Hot product, cool profits

By designing a cooler that looked like an AC, Achal Bakeri created Symphony, a ₹300-crore business.

Achal Bakeri
52 years

Age of starting business
28 years

Company name
Symphony Limited

Headquarters
Ahmedabad

Seed capital
₹1 lakh

Source of money
Family and friends

Turnover in first year
₹30 lakh

Present turnover:
₹300 crore

A problem we faced was that since the cooler looked like an air conditioner, people expected it to operate in a similar manner. So we had to teach our customers about it.

The recession was a mixed bag for us. While our margins were severely impacted, we managed to gain a global footprint by buying an American firm.

We now employ 450 people and export coolers to 60 countries. The company is eyeing sales worth ₹500 crore by 2014-15.

YOGESH CHAWDA

As the scion of a business family, life was more or less mapped out for me. After a degree in architecture, followed by an MBA from the Marshall School of Business at the University of southern California, I joined the family business—my father is in real estate in Ahmedabad, Gujarat—in April 1986. After about a year-and-a-half, my destiny was changed by a trivial development at home—we decided to buy an air cooler.

My family had shifted to a new house in 1987 and we installed our first air cooler. Though it was a locally manufactured brand, it was expensive. Despite the high cost, it would break down frequently. This got me thinking about manufacturing a good quality cooler. The idea had potential since there were no organised manufacturers of air coolers in India at that time. At this point, my dad chipped in with a path-breaking idea—to make an air cooler that looked like an air conditioner, as compact but better looking.

I immediately started conducting research because complete re-engineering would have been required to shrink a huge product into a sleek one. I tapped every possible source of information, from engineering college professors to mechanics who installed air conditioners at my father's office. Apart from scouting around in my home city, I visited Delhi, the main hub for the unorganised air cooler market, to check out the different products available in the market. This entire process took four to five months, and by the end of it, I managed to design a good air cooler.

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With the business idea in place, it was time to focus on organising the funds. I drummed up a seed capital of nearly ₹1 lakh from family and friends and launched Symphony Limited in February 1988. I started with a team of five and operated from a 300 sq ft space in my father's office in Ahmedabad. This meant that I did not have to worry about the real estate costs, but procuring parts, employing people and crisscrossing the country to meet dealers cost money, and that's where most of the seed money went. I designed around six units in different colours and displayed them in my office. The products available in the market at that time were priced at ₹2,000-2,500, while air conditioners cost a hefty ₹30,000. I pegged my product at ₹4,500 per unit. The first batch sold out immediately, but to be fair, the first customers were my relatives. In fact, I issued the first bill to my father.

However, by the second month of operations, we were on a roll. We advertised in an Ahmedabad daily, and this got us a lot of eyeballs; we managed to sell around 1,000 units in the city itself. Conveniently, my father was setting up a residential project in the city, so we decided to set up our factory in the basement of the building to save costs, at least till the business generated enough profit to buy our own space. By the end of the year, we had a 20-strong team, comprising engineers, sales staff and other employees, and had appointed four dealers to market our products. Sales India, Gujarat's largest retail outlet at that time, was our first dealer. Symphony's turnover in 1989-90 was ₹30 lakh. Three years later, we purchased around 10 acre of land at Thol, about 25 km from Ahmedabad, and constructed our first factory unit there. Spread over 30,000 sq ft, the factory cost ₹2-3 crore, which was raised through bank loans.

Of course, we had our share of setbacks and bloopers. To begin with, we had to work hard to convince the dealers to stock our product since it was priced at double the rate of all other air coolers in the market. Another problem was that since my cooler looked like an air conditioner, many people erroneously expected it to operate in a similar manner. An air conditioner needs a closed-door environment to operate efficiently, but an air cooler needs ventilation. So, we had to create awareness about our product, and teach our customers how to get the most out of it.

The next milestone for us was in 1994, when the company came out with its initial public offer (IPO). The interest rates at the time were a steep 18-20% and we needed funds to expand our operations, so we decided to go public. The move paid off as we managed to garner around ₹10 crore. This was also the year I finally started taking home a salary, a nominal ₹4 lakh per annum. Before this I was living off family resources and my father's help as almost all the profits would be ploughed back into the business.

The dreaded recession in 2008-9 proved to be a mixed bag for us. While our margins were severely impacted, we managed to gain a global footprint by acquiring Impco, an air cooler company in north America, for about $25 million. This was possible because the company, which has manufacturing facilities in Mexico, was heavily indebted at the time. We have managed to successfully turn it around—the company now operates at 40% profit and has around 150 employees.

As for Symphony, it has been a long journey, but a fruitful one. Our turnover last year was ₹300 crore. We currently employ 450 people and export coolers to over 60 countries. Last year, we invested around ₹4 crore to set up a 50,000 sq ft company unit in the special economic zone at Surat, Gujarat. We are sure the investment will pay off. The company is now eyeing sales worth ₹500 crore by 2014-15.

(As told to Amit Shanbaug)