



SYMPHONY LTD

Q1 FY2013 Earnings Call hosted by Asian Market Securities Pvt Ltd.

Company Participants

- Corporate Participant
- Nrupesh Shah, Executive Director, Corporate Affairs
- Bhadresh Mehta, Vice President, Finance and Chief Financial Officer

Other Participants

- John Perinchery
- Grishma Shah
- Sumit Duseja
- Abhijeet Singh
- Umesh Gupta
- Rohan Gala
- Punit Chokani
- Atul Mehra

Operator

Good evening ladies and gentlemen. I'm Momita moderator for this conference. Welcome to the Q1 FY13 Earnings Conference Call of Symphony Limited hosted by Asian Markets Securities Private Limited.

We have with us today Mr. Kamlesh Kotak, Head of Research and Mr. John Perinchery, Equity Research Analyst from Asian Markets Securities Private Limited. At this moment, all participants are in listen-only mode. Later, we will conduct a questions and answer session. [Operator Instructions].

Please note this conference is recorded. I would now like to handover the conference to Mr. John Perinchery, Equity Research Analyst from Asian Markets Securities Private Limited. Please go ahead sir.

John Perinchery

Good evening everybody. On behalf of Asian Markets Securities, we welcome you all to the management conference call of Symphony Limited. We have with us today Mr. Nrupesh Shah, Executive Director, Corporate Affairs and Mr. Bhadresh Mehta, Vice President, Finance and Accounts.

I will now hand over the floor to Mr. Nrupesh Shah to take us through the company's first quarter FY13 financial performance and then we shall begin the question and answer session. Over to you, Mr. Shah.

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah, this is Nrupesh Shah. I welcome all of you to quarter one analyst conference call. Before I start, during our conference call there may be certain forward-looking statements which may be on the basis of our best possible estimate but we don't undertake any assurance that they may turn out to be correct on account of various uncertainties and various other factors. So with this, before I take you through the specific numbers of Q1, let me start with by saying Symphony has been always at the forefront of innovation in its products. Symphony keeps on introducing new models and upgrades existing models at regular intervals. As a result of this, Symphony's product offer features, performance and quality that are unmatched in the industry. In this unrelenting focus on the customer that has made Symphony the market leader that it is. For the current year FY 12-'13 Symphony is introducing several enhanced upgraded models, the production of which has recently begun in third week of September. Since the company closed FY July '12 with very low inventory, it could have either produced the old model in July to September quarter but in the long-term business interest of the company, we decided to produce only new updated 2013 models. So keeping that in mind, the sales orders received during the quarter July to September '12 with 100% advances are to the tune of Rs.60 crores from domestic business towards about 1,16,000 air coolers compared to confirmed sales orders worth of Rs.25 crores from domestic business towards about 52,000 air coolers during the corresponding quarter of '11-'12. During the year '11-'12 year as a whole, company had sold about 3,58,000 units in domestic market. However, as explained above, the sales during the period July to September '12 is lower than the sales of the same quarter of last year. Actual sales in domestic market is about 43,000 air coolers, leading to pending confirmed sales

order of about 72,000 air cooler amounting to Rs.40 crores. On account of differing the production as explained above, the company will execute all pending sales orders in current month and next month that is October '12 and November '12. The delay in production and consequent reduction in sales is by no means a measure of loss of sales as the orders received are pre-season orders to fill the channel. Further, the weighted average sale price of air coolers per unit during the quarter towards confirmed sales order received with 100% advance is Rs.5,206 versus 4,778 during July '11 to September '11 quarter that is realization higher by about 9%, which is mainly on account of better product mix.

However at the same time, we would like to categorically convey that order booking in the first quarter for about 1,16,000 cooler is no way indicative of first half, nine months or yearly performance. For yearly performance, we need to really wait and watch. With this, let me take you through financial numbers. The gross revenues of Q1 has been about 27 crores versus 30 crores. Profit from operations before foreign exchange fluctuations, finance cost and exceptional items has been about 3 crores versus 4 crores of corresponding quarter of previous year. Foreign Exchange loss has been 93 lacs versus gain of 251 lacs and PAT is 205 lacs versus 441 lacs. As of 30th September, '12 Symphony is having negligible inventory and on account of opening treasury portfolio and also on account of advances received Symphony's cash bank and liquid investments are substantially higher than 30th June, '12. About average air cooler realization price in domestic business is 4,591 versus 4,758. Average air cooler realization for export is 4,721 versus 3,669 resulting into weighted average air cooler realization of 4,611 versus 4,557. In fact most of the high-end model for which orders have been received will be executed in October–November. The total number of air coolers sold during the quarter has been about 51,000 versus 59,000. The number of industrial projects executed during the quarter were six projects amounting to approximately 150 lacs and the active negotiations for industrial projects are for about 38 projects, value wise about 3 crores. So with this, I'll make it open for question and answer. Thank you.

Questions and Answers

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. [Operator Instructions]. The first question comes from Grishma Shah from Envision Capital. Go ahead please.

Analyst

Good evening sir.

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah good evening, Grishma.

Analyst

Sir introducing new model is a continuous phenomenon for any company and even for Symphony. So I was confused when you say that you will produce new models and you've discontinued old models and therefore this is not a sale loss. So I wanted to understand that a bit properly and also does that mean that December quarter we would see in excess of around 200,000 kind of a volume, because last year if one had to look at 52,000 as an advance booking and in December, we did a sale of around close to 1,12,000 coolers. So if you could help us to understand that?

Nrupesh Shah, Executive Director, Corporate Affairs

Sure. So number one, of course upgrading the models and introducing the new models is a continuous process. But current year in respect of some of the aesthetics and features, we have come out with the newer technology in air coolers which took us a while and all that has been well settled and the production of new models have already commenced from third week of September. So since then, production for all the models is now fully established and with that we are supplying only new models. Coming to total sales volume for first half as I told you, 1,16,000 are confirmed sales orders, so obviously that will be fully executed in current month and partly in next month. Over and above that, whatever further confirmed orders we will be receiving that will be executed, but to give any specific number is difficult at this point of time.

Analyst

Just to understand this a little better if one had to look at your realization, one had to look for the quarter and if I had to compare it with FY12 realization, which closer to it, given the fact that you were selling older models, wouldn't you get the same realization in FY12 average sale?

Nrupesh Shah, Executive Director, Corporate Affairs

I haven't understood your question?

Analyst

Sir your average realization is around Rs.4,591 this quarter?

Nrupesh Shah, Executive Director, Corporate Affairs
Right.

Analyst

And your FY12 average realization is Rs.5,602. So I mean if you are selling older models then your realization should be in line with your FY12 average, is that correct?

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah, it may be or it may be even higher than that, what I can confirm for the actual sales which we have done, average realization in domestic market is 4,591. But 100% advances for these confirmed orders are there, for that the advance realization is going to be 5,206 versus 4,778. Now how much is going to be actual average realization in first half or year as a whole that is a function of the product mix. So it may be in the line of the last year, it may be even higher than that.

Analyst

Sir my question is, if you are selling the older models this quarter, your realizations for the older models are lower than the FY12 average realization?

Bhadresh Mehta, Vice President, Finance and Chief Financial Officer

Yeah one second, see the year as a whole, realization is always higher, because it reflects the entire year combined average.

Analyst

Sir your voice is not clear.

Bhadresh Mehta, Vice President, Finance and Chief Financial Officer

Hello. year as a whole, realization is always higher than the first quarter, because first quarter is at the beginning of the year and as you are aware, we have earlier lifting incentives.

Nrupesh Shah, Executive Director, Corporate Affairs

Okay. So what Bhadreshbhai means to say that in the first quarter realization per unit is normally the lowest, second quarter it is marginally higher than that, third quarter is higher and fourth quarter is the highest. So the reason being, in off-season, we offer lifting incentives which results into lower realizations. And starting from February and then after, there is no such incentive which results into higher realization per unit in third quarter and the highest in the fourth quarter.

Analyst

Okay. My second question now pertains to the 500 crore revenue target that our Chairman has been mentioning. I have a confusion and by reading press articles which says that 400 crore from domestic business and 100 crores from IMPCO and there is some other statement which says 400 crores comes from the air coolers and 100 crores come from the industrial air cooler. So can you clarify this?

Nrupesh Shah, Executive Director, Corporate Affairs

Number one, as far as the financial world is concerned, as far as the analysts are concerned, whatever earlier statement and earlier estimates we had given, there is absolutely no change. In fact somebody with lot of patience asked the Chairman if you have to achieve your wish list in the year '12-'13 what is likely sales, so it was just that, it doesn't change any of the earlier estimate given by us.

Analyst

Okay. And could you highlight and share your outlook on the international business given that we still don't have the consol numbers in our hand?

Nrupesh Shah, Executive Director, Corporate Affairs

About international business, of course in year '11-'12 because of some turbulence in Middle East countries, we couldn't really perform well especially couple of Middle East countries where air cooler demand is high but with resolution of most of those issues, in Middle East it is expected to perform well but with our rider. In IMPCO to whom we had supplied residential air coolers in the year '11-'12, IMPCO is sitting on a pretty high inventory and we have thought it appropriate to really rationalize its working capital requirement and exports through IMPCO in the current year '12-'13 maybe substantially rationalized because we want to make IMPCO really working capital wise cash efficient and that may affect in fact yearly performance in international business.

Analyst

Okay, okay. I have questions but I'll get back to in the queue and maybe come later. Thank you and good luck.

Nrupesh Shah, Executive Director, Corporate Affairs

Thank you.

Operator

Thank you. Ladies and gentlemen, requesting you to kindly restrict your questions to only two important questions and not more than that. The next question comes from Sumit Duseja from SPA Securities. Go ahead please.

Sumit Duseja

Good evening, sir.

Nrupesh Shah, Executive Director, Corporate Affairs

Good evening.

Sumit Duseja

Sir, my first question pertains to the new models that company is going to launch. Can you put some light on what kind of new models that we are going to introduce?

Nrupesh Shah, Executive Director, Corporate Affairs

As of now we have upgraded almost our whole range of old models. So, this is an upgradation in terms of the Dura Technology. Dura Technology is in respect of the cooling technology, cooling performance, enhancement of several features, several changes and upgradation of aesthetics and also in respect of certain remote control features of the air cooler. So, just to name a few in respect of all these aspects.

Sumit Duseja

Okay, okay. Sir, my second question related to export sales. What has been the prime reason for the decline in export volume and second, when we would see significant uptake in sales and what could be the major factor that would drive the same?

Nrupesh Shah, Executive Director, Corporate Affairs

Number one you are right. In the first quarter there is a marginal decline in the sales. We don't have any specific reasons or explanation to offer for that. But what we believe and consider, we need to really see whether it is domestic business, industrial business or international business; year as a whole how do we perform, because especially in this respect it is also possible that there may be a shift of sales from one quarter to another quarter or so. So we need to really see year as a whole, how do we perform.

And secondly as I explained earlier, despite that there is likelihood of lower dispatches to IMPCO on account of rationalization of its working capital which we intend to do, we feel that in current context, still we should be in a position especially with Middle East countries revival to maintain the export value may be by and large around last year.

Sumit Duseja

Okay. Sir, one last question on industrial cooling segment. Sir, how much exactly we are seeing the progress in this, particularly in India and would you be able to give the number of orders that have been executed in this quarter and how many or what is the order book going ahead?

Nrupesh Shah, Executive Director, Corporate Affairs

So now it's very interesting to note that in fact the host of today's conference, the AMSEC itself sometime before had carried out detailed market survey, themselves have moved in the market quite extensively and they have come up with lot of interesting feedback. As per their estimates, the existing industrial air cooler market is close to 2,000 crores, which is served totally by de-centralized fabricators. So that's what the existing market size is.

As far as Symphony is concerned, now Symphony has internally already created a good team of people, including well experienced people from industrial air cooling as well as centralized air conditioning segment, which is led at the level of Vice President and even in the field also we have already made some appointments. Over and above that even in terms of the dealer, distribution and technical staff, we have also made necessary appointments. Coming to number of projects executed, in the first quarter we executed about six projects as value wise about 1.5 crore and about 38 projects value wise close to 3 crores are under various stages of negotiation and discussions. So I would say that in the industrial air cooling segment, we are at a nascent stage, but there is a good potential and good market.

Sumit Duseja

Okay sir. I have few questions and I will get back in the queue. Thank you, sir.

Nrupesh Shah, Executive Director, Corporate Affairs

Thank you.

Operator

Thank you. The next question comes from Rohan Gala from Subhkam Ventures Ltd. Go ahead please.

Analyst

Hello.

Nrupesh Shah, Executive Director, Corporate Affairs

Hi.

Analyst

Sir can you just explain me sir I just missed the realizations part, the realizations are lower this quarter versus last quarter. Sir can you just explain the reason for that?

Nrupesh Shah, Executive Director, Corporate Affairs

No, actually realization for this quarter for the air coolers sold is lower, but what we like to really see, almost 60% plus air coolers for which will include the confirmed models, we could not sale and dispatch by 30th September to be precise more than 72,000 air coolers. And the models or the sales which has not been executed are comparatively high end models. So real comparison is what is the weighted average realization for the confirm orders received with 100% advances and that realization is about Rs.5,200 versus Rs.4,800, adding about 9% higher than corresponding quarter of previous year.

Analyst

So you mean to say that could come in the next quarters.

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah. In October–November that's going to be executed completely.

Analyst

Okay. And sir there was some – what about the incentives, like what are the incentives given like I couldn't get that part?

Nrupesh Shah, Executive Director, Corporate Affairs
Pardon?

Analyst

You said that realizations were lower due to incentives like, what was incentives have been given?

Nrupesh Shah, Executive Director, Corporate Affairs

No. I think you are missing some point, what I said in first quarter including 100% advances received, but orders not executed, the weighted average realization is close to Rs.5,200 versus Rs.4,800 in the corresponding quarter of last year. So actual realization is about 9% higher including 100% advances received.

Now coming to in the first quarter of last year, the realization was 4,778 and year as a whole the realization was 5,702. So always in case of Symphony in the first quarter, the realization is the lowest and gradually quarter wise it increases and the realization is the highest in the fourth quarter.

The reason being in the first quarter and second quarter in domestic business being completely off-season, because of series of initiatives and various incentives, which we give to distributors and dealers, the realization is the lowest in the first quarter.

Analyst

Okay sir. Sir, can you just let me know what's the debt on books as of now?

Nrupesh Shah, Executive Director, Corporate Affairs
Pardon?

Analyst

Sir debt on books?

Nrupesh Shah, Executive Director, Corporate Affairs

Symphony is end-to-end completely debt free company. In fact is sitting on pretty high amount of cash and cash equivalents.

Analyst

Okay. So that's it. Thank you.

Nrupesh Shah, Executive Director, Corporate Affairs

Thank you.

Operator

Thank you. So the next question comes from Mr. Abhijeet Singh from CRISIL. Please go ahead.

Abhijeet Singh

Good evening sir.

Nrupesh Shah, Executive Director, Corporate Affairs

Good evening.

Abhijeet Singh

Yeah, sir just wanted to understand your raw material cost as the percentage of sales has increased this quarter. So any reasons on that?

Nrupesh Shah, Executive Director, Corporate Affairs

No, again that reflects only partial picture because that raw material cost is only for about 51,000 air coolers, and that too relatively lower end models. But we consider entire quantity

of 1,16,000 air coolers. I think by and large raw material cost would be almost the same as it was in the first quarter of last year.

Abhijeet Singh

Okay, sir. And sir can you actually tell me the sales of IMPCO for this quarter?

Nrupesh Shah, Executive Director, Corporate Affairs

In this quarter there is zero sales to IMPCO.

Abhijeet Singh

Okay. And sir, what's the reason?

Nrupesh Shah, Executive Director, Corporate Affairs

So as I explained at length earlier, IMPCO is sitting on a very high amount of inventory as per our standard, mainly the residential air coolers has exported from Symphony and as our policy, we have decided that rather than looking for very ambitious growth at our level of IMPCO, first of all we will like to make it very working capital efficient and we would be much more interested to see that, really rationalize the inventory. So till the rationalizing the inventory substantially, we have decided to reduce or to substantially curtail export to import.

Abhijeet Singh

No sir actually I was asking you how much is the sales from IMPCO not to IMPCO?

Nrupesh Shah, Executive Director, Corporate Affairs

Sales from IMPCO right now we have given only standalone figure. So I don't have any readymade figure of sales from IMPCO but otherwise typically, the September quarter and December quarter for IMPCO is really very off-season or low season and unlike Symphony India, hardly any business is being done. So you can safely assume that it would be almost negligible business in first two quarter as it has always happened there in the past.

Abhijeet Singh

Okay. Okay. Sir if you can give me permission to ask one more question? Sir just wanted to understand one thing sir, like for this quarter we have seen that your sales order book has increased substantially to more than 1 lac coolers; whereas we have simultaneously

also seen that there is a deferment in sales for this quarter. So is it just because that you are trying to reset your product mix into more new end models?

Nrupesh Shah, Executive Director, Corporate Affairs

Yes, so we want to supply the upgraded model with all the new features and it's all about 72,000 air coolers for which we could not execute the orders or dispatch, it is going to be executed in October–November.

Abhijeet Singh

Sir and okay fine. Okay, fine, sir. Thanks a lot sir.

Nrupesh Shah, Executive Director, Corporate Affairs

Thank you.

Operator

Thank you. The next question comes from Sumit Duseja from SPA Securities. Go ahead sir.

Sumit Duseja

Sir, just wanted to understand as you mentioned that there has been primarily deferment and there has not been a loss, a sales loss but what exactly have been observed that the inventory even at the retailer end extinguished because of high demand. So, I just wanted to understand like first two months as you mentioned September is a month where we started with our new product manufacturing.

So first two months wouldn't it be like right for us to continue manufacturing and we would have like have lost some sales because as I said like retail level also there has been no coolers available. So kind of not having our own manufacturing facility reduces flexibility?

Nrupesh Shah, Executive Director, Corporate Affairs

This deferment of production and commencement of production in September has nothing do with own or OEM. On the contrary, OEM manufacturing facilities have offered and it's going to offer us tremendous flexibility and various other advantages. But apart from that it's not like that we haven't dispatched or supplied any cooler in domestic business. In this quarter we have sold about 43,000 coolers and well within whatever our opening inventory was and whatever new production could take place by 30th September depending upon where we felt there could have been a secondary demand and where to affect the secondary

sales, we have dispatched and supplied. So, considering that and now in October–November it is going to be dispatched, as per our understanding, it is not going to affect in any respect end-to-end secondary sales.

Sumit Duseja

Okay. And sir, considering how the raw material has been behaving, do we also need to take any price action?

Nrupesh Shah, Executive Director, Corporate Affairs

No, as of now considering our sales price to variable cost including the raw materials, currently our margin or contribution remains almost at the same level as it was in the year '11-'12.

Sumit Duseja

Okay. And I just had one last question. Particularly on our Water Heater segment though you already mentioned that company is not focusing on this but we have this brand which is doing well like it's a popular brand in the market. Why don't we just sell it off and completely focus on air cooler, Residential Air Cooler segment and also make some money out of the brand?

Nrupesh Shah, Executive Director, Corporate Affairs

Various options are under consideration that's what I can tell you.

Sumit Duseja

Okay. Thanks, sir. Thanks.

Operator

Thank you, sir. [Operator Instructions]. The next question comes from Umesh Gupta from Reliance Wealth. Go ahead please.

Analyst

Hello?

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah, hi.

Analyst

Yeah, hi. My question is on order which you have booked 1,16,000. The realization which you have mentioned is about Rs.5,200 right?

Nrupesh Shah, Executive Director, Corporate Affairs

Right.

Analyst

And if you look at Q2 of last year where you've sold about 82000 coolers, the realization was about Rs.5,300. So considering that the 1,16,000 of new models, so at least on a Q-o-Q on a Y-o-Y basis the realization should have been much higher than 5300 which you did last year, isn't it?

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah, logically it should be. The reason being last year in the first two quarters, especially storm model we didn't have, and now we do have storm models which is having a much higher realization. Logically it should be a higher realisation, but only time will tell where do we end up.

Analyst

Yeah. So the question is actually beyond this 1,16,000, because beyond these are orders which you would be taking from now on, should those be at higher realization?

Nrupesh Shah, Executive Director, Corporate Affairs

Of course it is at higher realization because in our scheme of things, price of 1st October to 15th October is higher than the price of 16th September to 30th - 16th September to 30th September. And occasionally the price for 16th October to 31st October is higher than the first fortnight of the October. So, obviously what happens as we come closer to the season, our realization keeps on increasing.

Analyst

So from 1st October onwards like every 15 days a price change or beyond that it becomes monthly or quarterly?

Nrupesh Shah, Executive Director, Corporate Affairs

No, its fortnightly till February end. And beyond February then there is fixed price without any incentives.

Analyst

Okay. The other question is on the capacity of business. What kind of production you can do in this October to December quarter, irrespective of the demand let's say, there is abundant demand, or there is no demand what is the capacity on a quarterly basis?

Nrupesh Shah, Executive Director, Corporate Affairs

As we have scheduled our **production** by 31st December we believe that we should be in a position to sell maybe ,if there are further orders and further sales, there will be additional about 1.5 lac air coolers.

Analyst

1.5 lac in addition to this 1,16,000?

Nrupesh Shah, Executive Director, Corporate Affairs

No, not in addition to 1,16,000, in addition to 51,000 what we sold by 30th September.

Analyst

So you sold by 30th September 43,000 right?

Nrupesh Shah, Executive Director, Corporate Affairs

43,000 in domestic and for international about 8,000, totaling 51,000. I'm saying the all and above 51,000 we should be, if everything goes right, additional 1.5 lakh give and take around 2 lakh cooler or so.

Analyst

Okay, okay great. Thank you. That's all.

Nrupesh Shah, Executive Director, Corporate Affairs

Thank you.

Operator

Thank you sir. The next question comes from Rohan Gala from Subhkam Ventures Ltd. Go ahead sir.

Analyst

Hello?

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah hi.

Analyst

Sir for the upgradation part as you said you want to upgrade your old models to new models. So can you just throw some light on the CapEx spent or renewal amount spent on the upgradation part?

Nrupesh Shah, Executive Director, Corporate Affairs

No, in fact it is negligible CapEx, I would say, less than Rs.50 lac it is mainly in terms of the innovation and design and actually manpower and whereby we have changed actually some of the parameters and engineering for some of the components and other aspects. So CapEx is negligible.

Analyst

Okay. And sir going forward any CapEx, a major big CapEx is there?

Nrupesh Shah, Executive Director, Corporate Affairs

Actually in our scheme of things, normal CapEx doesn't exceed 3 crores, except now for our Symphony office building, for which we acquired the land two years before, we propose to commence the construction in current year and likely to be completing in about two years' time and end to

end the additional CapEx on that maybe in the range of around 10 crores to 12 crores over our period of one to two years.

Analyst

Okay sir. That's it. Thank you.

Operator

Thank you. The next question comes from Abhijeet Singh from CRISIL. Go ahead please.

Abhijeet Singh

Hello, sir.

Nrupesh Shah, Executive Director, Corporate Affairs

Hi Abhijeet.

Abhijeet Singh

Yeah sir just a few follow-up questions . Sir just wanted to know given that you are upgrading your entire set of coolers and then the percentage of upgraded coolers will increase. How much of price realization improvement do you see in year-over-year in FY13?

Nrupesh Shah, Executive Director, Corporate Affairs

It is very difficult to estimate at this point of time.

Abhijeet Singh

Okay, sir. But like historically we have seen that price realizations say increase by 8% to 10%, so will it be higher this time or it will be in the same range?

Nrupesh Shah, Executive Director, Corporate Affairs

I have no estimate about that.

Abhijeet Singh

Okay, okay. And sir one more thing I just wanted to know when you have got the orders this quarter, you would have got the orders for the old coolers at the price like whatever Rs.4,000 or Rs.5,000, but given that you will be upgrading it. So will you or the dealers ask higher amount or how it will be?

Nrupesh Shah, Executive Director, Corporate Affairs

No for limited quantity it was for the old model and of course to dealers or distributors, we haven't distinguished till our production of upgraded model started that we are going to supply new model. So the price we haven't distinguished for old models and new models to be very precise.

Abhijeet Singh

So sir you will not be passing on the cost say whatever cost that you have incurred to upgrade the models,

Nrupesh Shah, Executive Director, Corporate Affairs

Actually speaking, there is no incremental cost, that's why I think we should have a competitive advantage, we should have a selling advantage and as I mentioned earlier as of now our contribution Margin comes almost comparable to previous year.

Abhijeet Singh

Sir I just wanted to understand when you have like incrementally added up new features like couple of features we have mentioned at the starting of the call. So that would require some kind of incremental cost, right?

Nrupesh Shah, Executive Director, Corporate Affairs

I didn't say that we have added the features; I have said that we have introduced the new features; we have introduced some new technologies. So it doesn't mean and in case of

Symphony not necessarily that addition of the features, new performance or better performance with increasing costs.

Abhijeet Singh

Okay. So sir this means that there is no, even if the upgraded models are there, there is no change in price and cost structure. Is it right?

Nrupesh Shah, Executive Director, Corporate Affairs

What I said and what I reiterate, our contribution that is, see you would have realized that for 1,16,000 air coolers, our weighted average realization is Rs.5,206 versus Rs.4,778, so close to Rs.400 plus, so about 9% higher. This is a mix of both that is better utilization as well as better product mix. And considering that our contribution that is realization minus variable cost, percentage is almost the same what it was in year '11-'12.

Abhijeet Singh

Okay, okay sir. And sir can you give us some insight on the traction in industrial coolers, any new queries or like increase in queries or anything like that?

Nrupesh Shah, Executive Director, Corporate Affairs

No, we are in the process of establishing in that market. So there may be some teething trouble, but we are facing very good enquiries, good team is in place and we are very excited about that segment.

Abhijeet Singh

Okay. Sir one more thing in this quarter the exports have declined, any insights on that?

Nrupesh Shah, Executive Director, Corporate Affairs

So as I said earlier very difficult to measure on a quarter-to-quarter basis, you need to really see year as a whole how do we perform.

Abhijeet Singh

Okay, okay. Thanks a lot sir.

Operator

Thank you. The next question comes from Umesh Gupta from Reliance Wealth. Go ahead please.

Analyst

Yeah. Sir this off-season sale related question I had. The sale which happens in the off-season, how does it happen onwards for example, does it remain with the channel or it was sold onward or the major sales happened only in the January to February to April season. How does it work?

Nrupesh Shah, Executive Director, Corporate Affairs

No Some quantities are being sold especially in the month of September and October. In some parts of the country, where temperature touches above 35, which we decide and call it as a first summer, but substantial air coolers remain with the trade for which they have our secondary sales during summer or pre summer

Analyst

Okay. So just in case, if the season doesn't pans out for example which has happened in the past also so what happens is it the case of sales return also or is it showing on to the channels completely?

Nrupesh Shah, Executive Director, Corporate Affairs

No. In our case wherever sales is through dealers or distributors as you know we have zero credit policy **it is cash & carry with 100%** advances, and there is no question of any sales return even if they have to sit with a high inventory. But distributors especially, I am not talking about dealers, who are dealing with Symphony for many, many years, they know how the business works and they are very well used to this.

Analyst

Okay. So you are saying that you don't compensate distributor in any manner

Nrupesh Shah, Executive Director, Corporate Affairs

No we don't compensate in any manner, but most of the distributors who are with Symphony for many, many years they know year-to-year, how trade and how season and otherwise – it's possible that in 10 years, 15 years there may be one bad season and they have to carry that risk.

Analyst

Okay. Thank you, sir. That's it.

Operator

Thank you. The next question comes from Punit Chokhani from ENAM Securities. Go ahead please.

Analyst

Yeah. Hi. Sir I had two questions. Firstly...

Nrupesh Shah, Executive Director, Corporate Affairs

Yeah hi.

Analyst

What is the proportion of sales for us as a company, say in the North and the East of India? I mean approximate numbers would do?

Nrupesh Shah, Executive Director, Corporate Affairs

No. Historically we do have almost uniform sales across the country, but it does happen that in some of the years there may be higher sale in some of the regions, say in the summer '12 especially in North and East, there was excellent summer and North and East performed extremely well and followed by West and followed by south.

But otherwise if we take broadly all regions, we do bifurcated into four parts that is North, East, West and South that contribute almost uniformly bearing few seasons here and there.

Analyst

Sure, sure. So sir what I actually wanted to understand was something slightly macro. What I understand is the business is largely or rather brand equity plays a significant amount of role in the consumers' mind. Is that right?

And secondly wanted to understand how is competition shaping up, because a lot of the large players are sort of, they're getting into it or as I read are planning to get into it, considering it's a lucrative business, for example if you look at a company like Hazer, he's got a very good brand up North; how he's got a very good brand up North, how is that shaping up for us as a company considering such a significant player in this business across India?

Nrupesh Shah, Executive Director, Corporate Affairs

So as you mentioned the key factors for success in this business are apart from brand, it is also our distribution network. Second is our product quality, performance, electricity consumption and even service after sales. So in fact it's a combination of everything probably not only one factor that is number one.

Number two, as you very rightly mentioned, a couple of new players have entered and we sincerely wish that some of those new players really succeed in a big way, the reason being considering potential of air cooler in entire air cooling pyramid, where it is very logically supposed to do substantially higher than unit wise number of air conditioners to be sold and lower than fans.

Probably there is so much potential in domestic market as well as internationally. In fact addition of new players will really add an awareness and as it happened in air conditioner industry, where about 10 to 12 years before, there were just handful of players and market was predominantly 70% to 80% of market share was by unorganized players and now there are more than one dozen players and market has really matured and hardly any space

for unorganized players. So it's possible that in long term in terms of percentage of the market share it may come down. But in terms of the absolute unit of sales, there may be very healthy growth.

Now coming to the effect of the competition in last two to three years, we already had a competition of Kenstar, which is a Videocon group company, which is having almost 30% market share followed by Bajaj Electrical having about 15% market share over and above Khaitan and Usha, which is having negligible market share. So at least those four players are there in the market for more than a decade and this is where we are.

And even in last two, three years, apart from Havells, even Orient Fan and Maharaja have also entered, but as per our understanding, Maharaja has almost exited from the market and Orient Fan and Havells they have just began. But as of now hardly any impact or they don't have any sales volume to talk about.

Analyst

Thank you for answering that. But what I actually wanted to understand was so what you are trying to say is incrementally I mean it's great for the industry, but I mean this market share shift is happening from the unorganized to the organized is what you are typically trying to put across, is that right?

Nrupesh Shah, Executive Director, Corporate Affairs

No, I am saying overall size of the cake itself is increasing that is size of air cooler industry and over and above that, there is a rapid shift from unorganized to organized, it's a combination of both.

Analyst

Sure, sure. Okay, okay, fine. Thanks. That answers my question. Thanks a lot sir.

Operator

Thank you, sir. The next question comes from Atul Mehra from Edelweiss. Go ahead please.

Analyst

Good evening sir. My question was more on the overall demand that you are seeing in the year ahead and the current economic environment where are you all seeing in terms of growth for FY13 as an internal number or internal target that you all are looking at?

Nrupesh Shah, Executive Director, Corporate Affairs

Well as I said earlier, what we can talk about what has happened in the first quarter, how first half of the year will go, very difficult to predict or estimate.

Except as we have conveyed earlier and as we maintain, we see really a good growth potential in all the three segments that is in residential air coolers, in domestic business, industrial air cooler in medium to long term and international business also in medium to long term. But to give any specific estimates for yearly plan, very difficult to give that.

Analyst

Okay. And just one question, overall on the ForEx loss that we have incurred this quarter, if you could just explain in terms of how exactly is that?

Nrupesh Shah, Executive Director, Corporate Affairs

Sure. So you may be aware that two of our Mexican subsidiaries that is IMPCO, we have given loans and advances and at a level of IMPCO, IMPCO is completely debt free company. So if you take care of its funding requirement eventually its working capital requirement, loans and advances have been given, which is close to 30 crore as on 30th September and vis-à-vis 30th June, '12, where the exchange rate was about Rs.56 and as on 30th September, '12 the exchange rate stood closely Rs.53. So whatever is the difference

between the two, it has to be as per accounting standard and policies to be shown as forEx loss. So essentially it's a notional as and when that money actually comes, there may be a loss, there may be a profit.

Analyst

Right sir. So that's it from my side and thank you.

Operator

Thank you, sir. Ladies and gentlemen, this was the last question on the floor. Now I hand over the floor to Mr. John Perinchery for closing comments. Go ahead please.

John Perinchery

Yeah. I sincerely thank Mr. Nrupesh Shah and Mr. Bhadresh Mehta for taking time out for this conference call. We also thank all participants for attending this conference call.

Nrupesh Shah, Executive Director, Corporate Affairs

Thank you to AMSEC and all the participants.

John Perinchery

Thank you, sir.

Operator

Thank you, sir. Thank you for your participation and for using Door Sabha's conference call service. You may now go ahead and disconnect your lines. Thank you and have a pleasant day ahead.

Bhadresh Mehta, Vice President, Finance and Chief Financial Officer

Thank you.

Operator

Thank you, sir.