# "Symphony Limited Q2 FY '19 Earnings Conference Call"

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**MODERATOR:** **MR. ANKUR SHARMA – MOTILAL OSWAL SECURITIES LIMITED**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to Symphony Limited Q2 FY '19 Earnings Conference Call hosted by Motilal Oswal Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Sharma from Motilal Oswal Securities Limited. Thank you and over to you.

**Ankur Sharma:** Thanks Sid. Good Evening Ladies and Gentlemen and Welcome to the Q2 '19 post results earnings call of Symphony Limited. With us today from the management, we have Mr. Nrupesh Shah – Executive Director; Mr. Bhadresh Mehta – CFO; Mr. Girish Thakkar – Senior GM, Accounts & Finance; Mr. Mayur Barvadiya – Company Secretary; and Mr. Milind Kotecha – Senior Associate (IR & Treasury). We shall begin with the opening remarks from Mr. Shah and then open the floor for Q&A. Over to you, Sir.

**Nrupesh Shah:** Good Evening, I accord a warm Welcome to all the participants in the conference call to review Q2 and first half of accounting year '18-19 standalone and consolidated performance. In my opening presentation and remarks as well as question and answer and otherwise, there may be forward-looking statements based on certain estimates, Management outlook, and market dynamics; however, we cannot assure that they may turn out to be correct on account of external environment, market dynamics, whether or even in accurate estimates for Management outlook. The actual performance or outcome can differ materially from estimates or forward-looking statement, so with this current year in the month of September and October there has been secondary sales in air coolers in many parts of the country and that to the secondary sales was value and volume wise higher than earlier years. Of course, still in absolute value relatively it is a small amount vis-a-vis main summer. More than 75% of the distributors have invested in off-season despite erratic summer of 2017-18. The inventory lying at our company level absolutely back to normal unlike apprehensions which were expressed by many analysts in the past. To be precise, inventory on a standalone basis is down to Rs. 41 crores vis-a-vis Rs. 51 crores as on 31st March and on top of it on account of advances received, there is a negative stock, in many of the models.

Production with OEMs across the models is also back to normal level and it is going on full swing just like earlier years. There were also some apprehensions about our working capital light and credit terms to the trade models to the trade. However, again in that respect all the figures including capital employed in the core business and networking capital are self-explanatory, so our practice of dealing with trade on 100% advance is intact and there is zero deviation in that respect. It is also clearly reflected in terms of capital employed on standalone basis in core business worth of Rs. 38 crores as on September 30th versus capital employed of Rs. 244 crores as on June 30, 2018, and Rs. 190 crores as on March 31, 2018. Even on consolidated basis mainly due to advantage at Symphony India, the capital employed as on September 30th is Rs. 68 crores versus Rs. 267 crores as on June 30, 2018.

Just like earlier years, we continue enjoying more than 90% market share in off-season. In some parts of the country to take care of erratic summer, we have offered marginal additional trade incentive whereby there is a nominal decline in operating profit margin that is gross profit margin. Moreover, at this point of time we are reasonably confident that in December quarter on a sequential basis, i.e. vis-a-vis September '18, we should achieve growth. Of course, still it may be lower than December '17 performance. Again to reassure all of you regarding our journey towards Version 3, it is progressing very well in respect of launching new innovative tech products, new format of products, beefing up centralized air cooling, and also international business. As conveyed earlier, ultimately in Version 3, it will be volume led, value creation without compromising the asset light, capital light, working capital light business model.

As far as current quarter is concerned for the first time, Climate Technologies, Australia, is a part of consolidated financials . Climate Technologies typically contributes about 16% to 17% of the top line in September quarter Now to talk about and touch upon some of the brief financials, on a standalone basis the top line is down from Rs. 184 crores to Rs. 148 crores in September '18 quarter. PBT before exceptional item is down from Rs. 73 crores to Rs. 51 crores exceptional item is in respect of impairment on our investment in IL&FS Ltd preference shares worth of Rs. 4 crores, so to be conservative and as a prudent practice, we have thought it appropriate to write-off about Rs. 4 crores by way of main P&L account and post that PBT stands at Rs. 47 crores while profit after tax after the impairment on IL&FS Ltd stands at about Rs. 34 crores versus Rs. 51 crores of previous year.

Coming to consolidated performance, for September '18 top line is up by about 5% mainly on account of consolidation of Climate Technologies up from Rs. 211 crores to Rs. 222 crores while profit before tax before exceptional item on consolidated basis is Rs. 48 crores and profit after tax before exceptional item is Rs. 35 crores and after exceptional items on consolidated basis is Rs. 31 crores. In respect of corporate funds that is Treasury and cash equivalents as on September 30th stands at Rs. 581 crores up from Rs. 365 crores as on June 30, 2018, and Rs. 422 crores as on March 31, 2018. To touch upon brief financials of subsidiary companies. For subsidiaries, we have six-monthly performance, so for GSK China, for April to September, the sales is up from Rs. 27 crores to Rs. 36 crores. In September '17 for six months GSK had registered loss of Rs. 4 crores while in current year at a PAT level, it has registered nominal profit of Rs. 1 crore. About IMPCO, Mexico, its sale is marginally lower for six months down from Rs. 63 crores to Rs. 56 crores and excluding exceptional income, the PAT is up from Rs. 4 to Rs. 6 crores. However, if we consider exceptional income for the previous year, PAT is down in IMPCO from Rs. 13 crores to Rs. 6 crores. As far as Climate Technologies, Australia, is concerned, the sales in Rupee terms stands at about Rs. 57 crores and at a PAT level, there is a nominal profit of about Rs. 20 lakhs in line with earlier years, so with this I open the floor for question and answers. Thanks.

**Moderator:** Thank you very much, Sir. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** Sir, first you did mention that almost 75% of our distributors have invested in off-season, can you help us understand that despite they subscribing to us, have you seen overall growth in terms of the overall bookings or how is that trend in terms of bookings last year?

**Nrupesh Shah:** As I see more than 75% of the distributors have participated in off-season booking with 100% advance. Of course, in terms of percentage it is lower than previous year, but much better than what we had expected on account of bad summer.

**Renu Baid:** Second, there was some special incentives which we had offered and which was also the reason for slightly softer operating performance this quarter, so should one expect that those incentives should be done away with in the subsequent quarters as they move towards the season and also simultaneously what do you think would be the impact on gross margins because overall for this quarter, gross margins were at approximately 50% odd levels much lower than the previous quarter as well as last year, so how are we looking at the impact of commodity prices and these special incentives on the material gross margin front?

**Nrupesh Shah:** At this point of time, gross margin around 50% on standalone basis, we are comfortable and it seems that we should be in a position to maintain that.

**Renu Baid:** But should we not expect some improvement or probably the commodity headwinds will offset it?

**Nrupesh Shah:** In terms of commodity headwinds, I do not think it should be impacted much mainly on account of the value engineering, but considering market dynamics and overall scenario, at this point of time we are comfortable with these margin. For March quarter at this point of time, it is slightly premature to say, but for December quarter it should be around this.

**Renu Baid:** Sir, my last question with respect to the performance of subsidiaries, Australia you did share top line and the PAT level, but in terms of operating performance can you share some more light with respect to the subsidiary performance at the EBITDA level?

**Nrupesh Shah:** About Climate Technologies?

**Renu Baid:** Yes, Climate Technologies and even China would be interesting to because if they have turned profitable on six-monthly performance operating level how has been the Delta there?

**Nrupesh Shah:** Symphony Australia, its gross margin stands at about 31% and EBITDA margin for these three months stands at about 2.2%, but that is not the reflection of entire year performance because September quarter and June quarter registers only about 15% to 18% of entire year turnover, and in terms of PBT and PAT they are almost the same, at about Rs. 2 million, but year as a whole as earlier we had given guidance of Climate Technologies that for 12 months since acquisition, that is, July 1, 2018, to June 30, 2019, top line should be close to Rs. 300 crores. Its EBITDA should be close to 7 to 8 million Australian Dollars that should translate into Rs. 35 to Rs. 40 crores of EBITDA and at a PAT level, it should translate into Rs. 25 to Rs. 30

crores and most of that PAT is generated in two quarters, December quarter and March quarter. As far as GSK China is concerned, six monthly sales is up to Rs. 36 crores from Rs. 27 crores and in terms of EBITDA margin, it was previous year minus 7.9% and now it stands at 7.4%.

**Renu Baid:** Which is a interesting turnaround for that entity.

**Nrupesh Shah:** Yes, but again please keep in mind for GSK China, December is a negligible turnover and performance, most of the turnover and performances generated in two quarters, March quarter and June quarter. As far as IMPCO, Mexico, is concerned for six months top line wise it is marginally lower from Rs. 63 crores to Rs. 56 crores and EBITDA margin without exceptional item is up from about 6.7% to about 11.8%.

**Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** Sir, my question is that the way you said that about 75% of the distributors invested, is it possible to give us a sense that how much it has been a churning for a new distributor here, how much as a percentage has come from new distributors?

**Nrupesh Shah:** I think that is very difficult to differentiate and even strategically also it does not make any difference. Ultimately, we see the performance year as a whole, as of now it is just in terms of the business cycle of three months.

**Nitin Arora:** In terms of the inventory when we look at the capital employed at the company level which has come down in the cooler division, at the distribution level has there been any change in the inventory versus the last quarter on a retail level if you can elaborate on that, and second thing is though it was a prudent strategy which we evaluated of picking an impairment loss of Rs. 4 crores, assuming that it is a case of an I would not say an NCLT, but it is a company which will eventually get revived or not, it is call which will pan out over few quarters, but is it not prudent enough when you would have taken the whole write-off of Rs. 21 crores or you think that you will be able to recover it, those are my few questions?

**Nrupesh Shah:** As I shared earlier in the months of September and October because of temperature in excess of 38 degree Celsius in many parts of the country, there have been decent sales vis-a-vis earlier years in many parts of the country. Of course, having said that in absolute value, it does not amount to much, but in our industry most of the secondary sales happens during February to June month and hence trade still might be sitting on reasonable level of inventory, but very importantly despite two back-to-back bad summer, there has been decent advances reflecting confidence of the trade in Symphony and that too in off-season, many peers have also tried to get the booking, but Symphony’s market share is in excess of 90% and normally trade book in off-season after keeping reasonable margin of safety, so this is about your first question. Coming to IL&FS Ltd, in line with Ind-AS practice, the valuation has been carried out by our statutory auditors, Deloitte, as it has been degraded to D category, there is an impairment of

Rs. 4.10 crores and on top of it no dividend has been booked there on. In fact in the quarter ended June, there was a dividend book for three months which has also been reversed, so in addition to Rs. 4.10 crores close to Rs. 84 Lakhs non-providing dividend, so in all about hit of Rs. 4.94 Lakhs. Our total exposure is about Rs. 21 crores, so now on book outstanding is Rs. 17 crores.

**Nitin Arora:** Will there be a further write-off that can happen or is it like because eventually if it is in the accounting treatment and the category remains a D, so the valuation will keep on changing towards the lower side only, so how does that?

**Nrupesh Shah:** It is in the form of preference shares, which are maturing in 2021 and 2022. At this point of time considering Ind-AS, this is the maximum possible write-off auditors recommended. Down the line, it is possible that we may have to write off, one possibility. If it is non-recoverable, then maybe write off over 12 quarters or if there is a reasonable resolution, we may have to write back also, but it depends how it progresses down the line.

**Moderator:** Thank you. The next question is from the line of Navin Trivedi from HDFC Securities. Please go ahead.

**Navin Trivedi:** Sir, considering like high channel inventory during the quarter, Rs. 140 odd crores of domestic revenue, certainly reconfirms the distributor's faith in Symphony as well as on the air cooler category also, so my first question is like you mentioned about the inventory levels have been normalized to some extent and more than 75% of the distributors have reinvested in the Symphony's case and again then you are saying that December quarter-on-quarter growth is expected but YOY you are still expecting a decline, so you still believe that the rest of the 25% distributors will wait till the season time?

**Nrupesh Shah:** They may buy in current quarter; they may buy in next quarter.

**Achal Bakeri:** It is not that as if every year 100% of our distributors buy in the off-season or buy in the first quarter, so the balances buy in the current quarter, some may buy a little later, so that is how it is so this year is no exception, no different than what has been the practice in the previous year.

**Navin Trivedi:** Can we expect that broadly the inventory levels at the distributor level are same versus last year?

**Achal Bakeri:** Not really, it is certainly higher.

**Nrupesh Shah:** Because that is a carry-forward effect of summer.

**Achal Bakeri:** Whatever has been sold in the off-season has been by and large what was with the dealer level at the retail level. At the wholesaler level or at the distributor level, the stock has not moved.

**Navin Trivedi:** You mentioned in your earlier comments that you had to share the higher incentive to the trade this time because to boost their confidence and their sentiments also, so how much the gross margin impact was because of this thing and how much it can be led by the mix if you can share?

**Nrupesh Shah:** As it is reflected in our gross profit margin percentage on YOY basis, three months gross profit margin percentage stands at about 50.3 versus 53, so eventually this differential 2.70 is on account of that.

**Achal Bakeri:** This would also be partly on account of our model mix, so it is not as if it is entirely because of trade margins.

**Navin Trivedi:** Considering we hold the new launches this year this time, can we expect that the same new launch is possible like more of a tech-driven product which we are talking about will play in the next summer through, I mean to say in FY '20?

**Achal Bakeri:** New launches are a constant at Symphony, so that is something which will always happen, bad summer, good summer, this year, that year and that is like I said it is constant that is bound to happen.

**Moderator:** Thank you. The next question is from the line of Manish Gupta from Solidarity Investment. Please go ahead.

**Manish Gupta:** Sir, could you talk a little bit about your strategy to get more share from the unorganized sector?

**Achal Bakeri:** The share from the unorganized sector is something which is I would say is illusive. We cannot compete with them in terms of pricing, what we do is we offer better products, better features, better service, and the assurance of a brand. I think these are factors which overtime have led to a shift from unorganized sector to the organized sector, gradual though, but 30 years ago 100% of the coolers were sold by the unorganized sector which stands at about 70% to 75% or so today, so now this is an ongoing shift. Apart from what one can do at a broader level, we cannot really sort of match their pricing or the way they operate which is still a fair amount of unaccounted or under invoicing those kind of things, so to some extent there is little that any organized sector or manufacturer can do.

**Manish Gupta:** Sir, just to understand that a little bit further, if you were to introduce a product which was priced marginally above the unorganized sector, but you brought the advantage of a brand, service network, are you saying that even if you bought a product which was priced slightly above the unorganized sector, it would not make sense for you from a return on capital perspective?

**Achal Bakeri:** For us to be slightly above unorganized sector would really not be feasible because the kind of cost that any organized sector player incur would not been incurred by the unorganized sector and those are not really in the product, those are all apart from the product. Those are all costs which you incur once the product leaves the factory, so costs like logistic cost, the unorganized sector is largely local, they do not really incur logistic costs. The unorganized sector does not have a multi-tiered distribution, so the manufacturer is himself the seller and also is himself the after sales service provider, so they really do not have the multilayered distribution and service support structure that company like ours would have and each of those structures or each of those layers requires on its own a fair amount of margins, so it is not really our margins or our cost that gets layered onto and pass on to customers, it is really a multitude of costs which a company like ours would incur and an unorganized sector would not.

**Manish Gupta:** Second question was could you talk a little bit about competitive behavior you are seeing, are you seeing some people exit the category, Nrupesh Sir talked about the fact that I think you said 90% of incremental buying over the last six months has been Symphony brand, how much was it in the prior years, where I am coming to, Sir, is that after two bad years, do you see your market share in the coming few years increasing because some of the marginal players would have found it hard to make money with two bad summers in a row?

**Achal Bakeri:** We have heard that there are some marginal players who are facing a cash crunch or may be considering exiting from the business, but I would not really say something which I am not sure of and only time will tell how the future plays out, so let us just wait for a couple of years and see what happens, let us see how the cookie crumbles.

**Manish Gupta:** Last question is exports from India, can you talk a little bit about whether they have grown as per your expectations over the last couple of years and what action the company is taking in order to grow that part of the business more aggressively?

**Achal Bakeri:** Well very clearly exports have not really grown the way we would have expected them to or the way we would like them to and we are taking a series of measures on the product front, on the pricing front, on the distribution front to address that and we believe that maybe in the next year or two, we should see significant improvement on our performance.

**Moderator:** Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

**Manoj Gori:** Sir, just couple of questions, one thing you said like gross margins were impacted because of the model mix and because of the higher trade schemes, so does it mean like recently sharp increase in the raw material prices and INR depreciation as it like had low impact or had a minimal impact on gross margins?

**Achal Bakeri:** On one hand we had inventory which was produced before the cost went up sharply, so we had inventory produce at lower costs, so that is one thing but now that costs have gone up, simultaneously we are also working on various measures to sort of mitigate those increases as much as we can, so we do not really foresee a huge impact of the material cost increases going forward.

**Nrupesh Shah:** In other words, by and large current gross profit margin of about 50%, we feel reasonably confident to maintain in ensuing quarters irrespective of input cost increase.

**Manoj Gori:** Sir, normally in the previous years historically like prices in our December quarter for our products that we sell to our channel partners, like prices are relatively higher as compared to September quarter, so this trend is likely to continue in the coming quarters and have we taken the price hike since post-September, can you throw some light on pricing overall?

**Achal Bakeri:** The selling price to traders certainly goes up, the channel knows that is why trade invest in the previous months, so unless we increase our prices, the trade would not really invest in early months, so that is something which we do regardless of anything else, so this year also and our price actually goes up every fortnight starting in July and there has been no change in that practice this year.

**Manoj Gori:** In this case, just to correlate the two things so now we have started on QOQ basis we have started increasing the prices and on the other hand there has been some pressure on the input prices, so which would be able to offset and will be able to maintain the 50% gross margin level, is this understanding correct?

**Nrupesh Shah:** By and large, yes.

**Moderator:** Thank you. The next question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.

**Prithvi Raj:** Sir, what is the cost of debt of the Rs. 130 odd crores of debt which is lying on your balance sheet?

**Nrupesh Shah:** That debt is lying at the level of our Australian subsidiary company which is the special purpose vehicle created for acquisition of Climate Technologies, so if you recollect the total acquisition value was close to Rs. 215 crores out of which about Rs. 85 crores has been funded by way of equity remitted from Symphony India and Rs. 130 crores is in the form of a long-term debt availed in Australian currency and it has been hedged for entire tenure of the loan and all inclusive cost is about 5.30% thereon. We could have very well remitted this out of our Treasury because Treasury is far access of this, but number one, it gives some interest cost arbitrage because here we realize easily on AAA or liquid mutual fund in excess of 7%. Secondly, it gives a natural hedge with respect of FOREX fluctuation, and thirdly in the quarters and years to come, we expect it to be repaid from the cash flow of Climate Technologies.

**Prithvi Raj:** Sir, that brings me to the second question, what is your strategy with regard to the cash and investments of about Rs. 450 odd crores on the balance sheet, do you have other acquisitions in the pipeline or are you open to doing something like a buyback?

**Nrupesh Shah:** At some point of time as it was conveyed earlier in line with our shareholder reward policy once this acquisition is done, at a right time we may resort to buyback subject to Board approval.

**Moderator:** Thank you. The next question is from the line of Arjun Ashar from Envision Capital. Please go ahead.

**Arjun Ashar:** What would be the reason for the rise in other current liabilities from Rs. 29 crores to Rs. 174 crores?

**Nrupesh Shah:** That is mainly on account of advances received from trade and yet to be billed as on September 30th.

**Arjun Ashar:** The spike in other investments from Rs. 250 to Rs. 429, could you give a breakup of that what would be the reasons?

**Nrupesh Shah:** That is mainly Treasury.

**Arjun Ashar:** Any plan to venture into other categories beyond air coolers anytime?

**Nrupesh Shah:** No.

**Moderator:** Thank you. The next question is from the line of Nandan Vartak from Wealth Managers India. Please go ahead.

**Nandan Vartak:** Sir, my question is on centralized air cooling services we are offering, so how has been our performance in that segment?

**Nrupesh Shah:** YOY there has been a decent increase in value not only that across the segments including some of the multibrands, we have made the installation, we do not want to name but some of our competitor's factories also we have centralized air cooled in last six months, and in the medium to long-term, we are very optimistic about that category and certain measures have been also taken whereby we can push up the top line.

**Achal Bakeri:** Year-on-year there has been significant growth, but again the base is small, so it does not really matter so much, but there has been excellent growth YOY.

**Nandan Vartak:** Do we see any competition in this segment?

**Achal Bakeri:** Not really, just some local manufacturers.

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

**Ravi Nareddy:** Sir, what is our order book in air cooler segment for next six months?

**Nrupesh Shah:** In air cooler category, there is nothing like order book. I just mentioned earlier being off-season, on account of off-season scheme, there are some advances and those advances by and large will be in current quarter.

**Ravi Nareddy:** Sir, any country are you planning to start our business where summer starts when the winter is here?

**Nrupesh Shah:** That way Australia is a classic case of acquisition because it is in Southern Hemisphere and hence our summer is their winter and their winter is our summer, not only that in Australia they are present in to air cooler as well as heating products, so even though two quarters contribute only 30% to 35%, but still it generates top line round the year.

**Achal Bakeri:** Besides Australia we also have business in some other countries in the southern hemisphere, some very large countries.

**Moderator:** Thank you. The next question is from the line of Omkar Kulkarni, an Individual Investor. Please go ahead.

**Omkar Kulkarni:** My question was you have been guiding for 20% to 25% growth in the top line in medium-term, but if you see our top line for the last four years, we are growing at a pace of 12% to 13%, so your comment on that?

**Nrupesh Shah:** As we have conveyed in the past, in medium to long-term on a CAGR basis, we maintain our stand and our growth should be around 20%.

**Omkar Kulkarni:** It has been around 12% to 13% for the last four years, so I wanted your comment on that?

**Nrupesh Shah:** You will appreciate that one on account of acquisition of Climate Technologies on an annual basis it will add at least Rs. 250 to Rs. 300 crores, and secondly, centralized air cooling, export from India and also standalone growth in residential air cooler is expected to generate that kind of growth.

**Omkar Kulkarni:** You would still maintain your guidance of **20% to 25%** in the medium-term?

**Nrupesh Shah:** Yes.

**Omkar Kulkarni:** Again in medium-term say three to five years, how much contribution would be coming from your subsidiaries to the top line as well as EBITDA?

**Nrupesh Shah:** Currently by and large almost 40% business is generated from exports in sales by our subsidiary and 60% is from domestic sales, so it should be maintained in line with that.

**Omkar Kulkarni:** What about EBITDA?

**Nrupesh Shah:** Rather than EBITDA, we are more comfortable that our operating margin on a standalone basis should be around 50% and in our subsidiaries year by year at IMPCO and GSK, there has been a reasonable improvement in operating margins, still there is some more scope. As far as Climate Technologies is concerned, we expect that once integration is over in medium-term, there is some opportunity to further improve EBITDA, but very difficult to quantify at this point of time.

**Omkar Kulkarni:** Basically, this acquisition has been made to offset the seasonality in the business, right?

**Nrupesh Shah:** Seasonality, many complementary strength, also it opens up export market for Symphony India, in Australia as well as in United States. Their products can also be sold in other international market, not only that on account of our presence in China, there is a good possibility of sourcing from China at a much competitive cost and ultimately as we had conveyed earlier, I think we maintain that our return on capital employed should be quite decent and same as the case about return on net worth.

**Omkar Kulkarni:** As you mentioned about the return on capital employed, the cash is around little bit shy off Rs. 600 crores, so do not you think it is affecting your return on capital employed because your annual payout in terms of dividend is less than Rs. 40 crores?

**Nrupesh Shah:** For last two years on account of change in taxation laws, we have reduced the dividend but overall in shareholder reward policy, we have also conveyed that apart from dividend, there can be various other measures including share buyback at appropriate time.

**Omkar Kulkarni:** But till then is it not affecting your overall return on capital employed because it is only generating 7 odd percent for you?

**Nrupesh Shah:** To distinguish between our Treasury and our core business, segment profitability wise we have bifurcated capital employed in air cooler business and capital employed in Treasury, so that we can also keep a focus on that, and maybe sometime in short-term there may be some implications, but ultimately broader implication wise this may be more tax efficient and better.

**Omkar Kulkarni:** Okay Sir, the buyback should be of a good size you would think or it should be like normal buyback because you are generating so much of free cash flows every quarter year-on-year?

**Nrupesh Shah:** I think it should be of a decent size as per the rules and regulation and up to Board of Directors as they deem appropriate.

**Moderator:** Thank you. The next question is from the line of Trilok Agarwal from Birla Sun Life Insurance. Please go ahead.

**Trilok Agarwal:** Sir, I just wanted to check lot of new players have entered the market last year, I just wanted to check what is the industry growth could you share some thoughts on that at least? How has the industry behaved, obviously there is no growth I understand, but how has the industry behaved in the domestic market if you can share your thoughts on that?

**Achal Bakeri:** It has de-grown significantly. It has already de-grown more than our de-growth, the entire industry when we say unorganized and organized put together.

**Trilok Agarwal:** How has the industry have performed in the last quarter is what I am trying to understand or maybe the full-year H1 till now, FY '19 H1?

**Achal Bakeri:** Last quarter July to September there is almost no sales in the industry other than Symphony, so as Nrupesh said in his opening remarks we would probably account for 90% of the sales of the industry in that quarter. When you talk about half-year, it includes the summer quarter of April to June that was of course a bad quarter for the whole industry, when the whole industry including Symphony degrew significantly.

**Trilok Agarwal:** In this scenario, you must have gained market share is what I am trying to understand?

**Achal Bakeri:** Yes.

**Nrupesh Shah:** Just to add to that even though particularly in June quarter there was a significant de-growth, but if we consider July 1, 2017, to June 30, 2018, 12 months as a whole in case of Symphony it has been a flat year, so most of other peers have de-grown for 12 months as a whole that is during the business year, in case of Symphony it has been a flat year even though industry as a whole has de-grown.

**Moderator:** Thank you. The next question is a follow up from the line of Arjun Ashar from Envision Capital. Please go ahead.

**Arjun Ashar:** What are online or e-commerce sales as a percentage of total sales for us?

**Nrupesh Shah:** Rather than online or e-commerce, we measure in terms of the organized retail and e-commerce online is part of that, so that is growing in absolute amount wise as well as percentage of total sales, but last year it would have contributed in all about 15%, which was just like around 5% three to four years before.

**Arjun Ashar:** So this 15% is organized retailing you are saying which includes e-commerce, right?

**Nrupesh Shah:** It includes organized retail, including e-commerce and online.

**Arjun Ashar:** In online does the company sell directly or say an Amazon or something like that?

**Achal Bakeri:** Yes, we do we sell directly to Amazon, Flipkart, but at the same time these are marketplace platforms, so a lot of our dealers or with people who have some inventory could also sell on those marketplaces.

**Arjun Ashar:** Yes, because there was a lot of discounting that also goes on online, so what are the sensitivities and how do you all manage the balance vis-a-vis your conventional sales channel partners?

**Achal Bakeri:** There is some effect, but then overtime I think consumers have matured and they have realized that it does not really sort of pay too much to buy from some of this discounted resellers, so I think over time things have sort of stabilized, the dust has settled and there is some value for that, but I think it is a lot less now then how it was when the issue was new.

**Arjun Ashar:** The previous questioner alluded to this, but I do not know whether your discussion was at the retail level or at the wholesale level, so I will just repeat my question again, at the retail level what have been the trends in market share and pricing for you vis-a-vis competition in the last 12 months, my question is only at a retail level not at the wholesale level?

**Nrupesh Shah:** At a retail level Symphony normally decides the price and most of the peers decide that price considering what is Symphony's MRP and for comparable products, we may have a premium pricing of 5% to 12%. While in other model in fact they are unique to Symphony, so there is no comparison.

**Arjun Ashar:** Right now when you say the 90% market share that would be at the wholesale level, right?

**Nrupesh Shah:** Absolutely, in off-season.

**Arjun Ashar:** So this will be the restocking which would be going on?

**Achal Bakeri:** Yes.

**Arjun Ashar:** Why do you think the competition is on such a huge back foot right now, what was the percentage last year which is now 90%?

**Management:** It is pretty much the same for this quarter, in this quarter the competition is occupied with other products and they are into multiple products whereas us being exclusively in coolers, we work on, we try and set coolers around the year.

**Nrupesh Shah:** And also, because of huge brand pool.

**Arjun Ashar:** Last year was one of comparatively slightly intense competitive scenario at the retail level, so did you all maintain your market share or what was the experience like at the retail level?

**Achal Bakeri:** We absolutely did, all kinds of research also suggests that we did and third party information also suggests that we did.

**Arjun Ashar:** This was without any kind of price cuts or anything like that, right?

**Achal Bakeri:** No, certainly not.

**Arjun Ashar:** I just wanted to understand, last question, your trends in trade receivables manageable because right now you are all in collecting advances from customers, whereas you all had a 44 crores trade receivables as on March which has now come down to 0, so I just wanted to understand the seasonalities behind it and what are the broad practices?

**Nrupesh Shah:** Organized retail sales takes place in two quarters, March quarter and June quarter that is Modern retail and to Modern retail there is a credit involved wherein from 15 days to 60 days.

**Arjun Ashar:** Than what explains trade receivables being absolutely zero as on September at the standalone level?

**Nrupesh Shah:** At a standalone level because there is hardly any sale to organize our Modern Trade including exports or receivables were less than a crore, the precise figure is negligible, less than a crore.

**Moderator:** Thank you. The next question is a follow up from the line of Navin Trivedi from HDFC Securities. Please go ahead.

**Navin Trivedi:** Sir, have we initiated the price hike during this season?

**Achal Bakeri:** As we discussed little before, we have a continuous price increase to the trade every fortnight, so we have been doing that every year, so that sort of continued.

**Navin Trivedi:** My question was typically from the July onwards when we start selling it to distributors; we decide the prices during this time for the next season, so have we any initiatives in pricing versus last year July?

**Achal Bakeri:** No.

**Navin Trivedi:** If you can share the subsidiaries performance in this quarter also, like we have shared the six-month performance, if you can share this quarter performance also?

**Nrupesh Shah:** For the quarter, GSK China is about Rs. 11 crores, Symphony Australia, that is, Climate Technologies is Rs. 56 crores, and IMPCO is also about Rs. 11 crores, so top line wise all put together about Rs. 78 crores, and in terms of PAT for the quarter, GSK has registered a loss of Rs. 2 crores, Climate Technologies has a nominal profit of Rs. 20 lakhs, and IMPCO has a loss of Rs. 3 crores for the quarter, and for six months as a whole that is April to September '18, GSK top line is Rs. 36 crores versus Rs. 27 crores and at a PAT level, it is positive Rs. 1 crore versus loss of Rs. 4 crores in earlier year for six months, Climate Technologies whatever is the quarterly sales that is the sales for six months because consolidation took place with effect from July 1st and IMPCO Mexico top line wise there is a marginal reduction from Rs. 63 crores to Rs. 57 crores and at a PAT level excluding exceptional income of previous year, it is up from Rs. 4 crores to Rs. 6 crores for six months.

**Moderator:** Thank you. The next question is a follow up from the line of Manoj Gori from Equirus Securities. Please go ahead.

**Manoj Gori:** Just wanted to understand on the product side, so any new launches during the previous quarter or in the current quarter and how you are planning to come up with new launches for the upcoming years or may be even guidance for '19 or '20?

**Nrupesh Shah:** New launches whether in respect of innovation, in the product features, format etc., it is a continuous process and it will keep on happening year after year. At least for next couple of years, they are at various stages and as of now in current quarter, we have not come out with the new launch, but down the line at appropriate time in the current year itself, it will happen.

**Manoj Gori:** Normally, we do any new launches probably in the September quarter, so that should be the earliest which we can expect for the upcoming launches?

**Nrupesh Shah:** Upcoming launches will be there in the current accounting year at appropriate time.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for closing comments, over to you.

**Nrupesh Shah:** Thanks to all the participants and thanks to Motilal Oswal Securities Limited and in particular, Ankur Sharma, for organizing this conference call. Thanks and Good Evening.

**Moderator:** Thank you. Ladies and Gentlemen, on behalf of Motilal Oswal Securities, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.