



“Symphony Limited Q1 FY-'16 Results Conference Call

October 23, 2015



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Symphony Limited
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Symphony Q1 FY-'16 Results Conference Call hosted by Trust Financial Consultancy Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Naveen Trivedi. Thank you and over to you sir.

Naveen Trivedi: Thank you. Good Evening, Everyone. On behalf of Trust Financial Consultancy, I would like to welcome the management of Symphony to discuss Q1FY16 Results. We have with us senior management of Symphony led by Mr. Nrupesh Shah – Executive Director; Mr. Bhadresh Mehta – CFO; Mr. C.V. Gandhi – Company Secretary and Mr. Girish Thakkar – General Manager, Accounts and Finance.

I would like to welcome Mr. Nrupesh Shah to share a few highlights regarding the quarter before we start the Q&A Session. Over to you, sir.

Nrupesh Shah: Thank You and Good Evening. I Welcome All of You in Q1 Conference Call.

So the quarter has been good. Before I dwell upon specific financials, let me start with specific details about various segments: Coming to Domestic sales, during the quarter we launched new model in Window category, i.e., 70 XL and it has been received well. In the first quarter itself, we could achieve 80% of the annual Distributor Enrolment target which is linked with specific lifting quantity. Further, as we started since 2014-15, we laid greater emphasis on Dealer Enrolment. We aim to enroll the Dealers which can lead to benefits like filling up the last mile channel. The prominent Dealers stock up the products. During off season, it promotes the off season sales to customers. And once Dealers over and above distributors stop the products, they display in their stores even during off season and customers may purchase during the first even marriage season. And this also ensures further commitment by Dealers. In Dealer Enrolment, we achieve 60% growth vis-à-vis first quarter of the last year.

Coming to International Business: First shipment of the Packaged Air Coolers took place to Dubai. Cambodia market open up; however, during this quarter YoY there is a decline in international sales mainly on account of spillover of Impco business to subsequent quarter. However, overall export including rest of the world is doing well.

Coming to Impco: The major development during the quarter was as announced earlier, we could successfully monetize part of the real estate which has fetched in rupee terms almost Rs.13 crores, which will help to reduce the debt of Impco, which has been taken from Symphony or from its subsidiary company and that much amount of the loan has been already paid off by Impco to Sylvan. We expect in the time to come, to further monetize the assets to really achieve an objective as desired and shared earlier.



Coming to Centralized Air Cooling: Overall, I would say that this was a quarter of further consolidation in Centralized Air Cooling in respect of Dealer Distribution Enrolment, enhancement of the team, training to them, and product penetration. Packaged Air Coolers have received very well and in several segments the product has been accepted. During the quarter some prestigious orders have been received and some of them have been also executed.

Coming to acquisition of Munters Keruilai, China: The acquisition is progressing on desired line. We expect the acquisition closure to take place in next couple of months before December '15 on completion of certain CPs which we have laid out. In fact, simultaneously, we have already initiated the measures to integrate Munters technical, marketing, product and operational aspects with Symphony. Our several top team members have already visited and some of them are already camping over there for the purpose.

Now, coming to Specific Financials: During the quarter, our net sales have been Rs.114 crores versus Rs.92 crores and total income from operations has been Rs.115 crores versus Rs.92 crores, registering YoY growth of 24.5%. In terms of the volume, during the quarter we sold 1,94,600 Air Coolers versus 1,64,000 in domestic and export put together, registering volume growth of about 19%. Other income that is a treasury income has been almost at par with last year, that is slightly in excess of Rs.7 crores. About EBITDA it stood at Rs.41.21 crores versus Rs.31.47 crores registering EBITDA growth in absolute numbers 31% while EBITDA percentage to gross revenue stood during the quarter at 33.90%, up from 31.60%.

Coming to Income Tax: It has been Rs.11.71 crores, up from Rs.8.86 crores, resulting into effective rate of income tax of almost 29% while PAT stood at Rs.28.76 crores, up from Rs.21.63 crores registering growth in PAT in absolute numbers 33% and PAT to gross revenue stood at 23.6% versus 21.70%, growth of almost 1.90%.

Coming to Capital Employed: On Home Appliances, net of advances stood at about Rs.43 crores and Rs.276 crores has been corporate fund essentially internally. This translates into PBIT percentage on capital employed of 294% on annualized basis versus 206% a year before.

Coming to Secondary segment: The domestic sales stood at Rs.109.73 crores versus Rs.84.87 crores, while rest of the world stood at Rs.4.69 crores versus Rs.7.07 crores a year before.

Coming to PBIT: It stood at Rs.39.76 crores versus Rs.29.03 crores while in rest of the world Rs.72 lakhs versus Rs.1.82 crores.

There has been increase in operating margin almost by 3% during the quarter on account of a couple of reasons: #1, Better economies of scale; #2, better sales mix and sales realization; #3, softening of raw material prices mainly in oil prices and metal prices.

So, with this I open the house for question-and-answer. And I also take this opportunity to thank Trust Financial Advisors for holding this Analyst Conference Call.



- Moderator:** Thank you. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Kunal Jagde from Karvy Stock. Please go ahead.
- Kunal Jagde:** Sir, my first question is on the turnaround strategy for the Chinese company. Apart from infusing this Rs.15 crores as working capital, what are the other general strategies for making profits in Chinese business?
- Nrupesh Shah:** Of course, closure is yet to take place which we expect to finish in current year itself. At the moment as I conveyed earlier, we have already initiated necessary measures to integrate its operations with Symphony India. In terms of the turnaround strategy, we wish to leverage on its research and development facility. It is having about 51 patents. It is having free trade agreements with South Asian Countries. So we expect to leverage in respect of the exports. Not only that, for international business from India, we have to approach international customers, while whole of the world approaches China for sourcing their products and on top of it, it is having state-of-the-art R&D facility meeting with American and Australian standards, in fact, one of the best R&D facility in Air Cooling industry in whole of Asia. So we expect it to turn around in medium to long term. And meanwhile, to fund its working capital and losses, we expect to fund in the range of Rs.15 crores to Rs.35 crores in short-to-medium-term.
- Kunal Jagde:** Sir, when you are talking about leverage, are you going to infuse from Symphony's cash or you are going to take external debt?
- Nrupesh Shah:** No, there is no need to take any external debt because we in Symphony India itself sitting on good size of treasury and this is a very small amount vis-à-vis that. Not only that, in short-to-medium term, whatever asset monetization is going to take place in Impco in fact that itself should take care of Chinese cash requirement.
- Kunal Jagde:** What is your planning for manpower in China?
- Nrupesh Shah:** Currently, they are having a team of 140 people, mainly local people. They intend to continue the local team as it is.
- Kunal Jagde:** How will you brand Coolers in China – will you continue with Symphony brand or you will have a new brand with Munters Keruilai-Symphony integration?
- Nrupesh Shah:** Munters Keruilai is already having its own brand and that is known reasonably well, in fact, that is the only Chinese branded air-cooler company known in China as well as internationally. So as far as products of Munters is concerned, we intend to continue that brand. And wherever we will through their network supply or export Symphony's range of Air Coolers, they will be sold on Symphony or its various brands.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.



Renu Baid: My first question is on the domestic sales. We did see a volume growth coming in and that seems to be a decent jump on a year-on-year basis. On a sequential basis also the number looks reasonably strong. So, if you can highlight what are the key reasons for the jump in volumes – is it just the ramp up demand after the channel inventory corrections or the Dealer Enrolment and similar events if you can just highlight a little more?

Nrupesh Shah: Of course, during September quarter and December quarter it is trade sales with 100% advance and whatever is our annual Distribution Enrolment target, in the first quarter itself we have achieved almost 80% of the Distribution Enrolment target, in that enrolment in our terms is only with lifting and making certain minimum amount of the payment. Not only that, starting 2014-15 in the off season. We have also now enrolled some of the big Dealers and mid-size Dealers. So that is a second level of the distribution chain. And in the current year in terms of the Distribution Enrolment it is almost 60% up. Once the Dealers are enrolled, they display the products in their showroom and during off season especially during festive season as well as Diwali season it also generates some sales. So, whether it is distribution or Dealer Enrolment during off season it has been across the territories, across the models which probably is a reflection of the mood of the overall consumers.

Renu Baid: Essentially, you are trying to say that the kind of Dealer Enrolment success that you have seen in the recent quarter that has been one of the key reasons driving this volume growth in the quarter ending September?

Nrupesh Shah: That is right.

Renu Baid: It seems that it should continue for the rest of the quarter given the kind of Enrolment that you have seen here?

Nrupesh Shah: We hope so.

Renu Baid: Secondly, on the Packaged Air Coolers and the Central Air-Cooler side if you can just give a little more details with respect to the kind of segments or channel build up that we have done in this category? Any numbers or volumes that you can share with us at this point of time to have a better clarity on the kind of growth that we are seeing here?

Nrupesh Shah: So Packaged Air Coolers have received good response across the segments and we have successfully installed Packaged Air Coolers in small and mid-size factories, warehouses, data centers, some of the bank branches, religious segment, education segment and many others. As far as the Dealer Distribution Enrolment is concerned, some of them are common Dealers with our prudential Air Coolers and many of them are a part of Centralized Air Coolers Dealer network. As far as the sales volume or value is concerned, because of the competitive reasons we do not disclose model wise or product segment wise volume or value separately.



- Renu Baid:** But now Packaged Air Coolers or the Central Air Coolers together be a sizeable portion of our total sales...?
- Nrupesh Shah:** No, I would not say that it is sizeable, but it is growing rapidly in terms of percentage at a rate even higher than the Residential Air Coolers, but still it is a small amount. As we have conveyed in the past, we expect it to be a growth driver in the long-term.
- Renu Baid:** Just a line question on this, how is your progress with respect to tie-ups with the other EPC players in this category because they are key for you to achieve growth and execute the projects here?
- Nrupesh Shah:** So tie-up is already in place and tie-up with some more players is also taking place. So as I said, it is a consolidation process in terms of the Dealer distribution tie-up, team building and also the large project players as well as turnkey contractors.
- Renu Baid:** Would it be possible for you to share a couple of names to give us a little more insight to the size of Dealers with whom you are interacting here?
- Nrupesh Shah:** Sorry, on account of competitive reason, that would not be possible.
- Moderator:** Thank you. The next question is from the line of Ranjit Shivaram from B&K Securities. Please go ahead.
- Ranjit Shivaram:** Sir, if you exclude this Dealer Enrolment increase what would be the like-to-like growth?
- Nrupesh Shah:** There is no growth numbers available excluding or including that. This is all inclusive.
- Ranjit Shivaram:** How is the secondary sales happening in terms of the consumers buying it? What is your feeling therein? Which all geographies you are seeing growth because as per our interaction the overall sentiments in the northern and western market are a bit muted, so are you also seeing the same thing or can you just elaborate on that?
- Nrupesh Shah:** So in our case in September quarter and December quarter it is mainly trade channel lifting of the goods and very negligible sales to the customer. Of course, lifting by the trade is 100% advance. As I said earlier, it is across the geographies including Northern India, Western India across the models and across urban, semi-urban and rural area. But this is the demand at a trade level and there is a sizeable Enrolment of the Dealers, most of the sales at a customer level has taken place in the last quarter.
- Ranjit Shivaram:** In this Dealer Enrolment, any particular geography where you are seeing a higher mix or anything there in terms of Dealer Enrolment you are seeing North doing better?
- Nrupesh Shah:** Across the geographies there is a growth in line with what we have overall reported during the quarter.



- Ranjit Shivaram:** The other expenditure has come down. So anything to do with lower ad spending because the last quarter we did around Rs.36 crores and this quarter the other expenditure is Rs.16 crores.
- Nrupesh Shah:** So as far as June quarter is concerned it is a peak season in respect of sales to a customer. So it is the June quarter wherein the advertisement and sales promotion expenses are the highest and even distribution expenses are the highest. So it is not a fair comparison to compare it vis-à-vis June '15 quarter, it should be compared vis-à-vis September '14 quarter wherein it was about Rs.13 crores and now in September '15 it is about Rs.16 crores.
- Ranjit Shivaram:** So what will be the ad spend as a percentage of sales and how it has moved?
- Nrupesh Shah:** Last year that is in '14-15 year as a whole it was about Rs.30 crores advertisement, for '13-14 was close to Rs.21 crores. So in our case, ad spend for the year as a whole is more relevant.
- Ranjit Shivaram:** So this year what is our budget?
- Nrupesh Shah:** We will be in a position to share the figure once we come out with annual results.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.
- Pritesh Chheda:** If you could give some comments on the secondary sales in the system and the inventory because what we reported typically is primary sales which goes to the Dealer, right?
- Nrupesh Shah:** As I conveyed, in September quarter and December quarter, very less secondary sales in domestic market takes place. It is inventory buildup by the trade but of course with 100% payment. But having said that, there have been some amount of secondary sale mainly on account of Dealer Enrolment but we do not have the exact numbers.
- Pritesh Chheda:** Have we benefited from an extremely otherwise an hot climate throughout the country?
- Nrupesh Shah:** To some extent. But as such in off season it does not really matter much for Air Cooling industry.
- Pritesh Chheda:** What is the progress on the Packaged Air Coolers part? If you have a guess three years from now, what should be the size of that business?
- Nrupesh Shah:** So Packaged Air Coolers have been received very well. We have received the orders and implemented the projects across several segments. Not only that, in the current quarter we have received first export order for Packaged Air Coolers in the Middle East, and we have high hope from Packaged Air Cooling and about the value of the Packaged Air Coolers sales and our expectation, on account of competitive reason, we do not give the break-up.
- Pritesh Chheda:** What would have been the industry's growth on the Residential Air-Cooler side and any changes in the market share that you have seen?



- Nrupesh Shah:** Last year overall market mood have grown at a nominal rate mainly on account of bad summer of 2015. As far as Symphony was concerned in domestic sales value wise it grew by about 18% and in terms of the absolute share Symphony's market share improved from 50% to in excess of 52% value wise.
- Pritesh Chheda:** So this is as on June 2015?
- Nrupesh Shah:** This is for the 2014-15 year ended 30th June.
- Moderator:** Thank you. The next question is from the line of Sonali Salgaonkar from Yes Securities. Please go ahead.
- Sonali Salgaonkar:** My first question is again pertaining to the industry. How do you find the consumer sentiment especially in this festive season – are you seeing persistent buying kind of more trade discounts, how is the pricing like, if you could share some insights on how the industry trends are there in the festive season?
- Nrupesh Shah:** During off season, very low amount of Air-Cooler sales take place to a consumer. So, in September quarter or for that matter even in December quarter our most of the sales would be to a trade channel and trade channel maintains an inventory till season. Having said that, in September quarter, the consumer sales have been better than what it was a year before, but we do not have the exact figures.
- Sonali Salgaonkar:** So qualitatively are you seeing a gradual recovery in the consumer sentiment?
- Nrupesh Shah:** I think it is too early for us to comment on that. We can really comment on it only once we pass the season because off season for us in terms of the consumer sentiments and offtake may not be really realistic.
- Sonali Salgaonkar:** At this point in time are you giving any guidance for FY16 in terms of your volume and realization growth that you are expecting during the year?
- Nrupesh Shah:** We do not give any guidance or forecast for the quarter or for the year. But as we have conveyed in the past, CAGR top line growth of 20 to 25% in medium term. So having said that there may be a quarter or a year wherein there may be a low growth or there may be a high growth.
- Sonali Salgaonkar:** Sir, in terms of raw material pricing, your gross margins have actually shown an increase because of the benefits of raw materials that is what you mentioned in your opening comment. This trend do you expect it to sustain over the next few quarters?
- Nrupesh Shah:** So if current level of raw material prices continue, we expect the benefit to continue.
- Sonali Salgaonkar:** What is your cash level and your working capital for this quarter ending?



- Nrupesh Shah:** As far as working capital is concerned, in this quarter, it has been a negative working capital. As far as our treasury or cash is concerned, whatever is in primary segment, our corporate funds, that is Rs.276 crores that is the treasury.
- Sonali Salgaonkar:** What is your gearing as of September 30th?
- Nrupesh Shah:** Symphony on a standalone and on a consolidated basis is completely debt-free company, to an extent, we do not have even sanction bank facility. So there is no question of gearing.
- Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Securities. Please go ahead.
- Atul Mehra:** As we head into next quarter, so are we seeing this in terms of benefit of distribution that you are saying continuing into the quarter or is growth again pretty tepid as we enter in the next quarter?
- Nrupesh Shah:** No, we feel momentum may continue.
- Atul Mehra:** In terms of competition, as we have seen newer players like Voltas coming into the market, so what has been the kind of competition that has come into the market, in the sense is it more feature-oriented competition or is it more pricing and penetrative pricing that competition is following?
- Nrupesh Shah:** No, in Air-Cooler industry there was and there has been always a competition. So say for many-many years there are several organized players and new competitors keep on added. Despite that in last 2-3-4-years we have succeeded in maintaining and to some extent, increasing the market share of a larger cake size. Coming to competition, it is in by and large with due respect to all the competitors, Symphony is a trend setter and market leader, and most of the competitors without naming any of them, by and large copy here and there the features or aesthetics of some of the models of Symphony.
- Atul Mehra:** But in terms of pricing or say dealer margins or credit to dealers or something of that sort, is it more aggressive?
- Nrupesh Shah:** In terms of pricing, Symphony is a pricing leader. So once Symphony decides the prices, most of the organized players decide how much price to be fixed for their model which is normally 3% to 10-12% lower by and large.
- Moderator:** Thank you. The next question is from the line of Pattabi Raman from Metro Investments. Please go ahead.
- Pattabi Raman:** Besides selling through the trade channel that is brick-and-mortar source, we are selling some models through eCommerce sites also. I wish to know, do we get the same margin as we get the



sales through brick-and-mortar source or is our margin more or less if we sell the products through the eCommerce site?

Nrupesh Shah: For eCommerce we have 9 different variants. So those 9 different variants are being sold through eCommerce. But having said that eCommerce also follows market place model. So under that model it is possible that some dealers or distributors may place even trade models through web.

Pattabi Raman: No, as far as our company is concerned, do we effect any direct sales through eCommerce?

Nrupesh Shah: As I said we do have 9 different variants and to all the eCommerce we supply and deal with eCommerce on those 9 variants.

Pattabi Raman: No, my question is that do we get the same percentage of margin as we get if we supply the goods through the trade channel?

Nrupesh Shah: By and large it is the comparable margin even with eCommerce.

Moderator: Thank you. The next question is a follow up question from the line of Ranjit Shivaram from B&K Securities. Please go ahead.

Ranjit Shivaram: Just wanted to understand like Q4 was a bad quarter. So most of our trade channels would have been sitting with a good amount of inventory with them. So, ideally, they should not be adding more inventory to them. So, in that context, does that means the growth that we see in this quarter is due to the new dealer additions just to get some clarity over that fact?

Nrupesh Shah: Of course, during the season always as it has happened in the past and also in the current quarter, most of the sales is lying as an inventory with the trade. As far as on account of dealer enrolment, how much additional sales have been generated, it is very difficult to guesstimate but most importantly and essentially on account of dealer enrolment there are several other objectives because that seize up the last mile channel and once dealer also purchase, they also invest, they are motivated to sell even during off season to the consumers because they would like to display the product in their showroom. Not only yet ensure better dealer commitment. And in the time and in the years to come, in fact, we will like to fill up this last mile channel even more than what we are doing currently.

Ranjit Shivaram: Because of this excess inventory, are you seeing any reduction in prices in the secondary market because they will be sitting with higher inventory and similar amount of working capital will be stuck with them?

Nrupesh Shah: They are sitting on this inventory basically to make a kill on this inventory. The reason being during the off season they buy it at a discounted price from the company and they expect to realize the full price at MRP during the season or otherwise. So on the contrary they expect to make a kill from this inventory.



- Moderator:** Thank you. The next question is a follow up question from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** I know quarterly we do not give report on consolidated performance but with financial terms would it be possible to say how has Impco performance been for the current quarter? Last quarter they had seen the effect of delayed summer impact because of which the inventory buildup was there. So any clarity if you can throw on that side of the business as well?
- Nrupesh Shah:** As far as Impco is concerned, of course, we do not have specific numbers for the quarter but having said that broadly speaking on a YoY basis by this time to some extent it has already made up for delayed summer.
- Renu Baid:** So probably the sales which you would have lost in the last quarter would have been broadly made up by the end of September that we are seeing?
- Nrupesh Shah:** To some extent it has already made up broadly speaking.
- Renu Baid:** To what extent the asset monetization still left as in with respect to we are moving to asset light model in that region and monetizing the real estate. So what proportion is still pending to be done?
- Nrupesh Shah:** We believe that around 35-40% has taken place and balance around 60% is yet to take place which will happen in phases.
- Renu Baid:** So this would be over the next 18-months-to-24-months or would it take longer?
- Nrupesh Shah:** Very difficult to give a precise timeframe. Certainly not in 8-year-to-80-year, 6-months-to-36 months. we expect it to materialize.
- Renu Baid:** Just wanted a qualitative sense and assessment. Nothing on the financials here. You had seen right from the acquisition of Impco to turn around and going asset light, then you have Munters which is broadly asset-light. So, what are the feelers that you are getting with respect to the ease of turning this business around and the kind of incremental synergies accruing from this business? So do you think that this could probably in 3-4-years could be a much bigger opportunity than what Impco through for Symphony?
- Nrupesh Shah:** Precisely, with that expectation, we have decided to have an asset light business model whereby Impco should be in a position to focus more on sales, marketing, research and development, innovation, etc., It need not to focus on manufacturing. Not only that, it gets converted into variable cost business model. In fact, below EBITDA level by doing so, it is interest, depreciation, as well as FOREX should be reduced substantially and hence it should help next couple of years to have better financial performance at a PAT level.



Renu Baid: The second part of my question comparing with Munters as in how are you seeing Munters scaling it up basically the qualitative aspects I am trying to focus on?

Nrupesh Shah: Of course, that is our first step. We have initiated to integrate its products and business with us. We will like to symphanize Munters but we expect it to turn it around in medium term to long term. But especially considering its patents, its R&D facilities and its strategic advantage, I think in terms of the international business as well as domestic opportunity, we are quite optimistic.

Renu Baid: When we say medium to long term what timeframe are we referring to – would it be more than one year or would it essentially be two to three years plus?

Nrupesh Shah: I think in our scheme of things probably in any business medium term is at least 2-4-years and long-term is 5-years and above, not few quarters.

Renu Baid: On Munters, this company again essentially is predominantly relatively strong on the industrial side of the business. So, what do you think on the qualitative aspects can you bring those offerings and the learnings to India and scale your industrial or I would say the industrial footprint in the Indian domestic market which predominantly still is an unorganized market? What I am trying to say is the end customer to which the product offerings of Munters caters is different than the Residential Air Coolers that we have in India. So, to what extent do you think you would be able to leverage those learnings and understandings and bring them to Indian domestic market where you are probably trying to create a presence into the Central Air Cooling and the Packaged Air Cooling segment?

Nrupesh Shah: I think for Central and Packaged Air Cooling, it may not be much of the help. What we really intend to do as of now we do not have any presence in China through Munters which seems to be the second biggest Air Cooling market globally next to India. So it is a good stepping stone for us to sell in China. That is #1. #2, even currently 50% of the sale is from international business. So in some of the markets it will give us an access. #3, Munters being base out of China, China is already having specialized trade agreement with some of the neighboring countries. So that can also give an edge by exports.

Renu Baid: So this means at this point we are not looking at bringing any incremental learnings or product application from Munters to Indian market?

Nrupesh Shah: Not directly in terms of the models, but because of its patents, because of its state of the R&D facility, of course, for some of the models it may be of help to us but it is premature to say.

Moderator: Thank you. The next question is from the line of Siddharth Mohta from Principal India. Please go ahead.

Siddharth Mohta: Essentially you are saying that the Chinese acquisition would help us predominantly in the non-institution, non-package side. But any specific things -- would it be more of designs, or more of



bigger coolers? A related question, over what period do you see this acquisition kind of matching up to the returns that the current business is enjoying?

Nrupesh Shah: So as far as the timeframe is concerned as I shared earlier we expect it to turn around not in short-term in but we expect to turn around it in medium-to-long-term. That is #1. #2, in terms of the learnings, of course, even currently, our OEMs do procure on the basis of our recommendation and specifications of the components from China. So, in that respect it should help. About the learnings, of course, as it is a state-of-the-art R&D facility, it may help us to develop better products, better features and I am sure our R&D facility and Chinese companies R&D facilities and their personnel 2+2 may not be 4 but probably will be 22 but only time will tell to what extent how we can really do all that.

Siddharth Mohta: On the Packaged AC side, are there any specific guys we need to tie-up to accelerate the process, let us say you have in AC, so you have the coil and the compressor which is the heart and then you have the related electrical which possibly somebody else does?

Nrupesh Shah: Are you referring to any Dealer Distribution network or are you referring to some components?

Siddharth Mohta: Actually both, because ultimately both would go to enhance your sales, because Electricals is also a part, so do you feel you need to tie up with somebody who will do the local electricals for you or you will do that part in-house or how does that both installation and the dealer network because both are important?

Nrupesh Shah: As far as installation is concerned that is going to be done by the local partner, we are supplying the product but installation is being done by the local specialized partner. As far as the dealers are concerned, they are electrical dealers, they are also the dealers who deal with Centralized Air Coolers and there are certain large dealers who deal with Packaged Air Conditioners also.

Siddharth Mohta: So in toto, you think this combination will give us more enhanced sales in the packaged side?

Nrupesh Shah: That is right.

Moderator: Thank you. The next question is from the line of Laxmi Narayan from Catamaran. Please go ahead.

Laxmi Narayan: I have questions related to your Air-Cooler sales volume. We had actually sold close to 1,95,000 units. May I presume that most of it is in India – any breakup you give?

Nrupesh Shah: Breakup of sales revenue between domestic sales and international sales already in our secondary segment.

Laxmi Narayan: I ask by volume you give?



- Nrupesh Shah:** By volume we do not give the breakup on account of competitive reasons which we used to give earlier.
- Laxmi Narayan:** In terms of the new dealers you have actually appointed, may I know which are your geographies these dealers have been appointed, just trying to understand is there any new geographies you are planning to go stronger?
- Nrupesh Shah:** The dealers who have lifted Air Coolers during September quarter not necessarily all of them are the new dealers. Essentially, they are the dealers who did not use to lift during off season. So it is a combination of both existing dealers who used to lift only during peak season. Secondly, some of them are new dealers. As far as geographies are concerned, it is across the geographies.
- Moderator:** Thank you. The next question is from the line of Ravindranath Naik from Dolat Capital. Please go ahead.
- Ravindranath Naik:** I want to know that your volume has increased by around 19%, right, on a YoY basis and your sales have increased by 24%. So is it due to the better sales mix or is it the price increase you have seen on a YoY basis? Also, can you please share the volume number for the June quarter?
- Nrupesh Shah:** You are right, sales have grown by 24% and it is on account of both sales mix and also on account of pricing power.
- Ravindranath Naik:** Pricing power means whether you have increased the price of some of the products or there is no price increase on a YoY basis?
- Nrupesh Shah:** In some of the models there have been a price increase.
- Ravindranath Naik:** By what percentage on an average basis?
- Nrupesh Shah:** Average is difficult to say but it varies from model-to-model.
- Ravindranath Naik:** Can you please give any idea then? I do not want any specific number. On an average basis what the increase has been? Because export has fallen on a YoY basis. So I just wanted to know how the prices have moved? I am talking about the domestic only.
- Nrupesh Shah:** So in some of the models despite reduction in raw material price strategically and otherwise there has been a price increase which varies from model-to-model.
- Ravindranath Naik:** Would it be 5-6%?
- Nrupesh Shah:** It would vary but in some of the models there is no price increase and in some other models it would be ranging from 2% to 5-6%.



- Moderator:** Thank you. The next question is from the line of Ashwin Reddy from PWC Advisors. Please go ahead.
- Ashwin Reddy:** I have two questions; firstly, can you share a bit more details on the Dealer network specifically what was the Dealer count at the end of this quarter say for September 2015, September 2014 and the end of last year? Secondly, can you also talk a bit more about why the export sales have slightly been on a weaker trajectory?
- Nrupesh Shah:** As far as Dealer network is concerned, we are not giving the precise details in terms of the number of dealers or distributors. For the last few years we have stopped giving it on account of the competitive reason.
- Ashwin Reddy:** You made a statement your dealer count as at the end of this quarter was 60% higher than same quarter last year?
- Nrupesh Shah:** Normally, during the off season, dealers do not leave much of the material, it is only distributors. So starting year 2014-15, that is last year we started roping in dealers also. So, if last year 100 dealers would have lifted the products, this year 160 dealers would have lifted the material. That is what I said 60% increase in Dealer Enrolment during this quarter.
- Ashwin Reddy:** But Distributor at the same number what would be the percentage of increase?
- Nrupesh Shah:** Distributors increase is nominal, maybe by about 10-15% but whatever is our annual target in terms of the Distributor Enrolment and in our scheme of things, whether Enrolment of Distributor or Dealer goes with minimum benchmark amount of payment and minimum quantity to be lifted. So meeting with those criteria, with the Dealer Enrolment or Distributor Enrolment, and in Distributor whatever is our annual target 80% of the Distributors have been enrolled in the first quarter.
- Ashwin Reddy:** As compared to last year, this year your Enrolment target would be 20% higher, is that the fair number or can you share any number on that, what is the target that you have set yourself?
- Nrupesh Shah:** As of now I do not have the numbers for what is the enhanced target of Distributor Enrolment.
- Ashwin Reddy:** Broadly, has there been any change in the incentive structure for the Dealer – what is driving the increase, I am just curious?
- Nrupesh Shah:** There is no change in the structure. During off season they get at a lower price and during peak season they get at a higher price.
- Ashwin Reddy:** My second question on Impco.



- Nrupesh Shah:** Impco, up to June it was not a good season, but there has been a spillover of sales, of course, Impco financials are not being shared on a quarterly basis but broadly indicatively I think good part of the loss sales have been made up in September quarter.
- Moderator:** Thank you. The next question is from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.
- Kamlesh Kotak:** Sir, these Dealers which you are appointing are exclusive dealers or they are multi-brand dealers?
- Nrupesh Shah:** At Distributors level, by and large they are exclusive distributors, at the Dealers level, they are multi-brand dealers.
- Kamlesh Kotak:** But we incentivize in terms of all products both during the off season, is it?
- Nrupesh Shah:** Yes.
- Kamlesh Kotak:** But there is no restriction on them to go for other products as well, right?
- Nrupesh Shah:** That is true.
- Kamlesh Kotak:** Secondly, how much is the share of eCommerce and Modern Retail in our total revenue?
- Nrupesh Shah:** eCommerce and Modern Retail sales take place mainly during the peak season, not during the off season. But having said that, in the year '14-15 modern sales which comprises of the organized retailer eCommerce as well as online sales was consisting of almost 10-12% of the total volume.
- Kamlesh Kotak:** You see that is going forward or will it remain in this range?
- Nrupesh Shah:** About 3-years before organized retail was contributing just about 3% of the total domestic sales which last year has contributed about 10-12%. So, it is showing a good sign of increase along with increase in sales by traditional retail.
- Kamlesh Kotak:** Sir, any qualitative remark on the competition vis-à-vis how the market would have grown in this quarter or during this season and our market share and how the competitive landscape is shaping up?
- Nrupesh Shah:** As far as off season is concerned, in fact, competition is almost absent. So what to talk about competition scenario and qualitative remark for off season?
- Kamlesh Kotak:** But overall the market would not have been grown significantly because they also would be pursuing similar kind of strategy to some extent?



Symphony Limited
October 23, 2015

- Nrupesh Shah:** As per our understanding, mostly during the off season competitors are unable to sell to the trade channel.
- Kamlesh Kotak:** How is the share of this Window Cooler which we launched, how is it that traction building up?
- Nrupesh Shah:** New model of Window Air Cooler launched during this quarter or models which were launched about 1.5-years back, it has received good response.
- Kamlesh Kotak:** Any new launches have we planned besides this which we have in Window or other than that in the normal product categories?
- Nrupesh Shah:** Down the line there will be new launches and as and when we launch it, of course it will be shared.
- Kamlesh Kotak:** But this price realize an increase of 5% is mainly on account of better sales mix, not new launch, any other than this product which you mentioned?
- Nrupesh Shah:** So during the quarter only one new model of Window range has been launched or otherwise all existing models continue. So once it is on account of the better sales mix and as I said in some of the models there has been some price increase. So, it is on account of both but mainly on account of the better sales mix.
- Moderator:** Thank you. The next question is the follow up question from the line of Kunal Jagde from Karvy Stock. Please go ahead.
- Kunal Jagde:** What are the product lines of MKE, the Chinese company, I mean, do they have focus like Symphony into Air Coolers or do they have other product line also?
- Nrupesh Shah:** That is also an exclusive Air-Cooler company.
- Kunal Jagde:** You said that you have installed industrial Air Coolers in India in several places. So do you directly trade from Impco or you have facilities here also to manufacture it?
- Nrupesh Shah:** For Packaged Air Coolers starting April 2015, we have started getting it manufactured through OEM business model in India. As far as all other models of Centralized and Commercial Air Coolers are concerned, they are being manufactured in Impco Mexico for sales in India or elsewhere.
- Kunal Jagde:** Any plans for CAPEX to install some facilities in India for Industrialized Air Coolers?
- Nrupesh Shah:** Constantly we evaluate to import or to make it locally. So still we feel that it is not a right time to manufacture locally.
- Kunal Jagde:** The outsourcing model would continue for all three business in Mexico, China and India?



Symphony Limited
October 23, 2015

- Nrupesh Shah:** Very much.
- Kunal Jagde:** What is the total Indian market share for Packaged Air Cooling?
- Nrupesh Shah:** Till we launched Packaged Air Coolers a few months before, in Air Cooling there was nothing like a Packaged Air-Cooler, it is a Packaged Air Conditioner. So, in Air Cooling, for the first time this has been launched. So, there are no precise numbers of the market size, but as I said earlier there are several segments considering it is in the capacity of the 4-tonne to 12-tonne, so that seems to be a good market size for Packaged Air-Cooler. Whatever the market size or addressable segment for Packaged Air Conditioner, certainly, that is a addressable segment for Packaged Air Cooling also.
- Kunal Jagde:** But there is an unorganized market share into Packaged Air Cooling, so what is that share?
- Nrupesh Shah:** To the best of our knowledge in unorganized sector, there are no Packaged Air Cooling available.
- Kunal Jagde:** What is the growth expected in medium term to long term into Packaged Air Cooling as far as Symphony sales is concerned?
- Nrupesh Shah:** This has been just a first year, but we are quite optimistic. To put a precise growth number very difficult to say.
- Moderator:** Thank you. That was the last question. I would now like to hand the floor over to Mr. Naveen Trivedi for closing comments.
- Naveen Trivedi:** Thank you. On behalf of Trust Financial Consultancy, I thank senior management team of Symphony as well as all the participants on the call. I would now like to hand the call to Mr. Nrupesh bhai for any closing comments.
- Nrupesh Shah:** Thank you very much. It was our pleasure as always to interact with all of you and to have your valuable inputs and I also take this opportunity to thank Trust for organizing this con-call.
- Moderator:** Ladies and Gentlemen, on behalf of Trust Financial Consultancy Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.