

Q3FY18 Result Update
Consumer Durables Symphony Ltd.
BUY

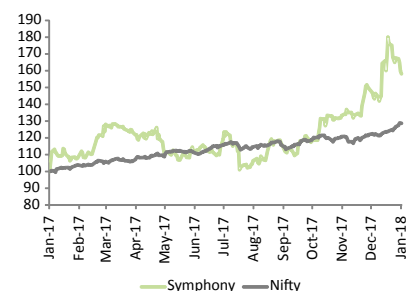
CMP (Rs)	1,815
Target Price (Rs)	2,160
Potential Upside	19.0%
Sensex	36,030
Nifty	11,053

Key Stock data

BSE Code	517385
NSE Code	SYMPHONY
Bloomberg	SYML:IN
Shares o/s, Cr (FV 2)	7.0
Market Cap (Rs Cr)	12,705
3M Avg Volume	59,938
52 week H/L	2,209 / 1,152

Shareholding Pattern

(%)	Jun-17	Sep-17	Dec-17
Promoter	75.0	75.0	75.0
FII	6.8	7.6	7.5
DII	6.0	5.5	7.1
Others	12.2	11.9	10.4

1 Year relative price performance


Research Analyst

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New launches, better mix to drive growth

Symphony Ltd delivered healthy set of numbers for Q3FY18 with net revenue & PAT growth (standalone) of 20.9% & 20.7% YoY, marginally above our estimates. Aided by lower material cost & overhead expenses (as a % to net revenue), EBITDA margins expanded by 255bps YoY to 39.9%, which was encouraging. Going forward, we expect Symphony to maintain its healthy growth momentum, given the robust outlook of domestic air cooler industry, company's strong brand recall and its continued efforts towards innovative offerings and expanding reach. We recommend BUY on the stock with revised target price of Rs 2,160.

Q3FY18 Result Update:

- Net Revenue increased by 20.9% YoY to Rs 217.6cr, driven by healthy volume offtake (more or less in line with the value growth as per the management), as dealers restocked the inventory ahead of onset of summer to get better discounts. New range of products 'Silver and Diamond' with six variants were launched during the quarter. Further, the cloud series products launched in 2017 continued to perform well. Realizations remained stable during the quarter, supported by withdrawal of introductory pricing in touch series products w.e.f July 01, 2017.
- EBITDA grew by 29.1% YoY to Rs 86.8cr, while EBITDA margins expanded 255bps to 39.9% (highest in the past 7 quarters), which was impressive. The gains were led by lower material cost, moderation in A&P spends and other expenses (down 71bps, 102bps & 80bps YoY as a % to net revenue). PAT grew by 20.7% to Rs 66.3cr, relatively lower than growth in EBITDA, impacted by lower other income and higher tax expense.
- Other key highlights: i) GST implementation has started to yield benefits to organized players, as impact on pricing is visible at the unorganized level, leading to loss in their market share in the air cooler segment; ii) China business is moving in line with strategy and the management expects a turnaround in its operations on the profit front in the next 2-3 years; iii) CAPEX would be negligible due to outsourcing business model.

Outlook & Valuation:

We expect Symphony's consolidated Net Revenue and PAT to grow by 18.4% & 23.9% CAGR respectively over FY17-20E, led by robust demand outlook of organized air coolers market (Symphony is a market leader, commanding >50% market share) and company's efforts towards innovative launches, brand building initiatives and anticipated turnaround in the overseas operations. Volume growth would remain healthy. EBITDA margin expansion would continue on the back of new product launches in the premium category, operating leverage and better profits from subsidiaries. Premium valuations are justified, considering company's market leadership, its cash rich and debt free status, superior return ratios and high dividend payouts. We recommend BUY on the stock with revised target price of Rs 2,160.

Financial Summary - Consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Net Revenue	768.0	866.0	1,060.8	1,273.0
EBITDA	197.6	243.3	306.6	385.7
EBITDAM (%)	25.7	28.1	28.9	30.3
APAT	165.6	201.3	252.2	314.8
APATM (%)	21.6	23.2	23.8	24.7
EPS (Rs)	23.7	28.8	36.0	45.0
ROE (%)	42.6	38.9	38.9	39.1
P/E (x)	76.7	63.1	50.4	40.4

Source : Company; RBL Research

P&L Account Quarterly - Standalone

Particulars, Rs cr	Q3FY18	Q3FY17	Y-o-Y %	Q2FY18	Q-o-Q %
Net Revenue	217.6	180.1	20.9	184.3	18.1
Raw Material Consumed	3.4	8.1	-58.1	1.9	78.3
Stock Adjustment	0.4	-10.2	-103.9	18.1	-97.8
Purchase of Finished Goods	95.7	85.7	11.6	66.1	44.7
Total Material Cost	99.5	83.6	19.0	86.2	15.4
Gross Profit	118.2	96.5	22.4	98.1	20.5
Employee Expenses	14.0	11.6	20.3	14.7	-4.8
A&P Expenses	0.5	2.2	-78.5	2.0	-76.1
Other Expenses	16.9	15.4	9.6	17.2	-1.6
EBITDA	86.8	67.2	29.1	64.2	35.2
EBITDAM (%)	39.9	37.3	255bps	34.8	504bps
Depreciation	1.2	1.0	22.9	1.1	11.3
EBIT	85.6	66.3	29.2	63.1	35.6
Other Income	8.0	9.5	-15.3	10.4	-22.9
Interest	-	-	-	0.7	-100.0
PBT	93.7	75.8	23.6	72.9	28.6
Tax	27.4	20.8	31.2	22.2	23.3
Tax Rate (% on PBT)	29.2	27.5	169bps	30.4	-124bps
PAT	66.3	54.9	20.7	50.7	30.9
PATM (%)	30.5	30.5	-3bps	27.5	297bps
EPS	9.5	7.9	20.7	7.2	30.9

Source : Company; RBL Research

P&L Account - Consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Net Revenue	768.0	866.0	1,060.8	1,273.0
Growth (%)	72.4	12.8	22.5	20.0
Material Expenses	364.4	400.1	484.8	575.4
Employee Expenses	68.7	75.3	91.2	108.2
A&P Expenses	44.5	43.3	53.0	57.3
Other Operating Expenses	92.9	103.9	125.2	146.4
EBIDTA	197.6	243.3	306.6	385.7
EBIDTAM (%)	25.7	28.1	28.9	30.3
EBIDTA Growth (%)	45.3	23.2	26.0	25.8
Depreciation	7.1	8.0	8.5	9.1
EBIT	190.5	235.4	298.0	376.6
Other Income	43.2	50.9	60.5	70.6
Interest	0.0	0.7	0.7	0.7
PBT	233.7	285.5	357.8	446.5
Tax	68.1	84.2	105.5	131.7
Minority Interest	-	-	-	-
Share of Profit/(Loss) in Associated Company	-	-	-	-
PAT	165.6	201.3	252.2	314.8
PAT Growth (%)	39.9	21.6	25.3	24.8
EPS	23.7	28.8	36.0	45.0
EPS Growth (%)	51.3	21.6	25.3	24.8

Source : Company; RBL Research

Balance sheet - Consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS				
Share Capital	14.0	14.0	14.0	14.0
Reserves	445.0	562.3	705.4	877.3
Total Shareholders' Funds	459.0	576.3	719.3	891.3
Minority Interest	-	-	-	-
Long Term Debt	-	-	-	-
Short Term Debt	19.3	-	-	-
Total Debt	19.3	-	-	-
Net Deferred Taxes	4.5	4.5	4.5	4.5
Long Term Provisions & Others	2.7	3.1	3.8	4.5
TOTAL SOURCES OF FUNDS	485.5	583.9	727.6	900.3
APPLICATION OF FUNDS				
Net Block	77.1	79.2	85.6	91.5
CWIP	-	-	-	-
Goodwill	3.9	3.9	3.9	3.9
Investments	282.8	329.4	387.5	460.3
LT Loans & Advances and Others	4.4	4.8	5.9	7.1
Total Non-Current Assets	368.2	417.2	482.9	562.7
Inventories	77.3	85.4	101.7	118.6
Trade Receivables	52.3	54.6	65.4	76.7
Cash & Equivalents	46.6	94.5	162.1	245.5
ST Loans & Advances and Other Current Assets	54.3	60.8	74.5	89.4
Total Current Assets	230.6	295.3	403.8	530.3
Trade Payables	61.0	68.8	85.7	104.6
Other Current Liabilities & Provisions	52.3	59.9	73.4	88.0
Total Current Liabilities	113.3	128.7	159.1	192.7
Net current Assets	117.3	166.7	244.7	337.6
TOTAL APPLICATION OF FUNDS	485.5	583.9	727.6	900.3

Source : Company; RBL Research

Cash Flow statement - Consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Reported PBT	233.7	285.5	357.8	446.5
Non-operating & EO items	30.6	35.9	42.6	49.8
Interest Expenses	0.0	0.7	0.7	0.7
Depreciation	7.1	8.0	8.5	9.1
Working Capital Change	(34.9)	(1.4)	(10.4)	(9.5)
Tax Paid	68.1	84.2	105.5	131.7
OPERATING CASH FLOW (a)	107.2	172.7	208.4	265.3
Capex	(1.9)	(10.0)	(15.0)	(15.0)
Free Cash Flow	105.2	162.7	193.4	250.3
Investments	(120.6)	(46.5)	(58.2)	(72.7)
Non-operating income	30.6	35.9	42.6	49.8
Others	3.2	(0.4)	(1.1)	(1.2)
INVESTING CASH FLOW (b)	(88.7)	(21.1)	(31.6)	(39.1)
Debt Issuance / (Repaid)	19.3	(19.3)	-	-
Interest Expenses	(0.0)	(0.7)	(0.7)	(0.7)
FCFE	124.5	142.7	192.7	249.6
Share Capital Issuance	7.0	-	-	-
Dividend	(37.8)	(84.0)	(109.2)	(142.8)
Others	(2.0)	0.3	0.7	0.8
FINANCING CASH FLOW (c)	(13.5)	(103.7)	(109.2)	(142.7)
EO items	-	-	-	-
NET CASH FLOW (a+b+c)	5.0	47.9	67.6	83.4
Closing Cash	46.6	94.5	162.1	245.5

Source : Company; RBL Research

Key Financial ratios - Consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
PROFITABILITY (%)				
GPM	52.6	53.8	54.3	54.8
EBITDAM	25.7	28.1	28.9	30.3
EBITM	24.8	27.2	28.1	29.6
APATM	21.6	23.2	23.8	24.7
RoE	42.6	38.9	38.9	39.1
Core RoCE	73.7	95.2	115.6	137.3
RoCE	47.8	44.6	46.0	46.8
EFFICIENCY				
Tax Rate (%)	29.1	29.5	29.5	29.5
Fixed Asset Turnover (x)	4.0	4.2	4.8	5.4
Inventory (days)	36.8	36.0	35.0	34.0
Debtors (days)	24.9	23.0	22.5	22.0
Payables (days)	29.0	29.0	29.5	30.0
Cash Conversion Cycle (days)	32.6	30.0	28.0	26.0
Debt/Equity (x)	0.0	-	-	-
Net Debt/Equity (x)	(0.9)	(1.0)	(1.0)	(1.1)
PER SHARE DATA				
EPS	23.7	28.8	36.0	45.0
CEPS	24.7	29.9	37.3	46.3
BV	65.6	82.3	102.8	127.3
Dividend	4.5	10.0	13.0	17.0
VALUATION				
P/E (x)	76.7	63.1	50.4	40.4
P/BV (x)	27.7	22.0	17.7	14.3
EV/EBITDA (x)	62.3	49.9	39.0	30.4
Dividend Yield (%)	0.2	0.6	0.7	0.9

Source : Company; RBL Research

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S. No.	Statement	Answer	
		YES	NO
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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