

## Transcript

### Conference Call of Symphony Limited

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#### *Presentation Session*

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**Moderator:** Good evening ladies and gentlemen. I am Joseph, moderator for this conference call. Welcome to the Symphony Limited Q2 FY17 earnings conference call, which is hosted by HDFC Securities. At this moment, all participant lines are in a listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Naveen Trivedi. Please go ahead sir.

**Naveen Trivedi:** Hi. Good evening to everyone. On behalf of HDFC Securities, I would like to welcome the management of Symphony Limited to discuss the Q2 FY17 results. We have with us today the senior management of Symphony Limited, represented by Mr. Nrupesh Shah – Executive Director, Mr. Bhadrash Mehta, CFO, Mayur Barvadiya, Company Secretary and Mr. Girish Thakkar, GM – Finance and Accounts. Now, I would like to handover the call to Mr. Nrupesh Shah for his comments. Thank you and over to you sir.

**Nrupesh Shah:** Good evening. I welcome all of you to conference call to review Q2 and half yearly performance of Symphony of 2016-2017. To start with, our safe harbor statement. Certain statements during our conference call may contain statements of future acceptations and other forward looking statement, which are based on management's current view and assumptions, but may involve known and unknown risks and uncertainties that could cause actual results, performance or events to defer materially from those expressed or implied in such statements. Neither Symphony and none of its affiliates, advisors or representatives shall have any liability whatsoever for any loss howsoever arising from any use of or by relying on this information.

So having said that, so Q2 and half yearly performance for Symphony has been good performance across the verticals. We have grown extremely well in three business segments, residential air cooler in domestic market, centralized air cooling as well as international business.

Coming to specific numbers for them. The sales in domestic market has grown during first half from Rs. 210 crores to Rs. 277 crores, that is registering a robust growth of 32% while international business has grown from Rs. 14 crores to Rs. 25 crores, in the first half of the year, registering 75% growth. While PBIT segment wise in domestic business has grown from Rs. 65 crores to Rs. 89 crores, that is 37%, while in the rest of the world that is the international business, from Rs. 4.6 crores to about Rs. 9.4 crores, registering 106%.

Domestic business is supported by robust growth in residential air coolers as well as centralized air coolers. In fact, newly launched models, including i-touch range of models, which is offering unique features, performance and design across five models as well as i-Pure enabled technology models have been launched in last summer, have received overwhelming response. Moreover, we have successfully completed the trial run of the wall mounted air coolers, for which we have shared earlier that we have applied for global patent. Our continuous thrust is on expanding dealer distribution network, which is yielding good results. In the centralized air cooling, we have executed several projects, including some of the prominent brands across geographies and across the verticals, including industrial segment, warehouses, data center, banks, religious segment, education institutes, etc. etc.

Coming to IMPCO Mexico, now it is completely debt free company, including repayment of its debt from Symphony. So, the debt from Symphony has been fully repaid along with interest. So, down the line it will further help IMPCO Mexico, to improve its operational and financial efficiency, as the items below EBITDA in the respect of depreciation, foreign exchange fluctuations as well as interest cost will come down drastically, while it will lead to our variable business model. On top of it, the real estate on which it is still sitting, which will be disposed off down the line and that will generate surplus cash flow, which will be utilized for its future growth and focusing on its research and development and market expansion. And about GSK China, we are in the process of stabilizing and integrating its operations.

During the quarter, the paid-up share capital of the company has increased from Rs. 7 crores to Rs. 14 crores, post issuance of the 1:1 bonus share on 17<sup>th</sup> September 2016. Now, coming to the specific financials. Income from operations for the quarter has grown from Rs. 114 crores to Rs. 150 crores, registering 31.3% growth, while during the first half; it is up from Rs. 225 crores to Rs. 303 crores, up by almost 35%. And this is coupled with robust volume growth across the verticals. The PBT has registered growth of 36% during the quarter, up from Rs. 40 crores to Rs. 55 crores, while in the first half it is up by 41.6%, up from Rs. 69 crores to Rs. 98 crores. And PBT to gross revenue percentage during the quarter stood at 35.50% up from 33.3% that is registering BPS growth of 220 points, while in the first half PBT percentage to gross revenue has increased from 28.70% to 31.40%. The income tax amount in the first half is about Rs. 28 crores, up from Rs. 19 crores and effective rate of taxation stands at 28.3%, up from 27%. While the PAT during the quarter increased from Rs. 28.76 crores to Rs. 39.28 crores that is about 37% growth. While PAT percentage to gross revenue has increased from 23.6% to 25.3% in the quarter, while in the first half PAT now stands at Rs. 70 crores up from Rs. 51 crores, registering PAT growth of 38% and PAT percentage to gross revenue stands at 22.5% up from 21.1%.

As it is peculiar to Symphony business model and constant watch on cost, in fact combination of factors, launch of new models, operational efficiency, economies of scale and robust demand has contributed to major growth in profitability and margins. While in the respect of the capital employed, as during the quarter, again in line with our business model, there has been negative capital employed. And coming to the PBIT percentage on air cooler business during the first half based on the weighted average capital employed on a monthly basis for six months stand at 170%, up from 111%. The board has decided to declare interim dividend of 50% on enhanced share capital of 14 crores post 1:1 bonus share.

With this, the floor is open for question and answers. Thank you.

*Question and Answer Session*

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

Sir, the first question comes from Ms. Renu from IIFL. Please go ahead.

**Renu:** Good evening sir.

**Nrupesh Shah:** Yeah, good evening Renu.

**Renu:** And congratulations for a strong set of results.

**Nrupesh Shah:** Thank you.

**Renu:** Sir, first question is, we saw a good growth of 30%. And if you can just throw some more highlight with respect to how was particularly the volume growth in the segment and especially in which categories you could take price hikes? Also in line with this, what was the growth scene in the centralized AC and the industrialized air cooling segment? So, if you can elaborate a little more on the drivers of the 30% growth that we have seen in the non-seasonal quarter for us?

**Nrupesh Shah:** Sure. So, I will be able to give insight by qualitative comments, because as you know we don't share quantitative break up, but having said that, our volume growth has been in line with top line growth across business verticals and that too across geographies. So, in the domestic business the top line growth in the first half is almost 32%, which is coupled by strong growth in the residential air coolers as well as the centralized air coolers. In centralized air cooler in terms of the percentage, the volume growth is in triple digit percentage, but of course it is on a lower base. As far as exports are concerned in the first half, exports are up by about 75% and it is coupled with almost proportionate volume growth.

**Renu:** Okay. But here centralized air cooling and industrial air cooling combined, would it be more than 5% of our sales mix today or still it would not be significant?

**Nrupesh Shah:** No, I won't be able to offer any comment on that. But, as you know on a consolidated basis details are in the public domain. So, last year that is March 2016 nine months, our centralized air cooling business contributed almost 7%. But, big chunk of that was in North America.

**Renu:** Right, okay. And sir secondly, you did mention that the robust, you did see robust demand across geographies and across segments. So, if you can elaborate, what were the key drivers, as in have you seen off take coming in from the end market directly or was it more of a dealer distributor driven off take that we saw? And anything that you would highlight in terms of the regional off take, because of Onam or otherwise, though it is not a very proper season for us yet?

**Nrupesh Shah:** So, first half comprises of peak season that is June quarter. And in June quarter, wherein there is a direct consumer demand, there was a top line growth of 38%, while September quarter at the customer level, it is an off season. So, in the September quarter, it is off take and inventory buildup in domestic residential air coolers, at dealers and distributors level. Having said that, in the festive season, especially in the month of October, there is somewhat secondary lifting.

**Renu:** Okay. And sir, my last question, if you can share little more detail, if possible, on IMPCO and China? IMPCO, how was the performance for the first half, you did mention that they are debt free now. But, otherwise on the P&L, how is their performance being so far? And China, now that we are already over six months into the new entity, how comfortable are we with respect to the growth prospects there and what is the strategy for Munters there, Keruilai?

**Nrupesh Shah:** Sure. So, as far as IMPCO Mexico is concerned, we are in the process of making it asset light, capital light business model, as it was shared earlier. And we are up to the mark in that respect. So, more than 50% of that milestone has been already achieved. As far as exact financial numbers are concerned whether of IMPCO or GSK China, I don't have readymade numbers. And on quarterly or half yearly basis, we don't publish consolidated numbers. We have a practice of sharing it and publishing on annual basis. But having said and as I have said in my opening remarks, in IMPCO Mexico, down the line, starting few quarters before, there is going to be more and more thrust on scaling up research and development and less and less thrust on hardcore manufacturing. As far as the GSK China is concerned, now it is three quarters since our acquisition is over. And we are in many respect now on top of its operations. But having said that, we are integrating its operations and we are aligning their operations. Some of their models, we have already launched in India and some of Symphony India models have been launched in China. Having said that, China seems to be, in terms of the residential air cooler market internationally, probably the second biggest market next to India and on top of it, there is a very robust existing market of centralized air cooling. And even in respect of many of our procurement for our OEMs, it is also going to offer good opportunity. But having said that, as far as China is concerned and as we shared earlier, it will take some time to turn it around its operations, but that is how the acquisition price is also paid.

**Renu:** Surely. Thank you, sir, and all the best. I will get back in the queue with more questions later. Bye.

**Moderator:** Thank you sir. Dear participants, if you have any questions, please press \* and 1 on your telephone keypad now.

Sir, the next question comes from Mr. Ranjit Shivra from Antique Stock Broking. Please go ahead.

**Ranjit Shivra:** Congrats on good set of numbers. Sir, just wanted to know, in a technical angle in this air coolers, is there any, we get to hear that a new technology like using direct current and thereby the consumption of electricity can be reduced. So, such kind of technology, lots of players are planning to introduce it in the market. So, just wanted to know your, how do you see that? Is there something kind of technology play there?

**Nrupesh Shah:** Even otherwise as you may be aware, air coolers consume just 5% to 8% of the electricity vis-à-vis the air conditioner. Having said that many our models vis-à-vis the organized players or unorganized players consume 30% to 40% lower electricity. At the same time, in respect of alternate or clean energy, we are also in the process of exploring various options. And our air cooler very well works on inverter, which practically in air conditioner it is difficult. So, wherever there is erratic power supply, air cooler can work.

**Ranjit Shivra:** So, there is not a big technology play in terms of direct current run air cooler, where your electricity consumption can drastically come down, is that right?

**Nrupesh Shah:** No, as I said, air cooler consumes otherwise also just 5% to 7% electricity vis-à-vis air conditioner. Our many of the models consume electricity equivalent to two electrical bulbs. So, that is the kind of the electricity play which we have played in some of the models. And they are doing well.

**Ranjit Shivra:** Yeah And sir, in places where the humidity is high, so are we exploring some technology in which we can deploy, I think we had also, some couple of years before, spoken regarding deploying specialized air coolers for humid places. So, how are we in that? Are we exploring that to different kind of an air cooler, which can work in places where the humidity is high?

**Nrupesh Shah:** Yeah. So, we do have range of air coolers, where there is a humidity control feature. So, especially they are useful in coastal area. Having said that, they don't completely eradicate this humidity, they reduce the humidity. Because, ultimately the basic of any air cooling is usage of water and that's going to generate humidity. But, that humidity control feature reduces that. That is number one. Number two; there are many models of personal air coolers or small air coolers, which are being sold in large numbers, even in coastal area, including places like Mumbai, Chennai as well as Calcutta.

**Ranjit Shivra:** Okay. And how do you see that market growing? Are you seeing good demand from these kinds of markets, where the humidity are high?

**Nrupesh Shah:** So, say in Mumbai we used to sell few hundreds of units, few years before. And last year in Mumbai alone, we would have sold, despite humid market, more than ten thousand air coolers.

**Ranjit Shivra:** Okay. And sir finally just wanted to know in our central air cooling, do we have any organized competition at all or is it only from foreign MNCs in the central air cooling market?

**Nrupesh Shah:** In fact, in the central air cooling market, nationally or internationally, there are no such organized players. Of course, there are some local players in the country as well as elsewhere. So, when it comes to the technology, product and efficiency of cooling, I think because of our IMPCO acquisition, we do have many USPs.

**Ranjit Shivra:** So, is it right to assume that we have kind of 80%-90% market share in the central air cooling, in the domestic market and that will continue for the next two-three years till a formidable competition comes up?

**Nrupesh Shah:** So, as far as the domestic market is concerned, in a way for us it is more like a concept really, because the concept of centralized air cooling was not much known. So, still we are at that stage. But having said that, we have already successfully executed many successful large projects across business verticals, but at the same time, for many, many years in domestic market, there are some local players. And those regional players do sell in reasonable quantity. But when it comes to the cooling efficiency or in terms of the technology or in terms of the service after sales etc., there is no comparison. And we don't have the exact numbers of the market share. But, we are more on huge potential across business verticals in centralized air cooling in domestic market as well as across the world.

**Ranjit Shivra:** Okay sir. Thank you and all the very best.

**Moderator:** Thank you sir. The next question comes from Mr. Achal Lohade from JM Financials. Please go ahead.

**Achal Lohade:** Hi, this is Achal from JM Financials. Thank you for the opportunity sir. Congratulations for the great quarter.

**Nrupesh Shah:** Thank you.

**Achal Lohade:** Sir, I wanted to check with you couple of things. Number one, if I look at the other expenditure, we have seen a decline YoY. Will you be able to give some color? Is there any one-off or what is the reason for the decline in other expenditure?

**Nrupesh Shah:** So, basically in the respect of other expenses, I think ideally we should consider year as a whole or overall other expenses, because in some quarter some of the expenses may be required and some of the expenses may not be required. But broadly speaking, on a half yearly basis, other expenses are Rs. 28.40 crores versus Rs. 25.40 crores in the half year that is up by 12%. While even in September 2016 quarter, as far as the other expenses are concerned, they are Rs. 13.19 crores versus Rs. 11.51 crores that is 15%. And obviously with economies of scale and robust volume growth, not necessary other expenses may grow up proportionately. But, if we talked about advertisement and sales promotion expenses, in the first half they are almost in line with last year. So, there is no increase. But, in the quarter there is a reduction. But more importantly as I said earlier, we need to see the year as a whole.

**Achal Lohade:** Understood. Second, in terms of the gross margin if I looked at, it seems to be pretty much stable YoY, as compared to a margin improvement what we have seen for the last three-four quarters. So, would you be able to say that, most of the raw material price decline is already kind of there in the gross margins now and from here on the reduction may not be material?

**Nrupesh Shah:** As far as gross margin for first half is concerned, it stands at 54.8% versus 54.4%. So, it is up by 0.4%. It is almost in line with last year. So, of course raw material reduction is almost taken care. But considering innovations year

after year as well as strong brand, as and when required, we also do have a pricing power. But coupled with gross margin, we also need to see, again because of economies of scale and close watch on all kind of costs as well as operational efficiency, at the EBITDA level, our EBITDA percentage has grown during the quarter from 33.9% to 36.1%, while for the first half it has grown by almost 2.7%. So, beyond a point, even that also contributes substantially.

**Achal Lohade:** Right. In terms of expectation, for the full year FY17, would you be able to give any sense in terms of the sales growth or the earnings growth?

**Nrupesh Shah:** No, as per our practice, we don't give quarterly or yearly guidance. But having said that, we expect robust and strong performance in the quarters to come, considering the feedback and the way in which the various models which have been received by the market.

**Achal Lohade:** Understood. That is all from my side. Wish you all the best sir. Thank you.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Nishit Rathi from CWC Advisors. Please go ahead sir.

**Nishit Rathi:** Hi. Thanks for the opportunity. Could you please spend some more time sir, on explaining what led to this fantastic performance, because if I look at the other companies in the market and other segments and all, they are kind of struggling for demand and here is the numbers which look really good? So, could you please expand on the role of distribution expansion, the role of new products and whatever has led to the whole growth in the demand?

**Nrupesh Shah:** No, I think it is a combination of many factors, not particularly one or two reasons. Number one, Symphony keeps on building its existing model, keeps on launching new models and they are in respect of design, features and in the respect of format. So, recently we launched models with i-Pure technology. So, they are air cooler cum air purifier. They have received overwhelming response, because air cooler otherwise also goes as a green product. And because of pollution, air purifier is well appreciated by the customers. So again, that was unique innovation in the air cooling industry. Recently we also came out with further new models, called as i-touch range of models, total five models, again having unique features. And they have been also received very well. On top of this in the last summer, we test marketed wall mounted air cooler. Again, it is a path breaking technology and concept, for which we have applied for the global patent. So, that is one part. And that clearly gives us an edge. And despite increasing competition, despite many more branded players, we have succeeded in maintaining almost 50% market share in value terms, in organized market. That is number one. Number two, our constant watch on all kind of costs, in a way Symphony is very cost conscious company. So, that also helps. And thirdly our asset light, working capital light business model, so that also gives us an opportunity to really focus on innovation, scale up, sales and marketing and also overall improvement in operational efficiency and economies of scale. So, I think it is a combination of variety of these factors.

**Nishit Rathi:** Understood. Otherwise would it be fair to say that i-touch plus i-Pure, the new model which you have launched, so would they be approximately be 15% kind of your overall portfolio? Is that a fair number or am I being too residual or...?

**Nrupesh Shah:** We will not be able to share the details about model wise quantity break up. But for sure, they have received excellent response and they are going to contribute well to the volume as well as top line.

**Nishit Rathi:** Right. But, broadly sir would they be at least in double digit or is that a fair assumption at least?

**Nrupesh Shah:** Sorry, I won't be able to tell you that.

**Nishit Rathi:** Alright sir. Thank you so much.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Ankit Shah from White Equities. Please go ahead sir.

**Ankit Shah:** Good evening sir. Sir, would it be possible for you to give the reason for the spurt in the other current liabilities line item? So, that has moved up from around 23 crores to 215 crores.

**Nrupesh Shah:** What was the other current liability as on 30<sup>th</sup> September 2016?

**Ankit Shah:** It is 215.88 crores.

**Nrupesh Shah:** Yeah. So, other current liability includes trade advances received and outstanding as on 30<sup>th</sup> September, for which the supply will be made in the subsequent months.

**Ankit Shah:** Okay. That is, it from my side. Thank you.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Indrajit Agarwal from Goldman Sachs. Please go ahead sir.

**Nrupesh Shah:** Please go ahead.

**Indrajit Agarwal:** Sir, can you give us some more color on your outlook on the festive season demand, what you have seen so far in October and what are seeing for the rest of the quarter, just qualitative comments if you can give?

**Nrupesh Shah:** Festive season as such, residential air coolers don't sell much, but having said that, there is some traction. But, on YoY basis for sure there will be better off take. But as such air coolers, at customer level are mainly being sold in March quarter and June quarter.

**Indrajit Agarwal:** That is it sir. Thank you.

**Moderator:** Dear participants, if you have questions, please press \* and 1 on your telephone keypad.

Sir, the next question comes from Mr. Pranay Kurian from Centrum Broking. Please go ahead sir.

**Pranay Kurian:** I have one question. And thanks for the opportunity. Sir, the thing is, can you throw some light on the manufacturing capacity that you have right now and the capacity utilization of your plants?

**Nrupesh Shah:** So, Symphony is having in all ten outsourced manufacturing facilities to cater the domestic market and they are spread over geographies. And among OEMs various models have been divided and for some of the high selling models is supplied by more than one OEM. All in all, on an annualized basis, capacity utilization is more than 70%, so that is as far as the domestic business is concerned of the residential air cooler. For international business, we do have two SEZ and one is based out of Surat and the second is based out of Kandla. And being a SEZ export facility, it does offer 100% income tax break on export earnings. And coming to centralized air cooling, centralized and ducted air coolers they are getting manufactured by IMPCO Mexico. And based on demand and requirement, we get them imported from Mexico. But, under centralized air cooling there are package air coolers in the range of 4 tonnage to 12 tonnage and they are being locally manufactured, again through outsourcing business model.

**Pranay Kurian:** Okay. Thank you.

**Moderator:** Thank you sir. Sir, the next question comes from Ms. Disha Sheth from Anvil Wealth Management. Please go ahead.

**Nrupesh Shah:** Yeah, please go ahead.

**Disha Sheth:** Hello. This is Disha Sheth from Anvil.

**Nrupesh Shah:** Yeah, hi Disha.

**Disha Sheth:** Hello sir. Sir, I just wanted to ask that you have mentioned in your opening remarks about the real estate. So, can you specify how many acres and what have we planned there?

**Nrupesh Shah:** So, that we were referring about our IMPCO Mexico operations. So, last year we did monetize some of the real estate. And still we are sitting on remaining real estate. I don't have the exact facts and details about how many acres. But, whatever assets were monetized last year has helped in improving working capital management. The total loans and advances availed by IMPCO from Symphony and its subsidiary company has been completely paid off with interest. And once we implement our second phase of outsourcing and asset light business model in IMPCO Mexico, we intend to sell remaining real estate in the next twelve to twenty-four months time. And IMPCO will be sitting on that surplus to take care of not only working capital, but also for its future growth and research and development.

**Disha Sheth:** Okay. And sir, about the margins.... they have improved the sustainability; can you brief us on that?

**Nrupesh Shah:** As far as the operating margin is concerned, we are reasonably confident to maintain at current level.

**Disha Sheth** Okay sir. Sir that is it from my side. Thank you.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you ma'am. The next question comes from Mr. Tanur. He is an individual investor. Please go ahead sir.

**Tanur:** Sir, my questions were answered sir. Thank you.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Nishit Rathi from CWC Advisors. Please go ahead.

**Nishit Rathi:** Hi, thanks again. Sir, can you talk a little bit more about Munters, China? What I am trying to understand is, between seeing it as an industrial play or as a consumer play, which segment are you more optimistic on in China specifically? Because if in case you are confident about cracking the Chinese market, then it can open a few segments for you? So, some thoughts on which segment are you confident about and how long will it take for you to get confidence on cracking this segment in China?

**Nrupesh Shah:** Before we acquired GSK China, in fact residential and centralized and ducted air cooling, both were contributing almost equally. Not only that, their sales in domestic market that is in China and international market was almost equal. And as we understand, China is likely to be second biggest market in terms of the residential air coolers, next to India. On top of it, it is already very well developed in respect of industrial and ducted air coolers. So, whether in domestic business or international business, we would like to encash both the opportunities.

**Nishit Rathi:** But, Munters as a brand, is it also strong consumer brand in China, like Symphony is in India?

**Nrupesh Shah:** It does have a strong brand in local market as well as in some of the international market.

**Nishit Rathi:** I understood, I understood. Thank you.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Ranjit Shivra from Antique Stock Broking. Please go ahead sir.

**Ranjit Shivra:** Hi sir. Just a follow up, I wanted to understand, how the industry has performed in terms of growth in second quarter, in this quarter and for the financial year, for the first half as a whole? And are we able to see some pricing

pressures, because a lot of the other brands had also introduced their coolers, two-three brands were there. So, just wanted to know your feedback on that?

**Nrupesh Shah:** So, as far as the industrial air coolers are concerned, in the last quarter as well as in the first half, there has been a robust performance. And as I shared earlier, across the business verticals that is in the industry, warehouses, education segment, religious segment, banks, data centers etc., and in some of the reputed brands in companies, we have successfully executed small to large projects. And it has achieved good traction. And we are quite optimistic on that in medium term to long term.

**Ranjit Shivra:** I was asking about the overall air cooler industry, how much would it have grown in the second quarter and the first half?

**Nrupesh Shah:** As far as the September quarter is concerned at the consumer level, there is hardly any consumer off take. It is typically an off season. But, it is because of variety of sales and marketing initiatives of Symphony, Symphony is able to sell to the trade with 100% advance.

**Ranjit Shivra:** And anything, if you want to just to comment on the competition, there has been a couple of new entrants, so how have they impacted your pricing or your strategy?

**Nrupesh Shah:** Competitors are there and frankly all of them are basically copy pasting what Symphony does. So, really speaking I think this question should be directed at them rather than to Symphony. Symphony sort of is marching to its own tune. And with these competitors are basically like I said, the reverse engineering and everything that Symphony does, whether it is a product or a marketing strategy or even a dealer scheme or even the communication, everything, everything. So, it doesn't impact Symphony's approach or strategy in any way.

**Ranjit Shivra:** Okay. So, you mean to say that even though some of the bigger brands are coming into the market with air coolers, we don't see any major impact on our market share, because of that?

**Nrupesh Shah:** That is exactly what I am saying.

**Ranjit Shivra:** Okay sir. Thanks.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. C Ram from Pristine. Please go ahead sir.

**C Ram:** Hello sir. I need to congratulate you for the excellent numbers. Hello?

**Nrupesh Shah:** Can you please repeat the question?

**C Ram:** Congratulations for the excellent numbers.

**Nrupesh Shah:** Thank you.

**C Ram:** Now, my question is about the GST that is likely to be rolled out maybe in about a year's time. I want to know, how much is the market, total market in the organized sector and the unorganized sector and how much of, in case the GST is rolled out, will the unorganized sector exist or will it vanish? I just want to know that.

**Nrupesh Shah:** Okay. So, currently the break up between the organized sector and the unorganized sector in domestic market in residential air cooler is almost 75%:25% that is volume wise unorganized market contributes almost 75%. And many of them in the current tax regime evade the taxes. If GST is introduced in the right form, probably many of them will find it difficult to evade those taxes. And hence through that action, the price gap will narrow down. But, on top of it, when it comes to the product performance and its efficacy, there is a huge gap.

**C Ram:** Will Symphony be benefit by gaining market share from the unorganized sector after the rollout of GST?

**Nrupesh Shah:** Even otherwise also in the last five years, there is a shift from unorganized sector to organized sector. Few years before, unorganized sector was contributing 90% and now it is down to 75%, this is despite overall air cooling industry is growing by about 12% to 14%. So, we expect that with the introduction of GST, there may be a rapid shift from unorganized to organized sector.

**C Ram:** Okay sir, thank you. That is all from my side. Thank you.

**Moderator:** Sir, the next question comes from Mr. Aman Vaij from Astute Investments. Please go ahead sir.

**Aman Vaij:** Good evening sir. Couple of questions from my side. The first question is, could you give the volume cooler sales for us in the first half this year as well as the first half last year?

**Nrupesh Shah:** We don't share the volume break up. But, as I said earlier, our top line growth is supported by robust volume growth across three business verticals, whether in domestic residential air cooler or centralized air cooling or international business.

**Aman Vaij:** Okay. And what was the rough numbers for the last twelve months? You share that or you don't share that, overall, not segment wise?

**Nrupesh Shah:** What was?

**Aman Vaij:** The overall numbers in terms of.....

**Nrupesh Shah:** We don't share volume on a quarterly or annual basis or segment wise.

**Aman Vaij:** Okay.

**Nrupesh Shah:** But, it is in line with the top line growth.

**Aman Vaij:** Okay. Thanks for that. I will move to the next question. Could you give the modern trade growth as well as the town coverage growth for the half year?

**Nrupesh Shah:** For our internal assessment purpose and review purpose and to make the business run, we do review that. But, that is not in public domain.

**Aman Vaij:** Okay. But, you used to share that number till two quarters back and now you don't share it?

**Nrupesh Shah:** Not few quarters before, few years before we used to share. But unfortunately what is happening, in listed space, we are the only air cooling company. As far as the competitors are concerned, for them air cooling is one of the many business segments, so it used to become only one way traffic. And our sales and marketing people felt that in the market place, we used to be at a disadvantage by sharing those details, nothing else.

**Aman Vaij:** Okay sir. I understand that. Could you give some highlights on the region wise performance for us in the first half, which region, North, South, East, West, contributed to most as well as rough percentage wise sales?

**Nrupesh Shah:** In fact we would have been happy to share all these details, if you are a part of our sales and marketing team, where we share and discuss all these details. But unfortunately, region wise details, quantity break up etc.; we won't be able to share. But having said that, we have strong presence across the geographies, across the country, in all the regions. In some years, North region contributes the most and some years, South region contributes the most. It also depends upon the season and kind of the models.

**Aman Vaij:** Okay sir. So, last quarter you have talked about the Eastern and Southern region doing well. So, maybe you can't share the number, but qualitative terms, the growth in the Southern market is greater or it depends on season to season?

**Nrupesh Shah:** It has been uniform across the geographies as far as the first half is concerned. There has been a robust growth across the geographies, across the models.

**Aman Vaij:** Okay sir. And last question from my side, there was a pending case with the Cello Coolers regarding some model. So, has it been solved or is it still in court?

**Nrupesh Shah:** The matter is sub judice.

**Aman Vaij:** I am sorry. Could you repeat that?

**Nrupesh Shah:** It is sub judice matter and still it is going on.

**Aman Vaij:** Okay sir. So, as of now can they sell the coolers or we still have a stay and they can't sell it?

**Nrupesh Shah:** Last year we already had got a stay for four models, where they had copied our models. So, on those four models, there is a stay and they can't sell those models. But on top of it, we have filed one more suit against them on some new models, where we feel that there is again a rampant copy and that matter is sub judice, which is in addition to four models.

**Aman Vaij:** Okay sir. Thanks for the clarification. That is it from my side.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have any questions, you can press \* and 1 on your telephone keypad.

Sir, the next question comes from Mr. Balwinder Singh from B&K Securities. Please go ahead sir. Hello?

**Nrupesh Shah:** Hello Balwinder.

**Moderator:** Hello Mr. Balwinder? Sorry sir, he is not audible. We will move to the next one.

Dear participants, if you have any questions, please press \* and 1 on your telephone keypad. Again Mr. Balwinder Singh is on line. Mr. Balwinder Singh from B&K Securities. Please go ahead sir.

**Nrupesh Shah:** Mr. Balwinder Singh? Mr. Balwinder Singh, go ahead.

**Moderator:** Sorry sir, there is no response. Sir, the next question comes from Mr. Nishit Rathi from CWC Advisors. Please go ahead sir.

**Nishit Rathi:** Hi, one other query I had. Can you talk about the exports market which you mentioned, because from what I understand, sometime back there was some stress in the Middle East area and all, but now has that been resolved? And how do you see this segment, can this segment really scale up going ahead, because in this quarter you had a good growth, but how do we understand the segment in the months and years to come? And talking about the exports ex of North America, basically exports to the rest of the world, ex North America.

**Nrupesh Shah:** So, in the first half, exports on international businesses, rest of IMPCO and as far as residential air cooler in international market is concerned, Symphony is the biggest player and the biggest brand. And we believe that rest of India and the rest of China, international market size of residential air cooler is as big as India, if not bigger. So, in a way there is a long runway. And there are huge opportunities. Few years before we used to sell only few hundreds of units in exports and now it has jumped significantly. And at the same time there are many markets where we have entered in the recent past and we expect them to develop down the line.

**Nishit Rathi:** Right. But, in saying what timeframe could this become as big as India? Can this become as big as the Indian sales at some point in the near future, in the medium term....?

**Nrupesh Shah:** Yeah, in medium to long term, it does have that kind of potential.

**Nishit Rathi:** But, like in five years, what do you think, how this sector will perform in terms of approximate number?

**Nrupesh Shah:** It will be very difficult to estimate the exact number. But yes, it has a huge potential in medium to long term.

**Nishit Rathi:** Okay, understood. Thank you.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Aman Vajj from Astute Investments. Please go ahead sir.

**Aman Vajj:** Thank you sir for the opportunity again. Sir, you talked about 34% kind of volume growth for us. I am pretty sure that it is more than the industry, organized industry growth. So, do you have the numbers for that also?

**Nrupesh Shah:** No, I haven't said any volume growth. I have talked about top line growth and I have said that it is coupled with robust volume growth. Having said that, overall air cooling industry in the domestic market is growing in the range of 14% to 16%, while organized air cooling industry is growing even at a rapid pace, the reason being there is also shift from unorganized to organized market, because of many, many reasons.

**Aman Vajj:** Okay sir. And for us, among tier-I and tier-II and tier-III cities, we focus on all or is it like tier-I and tier-II? How does it work in terms of the.....?

**Nrupesh Shah:** We are focusing on and we are present into across tier-I to tier-III. And last year our product would have been sold in the country in almost 5000 towns and cities in the country. And we feel that there are prospects and potential in tier-I to tier-III cities equally.

**Aman Vajj:** Okay. But, because of the monsoon, did you see more demand from the rural side; basically, the reason for asking this question was that!

**Nrupesh Shah:** No, we will come to know about that only in summer, because as I said earlier, in September quarter or in December quarter, at a customer level there is not much of the demand. But, we do expect that, because of good monsoon and because of the Seventh Pay Commission and because of the rising prosperity as well as inspiration level, including rural and semi-urban, I think it should be quite positive.

**Aman Vajj:** Okay sir. And last question from my side is, could you give some highlight about, because we have been launching new models almost every few months. So, what is the total number of offerings we have and as well as dealers? And maybe you can say what was it like, let's say three years back, to understand the trend?

**Nrupesh Shah:** Currently in residential air cooler, we do have about thirty-two models and few years before we used to have less than twenty models. In addition to that in centralized air cooling, there are dozens of models and in centralized air

cooling, we have launched a separate category that is packaged air cooler in the range of 4 tonnage to 12 tonnage and they are basically to cool mid size or small size factories, offices, education institutes and there we do have four models. So, that segment was not in existence just two years before.

**Aman Vaij:** Okay sir. And about our dealer network, if you can?

**Nrupesh Shah:** About the precise dealer network we are not sharing the details. But, continuously on YoY basis, we are registering robust growth and that is also contributing to our top line growth.

**Aman Vaij:** Okay sir, thanks for that.

**Nrupesh Shah:** Thank you.

**Moderator:** Thank you sir. There are no further questions. Now, I hand over the floor to Mr. Naveen Trivedi for closing comments. Please go ahead sir.

**Naveen Trivedi:** On behalf of HDFC Securities, we thank all of you for participating in this call. We also want to thank the management of Symphony for giving us this opportunity to host this call. Nrupesh-bhai, any closing comments from your side?

**Nrupesh Shah:** Thanks to all the participants and good wishers and thanks to Mr. Naveen and HDFC Securities for hosting the call. And wishing all of you Happy Diwali in advance and best wishes.

**Naveen Trivedi:** Thank you so much sir.

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

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**Note:** 1.This document has been edited to improve readability.  
2. Blanks in this transcript represent inaudible or incomprehensible words.