"Symphony Limited
FY23 & Q4FY23 Earnings Conference Call"

May 05, 2023

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Moderator: Ladies and gentlemen, good day and welcome to Q4 & FY2023 Earnings Conference Call of Symphony Limited hosted by ICICI Securities. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you!

Aniruddha Joshi: Thanks. On behalf of ICICI Securities we welcome you all to FY2023 & Q4 FY2023 results conference call of Symphony Limited. We have with us senior management represented by Mr. Achal Bakeri, Chairman & Managing Director, Mr. Nrupesh Shah, Executive Director and Mr. Amit Kumar, Executive Director, and Group CEO. Now I hand over the call to the management for their initial comments and then we will open the floor for question-and-answer session. Thanks, and over to you Sir!

Achal Bakeri: Thank you. A warm welcome to all of you and good afternoon. I will request my colleague Nrupesh Shah to take us through the numbers after which Amit Kumar, myself and Nrupesh Bhai all of us will be here to take any questions that you may have. Thank you.

Nrupesh Shah: Welcome to Q4 & FY2023 conference call, so customary safe harbor statement is applicable. Before we move forward, of course, we must say that for Q4 FY2023 as well as for FY2023, overall, on a consolidated basis in particular we have not performed up to the mark., We will take you through the details. So, in terms of the product range, in terms of the technology, in terms of the product positioning, now Symphony has positioned itself as a "Thinker of Tomorrow". In the interest of time, we are now playing video over here, but we have shared the link and it may be worth visiting and viewing it. And similarly, this is some interesting "Kal Ki Soch". During the quarter, we have for the first-time launched the world's first air cooler with BLDC technology. The landmark feature is - it saves 60% power consumption apart from many other value-added features and it also saves water and hence having up to eight-hour night sleep mode.

Coming to performance highlights standalone as well as consolidated. We have registered the highest ever standalone and domestic sales surpassing pre-COVID historical high. In respect of the standalone sales, we have surpassed pre-COVID high by 24% and hardcore domestic sales i.e. the India market, it is 21% growth. So, we have maintained our market leadership with 50% market share among all national organized players.

Also, happy to share that in respect of the alternate channel i.e. modern trade consisting of LFS, RCS, e-Com and D2C, etc., continuously it is showing uptrend and it has contributed now almost one third of the domestic sales, up from 21% in FY2020. Global headwinds particularly in United States and Australia have severely impacted the performance of Climate Technologies more so in this quarter and hence the year as a whole. However, we believe that and we are very confident that considering the overall potential and series of initiatives which we have initiated, the medium to long term viability and profitability of US business and Australia market and Climate Technologies remain intact.

Coming to standalone profitability, the gross margin for the year was up by about 300 bps i.e. 47.9%, aided by price hike, softening of input cost, of course still they are at a level higher than the pre-COVID level. And standalone EBITDA margin for the year stands at 20%, up by 210 bps. And standalone PAT up from ₹ 111 Crores to ₹ 165 Crores, up by 49%. However, consolidated PAT is Y-o-Y lower down from ₹ 121 Crores to ₹ 116 Crores. And during the year including two interim dividends, final dividend and share buyback of ₹ 249 Crores including taxes and expenses, the total shareholder payout is ₹ 284 Crores, far in excess of consolidated or standalone PAT for all the year or cumulative PAT of last two years.

Coming to January to March 2023 quarterly performance. Again, as far as domestic sales is concerned, we registered 23% growth in domestic sales (I am differentiating between domestic sales and Symphony standalone India), so domestic sales is up by 23% vis-à-vis historical high which was in March 2022 this is despite unseasonal rain in the month of March. Again, as said during the year, Climate Technologies Australia and United States severely impacted by performance for the quarter. Standalone gross margin for the quarter stood at 48.9%, up by 600 bps Y-o-Y, the highest March quarter margin in last three years, hence standalone EBITDA margin percentage stands at 20% up by 80 bps. The traction in LSV remains quite decent.

Coming to specific financials. Standalone revenue from operations up by 38% i.e. ₹ 885 Crores. Gross margin absolute amount is the highest ever i.e. ₹ 424 Crores and coming to PAT, it is ₹165 Crores, up by 49% vis-à-vis FY2022. While the capital employed in the business consisting of investment in fixed asset, working capital, etc., based on the monthly average, it stands at ₹ 39 Crores translating into return on capital employed of 456% and as many of you may be aware, we differentiate in terms of the segmentation capital employed one in core business i.e. air cooling and appliances, and second is surplus i.e. treasury. While return on net worth stands at 19%, up by 500 bps. This is the waterfall chart of movement of EBITDA margin percentage from 17.9% to 20.0%.

Coming to January to March Q4 financials. The revenue from operation on standalone down by 5% to ₹ 239 Crores. As I said earlier, domestic sales is up by 23%; however, loss of sales to subsidiary i.e. to the United States has contributed this decline. While gross margin stands at ₹ 117 Crores, up by 8% in absolute amount and profit almost at the same level what it was in FY2022 i.e. ₹ 43 Crores.

Coming to consolidated financial. The revenue from operations up by 14% to ₹ 1,184 Crores, while PAT stands at ₹ 116 Crores down from ₹ 121 Crores and on a consolidated basis, the capital employed stands at ₹ 304 Crores in core business translating into ROCE of 42%. And this is the waterfall of movement of EBITDA margin percentage on consolidated basis FY2022-23. For Q4 consolidated financials, revenue from operations stands at ₹ 308 Crores, down by 20% while PAT stands at ₹ 16 Crores, down by 75%, and EBITDA margin percentage is down by almost 14% at about 7.6%.

Coming to subsidiary wise performance for FY2023, Climate Technologies turnover down by 38% to ₹ 225 Crores, EBITDA at negative ₹ 43 crores and so is PAT at negative ₹ 43 Crores. Coming to IMPCO, Mexico, revenue from operation at ₹ 117 Crores, up by 15% and PAT at ₹ 2 Crores, while EBITDA at ₹ 8 Crores. And GSK China, revenue from operations at ₹ 32 Crores, down by 14%; however, at EBITDA level, it has broken even mainly because of substantial reduction in CODB.

Coming to outlook. As far as the domestic market is concerned as well as for our respective subsidiaries, Symphony's forte remains to keep on adding and launching market-leading innovative value-added products. We will take calibrated price hike on need base, so as to reach to historical high EBITDA percentage and we expect that softening of material and labor and freight cost should also help towards that. We have strategies in place to build on strong FY2023 domestic sales with better margins. As far as curtailment of orders by large retailers in USA and Australia, we believe and we view them mostly one-time phenomenon mainly because air cooler product category unlike most other appliances do not have much correlation with economy or inflation or interest rate, its correlation is with temperature. And as we are into air-cooling, which is environment friendly for all, so we are committed to pursue growth, with a focused sense of purpose and responsibility towards the society and environment.

Now coming to some of the specifics of Climate Technologies. On the left-hand side, these are the existing products of Climate Technologies. They are ducted products whether air coolers or heaters. Now the market trend is and more and more acceptability are towards Symphony kind of air coolers as well as portable heaters. And as displayed on right hand side, this is the range of products which we have proposed to launch in the current year, and they are new age products having a much better margin profile. And in terms of the transformation, we are revamping the product category completely; and reducing the cost of doing the business. So, in INR terms, the cost of doing business in 2023-2024 will be down by about ₹ 21 Crores for Climate Technologies Australia. Thank you. Open for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: Good evening team, poor performance this quarter. The first question is on the standalone business. First can you elaborate what was the percentage of the revenue loss which you had, the revenue which was missed because of change in the weather pattern towards the end of the quarter because sequentially if we see India RAC sales or air cooler sales are broadly flat on a Q-o-Q basis. So, was there any revenue slippages or loss of revenue because of change in weather conditions in your view and how are you looking at the season given that it has been a pretty patchy summer and unseasonal rain patterns across the board?

Amit Kumar: That is a interesting question and definitely while February was building very well for us, March across the country the season was not as great, so for the quarter, the target that we have set and we were on the path to achieve, I would say we lost about 10% of the quarter's target because of the change in weather in March so to speak.

Renu Baid: How should we look at April, May it has been almost over a month the season has gone through so is the current season looking like washout or any hopes of some damage control that you see possible?

Amit Kumar: As we speak, it is a cautious stance that we have. Obviously, April the first or the mid part of April was pretty strong, especially in the east and central India and there were days in which we were scaring for inventory, and we were almost on the verge of stockout, but west and north the season is yet to pick up. We are expecting that somewhere between May 10 to May 15, the season will pick up and we will be able to cover for the loss of momentum in the last week of April that is the expectations as of now, but a lot remains to be seen over how the weather behave over the next week or 10 days. In terms of readiness, obviously we have distributed pretty well across the market and once the season gains momentum we are well placed to capture that.

Renu Baid: Right because the overlying concern here is if the inventory with the channel is at a relatively elevated level, then poor season will indirectly also have implications on the off-season sales that we try and push during the early half of the year. So in your view is the channel inventory near normal or it is at a much higher elevated level given that this year was expected to be really good summer after couple of years?

Amit Kumar: For this time of the year I would say the inventories are at a slightly elevated level, at the same time, the season is still a bit ahead of us. We are expecting a delayed but a bit prolonged summer venturing into end of June or early July also. So as of now I would say over the next five to six weeks, we do expect the inventories at the end of the season to come to near normal level.

Achal Bakeri: In other words, Renu, it is a little premature to worry about the inventory, so internally also we are still sort of quite optimistic that things will recover, almost the entire month of May is ahead of us. Like I said it is a little premature to begin worrying about inventory.

Renu Baid: Got it. Secondly on the company performance is it possible to share some input on the operating performance of subsidiaries because given the annual numbers that we do not have the nine month operating performance of subs so any share specifically on CT and which has seen a very sharp depreciation and also IMPCO I can look at the number based on whatever details I have while revenues in Q4 broadly flat there has been a sharp improvement in profitability and gross margins there so would it also be attributable to change in the business mix that we were doing there a bit more of either bucket of other white good products in that region?

Nrupesh Shah: Are you referring to financials for Q4 of Climate Technologies and IMPCO that is what you are looking for?

Renu Baid: Fourth quarter operating performance, for the nine months you had shared EBITDA for IMPCO but not for CT so we did not have that number to compare nine months versus full year.

Nrupesh Shah: Right now, we have for Q4 FY2023 subsidiary wise performance, so Climate Technologies, sales at ₹ 52 Crores and EBITDA level at negative ₹ 28 Crores and PAT wise negative ₹ 25 Crores. As far as IMPCO is concerned, for the quarter, sales is ₹ 37 Crores, EBITDA ₹ 5 Crores and PAT is positive ₹ 2 Crores.

Renu Baid: Got it.

Nrupesh Shah: GSK normally this is off season over there. Sales is ₹ 6 Crores and EBITDA is zero and PBT and PAT is minus ₹ 2 Crores.

Renu Baid: Got it. Lion's share of the slippage in CT essentially has come in Q4.

Nrupesh Shah: Basically, the loss of US sales that is if we compare Q4 2022 to Q4 2023 it is an absolute amount about ₹ 51 Crores that is the amount of the degrowth in US based sales from Symphony India and so is in Climate Technology.

Renu Baid: Got it and on the core India business how has been the portfolio of the central air-cooling solution is growing and any growth numbers or outlook that you want to add in terms of how the portfolio ramping up?

Achal Bakeri: That is certainly doing very well in relative terms to what we were doing in that vertical in the previous year. We are not yet sharing specific numbers for that vertical, but it is certainly doing well again, and we have spoken about this many times in the past on calls that all in all it has not quite lived up to the expectations that we had set for ourselves. By now we had originally expected this to be a much larger vertical, but nonetheless it is growing at a respectable pace.

Renu Baid: Got it. I have a couple more questions I will come back in the queue Sir. Thank you and all the best.

Moderator: Thank you. We have the next question from the line of Rahul Gajare from Haitong securities. Please go ahead.

Rahul Gajare: Good evening. I am just building on the earlier question where I wanted more clarity on the CT performance, is it possible you could break this between how Australia has done and how US has done, do we understand where is the bigger problem and what is it that we are specifically doing to basically get around this problem and these are obviously Q4 financials, how has been the performance or uptake from the dealers who had issue in the month of April?

Achal Bakeri: There are two things here. One is as far as US is concerned it is clearly an issue of a sharp drop in the topline and in the US again this is something which we have said many times in the past, we have one principal customer which is The Home Depot and there are The Home Depot along with across the board all retailers in the US not only for coolers but for all commodities have sharply curtailed their inventories and purchases this year in anticipation of a recession and a slowdown. The thing has impacted us and they have almost halved their orders in the current year versus the previous year and summer is yet to come and despite that assuming that the recession is going to hit and the sales is going to be poor, they have reduced their inventories and their orders, but though we do expect that the summer would be good and even if it is a normal summer in the US, we expect them to run out of inventory at which point there will be nothing that we can do, we cannot overnight shift coolers from India all the way across to the US so that sales would be lost, but that is function of how that market operates. As far as Australia is concerned, there are two, it is a sharp compression of the topline and there is not because of any anticipation of recession. There is a recession that actually hit and a lot of our coolers as was shown in the presentation were installed products coolers and heaters which were bought by builders when they build homes and installed and provided along with the homes. Now because of the post COVID recession, many builders in Australia are actually going bust and so far, fortunately we have not sort of directly been impacted in terms of bad debt, but at least in terms of sales, we have been terribly impacted. So, our topline has dropped dramatically because of that. The corrective action that we are taking is of course as was shown in the presentation and this is something which we have taken not only now but we began this exercise more than a year ago was a pivot from installed products to portable products, a pivot from gas powered heaters to electric heaters and a pivot from captive manufacturing to third party manufacturing or box in, box out kind of a strategy. As far as coolers go, the products will go from India, as far as all other products viz. heaters, air conditioners etc., they will all come in from China. So, there is this fundamental shift in the business model and the entire business of Climate Technologies that is underway and also there is a plan to also along with this sort of change in business model will also result in a sharp reduction in the cost of doing business which will bring down our breakeven point substantially. We have been, ever since we have acquired the company, we have been working on reducing the cost of doing business and what it will be a year from now will be about quarter of what it was when we first acquired the company and that will have no telling impact on the topline, in fact the topline has actually grown. So, it is a transformation in the way we will do business in the business model which is enabling us to do this. Like again Nrupeshbhai as mentioned in this presentation, this is notwithstanding what we have witnessed in the last financial year. We are completely convinced, and we know it we have full conviction that there is a very broad silver lining at the end of this or around this cloud or light at the end of this tunnel. So, we are fairly sort of confident that this company will turn around and will live up to the expectations that we had when we first acquired it nearly five-and-a-half years ago.

Nrupesh Shah: Coming to specific about US and Australia performance. As far as US is concerned for FY2023, despite topline reduced to less than half vis-à-vis FY2022 not only at EBITDA level at net profit level after allocating all the expenses it is fairly profitable, so that is a profitability profile of US business.

Rahul Gajare: Thanks for that. Sir my second question is given that so many builders are going bust in Australia we do not have any receivable problems we are not anticipating or even providing for receivables?

Achal Bakeri: We have had no bad debt so far nor did we expect to be any bad debt going forward.

Rahul Gajare: On the standalone business given we have had the revenue impacting in this particular quarter mainly because of loss of export revenue we see very sharp uptick on the gross margin almost 49% so the export that would have made this any difference or this is price hike or something else that has impacted the gross profit over there?

Achal Bakeri: That is a good observation. So the lack of exports has improved the margin because again remember our exports are to a subsidiary so the margin is divided between the two. Symphony would typically sell to the subsidiary at TP and at rate which are governed by transfer prices, so the margins that are retained at Symphony are of course much lower, so the lack of export has helped improved our margins and again year ago we had also conveyed that because of significant exports to subsidiaries our margins are lower than they usually would have been.

Nrupesh Shah: But when it comes to the total margin profile, we need to consider the margin on exports from Symphony India to subsidiary, margin also being kept by subsidiary, so by the way as far as US business is concerned, margin in Symphony India and Climate Technologies both put together is even better than our domestic business, so that is how supposed to be viewed.

Rahul Gajare: Fair enough. Thank you very much. That is all from my side and all the very best.

Moderator: Thank you. We have the next question from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Good afternoon to the team. A couple of questions from my end. One is on the gross margin if I see the difference between consolidated and standalone, subsidiary has reduced significantly from about 45% odd to 32%, so just wanted to understand and given that your business model is asset-light in nature and most of the costs should be variable in nature ideally we should not be seeing such huge drop in profitability so what is passing on the price hikes to customers in the subsidiaries?

Achal Bakeri: Are you referring to standalone?

Lokesh Manik: I am referring to the subsidiary’s business, if I take the consolidated and standalone difference loss of about ₹ 40 Crores at the EBITDA level on an annual basis, I am not talking quarterly I am referring to the annual basis it is quite significant given that we are an asset-light model.

Achal Bakeri: Not entirely, in Australia we have not really entirely asset light that is a process that we have set into motion to become asset light like I said a little while ago.

Lokesh Manik: Did you see a significant reduction on the gross margin front Sir?

Achal Bakeri: Yes, that is true because again last year costs were higher, and our selling prices could not cover the increase in cost. So, there was a sharp reduction in the gross margins or sales within Australia.

Lokesh Manik: When do we plan to get back to normal levels in your view or as per your business plans?

Achal Bakeri: As we speak, our margins are better and we are working on improving them, but we believe that of course in the current year 2023-2024 there should be much better than what they were in 2022-2023.

Nrupesh Shah: As we are shifting the products from installed or ducted air products to the portable products which is in demand, and they command much better margin too.

Lokesh Manik: These products are going to be exported from India or they are manufactured in Australia?

Achal Bakeri: So, the coolers will go from India part of from the Symphony range, but other products, which Symphony does not manufacture, i.e. heaters, panel heaters, fireplaces, or air conditions those we bought from China.

Lokesh Manik: Got it. My second question is on the standalone business in India and more to do with the advertising and marketing, so we have had very impressive track record over the years especially in the past decades leaving the last three to four years aside if I may where we see sort of a reduction in share of voice which used to be 60% to 80% that is coming down to 40%, 50% and we are also seeing revenue to ad expenses reduction from 23 to about hovering around 15, so just wanted to understand what has changed out here because we have also gone from demand pull to a push strategy and we have gotten into affordable range of products also can it be also due to a change in the team that has taken place if that may be the case or just trying to understand what is the reason for this underperformance on the marketing, advertising?

Achal Bakeri: On the contrary our ad spend is much higher than…

Lokesh Manik: Relation to the sales I am just talking…

Nrupesh Shah: In fact, in relation to sales, during FY2023 on a standalone basis, our advertisement and sales promotion stands at about 8% which historically used to be 6% and in absolute amount if you see the figure it is around or in excess of ₹ 73 Crores which year before or pre-COVID used to be less than ₹ 40 Crores.

Lokesh Manik: Right, we were generating more sales per rupee of ad spend which is why I am referring to and which has come down, so just trying to understand the reasons?

Achal Bakeri: In other words what you are saying is our ad spend as a percentage of sales have gone up.

Lokesh Manik: Inversely you could say that correct.

Achal Bakeri: That is essentially what you are saying. That is true maybe we have spent more on advertising, it is also something that we experimented with that last summer, we also had lot of excess inventory lying with the channel last summer in the quarter of April to June of the last financial year, which we had also sort of increase our ad spends, but we are certainly moderating that in the current year. So, we will sort of revert to our historical ad spend as a percentage of sales.

Lokesh Manik: Got it. So on the KPI side there is no really underperformance because those numbers are obviously with the management and not with us so just to get some clarification and on the KPI side we are not seeing in terms of ad performance that we are doing or the content that we are releasing and the impact that it has, so there we are not seeing any underperformance, just clarification on that?

Achal Bakeri: Not really.

Lokesh Manik: That is it from my side. Thank you so much.

Moderator: Thank you. We have the next question from the line of Smita Mohta from Kredent InfoEdge. Please go ahead.

Smita Mohta: Basically I wanted to know that in your nine months FY2023 concall, you had referred the volume to be as 25 million coolers sold for nine months, so wanted to know the yearly sales for the coolers and your percentage of sales as export market how much has that dropped compared to the total volume of the sales and which quarter according to the management is the best quarter for them is it this summer which is heated up, so just wanted to know answer to these three questions?

Nrupesh Shah: 25 million coolers are the cumulative sales with Symphony and subsidiaries put together since inception has achieved, so which is at least five to eight times more than any of the competitor or may be more than the combined organized retailers of India and many other country, so that is the significance of it. As far as volume for the quarter or year is concerned, due to competitive reason, earlier we used to share but now we are not sharing because we are the only listed limited company exclusively into air cooler and others' figures are not available, so rest of the details are shared, but this has not been shared.

Smita Mohta: How much has your export contribution gone down in the total revenue basket if I may ask?

Nrupesh Shah: You mean to say exports from India or you mean to say total business?

Smita Mohta: Total business exports in your total revenue terms consolidated.

Nrupesh Shah: FY2022, it was almost 50% which includes export from India and our subsidiaries' turnover while in current year exports and subsidiaries put together is close to about 34% - 35%.

Smita Mohta: So drop of 15% from compared to last year right?

Nrupesh Shah: That is right.

Smita Mohta: Which quarter can you say that is the best for the air coolers for your business?

Nrupesh Shah: As far as Symphony standalone is concerned, we do sell round the year with 100% advance when it comes to the domestic trade i.e. general trade. Of course, trade has to sit on inventory until secondary sales start, so we do not have much of the issue in that respect. However, at a consumer level, the best quarter is April to June quarter for Symphony India. Coming to Australia domestic market, it is December to March and coming to US, it is from June to August, September.

Smita Mohta: Got it. Can you just define your market share presently?

Nrupesh Shah: Symphony India, our market share is 50% as earlier conveyed in the presentation and that market share is within organized retailers and it is vis-à-vis regional players having decent business because otherwise there are like hundreds and hundreds of brands, but many of there may be regional or in specific district, so in that respect it is 50% market share.

Smita Mohta: So, as you suggested that the subsidiary export is not happening now because of which your margin has risen so do you think that this is going to last, and you are going to have a good margin there because the subsidiary is not making the sales?

Achal Bakeri: What do you think we should be hoping for?

Smita Mohta: That your margin rise, entire business margins.

Achal Bakeri: No, we should also be selling more to our subsidiaries or selling more in overseas market, so essentially this was the one-off thing, this is an aberration like I said our exports to the US primarily has dropped significantly this year. We are hoping that business will revive in the US and of course what would be great would be that our margins also remain the same despite an increase in exports. We will see what happens going forward. But essentially what we are looking for is how do we revive the US business, that might have an impact on the margins, but will see what happens.

Smita Mohta: So, how soon do you think that your margins can normalize, one year or two quarters?

Achal Bakeri: First of all, as far as domestic standalone business is concerned, our margins going forward should improve. When you couple in exports, then on a standalone basis the margins may be impacted, but then again you have to look at margins end-to-end margins because like I said when we export to subsidiary, there are margins retained at both levels and when we look at end-to-end margins between the two at the consolidated level the margins would be a lot better than on a standalone basis.

Smita Mohta: Thanks a lot. That is all from my side.

Moderator: Thank you. We have the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thank you for taking my question. Sir this revolves around Australia. We had the subsidiary for a while last year we were talking about how higher logistics cost is hurting us on this product, this year demand has gone down. I just want to understand what the thought process of the management is because you mentioned, you are increasingly trying to source product from elsewhere and sell because those are countries where even restructuring or closing down factories has the cost involved. So, what I am trying to understand is what is sort of the roadmap for the Australia business over a two, three-year period because so far it seems it has been a disappointment for different reasons in each of the year. So, if you could talk about that and I think ₹ 21 Crores is what you mentioned is the benefit of reduction of cost of doing business, will that be realized in FY2024 itself or is it again a medium-term target?

Achal Bakeri: No, that is which we expect to realize in 2024, by 2025 it would be even more. To come back to your overall question Pulkit saying that Australia business has been a disappointment is an understatement. No doubt about it. We did not sort of acquire this company for the performance that we have witnessed so far, there is no doubt about that. There is no arguing there. Again as far as investors are concerned, it does not really matter, but COVID has been an exceptional event and whether it is in India there also a logistic cost has gone up, our bill of material has gone up and that has happened in company-after-company, category-after-category, so it is not that we are in exception and in Australia now the international logistic costs have dropped, but the bill of material cost or the commodity cost have still very elevated and so are they in India. They may have dropped a little from their peaks, but they are still significantly higher than what they were pre-COVID levels and then you also referred to the difficulty of restructuring. Very honestly that is not the case here like I said we are changing our business model entirely, so there will be very little manufacturing, almost no manufacturing that will continue in Australia. We will largely be a box in, box out company. I do not want to use the word trading company which we are not because we have a brand of our own and distribution of our own and all of that, but essentially, we will be selling products which are made either in India or in China. Products that will be sold in Australia will not be manufactured in Australia, so there is a major change in the entire way we are doing the business that is underway.

Pulkit Patni: Sure Sir. Second question is when we look at both Australia and US is it just a function of markets declining have been tough or have you also loss market share, could you share some perspective on that also?

Achal Bakeri: Absolutely not. As far as the US is concerned like I said despite The Home Depot having sold very well last year, this is again not only in cooler across the board, across every category, they have cut down their inventories, they have cut down their orders in anticipation of recession. As far as Australia market itself is concerned like I said there are these builders going bust and the reason why builders are going up is also very interesting. Most of these builders would have contracted to build homes at X price before COVID and then suddenly everything has gone up all costs have gone up and they are unable to deliver or build at those costs which they were contracted at, which is why they are going belly up. In Australia the reason is only that. It is not just us, even our competitors, the whole industry has shrunk as far as the appliance industry is concerned in Australia.

Pulkit Patni: Sure Sir that is useful.

Moderator: Thank you. We will take the last question from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: Thanks for the opportunity. Sir couple of questions purely from the domestic angle firstly could you help us identify how the overall scenario is in north, south, west in terms of how it was in the fourth quarter and how it is panning out right now in April?

Amit Kumar: The picture is obviously very different in different parts of the country, so I will pick them one-by-one. In the last time as we speak, most parts of the north the season has not yet taken off, March was mostly on low key, April had some buildup, but as we speak it is still not in the regular flow of things in the north. In the west the situation is similar, the business has not taken into full gear as of now and especially the coastal parts of Maharashtra and South Gujarat the season is yet to take shape. South and east, the picture is slightly different. Especially the eastern part of south and most of eastern India the second, third weeks of April saw pretty good heat and as I mentioned earlier in the response to another question we traded very well in those parts of the country and there again at this point in time the season is a bit low, but we are getting back to closer to normal temperature over the next week or so in these parts of the country.

Nikhil Gada: Got it Sir and because we are seeing a lot of commentary on El Nino does it by any chance help us, is there any past precedence which sort of guides if El Nino actually happen, does it benefit the cooler company per se?

Amit Kumar: In the past when we had El Nino here, the summer was so long, and the summer was warm. This year while it is an El Nino year, the summer has set in late, what we are hearing and getting to understand is the summer is likely to set late in most parts of the country and likely to continue till late. So that from weather perspective and heat perspective will be a prolonged summer as we see, till we are there it is more of a hope and prediction than actual materialization on the ground.

Nikhil Gada: I understood, and Sir lastly can you call out what kind of domestic growth do you expect for 2024 is it too early to sort of discuss on that?

Achal Bakeri: It is too early for that right now Nikhil.

Nikhil Gada: Thank you so much for answering all the questions. All the best. Thank you, Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments. Over to you Sir!

Nrupesh Shah: Thank you all the participants. Thank you ICICI Securities for hosting this conference call.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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