

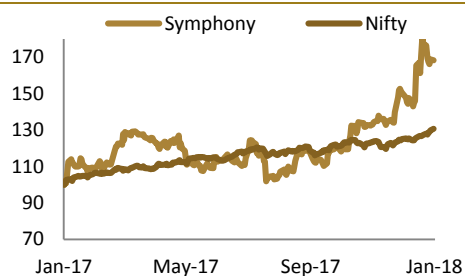
Market statistics

Current stock price (₹)	1,970
Shares O/S (cr.)	7.0
Mcap (₹ cr)	13,783
52W H/L (₹)	2,213/1,152
6m avg. volume	52,898
Bloomberg	SYML in

Shareholding pattern

Promoters	75.0
Domestic Institution	7.2
Foreign Institution	7.5
Non-institution	10.4
of which more than 1%	
Mathews India Fund	2.9
Axis Long Term Equity Fund	3.7

Symphony vs Nifty



Capital efficiency & valuations

Particulars	FY17	FY18E	FY19E
ROE (%)	36.1	32.9	31.7
ROCE (%)	39.4	37.6	37.5
P/B (x)	20.2	22.0	16.2
P/E (x)	56.0	66.7	51.0
EPS (₹)	23.7	29.3	38.3
EV/OCF (x)	94.5	65.4	56.4

* FY16 is 9M financials

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Symphony has reported strong standalone net sales growth of 20.9% to Rs2,176mn vs our expectation of 23%. We believe this growth is led by ~17- 18% volume growth. GST is neutral for Symphony hence there is no divergence in sales.

India business (95.6% of total standalone sales) registered grew by 27% YoY growth to ₹2,080mn while Exports business declined by 39.4% growth to ₹ 96mn

Gross Margin expanded by 71bps to 54.3% due to price hike taken in touch air-coolers in last quarters and favorable mix. Employee & A&P expenses moved by 3bps & - 101bps as % of sales while other expenses contracted by 80bps. Hence, EBITDA margin has expanded by 255ps to 39.9% vs 37.3% last year. EBITDA grew by 29.1% YoY to Rs 868mn vs our expectation of Rs835mn.

Other Income declined by 15% to ₹80mn. Hence, PAT saw a growth of 20.7% YoY to ₹663mn in Q2FY18. APAT (including other comprehensive income) witnessed 12.5% growth to Rs656mn.

Strong Domestic volume growth despite weak summer & increased competition.

Symphony witnessed overall 21% sales growth in Q3FY18. Sales in Domestic region showed strong 27% growth. 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 un-seasonality in the business. We expect Symphony Domestic sales to maintain 27-28% run rate in coming qtrs led by volumes

GM and EBITDA margins are restored back amid price revision.

Gross Margins dipped badly in range of 6-7% in Q4FY17 & Q1FY18 due to launch of touch range at lower prices as an introductory offer. However, company took price hike in July to combat the GM pressure which restored the GM levels at 54.3%. Low A&P spend (-76%YoY) due to lean quarter further cushioned the margins. Hence EBITDA margins expanded by 255bps to 39.9%. EBIT margin in Exports has significantly improved to 43%. We believe company to maintain EBITDA margins in the range of 27-28% for FY18 & FY19E

Concall Highlights:

1) Launched Diamond & Silver range of models during the quarter & there would be around 15 models combining touch, Hitech, cloud , Diamond & silver range of aircoolers.2) Witnessed robust growth in centralized air-coolers and company mentioned that internal sales & dealers are working together for sales creation 3) Chinese air-cooling hasn't reached break even yet but losses have narrowed down considerably. 4) Exports weak during the quarter; expect to pick up in coming qtrs. 4) There is around ~Rs4500mn cash& cash equivalents on books. 5) Cloud series has done extremely well and they have applied for international patent.

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 25% 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. However, the current upside movement in the stock has stretched the valuations. Hence, **we downgrade Symphony to "HOLD"** as we believe near term positives are priced in. The stock trades at a P/E of 51x of FY19 estimated EPS.



Exhibit 1: Quarterly snapshot

Particulars (₹ mn)	Q2FY16	Q3FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Net Sales	1,625	1,379	1,526	1,504	1,801	1,841	1,298	1,843	2,176
YoY Gr (%)	19.9	10.9	37.8	31.4	10.8	33.5	(15.0)	22.5	20.9
Gross Profit	877	809	884	781	965	939	664	981	1,182
YoY Gr (%)	28.0	18.6	39.3	31.7	10.0	16.0	(24.9)	25.6	22.4
Gross Margin (%)	54.0	58.7	58.0	51.9	53.6	51.0	51.2	53.2	54.3
Change (bps)	344bps	383bps	62bps	11bps	-39bps	-769bps	-677bps	134bps	71bps
EBITDA	603	583	392	516	672	495	194	642	868
YoY Gr (%)	25.3	35.5	94.1	51.6	11.5	(15.0)	(50.4)	24.4	29.1
EBITDA Margin	37.1	42.2	25.7	34.3	37.3	26.9	15.0	34.8	39.9
Change (bps)	160bps	769bps	744bps	458bps	23bps	-1,534bps	-1,068bps	54bps	255bps
Reported PAT	477	465	316	425	549	467	240	507	663
YoY Gr (%)	32.0	25.8	41.7	47.8	15.3	0.3	(23.8)	19.2	20.7
APAT	477	465	319	428	584	467	230	500	656
YoY Gr (%)	32.0	25.8	43.0	48.8	22.5	0.3	(27.9)	16.9	12.5

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

Exhibit 2: Segmental

	Q2FY16	Q3FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Revenue									
Domestic	1,493	1,089	1,340	1,434	1,638	1,538	1,097	1,805	2,080
Export	128	290	186	70	159	302	201	38	96
Total	1,621	1,379	1,526	1,504	1,797	1,841	1,298	1,843	2,176
Revenue Gr. (%)									
Domestic	20.2	10.4	32.8	30.7	9.7	41.3	(18.2)	25.8	27.0
Export	13.5	12.5	93.8	49.9	24.0	4.2	8.4	(46.4)	(39.4)
Total	19.6	10.9	38.1	31.5	10.8	33.5	(15.0)	22.5	21.1
Revenue Mix (%)									
Domestic	92.1	79.0	87.8	95.3	91.2	83.6	84.5	98.0	95.6
Export	7.9	21.0	12.2	4.7	8.8	16.4	15.5	2.0	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT									
Domestic	610	498	359	535	731	534	247	743	895
Export	56	127	78	15	50	102	64	(7)	42
Total	666	625	438	551	781	636	311	736	937
EBIT Margin (%)									
Domestic	40.9	45.7	26.8	37.3	44.6	34.7	22.6	41.1	43.0
Export	43.8	43.7	42.3	21.9	31.2	33.8	31.6	(17.8)	43.4
Total	41.1	45.3	28.7	36.6	43.4	34.6	24.0	39.9	43.0
EBIT Change (bps)									
Domestic	168bps	515bps	196bps	109bps	376bps	-1,104bps	-426bps	381bps	-161bps
Export	1,596bps	216bps	214bps	655bps	-1,264bps	-991bps	-1,067bps	-3,968bps	1,217bps
Total	286bps	452bps	251bps	123bps	234bps	-1,076bps	-474bps	333bps	-40bps
EBIT Mix (%)									
Domestic	91.6	79.7	82.1	97.2	93.6	83.9	79.6	100.9	95.5
Export	8.4	20.3	17.9	2.8	6.4	16.1	20.4	(0.9)	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT Growth (%)									
Domestic	25.4	24.4	43.3	34.6	19.8	7.2	(31.2)	38.7	22.4
Export	78.4	18.4	104.2	113.9	(11.7)	(19.4)	(19.0)	(143.5)	(15.7)
Total	28.6	23.2	51.4	36.0	17.2	1.8	(29.0)	33.6	20.0

Source: Company, Trust



Financials - Consolidated

P&L Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Period	12M	9M	12M	12M	12M
Net Revenues	5,259	4,455	7,680	8,924	11,481
% Growth	(1.3)	13.0	29.3	16.2	28.6
Raw Material	2,526	2,045	3,826	4,284	5,625
Staff	462	425	687	839	1,043
Selling and Distribution Expenses	897	540	1,211	1,336	1,743
Other Expenses	47	84	(26)	(43)	(261)
Total Expenditures	3,933	3,094	5,698	6,416	8,150
EBITDA	1,326	1,362	1,982	2,508	3,330
% Growth	5.5	36.9	9.2	26.5	32.8
EBITDA Margins (%)	25.2	30.6	25.8	28.1	29.0
Other Income	337	209	432	463	535
Interest	8	4	7	-	-
Depreciation	41	43	71	80	86
Profit Before Tax	1,614	1,649	2,337	2,891	3,779
Provision for tax	453	465	681	843	1,102
Effective tax rate (%)	28	28	29	29	29
Reported PAT	1,160	1,184	1,656	2,048	2,678
% Growth	9.4	36.0	4.9	23.7	30.7
Adjusted Net Profit	1,160	1,094	1,656	2,048	2,678
% Growth	10.0	25.7	13.5	23.7	30.7

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

Balance Sheet

₹ mn (Y/E Mar)	FY15	FY16	FY17	FY18E	FY19E
Equity Share Capital	70	70	140	140	140
Reserves & surplus	2,992	3,116	4,450	6,081	8,300
Shareholders' funds	3,062	3,186	4,590	6,221	8,440
Total Debt	-	-	193	153	113
Others	90	92	72	87	102
Capital Employed	3,152	3,278	4,855	6,462	8,656
Net fixed assets	684	805	810	990	1,064
Cash & Cash Eq.	75	464	466	723	1,833
Net Current Assets (Ex-cash)	(48)	364	2,376	3,085	4,030
Investments	2,423	1,623	2,828	3,928	4,528
Others	16	29	45	45	50
Total Assets	3,152	3,278	4,855	6,462	8,656

**Cash Flow**

₹ mn (Y/E Mar)	FY15	FY16	FY17	FY18E	FY19E
Pre-tax profit	1,613	1,649	2,337	2,891	3,779
Depreciation	41	43	71	80	86
Total Tax Paid	(491)	(410)	(682)	(843)	(1,102)
Chg in working capital	160	(93)	(390)	(109)	(450)
Other operating activities	(286)	(303)	(387)	-	-
Cash flow from oper (a)	1,036	885	949	2,019	2,314
Capital Expenditure	(140)	(40)	(68)	(260)	(160)
Chg in investments	(291)	549	(796)	(1,100)	(600)
Other investing activities	65	189	213	-	-
Cash flow from inv.(b)	(366)	698	(652)	(1,360)	(760)
Free cash flow	896	845	880	1,759	2,154
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-
Interest paid	(6)	-	(0)	-	-
Dividend (incl. Tax)	(610)	(1,453)	(240)	(417)	(459)
Other financing activities	(42)	-	-	15	15
Cash flow from fin. (c)	(657)	(1,453)	(47)	(402)	(444)
Net chg in cash (a+b+c)	13	131	250	257	1,110

Key Ratios

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
Raw Material Cost/Sales (%)	45.5	45.2	47.5	48.0	49.0
Manpower Cost/Sales (%)	8.8	9.5	8.9	9.4	9.1
A&P Cost/Sales (%)	6.4	2.1	5.8	5.8	5.8
Revenue Growth (%)	(1.3)	13.0	29.3	16.2	28.6
EBITDA Margins (%)	25.2	30.6	25.8	28.1	29.0
Net Income Margins (%)	22.1	24.6	21.6	23.0	23.3
ROCE (%)	40.8	40.2	39.4	37.6	37.5
ROE (%)	37.9	34.3	36.1	32.9	31.7

Valuation Parameters

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
EPS (₹.)	16.6	15.6	23.7	29.3	38.3
P/E (x)	66.2	76.5	56.0	66.7	51.0
BV (₹)	43.7	45.5	65.6	88.9	120.6
P/BV (x)	25.1	26.3	20.2	22.0	16.2
EV/EBITDA (x)	56.0	60.0	45.2	52.7	39.2
Fixed assets turnover ratio (x)	7.7	5.5	9.5	9.0	10.8
Net Debt/Equity (x)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)
EV/Sales (x)	14.1	18.3	11.7	14.8	11.4

Note: FY16 is 9M financials

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