Operator: Ladies and gentlemen, good day and welcome to the Symphony Limited Q2 FY27 earnings conference call hosted by Nirmal Bang Equities Private Limited.

As a reminder, all participant lines will be in 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 the operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Rabindranath Nayak from Nirmal Bang Equities Private Limited. Thank you, and over to you, sir.

Rabindranath Nayak – Nirmal Bang Equities: Thank you, ma'am. On behalf of Nirmal Bang Institutional Equities, I extend a warm welcome to everyone joining us for the Q2 earnings conference call of Symphony Limited. I also thank the management for giving us an opportunity to host this call.

We are pleased to have with us the senior management team of Symphony, represented by Mr. Achal Bakeri, Founder, Chairman and Managing Director; Mr. Nrupesh Shah, Managing Director, Corporate Affairs; and Mr. Rajesh Mishra, Chief Growth Officer.

The management will begin with an overview of the company's quarterly performance through a corporate presentation, following which we will open the floor for an interactive question-and-answer session. Without taking much time, I would now like to hand over the call to Mr. Achal Bakeri for his opening remarks. Over to you, sir. Thank you.

Achal Bakeri – Founder, Chairman and Managing Director: Thank you, Rabindra, and welcome to all the participants for this Q2 Symphony earnings call. This is Achal Bakeri. Our standard disclaimer clause applies. We will be making a presentation by our Managing Director, Nrupesh Shah. Following that, we will all be here to take your questions. Thank you very much, and over to Nrupesh Shah.

Nrupesh Shah – Managing Director, Corporate Affairs: Hello. Welcome to the Q2 and H1 FY27 conference call.

[laughs] There are three parts of the presentation: performance highlights, as announced earlier; the launch of new products and details about them; and then the annexures.

Regarding the performance highlights, overseas subsidiaries as a whole have registered robust consolidated performance. There has been meaningful strategic India revenue growth, and despite cost pressure, there has been EBITDA margin expansion on account of operational leverage and cost discipline.

As far as consolidated revenue is concerned, for the September quarter, it stands at 275 crore versus 210 crore, registering top-line growth of 31%. EBITDA is up from 13 crore to 36 crore, and PAT is up from 17 crore to 24 crore. If you can open the relevant slide.

Because when there is a movement from EBITDA to PAT, at the PAT level, there are various other components as well. Importantly, the blue portion shows that at a consolidated level, PAT is up from

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5 crore to 17 crore, and the remaining difference is on account of forex fluctuation, treasury income, and exceptional gain. That has been highlighted and shared in the presentation. Yes, go back.

As far as item number three, Beyond India Summer Products, is concerned, on a consolidated basis, it contributed 625 crore of top line. As conveyed earlier, on a consolidated basis, BISP consists of all product and geography sales that are not dependent on the Indian summer. Basically, this represents the de-risking from the Indian summer, and it now constitutes 51% on a consolidated basis. This includes LSV, geysers, tabletop fans, exports from India, as well as sales in over foreign countries by our overseas subsidiaries.

EBITDA across BISP as a whole is now in the high single-digit percentage range. Even though many of these new product categories were launched in the last 3 years, each product category individually is EBITDA-positive, and all of them together, on a consolidated basis, are in the high single-digit percentage range, which has the potential to improve further in the medium term.

BISP is certainly EBITDA- and PAT-accretive, consumes minimum capital employed, and is obviously reducing Indian seasonality.

Regarding EBITDA margin expansion, as conveyed earlier, despite input cost pressure on a consolidated basis, gross margin is lower by about 4%, but EBITDA margin stands at 13% versus 6.4%, firstly on account of operating leverage and, secondly, on account of cost discipline and product mix.

Today, the Board of Directors declared the second interim dividend of Rs. 2 per share on a face value of Rs. 2. In all, the payout will be about 21 crore. This is in addition to the interim dividend of Rs. 1 announced after the June quarter, taking the total to Rs. 3 and close to 30 crore of payout so far.

On a standalone basis, revenue stands at 170 crore versus 155 crore, EBITDA at 30 crore versus 27 crore, and PAT at 29 crore. If you can show the PAT components.

On a standalone basis, PAT, which is in the blue box, is up from 10 crore to 20 crore. That is pure business PAT and [laughs] 18 to 20. I am sorry, it is 18 to 20 crores. The remaining components in the previous year and the current year comprise forex, treasury, and exceptional gain. Yes.

On a standalone basis, BISP products contributed 192 crore in the trailing 12 months, that is, 24%. On a standalone basis, BISP as a whole has EBITDA of around 10%, and each BISP category, even on a standalone basis, is also EBITDA-positive and accretive, with minimum capital employed.

I would also like to share that another sales channel, D2C, which was nurtured over a period of the last 4 to 5 years, is not only generating decent contribution and gross margin, but is also EBITDA-positive in line with our traditional channel, in fact, more than that, and is also in line with it at the PAT level.

Later, we will also cover the progressive, calibrated launch of new product categories, namely room air conditioners, BLDC fans, and air purifiers, in the current quarter.

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On a standalone basis, even though gross margin percentage is down by about 2.30%, the EBITDA margin has been almost maintained.

As far as the first 6 months are concerned, on a consolidated basis, revenue stands at 653 crore, up by 17%, EBITDA at 83 crore versus 51 crore, and PAT at 64 crore versus 59 crore. If you can go to the PAT components.

On a consolidated basis, the blue box, or business PAT, is up from 31 crore to 49 crore. Yes.

On a standalone basis, revenue stands at 411 crore versus 384 crore, while PAT stands at 57 crore versus 65 crore, but business PAT during the 6 months is higher than in the previous year. The differential is purely on account of other components. Yes, go to the next slide.

Here, we have taken trailing 12-month financials because, if you remember, in March '26, we took a one-time impairment. Hence, capital employed and related aspects are more relevant on a TTM basis. As of September 30, on a consolidated basis, capital employed stands at 104 crore versus 322 crore, translating into ROCE, that is, EBIT divided by capital employed, of 143% versus 57%, and return on net worth of 20%. On a standalone basis, capital employed was negative during the first 6 months and hence, academically, it represents infinite ROCE, with return on net worth of 21%. Treasury now stands at 468 crore after repaying most of the loans and borrowings availed in Australia.

Next.

Regarding the new product category, I am very happy to share with you that we are entering into three new product categories: residential air conditioners, BLDC fans, and air purifiers.

Achal Bakeri – Founder, Chairman and Managing Director: To strengthen BISP. [off-mic discussion] [inaudible]

Nrupesh Shah – Managing Director, Corporate Affairs: Yes. These are the images of the room air conditioner and [pause]

Similarly, the BLDC ceiling fan, with about 8 models in all.

And the air purifier, with 2 models to start with.

The basic rationale for the new categories is brand and portfolio adjacency, because this is a natural extension of Symphony's cooling and control franchise. With this, we will complete our presence across all the components of the cooling pyramid, starting from fans to air coolers to air conditioners. That is number one.

Number two, until now, as far as our trade channel was concerned, it had an opportunity to interact with and sell to consumers only during the season, which is about 2 months of summer. With this, interaction by the trade channel and sales to consumers, and therefore Symphony's interaction and engagement with the trade channel, will take place throughout the year.

As far as our current trade channel network is concerned, it is absolutely suitable and complementary to this, and hence, this will supplement it. We expect that this will have a beneficial

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spillover effect [cut off]

Management: On our evaporative air coolers also. And this product will be launched because the trade has been looking forward for a long time and expecting products from Symphony that they can sell throughout the year. Obviously, we will leverage our brand as well as consumer pull. [cough] Excuse me.

Just like our existing business, here also we will continue to follow an absolutely asset-light operating model. There will be an outsourced business model, and as far as air conditioners and BLDC fans are concerned, there will be zero capex. In air purifiers, down the line, there may be a small amount of capex. Our existing cost base and manpower will remain as they are. We will leverage our existing sales and marketing team, as well as our service franchisees. Even otherwise, the service franchisee works entirely on a variable-cost model.

We will maintain our working capital discipline, as we have done so far. We do not target becoming one of the top three players. We are targeting an addition to the top line and EBITDA. Hence, we will make measured brand investments to create a genuine spillover effect. We will also be in a position to explore our D2C channel, which is generating decent traffic and contributed 7% of the top line last year. Ultimately, these will be EBITDA-accretive, profitability-linked scaling models and will add substantially to the category.

Rajesh, would you like to add something to this new product category and launch?

Management: [off-mic discussion] {? Rajesh has covered, sir. Yes, sir, Rajesh has covered, sir. Everything has been covered, sir. ?}

Management: All right. We are... we are ready to take questions if you wish.

Operator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Participants who wish to ask a question, please press star and one now.

Anyone who wishes to ask a question, please press star and one.

The first question is from the line of Bhavya Gandhi from Bajaj Alternate Investment Management. Please go ahead.

Bhavya Gandhi – Bajaj Alternate Investment Management: Hi, sir. Thank you for the opportunity. I wanted to understand whether, for the new product launches planned for December, there will be some sort of upfront opex, marketing spend, or distribution spend. If you could highlight that, at least.

Management: In the presentation, apart from that, there will be no capex in the new products. At this time, there will also be no opex incurred specifically for the new products. The existing team

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will adopt and sell these products. We also do not expect to invest in advertising for these products at this time, in this quarter. So, we do not really envisage any sort of opex or capex going forward.

Bhavya Gandhi – Bajaj Alternate Investment Management: Do you have any broad estimates of how large this can become over the next few years, or at least some initial targets that you may have set internally?

Management: We are taking baby steps in these segments. As explained, we really have no delusions of grandeur. We do not think that we will be among the top players in the country. We are going to grow these categories cautiously so that they remain EBITDA-accretive. At this moment, I would not be able to share a specific number.

Bhavya Gandhi – Bajaj Alternate Investment Management: Sure. Thank you very much. That is all from my end.

Operator: Thank you. Participants who wish to ask a question, please press star and one. The next question is from the line of Haider Kachwala from YES Securities. Please go ahead.

Haider Kachwala – YES Securities: Hello, am I audible?

Management: Yes.

Haider Kachwala – YES Securities: This is Haider from YES Securities. As the previous participant asked, are you suggesting that there will be no increase in advertising spends for the new three product lines? There must be something, right? How will you show that you have launched three products? Could you guide us on what the advertising spends will be going forward as the products are launched?

Management: The question was for the quarter. We do not envisage any advertising spend or launch expenses in the current quarter. Perhaps in the summer, we may spend something on these products. But, as I said, it will be a very measured investment in brand-building, and not so much that it becomes non-EBITDA-accretive.

Haider Kachwala – YES Securities: Understood. Also, could you provide a broad strategy on where you would like to see yourself with these three products? I understand that you are not targeting becoming the number-one, number-two, or number-three player, but could you provide a broader strategy on how you would scale these brands so that they contribute to the top line and are margin-accretive at the same time?

Management: What we can tell you is that, in the last 3 years, we came out with three new products. One is a tabletop fan, the second is a geyser, and before that, LSV. In each category, as you saw, on a standalone basis, including exports, the top line is about 192 crore, but EBITDA is 10%. This means that each category does not contribute significantly or substantially to the top line, but is still accretive from an EBITDA perspective. We also successfully diversified the dealer-distribution network, which in this case may not require much investment. Still, we incurred decent advertising and sales promotion expenses. In fact, for LSV, we have a separate team altogether.

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In all those respects, in these categories, there will be even greater cost optimization by using the same team and almost the same cost structure. It may not be the case that, in the foreseeable future, these categories will contribute to the top line at the level at which air coolers or the rest of the company currently contribute. That may happen in the long term.

Haider Kachwala – YES Securities: The reason I asked this question is that you are not targeting becoming the top player; you are targeting something that is more accretive to your income statement. However, as we are seeing currently, even the top players are struggling to maintain their margins in the RAC segment. I was wondering how a new entrant, especially in such a competitive environment, would look to scale its income statement with these three categories. That is the thinking behind my question.

Management: The major players also have captive manufacturing. This is probably why, again, I cannot say for sure, but that is probably why some of them may not be EBITDA-positive. In our case, this is going to be purely a variable-cost business model. We will spend enough to grow the business and see where it goes.

Management: As articulated earlier, the main objective is that our trade partners currently sell to consumers only during 2 to 3 months of the year, even though we, as a company, sell to them throughout the year. This will give us, and also the trade partners, an opportunity to engage with the Symphony brand and Symphony's products throughout the year, which will certainly have a spillover effect on the main business, namely air coolers.

Secondly, our website and D2C channel, which are in the public domain, generate significant traffic, and the conversion ratio is good. That will also enable us to sell these products through that channel. Essentially, that is the purpose.

Number two, so far in the cooling pyramid, we were present only in the middle component. With this, our presence will be across the pyramid. The bottom is the fan, followed by the air cooler and then the air conditioner.

Management: Every home requires all three products. Our customers also require those who buy coolers from us to be customers for the other two categories. There should be a significant amount of brand spillover onto the other categories. We believe that, with our approach, we should be able to grow the top line, bottom line, and EBITDA over time.

Haider Kachwala – YES Securities: Understood. Thank you, sir. That is all from my side.

Management: Okay.

Operator: Thank you. The next question is from the line of Shraddha Kapadia from SMIFS. Please go ahead.

Shraddha Kapadia – SMIFS: Hello, am I audible?

Management: Yes, please go ahead.

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Shraddha Kapadia – SMIFS: Congratulations on a good set of numbers. The management has highlighted calibrated channel inventory build-up amid elevated input costs and a focus on inventory economics. Could you help us understand the current company-level and channel-level inventory?

Management: In the previous quarter, which was the June quarter, when there was significant demand, we deliberately made sure that our company's inventory as well as channel inventory was consumed. We also transferred some inventory among channel partners. The objective was that, even if the company's sales were sacrificed in the short term, channel inventory would be normalized. To a great degree, that has been achieved.

In a large country like India, there may always be pockets with more inventory than desired. However, to a great degree, our channel-normalization effort has been successful.

As of now, the current inventory at the company level is also—at the end of the previous quarter, the company's inventory was minimal, and channel inventory was also minimal. As we speak, the company has been producing in the last quarter and in the current quarter so far, and has been producing what is needed to prime the channel.

The company's inventory has not built up, but channel inventory has been built up to some extent, which is part of the way we do business. It is fresh inventory that has been built up for the summer of '27. It is not residual inventory from '25 or '24, as we had in '26.

Shraddha Kapadia – SMIFS: That was helpful. Also, could you help us understand the potential impact of El Niño, if you have any comments on the same?

Management: El Niño is a very unpredictable phenomenon. It distorts climate patterns globally. It could be phenomenal. El Niño is usually great; it brings very high temperatures everywhere. However, I would not really bank on El Niño lifting all boats.

Shraddha Kapadia – SMIFS: Okay, sir. Thank you for answering my questions, and all the best for the future.

Management: Thank you.

Operator: Thank you. The next question is from the line of Vinay Nadkarni from Hathway Investment Private Limited. Please go ahead.

Vinay Nadkarni – Hathway Investment Private Limited: Thank you for the opportunity. I wanted to know, regarding your new product range of residential ACs, BLDC fans, and air purifiers, what kind of working capital investment you expect to make.

Management: That question was covered in the presentation earlier. This would also be a fairly low working-capital model, in line with how we are going to approach it. Just as in coolers, where our capital employed is fairly low, these products will also fall within the same philosophy. These products should also have a good return on capital employed.

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Vinay Nadkarni – Hathway Investment Private Limited: Do you have any inventory-days target, even if you do not want to share the rupee value?

Management: No, not really. We are not looking at building up a lot of inventory because we will buy and sell. Depending on what is moving and where, we will procure. That has been our thought so far.

Vinay Nadkarni – Hathway Investment Private Limited: What pricing are you looking at for your room ACs?

Management: Pricing for room ACs will be in the mid-premium segment. Obviously, we will not compete with the likes of Daikin, Mitsubishi, Hitachi, or similar companies. We will be more in the—

Management: It will be according to the specifications we are offering. The market is fairly mature; consumers understand and pay according to the specifications. We are offering fairly good specifications. We do not want to enter the entry-level segment. In terms of specifications, the product is slightly on the higher side, and it will be priced accordingly. I think the market should be ready to pay according to the specifications.

Vinay Nadkarni – Hathway Investment Private Limited: Would it be in the range of Voltas or Samsung?

Management: Everyone is operating in a similar range. It all depends on the cooling capacity being offered and the features being provided. For like-to-like features, yes, this will be very similar.

Vinay Nadkarni – Hathway Investment Private Limited: Do you anticipate any cannibalization of your air cooler business because of this? Your margin in air coolers is much better than what you are looking at in residential ACs.

Management: No, not really. On the contrary, we believe that with all these product categories, we will also have channel expansion. We should become stronger in some of the outlets and should be able to—

Currently, at the consumer level, we have a very clear-cut edge. It is at the trade level where some of these new entrants in air coolers are able to force their entry because of the strength of the different product categories they offer. With these product categories, I think it should help air coolers, at least at the channel level. We do not see any such cannibalization. We do not foresee that happening.

Vinay Nadkarni – Hathway Investment Private Limited: You said that your D2C sales have turned EBITDA-positive and PAT-positive, if I heard you correctly. What is the D2C sales contribution in Q2 and H1?

Management: We do not really provide a channel-wise breakup, but it is a good contribution. In fact, it has been PAT-positive from the second year onward. It is not a current-year phenomenon. It has been EBITDA-positive from the second year onward, and we are growing that business because the margins there are higher than in the other segments, as there is no leakage of margins to the channel.

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Management: To the various channels.

Management: In D2C, as unit economics improve and the top line improves, EBITDA and PAT margins improve disproportionately. That is what is happening.

Vinay Nadkarni – Hathway Investment Private Limited: Okay. That is all from me. Thank you very much.

Management: Yes.

Operator: Thank you. The next question is from the line of Rabindranath Nayak from Nirmal Bang Equities. Please go ahead.

Rabindranath Nayak – Nirmal Bang Equities: Thank you for the opportunity, sir. You are entering this market after a long time. You were previously present in the air conditioner market, discontinued it, and are now entering the market again. Your geographical diversification has also improved substantially.

How should we view the opportunity going forward for Symphony? The cooler market is actually a very long-range market because consumer aspirations have improved, and therefore everyone will be moving toward air conditioners. Competition is also significant. How do you view your experience and the opportunity, given that you are expanding your TAM by around 40,000 to 50,000 crore from a TAM of 2,000 to 3,000 crore to a significant increase in the TAM? In 2 to 3 years, where can we expect Symphony to be? You can give an idea over a broader time frame of where we could be in 5 years.

Management: Even if we get a small sliver of this market, which is currently 50,000 crores and is expected to become, yes, perhaps 100,000 or 120,000 crores, whatever it may be, even a small sliver of that market in the next couple of years would itself be fairly good.

Again, I will hesitate to specify a number because, as of this point, nobody knows. We do not know where this is going to go. Of course, we have aspirations, but what the future has in store for us is something we do not have a clue about.

Rabindranath Nayak – Nirmal Bang Equities: Understood. You mentioned that you will not invest any money as of now. After 3 to 4 years, can we expect the model to be different, with manufacturing, or will it remain the same for the next 2 to 3 years? Will there be no investment in capital expenditure?

Management: It all depends. If we are able to scale up significantly and it makes more sense for us to have captive manufacturing, then we are not averse to it because we have manufactured in the past. If that is what the business dictates, then we are open to it.

As of this point, we do not know where this is going to go. We have our business plans and internal projections, but those are different. We do not know what the future is going to be. It is therefore difficult to answer your question, Rabindra.

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Rabindranath Nayak – Nirmal Bang Equities: Regarding working capital, you mentioned that working capital would be controlled to some extent. We do not have an aspiration to have market products. I know that you have an air-conditioning presence in Mexico also. So, whether—

Management: Australia also. Australia and Brazil.

Rabindranath Nayak – Nirmal Bang Equities: In those markets, how is growth? Europe is also becoming an opportunity. Can we aspire to reach that level? Perhaps you would be comfortable with Chinese products to market products there. Is my understanding correct? If we were to go to Europe, we would not outsource from India but rather source from China. Is that correct?

Management: That is right. Today, what we are selling in Australia, Brazil, Mexico, and parts of the Middle East is basically sourced from China. Exporting from India probably would not, in the foreseeable future, appear to be—

Management: Except for air coolers.

Management: For these categories. For air conditioners, it does not seem so. For air coolers, of course—

Management: We are already doing it.

Management: We are selling them, and we are very competitive. But for air conditioners, it may not be possible because many components are still coming from China. For example, the compressor—the key component and the heart of an AC—is still being imported by every company.

Rabindranath Nayak – Nirmal Bang Equities: Regarding BLDC fans, this is again an outsourcing model. Have we already finalized our outsourcing partner, or is it—

Management: Yes. We will be rolling out our products fairly soon.

Rabindranath Nayak – Nirmal Bang Equities: In terms of regions, which regions would be most comfortable for us apart from the Western region? What opportunities do you see in the other three to four regions where we have had a significant presence or opportunity?

Management: Rabindra, the opportunity exists across the country. Every nook and cranny of the country has sales of every category of product, and we also have distribution everywhere. In about a year's time, I expect that we will be everywhere; we will be pan-India.

We will first launch in perhaps one market, just to dip our toes and see how it goes, and then, one by one, expand across the country. That is how we are going to sell the product.

Rabindranath Nayak – Nirmal Bang Equities: In terms of sales incentives, we must have already finalized the sales team for this. What will the incentive structure be going forward for sales and for the people we are hiring for the sales incentive initiative?

Management: [sighs] We already have people who have been with the company on the manufacturing side, the operations side, and the sales side, who have prior experience with air conditioners—rich experience with air conditioners.

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We did not recruit them specifically for air conditioners; they were already on board for air coolers for the last few years. We therefore already have fairly strong institutional capability and knowledge of the category. Our incentive structure will be in line with what is generally accepted and generally seen in the market.

Rabindranath Nayak – Nirmal Bang Equities: Regarding growth, particularly from the air cooler side, we are facing some difficulty in terms of raw material prices. The cooler performance of the majority of the players is also quite subdued at present. How do you view demand in the channel currently, and how are things improving for the second half of this year?

Management: Demand to a great degree at the consumer level will depend on temperature. If temperatures are high enough, products will sell even if they are more expensive. If temperatures are not high enough, products will not sell even if they are discounted. That is the nature of seasonal categories.

As we sit today, the channel is completely clean from the previous year. Even modest demand should result in substantial sales, because there is no inventory hangover in the channel. Therefore, even a normal summer, with temperatures that are not exceptionally high, should still result in good sales for all cooling categories.

Rabindranath Nayak – Nirmal Bang Equities: In terms of dividend payout, will we maintain our historical payout structure, or will there be some moderation?

Management: The policy adopted by the Board and communicated to the shareholders is a policy etched in stone, unless we revise it, which we do not intend to do.

Rabindranath Nayak – Nirmal Bang Equities: Okay, sir. Thank you very much.

Management: Thank you. Thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question, which is from the line of Advait Zaukar from EquiPoise Capital Management. Please go ahead.

Advait Zaukar – EquiPoise Capital Management: Thank you for the opportunity. My first question is, I am seeing the margin [trails off]

Operator: I am sorry to interrupt. We lost the connection for Mr. Advait. Mr. Advait, are you able to hear me? Mr. Advait, please go ahead with your question.

Advait Zaukar – EquiPoise Capital Management: Yes, am I audible?

Operator: Yes, you are.

Advait Zaukar – EquiPoise Capital Management: Sorry, sir. Thank you for the opportunity. With margins currently improving following the recent price hike, how should we expect margins to trend in the next quarter as you launch new product categories? Will the margin sustain, or will it face some pressure?

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Management: If we break down the margin by category, as far as air coolers are concerned, the margins would be more or less what you have seen so far. At the moment, on a standalone basis, we ended the quarter at 45.9%, which was 2.3% lower than at the same time in the previous year.

Going forward, we do not see much difference in the outcome as far as air coolers are concerned. In the air conditioner and fan categories, margins would be lower because industry margins are lower. As far as purifiers are concerned, margins should be somewhere between those of coolers and air conditioners.

Advait Zaukar – EquiPoise Capital Management: Going forward, will the margin range be around 13% to 15% for EBITDA margin?

Management: On a blended basis for all products put together, is that what you are asking?

Advait Zaukar – EquiPoise Capital Management: Yes.

Management: No, I think it will be higher because the bulk of the sales will still come from coolers. Air conditioners and the other products will not have contributed significantly yet. We are talking about the current financial year. Am I right?

Advait Zaukar – EquiPoise Capital Management: Yes, for FY25.

Management: As far as the financial year is concerned, the bulk of the sales will still come from coolers. In fact, if you see on the screen, in the first half on a standalone basis, our EBITDA has improved by 18%. It is at 14.5%. In the next 2 quarters, it should in fact be somewhat better than this, primarily because the bulk of it will come from coolers.

Management: I think it would be more appropriate to look at it this way: whatever new products have been launched, including the LSV category that we keep discussing, do not employ much capital, either in fixed assets or in working capital. In that sense, they are accretive to profitability.

Obviously, each product segment has its own market footprint. Ultimately, this new product category will also add to the total. We need to assess profitability and EBITDA margin percentage on a product-category basis.

Advait Zaukar – EquiPoise Capital Management: Thank you for the guidance. My next question is on the international side. How much did the USA expansion drive the international turnaround and profitability? Will the profitability sustain in H2 of FY25?

Management: Which expansion?

Advait Zaukar – EquiPoise Capital Management: The USA expansion. If possible, I wanted a breakup of the current revenue from the international market—how much is coming from the USA, Mexico, and Australia.

Management: Do you mean the company-wise top line and profitability in the September quarter, and how each performed year-on-year?

Advait Zaukar – EquiPoise Capital Management: Yes.

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Management: As far as IMPCO Mexico is concerned, the top line is 40 crore versus 17 crore. However, the summer was delayed, so in the June quarter there was a decline in sales. In this quarter, there has been a decent increase, and part of the lost sales has been made up in the current quarter.

As far as GSK China is concerned, sales are 23 crore. As far as Brazil and the USA are concerned, there has been a year-on-year increase, but these are actually non-seasonal quarters.

As far as the Australia business is concerned, Australia and the USA together are about 46 crore versus about 34 crore in the previous year, in terms of top line.

Advait Zaukar – EquiPoise Capital Management: Thank you. That is all from my side.

Operator: Thank you. Participants, we will take that as the last question for today. The question is from the line of Bhavya Gandhi from Bajaj Alternate Investment Management. Please go ahead.

Bhavya Gandhi – Bajaj Alternate Investment Management: Thank you for the follow-up. I wanted to understand what is in it for the manufacturer, because you said you would not be investing significantly in working capital and would invest more on the brand side. For the manufacturer producing the AC on your behalf, what is in it for them? Also, I wanted to check whether there would be a sales-return policy if you are unable to sell certain products.

Management: That is how the industry largely operates. Most brands have their products manufactured externally. Some obtain complete units, while others obtain outdoor units. That is how the industry has evolved. There is nothing new in that.

As far as the manufacturer is concerned, they work on a certain margin. However, the overall product design and many other aspects are controlled by us.

Your second question was about sales returns. Once we have the product, we take it and sell it. There is no arrangement whereby, if we do not sell it, we return it to the manufacturer. Whatever product comes under our brand is our responsibility to sell.

Bhavya Gandhi – Bajaj Alternate Investment Management: You said that you would not be investing in working capital to a greater extent. Could you elaborate on that, because you will have to build inventory to sell those products?

Management: Initially, we are going with the GT channel. We will not be starting with organized retail; we will slowly expand there. As mentioned in our presentation, we will also effectively use channel finance, whereby we receive our money upfront and are able to extend some credit to organized retail partners. This will minimize the working capital requirement.

Bhavya Gandhi – Bajaj Alternate Investment Management: Just to summarize, not as guidance but as a realistic expectation, can we grow the international business at a 30% to 40% CAGR for the next 3 to 5 years? Is that the right understanding, given that the base is relatively small? And is the India cooler business expected to grow at 10% to 12%?

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Management: The international business will grow, but there are uncertainties. For example, the current situation in the Middle East was a major deterrent to growth this year. We had customers who wanted to buy coolers, but because of all the [trails off]

Management: Red Sea problem.

Management: Yes. There are cases where we have received the money in advance but have been unable to ship. Freight costs have increased substantially. On the other hand, there are tariff-related issues. Because of all these uncertainties, it is difficult to give a figure. However, we do have aspirations to grow at a healthy CAGR, {? to vent right ?}.

Bhavya Gandhi – Bajaj Alternate Investment Management: In the international business, do we manufacture everything through China? I am just reconfirming that. We do not do anything as of—

Management: No. The bulk of it is manufactured in India. All the air coolers that we sell internationally are, in bulk, also supplied from India. However, large-size coolers, commercial coolers, and industrial coolers are also supplied from China. It is a mix.

Management: The rest of the products are supplied from China.

Management: Yes, products other than air coolers are supplied from China.

Bhavya Gandhi – Bajaj Alternate Investment Management: Understood. Fair enough, sir.

Management: In Brazil, for example, we are selling air conditioners. In Australia, we are selling heaters, and in Mexico, fans. All those products are supplied from China.

Bhavya Gandhi – Bajaj Alternate Investment Management: Understood, sir. Fair enough. Thank you very much, and I wish you all the best for the future.

Management: Yes, thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, as that was the last question for today, I now hand the conference over to management for closing comments.

Management: Thank you very much to Nirmal Bang Securities for arranging the call, and to all the participants for their interest. We look forward to interacting with you a quarter from now. Thank you, and have a good day. Bye-bye.

Operator: Thank you. Ladies and gentlemen, on behalf of Nirmal Bang Equities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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