



“Symphony Limited  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Symphony Q4 FY'13 Results Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference call, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand over the conference to Mr. Sumit Bagri from ICICI Securities. Also joining with us today is Mr. Nrupesh Shah, Executive Director of Symphony, along with his team. Thank you and over to you Mr. Bagri!

**Sumit Bagri:** Thanks Malika. Dear friends, we are very happy to host this Annual results conference call for Symphony. Without taking much time, I want to introduce the management. Mr. Nrupesh Shah, the Executive Director, and a key member of the management team at Symphony. He is joined by his team members, Mr. Bhadresh Mehta, who is the Chief Financial Officer, and their team members. I would request Mr. Shah to just give a brief overview of the performance for FY'14 and also his strategic thoughts and his plans for FY'14. Mr. Shah, if you can begin on that. Thanks.

**Nrupesh Shah:** Thank you Sumit. Good morning to everybody. I welcome all of you to Symphony's Annual Result and Quarterly Results Conference Call, hosted by ICICI Securities Limited. During our initial remarks and Q&A, it may contain certain forward-looking statements or estimates, but they may or may not turn out to be correct on account of various market sources, external factors or variety of other reasons. So, with this let me take you through broader financial parameters of the year 2012-13 standalone and consolidated.

We have shared detailed data sheet, nevertheless at the cost of repetition, let me start with that. In the year 2012-13 on a standalone basis, the total income from operations stood at 322 Crores up from 258 Crores showing an increase by about 25% and on consolidated basis, total income from operations stand at about 391 Crores up from 320 Crores showing an increase of 22%.

Broad breakup wise in terms of domestic sales, on standalone basis it is at 273 Crores up from 209 Crores showing an increase of 31% out of which, in India it is about 269 Crores, that is air cooler sales, and the rest of about 4 Crores is spare parts and other items sales. Sales to rest of the world on standalone basis stood at about 80,000 versus 114,000 showing a total sales of Rs. 35 Crores versus about 41 Crores, but as we had conveyed and discussed earlier, current year there was one-time correction in terms of sales to Impco, and on account of that in totality there is a reduction, but if we segregate that then export sales other than Impco increased by 32% in unit terms versus previous year and amount wise it shows almost 40% increase. That shows robust increase.



Operating and other income stood at about 13.5 Crores versus 7.60 Crores showing an increase of almost 78%. Coming to key parameters, raw material consumption percentage on standalone basis slightly decreased from 43.78% to 42.63%. Operating profit has increased from 27.04% to 27.79%. On consolidated basis operating profit is slightly down from 23.37% to 22.5%. PBT on standalone basis is at 92 Crores versus 70 Crores and on consolidated basis it is at 91 Crores versus 73 Crores.

In terms of percentage of PBT on standalone, it has slightly increased from 27.08% to 28.65% and on consolidated basis also it has shown increase from 22.91% to 23.36%. Coming to PAT on standalone, it stands at about 63 Crores that is 19.48% versus 50 Crores that is 19.53% of the previous year. It is to be noted that this PAT is after providing 4.36 Crores of income tax of the earlier year, so had it not been there, then standalone PAT would have been about 67 Crores and PAT percentage would have been close to 21% that is increase by more than 1.5%. On consolidated basis on account of Impco's subdued performance, consolidated PAT stands at about 60 Crores versus 53 Crores that is 15.39% slight decline from previous year of 16.61%. As you would have noticed, current year segment wise, we have defined two primary segments. One is home appliances and second is corporate fund. The purpose is really to measure efficiency of fund utilization and working capital of home appliance business and all other surplus funds, which get invested in mutual funds, bank FDs, government bonds that we have classified as corporate fund.

In home appliances the return on capital employed that is PBT percentage stands at 173% for the year versus 90% of the previous year and on consolidated basis on account of Impco it stands at about 99% versus 63%. In corporate funds where we basically invest either in tax free bonds or liquid mutual funds and bank FDs, return on PBT stands at 8.06% versus 7.90%.

Coming to dividend, current year total dividend stands at Rs.6.5 per share on face value of Rs.2 versus last year normal dividend of Rs.3 and special dividend of Rs.2.5 totaling Rs.5.5. About dividend percentage it stands at 325% versus 150% a normal dividend of previous year and special dividend of 125% totaling to 275% and dividend payout ratio stands at 44% versus normal dividend payout of 23% and total 42% of the previous year.

Coming to inventory, on a standalone basis it stands at 18 Crores versus 12 Crores, and on consolidated basis it is at 43 Crores almost the same as it was last year. About corporate funds, that is the surplus funds that stands at 139 Crores versus 84 Crores in the previous year.

Now let me take you through some of the major business segments about domestic market and residential air coolers. During the year Symphony launched couple of new models,



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upgraded many more models, they have been revamped, they have been upgraded with much better performance, features and aesthetics and they have been received extremely well. Apart from that in the current year, in terms of the service processing system in response time, we have completely revamped and it has improved considerably. As far as domestic air cooler market is concerned, our estimates stand total market size in excess of 5 million units, out of which organized market is about 1 million units. In the year 2012-13 overall organized market grew at a healthy growth rate in excess of 25%, and we expect considering overall scenario, considering customer's demand and overall trade sentiment, buoyant sentiment in demand to continue. Symphony has maintained its market leadership position and in value terms it commands about 50% of the market share.

As far as the total distribution network is concerned, now Symphony is having about 16400 dealers and having presence in 4500 towns and cities in the country. In fact, during last year, there was unexpected high demand of small coolers, that is personal coolers but as we did not have enough capacity we have lost sale of about 40000 coolers, but now in the current year, that has been tackled by way of having tie-ups with other OEMs. While summer was extremely good in April and May, but June was slightly setback as rains started much earlier than anticipated, and hence there is some inventory as on June 30.

As far as advertising campaign during the year was concerned, 2013 season, Symphony was far more aggressive compared to earlier years. For preparation of the advertisement campaign, we had conducted in-depth workshop to evaluate communication strategy to grow the air cooler market. Workshop was conducted with senior team members of Symphony by leading advertising agency and some of the key takeouts of the workshop were the biggest advantage of air cooler versus air conditioner. It was decided to focus various benefits in the communication, it was also decided to communicate that India's needs maybe diverse but whatever maybe the needs, we have a cooler for that and therefore we have thought of positioning Symphony as "India's kacooler, India korakhe cooler".

As you would have noticed during the year, Symphony has increased advertisement and sales promotion expenses substantially almost by 60% and that has fetched handsome dividend and will like to continue that way. In the year 2013, Symphony brand had over 70% of the voice in media in the air cooler category. This would be probably the highest for any brand in durable and appliances category. Symphony continues to become stronger in modern trade with robust growth of 68% over previous year.

Coming to International sales, as conveyed earlier, Impco was a one-time correction so overall there is a reduction in export, but if we take out Impco from international sales, then there is robust increase of about 40% in sales value to rest of the world and price realization has gone up in excess of 6%. During the year Symphony added some of the new



countries like Ecuador, Bolivia, Armenia, Kazakhstan, Mauritius, Angola, Nepal and just recently Symphony has finalized a large distributor in Pakistan where coolers have been supplied in July, but in export market, as a revised strategy the focus is on large markets to prioritize the market, to focus on some of the select markets and to work in a much focused way. Symphony has also planned to have a warehouse in Europe and branch in UAE, which will help substantially to increase the sales in Middle East and North African countries.

Coming to Mexico operations, Impco has registered subdued performance during the year. Sales have not happened as per the plan. This is mainly on account of delayed season, which affected entire air cooling industry including air conditioner, air coolers and fans. As a result of that even service center sales got affected to some extent and because of that even though overall overheads were almost the same as per the last year but margins were under pressure and hence the performance of Impco, but Symphony has already identified the necessary strategy and steps to be taken to improve the performance, just to narrate some of them lean manufacturing project has been under discussion and will be implemented during the year. The project is being implemented basically to have improved control and better control on costs, including manufacturing costs, inventory costs and also to further rationalize the inventory level. In fact Symphony's plastic air cooler inventory has reduced substantially, which stood at about 46000 as on June 30, 2012 now stands at about 17000 .

Similarly in plastic coolers, early negotiations with some of the large format customers have begun and they will be in place. In plastic coolers some of the major innovations in the products, which we introduced last year in some of those models will be launched there. There is also a possibility that Symphony may launch new product line in Mexico of metal coolers and competitive line up of window coolers in price & features have been firmed up and maintaining the sales of master cooler and ducted cooler in the natural market and about the industrial cooler Symphony has maintained its leadership position over there and it will continue apart from that it is aggressively participating in major affiliated trade shows in the region.

Coming to industrial and ducted air coolers this has increased at very healthy rate in triple digits, but of course on a small base. During the year, the focus was to build a team, build a network, to create the product awareness and to create appropriate network. In the year 2011-12, in IC range Symphony had about 15 dealers, now number of dealers has increased to 44 and for 2013-2014, the plan is to have about 120 dealers. In 2011-12 we do not have any consultants, but now we have tied up with about 10 large HVAC consultants in the year 2012-13. We did not have any tie up with the contractor in 2011-12. Now Symphony is having a tie up with two large national renowned contractors in this space and in 2013-14 the plan is to have about 20 such contractors.



Symphony got a repeat order from Baba RamdevAshram and that project has been successfully executed. In 2011-12, total 56 IC sites were executed and that has increased substantially to 109 installations during the year 2012-13 and Symphony penetrated in some of the industrial segment including paint industry, logistics, molding industry apart from hospitals, corporate industry, religious segment, food industry, etc., and Symphony executed orders of some of the renowned and known cooperate like Asian Paints,DHL, Dixon Technologies, SwaminarayanTemple, ISKCON Temple in religious segment, Marico in FMCG segment etc. Symphony also managed to get its first order from railways to install air coolers at waiting room in Kota and GodhraRailway Stations. Symphony has also started stocking of large industrial cooler, which have been imported from Mexico basically to cut down the lead time to enable faster delivery so as to improve competitiveness. Symphony's IC team was also flying to Mexico for in-depth training on the product and system. With this I open this concall for question-and-answer.

**Moderator:** Thank you very much. First question is from the line of SumitDuseja from SPA Securities. Please go ahead.

**SumitDuseja:** Good morning Sir. Congratulations for good set of numbers. Sir, I have question on industrial cooler segment, wanted to know how much revenue company generated from India from industrial cooler.

**Nrupesh Shah:** In the industrial cooler segment, we are at nurturing stage, so it is in a single digit, but the point is, there is a healthy growth and in terms of building the team, building the network, having the tie up with the contractors, large turnkeyproject companies we have done well, but in absolute amount it is nothing major and about number of sites, which we executed in 2012-13 Symphony executed about 109 sites versus 56 sites of the previous year.

**SumitDuseja:** Can you throw some light on the order book that we have?

**Nrupesh Shah:** We do have a decent pipeline and we expect good growth in IC rangeduring the year.

**SumitDuseja:** For the residential cooler segment, how many number of dealers we have at present and what are the future plans for expansion?

**Nrupesh Shah:** Currently, we do have about 16400 dealers, and in the long-term we need to have about 40,000 dealers and that kind of potential this category is having.

**SumitDuseja:** As far as I remember in the beginning of the year, we have target for about 20,000 dealers by the end of FY'13. Had there been some issues in expanding the dealer network?



**Nrupesh Shah:** You are right. In the beginning of the year, we had a target of 20000, but during the year, we tried to focus on a much qualitative dealers to focus on B-Grade towns and some of the small dealers we could have appointed, but we tried to rationalize, so in that way even in terms of the distributor as a plan and part of the strategy we almost maintain the same number of distributors.

**SumitDuseja:** One last question on the exports, if you have any specific target for exports in two years expanding to various geographies and setting of unit at Middle East as well, so what target we have in two-year, three-year, five-year timeframe, as a percentage of overall figure or something like that?

**Nrupesh Shah:** We do have internal target, but as far as what figures we will achieve, you would have noticed that current year also there is stock in Impco, rest of the world other than Impcowe have achieved 30% growth in volume terms and 40% in value terms, so we expect that in a longer run such kind of growth is very much possible because in export we feel that there is so much potential, there is so much untapped demand and Symphony's product carrying the performance and feature which has a tremendous value and especially with rupee depreciation, we are becoming much more competitive.

**SumitDuseja:** How we are planning to reduce our prices or we would continue to sell or continue to clog the same realization on exports?

**Nrupesh Shah:** In exports we do not feel we need to reduce the prices because even at current dollar prices we are quite competitive.

**SumitDuseja:** Thank you. That is from my side. All the best.

**Moderator:** Thank you. The next question is from the line of AkshVora from Praj Investments. Please go ahead.

**AkshVora:** I just wanted to know from the Impcoside, we have inventory of about 25 Crores this year and last year we had 32 Crores of inventory. Are there any slow moving inventories or we are going to write off any of these inventories?

**Nrupesh Shah:** There are no slow moving inventories at all. As I conveyed earlier there was delayed season in Mexico and in July and August also we expect the inventory to move and as we had discussed earlier about plastic cooler the inventory was at about 46000 in June 2012 now stands at about 17000 and all is running inventory, but there are variety of models and some of them really large value products.



**AkshVora:** Similarly on debtor side Sir, it is around 32.5 Crores in Impco, by what time it will be encashed, is there any bad debt or we are providing any provision for bad debts or anything like that?

**Nrupesh Shah:** I am not getting your question are you referring receivable of Impco?

**AkshVora:** Yes Sir.

**Nrupesh Shah:** There is no question of any bad debt. In case of Impco more than 90% of the sales takes place with large format stores that is Wal-Mart, Sears, etc., and depending upon the large format store credit policy, it varies from 60 days to 120 days, so whatever sales has taken place in last two to four months, essentially they are the receivables, so there is no question of any overdue or even in the past also we had any occasion ,we do not foresee anything to write off even a single paisa, this is the normal receivable cycle at a level of Impco.

**AkshVora:** What are the advances right now at current level?

**Nrupesh Shah:** That is from Symphony to Impco?

**AkshVora:** Yes Sir from Symphony to Impco?

**Nrupesh Shah:** From Symphony in all total exposure is close to 34Crores that is down from 38Crores a year before and about 23Crores is by the way of equity investment in its subsidiary company that is Singapore and 11 Crores is by the way of loans and advances so totaling 34, but we expect that even out of 11 Crores substantial money should come back by September and October. So in fact during the year, the exposure should come down from 38Crores as on June 2012 close to about 23 Crores.

**AkshVora:** Lastly on Impco how the demand for us in America is, how we foresee the demand ?

**Nrupesh Shah:** Overall there is a good demand, but the only issue was there was a delayed season and there were some occasional rains in between and hence our business plan was much higher, but we could not achieve that.

**AkshVora:** From this year now all normal sales would be happening in Impco?

**Nrupesh Shah:** That is what we expect.

**Moderator:** Thank you.The next question is from the line of SandeepTulsiyan from JM Financial. Please go ahead.





**SandeepTulsiyan:** Sir I have few queries, one in terms of competition can you elaborate on a little bit in terms of you said out of 5 million pieces about 1 million is from organizedmarket, 4 million is from unorganizedmarket, how has been the growth for the industry and also in terms of the shift from unorganized marketto organized marketand what is driving it?

**Nrupesh Shah:** Organized market as I mentioned earlier has grown at a very robust rate in excess of 25% during the year 2012-13 and we expect that to continue. Overall industry side, it stands at about 5 million unit, industry as a whole is growing at about 20%, but obviously organized sector is growing at much rapid rate, the reason being there is gradual shift from unorganized market to organized market because of much better product on account of performance, aesthetics &features and even on account of the distribution network.

**SandeepTulsiyan:** Could you be elaborate in terms of key competitors, what is the market share for the next player Sir?

**Nrupesh Shah:** Our other competitors are Videocon group, Kenstarit should be having about 30% market share followed by Bajaj Electricals close to 14% market share and the remaining 6% is by other players including Orient-Fan and others.

**SandeepTulsiyan:** Also wanted to check in terms of the region mix and also you said April and May was pretty good, while in June there was early showers whichimpact the sales, just wanted to get a perspective on that, have you seen inventory actually getting stuck in the trade channel?

**Nrupesh Shah:** No there is no question of inventory stuck up in fact we were sitting on inventory of just 50000 coolers in terms of quantity and in current quarter itself, in fact much earlier than September it should be completely cleared off.

**SandeepTulsiyan:** In terms of region mix, is it evenly throughout four regions?

**Nrupesh Shah:** It is evenly distributed, but sometimes what happens depending upon the summer some regions mayhave higher sales, but otherwise we do have good distribution network throughout the country and sales is also almost even in all the regions.

**SandeepTulsiyan:** I see export margins are far more better compared to the domestic margin, what is the reason, is it something driven by forex, how do you see is there any impact of rupee depreciation in terms of the raw material cost as well?

**Nrupesh Shah:** A couple of reasons, in exports it works purely on incremental overheads, so overall overheads are much lower. Secondly sales promotion and advertisement expenses are lower compared to domestic sales. Thirdly as you may be aware we do have SEZ near Surat to Sachin, so the profit of exports which takes place from Sachin are completely tax free,



otherwise non-SEZ profit is subject to full income tax, which is about 34%, so there is a sizeable saving in that respect and fourthly as you indicated we also got benefit of rupee depreciation during the year.

**SandeepTulsiyan:** Thanks Sir. That is all from my side.

**Moderator:** Thank you. The next question is from the line of AkshVora from Praj Investments. Please go ahead.

**AkshVora:** I just wanted to know last time we had 4 Crores of one timetax, so what was the nature of that Sir

**Nrupesh Shah:** As you maybe aware, our year end is June 30 and income tax provisions have to be made from 1st April to 31st March, so on account of this year end mismatch earlier year's income tax has been provided during the year and that has been completely taken care.

**AkshVora:** Sir what would be the tax rate for FY'14?

**Nrupesh Shah:** We expect average tax rate of 28% to 29% should be maintained, the reason being our SEZ exports are completely tax free, but non SEZ is subject to full tax rate which is all in all comes to about 34%.

**AkshVora:** This 4 Croresthing was one time right Sir?

**Nrupesh Shah:** That is one time.

**AkshVora:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of John Perinchery from Amsec. Please go ahead.

**John Perinchery:** Sir I just wanted to have some clarification on the inventory that was stuck up in Impco. We had some slow moving inventory for a major part of last year. I just want to know whether the substantial portion of the same has been cleared.

**Nrupesh Shah:** Substantial portion of that has been cleared. Last year we had inventory of about 46000 plastic air coolers and now that plastic air coolers inventory stand at about 17000 and even that should also be cleared in next couple of months. As far as non-plastic air cooler inventory is concerned that is normal inventory and considering Impco's nature of business and variety of models and high value products, it has to be maintained at that level, even though during the year 2013-14 we strategize it to rationalize it further.



- John Perinchery:** Sir when you clear this particular inventory do you have to clear it at a loss or something like zero profit?
- Nrupesh Shah:** No, It is at normal sales value. If we were to sell it at a lower price, we could have liquidated even much earlier, but as you know as per Symphony's policy we do not believe in giving such discounts or rebate or zero profit.
- John Perinchery:** Sir in that case how your subsidiaries are in loss in this year, last year it was not in a loss?
- Nrupesh Shah:** As I mentioned earlier because of delayed summer this time whatever our sales plan was, compared to that actual sales has reduced that is #1 and #2 because of that there was some pressure on the margins, but some pressure on the margin does not mean that there is a zero profit because you would have noticed that at operational level even in Impco there is operational profit of about 15%.
- John Perinchery:** From a consolidated numbers if I remove the standalone numbers I get a turnover of something like 69 Crores in subsidiaries and then EBITDA of hardly 1 Crore only?
- Nrupesh Shah:** As I said, profit is under pressure on account of delayed monsoon and Impco's performance has been subdued performance.
- John Perinchery:** So going ahead we should see a turnaround in this, subject to monsoon being favorable?
- Nrupesh Shah:** We should see turnaround not only that, even though there was a delayed monsoon, but in month of July and even in month of August vis-à-vis previous years we are seeing better performance.
- John Perinchery:** That is it from my side.
- Moderator:** Thank you. The next question is from the line of ArunBaid from IDBI Capital. Please go ahead.
- ArunBaid:** My question was with regards to your selling and distribution expenses. You indicated that it is going to continue, so typically you used to have higher margins in Indian business to 46% roughly, so going ahead this year also we did 45% so should we assume that is going to be the ballpark margins we have to work on going ahead?
- Nrupesh Shah:** We expect whatever our gross margin is, it will remain intact.
- ArunBaid:** Sir I am talking below the gross margins, on the EBITDA front?



- Nrupesh Shah:** At EBITDA front also and even at PAT level also we expect this margin to continue because what happened last year in absolute amount our sales promotion and advertisement expenses broadly increased from 9 Crores to 14 Crores, but that also helped us, you would have seen that, not only it increased the sales volume by 22% plus, which could have been even higher if we could have supplied the personal cooler, but even our realization per unit has gone up by 9%, so it is partly on account of brand building and advertisement and sales promotion.
- ArunBaid:** Second question was as you said that organized market in industry grew at 25% but our volume growth in India was 22% so have we lost market share?
- Nrupesh Shah:** As I said there are two things in value term, our market share has remained either intact or probably slightly increased because during the year what has happened, some of the large value models like Storm model, we have increased our market share substantially, in smaller coolers that is in personal cooler on account of nonavailability of the product at our end, we could not fully meet with the demand, so in quantity terms we have slight reduction, in value term they remain intact or probably slightly increased.
- ArunBaid:** Going ahead because you have made this correction of your OEMs, we should see that if industry grew at 25% we should be better off?
- Nrupesh Shah:** We should be better off.
- ArunBaid:** Second question was it regards to Impco, I do now understand that you had some pressure on margins, but we typically had about 15% operating margin in Impco, are we looking at a similar kind of margins in FY'14?
- Nrupesh Shah:** As I mentioned in my initial speech on account of variety of steps, which we have initiated, considering last year's performance of Impco, we expect that margin to improve, but let see how it goes by, how we can really execute it.
- ArunBaid:** Third thing was with regards to exports, logically margin should go up significantly because rupee has moved from that 53, 54 to now around 61 plus, so we should see a significant bump up in export margins?
- Nrupesh Shah:** It should happen.
- ArunBaid:** What I am trying to actually get to the point is that this depreciation of rupee will be captured by us completely or even pass it on to our consumers?



- Nrupesh Shah:** Depreciation of rupee is really good to Symphony because we do have negligible direct or indirect import, and it directly helps in exports and as our price itself is quite competitive, by and large, barring may be some selected few markets there is no need to reduce our dollar price.
- ArunBaid:** Last year I remember that you did give your order book position, do we intend to share this time the same numbers?
- Nrupesh Shah:** I think current year by and large we would not be having any supply constraints in the first quarter, last year as we had supply constraint in the first quarter that is the reason why order book position was given.
- ArunBaid:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of SiddharthMohta from Principal India. Please go ahead.
- SiddharthMohta:** Good morning Sir. Just wanted a quick take on the industrial growth that we can plan because let us say you have shared that we did undergo 40% almost volume growth and 30% growth on an overall basis in the domestic market, but can you give some color on the industrial cooler, what is the outlook this year, we have been feeding this for the last two to three years if I am not mistaken, but if you can give the color on that number one? Number two what would we intend to spend, when you have a tie up both domestically as well as regionally, if you have to tap overseas market you mentioned you will tie up with some local guys be it domestic, so do you have some sharing mechanism if you can share that?
- Nrupesh Shah:** By the way are you referring domestic or regional tie up by way of the dealers or distributors, or contractors or architects for industrial cooler, is that your question?
- SiddharthMohta:** Both industrial as well as residential because let us say if you go to a new geography let us say Nepal, Bolivia, Kazakhstan are these kind of some profit sharing, some mechanism that you can share if any you have entered into to have a penetrative pricing policy in any of these markets, so that is question number two. Question number three from the earlier question as a percentage of sales, is there a rough ballpark that you have fixed because last year, we also saw some one time spend. So do you intend to keep up the selling and distribution spend as a percentage of topline in some region or what is that? Lastly from the earlier to earlier question, Mr. John had asked you, we have seen a significant gross margin erosion when you remove from the consolidated numbers your the standalone numbers, so can you explain even that?



**Nrupesh Shah:** So your first question is about industrial cooler and its outlook, in my initial remarks I covered quite extensively and I explained to it, but let me just repeat that which would probably answer your questions.

**SiddharthMohta:** No the growth trajectory was not clear Sir? You did mention that okay we have moved from some 50 odd size to 109 size and so on and so forth, but?

**Nrupesh Shah:** About growth trajectory, I think couple of things was very important. Number one to build up the team internally, that we have done and it will be further ramped up at senior level and also in the field that is number one. Number two to increase the distribution network because there are different kind of dealers and distributors who deal with industrial and ducted air coolers, they are not typically like consumer durable showroom and number of dealers, we increased from 15 to 44, and in 2013-14 we are planning to have about 120 dealers across the country that is number two in terms of the distribution network. Similarly, in finalizing the order and advising the customer HVAC consultants play a key role and in year 2012-13 we have now tied up with about 10 large HVAC consultants. So this is as far as about the distribution side is concerned. Similarly this segment also requires substantial product awareness and hence we actively participate in variety of meets including Ashray Meet, CIE Expo and it is being advertised on a need base in trade magazines like Cooling India and some of the newspaper advertisement etc., and there seems to be reasonably good potential to tie up with the various government department, not necessarily DG S&D, but as we open up, of course a small project with railway at Kota and Godhra, but any such kind of government project is possible, but it is very clear that we are not going to see any miracle overriding this segment because we have to develop this market, we have to develop the awareness, but medium to long-term prospects is very promising.

**SiddharthMohta:** When do you see meaningful kind of numbers coming by, would it be in one year or two years?

**Nrupesh Shah:** I would say that in medium term and medium term means over a period of two to five years. This is about industrial cooler. Coming to domestic or regional tie up about industrial coolers, I have already covered in my earlier remarks, about international market, in international market we have tied up with the large format stores of respective country or respective region say in Middle East countries and also in some of the South East Asian countries we have already tied up with some of the prominent large format stores just to give you an example in Sri Lanka or Bangladesh and some other countries, we have tied up with Singer and they do have hundreds of stores over there and it really works extremely well. This is one way of tie up. Secondly, appointment of some of the large distributor who deal in consumer durables and cooling appliances that is second way of tie up, but we are



very clear that whatever kind of tie up takes place 100% sales happens on the Symphony brand. There is no question of profit sharing or so depending upon the market and the products and models and potential and quantity, we decide our sales price, ultimately they are free to decide their MRP or their sales price so that is left to them. Regarding your next question on sales and distribution expenses in terms of percentage of sales, we do not have any specific target with respect to percentage of sales, but we are very clear in that respect, just as it happened last year, absolute amount wise and percentage wise over previous year, it will increase significantly. In the year 2013-2014 our total advertisement and sales promotion expenses increased to almost 14 Crores versus 9 Crores previous year, similarly in the current year also it should show significant increase, but that is never in terms of our business plan, percentage of the sales, whatever our internal business plan is to achieve the target of different segments of business for that whatever is required we do that.

**Siddharth Mohta:** Out of let us say the absolute amount you spent on a consolidated basis 53 Crores last year, 69 Crores this year, how much is in the selling and how much is in the distribution portion of it and as a subsegment how much would be the advertisement expenses you mentioned?

**Nrupesh Shah:** I need to really dig out that figure. Advertisement in domestic market was close to 14 Crores, rest of is distribution expenses including VAT, CFA commission and warehousing charges, so advertisement and sales promotion to be very precise on a standalone basis is about 14.30 Crores up from 9.40 Crores previous year, freight and forwarding is charges about 10 Crores up from 8 Crores and product service charges about 2.70 Crores up from 1.60 Crores and VAT and sales tax up from 23 Crores to 31 Crores. I think this covers broadly, but I gave you breakup of standalone numbers. Consolidated numbers I may need to dig out separately.

**Siddharth Mohta:** What is causing this hike in spend. You mentioned that the advertisement side of spend would remain elevated, so at least you need to increase it in the same proportion. Is it because our entire inventory in the domestic market has moved to new models, so that you need to keep up this spend or is it a function of also your distribution moving to more territories in India per se?

**Nrupesh Shah:** It is a combination of many, many factors. Number one is to launch the new models and upgraded models. Number two even in the current year we have increased the sales price in off season YoY by about 10% versus our cost has increased by about 4% or so, all these also work out on account of branding and sales promotion apart from variety of other things. Last question was about gross margin, so of course at a consolidated level gross margin has slightly come down.



**SiddharthMohta:** How much that you mention is the Impcosales in the total subsidiary because if you do the math roughly about...?

**Nrupesh Shah:** Let us talk about gross margin in two ways; one is the standalone gross margin. Standalone that is in Symphony India, which contributes in totality almost 81% to 82% of the business so on a standalone basis ,operating margin is slightly improved, so in year 2012-2013, it stood at about 89.5 Crores versus 69.7Crores and in terms of the percentage it improved from 27.04% to 27.79%. This is one aspect to look at it. The second aspect is percentage of the raw material, so that stood at about 42.63% versus 43.78% on standalone basis showing reduction of 1.15% so that shows that we do command that pricing power and we could pass on price increase in terms of our realization more than cost increase, so this is the picture on standalone.Now coming to consolidated basis operating margin has reduced from 23.37% to 22.5% that is reduction of 0.87%. This is essentially on account of the late season in North America and that is how the margin of Impcogoes under pressure for which we have taken variety of initiatives and we expect that to materialize in the current year and coming to cost of material percentage even on a consolidated basis that has also increased because of margin under pressure in Impco.

**SiddharthMohta:** So ExofImpcoyou have grown around 25%?

**Nrupesh Shah:** Exof Impcowe have grown profit margin wise, PBT margin wise , even at PAT margin wise also if you exclude our one time income tax provision of 4.36crores, even in that respect also it has grown.

**SiddharthMohta:** From the earlier question do you need to share any portion of the export, pure currency gains happens in some of the other industry?

**Nrupesh Shah:** As I mentioned earlier even at current dollar price or Euro price by and large in most of the markets we are quite competitive that is number one. Number two for our range of product there is not really much of the competition. More importantly in our case is to develop the market, nurture the market, grow it and consolidate it, so by and large we do not foresee a possibility at least in the immediate future to pass on rupee depreciation benefit to the customers.

**SiddharthMohta:** Fair point Sir. Thank you for the answers.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over the Mr. Sumit Bagri from ICICI Securities. Thank you and over to you Sir!





*Symphony Limited*

*August 06, 2013*

**Sumit Bagri:** First of all I would like to thank Mr. Shah for the impressive performance delivered by Symphony. I would also like to thank our participants who participated in the call and have always shown keen interest in the company. With these words, I would like to close the call. Thank you very much.

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