THE BEST WAY TO PREDICT THE FUTURE? SIMPLY CREATE IT.

THE SYMPHONY BRAND REPORT 2017-18

"Every act of creation is first an act of destruction"

Pablo Picasso

We need to communicate two things in this Brand Report.

One, we reported profitable growth (yet again) across consolidated numbers in 2017-18.

Two, we are entering our third phase of existence.

But back to the two words we have not communicated in years: 'Modest growth'.

Strange, coming from Symphony

The numbers.

Our consolidated gross revenues increased 5% (compared with 30% growth in 2016-17 over 2015-16)

Our consolidated PAT increased 16% (compared with 12% growth in 2016-17 over 2015-16)

Audited consolidated financial results (Rs. / cr)

	FY2018	FY2017	Growth
Gross Revenues	852	808	5%
EBITDA	273	242	13%
PBT	265	235	13%
PAT	193	166	16%
EPS (Rs.)	28	24	16%

Margins

	FY2018	FY2017
Gross Margin % of sales	51.6%	52.2%
EBITDA % of Gross Revenue	32.1%	29.9%
PBT Margin % of Gross Revenue	31.1%	29.1%
PAT Margin % of Gross Revenue	22.6%	20.6%

Figures of FY2017 are restated as per IND AS to make them comparable

Pray, what could be the reasons for modest growth? Just one.

Erratic summer (people brought fewer air-conditioners and coolers)

Standalone Performance

First quarter

(April-June) 2017-18	
Gross revenues (Rs / cr)	Growth over corresponding quarter, 2016-17
142	-10%
Profit (Rs / cr)	Growth over corresponding quarter, 2016-17
24	-24%

Second quarter

(July-September) 2017-18	
Gross revenues (Rs / cr)	Growth over corresponding quarter, 2016-17
195	22%
Profit (Rs / cr)	Growth over corresponding quarter, 2016-17
51	19% (Profitable growth)

Third quarter

(Oct-Dec) 2017-18	
Gross revenues (Rs / cr)	Growth over corresponding quarter, 2016-17
226	19%
Profit (Rs / cr)	Growth over corresponding quarter, 2016-17
66	21% (Profitable growth)

Fourth quarter

(Jan-March) 2017-18	
Gross revenues (Rs / cr)	Growth over corresponding quarter, 2016-17
165	-15%
Profit (Rs / cr)	Growth over corresponding quarter, 2016-17
42	-8%

Standalone

A. Margins from core business

Particulars	FY2018	FY2017
Gross margin % of Sales	53.2%	53.1%
EBITDA margin (%)	32.3%	31.5%
PBT (Rs. crore)	218	206
PBT margin (%)	31.5%	31.0%
PAT (Rs. crore)	151	144
PAT margin (%)	21.9%	21.6%

B. Margins including treasury income

Particulars	FY2018	FY2017
Gross margin % of Gross revenue	56.0%	55.8%
EBITDA margin (%)	35.8%	35.0%
PBT (Rs. crore)	255	242
PBT margin (%)	35.1%	34.5%
PAT (Rs. crore)	183	175
PAT margin (%)	25.2%	24.9%

Other highlights

Domestic sales
(incl. Modern Retail)

- Unfavourable weather; erratic summer of 2017 and 2018.
- Increased Modern Trade outlets; market share ~60%.
- Launched Diamond and Sense Range of air coolers

Central Air Cooling Solutions

- Appointed executives pan-India.
- CAS machine coverage exceeded more than 46 million CFM.
- Installed a few thousand solutions in different (religious, commercial and industrial) segments.
- Launched campaigns in print media and television.
- Implemented projects for prominent companies.

International Business

- IMPCO business turned around.
- At GSK, Loss has been halved compared to last year
- Added 6 countries to the customer list.
- Sales to rest of the world on consolidated basis has increased by 5%

‘Modest growth’ might mean weaker financials to most.

On the contrary, at Symphony it means two things: we grew faster than the rest; we continued to protect business health.

EBIDTA margin was
35.8%
(compared with 35.0% in 2016-17)

RoCE was
699%
for our core business (compared with 1,041% in 2016-17)

90%
of our PAT comprised free cash flow

We possessed Rs
422 cr
in cash on 31 March 2018 (compared with Rs. 292 Cr as on 31st March 2017)

Our
Mexico
business turned around

"Symphony 3.0 has begun."

Achal Bakeri,
Chairman & Managing Director,
explains the company's direction

A new age at Symphony has begun.

The future will be marked by a large increase in brands (local, regional and national) driven by the prospect of carving nominal slices off our share.

Symphony will not play the game as it used to; it will change the game.

There is an exciting world beyond the conventional 'box'.

Because cooling is rapidly emerging as a fundamental right. Because cooling cost has declined as coolers have under-performed inflation. Because cooling solutions are replacing cooling boxes. Because interior spaces are becoming larger.

These realities represent the democratisation of comfort.

Symphony Version 3.0 will address these opportunities.

We will be different; we will still be the same.

The company will intensify its presence in the cooler segment and explore industrial cooling deeper.

However, the Symphony air-coolers business will continue to be driven around asset-lightness, cash-richness, existing trade terms, superior technologies and brand distinctiveness – no change.

The industrial air-coolers business will be driven around the existing principle of a high return on employed capital.

In Symphony 2.0, we generated value; in Symphony 3.0, we expect to report a combination of volume cum value that enriches our stakeholders in an even bigger way.

With warmth (ironically),

Achal Bakeri,
Managing Director

The three phases of Symphony's evolution

Version 1.0
1988-2006
- Launched coolers
- Diversified into various products
- Diversification affected viability

Version 2.0
2007-2018
- Specialised around coolers
- Turned the business around
- Scaled the business
- Enhanced global respect

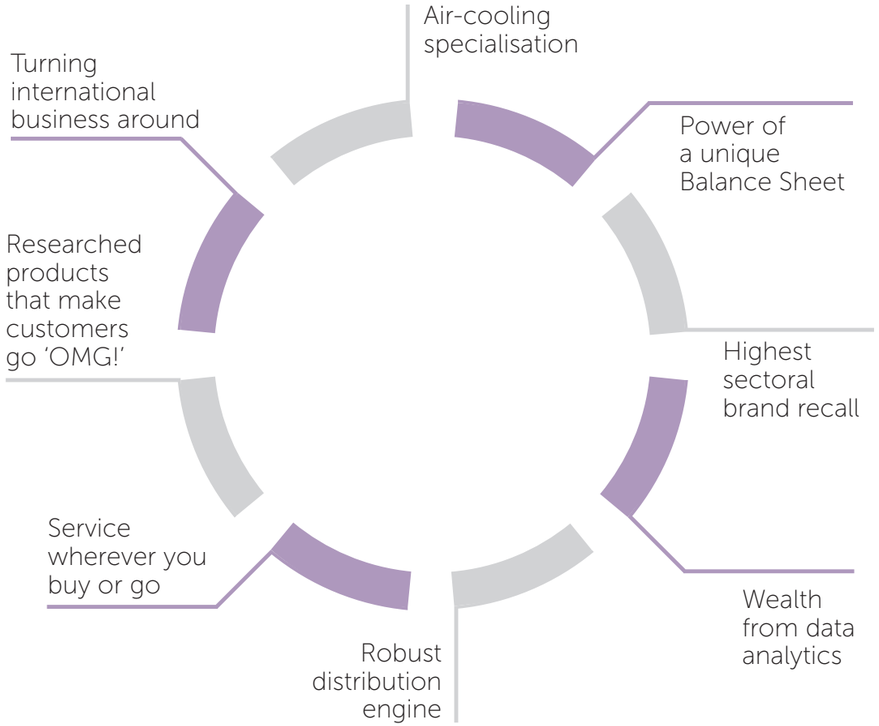
Version 3.0
2019-
- Focus on transformation
- Launch technology-rich coolers
- Extend into industrial cooling solutions
- Expand international reach

When Symphony moved into Version 2.0, there was nothing to show for its business competence.

When Symphony moves into Version 3.0, there are considerable strengths to leverage

Robust innovation engine 1	Strong Balance Sheet 2	Market-leading brand 3	Asset-light business model 4
Multi-country operations 5	Presence in two synergic verticals (Residential and CAS) 6	Participatory management culture 7	Culture of excellence across functions 8
Pioneering track record 9	Continue to make products customers never knew they wanted 10	Outsource and control manufactured quality 11	Acquire complementary companies (for knowledge, brands, presence, scale, network and market-readiness) 12

This is the value that Symphony will bring to Version 3



Air-cooling specialisation

An increasing number of consumers are more likely to buy from a company like Symphony that only makes coolers as opposed to buying from companies that also make coolers.

i-Pure technology

- Positioned as more than an air-cooler
- Bundling of services
- Comprising filters (Bacteria filter, Allergy filter, PM2.5 Wash filter, Smell filter and Dust filter) to purify ambient air.
- Opportunity to enter a new category
- Evolved coolers into a perennial product
- Marketed coolers to those who may not want to buy coolers

Touch series

- Cooler with voice assistance
- Cooler that ultrasonically repels mosquitoes
- Cooler that reminds about the next service date
- Cooler that electronically controls humidity
- Cooler with removable water tank
- Sold out six months before launch
- Classified by dealers under the 'Digital' category

Power of a unique Balance Sheet

Symphony's consolidated EBIDTA of 32.1% (2017-18) was the highest in the country's consumer appliances category.

We funded growth through dealer advances paid for coolers as opposed to using our earnings.

Nearly 90% of our profit after tax accounts for free cash flow. We have no net debt on our books.

We possess an earned corpus of Rs 422 cr, which generates sizable returns – Rs. 38 cr in 2017-18 and Rs 36 cr in 2016-17.

Highest sectoral brand recall

Symphony is not really a brand; it is a generic name: Symphony is 'air cooler' and 'air cooler' is Symphony.

The company has invested more in branding and promoting air-coolers in the last decade than all competitors combined.

What we invested in our Symphony brand ...	
Brand investment, 2017-18 (Rs / cr)	Sales generated, 2017-18 (Rs / cr)
30	685
Sales derived from every rupee of brand investment, 2017-18 (Rs)	Sales derived from every rupee of brand investment, 2016-17 (Rs)
23	17

Standalone figures

The health of the Symphony brand ...

60%
Symphony Share of Voice in the air-coolers sector, 2017-18 (sectoral highest).

1
Brand position of Symphony in India's air cooler market, 2017-18

50%
Symphony's estimated market share by value of the Indian organized air-cooler market, 2017-18

Wealth from data analytics

Symphony invested about Rs 6 cr in last two years in information technology - more than all the aggregate technology investment previously made in the company's existence.

The company implemented SAP in eight months, one of the quickest implementation tenures.

Symphony's e-Sampark app empowered retailers to bar-scan models sold, resulting in a wealth of marketplace analytics.

Robust distribution engine

Three of five consumer appliance distributors across most Indian cities distribute Symphony products as well.

We generally appoint one distributor in one location to market one range of our coolers (enhanced focus!).

We created a tiered annual distribution plan that allocates distribution cum sales responsibilities down to each district; we appointed sales heads responsible for specific dealers, enhancing responsibility.

We distributed products through a nationwide chain of retailers – a Symphony available off the shelf in every Indian population cluster of more than 100,000 – which is more retailers selling our consumer appliance product than most multi-product multinationals in India.

We progressively invested in new branches to penetrate markets wider and deeper – from 30 six years ago to 51 in 2018; from four zones in 2012 to six zones today – because dealers stock more and sell more when they know Symphony is round the corner.

Sixty per cent of our distributors have been with us for more than five years. Our trade channels generate a superior return on investment than other consumer appliances.

Service where you buy – or go

The size of our service network is more than twice our nearest competitor.

Our call centre responds with urgency, connecting immediately to the authorised service centre closest to the customer's location and then to the relevant service technician (including a mobile app that indicates how far the service technician is from the customer, would you believe).

We trained (practical and theoretical) several technicians across 58 locations.

This statesmanlike i2i (industry to institute) training initiative (in collaboration with the government) has helped widen the industry talent pool through the creation of cooling solution professionals.

Researching products that make customers go 'OMG!'

Our research function is driven from a DSIR-recognised laboratory, the only such recognition in the country's air-cooler industry. This initiative is complemented by the Keruilai China team, global authorities in the area of air-cooler technology.

Our 'centre of excellence' comprises capability experts (3D, prototyping, printing and drafting) and application champions (plastic injection, motors, printed circuit boards, pumps and packaging).

The results: cooler has progressively evolved, energy consumption has moderated, the hybrid has been born and it has graduated to touch/voice-activated/sense/cloud, among others.

Symphony's launches

Window range
2014-15

Silver range
2015-16

Touch range
Cloud range
2016-17

Sense range
Diamond range
2017-18

Turning the international business around

China

We acquired Guangdong Symphony Keruilai Air Coolers Co. Ltd (Dongguan, China) in 2016. The acquired company possessed globally unparalleled air-cooler research capabilities.

Mexico

Symphony acquired IMPCO in Mexico in 2009 for its deep knowledge in industrial coolers, a space where Symphony was absent. The acquisition represented a synergic fit: Symphony would absorb industrial cooler insights from IMPCO while IMPCO would feed on Symphony's operating culture. The business has turned around.

"The best way to predict the future is to create it."

Abraham Lincoln

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