



“Symphony Limited Q4 FY2019 Earnings
Conference Call”

May 22, 2019



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Moderator: Ladies and gentlemen good day and welcome to the Symphony Limited Q4 FY2019 earnings conference hosted by ICICI Securities Limited. As a reminder all participant lines will be in listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Ansuman Deb from ICICI Securities. Thank you and over to you Sir!

Ansuman Deb: Thanks Vikram. Good afternoon everybody. We at ICICI Securities are delighted to host Symphony management for their Q4 FY2019 and full year FY2019 results call. From the company, we have the senior management represented by Mr. Nrupesh Shah, Executive Director, and Mr. Bhadrash Mehta, the Chief Financial Officer. Without further ado, over to you, Sir!

Nrupesh Shah: Thank you. This is Nrupesh Shah. Good evening to all and I welcome all of you to Symphony’s FY2018-19 and Q4 conference call. The safe harbor statement, during my initial remarks and question and answer, there may be some forward-looking or estimated statements as well as financials, which are based on our best possible estimate and assumptions, but we do not undertake any assurance that they may turn out to be correct on account of business dynamics, external factors as well as maybe even incorrect assumptions.

Having said that, I will discuss three business segments, and my initial remarks of 2018-2019 may be a bit longer than earlier one. This is on account of one, acquisition of Climate Technologies, secondly also on account of dealing some of the qualitative aspects of different business segments and also partly some of the corporate announcement.

As all of you know, the summer of June 2018 was the worst ever summer for cooling industry. At least for Symphony, in its history of last 30 years, we have not witnessed summer like this and as it was conveyed there was to be a spillover effect during the rest of the year and hence performance is in line of expectation.

Post summer 2018 trade as well as company was sitting on large inventory. However, Symphony’s inventory in terms of number of months of sales was one of the lowest vis-a-vis peers. Considering gravity of the situation, company immediately responded to the market dynamics and launched series of initiatives, which it seems has yielded the result. Trade confidence on the company, on the product and brand is also reflected from their confidence that despite they were sitting on large inventory, during off-season they give 100% advance in excess of Rs.300 Crores during September and December quarter.



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At a company level, our outsourced manufacturing was back to normal starting August 2018 itself. As we conveyed earlier, Symphony has gone for Symphony Version 3, in that respect, we are on track in respect of volume-led value growth by keeping our asset light, working capital light business model intact.

During the year, there has been launch of 8 new models, which have been received well, offering innovative features, design, format as well as performance. Down the line, we assure that time-to-time, there will be launch of new models offering innovative performance, design and format.

Coming to specifics of summer of 2019, very happy to share that, by and large, backlog of inventory in line with the trade channel has been cleared off. Of course, at our company level, that inventory was cleared off in off-season itself. Not only that, we are witnessing in the summer of 2019 strong secondary sales and good offtake across the geographies and across the trade channels. We are also witnessing that despite air cooler being a low-ticket consumption item, more and more consumers prefer easy finance options and in keeping in line with the trend we have also tied up with several national as well as regional NBFCs to take care of that.

As far as competition is concerned, Symphony has maintained its edge in respect of the product, in respect of the sales, in terms of number of the format, in respect of consumer pull as well as consumer push strategies and also service after sales.

So having said this, coming to specific financials for the year FY2018-19 on a standalone basis for the quarter March 2019, the revenue from operations stood at Rs.138 Crores down from Rs.155 Crores that is down by 11%. So starting March quarter itself, we have seen that degrowth to an extent was restrained. In earlier two quarters, de-growth was in excess of 20% and of course in June quarter de-growth was around 39%.

Coming to EBITDA, excluding exceptional items for the quarter, stood at Rs.51 Crores versus Rs.59 Crores in March 2018. However, there are exceptional items during the quarter amounting to Rs.20 Crores and during the year Rs.24 Crores, which mainly includes complete write-off of investments in preference shares of IL&FS amounting to Rs.21.5 Crores, which were to mature in 2021 and 2022. So excluding this exceptional item, PBT for the quarter on a standalone basis stands at Rs.50 Crores versus Rs.58 Crores. However, after accounting for exceptional item as well as taxation, PAT for the quarter is Rs.19 Crores versus Rs.42 Crores, while gross margin percentage on sales stands at about 48% versus 49% in December 2018 and 54% in March 2018.

In respect of business model, as I said earlier our business model is intact in respect of capital light, asset light and hence on a standalone basis, annualized capital employed in the



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core business of air cooler and appliances stands at Rs.114 Crores, which translates into ROCE that is PBIT on core capital employed at about 116% of course lower than earlier year, but still decent and treasury as on March 2019 is Rs.481 Crores, which is in addition to investments in subsidiaries. So including investments in subsidiaries it stands at about Rs.569 Crores. On annualized standalone basis the turnover stands at Rs.522 Crores versus Rs.685 Crores that is a reduction by 24%. EBITDA excluding exceptional items is down to Rs.168 Crores down from Rs.260 Crores while PAT on a standalone basis is down from Rs.183 Crores to Rs.101 Crores.

Coming to industrial and commercial air cooler segment, last year itself we had initiated re-strategizing, restructuring and redefining the business growth plans for industrial and commercial air cooler. We are pleased to inform that in that respect we are not only on track, but also achieving desired result. For that segment we have further strengthened our dealer and distribution network and during the year the dealers and the distributors have gone up by almost 50%. We have created many, many dedicated authorized service providers for Sense range. Under industrial cooler we have launched, feature-rich, user-friendly commercial air cooler under brand "Movicool" and we are quite confident based on initial response that it should lead to major growth trajectory for the years to come.

Coming to international business, i.e. rest of the world, including exports from India and our three overseas subsidiaries, the rest of the world has contributed Rs.377 Crores of topline out of consolidated topline of Rs.844 Crores that is about 45%. Exports during the year from Symphony India was down from Rs.66 Crores to Rs.57 Crores mainly on account of some inventory pileup in three countries, which by this time has cleared off and in current year we should see back to normal and maybe accelerated export.

Coming to subsidiary company wise performance, IMPCO Mexico, during the year we launched a new range of residential and window model of air cooler. Some of the existing models we intend to replace by equivalent, efficient, feature-rich, but more cost-efficient model. Further down the line we also propose to launch new models suitable to North American market, new models and we have also identified some more value engineering projects, which should lead to further improvement in its performance.

On a standalone basis, IMPCO Mexico's topline for the year stood at about Rs.88 Crores, which in terms of the topline was flat vis-à-vis previous year, but in terms of EBITDA excluding exceptional item of previous year increased from Rs.5 Crores to Rs.8 Crores while PBT increased from Rs.4 Crores to Rs.7 Crores and PAT also increased from Rs.5 Crores to Rs.7 Crores. In the year 2017-2018, in IMPCO Mexico there was a onetime gain amounting to about Rs.9 Crores on disposal of some of the real estate.



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So as it was conveyed earlier, IMPCO Mexico is a completely turnaround story and on exports from India through IMPCO Mexico on residential range of air cooler, there is also a decent profit, which is reflected in Symphony's books.

Coming to GSK China, for the year its topline increased from Rs.44 Crores to Rs.56 Crores. EBITDA, which was negative Rs.2 Crores in FY2017-18, is now positive Rs.2 Crores, while at a PAT level which was negative Rs.5 Crores, is now negative Rs.2 Crores, but at a cash level it is positive by about Rs.0.2 Crore.

Coming to Climate Technologies, for the nine months its financials have been consolidated and for nine months its topline stands at about Rs.206 Crores and there is on account of acquisition onetime adjustment costs amounting to Rs.7 Crores, which is due to notional entry for reevaluation of inventory. So Rs.7 Crores is on account of that and also Rs.4 Crores is interest costs on acquisition funding. So in all about Rs.11 Crores is on account of that.

So after accounting for these two items, the PBT is about Rs.15 Crores, but if we exclude them it is minus Rs.4 Crores and at a PAT level it is minus Rs.14 Crores, but if we exclude these two items it stands at minus Rs.3 Crores. In fact, in Climate Technology this being first year of acquisition, there was some initial hiccups in terms of the integration, and as it happens due to some initial teething issues, but now operations are completely back to normal and its integration, some of the key focus areas have been clearly identified and we propose to launch Symphony range of residential air coolers in Australia as well as United States, which will be sold through its existing established trade partners of Climate Technology, which includes several large format stores.

We have also undertaken to upgrade some of its existing new models. We also propose to introduce new range of commercial portable air coolers suitable to Australian market and we have identified and targeted some specific value engineering projects and also rationalization of the overhead, which should down the line improve its operating performance. We also intend to improve some of its processes and design and we have also initiated more efficient working capital offering.

So all in all, at a consolidated level for the year 2018-2019 sales stands at Rs.842 Crores, up from Rs.796 Crores, but mainly it is on account of acquisition of Climate Technology. EBITDA before exceptional item stands at Rs.178 Crores down from Rs.265 Crores while PBT after accounting for exceptional items stands at Rs.130 Crores down from Rs.274 Crores while PAT on a consolidated level stands at Rs.91 Crores, down from Rs.193 Crores, which is after accounting for exceptional item of Rs.24 Crores at Symphony India and onetime acquisition adjustment at a level of Climate Technology.



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Coming to few of the corporate announcements, the Board of Directors of the company has recommended final dividend of 75% that is Rs.1.5 per share, which including interim dividend, all in all will translate into close to Rs.38 Crores of payout during the year.

The Board has also taken into account that for last two years the overall payout was lower and hence to match with company's payout policy, company will resort to share buyback by March 2020. The modalities and pricing will be decided in ensuing Board meetings and Board has empowered to go for buyback up to 25% of net worth, which is maximum permissible limit. So buyback can happen up to Rs.165 Crores. Board has also recommended appointment of independent director, the details of which have been already shared with. So with this, I open up the floor for question and answer.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentleman we will wait for a moment while the question queue assembles. We have a first question from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Sir my first question is that given your commentary says strong secondary sales is happening how much the industry would have grown in April, May in your sense because I am asking in the context that when you speak to the channel in north, north is having a problem of season, the rain is happening there. So it would be great if you can just guide on the industry side and how much industry growth would have happened in April and May?

Nrupesh Shah: As far as industry growth is concerned, still we are in the midst of the summer season, so it is too premature to really estimate industry growth, but it seems that considering overall good summer there has to be a growth, but to be very specific about company as we conveyed earlier for sure worst is over, we are witnessing robust offtake by the trade channel across the format. Not only that, whatever backlog of the inventory was there by and large it has been completely cleared off in all the geographies. So we are likely, to witness subject to how remaining five weeks really perform, are good quarter

Nitin Arora: Then my second question is we saw a lot of ad spends in the media, a lot of ads started coming for Symphony after a long time, so is this cost has been accounted in the previous quarter as well as this quarter or this is something we still accrue, so my question is, is there any large ad spend or something like that can come in, in the ensuing quarters?

Nrupesh Shah: So normally our media spend is mostly in June quarter and partly in March quarter. So whatever was media spend in March quarter it has been fully accounted for and whatever will be additional media spend across various formats of media it will be accounted for in June quarter, which is in line with our past practice.



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Nitin Arora: So Sir, this is the second part of the question. The first question is that a lot of the channels when we speak to them, not only coolers, but also in ACs in the north, what we are hearing is April was anyway was good for everyone, but May the season has been somewhat disturbed by the rains there especially in Rajasthan area and also in Delhi NCR. So they are saying that the season was kind of not that great in the month of April. So that is why I was asking that do you agree with what that channel is saying or you still think no the base is such that you are still getting a growth of 30%, 40% there?

Nrupesh Shah: Yes. Our country is so vast. It is always going to happen. Out of so many regions, some of the regions weather may not be good, so of course, as you said, it is true, particular to those two, three territories, it has not been that great, but what we talk about and referred to, was overall all the geographies put together we are witnessing good offtake and demand.

Nitin Arora: Got it, Sir, another question was related to the total consolidated results. If you can throw some light on the Climate Technologies quarterly numbers for this quarter as well as we saw gross margin going down as well as EBITDA margin has been on a down even if you look at year-on-year or sequential and given the guidance we have given for Climate Technologies, I think we have not met that, correct me if I am wrong. So if you can throw some light on that? That is all from my side.

Nrupesh Shah: I do have a subsidiary company wise annual numbers, but not specific quarterly numbers, so if I share with you the annual numbers of Climate Technology on topline it was Rs.206 Crores while EBITDA before onetime acquisition adjustment was negative of about Rs.6 Crores while after accounting for onetime adjustment as well as acquisition interest costs, at PBT level it is negative by Rs.15 Crores. So of course for Climate Technology even if we exclude onetime adjustment cost as well as acquisition cost the performance has not been in line with our estimate, but it was more due to some hiccups and initial teething troubles on account of acquisition, but as I shared in my initial remarks it is now completely set and integration in respect of some of the major strategies, product strategies, manufacturing, cost rationalization, product launch, etc., have been already static and on account of that now in the current year as well as next year we are going to launch Symphony range of residential air coolers in Australia as well as United States through its established distribution network including the large format stores. Not only that, some of the heavy-duty commercial air coolers are being proposed to launch, which have been developed in China as well as Symphony India and some specific high-ticket value engineering and cost reduction items have been identified and work has been initiated thereon. So despite not so good performance of Climate Technologies in 2018-2019 we remain very optimistic about its medium to long-term performance.

Nitin Arora: Thank you Sir. I will come back in the queue for more questions.



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Moderator: Thank you Sir. We have next question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: First question you did mention that post tough season, as in the tough quarter you are seeing very strong offtake. Just to recollect, last year, June quarter was a significantly weak quarter where we barely did Rs.79 Crores of revenues, given the kind of almost 39% decline that we saw last year June quarter. So when we look at YOY growth definitely the jump would be significant 100% plus, but when we compare to normalized seasonal levels prior to 2018, which would have been 16, 17 years, compared to those average levels how are we seeing the base demand offtake from a season perspective this year, so not comparing it with the last season, but on an average the trend that we have seen, usually in June quarter we have seen revenues between Rs.230 Crores, Rs.120 Crores to Rs.150-odd Crores, so compared to that base are we seeing growth coming in for us this season or on a two-year, three-year CAGR basis, there is not much growth?

Nrupesh Shah: Sure. So first and foremost, it was very important that even though we sold 100% advance in off-season, one whatever was the backlog of inventory at a trade level that is inventory which they were carrying forward and sitting on, since June 2018 and on top of it whatever we had sold during off-season there should have been secondary sales that is very important. So by and large across the geographies, across the trade channels, backlog as well as off-season sales has been cleared and it has been done. So that is very important and significant milestone especially when there was a bad season. Secondly, on top of it even in current quarter on top of partly in March there is a fresh demand and offtake. So we will like to evaluate the performance more considering these aspects. Now answering to your specific question whether we will grow vis-à-vis the June 2017 or so I think it is premature because still five weeks to go and of course you rightly said that vis-a-vis June 2018 there will be a growth, but vis-a-vis June 2017 there will be a growth?, it is premature as of now.

Renu Baid: Right, but on your seasonal offtake, if we see as the channel clearly suggested the south towards the end of March picked up very strongly, Central India have done well, but not still has been mixed because of intermittent showers and weather not being very clear on the summer side. So should one read anything between the lines for North as a market because that is a significant large market for us as well or one can still presume it is still one-and-a-half months to go and season might turnaround?

Nrupesh Shah: See, there is a strong forecast that there is likely to be an extended summer and delayed monsoon. If that is the case, in the past, we have seen that, especially in North India, there is also a delayed offtake right up to June. So even if as of now in some pockets there are disturbances, there may be some offtake. Secondly, vis-à-vis last year, in current year for us in North is really not that bad and even without North, as of now as a company there has been a decent performance. So still we have to keep our finger crossed for North India.



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Renu Baid: Sure and how would one evaluate and look at the competitive pressure this season because still it has been mixed. So A, with respect to the competitive pressures in the market, what are we seeing and as we go in the next season, we have had some impact on gross margins also. So can one presume that gross margins are going ahead should improve back to normal or there could be much more sustained pressure on them?

Nrupesh Shah: I think by and large, on account of again series of initiatives we have initiated internally, we are reasonably confident at this point of time that whatever is the gross margin in the year 2018-2019, which was close to 48% to 55%, we should be in a position to maintain. Having said that, of course if required we are really in a position to give the competition run for their money, but that call we have not yet taken. So even after reducing some gross margins, if we are really confident that there can be substantial increase in volume we may go for that, but if that is the case then total size of the cake in terms of the profitability will increase even the percentage wise it may be lower, but as of now we are fairly confident to maintain current level of gross profitability margin subject to this strategy that is number one. Number two, as far as competition intensity is concerned, of course, there is a competition, but in the past also it was not like we were in monopoly or oligopoly position.

Renu Baid: Sir, I just comment here was in FY2019 we had really compromised on the gross margins, which used to sit at almost 53% in FY 2017-2018, we had comprised on that given the fact the season was weak, the channel was impacted, and we would have wanted the more support from the channels. Now assuming that the season normalizes back at the end of this year or at the end of June should one logically expect improvement in gross margins back to 52%, 53% levels or should one presume that the current gross margin levels of 50% is more realistic to assume in the current environment that is my question?

Nrupesh Shah: So at this point of time, whatever has been the gross margin in FY2018-19 we are comfortable to maintain that.

Renu Baid: Sure, right and Sir, my second question is on the commercial air cooling segment. We have seen sustained growth. You mentioned a significant increase in dealer distributor size there. So if you can help us understand has this business now come to a base critical mass in terms of installed base or in terms of revenue base here and how are we looking at the supply chain and manufacturing of these coolers if you can throw some light on that aspect as well?

Nrupesh Shah: Yes, for sure, now it has just reached to a critical mass. We are really looking at and we feel that from this level we can really take off and we have already chalk out and in the process of implementing certain significant strategies to grow the business and we feel that in two, three years' time that should really yield good result.



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- Renu Baid:** So when we see critical mass as a percentage of the annualized revenues would it now be 10% or still far lower in terms of the overall value that it has in our mix today. I am talking of standalone operations?
- Nrupesh Shah:** Yes, on a standalone basis, still it is less than 10%, but far higher than what it was year before.
- Renu Baid:** Right and my last question, within the subsidiaries, as in fourth quarter was expected to be a favorable quarter for Climate Technologies, especially Australia summer could have been and this was supposed to be a very strong quarter. Surprisingly, the numbers have been weak you have highlighted few of the reasons there itself, so now when we look forward to the next financial year how should we look in terms of the numbers for Climate Technologies both in terms of revenue and EBITDA and I am asking for specific numbers as guidance because you had given some guidance at the time of acquisition. So just to get a sense on the numbers whether they are still in place or we are expecting big change in the forecast there?
- Nrupesh Shah:** So whatever guidance was given we stick to that for Climate Technologies. If you need a specific answer that is the specific answer and we stick to that and we really see that it is likely to happen that way.
- Renu Baid:** Sir, can you just help us reiterate or remind the guidance numbers?
- Nrupesh Shah:** Yes. So if I recollect rightly, broadly speaking we had estimated and indicated that the topline wise it should be about Rs.275 Crores to Rs.280 Crores, for 12 months EBITDA wise it should be close to \$5.5 million Australian dollar to \$6 million, that is about Rs.30 Crores and PAT wise it should be without accounting for exceptional item or acquisition funding costs close to Rs.23-24 Crores.
- Renu Baid:** Right because next year anywhere there would not be any exceptional item, they are already behind, so Rs.23 Crores, Rs.24 Crores?
- Nrupesh Shah:** Yes, inventory adjustment would not be there, but still closer of its acquisition has yet to be achieved, which is based on certain milestones, so if at all any exceptional item on that arises, which we are not aware as of now. Other than that major exceptional item has been already accounted for. Secondly, acquisition interest costs, till its funding is paid off will continue.
- Renu Baid:** Yes, so that is a part of recurring expenses.
- Nrupesh Shah:** Absolutely.



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- Renu Baid:** Sure Sir. Thank you so much. I will get back in the queue for more questions.
- Moderator:** Thank you. We have next question from the line of Prithvi Raj from Unifi Capital. Please go ahead.
- Prithvi Raj:** On the Climate Technologies when can we see the revival say from this quarter onwards can we see the revival or it will take some more time?
- Nrupesh Shah:** No. I think whatever hiccups were there or initial teething issues were there, which normally happens at the time of acquisition, that too in respect of integration, by and large they have been taken care and we feel that starting current quarter itself in fact we should see the positive result.
- Prithvi Raj:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you Sir. We have next question from the line Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Good afternoon everyone. Sir, considering the extended winter has impacted many players, even the air conditioning players in the fourth quarter, your domestic performance is very encouraging particularly when the channel inventory has also normalized, so considering you already talked about the growth has come from across the markets and inventory has also normalized across the market, so can we see that, despite like you already mentioned about North and West is also expected to do, this year our inventory levels by the end of the year will also reach to a normal level because we also done some new launches at the end of the quarter, so considering these two points how you see the traction in that part?
- Nrupesh Shah:** Yes, as I said earlier, I reiterate that already across the geographies barring some exceptions here and there, inventory at a trade channel level, at a company level and also at OEM level is absolutely back to normal and by and large, that trend should continue even at the end of summer.
- Naveen Trivedi:** And have you seen any shift between from unorganized to organized because one of the player has already mentioned that they have witnessed a shift from unorganized to organized this season so have you also noticed such kind of a change?
- Nrupesh Shah:** I do not think that there has been any significant shift from unorganized to organized except over a period of time in normal case on account of rising aspiration level, purchasing power shift is happening, but that is in a normal course.



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- Naveen Trivedi:** Okay and you talked about that you have tied up with some of the NBFCs also to have a consumer finance for air coolers, any number which you would like to share about how much percentage of revenues now it has reached and like what kind of experience you are getting with this kind of a tie-up?
- Nrupesh Shah:** We are having numbers, but not worth sharing.
- Naveen Trivedi:** Okay, but like will this be more of a continuation to what, how we have seen in case of other appliances, do you think this can be a material change, how it has been in the case of larger appliances also?
- Nrupesh Shah:** We are not sure what is happening in other appliances, but in our case, as I mentioned, there is an increasing trend with the consumers especially with the young consumers, also in many, many other geographies, to buy on finance. So to respond to them we have tied up with many, many national as well as regional NBFCs, but there is an increasing trend, and that trend is likely to continue.
- Naveen Trivedi:** Fair point and your India EBIT margins, if I exclude the one-time impact, is it fair to say that your India EBIT margin was close to 26% this quarter?
- Nrupesh Shah:** India specific margin, so for the quarter on a standalone basis, our EBITDA before exceptional item is Rs.51 Crores on a topline of Rs.137 Crores, so it is close to 5%.
- Naveen Trivedi:** Okay and if you can also give us your timeline for the new launches, is it like in the segments the price point also is it in the mass or in the premium segment also?
- Nrupesh Shah:** We would like to keep it as a surprise in terms of timing, price and format. I think we live in such a competitive industry; it should be a surprise.
- Naveen Trivedi:** Thank you so much and all the best to you Sir.
- Moderator:** Thank you Sir. We have next question from the line of Nandan Vartak from Wealth Managers. Please go ahead.
- Nandan Vartak:** Thanks for the opportunity. So my question is about export from India portion. So you mentioned about the inventory pileup in subsidiary companies and that is why it is lower, but is there some strategy change because a few days back there was a notification on exchange that our Surat SEZ Unit has been closed down, so just want to understand about that?
- Nrupesh Shah:** There is a change in the strategy in the sense that Surat SEZ was not closer to the port. It was involving some higher logistic costs and also a lead time, so about two years before we



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establish unit in Kandla SEZ, which is very close to the port, better connectivity and better lead time. So to that extent there is a change and hence we did not deem it appropriate to continue operations in Surat SEZ. So want to rationalize overhead, of course, there were small overheads and also whatever small investment was there it has been monetized.

- Nandan Vartak:** Okay and would there be possible to give a manufacturing capacity of Kandla unit Sir?
- Nrupesh Shah:** Kandla SEZ, as it is, where it can annually manufacture about 200,000 units, but if required, we can ramp up the capacity quickly because as such, it is more like assembling kind of facility.
- Nandan Vartak:** Okay. Thanks.
- Moderator:** Thank you Sir. We have a next question from the line of Pankaj Bobade from Axis Securities. Please go ahead.
- Pankaj Bobade:** Thanks for taking my question. My only question is regarding the margins, the gross margins, EBITDA margins, are these margins which we have seen in FY2019 should we consider them as a new normal or we would be going back to what we had earned earlier years?
- Nrupesh Shah:** So as far as gross margin is concerned, for the year, gross margin on standalone basis stood at 50% vis-à-vis 53% in 2017-2018. So for sure, as of now, we are comfortable with that and wish to maintain this gross margin, but depending upon the market scenario and market dynamics, if we are convinced that overall kitty of profitability can be increased, we have enough room to play with the price whereby gross margin may come down, but overall kitty of profitability or long-term business prospects may improve, so it depends upon the market dynamics, but otherwise, as of now, we are comfortable with 2018-2019 gross margin percentage.
- Pankaj Bobade:** Sorry, you mentioned about 2018-2019 percentage?
- Nrupesh Shah:** So 2018-2019 gross profit margin percentage stands at about 50% and as of now we are comfortable with this margin.
- Pankaj Bobade:** Well, as you mentioned, the reduction in gross margins between 2017-2018 and 2018-2019 has been just been 300 bps, but if you see at lower level that is at EBITDA margins level the reduction is quite substantial, so going forward do we see them reviving at EBITDA level?



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- Nrupesh Shah:** That really does not matter. Most importantly is about gross profit margin because EBITDA margin percentage is also a function of denomination and in this case denomination is the sales. So obviously during 2018-2019 sales is down year as a whole by 24% and in between gross margin and EBITDA there are sales promotion, advertisement and fixed overheads, which by and large remains fixed. So obviously it has impacted. So we need to take care of topline and gross profit margin and the rest of the items by and large should be automatically taken care.
- Pankaj Bobade:** So if we are expecting around 50% as a gross margin then definitely going forward we expect better results should I consider it in that way?
- Nrupesh Shah:** Yes. It should lead to that way.
- Pankaj Bobade:** Thanks a lot.
- Moderator:** Thank you Sir. We have the next question from the line of Nirav Vasa from Anand Rathi. Please go ahead.
- Nirav Vasa:** Thank you very much for the opportunity. Can you please help me with the market share that we have at the end of this financial year versus the number on YOY basis?
- Nrupesh Shah:** Yes. So for 2018-2019 I believe that our market share should have been, still it is slightly early, but still it should be closer to, in value terms around 48%-50%.
- Nirav Vasa:** And what was that number on YOY basis?
- Nrupesh Shah:** I think it was year before close to 50% or so.
- Nirav Vasa:** Sir, my second question is pertaining to the competitive intensity. Considering your business model several of your peers who have a very good understanding of the Indian market have a strong balance sheet and also very strong understanding of Indian customer preferences are getting into market. Also they have a very strong branded distribution network. So with rising competitive intensity from all these organized players who are very strong, how long do you think that such a high market share can be maintained or are you seeing any threat from any significant player, which can impact our market share or any comment on the competitive intensity especially from those big guys?
- Nrupesh Shah:** It is not like currently there is a competition. In the past also there was always a competition. Players have changed. There are some players who are competing with us for more than 20, 25 years, at least a couple of them from organized players. In between, many large Indian consumer durable companies, in fact you name any Indian consumer durable



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company at one point of time or others point of time they had forayed into air cooling business and many of them due to a variety of reasons exited after four years. So as far as competition is concerned, there is nothing new. Of course, now there are some more brands, but we are totally geared to take on with them through various strategies and through various initiatives. As far as the market share is concerned, we are not really going to stick to achieving certain market share percentage. We are more towards achieving sustained growth in terms of the topline and profitability and by and large considering the roadmap, which we have decided, for the next couple of years we are reasonably confident to achieve that.

- Nirav Vasa:** Thank you very much Sir. My queries have been answered.
- Moderator:** Thank you Sir. We have the next question from the line of Pankaj Bobade from Axis Securities. Please go ahead.
- Pankaj Bobade:** With the acquisitions, of Climate Technologies where do you see our consolidated entity over the next two years what topline?
- Nrupesh Shah:** No we are not targeting or giving guidance in terms of the absolute topline or profitability, but as we may have conveyed earlier, on a CAGR basis including this acquisition topline wise and bottomline wise we should achieve around 20% CAGR growth in medium to long term, but I cannot share or we do not give guidance in terms of specific numbers. Coming to Climate Technology, in particular, as we had shared earlier, at the time of acquisition we are reasonably confident to achieve topline of about Rs.275 Crores to Rs.300 Crores and EBITDA of about \$6 million Australia dollar that is Rs.28 Crores to Rs.30 Crores and PAT in the range of Rs.20 Crores to Rs.25 Crores that we should be in a position to achieve in a year or two.
- Pankaj Bobade:** Sir, I missed the CAGR number you mentioned 20% or 25%?
- Nrupesh Shah:** I said CAGR percent 20%.
- Pankaj Bobade:** 20% over the next two to three years?
- Nrupesh Shah:** In medium to long term, without giving any indication how many years.
- Pankaj Bobade:** Thanks a lot.
- Moderator:** Thank you Sir. We have next question from the line of Nandan Vartak from Wealth Managers India Private Limited. Please go ahead.



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- Nandan Vartak:** So I know the Symphony does not give any volume number, but could you give some idea about the industry volume number in FY2018?
- Nrupesh Shah:** So to the best of our estimate, air cooler industry volume should be in the range of 7 million to 8 million units including organized and unorganized sector put together.
- Nandan Vartak:** Okay and has the mix changed between organized and unorganized?
- Nrupesh Shah:** Over a period of time there is a shift from unorganized to organized say about few years before unorganized in terms of the volume was contributing 90%. Now to the best of our estimate it is contributing 75%, but that shift is happening not on account of, as per our understanding GST, but mainly on account of rising aspiration level, better purchasing power, more and more awareness, availability of product, etc., so we expect that trend should continue.
- Nandan Vartak:** Okay. Thank you.
- Moderator:** Thank you Sir. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Sir over to you!
- Nrupesh Shah:** Yes, so thanks to ICICI Securities. Thanks to Ansuman Deb as well as all the participants for your time valuable feedback and your involvement. Thank you.
- Moderator:** Thank you, Sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.