

Symphony Ltd (SYMCOM)

₹ 2439

Strong operational performance drives PAT...

- Adjusted for a change in reporting method, Symphony's sales increased ~11% led by ~9% YoY volume growth and change in product mix in Q3FY16. We believe the lower-than-expected volume growth was mainly due to advance stocking of air coolers by dealers before the onset of summer. However, realisation growth was largely due to launch of new products
- The sharp expansion in EBITDA margin by 675 bps YoY can be attributed to an expansion in gross margin due to lower commodity prices and various cost control measures. As a result, despite lower sales growth PAT recorded sharp growth of 27% YoY in Q3FY16
- According to the management, the recovery in subsidiary Impco is on track while Symphony's Chinese acquisition is progressing as per schedule with integration process expected to finish in three months

Leveraging on strong brand recall...

Symphony is India's leading evaporative air cooler manufacturer with a market share of ~55% (value terms) in the organised product category. Over the years, it has been able to create a strong brand name, which has become synonymous with air coolers in India. With its focus on R&D and innovations, the company constantly innovates in its products to enhance design, technology and post sales services. Symphony has launched more than one new model annually for six years. Over the years, it has established a robust distribution network comprising ~750 dealers (152 in 2007), ~16,500 retail dealers (3,308 in 2007) and ~4,500 towns (1430 in 2007). Also, the company has consistently invested in brand building through advertisement campaigns (~4% of sales over the last three years and ~6% during FY15), strengthening its brand recall.

Asset light business model with zero debt strengthens balance sheet

Symphony operates through an asset light model wherein it outsources manufacturing of air coolers to about nine exclusive vendors in India and uses the cash & carry model for sales. It has maintained strong return ratios i.e. RoCE and RoE at 43% and 36%, respectively, in 9MFY16 mainly due to an asset light model and almost debt-free status since 2006. We believe the zero debt status provides adequate room to fund Symphony's organic and inorganic growth opportunities whenever required.

Exploring opportunities to tap new markets

Symphony is exploring new opportunities in the industrial cooling segment (through Impco) and air cooling segment. To get access to the Chinese market the company recently acquired Chinese air cooler brand MKE for a meagre ₹ 1.55 crore. The company would also benefit from sourcing advantage for its OEMs (which largely source from China).

Strong fundamentals; maintain BUY

We believe the air cooler industry will grow at ~19% CAGR in FY15-25E, due to demand remaining intact in tier-II and tier-III cities. Currently, the air cooler industry is largely dominated by the unorganised segment (~80% volume market share). We believe a shift from the unbranded to the branded category (due to rising aspiration level) opens up a huge opportunity for organised players to grow at 25% CAGR in FY15-25E. We have modelled sales and earnings CAGR of 26% and 31% in FY15-18E, led by strong volume growth in the wake of better monsoon and implementation of Seventh Pay Commission. We use DCF method for valuation, assuming revenue CAGR of ~25% (FY15-25E), terminal growth of 5% and WACC of 10.8% and maintain our target price at ₹ 2745/share.

Rating matrix

Rating	:	Buy
Target	:	₹ 2745
Target Period	:	12 months
Potential Upside	:	13%

What's Changed?

Target	Unchanged
EPS FY17E	Changed from ₹ 58.7 to ₹ 56.1
EPS FY18E	Changed from ₹ 74.6 to ₹ 73.8
Rating	Unchanged

Quarterly Performance

	Q3FY16	Q3FY15	YoY (%)	Q2FY16	QoQ (%)
Revenue	152.2	137.5	10.6	181.6	-16.2
EBITDA	57.2	42.4	34.9	60.0	-4.7
EBITDA (%)	37.6	30.8	675bps	33.0	453bps
PAT	46.5	36.5	27.4	47.7	-2.5

Key Financials

₹ Crore	FY15	9MFY16E	FY17E	FY18E
Net Sales	578.5	493.5	908.0	1,157.1
EBITDA	131.8	141.2	251.5	320.5
Net Profit	115.9	124.8	196.3	258.1
EPS (₹)	33.1	35.7	56.1	73.8

Valuation summary

	FY15	9MFY16E	FY17E	FY18E
P/E	73.6	68.4	43.5	33.1
Target P/E	82.8	76.9	48.9	37.2
EV / EBITDA	63.8	60.1	33.6	26.3
P/BV	26.0	26.8	18.0	13.5
RoNW (%)	35.3	36.3	41.5	41.0
RoCE (%)	38.7	42.6	51.9	49.9

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	8,531.3
Total Debt (FY16) (₹ Crore)	0.0
Cash and Investments (FY16) (₹ Crore)	47.2
EV (₹ Crore)	8,484.1
52 week H/L (₹)	3275 / 1650
Equity capital (₹ Crore)	7.0
Face value (₹)	2.0

Price performance (%)

	1M	3M	6M	12M
Bajaj Electricals	9.9	43.4	2.5	(0.9)
Havells India	8.2	29.5	42.4	35.2
Symphony	0.3	20.0	16.6	10.7
V-Guard	27.2	43.1	34.9	28.3

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Variance analysis

	Q3FY16	Q3FY16E	Q3FY15	YoY (%)	Q2FY16	QoQ (%)	Comments
Revenue	152.2	170.9	137.5	10.6	181.6	-16.2	Adjusted for a change in reporting method, sales growth was largely driven by ~9% YoY growth in volume with higher proportion of premium products in sales driving realisation growth. Domestic and export sales increased ~10% YoY each
Other Income	6.1	7.8	8.8	-31.0	7.4	-17.6	
Raw Material Exp	57.0	69.5	55.9	1.8	74.8	-23.8	Benign raw material prices helped in saving in overall raw material cost
Employee Exp	10.2	9.4	8.5	19.8	9.4	7.7	
Other Exp	27.9	37.6	30.7	-9.3	37.4	-25.5	Decline in other expenses was led by lower advertisement expenses as most advertisement and promotional activities are held in June
EBITDA	57.2	54.4	42.4	34.9	60.0	-4.7	
EBITDA Margin (%)	37.6	31.8	30.8	675 bps	33.0	453 bps	Lower raw material prices coupled with saving in other expenses translated into sharp expansion margin
Depreciation	0.7	0.8	0.4	73.8	0.7	0.0	
Interest	0.0	0.0	0.0	NA	0.1	NA	
PBT	62.5	61.4	50.7	23.1	66.6	-6.1	
Total Tax	16.0	17.4	14.2	12.2	18.8	-15.3	
PAT	46.5	44.0	36.5	27.4	47.7	-2.5	Better sales growth along with expansion in margin helped in ~27% YoY rise in PAT growth

Key Metrics

Volume	230,897.0	256,775.6	212,640.0	8.6	283,351.0	-18.5	Lower-than-expected primary sales due to higher inventory at dealers level and change in product mix led ~9% YoY growth in volume
Realisation	6,589.5	6,587.4	6,328.0	4.1	6,410.4	2.8	Despite lower commodity prices, rising proportion of higher end products drives realisation growth

Source: Company, ICICIdirect.com Research

Change in estimates

₹ Crore	FY17E			FY18E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	958.3	908.0	(5.2)	1,181.1	1157.1	(2.0)	We have marginally tweaked our revenue estimates for FY17E and FY18E factoring in recent performance of the company. However, we believe company sales will record sales CAGR of 26% in FY15-18E led by ~20% volume CAGR, led by new product launches, better monsoon forecaste and implementation of Seventh Pay Commission
EBITDA	265.5	251.5	(5.3)	327.2	320.5	(2.0)	
EBITDA Margin %	27.7	27.7	0bps	27.7	27.7	0bps	We believe margins will remain at elevated level compared to FY15 due to launch of premium products in the near future
PAT	205.4	196.3	(4.5)	261.1	258.1	(1.2)	
EPS (₹)	58.7	56.1	(4.4)	74.6	73.8	(1.1)	We have modelled PAT CAGR of 30% for FY15-18E backed by strong sales growth and margin expansion

Source: Company, ICICIdirect.com Research

Assumptions

	FY15E	9MFY16E	Current		Earlier		Comments
			FY17E	FY18E	FY17E	FY18E	
Volume Growth (%)	10.8	-8.4	59.7	18.0	57.9	15.8	We expect the company to record volume CAGR of ~20% in FY15-18E, led by strong domestic performance. For the coming future, we believe volume growth would be strong considering rising disposable income due to better monsoon (will push up rural demand) and implementation of pay commission (will push up urban demand)
Realisation Growth (%)	2.7	-0.3	7.5	6.5	5.5	4.4	New product launch in the premium segment would help drive realisation

Source: Company, ICICIdirect.com Research

Company Analysis

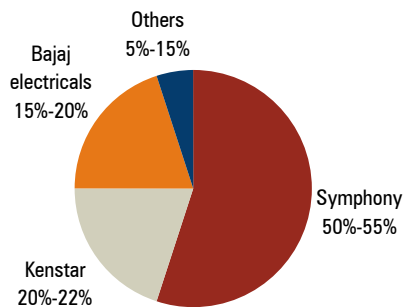
Leveraging on strong brand recall...

Symphony is India's leading evaporative air cooler manufacturer with a market share of ~ 55% (value terms) in the organised product category. Over the years, it has been able to create a strong brand name, which has become synonymous with air coolers in India. With its focus on R&D and innovation, Symphony constantly innovates in its products to enhance design, technology and post sales services. It has launched more than one new model annually for six years. Over the years, it has established a robust distribution network comprising ~750 dealers (152 in 2007), ~16,500 retail dealers (3,308 in 2007) and ~4,500 towns (1430 in 2007). Also, Symphony has consistently invested in brand building through advertisement campaigns (~4% of sales over the last three years and ~6% in FY15), strengthening brand recall. Further, the company plans to grow its network to 40,000 dealers over the medium-term for deeper penetration and a stronger presence in rural and semi-urban markets.

In spite of a bleak macro environment, Symphony clocked overall volume CAGR of ~13% during FY11-15 supported by strong demand from domestic markets led by launch of new models during the same period. In 2015-16, company introduced premium products in the market such as window air coolers, air cooler with air purification and wall mounted air cooler (intelligent coolers with features such as empty tank alarm, full remote function, memory restore function, dura pump technology, etc). We believe a visible evolution in pattern of rural areas consumption with increasing demand from overseas countries would help drive Symphony's standalone volume at a CAGR of ~20% during FY15-18E.

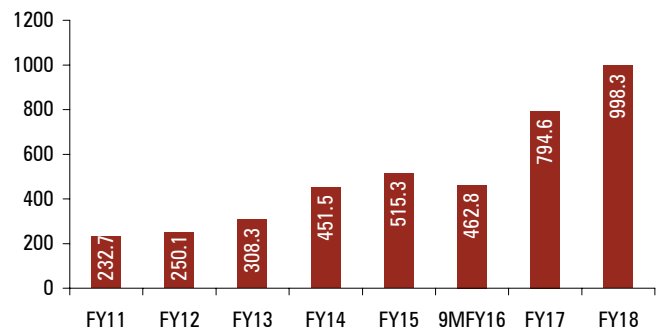
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Exhibit 1: Leader in air cooler industry



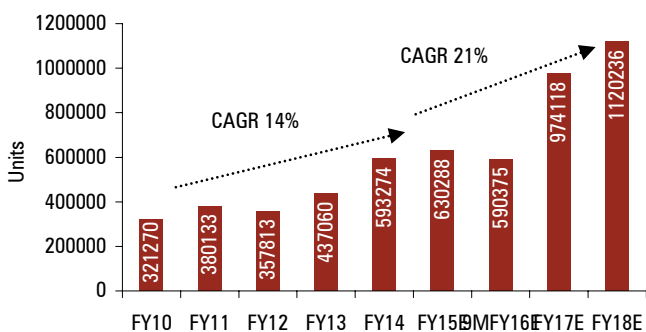
Source: Company, ICICIdirect.com Research

Exhibit 2: Standalone sales to record CAGR ~25% in FY15-18E



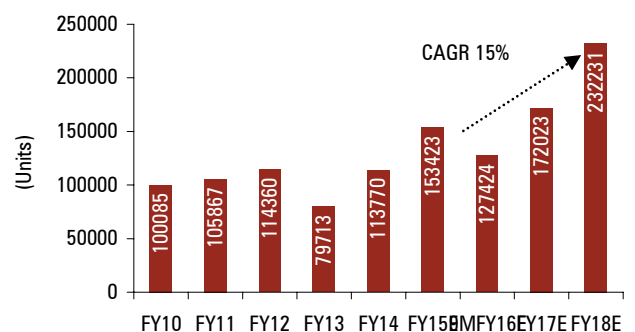
Source: Company, ICICIdirect.com Research

Exhibit 3: Domestic volume CAGR of 19.5% in FY15-18E



Source: Company, ICICIdirect.com Research

Exhibit 4: Export volume CAGR of 15% in FY15-18E



Source: Company, ICICIdirect.com Research

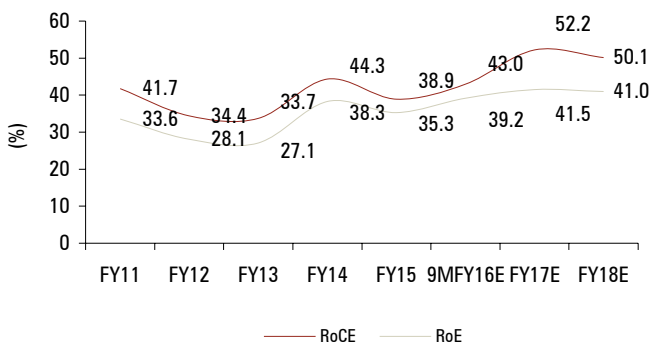
Asset light business model with zero debt strengthens balance sheet

Symphony operates through an asset light model wherein it outsources manufacturing of air coolers to about nine exclusive vendors in India and uses the cash and carry model for sales. However, the company retains the rights for product development, design and marketing function to maintain the exclusivity of products and technologies of Symphony from its vendors. Symphony, together with its subsidiaries, offers more than 87 models of air coolers for almost all categories of customers. We believe outsourcing products to nine different vendors and not sharing intellectual rights creates a strong entry barrier for other players. Also, it helps Symphony to concentrate on its core competence i.e. "innovation" in product development and feature evaluation.

The company has maintained its return ratios i.e. RoCE, RoE at 43%, 36%, respectively, in 9MFY16 (last three year's average of 39%, 34%) mainly due to an asset light model and almost debt-free status since 2006. We believe the zero debt status provides adequate room to fund Symphony's organic and inorganic growth opportunities whenever required.

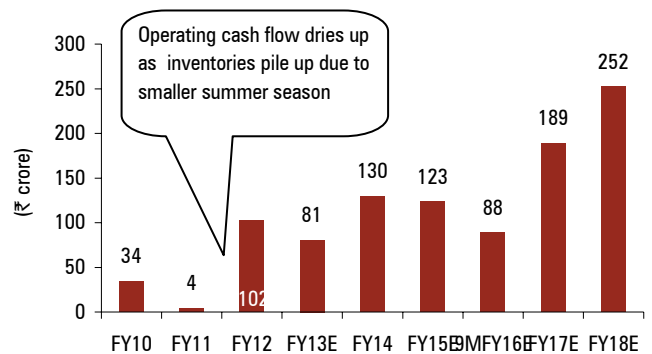
The company has maintained its return ratios i.e. RoCE, RoE at 43% and 36%, respectively, in 9MFY16 (last three year's average of 39%, 34%) mainly due to an asset light model and almost debt-free status since 2006

Exhibit 5: Strong return ratio due to lighter balance sheet



Source: Company, ICICIdirect.com Research

Exhibit 6: Strong operating cash flow supported by lower debt days



Source: Company, ICICIdirect.com Research

Cash & carry business model helps in lower working capital requirement

Symphony operates on a cash and carry model with almost 95% of domestic sales in advance payment terms with dealers and distributors with the remaining (i.e. 5%) through large format stores. In the international business, about 40% is through large format stores while 60% is through dealers and distributors. The receivable days (last three year's average ~45 days) on the books of the company are only a reflection of 5% of the domestic market and 40% in international markets where Symphony has to provide some levy on receivables due to bulk orders. However, trade through dealers and distributors (domestic and international) happens with zero credit. We believe the cash & carry model and higher supplier days help the company to maintain lower working capital requirements throughout the season.

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Symphony started leveraging the enduring relationships established by Impco with large format stores like Wal-Mart, Sears, Home Depot, Lowes, Famsa and Costco, among others, to widen its presence in North, South and Central America

Exploring industrial cooling segment

In order to explore the industrial cooling segment, Symphony acquired Mexico based Impco SDERL DE CV (Impco). Currently, Impco contributes ~18% to the consolidated topline with a major chunk of revenues (65% of overall sales) coming from centralised and heavy duty air coolers and the remaining (~35% of sales) from room coolers. Currently, Impco serves markets like the US, India, Iraq and some of the Middle East countries. Symphony started leveraging the enduring relationships established by Impco with large format stores like Wal-Mart, Sears, Home Depot, Lowes, Famsa and Costco, among others, to widen its presence in North, South and Central America. Besides, Symphony's acquisition has created a new opportunity in the category of heavy duty air coolers for outdoor applications and industrial coolers, a project-oriented, non-seasonal business segment.

The company was the first in India's organised sector to launch industrial air coolers and establish a presence in a number of business spaces, viz. food & beverages and religious establishments, among others. Symphony has completed 109 installations in FY13 against 56 in FY12. The company has executed orders for some renowned brands namely Asian Paints, DHL, Dixon Technologies, Swaminarayan Temple, Iskcon Temple, Marico, Tractor India and Shivam Auto Tech (part of Hero Group). Symphony received its first order from Indian Railways to install air coolers in waiting rooms of Kota and Godhra railway stations.

Financial performance of Impco remains subdued

Impco's performance during FY15 was hit by a delayed summer, which led to a decline in sales by 4.4% YoY. In addition, the political disturbance in some exporting countries affected overall volume offtake. As a result, even service centre sales got affected, to some extent. For Impco, we have modelled flattish revenue for FY15-18E while the margin profile of Impco is expected to increase further on the back of Symphony's strategy to make Impco an asset light company.

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Plans to improve operational efficiency at Impco

- To have a capital light and asset light business model in line with Symphony's Indian operation
- Impco can focus more on sales & marketing, business development, research & development, product innovation, etc
- To improve the operational performance and provide flexibility in operations
- As a result, by monetising surplus assets to become even internal debt free company (by paying off the parent company loans) and also further improve the profitability by savings from interest, depreciation, forex fluctuation and other overheads

Entry into Chinese market through acquisition

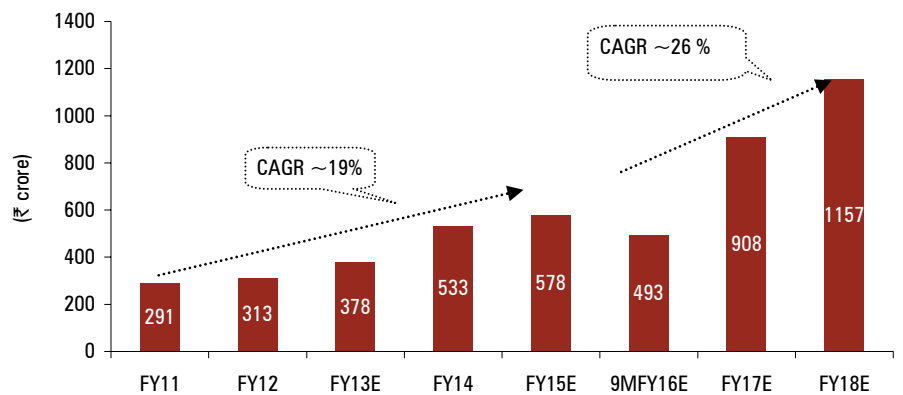
Symphony acquired a 100% stake in China-based air cooling company MKE for a consideration of a meagre ₹ 1.55 crore. During FY15, MKE recorded sales of ₹ 50 crore while it recorded loss at bottomline of ₹ 9-10 crore. The acquisition will facilitate Symphony's access into China (second air cooler market after India) and other international market. The acquisition will also provide Symphony the benefit of sourcing of raw materials for its OEMs. MKE also has a strong R&D and test centre, which meets the quality standards of the US and Australia. Symphony aims to improve its sales to the level it clocked during its peak of ₹ 130 crore and turn around its business following various strategic move.

Spike in demand from dealers drives sales

With the increase in rural income levels in the country led by huge government spending like MGNREGA, farm loan waiver and increase in MSP, the company witnessed sharp domestic sales volume growth of ~13% in FY11-15. For FY14, the company recorded strong volume growth of ~37% YoY supported by strong domestic demand as well as export growth. However, FY15 saw volume growth of 11% YoY mainly due to a sharp dip in volume in Q4FY15. On a consolidated basis, we have modelled revenue CAGR of ~26% led by domestic sales CAGR of 25% for FY15-18E. For the domestic business, we believe a visible evolution in pattern of rural areas consumption with increasing demand from overseas countries would help drive Symphony's standalone volume at ~20% CAGR in FY15-18E. We believe sales from subsidiaries will record revenue CAGR of 35% in FY15-18E led by the new Chinese acquisition.

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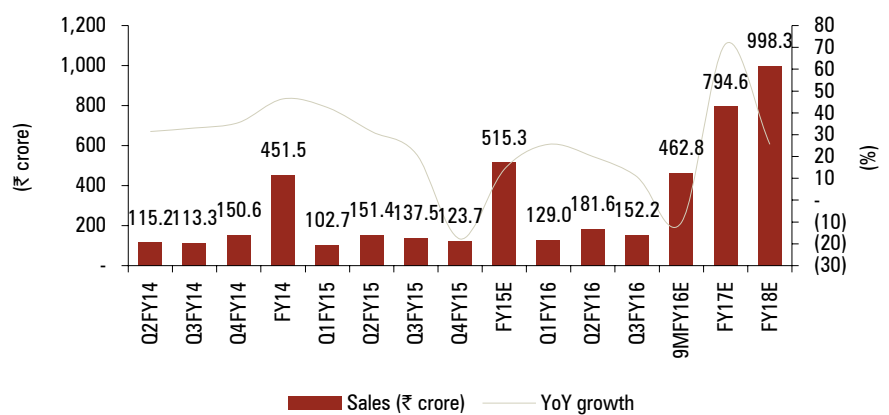
Exhibit 7: Model consolidated sales CAGR of ~26% in FY15-18E



Source: Company, ICICIdirect.com Research

During Q3FY16, the company recorded sales growth of ~11%YoY led by sharp volume growth of ~9% YoY

Exhibit 8: Standalone revenue growth trend



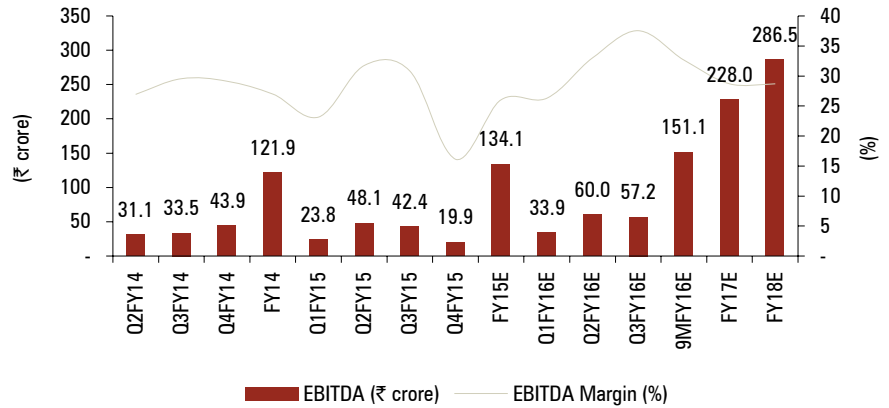
Source: Company, ICICIdirect.com Research

We believe the EBITDA margin of the company will remain higher in the range of ~29% (standalone) largely due to the company's pricing power (being market leader) and higher operating leverage supported by strong volume growth

Operating leverage, saving in variable cost drive margin

Being a market leader, the company has an edge over its competitors in terms of passing on price hikes. In addition, launching of new products (window air coolers, air cooler with air purification) in the premium segment helped in the company's margin expansion. On a standalone basis, the EBITDA margin for FY15 declined ~100 bps YoY due to higher advertisement expenses. On a consolidated basis, we have modelled EBITDA margin of ~28% each for 9MFY16E-FY18E, respectively, driven by the company's premium product launch and recovery in Impco.

Exhibit 9: Standalone EBITDA margin to inch up, going forward



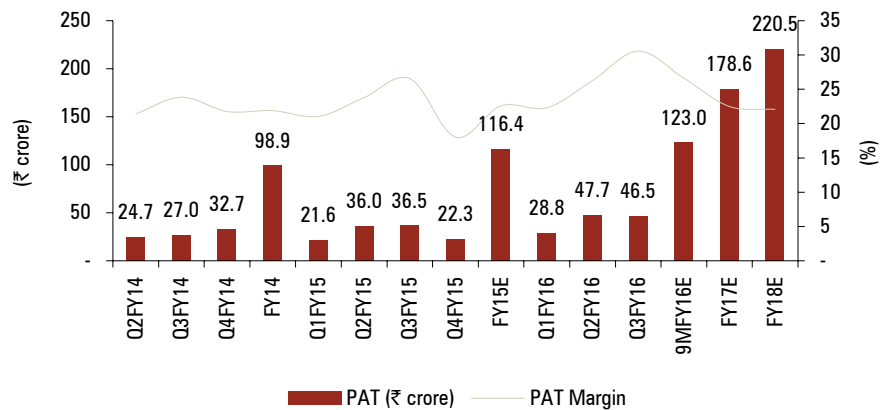
Source: Company, ICICIdirect.com Research

With no interest outgo, EBITDA margin expansion to drive PAT...

With the low depreciation provisioning and minimal interest cost, the EBITDA flows down directly to PBT. We believe the consolidated net profit will grow at a CAGR of ~31% in FY15-18E supported by ~34% CAGR in EBITDA.

We believe the consolidated PAT of the company will grow at a CAGR of ~31% in FY15-18E

Exhibit 10: Standalone net profit margin movement



Source: Company, ICICIdirect.com Research

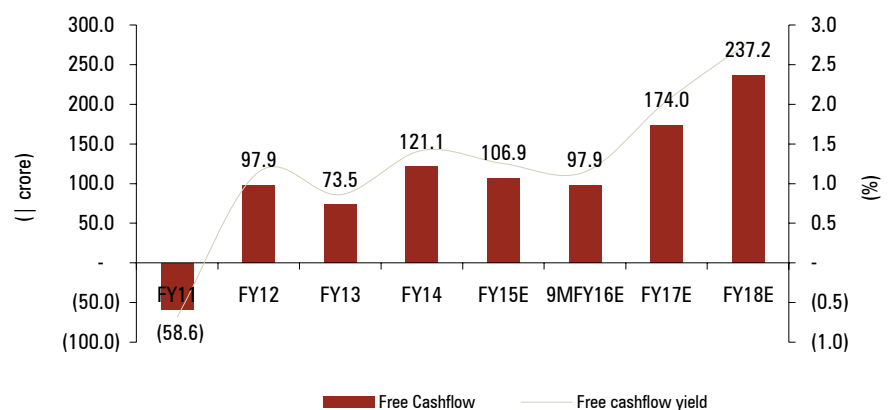
Outlook and valuation

Symphony has continuously recorded stellar performances in the last 11 quarters with sharp volume growth. Historically, in FY11-13, the stock commanded an average one year forward earning multiple of 15x with revenue, earning CAGR of 14%, 8%, respectively, and average RoE of 30%. However, from FY14 onwards Symphony saw sharp revenue growth due to multiple products launch in the domestic market. This helped achieve strong standalone revenue, earning growth of 40%, 75%, respectively, in FY14. We believe the company would continue to report strong consolidated revenue, earning CAGR of ~26%, 31%, respectively, led by strong standalone volume growth of 20% for FY15-18E.

We believe the air cooler industry will grow at ~19% CAGR in FY15-25E, due to demand remaining intact in tier-II and tier-III cities. This coupled with sharp growth in modern trade volume would further help in expanding industry as a whole. Currently, the air cooler industry is largely dominated by the unorganised segment (~80% volume market share). We believe a shift from the unbranded to branded category (due to rising aspiration level) provides huge potential for organised players. Hence, we believe the organised industry is likely to grow at 25% CAGR in FY15-25E. Symphony being the market leader (current volume market share ~45%) is expected to benefit the most from this structural shift in the long run. We estimate Symphony will record ~24% volume CAGR in FY15-25E. We have modelled sales and earnings CAGR of 26% and 31% FY15-18E, led by strong volume growth in the wake of better monsoon and implementation of 7th pay commission.

Further, as a policy, Symphony would keep the dividend payout at more than 50%. This would increase its return ratios, going forward. We have used DCF method for valuation, assuming revenue CAGR of ~25% FY15-25E, terminal growth of 5% and WACC of 10.8% and maintain our target price at ₹ 2745/share.

Exhibit 11: Attractive free cash flow yield



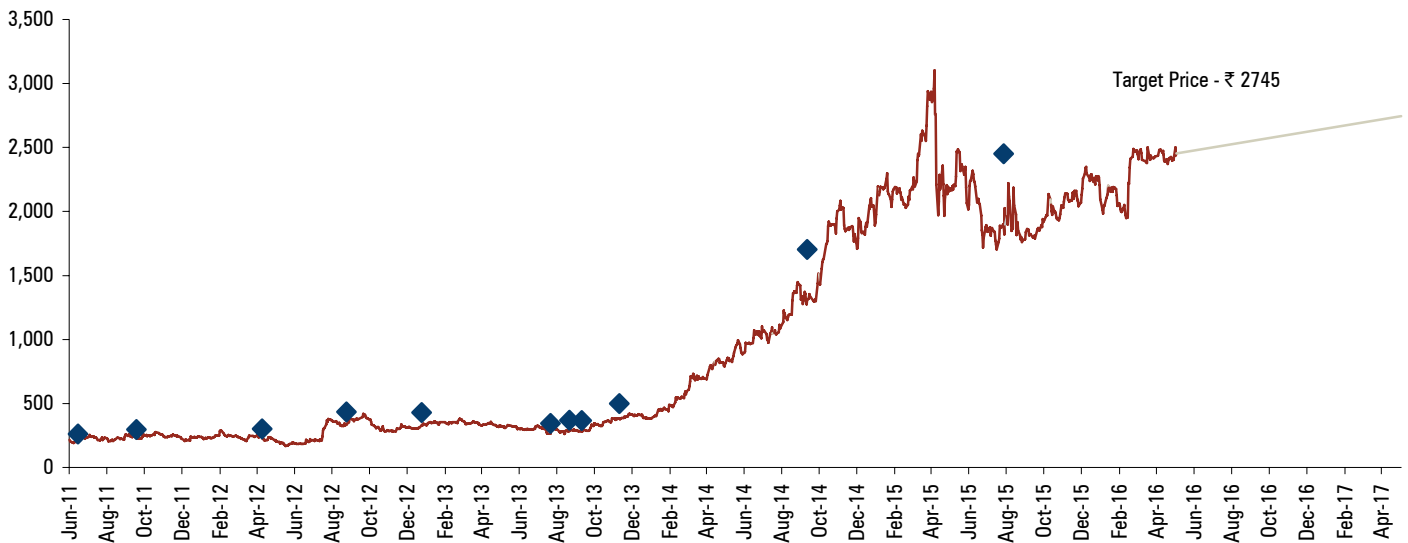
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY15	578.5		33.1		73.6	63.8	35.3	38.9
FY16E	493.5	-14.7	35.7	7.7	68.4	60.1	39.2	43.0
FY17E	908.0	84.0	56.1	57.3	43.5	33.6	41.5	52.2
FY18E	1157.1	27.4	73.8	31.5	33.1	26.3	41.0	50.1

Source: Company, ICICIdirect.com Research, FY16E is for nine month only

Company snapshot



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Jun-11	Company commences operations in Surat. The export profit from Surat SEZ will be 100% exempt from income tax for the initial five years and 50% exempt for the next five years
Oct-11	Records strong Q1FY11 results wherein net profit increased 85% YoY
Apr-12	Records a sharp decline in net profit by 27% YoY during Q3FY12 on the back of a drop in volume
Sep-12	Stock gains sharply on management comments that the company has planned a target of ₹ 500 crore revenue by FY13
Jan-13	Records strong volume growth of 39% YoY in Q2FY13, leading to sales growth of 60% YoY. Net profit grows ~48% YoY
Aug-13	Symphony receives approval to open a branch in UAE to serve other Middle-Eastern and North African countries
Sep-13	Hikes air cooler prices by 5-15% depending on different models
Sep-13	Launches five new models of window air cooler to tap the unorganised segment
Nov-13	Symphony ties up with Carrefour in Indonesia for selling Symphony air coolers through its local distributors
Sep-14	Receives orders worth US\$1 million from African countries to export residential coolers
Aug-15	Acquires 100% stake in China based air cooling company MKE for a consideration of a mere ₹ 1.55 crore

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Lat. Filing Date	% O/S	Position (m)	Change (m)
1	Bakeri (Achal Anil)	Mar-16	0	15	0
2	Oras Investments Pvt. Ltd.	Mar-16	0.09	3.2	0.0
3	Paratam Investments Pvt. Ltd.	Mar-16	0.09	3.0	0.0
4	Bakeri (Jonaki Achal)	Mar-16	0.05	1.6	0.0
5	Bakeri (Hirva Achal)	Mar-16	0.05	1.6	0.0
6	Bakeri (Achal Anil) HUF	Mar-16	0.03	1.2	0.0
7	Matthews International Capital Management, L.L.C.	Mar-16	0.03	1.2	-0.1
8	Axis Asset Management Company Limited	Mar-16	0.02	0.7	0.0
9	Bakeri (Pavan)	Mar-16	0.02	0.6	0.0
10	Bakeri (Rupa Achal)	Mar-16	0.01	0.4	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Promoter	75.0	75.0	75.0	75.0	75.0
FII	6.4	5.6	8.1	6.5	7.1
DII	2.1	3.8	3.0	3.3	3.3
Others	16.5	15.6	13.9	15.2	14.6

Recent Activity

Buys			Sells		
Investor name	Value (m)	Shares (m)	Investor name	Value (m)	Shares (m)
The Vanguard Group, Inc.	2.7	0.1	Matthews International Capital Management, L.L.C.	-2.7	-0.1
JPMorgan Asset Management U.K. Limited	0.7	0.0	Axis Asset Management Company Limited	0.0	0.0
UTI Asset Management Co. Ltd.	0.3	0.0	Principal PNB Asset Management Company Ltd.	0.0	0.0
Dimensional Fund Advisors, L.P.	0.0	0.0	Edelweiss Asset Management Ltd.	0.0	0.0
Mellon Capital Management Corporation	0.0	0.0	State Street Global Advisors (US)	0.0	0.0

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement (consolidated)		₹ Crore			
(Year-end March)	FY15	9MFY16E	FY17E	FY18E	
Net Sales	578.5	493.5	908.0	1157.1	
Growth (%)	84.5	-14.7	84.0	27.4	
Expenditure					
Increase / Decrease in stock	-11.2	-3.2	0.0	0.0	
Raw Material Expenses	249.9	204.5	365.9	466.3	
Marketing Expenses	34.8	27.2	47.2	60.2	
Administrative Expenses	37.8	12.3	57.2	72.9	
Employee Expenses	44.9	42.5	77.2	98.3	
Other Expenses	45.4	19.7	49.9	63.6	
Total Operating Expenditure	446.7	352.2	656.5	836.5	
EBITDA	131.8	141.2	251.5	320.5	
Growth (%)	81.6	7.1	78.1	27.4	
Other Income	32.4	22.1	26.2	43.4	
Interest	0.6	0.2	0.6	0.6	
Less: Non Operating Expenses	0.0	0.0	0.0	0.0	
PBDT	163.6	163.1	277.1	363.3	
Depreciation	4.1	4.3	4.5	4.9	
PBT before Exceptional Items	159.5	158.8	272.6	358.5	
Less: Exceptional Items	0.0	-12.5	0.0	0.0	
PBT	159.5	171.3	272.6	358.5	
Total Tax	43.6	46.5	76.3	100.4	
PAT	115.9	124.8	196.3	258.1	

Source: Company, ICICIdirect.com Research FY16 financial numbers are for 9 months

Balance sheet (consolidated)		₹ Crore			
(Year-end March)	FY15	9MFY16E	FY17E	FY18E	
Equity Capital	7.0	7.0	7.0	7.0	
Reserve and Surplus	321.4	311.6	466.2	622.9	
Total Shareholders funds	328.4	318.6	473.2	629.9	
Deferred Tax Liability	1.9	2.5	2.5	2.5	
Total Debt	0.0	0.0	0.0	0.0	
Total Liabilities					
	330.2	321.2	475.8	632.4	
Assets					
Total Gross Block	200.2	190.7	205.7	220.7	
Less Total Accumulated Depreciation	109.8	114.1	118.7	123.5	
Net Block	90.4	76.6	87.0	97.2	
Other Investments	131.6	161.7	261.7	361.7	
Inventory	45.7	55.1	79.6	101.4	
Debtors	32.8	46.9	72.1	91.9	
Loans and Advances	16.6	21.9	40.9	52.1	
Other Current Assets	7.9	6.6	9.1	11.6	
Cash	7.6	46.5	78.3	113.4	
Total Current Assets	110.7	176.9	280.0	370.4	
Total Current Liabilities	114.7	101.3	160.2	204.2	
Net Current Assets	-4.1	75.6	119.8	166.3	
Total Asset	330.2	321.2	475.8	632.4	

Source: Company, ICICIdirect.com Research FY16 financial numbers are for 9 months

Cash flow statement (consolidated)		₹ Crore			
(Year-end March)	FY15	9MFY16E	FY17E	FY18E	
Profit after Tax	115.9	124.8	196.3	258.1	
Depreciation	4.1	4.3	4.5	4.9	
Cash Flow before working capital cha	120.6	129.3	201.4	263.5	
Net Increase in Current Assets	5.1	-27.4	-71.3	-55.3	
Net Increase in Current Liabilities	-2.4	-13.5	58.9	43.9	
Net cash flow from operating act.	123.3	88.5	189.0	252.2	
(Purchase)/Sale of Fixed Assets	-16.4	9.5	-15.0	-15.0	
Net Cash flow from Investing act.	-57.5	85.2	-115.0	-115.0	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	0.0	0.0	0.0	0.0	
Total Outflow on account of dividend	-56.9	-101.4	-81.2	-101.4	
Net Cash flow from Financing act.	-63.9	-134.7	-42.2	-102.0	
Net Cash flow	1.9	38.9	31.8	35.1	
Cash and Cash Equivalent at the beginning	5.7	7.6	46.5	78.3	
Cash	7.6	46.5	78.3	113.4	

Source: Company, ICICIdirect.com Research, FY16 financial numbers are for 9 months

Key ratios (consolidated)					
(Year-end March)	FY15	9MFY16E	FY17E	FY18E	
Per Share Data					
EPS	33.1	35.7	56.1	73.8	
Cash EPS	34.3	36.9	57.4	75.2	
BV	93.9	91.1	135.3	180.1	
DPS	14.0	25.0	20.0	25.0	
Operating Ratios					
EBITDA Margin	22.8	28.6	27.7	27.7	
PAT Margin	20.0	25.3	21.6	22.3	
Return Ratios					
RoE	35.3	39.2	41.5	41.0	
RoCE	38.9	43.0	52.2	50.1	
RoIC	60.3	50.0	62.2	60.9	
Valuation Ratios					
EV / EBITDA	63.8	60.1	33.6	26.3	
P/E	73.6	68.4	43.5	33.1	
EV / Net Sales	14.5	17.2	9.3	7.3	
Sales / Equity	1.8	1.5	1.9	1.8	
Market Cap / Sales	14.7	17.3	9.4	7.4	
Price to Book Value	26.0	26.8	18.0	13.5	
Turnover Ratios					
Asset turnover	1.9	1.5	2.3	2.1	
Debtors Turnover Ratio	17.6	10.5	12.6	12.6	
Creditors Turnover Ratio	14.4	10.1	14.4	14.4	
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0	0.0	
Quick Ratio	0.6	1.2	1.3	1.3	

Source: Company, ICICIdirect.com Research, FY16 financial numbers are for 9 months

ICICIdirect.com coverage universe (Consumer Discretionary)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Asian Paints (ASIPAI)	957	1,020	Buy	91,795	18.0	22.3	26.5	53.2	42.8	36.1	32.4	27.9	24.2	48.3	48.3	48.8	34.4	36.0	36.9
Bajaj Electricals (BAJELE)	235	230	Buy	2,344	11.0	13.0	15.4	21.4	18.0	15.3	9.2	8.7	7.7	25.0	24.1	24.4	14.4	15.2	15.8
Havells India (HAVIND)	363	377	Buy	22,648	11.5	10.1	12.4	31.7	36.0	29.3	27.9	22.9	18.4	26.6	26.7	28.2	21.1	19.4	20.6
Kansai Nerolac (GOONER)	299	346	Buy	16,114	5.0	24.8	8.0	59.3	18.1	37.4	36.2	27.4	23.9	23.3	22.0	23.1	17.0	58.5	16.4
Pidilite Industries (PIDIND)	604	645	Buy	30,963	14.1	15.6	17.6	42.9	38.6	34.2	27.2	24.7	21.8	38.5	38.1	38.1	27.9	27.4	27.3
Essel Propack (ESSPAC)	190	198	Hold	2,984	11.6	13.6	15.8	16.4	14.0	12.0	8.3	7.5	6.6	19.5	20.6	21.2	19.0	19.0	19.0
Supreme Indus (SUPIND)*	886	924	Buy	11,255	17.4	30.0	39.6	50.9	29.6	22.3	25.8	15.5	11.9	21.6	31.0	36.8	17.2	24.6	28.3
Symphony (SYMCOM)*	2,439	2,745	Buy	8,531	35.7	56.1	73.8	68.4	43.5	33.1	60.1	33.6	26.3	42.6	51.9	49.9	36.3	41.5	41.0
V-Guard Ind (VGUARD)	1,201	1,370	Buy	3,585	37.4	44.7	53.7	32.1	26.9	22.4	20.1	17.5	14.9	34.1	32.6	32.1	23.7	23.6	23.0
Voltas Ltd (VOLTAS)	333	350	Buy	11,013	11.5	12.5	13.9	29.0	26.6	24.0	22.9	19.1	16.5	16.2	17.5	18.3	15.7	16.1	16.3

* FY16E for nine months

Source: Company, ICICIdirect.com Research

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