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May 11, 2021

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **BSE Scrip Code: 500067**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **NSE Symbol: BLUESTARCO**

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q4FY21 and FY21

With reference to our letter dated April 26, 2021, and pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Earnings Call Transcript pertaining to Q4FY21 and FY21 Financial Results of the Company.

The aforesaid information is also being made available on the website of the Company www.bluestarindia.com

Thanking you,
Yours faithfully,
For **Blue Star Limited**

BLUE STAR LIMITED

Vijay Devadiga
Company Secretary

Encl: a/a

\\172.16.31.16\Legal and Secretarial Documents\(01) Blue Star Limited\2020-21\Stock Exchange Compliances\Regulation 30 - Information and Updates\Earning Call Transcript\Q4FY21 and FY21

"Blue Star Limited Q4 & FY 2021 Earnings Conference Call"

May 07, 2021

MANAGEMENT: MR. NEERAJ BASUR – GROUP CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to Blue Star Limited Q4 FY 2021 and FY 2021 Earnings Conference Call. We have with us today from the management Mr. Neeraj Basur -- Group Chief Financial Officer of Blue Star Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Neeraj Basur. Thank you. And over to you, sir.

Neeraj Basur: Thank you. Good morning, ladies and gentlemen. This is Neeraj Basur. First of all, I hope all of you and your families are safe and all of you are taking the necessary precautions. To begin, I wish the best of health to you and to your families.

I will be providing you an overview of the results of Blue Star Limited for the quarter and year ended March 2021.

I. Financial Highlights

With an improvement in the general business sentiments and the early onset of summer in some parts of the country, all business segments witnessed growth as compared to Q4 levels last year. The overall business recovery for the year was satisfactory and better than expectations at the year beginning. Several cost rationalization and capital preservation measures coupled with prudent working capital management resulted in healthy generation of cash from operations. These measures enabled the Company to close FY21 with a strong Balance Sheet and a healthy liquidity position.

Financial highlights for the quarter ended March 31, 2021 on a consolidated basis, are summarized below:

- Revenue from operations for Q4FY21 recovered 124.0% to Rs 1611.56 cr as compared to Rs 1299.36 cr in Q4FY20

- EBIDTA (excluding other income and finance income) for Q4FY21 was Rs 101.81 cr (EBITDA margin 6.3% of revenue) as compared to Rs 37.33 cr (EBITDA margin 2.9% of revenue) in Q4FY20

- Other income in Q4FY21 includes a profit of Rs 32 cr from the sale of an office property in Mumbai

- PBT before exceptional items was Rs 103.34 cr in Q4FY21 as compared to Rs 13.08 cr in Q4FY20

- Healthy cash from operations and improvement in working capital efficiencies enabled a reduction of Rs 282.46 cr in net borrowings in Q4FY21

Financial highlights for the year ended March 31, 2021 on a consolidated basis, are summarized below:

- Revenue from operations for FY21 recovered 79.5% to Rs 4263.59 cr as compared to Rs 5360.19 cr in FY20

- EBIDTA (excluding other income and finance income) for FY21 was Rs 239.81 cr (EBITDA margin 5.6% of revenue) as compared to Rs 282.78 cr (EBITDA margin 5.3% of revenue) in FY20. Improvement in EBITDA margins was driven by improved profitability across businesses coupled with cost rationalization measures

- PBT before exceptional items recovered 69.1% to Rs 145.15 cr in FY21 as compared to Rs 210.02 cr in FY20

- Tax expense for FY21 was Rs 47.09 cr as compared to Rs 65.32 cr in FY20

- Net profit for FY21 recovered 70.1% to Rs 100.35 cr as compared to Rs 143.25 cr in FY20

- Carried-forward order book as of March 31, 2021 remained almost flat at Rs 2952.42 cr as compared to Rs 2946.59 cr as on March 31, 2020

- Capital Employed reduced to Rs 736.41 cr as on March 31, 2021 as compared to Rs 948.62 cr as on December 31, 2020 and Rs 951.13 cr as on March 31, 2020, because of our continued focus on working capital efficiencies

- We ended the year with a net positive cash balance of Rs 151.45 cr as of March 21 as compared to a net borrowing of Rs 131.01 cr as of December 20. Net borrowing was Rs 155.00 cr as on March 31, 2020 (debt equity ratio of 0.21)

II. Business highlights for FY 2021

Segment I: Electro-mechanical Projects & Commercial Air Conditioning Systems

Segment I revenue grew 18.1% to Rs 779.96 cr in Q4FY21 as compared to Rs 660.39 cr in Q4FY20. Segment result was Rs 48.50 cr (6.2% of revenue) in Q4FY21 as against Rs 3.17 cr (0.5% of revenue) in Q4FY20.

Segment revenue for the year recovered 78.5% to Rs 2218.72 cr as against Rs 2826.67 cr in FY20. Segment result was Rs 106.49 cr (4.8% of revenue) in FY21 compared to Rs 120.26 cr (4.3% of revenue) in FY20. Order inflow during the year was Rs 2244.84 cr as compared to Rs 3104.67 cr in FY20.

1. Electro-mechanical Projects Business

As expected, order inflows continued to be slow from the commercial buildings sector which is yet to recover. Muted government expenditure also impacted order inflows in the infrastructure sector. Order inflows from the factories and light industrial sector improved as compared to last year, driven by the Make in India initiatives of the government.

We continued to moderate the pace of our execution, basis assessment of customer credit profile and operating cash flow visibility for the ongoing jobs which enabled an improvement in margins for the business.

We will continue to focus on the Infrastructure sector such as metro railways, electrical substations and water distribution, which are expected to offer immediate growth opportunities. Factories, data centers and warehousing sectors are also expected to throw up good opportunities in the upcoming quarters.

Carried-forward order book of the Electro-Mechanical Projects business was Rs 2149 cr as on March 31, 2021 as compared to Rs 2039 cr as on March 31, 2020, a growth of 5.4%.

Segment-wise break-up of the carry forward order book of the Electro-Mechanical Projects business is as follows:

Application Segment	Share
Office (IT/Non-IT)	29%
Metro Rail	22%
Hospitals	9%
Industrial	9%
Power Generation & Distribution	6%
Malls	4%
Others (airports, hotels, educational institutions etc.)	21%

2. Commercial Air Conditioning Systems

Our Commercial Air Conditioning business registered a growth of 19% during the quarter. While order inflows from key sectors such as IT, Offices, Marriage Halls and Auditoriums continued to be dormant, we channelized our focus on the emerging sectors such as healthcare, pharma and light industrial.

We continue to maintain our number 1 position in Ducted Air Conditioning, number 2 in VRF and number 3 in Chiller product categories.

We added new large capacity models and side-discharge system for residential use to our VRF product range and have now completely indigenized this product category.

Major orders bagged in Q4FY21 were from Birla Cement (Nagpur), Avenue Supermart (Vijaywada/Surat), ISRO (Bangalore), Flextronics (Chennai), Gujarat Biotechnology (Ahmedabad) and West Coast Pharmaceuticals (Ahmedabad).

3. International Business

Normalization of business activities enabled a growth in revenue during the quarter. We witnessed improved demand for both air conditioning and refrigeration products across SAARC and ASEAN markets with channels stocking up for the upcoming summer sales.

The upcoming EXPO 2020 at Dubai and the FIFA tournament at Qatar are expected to offer growth opportunities. The macro-economic environment in the region is expected to improve driven by the establishment of trade relations between Israel and UAE and the thawing of ties between Qatar and the GCC countries.

The projects businesses at Qatar and Malaysia continued to be impacted owing to Covid. While the subsidiary at Qatar received some notable orders towards the end of the year that will get billed during FY22, order inflow and the pace of execution in the joint venture at Malaysia continues to be slow due to macro-economic instability.

We continue to focus on the expansion of the Blue Star product range and building brand awareness and brand visibility in different markets that we are present in.

Segment II: Unitary Products

Segment II revenue which recovered 84.5% in Q2FY21 and 117.3% in Q3FY21 continued to improve its recovery trajectory and grew 31.1% to Rs 781.81 cr in Q4FY21 as compared to Rs 596.28 cr in Q4FY20. Segment result was Rs 62.06 cr (7.9% of revenue) in Q4FY21 as compared to Rs 43.75 cr (7.3% of revenue) in Q4FY20.

Revenue for the year recovered 81.2% to Rs 1868.28 cr in FY21 as against Rs 2300.61 cr in FY20. Segment result was Rs 108.82 cr (5.8% of revenue) in FY21 as compared with Rs 162.27 cr (7.1% of revenue) in FY20.

Due to unprecedented increase in the raw material costs including steel, copper and ABS plastics as well as ocean freight, the prices were increased between 5% and 8% for various SKUs with effect from January 1, 2021.

1. Cooling and Purification Products Business

Stocking of inventory by channels ahead of the peak selling season, improved share of billing from the e-commerce channels and a general business sentiment improvement enabled a growth in revenue for the room air conditioner business in Q4FY21 as compared to Q4FY20. The Room Air Conditioner market grew by 27%. We grew by 33% and expect to have improved our market share to 13.25% in Q4FY21.

Other products such as Water Purifiers, Air Purifiers and Air Coolers are performing well in line with the plans and we continue to gain market share. We achieved a market share of 3% in water purifiers with a major share of billing to e-commerce players. Having reached a break-even level, Water Purifiers will be an e-commerce centric product portfolio going forward.

2. Commercial Refrigeration business

Our Commercial Refrigeration business witnessed good traction across all product categories during the quarter. Improvement in demand across all customer segments coupled with aggressive stocking by the channel enabled a growth in revenue during Q4FY21 as compared to Q4FY20. In addition to continued demand from the healthcare, pharma and food processing and food delivery segments, order inflows also improved from restaurants and the government sector.

With the launch of a new range of pharma cold rooms, medical freezers, ice lined refrigerators and vaccine transporters, we offer end to end solution for vaccine distribution. Our products have been well accepted by the government, vaccine manufacturers and private distributors. We continue to be the market leader in the healthcare and pharmaceutical sector.

We continue to witness healthy growth for our supermarket refrigeration equipment driven by the growth in the retail sector.

With the launch of our super coolers, we now also have a complete range of Visi Coolers, enabling us to gain momentum in this segment as well.

Major orders were bagged in Q4FY21 from Dr Reddy's Labs, Apollo, Aurobindo Pharma, Zydus Cadilla, Rebel Foods, Swiggy, Reliance Retail etc., to name a few.

Segment III: Professional Electronics and Industrial Systems

Segment III revenue grew by 16.6% to Rs 49.79 cr in Q4FY21 as compared to Rs 42.69 cr in Q4FY20. Segment result was Rs 7.22 cr (14.5% of revenue) in Q4FY21 as compared to Rs 7.50 cr (17.6% of revenue) in Q4FY20.

Segment revenue for the year recovered by 75.8% to Rs 176.59 cr as against Rs 232.91 cr in FY20. Segment result was Rs 33.81 cr (19.1% of revenue) in FY21 as compared to Rs 54.34 cr (23.3% of revenue) in FY20.

Revenue and profitability were higher in FY20 on account of few large value orders in the Data Security Solutions business.

Revenue of this segment continues to be driven by opportunities from the BFSI sector for the Data Security Solutions business, order inflows from the healthcare sector, and orders from the essential services of the government sector.

Major orders were bagged in Q4FY21 from FIS Payment Solutions and Services, Navodaya Education Trust, Jio Platforms Limited, IndusInd Bank Limited, ICICI Bank Limited, etc. to name a few.

With the wide portfolio of products and solutions forming part of our offerings, the prospects for this business segment are positive.

Business Outlook

Robust business recovery witnessed in the second half of the financial year enabled us to end the year with a strong quarter. In the Electro-Mechanical projects business, we continue to prioritize our project execution based on assessment of customer credit profile and operating cash flow visibility. The government's focus on localization under the Atmanirbhar Bharat Program has brought in good opportunities for the company in the manufacturing sector.

We have strengthened our product portfolio under all categories in Room Air Conditioners and Commercial Refrigeration. Digitization and Healthcare initiatives continue to offer good prospects for the Professional Electronics and Industrial Systems segment.

However, the sustenance of this growth momentum has been challenged by the second wave of the pandemic. Restrictions similar to lockdowns of varying degrees in many parts of the country since the middle of April 2021 might impact the planned revenue growth for April and May. We are focused on maximizing the revenue in the markets which are open and at the same time moderating the inventory levels and operating costs. As on date, our factories at Himachal Pradesh, Dadra and Ahmedabad are operational and the Wada plant is operational for executing export orders and domestic pharma and healthcare contracts.

With the experience gained in the previous year, our focus continues to be on keeping our employees, dealers and business associates safe, fulfilling emergency needs of our customers, building resiliency and operating agility. As in the past, we are confident of sustaining this phase in a prudent and balanced manner and continue our growth and expansion trajectory.

With that ladies and gentlemen, I am done with the opening remarks. I would like to now pass it back to the moderator, who will open the floor to questions. I will try and answer as many questions as I can. To the extent I am unable to, we will get back to you via e-mail.

We are now open for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Lavina Quadros from Jefferies. Please go ahead.

Lavina Quadros: Congratulations on good set of results. I have two questions. Firstly, on the air conditioner market, how are you viewing the impact of these localized state-wise lockdowns? Do you think it will be very material and how are you viewing the channel inventory levels in that context?

Second, this quarter has been hit by competitive pressures, do you see this easing off? Or do you see this continuing in the course of the year?

Neeraj Basur: The markets as well as the overall business activities were quite normal till the middle of April. However, from the second week of April, there has been an impact of lockdown like restrictions imposed by many states and across many cities, for a varying period of time. The overall impact in the month of April was around 20% compared to our performance in April 2019. Impact for the month of May would depend on when the states choose to relax these restrictions. Needless to say there is going to be an impact in Q1 that was not anticipated. We will continue to moderate, modify as well as change our business actions similar to what we did last year, and respond to the changing circumstances.

At this point in time the inventory levels are normal as we had good sales during the month of March and the first half of April was also good. We don't expect the inventory levels at the end of the quarter to be significantly higher than our normal levels. It also depends on how quickly the business activities get back reasonably normal levels again. We have put into place the necessary course correction measures to re-align our production requirements in line with the growth trajectory currently visible.

As far as competitive position is concerned, the intensity of competitiveness stays at the same levels as before. Competitive intensity has also got compounded by an increase in the input and ocean freight costs. We will continue to respond to these competitive pressures as we have done in the past as the situation unfolds.

Moderator: Thank you. Next question is from the line of Ravi Swaminathan from Spark Capital.

Ravi Swaminathan: I had missed the number of the order inflow for the EMP segment for the full year, if you can give the numbers.

Neeraj Basur: I will give you the order book position for the Electro Mechanical Projects business. Our carried forward order book is around Rs. 2,149 crores as of March 31, 2021. Order inflow during the year was Rs. 2,244 crores as compared to Rs. 3,100 crores in FY20. We had some large orders from metro rail sector last year and that's the reason the order inflow was a bit higher last year. It has been pretty encouraging even in FY 2021 as far as our order inflows are concerned.

Ravi Swaminathan: At a company level, for the quarter the gross margins have taken a sharp correction. But we have taken 5% to 7% price increase at the Unitary Products level. So, do we see gross margins correcting back to older levels in the subsequent quarters because of this price increase? Or do we need more price increases to compensate for the fall in gross margins?

Neeraj Basur: The trigger for gross margin pressure in Q4 is primarily the unprecedented increase in input cost. That started somewhere in November, December, and then got further intensified in Q4. So, we did some course corrections. We implemented price increases ranging from 5% to 8% in Q4 and the impact of that has been is already visible in the overall Q4 margins reported by us. We have taken a further price increase in the month of April, which ranges from 3% to 5%. We expect that the commodity prices should start cooling off as and when the market conditions normalize.

Ravi Swaminathan: My next question is with respect to other costs, it has fallen by 20% year-on-year. Throughout the year it has seen a decline compared to the top-line. How much of it is contribution to the ad spends being cut and sales and promotion being cut, and any other costs which are getting cut? So, to be precise, how much is ad spend and sales and promotion as a percentage of sales this year vis-à-vis last year and how is it likely to pan out?

Neeraj Basur: Other cost includes the entire SG&A, and there has been an overall around reduction of 36% for the year. Advertising and marketing spend is just one element included there. As you may recall, we have implemented a set of incisive cost rationalization measures from the month of April itself last year across all our cost elements such as travel, which naturally reduced and also renegotiated rentals with all our warehouse owners and our office premises. Hence, the rationalization is across the board. We are working out how much of that would sustain in FY22. Activities such as product launch which last year happened in a virtual environment is one such example. Therefore, a part of our operating cost reduction that we achieved last year will continue, but some part of it will come back as the business starts to normalize.

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

Nitin Arora: If you look at in the Unitary Products segment, the other business, apart from the AC, how that has responded in the last 1.5 to 2 months' time or rather put a one month time of this lockdown? If you can throw some light and going forward, we were trying to localize few products in this particular category, so when is the timeline? I think there is one plant which is about to get commissioned in terms of local indigenization and all. So, if you can throw some light on that. As well as on the MEP, has there been a less impact because construction is allowed in Q1 versus the other segments where you are saying the impact is more?

Neeraj Basur: The non-room AC products that are comprised in our Unitary Product segment largely comprises of our Commercial Refrigeration and some other products. As far as the Commercial Refrigeration business is concerned, we continue to see an encouraging response across the customer categories right from healthcare, pharma, food processing and, food delivery segments though the traditional customer segments which this particular product category serves such as the ice cream manufacturers, for example, continue to be challenged. There has been a good uptake from the pharma, healthcare and the supermarkets and we have now a complete range of refrigeration products which serve the needs of all of these customers across these customer categories.

The entire range of our pharma and healthcare cold rooms, and the medical freezers, which are specialized equipments are now in good demand, because of the ongoing situation. We also launched last year a complete range of new ice lined refrigerators, which are also needed for transporting vaccines. While it may be a short duration opportunity that would get fulfilled over the next few quarters, prospects from the pharma and healthcare sectors are encouraging at this point in time. As the second wave starts to reduce and the overall situation starts to normalize, we expect the traditional customers in our commercial refrigeration segment should also start to regain growth trajectory, and that will reflect on our numbers as well.

We also have water coolers and water purifiers in the Unitary Products segment. We have strategically made water purifiers an ecommerce distribution play, and it is working well. In the current environment, any product that is suitable for an ecommerce distribution promises good prospect as far as the market potential is concerned. Water coolers sales have been slower than expected in terms of their off take, because our key customers there are government institutions, educational institutions etc. Those segments are yet to recover fully. So, other than the room ACs, we have a range of non-room AC products which are included in this particular segment, which are showing a promising potential.

As far as the MEP projects are concerned, see, there are two parts to it. One part we have been talking about relatively consistently is around our decision to focus closely on the customer's overall credit profile and operating cash flow visibility from ongoing projects, and that would continue. We have seen some very encouraging response from light industrials sector, data centers as well as the warehouse sectors. There are also good prospects emerging from the government funded infra projects.

The impact on construction is not as profound as it was last year. Last year, there was large scale migration of labour which did impact work on project sites. All the project sites were also under suspension due the national lockdown, which is not the case this year. Since the impact is likely to be more state specific and for instance, Maharashtra and a couple of other states which are looking a little bit more stable might open up relatively faster over the next few weeks, then the normalization of the project activities will follow.

Nitin Arora: One more question on commodities. I understand you said we took a price hike, we are trying to negate the cost impact. But when we look at only the commodity basket for April, I mean, this is our calculation, you can correct me, it's almost up closer to 250 to 300 basis points. So, this is something I am understanding optically the inventory would be higher because the stores would not be selling much. I am not talking about the March end inventory. So, once we start selling, whenever the country starts opening up, do you think passing the full price would be that easy this time? Considering being a seasonal product, and generally the sentiment is a little weak, what has happened in this way versus the last one. Just need your input in that.

Neeraj Basur: That's a good point. The inventory build-up for quarter one, which is the selling season typically starts in Q4 or around Q4, and for which the procurement happens a couple of months ahead of that. To that extent, the impact of commodity price increases and ocean freight have already been loaded in the raw material inventory cost. We are also going to moderate the pace of production for the next two or three months as we have sufficient stocks to sell in the background of the current wave of disruption.

We have also taken a 3% to 5% price increase additionally from 1st of April. The 3% to 5% price increase on top of a 5% to 8% increase that was taken in Q4 and the slower pace of procurement over the next few months will relatively lower further price increase pressure. This is a challenge in the interim that is going to be faced by all the players since the cost of raw materials and inputs definitely is one major issue to be addressed in order to protect/preserve margins. It impacts the entire industry and there should be some directionally calibrated actions.

Moderator: Thank you. The next question is from the line of Bhoomika from DAM Capital.

Bhoomika Nair: Congratulations on a good set of numbers. My first question is on the margins of the Unitary Products segment. If one looks at it, we had a very strong quarter in terms of strong revenues, whereas we saw higher volumes, there were price hikes and we also had the benefit of some expenses being much lower due to the cost rationalization. So, in that sense, the margins to some extent seem a bit lower and was that a mix issue or something else that prohibited the kind of an improvement in the margin profile?

Neeraj Basur: For two successive quarters, now we are almost at around 8% margin in the Unitary Products segment. It was 7.9% in Q4 and in a similar range in Q3. We are holding our margin profile of around 8%, which is in line with our expectations after counterbalancing the impact of increase in commodity prices and ocean freight etc. While the operating cost impact has been relatively lower, the overall increase in the raw material cost has been significant. The margin profile of 8% is after absorbing those increases in raw material input costs. We would want to maintain this kind of a margin profile. The price increases that we have taken in Q4 and again in Q1 are with this intent.

Bhoomika Nair: What would have been the impact of water purifier? If you can talk about our CAPEX plans and PLI scheme, are we looking at some component manufacturing or any new plant etc., if you can talk about that?

Neeraj Basur: We have around 3% market share in the water purifiers category and the business has achieved break even in FY21. Based on our learnings over the last few years, we feel that this particular product category can be distributed most efficiently through the ecommerce channel till such time we hit a critical scale, say 5% or 6% market share, which is where we will start getting deeper into the traditional retail stores further. Going forward, water purifiers will start contributing to the overall segment margin.

We have been following the PLI scheme evolution closely. The notification was released somewhere in the month of April provides for the PLI scheme to be applicable to components, unlike the initial impression that it will also cover the finished products. There would still be an indirect benefit to us, because over a period of time more and more components will start getting manufactured in India under the PLI scheme and the cost benefits will start getting passed through to the end manufacturers as well. As far as our own plans of expanding our Sri City manufacturing plant is concerned, it will now be linked with the need for us to expand our capacities in line with our plans than the PLI scheme imperatives.

We have commenced preparatory work on setting up this manufacturing facility in Sri City, and our plans are under preparation. Over the next couple of years this plant is expected to start operating in line with our plans. As stated earlier, we will continue to focus more on indigenization, backward integration such as IDUs which we entirely manufacture in-house. There are a few more components which are planned to be manufactured in-house in that plant. The strategy of increasing backward integration and indigenization will continue to be on a high priority for us.

Neeraj Basur: Thank you. The next question is from the line of Anupam Gupta from IIFL Capital.

Anupam Gupta: Firstly, just harping on the product margins, was there any impact of your entry into or maybe expanding into a more affordable product range in the quarter and will that be a consideration going forward also on the margins?.

Neeraj Basur: We are now focusing a lot on the mass premium category. The premiumness about our product range in the context of quality and performance reliability is something our customers associate our brand with. As we have maintained, the price points at which these products can be offered in terms of the mass appeal is something we will keep working out. Our launches in Q4 got some good traction and the encouraging growth that you see in Q4 is because of that strategy playing out quite well. This focus will continue and we believe that the next wave of growth for us would come from the mass premium segment. Had it not been for the sharp raw material and other input cost increases, the overall margin profile of these products compare very well with our target margin profile. We will watch closely over the next few quarters to continue to recalibrate that entire customer segment.

Anupam Gupta: The second question is related to projects. As I understand, most of our projects business is fixed price in nature and despite that, 4Q margins were pretty healthy. Do you see pressures in the project margins in the first quarter and the second quarter in this year because of the high raw material or will you delay the execution, how will how that pan out?

Neeraj Basur: The MEP projects are mostly fixed price contracts. However, when we bid for projects and do our costing, at that stage itself we try and get some back-to-back suppliers commitments for a period of time. Of course, if the project is going to get delayed beyond the committed time period, then that creates a price increase issue for us. But there is an element of price protection for a period of time. Some projects have an index linked price variation clause as well. To that extent, there is an element of mitigation.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.

Bhavin Vithlani: Congratulations for a good set of numbers, and especially enthused by the speed at which the company responded in terms of new products with respect to the current situation. I have a couple of questions, one is on the commercial refrigeration. Historically, it used to be 30% of the segment, if you could speak about it, what was the growth in the full year and what are the new products that we have introduced last year and how has our market share changed? If you could speak about the commercial refrigeration, that is very useful.

Neeraj Basur: In the Unitary Products segment historically we had room ACs contributing to the highest share which used to be the case until about three or four years ago. The share of the commercial refrigeration products is now roughly about 40% compared to the 30% a couple of years ago. That mix is shifting in a healthy way in terms of the overall room AC and non-room AC products. As far as the commercial refrigeration products are concerned we have a complete new range of cold rooms for the of the pharma sector. We are strategically shifting the composition of non-room AC product revenue in the Unitary Product segment.

At this point in time it stands 60:40, 40% being rest of the product and 60% being room ACs. Within the 40%, of course, the largest share is from the commercial refrigeration products, and new range of products that includes pharma cold rooms, medical freezers, and our entire range of vaccine supply equipment, where we are offering an end-to-end solution. We also offer a range of supermarket refrigeration equipment and with the advent of several of these large format supermarket players we are experiencing a good traction for our supermarket refrigeration equipment. We are quite bullish with the experience we have had in the last few years. This strategic diversification of Unitary Products segment will continue to help us in a very healthy way, while we continue to achieve our desired growth rates on the room AC category. In the non-room AC category we will continue to see good traction as well.

Bhavin Vithlani: If I could ask a similar question for commercial refs as well, because this is a segment we have been focusing, what percentage it will be, it used to be 30% historically and how are we seeing growth prospects?

Neeraj Basur: We are not giving a line item wise breakup of these all the products which are there in Segment II, we are just giving headline level room AC and all other products that includes a number of other refrigeration and purification products such as water purifiers, water coolers, water dispensers, air purifier, air coolers, so there are a number of non-room AC products with a complete basket. In that basket, of course, commercial refrigeration is the highest contributing range.

Moderator: Thank you. The next question is from the line of Ambar Singhania from Asian Market Securities.

Ambar Singhania: On the same point of margin, just wanted to get a colour, like even if I compare Q4 FY 2019 versus Q4 FY 2021, there has been a sharp decline on the segment margin of unitary cooling products from 10.4% to 7.9%. Despite in FY 2019 we had advertising cost, we had losses coming in from the water purifier segment. I understand the commodity prices have moved up significantly

Is there anything more we are doing to maintain this margin? Because going forward, when the advertising costs will come back and the commodities continue to remain firm, do we still maintain that we will be able to maintain this margin or there is further downside on this margin on the Unitary Products product from here onwards? What makes us confident that we will be able to maintain the margin on that part?

Neeraj Basur: Our advertising and marketing and brand spends have remained in proportionate terms if we compare with our FY 2018-2019 levels, as far as Q4FY21 is concerned, and there's no let down there. The second point is the increases in input and raw material cost in FY 2021 has been pretty steep. We did not face that kind of raw material pricing pressure in FY 2018 or FY 2019. The third point is the industry started the Q4FY 2021 with an inventory challenge. We were supposed to have taken a price increase in April 2020 as there were two sets of customs duty increases in FY 2020, once in September and again in February, which we had said we will start passing on to the customers beginning April 2020, which we could not due to the lockdowns last year. So there was an element of price increase which could not happen because of the disruption and there was also inventory pressure which was putting pricing pressures for at least two, two or three quarters.

The positive way of looking at it is that despite having severe headwinds through the year from where we started the year and where we ended the year and the price increase which has been taken in Q1FY22, we think the margins will normalize. We have to just wait for a little bit more stability in the environment to settle down. So, that's one context of looking at the overall margin performance. This is just a snapshot where we think that coming back 8% is a good recovery which has happened because of several actions which were also undertaken during the year.

Ambar Singhania: Just want you to understand on the import ban which government has imposed a quarter back. How do we see the scenario now panning out for us as well as for the industry? Has most of the imports have already shifted to India or still companies that are continuing importing and getting in gas refilled in India as such? Both if you can give some context from our perspective as well as from the industry perspective and just along with that, for that component on the PLI side, are we keen on applying for the license for the PCB boards and all?

Neeraj Basur: As far as the question is concerned on the PLI is concerned, since the finished goods are not covered, so we don't think we will apply for the PLI license. We will get indirectly benefited once the components get manufactured locally, the pass-through benefit will flow.

Our own import of finished products is almost at negligible levels now. So, whatever is being sourced is being either manufactured by us in our own factory and we also bought certain SKUs from Indian contract manufacturers. So, that is completely taken care of.

Moderator: Thank you. That will be the last question. I would now like to hand the conference over to Mr. Neeraj Basur for closing comments.

Neeraj Basur: Thank you very much, Ladies and Gentlemen. With this, we conclude this quarter's earning call. Do feel free to revert to us in case any of your questions were not fully answered and we will be happy to provide you additional details by email or in person.

I would like to close the call by wishing the best of health to all of you. Do stay safe and stay protected. All the best and thank you very much.