



## **“Symphony Limited Q3 FY 2015 Post Results Conference Call”**

**April 21, 2015**

**B&K SECURITIES:**

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GOODS**

**SYMPHONY MANAGEMENT:**

**MR. NRUPESH SHAH - EXECUTIVE DIRECTOR  
MR. BHADRESH MEHTA – CFO  
MR. C V GANDHI - COMPANY SECRETARY  
MR. GIRISH THAKKAR – GM ( ACCOUNTS & FINANCE)**



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**Moderator:** Ladies and gentlemen good day and welcome to the Symphony Q3FY15 post results conference call, hosted by Batlivala and Karani Securities. 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid from Batlivala and Karani Securities. Thank you and over to you Ms. Baid!

**Renu Baid:** Thank you Zaid. Good evening everyone, on behalf of B&K Securities, I would like to welcome the management of Symphony Limited to discuss the post Q3 FY15 results. Today we have with us from the management, Mr. Nrupesh Shah, Executive Director, Mr. Bhadresh Mehta, CFO, Mr. C V Gandhi, Company Secretary, and Mr. Girish Thakkar, General Manager, Accounts & Finance. I would like to welcome Mr. Nrupesh Shah to kindly discuss and share the brief about the current quarter and thereafter we can start with the Q&A session. Over to you Sir!

**Nrupesh Shah:** Thank you. I welcome all of you to the Q3 analyst conference call. My colleagues, Mr. Bhadresh Mehta, CFO and Mr. GirishThakkar, General Manager Accounts have also joined me.. In my discussions, review and as well as in reports of data sheets or other workings which we would have shared, there may be forward-looking statement based on management plan and assumptions; however, the achievement of results and such forward-looking statements are subject to risks, uncertainty, whether external factors and even inaccurate assumptions. We undertake no obligations to uptake any such forward-looking statements or estimates.

Let me start with segment wise brief overview of major developments during the quarter and first nine-months. In residential air cooler in domestic market distributors enrollment has exceeded the target and it is up by 7% over last year. Window range which we launched last year and added new model have succeeded, has received big response and same time meeting with the expectations. About modern trade the billing so far is up by 51% over last year, not only that we could start the placement quite early that is by January end compared to February end in last year.

We have also launched some exclusive models for e-commerce as announced earlier. E-Sampark and Apps to monitor the field staff activities has been launched successfully. This relate to improvement in dealer visits, town visits, and also improvement in business

quality. Current year we have launched new advertisement campaign and the entire focus of that residential air cooler and air campaign is on “no power consumption” basically to attract the consumers who are using only fans and no other cooling devices.

In the country there are 164 million households who are using fans and we expect to convert some of them into air cooler, again the focus of advertisement campaigning electricity consumption, which is in fan. In the current year as announced earlier we have substantially enhanced the advertisement budget expecting long-term fruits of the same.

Coming to centralized air cooling segment, we launched package air coolers, package air coolers have been launched for the first time in the country. They are compact, easy to install, having low maintenance, they are metal coolers and the cooling capacity for the first time in air cooling segment has been major in terms of the tonnage. The huge advantage lies in the fact that these coolers are extremely low payback period ranging from six to twelve months and savings in electricity consumption vis-à-vis electricity consumption of air conditioners.

There are four models of package air coolers, 4 tons to 12 tons and in terms of CFM it is starting from 3500 CFM to 10000 CFM. For package air coolers, we have decided to market through network of dealers and hence these ranges have been offered to HVAC dealers and there has been excellent response. Many dealers roped in for the PAC and there is also good initial response from the customers too, starting from current quarter they are being manufactured locally, which will lead to faster response time, and economical costing due to saving in custom duty and we have started procuring from OEMs specialized in sheet metal component.

Regarding Centralized air cooling customers, during the quarter and in first nine months, we have executed the orders across the segments, these are factory establishments, education institutes, restaurant,, religious and cinema halls, laboratory, railways, etc. We have also succeeded to sign in the rate contracts with HDFC Bank and ICICI Bank for their rural and semi-rural low cost branches, even all decathlon stores will have symphony air coolers to cool their showrooms. We have healthy pipeline of customers across the segments.

During the quarter and first nine months, we have further strengthened a team of centralized air cooling field people. In centralized air cooling for the first time, we have come out with advertisement campaigns, which have received encouraging response. We have also

launched some promotional activity over and above to participate in the trade fair and exhibitions but conveyed earlier we expect centralized air cooling segment to show long-term growth and having a huge long-term potential.

Coming to international business, during the quarter, we restarted the operations and exports in Vietnam, new market that is Cambodia has been opened up; however, in some of the Middle East countries like Egypt and Syria on account of political turmoil the exports have been partially affected there during the quarter and the first nine months supplies to IMPCO have steadied.

In today's board meeting, I am pleased to inform that board of directors of the company has considered proposal for an international synergistic acquisition. The board has empowered Chairman and Managing Director and the Executive Director to explore the potentiality of synergy of convergence with the affairs of the company to accomplish its broader vision to tap the export market. Considering that non-disclosure undertaking and international practice, it is desirable to maintain complete confidentiality at this primitive stage and therefore any further information thereon will be revealed at appropriate time, if needed.

Just a few weeks before we have shifted our registered and corporate office and earlier Symphony was functioning in four different offices, now all the functions and departments are working under one roof, which we expect will lead to better coordination and efficiency. We fiercely protect our intellectual property rights including design registration, trademark, etc., Very recently about a month before we could get stay order against Cello Brand belonging to Wim Plast Limited who have copied our four models, over and above we also got the stay order and restrained Chhaparia industry as well as about eight others small-to-mid sized suppliers.

Coming to Q3 and first nine months, financial performance in first three months our net sales has been Rupees 138 Crores versus 113 Crores and in first nine months sales has been 392 Crores versus 301 Crores while gross revenue including treasury income stood at 146 Crores in January to March 2015 quarter versus 116 Crores, registering growth of about 27% while in first nine months gross revenue stood at 412 Crores versus 313 Crores registering revenue growth of 32%. In terms of total volume of air coolers in current quarter, we have sold about 213000 air coolers registering the volume growth of 13% while in first nine months we have sold 615000 air coolers versus 494000 registering volume growth of 25%. This is the volume growth on domestic as well as international also.



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Coming to EBITDA numbers, EBITDA stood at 51 Crores versus 36 Crores in March quarter showing growth of 43% in absolute number while EBITDA percentage to sales stood at 37% versus 32% while EBITDA in first nine months stood at 135 Crores versus 91 Crores showing growth of 49% and EBITDA percentage to sales grew from 30.20% to 34.4% that is more than 420 BPS for nine months of the current year.

About income tax effective rate of income tax in last quarter stood at 28% versus 23.8% of the previous year while in nine months it stood at 29.1% versus 26.4% ,it is an increase of almost 2.7%.

Coming to profit after tax, PAT it stood at 36.5 Crores versus 27 Crores that is an increase of 35% while PAT percentage to gross revenue jumped from 23.4% to 25% while in nine months it stands at 94 Crores versus 66 Crores that is PAT growth of 42% and PAT percentage to gross revenue it is 22.80% versus 21.1%.

Coming to capital employed as you know, we have two segments one is the air cooling segment that is home appliances segment. The capital employed in home appliances as on March 31, 2015 stood at 122 Crores that is down from 133 Crores year before despite increase in gross revenue while remaining amount that is 189 Crores versus 112 Crores that is the treasury and this translates into PBIT percentage on capital employed 157% on annualized basis in last quarter versus 118% while in nine months PBIT percentage on home appliances segment stood at 194% versus 145% while PBIT percentage on corporate fund stood at 16.3% versus 5.5% mainly on account of one time gain on some of the treasury investments. While in nine months the treasury PBIT percentage stood at 10.30% versus 7.20%.

With this I will open it for Q&A.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Pritesh Chedda from Emkay Global Financial Services. Please go ahead.

**Pritesh Chedda:** Sir my question is on the volume growth side, if you just check last year numbers, it was about 37% volume growth Year as a whole, but in the first nine months there is 25% growth and in the Q3 it is about 13% growth so any thoughts there for this change in growth and if you could dissect growth both into domestic and export related growth?



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- Nrupesh Shah:** In March quarter volume growth has been about 13% which is lower than March 2014 but till beginning of March volume growth was excellent; however, on account of unseasonal rain and hailstorm in two to three weeks of March in many parts of the country growth is lower; however, having said that in nine months the overall volume growth is about 24% and at the same time as per our strategy we are continuously moving from low value product to high value product so per unit realization is also higher.
- Pritesh Chedda:** What is your assessment in April and how do you see the volume growth panning out for this financial year?
- Nrupesh Shah:** I feel it is too early and as we have conveyed in the past overall we maintain that in medium-to-long-term we expect to register CAGR value growth on a consolidated basis 20% - 25% and having said that in some quarters and in some year there may be high growth, in some quarters there may be low growth, but in medium-to-long-term we are confident to maintain 20% - 25% CAGR growth.
- Pritesh Chedda:** My two other questions is what explains the rise in taxation in the first nine months and in this quarter?
- Nrupesh Shah:** Rise in taxation is number one on account of most of the treasury income earned during the quarter was taxable, which was not the case earlier. and number two domestic earning was higher which is subject to the full taxation.
- Pritesh Chedda:** My last question is in the opening remarks you mentioned that the sales and marketing expense you have increased but when I see the numbers, I do not see a proportionate increase in sales and marketing expenditure proportionate to the revenue growth. So how should we see this expense line? Should for Symphony this expense should grow proportionately or there is every reason to believe looking at the first nine months also that it might not grow proportionately?
- Nrupesh Shah:** In our case, sales and marketing expenses in absolute amount wise as well as percentage of sales includes distribution cost, it includes logistic costs, it also includes VAT and advertisement and sales promotion. Normally our most of the advertisements and sales promotion expenses are in June quarter.
- Pritesh Chedda:** What kind of budget do we have on the advertising and sales promotion cost?



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- Nrupesh Shah:** Are you referring to amount of advertising?
- Pritesh Chedda:** Amount?
- Nrupesh Shah:** No, it is going to be substantial jump compared to last year once we complete the year and the quarter we will come up with the exact numbers.
- Pritesh Chedda:** Thank you and all the best.
- Moderator:** Thank you very much. Our next question is from the line of Atul Mehra from Motilal Oswal Securities. Please go ahead.
- Atul Mehra:** Sir you spoke about international market where you actually are looking at new developments, so can you just elaborate more on that?
- Nrupesh Shah:** About international market our focus is on North America, Middle East and South East Asia and of course in the first two quarters we have also received some major orders from the African countries and they continue to be our priority markets.
- Atul Mehra:** But you also spoke about in your opening remarks about some particular development that you are looking at the distribution or something of that sort. So I actually missed on that so if you can just repeat that once?
- Nrupesh Shah:** That I was referring about domestic market, in domestic market whatever internal target we had decided in terms of appointment of number of distributors we have met with that. In fact it has exceeded and in terms of number of distributors as of now is up by 7% compared to last year.
- Atul Mehra:** Sir second was a more book keeping kind of question, I just wanted to arrive at this. In terms if you just look at the realization number of units that you report for this quarter that would be about 134.6 Crores while the total revenues would be about 137.5 Crores so this 3 Crores difference will be what exactly would this constitutes?
- Nrupesh Shah:** You referring to breakup between domestic sales and export sales?
- Atul Mehra:** No you reported two numbers in terms of realization and then number of units sold



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- Nrupesh Shah:** As far as per unit realization is concerned it stood at about 6328 average realization domestic and export put together in first nine months v/s 5986 of previous year, and last year as a whole per unit realization was 6299. **Atul Mehra:** What I am saying is if we just multiply the number of units into the realization per unit so we get about 134.6 Crores in terms of sales whereas the reported sales is about 137.5 Crores so that 3 Crores which is balance should we infer that to the industrial business or what exactly would that 3 Crores be?
- Nrupesh Shah:** This is on account of sale of spare parts, so this domestic sale is inclusive of residential air coolers as well as spare parts.
- Atul Mehra:** Some update if you could highlight in terms of how e-commerce as a channel could be doing for you because now you have launched exclusive set of products for e-commerce and more if you can elaborate on whether you have been tying up with the select set of e-commerce players or you have been tying up with multiple players and generally strategy towards that?
- Nrupesh Shah:** We are selling through almost all available alternatives of e-commerce and we are doing reasonably well and we have direct tie up with e-commerce sites but having said with e-commerce there is also a market place model in the sense some of the distributors or dealers also sell directly to e-commerce platform on which we do not have any control neither we nor any of the company can have any control in terms of the pricing thereon it but as per our experience so far it does not affect much.
- Atul Mehra:** Right now what percentage of our sales could be on e-commerce channel?
- Nrupesh Shah:** It is too premature. I think we need to wait till year end because most of the e-commerce or for that matter modern retail sales happens in March quarter and June quarter and as of now modern trade which is inclusive of e-commerce as well as TV channels is up by 61% over last year.
- Atul Mehra:** In terms of early indicators for the exclusive products that we launched on e-commerce so that there has been doing well?
- Nrupesh Shah:** Yes, it has received reasonably good response.
- Atul Mehra:** That is it from my side. Wish you all the best.



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- Moderator:** Thank you very much. Our next question is from the line of Gaurav Sanghavi from Bajaj Allianz. Please go ahead.
- Gaurav Sanghavi:** Good evening Sir. My question is related to gross margin improvement. Do you think gross margin improvement is sustainable because of the decline in the commodity prices?
- Nrupesh Shah:** At current commodity prices it is sustainable and gross margin improvement is on account of number one reduction in commodity prices and second is improvement in sales mix and third is also better economies of scales and higher per unit sales realization.
- Gaurav Sanghavi:** The second question is on the our plan of acquisition, which we have put forward, is it more of related to expanding a reach and it would be more of a distribution based acquisition or it is planning of entering into kind of industrial cooling business in particular country or it would be technology base?
- Nrupesh Shah:** About acquisition whatever we have announced, I cannot say anything more than that.
- Gaurav Sanghavi:** Thank you.
- Moderator:** Thank you very much. Our next question is from the line of Jaya Rathi from Capital Metrics. Please go ahead.
- Jaya Rathi:** Good evening Sir. I wanted to know the differential between industrial and residential air cooling business, in terms of how it has done in this quarter breakup?
- Nrupesh Shah:** You have seen in domestic market our bulk of the business, in fact more than 90% is from residential air coolers and rest is centralized air cooling. As we have conveyed earlier in my opening remarks, still centralized air cooling segment is growing having a long-term potential and we have taken initiatives but still in terms of the value and size, it is small.
- Jaya Rathi:** So in 2014 we have made about 48 Corers for centralized air cooling right?
- Nrupesh Shah:** No we have not conveyed that.
- Jaya Rathi:** In 2014 IMPCO has made sales of 48 Crores for centralized air cooling is that right?
- Nrupesh Shah:** On a consolidated basis in centralized air cooling all in all last year our sales was about 65 Crores out of which bulk of about 65 Crores was from IMPCO.



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- Jaya Rathi:** You have given the guidance of 1 billion revenue for a span of five to ten years is that right?
- Nrupesh Shah:** No that is not right.
- Jaya Rathi:** Then what is the guidance for centralized air cooling?
- Nrupesh Shah:** For centralized air cooling the guidance in the medium-to-long-term that is over a period of five to 15 years should be considering in India there is not a single national or international company and for that matter even internationally there is not a single company having this kind of the product and technology that is number one. Number two across the segment including almost all the factories, godowns, many religious segments, education institutes they are the potential customers but it is more at a concept stage so we have to educate the customers, we have to educate the trade and hence in India we are very bullish on that in medium-to-long-term. As far as North America is concerned or some other markets are concerned that product is well accepted and doing well, but having said that in last three years or so, in India we have already succeeded in executing centralized air cooling projects across the segment including some of these very reputed marquee costumers.
- Jaya Rathi:** Thank you Sir.
- Moderator:** Thank you. Our next question is from the line of Ganesh Radhakrishnan from Pristine Portfolio. Please go ahead.
- Ganesh R:** Congratulations on the good set of numbers. You mentioned in an earlier question that in the month of March your sales were affected because of hailstorms in North India so I want to know even in April I understand there have been some widespread rains in India and also there is a prediction that this year the monsoon may set in couple of weeks in advance. So I just want to know is it going to have bearing on your sales for this quarter?
- Nrupesh Shah:** It is too early to predict anything for June quarter but having said that in June quarter our sales is closely linked with the weather but at the same time in domestic market we sell across the country across the territory and across the channels. So normally it does not happen that there may be a bad season or early rain across all the states but having said that of course it is closely linked with the weather in June quarter.



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- Ganesh R:** But usually your Q4 is to be significantly higher than the rest of the quarter so now that you have a strategy of kind of spreading your sales across all the quarters so I want to know this Q4 is it going to be significantly higher or it is just going to be marginally higher than the rest of the quarters?
- Nrupesh Shah:** We need to wait till we come up with June performance sometime in July or August.
- Ganesh R:** Coming back to this EBITDA margin you mentioned, in current quarter, it is currently running at 35%, is it that it is a sustainable level or you still see there is a room for growth there?
- Nrupesh Shah:** I would talk about operating margin. Operating margin we see at current commodity prices not only that considering the pricing power of our products in branding at operating level, it is sustainable and EBITDA level it is net of sales overheads and advertisement. So at EBITDA level it may or, it may not match the number.
- Ganesh R:** Thank you very much.
- Moderator:** Thank you very much. Our next question is from the line of Ankit Jain from Equirus Securities. Please go ahead.
- Ankit Jain:** Thanks for the opportunity. Congrats on shifting to new corporate office. What could be the total amount we have invested in case of this new corporate office?
- Nrupesh Shah:** We have shifted very recently. So still exact numbers are being compiled but broadly speaking as we have built on our own by sourcing the raw materials and other materials directly and also supervising the contractors directly and as it was done on our own I think vis-à-vis the market rate cost to us is 60% to 65% of the market rates but we will come up with the cost at the end of the year once all the figures and details are fully compiled, but in our case all the costs including land, construction and furniture fiction almost are now fully paid off.
- Ankit Jain:** For first nine months what could be our advertisement and promotion spend?
- Nrupesh Shah:** Nine months advertisement and sales promotion would be close to Rs.70 million or 7 Crores.



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- Ankit Jain:** So sir that is versus roughly 22 Crores-odd is what we have done in fiscal year 2014?
- Nrupesh Shah:** Yes.
- Ankit Jain:** Sir coming on to how do you see in this quarter employee expenses has gone up substantially sequentially QoQ basis so is this going to be at the same runrate going ahead?
- Nrupesh Shah:** Our most of the advertisement and sales promotion expenses are incurred in June quarter.
- Ankit Jain:** I am talking about employee expenses, employee expenses has gone up substantially QoQ it is almost higher by 25% QoQ, so is this going to be the runrate?
- Nrupesh Shah:** About employee expenses the better comparison would be to see nine month because sometimes what happens there might be increments in the first quarter or it might be in the second quarter and similarly the effect of some of the incentives may be in first quarter, second quarter or third quarter, so relevant comparison will be employee cost stands at about 23 Crores versus 19.5 Crores that is increase of less than 20% and at this annualized average that is slightly less than 3 Crores a month should continue.
- Ankit Jain:** Sir how do you see dealer inventory as on end of March quarter because of this hailstorm and all there might be some channel placement has been done and second the offtake is not up to the mark so do you see as on March ending, there would be substantial higher dealer inventory?
- Nrupesh Shah:** Especially in Southern India where summer sets in early, there would be substantial lower inventory, in other parts of the country normally summer sets in middle of March or early April. So in those parts in the current year as well as in the earlier years as on March end dealers and distributors do sit on inventory.
- Ankit Jain:** Sir lastly how new launch with Siesta has done? How is the response, new model in the residential air cooler Siesta?
- Nrupesh Shah:** Yes it has received good response.
- Ankit Jain:** Thank you Sir and all the best.
- Moderator:** Thank you very much. Our next question is from the line of Ravi Naredi from Arihant Capital. Please go ahead.



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- Ravi Naredi:** First of all congratulations for 100 billion company. We wish it should be 1000 billion soon. Company has policy to declare 50% profit as a dividend, but every quarter we are not getting interim dividend so any plans for same?
- Nrupesh Shah:** See for last two years that is starting from accounting year 2013-2014, we started the practice of declaring interim dividend half yearly. So year 2014-2015 is the second year where we continued the practice. As far as dividend policy is concerned, we are committed to it. That is 50% of the profit will be distributed by way of dividend so at the end of the year whatever is the remaining amount, it will be distributed and down the line, board will take appropriate decision whether is there any possibility to have quarterly payout or not.
- Ravi Naredi:** Second, this treasury fund is for acquisition you have mentioned in last concall so any development in three months for acquisition?..
- Nrupesh Shah:** We just announced today.
- Ravi Naredi:** No more detail will you give us?
- Nrupesh Shah:** As we have announced today that is the detail available as of now because this was on account of the non disclosure undertaking, which we have signed is decided and that is how the practice is to maintain the confidentiality and still it is at a very primitive stage so as and when there will be any further development and if required we will share additional details.
- Ravi Naredi:** Can you give the breakup of domestic sale and export sales in this quarter?
- Nrupesh Shah:** In this quarter domestic sales stands at about 112 Crores and exports that is rest of the world stands at about 26 Crores.
- Ravi Naredi:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of R. Pattabiraman from Metro Investments. Please go ahead.
- R. Pattabiraman:** I wish to congratulate you for the fabulous numbers. My question is regarding that competition mainly, besides this Cello brand what you are talking about that you got an injection, I read that the Voltas is also coming up to this air cooler segment what is your



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policy to come back to competition or will it affect us or will the competition expand the market you have any idea about that?

**Nrupesh Shah:** Did you refer Voltas?

**R. Pattabiraman:** Yes of course I read the Voltas is also planning to enter the air cooler segment.

**Nrupesh Shah:** Over a period of time many players have entered air cooler segment. Currently also in organized market there are more than seven, eight players and we always welcome the competition. According to us as more organized players enter it will increase the size of the cake. There will be more and more awareness and there is such a huge unorganized market where one can also shift from unorganized to organized. We initiate the legal action only in cases where there is a rampant copy of our design or violation of our trademark otherwise we are perfectly fine.

**R. Pattabiraman:** My second question is regarding IMPCO in Mexico in the last quarter you said that we were planning to sell of the assets and you have the policy of outsourcing how far it has gone now selling of the assets?

**Nrupesh Shah:** As we announced last quarter that process will take about two to three years and it is progressing satisfactorily as we have desired but that outsourcing will happen in stages over a period of time.

**R. Pattabiraman:** We have signed an agreement with the HDFC Bank and ICICI Bank for installing centralized air conditioners in their branches. What is the sales policy for these customers, Do we extend any credit or it is also on cash and the delivery basis?

**Achal Bakeri:** Actually Symphony as a company does not give any credit, so these sales will all be basically routed through our dealers and they are the ones who will implement the project. They will buy from us in cash and they may or may not give credit to HDFC Bank or other customers that is between them and the customers. As far as the company is concerned, all the sales are entirely by cash.

**Nrupesh Shah:** In the past also and even currently we have executed several orders for corporates, government institutes and other organizations so whenever they need the credit it is being routed to the trade channel and trade is more than happy to exchange the credit to that and to give an advance to us.



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- R. Pattabiraman:** Thank you very much. My best wishes to you for the future ahead.
- Moderator:** Thank you. Our next question is from the line of Viraj Mehta from Value Quest Capital. Please go ahead.
- Viraj Mehta:** Congrats for the great set of numbers. As you said in one of the earlier calls, the total market is close to 3000 Crores can you give us some updated numbers in terms of where the market is and how much is organized and unorganized according to you as of now?
- Nrupesh Shah:** Of course updated number we can share and we will have a good idea at the end of the year but as it stands currently total domestic market size of residential air cooler is close to 6 million units out of which organized market is close to 1.2 million units and three four years before organized market was 0.5 million units and we expect overall air cooler industry will grow on an average at about 10% to 15% and organized market should register even a better growth since down the line, GST will be implemented and we expect that it will be a quicker shift from unorganized to organized market.
- Viraj Mehta:** My second question and the last question is regarding the court case that you are filing with Cello in the court if I know correctly has even without hearing the other side, court has given a stay on five models of Cello is that correct?
- Nrupesh Shah:** Yes that is correct. It is on account of the strength of the design of the registration and prima facie very clearly establishing that there was a rampant case of copy of our design and even in case of Cello as I mentioned this, in case of some other companies also we have succeeded that.
- Viraj Mehta:** Because Wim Plast was one of your earlier vendors that you had, was it because of that?
- Achal Bakeri:** It is true they were our earlier OEM many years ago, may be five six years ago.
- Viraj Mehta:** Till what time do you expect an outcome of this and would this mean an end of story for the other company as far as air coolers is concerned?
- Nrupesh Shah:** As you know as it is under court purview, so outcome can come in one day to couple of years. It is not in our control.
- Viraj Mehta:** I just ask for your best guess about it.



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- Nrupesh Shah:** Difficult to say, because it is possible that at the moment it is at the level of High Court, whosoever loses, they appeal to the larger bench and they are also free to approach to Supreme Court.
- Viraj Mehta:** Has the other company challenged the stay order in the Supreme Court?
- Nrupesh Shah:** Now why we should challenge.
- Viraj Mehta:** The other company I asked, has the other company challenged the stay order that we got in the high court in Supreme Court.
- Nrupesh Shah:** No now about Cello they have taken up with the High Court to establish their designs and the matter is running on merit basis and High Court will decide appropriately by knowing the views of both the sides.
- Viraj Mehta:** Thanks a lot and best of luck for the future.
- Moderator:** Thank you. Our next question is from the line of Kamalesh Kotak from Asian Markets. Please go ahead.
- Kamalesh Kotak:** Congratulations for great set of numbers. Sir firstly as you mentioned that the difference between the sales reported 138 Crores versus the calculated number is because of spare parts right?
- Nrupesh Shah:** Yes 138 Crores is inclusive of sale of Spares.
- Kamalesh Kotak:** So my question is Sir where do we report the industrial cooler segment, is it also included in the realization that we report?
- Nrupesh Shah:** See if we go to our segment sales you have primary segment in form of the home appliances and secondary segment we do have domestic sales and international sales. As far as primary segment is concerned, it is recorded in the home appliances as far as secondary segment is concerned it is recorded for sales of centralized air cooling in India, in domestic market and as far as exports which is negligible as of now, it is registered in exports.
- Kamalesh Kotak:** So the realization also is including that industrial cooling in matter?
- Nrupesh Shah:** When we talk about per unit realization it is inclusive of centralized air cooling.



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- Kamalesh Kotak:** Secondly Sir how much was there extraordinary treasury gain in current quarter, can you quantify the same?
- Nrupesh Shah:** Roughly about 6.40 Crores that was mostly taxable.
- Kamalesh Kotak:** Thirdly what is the status of proposed SEZ which was to be set up, how much progress has been made there?
- Nrupesh Shah:** No it is ready to start the operations in the current quarter however we will be commencing the operations from April, 15 onwards.
- Kamalesh Kotak:** What would be the utilization at our Surat SEZ?
- Nrupesh Shah:** Surat SEZ as we know the capacity is about 200000 units and capacity utilization in the year 2014-15 should be in excess of 60%.
- Kamalesh Kotak:** Great Sir. Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Apurva Kumar from Jefferies. Please go ahead.
- Apurva Kumar:** I have two questions and pardon me if I am repeating these. I joined the call a little late. Firstly, I wanted to understand the demand outlook going into the summer season what kind of demand have we seen till now and secondly on the impact of GST I heard that you did mention that you will see some benefits but can you talk a little bit more about that?
- Nrupesh Shah:** About demand so far it is just three weeks of the current quarter. So it is too premature and normally would turn on a week-to-week basis or month-to-month basis so we need to wait till June end, having said that in June quarter, demand and our performance is closely linked with weather but otherwise trade sentiments, customer sentiments everything is quite positive.
- Apurva Kumar:** Sir has there been any impact of the unseasonal rainfalls that we see last month?
- Nrupesh Shah:** No as I said for couple of weeks in March, there was some impact on account of unseasonal rain and hailstorm.
- Apurva Kumar:** But at the moment you do not see any major difference?

- Nrupesh Shah:** As of now it is not there but during the current month also in some parts of the country, we being such a large country and geographically so widespread, something here and there keeps on happening.
- Apurva Kumar:** On the impact of GST, would you be able to give us some sense on how much benefit you see coming through in next couple of years once GST is implemented?
- Nrupesh Shah:** We feel that GST should be highly beneficial to us because currently unorganized sectors, which is contributing close to 80% of the total sales by and large it is evading all sort of taxes and broadly speaking about 30% - 35% is the total impact of VAT and excise duty and other taxes so to that extent there is a possibility of narrowing that gap but having said that we need to really see in what form and in what shape GST get introduced because still there is no clarity about it.
- Apurva Kumar:** Sir just one last question, what proportion of your sales would be coming through e-commerce route and is it significant at this stage?
- Nrupesh Shah:** I answered it earlier, but still it is too early because most of the e-commerce sales starts in February end and in the beginning of March, so it seems to be viewed better in July end and as far as total organized retail is concerned, which is included the modern retail, e-commerce as well as TV channel as of now sales it is up by 51%.
- Apurva Kumar:** Thanks a lot.
- Moderator:** Thank you. Our next question is a follow up question from the line of Jaya Rathi from Capital Metrics. Please go ahead.
- Jaya Rathi:** I just wanted to understand like you said, after the proposed SEZ comes in so what will be guidance on the tax rates?
- Nrupesh Shah:** As on account of tax rate would be say year as a whole about 28%. Maximum marginal rate is 33.99% but broadly it should be around 28% year as a whole.
- Jaya Rathi:** Sir with IMPCO you said the model is going to be outsourced going forward. Can we expect a certain working capital free up there in terms of inventory rate?



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- Nrupesh Shah:** We have already announced. We expect that as and when it is implemented, it is likely to happen over three years, we expect its assets mainly real estate to do monetize so whatever working capital support is being provided by Symphony India that should be completely de-blocked and over and above that we expect that it should also have some surplus which can take care of its working capital and also its future growth and more importantly on account of outsourced business model we will be in a position to improve its operational efficiency and also it will be in a position to focus on sales and marketing research development etc.
- Jaya Rathi:** Sir it is too early to ask this question but in outsourcing model is it like we are going to make advance payment to the other party for manufacturing goods?
- Nrupesh Shah:** Normally it does not involve advance payment. Normally it is the credit, but having said that in India we do have nine outsourced facility with some suppliers and if we are convinced about the credit rating and the financials and if we get different cash discount which is substantially higher than the treasury income so we do not mind giving limited advances.
- Jaya Rathi:** Sir going forward this is for modeling purposes and I was looking at the working capital days and in last two years it has been coming down so can I expect that it will go down further or the same cycle should continue for next two years?
- Nrupesh Shah:** I think it will be the same amount.
- Jaya Rathi:** So it should be around the same? Sir just a last question on rural and urban breakup in terms of volume so are we concentrating more on urban India or rural and what is the strategy going forward.
- Nrupesh Shah:** We believe our growth is coming across the geography, across the segments, whether it is urban, semi-urban or rural, but at the same time we are continuously enhancing our distribution network. There is a robust growth across the geographies and even among urban as well as the rural. But when we say rural it does not mean rural...
- Jaya Rathi:** Probably I would put it as urban and tier one, tier two cities?
- Nrupesh Shah:** That is right.



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- Jaya Rathi:** If you could just give me breakup in sales even in the value terms for the domestic products how much is coming from urban India if you can share that number?
- Nrupesh Shah:** Probably urban was contributing about 30% and 70% was rural and semi-urban for current year once we announce our dealer network we may be in a position to come up with the numbers.
- Jaya Rathi:** Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.
- Saurabh Ginodia:** Good Sir. I would like to know what kind of margin profile do you enjoy in your central air cooling business.
- Nrupesh Shah:** In central air cooling it is almost comparable margin and comparable business model.
- Saurabh Ginodia:** That is it.
- Moderator:** Thank you. Next question is from the line of Rabindranath Naik from SBI Cap Securities. Please go ahead.
- Rabindranath Naik:** Thank you for giving the opportunity. I want now how much revenue we have booked in this quarter in the packaged air cooler segment?
- Nrupesh Shah:** I do not have exact number but as far as I know we are selling it off. We received good response but I do not have exact figure.
- Rabindranath Naik:** What is the typical execution period for setting up this system in a client site?
- Nrupesh Shah:** Air coolers will be in number of rates depending upon the size and kind of the installation, execution period depending up on the size and the installation.
- Rabindranath Naik:** The brochure that has been given in your website says that it is Rs.150000 so typically how big the client's site would be to take this cost into account?



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- Nrupesh Shah:** About installation time, we will be running into few days, but we are not concerned with that, the reason being Symphony just supplies the product. It is about the trade partner who installs it.
- Achal Bakeri:** Symphony does not execute orders or anything like that, that is being done by the dealers and Symphony is only concerned with supplying the air cooler.
- Rabindranath Naik:** So that cost is 150000 client will bear and what is the portion you will bear?
- Nrupesh Shah:** 1 lakh to 2 lakhs.
- Rabindranath Naik:** The installation cost is client's installation cost.
- Nrupesh Shah:** That is right. This is the basic air cooler over and above that there might be Rs.2000 to several thousand rupees of low side work as it is called which is ducting, installation, plumbing whatever, installation cost as well as running electricity cost too on client account.
- Rabindranath Naik:** It is a normal building you can install this air cooler right the package air coolers?
- Nrupesh Shah:** Very much.
- Rabindranath Naik:** So there is no further customization required from the client side to implement this?
- Nrupesh Shah:** No, none whatsoever.
- Rabindranath Naik:** Thank you sir and all the best.
- Moderator:** Thank you. Our next question is from the line of Prateek Chowdhry, an Individual Investor.
- Prateek Chowdhry:** It is great to see Symphony post such extraordinary results and the market cap is almost 11000 Crores now so congratulations for the spectacular run Symphony has had. I have two questions. The first one is that I want to understand how your window range of air coolers are doing in the market because I believe the window range seeks to target a very large part of the unorganized air cooler market. So I would basically want to understand how the two new models that were launched recently which were having very powerful motor and exhaust fan, how have they done and out of your total domestic air cooler sales in the current quarter approximately what percentage of sales comes from the window range of air

coolers and if you could give me some idea on how do you see the window range of air coolers growing and what sort of revenue potential do you see in the next two three years from the window range?

**Nrupesh Shah:** Window range of air coolers we launched in 2013-2014 and expanded the range in the current year and all the models are doing very well and by launching window range we created one more category of air coolers it is like package air cooler and it is also in competition with the unorganized sector, so it is doing well having good margin. As per that numbers are concerned we do not give the breakup model-to-model or new range and we do not have the details for all that. We expect these range to continue to do so.

**Prateek Chowdhry:** My second question is on the competitive intensity basically a lot of your competitors have been quite aggressive in launching products in the current summer season and the few stores that I visited in the Delhi region I see less and less stores space being taken up by Symphony's products which is not the case in the last year. So just wanted to get some idea from you as to how the competitive scenario in the industry is changing and whether any steps are being taken as far as channel strategy or trade margins are concerned?

**Nrupesh Shah:** We see that more and more players have entered and are entering in air cooler industry just like any other industry. Having said that we have maintained and we are confident of maintaining our market share. In fact last three four years many more players have entered and despite getting organized market we have not only maintained but we have slightly increased the market share, not only trying to considering the fall in the realization one it clearly shows that we do have a pricing power to, in fact even in off season even though our competitors try a lot, they are in a position to sell hardly anything during off season.

**Prateek Chowdhry:** So you do not see any threat from the competitive intensity side. You do not see any threat from the new products that have been launched by Usha or Maharaja Whiteline or companies like that?

**Achal Bakari:** The competition is not new phenomenon. This has been happening for many years. We also introduce more products so that is hardly an issue.

**Prateek Chowdhry:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Anuj Jain from Value Quest Capital.



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- Anuj Jain:** Congratulations for the good set of numbers. Sir I have one question regarding the industrial coolers so like then we are pitching to the customers so do we pitch ourselves or it is the trade partner who pitches to the customers for the coolers?
- Nrupesh Shah:** It is both. We do have trade partners and sales do happen through trade partners but at the same time some of these large project orders are also sometimes being issued by our sales team, but that conveyed earlier even if we receive the orders directly but if it involves some credit we prefer to route it through dealer or trade partner so that if required they can exchange the credit to the customers.
- Anuj Jain:** So the relationship with the customers is maintained by the trade partner not Symphony?
- Nrupesh Shah:** It depends. It varies. If it is a large corporate like a bank or something like that, then the relationship is at two levels both for Symphony and for trade partner, corporate level by Symphony at a local level and a branch level by the trade partner.
- Anuj Jain:** Then it clarifies because for the large banks or for large clients it make more sense for the company to have direct contact because then only we can scale up otherwise the dealers might have these smaller ambitions to scale up like that?
- Nrupesh Shah:** That is at the corporate level and that is how it can be because dealers are very localized they cannot have pan India relationship.
- Anuj Jain:** Thanks for the clarifications.
- Moderator:** Thank you. Ladies and gentlemen we will take our last question now, which is a follow up question from the line of Apurva Kumar from Jefferies. Please go ahead.
- Apurva Kumar:** Just a clarification on the rural urban breakup if I heard you correct you said 70% of your sales come from the rural areas?
- Nrupesh Shah:** Rural is tier II and tier III towns and that was the case last year. It may not be reverse as such.
- Apurva Kumar:** So this sale is basically not impacted by any slowdown that we are currently seeing in rural areas in terms of the wages and in terms of income level over there so this is basically urban phenomenon only?



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- Nrupesh Shah:** At least in our category we are seeing this growth across the territory including urban as well as semi-urban and rural areas.
- Apurva Kumar:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen as there are no further questions, I hand over the conference to Ms. Baid for closing comments. Over to you!
- Renu Baid:** Thank you Zaid. Thank you everyone for participating in the call. On behalf of B&K Securities, I would like to thank management of Symphony for giving us the opportunity to host this call and once again many thanks to Mr. Nrupesh Shah and Mr. Bhadresh Mehta for being a part of the call and answering all the queries of investors. Sir any closing comments from your side?
- Nrupesh Shah:** Thanks for participating and thanks for encouraging remarks and questions.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.