

"Symphony Limited Q4 FY17 Earnings Conference Call"

May 16, 2017







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SYMPHONY LIMITED.

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MR. GIRISH THAKKAR – GM (ACCOUNTS AND

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MR. MAYUR BARVADIYA - COMPANY SECRETARY,

SYMPHONY LIMITED.

MODERATORS: Mr. AJINKYA BHAT – KOTAK SECURITIES.



Moderator:

Ladies and gentlemen, good day and welcome to the Symphony Q4 FY17 Earnings Conference Call hosted by Kotak Securities 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 Mr. Ajinkya Bhat from Kotak Securities. Thank you and over to you, sir.

Ajinkya Bhat:

Good afternoon, everyone. Welcome to the Q4 FY17 Earnings Conference Call of Symphony Limited. Today, we have with us the senior management of the company led by Mr. Nrupesh Shah – Executive Director; Mr. Bhadresh Mehta – CFO; Mr. Girish Thakkar – GM (Accounts & Finance) and Mr. Mayur Barvadiya – Company Secretary. I now hand over the call to Mr. Nrupesh Shah for opening remarks, after which we will have the Q&A session. Over to you, sir.

Nrupesh Shah:

Thank you and good evening to all the participants. I welcome you all in financial year 2016-2017 performance and Q4 performance conference call. During our remarks or in Q&A, it may contain certain forward-looking statements or projections about the future including but not limited to the statements about the strategy for growth, product development, market position, financials etc. Forward-looking statements are based on certain assumptions and expectations of the future events. Symphony cannot guarantee that those assumptions and expectations are accurate and they may turn out to be correct on account of market scenario or even incorrect assumptions or even weather condition.

Having said that, we have initiated brand reporting which is like forward-looking initiative by the Symphony, which we have circulated along with our annual and quarterly performance which is intended for our shareholders, analysts, media and opinion makers and that immediately explains and articulates our financial year 2016-2017 performance instead of waiting for couple of months down the line for annual report. The report is also a validation of our conviction that in addition to consistent financial outperformance, stakeholders also seek transparency and hence it rightly conveys less is more. The year 2016-2017 was really a challenging year. At Symphony, we strengthened our business. The country's air-cooler market grew approx. by 15%, while on standalone basis Symphony's revenue grew by 27% and on consolidated basis Symphony's revenue grew by 30%. But to summarize it slightly differently topline increased, bottom-line correspondingly did not increase.

The brief standalone financials for FY2016-17 are gross revenue Rs. 704 crores versus Rs. 554 crores; EBITDA Rs. 244 crores versus Rs. 201 crores that is rise of 21%; PBT Rs. 240 crores versus Rs. 198 crores, rise of 21%; PAT Rs. 173 crores versus Rs. 145 crores that is increase of 19% and this translates into EPS of Rs. 24.75 versus Rs. 20.77 on the face value of Rs. 2.

Coming to quarter wise breakup of performance, Q1, that is June quarter, the gross revenue was Rs. 158 crores, second quarter it was Rs. 155 crores, third quarter it was Rs. 192 crores and final quarter that is March quarter was Rs. 199 crores. While EBITDA margin in the first quarter



stood at 27.90%, second quarter 36.08%, third quarter 41.18% and March quarter 32.40%. While PAT stood at Rs. 31 crores in first quarter, Rs. 39 crores in second quarter, Rs. 56 crores in third quarter and Rs. 47 crores in March quarter.

Coming to dividend, during the year we paid 3 interim dividends. First quarter on pre bonus, it was 75%, in second quarter it was 50% dividend on enhanced share capital post 1:1 bonus in the month of September, third quarter it was 50% dividend while final dividend of 50% has been proposed by the Board of Directors. But to maintain the payout ratio of about 50% of net profit while rewarding the shareholders in addition to dividend payout, the company is evaluating alternative revenue of buyback of shares as indicated in the shareholder's reward policy. But we may like to wait for a while till we really can help sizeable buyback but we are contemplating to consider the buyback of shares whereby the inefficiency of dividend payment in terms of taxation that benefit can be pass on to the shareholders.

The index of Symphony's competitive advantage can be really derived from the third quarter performance which was the quarter of demonetization, which was really a quarter of panic. During December 2016 quarter, the topline increased by 24% over September 2016. PAT increased by 43% over September 2016, while EBITDA margin improved by 510 bps. Apart from that, coming to some specific ratios for the year as a whole, the gross margin stood at 53.4% (FY17) versus 55.3% (FY16) year before. PBT margin stood at 34.1% (FY17) versus 35.8% (FY16). PAT margin stood at 24.6% (FY17) versus 26.2% (FY16). While coming to last quarter that is March 2017 quarter, gross margin percent stood at 50.8% versus 58.5% (Mar-16 quarter). PBT margin stood at 31.9% (Mar-17 quarter) versus 43.7% (Mar-16 quarter) and PAT margin reduced to 23.4% (Mar-17 quarter) from 32.6% (Mar-16 quarter).

As on 31st March 2017 on standalone basis, capital employed in core segment of air-cooler, the capital employed is about Rs. 173 crores while corporate fund that is treasury stood at about Rs. 285 crores. This translates into return on capital employed in the core business of air-cooler 237%.

Coming to segment revenue, geographically the domestic sale on a standalone basis in India was Rs. 595 crores (FY17), up from Rs. 469 crores (FY16), while exports increased from Rs. 57 crores (FY16) to Rs. 72 crores (FY17). While on consolidated basis, the domestic sales increased from Rs. 471 crores (FY16) to Rs. 597 crores (FY17), while rest of the world which includes exports from India, IMPCO Mexico performance and GSK China jumped from Rs. 123 crores (FY16) to Rs. 169 crores (FY17). Coming to segment profit on standalone basis from domestic business, it increased from Rs. 176 crores (FY16) to Rs. 215 crores (FY17) while rest of the world it improved from Rs. 23 crores (FY16) to 25 (FY17).

During the year, Symphony launched in all 10 new models under i-Pure and Touch series. They are really next generation air-cooler models and products have been classified as digital products and not the electrical products. It is a complete generation change. To talk in detail about Touch series, we have made the buttons unnecessary, this is one cooler which talks back to the



customer, the cooler ultrasonically repels mosquitoes, the cooler reminds you of the next service date, the cooler electronically controls the humidity and it comes with a removable water tank.

Coming to sales of Touch series, we started sale of it starting January 2017 but it attracted booking as early as July 2016 and booking was made barely based on the pictures and brochure. The advances received 6 months in advance were invested in the moulds and that kick started a negative CAPEX cycle a distinct from negative working capital cycle. At Symphony ROCE has acquired a new application a return on concept. We launched i-Pure which is 2 in 1 air-cooler launch, i-Pure created a history, it combined 2 products in 1 that is air cooler cum purifier. For the first time, such kind of concept was launched in air cooling industry. The product addresses domestic pollutions like bacteria filter, allergy filter, wash filters, smell filter, dust filter, etc.

During the year which was in fact the first full-fledged 12 months of Chinese operation, which was acquired in January 2016, we had factored and had announced that business would lose money for the next few years. We considerably reduced the operating losses in 2016-2017. To be precise about GSK China for calendar year Jan-Dec 2016, even though in terms of absolute topline it reduced marginally from Rs. 55 crores (2015) to about Rs. 44 crores (2016) but coming to cash loss level, it was less than half from Rs. 15.23 crores (2015) to Rs. 7.15 crores (2016) and at a net loss level, it was almost half from Rs. 20 crores (2015) to Rs. 11 crores (2016). So, this really proves the strength of Symphony strategy and we are successfully integrating the operations and as conveyed earlier in foreseeable future we expect GSK operations to breakeven. Symphony has extended deeper into rural India, for the first time we began to appoint exclusive rural India dealers. We began to focus on many rural clusters which are having small population spread. During the year, we have almost doubled the number of retailers. We introduced barcode sales coupled with the e-Sampark mobile application having path breaking features. Through that, we developed insights into offtake timing, quantity as well as location.

During the year in particularly in the last quarter, we have considerably increased our brand spend. During the year, we invested approx. Rs. 41 crores versus about Rs. 31 crores year before which is almost 32% higher than the previous year. In the last quarter, we launched an animation TVC theme around Garmi ko karo Symphony. We created our own animated icon instead of spending on a brand ambassador just like Amul girl or Asian paints Gattu. This TVC has generated 300,000 YouTube views within the very first 48 hours. The promotion was launched in March but this being path breaking ad campaign and expecting early summer, we thought it appropriate to spend considerably in pre-summer and hence in Q4 our ad and sales promotion expenses jumped from Rs. 1.30 crores in March 2016 to Rs. 13 crores in Q4 which we really considered it as long term investment but we have completely returned them off in Q4 and year. We have deepened our modern trade presence, our market share in modern trade is at least 60% as per our data, counter to counter it varies in the range of 60% to 90%.

We have now completely turned around IMPCO Mexico operations, which was acquired few years before. We had initiated project renovation to transpose Symphony's asset-light, capital-light business model. This has helped to unlock our resources completely, loans and advances



granted by Symphony India and its stepped down subsidiary company has been completely repaid with interest. So, now IMPCO is self-sufficient and on top of it, still it is sitting on some valuable real estate which is also expected to be monetized in the near future and that liquidity will take care of its growth, research and development and through this asset-light outsourced business model, IMPCO will be in a position to completely focus on sales, marketing and research and development. Again, to share the precise numbers, during the year, Jan-2016 to Dec-2016, IMPCO Mexico's topline stood at about Rs. 75 crores and not only at our cash level it is positive but even at our PAT level, it is positive.

Symphony reported 30% growth in consolidated revenue and a 12% growth in PAT in 2016-2017, this is for the first time in 5 years when the company did not report profitable growth in the March quarter. Symphony has reported such aberrations in a few quarters in the past also but never a decline in the annual profit growth in the last decade. The analysts who track every sequential and corresponding quarter may find this phenomenon surprising on the ground that, when disposable incomes are rising and Symphony's spending higher than ever on brand building does it not extrapolation indicate that the company should have reported higher profits.

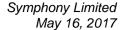
During the last financial year, Symphony was proven right on virtually on all the counts, except one. During the first 9 months, bottom-line growth was higher than topline growth. In other words, it was a profitable growth then after the company felt that having the advantage of the buoyancy of 9 months, it would launch disruptive Touch product at the introductory price. The company reported attractive sales and lower profit also in the line with modest introductory price. In fact, whatever was our internal estimate, we reported almost 2.5 times the sales of Touch series. We could have responded it in 3 ways, we could have moderated offtake and return the consumer unaddressed or we could have raised the price mid-season and turned the entire distribution network off and losing some credibility or we could have sustained output, maintain introductory sticker price and taken a relative hit for long term interest.

At Symphony, we have selected the last option. We believe that in doing so, we have largely shut the competition out, we have retained the confidence of our trade partners that we follow stable pricing and we have seeded the market with thousands and lakhs of i-Touch and i-Pure models. The reality is the profits have not reduced but we have merely postponed the profits from one quarter or two across the few number of years. We also believe that midway of current quarter, there is a moderate slowdown in profit growth which is likely to be extended even in the first quarter that is June quarter of 2017-2018 as sales was better than expected in end March and beginning of April. But then after summer has not been good and irrespective of the media report or talk about harsh summer, in cooling industry, in fact sales has slowed down starting 4th week of April and in our case this will be coupled with introductory prices of Touch range.

So, with this, I open the floor for Q&A.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Renu Baid from IIFL. Please go ahead.



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Renu Baid:

Sir, few questions from my end; a) starting with your comments about market slowing towards the end of April, if you can just highlight how was the overall season and your expectation with respect to geographical spread across North, Central and Southern region and then followed by how has been the sub segment wise performance for the residential air coolers market as well as for industrial and central air-cooling products where you working?

Nrupesh Shah:

So, as I said earlier in March and till first 3 weeks of April, season was pretty good but then after in cooling industry the sales has slowed down. So, until 3rd week of April there was a robust growth. Coming to specific region wise sales, as of now I do not have the details handy but I think it is pocket wise, in some of the pockets it has performed very well, in some of the pockets where there was not so good summer or where there were occasional rains or where nights were quite pleasant, it has not performed that well not only for us but for the entire cooling industry. Having said that in our brand report in opening remarks, we conveyed that our market share is 50% but based on our market intelligence and the best estimate, probably our market share may be substantially higher than that even in March or even in current quarter, I think most of the sales is taking place under Symphony brand. Coming to sub segment, that is residential cooler and centralized air cooling, in centralized air cooling year as a whole we have registered almost 100% growth and now in absolute amount it is in healthy double digit figure. And there is a robust pipeline of orders in centralized air cooling across the geographies, across the industries.

Renu Baid:

And on the distribution end, you mentioned that now you are working on a separate or exclusive rural India network. So, how is the current distribution setup with respect to urban as well as rural setup and what incremental spend do you expect on scaling up the distribution chain and network over the next 12 to 18 months.

Achal Bakeri:

We do not expect any incremental expense to penetrate the rural market, it will basically be an extension of the existing distribution network. It is matter of appointing more dealers in unrepresented smaller towns but it is not a question of spending for it.

Renu Baid:

But from our understanding perspective, would that increase your market presence of footprint by next proportion say 20%, 30%. So, any number that you would like to give with the dealer network enhancement that you are working on?

Achal Bakeri:

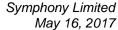
Well as of now, I think we probably have about a 10% sort of an increase in the distribution especially in rural network and which is only likely to grow in the months to come and again some of these figures are yet sort of coming in but as such we are present in something like 4,500 centers across the country, so which is up from about 4,000 or so last year.

Nrupesh Shah:

And still we believe that in medium term and long term, there is a huge scope to enhance our distribution network, across rural, semi urban and urban area.

Moderator:

Thank you. The next question is from the line of Kunal Jagda from KR Choksey Shares & Securities. Please go ahead.





Kunal Jagda:

Sir, as you see that the standalone business, the domestic business has done well but on a consolidated basis the profits are down by some Rs. 7.5 crores. So, what was the reason behind that sir?

Nrupesh Shah:

So, previous year that is year ended March 16, our GSK operations were consolidated only for 3 months because we acquired on 1st January 2016. While in the current year, GSK operations have been consolidated for entire 12 months. On standalone basis, in GSK China, in the very first year of acquisition, we could curtail loss almost to half from Rs. 20 crores to Rs. 11 crores but previous year it was only for 3 months, in current year it is for 12 months, that is number 1. And number 2, in the previous year 15-16 for IMPCO Mexico, there was also an exceptional income close to about Rs. 12 crores which was again on account of sale of its real estate. So, till previous year Mexico was barely breaking even, starting current year because of the asset-light model IMPCO Mexico is generating healthy cash profit and the reasonable PAT.

Kunal Jagda:

Sir, next question is on the advertisement cost, which has increased, in this quarter it is around Rs. 13 crores and the raw material consumption is also relatively very high as compared to the last quarter and so do you feel the pressure from the competition, is this the reason for this high advertisement cost and what is the reason behind the raw material cost increase?

Nrupesh Shah:

It seems probably you have missed opening remarks, I otherwise addressed this. So, as I said, in our all the models, our contribution in operating margin has remained the same but only in last quarter we came out which Touch series of model and our estimate of sales was X but actual sales was 2.5 times and we launched it at an introductory price to really disrupt the market. So, being introductory price which will last till season that is till June quarter, the contribution is lower. But considering the overwhelming response and pricing power of the brand and path breaking technology, we expect that starting September quarter in terms of even EBITDA margin and operating margins, it should be almost matching first 9 months of the current year. On top of it, coming to advertisement and sales promotion, so again as I had covered in opening remark, we came out with path breaking ad campaign whereby we have developed our mascot and expecting early summer we started the advertisement and sales promotion from January which otherwise in earlier years, it used to start around 15th of March. And in terms of percent of advertisement and sales promotion, I think by and large it will continue around the same level.

Kunal Jagda:

So, from coming quarters there would be not this much high amount of advertisement cost, I

May be.

believe.

Kunal Jagda:

Nrupesh Shah:

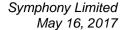
And sir what was the customer offtake in the entire FY17 and last quarter?

Nrupesh Shah:

No, what you mean by customer offtake?

Kunal Jagda:

Means the secondary sales.





Nrupesh Shah:

So, as per the details available with us, as on 31st March 17 which is like a peak season for South India and certain parts of East India, almost 80% to 90% of the sales was already done to our customer level while in other parts of the country the placement with the dealers was about 69% as on 31st March

Moderator:

Thank you. The next question is from the line of Manoj Gauri from Equirus Securities. Please go ahead.

Manoj Gauri:

Sir, one thing the introductory price for Touch, so should we expect for the June quarter the prices would remain at similar levels and then again, we will be giving higher discounts to the dealers. So even for the reminder of the calendar year 2017, the margins should remain impacted for the Touch air-coolers?

Nrupesh Shah:

So yes, in June quarter price will remain around same because we do not want to disturb the business and trade channel more for our long term interests and starting July quarter considering the pricing power and overwhelming response, we will re-price the product but at the same time in off season, our sales promotion and advertisement expenses are much lower not only that it helps us in planning the production and inventory and on top of it, we sit on those advances for couple of months. So actually, contribution margin despite low price in off season may be much better than what currently we have.

Manoj Gauri:

Sir, second is the inventory levels. If I look at now post 3 weeks of April the season like this our demand has been impacted, so if we look at like till April 3 weeks, the demand was strong, the secondary sales were strong. So, dealers might have been influenced to build higher inventory. So, do you feel like primary sales would be impacted more in the June quarter rather than higher impact on secondary sales?

Nrupesh Shah:

Yes, that is why post 3rd week of April, there is a slowdown in the business but even in the past also, couple of years before, we have experienced that even in May end or even in June, if there is a consistent good heat especially Northern India, Central India and Western India then season may turn around and it may really push the sales.

Manoj Gauri:

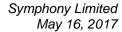
And sir lastly one small question, like obviously the performance in GSK was really remarkable but I was not able to understand like the sales declined from around Rs. 55 crores to Rs. 43 crores. Is this right?

Nrupesh Shah:

Yes, I said down from Rs. 55 crores to Rs. 43 crores, that was on account of certain non-profitable loss making models, we deemed it more appropriate to discontinue. But we expect that down the line considering the strength of other models and brand, they may take off.

Manoj Gauri:

And sir, like last time also we had just discussed like are we planning to launch any Symphony coolers in China, residential air-coolers?





Achal Bakeri: We are going to introduce some Symphony models in China but not under the Symphony brand

because the brand in China, which is Keruilai is well established over there. So, we will continue branding, batching those products as Keruilai in China. We will continue with the existing, the

legacy brand.

Manoj Gauri: Till date we have not launched any Symphony models in China under GSK brand.

Achal Bakeri: No, but starting this current summer products have reached and I would say really starting in

June those products will be available in China.

Moderator: Thank you. The next question is from the line of Gaurav Sanghavi from Bajaj Allianz. Please

go ahead.

Gaurav Sanghavi: I would like to understand sir, strategy in much detail, in terms of this i-Pure and Touch, you

mentioned about introductory price but given the market leadership with us, dont you think sir this strategy will cannibalize our other product sales and will impact us or you think there is a high competitive intensity in market and probably this is the right time to gain market share with

this launch, if you can elaborate bit on that?

Achal Bakeri: To some extent you are right, there will be some sort of cannibalization but the impact that the

Touch range will have on our competitors will be far more than the impact that it will have on Symphony's other models. So net-to-net, our sales has grown and that growth has not only come from the Touch range, even if you exclude the Touch range, we still have growth and we could have priced it better, we could have priced it higher in hindsight. But at that point, it was meant to be an introductory rate and we had also not expected as a response to be so overwhelming as it was, so which is why we ended up probably earning less money than we could have. So, in a sense we are victims of our own success. In hindsight, we could have may be earn some Rs. 10 crores Rs.15 crores more and registered a decent growth in the bottom-line as well. But then

hindsight is always 20-20.

Gaurav Sanghavi: Generally, when we launched the DiET series and other products, the price used to be always

higher. So, what was the thought process while launching, it was more about ...

Achal Bakeri: No, it was not so. Historically whenever we have launched the product, we have always launched

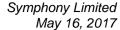
it at an introductory price and then every year we sort of gradually build up the price. So in your language, we do creeping acquisition of margin, so that is what we had also intended to do in

this as well and it will happen in this as well.

Gaurav Sanghavi: And other question sir, generally we take some price hike every year. So, what is the strategy

this year, given you mentioned after this season we will take back the introductory price and will

see some price hike against these 2 products, but for remaining portfolio what is the strategy?





Achal Bakeri: Little too early to tell, we will probably sort of decide our strategy sometime in June for next

year, I mean next season which is sort of begin in July. But there will not be any major change

in the pricing in other models other than in Touch.

Gaurav Sanghavi: The other question is on the GST. So, the rate is still not announced but for us what would be

the current indirect tax, total indirect tax and what would be our strategy because there is an expectation across the sectors some shift from unorganized to organized and for our industry

unorganized size is very big. So, any strategy you have in mind with respect to GST?

Achal Bakeri: All in all, we expect to benefit from GST but it is difficult, too early to quantify what the benefit

would be, it all depends on what rates the air-coolers fall under in GST. Even if it is in 18% slab, it is intended to be, the benefit would be marginal. But then I think it will be premature to talk

about that at this point, may be next quarter we can debate that.

Nrupesh Shah: And I think you were referring to unorganized sector, so for sure under GST, it may be difficult

for many unorganized players to evade the taxes, which is in current regime. So, even otherwise also there is a shift from unorganized to organized, and if GST is implemented in right way there

may be a rapid shift from unorganized sector to organized sector.

Achal Bakeri: As per our reports even in the current summer, major market like Delhi, we believe that

unorganized sector has de-grown by about 25% to 30%. And Delhi is the Mandi for unorganized sector for entire North India. So, it appears as if the effect of GST has already set in, this could

also be partly due to demonetization.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please

go ahead.

Ravi Naredi: Sir, when China operation turn around in few years, can you give words it may become bigger

than India business?

Achal Bakeri: As such, the Chinese market for every product is 10x, 20x of India and we think that even for

air-coolers the market in China is enormous, although it is also very fragmented market, there are hundreds of players in China as well, although our company is one of the few brands in China, in air-coolers which is well established and which is known but who knows, in the long term China could be a huge opportunity may bigger than India, time will tell but we are very

bullish on China.

Ravi Naredi: And sir second, your i-Pure and Touch got good success.

Achal Bakeri: Before we move on, about China, we are talking about in the medium to long term, so please do

not ask us next quarter what happen to China ...

Ravi Naredi: No, I am asking for in view of 5 years, after 5 years not now.



Achal Bakeri: Very good ...

Ravi Naredi: Sir and your i-Pure and Touch got good success, now do you think your other products demand

went moderately down due to this product?

Achal Bakeri: Not really because as such in Symphony we keep on innovating and adding features even to

existing products, upgrading existing products. So, we keep on adding value, one way or the other we keep on adding value to sustain the profitability and the competitive edge of our models. So that is a never-ending sort of a process at Symphony and we have not really had to re-price

or reduce the price of our products so far.

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

go ahead.

Omkar Kulkarni: You just said that you are considering buyback of equity shares, so with the promoter

shareholding as 75%, how is it possible to do that sir?

Nrupesh Shah: No, so as per SEBI guidelines, promoter shareholding cannot exceed 75%, proportionate shares

have to be tendered for buyback even by the promoters also. So, they may tender the shares for

buyback but overall holding will not increase.

Omkar Kulkarni: So that is you are considering that only because of the tax rate you have to pay while paying

dividend or is there any other reason for considering buyback?

Nrupesh Shah: No, mainly tax efficiency because as you may be aware there is a 21% dividend distribution tax

and in case of HNI shareholders, there is also on top of it 10% HNI taxation. So, buyback maybe much more efficient and that to in a company like us where more than 90% of the profit is free

cash flow and we are sitting on treasury, it makes a lot of sense.

Omkar Kulkarni: Yes, so you will be considering this in the current financial year or something, some timeline

you can give?

Nrupesh Shah: We will decide at appropriate time but exact timeframe we have not decided. But what we are

contemplating even in absolute amount wise, it should be reasonable size in terms of absolute

amount because we cannot resort to buyback every now and then.

Achal Bakeri: Even our bonus share that we issued last year was a step in that direction.

Omkar Kulkarni: And one more thing, if you look at the dividend that you have distributed, it comes to around

Rs. 4.5 right, for the full year?

Nrupesh Shah: Yes.

Omkar Kulkarni: And after pre-bonus it comes to around Rs. 9 per share, right?



Nrupesh Shah: Yes.

Omkar Kulkarni: And last year, it was Rs. 15 excluding onetime special dividend of Rs. 10. So that comes around

Rs. 15, right?

Nrupesh Shah: Correct.

Omkar Kulkarni: So, actually the dividends have reduced, right?

Nrupesh Shah: Yes, you are right.

Omkar Kulkarni: So, in spite of profits growing, why such decision has been taken to reduce the dividend?

Nrupesh Shah: See, as we said and as we have also articulated in shareholder's reward policy in last year's

annual report, the shareholders can be rewarded by way of dividend which has happened so far

and more efficient way is to resort to buyback of shares.

Omkar Kulkarni: That is the only reason you have lowered the dividend?

Nrupesh Shah: Absolutely. So, we can preserve the cash to resort to considerable buyback.

Omkar Kulkarni: That is the only reason, right?

Achal Bakeri: Yes, that is the only reason, what other reasons could there be?

Moderator: Thank you. The next question is from the line of Devang Mehta from Mohra Investment

Managers. Please go ahead.

Devang Mehta: We are talking of 2 things here, one is i-Touch the new range that we have introduced, then

second there have been some introductory prices, right. So just to put change in perspective can broadly understand what would be the total i-Touch share in the peak season, may be last quarter

and in March and June quarter what part it contributes?

Nrupesh Shah: Due to competitive reasons, model wise or range wise market share or percent we do not

disclose.

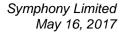
Devang Mehta: Because I was just trying to understand, very broadly looking the overall gross margin which

have reduced by more than 750 basis points Y-o-Y, so is there a lot of discounting in other

products as well apart from the i-Touch range?

Nrupesh Shah: No, as we said in other models, our contribution margin, our operating margin has remained the

same what it was earlier. It is purely on account of Touch series; overall margin has reduced.





Devang Mehta: And you already mentioned that after the June quarter you will re-calibrate the price as per what

market conditions are, so when we say introductory price obviously, it is lower than at what we eventually wanted to sale. So, what would be that gap in percentage term if you can highlight

that?

Nrupesh Shah: No, it is again premature, so sometime in June after end of the season and considering some

market feedback, it will be decided appropriately but certainly it will be much better than what

it is currently.

Moderator: Thank you. The next question is from the line of Karan Rathod from B&K Securities. Please go

ahead.

Karan Rathod: Wanted to understand 2 things. First is, was there any CAPEX in the last year and what was it

sir?

Nrupesh Shah: No, so as per our business model being outsourced business model, we do not have considerable

CAPEX, it is about Rs. 5 crores.

Karan Rathod: And on the outlook, sir I wanted to understand at what revenue growth are we looking for FY18?

Nrupesh Shah: So, as we have maintained in the past in medium to long term we have given CAGR growth

guidance of 20%-25%. Having said that, that is not the guidance for quarter or for a year, it is a

medium to long term guidance and it is a CAGR guidance.

Karan Rathod: Sir and what margin levels would be able to maintain in this coming fiscal year?

Nrupesh Shah: In terms of the margin, I think by and large what was the margin last year that is 2015-2016 it

will be our endeavor to maintain that margin.

Karan Rathod: And sir, possibly when you said that you would be looking at launching some Symphony models

in China but under the home brand. When would that be a possibility, where do you see that as

a target time, around what time do you see that launch to be falling through?

Nrupesh Shah: May be in 2017-2018 and 2018-2019.

Karan Rathod: So, tentatively in the next 12 to 18 months you would be expecting to launch those models over

there.

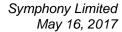
Moderator: Thank you. The next question is from the line of Gaurang Kakkad from Haitong Securities.

Please go ahead.

Gaurang Kakkad: Sir, my first question is that if we look at the space in India, there has been a lot of increase in

terms of the competitive intensity, so obviously, you come out with a very good TV commercial

and we have seen a lot of other guys also doing a lot of national advertising be it the established





players as well some of your new entrance also. So, is this also getting reflected in terms of the dealer level margins or higher margins being offered by competition, so are we seeing the competitive intensity also getting reflected in terms of like competition giving higher margins and because of which even you would be like post to react?

Achal Bakeri:

Competition has always given higher margins, we have been operating in this for 28 years and we have always said competition gives much higher margin than Symphony does but then the question is what does a consumer want and the consumer ultimately goes to a store asking for a Symphony cooler, so the volumes are much higher in Symphony. May be on a per cooler basis a dealer may make a little less money on a Symphony but he makes up for that in terms of volume. So, net-net even he ends up earning more money in Symphony than in our competitor's business.

Gaurang Kakkad:

I take your points. So, at the margin level has there been any further increase? I know that the margins competition has always been giving higher but given that you have seen some of the new entrance trying to gain market share, is that the case or we are comfortable with the current margins that we are providing dealer and we hope to maintain market share or slightly improve market share even from these levels.

Achal Bakeri:

No, we hope to maintain the current level, again the long term who knows, may be margins may improve, may be our competitiveness may improve. So it is not as if the future is always weak, the future may be even better than it is now.

Nrupesh Shah:

And again to answer your question indirectly in last 3 years many more brands have entered. Despite that at the same margin, 3 years before our market share value wise was 40% and now it is easily in access of 50%.

Achal Bakeri:

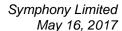
And, whatever the competition does, basically it is copy pasting what Symphony does. As long as there is no innovation in the market, our competitors are forced to price lower than us. So, no matter what Symphony gives the competition has to give more than Symphony. Because that is the only way they can stay, sort of remain in the market.

Gaurang Kakkad:

And the differential would not have changed even now between yours and competition right. And secondly sir, on the China business like earlier guidance was that may be revenues would be closer to what we have, so may be the decline would have got arrested but we have seen around 20% decline this year as well to Rs. 43 crores. So, are we losing customers mainly in China or is the export part of the business to the Asian countries getting impacted, like if you can throw some more color on this?

Achal Bakeri:

Well actually, before we acquired this company it was part of a Swedish multinational which has operations in many countries worldwide. So, much of the sale was from intercompany sales to other subsidiaries like in Brazil or in Egypt or in Turkey or in Mexico or in Sweden and so on and so forth. Now the group, globally has exited from air-coolers, their intercompany sales has





also vanished. So much of the sales that we have lost was intercompany sale. And we have actually made up for much of the intercompany sales by increasing sales to other customers.

Gaurang Kakkad: So, most of the decline is largely because of the ex-intercompany sales, we have seen a growth

in China business, would that be right?

Achal Bakeri: Yes, absolutely.

Gaurang Kakkad: And most of the intercompany sales is now over? or we are still selling, we still have some part

of it in this Rs. 43 crores?

Nrupesh Shah: No, none of that is intercompany sales to their subsidiaries. And moreover, as mentioned earlier,

we have also exited from unprofitable customers and unprofitable products. So basically, this is part of the cleaning up of the operations and we expect that it will only do better from now

onwards.

Gaurang Kakkad: And is there any guidance in terms of growth for the China business, any visibility that is there?

So, I will take your point that may be sales would have bottomed at around Rs. 43 crores but are

we seeing like visibility of say 15%-20% kind of growth in the business?

Achal Bakeri: About 5 years ago this business was about a Rs. 120-130 crores business.

Moderator: Thank you. The next question is from the line of Nishith Rathi from CWC Advisors. Please go

ahead.

Nishith Rathi: Sir, just one question from my side. What was the sales growth ex the new products which have

been launched this quarter?

Achal Bakeri: Sorry, we do not have those numbers readily available.

Nrupesh Shah: But broadly speaking, year as a whole, new models would have contributed almost one fifth of

the sales. But quarter-to-quarter if you ask, we may not have it.

Nishith Rathi: So, can I take this offline to understand this better, if you can provide the latter numbers.

Achal Bakeri: Actually, we do not really go into numbers, for whatever our internal reasons and competitive

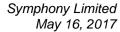
reasons we do not give specifics of numbers.

Moderator: Thank you. The next question is from the line of Krish Kohli from Edelweiss. Please go ahead.

Krish Kohli: I basically want to understand your strategy with the Symphony cloud cooler because we had

done test runs in Gujarat, I think last quarter you had specified in the con-call. When are we

aiming for a launch for this model?





Achal Bakeri: We test launched this in Ahmedabad last summer and in this summer, we have also extended

the test launch to parts of Rajasthan and couple of MP and other states. But again, just sort of getting the market to understand the product but for next year, we have to roll it out to the trade in July in the off season, so for the next year this will be a full-fledged product for us. In the

current year, 2017-2018, this will be a full-blown product available in the market.

Krish Kohli: So, from July it will start, it will be available?

Achal Bakeri: Yes.

Krish Kohli: Also, what would be the size of the centralized air cooling market in India?

Achal Bakeri: See, that is the market which does not exist. So, we are creating a market which is nonexist, so

there is nothing like a market which exist for which we can define a size, Just like air-cooler if you had ask this question 20 years ago, there was very, almost a non-existent market and the market has been created because of Symphony. Now we are essentially trying to do the same thing again in central air cooling systems, we are eventualizing the concept, educating the market to the benefits of this product and gradually grow in the market. So, eventually there will be a

market as of now pretty much what Symphony sells is the market.

Krish Kohli: And have we got any orders from India?

Achal Bakeri: Of course, we have done hundreds of projects.

Nrupesh Shah: And that too across the industries whether it is in industrial sector, education, hospitality,

religious segment, data center, etc.

Krish Kohli: This does not come under the IMPCO subsidiary, right?

Achal Bakeri: No, this is India business, we are talking about. IMPCO of course has its own sales of industrial

coolers and as thus China but what we are talking about so far is the India business.

Moderator: Thank you. The next question is from the line of Kamlesh Kotak from Asian Market Securities.

Please go ahead.

Kamlesh Kotak: Sir, just wanted to get some color on the exports market ex of China. How you see that market

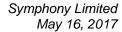
growing and any specific reasons or geographies which are looking to be growing and how the

outlook is?

Achal Bakeri: As of now, basically in the year 2016, we have just done a maintenance job of reconnecting with

existing customers and because of the change in guard, change of ownership, there was a fair amount of turbulence and uncertainty. So, our job was to reassure the market that things are stable, things are going to be normal and so, that is how it has been but going forward we are

appointing people, we are establishing a distribution in new segments in new countries. So, it is





a process that has been initiated. So, in fact we had introduced this product, Chinese products in markets in which they were never sold before. So, yes, we are gradually growing that business.

Kamlesh Kotak: So, how the exports would have grown sir on like-to-like basis this year, excluding Chinese

operations?

Nrupesh Shah: So on a standalone basis from India in absolute amount, it has grown by almost 26% from about

Rs, 57 crores to Rs. 72 crores and on a consolidated basis, the rest of the world contributes almost Rs. 171 crores which is above 21% of the consolidated topline which of course include

standalone exports and sales from IMPCO Mexico as well as China.

Kamlesh Kotak: Secondly sir, in terms of your industrial business how that would have grown in India this year?

Nrupesh Shah: So, about industrial business on a low base, it has grown almost in triple digit and we have

executed several prestigious projects across the industry and from very low ticket size to large ticket size and under industrial project even packaged air-cooler, they have also done well.

Kamlesh Kotak: So, typically what ticket size it would range from sir, from lower to high as you mentioned, I

mean the project size would be what if I can get some sense?

Nrupesh Shah: It may be in the range of Rs. 50,000-75,000 to few millions of Rupees.

Kamlesh Kotak: Thirdly sir, can you just help us understand how many models in the residential cooler do we

have and what is the broad price range you can say?

Nrupesh Shah: So, if we combine residential models of Symphony India, IMPCO and China easily in access of

50, but in India about 40 in residential.

Kamlesh Kotak: And what could be the broader price range sir, ranging from lowest to the highest price model?

Achal Bakeri: At the MRP level from about Rs. 6,000 to Rs. 20,000.

Kamlesh Kotak: And lastly sir, how much would be the share of modern trade out of the total revenue in India

and how that has grown?

Nrupesh Shah: So, modern trade has contributed close to 16% of domestic sales which was 2.5% about 4 years

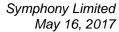
before but in modern trade per say our market share is anything in the range of 60% to 90%.

Kamlesh Kotak: So, Y-o-Y that also has grown in tandem with the overall growth or it has grown at a higher

pace?

Nrupesh Shah: Slightly at a higher pace because their base was low and we have added many more segments of

modern trade because starting last year we have also added some regional modern trade also.





Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the

conference over to Ajinkya Bhat for his closing comments.

Ajinkya Bhat: Thank you everyone for participating in the conference. I would just like to ask the management

if they have any closing remarks, otherwise we can end the call, sir any closing remarks?

Nrupesh Shah: Yes, thank you to all the participants and thank you very much to Kotak Securities Ltd for

hosting this conference call.

Moderator: Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for

joining us and you may now disconnect your lines.