Symphony Limited

Corporate Action Conference Call

"Acquisition of Climate Technologies"

June 22, 2018

Management: Mr. Achal Bakeri – Chairman & Managing Director
Mr. Nrupesh Shah – Executive Director
Mr. Bhadresh Mehta – Chief Financial Officer

Analyst: Ms. Renu Baid - Vice President, IIFL Institutional Equities

Moderator: Ladies and Gentlemen, Good Day and Welcome to the IIFL Capital Limited Conference Call on the Corporate Action at Symphony. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Renu Baid from IIFL Capital Limited. Thank you and over to you.

Renu Baid: Thank you, Aniket. Good Evening everyone. Welcome you to the Conference Call of Symphony post the announcement for acquisition of Climate Technologies. We have with us the management of Symphony represented by Mr. Achal Bakeri – Chairman and Managing Director; Mr. Nrupesh Shah – Executive Director; and Mr. Bhadresh Mehta – CFO. Without taking much time, I would like to hand over the call to Mr. Bakeri for his opening remarks. Thereafter which Mr. Nrupesh Shah can share his comments. Over to you, Sir.

Achal Bakeri: Thank you very much. First of all, I thank all the participants for being here at such short notice, also thank IIFL for managing the call in a very short period of time. I would also like to say that this transaction was put together for us by Lazard India and I have special words of appreciation for its Director, Vikram Surana, and his team. They have done a wonderful job of negotiating on our behalf the merit agreements and they have really defended our interests to the hilt, to the last minute. Of course, the Symphony team, my colleague, Nrupesh bhai, Bhadresh Mehta, Falgun Shah, and many others in the background, auditors who did the due diligence, our legal advisors all of them have really put night and day together to see this transaction go through in the last couple of months.

As the announcement has conveyed, Symphony has agreed today, has signed a definitive agreement today to acquire 95% of an Australian air cooler company called Climate Technologies. Climate Technologies is basically a 46-year-old company which has been in the business of air coolers as well as heaters. It has also recently in the last few years got into the business of air conditioning. Symphony will be acquiring this company at a price value between A$ 40 and A$44 million. The top line of Climate Technologies is expected to be A$ 55 million by 30th June, its financial year is July to June, so by June 30, 2018, which is end of next week, the company is expected to close at a top line of about A$ 55 million and an EBITDA of about A$ 5.5 million. The acquisition of A$ 40 to A$ 44 million will be in the form of about A$ 15.2 million of equity and about A$ 24 million of debt, and Symphony is acquiring 95% of the equity, the balance 5% is being retained by its CEO who currently actually has 10% equity and he will continue to retain 5% equity.

This acquisition more than anything else strengthens Symphony's new journey of Version 3.0 as we call it. About a month ago, we had circulated a brand report for Symphony in which we had extensively talked about Symphony Version 3.0, which Symphony has embarked upon now and Version 3.0 essentially meant that Symphony will be far more international in its revenue and would also have far more of revenue coming from industrial and commercial cooling. These two together help Symphony not only have different growth drivers, but also helps Symphony in de-risking or deleveraging from a single market or a single product category. Moreover, especially this acquisition being in the southern hemisphere has complemented each season, so when it is summer here it is winter there and when it is winter here in India, it is summer there, so it has been I would say a very complementary acquisition in more ways than one.

Moreover, all these years Symphony really had no presence in Australia, so this gives immediate access to a market in which Symphony had virtually never done any business. Besides that, Climate Technologies also has a subsidiary in the US which is called Bonaire USA and 12% of Climate Technologies' revenue is generated from the US. It is one of the largest suppliers of air coolers to Home Depot, which is the largest seller of air coolers in America, and the significant potential for upside in the US business as the US market itself being huge and Climate Technologies product being very well accepted for the last several years is another factor. Besides that, there are several other synergies in this acquisition, the sourcing synergies, Symphony with its presence in India and in China, and in Mexico has several sorts of suppliers which can be accessed by this new company, by Climate Technologies to reduce its cost of manufacturing or maybe improve its quality. There are also possibilities of cross selling products, because the products are completely complementary, that is kind of product we sell in India, make in India are not what are manufactured and sold by Climate Technologies and vice versa, so there is an immense potential for cross selling products.

Moreover, what Symphony has also acquired is a very premium brand in world of air cooling called Bonaire, which the brand has been in existence for about 64 years and it has been known in the US, in UK, in South Africa for a couple of generations as a very premium brand, and Climate Technologies is also led by a very capable team. Its current CEO who has led the company for the last three years as I said will continue to have skin in the game in the form of 5% equity and he leads a very stable and experienced team and they are the ones who are responsible for its growth in the last three years. The top line of the company has grown at a CAGR of 9% and the EBIDTA growth of 130%, so the team has done remarkable job and we are very happy to retain the team and we will continue to sort of support the team to so that they continue to grow.

Moreover, Climate Technologies has a similar business model to Symphony. It has an asset light business model, its turnover ratio is something like 1:11, it has I would say nothing like obsolete assets or obsolete inventory or slow-moving inventory receivables and all the hygiene of its balance sheet has also been very good and considering all of this, we believe that we have the acquisition price is fairly reasonable at 7.33 EBITDA multiple, and this acquisition should be immediately accretive for Symphony both in terms of top line and bottom line, and the acquisition as I said in the beginning it is going to be funded by about A$ 24 million of debt and A$ 15.2 million of equity. The debt has been raised even though Symphony India Treasury is far greater than that, as the debt is being raised at a rate which is lower than Symphony's return on its Treasury, so there is some sort of I would say opportunity for arbitrage over there.

Moreover, this is going to be a local currency debt in Australia, so it becomes sort of natural hedge against foreign exchange fluctuations and this debt will be sort of in the books of the acquired company, so it will also provide as a tax break in Australia. All in all, we believe that this acquisition in terms of the numbers, in terms of the ratios looks pretty good to us and we are very happy that this has happened after several years of being actually watching this company and making it unsolicited offer a few years ago to it actually happening now in 2018, so all told, we are very happy that this has happened and we are looking forward to growing this company and taking this company and its brand into new territories and into categories into which we are not within the air cooling space. With these words, may be my colleague, Nrupesh Shah can add something and after that we can open the floor open for questions.

Nrupesh Shah: Achal bhai has covered almost all the facets, but just to add or even at the cost of repetition to throw some financial aspects, so acquisition is taking place at 7.33x of EBITDA multiple and 0.70x sales multiple of the accounting year '17-18. For the accounting year '18-19, we have a reasonable visibility in terms of achieving the top line of that company of about A$ 65 million and in next four years' time as it has been shared in the investor presentation, the visibility is to reach a top line of about A$ 82 million and in all probability not only maintaining current EBITDA and operating margin, but we see many, many synergies whereby through value engineering, cross selling, research and development, and also very strong brands and market access probably to improve upon that drastically. As far as absolute tax figure is concerned, there is profit after tax. For the year '17-18, the standalone PAT of Climate Technologies amounts to about Rs. 23 crores, so in terms of PE multiple, it is close to about 8.5 to 9 times, and next year, that is, '18-19 profit after tax estimate is close to Rs. 35 crores. As far as some of the important financial ratios are concerned, it seems that based on '18-19 performance its year-end is 30th of June, return on capital employed should be around 18% and return on net worth on a standalone basis should be in excess of 30%. As Achal bhai said despite Version 3, in many respects Symphony is going to remain the same, so whether it is asset light, capital light, working capital light, and maintaining robust return on capital employed and net worth, that will remain unchanged and having acquired this company, it adds to the total revenue, but as far as Symphony's India focus is concerned, as far as domestic market growth is concerned, it also very much remains intact, so in fact in all respect it is going to be complementary and in many respects probably Climate Technologies product seems to be quite suitable even for China and many other markets. In many respects, it is likely to open up new avenues for business. Thank you.

Moderator: Thank you very much. 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 that when you talked about company doing a Rs. 274 crores kind of a revenue being into existing for last 60 years in a country of Australia which does have only two crores population, how should we look at from an angle when you talked about the future opportunities that it is going to do a A$ 65 million to an A$ 80 million revenue, then what was the push from an existing promoter or the existing company to sell the company to you?

Achal Bakeri: The promoter of the company is 70 years old and he has raised three or four daughters and no successors, so he is essentially retiring from business and that was the reason for him to sell.

Nitin Arora: Sir, given that this business is more of a promoter relationship which runs through at least we have seen in India and being you are not an Australian resident, do you see a risk to the existing business running there?

Achal Bakeri: There are two things, first this business is certainly not promoter driven, I think that is a wrong perception that you have. For example, in India none of our customers have any relationship nor any of our suppliers have any relationship with me as the promoter of Symphony. Nobody has my cell phone number, nobody has my email address, so it is certainly not a promoter-driven business. Number two, in Australia also, the CEO of the company and the Management team are the ones, CEO was also the Head of Sales few years before with the same company, who has sort of turnaround the company. The promoter was more of a technical person, more of a technocrat and it is the CEO who has turned around the company, it has not been promoter driven in Australia, that is my point.

Nitin Arora: Sir, my question about promoter driven is not promoter-promoter driven, my question is that when we talk about Symphony, obviously it is so much well developed by a promoter, so the relationship from a brand angle that comes which is backed by good promoters, so from that angle I was asking the question. My second question is that how we should read, because you have clearly mentioned in the presentation about the Australia doing about 88% of sales, being 2 crores only population country and US is about 12%, so can you just guide us that what sort of growth which eventually will come, will come only from US because it is just a 9% CAGR company in the last three years, so just need a thought on that?

Achal Bakeri: Yes, what is expected is that over time that the US will be a much bigger driver of growth than Australia. The US not only in terms of population is 15 times bigger, but also in terms of the size of the air cooler market is significantly bigger and this company's prospects in the United States are very bright and much of the growth of the future will come from the US. We would not be surprised if someday the US business becomes bigger than the Australian business.

Nitin Arora: If you can guide us in terms of the market penetration that this company already have in US versus the competitors, it would be helpful…?

Achal Bakeri: I do not think we can do that at this stage.

Nitin Arora: Okay, but if you can throw some light when we look at your standalone sales at about Rs. 687 crores, you do Rs. 183 crore profits there even if we add your acquisition sales, you do about Rs. 400 crores with assuming next year Rs. 30-35 crores profit still it does not move a needle in profitability, so how we should look at the next three to four years in terms of the profitability side, from that angle if you can throw some light on this?

Achal Bakeri: You should look at the presentation, it is all in the presentation. The expected top line growth is there, assume that the profitability margin remains the same as Nrupesh bhai has conveyed and that sort of answers your question.

Nrupesh Shah: Just to add to that, when you say that profit of Rs. 190 crores on sales of Rs. 670 crores, it is a wrong interpretation. For the Financial Year '17-18, the top line of Symphony was about Rs. 852 crores out of which 22% from international business and just to segregate the profitability between international business and residential in domestic market, it was like 75%-25% and in terms of international business profitability percent, it is almost comparable to domestic business and as Achal bhai said and as we even guided in the presentation, this is the current profitability, but on account of synergies and as to some extent we have done in IMPCO Mexico, and GSK China, in few years, we feel there are lot of synergies, but only time will tell about it.

Nitin Arora: Sir, I was just telling the profit of a standalone entity versus a consol entity, which is Rs. 687 crores revenue against the Rs. 183 crores profit, so that figure I was quoting.

Nrupesh Shah: Out of Rs. 183 crores also for your information you should look at segregation between domestic business and international, so international contributes Rs. 23 crores, Treasury contributes Rs. 32 crores, and domestic business contributes rest of the profit.

Nitin Arora: Lastly, just wanted to understand if this company only does the product sales or also they implement the project, because I just want to know are there any warranties being given to the clients there and you have provided any provisions against that?

Achal Bakeri: The company does not engage in any implementation or project execution, and warranties are the normal business warranties that what we do in India or any company does anywhere else, so there is nothing significant or very different about this company.

Nitin Arora: Is it possible to share the numbers, Sir?

Achal Bakeri: I do not think so.

Moderator: Thank you. The next question is from the line of Vishal Chopda from UTI Mutual Fund. Please go ahead.

Vishal Chopda: Sir, question is that historically we have been always been focused on the cooling product segment, with this acquisition is there a change of strategy to focus on both say cooling and heating products and not just cooling products, and as an extension to the question, do we also plan to launch heating products in India as well and what do we think is the right to win in that category?

Achal Bakeri: Good question, but this company has been in heating products and heating product is something that Symphony at a consolidated level will get into by default, it is not by design, and there is absolutely no intention of getting into the heating business in India, but this company's products are doing very well, the company's product are profitable, the heating products are doing very well and are profitable and are growing, so they will continue to do that part of the business, but there are no plans as of now to bring that product to India or anywhere else.

Vishal Chopda: Just one clarification, in the opening remarks, I think Nrupesh bhai mentioned about the standalone revenue and profits of the company, are the profits different or revenue different on a consolidated level, I mean is the US business not profitable, I mean I am assuming the standalone when you said standalone is the Australia business?

Achal Bakeri: I think you got confused, you are talking about two different things, the person who asked the question in the previous …

Vishal Chopda: No, I am not referring to that, sorry, I was referring to the opening remarks, Nrupesh bhai mentioned about Climate Technologies standalone revenue and profits, I meant to ask are the Climate Technologies consolidated profit and revenue numbers different?

Achal Bakeri: He meant, Climate Technologies consolidated profits which included USA.

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

Manoj Gori: Sir, I need to understand how the revenue mix has been for the company because we are into three categories if you look at the Climate Technologies that we are into heaters and coolers and air-conditioners?

Achal Bakeri: About 54% of the revenue actually comes from air coolers and then about 40% or so from heaters and about 6% from air-conditioners, so bulk of it is still air coolers.

Manoj Gori: So if you look at during our opening remarks, we indicated like your revenue growth has been 9% CAGR over past three years and the profitability growth has been significantly strong, so is this mix aiming, has this mix changed during the past three years?

Achal Bakeri: Well, you are asking is reference to the reason for its sharp profitability increase?

Manoj Gori: Right, Sir.

Achal Bakeri: More than three years ago, the company had expanded into some other categories and exited from all those categories which were draining away the profits so that is one thing for boost to profitability and there were significant operational improvements done by the new management all in all that is what they did to improve the profitability.

Manoj Gori: That is a completely debt free company.

Achal Bakeri: It is a debt free company

Nrupesh Shah: Just to add to that in line with Symphony's philosophy it is also asset lite. So in terms of the gross block of the company it is just about A$5 million.

Manoj Gori: Sir one last question, what would be the gross margins and have they would in the past three years.

Nrupesh Shah: Indicatively in the year 17-18 gross margins was in excess of 35% improved from about 22% - 23%.

Manoj Gori: The revenues that would start kicking in Symphony in from July 1st.

Nrupesh Shah: That is right.

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

Gaurang Kakkad: My first question is on the sales growth for the entity, so if you look at FY18 the sales growth number is somewhere 5.5% and 6% and as per the presentation the A$55 million number is going to A$65 million in FY19, so which is almost like an 18%< 19% growth. So, what gives us confidence that with the change in management we will have such an improvement in growth rate in the first year itself?

Achal Bakeri: First of all there will be no change in management, there will only be a change in ownership. There will be no change in management at all and this projection and these numbers have been basically prepared by the existing management and this is part of their sort of a long-term business plan and they have been meeting their budgets for the last three years and we have fair confidence that in the years to come, as well they will meet the budget.

Gaurang Kakkad: Any breakup that you can share like will be growth be across like similar 18%, 19% growth across Australia and US or the mix changes from the first year itself.

Achal Bakeri: I would say the US will grow faster than Australia, but the base is lower at the moment, so the overall impact will still be not as much as that of the growth in the Australian.

Gaurang Kakkad: Okay but over the three-year period wherein the growth CAGR improves from 9% in the past three years to almost like 14%, 15% in the next three years so it is built in that the US business will grow faster in FY20-21 and later on.

Achal Bakeri: Yes, it will.

Nrupesh Shah: Just to add to that in that respect as we have conveyed in the presentation this company is having almost 30% market share in cooling appliances in Australia. While about US it has recently forayed just about two years before and in this segment of cooling the US market size is close to $300 million and they have existing established relationship with The Home Depot having almost 2200 stores in North America, so it also opens up good market access even for many as a product Symphony apart from lightly tie up with organized retailers especially in United States.

Gaurang Kakkad: Secondly on the EBITDA margins and growth so past three year CAGR is almost 130% in terms of EBITDA growth so based on that like FY15 EBITDA margins works out to somewhere around 1% so you mentioned that there were some issues in terms of unrelated business that the company had ventured into that year which depressed the margins, but what would be the steady state given that this is almost like a 60 year old iconic brand, what would be the steady state EBITDA margins for the business if you leave aside the FY15 depressed base of 1%, 2% EBITDA margins. So, prior to that like when they had not ventured into unrelated business what was the margin profile of this business?

Achal Bakeri: You may assume that in FY18 margin should be sustainable going forward it is not improved, you know it will be improved but this is we believe it should be the minimal that you can expect.

Gaurang Kakkad: And just one thing to ask on the gross margin improvement that has happened from around 23% to 35% odd percent so what was the specific reason for that like such a stark improvement in gross margin?

Achal Bakeri: There are lot of operational improvement and closing down of unrelated business which was draining away profitability.

Nrupesh Shah: And, some product innovation and features.

Bhadresh Mehta: Just to supplement that the Australian company is also having a very good R&D facility like the one which we have in China, in Mexico and in India, so this supplementary R&D facility is much more advantageous to us.

Moderator: The next question is a follow up from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Just wanted to ask as you mentioned about the company's profitability improve because of some analytic business going down, can you just tell us how much benefit accrued in FY17-18 because of that?

Achal Bakeri: That was probably in 2015 when the business was shut down after that it is all operational improvement, value engineering price increase, value addition.

Nitin Arora: Sir is it possible to share FY13 and FY14 EBITDA PAT for this company?

Achal Bakeri: I think what we have provided in the presentation is the most that we had a liberty to share at this point.

Nitin Arora: Just lastly on the employee side what is the total employee strength of this company and are there any liabilities also we are taking of the existing employees considering the schemes which Australian government runs for the employees of their companies, the companies which are headquartered there, so if you can throw some light on that that will be helpful?

Bhadresh Mehta: This company like India has normal kind of employee benefits, like in India we have PF, superannuation like that they also have the superannuation of about 9% of the employee salary and during our due diligence we have checked each aspect of employee liability, so basically all this is very normal.

Achal Bakeri: And everything has been provided for.

Nrupesh Shah: In other words, as a part of financial and legal due diligence we have not come across any known or unknown liability or even any contingent liability and that is number one and we are acquiring debt free company.

Moderator: The next question is from the line of Anuj Jain from Value Quest Capital. Please go ahead.

Anuj Jain: You mentioned that the current revenue breakup for the company is around 54% from air coolers, 40% from heating products and 6% from air conditioner, what was this revenue breakup three years back?

Achal Bakeri: I do not think we have it readily available, but it should be more or less in the same, would not be very dramatically different we probably have it somewhere, but we do not have it readily available, but it was not something very dramatically different. It has already been in heaters, it had been in air conditioner for quite a while so may not be very radically different.

Anuj Jain: So basically, there is no particular segment which is driving the growth it is like growth is across all this three sections?

Achal Bakeri: Pretty much.

Moderator: The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: So you have talked about quite a lot of R&D spending and development of the product portfolio, so if you can give us some of the success story which just company might have had in terms of the product development over the last three to five years you would have evaluated and what is the kind of R&D spending you are doing right now and going forward how do you see that?

Achal Bakeri: Product development would be difficult to describe over the phone we can probably explain to you if you had the physical product with us around, but they have actually gained a lot of traction in the US because of the innovations that they have done, and the US market was dominated by manufacturers who are making products out of metal these people they introduced coolers which are made out of plastic. Moreover, the US market had different kinds of product stock discharge bottom discharge and the retailers and our resellers had to carry multiple SKU. These people did a very smart innovation of having a single SKU which can be adapted to any sort of discharge. Not only did they get into plastic but this universal discharge. These are the kind of innovations that they have done which have helped them sort of gain traction in the US markets.

Nrupesh Shah: And two other things which immediately which come to my mind. One is they have introduced solar power EAC units. So, having huge future potential and secondly, they have introduced for the first time in cooling industry proprietary app to control the products through smart phones.

Charanjit Singh: Sir on the manpower front like how much if you can give us the total number of employees and how many are there in Australia and how many in the US geography?

Achal Bakeri: I think total manpower strength is about 100.

Nrupesh Shah: So basically about 85 employees are permanent employees and, on a need, base up to 90 employees they take on contract basis.

Achal Bakeri: And in the US they have only two permanent employees. The balance is taken in the season on contractual basis.

Moderator; The next question is from the line of Dipen Sheth from HDFC Securities. Please go ahead.

Dipen Sheth: Just quick a bit of clarity on the acquired company you have said on more than one occasion this is an asset light business model pretty much like ours, so does it work the same way because I would expect that there would be some kind of manufacturing operation which would take up some assets right or does it work just like in India where we have a very well-established network of contract manufacturing so what is the story here in CT case.

Achal Bakeri: CT case there is no contract manufacturing they do the final product manufacturing themselves. So they have a large facility Salisbury outside Adelaide in Southern Australia where the coolers are finally assembled. Some manufacturing and some components of the heaters are manufactured on the premises. So it is not a third-party manufacturing like we have in India, but the components are all sourced from different suppliers.

Dipen Sheth: So the vendors supply chain is very well developed and the final manufacturing is largely on the assembly job is that how we should see it?

Achal Bakeri: You can say that as far as air coolers are concerned. As far as heaters are concerned there is some bit of manufacturing that happens in house as well.

Moderator: The next question is from the line of Hardick Bora from Union Mutual Fund. Please go ahead.

Hardick Bora: Just in continuation with the last question you said that the gross block is about A$5 million and I understand then if the company makes 18% ROC then there would be a relatively heavier working capital cycle for that company compared to

Symphony, is there any scope for that working capital cycle to improve or would you guide for that to remain where it is?

Achal Bakeri: We believe that it is sort of reached its steady state its optimal balance. It is certainly a little bit different than the cycle in Symphony India. Symphony India give virtually no credit. Whereas over there they do have to extend credit and many of the components are imported. So, the working capital cycle in terms of investment in inventory is also little higher, but you can assume that this is what it is going to be going forward, if there Is any improvement maybe that will be bonus, but the worst thing would be what it is now.

Moderator: The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

Naveen Trivedi: What is the working capital in the acquired company?

Bhadresh Mehta: It is almost in the range of about A$5 to A$10 million.

Naveen Trivedi: In your presentation you mentioned that there is room to increase margin so what are the margin upside that you look from this business?

Achal Bakeri: Essentially because of synergies with Symphony or some common sourcing with Symphony we will be able to maybe source some components at a lower cost than they currently source which may help the company improve its margin that is what we meant.

Naveen Trivedi: So you mean to say you will source from India to Australia.

Achal Bakeri: Wherever is Symphony sourcing whether it is China or wherever it is sourcing from?

Naveen Trivedi: Fair point. You also mentioned that there is a cross selling opportunity you see from this acquisition so on that line how much do you think that India business can be benefitted out of this deal especially from Australia and US markets?

Achal Bakeri: It is too soon to tell but as of now Climate Technologies is not at all in the portable cooler segments, the kind of Symphony models that Symphony sales in India or exports from India those models, those kinds of products are just not sold by Climate Technologies neither in Australia nor in the US. So we believe that there is potential for these products in Australia and we would be able to probably export our coolers from India and we have similar models in China as well. So, we can export those models from India and China and sell them to Australia and also sell them in the US through the company's channels. Also use the Bonaire brand which is perceived as a very high-end premium brand in Middle East and in parts of Africa where we are also present, but we can also add this brand and there is those products under that brand, and use our distribution network in those parts of the world.

Naveen Trivedi: And like what are the opportunity you see like from this product to sell it in the India market like the heat part?

Achal Bakeri: No, we do not expect any possibility of selling those heaters in India. Those heaters are very specific to the Australian market.

Naveen Trivedi: Even not suitable to the north market?

Achal Bakeri: No, in the US, in Australia and then UK homes comes fitted with heaters. These are not those portable types like you see in India these are sort of furnaces which heat the whole house through ducting system. So their product is unique to be Australian market.

Naveen Trivedi: And the last question is on the rate of debt which you were talking about?

Nrupesh Shah: Yes so we are raising the debt in Australian currency itself and it is going to be a fix rate of interest for entire tenure, i.e. is 5 years, and it will be sub 5.5% that is less than what we realize on our treasury in AAA bond or liquid mutual fund.

Moderator: The next question is from the line of Nayan Parakh from IIFL. Please go ahead.

Nayan Parakh: Sir my question is regarding the air conditioners segment. Can you indicate if this is the major segment in the US business and will this be a key growth driver, or will the air coolers and heaters be the growth driver and as a part of that do you plan to introduce any of these air conditioning products in India?

Achal Bakeri: We do not think we will bring those air conditioning products into India. Again, it is too soon to tell but we do not think we will do that. They are themselves also sort of bringing this product in and marketing them in Australia. So we do not expect to be bringing those products to India.

Nayan Parakh: And for the American markets?

Achal Bakeri: The air coolers are being exported to America and neither the heaters nor the air conditioners will this company be selling in America.

Renu Baid: One question, what is the split between the air cooling and the heating business?

Achal Bakeri: Air cooling contributes about 54% of the revenue including part of air coolers which are sold for out of warranty, about 40% comes from heaters and the balance 6% comes from air conditioners.

Moderator: Ladies and Gentlemen that was the last question. I now hand the conference over to Renu Baid for closing comments.

Renu Baid: Thank you everyone. On behalf of IIFL, I would like to thank the management of Symphony for giving us the opportunity to host this call post the acquisition, many thanks to you sir and thanks all the participants for taking the time on a Friday evening. I would like to request the management for any closing comments.

Achal Bakeri: Pleasure was ours and we thank all of you for being there and giving us an opportunity to take you through the highlights of this acquisition and we are sure that in the quarters to follow, there will be more questions and we will by then be better prepared, better informed and so we look forward to continued engagement with Analyst and the Investor community. Thank you very much.