

RETAIL EQUITY RESEARCH

Symphony Ltd

Consumer Electronics

BSE CODE: 517385

NSE CODE: SYMPHONY

Bloomberg CODE: SYML.IN

SENSEX: 33,845

HOLD

Rating as per Midcap

12months investment period

CMP Rs. 1,697 TARGET Rs. 1,844 RETURN 9% ↑

22nd February 2018**All round performance**

Established in 1988, Symphony is a leading air cooler manufacturing company in India. The company provides a wide range of air coolers for residential, commercial and industrial use.

- Symphony posted robust performance in Q3FY18 with standalone revenue growth of 21% YoY in Q3FY18 driven by healthy growth in volumes.
- EBITDA margin surged by 255 bps YoY to 39.9% on the back of strong response to new product launches, premium models and benefit of cost optimisation.
- The company's continuous focus on new product launches and potential market share gains due to implementation of GST will augur well for revenue growth. We factor revenue CAGR of 20% over FY17-20E.
- The increasing demand for premium products will aid the company in sustaining its healthy margin going ahead. Hence, we estimate EBITDA margin of 27.6%/28%/28.2% in FY18E/19E/20E.
- We roll over our valuation to FY20 and arrive at a revised TP of Rs. 1,844, based on P/E multiple of 42.5x. Recommend 'HOLD'.

New launches aid in robust volume growth

Symphony posted healthy growth in standalone revenue in Q3FY18 (↑21% YoY) primarily on the back of robust growth in volumes despite being off-season due to inventory built-up by distributors. Notably around one-fourth of retail dealers have stocked-up products during the quarter. Further increase in prices on certain models by ~23% YoY and withdrawal of introductory prices on the Touch range of coolers launched last year also aided to the growth. The spurt in volumes was mainly due to the launch of six new models under two new range - Diamond and Silver which have received extremely strong response. Further the earlier launches under Cloud, Sense, and Touch models are also doing well.

Premiumisation and cost optimisation trigger margin expansion

In line with robust topline growth coupled with better operational efficiency and improvement in overall mix towards premium products resulted in 29% YoY growth in standalone EBITDA in Q3FY18, translating into 255bps improvement in EBITDA margin to 39.9%. As a result, the net profit growth grew by ~21% YoY. Going ahead, we expect EBITDA margin to expand further owing to solid topline growth and uptick of premium models in the overall mix. Hence, we estimate EBITDA margin of 27.6%/28%/28.2% in FY18E/19E/20E.

New launches and GST to drive strong revenue growth

The company's continuous focus on new product launches has enabled the company to maintain its leadership position in the residential air cooler market in India. Currently the company has a market share of 50-55% in the domestic organized market. The management further highlighted that the company will continue to launch new product with upgraded features going ahead. Moreover, with the implementation of GST, the price differential between the unorganised and organised players has narrowed. This will lead to shift in demand from the unorganised to the branded products. Symphony, being the largest air cooler manufacturer with a market of share of ~50% in the organised market in India coupled with consistent innovation will stand to benefit from this shift. Hence, we factor revenue CAGR of 20% over FY17-20E.

Outlook & Valuation

We maintain our positive stance on the stock on the back of its leadership position and shift in demand to organised players. Its consistent new product launches will enable the company to stay ahead of competition. We expect consolidated revenue/PAT to grow at a CAGR of 20%/22% over FY17-20E. We roll over our valuation to FY20 and arrive at a revised TP of Rs. 1,844, based on P/E multiple of 42.5x. Recommend 'HOLD'.

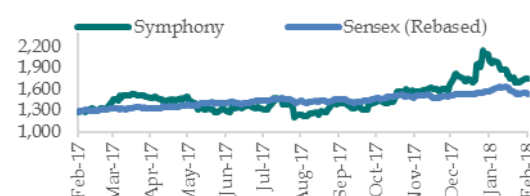
Company Data

Market Cap (Rs. cr)	11,868
Enterprise Value (Rs. cr)	11,469
Outstanding Shares (cr)	7.0
Free Float	25%
Dividend Yield	0.2%
52 week high	Rs. 2,213
52 week low	Rs. 1,154
6m average volume (lakh)	0.5
Beta	1.4
Face value	Rs. 2

Shareholding %	Q1FY18	Q2FY18	Q3FY18
Promoters	75.0	75.0	75.0
FII's	6.8	7.6	7.5
MFs/Insti	6.1	5.5	7.1
Public	6.4	6.2	5.6
Others	5.7	5.7	4.8
Total	100.0	100.0	100.0

Price Performance	3mth	6mth	1 Year
Absolute Return	9%	38%	33%
Absolute Sensex	1%	8%	17%
Relative Return*	8%	30%	16%

*over or under performance to benchmark index



Consolidated (Rs.cr)	FY18E	FY19E	FY20E
Sales	896	1,086	1,316
Growth (%)	16.7%	21.2%	21.2%
EBITDA	247	304	371
EBITDA Margin (%)	27.6	28.0	28.2
PAT Adj	208	251	304
Growth (%)	25.8%	20.3%	21.1%
Adj.EPS	29.8	35.8	43.4
Growth (%)	25.8%	20.3%	21.1%
P/E	57.0	47.4	39.1
P/B	20.7	16.8	13.6
EV/EBITDA	47.9	38.9	31.8
RoE (%)	40.4	39.1	38.4
Adj. D/E	0.0	0.0	0.0

Quarterly Financials (Standalone) Profit & Loss Account

(Rs cr)	Q3FY18	Q3FY17	YoY Growth %	Q2FY18	QoQ Growth %	9MFY18	9MFY17	YoY Growth %
Revenue	218	180	20.9	184	18.1	532	483	10.0
EBITDA	87	67	29.1	64	35.2	170	158	7.9
EBITDA Margin (%)	39.9	37.3	255bps	34.8	504bps	32.1	32.7	(64bps)
Depreciation	1	1	22.9	1	11.3	3	3	27.0
EBIT	86	66	29.2	63	35.6	167	155	7.6
Interest	-	-	-	1	(100.0)	1	0	-
Other Income	8	9	(15.3)	10	(22.9)	31	24	29.0
Exceptional Items	-	-	-	-	-	-	-	-
PBT	94	76	23.6	73	28.6	198	180	10.0
Tax	27	21	31.2	22	23.3	57	51	11.9
PAT	66	55	20.7	51	30.9	141	129	9.3
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	66	55	20.7	51	30.9	141	129	9.3
Adjustment	-	-	-	-	-	-	-	-
Adj PAT	66	55	20.7	51	30.9	141	129	9.3
No. of shares (cr)	7.0	7.0	-	7.0	-	7.0	7.0	-
EPS (Rs)	9.5	7.9	20.7	7.2	30.9	20.2	18.4	9.3

Source: Company, Geojit Research

Change in estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Revenue	915	1,109	896	1,086	(2.1)	(2.1)
EBITDA	253	311	247	304	(2.4)	(2.3)
Margin (%)	27.6	28.0	27.6	28.0	-	-
PAT	206	248	208	251	1.0	1.2
EPS	29.4	35.4	29.8	35.8	1.4	1.1

Consolidated Financials

Profit & Loss Account

Y.E March (Rs cr)	FY16	FY17	FY18E	FY19E	FY20E
Sales	446	768	896	1,086	1,316
% change	-15.2%	72.4%	16.7%	21.2%	21.2%
EBITDA	137	198	247	304	371
% change	3.7%	44.0%	25.1%	23.0%	22.1%
Depreciation	4	7	7	8	8
EBIT	133	191	240	296	363
Interest	0	0	1	1	1
Other Income	21	43	55	58	67
PBT	154	234	294	354	428
% change	-4.8%	52.2%	25.8%	20.3%	21.1%
Tax	46	68	86	103	125
Tax Rate (%)	30.3%	29.1%	29.1%	29.1%	29.1%
Reported PAT	120	166	208	251	304
Adj*	12	-	-	-	-
Adj PAT	107	166	208	251	304
% change	-7.6%	54.6%	25.8%	20.3%	21.1%
No. of shares (cr)	7.0	7.0	7.0	7.0	7.0
Adj EPS (Rs)	15.3	23.7	29.8	35.8	43.4
% change	-7.6%	54.6%	25.8%	20.3%	21.1%
DPS (Rs)	12.5	3.8	11.3	13.6	16.5

Cash flow

Y.E March (Rs cr)	FY16	FY17	FY18E	FY19E	FY20E
Pre-tax profit	165	234	294	354	428
Depreciation	4	7	7	8	8
Changes in W.C	(21)	(44)	(17)	(28)	(29)
Others	(19)	(34)	(54)	(58)	(66)
Tax paid	(41)	(68)	(86)	(103)	(125)
C.F.O	89	95	144	173	217
Capital exp.	(18)	(10)	(10)	(15)	(15)
Change in inv.	53	(79)	(90)	(100)	(100)
Other invest.CF	35	23	55	58	67
C.F - investing	70	(65)	(45)	(57)	(48)
Issue of equity	-	-	-	-	-
Issue/repay debt	-	19	-	-	-
Dividends paid	(145)	(24)	(95)	(115)	(139)
Other finance.CF	(0)	(0)	(1)	(1)	(1)
C.F - Financing	(145)	(5)	(96)	(115)	(140)
Chg. in cash	13	25	3	1	29
Closing cash	46	47	50	51	80

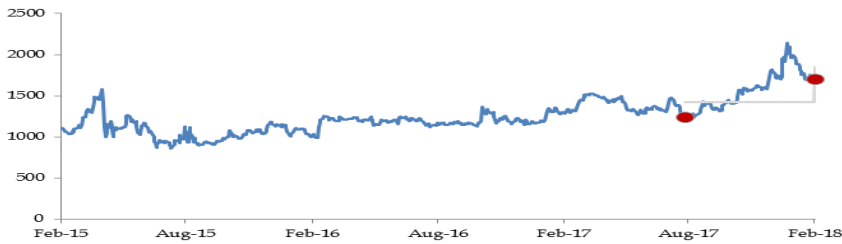
Balance Sheet

Y.E March (Rs cr)	FY16	FY17	FY18E	FY19E	FY20E
Cash	46	47	50	51	80
Accounts Receivable	47	52	61	74	90
Inventories	55	77	86	102	118
Other Cur. Assets	31	59	68	82	98
Investments	162	283	373	473	573
Gross Fixed Assets	189	185	195	210	225
Net Fixed Assets	74	77	80	87	93
CWIP	3	-	-	-	-
Intangible Assets	4	4	4	4	4
Def. Tax (Net)	(2)	(5)	(5)	(5)	(5)
Other Assets	0	0	0	0	0
Total Assets	420	594	717	868	1,051
Current Liabilities	101	116	125	141	159
Provisions	-	-	-	-	-
Debt Funds	-	19	19	19	19
Other Liabilities	-	-	-	-	-
Equity Capital	7	14	14	14	14
Reserves and Surplus	312	445	558	694	859
Shareholder's Fund	319	459	572	708	873
Minority Interest	-	-	-	-	-
Total Liabilities	420	594	717	868	1,051
BVPS (Rs)	45.6	65.6	81.8	101.2	124.8

Ratios

Y.E March	FY16	FY17	FY18E	FY19E	FY20E
Profitab. & Return					
EBITDA margin (%)	30.7	25.7	27.6	28.0	28.2
EBIT margin (%)	29.7	24.8	26.8	27.3	27.5
Net profit mgn.(%)	24.0	21.6	23.2	23.1	23.1
ROE (%)	34.3	42.6	40.4	39.1	38.4
ROCE (%)	49.2	58.7	55.1	53.7	53.0
W.C & Liquidity					
Receivables (days)	38	25	25	25	25
Inventory (days)	76	61	59	59	56
Payables (days)	58	39	39	39	39
Current ratio (x)	1.8	2.0	2.1	2.2	2.4
Quick ratio (x)	1.2	1.4	1.4	1.5	1.7
Turnover &Levg.					
Gross asset T.O (x)	2.6	4.1	4.7	5.4	6.1
Total asset T.O (x)	1.1	1.5	1.4	1.4	1.4
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
EV/Net Sales (x)	26.5	15.4	13.2	10.9	9.0
EV/EBITDA (x)	86.2	59.9	47.9	38.9	31.8
P/E (x)	110.8	71.7	57.0	47.4	39.1
P/BV (x)	37.2	25.9	20.7	16.8	13.6

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
17-August-2017	BUY	1,418
22-February-2018	HOLD	1,844

Investment Rating Criteria

Large Cap Stocks;		Mid Cap and Small Cap;	
Buy	-	Buy	-
Hold	-	Accumulate	-
Reduce	-	Reduce/Sell	-
Neutral	-	Neutral	-
	Upside is above 10%.		Upside is above 15%.
	Upside is between 0% - 10%.		Upside is between 10% - 15%.
	Downside is more than 0%.		Upside is between 0% - 10%.
	Not Applicable.		Downside is more than 0%.
			Not Applicable.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell. The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating.

For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Neutral - The analyst has no investment opinion on the stock under review.

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