Cool Runnings

The story of Symphony is of how one company made a formidable comeback from the lowest of lows—when no one gave them a chance

• ASHNA AMBRE

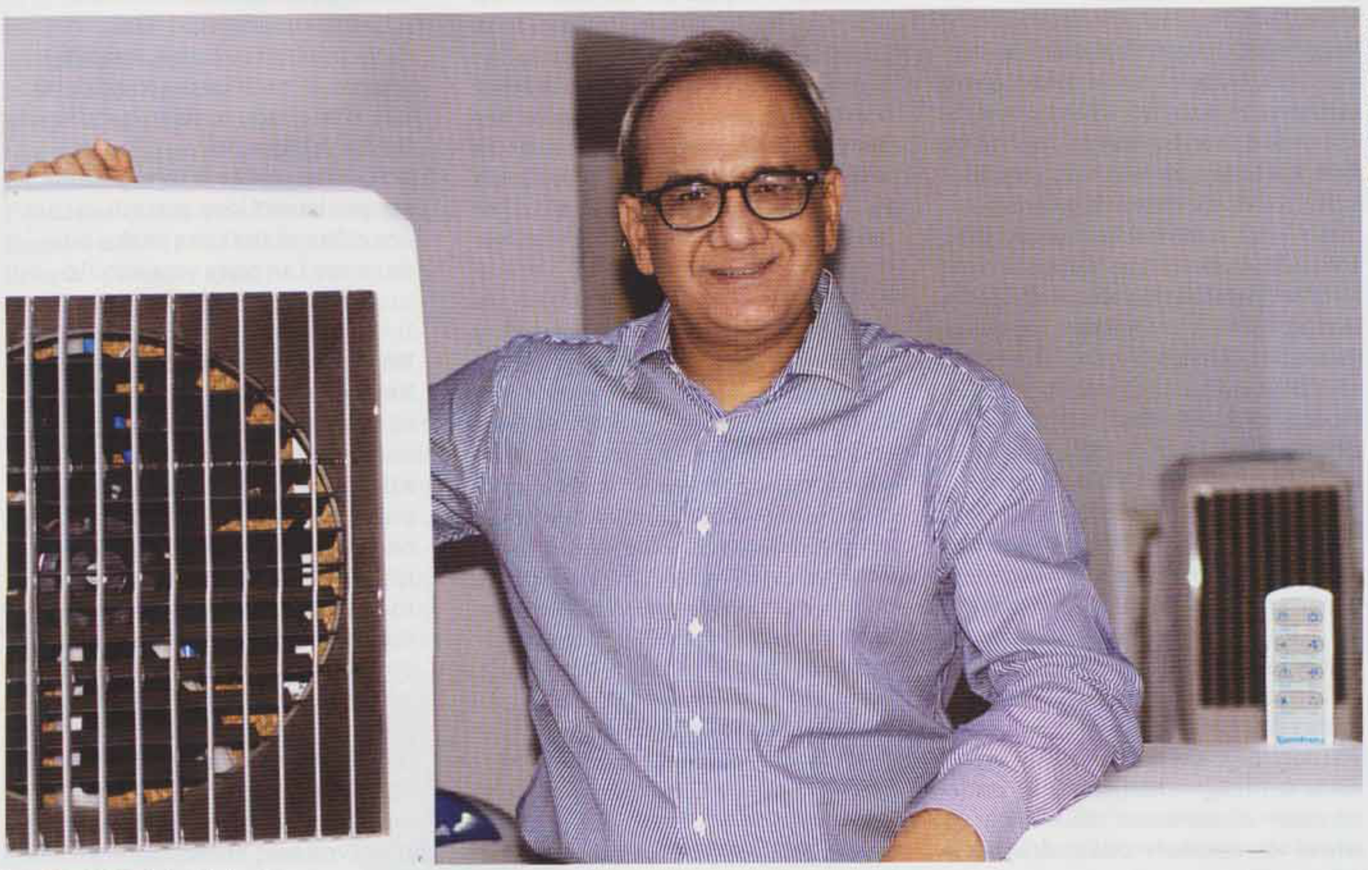
The founder of Symphony Ltd knows a thing about hot and cold times. In 2002, the company lay crippled with losses of ₹31 crore and a total income of only ₹28 crore. The blow was such that the Ahmedabad-based firm had to register itself with the Board for Industrial and Financial Reconstruction (BIFR). Those were the coldest of times. Today, the same company is one of the largest air cooler companies in India and perhaps the world. Achal Bakeri, 54, the Chairman and Managing Director of Symphony, tells us that the story of the company is one of the prime examples of how choppy an entrepreneurial existence can be.

Bakeri, who studied architecture in the US, came back to India in the late 80s to help out with the then family business of real estate. "In the summer of 1987, my family was shifting to a new house and the heat was unbearable. That's when my father asked me to build a sophisticated cooler, which looked exactly like an air conditioner," says Bakeri.

That thought drove Bakeri to work on an initiative on air coolers. "Joining my father was the main plan, building the cooler was just an exciting project. I never thought that I would build a company out of it," he adds.

Bakeri was fortunate, in the sense that he had access to infrastructure, capital and resources. He tells us that he first developed 10 coolers that looked exactly like window ACs. He priced them at ₹4,300 as against those locally available at only ₹2,000 and put out a full-page

SALONI AGGARWAL



HAPPY TIMES: Achal Bakeri

advertisement in the local papers to create visibility for his new product. The response to the coolers was boisterous.

Boom years

"I knew I had built something unique and had the confidence that it would definitely sell. So, I decided to scale it up," says Bakeri who started the company under the name Symphony Comfort Systems. In 1988-90, he invested ₹30 lakh in plastic injection moulds but eventually outsourced the making of the plastic body to various vendors, while carrying out only the assembly functions in his facility. Bakeri recollects that the road was not easy as coolers are not easy to build and there were a lot of technology and service-related glitches that were eventually taken care of. "When we started out, the market was highly unorganized. There was also a cash-only model in place and I ensured that a credit and invoice based system was put in place," he recollects.

In addition to this, dealers who sold a number of electronic products in their stores were skeptical about selling the high-priced coolers. Hence, Bakeri spent a lot on advertising to create consumer awareness and visibility, which ultimately led to demand creation.

"By 1990, we were looking at strengthening and expanding our distribution networks. We were supplying coolers to Gujarat and a few neighboring states," says Bakeri.

The Bakeri family also had a strong presence in the textile business and Bakeri leveraged on its distribution channels and used it for his cooler business.

By the end of 1990, the company had sold over 21,000 coolers and registered a turnover of over ₹11 crore. Over the next few years, various models and different sizes of coolers were created to cater to consumer demands. The company sold over a lakh coolers in 1994. After a period of reasonable success, Symphony went public the same year.

Expert advice?

"We were doing really well, our competitors were diversifying into other products. Analysts advised us to do the same and the next eight years turned out to be not like we had expected," says Bakeri.

GOOD SPELL

- Market size of **air coolers in India is estimated to be around ₹ 1,000-1,200 crore** growing at a steady pace of **15-20%** annually
- **Air-cooler penetration** in India **is a mere 5%**
- The **size of the expensive air conditioner market** is estimated at **3.2 million units**

Source: Symphony annual report FY13

Buoyed on by 'analysts' and 'experts,' the company diversified into producing water heaters and washing machines—products that could use the same distribution networks as the coolers. However, these products failed in the market that was already populated by multinational names by then and the company incurred searing losses—which finally pushed it to bankruptcy in 2002.

Bakeri admits to making mistakes back then. He says that he launched advanced technology water heaters and water purifiers when the market was not ready to accept the idea. "Being ahead of our times proved to be a constraint in our case. All that was playing in in my mind was how to make a comeback."

According to Bakeri, the BIFR assumed that the company wouldn't survive and would eventually fade away. But he and his team chalked out a strategy to get out of the situation as soon as possible. First, they stopped producing all the other products and decided to concentrate only on coolers—the part of the business that continued to do well. "The company has got back on track as it moved from a multiple products-single geography strategy to a single product-multiple geographies strategy and it has worked well," says Rajan Vasa, a senior advisor with KPMG India.

Back for good

Since 2004, the company has been exporting coolers to Latin America, South-East Asia, the Middle East and other parts of the world. Over the last five years, it has established a strong global marketing network in 60 nations. Export revenue in FY13 stood at ₹35 crore and has been growing at 35 percent.

Through a recent global acquisition of a US-based air-cooling giant IMPCO, Bakeri is now also going to focus on the Indian industrial & commercial (I&C) air-cooling business, which Bakeri claims is a virgin market with a huge potential. These industrial air-cooling machines are being imported from the American wholly owned subsidiary, which had patented a cooling technology called evaporative cooling.

Savan Godiawala, Senior Director at Deloitte India, says that with technological advancements, manufacturing companies are bound by environmental and safety regulations to install cooling mechanisms—which will only grow the market for companies like Symphony.

KPMG's Vasa also points out that as a company, Symphony has a clear focus on its product. "They have innovative technology and well-designed products both, which are a key differentiator," he adds.

In the second quarter of FY14, Symphony registered revenues and profit of over ₹77 crore and ₹14 crore respectively. Bakeri says the company's products are available in almost 4,500 towns in India through a retail network of over 16,400 plus dealers and that it has installed industrial and ducted air coolers in about 100 sites that include schools, factories, malls etc.

Network expansion is one of the key focus areas and Bakeri plans to further expand the network. "In the next two to three years, we will focus on expanding reach in semi urban and rural markets," he adds.