

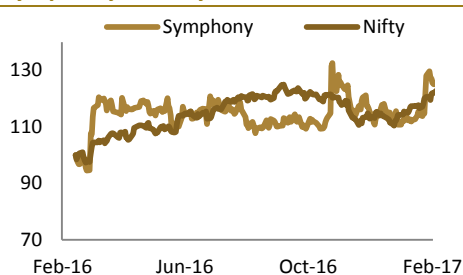
Market statistics

Current stock price (₹)	1,297
Shares O/S (cr.)	7.0
Mcap (₹ cr)	9,073
52W H/L (₹)	1,466
6m avg. volume	52,717
Bloomberg	SYML in

Shareholding pattern

Promoters	75
Domestic Institution	4.86
Foreign Institution	7.79
Non-institution	12.35
of which more than 1%	
Matthews India Fund	3.18
Axis Mutual Fund Trustee Limited A/c Axis Long Term Equity Fund	2.93

Symphony vs Nifty



Capital efficiency & valuations

Particulars	FY17E	FY18E	FY19E
ROE (%)	46.7	47.0	45.2
ROCE (%)	57.9	58.7	56.6
P/B (x)	23.1	18.0	13.7
P/E (x)	49.4	38.3	30.3
EPS (₹)	26.3	33.8	42.8
EV/OCF (x)	41.2	38.1	32.3

* FY16 is 9M financials

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Symphony has reported standalone net sales of Rs1, 801mn (+10.8% YoY) vs our expectation of 14.9% YoY. India business (91% of total standalone sales) registered growth 9.7% YoY growth to ₹1,638mn while Exports business reported 24% growth to ₹ 159mn

Gross Margin contracted by 39bps YoY to 53.6%. A&P expenses and other expenses contracted by 58bps & 46bps (% of sales). Employee expenses grew by 19.3% and expanded by 46bps % of sales. Hence, EBITDA Margin has expanded by 19bps YoY to 37.3% in line with our expectation. EBITDA grew by healthy 11.4% YoY to ₹672mn vs expectation of ₹696mn. India business EBIT grew by 20% while Exports EBIT has decreased by 12%.

Higher other Income up by 70% to ₹119mn has supported bottom-line. Hence, PAT saw a strong growth of 17.6% YoY to ₹561mn higher than our expectation of ₹545mn.

Healthy volume led Sales growth of 11% YoY

Demonetization has put slight break in high speed sales momentum of symphony in Q3FY17. Management mentioned that October had witnessed robust sales growth while post demonetization announcement, November was completely washout. Sales picked up in December and January has been seeing strong sales growth. Despite, liquidity crunch environment in domestic market, symphony still continued to perform with its no credit policy with trade partners. Exports garnered 24% growth led by strong sales in south East Asia and Middle East. Management guided strong order for exports in pipeline for coming qtrs while they expect 35-40% growth run rate in medium term. Centralized Air coolers showed triple digit growth during the quarter albeit low base. We believe Symphony's strong brand recall and market leadership in domestic would help it to garner double digit volume growth in coming qtrs. 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 & Q4. New innovative launches & aggressive growth in Industrial segment would keep the strong sales growth momentum in coming qtrs.

EBITDA Margin expansion continues

Symphony's EBITDA Margin continues to expand during Q3FY17 driven by operating efficiencies. GM contracted by 39bps as raw material prices has started inching up. Domestic EBIT expanded by 376bps and stood at 45% while Exports EBIT contracted sharply by 1264bps and stood at 31% during the quarter. We expect EBITDA margins to be in range of 33.8% to 35.4% in FY18 & FY19.

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 38.3x & 30.3x of FY18 & FY19 estimated EPS. **We maintain BUY rating.**



Conference Call Highlight

- Aggressive Launches in FY17: In Residential air coolers, launched path breaking models 1) wall mounted 2) i- pure range of air coolers to deliver and cool air 3) Module- mobile air coolers and 4) Touch range air coolers. Hence currently Symphony has 40+ models vs 20models three years back. Now they are present at various price points as well as indoor and outdoor to cater diverse needs. Symphony continues to hold 50% of market share in branded coolers.
- Currently breakup of organized players to unorganized is 25-75%. If GST is implemented then unorganized would not be that competitive and help consumers to shift to organized players. Management mentioned that Symphony is well prepared in terms of IT infrastructure and accounting for GST implementation.
- Centralized air-cooling showing strong growth largely in segments in ware housing, educational institutes, and data centres etc. It has shown triple digit growth on lower base in the quarter and management expects the growth momentum to continue.
- Impco subsidiary is completely debt free and hence going ahead there will be negligible interest cost & reduction in depreciation. Impco has become direct subsidiary of Symphony that would aid simplifying operational aspects.
- Chinese subsidiary performance is stabilizing and integrations of operations are on focus. Management guided meaningful contribution from FY18 onwards from this subsidiary.



Quarterly Performance (Standalone)

Exhibit 1: Quarterly snapshot

Particulars (₹ mn)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q1FY17	Q2FY17	Q3FY17
Net Sales	1,355	1,244	1,108	1,145	1,625	1,379	1,526	1,504	1,801
YoY Gr (%)	17.7	9.8	(26.4)	24.5	19.9	10.9	37.8	31.4	10.8
Gross Profit	685	682	635	593	877	809	884	781	965
YoY Gr (%)	8.3	7.0	(30.8)	32.6	28.0	18.6	39.3	31.6	10.0
Gross Margin (%)	50.5	54.9	57.3	51.8	54.0	58.7	58.0	51.9	53.6
Change (bps)	-435bps	-142bps	-362bps	318bps	344bps	383bps	62bps	11bps	-39bps
EBITDA	481	430	202	340	603	579	390	513	672
YoY Gr (%)	55.1	31.2	(54.0)	42.7	25.3	34.6	93.3	50.6	11.4
EBITDA Margin	35.5	34.6	18.2	29.7	37.1	42.0	25.6	34.1	37.3
Change (bps)	857bps	564bps	-1,091bps	380bps	160bps	741bps	734bps	436bps	19bps
Reported PAT	361	370	223	288	477	465	311	393	561
YoY Gr (%)	45.8	37.0	(31.9)	32.5	32.0	25.7	39.8	36.6	17.6

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

Segmental Analysis (Standalone)

Exhibit 2: Segmental

	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q1FY17	Q2FY17	Q3FY17
Revenue									
Domestic	1,242	986	1,009	1,097	1,493	1,089	1,340	1,434	1,638
Export	113	258	96	47	128	283	181	69	159
Total	1,355	1,243	1,105	1,144	1,621	1,372	1,522	1,503	1,797
Revenue Gr. (%)									
Domestic	18.3	7.5	(23.0)	29.3	20.2	10.4	32.8	30.7	9.7
Export	9.9	19.3	(51.1)	(33.7)	13.5	9.8	89.2	46.3	24.0
Total	17.6	9.8	(26.7)	24.5	19.6	10.3	37.7	31.3	10.8
Revenue Mix (%)									
Domestic	91.7	79.3	91.3	95.9	92.1	79.4	88.1	95.4	91.2
Export	8.3	20.7	8.7	4.1	7.9	20.6	11.9	4.6	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT									
Domestic	487	400	251	398	610	498	353	535	731
Export	32	107	38	7	56	127	78	15	50
Total	518	507	289	405	666	625	432	551	781
EBIT Margin (%)									
Domestic	39.2	40.6	24.9	36.2	40.9	45.7	26.4	37.3	44.6
Export	27.9	41.6	40.1	15.4	43.8	44.8	43.3	22.4	31.2
Total	38.2	40.8	26.2	35.4	41.1	45.6	28.4	36.6	43.4
EBIT Change (bps)									
Domestic	934bps	1,077bps	-361bps	203bps	168bps	515bps	150bps	109bps	376bps
Export	-656bps	394bps	-280bps	-1,039bps	1,596bps	326bps	317bps	710bps	-1,264bps
Total	799bps	948bps	-417bps	182bps	286bps	476bps	220bps	127bps	234bps
EBIT Mix (%)									
Domestic	93.9	78.9	86.7	98.2	91.6	79.7	81.8	97.2	93.6
Export	6.1	21.1	13.3	1.8	8.4	20.3	18.2	2.8	6.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT Growth (%)									
Domestic	55.4	46.3	(32.8)	37.0	25.4	24.4	40.9	34.6	19.8
Export	(11.0)	31.7	(54.3)	(60.4)	78.4	18.4	104.2	113.9	(11.7)
Total	48.6	43.0	(36.7)	31.2	28.6	23.2	49.3	36.0	17.2

Source: Company, Trust



Financials - Consolidated

P&L Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Period	12M	9M	12M	12M	12M
Net Revenues	5,259	4,455	7,286	9,084	10,947
% Growth	(1.3)	13.0	22.7	24.7	20.5
Raw Material	2,526	2,045	2,878	3,588	4,324
Staff	462	425	532	668	835
Selling and Distribution Expenses	897	540	697	820	1,058
Other Expenses	47	84	791	934	847
Total Expenditures	3,933	3,094	4,898	6,011	7,064
EBITDA	1,326	1,361	2,388	3,073	3,883
% Growth	5	37	32	29	26
EBITDA Margins (%)	25.2	30.6	32.8	33.8	35.5
Other Income	337	209	194	242	302
Interest	8	4	-	-	-
Depreciation	41	43	46	50	53
Profit Before Tax	1,614	1,648	2,536	3,266	4,132
Provision for tax	453	465	697	898	1,136
Effective tax rate (%)	28	28	28	28	28
Reported PAT	1,160	1,183	1,839	2,368	2,996
% Growth	9.4	36.0	16.5	28.8	26.5
Adjusted Net Profit	1,160	1,094	1,839	2,368	2,996

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

Balance Sheet

₹ mn (Y/E Mar)	FY15	FY16	FY17E	FY18E	FY19E
Equity Share Capital	70	70	140	140	140
Reserves & surplus	2,992	3,116	3,798	4,892	6,488
Shareholders' funds	3,062	3,186	3,938	5,032	6,628
Total Debt	-	-	-	-	-
Others	90	92	107	122	137
Capital Employed	3,152	3,278	4,045	5,154	6,765
Net fixed assets	684	805	909	1,009	1,126
Cash & Cash Eq.	75	465	725	946	1,396
Net Current Assets (Ex-cash)	(48)	358	111	250	638
Investments	2,423	1,623	2,272	2,922	3,572
Others	16	27	27	27	32
Total Assets	3,152	3,278	4,045	5,154	6,765

**Cash Flow**

₹ mn (Y/E Mar)	FY15	FY16	FY17E	FY18E	FY19E
Pre-tax profit	1,613	1,649	2,536	3,266	4,132
Depreciation	41	43	46	50	53
Total Tax Paid	(491)	(410)	(697)	(898)	(1,136)
Chg in working capital	160	(82)	246	(139)	(393)
Other operating activities	(286)	(324)	-	-	-
Cash flow from oper (a)	1,036	876	2,131	2,279	2,656
Capital Expenditure	(140)	(24)	(150)	(150)	(170)
Chg in investments	(291)	956	(650)	(650)	(650)
Other investing activities	65	(217)	-	-	-
Cash flow from inv.(b)	(366)	715	(800)	(800)	(820)
Free cash flow	896	851	1,981	2,129	2,486
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-
Interest paid	(6)	(2)	-	-	-
Dividend (incl. Tax)	(610)	(1,453)	(1,157)	(1,273)	(1,400)
Other financing activities	(42)	(6)	15	15	15
Cash flow from fin. (c)	(657)	(1,461)	(1,142)	(1,258)	(1,385)
Net chg in cash (a+b+c)	13	129	190	221	451

Key Ratios

Y/E Mar	FY15	FY16	FY17E	FY18E	FY19E
Raw Material Cost/Sales (%)	45.5	45.2	39.5	39.5	39.5
Manpower Cost/Sales (%)	8.8	9.5	7.3	7.3	7.6
A&P Cost/Sales (%)	6.4	1.8	1.9	1.9	1.9
Revenue Growth (%)	(1.3)	13.0	22.7	24.7	20.5
EBITDA Margins (%)	25.2	30.6	32.8	33.8	35.5
Net Income Margins (%)	22.1	24.6	25.2	26.1	27.4
ROCE (%)	40.8	40.2	57.9	58.7	56.6
ROE (%)	37.9	34.3	46.7	47.0	45.2

Valuation Parameters

Y/E Mar	FY15	FY16	FY17E	FY18E	FY19E
EPS (₹.)	16.6	15.6	26.3	33.8	42.8
P/E (x)	66.2	76.5	49.4	38.3	30.3
BV (₹)	43.7	45.5	56.3	71.9	94.7
P/BV (x)	25.1	26.3	23.1	18.0	13.7
EV/EBITDA (x)	56.0	60.0	36.8	28.3	22.1
Fixed assets turnover ratio (x)	7.7	5.5	8.0	9.0	9.7
Net Debt/Equity (x)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)
EV/Sales (x)	14.1	18.3	12.0	9.6	7.8

Note: FY16 is 9M financials



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