



“Symphony Limited Q2FY14 Earnings Conference Call”

**January 27, 2014**





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Management: Mr. Nrupesh Shah –Executive Director, Symphony Limited

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Moderator: Mr. Kamlesh Kotak – Analyst, Asian Market Securities Private Limited

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**Moderator:** Ladies and gentlemen good day and welcome to the Symphony Limited Q2FY14 Earnings Conference Call hosted by Asian Market Securities Private Limited. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should 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 now hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities Private Limited. Thank you and over to you sir.

**Kamlesh Kotak:** Thanks Mohsin. Good day everybody. On behalf of Asian market Securities, we welcome you all to the 2QFY14 earnings con-call of Symphony Limited. We have pleasure in inviting the management team from Symphony. We have with us today Mr. Nrupesh Shah – Executive Director; Mr. Bhadresh Mehta – VP, Finance and Mr. Girish Thakkar – GM, Accounts. Now I request Mr. Nrupesh Shah to take us through the opening remarks about the company's Q2 performance and then we can take the Q&A session. Over to you Nrupeshbhai.

**Nrupesh Shah:** Thanks Kamleshbhai. Thanks AMSEC Securities for hosting this call. We welcome all of you in analyst concall for the quarter and half yearly ended on 31<sup>st</sup> December 2013.

In our opening remarks as well as during question-answer, there may be some estimates or forward looking statements, but we do not undertake any assurance that they will turn out to be accurate on the account of uncertainties in external environment as well as internal factors. So with that, let me first of all take you through segment wise major developments took place in last quarter and in 6 months.

In domestic business, for the first time Symphony started appointing direct dealers over and above network of distributors and dealers under the distributors. In fact some of the models including Window Range of air coolers have been exclusively earmarked for sales by those direct dealers. There has been focused attempt to enroll several regional retail chains like **Dawat, Lotus etc.** very similar to Vijay sales in Mumbai. We have embarked upon further improvement in sales and service network by way of more automation and further streamlining the systems. We are also in the process of and have already organized several service training camps nationwide before the season starts. As you may be aware, in current year we have come up with five models of Window Range of air coolers, out of which three are plastic coolers and two are metal coolers which have received good response. New five models with advanced technology and intelligent features have also been launched. So these are the highlights about the domestic business.

Coming to international business – Our export to IMPCO has restarted at normal level. We have tied-up with Wal-Mart chain in South Africa. We have also tied-up with “**Carrefour**” which is

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the second largest organized retail chain and tie-up is for Indonesia. We have participated for the first time in “Big 5 Exhibition” in Dubai that has increased inquiry levels at a very high level especially in Middle East. We have tied-up with Cinepolis in Mexico for their air cooling requirement of multiplexes.

Coming to industrial air cooling, we have air cooled many segments and now we have started focused approach of strategy in centralized and industrial air cooling and some of the major segments which we have identified are railway, pump and panel rooms, religious segment, hotels and restaurants, data centers etc. and that is really yielding the results. In industrial air cooling, we have air cooled one of the largest warehouses of DHL and further inquiries of some of the large warehouses and centralized godowns are in the pipeline. In last 6 months, in centralized and industrial air cooling, we have increased the number of dealers, sales and marketing manpower strength has also gone up, new set of customers have been added and in South America, Colombia centralized air cooling projects of “**MAKRO**” chain of supermarkets..

Having said that, coming to specific financials, in the last quarter gross revenue had been Rs. 119 crores, up from Rs. 92 crores showing increase of 29% and in first 6 months, gross revenue has been Rs. 196 crores, up from Rs. 120 crores showing growth of 64%. Total number of air coolers in domestic market and export put together, in last quarter we sold about 1,87,000 air coolers versus 1,56,000 air coolers and in first 6 months 3,06,000 versus 2,07,000 showing a growth of almost 48% in 6 months. Coming to PBT, PBT in the last quarter has increased to about Rs. 35 crores, up from Rs. 27 crores and in first 6 months about Rs. 54 crores, up from Rs. 29 crores showing PBT growth of 88% in 6 months. Effective rate of income tax in last quarter has been 29% and in 6 months has been 28%. Coming to PAT, it has been about Rs. 24.80 crores showing increase of 48% versus Rs. 16.73 crores in December 12 quarter while in 6 months, PAT has grown to Rs. 39 crores, up from Rs. 19 crores showing a growth of 108%. Coming to average price realization both segments put together, exports as well as domestic sales in first 6 months it has gone up to Rs. 6,055, up from Rs. 5,302 that is increase of 14% which is on account of increase in the prices as well as better sales mix.

Coming to segment profitability and segment sales, the domestic sales in 6 months have gone up from Rs. 106 crores to Rs. 172 crores that is increase of 63%. An international sale which also includes sales to rest of the world as well as IMPCO is about Rs. 15.40 crores, up from Rs. 6.36 crores. Sales to rest of the world have registered an increase in value terms in excess of 40%. As far as segment profitability is concerned, profit before interest and tax in domestic business has increased from about Rs. 28 crores to Rs. 49 crores and in international business from Rs. 1.10 crores to about Rs. 5 crores while coming to return ratio, PBIT percentage on capital employed on home appliances during first 6 months stands at 111%, up from 73%. Symphony has also announced its maiden interim dividend of 100% that is Rs. 2 per share on a face value of Rs. 2 which in absolute terms will be about Rs. 8.18 crores inclusive of dividend distribution tax. Thank you. We can take the questions.

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**Moderator:** Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Hitesh Zaveri from Birla Sun Life. Please go ahead.

**Hitesh Zaveri:** My question is actually more on the capacity management. If you can throw some light about there are various locations where you are present from time to time in the various SKU managements, model management. There could be mismatch in capacity versus requirement and there is both in the short term and over the medium term if you could just talk about how do you make sure that what you are able to make is what mutual demand and does not create any stock out situations?

**Nrupesh Shah:** So are you referring to procurement or production capacity?

**Hitesh Zaveri:** Production, more so on the production side.

**Nrupesh Shah:** So we are having as of now 9 outsourced manufacturing facilities mainly out of Western India and Northern India. Five years before when we started with outsourced business models, we had one outsourced manufacturing facility and year-after-year depending upon number of models and total demand, we keep on increasing the number of vendors and this is not a constraint. Having said that as of now, the total capacity of all outsourced manufacturing vendors put together is in excess of 1 million units over and above capacity of 2 lakh units of our SEZ. So which as of now is adequate for current year as well as for next one year or so, but we can jack it up quite rapidly if required so without any major CAPEX considering our business models.

**Hitesh Zaveri:** Could you talk about competition in general that in the specific key models that are kind of forming larger part of what you are selling. What is the competition that you mainly face sir both in India and as well as outside?

**Nrupesh Shah:** In domestic market, our close competitors are Videocon that is their Kenstar brand followed by Bajaj by Bajaj Electricals and there is also Khaitan and Usha. Over and above that, there is couple of mid-sized to small-sized manufacturers and almost 70% plus market is dominated by unorganized players which are in thousands. Coming to international market, there are several regional players or national players in Middle East, North America as well as Australia. This is over and above small air coolers which are also being manufactured in China and internationally there is a competition in small air coolers from China, but they are not branded. Chinese air coolers in terms of the performance and quality are quite inferior and despite that considering our business model and cost structure even with them, we are in position to give them run for their money.

**Hitesh Zaveri:** Actually I have some more specific questions, but I will do is I will either take them offline or get back in the queue later.

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**Moderator:** Thank you. The next question is from the line of Dhimant Shah from Principal India. Please go ahead.

**Dhimant Shah:** Good numbers and just two quick questions. Number one, can you give us some sense on at least what has happened at Impco in terms of the volumes if you can also enumerate what has happened to export market plus how much of the current volumes come out of the new models and within new models also the Window based, I believe you have launched a Window based model. So if you can just explain these as well?

**Nrupesh Shah:** So Dhimant, you broadly have three questions. Number one about Impco, for Impco September as well as December quarter, the first 6 months is virtually an offseason and unlike Symphony India where we have almost broken seasonality is not the case at the level of Impco. So at a level of Impco for 6 months as it has happened in the past, there is a negligible sale. First quarter was a good quarter generated more than 80% of the business. It should continue that way.

**Dhimant Shah:** Sorry to interrupt. Nothing has come from Impco to our markets in by way of exports from Impco particularly on the industrial side?

**Nrupesh Shah:** So then coming to our total exports, in 6 months our exports have been in excess of Rs. 15 crores, up from about Rs. 6 crores, but last year that is in 12-13, export to Impco was negligible as a one-time correction as you know, but in current year that export has been already resumed and as far as international business to the rest of the world is concerned, that export has gone up by 42% and quantity wise, it has increased almost by 26%.

**Dhimant Shah:** And the new models account for how much?

**Nrupesh Shah:** I do not have that data readymade with me.

**Dhimant Shah:** But any rough cuts will help..

**Nrupesh Shah:** It has been received well and I do not have exact quantity breakup.

**Dhimant Shah:** And secondly I believe we have taken some kind of approval internally for increasing of borrowing limits so that just in case you were to consummate some acquisition, it would be handy just in case the limits are in place.

**Nrupesh Shah:** Are you referring to a resolution passed in AGM?

**Dhimant Shah:** Right.

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**Nrupesh Shah:** It is not for increase in the borrowing limit, so we have not touched that at all. Under section 372A, for increasing the limits of investments, loans and advances because our surplus funds are increasing, so investment limit has been increased from Rs. 200 crores to Rs. 500 crores.

**Dhimant Shah:** And lastly on the acquisition side. Anything that is close to being kind of consummated or this is I believe you have always been looking at some marketing kind of/distribution companies in geographies like Africa so on and so forth. So anything that we are....

**Nrupesh Shah:** Nothing exciting on the table or on the card as of now.

**Dhimant Shah:** Nothing as yet?

**Nrupesh Shah:** Ample of opportunities keep on coming, but nothing exciting.

**Moderator:** Thank you. The next question is from the line of Ankit Kumar Jain from Equirus Securities. Please go ahead.

**Ankit Kumar Jain:** Sir Couple of questions. First sir in first half of fiscal year 14, we have seen highest ever EBITDA margin at around 28%. So sir what all has contributed to such an excellent margin performance. Second thing if you can let us know how much is the revenue we have booked from industrial coolers during first half of the year and third question would be sir how these change in energy efficiency norms to ACs is going to impact our business?

**Nrupesh Shah:** So about increase in our operating profit and margin; number one as we have launched new models, they have really helped us in fetching better prices, better margins. Number two, MRP which we increased in the range of 5% to 15% in the beginning of the year even that has helped. Number three; increase in MRP is more than increase in cost. We have succeeded again in good value engineering despite offering better features and better performance and number four, of course better economies of scale and volume also helps in that respect. Having said that in fact December 13 is a quarter which consists of monsoon as well as winter. I think in Symphony's history, we have registered the highest ever sales more than June quarter or March quarter in any of the years historically. So that way we have broadly succeeded in breaking the seasonality. Not only that broadly in respect of the performance in respect of bottom-line or in respect of the volume of the air coolers by December 13, we have almost match or slightly surpass last year 9 months that is March 13 performance.

**Ankit Kumar Jain:** Sir second question on industrial cooler side.

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**Nrupesh Shah:** In industrial air cooler the segments including railways, religious segments, some of the hotels as well as restaurants, pumps in fact data centers even in the warehouses, one of the largest warehouses of DHL, we have executed orders. And in last 12 months, some prestigious orders have been executed, but having said that as we are maintaining for the couple of quarters, still in value terms it is not significant even though huge potential exists.

**Moderator:** Thank you. The next question is from the line of Ganesh Radhakrishnan from Pristine Portfolio. Please go ahead.

**Ganesh Radhakrishnan:** Good evening and congratulations on the good set of numbers. I have couple of questions. On coming to the balance sheet, on the asset side I see the noncurrent investment that has substantially increased from Rs. 32 crores to Rs. 93 crores. Can you tell me what the reasons for this increase are?

**Nrupesh Shah:** So as per the revised Schedule VI, whatever investments do not mature or fall within 12 months are classified as noncurrent investments. So considering our healthy cash flow, we have made some of the investments in government bonds having a longer term maturity which are listed, but where at pretax or post-tax levels, we get good returns and they are all AAA bonds that is number one. Number two, some of the investments is also into fixed maturity plans. So that matures after 12 months and as per accounting standard, we have to classify under that and number three, in liquid mutual funds considering taxation benefit, some of the investments is in a growth liquid mutual funds where if we continue our investment for more than 12 months, we are entitled to have some taxation benefit. So considering that, even though it is a part of the investment, it has been increased from Rs. 32 to Rs. 93 crores. So this ultimately is going to offer a return better than the return on current investments.

**Ganesh Radhakrishnan:** Sure, but how much has been on increase, I think it also constitutes your investments in your subsidiaries. Has it gone up?

**Nrupesh Shah:** Investment in our subsidiaries?

**Ganesh Radhakrishnan:** Yes. If I see your 2013 balance sheet, I think about Rs. 23 crores was invested in your Singapore subsidiary which was classified under noncurrent investments. So is there any similar type of investments in your subsidiaries which is part of noncurrent investments?

**Nrupesh Shah:** Investments in subsidiaries are almost at the same level except in the beginning which I need to check whether it was in the current year or previous accounting year. Some of the loans and advances granted to subsidiary or step down subsidiary which was converted into equity, again on account of better taxation and financial planning, but otherwise



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overall exposure is almost at the same level. So our short-term loans as on December 12 to subsidiary were close to Rs. 28 crores which now is close to Rs. 15 crores.

**Ganesh Radhakrishnan:** So as I understand, it is primarily investment can long-term bonds and classified under that. Sir coming back to your P&L, now if I look at financial year 2013, the Q1 and Q2 numbers were kind of unique in the sense some of the sales in Q1 were actually booked in Q2 because you were introducing some new models. Has similar thing happened in this Q1 and Q2? There has been any deferment of sales to Q2. How much would have been the impact of within Q2 results?

**Nrupesh Shah:** I think in Q1 we had a very decent growth. In Q1 of 12-13, the top line was about Rs. 28 crores which in Q1 of current year top line has been close to Rs. 77 crores, but even in Q1, there was some unbilled amount and that has been billed and sold in Q2 and same is the case even in Q2. Even in Q2 also, there is some unbilled amount and that is going to be billed and sold in Q3.

**Ganesh Radhakrishnan:** So now you said that the seasonality has been broken. So here after you think your quarter-to-quarter that means year-on-year comparison will be a good measure.

**Nrupesh Shah:** Probably yes and when we say seasonality is broken, so this is at a level of the trade and distribution. Of course from trade and distribution to customers, still seasonality very much exist, but as far as company and trade is concerned, we have succeeded in breaking that.

**Ganesh Radhakrishnan:** And my next question is that you also said your distribution model in India has been changed and you are appointing direct dealers. So the sales for this quarter include the shipment to these dealers also?

**Nrupesh Shah:** Very much, but as you may be aware when we sell to non-organized retails that is sell through traditional dealers with the direct dealers or distributors or otherwise, 100% cash and carryover advanced policies. So whether they are direct dealers or sale through distributors, it is only on cash and carry.

**Ganesh Radhakrishnan:** My last question is more on the business model itself. Now in India, you know that some taxes are levied on restaurants which are air conditioned. So really cost go up, so is it a market you are tapping because you have given a cost effective solution with the same value. Is it something you are looking at?

**Nrupesh Shah:** I am not getting, what is your question?

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**Ganesh Radhakrishnan:** Restaurants in India which are air conditioned, I think they are subjected to extra taxes. I suppose you are aware of that. Air conditioned restaurants, now to pay taxes.

**Nrupesh Shah:** I understand what you are referring to, their ratings have been increased. So say earlier in air conditioner whatever used to be 5-star rating, now they are 3-star rating and they have to really upgrade the models to meet with the new norms whereby the prices of air conditioners have increased substantially. Not only that, in last one year on account of rupee depreciation, still most of the air conditioner components are directly or indirectly imported. So even their cost of raw material have also increased. So in a way that has helped us in the sense one-time cost between air cooler and air conditioner have further increased. So that way it has helped us.

**Moderator:** Thank you. The next question is from the line of Sanjay Manyal from ICICI Securities. Please go ahead.

**Sanjay Manyal:** Just few questions. What would be your domestic and export realizations separately?

**Nrupesh Shah:** No, the figure of domestic realization and export realization separately is not in public domain. I think last quarter we had discussed at length that in fact giving the quantitative figure and price realization figure to some extent adversely affect us because we are the only listed company having single product i.e. air cooler. As far as our competitors are concerned, for them air cooler is one of the products. So their quantity details and price realization details, etc., are not available in public domain. So in last quarter we had discontinued disclosing realization and still quantity details, but considering overall feedback what we received, we have disclosed combined quantity of domestic and export business and combined sales realization of domestic and exports and combined sale volume for 6 months is up from 2,07,000 units to 3,06,000 units and realization is up from Rs. 5,300 to Rs. 6,000.

**Sanjay Manyal:** As you have said earlier that now the seasonality has been broke in. So it would be safe to assume that in the next 2 months or rather second half, your sales decline would be there because there would be some year-on-year, it would be a sales decline because there would be some presales or preponement of the sales this quarter and last quarter.

**Nrupesh Shah:** So of course whatever we have sold it upto 31<sup>st</sup>December, by and large it is a stocking at a level of dealers or distributors or large format store, but at the same time it also reflects buoyant sentiments and confidence because none of our competitors have succeeded in preponing their sales and so far almost whole of January has also been passed by. So we are seeing good buoyancy in sales, but having said that we have to also see how ultimately secondary sales takes place in February and March and it may depend on that.

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**Sanjay Manyal:** So is it really possible to know the actual growth considering that there has been some preponement. So we can get the organic growth rather than this because of the seasonality has been broken this unusual growth this and last quarter.

**Nrupesh Shah:** So we have strategized preponing the sales at a level of trade for last couple of years. So historically or otherwise in current year 6 months also, whatever sales in first 6 months is you can say that by and large are stocking at a level of distributors and dealers.

**Moderator:** Thank you. Next question is from the line of Chintan Sheth from SKS Capital & Research. Please go ahead.

**Chintan Sheth:** I just wanted to know why the other current liabilities in balance sheet gone up from Rs. 11 crores to Rs. 59.7 crores. What contains in the other current liabilities?

**Nrupesh Shah:** Current liability includes advances which are yet to be billed by the end of the quarter, expenses payable, unclaimed dividend etc.

**Chintan Seth:** And also I missed the quarterly volume of this quarter vis-à-vis last year, 1, 87,000 units this quarter versus how much?

**Nrupesh Shah:** So I believe you are referring volume of this quarter. So almost 1, 87,000 units December '13 versus 1, 56,000 both domestic and export put together in December '12.

**Chintan Sheth:** And the same number in September quarter, first quarter this year?

**Nrupesh Shah:** September first quarter total units were 1,19,000.

**Chintan Sheth:** And this quarter it is 1,87,000, is it correct, right?

**Nrupesh Shah:** December '13 is 1,87,000; September '13 was 1,18,000 and December '12 was about 1,56,000.

**Chintan Sheth:** Can you just give me some idea about your policy of outsourcing as you say that we have 9 outsourced manufacturing facilities and we have SEZ capacity of our own. How this works in a sense that that when we place pre order to the outsourced guy, what kind of benefit we get in terms of exchange or any kind of increase in raw material prices in the international market vis-à-vis on our business?

**Nrupesh Shah:** Our costing model with OEM is cost plus business model. So what is our fluctuation in the raw material price, we are directly affected by that, but having said that our outsourced business model works on that which component, which raw materials to procure from

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which supplier and on what terms and of which specifications and at what price, Symphony's technical team is involved substantial so as to have good quality control and good cost control, but whatever is the input price, OEM gets the margin over that.

**Chintan Sheth:** Sir how much proportion of our production comes from our outsourced manufacturing facilities?

**Nrupesh Shah:** For domestic business, it is 99% plus. For export, it is mainly from our SEZ.

**Chintan Sheth:** What capacity will be that SEZ?

**Nrupesh Shah:** SEZ, our current capacity is about 2 lakh units.

**Chintan Sheth:** And put together 9 outsourced units, we have a capacity of 1 million unit right as you said?

**Nrupesh Shah:** 1 million unit if it operates round the year in the full capacity.

**Chintan Sheth:** Okay sir and sir as you said earlier that for first 6 months, we have a pre-booking or dealer booking at our end for the upcoming April Summer season and as you said that we have break the seasonality in our business from this quarter onwards. So we see what kind of volume growth in the next half if you can give a broad number in terms of volume as well as pricing point side? Have we any chance of hiking the prices in the coming month?

**Nrupesh Shah:** Unless there is some major increase in raw material prices or otherwise situation changes, we do not intend to have any price increase.

**Chintan Sheth:** Any chance of broaden numbers in terms of volume growth in the coming 6 months?

**Nrupesh Shah:** No, about volume growth we have conveyed in the past and we are maintaining broadly YoY, so YoY we expect industry to grow in excess of 15% and Symphony's growth rate should be higher than that. So we maintain that in medium to long term, there may be some YoY fluctuations, but in medium-to long-term we expect growth rate around 25%-30% both in domestic and export. Some year, there may be very high growth rate, some year there may be low growth rate, but overall in medium-to long-term, we should maintain this rate.

**Moderator:** Thank you. The next question is from the line of Pattabi Raman from Metro Investments. Please go ahead.

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**Pattabi Raman:** We keep reading the newspapers that air conditioner manufacturers are impacted due to rupee depreciation as well as these BIS, the star rating rule now that import of raw material and import cost will go up because of rupee depreciation. Will our company's products also be affected because of that?

**Nrupesh Shah:** You are absolutely right that air conditioner companies have been affected on both the accounts. As far as we are concerned, our exports are much higher than the imports and in our overall raw material consumption direct or indirect imports are just in single digit percentage. So infact rupee depreciation helps us.

**Pattabi Raman:** That is very good. One more thing do we expect some shift from consumers those who plan to buy air conditioners because of this coming to our air coolers.

**Nrupesh Shah:** That is very much possible. But to us, just air conditioner buyers are not the target customers. If we talk about the pyramid of the customer, at the bottom of the pyramid are those who own the fans. And fan owners are almost 60% of the cooling appliances. There is a huge population which even does not own fan, so that is also our target customers. Third is currently there are about 24 million households who are using air coolers and on an average if they replace the air cooler say over a period of 5-7 years, there is also a huge sizable air cooler replacement market and then fourth one is on account of increase in cost of air conditioner or otherwise recurring bill, there may be some customers who may want to shift from air conditioner to air cooler. So it is not only air conditioner customers. I think we are looking at a much larger target market.

**Pattabi Raman:** There is noncurrent investments huge amount now, but I am afraid that this is going to bring down the Return on Capital invested. Do not you feel, even though you had given a maiden dividend that is appreciated that you have given some more dividend, increase a percentage so that you are not increasing any amount in the fixed assets that probably goes toward dividend payment and the return on capital invested will not be impacted because of that?

**Nrupesh Shah:** Let me answer like this. We have in our primary segment two segments; one is Home Appliances segment and second is Corporate Fund segment. So Home Appliance segment talks about capital employed in home appliances division and Corporate Fund talks about surplus fund other than Home Appliances. So you would see that in first half of the current year, Home Appliances segment has generated 111% returns versus 73% return of the previous year. As far as Corporate Funds are concerned, it has generated close to 8% of the return because as a policy, we invest only in liquid mutual fund or government bonds or bank FDs. As far as dividend is concerned, last year our dividend payout ratio was about 44%, up from about 42% year before which was inclusive of about 20% as special dividend. So year before that, the normal dividend payout ratio was 27%. Three years before, our dividend payout ratio was just

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about 14% or 16%. So we have increased the dividend payout ratio and in the current year, we have also because of healthy financials and cash flow, we have declared 100% interim dividend.

**Moderator:** Thank you. The next question is from the line of Harshit Shah from Motilal Oswal. Please go ahead.

**Harshit Shah:** Sir just two questions from my end. Wanted to know within industrial cooler per se, what is the water requirement that an industrial cooler requires and all on regular basis for working of an industrial cooler that is number one and second thing just wanted to understand that recently in fact last year we saw some test marketing being done by Havells India as far as air cooler segment is concerned and I think as we go forward, that competition will obviously ramp up and given the fact that they are also in the fan segment and that distribution can be used to replicate cooler sales. How do you look at that competition impacting us as well?

**Nrupesh Shah:** First let me answer your second question. So Havells has come out with air coolers 2 years before, but last year I think they have withdrawn and current year as of now, we do not have any information if they are relaunching. Having said that, I think there are couple of other large organized players and mid-sized players which have entered in or intend to enter and we really welcome them. The reason being we understand that considering air cooler industry's potential, if more player enter, it will really increase an awareness of the industry and size of the cake will increase. Not only that, but there will be further rapid shift from unorganized to organized sector and as far as water requirement in industrial and centralized air cooling is concerned, it widely varies from the type of the installation and model because there may be a very small installation to huge installation like 1000 square feet to 2 lakh square feet, but Bhadreshbhai is with me, let me just check up. If he knows some norms about that.

**Bhadresh Mehta:** Actually there are some technical norms which are not available with me right now. We can say that in general, the industrial cooling is basically measured in terms of CFM. Cooling is a mixture of air throw and the cooling requirement of the location and based on the need, the pipeline can be fitted. So basically industrial cooling is like a project, it is very similar to the AC project. The water consumption again depends on which kind of installation we have. You can have a distributed air throw or you can have air throw just by diffusers; water consumption will vary in both cases.

**Harshit Shah:** Bhadreshbhai, I agree to that point. The reason why I am asking this question is, there is one competitor called Breez Air coolers who have actually executed some of the projects in India within the industrial cooling space and some of the clients where they have kind of installed that projects, some of them have told us that continuously changing water on a very large scale is become like a more tedious job. So just wanted to understand from that perspective.

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**Nrupesh Shah:** We do not have readymade data available as of now. We can check it up and probably come back.

**Bhadresh Mehta:** Because you can have the pipeline also available, you need not change the water yourself.

**Harshit Shah:** So you do not need to refill it again and again.

Nrupesh Shah: Yes.

**Harshit Shah:** And one final question, just wanted to know how much is the price difference between some of the newer products like window air coolers and i-series as compared to our existing products.

**Nrupesh Shah:** As far as window coolers are concerned, we do not have product or model to benchmark vis-à-vis organized players. Vis-à-vis unorganized players depending upon which unorganized player you benchmark, we would be higher in the range of 10%-100%.

**Harshit Shah:** And how would be your margins as far as newer product is concerned as compared to our existing products?

**Nrupesh Shah:** New products have better margins.

**Harshit Shah:** And to what extent that would be?

**Nrupesh Shah:** It would be varying from model to model, but it may be ranging from 5% to 20% higher margin.

**Harshit Shah:** And one final question on your data sheet that you have actually sent across. In exports for the first 6 months our segment profit before interest and taxes stood at around close to Rs. 5 crores which are around 32% as compared to 17.5% a year ago for the first half of FY13, why would there be a significant jump as far as those margins are concerned.

**Nrupesh Shah:** It is due to number one economies of scale because whatever fixed overheads, manufacturing overheads or SEZ overheads are concerned, they remain fixed. So that is number one. Number two, rupee depreciation has also helped us and number three, to some extent even model mix.

**Moderator:** Thank you. The next question is from the line of Hitesh Taunk from ICICI Securities. Please go ahead.

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**Hitesh Taunk:** Sir my question pertains to currently how many number of dealers we have for the retail and industrial segment and how many dealers are dedicated towards the industrial segment only. That is the first question.

**Nrupesh Shah:** What was the first part of your question?

**Hitesh Taunk:** Sir I just wanted to know number of dealer network across India of Symphony and on that how many are dedicated dealers for the industrial segment. This is the first question and second question sir I just wanted to know what is our plan for the advertisement and brand building expenses?

**Nrupesh Shah:** As far as your first question is concerned, dealers or distribution network for industrial coolers and residential air cooler is absolutely a separate chain because industrial air cooling requires different kind of skills and expertise while coming to residential air coolers, they are like typical consumer durable showrooms and electrical showrooms, etc. Last year that is as on 30<sup>th</sup> June 2013, we have close to 16500 dealers. Actual number of dealers for the current year we come to know by June '14 because as per our policy in the beginning of the year, we have zero dealers. As per our norms, the dealer who procured either directly from or from distributors had a minimum quantity, only they are like eligible or valid dealers. So they are not the dealers really on the paper. So only as on June 2014 we can tell you how many numbers of dealers for residential coolers will be there.

**Hitesh Taunk:** I just wanted to know what are the plans for the advertisement expenses or brand building exercise sir.

**Nrupesh Shah:** As far as promotional and advertisement expenses in domestic market is concerned, last year our advertisement budget was close to Rs. 15 crores, up from about Rs. 9 crores year before and current year there will be a significant increase on that and that should continue over a period of time because whatever is our internal business plan or sales budget, keeping in mind we decide the advertisement and sales promotion expenses. It is not like a fixed percentage on the sales.

**Moderator:** Thank you. The next question is from the line of Anil Jain from Equipassion Capital. Please go ahead.

**Anil Jain:** Sir on other current liability, this was increased from Rs. 11 odd crores to Rs. 60 crores. You mentioned that it has increased because of two-three factors like advance from customers and all. So I just wanted to know what are the amounts of advance from customer included in this current year.



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**Nrupesh Shah:** There are some advances, but that figure is not in the public domain as of now and we are not in a project business. So by Q2 we really need to tap or we really need to track what are the advances.

**Anil Jain:** No, but this has increased substantially from Rs. 11 crores to Rs. 60 crores, so just wanted to figure out what is it.

**Nrupesh Shah:** It is a combination of advances, expenses payable, unclaimed dividend, provision for the taxes, accrued salary. So it is a combination of all these.

**Anil Jain:** And other question was on the bifurcation of domestic sales between industrial cooler and residential coolers?

**Nrupesh Shah:** So for residential and exports, we have already given the volume. As far as industrial coolers are concerned, even though there is a decent growth YoY, but still value wise it has not reached to that respected level whereby we can say that it is substantial.

**Anil Jain:** Whether the industrial cooler segment is growing faster than the residential?

**Nrupesh Shah:** As far as percentage yes but in terms of value, it is not substantial.

**Moderator:** Thank you. As there are no further questions, I now hand the floor back to Mr. Kamlesh Kotak. Over to you sir.

**Kamlesh Kotak:** Thank you sir for sparing time for this con-call. With that, we conclude the call. Any closing comments Nrupeshbhai?

**Nrupesh Shah:** Thanks a lot for active participation. Thanks a lot for encouragement and your suggestions.

**Kamlesh Kotak:** Thank you.

**Moderator:** Thank you. On behalf of Asian Market Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.