

ANAND RATHI

**“Symphony Limited Q4 FY12 Earnings Conference
Call”**

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ANAND RATHI



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- Moderator:** Ladies and gentlemen, good day and welcome to the Symphony Limited Q4FY12 Earnings Conference Call, hosted by Anand Rathi Research. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Shirish Pardeshi. Thank you. And over to you sir.
- Shirish Pardeshi:** Thank you, Myron and good afternoon everyone. I welcome you all on the 4QFY12 earnings conference call, hosted by Anand Rathi Research. I am happy to say that we have senior management team from Symphony Limited joined by Mr. Nrupesh Shah – Executive Director; and Mr. Bhadresh Mehta – VP, Finance; Mr. Chandrakant Gandhi –Company Secretary; and Mr. Girish Thakkar – GM, Accounts. Without much delay, I would hand over to Mr. Nrupesh for opening remarks. Over to you, sir.
- Nrupesh Shah:** Good evening to everybody. This is Nrupesh Shah. I and my colleagues welcome all of you in this Conference Call. Our standalone performance for FY12 on revenue side has been Rs. 258 crores, up from Rs. 237 crores indicating growth of 9 percentage, and for Q4, up from Rs.59 crores to Rs. 90 crores, showing a growth of 53 percentage, and on consolidated level to Rs. 320 crores, up by 8 percentage.
- Moving to EBIDTA, on standalone level, it stands at Rs. 72 crores, up from Rs. 68 crores, showing increase of 6 percentage and for Q4 up from Rs. 17 crores to Rs. 28 crores up by 62 percentage and at consolidated level at Rs. 79 crores excluding exceptional income of previous year that is '10-11, the EBIDTA was Rs. 77 crores showing increase of 3 percentage. So, in terms of the percentage, EBITDA percentage stands at 29 percentages on standalone for Q4 32 percentage and at consolidated level at 25 percentages.
- Coming to income tax, on standalone it is 19 crores, down from 21 crores year before. For Q4, 7.5 crores versus 5 crores and at consolidated level 20 crores versus 24 crores year before. And in terms of effective rate of income tax, because of our SEZ operations and also recognition of Symphony as R&D center, the effective rate of taxation has come down from 32% to 28% that is by 400 basis points.
- Coming to absolute PAT numbers, for standalone it stands at Rs. 50 crores versus Rs. 45 crores, showing growth of 12% and for Q4 up from Rs. 12 crores to Rs. 20 crores showing growth of 68% and at consolidated level Rs. 53 crores versus Rs. 51 crores showing growth of 4%. And in terms of percentage, year as a whole PAT percentage on standalone stands at 20% versus 19%. Q4 22 versus 20 and at consolidated level at the same percentage that is 17.
- Coming to inventory, as on 30th June '11 we had major concern as we were sitting on inventory of almost 1,67,000 Air Coolers. I am very happy to inform that on standalone basis we were down to almost 39,000 Coolers only and in terms of value down from 42 to 12 crs. and at consolidated level from 70 crores to 43 crores, and that too in couple of high level of

models, including newly launched 'Storm,' in fact in the fag end of the season we were virtually out of stock.

As far as cash bank and liquid investments, as on 30th June 2012, we stand at 103 crores versus 15 crores. This is on account of significant reduction in inventory and accrual of profit for the year.

Coming to average realization of Air Cooler in Domestic market, it stands year as a whole at 5612 versus 5105, showing higher realization by 9.80%, in Export market up from 3036 to 3582 showing growth of 18% plus and weighted average realization that is Domestic and Exports put together stands at 5120 versus 4563, and at consolidated level which includes Impco's realization. Impco's weighted average sale price stands at 6131 versus 5437 year before showing increase of almost .13%.

In terms of total number of Coolers sold on standalone for FY11-12, we sold 4,72,000 versus 4,86,000 that is down by 14,000, Domestic and Export put together, and in Q4, up from 1,25,000 to 1,47,000, and at consolidated level that is addition of centralized and heavy duty Air Coolers at the level of Impco, stand at 4,91,000 versus 5,03,000..

Coming to Industrial and heavy-duty air cooler project executed and done during the year in India, we executed 36 projects versus 6 projects year-before and in terms of value 6.5 crores versus 2.14 crores year-before. And as of now still we believe Industrial and heavy-duty projects that are in concept stage and we are at a level of active negotiation for about 28 projects and value- wise it is approximately 7 crores.

Coming to other aspects of the performance during the year, we ended the year with a robust distribution and dealer network. The number of dealers now stand at 14,000 plus versus 10,200 year-before. The number of distributors 750 plus versus 550 year-before, and during the year we covered 4000 plus towns and cities versus 3200 year-before.

I am very happy to announce that Symphony has been recognized as R&D center by the Government of India, the Department of Science and Technology. And apart from obvious benefit of R&D recognition and competitive advantage whatever R&D expenses in a revenue or capital expenditure, Symphony will be eligible to get additional 100% tax break on that.

I am also happy to announce that for the first time any Indian Appliance and Consumer Durables company, not only in Air Cooler, but across the product category has been recognized for GS registration which is a German standard, which is considered to be the most stringent.

About the dividend, the Board of Directors have recommended 275% that is Rs. 5.50 per share dividend on a face value of Rs. 2 including Silver Jubilee Special Dividend of Rs. 2.50. So, total dividend payout comes to 42% including Special Dividend and without special dividend the dividend payout ratio is about 24%.

During the year, the weighted average Export realization was at Rs. 48. And in the month of May we had on a trial base launched ducted cooler in the market of Jaipur which has received good response. So with this I open for question-and-answer, thank you.

Moderator: Thank you. Participants, we will now begin the question-and-answer session. We have the first question from the line of Nirav Vasa from SBI Cap Securities.

Nirav Vasa: My query pertains to the Export revenues that you have reported for the June-ended quarter. In that there is a minor degrowth of almost around 2 crores. So any specific reason why this degrowth has been reported?

Nrupesh Shah: As I discussed earlier, in some of the models we were out of stock especially high end of models because of robust demand in the middle of the season and due to that we could not cater to some of the Export demand. So, essentially that is the reason. But otherwise, we always maintain that in our industry, in our company, we don't measure the performance on quarter-to-quarter. It is more like a year-to-year and still it is better to measure in medium-term to long-term. So, even if in the Q4, there is a 68% growth, it does not indicate anything. We need to merely see year-to-year how we have performed.

Nirav Vasa: Okay. Sir, my second question pertains to the operations of your subsidiary. Sir, based on these numbers the demand seems to be very robust but what is the sentiment across in that part of the world especially for the White Goods?

Nrupesh Shah: About subsidiaries, most of the sales is in North America and on a standalone basis, Impco has registered about 12% growth and that growth is mainly on account of higher realization. So, we see steady demand over that.

Nirav Vasa: So sir is it really easy to pass on the pricing in this part of the world, especially in the North America?

Nrupesh Shah: I don't know whether it is easy or difficult. We have been in a position to realize higher value almost by 15% in North America. To give you very specific numbers Impco's weighted average realization in year '10-11 was 7594, and in '11-12 it stands at 9131. So, this is about weighted average realization; 9131 versus 7594 that is almost 20% up. Of course, it is also on account of product mix and also on account of higher realization.

Nirav Vasa: Sir, how many new products were launched in this year?

Nrupesh Shah: During this year, we launched two new models; that is Storm 100 and Storm 70. Storm 100 to cater 1000 square feet of cooling area and Storm 70 to cater 700 square feet of cooling area and both the models have been received extremely well. Even though at MRP level one is at Rs. 12,000 and another one is Rs. 15,000. In fact by April end itself we were out of stock in both the models.

Moderator: Next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

- Grishma Shah:** Just wanted to know you did mention that there was a strong demand for certain products and therefore you see Exports have taken a beating or you chose to cater to the Domestic market. Is there anything else that one should read at, because if one looks at the Impco volume in the North American region also they have taken a slight dip. Is there some other reason for that?
- Nrupesh Shah:** No, we don't have any other specific reason.
- Grishma Shah:** In the other countries, the volume in terms of number of units is down substantially to 853 units compared to 2262.
- Nrupesh Shah:** No, as far as the other countries are concerned, in fact, it is almost the same volume as it was a year before. In fact, to be very precise, other than North America, the volume was about 57,000 versus 65,000.
- Grishma Shah:** I am talking about Impco standalone.
- Nrupesh Shah:** Impco standalone if I talk about '11-12 top-line it was about 77 crores on a standalone basis versus 69 crores year before. But at a consolidated level its effect will be about 63-64 crores because on consolidation sales from Symphony India to Impco Mexico, we have to net it off. So on a standalone basis value-wise it has registered almost 11-12 percentage growth.
- Grishma Shah:** Sir my question is within Impco standalone there are two things that you have given. In other countries the number of units is 853 versus 2262 that you have done last year.
- Nrupesh Shah:** Unit-wise it stands at that way, but if you look at the value-wise it stands at 263 lakhs versus 241 lakhs. So value-wise it depends what was the sales mix, but in totality, it is insignificant. So value-wise it stands about 8-9% higher than year before. Quantity-wise you are absolutely, right, down from 2200 to 850.
- Grishma Shah:** Okay, I move on to my next question. The other thing is that you did mention about executing these projects. So, by and large where is this income registered, is it in the standalone or on the consolidated?
- Nrupesh Shah:** Which income?
- Grishma Shah:** 6.5 crores of 36 projects that you have executed, industry coolers?
- Nrupesh Shah:** Part of that is at Symphony standalone and part of that is at Impco standalone level, because when you look at Impco standalone in other countries, it is mainly in fact India, and part of it has been built directly from Symphony India.
- Grishma Shah:** And if year-on-year one had to look at the realization jump that one has seen in the rest of the world category on a consolidated basis, how much of it would be due to the currency and how much would it be the pure pricing in the local currency?

- Nrupesh Shah:** In currency-wise I can tell you. In year '10-11 that is the year before our weighted average Export realization was at 44.75 and '11-12 our weighted average realization has been 48. So, it indicates currency appreciation of almost 7% and rest of it is on account of higher price and on account of better sales mix.
- Grishma Shah:** And would you be able to also highlight on your FOREX hedging policy?
- Nrupesh Shah:** As far as FOREX hedging is concerned, to Impco we have to sell on credit, we give about 4-6 months credit and against sales to Impco last year, we had availed packing credit facility from the bank. So it will also imply hedging. And as far as non-Impco sales is concerned, entire sale is on cash-and-carry. So, it doesn't require any hedging. As far as loans and advances to our subsidiary companies are concerned almost half of the loans and advances have been hedged and weighted average realization of that hedging is close to Rs. 52.50 and balance half loans and advances is unhedged.
- Grishma Shah:** Sir, the short-term borrowing that we see in your balance sheet for FY12 on a consolidated basis is due to the packing credit that we avail?
- Nrupesh Shah:** Absolutely, and packing credit also why we avail despite being a huge cash surplus, that was available to us only at 2.75% rate of interest and the equivalent FDs which we placed at 10%. So it was giving us clear cut markup of 7% plus
- Grishma Shah:** And the tax rate would remain at this year's average tax rate for FY13?
- Nrupesh Shah:** We expect it to be at about 28% also, because now SEZ is fully operational, last year was the first year of SEZ benefit.
- Grishma Shah:** And how do you see now FY13 going ahead given that FY12 was the flat year for us?
- Nrupesh Shah:** 1) We don't give any forward-looking statement. But if I talk about the month of July '12 so far in first 30 days July '12 collection is a typical off season, is more than the collection of the first quarter of the last year. What I mean to say, July to September '12, whatever our Domestic sale was, in first 30 days the collection is more than the first quarter of the last year, again, I am not giving any forward-looking statement in this. So, it should not be extrapolated and imply that for rest of the quarter or current quarter or year as a whole it will happen, we only need to see year as a whole how we perform. But this is what it has happened in first 30 days. So it is a very positive surprise to us also.
- Grishma Shah:** Yes, it is a great start to your financial year. Wish you good luck.
- Nrupesh Shah:** And it transmits into a collection of almost 80,000 Air Coolers in first 30 days.
- Grishma Shah:** And just wanted to check now this quarter onwards, that is July to September will we start getting the consolidated quarterly number?

- Nrupesh Shah:** We are trying for that, but I am not sure, the reason being as we discussed earlier, our Impco's accounts are in Spanish, and we normally try to publish our results within 10-12 days after end of the quarter and from Impco to Singapore we have to consolidate it so there are several currencies involved and apart from that in first two quarters that is September and in December-end at Impco level it is absolutely off season, very negligible top-line and mostly overheads, but still we are working upon if we can consolidate, but only in September or October, we will come to know whether it will work out or not.
- Moderator:** We have the next question from the line of Kirti Dalvi from Enam Asset Management. Please go ahead.
- Kirti Dalvi:** Just wanted to check on, since we have improved our balance sheet this year as well in terms of our inventory and working capital and quite a good of free cash flow generation which has happened and we declared Rs. 5.5 dividend. Do we see this policy going forward continuing?
- Nrupesh Shah:** Rs. 5.50 of dividend has two parts; Rs. 3 that is 150% is normal dividend and Rs. 2.50 is a special dividend linked with silver jubilee year. So both together the payout is 42% and without special dividend it is 24%. So this 24% in terms of the payout ratio has to only go up, down the line if we continue the cash flow like this.
- Kirti Dalvi:** Sure, but on a absolute level if I see it on a Y on Y basis next year, we will see maintaining the same rupees per share kind of dividend or we will maintain the 25-30% kind of pay out ratio?
- Nrupesh Shah:** Payout ratio without special dividend should certainly go up from 24%. At what level? Very difficult to say or comment right now. But I think in our kind of the company and industry where we generate good cash flow, if we don't come across any good acquisition opportunity probably the only way out is to distribute good dividend because we can deploy our free cash flow either in acquisition or dividend.
- Kirti Dalvi:** And I know it is too premature to comment on the year as a whole but what could be the potential target for the current year in terms of our growth outlook?
- Nrupesh Shah:** For the year it is very difficult to give any specific numbers, but what we have maintained, in medium to long term whether in domestic market, international market and considering Industrial and Heavy Duty Air Coolers, we expect very heavy growth to maintain in medium-to-long term, not necessarily quarter-to-quarter or year-to-year. So, overall in last 3-5 years whatever growth we have achieved this healthy growth should be possible to maintain.
- Kirti Dalvi:** And in terms of the industry, how do you see the industry growing for the current year?
- Nrupesh Shah:** I think as far as Domestic market is concerned our Residential Air Cooler market size was almost stagnant. But, our market share has increased from 45% to 50% despite new players entered. So '11-12 there has not been overall any major growth in terms of the volume, mainly because hangover effect of summer '11. Secondly, there was an extended winter and even initial summer

almost till 10th of May was not really good. Of late it really picked up and products were sold like hotcake.

Kirti Dalvi: Sure, so for the year as a whole I know, but will we be able to get into high teens kind of growth for the current year?

Nrupesh Shah: In first 30 days, as I initially mentioned, I think year has begun very well as I said first 30 days I have seen a collection of more than what we registered a sale in the first quarter of last year. I don't know whether it does indicate anything or not. So very difficult to say whether it will be very high growth, low growth or sluggish growth but in medium to long-term we are very bullish.

Moderator: The next question is from the line of Sumit Duseja from SPA Securities. Please go ahead.

Sumit Duseja: Just a few book-keeping questions first of all. What has been the number of the units for Domestic Air Cooler and Exports in Q4?

Nrupesh Shah: In Q4, Domestic numbers have been about 1,13,000 versus 71,000 and Exports have been about 34,000 versus 53,000.

Sumit Duseja: And how many units of Geyser we would have sold in Q4?

Nrupesh Shah: Q4, sales return of 104, so no sales; but negative sales in Geyser.

Sumit Duseja: Further sir I have a question on Industrial segment. You mentioned that the revenue we earn from the Industrial segment was about 6.5 crores. That was completely from India?

Nrupesh Shah: No, it is mix from India and from Impco both. It is a mix of two.

Sumit Duseja: And how much it will be from India only?

Nrupesh Shah: From India only it would have been close to 4.5 crores.

Sumit Duseja: And sir how you have been seen the response from the overall market and even how the pipeline is building up especially in India considering it has a high-end tapped potential. What is your outlook overall in the current, how the response has been from the client side?

Nrupesh Shah: No. 1) As of now there is no national or international player in Industrial and Heavy Duty Air Cooler and there are all local fabricators whether in India or abroad. The technology and the product of Impco in this category is quite superior and there is no product comparison vis-à-vis local fabricators. No. 2) actually if you see the market in this segment of Industrial and Heavy Duty Air Cooler and if we go by the market estimate as per the balance sheet of Blue Star and Voltas is at least 7000 crores plus market. And for Industrial and Heavy Duty Air Coolers for our kind of product, virtually every factory godown and large residential house and commercial space is a potential customer. We also need to keep in mind this is more like of a very initial stage for us and the concept selling. So we don't expect any huge numbers in

absolute figures in a year or two, but again in medium to long term it should do well, and it is equally profitable.

Sumit Duseja: And sir the 7 crores project estimation you mentioned, how much would be from India in this?

Nrupesh Shah: Probably, it should be 30% from India and 70% from Mexico, as per the current mix.

Sumit Duseja: Further there has been a fall in employee expense in Impco as well as in standalone numbers.

Nrupesh Shah: No, there is no reduction in employee cost or number of employees. As this being year end figure, last quarter is a balancing figure between year as a whole and first nine months; nothing more than that.

Sumit Duseja: Further what has been your outlook for Impco going forward considering we have already done lot of restructuring and we are now set with our lean balance sheet also. How exactly do you see the triggers that that would increase the demand for Impco?

Nrupesh Shah: 1) At level of Impco also, since summer '11 we have started good TV ad campaign in terms of the sales and marketing which has never happened in North America as far as Air Coolers goes, not only by Impco, by any of the company and it is receiving a good response. 2) We are also trying to enhance the dealer and distribution network and see if Air Cooler market is closely linked with the revival of the housing market of US. 3) We have succeeded in making good value engineering. When we acquired this company it was absolutely in the red. And having negligible EBIDTA margin now it is having a healthy EBIDTA margin and still we perceive that there is some more potential to improve it further. And as far as Industrial and Heavy Duty Air Cooler segment goes, it will also be linked with the pick up of the product in India because that will be totally supplied from Impco Mexico.

Moderator: The next question is from the line of Hardik Shah from AlfAccurate Advisors. Please go ahead.

Hardik Shah: Can you throw some light on the Impco's market share in North America in terms of Residential and Industrial segment? Because actually I was going through the numbers, as we can see the volume numbers were dipped and realization increased. So, just wanted to understand the market industry environment in North America region in terms of the entry/exit barrier in the market, number of players, our market share and what is the pricing power in that market,. I mean, Impco is a price-setter or price-taker.

Nrupesh Shah: 1) The weighted average realization at a level of Impco is about 9100 versus 7600 a year before and if we break it up further in North America the weighted average realization has been 8900 versus 7500. Now it has also to do with the product mix. It is not purely on account of higher realization; in fact it is mix of both. So, it is not just attributable to higher realization, it is also attributable to product mix. 2) If we talk about other countries, which is mainly to India, in fact, the unit realization is 30,900 versus 10,600, but don't read much into that. It is also linked with kind of the project which have been executed in India because in Industrial and Heavy Duty Air Cooler if there are some large factory orders per unit realization will be very high, if there will be

small orders per unit realization will be low. Now coming to a pricing, of course, we have been able to increase the price in the range of 5-12% in North America that is number one, and number two, in terms of our market share I think in North America we will be commanding close to 20% of the market share.

Hardik Shah: And we are charging a premium of 5-7%, right?

Nrupesh Shah: In North America it would be in that range, 5-7%.

Hardik Shah: So who is the other large player and the market share of that player, if you can share?

Nrupesh Shah: In Mexico and US there are actually seven other air cooler companies and the revenue would be ranging from \$5 million to \$30 million and market share depending on the turnover would be ranging from 5% to 25%.

Hardik Shah: I mean we will be top five in that market in North America?

Nrupesh Shah: Certainly.

Hardik Shah: And sir if you can even share the Q4 number of Impco in terms of the realization as well as units?

Nrupesh Shah: We don't have Q4 numbers, the reason being the consolidation has been done only year as a whole, and otherwise also it won't make much of the sense, because as I said earlier in first two quarters i.e. September quarter and December quarter at a level of Impco there is hardly any sales activity. Only in March quarter and June quarter, there is an activity. So this you can say that by and large is a realization in the last two quarters.

Hardik Shah: So I mean what I was thinking in terms of the Impco, the average realization was higher, number of units was lower. So, going ahead in terms of the product mix, if you can share the key products which comprise almost 80-90% of your total pie in North America through Impco?

Nrupesh Shah: In standalone level 77 crores is the revenue, out of which almost 65% would be from Industrial and Heavy Duty Air Coolers and about 35% would be from Residential Air Coolers.

Hardik Shah: So going ahead you don't see any negative surprise from the North America region, because we must have witnessed the price hike in the last quarter during the season. So, when will be the next price hike bracket?

Nrupesh Shah: We haven't decided yet.

Moderator: The next question is from the line of Kiran Chheda from Value Quest Research. Please go ahead.

- Kiran Chheda:** Sir, can you give me the market growth for this quarter? We have seen very big growth in the Domestic market. So how the market also grown similarly or it is that we have grabbed a lot of market share?
- Nrupesh Shah:** You should not see the market just for a quarter, because this is not an industry where on a daily basis, weekly basis or quarterly basis it happens. We should really look at year as a whole. And I think year as a whole, it has been almost a flattish year. If we just compare last quarter, then, of course, Q12 has been much higher than Q11, not only for us, maybe even for our competitors. But June Q11 was substantially lower than June 12. You know it will be very unfair to compare just quarter-to-quarter, it can be very misleading.
- Kiran Chheda:** Are we seeing any raw material cost pressure? How is the raw material side on a year-on-year basis?
- Nrupesh Shah:** As of now we are not seeing any raw material pricing pressure and even otherwise also our R&D and E&D team is really very well whereby our raw material prices don't increase proportionate to increase in raw material prices. So, we are always in a position to have a good value engineering and really very excellent cost value proposition, but as of now we are not seeing any cost pressure and if at all it is there, we do also have a pricing power.
- Kiran Chheda:** How many extra dealers or sales points would we have had on a year-on-year basis?
- Nrupesh Shah:** I think you would have joined later on. In my initial remarks I had conveyed that. Our number of dealers stand at 14,000 plus versus 10,200 a year before. Number of distributors 750 plus versus 550 a year before and our presence in a number of cities and towns have increased to 4000 plus versus 3200 a year before.
- Moderator:** The next question is from the line of Pravesh Rawat from CRISIL. Please go ahead.
- Pravesh Rawat:** I have two questions. The first question is on the selling and distribution expense. In this quarter selling and distribution expense is highest in the last five years and as per my knowledge, normally Symphony gives discount to push the sales in the first half, because it is a non-seasonal quarter. So have you given such type of sales discount during Q4 also?
- Nrupesh Shah:** No, it doesn't reflect any discount. On the contrary, if you have compared our weighted average realization and realization is net of any discount in our case. So Q4 realization in Domestic market has been 6224 versus 5473.
- Pravesh Rawat:** Again, as you said, realization could be a reason of your product mix, and....
- Nrupesh Shah:** Also, on account of the sales in peak season, because in our case the realization is more in off season and the realization is higher in peak season. So this 6224 versus 5473 indicates almost 14% is higher realization; of course, on account of product mix and also on account of better pricing. Coming to your question of selling and distribution, in our case, it include very small part of discount and commission, which involves freight and transportation that is the logistic

cost, 2) CFA cost. 3) Sales promotion and advertisement cost and 4) VAT, that is our value-added tax, and if you see in Q4 of '11 it was 12.31 crores and now it stands at 18.11 crores. So it is higher by almost 47% while our sales is higher by almost 55%. So, in fact, it has increased lower than proportionate to sales.

Pravesh Rawat:

Sir on an average what was the price hike in Q4 maybe on a Q-o-Q basis?

Nrupesh Shah:

In our case by and large we don't resort to month-to-month or quarter-to-quarter price hike, unless there is an exception. What we do, we decide the price normally well in advance in the beginning of the year, and we follow the practice of lower price in off season, in the sense the dealers or distributors will get the lowest price for billing or collection in the month of July, slightly higher in the month of September, again slightly higher in the month of October, and as it comes to closer to the season that is the highest price. So, we don't resort to price hike on a monthly or quarterly or in between the year unless there is an exceptional situation.

Pravesh Rawat:

But as you said that there was a huge amount from the Export side, so have you increased price in this quarter for the Export sales?

Nrupesh Shah:

As far as Export goes many a times. So, what I said is true for Domestic market and not for Export. Many times in Export the price is linked with the quantity, potential and kind of the model mix. So, in Export, it may be consignment-to-consignment or even country-to-country. There it may not be uniform even for all the country for the same model.

Pravesh Rawat:

Sir, my second question is related to dealers and distribution network, not in India but in international market. So how has been the progress in terms of channel partners building in international markets?

Nrupesh Shah:

In international market now our presence is in almost 60 countries. Of course, out of 60 countries, about 8 countries contribute substantial sales, not all the countries, because in most of the other countries we have either **just seeded** the market or we have entered only in last 2-3 years. 2) In last one and a half year we have appointed country managers in almost 10 countries. And 3) in terms of the channel partner or appointment of dealers or distributors especially in some of the South East Asian countries and some of the Middle East countries, we have succeeded in having very good dealer and distribution network. But again, the export or international market is a market where we will see the result only in medium-to-long-term and we are sure that whatever efforts we have made or the market we have **seeded**, I think in medium to long-term it should yield the result.

Pravesh Rawat:

I just wanted to know can you give us the break up of the sales in terms of regional distribution in India?

Nrupesh Shah:

I would say that at the year end in North, West it was almost equal sales, third region was east and fourth was south.

Pravesh Rawat:

How much was the North and West?

- Nrupesh Shah:** North and West would have been almost 30-33% each. East would have been almost 22-23%, remaining would have been from South.
- Pravesh Rawat:** And sir what has been the reason for such a depressing performance in the Southern region?
- Nrupesh Shah:** We need to find out the reason, if you can throw some light what is happening in other companies and other industries.
- Pravesh Rawat:** And sir mix of sales in terms of organized and unorganized, from retail or from unorganized sector?
- Nrupesh Shah:** In modern retail in current year we have done very well, say, in year '10-11 modern retail had contributed slightly above 2.5% of the sales. Now, in '11-12 it has contributed almost 10% of the sales, and that includes some of the TV sales like CJ stars and home and modern retail and there we see really very promising. So, not only in absolute numbers I think even in terms of the percentage it should register very robust growth.
- Moderator:** The next question is from the line of Sachin Kasare from Lucky Securities. Please go ahead.
- Sachin Kasare:** You did mention that during the quarter I think till the first or second week of May it was a little subdued and then it picked up. If you could just throw some more light on that it would be really helpful. And secondly, second part of the same question is that if the environmental factor to do a bit more with that or did you also sense in terms of overall consumer sentiment?
- Nrupesh Shah:** I got your first question. Let me answer that. This year overall what happens, there was a hangover effect of the bad summer of '11. So in two or three quarters there was a hangover effect over and above that, post-Diwali even in Consumer Durable segment, especially at a trade level, sentiments were not good. And thirdly, one winter was stretched and extended. And that is how in the first nine months there was actually in our case a degrowth at our top-line level, and then even summer did not setting time for us but of late, that is starting from middle of May actually, summer setting well especially in North India and East India and from there almost till third week of June it was a good summer and there were good numbers.
- Sachin Kasare:** Actually, my second part of the question was, this large part of recovery driven by pickup in hot conditions post-May, or are you also searching some real in terms of consumer sentiments. You know, the people who may be on the edge, but now because they experience some, so they are going ahead and buying it.
- Nrupesh Shah:** Fortunately, in case of Symphony, it is a consumer pool in terms of the demand. So what happens, whenever there is a summer, wherever there is a heat, consumer ask for Symphony products. And once consumer asks for the Symphony products, the dealer or distributor whether the sentiments are good or bad has to pick Symphony products and has to supply; otherwise he loses the business. So we are not much by and large concerned with sentiments or economy, but we are always more concerned about the heat.

- Sachin Kasare:** So is that also the reason why you mentioned this July month has been extremely good because temperatures have remained on the higher due to delayed monsoons, is the business you got from the market?
- Nrupesh Shah:** I don't think it has to do anything with delayed monsoon, but it has certainly to do with a good delayed summer of '12, because what has happened in summer of '12, by and large trade doesn't have any inventory and products were sold in end May and June like a hotcake. So, of course, it is a positive sentiment at the level of trade. And what happens in off season, there may not be much of the secondary sales, except in the month of September and October, but because of extremely good of late summer, their sentiments are good and then they are buying it.
- Sachin Kasare:** My second question is on the trade distribution where you mentioned that we have significantly expanded. So, is the overall growth that we have seen entirely driven by the new trade, in a sense what was the contribution of the new trade and was there also growth in the old channel for the full year?
- Nrupesh Shah:** I think it is very good suggestion. We will carry out that exercise.
- Sachin Kasare:** And secondly, if you could throw some light on what is the plan for trade and distribution expansion for the current financial year FY13?
- Nrupesh Shah:** We are looking at increasing number of dealers from 14,000 to 20,000; number of distributors to around 900 and presence in 4500 plus cities and towns.
- Sachin Kasare:** And my last question is on financing. Are we having any tie-ups regarding making financing available for the consumers? And if yes, what is the type of sales we are experiencing from financing of goods?
- Nrupesh Shah:** Except Industrial and Heavy Duty Air Cooler, Residential Air Coolers are small ticket purchase. So as such doesn't require any financing option, but what happens especially in rural market and semi-urban market at the trade level the distributor or dealer organize this,. But I would say that in our overall sale, finance option at a level of end consumer would not be more than 5%.
- Moderator:** We will take a final question from the line of Arun Baid from IDBI Capital. Please go ahead.
- Arun Baid:** The volume number in Impco, it has come down by about 2000 units if I compare year-to-year. I understand your realizations are better, but can you give me some reason like what happened in Impco specifically? India, we understand a bit more.
- Nrupesh Shah:** In Impco overall volume in North America is about 78,000 compared to 80,000 and Impco as a whole about 80,000 compared to 83,000. Now in trade and business unlike excel spreadsheet few thousands here and there doesn't matter, we shouldn't read much into that.

- Arun Baid:** The volume goods would have been a bit higher. I do understand equations do change because of the product mix, but I guess from our view point the business growth is more from the volume front. So I was pretty perplexed by seeing that numbers actually on the Impco front.
- Nrupesh Shah:** In many a times what happens at a marketing strategy level, sometime in some of the modern trade or some of the distributors obviously considering the margin are obviously considering the potential. They trying to push higher value of product. There may be a variety of reasons. We cannot attribute one or two reasons to that.
- Arun Baid:** Okay, for this year because now we have got a product mix possibly in Impco done, the way we wanted to. Now, can we see the volume growth coming back in Impco?
- Nrupesh Shah:** You will see that volume growth in medium to long term. If you ask me in '12-13 what will be the volume growth, my guess is as good as yours.
- Arun Baid:** And sir second thing was, you said that you normally give a higher discount in the month of July to distributors and then it comes down over a period when the season begins. So can you just give us an idea how is the discount like in July and how much it has come down to let's say in April-May?
- Nrupesh Shah:** No, I cannot give you month-wise discount number. What I can tell you, year as a whole, our trade margin is almost 25% which is a weighed average of off season, mid season and peak season.
- Arun Baid:** And sir what is the peak number like in that?
- Nrupesh Shah:** I think it is very difficult to share that detail.
- Moderator:** Thank you. I would now like to hand the floor over to Mr. Dhaval Dama for closing comments.
- Dhaval Dama:** I would like to thank the management and all the participants for participating in the call on behalf of Anand Rathi Research. Thank you, sir.
- Moderator:** Thank you. On behalf of Anand Rathi Research, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.