

Symphony Limited

29th Annual General Meeting August 31, 2016

Address by Chairman, Mr. Achal Anil Bakeri

First of all, good morning to everybody and a warm welcome to the 29th Annual General Meeting of Symphony. It is an honour that all of you are here for this AGM.

Let me talk a little bit about how we see the future, I would talk about our operations first in India and later on, our operation in Mexico and China.

In India, we see there is a scale of opportunity still immense and there are many factors which are making it possible for the opportunity to be so large.

First and foremost, I would say about GST. It is a grey area at the moment but I think it is going to create a level playing field and we believe it will lower our cost in terms of taxation and increase the cost of the unorganised sector. So to that extent, I think the gap between us and the unorganised sector should get bridged. The unorganised sector still constitutes 75 % of the total size of the air cooler market. With this, transition from unorganised sector to organised sector should get accelerated and being the largest player in the organized sector, Symphony will be the biggest beneficiary of this transition.

Secondly, we all have read about 7th pay commission. The 7th pay commission is expected to pump in 1 lakh crore into the economy at the central government, PSU and State PSU level.

Moreover, the third factor is electrification. New government is really driving electrification that is going to push sales on all electronic products like air coolers. We have already witnessed that in a state like Bihar where in the last few years the electrification drive was accelerated and that has truly contributed to our abnormal increase in sales in Bihar. In other state we are going to see an acceleration of demand for all products including air coolers.

Now the consumer is becoming more discerning and looks for better products, brands, service and quality. Symphony is going to be a major beneficiary of that phenomenon.

Last year, we have introduced the products like a “CLOUD”. We believe that it is going to be a game-changing product. It has been tested in the market in Ahmedabad and it would be a major contribution to the growth and sales. We have also introduced a technology called i-pure. i-pure is an added technology in air coolers whereby an air cooler, not only cools the air but also purifies the air. This is something which we did as a response to the rising awareness and concern about air pollution. Symphony was the first company to actually pick up and address that trend.

Recently, we have introduced the range called Touch Air Coolers and this is again differentiated product and it will be in the market next summer. There is continuous pipeline of innovative products which Symphony has for the future. Basically, all these innovations are in the outcome of trends whether the social trends or economic trends or general trends that we identify in the market and we pick up and we develop around those trends like that I said i-pure technology or Cloud for that matter. Cloud is an air cooler which looks like a split air conditioner and there is no outdoor unit and there is no question of anyone needing any major installation. It is self-containing air cooler. When we introduced in Ahmedabad last summer, 95 % of the cooler which was bought were installed in living rooms. People installed it in the living room to show off this product to their visitors and guests.

One question that we constantly are being asked is about increasing competition within India in residential air coolers. We have seen various brands in the last couple of years but that really does not bother us much because first of all none of them is doing anything original. All of them, one way or the other reverse engineers our products. Not only our products they even copy our advertising themes, packaging, strategies, policies, brochures.

Moreover, I would say on the positive side the competition is actually helping us to expand the market because so far Symphony which was valiantly trying to expand the market and create awareness about air coolers in the country. Now dozens of players in the market helping us to do that.

Symphony has, the last year in summer 2016, advertising share of voice which is measured in terms of how much we advertised and what is the response in the market was about over 60%.

About coming to our other vertical of central air cooling, we have only scratched the surface and we have only 3 or 4 years since we introduced the range because the market actually does not exist and we are trying to create and educate the market. Our role is that of a technology evangelist who tries to bring something new to the market.

We have cooled many factories and public places and we have added many new enterprise customers like Maruti Suzuki, L & T, ABB and Nestle, etc. We have done many initiatives to develop that segment such as we took a lot of consultants who are the ones who recommend this product to their customers. We took them to our plant in China where these products are made, shown them the product and they were truly flabbergasted by the production process, testing process and R& D process and the products themselves. I think this is also going to result in very favourable outcome in the times to come.

On the international front, the growth in the international sales has not really been as expected. While we have seen very good growth in some markets and in some market we either de grown or have not grown at all and that's due to variety of factors by and large, I would say MENA region where they were not only ISIS phenomenon but also drop in petroleum prices has affected the economy of those countries and which is where MENA region otherwise used to be very strong region for Symphony and where Symphony suffered a setback but then there are many more markets which is out there in which we have just scratched the surface.

Our subsidiary in Mexico, i.e. IMPCO has not seen rapid growth, because Mexico is a matured market and you don't see a kind of growth in matured markets. We have converted IMPCO into asset light business model, which we are talking about since last year, it has more or less happened and IMPCO has begun to source its products from third party and we have monetised part of our real estate and machineries. Because of that, today IMPCO is completely debt free. Even there is no internal debt between Symphony and IMPCO. Symphony had supported IMPCO for several years and we had extended loan. Both principal and interest everything has been repaid and IMPCO is a stable subsidiary and would only do better now onwards because it will not have a cost of interest and also effect of forex fluctuations.

As far as Chinese subsidiary (GSK) is concerned, the acquisition of GSK has happened in January 2016. The company became a fully owned subsidiary of Symphony with effect from 1st January 2016. Since then we have put in place new management, new processes. We are developing new products. We are making many initiatives to turn around the company to reduce operating expenses and cost of manufacturing and increase in sales. We acquired this company essentially for its central air cooling products but we did not know about the scale of the opportunity within China. China is probably as large market for residential cooler as India is. Again it is very fragmented industry with 100's of players but its large market by some estimate it may be bigger than India. The Company is very small player now in the big China market so the only way it can go is up from where we are today and this is going to be long term story and we do not expect some immediate returns but the scale of opportunity is huge and we are very excited about this.

In India, about residential coolers segment, we have been present since over 28 years and we still believe and are excited that there is much potential and the scale of opportunity. I think what happened in the past is really very small and the opportunity ahead of us is much bigger than what we have achieved so far in the past.

With these words thank you very much and I look forward to seeing you in next year.

Thank you,

Achal Anil Bakeri
Chairman & Managing Director