



“Symphony Limited  
Q4 FY2020 Results Earnings Conference Call”

May 29, 2020



**ANALYST:**

**MS. GARIMA MISHRA - KOTAK SECURITIES LIMITED**

**MANAGEMENT:**

**MR. ACHAL BAKERI - CHAIRMAN AND MANAGING  
DIRECTOR – SYMPHONY LIMITED**

**MR. NRUPESH SHAH - EXECUTIVE DIRECTOR –  
SYMPHONY LIMITED**

**MR. BHADRESH MEHTA - GLOBAL CHIEF FINANCIAL  
OFFICER – SYMPHONY LIMITED**

**MR. MILIND KOTECHA - MANAGER, INVESTOR  
RELATIONS AND TREASURY - SYMPHONY LIMITED**



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Symphony Limited Q4 FY2020 Earnings Call hosted by Kotak 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 an operator by pressing “\*” and then “0” on your touchtone phone. I now hand the conference over to Ms. Garima Mishra from Kotak Securities. Thank you, and over to you, Madam!

**Garima Mishra:** Thanks Inba, and good evening, everyone. On behalf of Kotak Securities, I welcome the management of Symphony Limited to discuss their 4Q FY2020 and FY2020 results. We have with us senior management of Symphony Limited represented by Mr. Achal Bakeri, Chairman and Managing Director; Mr. Nrupesh Shah, Executive Director; Mr. Bhadrash Mehta, Global CFO; and Mr. Milind Kotecha, Manager, IR and Treasury. I now hand over the call to the management for their opening comments. Thank you, and over to you, Sir!

**Achal Bakeri:** All right. Thank you very much. Good afternoon, everybody, and welcome to the Symphony conference call. I am sure all of you are safe and healthy. The fact that you are here is proof of that. I will start at the normal safe harbor rules apply. I am not going to repeat those. I am going to start with the subsidiaries first that is easier to get it behind us.

Our subsidiary in China, which is GSK, Guangdong Symphony Keruilai Air Coolers Co. Ltd, for the annual sales for FY19-FY20 are down to Rs.42 Crores from Rs.56 Crores the previous year, with a cash loss of about Rs.6 Crores from breakeven the previous year.

If I am going to refresh everybody’s memory, we had acquired the company in 2016 and when we acquired the company, there was a loss of about ~ Rs.17.3 Crores in 2015, which we had brought down to a breakeven in 2019. And from 2020 onwards, it was supposed to make a profit. But because of the US-China trade war, to begin with, and subsequently, the pandemic, the sales were severely impacted. And finally, the company’s sales reduced from Rs.56 Crores to Rs.42 Crores and ended up with a loss. But we are hopeful that, in 2021, despite it being a challenging year with the residual effect of COVID, we believe that we should be at least breaking even, if not profitable by March 2021.

Coming to our subsidiary in Mexico, which is IMPCO, the sales of IMPCO for the year ended in March 2020 was Rs.99 Crores, up by about 13% from the previous year, which was at about Rs.88 Crores, but the net cash profit was down from about Rs.8 Crores to Rs.4 Crores on account of foreign exchange losses. Because of the trade war and subsequently the pandemic, the Mexican peso depreciated significantly, resulting in a steep increase in the raw material costs which it imports and payments for its other imports, including finished goods from India. And that had an impact of about Rs.4 Crores on its net profit. So like I said it ended the year with a net cash profit of about Rs.4



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Crores. But along with this, we have to bear in mind that Symphony made a profit of about Rs.10 Crores on the coolers that it exported from India to Mexico. So if we were to add that, it really is about Rs.14 Crores profit on a sale of about Rs.99 Crores, and the company has zero debt, and there is no investment in that company by Symphony whatsoever. So we really view IMPCO as a distribution arm of Symphony, and so we do not really think of it as an individual company, though it is. So if you look at it in that light, the total picture emerges better.

Our subsidiary in Australia, which is Climate Technologies, it ended the year with sales of about Rs.278 Crores, which was about Rs.206 Crores for the previous year, but the previous year was a nine-month year because we had acquired the company in July 2018. So from July 2018 to March 2019, the sales were about Rs.206 Crores. And April 2019 to March 2020, is the first full year of operations and the sale was about Rs.278 crores. So if one were to annualize it, it is more or less the same as the previous year.

However, in the previous year we had a cash loss (excluding interest and guarantee charges on acquisition term loan) of about Rs.4 Crores versus cash profit of about Rs.12 Crores in this year, Even if we were to include that, the interest and guarantee charges, the net cash profit is about Rs.5 Crores, which was Rs.9 Crores in the previous year. So the swing is about Rs.14 Crores at the cash profit level.

Now again, if I were to refresh people's memory, we had acquired the company for about Rs.203 Crores in July 2018, but we had taken an acquisition loan of about Rs.135 crores. At the company, at the subsidiary level, the interest of which is paid by the subsidiary, which is a tax deduction in Australia. So the real investment in that company by Symphony is about Rs.80 Crores. So that is our real investment. And like I said, there has been a significant improvement in the performance of the company in terms of its cash profit from a negative Rs.4 Crores to a positive Rs.12 Crores. This is primarily on account of major initiatives embarked upon to reduce its cost of goods sold and reduce its cost of doing business. And those initiatives still continue. And in the current year and going forward, we expect this pace to continue. Moreover, there is significant emphasis on increasing the top line, both in Australia and the U.S., both of which are bearing fruit. And just like Mexico, we also sort of view Australia in the long-term as a distribution arm of Symphony. So it will sell coolers produced in India and sold by Symphony in Australia and in the U.S., whereas it will continue to produce heaters locally, which Symphony India does not produce. So apart from heaters, the entire cooler business will basically be sourced from India, so it will also be like a distribution front for Symphony India.

Coming to Symphony Limited standalone as we have conveyed in the past, the previous year 2019 was an aberration because we had a very bad summer of 2018, the April to June quarter of 2018, because of which the sales in that financial year were significantly lower than in the previous financial year, but as we have said that by 2019-2020, the company will revert back to its normal



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levels, which it has. So the revenue from operations are Rs.716 Crores (FY20) versus Rs.524 (FY19) as of last year and Rs.687 Crores (FY2018). And the profit after tax is also Rs.186 Crores (FY20) against Rs.101 Crores (FY19) of last year and Rs.183 Crores (FY2018). So both at the top line level, at the bottom line level and at the margin percentages level, we are more or less back on track with 2018. My colleague, Nrupesh Shah, will be delving further into the numbers. So I will not repeat those at the moment.

At the consolidated level too, for the first time, Symphony Limited has crossed the Rs.1,000 Crores turnover mark, and it ended the year with a sales of about Rs.1,100 Crores. Once again, my colleague, Nrupesh Shah, will go into further details of the specific numbers.

I were to quickly sort of cover the immediate situation, because of COVID, up until the middle of March, the company was doing extremely well. Sometime in 2019, the company had introduced several new models, which were very, very well received by the market and business was pretty good. And then, in the last fortnight of March, because of the lockdown, we estimate that we have lost sales of about 15% to 17%, about Rs.20 Crores to Rs.25 Crores. Because of the lockdown, we could not sort of carry out those deliveries. In many cases, we had actually dispatched the goods, but they could not reach the destination, by accounting standards, we could not recognize that as revenue. So all told, our estimate is that we have lost about Rs.20 Crores to Rs.25 Crores of sales, both domestic sales as well as international.

Then coming to the current quarter, this COVID could not have really come at a worse time for Symphony because it has hit the country bang in the middle of the summer, which is when buying of consumers for air coolers takes place. Though Symphony does sell coolers to the channel around the year, but the channel essentially sells their entire inventory to the end customer only in the summer months. So for us, for our channel, this could not have come at a worst time.

Nonetheless, because we knew that the channel was sitting on significantly high levels of inventory, we did embark upon a very ambitious initiative which we had called the Dial A Cooler, which was essentially an online to off-line campaign during the lockdown whereby we launched a digital media campaign which generated lakhs of inquiries on our website and which were redirected to the local area dealers depending on the consumers' pin code, and the local dealers sort of connected with the customers and carried out the deliveries. This did give us significant sales, which we estimate it to be about Rs.15 Crores to Rs.20 Crores, but it could have been significantly higher were it not for the hurdles that our dealers faced of not being able to open their stores or not being able to carry out the deliveries because of the lockdown rules. But nonetheless, we believe that this was truly a path breaking initiative by the Symphony team, and to whatever measure it helped our dealers, it did.

Then in the last fortnight or so post the partial lifting of lockdown, sales have been very brisk. Fortunately, the weather god has been kind. Temperatures are fairly high across the country. And in



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most parts of the country, our dealers are experiencing significant sales. And if this continues for another couple of weeks or so, then our trade inventory should be at a very, very comfortable level.

So as far as the company is concerned, in the current quarter, we do not expect much sales, but what our greater concern, like I said, is channel inventory. And if the channel inventory gets exhausted, then that is something which we will consider ourselves to be lucky about. As far as the company is concerned, sales maybe 20% or something like that of last year's sales. Again, it is little too early to tell. The summer is still on and our dealers are also experiencing inventory reduction, and they are sort of buying fresh inventory from the company. So if all goes well, by end of June, the sales could be robust, but it really is anybody's guess at this moment, where we will end the quarter. But if the quarter ends well, then we will once again have robust collections in our off-season months, which begin in July. And so July to September onwards, we should be back on track as far as sales are concerned. We might have some challenges in deliveries because some of our OEMs may or may not be able to resume production because of labor shortages, supply chain and logistic bottlenecks, but those are things which we will sort of we able to manage gradually. And we believe that, certainly, towards the end of next quarter, production should get streamlined. So we might, again, not be able to sort of convert all that pre-season collection into sales in that quarter, but we will certainly be able to sort of deliver all of that in the quarter thereafter.

So on the financial front, the company should not really be affected despite these troubles because we have no debt and we have sort of a low breakeven and the business model offers a significant sort of cushion from financial swings. So I think, on the financial front, the profitability would be impacted next year because we will essentially lose one quarter's sales and a quarter's profit, but it will still be something which we can take in our stride. But all the effort that has been put into the new product development, new campaign, the distribution initiatives, all of that, which was meant to bear fruit in this quarter will now really get pushed back to sometime towards the end of this financial year.

As far as the impact of COVID on our subsidiaries is concerned, the company in Mexico is not really significantly affected, sales so far is more or less on track with last year. The GSK subsidiary in China will be affected. But like I said before, despite that, we believe that we will be able to end the year with better sales than FY19-FY20 and at least breakeven, if not make a profit. And the subsidiary in Australia and its step-down subsidiary in the U.S. should also do reasonably well in the current year. If there is some impact of COVID, but even if the top line does not move significantly, the bottom line should surely be better than the previous year.

Having said that, I ask my colleague, Nrupesh Shah, to take over and give his views. Thank you.

**Nrupesh Shah:**

Thanks, Achal Bhai. So coming to specific financials, of course, standalone and consolidated top line details as Achal bhai have shared, but in terms of the quarterly performance, for March quarter on a standalone basis, company sales stands at Rs.154 Crores (Q4FY20) versus Rs.137 Crores (Q4FY19)



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after losing about Rs.25 Crores of quarterly sales but still this reached to about 12% Y-o-Y growth. On an annual basis, the standalone growth is about 37%.

Coming to EBITDA to gross revenue percentage, for the year as a whole, EBITDA stands at about 32% (FY20) versus 26% (FY19), which is one of the highest in last many, many years. And at a PAT level, on a stand-alone basis, for the quarter, it stands at about Rs.45 Crores (Q4FY20) after booking exceptional item versus Rs.19 Crores (Q4FY19). And PAT for the year as a whole, it is Rs.186 Crores (FY20) versus Rs.101 Crores (FY19), which, by the way, is a record PAT historically on a standalone basis. And this translates into PAT to gross revenue percentage approximately 24% (FY20) versus 18% (FY19).

Importantly, in terms of the requirement of the capital and capital efficacy for the year, our average capital employed in the business was negative Rs.16 Crores (FY20) versus Rs.45 Crores (FY19), which proves again the strength of our business model, which is asset-light, capital-light and cost-conscious company. This translates PBIT percentage on capital employed to infinite for air cooler and other appliances segment. In terms of India and Rest of the world growth for the year, the India business grew by about 40% while Rest of the world business, i.e. exports from India, grew by about 14%. At the year-end, the company stood on treasury of Rs.406 Crores, which is in addition to our equity investment in subsidiary companies.

Coming to consolidated financials, Y-o-Y, the growth is 31%. Of course, compared to March 2019, Climate Technology was for 9 months. So it is not really a comparable figure. For FY20, consolidated gross margin percentage stands at about 47%, while EBITDA margin on consolidated revenue is about 23%, which is again one of the highest. On consolidated basis, PAT stands at about Rs.182 Crores (FY20) versus Rs.91 Crores (FY19), which led to PAT margin of about 16% (FY20) versus 10% (FY19). On a consolidated basis, the capital employed in the air cooling business stands at about Rs.197 Crores (FY20), and that translates into PBIT percentage on capital employed about 104%. As far as the return on net worth is concerned, it is about 28% for FY20. On a consolidated basis, the India revenue went up by about 39% while rest of the world at about 20%.

Coming to some other specific aspects, during the year, there is an exceptional item of about Rs.4 Crores, which, according to us, we took a conservative view about our investment in GSK, China. So Rs.1.5 Crores of equity investment, we have made the provision on standalone. In addition to that, the goodwill of Rs.2.5 Crores, we have impaired on a consolidated basis, all in all Rs.4 Crores and hence PAT is post that.

During the year, including interim and special dividend, company distributed all in all Rs.194 Crores, including dividend distribution tax of about Rs.33 Crores, which is in excess of 100% payout to take care of our shareholder reward policy, including earlier year gaps in terms of the payout. Considering this robust payout during the year, we have deemed it appropriate not to declare the final dividend.



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For the first time, we deem it appropriate to share with you, in the data sheet, financials of subsidiary companies with all the given information and also the relevant ratios. Thanks. So with that, you are invited for question and answer.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

**Naveen Trivedi:** Congratulation on a good set of numbers. Sir, my first question is, as consumer demand was healthy in the last 8 to 10 days in the North market. Have you seen any primary revenue in those markets?

**Achal Bakeri:** Have we seen any what? Primary what?

**Naveen Trivedi:** Primary sales.

**Achal Bakeri:** Primary sales on the company. Yes, we have seen some. But what we are trying to do is, first, trying to clear our channel inventory. So even if a channel partner comes to us asking for inventory, but if we know someone else has some inventory, we rather have them sell amongst themselves than from us. Thereby, we are trying to make sure that the channel inventory is as low as possible.

**Naveen Trivedi:** I think you have typical policy of clear out your trade inventory prior to the next season.

**Achal Bakeri:** Yes.

**Naveen Trivedi:** By June end, you typically reach out a zero trade inventory, assuming the season will be healthy in June quarter. I am saying, would you have the same policy even in such situation?

**Achal Bakeri:** Yes. We surely intend to. So in that respect, whenever trade is not having any specific model, from a company level we are supplying. In case of some of the newly launched models neither we at company level nor the trade are having an inventory. So in fact, even in current situation, there is stock out. But the point is first and foremost, we have been likely to clear of the inventory at the trade and then at a company. Secondly, what has happened because of the unique scheme of Dial A Cooler, which were online to offline, which was a path breaking initiative, not only in air cooling industry, but across the consumer durable and white goods industry, in fact trade has received a lot of confidence because no other company could do that kind of handholding which Symphony could do it.

**Naveen Trivedi:** My next question is on your gross margin expansion. So this quarter, we have seen a sharp margin expansion both on Y-o-Y basis and the quarter-on-quarter basis. So what are the reasons for the change?



- Achal Bakeri:** Yes. See, I think we should be more concerned about the annual gross margin percentage. In some quarter, it is possible that it may be on account of the sales mix. And also, it is possible that some of the advances we would have received earlier that we could have delivered in the current quarter. But more importantly, on an annual basis, we have maintained the gross margin. Secondly, at the same time, in Symphony Philosophy, there is a continued value engineering and always a variety of strategies to move to high-value and, hence, high-contributing models. So ultimately, that has helped and likely to continue. But in a medium to long term, our guidance on gross margin would be whatever we have achieved on an annual basis. We should be comfortable to maintain that.
- Naveen Trivedi:** Thank you and all the best to you Sir.
- Moderator:** Thank you. Our next question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.
- Prithvi Raj:** You mentioned about the gross margin expansion being on a basis of sales mix and advantage of crude. So can we fairly assume that this will continue going ahead?
- Achal Bakeri:** No, we did not say advantage of crude. We said continuous value engineering. So really speaking, we have not really yet experienced the advantage of crude because much of that happened after our production was done so it is by and large, because of the sales mix and continuous value engineering.
- Prithvi Raj:** Okay, got it. Are we selling any commercial air cooler now? We are supposed to launch that, right? How is that segment shaping up now?
- Achal Bakeri:** So those were introduced sometime in middle of 2019 and those have been received very well. In fact, as we have conveyed in the note released yesterday, because of this pandemic, many commercial establishments are moving from air conditioners to air coolers because they do not want to use the same recycled air, which air conditioner circulates, whereas an air cooler actually brings in fresh air. So they prefer air coolers, and the commercial coolers have, in fact, received a big flip in the current times.
- Prithvi Raj:** Okay, got it. Sir, last question was that, we understand our competitors would not be able to do the sales just before the season and we sale throughout the year. So can we assume that, in the secondary sales, there will be more of Symphony products over the competitors?
- Achal Bakeri:** That is what we do believe, and it will be presumptuous of us to say how the competition is doing. But if you do go to market, visit markets yourself; you will see a tremendous presence of Symphony models as against the competition. So that probably is a result of what you just said.
- Prithvi Raj:** Thank you that is it from my side.





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- Moderator:** Thank you. We will take our next question from the line of Manoj Gori from Equirus Securities. Please go ahead.
- Manoj Gori:** Thanks for the opportunity Sir. One question would be on the upcoming quarters. So currently, when we look at, obviously, you are also talking about like your channel partners are looking to liquidate the in inventories. So what gives you that confidence? Or are you getting any feel from the market that, in the subsequent quarters, your distributors would be filling the same level of inventories, even after the liquidity issues in most parts of the country? So can you throw some light on that?
- Achal Bakeri:** It is a good question, Manoj. But if you know, this current summer has been fairly good. And despite the lockdown, despite all the challenges, if our trade channels partners are able to liquidate their inventory that will only boost their confidence going forward. And it is an assumption that should result in good collections and sales in the subsequent quarters, but that is a judgment call that we are making at this moment and final thing only time will tell.
- Nrupesh Shah:** Probably, we have created a moat, because as we said earlier, this online to offline initiative, which was a unique initiative of major, handholding, has built confidence in trade and also when in earlier two years, when season was bad, we had taken variety of initiatives. So in fact, even in that respect, probably vis-à-vis the competition, Symphony is well placed.
- Manoj Gori:** Right. Sir, secondly, looking at the current raw material prices, so if there is any favorable impact for us, maybe for the next year sales that we would be doing during the quarters to come, so are we looking to provide any incremental discounts or we will try to retain the benefit so among the distributors?
- Achal Bakeri:** See, Manoj, the selling price is really never a function of the cost price. It is always determined by competitive end-market situation. So whether the cost goes up or down, what happens to the price it may go up when costs go down and the converse may also be true, depending on market conditions? So the cost really has no bearing on our selling price.
- Manoj Gori:** Right. Sir, can you throw more light on Australia? Like what is the current situation, like on the lockdown, how those markets are opening? Or whether they still continue to remain close?
- Achal Bakeri:** They are not closed. In fact, most parts of Australia are open. At the moment, in fact, because of part of the lockdown in the past few weeks, and it being winter in Australia, our heater sales have received a significant boost in Australia. But other than that, I think Australia is also coming back to normal. Our people are attending office and going to the factory and all of that. So Australia is not really as badly affected as we are here.



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- Nrupesh Shah:** By and large, in the current year until post April 1, 2020 current year sales are almost in line with last year.
- Achal Bakeri:** The step-down subsidiary of Australia, which is Bonaire U.S.A. and U.S.A., in fact, has seen significant uptick in cooler sales. And more so, the portable cooler sales, which go from India, basically because people are sitting at home and they need comfort cooling. What applied to heaters in Australia is applying to coolers in U.S.A. So I think, in both these places, the COVID has been a bit of a, I would say, boon.
- Manoj Gori:** Right thanks a lot Sir and wish you all the best.
- Achal Bakeri:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.
- Nirav Vasa:** Thank you very much for the opportunity. Sir, I wanted to understand, from the channel partners' perspective, last two years have been new season content, last year we had demonetization and in this year, it is COVID-19...?
- Moderator:** Mr. Vasa, sorry to interrupt. You are not clearly audible, sir. If you are on a hands-free speaker, switch to a handset mode.
- Nirav Vasa:** I will join back.
- Moderator:** We will take our next question from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Thanks for the opportunity and congratulations on good set of numbers. Sir, I just want to understand, could you tell how much volumes do we do annually? I know we have done some like Rs.650 Crores of India business. Can you roughly tell how much it translates in terms of volume numbers?
- Achal Bakeri:** We have traditionally not shared that number.
- Shrinidhi Karlekar:** But Sir, would it be possible to give a business mix in terms of how much of there our annual volumes come from, say, top 10 cities and how much is the rest of India? Some sort of classification between urban and rural?
- Achal Bakeri:** Again, for competitive reasons, we would really not like to share that number.
- Shrinidhi Karlekar:** Fair enough. Sir, my question really is we talked about that predominantly our secondary sales happened in summer period. Would it be broadly possible to tell how much is there at all? Any secondary sales apart from the summer season because we know for AC; there is at least some sales



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that does happen in non-summer period. There is a typically second summer that we talk about during October, November. So I just want to know how much is the non-summer secondary sales do happen for the air cooler category.

**Achal Bakeri:** See, the sales at least in Southern India, starts picking up sometimes in late January or February onwards. So there are significant sales that also happen at the secondary level, tertiary level actually how we call it, in the January to March quarter. But the belt of Northern and Central India, which is the big market for air coolers, and Eastern India, they are the ones that pick up in the April to June quarter.

**Nrupesh Shah:** But sometimes, occasionally, during the September, October, especially in Rajasthan, when there is a rainy season, air coolers are being used for gift also. And apart from that, in the past years, when there was an extended summer, not only in the month of June, but even in July also, secondary sales have happened. So it really depends how summer behaves.

**Shrinidhi Karlekar:** Sir last one, we did talk upon that May sales has been quite brisk at many of our retail points. Would you say that it is more of a pent up kind of demand supported by like hot summer? Or would you say, even if going into July, we would say the secondary sales would be the level what we have seen in the last year? I just want to understand, is the consumption back to a much normalized level?

**Achal Bakeri:** No, I did not quite understand your question.

**Shrinidhi Karlekar:** Sir we talked about our May sales have been quite brisk at many of the retail points. I just want to understand, is the consumption for say air cooler category is back to the normal levels, like pre lockdown or, say, what we see in the 2019 levels?

**Achal Bakeri:** Yes.

**Shrinidhi Karlekar:** Sir is that the right way to interpret? Or you would say it could be a function of pent up demand and more of a hot summer season, so just your views on that, Sir. That is my last question.

**Achal Bakeri:** So sales going forward could be pent up demand also.

**Nrupesh Shah:** You are right. One is a partly pent up demand because whatever demand could not be satisfied during two months, but on top of it, and cooler is such a product, where there is a lot of instant buying. Secondly, what is also happening, even during this time that even lockdown situation, so at home, when people do not feel comfort, they seek to buy the air cooler. As we have circulated in the note yesterday, there is a government advisory, there is a WHO advisory, whereby there is strong recommendation that air has to circulate, and for that, air cooler is the best product, not air conditioner and on top of it, unlike air conditioner, air coolers most of the models are plug and play so very



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simple to install. In current situation, people do not wish the service provider or installers to come to the home and then disturb it. And combination of all these factors helps a lot, plus the hot summer is helping. So it is a combination of all those factors apart from pent up demand. But unlike in many other the industries, the issues of pent up demand, which adds for 7 days to 10 days. It is not the case in case of Symphony at the ground level, it is temporary.

**Shrinidhi Karlekar:** Fair enough Sir. Thanks for answering my question and all the very best.

**Moderator:** Thank you. Our next question is from the line of Ravi Naredi from Naredi Investments.

**Ravi Naredi:** Thank you for giving me the opportunity. Sir, GSK China is not making profit and what said versus we are earning from rest of the other subsidiaries. So just want to know why your magic is not working in China, you are a magician in the business, really. I tell you truth Sir.

**Achal Bakeri:** Thank you very much for saying that means a lot to us. But in fact, now that you have said this, we will have to work harder to fulfill your words, and we will have to sort of see to it that we also do something magical in China. We will try our best. I really do not have another answer other than just saying that we will try our best.

**Nrupesh Shah:** Except up to March 2019, you would have seen that, post-acquisition, every year, we could improve our performance. And when we acquired, the loss was approximately Rs.17 Crores. In March 2019 we have seen at a cash level, we had broken even. Unfortunately, in FY201920, we had good plans, and many initiatives were taken, but one the U.S.-China trade war and then after this COVID-19, really disturbed it. Hence, on a conservative basis, we decided to impair the equity and goodwill. But also apart from hard core financials, China has many other advantages. One is its state of the art R&D facility, helping to develop some models for Symphony India. In fact, in the current year, that in FY201920, some of the models we have launched also because of the help of R&D facility of China. Even for Climate Technologies, GSK has contributed in some of the value engineering and other initiatives, even in in sourcing. But of course, we need to live up to your words.

**Ravi Naredi:** Sir, one more thing, commercial and centralized air cooling system gives continued business, and top line revenue, bottom line revenue versus individual cooler. So any such certainty in our business to give more weightage to centralized air cooling system or commercial air cooling system versus individual air cooler?

**Achal Bakeri:** We are putting in all our efforts to scale up those two product categories. But so far, in India, it is still a relatively newer concept. So for us, it is more of concept selling and educating the market about the availability of this product or rather the solution. We believe that if India goes the way of many other countries in Southeast Asia, not only China, but even smaller countries like Vietnam and Thailand and Malaysia, the market for commercial and industrial air coolers in India should really explode. I



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think it is just a matter of the market catching onto this solution. And now we have the entire product range. So far, we were also, in some sense, constrained by the fact that we were importing our products. We were not manufacturing these products locally. But in 2019, the manufacturing of these products began in India with a whole new range developed specifically for India. So now the entire supply chain and logistics is very much under our control. Earlier, we used to have situations where we had the product and we did not have demand or we had the demand and we did not have product. Now those mismatches will be history. And now it is just a matter of actually educating the market. Other constraints have been removed. And our marketing team is leaving no stone unturned to do that, but we are very sure that these two categories should also scale up and be significant categories for us. The potential exists. The product is there. It is just a matter of removing the excess stone and making the whole thing shine. So I think that is just a matter of time.

**Nrupesh Shah:** In that respect, as we have shared earlier, repeatedly, the preemptive long term, we really expect it to be a growth engine.

**Ravi Naredi:** All the best Sir and thank you very much to give me opportunity.

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

**Nandan Vartak:** Thanks for the opportunity. Congratulations on good results. Sir my first question is on breakeven point. So I do understand that our breakeven point is very manageable, but my question is on more side of that our below gross profit, other expenses and A&P spend that could be controlled, and what would be strategy there? Or what is thought behind controlling those two lines of expenses?

**Achal Bakeri:** Are you referring to advertising?

**Nandan Vartak:** Yes, A&P and even other expenses.

**Achal Bakeri:** So you are asking why are not we controlling them? Is that what you are saying?

**Nandan Vartak:** No.

**Achal Bakeri:** Nrupesh Bhai, if you have understood the question, maybe you can answer.

**Nrupesh Shah:** Our bulk of the overhead constitute salaries, etc. But in current scenario, we have taken a call, whatever controllable or redundant costs are, we would like to control them. But as of now, we do not have specific numbers in mind. Maybe post June or July, we will take specific call, and we have some alternative plans in that respect. Below gross profit margin, one is fixed overhead, second is advertisement, sales promotion, etc. So in current season, we have not gone for any major



advertisement and sales promotion. In FY20, we have incurred Rs.39 Crores for advertisement and sales promotion expense. In current year, I think it will be substantially lower than that. And third component of the cost is some other variable costs like CSR costs and transportation costs, etc., it will be link to the sales.

**Nandan Vartak:** Similar in other subsidiaries so if you look at consolidated basis, breakeven sales would be double of standalone?

**Nrupesh Shah:** It is varies from subsidiary company to subsidiary company. But we have carried out some sensitivity analysis in current scenario for our subsidiary companies. And as earlier shared, as of now, at least in two major subsidiaries, that is Symphony AU and, secondly, IMPCO Mexico, as of now, there is not much of the impact from COVID-19. In fact, current year starting April 1, 2020 to till date both the companies, sales is almost in line with last year. So we need not to take any dramatic measures which can impact the sales over there. As far as GSK is concerned, of course, we are keeping our fingers crossed.

**Bhadresh Mehta:** Just to add the other expense also includes CSR expenses.

**Achal Bakeri:** Good point. Yes. We have to bear in mind that CSR also goes into other expenses.

**Moderator:** Thank you. We will take our next question from the line of Manoj Gori from Equirus Securities.

**Manoj Gori:** Yes thanks for the opportunity again. Sir couple of follow-up questions. So one thing, you stated like we would be looking to take measures to drive better profitability from Climate Technologies. So can you just elaborate something like what would be the measures that we would be taking or any change in strategy over there?

**Achal Bakeri:** We are in the process of doing multiple things. One is we are rationalizing the SKUs. We are working on reducing the variable costs, the manufacturing costs. So we are negotiating better, buying from different sources, changing the materials that we are using, etc., etc. basically reduce the manufacturing cost. We are also reducing the overheads of the cost of doing business. So there is a significant reduction, and more reduction will be felt in the current year. So by and large, I would say we are working on three fronts. One is increasing sales. Second is reducing cost of goods sold and third is reducing cost of doing business. And so essentially, this is what we are doing. On the sales front, we are adding more products, categories which they never sold before, namely, portable coolers from India are being now sold in Australia and in the U.S.A. This company had never sold portable coolers before. So that is another thing we have done on the sales front. On the cost reduction, like I said, manufacturing front, we are taking various initiatives to reduce the cost of goods sold. And on the overhead front also, we have done significant work, and going forward, in about 2 - 4 years' time,



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this company will look completely different than it does now, and it will be a very, very clean and profit-making machine.

**Manoj Gori:** Right. Well, that is great, sir. Sir, secondly, if you look at in the current Indian market, like many markets are doing extremely well because of the harsh summer. Can you just give a qualitative answer, like what would be the inventories that would have been liquidated over the last 10 to 15 days? So suppose if at the end of March, your entire channel was carrying roughly around 100 units, so what would have been liquidated in last 10 to 15 days?

**Achal Bakeri:** Maybe about 40%.

**Manoj Gori:** Okay. So suppose current scenario remains for another 15, 20 days, so we might see maybe around another 30%, 35% of inventory liquidation, so which should be a very positive picture for us?

**Achal Bakeri:** That is correct. Although this time, the summer has been delayed so the expectations are it might even spill over into July. So, if that happens, then the situation will be very, very comfortable, and whatever little inventory the company is also sitting on should also get cleaned out.

**Manoj Gori:** Right Sir that is very encouraging. Thanks a lot Sir.

**Achal Bakeri:** Thank you.

**Moderator:** Thank you. We will take our next question from the line of Hitesh Taunk from ICICI Securities. Please go ahead.

**Hitesh Taunk:** Thank you for opportunity Sir, pertaining to the last question only. I just wanted to know, how many days of inventory do we have at company level.

**Achal Bakeri:** At the moment? Or are you talking about in March?

**Hitesh Taunk:** No, at the moment Sir.

**Achal Bakeri:** At the moment, depends on how fast it sells. Under normal circumstances, this would have been what we have now would be less than a month's inventory.

**Hitesh Taunk:** You are saying like 40% of inventories are liquidated in the channel front, right?

**Achal Bakeri:** Yes.

**Hitesh Taunk:** Sir, second thing, I just wanted to know how many channel partners or dealers have we added during the year, Sir?



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- Achal Bakeri:** Have we added?
- Hitesh Taunk:** Yes.
- Achal Bakeri:** Again, does it really matter from an investor's perspective? Again, that is sort of confidential information.
- Bhadresh Mehta:** But it is a continuous process, numbers are not shared.
- Hitesh Taunk:** Okay. If not number, then would it be 10% over the last year or 12% over the last year kind of?
- Achal Bakeri:** Again, we would really refrain from disclosing that information.
- Hitesh Taunk:** Thank you that is all from my side.
- Achal Bakeri:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Devanshu Sampat from YES Securities. Please go ahead.
- Devanshu Sampat:** Good evening, Sir just two questions. One is a follow-up on your comment on the aspiration we have or the plans that we have for the commercial industrial side of the business. So we have been pushing this business for a while. I think we got this sort of changed gears after we bought the IMPCO assets, and the plan was of seeing good growth. From then, it has been a couple of years. So what exactly is the feedback from the end user to this segment not meeting our internal targets? Or we will?
- Achal Bakeri:** Frankly, whoever has actually installed those coolers are extremely happy, and they are wondering why they did not use this before. But again it is a cultural thing. I think, in India, say, as far as factories go, most factory owners do not want to spend anything on providing comfort to their workers whereas in places like China or Southeast Asia, unless the working environment is comfortable, worker will not even come to work. Or in fact, they will ask for a hardship allowance. So I think it is more a matter of having a more awareness and a more conscious management or a culture about providing better comfort to their employees, especially at the factory level. So I think it is a cultural thing, it is a transition, which is work in progress and we are seeing that people are becoming more aware of that. So I think it is just a matter of time. But again, this COVID has helped us because the kind of inquiries that we are seeing now is certainly better than we had seen in the past. So I think this is also probably something which is going to be the tipping point.
- Nrupesh Shah:** Yes. In fact there are reports from NASA, there is a report from IIM, whereby clearly proves that there is a correlation between the productivity and temperature. So even in that aspect also there is a clear cut commercial benefit.





- Devanshu Sampat:** On an average, what can be the average investment that will be required for setting up such units? If you can just give me a ballpark figure.
- Achal Bakeri:** Again, we would not want to venture into that. But suffice it to say that whatever money we have invested in these verticals, commercial and industrial coolers, has already been recovered.
- Devanshu Sampat:** No, I am asking in terms of a company that may want to set up at factory.
- Achal Bakeri:** It is again it is very, very widely, it can be as low as 1 lakh of rupee or could be as high as Rs.1 Crores. It depends on how big an area you want to air cool. But at the square foot level, it costs us about Rs.25 a square foot, and it costs about Rs.5 per hour to run.
- Nrupesh Shah:** Vis-à-vis air conditioner, it is about one-third in terms of the capex, and when it comes to the recurring cost, it is just about 8% to 10%. So even just by way of saving of electricity, the payback figure is less than 12 months.
- Achal Bakeri:** Versus an air conditioner.
- Devanshu Sampat:** Second question, if you can just help me understand this. So out of the four regions that we are basically have our asset side to China, South America, Australia and India, so over the years or what has been the plan in terms of shifting to manufacturing hubs? Are we moving to or looking at consolidating to India and China largely? Or even the other two businesses have manufacturing assets in place?
- Achal Bakeri:** Good question. As far as coolers go, for Mexico and Australia, a lot of it is going to come from India. It already is, for Mexico, there are some models which are unique to Mexico, which India does not produce, are being produced locally. Otherwise, in terms of units, about three fourths of their units come from India, Similarly, in Australia, at the moment...
- Devanshu Sampat:** Sir for Mexico is there a bifurcation between the residential and nonresidential over here.
- Achal Bakeri:** The ones that go from India are purely residential, and the ones that they produce locally are the larger ones, commercial and all, the formats are unique to Mexico. For those kind of formats they are more in metal than in plastic, and the formats are only sold in Mexico. So we do not produce them here. So those are produced locally in Mexico. But again, not by the company, they are produced by third-party, by OEMs. Similarly, in Australia, there is only a small percentage of their coolers are currently being sourced from India. But gradually, a lot of their manufacturing will be brought to India, and all their coolers in a period of a couple of years will be sourced from India. Like I said before, the heaters will continue to be produced locally because we do not produce heaters. Just like in Mexico, the format that we do not produce in India is done locally. But other than that, all coolers



will come from India, and China will keep on producing for its own domestic market, as well as the export market, and largely, the export market for China is Southeast Asia.

- Devanshu Sampat:** Okay got it. Thank you very much. Fair enough. All the best.
- Moderator:** Thank you. Our next question is from the line of Riddhima Chandak from Roha Asset Managers. Please go ahead.
- Riddhima Chandak:** Thank you for the opportunity. Sir, my question was that, currently, how much revenue comes from the e-commerce platform?
- Achal Bakeri:** It is not very, very high. But I would not want to specify a number, again for competitive reasons, but it is growing very rapidly. But in terms of the absolute percentage, it is not a very large percentage, but it is growing very rapidly.
- Riddhima Chandak:** Sir, and as in the domestic industrial and commercial coolers, so can you give us the breakup in terms of value? What percentage of that is in industrial and in commercial?
- Achal Bakeri:** Again, there, we do not provide a breakup. But suffice it to say that, as far as commercial and industrial are concerned, that we have, almost in the entire market there are very few other players. Similarly to your previous question about online, if you go on Amazon or Flipkart even now, the majority of the coolers that you will see are from Symphony, and even the sales from there, we know that our market share is a very dominant of the online sales. So that is how it is.
- Riddhima Chandak:** Okay, and can you give us any margin in the industrial and commercial, EBITDA margins?
- Achal Bakeri:** They are pretty much on par with residential coolers.
- Nrupesh Shah:** Margin is also at par in terms of the business model that is asset-light and working capital-light is also in line with that.
- Riddhima Chandak:** My next question is on the inventory side. So out of the total inventory, how much is industrial and commercial?
- Achal Bakeri:** Industrial and commercial is not much. Most of it is residential.
- Riddhima Chandak:** From a longer-term perspective, how this market will become bigger? So going forward, what are your thoughts that this percentage of our revenue comes from the industrial and the commercial in the next three to four years, five years?
- Achal Bakeri:** You are saying how will this market grow?



- Riddhima Chandak:** Yes, actually.
- Nrupesh Shah:** The size of industrial and commercial air cooler in three to five years?
- Achal Bakeri:** For commercial and industrial coolers.
- Riddhima Chandak:** Yes.
- Achal Bakeri:** Again, it will be difficult to give numbers. But if you are talking about what process that we are doing to help it grow, then we our sales and marketing team are taking various measures to make it happen, and they are really evangelizing the concept across the country. But in terms of number what they will be like in three or five years is difficult for me to say.
- Riddhima Chandak:** My question is on cost side. So in the current year, due to this pandemic and all, in terms of quantity, how much do you think percentage will reduce basically overall?
- Achal Bakeri:** In terms of quantity, what will reduce?
- Riddhima Chandak:** How much percentage of the cost you will be able to reduce in the current year FY2021?
- Achal Bakeri:** Cost?
- Riddhima Chandak:** Yes, cost. Yes.
- Achal Bakeri:** You are talking about manufacturing costs or other costs.
- Riddhima Chandak:** Overall, all the costs like raw material and all the other expenses, other operating cost.
- Achal Bakeri:** See, raw material cost is a variable cost. If we sell less, we will produce less, and therefore, it will cost less. Similarly, on advertising, we have significantly scaled down our advertising for the current quarter, which is normally the peak advertising quarter. So we have done that, and on the other costs, because of the pandemic, travel is anyway not happening. So there is a natural sort of a saving in cost over there. On the human resource costs, also, we are sort of being very cautious in terms of hiring and incurring any new sort of investments there. So I think those costs will be under control.
- Nrupesh Shah:** If you are referring to the bill of material cost percentage to the sales price, it is likely that because of low oil prices and also low price of other commodities, we should get the benefit. So that may be an incremental benefit, which may translate into gross margins.
- Riddhima Chandak:** For the current year, how much capex you are looking for any ballpark figure?



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- Achal Bakeri:** Nothing significant. See in regardless of current year or last year, if you look at what capex that we have incurred, compared to our turnover and all of that, our capex is not very high because of the nature of our business and the business model that we have adopted. So we actually introduced many models last year, and we did a significant investment in new models in the last year and the year before that. So in the current year, we believe we have more than enough happening as far as the product range is concerned and not significantly more is required to be done. So in the current year, we do not foresee any major capex.
- Nrupesh Shah:** Last two years, put together even for all new models for its moulds, dyes and other capex, it would not be in excess of Rs.10 Crores, two years put together, and typically, our more than 90% of the PAT is a free cash flow. So that is how the business model is and it will continue that way.
- Riddhima Chandak:** Thank you so much.
- Moderator:** Thank you. That brings us to the end of the call today. We thank the management of Symphony Limited for giving their valuable time. Ladies and gentlemen, on behalf of Kotak Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- Achal Bakeri:** Thanks everybody for joining.