

'At Symphony, the strategy's one product for many markets'

As the extraordinarily hot summer 2012 draws to a close, makers of air-coolers such as Symphony are not breathing any better. Contrary to expectations, scorching weather has not really helped boost their sales massively. Achal Bakeri, CMD of the ₹300 crore Symphony, looks back at the summer of discontent and explains to Shailaja Sharma its implications for the future growth of the industry.

Irregular summers seem to be posing a huge challenge for makers of air-conditioners. How is this factor impacting you?

Challenge is multi-fold. On one hand, commodity prices are going up. The government has increased excise duties recently. Because of oil prices going up, freight costs go up. On the other, the challenge is more in terms of unpredictable weather pattern because of global warming. Last two summers have been very unpredictable. Up to 2010, right from 2008, we had fabulous summers. And fabulous

business because of fabulous summers. When there are unpredictable summers, they swing both ways; you have summer which is not very hot and then you have a very hot summer. So you make the most of it.

Consumers are upgrading to air-conditioners. Why will they aspire for coolers?

Market for both is growing. There is a market for every type of a product, be it a fan or a cooler or an air-conditioner. One product does not necessarily eat into the other. People may be graduating to air-conditioners, but there are people who are graduating to coolers from fans.

There are actually compelling reasons why a consumer should opt for an air-cooler. First and foremost, it gives fresh air, whereas an air-conditioner circulates the same air.

Second, it consumes one-tenth power of an air-conditioner. Then it's portable. The drawback of an air-cooler is that it is not effective in a humid

condition. But in dry areas it outperforms an air-conditioner. If you go to a Nagpur or a Jaipur, it works like a charm; whereas in Mumbai an air-conditioner works better.

But is the market becoming more challenging for air-coolers?

The current year hasn't been as good as previous years, but we have had a compounded annual growth rate of 50% in the last five years. We may have one odd year or two but that does not change the overall curve. On one hand, it is a very fragmented industry with unorganised players. On the other, you have the likes of Videocon, Usha, Bajaj, Orient Fans, Khaitan and Maharaja. The penetration of air-coolers in the country is just about 3% at 2 million units. The air-conditioners market is 3.2 million units.

How has the market changed over the years?

Consumers are more aware, have evolved and therefore are able to appreciate aesthetics and value a good



—Sudhir Shetty

product. In every category, people are willing to pay for something better. The cooler requirement is felt even in villages, where 20 years ago they did not even have a telephone.

What is your ambition for your business?

We are still a small company. Last year, our turnover was ₹300 crore. By 2014, we want to be a ₹500 crore company. But at ₹300 crore, we are the largest manufacturer of air-coolers in the world. It's a small pond, but we're

the big fish in the pond. We are sold under our brand in 60 countries, also in retail chains like Walmart. Exports make up for 25-30% of our sales; 7-8 years ago it was nothing.

You have exited other categories. Why?

We used to have water purifiers, washing machines, air-conditioners and a whole host of products. We exited them long time ago.

They were not areas of core competence for us. Rather than break our heads against the wall, we decided to refocus on the category where we were the strongest. Second, profits are better in coolers than other products. It is also a product with global potential. Earlier we were looking at many products and one market. In the last ten years, the approach has been many markets, one product.

You acquired a company called Impco in the US a few years ago. What did it give you?

Before the US housing crisis, this was a \$100 million company and a lot of the products it made went into the

new homes which were being built then. When the housing crisis happened, that market evaporated. We acquired the company post that. The enterprise value was \$25 million. We acquired it with a lot of debt but restructured the debt through internal accruals and the company eventually cost us \$3-4 million.

It is doing about \$13-14 million business. When the housing market revives, it has the potential to be a \$100 million company again. It offered us access to the US and the Mexican markets.

And we got a whole new category of coolers that we were never producing in India before. It manufactures residential, commercial and industrial coolers. We can offer these products to our customers internationally.

Are you looking at introducing commercial products in India?

Yes, we have already introduced products and done some initial 20-30 projects of cooling factories, large halls, cafeterias, temples, greenhouses.