

Date: May 28, 2020

To,
BSE Limited
Script Code - 517385

To,
National Stock Exchange of India Limited
Symbol - SYMPHONY

Sub.: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Disclosure relating to impact of CoVID–19 pandemic on the Company

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020, an update relating to the impact of the CoVID-19 pandemic and the resultant lockdown, on the operations of the Company and the current status is attached.

This is for your information and record.

Thanking You,

Yours Truly,
For, Symphony Limited

Mayur Barvadiya
Company Secretary

Encl.: As Above

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IMPACT DUE TO COVID — 19 PANDEMIC ON THE BUSINESS OF THE COMPANY:

In 2019 the company had taken several measures to scale up sales in the summer of 2020. It introduced several new, cutting-edge models in the household, commercial and industrial categories, it developed a brand-new marketing campaign, it enhanced its trade network, and was all set to reap the harvest in the summer of 2020.

But the pandemic hit India at the beginning of summer when consumers buy aircoolers and could not have come at a worse time for Symphony. Up until the middle of March sales of aircoolers were very robust, but the countrywide lockdown in the second fortnight of March resulted in a loss of about 15%-17% of sales for the quarter that ended in March '20. Despite the company having firm orders from both domestic and international customers, it was unable to deliver the goods towards the end of March, leading to several orders being cancelled.

Initiatives during the lockdown

The bigger issue was that Symphony's channel partners from traditional trade, modern retail, and e-commerce, had significant inventory which they had purchased from the company before the lockdown. It was therefore imperative that the company took whatever measures it could to help sell this inventory, despite prevailing constraints. The company therefore released a campaign in late March and April to educate consumers about the health benefits of aircoolers over other forms of cooling, since aircoolers allow fresh air whereas other forms of cooling recirculate the same air which may bear infections. The company also launched a unique digital media campaign to promote online to offline sales. In this, customers could register their inquiries online, which were then passed on to dealers in the customers' local area for order execution, as permitted by local lockdown rules. This campaign was a resounding success in terms of inquiries generated and could have resulted in significant sales were it not for the hurdles faced due to the lockdown. It nevertheless did result in good sales of channel inventory. It would not be an exaggeration to state that this was an unprecedented exercise in the entire white goods and consumer durables category.

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Post lockdown

Since 18th of May wherever markets have opened, sales by the channel has been very robust aided by soaring temperatures and a delayed summer. The company is quite hopeful that if the present trend continues for a few more weeks, the channel inventory would be at acceptable levels by the end of summer. In fact, several of the newly introduced models have received such an overwhelming response that not only the channel, but even the company has run out of inventory post lockdown. As we speak, production has begun in small measure at some OEMs of models in short supply, and most of the company's supply depots across the country have begun deliveries.

Regardless of all the above, the company's sales in the current quarter has been severely impacted and will be a fraction of what it ordinarily would have been. But if the channel inventory is down to normal levels by the end of the quarter, which appears quite likely, it is expected that collections from next quarter onwards should be back at normal levels.

Outlook for 2020-21 and beyond

It will remain to be seen how much of the collection the company is able to convert to sales during the July to September quarter, since the company's OEMs are facing production constraints because of labour shortages and logistic bottlenecks. We do expect production to normalize in the third quarter.

Though there are challenges in the short term, the good news is that the pandemic could prove to be a blessing-in-disguise for Symphony going forward, as many customers who live in airconditioned homes and work in airconditioned offices are shifting to aircoolers. This is because the government has advised the populace to be in well ventilated spaces rather than breathe in recirculated, airconditioned air which may spread infections. Moreover, portable aircoolers are being preferred in the current times because (a) being a plug-and-play product do not require installation unlike in the case of air-conditioners and (b) being a product which the customer can take delivery by herself, doesn't have to depend on logistic providers which are (1) not available and (2) if available, maybe with unknown health conditions. The company has witnessed a sudden spike in sales to high-end homes and of commercial coolers to offices, which bears well going forward.

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The company is very confident that despite the current setback, it will bounce back very quickly on the strength of its business model which is asset-light and capital-light, a lean, hygienic and debt free balance sheet, continuous product innovation, continuous value engineering, pioneer brand status, expanding distribution network and a cost conscious ethos.

Financial Impact

On the financial front, with very little sales in the first quarter, absolute sales and consequently profitability for the full year is likely to fall short of 2019-20 sales, though the margin percentages will remain intact. Since the company has low breakeven due to its business model, its margins and profitability are well insulated. Being debt-free at the standalone level and net debt-free at the consolidated level, interest servicing is a nonissue for the company. Though there may be some delay in realizing minor receivables from modern retail, the only customer segment to whom credit is provided, with low inventory and significant treasury investments, cash flow will not be an issue. In other words, the current assets are fully realizable. The fixed assets of the company are also intact.

The full impact of the new models introduced in 2019 and all other initiatives will be evident from the first quarter of 2021-22.

International Subsidiaries

Impco, the company's subsidiary in Mexico, has been largely unaffected by Covid19 so far, and it appears as if it will the end fiscal at a similar level as last year.

GSK, the subsidiary in China, has been greatly affected by, first the US-China trade war, and subsequently the pandemic, but will still manage to end the year with sales and profitability like last year.

The Australian subsidiary, Symphony Australia with its stepdown subsidiaries Climate Technologies and Bonaire USA, has also not been badly affected by Covid 19 and is likely to end the year with sales like last year, but with enhanced profitability due to various measures taken by the company to reduce cost of goods sold and reduce cost of doing business.

The current and fixed assets of all subsidiaries face no threats.

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