

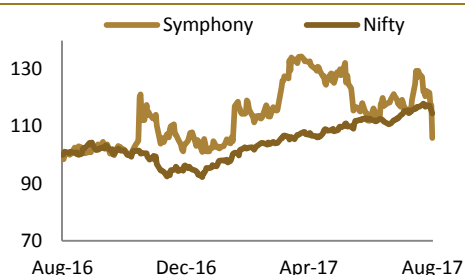
#### Market statistics

Current stock price (₹)	1,205
Shares O/S (cr.)	7.0
Mcap (₹ cr)	8,430
52W H/L (₹)	1,571/1,071
6m avg. volume	41,661
Bloomberg	SYML in

#### Shareholding pattern

Promoters	75.0
Domestic Institution	5.4
Foreign Institution	6.8
Non-institution	12.8
of which more than 1%	
Matthews India Fund	2.9
Axis Mutual Fund Trustee Limited A/c Axis Long Term Equity Fund	3.4

#### Symphony vs Nifty



#### Capital efficiency & valuations

Particulars	FY17P	FY18E	FY19E
ROE (%)	36.1	33.2	31.6
ROCE (%)	39.2	37.6	37.3
P/B (x)	19.8	13.7	10.1
P/E (x)	54.8	41.3	32.0
EPS (₹)	23.7	29.2	37.7
EV/OCF (x)	56.3	41.4	35.6

\* FY16 is 9M financials

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Symphony has reported sluggish standalone net sales of Rs1, 298mn (-15.0% YoY). India business (84.5% of total standalone sales) registered de-growth of 18% YoY growth to ₹1,097mn while Exports business reported 8.2% growth to ₹ 201mn

Gross Margin contracted sharply by 677bps YoY to 51.2% due to launch of touch air-coolers at low price in Q4FY17. A&P expenses & other expenses expanded by 44bps & 200bps as % of sales while employee costs moved up by 147bps. Hence, EBITDA margin has contracted by 1,068bps to 15.0% vs 25.7% last year. EBITDA de-grew by 50.4% YoY to Rs 194mn.

Other Income moved up by 136% to ₹127mn. Hence, PAT saw a de-growth of 23.8% YoY to ₹240mn in Q1FY18. APAT (including other comprehensive income) witnessed 28% decline to Rs230mn

#### Bad summer & erratic rains impacts sales; expect it to rebound in coming qtrs.

Symphony witnessed 15% sales decline in Q1FY18 due to weak summer and unseasonal rains in various parts of the country. However, pre-booking sales to dealers from July onwards has been robust. Symphony enjoys its strength of pre-booking of Air Cooler sales in the non-seasonal quarters of Q2& Q3, which helps the company to counter unseasonality in the business. We expect Symphony sales to come back with 20-25% run rate in coming qtrs led by volume pick up and improvement in realizations in Touch range air coolers.

#### Expect Margins to be restored led by price upward revision in ensuing qtrs.

Gross Margins have been under pressure from last qtr on back of launch touch air-coolers in Q4FY17. It contracted sharply in Q1FY18 to the tune of 677bps to 51.2%. Management stated they have taken price increase in the range of 17-23% across touch models and other models as well. With this price hike, we expect GM in the coming qtrs to improve and come back to 55-57% range. Subsequently, this will lead to improvement in EBITDA margins too.

#### Concall Highlights

1) Distribution network has further intensified across rural, traditional network & organized retail 2) Wall mounted air cooler range named Cloud has been rolled out PAN India 3) Industrial & Centralized Aircooling range continue to show strong growth 4) Exports: expanded further in South America and African countries while political instability in MENA region is a cause of concern 5) Inventory of Symphony at June end at dealer level was almost NIL unlike competition

#### 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 32x of FY19 estimated EPS. **We maintain BUY rating.**



## Exhibit 1: Quarterly snapshot

Particulars (₹ mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
<b>Net Sales</b>	<b>1,108</b>	<b>1,145</b>	<b>1,625</b>	<b>1,379</b>	<b>1,526</b>	<b>1,504</b>	<b>1,801</b>	<b>1,841</b>	<b>1,298</b>
YoY Gr (%)	(26.4)	24.5	19.9	10.9	37.8	31.4	10.8	33.5	(15.0)
<b>Gross Profit</b>	<b>635</b>	<b>593</b>	<b>877</b>	<b>809</b>	<b>884</b>	<b>781</b>	<b>965</b>	<b>939</b>	<b>664</b>
YoY Gr (%)	(30.8)	32.6	28.0	18.6	39.3	31.6	10.0	16.0	(24.9)
Gross Margin (%)	57.3	51.8	54.0	58.7	58.0	51.9	53.6	51.0	51.2
Change (bps)	-362bps	318bps	344bps	383bps	62bps	11bps	-39bps	-769bps	-677bps
<b>EBITDA</b>	<b>202</b>	<b>340</b>	<b>603</b>	<b>583</b>	<b>392</b>	<b>513</b>	<b>672</b>	<b>495</b>	<b>194</b>
YoY Gr (%)	(54.0)	42.7	25.3	35.5	94.1	50.6	11.4	(15.0)	(50.4)
EBITDA Margin	18.2	29.7	37.1	42.2	25.7	34.1	37.3	26.9	15.0
Change (bps)	-1,091bps	380bps	160bps	769bps	744bps	436bps	19bps	-1,534bps	-1,068bps
<b>Reported PAT</b>	<b>223</b>	<b>288</b>	<b>477</b>	<b>465</b>	<b>316</b>	<b>393</b>	<b>561</b>	<b>467</b>	<b>240</b>
YoY Gr (%)	(31.9)	32.5	32.0	25.8	41.7	36.6	17.6	0.3	(23.8)
<b>APAT</b>	<b>223</b>	<b>288</b>	<b>477</b>	<b>465</b>	<b>319</b>	<b>393</b>	<b>561</b>	<b>467</b>	<b>230</b>
YoY Gr (%)	(31.9)	32.5	32.0	25.8	43.0	36.6	17.6	0.3	(27.9)

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

## Exhibit 2: Segmental

	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
<b>Revenue</b>									
Domestic	1,009	1,097	1,493	1,089	1,340	1,434	1,638	1,538	1,097
Export	96	47	128	290	186	69	159	302	201
<b>Total</b>	<b>1,105</b>	<b>1,144</b>	<b>1,621</b>	<b>1,379</b>	<b>1,526</b>	<b>1,503</b>	<b>1,797</b>	<b>1,841</b>	<b>1,298</b>
<b>Revenue Gr. (%)</b>									
Domestic	(23.0)	29.3	20.2	10.4	32.8	30.7	9.7	41.3	(18.2)
Export	(51.1)	(33.7)	13.5	12.5	93.8	46.3	24.0	4.2	8.4
<b>Total</b>	<b>(26.7)</b>	<b>24.5</b>	<b>19.6</b>	<b>10.9</b>	<b>38.1</b>	<b>31.3</b>	<b>10.8</b>	<b>33.5</b>	<b>(15.0)</b>
<b>Revenue Mix (%)</b>									
Domestic	91.3	95.9	92.1	79.0	87.8	95.4	91.2	83.6	84.5
Export	8.7	4.1	7.9	21.0	12.2	4.6	8.8	16.4	15.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EBIT</b>									
Domestic	251	398	610	498	359	535	731	534	247
Export	38	7	56	127	78	15	50	102	64
<b>Total</b>	<b>289</b>	<b>405</b>	<b>666</b>	<b>625</b>	<b>438</b>	<b>551</b>	<b>781</b>	<b>636</b>	<b>311</b>
<b>EBIT Margin (%)</b>									
Domestic	24.9	36.2	40.9	45.7	26.8	37.3	44.6	34.7	22.6
Export	40.1	15.4	43.8	43.7	42.3	22.4	31.2	33.8	31.6
<b>Total</b>	<b>26.2</b>	<b>35.4</b>	<b>41.1</b>	<b>45.3</b>	<b>28.7</b>	<b>36.6</b>	<b>43.4</b>	<b>34.6</b>	<b>24.0</b>
<b>EBIT Change (bps)</b>									
Domestic	-361bps	203bps	168bps	515bps	196bps	109bps	376bps	-1,104bps	-426bps
Export	-280bps	-1,039bps	1,596bps	216bps	214bps	710bps	-1,264bps	-991bps	-1,067bps
<b>Total</b>	<b>-417bps</b>	<b>182bps</b>	<b>286bps</b>	<b>452bps</b>	<b>251bps</b>	<b>127bps</b>	<b>234bps</b>	<b>-1,076bps</b>	<b>-474bps</b>
<b>EBIT Mix (%)</b>									
Domestic	86.7	98.2	91.6	79.7	82.1	97.2	93.6	83.9	79.6
Export	13.3	1.8	8.4	20.3	17.9	2.8	6.4	16.1	20.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EBIT Growth (%)</b>									
Domestic	(32.8)	37.0	25.4	24.4	43.3	34.6	19.8	7.2	(31.2)
Export	(54.3)	(60.4)	78.4	18.4	104.2	113.9	(11.7)	(19.4)	(19.0)
<b>Total</b>	<b>(36.7)</b>	<b>31.2</b>	<b>28.6</b>	<b>23.2</b>	<b>51.4</b>	<b>36.0</b>	<b>17.2</b>	<b>1.8</b>	<b>(29.0)</b>

Source: Company, Trust



## Financials - Consolidated

### P&L Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17P	FY18E	FY19E
Period	12M	9M	12M	12M	12M
<b>Net Revenues</b>	<b>5,259</b>	<b>4,455</b>	<b>7,680</b>	<b>9,273</b>	<b>11,772</b>
% Growth	(1.3)	13.0	29.3	20.7	27.0
Raw Material	2,526	2,045	3,826	4,451	5,768
Staff	462	425	687	672	841
Selling and Distribution Expenses	897	542	1,040	1,194	1,577
Other Expenses	47	84	151	474	313
Total Expenditures	3,933	3,096	5,704	6,791	8,498
<b>EBITDA</b>	<b>1,326</b>	<b>1,360</b>	<b>1,976</b>	<b>2,482</b>	<b>3,274</b>
% Growth	5	37	9	26	32
<b>EBITDA Margins (%)</b>	<b>25.2</b>	<b>30.5</b>	<b>25.7</b>	<b>26.8</b>	<b>27.8</b>
Other Income	337	209	432	478	530
Interest	8	2	0	-	-
Depreciation	41	43	71	76	82
<b>Profit Before Tax</b>	<b>1,614</b>	<b>1,648</b>	<b>2,337</b>	<b>2,883</b>	<b>3,722</b>
Provision for tax	453	465	681	840	1,085
Effective tax rate (%)	28	28	29	29	29
<b>Reported PAT</b>	<b>1,160</b>	<b>1,183</b>	<b>1,656</b>	<b>2,043</b>	<b>2,637</b>
% Growth	9.4	36.0	5.0	23.4	29.1
<b>Adjusted Net Profit</b>	<b>1,160</b>	<b>1,094</b>	<b>1,656</b>	<b>2,043</b>	<b>2,637</b>
% Growth	10.0	25.7	13.6	23.4	29.1

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

### Balance Sheet

₹ mn (Y/E Mar)	FY15	FY16	FY17P	FY18E	FY19E
Equity Share Capital	70	70	140	140	140
Reserves & surplus	2,992	3,116	4,450	6,019	8,198
<b>Shareholders' funds</b>	<b>3,062</b>	<b>3,186</b>	<b>4,590</b>	<b>6,159</b>	<b>8,338</b>
Total Debt	-	-	193	153	113
Others	90	92	72	87	102
<b>Capital Employed</b>	<b>3,152</b>	<b>3,278</b>	<b>4,855</b>	<b>6,399</b>	<b>8,553</b>
Net fixed assets	684	805	810	894	973
Cash & Cash Eq.	75	464	466	1,275	2,369
Net Current Assets (Ex-cash)	(48)	365	2,375	3,066	4,082
Investments	2,423	1,623	2,828	3,328	3,828
Others	16	29	45	45	50
<b>Total Assets</b>	<b>3,152</b>	<b>3,278</b>	<b>4,855</b>	<b>6,399</b>	<b>8,553</b>

**Cash Flow**

₹ mn (Y/E Mar)	FY15	FY16	FY17P	FY18E	FY19E
Pre-tax profit	1,613	1,648	2,337	2,883	3,722
Depreciation	41	43	71	76	82
Total Tax Paid	(491)	(465)	(681)	(840)	(1,085)
Chg in working capital	160	(418)	(170)	(191)	(521)
Other operating activities	(286)	2	0	-	-
<b>Cash flow from oper (a)</b>	<b>1,036</b>	<b>810</b>	<b>1,557</b>	<b>1,928</b>	<b>2,198</b>
Capital Expenditure	(140)	(359)	(76)	(160)	(160)
Chg in investments	(291)	800	(1,206)	(500)	(500)
Other investing activities	65	(1)	0	-	-
<b>Cash flow from inv.(b)</b>	<b>(366)</b>	<b>440</b>	<b>(1,281)</b>	<b>(660)</b>	<b>(660)</b>
<b>Free cash flow</b>	<b>896</b>	<b>451</b>	<b>1,481</b>	<b>1,768</b>	<b>2,038</b>
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	-	(1)	-	-	-
Interest paid	(6)	(2)	(0)	-	-
Dividend (incl. Tax)	(610)	(1,052)	(379)	(417)	(459)
Other financing activities	(42)	(4)	(40)	15	15
<b>Cash flow from fin. (c)</b>	<b>(657)</b>	<b>(1,059)</b>	<b>(419)</b>	<b>(402)</b>	<b>(444)</b>
<b>Net chg in cash (a+b+c)</b>	<b>13</b>	<b>192</b>	<b>(144)</b>	<b>866</b>	<b>1,094</b>

**Key Ratios**

Y/E Mar	FY15	FY16	FY17P	FY18E	FY19E
Raw Material Cost/Sales (%)	45.5	45.2	47.4	48.0	49.0
Manpower Cost/Sales (%)	8.8	9.5	8.9	7.2	7.1
A&P Cost/Sales (%)	6.4	2.1	5.8	5.8	5.8
Revenue Growth (%)	(1.3)	13.0	29.3	20.7	27.0
EBITDA Margins (%)	25.2	30.5	25.7	26.8	27.8
Net Income Margins (%)	22.1	24.5	21.6	22.0	22.4
ROCE (%)	40.8	40.2	39.2	37.6	37.3
ROE (%)	37.9	34.3	36.1	33.2	31.6

**Valuation Parameters**

Y/E Mar	FY15	FY16	FY17P	FY18E	FY19E
EPS (₹.)	16.6	15.6	23.7	29.2	37.7
P/E (x)	66.2	76.5	54.8	41.3	32.0
BV (₹)	43.7	45.5	65.6	88.0	119.1
P/BV (x)	25.1	26.3	19.8	13.7	10.1
EV/EBITDA (x)	56.0	60.0	44.4	32.2	23.9
Fixed assets turnover ratio (x)	7.7	5.5	9.5	10.4	12.1
Net Debt/Equity (x)	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)
EV/Sales (x)	14.1	18.3	11.4	8.6	6.6

*Note: FY16 is 9M financials*



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**Recommendation**      **Expected absolute returns (%) over 12 months**

Buy                              More than 15%

Hold                             15% to -15%

Sell                              Less than -15%

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