

# Symphony Limited

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“Symphony Limited Q4-FY18 Earnings Conference Call”

**May 22, 2018**

**Management:** Mr. Achal Bakeri – Chairman & Managing Director  
Mr. Nrupesh Shah – Executive Director  
Mr. Bhadresh Mehta – Chief Financial Officer  
Mr. Girish Thakkar – Sr. GM Accounts & Finance  
Mr. Mayur Barvadiya – Company Secretary

**Analyst:** Ms. Renu Baid - Institutional Equities – Research, IIFL

**Moderator:** Ladies and gentlemen, good day and welcome to the Symphony Limited Q4 FY18 Earnings Conference Call hosted by IIFL Capital Limited. 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 now hand the conference over to Ms. Renu Baid from IIFL Capital Limited. Thank you and over to you, ma'am.

**Renu Baid:** Yes. Thank you, Lizann. Good evening everyone. On behalf of IIFL, I would like to welcome you all for the fourth quarter FY18 conference call of Symphony, where we have with us today the senior management represented by Mr. Achal Bakeri – CMD, Mr. Nrupesh Shah – ED, Mr. Bhadresh Mehta - CFO and some of his other members which include Mr. Girish Thakkar, Mr. Mayur Barvadiya and Mr. Milind Kotecha. Without taking much time, I would request the management to begin with the opening remarks about the quarter performance and the year that went by, thereafter which we can start with the Q&A session. Over to you, sir.

**Nrupesh Shah:** Yes, this is Nrupesh Shah. Good evening and warm welcome to '17-'18 Standalone and Consolidated Financial Review. In our initial remarks or commentary as well as in question answer, there may be some of the forward-looking statements or estimates but we don't assure or undertake that they may turn out to be correct on account of whether external environment or even inaccurate estimates or assumptions. Having said that, this time my initial comments or remarks may be longer than usual.

First and foremost, we will like to communicate three aspects for our financial year '17-'18 performance. 1) In two quarters out of four quarters that is June 17 and March 18 quarters, there have been de-growth on account of bad weather and thunderstorm and that impact is partly continuing even in current quarter. 2) And very importantly, for the first time we have reported profitable consolidated growth in the year 2017-2018, details of which I will deal with later on. And third and importantly, we are entering in our third phase of existence.

As far as consolidated numbers are concerned, gross revenue for the year '17-'18 has grown from Rs. 808 crores to Rs. 852 crores that is growth of 5%. EBITDA has grown from Rs. 242 crores to Rs. 273 crore, that is 13%, while PAT has grown by 16%, up from Rs. 166 crores to Rs. 193 crores. It is to be noted that last year standalone PAT was Rs. 176 crores while consolidated PAT was Rs. 166 crores. It means at consolidated PAT level on YoY there has been positive swing of Rs. 27 crores which speaks volume of turnaround of international performance

particularly IMPCO Mexico. As far as EBITDA margin is concerned on consolidated level, it is 32.1% in FY18, up from 29.9% in FY17, while PAT margin stands at 22.6% in FY18, up from 20.6% in FY17.

Regarding standalone performance; coming to March quarter performance:

Sales is down from Rs. 180 (Mar-17 Qtr) to Rs. 154 crores (Mar-18 Qtr), that is down by 14%. PAT is down from Rs. 46 crores (Mar-17 Qtr) to Rs. 42 crores (Mar-18 Qtr), that is down by 8%. But again, noteworthy point is if we take the PAT of core business, that is excluding treasury income, even in March quarter, profit from core business is up from Rs. 34 crores (Mar-17 Qtr) to Rs. 35 crores (Mar-18 Qtr), that is by 5% so again speaks volume about hygiene of the profitability as well as maintaining the gross margin.

Coming to YoY standalone performance:

During the year on standalone business sales has increased from Rs. 662 crores (FY2017) to Rs. 685 crores (FY2018), that is 3% and PAT has improved by 5%, up from Rs. 174 crores (FY2017) to 183 crores (FY2018).

Coming to highlights of segment performance:

About domestic business as I conveyed earlier we have been impacted by unfavorable weather, thunderstorm etc. just in line with entire cooling industry. However, on account of our robust off-season sale in 9 months, that is, 1st July to 31st March, our sales is up almost 9% and PAT is up by almost 11%. And importantly, we have not only maintained the market leadership but despite entry of many players, market share has remained unchanged. As far as modern trade is concerned, our market share is around 60% and during the year, we have successfully launched diamond and sense range of air coolers.

Coming to centralized air cooling solutions:

We have appointed many more executives across the country and total installation has exceeded 46 million CFM, that is, cumulative. During the year, we installed few thousand solutions across the category and successful launch of campaign in print media as well as television media.

Coming to international business:

IMPCO has not only been successfully turnaround, whatever was Symphony's direct or indirect loans has been repaid along with interest. On top of which,

IMPCO is completely self-sufficient in respect of its working capital even though its working capital cycle is almost of 90 days and its asset-light, capital-light business model has been implemented successfully. Just to share its standalone financials, its topline has been about Rs. 87 crores while profit after tax has been Rs. 13.5 crores.

Coming to GSK China:

Its topline has been Rs. 44 crores almost in line with previous year, but its losses have been curtailed to almost half from Rs. 9.60 crores to Rs. 4.75 crores. For many businesses or companies, modest growth may be leading to or it means weaker financials. But as you would have noted in our case despite de-growth in March quarter, EBITDA margin has been 35.8% during the entire year, up from 35%. The return on capital employed in the core business that is the capital employed in the air cooling business on a standalone basis has been very strong at 699%. Again, our more than 90% of the profit after tax (Rs. 193 crores) is our free cash flow. And, as on 31st March 2018, our treasury was almost Rs. 422 crores.

Now talking about Symphony 3.0:

So far, we have passed through 2 phases of Symphony evolution. In version 1, which was from 1988 to 2006, during which we launched air cooler; we diversified into variety of products. Diversified couldn't succeed. It led to dire financial stress. And until 2006, for almost 7-8 years Symphony was a loss-making company. In version 2 which was for about 11 years, 2007 to 2018, we specialized around air cooler; we turned the business model completely; we scale up the business; we also enhanced our international presence substantially along with successful diversification of course in a modest way in centralized air cooling in India. While version 3, the impact of which will be seen in near future and down the lane, there will be a complete focus on transformation and there will be a technology rich, air coolers will be launched; there will be a major enhancement and focus on industrial air cooling and international presence in various ways will be enhanced substantially.

The future will be marked by large increase in brands local, regional and national driven by the prospect of carving nominal slice of industry share. But Symphony will not play the game as it used to be. We will change the game. There is an exciting world beyond the conventional box because cooling is rapidly emerging as a fundamental right because cooling cost has declined as coolers have underperformed the inflation. Cooling solutions are replacing cooling boxes;

interior spaces are becoming larger. Symphony version 3 will address these opportunities. We will be different and still we will be the same. I am repeating, we will be different and still we will be the same. The company will intensify its presence in the air cooler segment and explore industrial cooling deeper. However, Symphony's air cooler business will continue to be driven around its core philosophy of asset-like, cash rich, existing trade terms, superior technologies, extensive distribution network and branding.

In Symphony 2.0 we generated value. In Symphony 3.0, we expect to report our combination of volume cum value growth to enhance stakeholder value even in a bigger rate. When Symphony moved from phase 1 to phase 2, there was nothing to show for its business competence. But when Symphony moves into version 3, there are considerable strengths to leverage which most of you know, but just to summarize, it includes robust innovation engine, strong balance sheet, market leading brand, asset-light business model, focus on international business taking it to really a next level, multi country operations, participatory management culture, culture of excellence across the function, pioneering track record, continue to make products, customer never knew they wanted, outsource and control the manufactured quality. In other words, we are not going to be deterred by short term de-growth as far as long term future or growth prospects of the company are concerned, it remains intact. And to move to version 3, necessary strategies and business model have been worked out and they will be implemented in phases. During the year, Symphony's share of voice was almost 60% in the air cooler segment. It was number 1 in terms of the brand positioning. And we continue to have market share of 50% during the year or even the last quarter or even during the current quarter.

Symphony believes in value creation from data analytics. Symphony has invested huge amount in last two years in information technology and market data analytics more than all the aggregate technology investment Symphony would have done previously in about 26 years. Symphony's e-Sampark app has empowered retailers to bar-scan models sold resulting into a wealth of marketplace analytics. The company has implemented SAP in just about 8 months, one of the quickest implementation tenure. As you know, Symphony does have very robust distribution network. 3 out of 5 consumer appliance distributors across most Indian cities do distribute Symphony products. We have also progressively invested in new branches and now we operate in almost 51 branches spread over 6 zones. Our research and innovation function is really driving the new products, new models duly supported by research and development facility of GSK China. As a result, air coolers have progressively

evolved; energy consumption has moderated; the hybrid has been born; and it has graduated to touch, voice activated, sense, cloud amongst others.

So with this, I would be happy to respond to the questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** My first question is to understand, how you know, you stated in your opening comments about the turbulent weather but just wanted to understand from a perspective of a primary sale pushing to the distributor and just wanted to understand how this 15% de-growth we should look at it? I mean, is there nothing being pushed by the company at the distributor level because weather was bad which any which ways started with March onwards itself or let's say the summer was not that hot. So the pushing didn't happen at the primary level, just wanted to understand that first. And is it the same kind of a trend in terms of de-growth you are witnessing even in the April and May and what sort of inventories are we working at this point in time? That's my first question.

**Achal Bakeri:** You know, there is no question of us not pushing. The question is really of the trades or the channels' ability to absorb more inventories. If you see, we did enough sales or pushing in the months prior to let's say up to February. But from March, what the trade expects is for their inventory to move out and as that happens, then they place further orders on us to replenish their inventory. But when their inventory hasn't been moving, their replenishing or their rotation has been slow and which is why our primary sales, from us to the distributor, has been affected.

**Nitin Arora:** And what sort of inventory levels now stands at if you can put it in a context, for example from March till May, if the inventory of the whole system used to be last year at let's say at this point in the peak season about 20% or 30%, how much would that be right now, if I have to put the inventory in one context?

**Achal Bakeri:** I think nobody knows the exact inventory because it is scattered over thousands of intermediary. But from our estimation, the inventory levels this year are significantly higher than what they were at this time last year.

**Nitin Arora:** My second question is that is it possible when you say that the market share has been intact by Symphony, though we saw not comparable to you in terms of your numbers of cooler sales you do, but we saw some companies where they have

seen a tremendous growth on a year on year. So someone who is doing a 1,77,000 units, suddenly started doing a 2,50,000 units. How should we read the sales going forward in terms of when you say market share is still intact? Which are the things you are doing in terms of getting your sales back barring this weather conditions which are not in control? Just need your outlook on that. I just have one more question after that.

**Achal Bakeri:** We have fair idea about what our competitors have done, and I don't know anyone who had gone from 1,77,000 to 2,57,000. It is 2,07,000 if we have the perfect information. It is not 2,50,000 it is 2,07,000.

**Nitin Arora:** Yes you are right. Sorry sir. My bad, its 2,07,000.

**Nrupesh Shah:** So that is really very small growth in terms of our absolute numbers and much smaller base and geographical expansion because they have been restricted in one market. So that kind of thing would have happened, but we are talking about at the larger scale you know, all the market players are put together, we are pretty much in terms of market share where we were last year. And some of the larger players, we know that some of the larger brands, in fact during the year they have registered de-growth. So it has to be seen in totality. We don't like to name them but that is also the case with most of the large players.

**Nitin Arora:** And sir, just book keeping question. Is it possible to share CY17 numbers of IMPCO revenue, EBITDA, PAT and GSK China CY17 revenue, EBITDA, PAT? And one more book-keeping question, is it possible to share how much was FY18 industrial sales from a standalone?

**Nrupesh Shah:** So, your first question was standalone performance of IMPCO and GSK, is it?

**Nitin Arora:** Yes sir, the GSK and IMPCO if you can share the CY17 revenue, EBITDA and PAT?

**Nrupesh Shah:** Sure. So of course, I covered in my initial comments, but as far as IMPCO Mexico is concerned, for '17-'18 its topline was Rs. 88 crores, its EBITDA was Rs. 14 crores, its PBT is Rs. 13.5 crores and PAT at the same level. As far as GSK China is concerned, its sales was about Rs. 44 crores, its EBITDA losses reduced from Rs. 6 crores to Rs. 1.62 crores but losses reduced to almost half from Rs. 9.59 crores to Rs. 4.75 crores at a net-net level. So if we net off both the operations, they have posted about 9 crore of PAT. So, as I said earlier, in the year '16-'17, standalone PAT was Rs. 175 crores while consolidated PAT was Rs. 166 crores. But in '17-'18, standalone PAT is about Rs. 183 crores and consolidated PAT is

about Rs. 193 crores. So, in other words at a consolidated level, there is a swing of almost Rs. 10 crores, which maybe in overall performance a silver line.

**Moderator:** Thank you. The next question is from the line of Manish Poddar from Renaissance Investments. Please go ahead.

**Manish Poddar:** I am just trying to understand, so given the current environment, if probably you could give any outlook what has happened in the last 1- 1.5 months and what is your focus area, growth versus margin?

**Achal Bakeri:** Well, I don't think there is any significant departure from our sort of approach so far regarding growth versus margin. But the current year, I think it is really too early for us to sort of know which way it is going to head. Again it really depends on weather, who knows, there are still about 5 weeks or so left for the summer, and I believe it was 44 degrees in Delhi yesterday. We at our end are praying that it stays that way for a few more weeks. So, in Delhi, people will curse us for that, but if something like that were to happen, then we are on the picture for change dramatically.

**Manish Poddar:** But in the last let's say 1- 1.5 months we haven't seen any change from the trend which you have witnessed in the last quarter?

**Nrupesh Shah:** You know a little change in the weather can have a big impact.

**Manish Poddar:** In the last 1.5 months have we witnessed anything? Or this is the trend line which is continuing from 4Q till now?

**Achal Bakeri:** No. I would say in the last 2 months or so have been pretty bad. But we are still hopeful that there could be a change between now and June and if that happens, then the situation would be very different. So to answer your question about how the year is looking up, it's too early to tell.

**Manish Poddar:** And just one final that if I may, so this strategy of version 3.0, I understand in the version 1.0 you went across a lot of categories which didn't work well with you all. Why now are we not going back with the learning's and probably explore the other categories which you explored in version 1.0 and do the things in the correct manner because the size of opportunity can again be larger and the brand can be leveraged to a greater extent. What's your thought process on that?

**Achal Bakeri:** Maybe we can discuss that one on one when you come to Ahmedabad. I think it's a long answer to a short question. So let's not keep it for now. Let's just stick to the numbers at hand.



- Moderator:** Thank you. The next question is from the line of Ronak Soni from Equirus Securities. Please go ahead.
- Ronak Soni:** Has there been any pricing action post July where we have taken a price hike?
- Nrupesh Shah:** You mean to say in the accounting year '17-'18 or in the years to come?
- Ronak Soni:** In accounting. So, in July 2017, we have taken a price hike if I recall.
- Nrupesh Shah:** Especially in touch range of models, we had taken the price hike as it was conveyed earlier, so as we improve the contribution margin. Other than that, in other models there was no need to take the price hike and as you can see in our operating margin and EBITDA margin, they have remained intact. In fact there is a slight improvement.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** This is Achal Lohade here from JM Financial. Sorry if am repeating the question. Can you help us understand what is the like-to-like sales growth? I believe most of our products are actually outsourced and we see impact of GST in terms of the sales number particularly. Is the reported sales growth similar to like-to-like or like-to-like is higher?
- Nrupesh Shah:** It is absolutely like-to-like. There is no change.
- Achal Lohade:** There is no change?
- Nrupesh Shah:** Yes, because here we have to report the sales net of GST. Earlier we had to report the sales net of excise duty and VAT. So it is like-to-like.
- Achal Lohade:** You mean to say when we were selling pre-GST, we were charging excise duty to the distributor, is that right understanding?
- Nrupesh Shah:** See ours is an outsourced business model. So whatever we used to assemble on our own, which was a negligible quantity. That excise was to be net off. But in whatever was outsourced for which we used to pay the excise duty, the sales was inclusive of that.
- Nrupesh Shah:** But net of VAT. As far as accounting year '17-'18, 1st July to 31st March, 1st July is the cut-off date for launch of GST, it is net of GST. So to an extent of excise

duty which we were paying to outsourced suppliers reported sales was higher till 30th June.

**Achal Lohade:** Correct. That why my question sir, have we restated 4Q FY17 in that case?

**Nrupesh Shah:** No, we have not restated, we had internally debated and we had also discussed with our auditors but that was neither required. It was not advisable. Otherwise of course we could have shown instead of 4% topline growth, maybe like 10%-12% topline growth, but we debated internally. We also check up with our auditors and it was not found appropriate.

**Achal Lohade:** So let me ask the question in other words sir. A) What is the volume growth for the quarter and b) what is the movement of price realization?

**Nrupesh Shah:** As you may be aware for last 3-4 years, we do not talk anything about the volume, but by and large, our topline growth or degrowth is in line with the volume growth or degrowth.

**Achal Lohade:** Roughly about 10% growth?

**Nrupesh Shah:** Value growth in topline.

**Achal Lohade:** Secondly, if you could help us the industry data point once again with respect to the market size as of FY18, just your estimate and how much is organized/unorganized?

**Nrupesh Shah:** So as per our estimate for the season of 2017, market size would have been about 9 million units and out of which, organized is 27%, unorganized is 73% and coming to value terms, it should be almost 35%-65%.

**Achal Lohade:** And industry size in terms of rupees billion?

**Nrupesh Shah:** It should be around Rs. 4000 crores.

**Achal Lohade:** The other question I wanted to ask was in terms of the shift from unorganized to organized, have we seen anything post the GST as well as the E-way bill?

**Achal Bakeri:** Frankly, the kind of impact on the unorganized it was expected because of GST has not been witnessed so far. So if the unorganized sector is as of now thriving or doing as well they did before, there is no significant change. E-way bill came later and that too it is not uniformly come across the country. So what impact that has time will tell, but as of now GST by itself has not had a significant impact on

the unorganized sector, at least in air coolers, we do not know about other category.

**Achal Lohade:** What is the key monitorable here to check, is there any shift happening or it is just the talk?

**Achal Bakeri:** It is not measurable. It is as grapevine or market intelligence. There is no way of knowing exactly how much of quantifying it.

**Moderator:** Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

**Manoj Gori:** Sir, first thing like as we earlier highlighted like volume growth or the value degrowth would be largely in line. So if I understand correctly, we saw corrective pricing actions on the air coolers especially on the touch model. So which definitely this year I think our fourth quarter realizations would be higher as the contribution from touch model in 4Q FY17 was significantly higher. So, does this indicate like your volume degrowth would be significantly higher than what the value degrowth has been?

**Nrupesh Shah:** Year as a whole, there is no volume degrowth. We know that there is a volume growth, but what we talk about increase or decrease in volume is in line with increase or decrease in topline. So that is more of a trend. It may not be precise percent.

**Manoj Gori:** So earlier you had highlighted like appropriate time you would be giving the revenue, figures of industrial cooling, so can you provide some info on that?

**Nrupesh Shah:** So as per the accounting standard as and when that segment contributes more than 10% of the topline, we need to report it separately. Still it has not reached to that level.

**Moderator:** Thank you. The next question is from the line of Gaurang Kakkad from Haitong Securities. Please go ahead.

**Gaurang Kakkad:** Sir, couple of things. Firstly, you mentioned that the season this year also going into April-May continues to be bad because of the reasons that you mentioned. Sir, the thing is that if you look at the last year base quarter, we had a 15% decline and the reason was also erratic weather as well as unexpected monsoons and a bad summer. So is the situation so bad that even on a 15% kind of a decline base quarter we are still seeing a degrowth going into this quarter as well?

- Achal Bakeri:** I think we are still five weeks away from this quarter to end. So I think it will be a little presumptuous to sort of predict what is going to happen, things could change dramatically or things may not. Let us talk about it in a few weeks if you do not mind.
- Gaurang Kakkad:** And secondly just again to touch base upon this volume growth that we have seen in the 5% sales growth for the standalone business, so if I remember correctly, the introductory pricing in the touch range and then from July, we had taken a 17 to 23% price hike so reverting back to the normalized pricing for that. So if the realization for the year has to be flat, then would we have seen a price cut in some of the other models or is there a mix deterioration which would have happened, which would have led to your realization for the full year being flattish or a marginal growth kind of a number because there was significant price hike in the touch range post the introductory pricing so close to 20%.
- Nrupesh Shah:** So in touch range, you are absolutely right. We had taken substantial price hike, but at the same time as you know its effect from 1<sup>st</sup> July GST was introduced and as per the government directive, whatever was benefit of GST, that we had to pass on to the consumer. So in our case, there was a benefit of the GST and that was passed on to the consumer.
- Gaurang Kakkad:** So the realization flattish is after passing on the GST benefit. So it is not adjusted for the GST number?
- Nrupesh Shah:** It means net of GST and in earlier regime, net of excise duty and net of VAT. Overall realization has remained the same or slightly gone up and most important thing is just to compare the operating margin or EBITDA margin which you can see has slightly improved.
- Moderator:** Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Sir, my first question is on also make me understand that the erratic summer started from around mid-April and we are discussing about the Jan to March numbers, so why the erratic summer had impacted our 4Q numbers to the extent where we had very strong Jan-Feb and I would say like mid-March kind of a good numbers.
- Achal Bakeri:** In March, the season begins in Southern India and Southern India has shown a major negative growth, has been negative over the last year. So in March,

summer begins South India and in April-May summer begins in Western and Northern India. So South has also seen a very erratic summer this year.

**Naveen Trivedi:** So you mean to say the South proportion in your 4 quarter number is relatively very higher than our annual numbers?

**Achal Bakeri:** Normally March, it is the South end where we sort of picks up, even parts of Maharashtra pick up, but that failed to happen this year.

**Naveen Trivedi:** But if I am not wrong, our large part of the consumer offtake happens during the May month on a pan India if I see air cooler as a business. So the consumer offtake will certainly would start picking up in May and so this is more regarding the distributor and how you manage the inventory?

**Achal Bakeri:** We are talking about consumer offtake only. Consumer offtake in Southern India has not happened this year in March and in the later month in the rest of the country also, it has been very tepid.

**Naveen Trivedi:** How big is South India for us in terms of business?

**Nrupesh Shah:** In terms of overall percentage will be around 20%.

**Naveen Trivedi:** I am saying last year fourth quarter, we had a very high touch series sale which we have done at introductory price. So if you remove that part of the business from the last year's number and if you see the business, then how has been the growth for the remaining business?

**Achal Bakeri:** If we remove touch from both the years, what has been the business? Well, we have added other ranges this year. So touch range, we do not have the breakup exactly nor should we really be happy to share that but I think let us not get into which range grow and which did not. We are just looking at the bigger picture.

**Nrupesh Shah:** But at a macro level as I covered in my earlier remarks, the PAT from the core business in fourth quarter what I mean by that net of treasury income, PAT is Rs. 35 crores versus PAT of Rs. 34 crores in March '17 despite degrowth in topline by 15%.

**Naveen Trivedi:** Fair point. Sir, why I was asking this question because last year we had seen a significantly higher revenue base of around 38% and it was due to the launch of the touch series. So just trying to understand if we remove the lumpiness, there can be a better picture for this quarter.

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- Nrupesh Shah:** But later on during the year, we did also come out with many other new models.
- Achal Bakeri:** In 17-18, we also had another model.
- Nrupesh Shah:** Like Diamond, sense range of models.
- Naveen Trivedi:** Sir my next question is if you can give us some idea about the IMPCO and the China thing which you already shared about the things has improved versus last year. Where do see things going ahead for IMPCO?
- Nrupesh Shah:** It is not just last year. What was said in the opening remarks was that for the first time is the consolidated numbers greater than the standalone numbers at the profit after tax level. So basically the Mexican operations have turned around and are now contributing to the profitability and the loss in China has been reduced to half.
- Nrupesh Shah:** In fact last year that is in 16-17, it was reduced to half vis-à-vis 15-16 that is pre-acquisition era and current year, it has further reduced to half. In other words, in the accounting year 17-18, Chinese loss has reduced to one-fourth vis-à-vis pre-acquisition era even though topline is almost the same.
- Moderator:** Thank you. The next question is from the line of Mayur Patil from Wealth Managers. Please go ahead.
- Mayur Patil:** Sir, I understand the reasons which you gave about the GST impact and the changes which we did to the pricing of touch model, but on a structural basis the four models which we launched in the last 2 years, the broad ones, the Sense, Touch, Diamond or those what would be the contribution now of these models in the entire mix now because structurally these are at a significant higher price levels than the earlier ones. So what would be the contribution now these models which have launched in last 2 years?
- Achal Bakeri:** No, we have various models at various price points. Even some of the newer models we have introduced in 17-18 are priced at similar levels. So I do not think we should really bother too much about what is the contribution of Touch and what it is not.
- Nrupesh Shah:** And as we shared earlier, some of these details are sensitive on account of competitive reasons. So even though for our internal MIS, it may be available, but it would not be worth to share.
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- Mayur Patil:** No sir, the point which I was trying to come to is average realization in the last 2 years, we believe should have gone up, it was a structural change for Symphony that given the better models, given the better technology products, structurally the realization should move up, but when you give a picture that the volume growth is similar to the value growth, just trying to understand why it is not playing out that was the only understanding.
- Achal Bakeri:** I can answer that question. The thing is that our sales price is higher in period from February to June than it is in the earlier months. So when we do not get sales in those months, then the overall realization gets impacted because the sales in the previous months has happened at a lower price.
- Mayur Patil:** The product mix change is based on the season and...
- Achal Bakeri:** Are you telling me or asking me?
- Mayur Patil:** I am asking is it that because the product mix change is based on the season?
- Achal Bakeri:** No, not the product mix, our pricing changes.
- Mayur Patil:** For the same product?
- Achal Bakeri:** Yes.
- Mayur Patil:** Sir, broadly what would be our geographical mix, actually I had that question before, but you gave Southern India is 20%, but broadly how would East, West, Central would be broadly?
- Nrupesh Shah:** Actually this market share varies from year to year depending upon the weather. It is not uniform. In some of the years it is Northern India which contributes the most, sometimes it is East, West or even South. It varies widely. Last year that is in the year 17-18, it was North India which contributed the most.
- Mayur Patil:** Sir, I know you do not share the volume numbers for the company, but what would be the growth in the volume numbers. It is 10%-11% is what you believe and for industry what would be it?
- Nrupesh Shah:** In your question itself, you responded. So how can you expect us to respond to that?
- Mayur Patil:** That is for you, right 10%-11% growth would be for Symphony, what would be for the industry?

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- Nrupesh Shah:** For the industry also still, it is too premature, but our estimate is by and large it would have been a degrowth in the year 17-18.
- Moderator:** Thank you. The next question is from the line of Hrishikesh Bhagat from LIC Mutual Fund. Please go ahead.
- Hrishikesh Bhagat:** I understand you would not be able to reveal much, but this press release regarding proposal for international synergistic acquisition, just one thing. Is it in segment of industrial cooling and secondly up to what extent will be our capital commitment we will have if we are going for such acquisitions, is there anything that broadly decides?
- Achal Bakeri:** It is more or less in the same industry as us. I do not think we will be able to say anything more than that. More or less in the same industry as us and the capital commitment will be unlike what has been in our previous acquisitions.
- Hrishikesh Bhagat:** So lower than that?
- Achal Bakeri:** No. It will not be as low as that.
- Nrupesh Shah:** Earlier had been for song, because they were loss making entities.
- Moderator:** Thank you. The next question is from the line of Bharat Kothari, an individual investor. Please go ahead.
- Bharat Kothari:** My first question is we have lot cash in our balance sheet, but still we are maintaining our dividend. So is there any reason we are not increasing our dividend that is our first question.
- Nrupesh Shah:** As we have outlined in our payout policy on account of various considerations at appropriate time we will like to have a share buyback and currently as we have given the press release is that acquisition goes ahead, some of that treasury may be required for that.
- Achal Bakeri:** However, Mr. Kothari in the past up to 2 years ago till the taxation, the tax regime changed, our dividend policy, I mean dividend payout was in excess of 50% of the net profit, in fact in the year 2016 as high as 89%. But it is due to the change in the taxation policy we have scale down the dividend and will resort to something which is more tax efficient.
- Bharat Kothari:** The reason I asked because these treasuries are giving only 7% or 8% annually whereas it is not that emphasis. That answers my first question. Second question
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is, our company is doing any kind of policy by which we can mitigate the risk related to the weather because at some year the weather is good, and we are doing good and another year weather was bad, and we are doing bad. So, is there any way we can mitigate that part?

**Achal Bakeri:** Mr. Kothari, our life is like the poor Indian farmers. We are very dependent on the weather, but the best that we can do mitigate weather is to sell in the off-season and as much as is possible we do that. But in the summer, come summer unless the sun is nice and bright and hot, the consumer does not buy and if that does not happen, then all cooling appliances not only air coolers but air conditioners, fan, refrigerators everything gets affected and actually that is the picture this year as well, this summer.

**Nrupesh Shah:** And just to de-risk to an extent at a consolidated level, one on account of sales by our overseas subsidiaries and our exports, it accounts for 22% of our topline and in terms of the profit, it also accounts for almost 17% of PAT. So, one is the geographical spread. So, international business which currently contributes 22% about 7-8 years before, it was contributing less than 5 years. Secondly, it is the centralized and industrial air cooler, so in the medium to long term we accept it to contribute substantially in terms of the topline and that will also to that extent de-risk. And over and above that as Achal bhai said even in the off-season that is September quarter as well as December quarter that is monsoon as well as in the winter on account of various strategies, we do sale the product and hence our sales is round the year so to that extent also it de-risk.

**Bharat Kothari:** Just a lighter note whenever there is high or hot weather, we feel good that Symphony is doing good and my shares will be good.

**Achal Bakeri:** Thank you. We can use all the good wishes and prayers that we can get.

**Moderator:** Thank you. The next question is from the line of Omkar Kulkarni, an individual investor. Please go ahead.

**Omkar Kulkarni:** The question is regarding the 3.0 strategy. So, in this strategy where do you see your subsidiaries contributing in say next 3 to 5 years and also industrial cooling, you have highlighted it about like extensively in this 3.0. So, where do you see industrial cooling in this 3.0?

**Nrupesh Shah:** So, one about industrial cooling, of course we have certain strategy in mind, we have certain business model in mind, but it will not be appropriate to disclose all the details at this point of time. But we are very confident that in medium term

that will contribute substantially in terms of the topline by maintaining the current profitability as well as business model. As far as international business is concerned, of course one is the nonbinding offer which currently we have given. So, that is one attempt, but on top of it about IMPCO as well as GSK there is a scope to further improve the efficiency now especially in GSK, not only that from GSK in both the segments residential as well as industrial air coolers. It can contribute substantially in domestic market as well as in international market and lot can be done. But of course, it will happen in medium term.

**Omkar Kulkarni:** So, here the medium term is like 3 to 5 years, right?

**Nrupesh Shah:** That is right.

**Moderator:** We will move on to the next participant that is from the line of Manjeet from Solidarity Investment Advisors. Please go ahead.

**Manjeet:** This is Manjeet here. Sir, the first question was when you mentioned 8 million units as the industry size. This is purely domestic consumption, right? Not any exports from India?

**Nrupesh Shah:** Yes, it is right. This is the domestic industry about 8 million to 9 million units.

**Manjeet:** And sir, when we say we are 60% market share that is revenue market share?

**Nrupesh Shah:** Out of 9 million units, organized sector contribute volume wise almost 27% and value wise about 35% to 40%. So, our market share is almost 50% in value terms of the organized sector.

**Manjeet:** And sir, when you mentioned 22% of your revenues were export from the standalone entity if I understand right. It largely means around 22% of your volumes get exported?

**Nrupesh Shah:** 22% from international business at a consolidated level. So, which includes standalone exports from Symphony, also GSK China and also IMPCO Mexico, all 3 put together.

**Manish Gupta:** This is Manish Gupta, here. I had another question, sir. Can you throw a little bit of color on how your growth has been distributed geographically between tier 1, tier 2 and tier 3 towns?

**Nrupesh Shah:** So, in terms of our presence and distribution network, we do have a good presence but not in hard rural-rural area that is small villages, in fact many of

those villages don't have the sales points. So, what happens, it is the Taluka place where there will be the sales touch points and villagers come to the Taluka place. And as I said earlier, almost 3 out of 5 dealers or distributors who store consumer durables or appliances do store Symphony products. And still we believe that we have a long way to enhance our distribution network.

**Manish Gupta:** Sir, do you have any perspective on the behavior of your channel because I think in the last now 2 out of the last 4 years the weather has been fairly erratic. And people have paid upfront to stock your product but in this season could you share some perspective of whether the trade has suffered any loss and could that result in a change in their behavior of paying you upfront to buy your products vis-à-vis willing to pay a premium but do cash in carrying?

**Nrupesh Shah:** See, as of now trade has not suffered any losses, if trade would have suffered the loss even in the accounting year 2017-2018 whether it was September quarter or December quarter despite erratic summer of 2017, we would not have registered topline growth in excess of 20%, not only that at the end of last summer even at a trade level also there was negligible inventory. Because what happens as trade buys from us with advances during off season whenever season is not good, trade first pushes our inventory. Secondly also just to keep in mind one indirect advantage of bad season. So, what happens some of the fringe players, some of the marginal players, some of the new players when there is failure of the season of consecutive two seasons fail, even some of the large players for whom these maybe a very small segment, in the past it has happened that shake out happens in the industry.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Renu Baid for her closing comments.

**Renu Baid:** Thank you, everyone for participating. On behalf of IIFL, I would like to thank the management for giving us the opportunity to host this call. Nrupesh bhai, any closing comments from your end.

**Nrupesh Shah:** Thanks to all the participants. Thanks for making the session very lively and thanks to Renu as well as IIFL for hosting this conference call very well.

**Renu Baid:** Thank you and our pleasure, sir.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of IIFL Capital Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.