Transcript

Conference Call of Symphony Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen, I am Honeyla, moderator for the conference call. Welcome to Symphony Limited 3QFY18 results conference call. At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I now would like to hand over the floor to Mr. Navin Trivedi from HDFC Securities. Thank you and over to you sir.

Navin Trivedi: Yeah, hi. Good afternoon everyone. On behalf of HDFC Securities, I would like to welcome the management of Symphony Limited to discuss the Q3 FY18 results. We have with us today the senior management of Symphony Limited represented by Mr. Nrupesh Shah, Executive Director, Mr. Bhadresh Mehta, CFO, Mr. Girish Thakkar, Senior General Manager, and Mr. Mayur Barvadiya, the Company Secretary. I would now hand over the call to Mr. Nrupesh Shah for his comments. Thank you and over to you Nrupesh bhai.

Nrupesh Shah: Yeah, good evening. I welcome all the participants to this conference call to review performance for Q3 and YTD for the FY2017-18. At the outset, my opening remarks or response to questions may convey forward-looking statements, which may or may not turn out to be accurate on account of weather, external factor, or even incorrect assumptions.

So, having said that, during the quarter the income from operations grew by about 21%, up from Rs. 180 crores to Rs. 218 crores, while for YTD, that is for first nine months, up from Rs. 483 crores to Rs. 531 crores, that is up by about 10%. As you know, in current quarter and last quarter, the growth in topline has been 21% and 22% respectively, but on account of degrowth in June quarter, the YTD numbers are subdued.

Now, to talk about the major reasons for topline performance in current quarter. We launched six new models under two new range, Diamond range and Silver range, and they have been received extremely well. To talk about some of the path-breaking features in Diamond range, they do have fully closable louvers, there is a double flip blower for superior and much better efficacy of air throw, there is a larger pad area for superior cooling, and very robust designer trolley. While under Silver range, there is easy removable tank, insta chiller, and agronomic handle for easy movement and coupled with fully closable automatic louvers. Apart from that, in earlier quarters, Symphony had launched nine new models under three different range, under Cloud, Sense, and Touch. All of them are also performing well as expected. So, overall on residential air cooler front in domestic market, we have maintained our market leadership and robust growth.

But, coming to International operations, during the quarter there has been decline mainly on account of upheavals and ISIS issues and hence consequential economic conditions in Middle East, but we expect them to turn around in the quarters to come.

While coming to centralized air cooling, there has been a normal growth during the quarter and we have once again during the quarter successfully executed centralized air cooling and ducted air coolers orders across the business segments including factories of renowned international brands, food processing units, hospitals, super specialty hospitals, coaching and education institutes, car service stations, automotive ancillary factories, etc., etc. On top of it there is ongoing beefing up of team dealer and distribution network and continued participation in trade fair, exhibitions, and sales promotion advertisement expenses, specifically focusing on centralized air cooling.

Moreover, another important feature for the current year in residential air cooler in domestic market, apart from off season inventory built up by distributors, almost one-fourth of our retail dealers have also picked up the products and there is a placement with thousands of dealers. As far as EBITDA is concerned, during the quarter, it has risen by about 24%, up from Rs. 77 crores to Rs. 95 crores, while for nine months it has gone up by 11%, up from Rs. 182 to Rs. 202 crores and coming to PBT it has risen by about 24%, up from Rs. 76 crores to Rs. 94 crores during the quarter, while for nine months, it has gone up from Rs. 180 crores to Rs. 198 crores, and PBT margin to sales has been 43.1% versus 42% on YOY. To evaluate our operational performance, if we exclude treasury income for current year as well as last year, PBT growth percent during the quarter has been in excess of 28% versus topline growth of 21%. The effective rate of income tax during the quarter has been 29.8% up from 27.5% that is increase of 230 bps, while for the nine months it has been up from 28.2% to 28.9% mainly on account of substantial higher contribution to profitability from domestic trade, which is subject to full income tax, while export is exempt from income tax on account of sales from SEZ. While PAT during the quarter has risen by 21% up from 55 crores to 66 crores and for nine months it has gone up by about 9%, up from 129 crores to 141 crores and PAT% to gross revenue stands at 29.4% vis-à-vis 29%. However, if we exclude treasury income for corresponding period, the PAT growth percent has been 24% during the quarter.

I would also like to point out that the gross margin percent and EBITDA margin percent during December ’17 has been the highest during any of off season quarters in last several years. So, the lower profitability or (not sure) profitability margin which was witnessed during March ’17 and June ’17 quarters are really a history.

Another important feature, as it is well-known to most of you, Symphony works on negligible capital employed and starting last quarter we worked out our capital employed on a monthly basis and based on that the capital employed during December quarter was negative by about Rs. 17 crores versus Rs. 11 crores, while for nine months, that is YTD, that is from 1st April to 31st December 2017, the capital employed was negative by Rs. 59 lakhs, and hence statistically the PBIT percent on capital employed during the quarter and nine months is infinite.

Coming to geographical segment profitability, the topline growth in domestic market is 27% up from Rs. 164 crores to Rs. 208 crores and in nine months it is up by 13%, up from Rs. 441 crores to Rs. 498 crores, while from rest of the world there is a decline in topline from Rs. 16 crores to Rs. 9.64 crores, due to the reasons as discussed earlier. And company has declared third interim dividend during the year of 50% that is Rs.1 per share on face value of Rs.2. And company is sitting on treasury and cash and cash equivalence of more than Rs. 450 crores as on 31st December 2017.

So, with this, I open the floor for question and answer.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from Mr. Kunal Jagda from K. R. Choksey. Please go ahead.

Kunal Jagda: Good evening sir. Thank you for giving me the opportunity and congratulations for the good set of numbers sir.

Nrupesh Shah: Yeah, thanks.

Kunal Jagda: Sir, my first question is, what would be the volume growth from these new launches and how much does these new launches contribute to the overall sales?

Nrupesh Shah: Range-wise we don't disclose the figures, but our none of the models are now older than 30 months, and of course, both the new range of models, that is Diamond and Silver, have received overwhelming response over and above in earlier quarters, that is post September '17 we had also launched Cloud model, Sense models, and Touch models, so under these three ranges put together, there have been about 15 models. So, depending upon the geography, depending upon the price point, and consumer preference across the geographies and trade channel, they have received very well.

Kunal Jagda: Sir, correct me if I am wrong, you mean to say that the age of your models is not more than 30 months?

Nrupesh Shah: Absolutely.

Kunal Jagda: So, within every 30 months, that model is not existent.

Nrupesh Shah: No, I haven't said that. As of now, our none of the models are older than 30 months. Having said that, some of the model names would have been older than 30 months, but they would have been upgraded in terms of the features, or design, or performance.

Kunal Jagda: Okay. So, sir, what are the plans for next year, next FY18, how many new products for next quarter?

Nrupesh Shah: So, these are the models, till June '18. Any new model launch will be post June '18 and at least for next couple of years at various stages of development, many new models are there. So, they may be starting from drawing board level to testing level, and this is a continuous exercise, and part of DNA in Symphony. But I won't be in a position to answer you specifically, which new model and with which new features. It will happen from time to time.

Kunal Jagda: Sir, so can we assume that the Q1FY19 would be driven by these new launches in this last two quarters?

Nrupesh Shah: Yes, you can say so.

Kunal Jagda: And sir, my next question is on the centralized air cooling. For last many quarters, there is a normal growth, but there is still potential in the industry, which is a very low penetrated market in India. So, when do you see a good growth in this segment?

Nrupesh Shah: So about centralized air cooling, to talk about YTD performance in first nine months of the current year or current quarter, what we are witnessing, there is some cash crunch by the corporates and this forms a part of overall capex cycle. So, we are witnessing a normal growth, unlike robust growth, which was earlier. But we feel that in line of overall economic indications, in the quarters down the line, it should be rebounded. Having said that, we have now installations across the geographies and across the industrial segments, and of course, in the long term we see a huge potential. So, may be, over a period of five to seven years, we can expect it to contribute substantially in our topline and bottomline. Even in the residential air coolers, we are at this stage after 28, 29 years.

Kunal Jagda: Sir, what kind of contribution you expect in the topline from centralized air coolers?

Nrupesh Shah: We expect substantial contribution and we expect it to be a big, big growth driver, but we don't have any specific numbers in mind.

Kunal Jagda: Sir, my last question is on China business. Does the China business have reached the breakeven?

Nrupesh Shah: No, it hasn't yet reached the breakeven and it is in the very first year of operation, so the first year of consolidated financial performance was for March '17 and almost on the similar topline vis-à-vis previous year, it reduced the losses to half. So, current year also, overall, we expect not major growth in topline, but in terms of the bottomline, we expect further reduction. And as it was envisaged earlier, in the medium term, that is in next couple of years, we expect it to turn around. And that's how, with that expectation only we had bought it for a song, just for 15 million rupees. But overall our expectation is our total capital employed in the business directly or indirectly, to take care of its losses and working capital, should be up to or around Rs. 40 crores.

Kunal Jagda: Okay, thank you sir. That's it from my side.

Moderator: Thank you sir. We have the next question from Nandan Vartak from Wealth Managers. Please go ahead.

Nandan Vartak: Good evening sir.

Nrupesh Shah: Yeah, good evening.

Nandan Vartak: I just wanted to know sir, the Cloud series performance being a different product altogether, how that is received in the market and what would be growth for specific Cloud series models.

Nrupesh Shah: Yeah. So, Cloud series has received extremely good response. In fact, currently at our company level, it is out of stock. And secondly to add to, in terms of the overall development, we had applied for international patent, and South Africa has already granted the patent and that is the first patent internationally for Cloud series. But I won't be in a position to share specific quantity or value details.

Nandan Vartak: Okay, thank you. That's it from my side.

Moderator: Thank you sir. We have a question from Paresh Raja from Catalyst Global Equities. Please go ahead.

Paresh Raja: Sir, what would be the price difference between Cloud and a local window AC, do you see AC giving tough competition to Cloud?

Nrupesh Shah: See, the way there is no comparison, the retail price, Cloud is selling at about Rs.15000 while local window air-conditioner depending upon the brand and features, would be selling anything from Rs. 20,000 to Rs. 35,000. So, one is in terms of the cost comparison, but more importantly, it is an aspirational product, because it doesn't occupy window space and most of the installations, which have taken place for Cloud, they have happened in the drawing room. So, people like to show, people like to display Cloud. And, unlike split air-conditioner, it doesn't have any compressor unit outside. In fact, it does not need any outdoor unit. But, on top of it, to take care of its water requirement, there is a water filling with a magic pump, and that happens automatically. So, it is more like an aspirational product. And of course, in terms of the recurring cost, just like any other air cooler, it consumes only 5 to 8% of electricity compared to air conditioner.

Paresh Raja: Okay, great sir. And sir, this treasury investment comprises of what, liquid mutual funds or something else?

Nrupesh Shah: Yes, it comprises of liquid mutual fund, government securities, AA or AAA preference shares and bonds, so we don't invest anything into any of the speculative instruments. Having said that, there may be a very small part in terms of ICDs with very reputed companies or some bonds, but that may be less than 10% of the overall treasury.

Paresh Raja: Okay. And sir last question, you see the demand for the product coming mainly from the rural areas or is it across the country?

Nrupesh Shah: No, what we are witnessing, currently in September quarter and December quarter, where basically trade builds a big inventory, it is happening across the geographies, which includes urban, semi-urban, and rural.

Paresh Raja: Okay, that's it sir. Thank you so much.

Moderator: Thank you sir. The next question comes from Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: Sir, this is Manish Gupta from Solidarity.

Nrupesh Shah: Yeah, hi Mr. Gupta.

Manish Gupta: Do you see any impact of the unorganized players losing market share after implementation of GST?

Nrupesh Shah: We do expect that because earlier there was rampant evasion of taxes, but considering the structure of GST, it is very difficult to evade the taxes. And even otherwise also in the respect of overall trend, considering many other industries feedback, most of the unorganized players have started paying their taxes and hence the price difference is likely to narrow down, and we do expect that there may be a shift from unorganized to organized, but to what extent and how, only in the seasons when really secondary sales takes place, we will come to know.

Manish Gupta: Okay. And the second question was sir, that between the organized players, how do you track what your market share is?

Nrupesh Shah: It is based on overall market feedback and also our overall market intelligence, and also from the suppliers.

Manish Gupta: Okay, fine sir. That's what I had.

Moderator: Thank you sir. We have a question from Deepak Gupta from Progress India Opportunity Fund. Please go ahead.

Deepak Gupta: Hi sir. the domestic sales have risen by 27% for the quarter, what is the mix between volume and value for this kind of a growth?

Nrupesh Shah: Volume growth is almost in line with the value growth, but we are not disclosing separate figures for the volume, but it is almost in line with the value growth.

Deepak Gupta: I understand sir. And sir you have always mentioned that medium to long term vision for the company is 25% growth across all lines of P&L, now last two quarters, excluding the first quarter, which was a one-off quarter, second quarter and third quarter has seen decline in sales…the sales has been growing at about 20%, 21%. Is that the new normal that we should assume for the company going forward?

Nrupesh Shah: So, we have given the medium term to long term guidance of CAGR growth of 20% to 25% and that is on a CAGR basis. Having said that, in some quarter or in some year, there may be higher growth or lower growth and on top of it, if we really analyze our profitability growth, if we exclude treasury income, the PAT growth from the operations has been 24%, not only that, even in the previous quarter, that is September quarter, the PAT growth from the operations, excluding treasury income has been of 23%. So, our medium to long term guidance is in the range of 20, 25%, you can say that in excess of 20%.

Deepak Gupta: I understand sir. Thank you so much.

Moderator: Thank you sir. The next question comes from Achal Lohade from J. M. Financials. Please go ahead.

Achal Lohade: Yeah, hi sir, good evening, this is Achal Lohade from J. M. Financials.

Nrupesh Shah: Yeah, good evening.

Achal Lohade: Just wanted to understand couple of things, a) would you be able to talk about what would be our revenue mix from the tier 2 tier 3 towns or rural, if at all?

Nrupesh Shah: As such our sales mix from urban, semi urban and rural is almost like 40%, 30% and 30%. But, to talk about hard core rural, rural, it is very difficult to define, the reason being, many, many small villages don't have even sales points. So, there may be the taluka points or large villages, where basically villagers come and buy the product, so to really segregate between semi urban and rural maybe very difficult. But, as covered earlier in the opening remarks, we do see very robust demand across these geographies including semi urban and urban.

Achal Lohade: So, it is similar growth across urban and non-urban, is that a fair statement?

Nrupesh Shah: That is right.

Achal Lohade: Okay. Secondly, in terms of the unorganized players, pardon me if I am repeating the same question, have you seen any material impact with respect to, (a) the pricing they have increased or (b) they are going out of the market?

Achal Bakeri: We have seen, there has been a noticeable change in the pricing of the unorganized sector. So, their sales prices have certainly gone up. And we are sort of seeing the first signs of transition from the unorganized to the organized, in the sense that we have some unorganized sector manufacturers have become our dealers, for example. They have stopped manufacturing, or they have said they want to stop manufacturing and want to but remain in the trade and therefore have become our dealers. So, we are seeing the early signs of this transition.

Achal Lohade: Right. What I wanted to understand is how much is the price difference between us and the unbranded? And is it fair to say that the customer is ready to pay that kind of a premium to move to branded or you think you could look at launching the models which can be more substitutable for the unbranded ones?

Achal Bakeri: So, there are two things here. One is that the unorganized sector, the buyer who buys an unorganized sector product and the buyer who buys sort of a branded product are two completely different segments. Somewhat I know that the branded sector customer is never going to buy in an unorganized sector and the converse is also true. So, price is not the only criteria. But, it is certain I would say it is a mindset which determines what kind of a product a consumer buys. That is one. And what was your question again?

Achal Lohade: In terms of the compatible products or substitutable ones, branded ones if at all, because we see the other building material companies, especially companies are having a sub-brand which can actually get the shift, benefit of the shift from unorganized to organized.

Achal Bakeri: Correct, correct, now also the thing is that the difference in pricing between us or other organized sector and unorganized sector is not just the product. It is the various components of the cost structure. It is just beyond the product, as in the unorganized sector manufacturers is in many times also the point of sale. So, the guy manufactures, and he sells. So, he has no distribution cost. He has no trademark cost. He has no logistics cost. He probably doesn't even have any after sales service cost. Whereas, apart from the product, all those other costs get added to our, in our pricing structure. So, there are these two factors which will sort of keep the two things poles apart. In building materials, you don't have the unorganized sector which is sort of making and selling themselves. It is not as if a tiles manufacturer also has a store and he sells and makes in the same location. Whereas in the cooler sector that is what happens, that is what happens, the manufacturing process in metal coolers especially is so simple, that people manufacture with hands and maybe make ten coolers a day and sell them.

Nrupesh Shah: And just to add to that, in fact again the comparison in terms of the product and performance is not apple to apple, because most of the unorganized players products are made from metal and their life maybe just three, four or five years, while in the case of our kind of the products, it is like ten years or much more than that. Our product is better even in terms of the cooling efficacies, features and performance and even service after sales.

Achal Lohade: Right. I guess that is about it. Thank you so much sir.

Moderator: Thank you sir. The next question comes from Mr. Dipen Seth from HDFC Securities. Please go ahead.

Dipen Sheth: Hi, good afternoon sir. And thanks for taking the question. Just wanted to understand two different things here and I will give you both the questions at one go and then you can choose the order in which you want to answer. So one is that, there is obviously very strong franchise that you enjoy in the business with your market leadership, so just wanted a quick reconfirmation in terms of whether the terms at which we have engaged in sales in the third quarter, because I would expect that the channel would be largely stocking up things right now. So, have we had to offer different credit terms this quarter in this third quarter versus last third quarter, is there anything different in the way we are offering credit to the channel, if at all?

Achal Bakeri: None at all. Our business practices haven't undergone any change whatsoever. In fact we at Symphony, credit is a four letter word and all the sales that has happened has happened with advance payments.

Dipen Sheth: Right. So, that hasn't changed at all versus last year?

Achal Bakeri: No, not changed at all. We do give credit to modern retail, but then that is also something that we have been doing from the outset. So, there has been no change in our terms of doing business.

Nrupesh Shah: And Dipen bhai, our capital employed in the business, and our many strategies and decisions are based on that. So, during the quarter and YTD for nine months, there has been a negative capital employed. In precise for the quarter, the capital employed on a monthly average basis has been negative by Rs. 17 crores and for nine months that is for 1st April till date has been minus Rs. 59 lakhs which includes peak season that is June quarter and that explains the strong…….

Dipen Sheth: Absolutely. This is one of the things why investors love you and I was just trying to check if that has changed in any way even on an immediate basis. So, it hasn't and that is very reassuring.

Nrupesh Shah: And again, just to add to that, last year for December quarter, negative capital employed for the quarter was about Rs. 10 crores and now it is minus Rs. 17 crores. So, in fact it has further improved.

Achal Bakeri: So, the numbers speak for themselves.

Dipen Sheth: Absolutely. So, as you can understand sir, third quarter you don't publish the balance sheet and hence I was a little curious.

Nrupesh Shah: But, by the way over and above that as an additional information in result, we have given segment wise capital employed for better transparency and over and above air cooling capital employed, we have also given the details of the corporate funds, which is nothing but treasury and that is about in excess of Rs. 500 crores.

Dipen Sheth: Fair enough sir. So, second question, quick one if you will allow me sir, which is that gross margins have actually gone up by about 70 bps year on year and about 100 bps sequentially. So, we are now at something like 54 odd percent gross margins? Now, I would have thought that gross margins increasing at a time when commodity prices are going up was very unlikely. Now what this suggests is either very strong pricing power on an existing range or gradual premiumization up drift in the mix of sales. So, what is happening here if you could explain?

Achal Bakeri: Actually both of what you have said has happened. Last year our new introduction Touch was priced at a very attractive introductory price, low introductory price. And then of course we were taken sort of I would say, taken by surprise by the response we got. And that impacted our profitability last year. Then starting from July this year, we have corrected that. So, there is one is pricing power, we have significantly revised upwards the pricing of some of our models as much as 23% increase over last year. So, that is one issue of pricing power. And secondly, of course there has also been a premiumization. So, new models that we have added have advance features and are therefore more premium. For example, one range that we have launched this year is called the Sense range, which is one up on the Touch range that was launched last year, where you don't even touch the product and you just sort of gesticulate and there are motion sensors. So, these are kind of premium features and premium products which have been introduced, which sort of help us in migrating the whole thing towards high value products.

Nrupesh Shah: And Dipen bhai, the operating margins which was 54.2% by the way during offseason quarters, this has been the highest ever operating margin we have ever registered.

Dipen Sheth: Fantastic. So, will you allow me a third question?

Nrupesh Shah: Sure.

Dipen Sheth: Okay, thanks. The other thing I want to know is that with the gradual pressure building up on the unorganized sector and by unorganized, I don't necessarily mean just smaller people, but people who evade and avoid paying indirect taxes and are not in the indirect tax loop and hence who are gradually getting edged out hopefully over a period of time by the imposition of GST. As these people get out of the market, there is going to be a very large opportunity in the economy segments rather than the premium segments in terms of the volumes suddenly going where they are. Because, I would suppose about the two-thirds of the market falls into that category, I am just throwing a random number and you would probably understand it much better than me. So, my sense is that as you move forward on this opportunity, so there is obviously a premiumization and up trading opportunity that is reflected in your business plans and in your performance, which you are likely to see over the next few years. But, the lower end of the market is going to present tremendous quantitative growth opportunities for you. Is there a product strategy there, like you had a Touch to exploit higher range aspirational customers and so on? Do you have a product strategy in place now to clean out the economy end of the market, because those volume opportunities are now going to present themselves to you?

Achal Bakeri: No, we have always had those products. So, in fact our largest selling single model is sort of a no-frills economy model. So, it isn't as if we need a new strategy or we are not present in the sort of value for money segment. We are very much there. So, we are sort of straddling both ends of the spectrum, from the very sort of low end starting at sort of Rs.4000-Rs.5000, all the way going up to Rs.20000-Rs.25000. So our range, product range of more than fifty models sort of like I said saddles the whole spectrum of pricing. So, we are not leaving any segment sort of unattended, whereas we do advertise our flagship models which are Touch or Sense or Cloud, that is more of a marketing strategy and that gives us the sort of the image and all of that. But, that does not in any way mean that we are ignoring the economy segment.

Dipen Sheth: Thank you sir, most reassuring.

Nrupesh Shah: So, even the new models which have been launched, that is Diamond and Silver, in all there are six models at different price points. And in the last fifteen months, in all about five different ranges of models, but in all eighteen models and at a price point starting from Rs.5000 to Rs.20000.

Dipen Sheth: So, that gives me an opportunity to crib about the fact that you don't share product mix in your sales numbers. But, I think there are very good reasons for not doing so. Fully appreciate sir, thank you.

Moderator: Thank you sir. We have our follow up question from Mr. Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: Sir, my question was that the penetration of this product is quite low. The market opportunity is huge. What are the challenges to step up our growth rate and specifically does the company see any trade off between growth it can achieve and its negative working capital stance?

Achal Bakeri: Not really. On the contrary to answer your second question first, we believe that, if we were to give credit that would probably be sort of counterproductive. The fact that our product is paid for by the trade sort of motivates them to ensure that they sell our products first, whereas the product which is given to them on credit by our competitors, ends up being sold later or given less, lower preference. So, we don't believe that asking for advances or not giving credit is sort of in any way throttling our growth.

Nrupesh Shah: In fact last year most of the peers who are giving the credit, their substantial inventory is lying with them and also in the trade channel. While even in off season also despite that we have registered top line growth in excess of 20% and our profitability has rebounded.

Manish Gupta: Right. This is not a complaint on the pace of growth. The question is that given the market opportunity and the leadership and the balance sheet, could the company, what are the constraints to stepping up the growth rate?

Achal Bakeri: So, now the thing is as far as the organized sector is concerned, we do have a 50%-55% market share. It is difficult to probably grow that market share. What is probably, what should really happen is for the entire pie to grow. And let us hope, we are hoping that the GST will be the sort of catalyst which will help the entire pie to grow of the organized sector.

Nrupesh Shah: And coupled with that we do also operate in international business in centralized air cooler. So, just five, seven years before, our rest of the world business was contributing less than 2%. And on a consolidated basis now it contributes 22%, of course including our subsidiary companies operations. So, that way also we are not only de-risking, but it is also contributing to the growth. And in a long term, it is also centralized air cooling which is of course the logical extension of residential air cooling, but that is also absolutely new segment. And at a national or international level, hardly any competition, which is also likely to be a big growth driver in the long term.

Manish Gupta: Right. Thank you, sir.

Moderator: Thank you sir. We have the follow up question from Mr. Kunal Jagda from KRChoksey. Please go ahead.

Kunal Jagda: Sir, small question on book keeping. Sir, if you don't mind, can you explain from where did this negative 17 crores is derived from, capital employed?

Nrupesh Shah: Sure. Good question. So, on a monthly basis, we work out our balance sheet and based on that, on every month what has been the opening capital employed and what is the closing capital employed. And capital employed is a straightforward accounting formula and based on that, it is being worked out. So, it is not as on 31st December or 30th September. It is the average capital employed during the quarter. What I mean to say, October, November and December for three months put together, the average capital employed as per the normal accounting and financial formula and so is the case for nine months. And the major factor of course which we have conveyed also is mainly on account of substantial trade advance and we don't have to deploy substantial amount in CAPEX, because of outsourced business models.

Kunal Jagda: Correct, that is understood sir. That is it sir. Thank you.

Nrupesh Shah: Does this answer your question?

Kunal Jagda: Yeah, because I just calculated the capital employed in the result you have given and the point number fifth that you have segment assets minus segment liability that comes to around 8 crores.

Nrupesh Shah: Correct. Sure.

Kunal Jagda: So, I was just looking at any numbers which are deriving from this sheet or not, that is it.

Nrupesh Shah: So, in data sheet as well as in quarterly results, there is an explanatory note specifying this.

Kunal Jagda: Thank you sir.

Moderator: Thank you sir. We have the next question from Mr. Onkar Kulkarni, an Individual Investor. Please go ahead.

Mr. Kulkarni, please go ahead. There is no response. I am moving on to the next question which is from Mr. Devanshu Sampat from YES Securities. Please go ahead.

Devanshu Sampat: Hello sir. Some quarters back you were trying to push our products to China, if I am not mistaken. So, what has been the response of that?

Nrupesh Shah: So, two new models we have introduced in India market from China. And they have received well. We launched them last year. And maybe down the line we may introduce some more models. But, as of now they are doing well.

Devanshu Sampat: And we are also test marketing our products over there as well?

Nrupesh Shah: As of now none of the Indian models we have launched in China. It is not required. GSK manufactures and supplies considering the Chinese requirement. Am I answering your question?

Moderator: Mr. Devanshu? Mr. Devanshu, could you please respond?

Nrupesh Shah: Please proceed. Please proceed.

Moderator: Yes sir. The next question comes from Mr. Nayan Parakh from IIFL. Please go ahead.

The question comes from Mr. Nayan Parakh from IIFL. Please go ahead. Sir, there is no response.

Nrupesh Shah: Is there some connectivity issue?

Moderator: No sir, the participant is not responding. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad.

I repeat, if you have any question, please press * and 1 on your telephone keypad.

Sir, there are no further questions. Now, I would like to hand over the floor to Mr. Naveen Trivedi for closing comments. Over to you sir.

Naveen Trivedi: Hi sir. Can I have one or two questions before we close the conference?

Nrupesh Shah: Sure.

Naveen Trivedi: Since you commented that the competition has largely channel inventories of the last season, so considering that, do you think that the competition can use the discounting tool during this season?

Nrupesh Shah: During the peak season that is April to June, competition was not only granting the credit, but also offering rampant discount. And despite that they are left with huge inventory. So, it is not only the pricing, but the product performance, design, brand and distribution network and service after sales, so combination of all those factors. And ultimately and very importantly, during the off season that is September and December quarter, when trade builds up the inventory with 100% advance, that is also overall reflection of consumer confidence.

Naveen Trivedi: So, when we say the competitors have large inventory, so is it that even the top two, top three players also had a large inventory during the last season?

Achal Bakeri: In the trade, they surely have.

Naveen Trivedi: Okay. So, because the last year the summer was slightly volatile and even some shower has happened during December and I think that has led to the high inventory.

Achal Bakeri: That is right.

Naveen Trivedi: So, considering high channel inventory, but still in the last two-three quarters, if Symphony can grow 20% growth despite the channel also aware about the high competition inventory, it suggests that the acceptance of our all new launches is guiding strong growth in the last two quarters, quarter two and quarter three, is it a fair assumption?

Nrupesh Shah: That is right.

Naveen Trivedi: That is all from my side as of now. And on behalf of HDFC Securities, we thank all of you for participating in this call. We also want to thank the management of Symphony for giving us this opportunity to host this call. Any closing comments from your side if you want, any closing comments?

Nrupesh Shah: Yes, I thank you all the participants and also Naveen Trivedi and also HDFC Securities for hosting this conference call.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant evening.

Note: 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.