"Symphony Limited Q3 FY 2016 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2016 earnings call of Symphony Limited hosted by Kotak Securities Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Harish Bihani from Kotak Securities. Thank you and over to you Sir!

Harish Bihani: Good afternoon. Thank you for joining the call. We have with us the senior management of Symphony led by Mr. Nrupesh Shah – Executive Director, Mr. Bhadresh Mehta – CFO, Mr. Manan Bhavsar – Company Secretary and Mr. Girish Thakkar – GM Finance and Accounts. I will now hand over the call to Mr. Shah for his opening remarks post which we will open the floor for Q&A. Over to you Sir!

Nrupesh Shah: Good afternoon. Thanks on behalf of my colleague and Symphony I welcome you to analyst conference call for Q3 and nine months' year ended March 2016. In my opening remarks and also response to some questions, there may be forward-looking statements but they may or may not to be correct on account of external environment or incorrect assumptions. Having said that let me start with the qualitative factor for nine months' year ended March 2016. In my opening remarks I mainly focused for nine months' performance for standalone and consolidated.

As far as domestic sales are concerned in nine months we have achieved almost 84% of the total volume achieved. In July to March 2016 there has been a 19% volume growth on Y-o-Y basis and modern trade has registered huge volume growth of 65% across modern trade segment, about town coverage growth is about 41%. About centralized ducted air coolers, the new models from Keruilai were launched in India under the centralized air cooling category and good response has been received, not only that but we have also secured a few orders for centralized as well as package air coolers introduced from Keruilai range.

The absolute amount in first nine months centralized air cooling has registered approximately 70% value growth but still on a small base. A few prestigious orders have been received across the segment including auto, plastic injection moulding, laminates, packaging, prayer hall, banquet hall, hospital, places of worship, textile etc., so we are quite hopeful for medium to long term growth of the category.

About international business there has been excellent growth particularly from South-East Asia and in the Russia and Uzbekistan we have succeeded in tying up with good distributors. Apart from that as conveyed earlier in IMPCO we have succeeded in moving to asset light business model and almost 35%-38% of its real estate has been monetized and Symphony's direct indirect exposure by way of equity and loan has come down to that extent. Soon that will down the line further improve operational efficiency especially in the respect of reduction in interest, depreciation and forex loss on the loans advance from India. We expect in next nine to eighteen months' time to completely move to asset light model in one or two more phases.

With this I like to start with specific financial. For nine months, on standalone basis, income from operation stood at Rs. 414 Crores up from Rs. 352 Crores registering 18% growth and on consolidated basis Rs. 445 Crores up from Rs. 375, ensuring 19% growth. Total volume of air cooler on standalone basis 7,08,000 registering 15% volume growth and on consolidated basis 7,17,000 registering about 19% growth.

EBITDA percentage to gross revenue on standalone basis has jumped to excess of 300 bps up from 36.2% to 39.5% and on consolidated basis up from 31.7% to 33.6%. The EBITDA growth on a higher basis on account of couple of reasons one is improvising operational efficiency, economies of scale and softening of commodity prices has also helped. In the short to medium term management is quite confident to maintain current operational profitability.

About PBT in absolute numbers on standalone basis it grew by about 28% up from Rs. 133 Crores to Rs. 169 Crores and it has already surpassed previous financial year 12 months PBT and PBT percentage to gross level stood at 39% up from 35.7% for the nine months while on consolidated basis PBT (including exceptional items) increased from Rs. 122 Crores to Rs. 165 Crores that is 34.4% versus 30.8%. Effective income tax rate on standalone basis is 27.4% while on consolidated basis stood at 30.5%.

Coming to PAT in absolute amount on standalone basis it stood at Rs. 123 Crore up from Rs. 94 Crore registering about 31% growth while on consolidated basis up from Rs. 84 Crore to Rs. 118 Crore including exceptional income of Rs. 12 Crores so registering 41%. If we exclude exceptional income on consolidated basis also the PAT growth is about 26%.

As far as capital employed is concerned Symphony remains quite efficient and in absolute amount on consolidated basis capital employed remains Rs. 138 Crores marginal increase from Rs. 132 Crores from previous year remaining amount by way of triggering and it stands at Rs. 180 Crores down from Rs. 188 Crores mainly on account of robust dividend payout during the year which was 1250% including DDT in all it stood about Rs. 105 Crores.

PBIT percentage on capital employed in our core business segment that is on air coolers on standalone basis jumped from 146% to 223% while on consolidated basis it has jumped from 109% to 153%. About secondary segment sales breakup, the domestic sales within the country during the nine months has increased from Rs. 308 Crores to Rs. 368 Crores whereas exports almost at the same level that is up from Rs. 44 Crore to Rs. 46 Crore while on consolidated basis its stood at Rs. 368 Crores up from Rs. 310 Crore while international business and consolidated business stood at Rs. 76 Crores up from Rs. 65 Crores. Inventory as on March 31, 2016 on standalone basis remains at about Rs, 23.5 Crore versus Rs. 25 Crores.

So with this we can open it for question and answer.

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

Renu Baid: Good evening Sir. Congratulations for extremely strong performance especially on the earnings side this quarter. Sir my first question is on the same aspect, 44% operating margin seems extremely steep even if we look at 2% approximate growth in realization so you did mention a couple of reasons but volumes have not significantly increased as sharply the way you have seen expansion so if you look RM to sales have seen a substantial drop so what are the incremental areas where you have actually seen savings coming in, in terms of material cost any changes in the sourcing pattern or a combination mix if you can elaborate a little more to understand the 44% EBTIDA margin in the March quarter?

Nrupesh Shah: First answering your volume growth you are right, during the quarter volume growth has been very modest at just 9% but as we are maintained in the past you need not to look at quarter-to-quarter or year-to-year but nevertheless on nine month year ended volume growth has been 19% and we need to keep in mind that during the year value growth is also in line with volume growth this was on account of softening the commodity prices we were not accepting to resort to any price increase so that is No.1. No.2, as far as current quarter is concerned that is June quarter so far South India and East India have registered exceptional robust growth in fact in many territories of these two regions on Y-o-Y there has been 100% plus growth. As far as other territories are concerned including northern India and central India so far in the current quarter there is a muted growth but we expect heat to pick up further and the same should grow so June quarter is expected to be a good quarter on account of heat wave and also on account of new product launch etc. Coming to profitability of course its on account of couple of reasons one is better sales mix, second is better operational efficiency and internally we feel and we are targeting to improve operational efficiencies even further not only that even with economies of scale also it helps even though we do have nine OEM across the country but some of the key components we have centralized for all OEMs and we expect that with increase in volume that benefit should continue. Of course softening of commodity prices during last year we got the benefit and we expect that to continue during the year, so in short to medium term the current operating margins we expect to maintain.

Renu Baid: Just harping a little more on the gross margins side which looks extremely strong at 58%-59% so you did mention there was softness in material prices and certain key components now you have changed to centralized assembly so are these two the key reasons along with better mix for better gross margins or any exceptional event in this quarter or gains which could have contributed to this big spurt?

Nrupesh Shah: There is no exceptional event the reason as we mentioned has contributed to good operational margin.

Renu Baid: Sir my second question on the subsidiary side if you could highlight a little more I know Keruilai it has just been a one quarter of consolidation but a little more if you can highlight with respect to the sales and the operational performance both the entities IMPCO as well as Keruilai and in specific Keruilai what has been the kind of working capital support at the end of the year?

Nrupesh Shah: As you can observe if you net off consolidated sales minus standalone sales you can see that subsidiaries during the nine months have contributed about Rs. 31 Crores of sales so this is mainly on account of whether it is in Keruilai China or IMPCO North America where bulk of the business is contributed in June quarter and in nine months hardly topline has contributed but of course regular overheads are there, so you will see the real performance in June quarter. As far as Keruilai is concerned we already have started integrating their operations and as we grow earlier in medium term the expected operations to turnaround.

Renu Baid: Okay but any clarity on the kind of working capital support that we are giving to this entity?

Nrupesh Shah: We expect it to be up to Rs. 35 Crores that too not immediately in medium term and most probably considering forex fluctuations in China unlike our strategy of debt free IMPCO we may resort to in fact external borrowings specifically for China based on corporate guarantee up stand by LC from India but we do not expect this to cross Rs. 35 Crore with the reduced for it growth or working capital or even to finance its losses.

Renu Baid: Okay but Rs. 35 Crores is for medium term so start with would it be something like Rs. 15-20 Crores or the number could be different?

Nrupesh Shah: Around Rs. 15 -20 Crore during current year.

Renu Baid: Thank you Sir. I will get back in the queue with more questions.

Moderator: Thank you. The next question is from the line of Niket Shah from MOSL. Please go ahead.

Niket Shah: Thanks for the opportunity and congratulations Nrupesh bhai for good set of numbers. Just had a few questions on the performance, if you look at this quarter we have seen a 10% kind of growth generally Q3 and Q4 a best quarter for us was it grows in line with your expectation or your internal target or do you think given the summer is not so erratic and hence the growth was slightly on a muted side?

Nrupesh Shah: Frankly speaking for the quarter it was not in line with our internal expectation or not in line with the business plan but considering nine months' year as a whole the topline growth is about 19% and importantly we have maintained the momentum in terms of the profitability margin and profitability growth and hopefully June quarter is likely to be much better.

Niket Shah: Any specific reason why you know this quarter we would have seen slightly lower growth on topline as compared to your internal known expectations?

Nrupesh Shah: No specific reasons, possibly first two quarters were much better so trade might want to wait for the season really to take off so actually what happens as I conveyed earlier in fact in Southern India and Eastern India, in fact in many models especially in the month of April we have stock out position and many parts in Southern India and Eastern India has registered triple digit growth, but that is in current quarter.

Niket Shah: Since obviously we are almost through Q1 and now we are almost half the way through are you seeing much better growth in the month of say May and April as compared to what you have seen in Q4 for you?

Nrupesh Shah: We expect June 2016 far better than June 2015 but with an underlying assumption that North India and Central India will register good growth and momentum in the weeks to come but it ultimately __ depends upon weather god.

Niket Shah: The other thing that I wanted to if I look at your numbers the other expenditure has come down Y-o-Y any specific reason and what has been the line items contributing to that?

Nrupesh Shah: No I am not getting your question.

Niket Shah: The other expenditure if I look at it so you have raw material cost you have employee cost apart from that all the other costs it is selling in administration and other expenditure if I have to look at on a Y-o-Y basis have improved substantially so any specific reason for that?

Nrupesh Shah: See, if you are comparing say on a standalone basis then June 2015 our expenses were about Rs. 78 Crores while for nine months it is Rs. 46 Crores on a proportionate basis they are lower but this is mainly on account based on the advertisement and sales promotion expenses were accounted for in June quarter we have to incur in June quarter. So in the current year it is excluding that.

Niket Shah: No I am comparing this quarter to the last year same quarter the same period.

Nrupesh Shah: So if you are comparing March 2016 quarter it is Rs. 12.89 Crore versus Rs. 17.10 Crores, I need to go into specific details off-hand I do not have details.

Niket Shah: I wanted to know you mentioned in the opening remarks that the biggest channel of growth for you has been modern trade which has grown at 65% so could you just tell us that have there been any channels which you have seen flat or virtually degrowth kind of situation all had actually grown at a faster pace?

Nrupesh Shah: What I mean to say that the modern trade has surpassed in terms of the growth traditional channels and in modern trade across the channel whether it is e-commerce, whether it is regional organize retailer or national organized retailers all of them have seen good traction.

Niket Shah: Modern trade would be how much percentage of revenues?

Nrupesh Shah: Broadly speaking about 15% of total domestic sales.

Niket Shah: So if I take 15% of sales growing at 65% it would mean that other channels are actually seeing flat growth, is that right way to look at it?

Nrupesh Shah: No in fact in traditional channel also there has been a good growth and it is in double digit growth.

Niket Shah: Nrupesh Bhai just final question, if you can just tell me the inventory figure for the last year March end if it possible?

Nrupesh Shah: March 2016 inventory on standalone basis is about Rs. 23.5 Crores versus about Rs. 24.8 Crore as on March 2015.

Niket Shah: Sure and for consolidated?

Nrupesh Shah: On consolidated basis for March 2016 inventory is Rs. 55 Crore it was almost the same as on March 2015 but I do not have exact figure for March 2015 but I do have for June 2015 which was about Rs. 46 Crores.

Niket Shah: Thanks so much Nrupesh. I will come back in queue for more questions and best of luck.

Moderator: Thank you. We will take the next question from the line of Chintan Modi from Motilal Oswal. Please go ahead.

Chintan Modi: Few bookkeeping questions, just one is on what was our selling and distribution expenses for the nine months?

Nrupesh Shah: In nine months it was around Rs. 31 Crores.

Chintan Modi: What would be the break-up in terms of volumes for air cooler to domestic and exports?

Nrupesh Shah: We do not give that breakup but in values we have given the segment sales breakup.

Chintan Modi: Okay and there was some exceptional item of Rs. 12.5 Crores so can you just tell what that was?

Nrupesh Shah: So exceptional income is at IMPCO level our Mexican step down subsidiary as it was conveyed earlier our Mexican operations we are trying to align with our Indian business model so we are gradually converting into asset light business model, outsource business model and phase I we have successfully implemented it, so as phase I was outsourced some of the real estate were free and we could monetize that, so Rs. 12 Crore plus was on account of monetizing and profit on sale of real estate which was historical real estate purchased almost five decades before. And in a year or two down the line we expect further real estate to monetize so ultimately Symphony exposure whether by way of equity or by way of loan should be zero not only that IMPCO on standalone basis should be sitting on some surplus by that monetizing to take care of its future growth as well as working capital.

Chintan Modi: That is, it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Good evening Sir. Thank you for the opportunity. Sir what I wanted to check is you have grown by about 9% for the quarter if you could give some sense about the industry for the quarter if at all the growth was in single digit?

Nrupesh Shah: As of now we do not have exact idea but I am sure our growth is better than industry growth whether during the quarter or for nine months.

Achal Lohade: So as you said you know south and the western region has seen a better growth has compared to north and east?

Nrupesh Shah: I said south and east.

Achal Lohade: Was the trend similar even in the last year was it little different for north and central this time around, like has there been any for North and Central India?

Nrupesh Shah: So current year Southern India and Eastern India has seen exceptional growth on account of heat wave, as far as Central, Western and Northern India are concerned otherwise also summer factoring late and it lasts almost till middle of June.

Achal Lohade: There is no exceptional year in terms of the weather pattern for the rest of the country right apart from South and East?

Nrupesh Shah: That is right.

Achal Lohade: Sir nine months your volumes have grown about 19% if you could give a broader sense about what is the industry size and beat in terms of volumes or revenues and what is our market share etc?

Nrupesh Shah: Air cooler industry as a whole volume wise domestic market size is close to 7 million units out of which 20% is by organized players and 80% is contributed by unorganized players when it comes to value it should be about 65%-35%. About organized market sales break-up previous year Symphony's market share in terms of volumes are about 45% and value wise market share was about 52%. 52% market share grew from 45% three years before and as far as total industry size is concerned we estimate it to be about Rs. 3,000 Crore this is about domestic market and internationally rest of India and rest of China air cooler market size is estimated to be about 10 million units so that we believe that we have barely scratched the surface and third segment to which we are catering that is centralized and ducted air coolers in India as of now it is more like a concept sale but virtually every factory and large residential houses in commercial space are potential customer so there is a huge opportunity and in that segment nationally or internationally there is hardly any organized player.

Achal Lohade: Any internal targets you have in terms of the revenue from centralized ducted air coolers in terms of whether it is in absolute terms or as a percentage of your overall sales you are targeting?

Nrupesh Shah: We are not giving the breakup on standalone basis centralized air cooling revenue but on consolidated basis it is estimated to be about 7% and in percentage growth on a small base on standalone basis we have grown by approximately 70% during the year.

Achal Lohade: So this revenue is from centralized?

Nrupesh Shah: This is total contribution of centralized air cooling segment revenue on a consolidated basis bulk of this is in North America and on a standalone basis in India during the year for nine months we have grown by approximately 70% in value wise.

Achal Lohade: Thank you so much Sir.

Moderator: The next question is from the line of Harish Bihani from Kotak Securities. Please go ahead.

Harish Bihani: Sir my question is also on the packaged air cooler segment and the central air cooler segment given we had launched the packaged air cooler segment last year how is been the traction like this year what could be the possible growth rate for next three to five years also on the central air cooling system potential growth for the next few years and given that water has increasingly become a bigger issue everywhere in India how does it kind of impact the overall central air cooling segment growth?

Nrupesh Shah: First to touch about the packaged air cooling its doing very well it has received overwhelming response and we are quite optimistic of this category in short term to medium term. Our approximately 70% Y-o-Y growth in centralized air cooling for nine months is inclusive of package air cooler and it has contributed substantially. As far as centralized air cooling growth is concerned we expect it to be our growth driver in the long term as we have conveyed in the past that we are still in the process of concept selling, but having said that across the overall segment across the overall industry we have succeeded in executing several prestigious orders and coming to water consumption in fact in some of the regions during last two months especially in Marathwada and in some other states in fact our air campaign was revolved around water conversation by using Symphony air cooler of course vis-à-vis other air coolers so we do have models which consume less water just like less electricity.

Harish Bihani: Sir two related question is, is there any ballpark number on how much water consumption on the Symphony cooler do versus say other brand or unorganized air cooler and secondly on the packaged air cooler which are the areas say a smaller warehouses or a large house which segment have you seen an initial pickup coming from?

Nrupesh Shah: So while the application of packaged air coolers we have defined them in tonnage and it is in the range of 4 ton to 12 ton essentially it can cool room size starting from 400 sq. ft. to 1200 sq. ft., which are suitable for large residences, large hall, prayer hall, education institutes that is classrooms, data centers, offices, small factories, etc., and coming to specific data about the water consumption Symphony versus competition, I do not have readymade data but we can come back to you separately.

Harish Bihani: Sir and the question is on the some of the new product launches that you have done, two products which is the Cloud the first wall mounted air cooler that you have launched if you can explain us how it is different and how it is going to incrementally help Symphony grow in the medium term and the second one is on the i-purification model that you have launched?

Nrupesh Shah: About Cloud it is the first of its kind in air cooling industry. It is a wall mounted air cooler quite similar to split air conditioner and it does not need any window space or floor space so it is quite sleek and in terms of cooling efficiency and air throw it is quite excellent product and unlike split air conditioner it does not need compressor unit to be placed outside and as it is to be hanged on the wall in terms of the performance it is par with or better than all other comparable models. Of course for the consumer considering the shape and aesthetic and design value it is also a pride position. Coming to i-pure it is a combination of air cooling and air purifier so along with cool air it also purifies air, so it also a path breaking innovation in air cooling. About Cloud that is wall mounted air cooler we have applied for global patent and we intend to sell not only domestically but also internationally.

Harish Bihani: Thank you so much.

Moderator: Thank you. The next question is from the line of Ganesh Radha Krishnan from Christine Portfolio. Please go ahead.

Ganesh R Krishnan: Congratulations on the very good set of numbers. Most of my questions have been asked I just have few questions. One is on the market Sir, you mentioned about volume 45% in the organized market how was it changed in the last let us say in the three to six months?

Nrupesh Shah: I would not be in a position to give you month-to-month or the last one quarter or two quarter figure but last year that is accounting year 2014-2015 as I conveyed earlier volume wise Symphony's market share in organized market was about 45% and value wise it was 52% and that grew from about 40% to 45% volume wise and value wise from 45% to 52% over a period of three years. As far as current year is concerned of course we will come to know at the position by June quarter but we expect our market leadership and volume wise and value wise the market share to remain in line with or mainly even better than what it was last year.

Ganesh R Krishnan: The reason I want to know is that now there are other bigger players entering the market like Voltas just want to know is it really deepening the market or the market share is kicking kind of shifted from one player to the other?

Nrupesh Shah: It seems that Symphony's market leadership and market share remains largely unaffected, other players have lost some market share but as far as current year is concerned even otherwise also overall industry has grown well so other players No.2, No.3 and No.4 absolute quantity wise they would have grown but in terms of the market share it is declined.

Ganesh R Krishnan: My next question is on the volume of air cooler sales in December quarter you have done about 280,000 and in March quarter about 230,000 so really the increase in sales in December quarter they were actually the stockiest level so it is not at the tertiary level so really was is one of the reasons why there was less number of boxes sold in the month of March. Is it kind of advance sale which has actually impacted the sales in the March quarter?

Nrupesh Shah: We do not really view our performance on a quarter-to-quarter basis or frankly even on year-to-year basis. It needs to be really seen for the period so that is for the nine months on a standalone basis our volume has grown from 615,000 to 708,000 registering about 15% volume growth. It is possible that in December there would have been better offtake for inventory build-up at the level of trade and in the March quarter there might be less retail sales and hence there would have been less off-take but more importantly needs to be seen for nine-month year as whole what has been the volume growth.

Ganesh R Krishnan: Sir if I assume that your June quarter is going to be the best among all the four quarters, which will be the second best quarter?

Nrupesh Shah: I do not think we can define it so hard and fast. We need to really see for the year or for the period and more importantly in fact from medium to long term so basically it should be seen three years to five years CAGR growth.

Ganesh R Krishnan: Thank you very much and good luck for the next year.

Moderator: Thanks. The next question is from the line of R. Pattabiraman from Metro Investment. Please go ahead.

R. Pattabiraman: I congratulate you for the excellent set of numbers. You see the gross margins for this quarter which is about 58.5% when you compare it with the previous corresponding quarter it was 54.9% so it has gone up by about 300 basis points, now besides the softening of material prices is now also reduced the discount rate what it gives the distributors is it also one of the reasons for increasing gross margin?

Nrupesh Shah: As I conveyed earlier increase in gross margin is on account of couple of reasons. One is better sales mix, second is better operational efficiency, third is our value engineering and also softening of commodity prices has also helped us.

R. Pattabiraman: How about the discount because you keep decreasing the discount quarter-after-quarter, somewhere it keeps reducing the discount also is it also one of the reasons I am asking?

Nrupesh Shah: Sure, so in the beginning of the year our realization is the lowest and as we across closer to the season the realization increasing so of course in March quarter gross margin or operational margin is supposed to be better than September and December quarter in line with previous years.

R. Pattabiraman: So in other words reduction in discount also is contribution to the gross margin expansion?

Nrupesh Shah: True.

R. Pattabiraman: Thank you very much and all the best.

Moderator: The next question is from the line of Ashwin Reddy from PWC Advisors. Please go ahead.

Ashwin Reddy: Thanks for the opportunity. I have three questions. Firstly, how do you think about the volume growth in the domestic market in the longer run I understand that short run can be volatile but how should we think about the volume growth in domestic in the longer run? That is my first one. Secondly in absolute terms what was the advertising spend this quarter and versus the same on last quarter. Thirdly can you throw more light on China given that now the integration is complete can you expand on the market opportunity there and given the kind of scaling down you seeing industries in China what is your outlook for Keruilai there?

Nrupesh Shah: First about future potential and opportunity for domestic business, currently the market size volume wise organized and unorganized players put together is about 7 million units and overall industry is growing around 10% to 12% and out of 7 million units, organized market contributes about 20% and value wise it contributes close to 35% and organized market is growing at about 15%. So on the one hand size of the cake is increasing and simultaneously there is a gradual shift from unorganized to organized and that momentum is expected to continue. On top of it as and when GST will be introduced, if it isintroduced in the right form it is expected that shift from unorganized to organized will accelerate the cost, one of the reasons of the price difference is also on account of erosion of tax by unorganized player, so about organized market one on account of this. Secondly penetration of air cooling industry in the country is just about 9% while penetration of air conditioner is about 3% while there are 59% of the houses who own only fan and there are almost 29% of the households who do not own any cooling appliances so as overall income level increases aspiration increase it is expected that they will probably shift to better cooling appliance for better cooling comfort. So in the short term to long term it is expected that air cooling industry as a whole and organized market should do well.

Ashwin Reddy: Sir but again, if I may interrupt here for a quick clarification, Sir for Symphony is 15% a volume growth a fair number to assume for next five-year period is that an aggressive number fair number or how do you see that 15% volume growth?

Nrupesh Shah: On a CAGR basis it should be possible. Your second question was related to Keruilai we acquired it with effect from January 1, so we have initiated the process of integrating the operations of Keruilai so currently we are closely looking at its products. We are looking at its cost composition and to start with we believe that there are some opportunities to rationalize its overheads as well as its variable cost and on top of it certain products and models of Symphony India range have a potential to sell in China. Intermediately China is second biggest air cooler market next to India and vise versa and even otherwise also Symphony India procures some of the material as well as components from China, so it is also helping in that respect but as it was conveyed in the past in last four years its business was continuously declining and in terms of the size in fact it has shrunk so first of all we need to revive it and in medium term only we expect it to turn it around completely.

Ashwin Reddy: The brand Keruilai is also in consumer segment as well as in China or is it only in the industrial segment?

Nrupesh Shah: It is into both residential air cooler as well as industrial and in domestic market as well as internationally.

Ashwin Reddy: My final question, on the ad spends this quarter versus last quarter what was it in absolute term?

Nrupesh Shah: For nine months as a whole advertisement and sales promotions put together was close to about Rs. 7 Crores which was almost in line with previous year. Our most of the ad spend and sales promotions take place during June quarter.

Ashwin Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Kamlesh Kotak from Asian Market. Please go ahead.

Kamlesh Kotak: Sir just one point I wanted to understand what is the strategy of our company to launch Cloud wall mount cooler in India and overseas and what kind of growth you are envisaging in that market?

Nrupesh Shah: So as of now in a very selective market we have launched it to really get the customer feedback and feel and experience and in the phases it will be launched across the country. So we really expect to get good sales in the next year and down the line. As far as sales of Cloud is concerned of course our existing trade channel, i.e. traditional sales channel as well as organized retailers and e-commerce will continue selling it but it depends how it shapes up down the line if required we are open to have a separate distribution channel to sell it domestically. As far as international sales are concerned one is through organized retailer with whom we already have our tie-up whether it North America as a part we will sell through them and also in some of the selected markets is well established distributors. In the domestic market we have already launched a separate ad and sales promotion campaign some of which we will continue.

Kamlesh Kotak: So what kind of a target we have for this year for the growth sale of this product?

Nrupesh Shah: Current year we had very modest target more like test market but next year and down the line we have very ambitious target, but it is not possible for us to give the sales breakup model wise and product wise.

Kamlesh Kotak: So how many models we have now launched and at what price point?

Nrupesh Shah: In all we do have 30 plus models and at retail price point it starts from about Rs. 5,900 to about Rs.21,000 in residential air cooler. As far as centralized ducted air coolers, depends up on the size and price of installation.

Kamlesh Kotak: In Cloud Wall?

Nrupesh Shah: Cloud is about Rs.14000 only one model we launched; to be precise it is Rs. 14,999 say Rs. 15,000.

Kamlesh Kotak: Thank you.

Moderator: Thank you. The next question is from the line of Manjit Guwaria from Solidarity Investment. Please go ahead.

Manjit Guwaria: I wanted to understand like now that multiple players have started entering the market and at least in Mumbai as I look there is quite high decibel marketing by them, do you see any pressure on your trade terms with distributors or modern trade?

Nrupesh Shah: There is no pressure in terms of our credit terms and we intend to continue the same credit terms. We do not think that just by extending the credit we can increase the volume of topline it is more about the product innovation, branding and distribution.

Manjit Guwaria: Sir, within credit terms I also meant the margins which you are offering which they have been offered right now, are competitors trying to offer higher margins and get greater space in the trade?

Nrupesh Shah: But that is nothing new, in the past also we had competition and currently also we have a competition and competitors are always offering higher margin some of the competitors are also offering credit terms.

Manjit Guwaria: So we are not seeing any pressure as of now because of these things?

Nrupesh Shah: That is right.

Manjit Guwaria: Thanks Sir.

Moderator: Thank you. The next question is from the line of Kunal Jagda from Karvy Stock Broking. Please go ahead.

Kunal Jagda: Sir my question is, last time you had mentioned that there was hardly any customer take-off, so how much was the customer take-off in this quarter Sir?

Nrupesh Shah: In March quarter in Southern India and Eastern India customer take-off started and as far as June quarter across the country customer take-off is there and we are really seeing good traction and as I conveyed earlier especially in Southern India and Eastern India in fact in many models there was a stock out position and in many markets where we have seen triple digit growth during previous months.

Kunal Jagda: In a sense that you are ahead of the AC air conditioner growth which was around 50% in the first 15 days of April?

Nrupesh Shah: We have not really benchmarked and we need not do benchmark vis-à-vis air conditioner player.

Kunal Jagda: I am saying that since we are quite ahead of the A/C sales growth?

Nrupesh Shah: Possible.

Kunal Jagda: Sir my next question is on Vimplast. You had a case on Vimplast, so and the order was in their favour so what is the strategy going forward with that, are you going to file case or what is the strategy?

Nrupesh Shah: Matter is subjudice and likely to be decided in a month or two but before that for couple of weeks we had got ex-parte stay and just to remind you last year they were completely banned by the court to sell their model.

Kunal Jagda: Sir my next question is on your high-end models, how much contribution thus high-end models in the overall revenue?

Nrupesh Shah: Currently I do not have an exact break-up but high-end models in terms of the value mostly contributing in excess of 30%.

Kunal Jagda: That is it from my side.

Moderator: Thank you. The next question is from the line of Ranjani Murugesan from Iden Investments. Please go ahead.

Ranjani Murugesan: I would like to know about your distribution strength as in last year it was you said 20000 plus what would be now and what about going further?

Nrupesh Shah: Last year I believe we had in all about 18000 dealers and as far as current year is concerned at the strength we will know only at the end of June quarter because still summer is going on and as far as our geographical spread is concerned in first nine months we have expanded the excess of 30% in terms of the towns and cities and villages coverage.

Ranjani Murugesan: So going ahead you are planning to increase that more like on domestic as well as international, the main touch points, end points?

Nrupesh Shah: True.

Ranjani Murugesan: Then my second question will be, you said 60% revenue are from some essential cooler and rest was from value added one so what will be the proportion as of now?

Nrupesh Shah: I am not getting your question.

Ranjani Murugesan: 60% of your revenue was from the essential cooler and then rest of 40% was from value added ones so what will be it now and going further the contribution of it in revenues?

Nrupesh Shah: There is nothing like essential coolers as such at the most segment of coolers is like personal coolers, large coolers, power saver coolers, etc., and all of them contribute well and when it comes to the profitability by and large all the categories do have almost similar kind of operating margin.

Ranjani Murugesan: That is, it Sir. Thank you. All the best.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Harish Bihani for closing comments.

Harish Bihani: Sir any closing remarks please?

Nrupesh Shah: I hope we have answered all the questions and apart from that we have already circulated detailed quarterly and annual results on the stock exchange along with the data sheet which also analyses financial performance for the quarter, standalone performance for the year as well as consolidated performance and as we have conveyed in the past we do not give any quarterly or annual guidance but we expect to grow 20%-25% PAT wise on a CAGR basis and having said that in some quarter or in some year there may be high growth in some quarter in some year there may be low growth. And we are quite optimistic about the air cooling category especially we see them in three segments residential air cooler, international market and commercial and industrial air coolers, so three of them should give us robust growth from short term viewpoint to long term. Thanks to all for participating in our conference call and sparing your valuable time.

Harish Bihani: Thank you Sir. We thank the management for taking the call and for participant for joining the call. Thank you.

Moderator: On behalf of Kotak Securities, that concludes this conference thank you for joining us and you may now disconnect your lines.