



“Symphony Limited Earnings Conference Call”

October 30, 2013



**MANAGEMENT: MR. NRUPESH SHAH
MR. BHADRESH MEHTA
MR. CHANDRAKANT GANDHI**



Symphony Limited
October 30, 2013

Moderator: Ladies and gentlemen good day and welcome to Symphony Limited Q1 FY'14 Earning Conference Call hosted by Trust Financial Consultancy Services. Present with us on the call today from Symphony Limited are Mr. Nrupesh Shah - Executive Director, Mr. Bhadresh Mehta - CFO, Mr. Chandrakant Gandhi - Company Secretary, and Mr. Girish Thakkar - General Manager, Accounts. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference call please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Nrupesh Shah. Thank you and over to you Sir.

Nrupesh Shah: This is Nrupesh Shah from Symphony. I on behalf of Symphony and on behalf of my colleagues accord you a warm welcome to Symphony's analyst concall. This quarter has been a good quarter for Symphony. There have been couple of developments during the quarter. Symphony launched window range of air coolers considering air cooler market having huge unorganized segment dominated by window air coolers especially in metal body. We can achieve tremendous incremental growth in the near future by launching entirely new window range of air coolers consisting of five different models of different capacities and varieties. Out of these five models, three are made out of plastic body and two are made out of metal body. The range 'all weather composite plastic made out of specially engineered corrossions, heat and UV resistant polymers' can withstand harsh weather conditions. These specially designed rust proof and shock proof coolers are loaded with advanced features. This range of air coolers have been launched in the month of September. Over and above that, very recently Symphony is also geared up to launch new models of air coolers with advanced technology and distinctive new features. They are new series of window-i, DiET35i, DiET12i, DiET12T, and Ninja-i. In the beginning of the year, as per Company's practice, Symphony has increased MRP of the products ranging from 5% to 15% and that also has established once again pricing power of Symphony's products. The increase in prices is not only by MRP but also by way of net realization to company which more than offset increase in cost of various materials as well as overheads. During the quarter, we had first ever dealers conference of industrial air coolers. Of course, very often we do have dealers conference for residential air coolers, but this was first ever in industrial air cooler segment. Large number of dealers from across the country were invited and they participated in a detailed presentation especially made on industrial & ducted air coolers covering various aspects that is R&D, utilities, services, training, etc., and we had invited technical specialists from our Impco Mexico subsidiary to interact with these dealers. During the quarter, we opened a branch in ,Sharjah, UAE, which is a very important hub for trading activities in MENA region, that is Middle East and North Africa. This region includes GCC Countries, Middle Eastern countries and North African countries. Most of these regions have a vast promising market for air coolers. By opening this branch, we foresee to expand our presence especially in the MENA region. During the quarter, despite off-season, but considering various strategies, considering the strong Symphony brand, considering edge of Symphony products over competitors and enhanced service network especially in the last two years, created both tremendous confidence and trust in Symphony products, which is reflected in our first quarter performance. But having said so, we would like to compare our first quarter performance vis-a-vis September '12 quarter performance



Symphony Limited
October 30, 2013

with the notes wherein, our sales was at about 24 Crores, collection was about 60 Crores, balance being advance from customers of 36 Crores which is almost one-and-a-half time of the sales remaining unbilled, the reason being last year we could start production of new upgraded model only in September. Hence, substantial advances we could not bill which was billed in the second quarter. Having said that, we understand even though there is a quite buoyant sentiment by the trade, especially during off-season, these top Symphony products expecting certain volume, expecting certain demand during the peak season. In the three months, we achieved sales of 72 Crores versus 24 Crores. Operating profit has been 19.56 Crores versus 2.11 Crores. Income Tax had been at 5.21 Crores resulting into effective rate of income tax of 27%. In corresponding quarter of previous year, there was no income tax and absolute PAT had been 14.32 Crores versus 2.05 Crores. We strongly feel that our really relevant comparison of the off-season performance would be December '13 versus December '12, and more importantly year as a whole, even though we have performed well in Q1 but we maintain that year as a whole whatever medium term to long term vision in terms of industry growth and company growth we have given, by and large we should achieve that. In other words, Q1 performance is not necessarily the reflection of whole year performance. As on September 30, total corporate fund have been about 148 Crores. As you know in June '2013, we have divided primary segment into two parts, (a) home appliances and (b) corporate funds, the capital employed in home appliance has been about 54 Crores and all surplus that is treasury had been in corporate fund which stands at about 148 Crores, against which the numbers in corresponding quarter of previous year was 74 Crores in home appliances in September '12 and 79 Crores in Corporate Funds as on 30th September '12. Hence, this translates into profit before interest and taxation, home appliances PBIT percentage stands for the whole quarter at 123.72% and on corporate fund it stands at 8.57%. Of course, in respect of the returns on corporate funds, the substantial amount include tax-free returns. We have made one more change here, starting from current quarter in our data sheet, we have not as of now revealed our domestic sales as well as export sales Quantity, and per unit sales realization. The reason being as per the Revised Schedule VI requirements for preparation of the annual report, now quantitative details are not mandatory, but having said that, we are strongly in favor of transparency and corporate governance, but we are the only listed company in the air cooler space whereby whole range of information and details including quantitative information, per unit realization, and host of other details are available in public domain and that is easily available to our competitors, and we do not have an access for competitor details in this respect. So our sales and marketing team had strong objection against this, but having said that we would invite your suggestions on how we should deal with this and accordingly we can decide appropriately. Thank you and wishing all of you Happy Diwali and happy, healthy and prosperous New Year in advance. With this, I open this concall for questions and answers.

Moderator: Thank you very much Sir. Participants we will now begin the question and answer session. We have the first question from the line of Viraj Mehta from Franklin Templeton. Please go ahead.

Viraj Mehta: Hello Sir, first of all congratulations for a great set of numbers in such a market. I just had a few questions. You said that whatever pre-sales of inventory for your distributors, Last year for the



Symphony Limited
October 30, 2013

half year you did 112 Crores till December and for the full year on a standalone you did close to 310 Crores. When you say you would tend to fall in market for the full year, what kind of a number are we looking at both in terms of volume and value?

Nrupesh Shah: For which period you are referring?

Viraj Mehta: For the full year it would be a better guidance.

Nrupesh Shah: As I said, for the full year we are looking at whatever original guidance or broad industry and company's growth estimate which we have given that is overall we expect in medium to long term, 25% to 30% value growth Y-o-Y. It is possible that considering seasonality or some other external factors in some years, there may be lower growth, in some years, there may be higher growths in other years, but on long-term basis, it is the kind of the growth which we expect and anticipate.

Viraj Mehta: Okay. What I understand majorly, is there a huge taxation difference between AC components and coolers, how much are you benefitting from this? In terms of Capital expenditure is it also a function of what the level of MRP is I mean it is a function of what you pay. Do you think cooler segment benefits because of this?

Nrupesh Shah: In terms of taxation, I do not think barring some percentage of excise duty difference, there is no other major taxation benefits in air cooler segment because our air coolers are also subject to 12% of excise duty, normal VAT, and surcharge in many of the states, even VAT and surcharge put together we are subject to on an average 13.5% of VAT liability plus there are a host of other taxes applicable to all other industries, we are also subject to that. Having said that, in case of Symphony as you may be aware, we have adopted outsourced business model whereby our business model is not capital intensive, hence we can achieve decent growth without any substantial Capex. About five or six years before, we had just one OEM and now we do have eight OEMs, and even those eight OEMs may increase and that really helps us in rapidly expanding our capacity and again for last couple of years substantial investment in moulds and dies, we are making OEMs to invest.

Viraj Mehta: Sure, got it. Thanks a lot Sir and best of luck.

Moderator: Thank you. We have the next question from the line of Atul Mehra from Edelweiss. Please go ahead.

Atul Mehra: Good morning Sir, congratulations on the good set of numbers. If we just look at some more comparative numbers versus last year. I know that there could have been some flow through your Q4 numbers, Q4 unbilled revenues and all into this quarter, so excluding that what would be your more normal numbers that you would have achieved this quarter?



Symphony Limited
October 30, 2013

Nrupesh Shah: Q4 that is, actually June '13 quarter for Symphony there was no unbilled. What I said was in September '12, that is on Q1 of 2012-2013, there was a huge amount of unbilled advances. Currently as on September 30, 2013 also we do have certain advances lying with us. So the point was our sales of 72 Crores should be compared on a very low sales base of 24 Crores of September '12.

AtulMehra: Right, so the base was actually lower sales. Generally in terms of the industrial air cooler business, how is the performance in this quarter for the industrial air cooler business?

Nrupesh Shah: The industrial air cooler business is doing good and there is a decent growth. There is a good participation by the trade and business partner, but in industrial air cooler business, sales base is very, very low and even in residential air coolers, whether in domestic market or whether in residential air cooler or in international market we have reached to this level after 25 years, so we believe that in medium to long term we have a good prospects in industrial cooler.

AtulMehra: Right, sure Sir, thanks a lot for answering my questions, all the best.

Moderator: Thank you. We have the next question from the line of Dhimant Shah from Principal Mutual Fund. Please go ahead.

Dhimant Shah: Good morning Sir. Just a quick question, how much of the current sales was accounted for by the new models in this quarter ?Can you also give some color on performance at Mexico ?, I mean the subsidiary, so if you can just give some color on that as well.

Nrupesh Shah: As far as new models are concerned, window range of new models we launched only in the month of September, that is last month of the last quarter and other new models only in the month of October. So in September '13 quarter, new models have contributed negligible sales. Henceforth it should contribute.

Dhimant Shah: Okay Sir, fine. On the Mexico subsidiary?

Nrupesh Shah: The Mexico subsidiary, of course in North America, in the month of July and beginning of August is a part of the season, sales do continue there. July and August sales have been almost at par with corresponding period of the previous year. Having said that, two quarters that is September quarter and December quarter as far as North America is concerned is absolutely off-season. So their still we have to break the seasonality.

Dimant Shah: Okay, and any plans on the asset allocation, I mean you will have fairly robust kind of cash flow, any immediate plans on that?

Nrupesh Shah: As you know, we have substantially increased the dividend pay out which was just three years before around 10% dividend and for June,13. dividend it stands at about 32.5% and in terms of the pay out percentage which used to be just in single digit, last year it stood at about 42.5%. So again, in our kind of business which does not require much CapEx and very low working capital



Symphony Limited
October 30, 2013

and even with the growth, we do expect there will be a reasonable cash surplus so one is of course going to be dividend and secondly as and when we get a right opportunity at the right price we are willing to have international acquisition not for the cause of product or technology, but to scale up quickly internationally. Several opportunities keep on coming, of course as of now nothing specifically is on radar, so there may be fund requirement but even then, possibly in international acquisition in our kind of the industry, at the most it may be a small or mid-size acquisition, whereby by and large our internal accrual should be sufficient to take care of that.

Dhimant Shah: So, anything on radar?

Nrupesh Shah: As I said, as of now, nothing is on radar, but still the opportunities keep on coming.

Dhimant Shah: Great, okay Sir. I will just come back in the queue if I have further questions. Thank you so much.

Moderator: Thank you. We have the next question from the line of Umesh Gupta from Reliance Wealth. Please go ahead.

Umesh Gupta: Good morning Sir. I was trying to understand numbers for the September and December quarter. As you said in the last year the September quarter sales were lower; however, the actual sales were higher and those got spillover to the December quarter, so what I am trying to understand in this year, in the September quarter, where you have got most of the sales done during the quarter, will it be a phase wherein now the December quarter sales could be lower actually on a Y-o-Y basis and more reflective of a December quarter, wherein last year the December quarter sales were much higher because those were not booked in the September quarter? I hope you got the question.

Nrupesh Shah: Of course in September '12 whatever was unbilled amount that got spillover to December '12 and, hence as I said that correct comparison would be first six months performance that is December '12 versus December '13. Having said that, even as on September '13 we do have some advances unbilled and over and above that even in the current month and otherwise, overall there is good business. Of course, September '13 needs to be compared on a very low base of September '12. Having said that, off-season comparison should be December '13 versus December '12, and more importantly as we always maintain year as a whole. that is 13-14 year as a whole how do we perform versus 12-13.

Umesh Gupta: Right, I understand that. I am just trying to understand that December quarter sales of the last year which was about 88 odd Crores, it was not a typical trend sales of our December quarter and the trend sales for December quarter could be lower, so will that trend continue or, as you said there has been some spillover or some advances which we will have in the September quarter, just to get a ballpark idea what kind of numbers or what kind of de-growth, I am just trying to understand although there should not be very easy, for example the current quarter looks to be a very good positive surprise, which in terms of December may not be that high because as you



Symphony Limited
October 30, 2013

said last September sales were about 66Crores, we have done about 72 Crores versus 66Crores. Would the December be a really badas compared to the last December?

Nrupesh Shah: No. In fact, even for October to December quarter, we do not expect de-growth. Having said that, December quarter, in fact not likely to register a kind of the growth what we registered in September '13. At the same time, we do not expect de-growth.

Umesh Gupta: On a quarterly basis or you are saying on a half yearly basis?

Nrupesh Shah: On a quarterly basis of course and also on a half yearly basis, both.

Umesh Gupta: Okay, thanks for the clarification.

Moderator: Thank you. We have the next question from the line of Anil Keni from Envision Capital. Please go ahead.

Anil Keni: Sir, if we see exports excluding Impco how they have done in terms of value and volume?

Nrupesh Shah: In the first quarter, almost the entire export has been rest of the world other than Impco.

Anil Keni: Because of the state and general elections, there could be higher demand in the second half, have you seen that kind of a trend in the past?

Nrupesh Shah: As of now, in first quarter or even in current month, we have not seen that. In the past, sometimes such activities have led to some better demands. I do not think in our kind of the industry it would have a huge positive impact.

Anil Keni: Okay, and any new geographies you have added in international front?

Nrupesh Shah: Not in the current quarter, except by opening our own branch in UAE and recruiting our own people there, we intend to increase our presence in Middle East because UAE is a big trading hub and if we have a good presence in the medium to long term, we could have a good prospect there.

Anil Keni: When will it be possible for you to give out the consolidated results including Impco? Is it on an annual basis or you are planning to give it on a half yearly basis or something?

Nrupesh Shah: In the past also, we have discussed this. We have maintained the practice of giving the consolidated figure on a yearly basis. The reason being (1) Impco books of accounts are maintained in Spanish language and such books of accounts need to be consolidated with our subsidiary company that is Sylvan in Singapore and in turn that should be consolidated. It may take some time. (2) Otherwise also as we have maintained Impco's first two quarters that is September and December quarter are highly off-season quarters, where we have yet to break the seasonality as we have succeeded in doing here. Otherwise also it will not have much of the



Symphony Limited
October 30, 2013

impact on consolidated results. In first two quarters, there were only overheads and expenses barring some revenue which is generated in the month of July and August.

Having said that, as per the new Companies Act, maybe starting year 14-15 quarterly consolidated numbers may have to be provided. So if it comes into effect, may be from the next year onwards consolidated numbers may be required to provide on a quarterly basis.

Anil Keni: Okay, do you see any kind of impact in states like AP, Orissa, West Bengal, Telanganawhere there have been an extended monsoon?

Nrupesh Shah: Actually our first quarter sales has nothing to do with monsoon because in first quarter and substantially even in second quarter, distributor or dealers purchase the air coolers from us mainly to hold the inventory and to sell during the season. So it does not have any impact with good rain, bad rain or extended rain that is number one. Number two, in states like Orissa, Andhra Pradesh or Bengal, if I consider three months' performance Y-o-Y, in our case there has been a decent growth.

Anil Keni: One last question, your annual report is still not out, so when can we expect the annual report be out?

Nrupesh Shah: You can expect the annual report sometime in the month of November.

Anil Keni: Thank you and all the best.

Moderator: Thank you. We have the next question from the line of SandeepTulsiyan from JM Financial. Please go ahead.

SandeepTulsiyan: Good morning Sir. If you could give us just a brief figure on how much the industrial air coolers contribute to our overall sales portfolio currently, basically split between industrial and residential?

Nrupesh Shah: As such, we do not provide breakup of exact numbers and value of industrial projects. But having said that, Y-o-Y there has been a decent growth, but again that decent growth is on a very small base. In domestic sales, substantial sales, more than 95% of the sales is from residential air coolers.

SandeepTulsiyan: Okay, basically I just wanted to have an idea of average realization as you have said that your average realization increase has been in the range of 5% to 15% across various models, other than that I just wanted to understand how much of our growth we are targeting from a model mix change and how much of it comes from volume growth ?



Symphony Limited
October 30, 2013

Nrupesh Shah: First quarter performance is on account of price increase, also on account of decent volume increase and also on account of change of sales mix, which we are constantly strategizing to divert more and more in the favor of high value models. Y-o-Y medium to long term as I said, we maintained to grow 25% to 30% growth in value terms. That should translate into good volume growth, so what all we understand air cooler industry as a whole is growing in the range of 15% to 20%, and organized market is growing even at a rapid speed because one is size of the cake is increasing and secondly it is a shift from unorganized to organized market. We maintain that our volume growth should be in line with or more than the industry growth.

SandeepTulsiyan: Okay, it should be higher than 15% to 20% based on market swing. You are mentioning that the dealers usually stock inventory during these quarters to maintain the sales during the season period of summer, so on an average you will have some sort of an estimate as to what size of inventory is usually held with the dealers, is it a one-month inventory or two-month inventory, what is the usual frequency at which the dealers stock their inventory?

Nrupesh Shah: Almost entire inventory at least in the first quarter and the substantial inventory in the second quarter is held by the distributors and dealers to sell in the peak season. Of course in the month of September and October in many parts of the country, temperature reaches in the range of 35 degrees to 40 degrees, some secondary sales do take place, but vis-à-vis our sales to trade that secondary sales is still small percentage, so it is not in number of months whatever sales takes place in first and second quarter is substantially by way of the inventory at the level of distributors and dealers.

SandeepTulsiyan: Okay, that is it from my side Sir. Thank you very much.

Moderator: Thank you. We will take the next question from the line of Ankit Kumar Jain from Equirus Securities. Please go ahead.

Ankit Kumar Jain: Good morning Sir, congratulations on an excellent set of numbers. One thing on window range of air coolers, can you brief on what could be the potential market size of the entire new range of the coolers and what are the roughly price points of all of these models launched, and third is how we are planning to market it, because what I do understand that it is something different from normal room air cooler?

Nrupesh Shah: Can you please repeat your question, you were not audible?

Ankit Kumar Jain: On window range of air coolers, first thing is what could be the market size of this particular product. Second thing is how we are planning to market this particular product?

Nrupesh Shah: First question was market size, what is second question?

Ankit Kumar Jain: How we are planning to market this particular product, because I think this is something different from the normal room cooler?



Symphony Limited
October 30, 2013

- Nrupesh Shah:** So how we are going to market is the second question. Third question?
- Ankit Kumar Jain:** What could be the roughly price points of all of these new five models under this particular segment?
- Nrupesh Shah:** As far as market size is concerned, unorganized segment has a huge dominance and presence in window air coolers, metal body air cooler as well as plastic body air cooler, so by entering in to this range of air cooler we are trying to penetrate into unorganized sector market. As far as the size is concerned, to define the exact size is very difficult, but total size of the air cooler industry is around 5 million units, out of which unorganized sector contributes around 4 million units, out of 4 million units anything about 20% to 25% should be window range of air coolers that is number one. Number two, how we are going to market? Of course, in the past also we have kept on launching not only new models, but also new range of air coolers, so here there are five new models of window air coolers out of which three are plastic and two are metal air coolers, so in terms of advertisement and sales promotion, necessary strategies we are working out. As far as distribution network is concerned, we are creating a separate range of distributors who will market this window range of air coolers. Having said that, in some parts where we see those distributors are strong along with their current range of air coolers even to market this, we may continue even with them. Thirdly about price point.
- BhadreshMehta :** Yes, basically the price point for this kind of cooler ranges between Rs.5000 and Rs.20,000.
- Nrupesh Shah:** Rs. 5000 to Rs.20,000 is for the unorganized. The price range should be starting from Rs.5000 to about Rs.15,000 at NRV level.
- Ankit Kumar Jain:** Okay. Sir, does these coolers do require installation like AC?
- Nrupesh Shah:** In case of air cooler, the major benefit is that it is more like plug and play, but if somebody wants to put in window, then to that extent it is required, but much simpler and better compared to air conditioner.
- Ankit Kumar Jain:** Sure, second question is on corporate fund, as of now it is around Rs.150 odd Crores, so if we look into other non operating income of around 5 Crores for this quarter, so this kind of other income can be maintained in the coming quarters?
- Nrupesh Shah:** Which kind of?
- Ankit Kumar Jain:** Basically Rs.5 odd Crores per quarter can easily be maintained during coming quarters in the other non operating income?
- Nrupesh Shah:** Very much possible, the reason being by and large that is going to be the kind of surplus except in December quarter, there will be some distribution of dividend and also advance income tax payment, so to that extent there may be some change in corporate fund but then also there will be further cash accruals.



Symphony Limited
October 30, 2013

- Ankit Kumar Jain:** Thanks a lot.
- Moderator:** Thank you. We will take a next followupquestion from the line of Viraj Mehta from Franklin Templeton. Please go ahead.
- Viraj Mehta:** Sir, you told like last year around 14% of your sales came from national chains. Going forward, over the next 2 to 3 years period, where do you see this number stabilizing for us? Second followup question on that, is it less profitable business in our current business?
- Nrupesh Shah:** No, we expect Y-o-Y very decent growth to come from large format stores, not only in percentage terms, but also in volume terms that is number one. Number two, by and large, large format stores do purchase on a need base, that is during the peak seasons. In terms of the operating profit or gross profit margin, as there is no in between distributor or trade channel, realization towards the margin percentage to us is quite comparable to traditional-based channel.
- Viraj Mehta:** Okay, what I understand is instead of two or three channel partners, here there is only one, so if the entire margin is taken away by that, so for us it has not really changed anything.
- Nrupesh Shah:** That is right. So even though they get a pricing advantage, but for us this way generally is not getting in between.
- Viraj Mehta:** Okay. So overall strategy for us to take this number from 13%, 14% to what level over the next two to three years?
- Nrupesh Shah:** We do not have any exact percentage in mind, but what we have in mind is to have a very decent growth to come from large-format stores.
- Viraj Mehta:** Currently, do we have tie-ups with these kinds of large-format stores?
- Nrupesh Shah:** We do have tie-up with almost all kinds of large-format stores including online sales and in large-format stores, it is Reliance Digital, Croma, Vijay Sales , Big Bazaar and many others.
- Viraj Mehta:** Okay, and online also we do sell.
- Nrupesh Shah:** Online also and also through Star CJ as well as Homeshop 18 that is TV channel.
- Viraj Mehta:** Okay, thanks a lot Sir. This was very helpful.
- Moderator:** Thank you. We will take the next question from the line of Sanjay Manyal from ICICI Direct. Please go ahead.
- Sanjay Manyal:** Hello Sir. I just wanted to know is it possible for you to give average realization ?



Symphony Limited
October 30, 2013

- Nrupesh Shah:** Our average realization has also gone up in the same proportion, but at the same time there are very clear strategies to move more and more in the favor of high-value models, so average realization we have increased on account of both, one is price increase and second is high-value model mix in that favor.
- Sanjay Manyal:** Okay. If I could understand there has been a significant volume growth also. Is there any impact of the Rupee depreciation?
- Nrupesh Shah:** As such in off-season that is first quarter and second quarter historically or otherwise also, competitors are unable to sell much. So, historically and even in current quarter also competitors have a negligible market share, but at the same time the competitors who import from China or other countries, of course we do have that pricing advantage and Rupee depreciation advantage.
- Sanjay Manyal:** Okay, thank you.
- Moderator:** Thank you. We will take the next question from the line of Kunal Shah from Amideep Investment. Please go ahead.
- Kunal Shah:** Very good set of numbers Sir. I have one question, if I look at FY'11 and FY'12 Quarterly results for Q1, even at that time we had sales around 28 and 24 Crores respectively. Last year we had advance booking of 60 Crores, but in previous years what was the reason for the lower sales?
- Nrupesh Shah:** We have started strategizing sales in off-season for the last three to four years. Before that in the Q1, it used to be negligible top line and that is yielding result. Last year was the first year where we really got a sizeable booking and advances. Substantial we could not convert it into sales.
- Kunal Shah:** Okay, now going forward sales will be even higher.
- Nrupesh Shah:** Still as on September 30, we receive good advance amount.
- Kunal Shah:** Okay, that is what I am telling. Going forward, we can see the seasonality moving away from Q1.
- Nrupesh Shah:** That is what we feel. Three years or four years before in our notes to quarterly result, we used to write business is highly seasonal and third quarter and fourth quarter contributes most of the sales and that we have broken down two years before and in current year that note is not appearing. Having said, as I conveyed earlier, in first quarter and second quarter, sales is more at a level of trade channel and small amount of that gets converted into final sales. So at that level, we have been in a position to break the seasonality.
- Kunal Shah:** Okay, and what would be the current capacity utilization?
- Nrupesh Shah:** Current capacity utilization is more than 80% to 95%, varying from OEM from OEM.



Symphony Limited
October 30, 2013

- Kunal Shah:** Okay, and any discounts we had running in Q1?
- Nrupesh Shah:** In case of Symphony, we devise the pricing in such a way whereby those who buy in the most off-season that is the first fortnight of July will get at the lowest price. Then every fortnight price keeps on increasing and that is one of the modalities whereby we incentivize the trade channel to buy early because they have to stock these for many months.
- Kunal Shah:** So, every year we have this scheme running.
- Nrupesh Shah:** But we change it depending upon various other market realities and our internal business plan.
- Moderator:** Sorry to interrupt Mr. Shah. For further questions, I will request you to come back in the queue as we have got several participants in the queue. Thank you. We will take the next question from the line of KamleshKotak from Asian Markets. Please go ahead.
- KamleshKotak:** Good morning Sir. I just want to have some more updates. As you said, at industry basis also there is a decent growth, so could you share some more details of competitors market share?
- Nrupesh Shah:** As far as organized players are concerned, domestically there is no organized player in centralized air cooler or ducted air cooler but there are several regional players and some of these regional players are really doing well. Having said they are doing well, they do have sales something in the range of 10 Crores to 40 Crores annually, but they do have regional presence. Now, coming to product performance, features, durability and quality of the cooling, as Impco has mastered this product in technology over several decades. Symphony is offering in that space best of the best technology and product. Many of the industry are our target customers which includes factories or large godowns or commercial space or many of the large government offices, there is also not even product awareness. So it also requires a lot of concept selling and that is what we are doing, but we have succeeded in getting some very, very prestigious orders from several corporates, some government departments, and various other segments. Coming to market share or market size, at least theoretically, every factory, large godown, and large commercial spaces is our potential customer and as we understand HVAC market that is the centralized air conditioner market size, without installation and without other accessories, is in excess of 7000 Crores, but potential market size is that big. How and when and to what extent we can tap it, only time should say, but we are very hopeful.
- KamleshKotak:** Okay, on the domestic cooler, the plastic cooler side also we understand that many competitors now launched their products, so how we see our market share with them as well as unorganized space?
- Nrupesh Shah:** Symphony is one of the major USPs which continues to do innovation, continues upgradation, and we have maintained and we will maintain our lead in that respect. Despite the launch of new models or new features by competitors, whatever continued upgradation we are making, we have huge lead in that respect, and that is where the market, and brand equity is also there. Not only



Symphony Limited
October 30, 2013

that, we were feeling that we were weak in service after sales, and that function we have substantially consolidated and improved in the last two years. Even that has been also recognized very well by the trade as well as by the customers.

KamleshKotak: Okay. What is our market share vis-a-vis the whole industry as well as organised sector ?

Nrupesh Shah: Residential air coolers as I said earlier total market size is about 5 million units, out of which organized market is about 8 to 9 lakh units that is in terms of percentage, 20% to 22%, and Symphony's market share in volume terms should be about 42% to 43%. Value term wise it should be about 50%. We expect that kind of market share to continue, probably we will attempt to increase it and when it comes to a profit market share, we believe in organized market, our profit market share is around 70%.

KamleshKotak: Okay, just one point, you mentioned about opening branch office in Middle East, how that is going can lead to change our competitiveness in those regions?

Nrupesh Shah: Earlier also, we were having presence there, but it was not by way of a physical presence. Now what we are doing, people from our international team have been deputed there and they are stationed there. We will have our branch office there, of course from business center also, and also may be down the line, we may maintain a godown, so depending upon the local requirement, respective model or respective quantity, even if it is a small or large, we can supply it from there. As of now, there is good amount of lead time, and Secondly many times locally it is felt that as we do not have our physical presence we are at some competitive disadvantage, and that is the place where lot of trading activities take place mainly to Middle East countries, North African countries and there are many traders who in turn re-export the product, so I think we can tap it in a better way..

KamleshKotak: All right Sir, great. Thank you very much Sir.

Moderator: Thank you. Participants due to time constraint, we will take our last question from the line of SumitDuseja from SPA Securities. Please go ahead.

SumitDuseja: Sir, just a question on windows air cooler. I wanted to know what has been the change in thinking of the company that you have decided a launch of window air cooler after being in the business for so long?

Nrupesh Shah: We have realized and acknowledged that there is a huge unorganized segment and many of them are doing very well in window air cooler and some of them are metal body window air cooler. Historically, we have always dealt with plastic body of air cooler, the reason being there can be a standardization and there can be economies of scale and there can be large volumes. Now in metal cooler, because of acquisition of Impco, which has many models whether in ducted centralized air cooler or in window model made out of metal body. Through them, we have developed two models of metal body of air coolers, which are being sourced from there, and



Symphony Limited
October 30, 2013

remaining three models are plastic body air coolers which are being sourced locally, and we expect that it should have a good opportunity vis-à-vis unorganized player in that segment.

SumitDuseja: Okay, the kind of gross margins that we would be looking for metal body air coolers would be in the similar zone that we are currently getting?

Nrupesh Shah: Metal body it may be slightly lower, in plastic body it would be comparative.

SumitDuseja: Okay, fine. That is from my side, all the best Sir.

Moderator: Thank you. I now hand the floor back to Mr. Nrupesh Shah for closing comments. Thank you and over to you Sir.

Nrupesh Shah: Thank you very much for your active participation in Symphony's analyst concall. Once again, I am wishing all of you on behalf of Symphony and my colleagues a Happy Diwali and very happy, healthy, and prosperous New Year in advance. Thanks a lot.

Moderator: Thank you Sir. Ladies and gentlemen on behalf of Trust Financial Consultancy Services that concludes this conference call. Thank you for joining us. You may now disconnect your line.