Symphony Ltd (SYMLIM)

₹ 1453

New products drive sales but hit margin…

Rating matrix

Rating	:	Buy
Target	:	₹ 1623
Target Period	:	12 months
Potential Upside	:	12%

What's Changed?

Target	Changed from ₹ 1530 to ₹ 1623
EPS FY18E	Changed from ₹ 35.7 to ₹ 33.6
EPS FY19E	Changed from ₹45 to ₹ 42.1
Rating	Unchanged

Quarterly Performance

	Mar'17	Mar'16	YoY (%)	Dec'16	QoQ (%)
Revenue	184.1	137.9	33.5	180.1	2.2
EBITDA	49.5	58.2	-15.0	67.2	-26.3
EBITDA (%)	26.9	42.2	-1533bps	37.3	-1039bps
PAT	46.7	46.5	0.4	56.1	-16.7

Key Financials

₹ Crore	9MFY16E	FY17E	FY18E	FY19E
Net Sales	445.5	768.0	956.6	1,214.3
EBITDA	136.0	197.6	288.9	369.1
Net Profit	118.4	165.6	233.4	294.6
EPS (₹)	16.9	23.7	33.4	42.1

Valuation summary

	9MFY16E	FY17E	FY18E	FY19E
P/E	87.4	62.3	44.1	31.7
Target P/E	90.4	64.5	45.6	32.8
EV / EBITDA	75.7	49.6	34.8	24.5
P/BV	32.4	28.2	20.0	16.3
RoNW (%)	34.3	45.2	45.3	51.3
RoCE (%)	47.5	61.8	61.9	70.2

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	10,164.8
Total Debt (FY17) (₹ Crore)	19.3
Cash and Investments (FY17) (₹ Crore)	232.8
EV (₹ Crore)	9,951.2
52 week H/L (₹)	2629 / 1071
Equity capital (₹ Crore)	14.0
Face value (₹)	2.0

Price performance (%)

	1M	3M	6M	12M
Bajaj Electricals	15.6	17.0	(1.8)	51.4
Havells India	19.3	15.9	8.5	53.1
Symphony	13.4	2.2	16.5	22.0
V-Guard	29.3	4.8	25.3	143.7

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- Symphony recorded strong sales growth of 33% YoY in Q4FY17 led by volume growth mainly due to the introduction of a new range of products (i-touch and pure) during the period. However, introductory offers associated with new products had impacted realisation in Q4, which remained flat YoY
- A decline in EBITDA margin was mainly due to higher discounts and a sharp increase in advertisement & promotional activities (10x jump YoY). The management has guided that discounts will be withdrawn, going forward, helping improve margin for FY18E-19E. Despite lower EBITDA margin, PAT remained flat supported by sharp growth in other income. For FY17, Symphony Keruilai Air Coolers (China) narrowed down losses significantly (from ₹ 20 crore to ₹ 11 crore) due to discontinuance of loss making products

Implementation of GST, Seventh Pay Panel to benefit, going forward

We believe consumer durable companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission boosted the disposable income of 1.4 crore government employees, lower indirect tax due to GST would benefit customer. Additionally, a reduction of tax arbitrage for the unorganised segment will provide additional benefit to organised players in the long run (shift in demand of branded product category). The air cooler industry is highly dominated by unorganised players in volume terms. The unorganised segment contributes ~72% and ~52% of total volume and value market share, respectively. Symphony being the largest air cooler company in India, commands ~50% value market share under the organised category. We believe Symphony will be the biggest beneficiary of a shift in demand to branded category. We expect Symphony to record consolidated revenue CAGR of 26% for FY17-19E.

Asset light business model with zero debt strengthens balance sheet

Symphony operates through an asset light model wherein it outsources manufacturing of air coolers and uses the cash & carry model for sales. With zero debt status, it has maintained strong return ratios i.e. RoCE and RoE at 43% and 36%, respectively, and payout ratio of ~50% over the years due to strong cash flow from operating activity. 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 acquired Chinese air cooler brand MKE.

Strong fundamentals; maintain BUY

We believe the air cooler industry will grow at ~21% CAGR in FY16-25E due to demand remaining intact in tier-II and tier-III cities. Currently, the air cooler industry is largely dominated by the unorganised segment (~70-80% 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 FY16-25E. We have modelled sales and earnings CAGR of 26% and 33%, respectively, in FY17-19E, led by strong volume growth in the wake of better monsoon, Seventh Pay Commission, GST. We use DCF method for valuation, assuming revenue CAGR of ~26% (FY15-25E), terminal growth of 5%, WACC of ~10% with revised target price of ₹ 1623.

Variance analysis

	Mar'17	Mar'17E	Mar'16	YoY (%)	Dec'16	QoQ (%)	Comments
Revenue	184.1	167.8	137.9	33.5	180.1	2.2	Sales growth was largely supported by volume growth of ~33% YoY led by strong demand for new products launched during Q4FY17. However, introductory offers to dealers for new products led to muted realisation during the period
Other Income	15.1	11.5	5.0	203.2	11.9	27.0	Sharp growth in other income was supported by higher treasury income during the period
Raw Material Exp	90.2	72.2	57.0	58.3	83.6	7.9	
Employee Exp	12.5	12.4	10.2	22.6	11.8	6.0	
Selling & Dis. Exp	13.3	2.0	1.3	906.1	2.2	495.5	Sharp growth in advertisement and promotional activities mainly to support launch of new products
Other Exp	18.6	14.3	11.2	66.3	15.4	21.2	
EBITDA	49.5	67.0	58.2	-15.0	67.2	-26.3	
EBITDA Margin (%)	26.9	39.9	42.2	-1533 bps	37.3	-1039 bps	Sharp decline in gross margin (on account of higher discounts) coupled with 10x jump (YoY) in advertisement expenses took toll on EBITDA margin
Depreciation	1.0	0.5	0.7	35.6	1.0	-1.0	
Interest	0.0	0.0	0.0	NA	0.0	NA	
PBT	63.6	77.9	62.5	1.8	78.1	-18.5	
Total Tax	16.9	21.1	16.0	6.1	22.0	-23.1	
PAT	46.7	56.9	46.5	0.4	56.1	-16.7	Flattish growth in PAT was mainly supported by strong sales and other income during the period
Key Metrics(I-direct estimates)							
Volume	306,018.2	274,337.6	230,897.0	32.5	283,463.2	8.0	Strong volume growth supported by launch of new range of procucts (i-Touch and i-Pure)
Realisation	6,640.2	6,721.3	6,589.5	0.8	6,530.0	1.7	Lower realisation was mainly due to introductory offers provided to dealers

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,037.7	956.6	(7.8)	1,314.9	1214.3	(7.7)	We have modelled revenue CAGR of 26% in FY17-19E led by ~21% volume CAGR. Volume growth would led by new product launches, better monsoon forecast and GST in the domestic market. Further, a revival in the Chinese business (Munter) would help sales growth in the long term
EBITDA	315.5	288.9	(8.4)	399.7	369.1	(7.6)	
EBITDA Margin %	30.4	30.2	-20bps	30.4	30.4	0bps	We believe margins will remain at elevated levels compared to FY15 due to launch of premium products in the near future
PAT	249.6	233.4	(6.5)	314.5	294.6	(6.3)	
EPS (₹)	35.7	33.4	(6.5)	45.0	42.1	(6.3)	We have modelled PAT CAGR of 33% for FY17-19E backed by strong sales growth

*Source: Company, ICICIdirect.com Research, *Adjusted with CST/VAT*

Assumptions

			Current		Earlier		Comments
	9MFY16E	FY17E	FY18E	FY19E	FY18E	FY19E	
Volume Growth (%)	-9.6	47.1	20.0	20.9	31.6	21.0	We expect the company to record volume CAGR of ~21% in FY17-19E, led by a strong domestic performance. Going forward, we believe volume growth would be strong considering rising disposable income due to better monsoon (will push up rural demand) and higher disposable income (Seventh Pay Commission to push up urban demand) and GST (would reduce the unorganised pie). Additionally, the turnaround of the Chinese business would further aid volume growth
Realisation Growth (%)	-11.0	9.4	4.9	4.7	10.1	4.7	New product launch in the premium segment would help drive realisation

Source: Company, ICICIdirect.com Research

Company Analysis

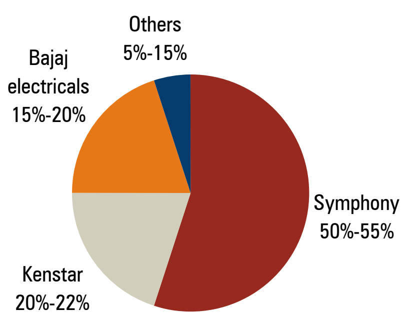
Implementation of GST, Seventh pay Panel to benefit, going forward

We believe consumer durable companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission will boost the disposable income of the 1.4 crore government employees, GST will bring down the effective tax rate of the company. Additionally, a reduction of tax arbitrage for the unorganised segment will provide additional benefit to organised players in the long run (shift in demand of branded product category). The air cooler industry is highly dominated by unorganised players in terms of volume. The unorganised segment contributes ~80% and ~35% of the total volume and value market share, respectively. Symphony being the largest air cooler company in India, commands ~55% value market share under the organised category. We believe Symphony will be the biggest beneficiary of a shift in demand of branded category, which would help the company record consolidated revenue CAGR of 26% for FY17-19E.

Leveraging on strong brand recall…

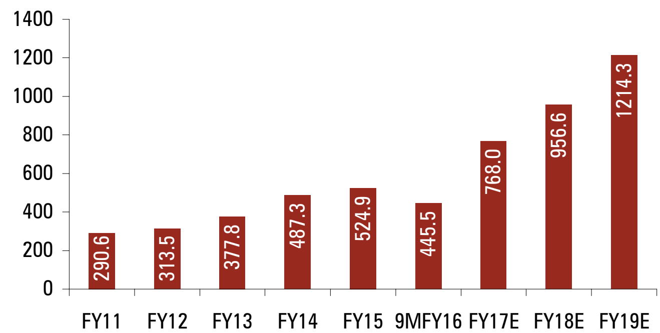
Over the years, it has established a robust distribution network comprising ~750 dealers (152 in 2007), ~16,500 retail dealers (3,308 in 2007) and ~4,500 towns (1430 in 2007). Also, Symphony has consistently invested in brand building through advertisement campaigns (~4% of sales over the last three 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.

Exhibit 1: Leader in air cooler industry



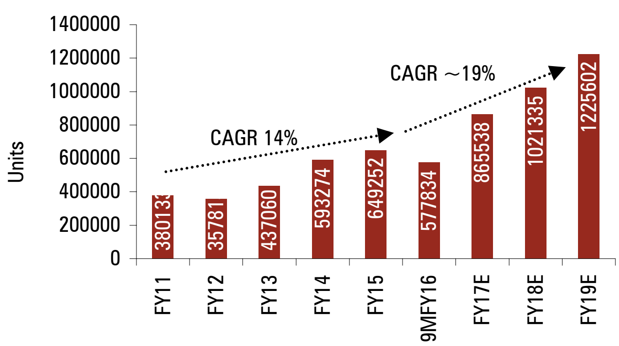
Source: Company, ICICIdirect.com Research

Exhibit 2: Consolidated sales to record ~26% CAGR in FY17-19E



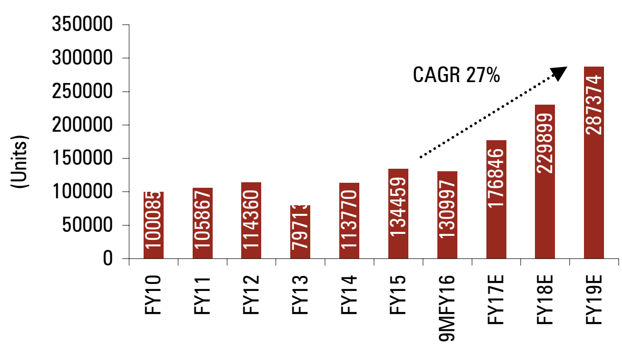
Source: Company, ICICIdirect.com Research

Exhibit 3: Domestic volume CAGR of 19% in FY17-19E



Source: Company, ICICIdirect.com Research

Exhibit 4: Export volume CAGR of 27% in FY15-19E



Source: Company, ICICIdirect.com Research

In spite of a bleak macro environment, Symphony clocked an overall volume CAGR of ~13% in FY11-15 supported by strong demand from domestic markets led by the launch of new models during the same period

Strong R&D to launch innovative products into market

In spite of a bleak macro environment, Symphony clocked overall volume CAGR of ~13% in FY11-15 supported by strong demand from domestic markets led by the launch of new models during the same period. Over the last five years, the company's R&D expenditure, as a percentage of net turnover, increased from 0.22% to 0.41%. In 2015-16, the 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 volume at a CAGR of ~21% in FY17-19E

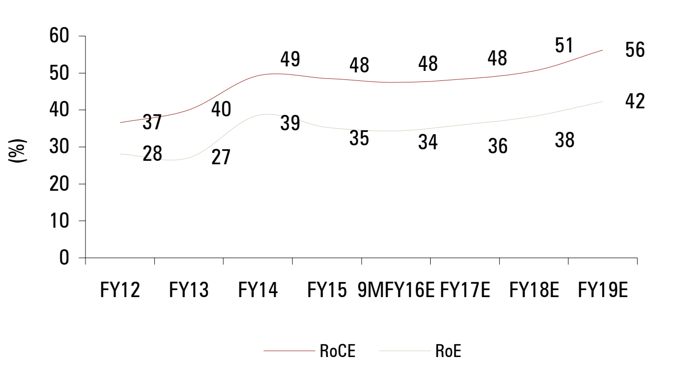
Asset light business model with zero debt strengthens balance sheet

The company has maintained its return ratios i.e. RoCE, RoE at ~**49%** and **35%,** 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

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.

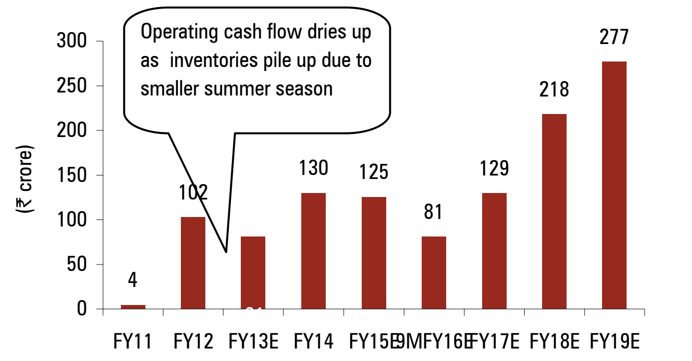
The company has maintained its return ratios i.e. RoCE, RoE at 48%, 36%, respectively, in FY17 (last three year's average of 39%, 34%) mainly due to an asset light model and almost debt-free status since 2006. We believe the zero debt status provides adequate room to fund Symphony's organic and inorganic growth opportunities whenever required.

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

Symphony operates on a cash and carry model with almost 95% of domestic sales in advance payment terms with dealers, distributors and 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

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. The company has invested ₹ 41 crore (up 32% YoY) in branding during FY17 mainly due to launch of new products in the residential air cooler segment. We believe the cash & carry model and higher supplier days help the company to maintain lower working capital requirements throughout the season.

Exploring industrial cooling segment

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

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.

Impco's performance during FY15-16 was hit by a delayed summer, which led to a decline in sales. In addition, political disturbance in some exporting countries affected overall volume offtake. As a result, even service centre sales got affected, to some extent

Financial performance of Impco remains subdued

Impco's performance during FY15-16 was hit by a delayed summer, which led to a decline in sales. 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 FY15-19E 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.

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 an 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 the first year of operation, MKE recorded ~20% YoY decline in sales to ₹ 44 crore due to discontinuance of loss making products. As a result, losses have narrowed down significantly from ₹ 20 crore during FY16 to ₹ 11 crore in FY17. Considering a long term strategy of the company, this 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 moves.

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. On a consolidated basis, we have modelled revenue CAGR of ~26% in FY17-19E led by ~21% volume CAGR for the same period. We believe sales from subsidiaries will record revenue CAGR of 22% in FY17-19E led by the new Chinese acquisition.

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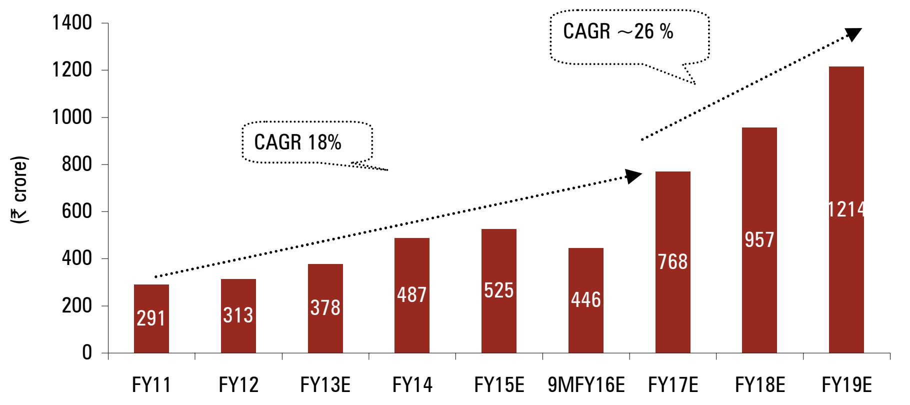
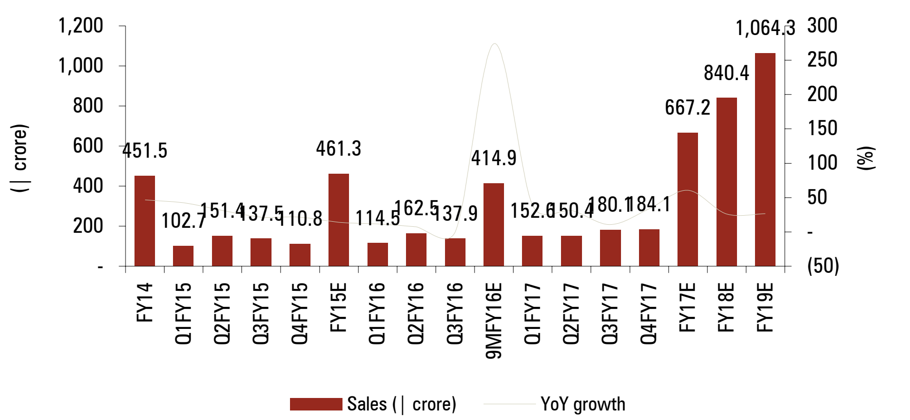
Exhibit 7: Model consolidated sales CAGR of ~26% in FY17-19E



Source: Company, ICICIdirect.com Research

During Q4FY17, the company recorded sales growth of ~33% YoY led by same volume growth during the same period

Exhibit 8: Standalone revenue growth trend



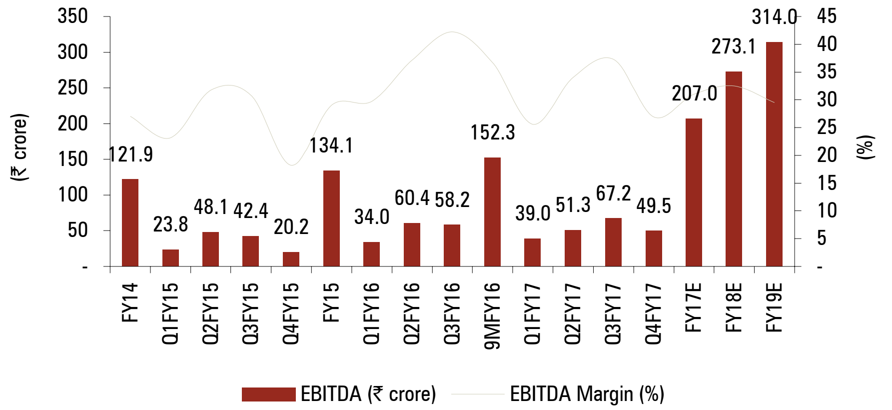
Source: Company, ICICIdirect.com Research

We believe the EBITDA margin of the company will remain higher in the range of ~30% (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 consolidated basis, we have modelled EBITDA margin of ~30% for FY17E-19E, respectively, driven by the company's premium product launch and recovery in Impco.

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



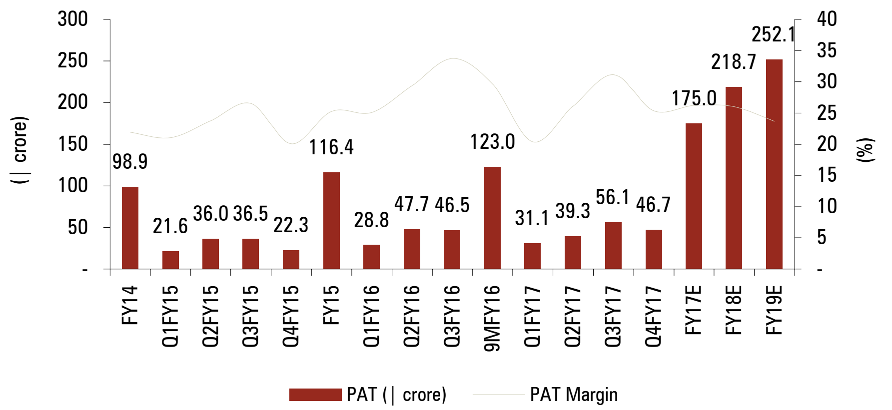
Source: Company, ICICIdirect.com Research

We believe the consolidated PAT of the company will grow at a CAGR of ~33% in FY17-19E

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 ~33% in FY17-19E supported by ~37% CAGR in EBITDA.

Exhibit 10: Standalone net profit margin movement



Source: Company, ICICIdirect.com Research

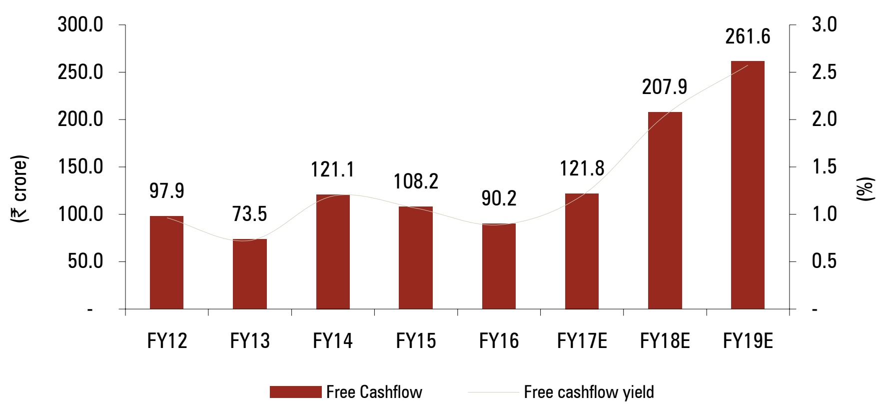
Outlook and valuation

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 have introduced FY19 estimates and believe that company would continue to report strong consolidated revenue, earning CAGR of ~26%, 33%, respectively, led by strong volume growth of 21% for FY15-19E.

We believe the air cooler industry will grow at ~21% 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 (~70%-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 will grow at 25% CAGR in FY16-25E. Symphony being the market leader (current volume market share ~50%) is expected to benefit the most from this structural shift in the long run led by strong volume growth in the wake of better monsoon, higher disposable income (due to implementation of the Seventh Pay Commission) and GST.

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 the DCF method for valuation, assuming revenue CAGR of ~26% FY15-25E, terminal growth of 5% and WACC of ~10% with revised target price to ₹ 1623/share.

Exhibit 11: Attractive free cash flow yield



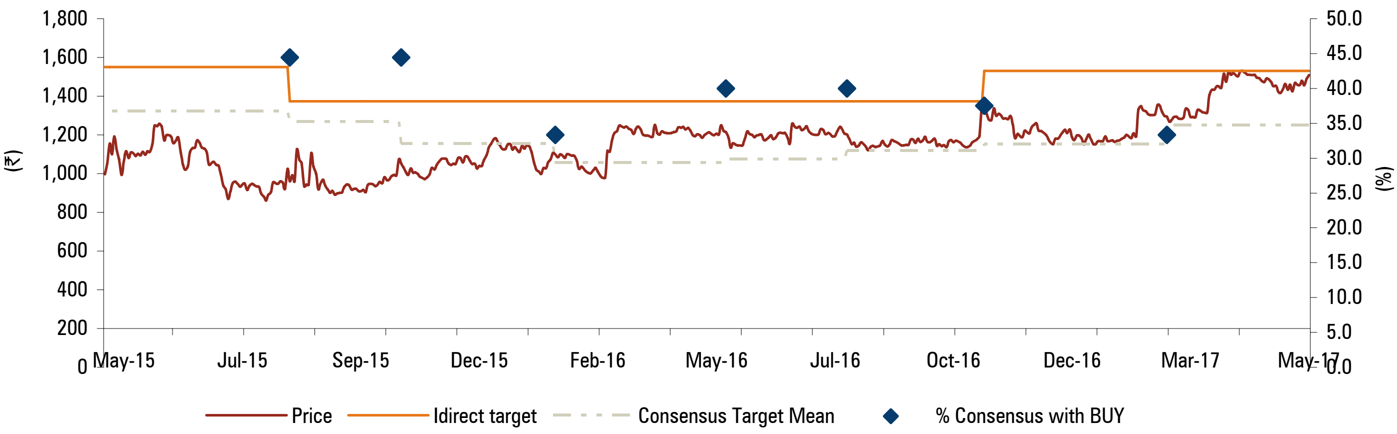
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
9MFY16	445.5		16.9		85.9	74.4	34.3	47.5
FY17E	768.0	72.4	23.7	39.9	61.4	50.4	36.1	48.4
FY18E	956.6	24.6	33.4	40.9	43.6	34.2	38.3	50.6
FY19E	1214.3	26.9	42.1	26.3	34.5	26.7	42.3	56.2

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

Recommendation history vs. consensus



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 commments 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 receivs 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-17	41.8	29.3	0
2	Bakeri (Rupa Achal)	Mar-17	10.1	7.1	0.0
3	Oras Investments Pvt. Ltd.	Mar-17	9.2	6.4	0.0
4	Paratam Investments Pvt. Ltd.	Mar-17	8.6	6.0	0.0
5	Bakeri (Achal Anil) HUF	Mar-17	3.4	2.4	0.0
6	Matthews International Capital Management, L.L.C.	Dec-17	3.4	2.4	-0.1
7	Axis Asset Management Company Limited	Dec-17	2.9	2.1	0.0
8	Rowenta Networks Pvt. Ltd.	Mar-17	2.9	2.0	0.0
9	Bakeri (Pavan)	Mar-17	1.7	1.2	0.0
10	UTI Asset Management Co. Ltd.	Feb-17	1.0	0.7	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar'16	Jun'16	Sep'16	Dec'16	Mar'17
Promoter	75.0	75.0	75.0	75.0	75.0
FII	7.1	6.7	8.1	7.8	7.6
DII	3.3	3.9	4.1	4.9	5.2
Others	14.6	14.5	12.8	12.4	12.3

Recent Activity

Buys			Sells		
Investor name	Value (m)	Shares (m)	Investor name	Value (m)	Shares (m)
Neelam Professionals L.L.P.	5.0	0.2	Nabab Consultants L.L.P.	-2.4	-0.1
Nrupesh Shah Family Trust.	2.4	0.1	Matthews International Capital Management, L.L.C.	-0.9	-0.1
Schroder Investment Management Ltd. (SIM)	0.4	0.0	Edelweiss Asset Management Ltd.	-0.3	0.0
Axis Asset Management Company Limited	0.3	0.0	Mellon Capital Management Corporation	-0.1	0.0
Emirates NBD Asset Management Limited	0.2	0.0	Rowenta Networks Pvt. Ltd.	-0.1	0.0

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement (consolidated)				₹ Crore
(Year-end March)	9MFY16E	FY17E	FY18E	FY19E
Net Sales	445.5	768.0	956.6	1214.3
Growth (%)				
Expenditure				
Increase / Decrease in stock	-3.2	-18.2	0.0	0.0
Raw Material Expenses	204.5	382.6	387.4	489.4
Marketing Expenses	27.2	44.5	67.0	85.0
Administrative Expenses	18.8	50.6	86.1	109.3
Employee Expenses	42.5	68.7	74.6	94.7
Total Operating Expenditure	309.6	570.4	667.7	845.1
EBITDA	136.0	197.6	288.9	369.1
Growth (%)				
Other Income	20.9	43.2	39.9	45.9
Interest	0.2	0.0	0.6	0.6
Less: Non Operating Expenses	156.7	240.8	328.3	414.5
PBDT	156.7	240.8	328.3	414.5
Depreciation	4.3	7.1	8.1	10.3
PBT before Exceptional Items	152.4	233.7	320.1	404.2
Less: Exceptional Items	-12.5	0.0	0.0	0.0
PBT	164.9	233.7	320.1	404.2
Total Tax	46.5	68.1	86.8	109.5
PAT	118.4	165.6	233.4	294.6

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

Cash flow statement (consolidated)				₹ Crore
(Year-end March)	9MFY16E	FY17E	FY18E	FY19E
Profit after Tax	118.4	165.6	233.4	294.6
Depreciation	4.3	7.1	8.1	10.3
Cash Flow before working capital cha	122.9	172.7	242.1	305.5
Net Increase in Current Assets	-28.9	-58.0	-51.5	-67.6
Net Increase in Current Liabilities	-13.4	14.7	27.3	38.6
Net cash flow from operating act.	80.6	129.4	217.9	276.6
(Increase)/Decrease in Other Investments	-30.1	65.0	-50.0	-50.0
(Purchase)/Sale of Liquid Investments	107.4	-182.8	0.0	0.0
(Purchase)/Sale of Fixed Assets	9.6	-7.6	-10.0	-15.0
Net Cash flow from Investing act.	86.7	-123.4	-60.0	-65.0
Inc / (Dec) in Equity Capital	0.0	7.0	0.0	0.0
Inc / (Dec) in Loan Funds	0.0	19.3	0.0	0.0
Total Outflow on account of dividend	-105.2	-31.6	-83.2	-208.1
Net Cash flow from Financing act.	-128.3	-6.0	-83.1	-208.7
Net Cash flow	38.9	0.1	74.8	2.9
Cash and Cash Equivalent at the beginning	7.7	46.6	46.7	121.4
Cash	46.6	46.7	121.4	124.3

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

Balance sheet (consolidated)				₹ Crore
(Year-end March)	9MFY16E	FY17E	FY18E	FY19E
Equity Capital	7.0	14.0	14.0	14.0
Reserve and Surplus	311.7	445.0	595.9	682.4
Total Shareholders funds	318.7	459.0	609.9	696.4
Deferred Tax Liability	2.5	4.5	4.5	4.5
Total Debt	0.0	19.3	19.3	19.3
Total Liabilities	321.2	482.8	633.6	720.2
Assets				
Total Gross Block	172.6	180.2	190.2	205.2
Less Total Accumulated Depreciation	96.0	103.0	111.2	121.5
Net Block	76.6	77.1	79.0	83.7
Goodwill on Consolidation	3.9	3.9	3.9	3.9
Other Investments	161.7	96.7	146.7	196.7
Liquid Investments	3.4	186.2	186.2	186.2
Inventory	55.1	77.3	96.3	122.3
Debtors	46.9	52.3	68.4	89.8
Loans and Advances	21.9	52.6	65.5	83.2
Other Current Assets	6.6	6.1	9.6	12.1
Cash	46.6	46.7	121.4	124.3
Total Current Assets	177.0	235.0	361.3	431.7
Creditors	49.1	61.0	65.5	83.2
Provisions	18.0	11.9	24.0	30.5
Other current liablities	34.2	43.2	53.8	68.3
Total Current Liabilities	101.3	116.0	143.3	181.9
Net Current Assets	75.7	119.0	218.0	249.8
Other non Current Assets	0.0	0.0	0.0	0.0
Total Asset	321.2	482.8	633.7	720.2

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

Key ratios (consolidated)				
(Year-end March)	9MFY16E	FY17E	FY18E	FY19E
Per Share Data				
EPS	16.9	23.7	33.4	42.1
Cash EPS	17.5	24.7	34.5	43.6
BV	45.6	65.6	87.2	99.5
DPS	15.0	4.5	11.9	29.8
Operating Ratios				
EBITDA Margin	30.5	25.7	30.2	30.4
PAT Margin	24.6	21.6	24.4	24.3
Return Ratios				
RoE	34.3	36.1	38.3	42.3
RoCE	47.5	48.4	50.6	56.2
RoIC	43.7	65.9	74.7	75.7
Valuation Ratios				
EV / EBITDA	74.4	50.4	34.2	26.7
P/E	85.9	61.4	43.6	34.5
EV / Net Sales	22.7	13.0	10.3	8.1
Div Yield (%)	1.0	0.3	0.8	2.0
Market Cap / Sales	22.8	13.2	10.6	8.4
Price to Book Value	31.9	22.1	16.7	14.6
Turnover Ratios				
Asset turnover	1.4	1.6	1.5	1.7
Debtor Days	2.6	4.3	5.0	5.9
Creditor Days	30.3	29.0	25.0	25.0
Inventory Days				
Solvency Ratios				
Current Ratio	1.9	2.6	2.7	2.7
Quick Ratio	1.1	1.5	1.6	1.6

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

ICICIdirect.com coverage universe (Consumer Discretionery)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY17E	FY18E	FY19E	P/E (x) FY17E	FY18E	FY19E	EV/EBITDA (x) FY17E	FY18E	FY19E	RoCE (%) FY17E	FY18E	FY19E	RoE (%) FY17E	FY18E	FY19E
Asian Paints (ASIPAI)	1,156	1,204	Hold	110,884	21.0	23.4	27.4	55.0	49.4	42.2	36.2	33.7	28.2	33.2	30.6	31.2	26.5	25.8	26.1
Bajaj Electricals (BAJELE)	353	280	Hold	3,521	10.0	13.6	16.4	35.3	25.9	21.5	15.4	13.4	11.6	24.0	25.1	25.6	12.2	14.8	15.7
Havells India (HAVIND)	510	570	Buy	31,819	8.6	12.1	15.7	59.0	42.1	32.4	36.5	28.2	22.5	23.0	26.5	28.0	17.4	21.2	22.5
Kansai Nerolac (KANNER)	427	445	Buy	23,012	9.4	10.0	11.5	45.5	42.5	37.1	29.4	27.6	23.8	26.2	26.6	27.0	18.0	18.5	18.7
Pidilite Industries (PIDIND)	772	775	Buy	39,576	15.5	17.6	20.0	49.9	43.9	38.5	32.6	28.5	23.5	34.8	35.4	35.2	25.7	25.9	25.8
Essel Propack (ESSPRO)	266	270	Hold	4,178	12.1	14.2	17.4	21.9	18.8	15.3	10.6	8.9	7.5	15.8	18.0	19.7	13.9	15.3	16.4
Supreme Indus (SUPIND)	1,200	1,285	Buy	15,243	33.7	36.6	43.7	35.6	32.8	27.5	20.2	17.9	15.2	30.0	32.6	35.1	25.3	26.5	27.7
Symphony (SYMLIM)	1,453	1,623	Buy	10,165	23.7	33.4	42.1	61.4	43.6	34.5	50.4	34.2	26.7	48.4	50.6	56.2	36.1	38.3	42.3
V-Guard Ind (VGUARD)	216	151	Hold	9,145	3.8	4.2	5.1	57.0	51.6	42.8	40.9	37.0	30.6	34.8	30.7	30.6	26.5	23.6	23.8
Voltas Ltd (VOLTAS)	434	400	Buy	14,354	14.7	16.5	19.0	29.6	26.3	22.8	25.2	22.1	18.5	23.8	23.9	24.5	18.3	18.4	18.9

Source: Company, ICICIdirect.com Research

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