

INDUSTRY	APPLIANCES
CMP (as on 24 Jul 2018)	Rs 1,400
Target Price	Rs 1,734
Nifty	11,134
Sensex	36,825
KEY STOCK DATA	
Bloomberg	SYML IN
No. of Shares (mn)	70
MCap (Rsbn)/(US\$ mn)	98/1,421
6m avg traded value (Rs mn)	71
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 2,213 / 1,152
	3M 6M 12M
Absolute (%)	(24.4) (26.5) (1.5)
Relative (%)	(30.7) (28.3) (15.7)
SHAREHOLDING PATTERN (%)	
Promoters	75.00
FIs & Local MFs	7.51
FPIs	7.15
Public & Others	10.34
Source : BSE	

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Down, but not out...

Symphony posted disappointing 1Q performance on all fronts. Domestic revenue contracted by 41% (exp. 5% down) despite a favorable base (18% decline in 1QFY18). Standalone EBITDA/PAT was down by 95/79%. On the brighter side, subsidiaries (Mexico and China) revenues grew by ~10%.

Erratic summer (two consecutive seasons) impacted the air cooler industry, with the branded market declining by ~15%. Weak consumer offtake led to carry forward of higher than normal inventory (for all players) to the new season. Symphony's off-season (2QFY19 and 3QFY19) performance will be impacted by higher inventory. New product launches ('tech-rich') which are generally launched at the start of the season will now be delayed to FY20.

Despite us getting it wrong during summer 2018, we don't see any structural change either in the branded air cooler industry or Symphony's competitive strength. Symphony maintained market share even during a challenging period which highlights the strength of the brand. We believe when the time gets tough, the tough gets going. We continue to maintain faith in the long term prospects of the business.

Financial Summary (Consolidated)

(Rsmn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenue	790	1,298	(39.1)	1,554	(49.2)	7,680	7,983	9,968	13,195	15,377
EBITDA	10	194	(94.9)	496	(98.0)	2,009	2,193	2,318	3,288	3,934
APAT	50	240	(79.2)	420	(88.1)	1,691	1,926	1,806	2,562	3,102
EPS (Rs)	0.7	3.4	(79.2)	6.0	(88.1)	24.2	27.5	25.8	36.6	44.3
P/E (x)						58.1	51.0	54.4	38.3	31.7
EV/EBITDA (x)						47.3	42.9	41.0	28.5	23.4
Core RoCE (%)						106.9	89.9	52.1	52.5	57.8

Source: Company, HDFC sec Inst Research, Note: Quarterly numbers are standalone

Our bullishness on Symphony is based on (1) Rising demand for cooling products driven by growing disposable incomes, cheaper financing options and increasing up-country penetration of electricity, (2) A large unorganised air cooler market, (3) Untapped opportunities in RoW.

We cut our EPS estimates by 25/15% for FY19/FY20 to factor in lower domestic air cooler volume. At 45x Jun-20 EPS, our TP is at Rs 1,734 (earlier 2,031). We maintain BUY.

Highlights for the quarter

- Negative operating leverage impacted EBITDA:** GM was up by 325bps (in-line) to 54% (impacted by Touch in 1QFY18). Employee/ASP/other expenses were up by 4/-10/-22%. We were surprised to note that ASP spend (discretionary in nature) was high during a weak season. EBITDA/PAT up by -95/-79% vs. exp of 24/25%.
- Near-term outlook:** Near-term stock pressure to persist due to high channel inventory. We advise investors to see long-term potential of the business.

Domestic/export revenues declined 41/30% in 1QFY19 (-18/+11% in 1QFY18)

Symphony claims that value market share of 50% was intact

GM was up by 325 bps (exp of 382bps) to 54% owing to favorable base (impact from promo-launch of Touch series)

We were surprised to note that ASP spend (discretionary in nature) was high during a weak season

Quarterly Financials (Standalone)

Particulars	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY18	FY17	YoY (%)
Net Revenue	790	1,298	(39.1)	1,554	(49.2)	6,870	6,639	3.5
Material Expenses	360	633	(43.2)	714	(49.6)	3,203	3,103	3.2
Employee Expenses	110	106	4.2	128	(13.9)	520	462	12.6
ASP Expenses	190	211	(9.7)	69	176.6	304	381	(20.2)
Other Operating Expenses	120	154	(21.9)	148	(19.1)	643	617	4.1
EBITDA	10	194	(94.9)	496	(98.0)	2,200	2,076	6.0
Depreciation	10	10	(1.0)	11	(9.1)	44	35	23.9
EBIT	-	184	(100.0)	485	(100.0)	2,156	2,040	5.7
Other Income	60	126	(52.5)	92	(34.6)	403	379	6.4
Interest	-	-	na	-	na	7	0	na
PBT	60	311	(80.7)	576	(89.6)	2,552	2,419	5.5
Tax	10	70	(85.8)	157	(93.6)	723	673	7.4
PAT	50	240	(79.2)	420	(88.1)	1,830	1,746	4.8
EPS	0.7	3.4	(79.2)	6.0	(88.1)	26.1	24.9	4.8

Source: Company, HDFC sec Inst Research

Margin Analysis (Standalone)

% of Net sales	1QFY19	1QFY18	YoY (bps)	4QFY18	QoQ (bps)	FY18	FY17	YoY (bps)
Material Expenses	45.6	48.8	(325)	45.9	(35)	46.6	46.7	(11)
Employee Expenses	13.9	8.1	579	8.2	571	7.6	7.0	61
ASP Expenses	24.1	16.2	783	4.4	1,963	4.4	5.7	(131)
Other Operating Expenses	15.2	11.8	335	9.6	564	9.4	9.3	6
EBITDA Margin (%)	1.3	15.0	(1,372)	31.9	(3,062)	32.0	31.3	76
Tax Rate (%)	16.7	22.7	(600)	27.2	(1,054)	28.3	27.8	50
APAT Margin (%)	6.3	18.5	(1,218)	27.0	(2,067)	26.6	26.3	33

Source: Company, HDFC sec Inst Research

Domestic performance was impacted by significant decline in weak consumer offtake for air cooler

Symphony refrains from filling trade channels (sales to distributors) at the end of the season so as to start the new season at fresh prices

Negative operating leverage impacted domestic EBIT growth

Export EBIT margin expanded by 412bps driven by favourable base (-1,170bps in 1QFY18)

Segmental Quarterly (Standalone)

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY18	FY17	YoY (%)
Revenue								
Domestic	650	1,097	(40.7)	1,232	(47.2)	6,213	5,918	5.0
Export	140	201	(30.3)	322	(56.5)	657	721	(8.9)
Total	790	1,298	(39.1)	1,554	(49.2)	6,870	6,639	3.5
Revenue Mix (%)								
Domestic	82	85		79		90	89	
Export	18	15		21		10	11	
Total	100	100		100		100	100	
EBIT								
Domestic	10	247	(96.0)	446	(97.8)	2,330	2,174	7.2
Export	50	64	(21.3)	131	(61.7)	229	246	(6.8)
Total	60	311	(80.7)	576	(89.6)	2,559	2,419	5.8
	1QFY19	1QFY18	YoY (bps)	4QFY18	QoQ (bps)	FY18	FY17	YoY (bps)
EBIT Margin (%)								
Domestic	1.5	22.6	(2,102)	36.2	(3,464)	37.5	36.7	78
Export	35.7	31.6	412	40.5	(481)	34.9	34.1	78

Source: Company, HDFC sec Inst Research

Symphony's consolidated revenues declined by 23% in 1QFY19, subsidiary revenues (GSK China and Mexico) grew by ~10%

Quarterly Financials (Consolidated)

Particulars (Rs mn)	Q1FY19	Q1FY18	YoY Gr. (%)	Q4FY18	QoQ Gr. (%)	FY18
Net Revenue	1,460	1,900	(23.2)	1,770	(17.5)	7,980
Material Expenses	740	980	(24.5)	840	(11.9)	3,850
Employee Expenses	170	160	6.3	180	(5.6)	720
ASP Expenses	190	230	(17.4)	70	171.4	330
Other Operating Expenses	190	250	(24.0)	210	(9.5)	880
EBITDA	170	280	(39.3)	470	(63.8)	2,200
Depreciation	20	20	-	20	-	70
EBIT	150	260	(42.3)	450	(66.7)	2,130
Other Income	60	200	(70.0)	100	(40.0)	540
Interest	-	-	na	-	na	20
PBT	210	460	(54.3)	550	(61.8)	2,650
Tax	10	70	(85.7)	160	(93.8)	720
PAT	200	390	(48.7)	390	(48.7)	1,930
EPS	2.9	5.6	(48.7)	5.6	(48.7)	27.6

MARGIN ANALYSIS	Q1FY19	Q1FY18	YoY Chg (bps)	Q4FY18	QoQ Chg (bps)	FY18
Material Expenses % Net Sales	50.7	51.6	(89)	47.5	323	56.0
Employee Expenses % Net Sales	11.6	8.4	322	10.2	147	10.5
ASP Expenses % Net Sales	13.0	12.1	91	4.0	906	4.8
Other Operating Expenses % Net Sales	13.0	13.2	(14)	11.9	115	12.8
EBITDA Margin (%)	11.6	14.7	(309)	26.6	(1,491)	32.0
Tax Rate (%)	4.8	15.2	(1,046)	29.1	(2,433)	27.2
APAT Margin (%)	13.7	20.5	(683)	22.0	(834)	24.2

Source: Company, HDFC sec Inst Research

RoW segment reported flat revenue growth despite decline in export business

China and Mexico business reported Rs 150mn of net profit (flat YoY), more driven by operational efficiency

Segmental Quarterly (Consolidated)

Particulars (Rs mn)	Q1FY19	Q1FY18	YoY Gr. (%)	Q4FY18	QoQ Gr. (%)	FY18
Revenue						
Domestic	660	1,100	(40.0)	1,240	(46.8)	6,220
RoW	800	800	-	530	50.9	1,760
Total	1,460	1,900	(23.2)	1,770	(17.5)	7,980
Revenue Mix (%)						
Domestic	45%	58%		70%		78%
RoW	55%	42%		30%		22%
Total	100%	100%		100%		100%
EBIT						
Domestic	10	250	(96.0)	450	(97.8)	2,340
RoW	200	210	(4.8)	100	100.0	330
Total	210	460	(54.3)	550	(61.8)	2,670
EBIT Margin (%)						
Domestic	2%	23%		36%		38%
RoW	25%	26%		19%		19%
Total	14%	24%		31%		33%
EBIT Mix (%)						
Domestic	5%	54%		82%		88%
RoW	95%	46%		18%		12%
Total	100%	100%		100%		100%

Source: Company, HDFC sec Inst Research

Symphony's Renewed Strategy

The three phases of Symphony's evolution

Version 1.0

1988-2006

- Launched coolers
- Diversified into various products
- Diversification affected viability

Version 2.0

2007-2018

- Specialised around coolers
- Turned the business around
- Scaled the business
- Enhanced global respect

Version 3.0

2019-

- Focus on transformation
- Launch technology-rich coolers
- Extend into industrial cooling solutions
- Expand international reach

Symphony at a glance

Particulars (Rs mn)	Consolidated				Particulars (Rs mn)	Standalone			
	FY15	FY16 (9M)*	FY17	FY18		FY15	FY16 (9M)*	FY17	FY18
Revenue					Revenue				
India	4,112	3,684	5,969	6,222	India	4,086	3,679	5,951	6,213
RoW	1,143	771	1,679	1,761	Export	537	469	721	657
Total	5,255	4,455	7,648	7,983	Total	4,623	4,149	6,672	6,870
EBIT (Inc. other income)					EBIT (Inc. other income)				
India	1,437	1,510	2,216	2,334	India	1,428	1,506	2,153	2,330
RoW	181	16	134	332	Export	195	190	246	229
Total EBIT	1,618	1,526	2,350	2,666	Total EBIT	1,623	1,696	2,399	2,559
Revenue Growth (%)					Revenue Growth (%)				
India	18%	19%	22%	4%	India	17%	20%	21%	4%
RoW	-17%	-10%	63%	5%	Export	-5%	17%	15%	-9%
Total	9%	13%	29%	4%	Total	14%	20%	21%	3%
Revenue Mix (%)					Revenue Mix (%)				
India	78%	83%	78%	78%	India	88%	89%	89%	90%
RoW	22%	17%	22%	22%	Export	12%	11%	11%	10%
Total	100%	100%	100%	100%	Total	100%	100%	100%	100%
EBIT Margin (%)					EBIT Margin (%)				
India	35%	41%	37%	38%	India	35%	41%	36%	38%
RoW	16%	2%	8%	19%	Export	36%	41%	34%	35%
Total	31%	34%	31%	33%	Total	35%	41%	36%	37%
EBIT Growth (%)					EBIT Growth (%)				
India	25%	40%	10%	5%	India	25%	41%	7%	8%
RoW	-21%	-89%	546%	148%	Export	-9%	30%	-3%	-7%
Total	18%	26%	16%	13%	Total	20%	39%	6%	7%
EBIT Mix (%)					EBIT Mix (%)				
India	89%	99%	94%	88%	India	88%	89%	90%	91%
RoW	11%	1%	6%	12%	Export	12%	11%	10%	9%
Total	100%	100%	100%	100%	Total	100%	100%	100%	100%

Source: Company, HDFC sec Inst Research

Revenue growth over the years has been driven by constant innovation led product launches, premiumisation and distribution expansion

Symphony's launches

Window range
2014-15

Silver range
2015-16

Touch range
Cloud range
2016-17

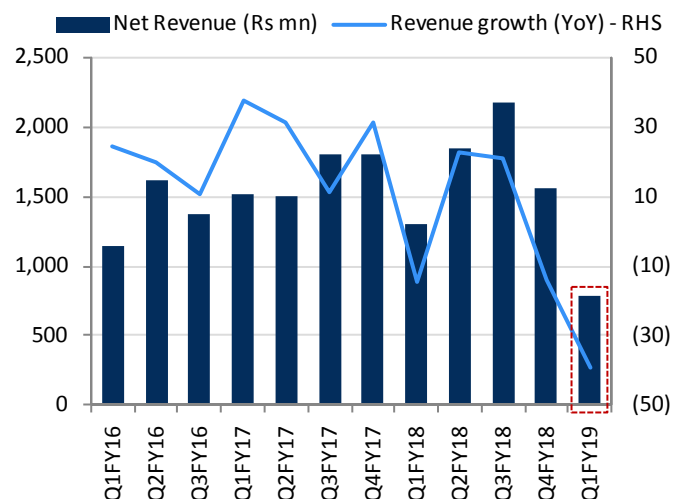
Sense range
Diamond range
2017-18

Symphony's EBITDA margins are the highest in consumer appliances category

Sharp revenue decline in the domestic business impacted overheads as a % of sales

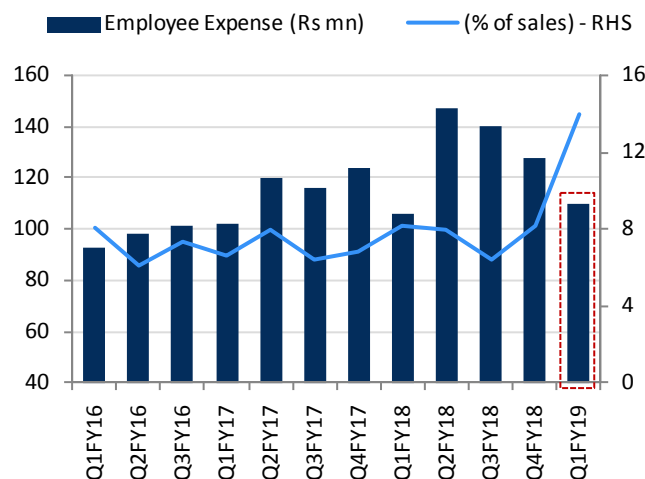
Quarterly Performance

Net Revenue



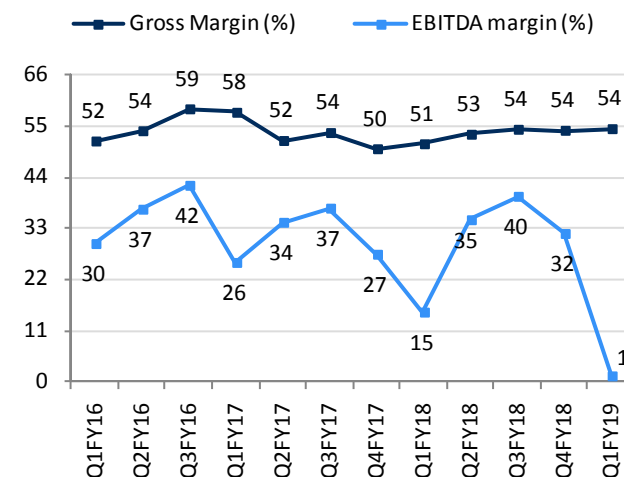
Source: Company, HDFC sec Inst Research

Employee Expense



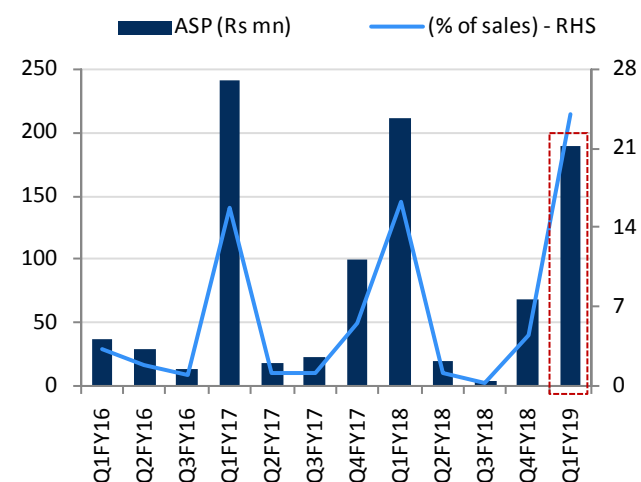
Source: Company, HDFC sec Inst Research

Gross Margin vs. EBITDA Margin



Source: Company, HDFC sec Inst Research

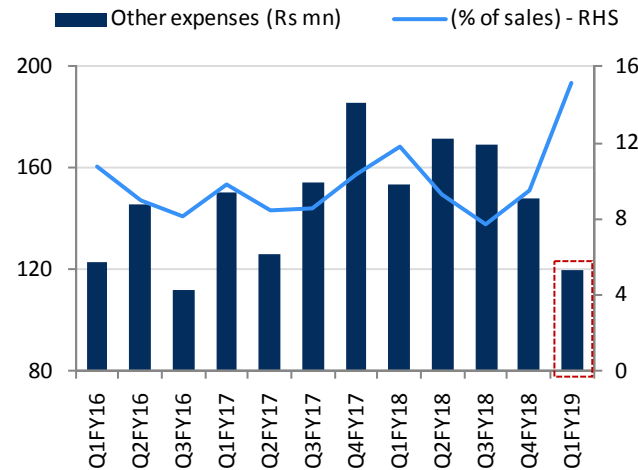
ASP Expense



Source: Company, HDFC sec Inst Research

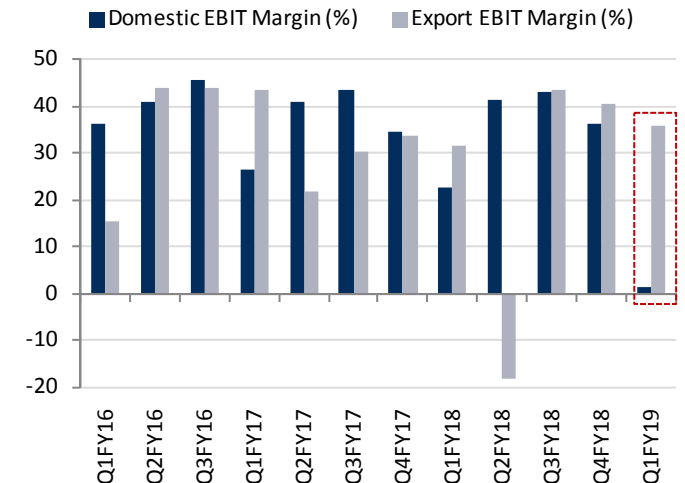
Symphony invested about Rs 60mn in last two years in information technology (SAP) - more than all the aggregate technology investment previously made in the company's existence

Other Expense



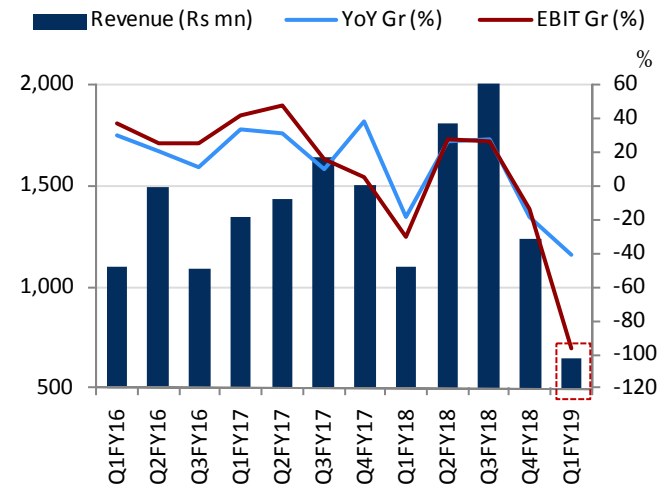
Source: Company, HDFC sec Inst Research

Domestic vs. Export EBIT margin



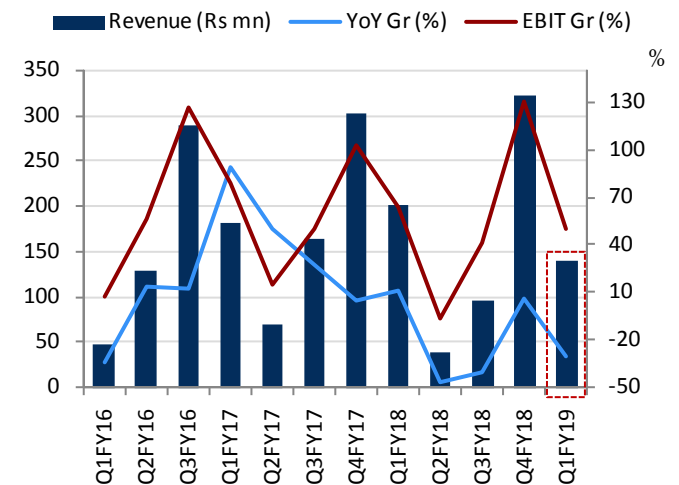
Source: Company, HDFC sec Inst Research

Domestic Revenue and EBIT Growth (YoY)



Source: Company, HDFC sec Inst Research

Export Revenue and EBIT Growth (YoY)



Source: Company, HDFC sec Inst Research

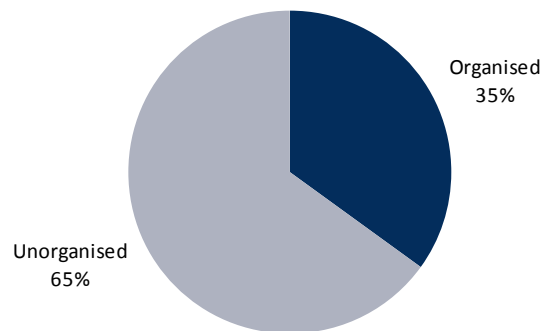
Symphony maintained value market share of 50% in FY18 despite increased competitive intensity from Voltas and Crompton. We believe Kenstar and Bajaj lost market share in FY18

Symphony is the pioneer in developing the premium market (>Rs 10,000). It has the maximum SKU share in the premium segment. We expect premiumisation to continue since it is only ~4% of the total air cooler market

There are >90 brands in the air cooler market with no MNC player

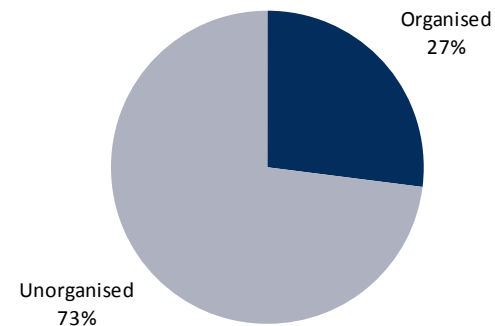
Air Cooler Industry

Air cooler Value Market Break-up (~Rs 35-40bn)



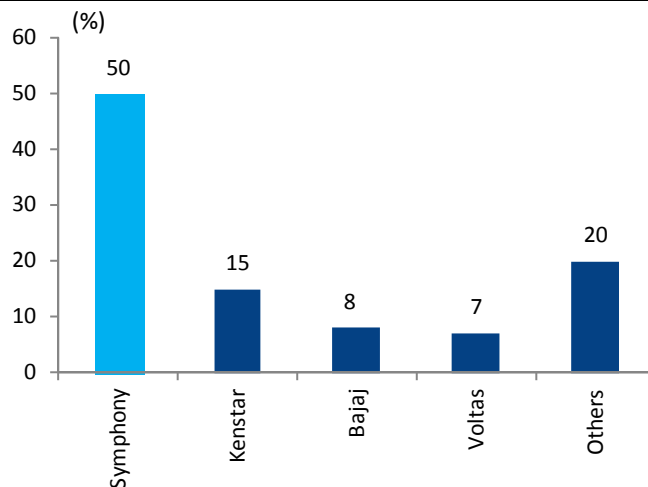
Source: Company, HDFC sec Inst Research

Air cooler Volume Market Break-up (~9mn units)



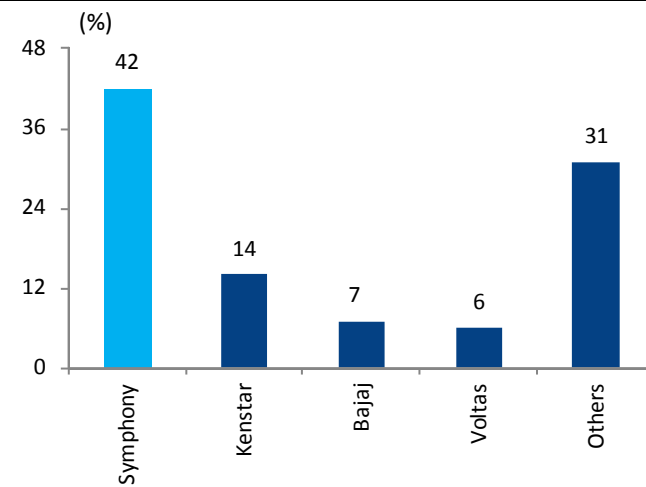
Source: Company, HDFC sec Inst Research

Branded Air Cooler Value Market Share



Source: Company, HDFC sec Inst Research

Branded Air Cooler Vol. Market Share



Source: Company, HDFC sec Inst Research

Assumptions

Standalone Segmental

Particulars (Rs mn)	FY13	FY14	FY15	FY16 (9M)	FY17	FY18	FY19E	FY20E	FY21E
Revenue									
Domestic	2,730	3,946	4,085	3,679	5,918	6,213	5,780	7,634	9,292
Export	353	566	537	469	721	657	704	844	955
Total	3,083	4,512	4,622	4,148	6,639	6,870	6,484	8,478	10,247
Revenue Gr. (%)									
Domestic	30.6%	44.5%	3.5%	20.1%	20.6%	5.0%	-7.0%	32.1%	21.7%
Export	-13.8%	60.3%	-5.1%	16.5%	15.2%	-8.9%	7.2%	19.8%	13.1%
Total	23.3%	46.3%	2.4%	19.7%	20.0%	3.5%	-5.6%	30.7%	20.9%
Revenue Mix (%)									
Domestic	89%	87%	88%	89%	89%	90%	89%	90%	91%
Export	11%	13%	12%	11%	11%	10%	11%	10%	9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBIT									
Domestic	807	1,141	1,428	1,506	2,174	2,330	2,084	2,941	3,621
Export	119	215	195	190	246	229	275	330	374
Total	926	1,356	1,623	1,696	2,419	2,559	2,359	3,272	3,996
EBIT Margin (%)									
Domestic	30%	29%	35%	41%	37%	38%	36%	39%	39%
Export	34%	38%	36%	41%	34%	35%	39%	39%	39%
Total	30%	30%	35%	41%	36%	37%	36%	39%	39%
EBIT Change (bps)									
Domestic	1,083bps	-67bps	604bps	597bps	-420bps	78bps	-146bps	248bps	44bps
Export	633bps	448bps	-168bps	418bps	-645bps	78bps	425bps	5bps	5bps
Total	990bps	2bps	506bps	577bps	-444bps	81bps	-87bps	221bps	40bps
EBIT Mix (%)									
Domestic	87%	84%	88%	89%	90%	91%	88%	90%	91%
Export	13%	16%	12%	11%	10%	9%	12%	10%	9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBIT Growth (%)									
Domestic	106.0%	41.3%	25.2%	40.6%	8.3%	7.2%	-10.6%	41.2%	23.1%
Export	6.3%	81.7%	-9.3%	29.9%	-3.2%	-6.8%	20.2%	20.0%	13.3%
Total	83.9%	46.5%	19.7%	39.3%	7.0%	5.8%	-7.8%	38.7%	22.1%

Source: HDFC sec Inst Research

Volume growth and realisation growth are projected numbers between FY14-18

Standalone Sales Volume

Particulars	FY13	FY14P	FY15P	FY16P(9m)	FY17P	FY18P	FY19E	FY20E	FY21E
Sales Volume									
India	437,061	590,416	673,432	612,873	926,219	975,682	878,452	1,119,464	1,329,285
ROW	79,713	116,628	110,279	95,958	143,866	135,283	140,727	166,496	186,476
Total	516,774	707,044	783,711	708,831	1,070,085	1,110,964	1,019,178	1,285,960	1,515,760
Sales Volume Gr (%)									
India	22.2%	35.1%	14.1%	21.3%	13.3%	5.3%	-10.0%	27.4%	18.7%
Export	-30.3%	46.3%	-5.4%	16.0%	12.4%	-6.0%	4.0%	18.3%	12.0%
Total	9.5%	36.8%	10.8%	20.6%	13.2%	3.8%	-8.3%	26.2%	17.9%
Aircoolers - Realization									
India	6,246	6,683	6,066	6,003	6,389	6,368	6,580	6,820	6,990
Export	4,432	4,855	4,870	4,892	5,011	4,857	5,004	5,068	5,119
Total	5,966	6,382	5,803	5,852	6,204	6,184	6,362	6,593	6,760

Source: Company, HDFC sec Inst Research

Consolidated Segmental Assumption

Particulars (Rs mn)	Consolidated					Particulars (Rs mn)	Standalone				
	FY17	FY18	FY19E	FY20E	FY21E		FY17	FY18	FY19E	FY20E	FY21E
Revenue						Revenue					
India	5,969	6,222	5,780	7,634	9,292	India	5,918	6,213	5,780	7,634	9,292
RoW	1,679	1,761	4,187	5,561	6,084	Export	721	657	704	844	955
Total	7,648	7,983	9,968	13,195	15,377	Total	6,639	6,870	6,484	8,478	10,247
EBIT (Inc. other income)						EBIT (Inc. other income)					
India	2,216	2,334	2,084	2,941	3,621	India	2,216	2,330	2,084	2,941	3,621
RoW	134	332	532	760	841	Export	134	229	275	330	374
Total EBIT	2,350	2,666	2,616	3,701	4,463	Total EBIT	2,350	2,559	2,359	3,272	3,996
PAT						PAT					
India	1,568	1,742	1,489	2,088	2,571	Export	1,581	1,672	1,489	2,088	2,571
RoW	95	184	241	336	368	Capital Employed	96	157	197	235	266
Total	1,663	1,926	1,730	2,425	2,939	India	1,677	1,830	1,686	2,323	2,837
Revenue Growth (%)						Revenue Growth (%)					
India	22%	4%	-7%	32%	22%	India	21%	5%	-7%	32%	22%
RoW	63%	5%	138%	33%	9%	Export	15%	-9%	7%	20%	13%
Total	29%	4%	25%	32%	17%	Total	20%	3%	-6%	31%	21%
Revenue Mix (%)						Revenue Mix (%)					
India	78%	78%	58%	58%	60%	India	89%	90%	89%	90%	91%
RoW	22%	22%	42%	42%	40%	Export	11%	10%	11%	10%	9%
Total	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%
EBIT Margin (%)						EBIT Margin (%)					
India	37%	38%	36%	39%	39%	India	37%	38%	36%	39%	39%
RoW	8%	19%	13%	14%	14%	Export	19%	35%	39%	39%	39%
Total	31%	33%	26%	28%	29%	Total	35%	37%	36%	39%	39%
EBIT Growth (%)						EBIT Growth (%)					
India	10%	5%	-11%	41%	23%	India	10%	5%	-11%	41%	23%
RoW	546%	148%	60%	43%	11%	Export	-47%	71%	20%	20%	13%
Total	16%	13%	-2%	41%	21%	Total	4%	9%	-8%	39%	22%
EBIT Mix (%)						EBIT Mix (%)					
India	94%	88%	80%	79%	81%	India	94%	91%	88%	90%	91%
RoW	6%	12%	20%	21%	19%	Export	6%	9%	12%	10%	9%
Total	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%
PAT Mix (%)						PAT Mix (%)					
India	94%	90%	86%	86%	87%	India	94%	91%	88%	90%	91%
RoW	6%	10%	14%	14%	13%	Export	6%	9%	12%	10%	9%
Total	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%

Source: Company, HDFC sec Inst Research

Volume growth and realisation growth are projected numbers between FY15-18

We believe China business will break-even in FY20

Key Assumptions

	FY15	FY16 (9m)	FY17	FY18	FY19E	FY20E	FY21E
Standalone							
Volume Growth							
India	14.1	21.3	13.3	5.3	(10.0)	27.4	18.7
Export	(5.4)	16.0	12.4	(6.0)	4.0	18.3	12.0
Total	10.8	20.6	13.2	3.8	(8.3)	26.2	17.9
Realisation Growth							
India	(9.2)	(1.1)	6.4	(0.3)	3.3	3.6	2.5
Export	0.3	0.4	2.4	(3.1)	3.0	1.3	1.0
Total	(9.1)	0.8	6.0	(0.3)	2.9	3.6	2.5
Revenue Growth	2.5	19.7	20.0	3.5	(5.6)	30.7	20.9
Gross Margin (%)	52.9	54.9	53.3	53.4	55.6	56.2	56.2
Employee (%)	6.6	7.2	7.0	7.6	9.2	8.3	8.1
SG&A (%)	7.7	2.0	5.7	4.4	4.8	4.4	4.3
Other Expenses (%)	9.5	9.0	9.3	9.4	10.7	10.5	10.6
EBITDA Margin	29.1	36.7	31.3	32.0	30.9	33.0	33.2
Subsidiaries							
Revenue Growth							
IMPCO	-	(0.6)	24.0	11.7	3.0	3.0	3.0
MKE (China)	na	na	na	1.0	3.0	3.0	3.0
CT (Australia)					18.2	13.8	10.8
EBITDA Margin							
IMPCO	7.8	15.2	5.3	6.0	7.0	8.0	8.0
MKE (China)	na	na	(18.9)	(15.0)	(9.0)	1.0	1.0
CT (Australia)					10.0	10.0	10.0

Source: Company, HDFC sec Inst Research

Estimate Change

Air cooler volume change (Standalone)

Particulars	FY19E			FY20E			FY21E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
India	1,131,995	878,452	(22)	1,344,125	1,119,464	(17)	1,559,185	1,329,285	(15)
Export	155,545	140,727	(10)	176,185	166,496	(5)	197,327	186,476	(5)
Total	1,287,540	1,019,178	(21)	1,520,310	1,285,960	(15)	1,756,512	1,515,760	(14)

Earnings Change (Consolidated)

Particulars (Rs mn)	FY19E			FY20E			FY21E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Net Sales	11,605	9,968	(14.1)	14,671	13,195	(10.1)	16,914	15,377	(9.1)
EBITDA	3,069	2,318	(24.5)	3,850	3,288	(14.6)	4,436	3,934	(11.3)
APAT	2,394	1,806	(24.6)	3,029	2,562	(15.4)	3,548	3,102	(12.6)
EPS	34.2	25.8	(24.6)	43.3	36.6	(15.4)	50.7	44.3	(12.6)

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Havells	375	600	BUY	680	15.0	17.9	21.3	40.1	33.4	28.2	27.3	23.1	19.7	34.7	39.2	46.6
Voltas	194	585	BUY	638	19.2	22.1	25.1	30.5	26.5	23.3	22.5	19.7	16.9	60.5	61.0	64.1
Crompton	152	242	BUY	286	6.4	7.8	9.3	37.8	31.1	26.0	23.5	19.5	16.2	50.2	58.3	67.3
Symphony	98	1,400	BUY	1,734	25.8	36.6	44.3	54.4	38.3	31.7	41.0	28.5	23.4	52.1	52.5	57.8
V-Guard	88	206	BUY	240	4.7	6.5	8.0	43.7	31.8	25.8	31.6	23.7	19.9	27.2	33.4	37.4
TTK Prestige	67	5,838	NR	8,176	162.4	196.3	237.1	35.9	29.7	24.6	21.5	17.8	14.7	16.6	18.2	20.0

Source: HDFC sec Inst Research

Income Statement (Consolidated)

Year End March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues	7,680	7,983	9,968	13,195	15,377
Growth (%)	29.3	3.9	24.9	32.4	16.5
Material Expenses	3,644	3,853	4,587	5,994	6,986
Employee Expense	687	727	808	899	1,001
ASP Expense	653	560	728	963	1,122
Freight and forwarding	241	231	289	383	446
Other expenses	445	418	1,238	1,668	1,888
EBITDA	2,009	2,193	2,318	3,288	3,934
EBITDA Growth (%)	10.8	9.1	5.7	41.9	19.6
EBITDA Margin (%)	26.2	27.5	23.3	24.9	25.6
Depreciation	69	68	98	103	109
EBIT	1,940	2,125	2,219	3,185	3,825
Other Income (Inc. EO Items)	432	541	396	517	638
Interest	0	18	68	84	84
PBT	2,372	2,648	2,548	3,617	4,378
Tax	681	723	742	1,055	1,277
RPAT	1,691	1,926	1,806	2,562	3,102
Adjustment	-	-	-	-	-
APAT	1,691	1,926	1,806	2,562	3,102
APAT Growth (%)	15.9	13.9	(6.2)	41.9	21.1
Adjusted EPS (Rs)	24.2	27.5	25.8	36.6	44.3
EPS Growth (%)	15.9	13.9	(6.2)	41.9	21.1

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

Year End March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	140	140	140	140	140
Reserves	4,450	5,996	7,169	8,846	10,809
Total Shareholders Funds	4,590	6,136	7,309	8,986	10,949
Long Term Debt	-	-	1,205	1,205	1,205
Short Term Debt	193	256	256	256	256
Total Debt	193	256	1,460	1,460	1,460
Net Deferred Taxes	45	89	89	89	89
Long Term Provisions & Others	27	23	25	28	31
TOTAL SOURCES OF FUNDS	4,855	6,504	8,884	10,563	12,529
APPLICATION OF FUNDS					
Net Block	810	818	2,375	2,398	2,417
CWIP	-	-	-	-	-
LT Loans & Advances	43	59	59	59	59
Other Non Current Assets	1	-	-	-	-
Total Non-current Assets	854	877	2,434	2,457	2,476
Inventories	773	796	762	964	1,143
Debtors	523	615	589	745	884
Other Current Assets	543	855	1,483	1,765	2,018
Cash & Equivalents	3,294	4,443	4,675	5,941	7,544
Total Current Assets	5,134	6,709	7,508	9,415	11,589
Creditors	609	633	606	766	909
Other Current Liabilities & Provns	523	449	453	544	628
Total Current Liabilities	1,133	1,082	1,059	1,310	1,537
Net Current Assets	4,001	5,627	6,449	8,105	10,052
TOTAL APPLICATION OF FUNDS	4,855	6,504	8,884	10,563	12,529

Source: Company, HDFC sec Inst Research

Cash Flow Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	2,337	2,648	2,548	3,617	4,378
Non-operating & EO Items	(387)	-	-	-	-
Interest Expenses	0	18	68	84	84
Depreciation	71	68	98	103	109
Working Capital Change	(390)	(437)	(588)	(387)	(341)
Tax Paid	(682)	(723)	(742)	(1,055)	(1,277)
OPERATING CASH FLOW (a)	949	1,574	1,384	2,362	2,953
Capex	(68)	(76)	(1,656)	(126)	(128)
Free Cash Flow (FCF)	880	1,499	(272)	2,236	2,826
Investments	(788)	(1,412)	(350)	(1,000)	(1,000)
Non-operating Income	204	-	-	-	-
INVESTING CASH FLOW (b)	(652)	(1,487)	(2,006)	(1,126)	(1,128)
Debt Issuance/(Repaid)	193	63	1,205	-	-
Interest Expenses	(0)	(18)	(68)	(84)	(84)
FCFE	1,073	1,543	865	2,152	2,742
Share Capital Issuance	-	-	-	-	-
Dividend	(240)	(380)	(633)	(886)	(1,139)
Others	-	-	-	-	-
FINANCING CASH FLOW (c)	(47)	(335)	504	(970)	(1,223)
NET CASH FLOW (a+b+c)	250	(248)	(118)	266	603
EO Items, Others	(248)	1	(0)	0	(0)
Closing Cash & Equivalents	466	219	101	367	970

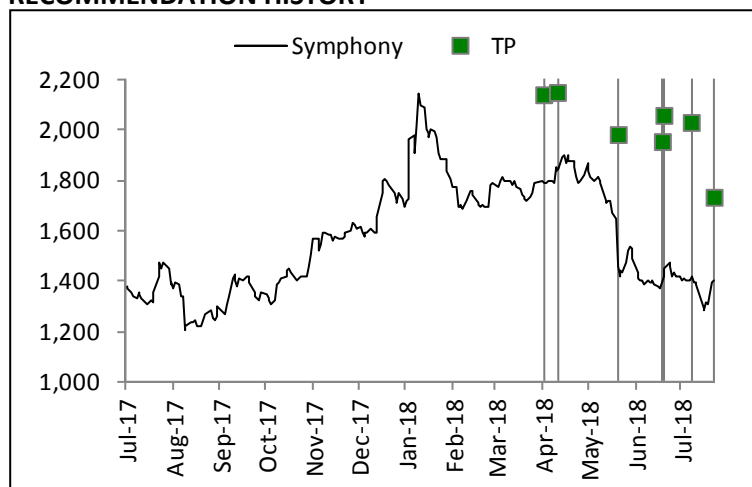
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
GPM	52.5	51.7	54.0	54.6	54.6
EBITDA Margin	26.2	27.5	23.3	24.9	25.6
EBIT Margin	25.3	26.6	22.3	24.1	24.9
APAT Margin	22.0	24.1	18.1	19.4	20.2
RoE	43.5	35.9	26.9	31.4	31.1
RoIC (or Core RoCE)	106.9	89.9	52.1	52.5	57.8
RoCE	42.4	34.7	24.5	27.3	27.7
EFFICIENCY					
Tax Rate (%)	28.7	27.3	29.1	29.2	29.2
Fixed Asset Turnover (x)	3.9	3.7	4.2	5.1	5.5
Inventory (days)	36.8	36.4	27.9	26.7	27.1
Debtors (days)	24.9	28.1	21.6	20.6	21.0
Other Current Assets (days)	25.8	39.1	54.3	48.8	47.9
Payables (days)	29.0	28.9	22.2	21.2	21.6
Other Current Liab & Provns (days)	24.9	20.5	16.6	15.0	14.9
Cash Conversion Cycle (days)	33.6	54.1	65.0	59.9	59.5
Net D/E (x)	(0.7)	(0.7)	(0.4)	(0.5)	(0.6)
Interest Coverage (x)	5,915	119	33	38	45
PER SHARE DATA (Rs)					
EPS	24.2	27.5	25.8	36.6	44.3
CEPS	25.1	28.5	27.2	38.1	45.9
Dividend	4.5	4.5	7.5	10.5	13.5
Book Value	65.6	87.7	104.4	128.4	156.4
VALUATION					
P/E (x)	58.1	51.0	54.4	38.3	31.7
P/BV (x)	21.4	16.0	13.4	10.9	9.0
EV/EBITDA (x)	47.3	42.9	41.0	28.5	23.4
EV/Revenues (x)	12.4	11.8	9.5	7.1	6.0
OCF/EV (%)	1.0	1.7	1.5	2.5	3.2
FCF/EV (%)	0.9	1.6	1.1	2.4	3.1
Dividend Yield (%)	0.3	0.3	0.5	0.7	1.0

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
4-Apr-18	1,796	BUY	2,141
12-Apr-18	1,789	BUY	2,150
23-May-18	1,460	BUY	1,983
21-Jun-18	1,397	BUY	1,949
25-Jun-18	1,446	BUY	2,059
9-Jul-18	1,411	BUY	2,031
25-Jul-18	1,400	BUY	1,734

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period

NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period

SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

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