



In partnership. With trust.

Symphony

Sector: Consumer Durable

Q1FY17 Result Update

CMP: ₹ 2,482

“Robust Sales growth, Stellar EBITDA growth of 93%”

Recommendation: BUY

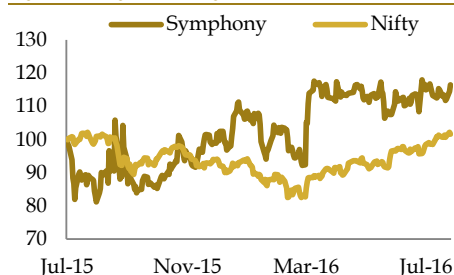
Market statistics

Current stock price (₹)	2,482
Shares O/S (cr.)	3.5
Mcap (₹ cr)	8,683
52W H/L (₹)	2,620/1,642
6m avg. volume	24,689
Bloomberg	SYML IN

Shareholding pattern

Promoters	75.00
Domestic Institution	8.80
Foreign Institution	3.33
Non-institution	12.87
of which more than 1%	
Matthews India Fund	3.34
Axis Mutual Fund Trustee Limited	
A/c Axis Long Trem Equity Fund	2.09

Symphony vs Nifty



Capital efficiency & valuations

Particulars	FY16P	FY17E	FY18E
ROE (%)	34.4	45.7	44.1
ROCE (%)	40.6	53.5	52.3
P/B (x)	27.3	20.7	15.8
P/E (x)	79.2	45.4	36.0
EPS (₹)	31.3	54.7	69.0
EV/OCF (x)	106.5	37.6	34.8

* FY16 is 9M financials

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Symphony has reported standalone net sales of ₹1,526mn (up 37.8% YoY) largely driven by volumes - inline with our expectation of ₹1,501mn (35.5% YoY). India business (88% of total standalone sales) registered robust growth of 32.9% YoY growth to ₹1,340mn while Exports business reported 89.2% growth to ₹181mn. Currently inventory at dealer level is minimal which can lead to healthy growth in coming non-seasonal quarters.

Gross Margin moved up by 62bps YoY to 58.0%. A&P expenses and other expenses contracted by 422bps & 255bps (% of sales). Hence, EBITDA Margin has expanded by 734bps YoY to 25.6%. EBITDA grew by strong 93% YoY to ₹ 390mn - lower than our expectation. India business EBIT grew by 41% while Exports EBIT has increased by 104%.

Other Income is down by 48% to ₹49mn - lower than our expectation. Tax rate has increased by 490bps YoY to 28%. Hence, PAT saw a growth of 39.8% YoY to ₹311mn as compared to our expectation of ₹410mn.

Strong Volume led Sales growth of 37.8% YoY .

Symphony registered strong sales of 37.8% largely driven by volumes and minimal price increase. Domestic business grew stellar of 33% led by robust growth in Southern and East India. Symphony enjoys its strength of pre-booking of Air Cooler sales in the non-seasonal quarters and enjoys market share in excess of 90% in Q1 & Q2. Hence, we are optimistic of healthy sales growth in coming non-seasonal quarters. Strong Exports & industrial coolers sales growth would also help to keep the sales growth momentum upbeat.

EBITDA grew by whopping 93.3% YoY

Symphony's Gross & EBITDA Margin continues to expand during Q1FY17 driven by operating efficiency and benign raw material prices. Domestic EBIT expanded by 150bps and stood at 26% while Exports EBIT expanded sharply by 317bps and stood at 43% during the quarter. Management guided that EBITDA margins would be maintained going ahead.

Aggressive distribution expansion suggests Symphony's long term game plan

Symphony has been aggressively adding dealers & distributors in the last few quarters to set a platform for larger opportunities in the coming years. Dealers & Distributors were higher by 60% & 15% as compared to last year. Distributors buy Symphony's air cooler in the non-season quarters, now Symphony is trying to push dealers to display Symphony's air cooler even in the non-seasonal quarters. This could expand the target market for Symphony and marriage season can also create additional sales at the dealer level.

Outlook & Valuation

Despite Symphony's quarter performance gets volatile, however, the company always maintains healthy growth rate on an annual basis for the past several years. We expect Symphony can maintain healthy 20% sales growth for the next several years with several catalysts in its business.

We like Symphony for its structural strength like (1) Promising growth for branded air cooler market, (2) Symphony's strong leadership in the branded market, (3) Consistent addition of products/ segments, (4) Aggressive marketing efforts (5) Strong operational margin (6) Big opportunity in the centralized cooling, (7) Lowering down seasonality, (8) Huge International opportunities and (9) Focus on asset light business model. With several catalysts in the business, it gives us confidence that company can sustain robust earnings growth in the coming years. The stock trades at a P/E of 45.4x & 36.0x of FY17 & FY18 estimated EPS. **We maintain BUY rating.**



Conference Call Highlight

- 1) Overall Sales growth of 37.8% is largely driven by volumes and minimal price upward revision.
- 2) Strong domestic growth is witnessed across all territories and particularly in Southern and East India. Modern trade has also shown decent growth in the quarter.
- 3) Newly launched models in the quarter are well received. Some models of Kerolite are also launched in India and they are gaining acceptance.
- 4) Centralized Air-cooling continue to show robust growth and management is quite optimistic as long term growth driver
- 5) Symphony's Market share remain intact at 50% in Air-coolers market
- 6) IMPCO has done reasonably well in the quarter.
- 7) Process of integrating with Chinese subsidiary is on track and management mentioned Kerolite is performing as per their internal targets and expectation.
- 8) Management guided that Gross Margin & EBITDA Margin would be maintained going ahead.
- 9) A&P spend would be in 4-5% range of Sales.



Quarterly Performance (Standalone)

Exhibit 1: Quarterly snapshot

Particulars (₹ mn)	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q1FY17
Net Sales	1,506	919	1,355	1,243	1,105	1,144	1,621	1,372	1,522
YoY Gr (%)	35.5	27.6	17.6	9.8	(26.6)	24.5	19.6	10.3	37.7
Gross Profit	918	447	685	682	635	593	877	809	884
YoY Gr (%)	37.4	16.2	8.3	7.0	(30.8)	32.6	28.0	18.6	39.3
Gross Margin (%)	61.0	48.6	50.5	54.9	57.3	51.8	54.0	58.7	58.0
Change (bps)	84bps	-478bps	-435bps	-142bps	-362bps	318bps	344bps	383bps	62bps
EBITDA	439	239	481	430	202	340	604	579	390
YoY Gr (%)	42.0	72.2	55.1	31.2	(54.0)	42.7	25.5	34.6	93.3
EBITDA Margin	29.1	25.9	35.5	34.6	18.2	29.7	37.2	42.0	25.6
Change (bps)	133bps	670bps	857bps	564bps	-1,091bps	380bps	165bps	741bps	734bps
Reported PAT	327	217	361	370	223	288	477	465	311
YoY Gr (%)	26.4	51.7	45.8	37.0	(31.9)	32.5	32.3	25.8	39.8

Source: Company, Trust Net Sales adjusted for VAT from Q1FY15

Segmental Analysis (Standalone)

Exhibit 2: Segmental

	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q1FY17
Revenue									
Domestic	1,310	849	1,242	986	1,009	1,097	1,493	1,089	1,340
Export	196	71	113	258	96	47	128	283	181
Total	1,506	919	1,355	1,243	1,105	1,144	1,621	1,372	1,522
Revenue Gr. (%)									
Domestic	38.0	26.8	18.3	7.5	(23.0)	29.3	20.2	10.4	32.8
Export	20.9	37.5	9.9	19.3	(51.1)	(33.7)	13.5	9.8	89.2
Total	35.5	27.6	17.6	9.8	(26.7)	24.5	19.6	10.3	37.7
Revenue Mix (%)									
Domestic	87.0	92.3	91.7	79.3	91.3	95.9	92.1	79.4	88.1
Export	13.0	7.7	8.3	20.7	8.7	4.1	7.9	20.6	11.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT									
Domestic	373	290	487	400	251	398	610	498	353
Export	84	18	32	107	38	7	56	127	78
Total	457	309	518	507	289	405	666	625	432
EBIT Margin (%)									
Domestic	28.5	34.2	39.2	40.6	24.9	36.2	40.9	45.7	26.4
Export	42.9	25.7	27.9	41.6	40.1	15.4	43.8	44.8	43.3
Total	30.3	33.6	38.2	40.8	26.2	35.4	41.1	45.6	28.4
EBIT Change (bps)									
Domestic	-289bps	715bps	934bps	1,077bps	-361bps	203bps	168bps	515bps	150bps
Export	92bps	-247bps	-656bps	394bps	-280bps	-1,039bps	1,596bps	326bps	317bps
Total	-256bps	642bps	799bps	948bps	-417bps	182bps	286bps	476bps	220bps
EBIT Mix (%)									
Domestic	81.6	94.1	93.9	78.9	86.7	98.2	91.6	79.7	81.8
Export	18.4	5.9	6.1	21.1	13.3	1.8	8.4	20.3	18.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT Growth (%)									
Domestic	25.3	60.3	55.4	46.3	(32.8)	37.0	25.4	24.4	40.9
Export	23.5	25.5	(11.0)	31.7	(54.3)	(60.4)	78.4	18.4	104.2
Total	25.0	57.7	48.6	43.0	(36.7)	31.2	28.6	23.2	49.3

Source: Company, Trust



Financials - Consolidated

P&L Statement

Y/E Mar (₹ mn)	FY14	FY15	FY16P	FY17E	FY18E
Period	12M	12M	9M	12M	12M
Net Revenues	5,327	5,259	4,453	7,336	8,909
% Growth	40.9	(1.3)	12.9	23.6	21.4
Raw Material	2,235	2,526	2,013	2,898	3,519
Staff	417	462	423	697	719
Selling and Distribution Expenses	1,190	847	571	916	1,071
Other Expenses	228	102	83	493	633
Total Expenditures	4,070	3,937	3,090	5,005	5,942
EBITDA	1,257	1,322	1,363	2,331	2,966
% Growth	59	5	37	28	27
EBITDA Margins (%)	23.6	25.1	30.6	31.8	33.3
Other Income	138	336	208	354	415
Interest	1	6	2	-	-
Depreciation	38	41	43	45	49
Profit Before Tax	1,356	1,611	1,651	2,640	3,333
Provision for tax	296	454	465	726	917
Effective tax rate (%)	22	28	28	28	28
Reported PAT	1,060	1,158	1,186	1,914	2,416
% Growth	75.5	9.2	36.6	21.0	26.3
Adjusted Net Profit	1,055	1,158	1,097	1,914	2,416

Note: FY16 is 9M financials and FY16 & FY17 growth numbers are adjusted

Balance Sheet

₹ mn (Y/E Mar)	FY14	FY15	FY16P	FY17E	FY18E
Equity Share Capital	70	70	70	70	70
Reserves & surplus	2,688	3,210	3,115	4,117	5,413
Shareholders' funds	2,758	3,280	3,185	4,187	5,483
Total Debt	-	-	-	-	-
Others	78	74	70	85	100
Capital Employed	2,836	3,353	3,255	4,271	5,583
Net fixed assets	779	906	793	897	999
Cash & Cash Eq.	57	71	451	979	1,447
Net Current Assets (Ex-cash)	(16)	(61)	361	96	188
Investments	1,986	2,423	1,622	2,272	2,922
Others	30	15	27	27	27
Total Assets	2,836	3,353	3,255	4,271	5,583



Cash Flow

₹ mn (Y/E Mar)	FY14	FY15	FY16P	FY17E	FY18E
Pre-tax profit	1,353	1,611	1,651	2,640	3,333
Depreciation	38	41	43	45	49
Total Tax Paid	(374)	(454)	(465)	(726)	(917)
Chg in working capital	1	60	(435)	266	(92)
Other operating activities	(114)	6	2	-	-
Cash flow from oper (a)	904	1,265	796	2,225	2,373
Capital Expenditure	(94)	(168)	70	(150)	(150)
Chg in investments	(998)	(437)	801	(650)	(650)
Other investing activities	497	-	-	-	-
Cash flow from inv.(b)	(596)	(605)	871	(800)	(800)
Free cash flow	810	1,097	866	2,075	2,223
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-
Interest paid	(1)	(6)	(2)	-	-
Dividend (incl. Tax)	(292)	(581)	(1,037)	(912)	(1,120)
Other financing activities	(38)	(2)	(4)	15	15
Cash flow from fin. (c)	(330)	(588)	(1,043)	(897)	(1,105)
Net chg in cash (a+b+c)	(21)	72	624	528	468

Key Ratios

Y/E Mar	FY14	FY15	FY16P	FY17E	FY18E
Raw Material Cost/Sales (%)	42.8	45.5	45.2	39.5	39.5
Manpower Cost/Sales (%)	7.8	8.8	9.5	9.5	8.1
A&P Cost/Sales (%)	4.8	6.4	5.0	5.0	5.0
Revenue Growth (%)	40.9	(1.3)	12.9	23.6	21.4
EBITDA Margins (%)	23.6	25.1	30.6	31.8	33.3
Net Income Margins (%)	19.8	22.0	24.6	26.1	27.1
ROCE (%)	43.0	38.2	40.6	53.5	52.3
ROE (%)	38.2	35.3	34.4	45.7	44.1

Valuation Parameters

Y/E Mar	FY14	FY15	FY16P	FY17E	FY18E
EPS (₹.)	30.1	33.1	31.3	54.7	69.0
P/E (x)	24.4	60.5	79.2	45.4	36.0
BV (₹)	78.8	93.7	91.0	119.6	156.7
P/BV (x)	9.3	21.3	27.3	20.7	15.8
EV/EBITDA (x)	18.9	51.1	62.2	35.9	27.8
Fixed assets turnover ratio (x)	6.8	5.8	5.6	8.2	8.9
Net Debt/Equity (x)	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)
EV/Sales (x)	4.5	12.8	19.0	11.4	9.3

Note: FY16 is 9M financials



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