

Cooler king



Achal Bakeri
Chairman and Managing Director

Riding on innovation and strong business models, Symphony has emerged as the world's largest air cooler manufacturer.

AMIT BRAHMABHATT

It was quite by accident that Achal Bakeri stumbled upon his trade. The chairman and managing director of Rs 290-crore Symphony had not thought of air coolers as a business proposition - not until he moved into his new spacious house in the late 1980s.

"The air coolers that we had installed in our new house were of very poor quality. I was irritated, but an interesting thought crossed my mind. Despite their bad quality, air coolers were still being lapped up in large numbers. I saw a huge business potential in superior quality air coolers and accidentally entered the seg-

ment," recalls the 51-year-old Symphony chief.

If not for the leaking air coolers, Mr Bakeri would have joined his family's real estate business - some of the iconic buildings in Ahmedabad bear the Bakeri imprint. But the "accident" occurred and young Achal Bakeri, an architect with an MBA in real estate finance from the University of Southern California, set up Symphony in 1988.

Today, Symphony is the world's largest manufacturer of air coolers and the leading player in India with a 45 per cent share of the organised market - unorganised players account for nearly half of the domestic air cooler market. Straddling across seg-

ments - residential, commercial and industrial - the Ahmedabad-based company is miles ahead of its competitors. Its nearest rival, Kenstar of the Videocon Group, enjoys a 35 per cent market share, followed by Bajaj Electricals' 15 per cent and Usha, Khaitan and Maharaja together accounting for 5 per cent of the market.

Symphony's state-of-the-art manufacturing facility in Thol, near Ahmedabad, its modern unit in Sachin SEZ, Surat, and its subsidiary Impco's plant in Monterrey, North Mexico, churn out over 8,00,000 air coolers each year. With about 550 distributors and 10,200 dealers spread across 3,100 towns and cities, Symphony air coolers have become a household name in the domestic market. With presence in about 54 countries across Europe, America, Africa and Asia, Symphony counts giants like General Electric and Wal-Mart Stores among its global clientele.

Ups and downs

Symphony happened to be the country's first branded air cooler manufacturer. The company's air coolers literally gushed out fresh air in a market dominated by shoddy products. With stress on innovation, superior quality and prompt after-sales service, its products became a big hit in the market.

"A wave of consumerism spread across the country after the economic liberalisation of 1991. We went public in 1994 and soon diversified into other consumer durables like air conditioners and washing machines to tap the consumer boom," adds Mr Bakeri.

However, Symphony's diversification proved to be a disaster. In 2002, the company's net worth eroded as it suffered a loss of Rs 31 crore against

a total income of Rs 28 crore. It registered with the Board for Industrial and Financial Reconstruction and began drawing up a turnaround plan.

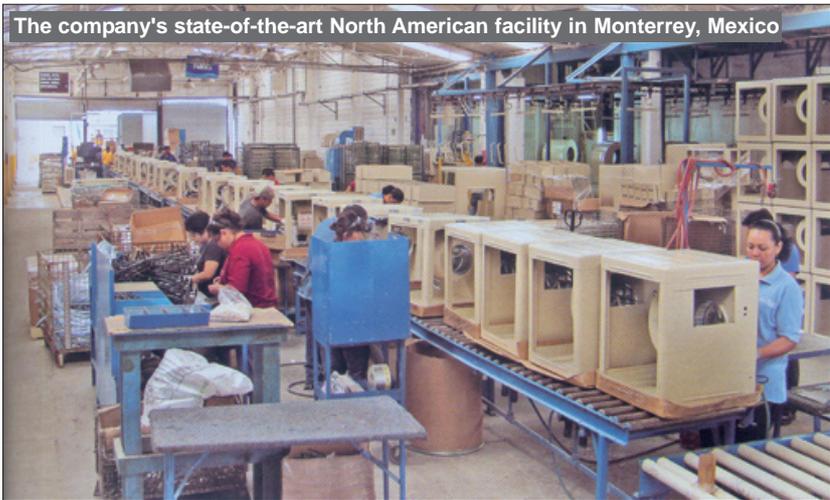
"Surprisingly, the air cooler business flourished even in those bad times when all our other products failed," points out the Symphony chief. The company revamped its strategy from the earlier many-products-one-market to one-product-many-markets, concentrating all its expertise on air coolers. "We created a product that worked like an air conditioner, but was priced like an air cooler. This was not just unique, but it opened up an entirely unexplored market of people who wanted the benefit of one product with the price advantage of the other," stresses Mr Bakeri. In just three years, by 2005-06, Symphony's fortune turned around and there was no looking back.

Back in business, Mr Bakeri acquired a 49 per cent stake in Impco, the world's largest manufacturer of evaporative water coolers, in 2008. Established in 1956, by the Goettl brothers - Adam, Gust and William, who invented and patented a cooling technology called evaporative cooling - the Mexican company's acquisition turned out to be a shot in the arm for Symphony.

Winning strategies

With its expertise in industrial cooling, Impco enabled Symphony to enter the big league and make a mark in global markets. Last April, Mr Bakeri acquired Impco's remaining stake and made it Symphony's wholly-owned subsidiary. With effective restructuring, Symphony turned the ailing Mexican company profitable again.

"The acquisition has been a win-win situation for both Symphony and Impco. We have been able to tap the powerful synergies of the two companies successfully and grow immensely," notes Mr Bakeri. Symphony has successfully leveraged Impco's enduring relationship with



The company's state-of-the-art North American facility in Monterrey, Mexico
Symphony is targeting its revenue to cross Rs 500 crore by 2012-13 by ramping up distribution network.

Inside Symphony

Origin	
1988	
Business	
Air coolers	
Headquarters	
Ahmedabad	
Annual production	
8,00,000 units	
Facilities	
Thol & Surat SEZ, Gujarat Monterrey, Mexico	
Distributors	
550+	
Domestic presence	
3,100+ towns	
Global presence	
54 countries	
Revenue (FY11)	
Rs 290 crore	

global clients and broadened its clientele. Besides, the Mexican subsidiary's expertise in heavy-duty industrial coolers has provided Symphony access to the lucrative industrial air cooler market and enabled it to grow manifold. Within the first year of the 100 per cent acquisition of Impco, Symphony was able to complete six large industrial and commercial projects in India. No wonder, Symphony's share of industrial air coolers in its total sales rose

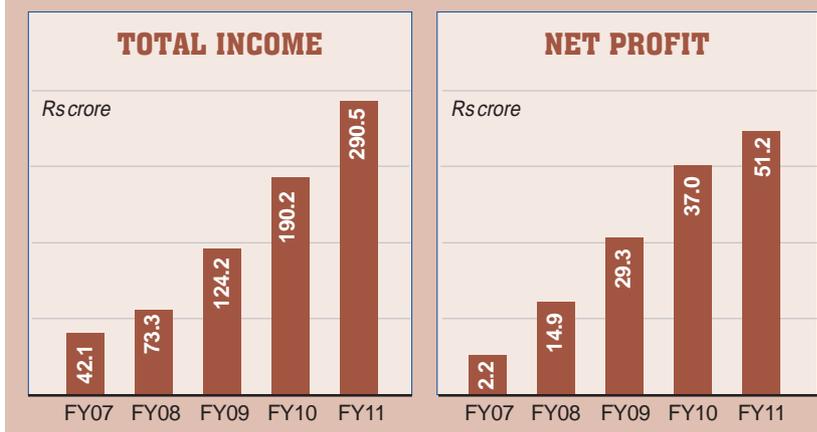
to 15 per cent from negligible earlier, adding a big boost to its profit margin.

Similarly, Impco commenced import of Symphony's residential air coolers to North, South and Latin American markets, further expanding the company's global reach. With its affordable pricing, aesthetic design and innovative features, Symphony's residential air coolers, which account for about 85 per cent of its total sales, have found a big global platform in Impco.

Meanwhile, Value Addition through Vendor Support (VAVS), a successful business model adopted by Symphony, has worked wonders for the air cooler-maker, turning it into an asset-light, capital-light, zero-debt company. Under this model, the company has been outsourcing its component and product manufacturing to original equipment manufacturers (OEMs) with an established track record. This has left the company with adequate resources - people, time and cash - to concentrate on product design, development, value engineering, innovation, marketing, branding and distribution.

Thanks to Symphony's innovation, the market is flooded with a slew of novel air coolers. The company has literally changed the face of the

THE GROWTH TRAJECTORY



Rs 1,000-crore domestic air cooler market, which is set to grow manifold with demand for industrial coolers turning out to be a game-changer. Symphony has also entered the much-coveted pages of the Guinness World Records by making the world's largest functioning air cooler.

Extending its innovation from products to processes, Symphony has ushered in a touch of novelty in all its operations. For instance, the company's annual reports have made a welcome departure from the usual drab tomes and instead turned out to be insightful reports, handy in size and concise in presentation. In fact, Symphony's annual report of 2009-10 bagged the excellence award for financial reporting from the Institute of Chartered Accountants of India.

Besides, the VAVS model boosted the company's growth. "This asset-light approach has increased our viability and set in motion a virtuous cycle of growth and profitability," points out Mr Bakeri. The new model enabled Symphony's air cooler capacity to rise eight-fold in five years from about 1,00,000 units in 2005-06 to 8,00,000 units in 2010-11. During the same period, the company's revenue and net profit grew by a CAGR of 60 per cent and 120 per cent to Rs 290 crore (from Rs 25 crore) and Rs 51 crore (from Rs 3 crore) respectively.

The air cooler market is governed by seasons and cyclical. "Seasonality is a reality that the air cooler industry cannot escape. Instead of getting trapped by seasonality, we mas-

tered it and the growth was inevitable," adds Mr Bakeri. Symphony emerged out of the seasonality trap by widening its global footprint. With presence across 54 countries, the company is able to enjoy a profitable summer throughout the year.

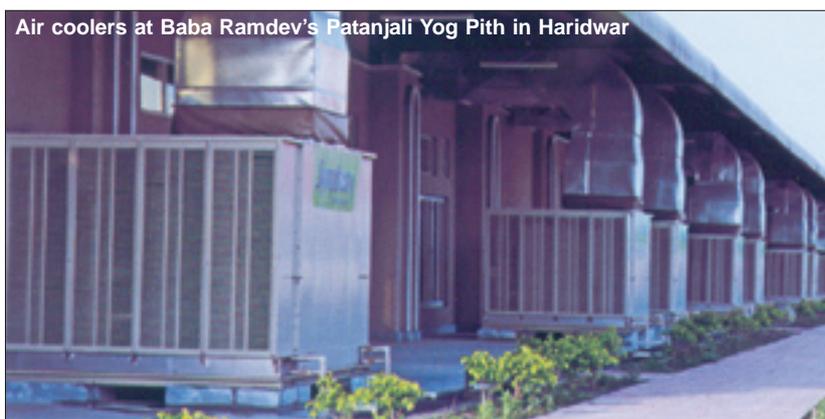
Big plans

A little over two decades ago, Mr Bakeri accidentally forayed into the air cooler business. But what followed was anything but accidental. With superior strategies, Symphony quickly captured the air cooler market and established its leadership firmly.

Symphony has many big plans on the cards. The company is targeting its revenue to cross Rs 500 crore by 2012-13. It is planning to ramp up its distribution network by enhancing the number of distributors from 550 to over 800 plus in the next one-and-a-half years. It is also gearing up to increase the number of retail dealers from 10,200 to more than 20,000 in the same period.

A cursory glance at the domestic air cooler market will show that Symphony's big plans are certainly not unfounded. The Indian rural market is passing through an interesting phase of development, with economic prosperity sweeping across the countryside. The company is rightly tapping the value at the bottom of the pyramid to cater to the growing aspirations of the masses. Besides, the country's large, lucrative industrial and commercial market is waiting to be tapped and Symphony is leveraging Impco's technology to make deeper inroads here.

"Air Cooler is in our DNA and we understand it very well," notes Mr Bakeri. The Symphony chief is not exaggerating as air coolers are his burning passion. Though Mr Bakeri did briefly flirt with other consumer durables, he soon returned to his first love and the bond has only grown stronger.



Symphony has successfully leveraged Impco's technology to gain access to the lucrative industrial air cooler market.