

"Symphony Limited Conference Call"

January 22, 2013





TRUST GROUP



MANAGEMENT:

Sympheny

MR. NRUPESH SHAH MR. BHADRESH MEHTA MR. CHANDRAKANT GANDHI



Moderator:

Ladies and gentlemen, good day and welcome for the Q2 FY'13 Earning Conference Call of Symphony, hosted by Trust Financial Consultancy Services Private Limited. From the management we have with us today Mr. Bhadresh Mehta, CFO, Mr. Nrupesh Shah, Executive Director and Mr. Chandrakant Gandhi, Company's Secretary. As a reminder all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you need assistance during this conference please signal an operator by pressing "*"and then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand over the conference to Mr. Nrupesh Shah, Executive Director Symphony. Thank you and over to you Sir.

Nrupesh Shah:

This is Nrupesh Shah. With me there are my colleagues, I welcome to all of you on Q2 conference call for the year 2012-2013. During our conference call it may contain certain forward-looking statements based upon management plans, assumptions in best possible estimate. These statements reflect our belief and assumptions on the basis of ground reality. However, the achievement of result is subject to risk, uncertainties and even inaccurate assumptions. With this, let me take you through first of all, some of the qualitative aspects of our performance and then I will take you through the financials, which is already lying with you.

So as far as domestic business is concerned, we are observing and witnessing very buoyant trade sentiment and customer sentiment across geographies as it has been observed in our quarterly and six monthly business plans. During last six months especially post September, we have introduced New I-series models with the features comprising of (a) Dura pump technology leading to longer life of the pump., (b) Water tank alarm, so wherever water tank is empty there is an auto alarm system, (c) memory restoration function, whenever there is a power cut, after power is restored the cooler will start with the same settings and function and (d) there is feather touch water proof features on the remote control.

Over and above that in about five models we have introduced cool store dispenser offering better cooling efficiency. This works through water distribution channel, uniform wetting of pads leading to enhanced cooling. Down the line starting from February Symphony has decided to come out with very exciting brand leadership campaign and as it was earlier conveyed, as on June 2012 we had about 14,000 dealers and by June 2013 we are targeting to have around 20,000 dealers.

As far as international business is concerned, historically and otherwise it is in two parts one is North America mainly by way of export to IMPCO and secondly to the rest of the world. As far as export to IMPCO is concerned, strategically during the current year, we



have decided temporarily not to export till inventory lying with Impco, which is in excess of 40,000 coolers gets completely disposed off. And we expect that to be disposed off at Impco's level by July-August 2013 and hence in first six months whatever correction we are seeing in export it is on account of non-export to Impco but the rest of the world we are seeing a very healthy growth in excess of 15% and in the rest of the world, we expect this to continue.

The demand and sales from the export from the rest of the world is quite strong. In fact, in last six months, we have added eight new countries mainly in southern hemisphere, which down the line, in years to come, should further help in offsetting seasonality and internationally in some of the countries, we have started training the distributors, dealers and their service staff in respect of the product and the company is also vigorously participating in International Trade Fairs and exhibitions but in first six months on account of non-export to Impco, which is temporary feature, we are seeing one time correction.

Coming to industrial and commercial range of air coolers in last six months, we have done strategic tie-up with large four corporates who are involved in executing turnkey projects and HVAC contracts. We have also appointed about 12 dealers who have experience of dealing in and executing large industrial air conditioning projects. In the last six months some of the prestigious industrial and ducted air cooler projects have been executed are for Marico Industries, Tractor India, Akshardham, Delhi, a small project, Swaminarayan Gurukal, Shriram Auto Tech, a part of Hero group and a repeat order from Patanjali Yogapeeth. In Industrial air cooler projects, we have ongoing recruitment of the manpower and in terms of the promotional activities, selective advertisement in technical journals and newspapers apart from online advertisement mailers to consultants, and architects, and by our industrial team one-to-one interactions with leading architects, consultants, HVAC contractors and HVAC dealers. Apart from that, we are actively participating in several trade shows, and workshops, and seminars.

Coming to Impco, of course, our current performance is a standalone performance but current year is going to be a year of consolidation in Impco. We are targeting to make it much more working capital efficient and in that direction, as I just shared, we are not going to export for a year, residential plastic coolers and essentially we are also targeting Impco to make much more working capital efficient. Industrial and commercial range of air coolers manufactured by IMPCO have been also selectively launched in Africa, Colombia and now we are exploring in Russia also. Apart from that in Impco, current year there is further value engineering leading to better cost efficiency and locally made metal air coolers especially ducted air coolers we are trying to promote quite aggressively.



Now coming to specific numbers, which is already available with you. In October to December 2012, the gross revenue registered was 92 Crores versus 58 Crores showing about 60% growth and in terms of total units we sold 156,000 units versus 112,000 units registering 39% growth. Breakup wise in domestic market we sold about 149,000 units versus 83,000 units and in rest of the world about 7000 versus 29,000 for the reasons I just explained you.

Sales from other activity and other operational income our gross revenue during the quarter has been about 92 Crores and in first six months our gross revenue has been about 119 Crores versus 88 Crores, registering 35% growth and in terms of the total quantity about 207,000 units versus 1,71,000 units, registering growth of almost 21%.

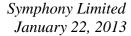
As far as operating profit is concerned, it stands at about 24 Crores versus 15 Crores, registering growth of 63% and percentage wise it is 28% versus 27% to sale and vis-à-vis gross revenue it is about 26%.

Coming to profit before tax its stands at about 24 Crores versus 15 Crores and at a PBT level, registering a growth of 63% and PBT percentage to gross revenue stands at about 27% at the same level as it was last year. In first six months PBT stands at about 27 Crores versus 22 Crores, registering a growth of 24% and in terms of percentage of PBT to gross revenue, it stands at about 23% versus 25% in first six months of the last year.

About income tax in three months it is slightly in excess of 8 Crores versus 4 Crores that is about 33% versus 26% of the PBT. This is mainly on account of most of the taxable profits is from domestic sales, which is subject to full taxation. At our PAT level in last three months, it stands at about 16.73 Crores versus 11.30 Crores, registering a growth of 48% and in first six months about 18.78 Crores versus 15.71 Crores showing a growth of 20%.

Coming to average realization, in last three months, average realization from domestic business has been about 5591 versus 5344, registering growth of 5% and in first six months 5371 versus 5129, registering a growth of again 5% and about export average realization has been about 4006 versus 3038, registering a growth of 32%. This is mainly sales to Impco, North America was small coolest and in the rest of the world are high value products.

As far as inventory is concerned as on December 31, the inventory is about 10 Crores but of course in some of the models we were having a stock out position this is versus inventory of about 31 Crores as on December 31, 2011. Total cash bank and cash-equivalent and liquid investments stand at about 118 Crores versus 37 Crores. This is over and above loans and advances of approximately 28 Crores given to subsidiary company.





So with this I make it open for questions and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the questions and

answers session. The first question is from Grishma Shah from Envision Capital. Please go

ahead.

Grishma Shah: Sir, if you could tell us why the RM to sales has been under pressure for the first half?

Nrupesh Shah: No I am not getting your question.

Grishma Shah: The RM to sales is around 49.5% raw material to sales?

Nrupesh Shah: It is on account of sales mix. We should really see that year as a whole, when it should

even out.

Grishma Shah: Sales mix in the sense?

Nrupesh Shah: We expect it to be maintained almost at the level of last year. I mean to say year as a whole.

Grishma Shah: Sir if you could also tell us how the rest of the world excluding Impco has performed in the

first half in terms of growth number?

Nrupesh Shah: If I compare rest of the world and non-Impco in last six months versus previous year it has

grown by about 15%. This is on top of very healthy order book position.

Grishma Shah: First half how much has the industrial air cooler business been?

Nrupesh Shah: Value wise it is not substantial because still we are at a concept stage but we executed in all

about 26 projects including some of the names, which I mentioned but if I see even on a

very lower base it is healthy growth but still no big numbers.

Grishma Shah: You have also mentioned that in the international market the product mix has been

different or Impco has a better value added products compared to the rest of the world can

you explain that so?

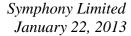
Nrupesh Shah: I said that on the contrary in the rest of the world our realization is higher compared to

Impco the reason being in Impco it is a comparatively small model and because of that

current year for cooler the realization is higher.

Grishma Shah: Sir I mean why a call of exporting to Impco, is demand a problem that or you are just

correcting it on the working capital side. I just wanted to understand that and if I adjust this





40,000 say for the last year 138,000 kind of numbers that you done on the export front I just fail to understand why a 40,000 inventory at Impco and why not a call earlier then?

Nrupesh Shah:

Number one last year our export was not 138,000 about 114,000 or so and last year out of that certain quantity was exported to Impco in anticipation of higher sales but it did not materialize and so Impco is sitting on a high inventory and we are taking a conscious decision that till we dispose of the inventory temporarily we will not like to export further, which will streamline its working capital and on top of it we are trying to promote aggressively locally manufactured metal ducted coolers simultaneously. But as they were sitting on a high inventory whenever consolidated result is considered, inventory is automatically net off from the consolidated sales.

Grishma Shah: What is the total cost per square feet for an industrial air cooling installation?

Nrupesh Shah: Total cost...

Grishma Shah: Suppose somebody wants to install your industrial air cooling solution at their premises?

Bhadresh Mehta: It is in the range of 1 lakhs to 2.5 lakhs in general for residential centralized air cooling.

Nrupesh Shah: So what Bhadreshbhai was talking about for a large residential house about 2000 to 3000

Square feet of area, it costs depending upon the requirement anything in the range of Rs.1 lakhs to Rs.2.5 lakhs which is about one-third or 40% of the centralized air conditioning and when it comes to a electric consumption, about 10% versus that and in other words in fact centralized air cooling pay back period is less than one year just from saving of

electricity of air cooer vis-à-vis air conditioner.

Grishma Shah: I just wanted to highlight one more thing recently Tata Power has come up with the scheme

for the people who are using their commercial facility to exchange their air conditioner for a five star rated one and there the payback is much faster so does that impact our business on

the industrial air cooling segment?

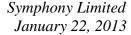
Nrupesh Shah: No, I do not have much idea about that so it would not be very fair to comment on it.

Grishma Shah: Tax rate would remain around these levels for the entire year?

Nrupesh Shah: It depends on how much we export down the line because as our export is from SEZ that is

completely tax free so hopefully down the line our tax rate should come down slightly.

Grishma Shah: Thank you.





Moderator: Thank you. The next question is from Sumit Duseja from SBI Securities. Please go ahead.

Sumit Duseja: Sir my first question relates to Impco. I just wanted to understand how exactly the overall

demand environment there in Mexico and as well as in USA is? In fact the consumers are not accepting plastic coolers that we export, or how exactly overall ground reality is? Can

you please explain that?

Nrupesh Shah: Number one, last year in March and April in some part of the traditional plastic cooler in

fact it was a slightly weak summer. In fact it really started with our very good summer and because of that the demand was slightly lower but otherwise there is a good demand for the

plastic coolers.

Sumit Duseja: But Sir you mentioned that as we anticipated it did not materialize in fact because we

expected plastic coolers to pick up faster where say the consumer choice has been for metal

coolers only?

Nrupesh Shah: It is like that see, we plan at least three to six months in advance in anticipation of certain

factors and in the anticipation of certain business plans and accordingly coolers being dispatched so say last year that is in the accounting year 2011-2012 more than half the

quantity of sale to Impco was dispatched in the first half.

Sumit Duseja: How is overall industrial demand? Are we kind of gaining market shares over there or like

how exactly the situation on that front?

Nrupesh Shah: In industrial air cooler it seems to be very prospective, very promising but still it is at a

concept stage as far as India is concerned and as I mentioned in my opening remarks some of the steps and initiatives what we have taken and we are very optimistic about that. As far as market share is concerned currently the market is predominantly by local fabricators and local players, so as far as organized companies concerned Symphony is the only organized

company having a much superior product and performance and service after sales.

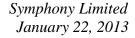
Sumit Duseja: What exactly has been the growth rate in overall industrial segment in those markets?

Nrupesh Shah: As far as organized industrial air cooler is concerned, in fact, we are a pioneer in it. So there

is nothing like an organized industrial air cooler market, but if you talk about through this local fabricator or local players or another way to compare it total HVAC market of industrial air conditioning because that is also to a major extent our potential market. Then

it is anything in the range of 2000 Crores to 3000 Crores potential market.

Sumit Duseja: Okay and what exactly is the share between organized and unorganized sector?





Nrupesh Shah: Residential or industrial?

Sumit Duseja: Industrial.

Nrupesh shah: In industrial as I told you it is currently completely by unorganized players. We have just

taken an entry and we are the first company in organized sector.

Sumit Duseja: That was there in Mexico and US also, as you are saying?

Nrupesh Shah: Mexico and US most of the sale is in industrial and heavy duty coolers. And there including

DuPont, Gee and some of the large Wal-mart stores have been also centralized air cooled by

Impco and Symphony.

Sumit Duseja: Sir, I am asking for Mexico and US markets exactly what would be our share and what

exactly the share of organized and unorganized sector?

Nrupesh Shah: In North America, I think our share would be in excess of 20% and there organized and

unorganized would be almost like 50 - 50.

Sumit Duseja: Sir my last question is on the long term horizon for industrial segment in India. I just want

to understand how exactly is the response from the clients that you have been talking with and what is your outlook in say like three to five years from industrial air-cooling business

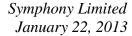
in India?

Nrupesh Shah: As far as industrial air coolers are concerned, firstly factories are excellent potential

customers because hardly any factory can afford to do centralized air conditioning. Secondly, some of the factories do require because of its product application moisturization and humidification, say, certain textile application, certain dyes and intermediates, certain chemical companies. Thirdly, some of the auto company's plants have been already centralized air cooled. So for example Tata Nano at Sanand was not done by us but earlier it was done by some local fabricator and similarly some other auto plants. Similarly because of certain product application many of the warehouses need to have some reasonably cooling comfort. Again all these are the applications where air conditioning is nowhere viable alternative. Over and above that large residential houses or even large commercial space even in North America even in some of the large malls what happens open area has been centralized air cooled but offices, and shops, and showrooms are centralized air conditioning that is a mix and match and even some of the large residential houses

especially in dry areas centralized air cooling is an excellent option obviously because of

the cost advantage.





Sumit Duseja: Sir what exactly our view on the revenue that we can generate in three to five years time

period?

Nrupesh Shah: I would say that in that in the longer term I cannot say exact number of years but we have a

potential to register about 100 Crores of turnover with good profitability.

Sumit Duseja: Okay but any timeline?

Nrupesh Shah: Timeline is not possible to give.

Sumit Duseja: Thank you Sir.

Moderator: Thank you. The next question is from Ankit Babel from Subhkam Ventures. Please go

ahead.

Ankit Babel: My query is on, you mentioned that you are also there into HVAC segment. Now what I

understand is that companies like Blue Star and Voltas are also present there. I understand they are into air conditioning and you are into air cooling could you just make me understand the differentiation between the two or are you competing with those companies

in that particular segment?

Nrupesh Shah: In some of the segments we are competing with them. Wherever centralized air

conditioning and centralized air cooling both go together or both are in alternative we do compete with them but in terms of the product application, pricing and cost wise there is a huge difference but of course wherever centralized air conditioning is being used, there is a

potential even of using centralized air cooling or ducted aircoolers.

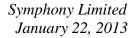
Ankit Babel: What is the difference between this air conditioning and air cooling in from a user point of

view?

Bhadresh Mehta: I will explain in a very simple manner. You know the difference between air conditioner

and air cooler for home application. So actually similar way it will be there for the industrial air cooling, only difference is that wherever there is humid climate, air cooler will be lesser effective but still there are industries where humidity is an advantage. So for those industries air cooler is a better option as compared to air conditioner. Now for the pharmaceutical industry of course air cooler will not work, air condition is required but there are industries like say for example, say in a workshop where there may be many open areas where you will not be able to do the centralized air condition for the work shop at all so only with option available is air cooler to be used. Similarly the industries like Agro

industry or say for example, textile industry where there is humidification is required there





air cooler is a better option and thirdly in case of the commercial spaces like big malls and all there are lot of open areas where air cooler is the only solution.

Nrupesh Shah: over and above that, Where there are large boilers, large furnaces where lot of heat is

generated, they require some cooling comfort and air conditioning in most of such cases is non viable obviously because of a very high capital cost and also because of very high

recurring cost and in that case air cooling becomes a viable option.

Ankit Babel: So is it a new concept or it has been since long?

Nrupesh Shah: It has been already implemented mainly by the local fabricators or local players in many of

the factories and says even in our Ahmedabad in old days even some of the theaters were

centralized air cooled.

Ankit Babel: But as a person standing in an area where it is air cooled and another person standing in an

area where is the air conditioning so will that be a totally different feeling from a

temperature point of view?

Nrupesh Shah: Depends upon the climate if it is dry weather.

Ankit Babel: Suppose it is North India where there is not humid.

Nrupesh Shah: Then it is very efficient as a grill level, temperature comes down anything in the range of 10

degree to 20 degree wherever there is humidity, especially at a coastal area because of

humidity it is less effective.

Ankit Babel: So your main market would be from North India and Central India?

Nrupesh Shah: North India, Central India and even selectively it can be in coastal area, of course less

market because still it gives a comfort and at a much lower cost.

Ankit Babel: Okay and you are saying that in an organized sector you are the only one who is present

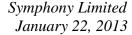
into this area?

Nrupesh Shah: That is right whether in India or globally.

Ankit Babel: Globally also?

Nrupesh Shah: Yes. Because there are countries specific player, but there is not a single company having

the global presence in this segment.



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Ankit Babel:

So from your client's point of view if I have an industry so will it be and if I have an industry in North India so will I choose air cooler or an air conditioner considering the efficiency and also the recurring cost and the capex cost. I just wanted to understand, are the people shifting from air conditioning to air cooler or not?

Nrupesh Shah:

There are two ways to look at it. One is a shifting and secondly many of the people are not just going for the cooling in factories or in godowns because of earlier nonavailability of the option or there was no knowledge that some local fabricators were doing that. So most of the factories or godowns or some of the commercial space you would not see that they have been even air conditioned, so it is not merely shifting from air conditioning. It is like no option, to centralized air cooling and similarly in residential air cooler especially in middle class and upper middle class those who are shifting from fan to air cooler again this is a better and more viable option.

Moderator:

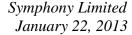
Thank you very much Sir. The next question is from the Siddharth Mohta from Principal India. Please go ahead.

Dhimant Shah:

Just two three questions, the exports for the half year has declined so can you throw color on that number one? Number two is even if you can explain from the balance sheet the customer advances from what orders you get those and if you can also throw some light on these two?

Nrupesh Shah:

About exports I had already covered in my initial remarks. So let me just repeat that. Exports, as such has been in two parts, one is in North America through Impco and secondly to rest of the world. Strategically in the current year temporarily we have decided not to export to Impco as it is sitting on a large inventory of Symphony range of plastic residential air coolers and hence, we are seeing one time correction of export performance in current year. Second part is, rest of the world that is other than North America through Impco, where we have seen in first six months about 15% growth and demand as well as overall sentiments are very buoyant. in fact in last six months we added about new eight countries in the basket and many of them are in southern hemisphere this down the line over a period of time should help in offsetting the seasonality and overall in medium-to-long term, we are quite optimistic about the exports and international business and down the line even in Impco also starting from next year, again we will re-start the exports . so current year is a one time correction. Your second question about the customer advances, most of the customer advances are from the domestic business from residential cooler and partly it is from industrial cooler and from export so most of the amount reflected under current liabilities by way of customer advances where those orders will be executed in January and February 2013.



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Dhimant Shah:

And what are the critical retaining factors that because you outsourced virtually the entire productions and so is it the mould or what is it that you actually kind of end up controlling within the company so that it is not copied it as fast as because one two years down the line it gets copied and even competition will catch up?

Nrupesh Shah:

As far as products design, and specifications are concerned they are completely owned by the company. As far as moulds and dyes are concerned, it may be owned by the company or it may be owned by the OEMs, but they are designed completely as per the specifications by the company and we do have exclusive tie up including all legal agreements with OEMs and although OEMs are typically large big molders who also has been with some of the large automobile companies, automobile accessories companies, of course as far as air coolers are concerned, they are exclusive to us and they are more like typically large molders or manufacturers so they do not have a kind of dealer or distribution network or marketing setup.

Dhimant Shah:

As far as the industrial goes, can you give us a sense of the size of opportunities staring at you. There is one Australian player who is a significant guy, who is a well established guy, what are the key strategies you will follow because I think this is one bucket for you to grow exceptionally high?

Nrupesh Shah:

About industrial and commercial range of air coolers again in my opening remarks what activities we have initiated I had covered but let me just repeat it for you.

Dhimant Shah:

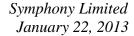
If you can just give us a sense of the size of opportunity that is there for our company in that segment?

Nrupesh Shah:

Size of the opportunity is like virtually every large factory, godown and large commercial space and large residential houses are potential customers for this because in factories or godowns obviously because of the costing reasons we cannot centralize air condition in those space and similarly whether it is a commercial space or large residential houses obviously because of the costing advantage the payback period of centralized air cooling is just eight months to 12 months just from the saving of the electricity. Coming to size of the market, we assume that potential is in the range of 2000 to 3000 Crores, which currently totally being scattered and served by the unorganized market.

Dhimant Shah:

The critical success factor for you will be having a team to service this? What are the critical success factors you will need to have in place before you effectively address this market?





Nrupesh Shah: The critical factors are to have a tie up with the large companies who are executing HVAC

contracts and turnkey projects who have the dealers and distributors, who undertake the execution of industrial and ducted range of air conditioning. Having a tie up with the HVAC consultants, so basically really to have an entry into that space, which typically serves centralized air conditioning and apart from that probably in many parts and in many pockets there is no awareness about this so also to create an awareness. So we are

absolutely at a level of concept selling.

Dhimant Shah: Thanks for your answers.

Moderator: The next question is from Arun Baid from IDBI Capital. Please go ahead.

Arun Baid: Just wanted to know what was the order book as of December 31?

Nrupesh Shah: In our case there is nothing like an order book but you can say that whatever advances we

have received that will be booked and sold in January – February.

Arun Baid: Because last quarter you did disclose the quantity so?

Nrupesh Shah: Because last quarter was an exceptional quarter where we upgraded most of the models, and

products, and production started only from September so most of the order booking and advances what we have received we could not execute. So it is just for the information purpose otherwise in our kind of the industry where we are into appliances and consumer

durable there is nothing sort of order book.

Arun Baid: Sir just one more question, what in this quarter you have shown operating and other

income of about 4.45 Crores so can you just tell what's the operating part and what the

other income part in that proportion?

Nrupesh Shah: I do not have exact breakup available right now but it is basically operational income and

directly indirectly related with the business.

Arun Baid: So it will be like dividend income and stuff like that in those 4.45 Crores?

Nrupesh Shah: May be inclusive of it but dividend income if at all it may be on our investments by way of

liquid mutual funds and etc.

Arun Baid: Thanks a lot Sir.

Moderator: Thank you. As there are no further questions from the participant, I now hand the

conference over to Mr. Nrupesh Shah for closing comments.



Symphony Limited January 22, 2013

Nrupesh Shah: I, on behalf of Symphony, thank you very much for sparing your valuable time and

participating in this analyst concall. Thanks a lot.

Moderator: On behalf of Trust Financial Consultancy Services Private Limited that concludes this

conference call. Thank you for joining us. You may now disconnect your lines. Thank you.