



Thinking of Tomorrow

“Symphony Limited
Q1 FY 25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Earnings Conference Call of Symphony Limited 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hardik Rawat from IIFL Securities Limited. Thank you, and over to you, Mr. Rawat.

Hardik Rawat: Good afternoon, everyone. On behalf of IIFL Securities, I welcome everyone to Symphony's 1Q FY '25 Earnings Conference Call. We have the pleasure of having with us the senior management team of Symphony, led by the Chairman and Managing Director - Mr. Achal Bakeri; Managing Director (Corporate Affairs) - Mr. Nrupesh Shah; and Group CEO & Executive Director - Mr. Amit Kumar. Without further delay, I will now hand over the floor to the management for their opening remarks, which will then be followed by a Q&A session. Over to you, sir.

Achal Bakeri: Thank you, Hardik. Good afternoon. This is Achal Bakeri. I welcome all participants to this conference call. The customary safe harbour statements applied. I would like to say that we've had an excellent quarter. And we believe that this is not a flash in the pan. Symphony has turned the corner, and so has 3 of its 4 subsidiaries. The fourth subsidiary too is in the process of turning the corner. And we believe that the future is much brighter for us than the last few years have been. I will now request our Managing Director, Mr. Nrupesh Shah, to walk us through the financial numbers, after which we are all available to answer any questions that you may have. Thank you very much.

Nrupesh Shah: Welcome you all to FY25 Q1 earnings presentation, and good afternoon to all of you. So coming to performance highlights for June quarter on a consolidated basis, top line stands at ₹ 531 crores, up from ₹ 302 crores in Q1 FY24, 76% Y-o-Y growth, resulting into consol. EBITDA margin of 21% almost double to last year in terms of the percentage and absolute amount wise ₹ 112 crores, leading to PAT of ₹ 88 crores versus ₹ 24 crores, that is 16.6% of revenue. For the first time in the history of Symphony in any quarter, we crossed the milestone top line of ₹ 500 crores and this is by far the highest quarterly consol, standalone as well as subsidiaries as a block together top line as well as PAT number.

For Symphony India, the top line is ₹ 373 crores up from ₹ 172 crores i.e. 116% YoY growth. EBITDA at ₹ 82 crores versus just about ₹ 7 crores and PAT at ₹ 69 crores, up from ₹ 14 crores i.e. 375% translated into 18.4% of the top line. This is consol. minus Symphony India i.e. subsidiaries or overseas revenue except exports from Symphony India, but subsidiaries as a block. Turnover has been ₹ 158 crores, up by 22%. EBITDA at ₹ 29 crores, up by 41% and PAT more than double, of course, on a low base, up from ₹ 9 crores to ₹ 20 crores.

But again, this has been considering the kind of subsidiaries we had to face and turnaround and COVID time etc. It's really coming out with decent number. About the performance highlights for June quarter, stand-alone performance is driven of course, by strong summer and heat wave, but it's not just only and only on account of that. Many, many things also came into order and whatever strategies and efforts and Symphony transformation phase 3, which we were talking about, all helped to lead to this performance. Essentially, it is on account of product, penetration and perseverance. So, this performance is also on account of tremendous penetration, and we believe that there are miles to go for semi-urban and rural markets. Most befitting product portfolio and range, at every price point and for every territory. D2C has been a growth driver which is 100% prepaid for us and our entry in adjacent product category has also received overwhelming response.

Yes. So, we talked about this. By the way, during the quarter, even LSV has also seen a decent traction i.e. ducted and industrial air cooler. The decent improvement in EBITDA and hence PAT margin is on account of expansion in gross margin. D2C segment had reached to a critical mass and scale and very happy to share that its EBITDA margin percentage is now in line with normal trade or general trade which until last year was negative.

And as you know, D2C or e-commerce is a segment where a lot can be done. Again, on account of decent growth in top line, there has been substantial operating leverage because to an extent, fixed costs remain almost around the same level. And apart from Symphony India, it is particularly in IMPCO Mexico and GSK China have also come out with decent quarterly number. So, we would also like to share about the brand performance because ultimately, that matters the most, what consumers think about and what kind of the brand pool is. So Symphony's share in Google Search for air cooler category was more than 60%, means if there have been more than 100 million searches, then 60 million-plus searches have been just for Symphony i.e. all other brands and unorganized players put together less than 40%. Second important figure is YouTube and OTT search in June quarter which has been mind-blowing. 540 million plus impressions and 130 million-plus views have been registered. Number of prospective customers visited on our D2C website in last 12 months were in excess of 4 million.

And during the summer, we carried out industry's biggest and impactful and still value for money out of home (OOH) campaign. Again, the data showing in these slides can be easily cross verified from respective search engines or YouTube etc. And we also came out with the innovative sales channel i.e. getting Symphony air cooler in 10 minutes by delivery through Blinkit. Of course, it was in selected cities, but it was also runaway success.

About overseas subsidiaries, as I said earlier, it has been our highest ever quarterly revenue, EBITDA as well as PAT, despite Climate Technologies has not delivered up to the mark. About IMPCO Mexico, Y-o-Y it's revenue grew by 46%, this is on top of strong June '23 quarter in which Y-o-Y its top line grew by 38%, and PAT has grown by 77% on top of 52 % PAT growth in June '23 quarter. For Climate Technologies, demand headwind persists, also some of the local macro and microeconomic factors have also played the role. However, on account of successful execution of Part 1 business transformation, despite the growth in top line, there we could contain the EBITDA as well as PAT.

And business transformation, including Part 2 is progressing as planned. About GSK China, it has seen a strong positive top line as well as bottom line, as you would have observed, almost for last 2 years, after continuously bleeding for 3 years and financial support from Symphony India, quarter after quarter, it is improving, mainly on account of CODB which could reduce substantially. We rationalized the operations and also happy to share that out of about ₹ 59 crores of loans granted by Symphony to GSK China, in June quarter, plus in the month of July so far, ~ ₹ 7 crores has been repaid and hence remaining outstanding is ₹ 52 crores and considering current year's business plan of GSK, we are quite hopeful and there is a decent visibility of additional repayment of loan.

Achal Bakeri:

In GSK China, I would also like to add that it is turning out to be a source of finished goods and products for our subsidiaries in Mexico and in Australia. So the outsourcing of manufacturing that we have done in Australia and in Mexico, has been partly outsourced to our subsidiary in GSK China and that has also resulted in its improved performance. It has been a win-win situation. The cost of product manufactured (COGS) has reduced overall, so the company in China is able to retain a profit and at the same time offer the product to their sister companies at a lower cost than they were manufacturing themselves. So the synergies are finally kicking in.

Nrupesh Shah:

Coming to consolidated financials, waterfall chart. So, in June '23 quarter, EBITDA margin was 9.3%, which has grown to 21.0% on account of improvement in gross profit margin by 1.5% at a consol. level, while employee cost, advertisement and sales promotion, freight, rent, travel and other expenses have seen decent positive, mainly on account of huge increase in top line.

So, if we see the picture in totality of trailing 12 months at a consol. level, the top line stands at ₹ 1,385 crores, up by 19 % and PAT stands at ₹ 212 crores, up from ₹ 110 crores, i.e. 92% growth and PAT margin has improved almost by 600 bps. And importantly, we also like to highlight, despite this, in line with our philosophy and business model, whether on a stand-alone or for subsidiaries, our capital employed has remained the same, which is ₹ 301 versus ₹ 300 crores, driving ROCE as well as RONW very well.

Coming to stand-alone financials. This is waterfall chart wherein almost same factor is driving the growth. And on trailing 12 months basis, for a stand-alone basis, i.e. 1st July '23 to 30 June '24, top line is almost about ~ ₹ 1,000 crores, up by 17%; PAT at ₹ 207 crores, up from ₹ 154 crores i.e. 35% YoY growth. And capital employed in stand-alone business is just about ₹ 24 crores. And now as on 30 June, treasury stands at about ₹ 491 crores versus ₹ 342 crores and hence, Board of Directors deemed it appropriate to have a decent payout, which I will cover in detail later on.

About subsidiary's financials company-wise. For IMPCO Mexico, it is for the first time in any of the quarters, it touched or crossed the turnover of ₹ 100 crores, up from ₹ 77 crores to ₹ 112 crores and PAT up from ₹ 10 crores to ₹ 17 crores. For Climate Technologies, it is subdued performance, turnover down from ₹ 51 crores to ₹ 44 crores. However, as you can see, still we could contain the PAT, mainly because of part 1 of the transformation has been executed.

Achal Bakeri: However, we believe that this is due to - we had the orders, which we could have done certainly better than this, but there were delays (logistical delays), which did not permit us to execute many of the orders that we already had. Had that not happened, then we would have certainly surpassed last year's sales number. So, we believe that by the end of the financial year i.e. for the rest of the year, there is a significant potential to do better than last year in Australia.

Nrupesh Shah: About GSK China, turnover up from ₹ 12 crores to ₹16 crores. And at a PAT level from ₹ 1 crores to ₹ 3 crores after providing for interest on Symphony loan. About Symphony Brazil, of course, this was completely off-season, so not really relevant. But as reported earlier, Brazil witnessed excellent summer. In GSK China, Symphony Brazil, IMPCO Mexico as well as Symphony India, the inventory is below normal level, at a trade level as well as at a company level.

Achal Bakeri: We have to remember that in Brazil, our winter months are their summer months. So, the last quarter was actually their winter. And since we only sell coolers in that country, there we had virtually no sales. I might also like to add that GSK China also supplies coolers to Brazil. So, it is turning out to be a source of products for all the 3 international subsidiaries.

Nrupesh Shah: About shareholders payout. So, it is our stated payout policy that at least 60% of the Consol. PAT to distribute to the shareholders. So today morning in the board meeting, the Board of Directors has approved buyback amounting to ₹ 71.40 crores, i.e. 10% of the net worth at a price of ₹ 2,500 per share, in addition to interim dividend at 50% i.e. ₹ 1 dividend on a face value of ₹ 2 amounting to about ₹ 7 crores. So all in all, total payout of about ₹ 78 crores and in addition to that, at company level, there we will buy back taxation and incidental expenses. So altogether total payout will be close to ₹ 97 crores.

Now coming to new products. So we thought it appropriate that this is the most opportune time to come out with and launch pathbreaking large range of air coolers. And in all, 17 models across 6 ranges have been launched. I will request Amit Kumar to explain that.

Amit Kumar: For the coming summer season, we are introducing 17 new models as Nrupeshbhai mentioned and these are spread across 6 product ranges out of which 4 ranges are completely new formats, new performance levels that we are coming up with. And in addition, we have 2 products that we are adding to the successful Sumo and Jumbo ranges. So the 4 ranges that we are adding include the SILENZO range, which is India's quietest air coolers, lowest sound levels versus the current range amongst the ranges that we have. We are also producing the AIR FORCE range, which is the high performance, high air flow product range that we're introducing, especially for the markets in North and Central India.

We also have the MAXWIND range, which is, again, a model focused on the desert coolers market with additionally, higher air performance driven by exhaust fan model. Arctic Circle is the further upgrade of the successful Sumo 75 range. So it's a wider format similar in depth, delivering unparalleled cooling and high air performance. It is also being provided with a further upgrade to the i-PURE air filtration technology that we have. So Arctic Circle comes with i-PURE+ as a standard feature into the product.

We are introducing Jumbo 200 as the largest capacity, largest air flow model in the long successful Jumbo range, which is especially popular in Northern and the Eastern part of the country. And we are introducing Sumo 60 as an upgrade into the window air coolers that we have. So it's the next-generation product for the successful Sumo junior range. And all of these products that we talked about will be available in the market for the coming summer 2025 season.

Nrupesh Shah:

So we are formally launching them in a distributor conference being held tomorrow. So the 17 models are going to be unveiled.

Amit Kumar:

And along with that, we are introducing the storage water heaters range from Symphony representing the innovation and the high-quality performance that the brand is known for and also coming up with features that, in our view, offer consumers a new dimension in bathing. We believe the range that we are introducing gives a luxury bathing experience to consumers, basis, in particular, 2 unique features that we are adding to our product. The first is the proprietary PUROPOD replaceable cartridges or filters that we are adding to our water heaters. This provides 9-layer water filtration technology for the water passing through our water heater, which makes the water soften, helps reduce hair fall as well as helps improve the skin friendliness of the water coming from our water heaters. In addition to that, we are introducing the AI enabled smart controller, which comes with next-generation features in controlling water heater performance. These features include timer settings, water temperature setting, child safety mode, and also alarms and error codes in case there is some malfunction into the heater. So these are, again, supported by our AI technology and which we are embedding now into the water heaters.

The water heaters are coming in the 3 ranges. The first and flagship range is the Symphony SPA, which is 5-star range and will come in 3 different sizes. Next, we have the Symphony SOUL which is in a more conventional shape cylindrical form with the plastic body. And this will also come in 3 sizes. The third in the range is Symphony SAUNA which is, again, a traditional cylindrical shape and metal body and comes in 3 sizes.

Both these ranges SOUL and SAUNA in addition to SPA, will have the PUROPOD technology coming as standard accessories with them.

Achal Bakeri:

You might wonder how come we are getting into water heaters after having maintained for a long time that we are an air cooler company. So to that, I would like to say that we back in 1994, we had actually introduced the country's first -- in fact, the world's first all plastic water heater with advanced features like polyurethane, foam insulation, variable thermostat and advanced safety features.

Those were as revolutionary in the field of water heaters as our coolers were when they were launched. It was because of our financial stress that we were in, in the early 2000s and in the 2000s that we had to exit from the category so as to conserve resources and focus on air coolers but this is a category to which we are no strangers. Like I said, we, in fact, sort of -- reinvented this category. And although we exited from it, we set the benchmark for the entire industry and

all other water heaters that we see in the market today from all the companies owe their existence to what we had done back in the 90s. Until the '90s, all water heaters by the largest manufacturers who had been around for 40/50 years were all in metal, all simple, cylindrical shapes with no product differentiation whatsoever.

And although we had to exit, but our product was reverse engineered and adopted by the entire industry and has become the industry standard for the last 30 years. So we have now sort of re-entered the category and with features which once again will become industry defining and which will be significant differentiators from anything available in the market. One primary reason to also get into this category was that for our online businesses, whether it is e-commerce or D2C, what we need is continuous presence in the market. We need continuous visibility, and with this product category, we will be continuously visible so that we are able to build on the traffic that we generate on the visitors that we have on our website, on D2C or on e-commerce and we are able to essentially capitalize on that. Prior to this, in fact, a year ago, 1.5 years ago or so, we had also introduced tower fans which are, in one sense, in adjacency to coolers. Essentially, tower fans are one can say an air cooler without water. So we have already sort of moved away from coolers into tower fans. And this is one step further.

I might also add that in geographies other than India, whether it's in Australia and in Mexico, we have been selling heaters- room heaters not water heaters. So cooling and heating products have been in our portfolio forever. So in Australia, in fact, more of our turnover comes from heating than from cooling. And in Mexico, too, heaters form a significant part of our turnover. So having counter seasonal products is again something which does happen in Symphony not in India, in other geographies. And it is happening once again in Symphony after a gap of maybe 15/20 years.

Nrupesh Shah:

Yes. So with water heaters for around the years, we have like adjacent product category that is Surround, LSV as well as water heaters. And of course, because of our now decent presence in Brazil as well as Australia, which are in Southern Hemisphere, air cooler sale will happen during our winter over there. So in a way, in various ways, we are trying to optimize the business by derisking the most.

Coming to outlook, again as per our IR policy, we will resist from giving specific guidance about the next quarter or year in terms of the number or percentage of the growth. However, June '24 quarter, triple-digit growth percentage should not be taken as a standard. But, there are a variety of reasons and factors, intensified heat wave and climate change whether in the country or globally as we see everywhere will help us a lot. Below normal trade inventory in India, Mexico and Brazil; path breaking and industry-leading innovation products; increasing focus on sustainable as well as eco-friendly products. We do have now geography-specific products in the country as well as in respective subsidiaries under respective brands as well as thrust on semi urban and rural market as well as adjacent product category. So by the way, "*jaise Tiger Zinda Tha, waise Air Coolers bhi Zinda Hai*". I believe, there were certain scepticism expressed about the category, about the potential, about the growth. So certainly, we believe that in terms of the category, it's very young. I think lot to do, a lot can happen. And certainly, there is a huge growth

potential in many, many respects. And even in respect of new launch in our history for the first time, at a time, simultaneously, we have launched 17 new models across 6 ranges.

And again, to launch them, a lot has gone behind that for many, many quarters and years. As Achalbhai expressed, it is our subsidiary companies and Symphony India, which are working in tandem with each other in terms of complementing research and development, sales and marketing.

So with this, we are open for question and answer.

Moderator: The first question is from the line of Manoj Gori from Equirus Capital.

Manoj Gori: Sir congratulations on extremely good set of performance during the current quarter. Sir, my first question is, given that we have seen normal to severe summers in the current season and also channel would have faced some demand supply challenges. In this scenario with any fear of stockout situation in the next summer, can we see inventory levels or inventory buildup exercises in terms of volumes probably may increase as compared to earlier period and we may see relatively better 2Q and 3Q performance as well?

Nrupesh Shah: No, so as I say, as per our IR policy, we will resist from giving any specific guidance quarter-wise or otherwise. But we very much maintain that. As we have conveyed in the past that in Symphony India as well as on a consol basis, on a CAGR basis, I think in line with a few years before, the CAGR growth what we had, we should register that kind of growth. Secondly, because of stellar summer and demand of air cooler, I think many more avenues in terms of dealer distribution network, including further penetration in rural and semi urban, for sure, has opened up apart from many alternate modern channels.

Manoj Gori: Sir, I was not actually asking about any specific numbers, but it was more from a directional point of view, like how the channel behaviour has been. So that was regarding that. Secondly, on the subsidiary business, again, at the subsidiary level, obviously, the revenue seems to be far stronger, and that was largely driven from IMPCO, but margins we have seen there has been marginal decline over there.

CT, we have seen some pressure, though we have been able to maintain, though we have been able to control the cost. If we look at the overall margin improvement, it has been largely because IMPCO contribution has been significantly higher. So if you can share your views on both the subsidiary at individual level, like how we see them in the coming years and also of the cost of doing business that we were taking many initiatives probably has this been completely implemented or we might see some more actions in the coming time?

Achal Bakeri: So as far as Australia is concerned, the cost of doing business is in the process of being improved upon. And we have already come a long way from where we were when we acquired the company. But there still is some improvements which will happen in the months to come. We will finally be able to execute everything by June 2025 i.e. when our lease expires. Until then, we will still bear some overhead, which we don't need but from thereafter, there will be almost

no overhead that or no CODB that we don't need and our entire CODB reduction plan would have sort of fallen in place.

Like I said, much of it has already happened and a little bit of it to go is this. And as far as sales and top line is concerned, we've introduced a lot of new products in the last 1 year whether it is panel heaters, whether it is fireplaces, we are also betting big on reverse cycle air conditioners in Australia. By reverse cycle, I mean air conditioners, which both cool and heat. And so these products will also begin to gain traction and bear fruit. So I think in the next 12 months or maybe less, you will see the entire turnaround happen. So I think many years ago, when we acquired IMPCO and none of you were there then about 15 years ago, we had a similar situation. And it took a few years for us to turn the corner. But once we did, we never looked back. And as you can see, nobody talks today. I mean, we don't even remember today about the times that we faced when we first acquired IMPCO and we believe that a similar situation will arise in Australia as well. And like I said before, China is proving to be a company which will supply products to all the 3 international subsidiaries whether made in its own factory in China or source from other vendors in China, products are being routed through them because they are able to source at a lower cost than subsidiaries are able to themselves.

As a result, it benefits both the Chinese company as well as the other subsidiaries. So along with that, the business in China itself, the domestic market itself has seen some improvement and is steadily improving. So all of this put together, we believe that the Chinese subsidiary is also now on a firm track towards being sustainable and profitable.

Manoj Gori:

Sir, lastly, we finally evaluated some of the other categories and we re-entered into water heaters, and we have launched 3 series as of now. Still early days, but how are we targeting to scale this business in the coming years? And now when we have already entered into storage water heaters, we would be open to evaluate other product categories in the coming years, especially in the electrical space?

Achal Bakeri:

Manoj, even in the past, whenever we were asked this question, we always maintained that we will never say never. So I still maintain that. Although I must also add that we are not actively considering any other category at the moment. We do not know what the future has in store for us. But as of now, like I said, we are not looking at any other category.

The water heater category itself is a fairly large category and a competitive category, and we have a fair amount of work to do to grow in that category. Likewise, our tower fans also have, we believe, in our view, great potential, and we have our work cut out to build that portfolio of products. And of course, our industrial cooler business is increasing at a respectable rate. But still -- there is a long runway ahead of us for that. So as of now, we are going to focus on these categories but then again, if some compelling idea comes along or opportunity comes along, we will certainly evaluate those. But at this moment, we are not looking at any.

Moderator:

We'll take the next question from the line of Abhishek Ghosh from DSP Mutual Funds.

- Abhishek Ghosh:** Sir, just a couple of questions. In terms of your entry into the water heater category, in terms of distribution, if you can help us explain in terms of what's the distribution channel? And what will be the difference between the current one? Or will it be largely overlapping. Just some sense around that will be helpful, sir?
- Achal Bakeri:** So to begin with, we will concentrate on the channel that we are already in. And as we go along and as we scale up, we'll certainly diversify into other channels. I won't be able to say anything more specifically other than that, but it is going to be a phased go-to-market strategy. So as I said, –in the first phase we will focus on some of our channels where we are already selling coolers and then we will see going forward as how we expand the channel.
- Abhishek Ghosh:** So, sir, when you have taken this or while you have considered this decision, you have already taken a feedback from a channel in terms of what proportion of the channel already sells water heater also as a product category? And would it be fair to assume that 20% - 30% of the channel does sell this product category as in? Or is there an estimation there?
- Achal Bakeri:** You can safely say that, yes.
- Abhishek Ghosh:** Okay. Okay. And sir, just the other thought, would you have any regional biases when you get into this product? Or will it be a pan-India launch? How should we look at it? Or will you go first in the West? Or is there a thought out as far as the regional presence is concerned when you ramp up this water heater category?
- Achal Bakeri:** No. It will be a phased launch, what will be Phase 1 and what will be Phase 2, and therefore, it's still being worked upon. But it will be a phased launch. It will not be a sort of a big bang all India launch at one go.
- Abhishek Ghosh:** Okay. So this season, you'll be able to capture some of the market shares in this season? Is that a fair estimate? Or are you targeting it for next season? How should we look at it?
- Achal Bakeri:** We will capture somewhat in this season, yes.
- Abhishek Ghosh:** Okay. And this will be like your cooler business also outsourced model that you'll have to deal with and set up an ecosystem of vendors? That's the way to look at it as far as the manufacturing is concerned.
- Achal Bakeri:** Yes, it will be a third-party manufacturing. And so the ecosystem sort of already exists, and we have tapped to that.
- Moderator:** We'll take the next question from the line of Aditya Bhartia from Investec.
- Aditya Bhartia:** My first question again is on water heaters. So just wanted to understand in your internal target, how are you thinking about these categories scaling up in the next 3 to 4 years? What's the kind of target that you are having in terms of market share? like you mentioned that 20% - 30% of our existing channel would be selling water heaters. At the same time, what proportion of water heaters would be getting sold from our existing channel? I would like to understand that aspect.

- Achal Bakeri:** Aditya, honestly, it's a little premature to get to that level. So I think why don't we come back to this a year from now.
- Aditya Bharti:** Sure, sir. And sir, my second question is on air cooler performance this quarter wherein it appears that summers had set in a little late in northern part of the country, which otherwise is the key market for the category. Despite that, we managed to deliver exceptional revenue growth. So just wanted to understand, have we seen the proportion of revenues that get right from other regions increasing sharply in first quarter? Or is it that not really picked up? Essentially, just trying to understand, is this category becoming a little more broad-based?
- Achal Bakeri:** Very much so. Very much so. We are seeing sort of demand and actions across the country. So as Nrupeshbhai said a little while ago, there was a time when there was a feeling that sun seems to be setting on this category. And this summer has proven that, it is far from true. And we have seen demand for this from markets where we've never seen demand like this. Non-traditional markets like the South or the East and the Far East or the Northeast which traditionally are never really big air cooler markets. So this year, we have sort of reset the equations across the country.
- Nrupesh Shah:** And by the way, in that connection, if we talk about summer-related any industry, of course, in cooling industry, air cooler as a category vis-a-vis fan and air conditioner has registered the highest growth. But we believe that in our estimate vis-a-vis any summer-related industry, air cooler has registered the highest growth. So whether it is beverages, whether it is ice cream or any other products. So that is the kind of the potential and the future runway.
- Aditya Bharti:** Great. Great. That's very encouraging...
- Nrupesh Shah:** And there are too many reasons for that and very convincing reasons apart from commercial reasons.
- Achal Bakeri:** And again, this is not only in India, but even in Mexico, where the category has existed for a very, very long time, it seems that now there is sort of a revival in the category, and the category has become a mainstream category. It is not really a fringe product anymore. It's become mainstream for the retailers and for consumers as much as air conditioners or refrigerators or televisions are.
- Moderator:** We'll take the next question from the line of Pulkit Patni from Goldman Sachs.
- Pulkit Patni:** Congratulations, I think, phenomenal performance. So my first question is on the industrial cooling business now. It's been a very long time since we've been hoping that there is growth. You did mention in the presentation, I don't know how comfortable you are with sharing the numbers in this quarter. But more importantly, can you explain what are the kind of orders you are getting there?
- Like can one say that industrial cooling is something which also as a category is seeing inflection and we could see much higher growth into the future? Or is it just because this was a terrible summer that you saw more orders, but you really can't say that it's an inflection in this category. So your commentary and thoughts on the industrial cooling products is what we'd like to hear.

Achal Bakeri: Thank you, Pulkit. That's a very good question. And I wish I had a better answer for you, but I wouldn't say that we are seeing an inflection point. It has seen a significant uptick in sales, but as a percentage of all sales, it is still in the sort of the single digit, high single digits. So it is still not a significant contributor to the overall revenue. And we absolutely believe that the potential exists and time will come when the inflection point will be reached.

Now the inflection point could be very different. I mean, for example, what I said just a little while ago about the domestic coolers although the domestic cooler category was a very large category. It seems that there this summer was another inflection point. So likewise, in industrial coolers, down the road, we believe that there could be a significant inflection. But that day has unfortunately not yet come. We are working on it and we are focused on it and I think it's a matter of patience and just perseverance and not giving up on it.

Pulkit Patni: Sure. Sir, any numbers you can share on that? Still early?

Achal Bakeri: Pulkit, I would request you not to ask that question.

Pulkit Patni: Sure, sir. Sir, my second question is on water heaters. I mean, see in air coolers, via early entrants, we have a substantial market share. So you're right to win is very visible there. Can you highlight in water heaters, what is the right to win? because it's a pretty well-covered category, multiple brands and people have set up large capacities actually in-house to manufacture and sell this. So just wanted to know like in our internal thinking, when we decided to get into this category, and I can understand it in a way helps us even out our sales because we've been a very summer-centric company to sort of a more evenly spread out. But what is the other right to win that we have in the water heater category, which prompted us to get into this?

Amit Kumar: Yes. So a very, very pertinent question. And that's something that when we think of doing anything outside coolers, that's something that clearly plays on our mind that what is it that we bring to the table to be able to convince our customers. So right now, we are focusing on 2 things: one is continuous innovation into the product. So I'm not sure if you could go through the deck that we presented about the water heaters. Before launching the products, we had a chance to do a detailed sort of mapping of the sector. And we identified a couple of value propositions that in our belief are not being offered by the products existing in the market, which is what we have tried to cover through the smart AI controller and with PUROPOD purification system.

So coming back, these are specific, but the first leg of the answer is continuous innovation into the category to bring value proposition that consumers are looking for, but not available. And the second is leveraging our reach and brand connect with the consumers to offer high-quality premium products delivering the right performance leveraging across the channels in terms of reach and consumer credit. So these are the 2 sort of legs on which we believe we will be able to drive the water heater category growth for the company.

Pulkit Patni: Sure. I'd like to understand this a little better. So maybe I'll request for a separate call later on this issue.

- Moderator:** We'll take the next question from the line of Rehan from Equitree Capital.
- Rehan:** Wanted to congratulate the management on such great numbers. So I just had a question on a Y-o-Y basis, could you tell us more on the value versus volume growth? How much volume growth has the company seen?
- Nrupesh Shah:** So by the way, due to competitive reasons because air coolers per se, we are the only listed company. And hence earlier we were sharing that detail. But unfortunately, now we are unable to share because it goes against business interest. But you can very well assume that it has been very strong volume growth also. And of course, depending upon the summer geographical requirement, it's a sales mix also, which plays the role. And as you know, we have a low-priced product to highly priced products. So it depends on that too.
- Rehan:** Okay. Secondly, I wanted to understand as per some last interaction that we've had, I wanted to see on the follow-up.
- Moderator:** I'm sorry to interrupt. If this is a follow-up question, you'll have to rejoin, sir.
- Rehan:** No, it's the same question only. Just wanted to ask whether has the company decided to take any price hikes basis the communication earlier?
- Achal Bakeri:** Now in the current quarter, you mean?
- Rehan:** Going forward and in the current quarter, you can share light on both.
- Achal Bakeri:** Yes, yes, yes. Of course, of course. It will all be strategic pricing, there will be price increases in some models and in some, there may not be. So it is all going to be at what serves us best in the market.
- Rehan:** Okay. And just one last thing. What would be the margin profile that the heaters would probably get, the new product segment that we're trying to enter? What are the kind of EBITDA margins you are expecting?
- Achal Bakeri:** Initially, it will be low. But as we scale up, it will certainly improve and be good. It's too early for that.
- Moderator:** We'll take the next question from the line of Rahul Gajare from Haitong Securities.
- Rahul Gajare:** Congratulations for a very strong quarterly performance. I mean the question that I have is again on the water heater and I wanted to just try to address one aspect of the water heater. Just like we see in your air cooler business, you have placed the water heater products at the premium end of the industry with the kind of features that you've introduced, which clearly tells me that, that is the only space that you are targeting. You have a sense of the industry size of the premium water heater that you'll be targeting? Because I think the industry would be in the range of some ₹ 3,000 crores to ₹ 3,500-odd crores.

- Achal Bakeri:** Rahul we have introduced 3 ranges, as Amit explained, SPA is going to be the most premium range whereas SAUNA and SOUL are not as premium. So there will be more sort of mid-market products. So they will be fairly competitive.
- Rahul Gajare:** Because by the looks of it, it did feel like you're targeting only the premium end.
- Achal Bakeri:** No, no, no. See, that's the beauty of it. So we are going to be able to sell a premium-looking product at a competitive price.
- Nrupesh Shah:** With premium features and path breaking features and value for money and still competitive. And hence, thought it appropriate to foray into this.
- Moderator:** The next question is from the line of Pramod Amthe from InCred Research.
- Pramod Amthe:** This is with regards to your international operations, 2 questions on that...
- Achal Bakeri:** We can't hear you. I mean we can hear you, but it's not very clear.
- Pramod Amthe:** So I have 2 questions with regard to international operations. The first one is with regard to China. There have been some scrappage incentives given for white goods. Does air cooler qualify for that? Or is the competitor product like AC qualify? What's the repercussion for your operation? Second, if we have to look at...
- Achal Bakeri:** Your question was not clear.
- Pramod Amthe:** I was saying there are some scrappage incentives driven by the China government for white goods, right? Recently for revival of the white goods sector. So in that, does the air cooler qualify or EACs qualify and hence it may affect your business?
- Achal Bakeri:** No, it doesn't really affect us one way or the other.
- Pramod Amthe:** Okay. And the second one is with regard to if you look at your geography of operations, the per capita income profile of the customer is substantially different for each of the countries. So if we look at India and the air cooler outlook versus ACs. How do these customers look at air cooler as a proposition versus ACs and what is the uniqueness which continues to be there in those markets for a full India segment?
- Achal Bakeri:** So it's only in India where, unfortunately, people consider air cooler as the poor man's air conditioner whereas in other geographies, it is a product which is used for applications where an air conditioner is not feasible or even as a substitute to air conditioners and not necessarily a cheaper substitute, people use it for a variety of reasons. For example, in Australia or in the United States, people or even in Mexico, people have whole house cooling because in dry climates they find that the cooling is much better than what an air conditioner provides.
- So it's not really a poor man's air conditioner in those markets. Portable air coolers are used for outdoor applications or for places where their whole house may be air conditioned, but the patio

or the garage or the backyard may not be air conditioned. So, they'll put an air cooler next to the pool or in the backyard. So it's sort of used for applications where an air conditioner is either not possible or is not available.

I mean, even in the richest of homes, even in India there are air coolers. Even in last summer, when there was a shortage of air coolers, I was getting calls from people whose entire homes were air conditioned and still wanted air coolers for their gardens or their pets or their kitchens or their security cabins or their quarters of their domestic staff. So that's how it is. I'm saying for the third time, but not a poor man's air conditioner.

Moderator: We'll take the next question from the line of Mayur Parkeria from Wealth Managers India Private Limited.

Mayur Parkeria: Wish you a very hearty congratulations for achieving whatever set benchmarks you all had and coming back to growth trajectory after a very long periods of time in orders expected from Symphony and wish you that you continue to do the same. Having said that, sir, what we have seen in terms of seasonality, whenever we have had a phenomenal year ahead post the June quarter, the September and December equally run up for us in a similar manner will not be a very high quarterly growth, but surely, it does match up and continue for us.

So first question is one is the historical past this seasonal trend when we see that and on the other side, suddenly, the weather season in India in terms of monsoon has been very severe and it has some coldness has also come and some weather changes. Given these 2 things, do you believe that we will continue to have September and December quarter, we continue to be looking good in terms of forward booking and in terms of various trade channels or do you see that it is too early to call on that right now?

Achal Bakeri: So Mayur, in these months from July to December, or in fact, all the way up to maybe January or so, whatever sales that the company does goes only to the channel. The end customer does not buy in these months. But we believe that the current quarter and the quarter thereafter, and the year as a whole should be fairly good. Since we do not give forward-looking statements, I will not be able to say anything more than that. But all in all, things are looking good.

Mayur Parkeria: Okay. That's great. Sir, second thing on the strong performance you've had. Do you believe that stand-alone entity when we look at margins, I know it's a very big improvement in terms of June of '23. But in general, around the margins which we currently had around '21, '22 currently has, do you believe that it was slightly lower than what we could have achieved? Or is there a reason, we would have spent on A&P, that's slightly discretionary exercise on us, I understand that. But do you believe we could have done better and there is room to do better? And if then what are those levers which we should look forward?

Achal Bakeri: So Mayur, that's a good question. In fact, we could have done better, and we would have done better had there not been a demand/supply mismatch. We actually maybe left ₹ 70 – 80 crores, ₹ 60 -70 crores, anybody's guess worth of sales on the table. So we had the demand, but we couldn't cater to that demand because of the demand-supply mismatch. So had that not happened,

had we been able to cater to that demand, the margins could have been closer to, if not higher than the numbers that we historically had.

Nrupesh Shah: But this has been also learning for us in terms of summer as you would have seen Y-o-Y we have fairly caught up with the demand. But again, current year whatever we have witnessed whether in terms of the production, meeting the demand as well as supply chain, there has been a decent amount of learnings, and we are implementing them.

Mayur Parkeria: With your permission, can I ask just one more question, sir?

Achal Bakeri: Sorry.

Mayur Parkeria: Yes. With your permission, can I ask one more question. Normally, 2, I would have asked, but can I take one. I understand sir. I'll come back with the question later...

Achal Bakeri: Yes, I think you'll have to get back into the line. Otherwise, Michelle will throw you out.

Moderator: Thank you very much sir. We will take that as a last question for today. I would now hand over the conference to the management for their closing comments. Over to you, sir.

Nrupesh Shah: Thank you for your participation, valuable support and inputs. And looking forward to meet all of you in Q2 conference call. And as an when opportunity permits may be in an investor meet or otherwise. Thank you.

Moderator: Thank you, members of the management. On behalf of IIFL Securities Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

Nrupesh Shah: And I missed to thank IIFL Securities for hosting this conference call. So thank you IIFL Securities, too.

Moderator: Thank you.