming couple of quarters would be in line with our historical growth pattern, at least July collections are also pointing in the same direction.

- Omkar G:** What about the international market?
- Amit Kumar:** The international market typically had a much smaller outstanding inventory, if you compare to what it was in India. Depending upon the heat waves and the weather patterns, the growth will be there. But the inventory issue was not material as far as the international market is concerned.
- Omkar G:** But when can we start expecting significant contribution from the international market the EBITDA?
- Nrupesh Shah:** International markets have already contributed significantly even in FY2022 as all the seasons have shown.
- Omkar G:** I am talking about in terms of growth rate Sir not the exact number?
- Nrupesh Shah:** It will continue to drive the growth except some of the headwinds which we are witnessing in some of the countries. So, as we mentioned in earlier highlights, we are closely observing them, but we believe that we are relatively well positioned the reason being we do have really the strategic advantage of cross country very agile supply chain due to our full-fledged operating subsidiaries in respective countries.
- Achal Bakeri:** If we are talking about growth rates, I think we must recognize as these are all mature economies and there the growth rate in general is nowhere close to what you will find in developing economies like India. I think that the expectations have to be different, however Australia our market share is as it is about 30-35%, Mexico is about 35-40%, it is only in the US, where our market share is relatively low but it is a huge market, so the upside is significant and which is why we have grown significantly in the US in last two-three years. We will keep on growing in the US market. In Mexico and Australia, the expectations of growth even at our end are not huge and China of course has been badly affected where there is negative growth in China in the last two-three years. So, all in all, I would say the bright star on the horizon is the US market and bulk of what you will see in rebound in the profitability also from international market is likely driven by US.
- Omkar G:** Okay, we talked about the developing economy, so how much is your presence there in country like Indonesia, Thailand, or Malaysia?

- Achal Bakeri:** Not much. We are exporting to various countries, but the bulk of the business is coming from where we have physical presence which is US, Australia, Mexico, China and now increasingly Brazil where we have established Greenfield subsidiary a year ago.
- Omkar G:** On these countries which you have talked about and South-East Asia, should be there on radar considering India like situation?
- Achal Bakeri:** Yes, they could be but there are various other factors that play over there which actually too many to get into over this conference call. So, you welcome to come over here, you have not been to our office in a long while, please you are welcome anytime we will explain to you in more granular detail when you do.
- Omkar G:** Not anything on the horizon?
- Achal Bakeri:** In the South-East Asia?
- Omkar G:** Yes.
- Achal Bakeri:** No, things are going on but nothing specific.
- Omkar G:** Okay, alright thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Devesh from DS Investments. Please go ahead.
- Devesh:** Congratulations for a good set of numbers. My question probably is a little more longer-term aspect in Symphony which many times is referred was a very high growth engine till certain year 2016-2017. Now we have very big base and in the last answer you alluded that we have a sizeable market share in majority of the geography that we operate. If you have to see next three to five years growth what could be the right way to look at it, if you can help more directionally and broader range just to understand how you look at it and then how we should model, that could be helpful?
- Achal Bakeri:** As far as India is concerned where there still is about 75% of the market is dominated by the unorganized sector, I would say there is significant headroom for growth and although our market share of the organized sector would be whatever 40%, 45%, 50% but of the total market including unorganized sector, it is still in the low double digit. So, there is significant headroom for growth and we are seeing in the last two years some sort of accelerated transition from the unorganized sector to the organized sector. So, I think India

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still has significant upside in the household cooler segment, as far as industrial coolers are concerned where we are still, I would say numbers very small and the potential market out there, the undiscovered market out there is enormous and in that segment we are continuously growing, so there too there is significant upside for growth and outside of India maybe like I said Mexico and Australia may not have very, very impressive reach of growth but newer geographies like the US or Brazil are where we are planning on growing significantly in the current year as well as in the years to come and then of course there are other geographies where we do not have a significant presence but where the potential is huge and all of us would have read about the heat waves that is cutting across Europe as we speak. So, that is also another frontier that we have yet to conquer, and we have been around in Europe for several years but in no significant measures, but we are going to be changing our approach and ensuring that we build a robust business in Europe as well. So, I think the newer geographies outside of India and within India the industrial or as we now call it the LSV (Large Space ventil-cooling segment) and of course the household coolers where we still have significant headroom for growth. So, broadly this is how we look at our opportunity going forward.

Devesh: Thank you for that detailed answer. If I can add to it would you also be open to some inorganic elements like we have acquired and turnaround the companies or are you also looking at some opportunities which could be pursued?

Achal Bakeri: Very honestly, we are not actively looking at any opportunities, even in the past we never actually were looking for opportunities, the acquisitions that we have made were opportunities that came to us. We have never been looking around, scouting around for acquisition opportunities. So, if something compelling comes along and we keep up meeting offers of all kinds, but unless something compelling comes along, we will not just go ahead and exercise that option, but we are open.

Devesh: Yes, makes sense and the last one if you can answer today if you are at a base of X next four to five years would it be reasonable to assume that on the current sizeable base, we could double ourselves or probably be around that, is that a reasonable assumption assuming next few quarters could be here and there, but just four-to-five-year horizon what would be your outlook if you can share?

Nrupesh Shah: I believe your question is can we double the size in the next four to five years?

Devesh: Right.



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Nrupesh Shah: I think maybe one year or two years here and there, but I think that is why we are in the business, and we should be.

Devesh: Okay, thank you. Thanks for the answers.

Moderator: Thank you. That was the last question. Back to you Sir for closing comments. Over to you!

Nrupesh Shah: Thank you very much to all the participants and also to Investec for hosting this conference call.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Investec Capital Services India Private Limited that concludes today's session. Thank you for your participation. You may now disconnect your lines.