



# Symphony Limited

Q3FY13 Post Results Conference Call  
Hosted by IDBI Capital Market Services Ltd.

**May 2, 2013**

## Moderators

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**Moderator:** Good afternoon, ladies and gentlemen. I am Beulah, moderator for this conference. Welcome to the conference call of Symphony Limited Q3 FY 13 result. We have with us today Mr. Arun Baid of IDBI Capital and the management of Symphony Limited. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Arun Baid of IDBI Capital.

**Arun Baid:** Good afternoon, ladies and gentlemen. On behalf of IDBI Capital, I welcome you all at the post result concall of Symphony Limited for the quarter ended March 2013. Today we have with us from the management side Mr. Nrupesh Shah, the ED, Mr. Bhadrash Mehta, VP, Finance and Account, Mr. Chandrakant Gandhi, Company Secretary, Mr. Girish Thakkar and Mr. Hasmukh Patel, DGM, Finance and Account. I now request Mr. Nrupesh to give opening remarks and then the floor will be opened for question and answers. Over to you, Mr. Nrupesh.

**Nrupesh Shah:** Thank you. I welcome all of you to quarter three analysts conference call. In my remarks or even in my question and answer there may be some estimates or forward-looking statements, but that is based on best possible estimates and assumptions, but due to various external or other reasons, that may turn out to be different or even inaccurate, so they need to be considered accordingly. With that, this time in my opening remarks I won't deal with figures or quarterly performance of nine months because it is already available to all of you since day before yesterday evening. So, I propose to give more of the qualitative information and detail just to give you some background about overall external opportunity of the air cooler industry. In India, as per our source, we do have almost 247 million households. Out of which the number of households, which are not having even a fan, that is not even the basic necessity are about 83 million, that is almost one-third of the households are not having even fan. The number of households which are having fan or some other cooling appliances are about 164 million, that is two-third of the households are having some of the cooling appliance out of which the number of households having air conditioner are about 9.4 million, which means 3.80% of the total households are having air conditioner and number of households having air cooler are roughly 5%. It means to us that we are addressing the market size of about 95%, that is about 4% who are having air conditioner, other than that, that is one way to look at it or other way to look at it is, those who are having fans, that is 67% of the households are having a potential to graduate to air cooler industry. In other words what we perceive, there is a huge untapped demand, potential and market for the air cooler industry and that is what Symphony is looking at. Another way to look at matching the opportunity, households having hot and dry climatic region, 132 million households in India live in hot and dry climatic region, that is almost 54% of the household and 11 million of the households are those who live in moderate climatic region. So, both put together, roughly 59% of the households, that is approx. 143 million of the households are such who are potential target customers for Symphony products. And we believe that Symphony is rightly placed to grab this opportunity because of most innovative company whether in the domestic market or in international market. Symphony is having the widest range of air coolers, having about 15 models suiting wide variety of applications and requirements, brand loyalty resulting in apprising premium of almost 10% vis-à-vis competitors of organized sector, largest distribution network in our industry and having unmatched rural reach and still we believe that, in that respect still we have a lot to do and management is completely focused on this terrific opportunity, which we believe is like an arjun eye and having a distinctive age. Symphony is positioned to the first recall in the minds of young and affluent Indian consumer when it comes to air cooler and this makes really Symphony an undisputed market leader.

As far as global market is concerned and as most you know, Symphony's products are now available in almost 60 countries and even in those 60 countries, in many of the countries, especially in current year; we have succeeded in tying up with top-notch distributors. As far as global company in our segment is concerned, there is no global company having this kind of reach and product mix.

Symphony understands the consumer mindset first-hand, which provides distinctive competitive advantage whether it is in the domestic market or in international market and that opportunity even surprises to Symphony with every passing time and even at our current scale this makes Symphony the world's largest

air cooling company. We are continuously working on expanding addressable opportunity by entering or creating new segments and distribution channels. As you know, about two years before we launched industrial and ducted air cooler for housing, factory, warehouses and commercial space. In that space as of now, we have tied up with many consultants. We have appointed almost 32 dealers. In the current year, in the first nine months, in industrial and ducted air cooler we have so far installed in about 55 sites. Of course, when it comes to value, a year before it was a small base and despite having huge growth, still value-wise it's very small, but just to give you some idea, some of the prestigious orders, which Symphony has executed in this segment they are of Marico, Nestle, group company of Hero Honda, Tractors India. In the religion segment Akshardham, Swaminarayan, again one more order from Baba Ramdev's ashram; apart from that, even in ISKCON and many such other prestigious orders. In that segment, Symphony is actively pursuing a variety of activity for creating proper network and promotional activities through various mediums and channels.

Symphony is totally dedicated and committed for translating all these numbers and opportunities into value creation for the shareholders by focusing and maintaining its leadership, believing in profitable sustainable growth. As you know, Symphony is having and will continue to maintain absolute low CAPEX variable business model as far as Indian operations are concerned. Completely asset-light, capital-light and almost cash and carry business model and as you know, in the last four years, Symphony has continuously increased the dividend payout.

Now, coming to key risks and challenges, of course, as any industry or as any company, even Symphony faces certain risks and challenges. With long-term opportunity completely intact for many, many years to come, there may be and there would be bumps during the journey. Number two; cooler sales are also highly dependent on the summer, which is in no one's control. Number three, penetrating new geographies especially in global market takes time. Number four; executing newer segment requires considerable time and effort, as we are experiencing with industrial and ducted air cooler, but very prospectively. As far as risk management mechanisms to deal with each of the factors is concerned, Symphony being a leader and enjoying significant brand loyalty, Symphony is always and would be the least affected whenever summers are bad and as all of you know, even in summer '11 that was proven. Experience over the years and total focus helps and Symphony keeps on improving inventory planning and estimating the sales and business plans. Symphony, being a very cost conscious company, keeps on checking all kinds of costs, whether it's a variable cost or the fixed overhead, whether it is for manufacturing or even marketing costs, whether in domestic market or even in newer segment. And mirror-sharp focus helps in continuous monitoring, planning, and strategizing a variety of initiatives.

Now, coming to very specific details of the quarter, as you know, the realization for the quarter has increased. In domestic market and export put together, per unit realization has gone up from Rs. 5029 to Rs. 6062, that is almost 20% and in first nine months up from 4844 to 5610 that is 16%. During the year, across the model, and considering two price increases, overall prices have been increased by about 10%. In the last quarter, there was a focus to increase high-value products and we have succeeded in that and overall, whether we look at nine months as a whole and more importantly 12 months as a whole, we are confident of a good volume growth. In the last three months, if you look at the raw material consumption percentage, even though input costs have increased drastically, raw material consumption percentage has come down from 46% to 44% and as far as operating profit is concerned, let me just clarify, other expenses, which is a part of the total expenses include for the quarter March '13, about 173 lakhs related to prior period income tax and for the first nine months, out of 1190 lakhs it included about 411 lakhs related to prior period income tax. So, if we exclude that, the operating profit for the quarter stands at 30.75% versus 30.06% of March '12 and even sequentially, it is up from 29.34% in December '12 and as far as first nine months are concerned, if we exclude this prior period expenses, operating profit margin stands at 27.71% versus 26.15% of the last year, that is up by about 1.56%.

About non-Mexico export growth is concerned as you know, during the current year we have taken very strategic decision considering the inventory lying at IMPCO, bearing some model specific not to export, so in non-Mexico export in the first nine months, the volume growth is 39% and value growth is about 57%.

Now, coming to how the current quarter is behaving, as April is over and as we have already conveyed, as of 28<sup>th</sup> of April, Symphony has already crossed the domestic sale value of the entire year '11-'12 by 28<sup>th</sup> of April and we are quite conscious about the inventory management. So, with this, I open the floor for question and answers. Thank you.

## Question and Answer Session

**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing \* and 1 again.

**The first question is from Mr. Dhimant Shah from Principal India. Please go ahead.**

**Nrupesh Shah:** Hi, Dhimant.

**Dhimant Shah:** Hi, good morning. Thank you for the opportunity, just a couple of questions. Question number one, if you can explain...you already explained that this other expenses includes 4.1 crores, which was prior period, right?

**Nrupesh Shah:** Yes, right, in nine months.

**Dhimant Shah:** In nine months, okay. But it would have helped if you would have clarified that already by putting a small note below the result. Anyway, number two; can you just explain why in the rest of the world our volumes have fallen? That is question number one. Number two, in terms of when I visit a few stores and just observe, there are a few models that have come up, if not equally appealing, quite similar to our designs and offering certain cooling endeavors with sensors and so on and so forth, so in terms of being a feature-rich, which they are coming with equally, so if you can explain because in this business competition will catch up with some time gap,, so, how does one really distinguish or how do you, propose to kind of...as an added question to that, your selling and distribution for the quarter has gone up as well as the nine months has gone up and can you explain what required you to spend this slightly higher amount, is it for some new to-be introduced products or it is on the existing inventory of products that we have or this also includes the seeding expenses for the industry. And number three question is that you have I think extended or you are proposing to extent some amount to your Mexico subsidiary, can you explain the requirement of funds there and how you will be going about, I mean what is the requirement of the total funds in Mexico subsidiary. Number four is you already explained you have already seeded about 55 sites in India as far as industry goes, so, if you can explain how has the response been and how early can you expect this part of the business to contribute significantly. And lastly, if you can explain, any acquisition targets that you have already identified because incrementally your cash allocation will be superiorly important, if not the most important aspect, but if you can explain whether you have finally boiled down to some geography, identifying a set of distributors whom you want to acquire. So, these are the set of questions. Sorry for being slightly more elaborate,

**Nrupesh Shah:** All right. Of course, you have many, many questions. Let me try to address as much as possible.

**Dhimant Shah:** Yeah.

**Nrupesh Shah:** About the rest of the world volume, as we had conveyed even in the first two quarters, Symphony's international sales consist of export to IMPCO and export to the rest of the world that is other than IMPCO. On 30th June, '12, IMPCO was sitting on substantial inventory of Symphony range of air coolers, so obviously at a consolidated sales level on June '12 that was not forming part of sales. . As a strategy, it was decided to let IMPCO clear out that quantity and until then we will not export to IMPCO, so our international sales needs to be considered in two parts, sales to IMPCO and sales to other parts. So, if we consider sales to IMPCO for just two or three models, there has been a negligible export during the year to IMPCO. Hence, in

IMPCO there has been a substantial reduction in the export volume as well as value. As far as export to other countries are concerned in the first nine months, as I covered in my opening remark, that volume has gone up by 39% and value wise it has gone up by 57%. One more clarification; this IMPCO decision is like one of the decision for the year, so for a current year we would see that rectification, but from the next year even sales to IMPCO should be resumed. This was the clarification, which we had given even in earlier two quarters.

Coming to your next question, few models, which you have seen in the large format store, and what are the distinct advantages of Symphony, so just to give you some idea. During the current year, Symphony has launched six upgraded or new models, which covers dura-pump technology. There are features like system, which restores the function whenever power is off and if power is resumed. The various functions, which were tied at one level, they got restored. Third is empty water tank alarm, which is there in Symphony coolers. There is a very powerful airflow with the auto swing in Symphony air cooler. Over and above that, in Symphony air coolers vis-à-vis most of other air coolers there is a substantial lower electricity consumption varying from model to model. As far as remote control is concerned, we have a fully functional remote with a timer. There is highly efficient honey comb pad, which is very important and that is like a USP of Symphony coolers, which helps in better cooling efficiency. There is a feather-touch digital control panel and there is a large tank capacity, so this is how the dealer or distributor also convinces the customer how the Symphony product is better, which I tried to convey to you. Because of a combination of all such factors, despite competition, which was always there in the past and it is there also currently, Symphony outsmarts the competition and that is how it also slightly has premium pricing and we expect that to continue.

Your next question was about fund requirement at Mexico and even fund infusion in Sylvan, so, as you may be aware, overall Symphony has an exposure of about 35 crores to Sylvan or to IMPCO directly and indirectly. Basically that funding requirement was meant for IMPCO and it was in two parts, one was for working capital requirement and secondly for other funding requirement. Current year we expect that because of its better and efficient inventory management, overall working capital requirement should come down. That is one part. But essentially Sylvan's capital has been built up from 0.65 million to approx 5.15 million considering better financial management and some of the income tax benefits. So, overall there is not going to be additional funding, but it is going to lead to better financial management and income tax planning.

**Dhimant Shah:** No. Sir, what is the absolute amount that will be infused by us during the year or as time goes by, at least in the short-term, if you can give some color on it.

**Nrupesh Shah:** As far as total spending, I think around roughly as on June '12 it was about 35 crores, but we expect that by December '13 that should come down significantly on account of better inventory management at the level of IMPCO. How much it will come down we will come to know only around September-October. By this time IMPCO season would be over. And as far as the equity infusion in Sylvan is concerned, it is not actually additional funding as I stated. It is like a different and better financial planning in terms of the total funding to Sylvan or IMPCO.

**Dhimant Shah:** Right. So, first it will go to Sylvan and from Sylvan it will flow to IMPCO.

**Nrupesh Shah:** Exactly. That's how by and large it is being done.

**Dhimant Shah:** Okay, sir.

**Nrupesh Shah:** And next was about industrial and heavy-duty cooler. How has been the response? I think in some of the installations or orders, we have already got the repeat order and overall by and large there has been a good and positive response, but as I said, still we are building up this business and it will take some time, but we are quite optimistic and we do see a good long-term potential and future in this.

**Dhimant Shah:** Yeah, so, I mean, within the next two years, just to, you know, put a figure, can it be a 100-crore business for us?

**Nrupesh Shah:** Sorry, I can't give that figure and we will see how time passes.

- Dhimant Shah:** Okay.
- B V Mehta:** Your one of the question was with regard to the selling and distributor expenses, which have gone up.
- Dhimant Shah:** Right.
- B V Mehta:** If you see the percentage of selling and distribution expenses over sales, the nine-month number was about 29 crores last year and 35 crores this year, but percentage wise this was 17.68% and 17.95% respectively, which is with marginal increase of about 0.27% only. It is partially for the freight increase amongst other things.
- Dhimant Shah:** Okay.
- Nrupesh Shah:** And I think your last question was any specific acquisition target and cash allocation?
- Dhimant Shah:** Correct.
- Nrupesh Shah:** We have maintained and we have said in the past, we are interested in acquisition, but only in our line of activity which gives us direct access to the customer or distribution channel. Currently, we don't have any specific identified target. We keep on receiving the offer, but as of now there are no specific target, but we will keep our eyes and ears open and related to that it was about cash allocation. Of course, in our kind of business, the end use of the cash is two way, one is as and when we get further better acquisition opportunity one would be towards that, secondly as I covered in my opening remarks, we have kept on increasing dividend payout so far, so I think this answers your question.
- Dhimant Shah:** Yeah, yeah, thank you so much. And if you can allow me just one last question, sir. In terms of marketing reach or your reach actually...because in your opening remark you mentioned that so many households and we have just covered, the size of opportunity covered is rather 5%, so can you mention key markets where you are possibly weak, strong, kind of, and where you still need to grow because your feedback has been that, you aren't superiorly present in south, especially, let's say the Madurai belt and so and on and so forth.
- Nrupesh Shah:** Number one; there are not some few districts or few regions. As far as domestic market is concerned, Symphony has excellent presence throughout India except northeastern states. I would say that almost 59% of the households stay in hot and dry climatic region or moderate climatic region and they are throughout the country barring few costal areas, but even in a costal area like Mumbai, say, Symphony sells annually more than 10,000 air coolers, of course, that is much lower than what we sell in dry place like Delhi or Hyderabad or Nagpur or Jaipur, so there are not any specific pockets. It is certainly throughout the country and that's how we target and view it.
- Dhimant Shah:** So, there are no regions as such where you are weak or you need to be present,
- Nrupesh Shah:** No I think, what we feel as time pass, we need to keep on increasing our distribution reach as probably I would have conveyed earlier, about five years before our number of dealers were close to 3000 and last year it stood at about 15,000 and target is to reach at about 20,000 in a few months and in medium term the target is to reach 40,000 dealers and that is for deeper and deeper penetration in all the current market and much better penetration in rural and semi-urban market.
- Dhimant Shah:** Correct. Okay, sir. Many thanks for answering all the questions. Thank you so much.
- Nrupesh Shah:** Thank you.
- Moderator:** The next question is from Mr. Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Yeah, good afternoon, sir. The operating and other income has gone up from 4.7 to 10.3 crores for the nine months. Can you throw some light on that?
- Nrupesh Shah:** Yeah, so operating and other income consisted of ,related to air coolers, we are also into some sort of service related variety of income, which may be supply of spares or such other associated income and apart from that we have thought it appropriate that our substantial net worth is lying by the way of investment so even that is a



part of that, so basically operating and other income into both sides, that is other income as well as operating income.

**Sachin Kasera:** Yeah, that I understand, sir, but what is the reason for this almost doubling, Y-o-Y?

**Nrupesh Shah:** Doubling means obviously our surpluses have increased substantially and hence this is directly reflected in that.

**Sachin Kasera:** Because sales income you reported separately, data sheet is down from 5.6 crores to 2.3 crores.

**Nrupesh Shah:** But our investment as on 30th June '12, that is treasury investment, was substantially higher than 30th June '11 and so is the case quarter to quarter.

**Sachin Kasera:** Okay. Sir, second question was this note that you had mentioned regarding sales really having crossed, can you give some light on how the volumes have done. This is, I think, regarding the revenue when you mentioned sales up to 28<sup>th</sup> April having crossed last full year.

**Nrupesh Shah:** As far as volume is concerned...just a moment, nine months as a whole our domestic sales volume and export sales volume stands at about 347,000 units...

**Sachin Kasera:** Sir, I have the nine-month number. I am just asking about the note that you have mentioned in the data sheet, where you mentioned that the domestic sales value has crossed for the full year as against on 28<sup>th</sup> April itself, so, because if we see in the current quarter the volume...

**Nrupesh Shah:** Are you referring to that sales quantity as on 28<sup>th</sup> April?

**Sachin Kasera:** Yes, because if we see for the quarter, the volumes are more or less static, in fact there is a 1% decline in domestic market, so for the month of April have you started to see any volume uptake is what my question is.

**Nrupesh Shah:** So, in April it has been a good volume. I won't be in a position to give you the specific numbers, but it is very close to whatever volume we achieved for the entire year '11-'12. As on 28<sup>th</sup> April, what I am saying, sales value wise we have surpassed the entire year sales of '11-'12 and quantity wise it stands very close to the sales quantity of the year '11-'12.

**Sachin Kasera:** Okay. That's helpful. Secondly, sir, could you throw some light on your performance of IMPCO for the nine months?

**Nrupesh Shah:** We would discuss when we declare and announce yearly...

**Sachin Kasera:** Yeah, I don't want any specific number, but can you give us some comment because it has been nine months and we didn't get some update in terms of how it has done, if you cannot stress on specific numbers.

**Nrupesh Shah:** I don't think it would be appropriate to discuss it in this forum. We haven't announced consolidated results, so it won't be appropriate to discuss.

**Sachin Kasera:** Sure. I understand that, but, sir, then I think we should start giving quarterly because most of the companies now give consolidated numbers but we get to know that only once in a year, so I would suggest that you start...

**Nrupesh Shah:** As far as your suggestion, we would review that.

**Sachin Kasera:** Sure. Thank you so much, sir. Just, sorry, one last question. You mentioned about this write-off regarding some prior period matter. What was it exactly, sir? What tax matter was this?

**Nrupesh Shah:** I just mentioned in my opening remark, it was related to prior period income tax,

**Sachin Kasera:** I understand that, so I just wanted some detail of what exactly was that tax matter, are there anymore, which are pending?

**Nrupesh Shah:** Number one, let me still, at the cost of repetition explain that. Had it not been there, operating expenses would have been lower to that extent and as it pertains to prior period income tax PBT & PAT would have been higher to that extent. Now, coming to the specifics of that prior period as you know, ours is a July to June end and for income tax purpose the working and calculations have to be made from April to March, so when the assessment got completed on account of that we found that we need to really match those

figures and hence all such prior period income tax related provisions, we thought it appropriate to consider and make it fully.

**Sachin Kasera:** Okay. So, is it going to be a regular feature that...

**Nrupesh Shah:** I don't think this would be a regular feature because now once we have identified this, this would automatically get reflected quarter-to-quarter and year-to-year.

**Sachin Kasera:** And is this for one specific period or is it three-four years cumulative?

**Nrupesh Shah:** It was like cumulative till 30th June, '12.

**Sachin Kasera:** Okay. And there is nothing more, which is pending for Q4 next year?

**Nrupesh Shah:** No, there is nothing more pending.

**Sachin Kasera:** Okay, sir. Thank you so much. And wish you all the best.

**Moderator:** Thank you. Next question comes from Ms. Grishma Shah from Envision Capital. Please go ahead.

**Grishma Shah:** Good afternoon, sir.

**Nrupesh Shah:** Yeah, good afternoon, Grishma.

**Grishma Shah:** Sir, if it was prior period related to income tax, why is it coming in the other expenses?

**Nrupesh Shah:** This is what our auditors thought it appropriate to consider like this, but what auditors are of the opinion, as the year end, that is at 30th June '13, they would like to consider whether to take it as a part of the other expenses or to show it as below the line item or to show it as a part of the income tax, but this is as per the auditors suggestion.

**Grishma Shah:** And the other question I had was related to our other income. You did mention that there is supply of spares and income of investment that has gone up for us in nine months. Can you give us the numbers and how much is from investment that is because of the cash and investments on book.

**Nrupesh Shah:** We don't have any specific numbers right now, but as I broadly answered, as our investible surplus keeps on increasing quarter after quarter and year after year, mainly it is on the account of that,

**Grishma Shah:** And how much of cash do we have for nine-month period.

**Nrupesh Shah:** For nine months we are not supposed to declare the balance sheet figure, so you do have the figures as on 31st December '12 and it won't be appropriate to disclose that figure in this forum.

**Grishma Shah:** Okay. Fine. Thank you.

**Nrupesh Shah:** Thank you.

**Grishma Shah:** No, one more question, sorry. This \$5 million investment in Mexico that you are proposing to do, by June '13., Should we assume that the entire \$5 million will go from Sylvan to Mexico itself or is it...I mean how is it going to flow?

**Nrupesh Shah:** As I explained earlier, this is not any incremental investment on loans and advances, our exposure to Sylvan and in turn to IMPCO stands broadly at about 35 crores, so whether it is on loans and advances or on investment put together will stand at the same level, but what's happening so far this amount was standing by way of loans and advances to Sylvan and in turn entire amount by way of loans and advances from Sylvan to IMPCO out of which, part of this amount, that is up to \$5.15 million will stand as an investment in Sylvan and in turn from Sylvan to IMPCO by way of loans and advances, which we have examined very closely and we found that overall, in terms of the financial planning and income tax implication wise this would be a more efficient arrangement so this does not indicate any incremental investment in totality.

**Grishma Shah:** Okay, you're just re-classifying

**Nrupesh Shah:** For more efficient financial and income tax planning.

**Grishma Shah:** Okay, fine.



**Moderator:** Thank you. Next question is from Mr. Ranjeet Shivaram from B & K Securities. Please go ahead.

**Ranjeet Shivaram:** Good afternoon, sir. In your opening comments you had mentioned the realization has increased by roughly around 20%. Am I right? Hello?

**Nrupesh Shah:** Yeah.

**Ranjeet Shivaram:** So, if back-calculate given your segmental revenues in the domestic market, it has grown by 13%, so does that imply a volume decline for this quarter in the domestic market?

**Nrupesh Shah:** Of course. Along with the quarterly results we have shared the data sheet, which talks about quarter to quarter volume for both domestic market and the rest of the world and comparison of March '13 versus March '12 and even vis-à-vis previous quarter, that is December '12 and so is the case of nine months, so which is self-explanatory, nevertheless let me inform that, so you are right, in this quarter overall volume has declined from 153,000 to 140,000 but weighted average realization of export and domestic market put together is up from 5029 to 6062 and if we do further segmentation wise, domestic market realization has gone up from 5617 to 6526 and in the rest of the world it is up from 3361 to 4318, but what we believe and what we have always conveyed, more for the analyst to look everything quarter to quarter, we look it not only for quarter to quarter or nine months, but how do we really perform a year as a whole, so, despite that, in first nine months domestic sales volume has grown from 244,000 to 303,000, that is more than 22-24% increase, but even that is not really implying anything to us. To us, what we would end as on June '13 would be more significant in comparison vis-à-vis June '12.

**Ranjeet Shivaram:** Okay. I just wanted to understand, like, does it imply that the severity of summary is not as per our expectation and next month also we might see some decline or is it just a one-off case? Hello?

**Nrupesh Shah:** Yeah, I'm there. So, it's like that, till December or by large 15<sup>th</sup> February, whatever uptake is there by the trade channel, right before summer, they get some attractive pricing, so quarter to quarter whatever performance it is indicating probably doesn't reflect anything. What we need to see nine months and more importantly 12 months as a whole. That is number one and number two, as I conveyed, as on 20<sup>th</sup> April otherwise we are very close to the total sales quantity of the entire year '11-'12 and value-wise we've already surpassed that.

**Ranjeet Shivaram:** Okay. And, sir, in terms of market share, are we moving ahead or have we declined?

**Nrupesh Shah:** As of now we have maintained at least the same market share what had last year.

**Ranjeet Shivaram:** Close to around 50% am I right? Hello?

**Nrupesh Shah:** Yes, you are right.

**Ranjeet Shivaram:** Okay. And in terms of industrial, which seems to be rather exciting because the seasonality issue is not there, so there, like, what kind of numbers, because I think last con-call somewhere you had mentioned around 100 crores, so are we in line...?

**Nrupesh Shah:** We haven't ever mentioned 100 crores in any of the conference calls. That was a suggestion by somebody and as of now we are just building up industrial and ductal air cooler business and as I mentioned in my opening remark, it's going to be time consuming, involving lot of efforts, of course, it is very prospective, having a good potential and we are seeing good initial signals whereby we have been executing some of the prestigious projects. But here as far as amount wise it is concerned, it is nothing significant.

**Ranjeet Shivaram:** And then, just another thought, which comes across is that there is lot of other AC companies coming out with all-weather concept, so, are we losing some share because of this, because we are largely catering to the summer market, so just wanted your thoughts on that.

**Nrupesh Shah:** I don't think that really does affect us in any respect or that does even bother us in any respect. That's almost a non-issue for us.

**B V Mehta:** Just to add , all-weather in fact means what? In case of air cooler it is invariably all- weather. When there is rainy season, it means there is humidity, right? When it is dry we require air cooler to cool us by way of additional humidity, so in a way...it works as fan when there is humidity and it works as cooler when there is no humidity.

**Ranjeet Shivaram:** Okay. Thanks for that and any indication for next year in terms of growth and margins?

**Nrupesh Shah:** Quarter-wise or year-wise we don't give any forward-looking statement except as I mentioned I my opening remarks. We are optimistic about the category, about the potential and about the future, whether it is medium term to long term subject to bumps or some hiccups, which may come across during the journey on account of seasonality.

**Ranjeet Shivaram:** Okay. That's it from my side. Thank you, sir.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you. Next question is from Mr. Sumit Duseja from SPS Securities. Please go ahead.

**Sumit Duseja:** Hello?

**Nrupesh Shah:** Yeah, hi.

**Sumit Duseja:** This is Sumit from SPS Securities. Sir, I have a few questions. First, can you throw some light on the demand scenario that is there in US and Mexico market that is served through IMPCO for residential air coolers exported from India, how has been the growth there in the nine-month period?

**Nrupesh Shah:** As I said earlier in response to somebody's question. About IMPCO, we won't be in a position to discuss anything in this call. The reason being we haven't published that figure and we are going to publish that along with June '13, so it would be more appropriate to discuss at that point in time, so I can't...

**Sumit Duseja:** Okay, sir. Don't give any number, but have you any idea of how has been demand scenario overall?

**Nrupesh Shah:** I think it would be more appropriate if we take it up post June '13 result.

**Sumit Duseja:** Okay, fine, sir. Next question, sir, industrial business in India, can you give the amount, the revenue that we have generated through industrial business in nine-month period in India only.

**Nrupesh Shah:** As of now, it doesn't appear as a separate segment and we have to show it as a separate segment as and when that revenue goes up above 10% of the total air cooler revenue and as I said, of course, we have begun almost two years before but still amount wise it is very small and even totality it is not significant.

**Sumit Duseja:** Okay. And can you share your current order book for industrial cooler business in India?

**Nrupesh Shah:** We do have order book or inquiries or negotiations going on for almost 40 different installations

**Sumit Duseja:** The last question on overall competitive scenario. How has this been going on and with the new competitors coming in the market, which do you think is doing exceptionally good?

**Nrupesh Shah:** Frankly speaking, as of now, till 30th April, what you are feeling or what we are seeing, actually competition is quite subdued actually, in totality it is quite subdued and there is hardly any effect or consequences of the competition despite some new player who have come.

**Sumit Duseja:** Okay. But, sir, we are still, like, matching the same market share despite launching new products and upgrading our old products. If competition has been subdued in totally then we should have seen some gains in market share.

**Nrupesh Shah:** That we would come to know by 30th June, since season has not passed by, isn't it?

**Sumit Duseja:** Okay, fine, sir. Those were my questions. Thank you.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you. Next question is from Mr. Vidrum Mehta from Centrum Wealth Management. Please go ahead.

**Vidrum Mehta:** Hello, good afternoon, sir.

**Nrupesh Shah:** Good afternoon.

- Vidrum Mehta:** Yeah, my question is pertaining to, you know, for the nine month if we look at, the top line has been majorly, you know, witnessed a growth through the realization, higher realization. So, are we facing some issues or headwinds on the demand front?
- Nrupesh Shah:** Nine months as a whole if you're looking at volume, it has grown from 244,000 to 303,000 in domestic market. So, in domestic market growth is almost 24% in nine months, but coming to rest of the world, which I explained in detail that consisted of two type of international business for Symphony India, one to IMPCO, Mexico and second is the rest of the world. IMPCO, Mexico is a one-time decision, which we have taken. Till IMPCO's Symphony India inventory cleared off, we won't export, so there has been very negligible sale from Symphony India to IMPCO in the current year, but in the rest of the world that is other than export to Mexico again, as I covered, volume growth has been 39% and overall value wise the growth is about 57%.
- Vidrum Mehta:** Okay, sir. And we have increased the prices in the domestic market of around 10% across the categories, is it right?
- Nrupesh Shah:** Yes, right.
- Vidrum Mehta:** And are we planning to, you know, hike going ahead.
- Nrupesh Shah:** As of now there are no plans. We feel this is a good price. We need to maintain this. Just to add to that, typically, historically, Symphony used to have only one price increase by and large in the beginning of the year. In the current year, considering various updated models, which we launched and considering the market potential, we have increased the prices twice, that is which was in the beginning of the year and the second in middle November.
- Vidrum Mehta:** And I just, wanted to check out, the March quarter and the June quarter are basically the seasonal seasons for our business, but in the December quarter we have performed extremely well on the volume front, but this year the March quarter has been not up to that front, so what would be one of the reason for that not picking up?
- Dhimant Shah:** As we have discussed in earlier phone call, if you look at Symphony's performance of first two quarters, three years or four years before, we used to register negligible sales in the first two quarters. It is because of a variety of strategies and initiatives, intentionally we tried to see that, let there be less of the seasonality and despite air cooler being a seasonal product, we have succeeded in having good sales in first quarter and second quarter and in fact it is a matter of great satisfaction that even in monsoon or even in December quarter also we do that. Of course, whatever sales takes place in domestic market through dealers or distributors during the first two quarters doesn't necessarily go to the consumers, but trade keeps on that to expectation of the summer, so it is possible that trade depending upon their appetite and various other factors may take more even in off season, so, as I said, more importantly rather than looking at quarter to quarter in our line of activity, year as a whole volume wise, value wise and realization wise and profitability wise how do we perform is most important, certainly not quarter to quarter or even nine months.
- Vidrum Mehta:** Sir, just one last question. Any plans of launching new products or models in the coming months?
- Dhimant Shah:** See, we are in the midst of the season and for current year whatever models we would like to upgrade or launch we have already launched and they have been received very well, premature to say anything about the next year.
- Vidrum Mehta:** Okay, sir. Thank you, sir.
- Moderator:** Thank you. Next question is from Mr. Aksh Vora from Praj Investments. Please go ahead.
- Aksh Vora:** Yes, sir. I just wanted to know what is the inventory level and company level and retail level.
- Nrupesh Shah:** As far as inventory is concerned it's quite a manageable inventory because we have substantially tightened our inventory management, so, even though we do have clear business plans quarterly and month-wise business plans, but we are trying to see how the overall season goes, how overall market demand picks up. We have a very reasonable inventory. I will say that in fact actually lower than what it should be actually.
- Aksh Vora:** Okay. Is there any ballpark figure that you can give?

**Nrupesh Shah:** It won't be appropriate because of 31<sup>st</sup> or in-between we are not disclosing balance sheet figure, so it's not appropriate if something is not in public domain to discuss in this forum.

**Aksh Vora:** Okay. And, sir, on retail level also it is quite moderate.

**Nrupesh Shah:** At retail level at this point of time whatever should be the inventory level it is lined at that level, so I would say it is quite moderate.

**Aksh Vora:** Okay. Thank you, sir.

**Moderator:** Thank you. Next question is from Mr. Sachin Kasera from Lucky Investment Managers. Please go ahead.

**Sachin Kasera:** Sir, for the quarter, the realisation in domestic is up from 5600 to 6500, all because of price hike or it is also change of product mix?

**Nrupesh Shah:** You should appreciate that it can't be only on the account of price increase, because overall price increase is about 10%, so we have strategized to have a facelift of our higher value products, which is on the account of succeeding in that strategy coupled with price increase and in the current quarter we expected that to continue coupled with our focus on volume growth also.

**Sachin Kasera:** Okay. Secondly, sir, for the nine-month, have we gained market share?

**Nrupesh Shah:** Nine months actually competition doesn't perform much, so if we really talk about market share in nine months our market share will be substantially higher than 50%, but that is actually very unfair...for six months or for Nine months.

**Sachin Kasera:** So, you're saying 12 months will be more appropriate.

**Nrupesh Shah:** Exactly, 12 months should be more appropriate. Actually, as we keep on conveying, we should be measured on how we perform 12 months as a whole in respect of all parameters.

**Sachin Kasera:** Sure, and just lastly you mentioned that, you know, the volumes till April are close to similar to what you had done for the whole year last year, which if you do the maths then, you know, it means April has also been more or less flat, there has not been a significant improvement in terms of growth.

**Nrupesh Shah:** We don't enter into so much nitty-gritty day wise, week wise, month wise, we enter into much more nitty-gritty with a year as a whole.

**Sachin Kasera:** Okay, fine. Thank you.

**Moderator:** Thank you. Next question is from Mr. Vinit Sambre from DSP Black Rock. Please go ahead.

**Vinit Sambre:** Good afternoon, sir.

**Nrupesh Shah:** Yeah, good afternoon.

**Vinit Sambre:** Sir, one question is on; initially you spoke about the management's strategy to have a profitable growth. What I wanted to understand is, let's say, two-three years down the line, as we have our international mix going up, also the industry actually picks up, how does the profitability change and is there a difference in the profitability between these three businesses?

**Nrupesh Shah:** Eventually in our business, we do have probably three segments. One is residential as well as domestic market second is our residential air cooler international business and third is industrial and ductal air coolers, which so far has been very small, but as of now I would say that by and large profitability at operating margin level or at price level, from all the three segments is almost matching.

**Vinit Sambre:** Is almost?

**Nrupesh Shah:** Is almost matching.

**Vinit Sambre:** Okay. So, if the proportion of, you know, going forward, as the proportion of some of the international business goes up, that shouldn't be really impacting the profitability.

**Nrupesh Shah:** Yeah. In fact, even in nine months overall if you see segment profitability, right from export segment profit is about 508 lakhs on a sale of about 19 crores, so I believe that translates into approximately 26% PAT and in domestic market the (not sure) is 3170 lakhs divided by 178 crores, so, that is 18%. Actually to that if we had

that prior figure, that is 3170 + 411, then it comes to approx 21%, so in fact in nine months export profitability percentage wise has been even better than domestic market.

**Vinit Sambre:** Right. The other question is, sir...

**Nrupesh Shah:** Let me just add to that. Current year we are seeing this picture, the reason being there has been a negligible sales to import, but once we resume sales to IMPCO this 26% would come down the reason being sales to IMPCO is in bulk and they are low value based model, so ultimately overall by and large is that profitability would spread in totality for export, almost at par with domestic business.

**Vinit Sambre:** But do you see IMPCOs proportion going up significantly going ahead and that really having adverse impact on overall profitability.

**Nrupesh Shah:** We can't view it that way because ultimately IMPCO also earns on Symphony air coolers that are at IMPCO level and that profitability also is being added and consolidated isn't it, because ultimately 100% subsidiary company.

**Vinit Sambre:** That's right.

**Nrupesh Shah:** And, number two, it should also be viewed as an incremental profitability without any significant increase in overheads.

**Vinit Sambre:** Yeah. The other question was terms of the trend of sales for you in the fourth quarter. Is it that in the month of April it was generally done with the full quarter sale, I mean, to your dealers because they must be holding on the inventory to be sold for this quarter or there is sales, which can still happen during the month of May and June.

**Nrupesh Shah:** No. Sales does happen throughout the quarter and by and large dealers and distributors order depending upon the demand and depending upon the weather, so we keep on having sales depending upon the demand and weather right up to May end or even June end. Last year as summer was extended there was sales right up to, in fact, middle of July, even secondary sales.

**Vinit Sambre:** So, basically May and June, the sales should continue depending upon how the weather shapes up.

**Nrupesh Shah:** Yes, right.

**Vinit Sambre:** That's it from myself. Thank you.

**Moderator:** Thank you. Next question is from Ms. Bharti Gupta from Sushil Finance. Please go ahead.

**Bharti Gupta:** Thank you for taking the question, sir.

**Nrupesh Shah:** Please go ahead, I can hear you. Hello?

**Moderator:** Sir, there is no response from Ms. Bharti's line, sir.

**Nrupesh Shah:** Can you please pass on to somebody else?

**Moderator:** Sure, sir. Ladies and gentlemen, if you have a question please press \* and 1. Ladies and gentlemen, if you have a question please press \* and 1 now. Last question is from Mr. Krunal Shah from Amideep Investments. Please go ahead.

**Krunal Shah:** Hello, sir. Which countries do we currently export to apart from Mexico?

**Nrupesh Shah:** We do export to about 60 countries. Of course, out of them about 9 to 10 countries contribute the most, so we do have a good presence in a couple of Middle East countries, some of the Southeast Asian countries and also in some of the Latin American countries. They are the significant market. Some other countries, say, country like even Russia. We feel it's a very promising market, but we have entered about two years before, but great prospective. And same is the case with a couple of other countries, which we feel can mature over a period of time.

**Krunal Shah:** Okay. So, these countries we do directly export or through IMPCO?

**Nrupesh Shah:** To all other countries other than IMPCO we directly export, 100% under Symphony brand.

**Krunal Shah:** Okay, okay. So, we have our own distribution network over there or something or do we use third party network.

**Nrupesh Shah:** That's right.

**Krunal Shah:** Okay. Fine. Thank you so much, sir.

**Nrupesh Shah:** Thank you.

**Moderator:** There are no further questions. Now, I hand over the floor to Mr. Arun Baid of IDBI Capital for closing comments.

**Arun Baid:** I would like to thank the management of Symphony Limited for giving us this chance to hold the concall as well as all the participants for participating in the event. Thank you.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you, sir. Ladies and Gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.