

Stock Note

Symphony Ltd.

January 19, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Consumer Discretionary	Rs. 956	Buy in Rs 947-963 band and add further on dips in Rs 850-862 band	Rs. 1057	Rs. 1124	2-3 quarters

HDFC Scrip Code	SYMLTDEQNR
BSE Code	517385
NSE Code	SYMPHONY
Bloomberg	SYML IN
CMP (Jan 18, 2023)	956
Equity Capital (RsCr)	14
Face Value (Rs)	2
Equity Share O/S (Cr)	7
Market Cap (RsCr)	6692
Book Value (Rs)	128
Avg. 52 Wk Volumes	110753
52 Week High	1214
52 Week Low	821

Share holding Pattern % (December, 2022)	
Promoters	73.25
Institutions	15.23
Non Institutions	11.52
Total	100.0



for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Symphony Limited (Symphony) was incorporated in 1988 and was listed in 1993; it is promoted by Mr. Achal Bakeri of Bakeri Group, which is one of the oldest realty players in Gujarat. Initially, in order to diversify its business from air coolers, the company ventured into various consumer durables products like geysers, washing machines, air conditioners and household wheat flour mills. However, the company was unsuccessful in replicating the same performance in other products like it had done for air coolers. As a result, the company suffered huge losses and filed for bankruptcy in 2002. It took 3 years for Symphony to carry out the restructuring and establish itself as a financially stable company with zero debt.

The company's management then took a conscious decision to focus on its core competence, i.e., air coolers and to exit all other products. Consequently, the company exited all diversifications, and all efforts were once again directed only at developing new models of air coolers, thereby regaining market leadership in the segment. After wresting back its leadership position, Symphony ventured overseas to mitigate the domestic seasonality. Although exports gradually picked up, the company had to make strenuous efforts to replicate its success abroad on account of multiple challenges.

Symphony has managed to sustain its positioning despite new competitors, thanks to its differentiated offering, strong brand and deep distribution network. With only 14% household penetration, India's air cooler market should continue to grow in low double digits. The international acquisitions are shaping well and are now on the verge of turnaround with significant improvement in profitability. Improved offtake in industrial cooler segment can also be big growth trigger.

Valuation & Recommendation:

After suffering financial stress and restructuring, the company post 2005, focused on 'one product, many markets strategy'. The strategy has worked out well for the company and revenues grew by ~35% CAGR in FY07-17. While the company's performance was subdued in the last few years (two consecutive erratic summers, two Covid-19 lockdowns in peak season), we anticipate a reversal going ahead. Secondary sales in H1FY23 were strong, which cleared the inventory in the channel after multiple failed seasons. The company saw strong demand during the offseason, led by a positive trade sentiment. It is taking calibrated steps by summer to get back to desirable pricing, margin, and trade support. Normalisation of inventory should lead to higher inventory loading for upcoming summer season and drive the growth in domestic business. While the Australia and USA businesses, under CT (Climate Technologies) revenue were impacted by deferment of sales to Q3 and Q4, we expect CT growth trajectory to be similar to what was seen in FY22.



Going ahead, we expect the company to report revenue/EBITDA/PAT CAGR of 13%/21%/27% over FY22-25E. The asset-light model of outsourcing the manufacture of air coolers and carrying out sales on a cash-and-carry basis has enabled Symphony to maintain a minimal gross block, operate with negative working capital, and clock high return ratios with robust cashflows. Though the valuations per se are not cheap, positive surprise in results for December and March quarter could result in a bump up in stock prices.

We think the base case fair value of the stock is Rs 1057 (31x Sept'24E EPS) and the bull case fair value of is Rs 1124 (33x Sept'24E EPS). Investors can buy the in stock Rs 947-963 band (28x Sept'24E EPS) and add more on dips in Rs 850-862 band (25.5x Sept'24E EPS).

Financial Summary (Consolidated)

Particulars (in Rs Cr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Operating Income	215	140	54%	208	3%	900	1,039	1,269	1,366	1,502
EBITDA	46	35	31%	27	70%	139	161	225	257	287
APAT	45	32	41%	25	80%	112	121	189	220	250
Diluted EPS (Rs)	6.4	4.6	39%	3.6	78%	16.0	17.3	27.0	31.4	35.7
RoE-%						16.0	15.1	21.2	21.9	21.9
P/E (x)						59.8	55.3	35.4	30.4	26.8
EV/EBITDA						46.0	39.6	27.7	23.8	20.8

(Source: Company, HDFC sec)

Key Triggers:

Strong potential for air coolers

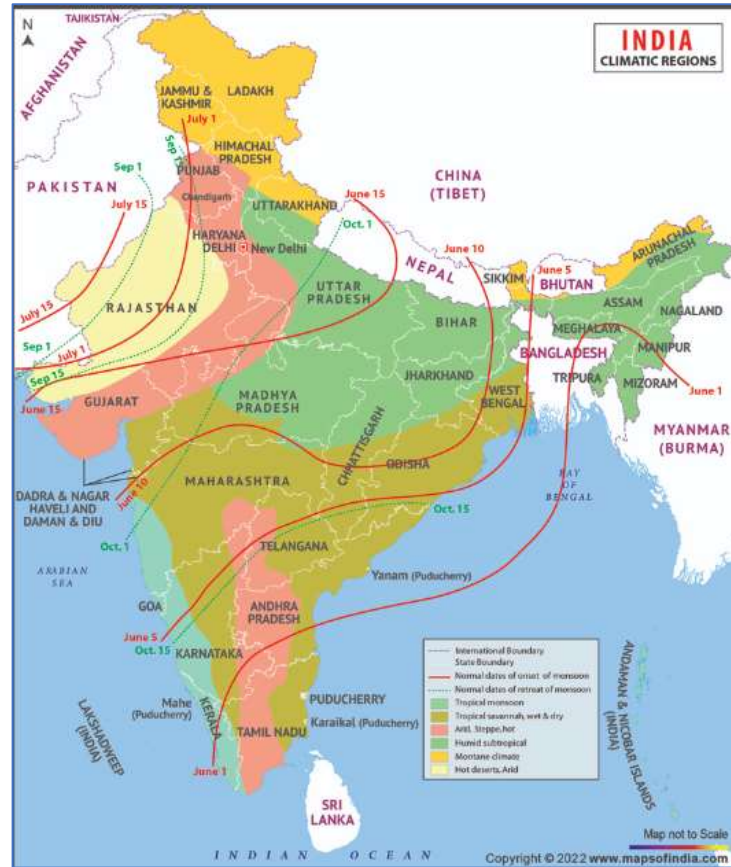
Where in India do air coolers work best?

Air coolers are effective in hot and dry climatic regions as they cool the air with evaporation of water. They are ineffective in regions with high humidity as the water vapour content in the air is already high.

Based on the below matrix, an air cooler is effective only when humidity is below 45%. With low humidity levels, an air cooler can throw air at a temperature 13-15° Celsius lower than the room temperature and hence is effective in cooling the room.

As reflected on the map and table, the key states in India, where air coolers can be effective are Rajasthan, NCR, Gujarat, Karnataka, parts of TN and Maharashtra etc.

As a result, Symphony derives ~60% of its revenues from North and West India and the remaining ~40% from South and East India.



Air cooling is effective at low humidity levels

(In °C)	HUMIDITY %																OUTLET AIR TEMPERATURE
	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%				
31	18	19	20	21	22	23	23	24	25	26	27	27	28	Typically: Plains and dry conditions	Typically: Coastal and humid conditions		
32	19	21	21	22	23	24	25	26	27	27	28	29	29				
34	21	21	23	23	24	26	27	28	29	30	31	32	33			34	
36	22	23	24	26	27	28	29	30	31	32	33	33	34				
37	23	24	25	26	27	28	29	30	31	32	33	33	34				
39	24	25	26	27	28	29	31	32	33	33	34	35	36				
41	25	26	28	29	30	31	32	33	34	35	36	37	38				
42	26	27	29	30	31	32	33	34	36	37	38	38	39				
44	27	29	29	32	33	34	36	35	36	38	39	39	41				
45	28	30	31	33	34	35	37	38	38	39	40	41	42				

India becoming hotter by the year

The number of heatwave days in India is increasing at a rapid pace every 10 years, an ongoing study by the Met Department showed. From 413 in 1981-90 to 575 in 2001-10 and 600 in 2011-20, the number of days that see extremely hot days is persistently increasing at 103 weather stations, mostly in inland areas. In 2022, India reported one of its hottest summers recording 203 heatwave days, which was the highest in the recent past.



Why are we optimistic about the branded air coolers?

India is a traditional air cooler market dominated by the unorganized segment (~70% share) with window installed metal body coolers which are viewed as a commoditized product. In the last few years, branded segment growth has been ahead of the overall air cooler industry growth, reflecting the shift in the market in favor of branded air coolers. Symphony was a pioneer in developing branded air coolers market. Branded air coolers are able to deliver superior growth owing to (1) Low air cooler penetration of ~14% (~20% for hot and dry households), (2) After fans, air coolers will be the first preference, (3) Shift in consumer’s preference towards branded products due to longevity of products and (4) Favorable economics of Air Coolers over Air Conditioning. We expect these catalysts to sustain growth for branded air coolers market.

Parameters	Fans	Air cooler	AC
Capital cost	Rs 1,000-3,000	Rs 4,000-20,000	Rs 25,000-50,000
Recurring cost (assuming Rs 5/unit)	~Rs 0.5/hour (100W)	~Rs 1/hour (200W)	~Rs 10/hour (1,500W)
Indoor air quality	Circulates same air	100% fresh filtered cool air	Recirculates stale dry air
Refrigerants	No	Water	Polluting refrigerants
Maintenance	Simple and cost effective	Simple and cost effective	Complex and expensive
Portability	No	Yes	No
Usage	Indoor	Outdoor & indoor	Indoor only
Emission	No	Eco-friendly	Environmentally harmful cfc
Humid climate	Na	Less effective	Highly Effective

Symphony is the market leader

Symphony commands ~50% market share by value in the organized air cooler market and has been able to defend its market share despite number of new entrants over the years. As per the management, Kenstar and Bajaj Electricals both have lost market share over the last few years since competition intensified.

The key reasons are (1) Constant innovation in products (2) Focus on superior quality & high brand recall and (3) Strong distribution with focus on “One product and many markets strategy”

Constant innovation in products leading to large number of variants compared to its peers:

Symphony leads from the front in terms of innovation. It is far simpler to build an air cooler than an air conditioner. Hence, to be the market leader in the air cooler market, the company needs to innovate in order to differentiate its products and thereby protect its position. Symphony has done just that. The company claims that any SKU is sold only for 2 seasons during its life, post which it is either discontinued or upgraded.



Focus on superior quality & high brand recall

Having redefined the air cooler segment and established market leadership, Symphony commands 'top of the mind' brand recall in the domestic air cooler market. Symphony has consistently invested in brand building and product awareness through its pan-India advertising campaigns.

Strong distribution with focus on "One products and many markets strategy"

Symphony has doubled its distribution network since FY12 to 30k+ dealers, spread across 5000+ towns >40% of Symphony's dealers are located in semi-urban and rural areas. In addition, the company has a network of 1000+ authorized service centres providing after-sale service to 19k+ pin codes. Symphony neither offers any credit nor re-purchases unsold inventory from dealers/ distributors post-summer season.

The industrial cooling opportunity

Symphony is the only branded player in the Industrial air cooler market. According to the company, centralized air conditioning market in India is ~Rs 4000 Cr whereas centralized air cooling market in India which is undefined, could be >Rs 4000 Cr.

Centralised air cooling is still at its nascent stage. The company got its first taste of centralized product air cooling with the acquisition of IMPCO. IMPCO provided Symphony with its multi-decadal knowledge on industrial cooling. As a result, Symphony accepted industrial projects in India from 2014-15.

The company's long-term optimism has been derived from the under-penetrated nature of the market and a growing need for temperature comfort (across factories, warehouses, educational institutions, banquet halls, restaurants, open-air restaurants, resorts, hospitals, hostels, places of worship, movie theatres, gyms, showrooms, service centers and data centers), without incurring expenses for air-conditioning systems.



Parameters	Unit	Symphony Packaged Air Coolers	Air conditioners
Area to be cooled	Square feet	1,500	1,500
Details of machine	Model	Symphony PAC 10 TC	12.5 ton AC
Power consumption	kilowatts	0.715	15
Cost of machine	H	1,49,991	2,50,000
Cost of installation	H	35,000	1,50,000
Total capital cost	H	1,84,999	4,00,000
Savings in capital cost	H	2,15,001	15
Electricity consumption	kilowatt-	0.715	105
Electricity cost per hour at H7 per unit	H	5	1,260
Electricity cost per day (12-hour usage)	H	60	37,800
Electricity cost per month (30-usage)	H	1,800	
Savings in electricity cost (30-day usage)	H	36,000	
Total payback period	months	5	

Parameters	Symphony Packaged Air Coolers	Air conditioners
Fresh air ventilation	Very effective	Not effective
Performance in high temperatures	High	Low
Performance in dry conditions	High	Low
Performance in humid conditions	Medium (through	High
Air blast	High	Low
Capital cost	Low	High
Operating cost	Very low	Very high
Maintenance cost	Very low	High
Life cycle costs (total ownership costs)	Very low	High
Use of greenhouse gases	Nil	Yes
Carbon footprint	Very low	Very high

In FY22, the company rechristened its industrial air cooling division as Large Space Venticooling (LSV) and revamped the overall positioning strategy. The company has appointed Champion Sales Dealers across India to strengthen its distribution network.

Efforts taken by the company to drive the growth of LSV



Earlier	Now
The products would be assembled in Mexico and China	The company started manufacturing these products for the first time in India two years ago
Much of the package would be imported	The company indigenised most components, accessed within 100 kms
The installation would take a few weeks	The company moderated installation time to a few hours
Category launches were slow	Customer downtime is addressed with speed; spares are locally available
Dealer confidence was apprehensive	The company accelerated launches (industrial and commercial)
	Dealer confidence has increased
	Launched new website www.symphonyventicool.com
	Aired TV commercial on national television to build awareness

Global opportunities

Apart from diversifying its end-users i.e. residential and industrial, Symphony has also diversified its business through entering into newer geographies. By enhancing its reach to other countries which have different climatic cycles, Symphony would further reduce seasonality impact. Symphony's decision to venture overseas has transformed this business seasonality into a potential opportunity and helped to reduce its dependency on one market.

Besides organic growth in the International market, Symphony has also undertaken few acquisitions.

Mexico	China	Australia	USA	Brazil
Acquired IMPCO in 2009, which provided immediate market access to North America apart from an entry into the industrial cooling space, complementing the Company's longstanding presence in the residential aircoolers segment. IMPCO has a 90+ years legacy and brand recall.	Acquired Guangdong Symphony Keruilai Air Coolers (GSK) in 2016, a company that had influenced China's air-cooling quality standards and had been awarded 50+ patents and designs for industrial coolers. This acquisition provided Symphony with an access to technologically superior commercial and industrial air cooling solutions, apart from an immediate access to the Chinese market	Acquired Climate Technologies in 2018, a leader in the Australian air-cooling and heating market. The subsidiary owns enduring brands like Bonaire and Celair, specialised in the production of air-coolers and premium ducted gas heaters. Bonair has a 65+ years legacy.	Bonaire USA (BUSA), a subsidiary of <u>Climate Technologies (CT)</u> , is a step-down subsidiary of Symphony. BUSA provides air coolers and markets to Home Depot, Lowe's and Amazon, among other retailers	Symphony Climatizadores Ltda (SCL) was set up as a 100% subsidiary of Symphony India to distribute in the Brazilian market, household, industrial and commercial coolers manufactured by the Symphony Group in India, Mexico and China



Symphony is launching new models and also exploring new sales channels including large format stores, ecommerce and D2C across global subsidiaries. Management believes that CT's performance will be more skewed to December and March quarter. IMPCO's performance for the full year is expected to be good. Symphony had shipped its moulds and dyes from India to its global subsidiaries in Mexico and Australia to support contact-manufacturing locally that will take care of high logistics costs, which lower commercial viability of exports from India. Also considering geo political situation in China, Symphony is evaluating to take over the benefits of GSK China. In H1FY23 GSK China has break even at EBITDA levels. It intends to enter D2C and e-com portals in Southeast Asia and Latin America whereby, its initial response is good including its sales to Brazil.

Performance of overseas business has been impacted lately because of deferment in consumer spending due to economic uncertainties. However, this could end and normal sales momentum could be regained soon. Also the recent instances of heatwave in Europe could open up a new market for air coolers in Europe going ahead.

Financial Triggers:

Expect revenues to grow at 13% CAGR during FY22-25E

We expect Symphony's revenue to grow at a 13% CAGR to Rs 1502 Cr during FY22-25E, mainly driven by volume growth in the domestic and overseas segment and Pick-up in IC projects. Discount are being taken back & by next summer they will be back with calibrated price hikes. The company plans to take calibrated price increases in the coming months across 4 ranges of air coolers, totaling to 20+ SKUs. Implementation of BEE norms for fans has resulted in price hikes for fans and given additional room to Symphony for price hikes.

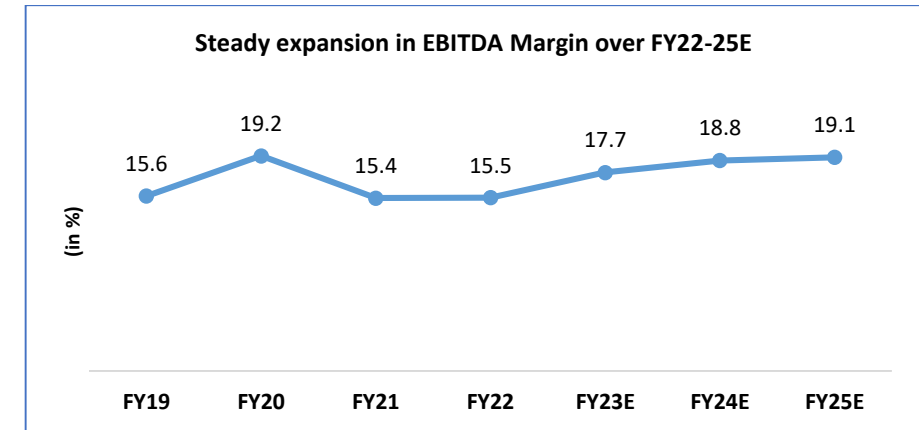
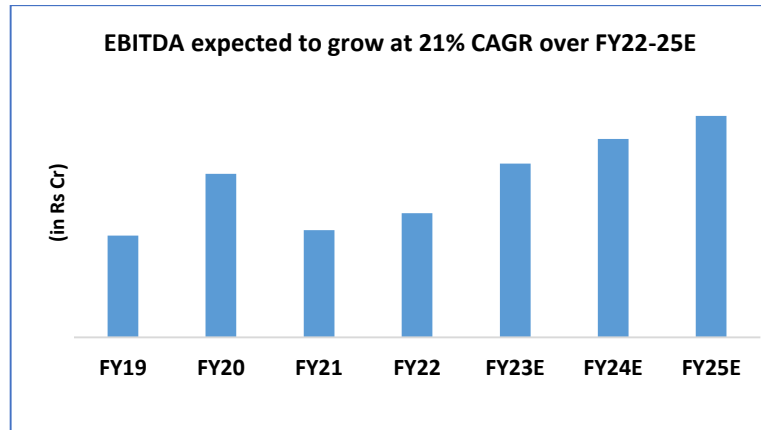
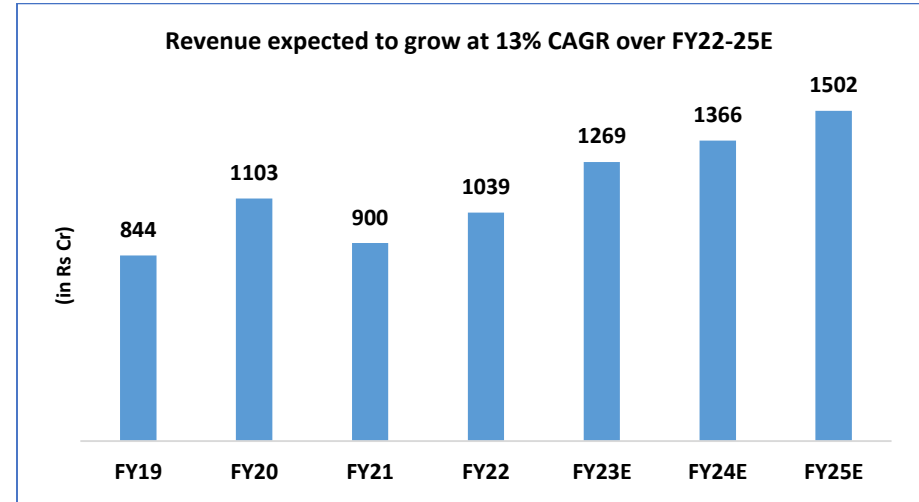
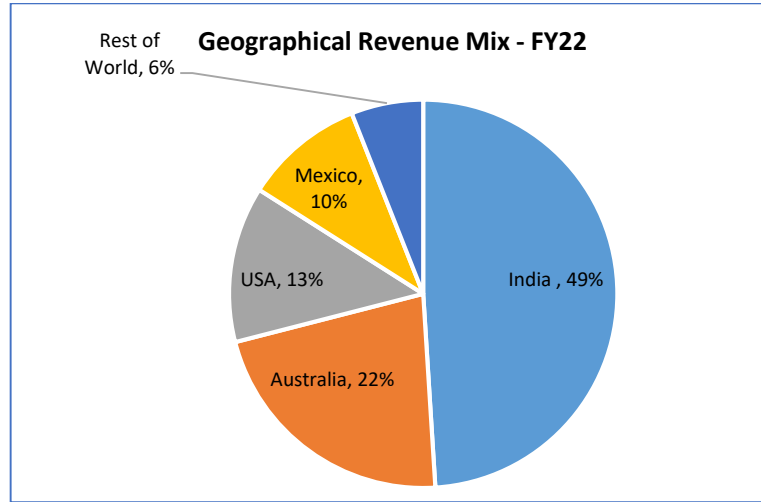
Expect PAT CAGR of 27% during FY12-25E

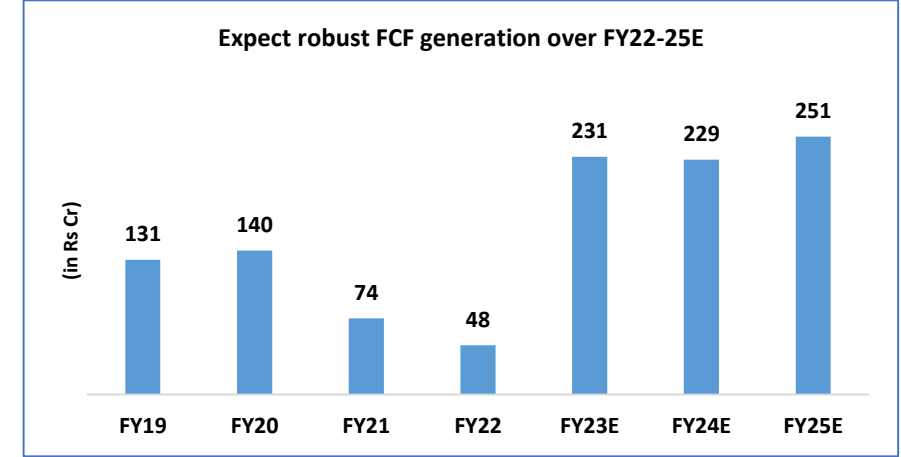
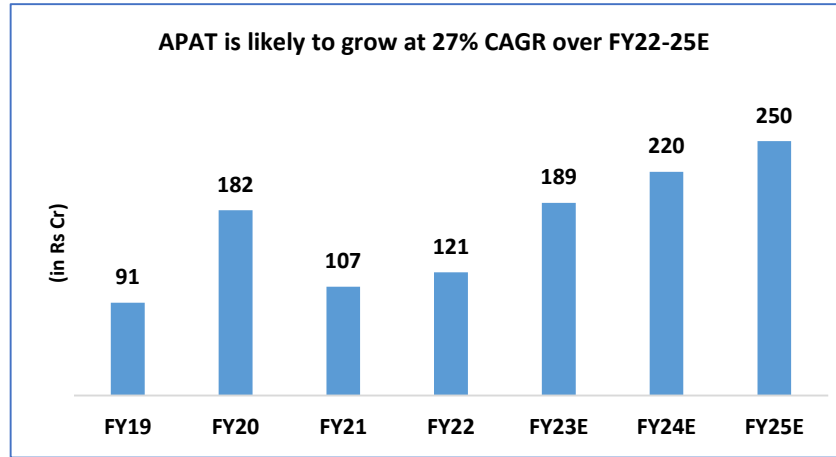
We expect Symphony's PAT to grow at a CAGR of 27% to Rs 250 Cr during FY22-25E. Higher A&P spends including one-off market research expenses, freight costs, warranty expenses and overhang in CT business impacted the consolidated EBITDA margin. While we remain positive on the domestic business outlook, weak profitability for CT could drag overall EBITDA margin.

Impressive return ratios

Symphony's return ratios continues to be one of the best in the industry as it works on outsourcing model. The asset-light model of outsourcing the manufacture of air coolers and carrying out sales on a cash-and-carry basis has enabled Symphony to maintain a minimal gross block, operate at negative working capital, and clock high return ratios with robust cashflows.

Q3FY23 Expectations (Standalone): Domestic business will continue to see strong traction at primary level as summer 2022 cleared-off the channel inventory. Domestic revenue is expected to up by 35% YoY (41% YoY growth clocked in Q2FY23). Standalone gross and EBITDA margin are expected to be at 48.5% and 22.7% (21.4% in Q2FY23, 22% in Q3FY22). Key monitorables include inventory levels in trade channel, performance of CT and other geographies and outlook on exports





Source: Company, HDFC sec

Key risks

Seasonality Risk: Symphony being in the seasonal business, there is always a risk of missing estimates in years when there is weak or delayed summer. The company has already reduced the seasonality by selling air coolers during the non-season quarters. However, as air cooler has only 1 month of consumer offtake in a year, there is always a risk of missing estimate owing to weak summer (unseasonal rain) or Covid like disruptions.

However, as Symphony works on a demand pull strategy, unlike its peers who work on a trade push strategy. As a result, Symphony has been successful in breaking seasonality at distributor & retailer level.

Consolidated (Rs Cr)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue																		
India	66	141	140	120	148	189	178	136	34	105	118	174	86	135	121	170	188	190
RoW	80	82	100	115	144	83	112	113	120	86	98	165	144	85	84	214	141	84
Total	146	223	240	235	292	272	290	249	154	191	216	339	230	220	205	384	329	274
EBIT																		
India	1	46	51	23	30	69	66	52	0	33	43	55	2	40	32	33	25	55
RoW	20	-1	3	-6	14	-1	9	2	-2	-10	-7	30	10	2	-1	59	15	-10
Total	21	45	54	17	44	68	75	54	-2	23	36	85	12	42	31	92	40	45

Source: Company, HDFC sec



Competition from unorganized segment: Air-cooler market is dominated by unorganized industry with 70% market share who are local players with contained costs. Aggressive competition from players in organized segment where Symphony is a leader can challenge revenue growth.

Unfavourable forex movement: A big chunk of consolidated revenues are sourced from overseas market. Unfavourable forex movement may impact profitability of consolidated entity.

Dependence on single product: Once bitten, twice shy – after suffering massive setback in its initial bid to diversify into other electrical product categories in early 2000s, Symphony has focused solely on coolers. This strategy though worked very well in past may need to be relooked upon. While the near-to-medium term growth prospects for residential cooler industry remain buoyant, smaller scale and sluggish growth of global cooler industry warrant the need for the company to look beyond coolers. The management has been bullish on industrial cooler segment and expects it to replicate the journey of residential coolers, the performance so far hasn't been particularly exciting. Thus, concerns over sustainability of growth rate over long term may potentially restrict re-rating of stock.

Company Background

SIL was established in 1988 with a portfolio comprising just one air cooler model. Within two–three years, the company was able to match up its range with large multi-product competitors such. Thereafter, the company diversified into ACs, washing machines and other consumer durables without much success. By 2001, investors lost faith in the company and its net worth eroded. The company was referred to the Board for Industrial and Financial Reconstruction. However, since 2005 SYML's philosophy has been 'One Product–Many Markets'. In 2009, it forayed outside India by acquiring IMPCO (North America). In 2011, it started offering centralised air cooling solutions in India. In 2015, the company acquired Munters Keruilai (China). In 2016, it launched the world's first wall-mounted air cooler. In 2018, SYML acquired CT, an Australian company giving company a strong presence in Australia and USA.

Segmental (in Rs Cr)	Standalone								
	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue									
India	592	621	467	651	431	512	727	766	840
Export	72	66	57	65	57	129	159	179	208
Total	664	687	524	716	488	641	885	945	1048
EBIT (Inc. other income)	0	0	0	0	0	0	0	0	0
India	222	234	121	217	131	107	184	206	227
Export	13	23	19	23	16	40	45	50	60
Total EBIT	235	256	140	240	147	147	229	256	287



PAT									
India	158	168	87	168	100	80	137	154	170
Export	10	16	14	18	12	29	34	38	45
Total	168	184	101	186	112	109	171	192	215
Revenue Growth (%)									
India	21%	5%	-25%	39%	-34%	19%	42%	5%	10%
Export	15%	-8%	-14%	14%	-12%	126%	23%	13%	16%
Revenue Mix (%)									
India	89%	90%	89%	91%	88%	80%	82%	81%	80%
Export	11%	10%	11%	9%	12%	20%	18%	19%	20%
EBIT Margin (%)									
India	37%	38%	26%	33%	30%	21%	25%	27%	27%
Export	19%	34%	33%	35%	28%	31%	29%	28%	29%
EBIT Growth (%)									
India	10%	5%	-48%	79%	-40%	-18%	72%	12%	11%
Export	-47%	70%	-16%	21%	-30%	150%	14%	11%	18%
EBIT Mix (%)									
India	94%	91%	86%	90%	89%	73%	80%	80%	79%
Export	6%	9%	14%	10%	11%	27%	20%	20%	21%
PAT Mix (%)									
India	94%	91%	86%	90%	89%	73%	80%	80%	79%
Export	6%	9%	14%	10%	11%	27%	20%	20%	21%

Source: Company, HDFC sec

	Consolidated								
Segmental (in Rs Cr)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue									
India	597	622	467	651	431	512	727	766	840
RoW	168	176	377	452	469	527	542	600	662
Total	765	798	844	1103	900	1039	1269	1366	1502
EBIT (Inc. other income)	0	0	0	0	0	0	0	0	0
India	222	233	121	217	131	107	184	206	227
RoW	13	33	16	24	11	70	70	84	96
Total EBIT	235	267	137	241	142	177	254	289	324
Finance Cost	0	2	7	11	11	9	7	5	2



Exceptional	0	0	0	0	0	0	0	0	0
Taxes	69	72	39	48	24	47	58	64	72
PAT									
India	165	168	87	168	100	80	137	154	170
RoW	1	24	4	13	1	33	38	42	50
Total	166	193	91	181	101	113	175	196	220
Revenue Growth (%)									
India	22%	4%	-25%	39%	-34%	19%	42%	5%	10%
RoW	63%	5%	114%	20%	4%	12%	3%	11%	10%
Revenue Mix (%)									
India	78%	78%	55%	59%	48%	49%	57%	56%	56%
RoW	22%	22%	45%	41%	52%	51%	43%	44%	44%
EBIT Margin (%)									
India	37%	38%	26%	33%	30%	21%	25%	27%	27%
RoW	8%	19%	4%	5%	2%	13%	13%	14%	15%
EBIT Growth (%)									
India	10%	5%	-48%	79%	-40%	-18%	72%	12%	11%
RoW	546%	148%	-52%	50%	-54%	536%	0%	20%	15%
EBIT Mix (%)									
India	94%	88%	88%	90%	92%	60%	72%	71%	70%
RoW	6%	12%	12%	10%	8%	40%	28%	29%	30%
PAT Mix (%)									
India	99%	87%	96%	93%	99%	71%	78%	79%	77%
RoW	1%	13%	4%	7%	1%	29%	22%	21%	23%

Source: Company, HDFC sec



Financials (Consolidated)

Income Statement

Particulars (in Rs Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	844	1103	900	1039	1269	1366	1502
Growth (%)	5.7	30.7	-18.4	15.4	22.2	7.6	9.9
Operating Expenses	712	891	761	878	1044	1109	1215
EBITDA	132	212	139	161	225	257	287
Growth (%)	-39.8	60.7	-34.4	15.8	39.8	14.1	11.7
EBITDA Margin (%)	15.6	19.2	15.4	15.5	17.7	18.8	19.1
Depreciation	10	21	21	24	25	26	27
Other Income	15	50	24	40	54	59	64
EBIT	137	241	142	177	254	289	324
Interest expenses	7	11	11	9	7	5	2
PBT	130	230	131	168	247	284	322
Tax	39	48	24	47	58	64	72
PAT	91	182	107	121	189	220	250
Share of Asso./Minority Int.	-17	-3	-5	0	0	0	0
Adj. PAT	108	185	112	121	189	220	250
Growth (%)	`	70.8	-39.5	8.1	56.4	16.2	13.7
EPS	15.5	26.4	16.0	17.3	27.0	31.4	35.7

Balance Sheet

Particulars (in Rs Cr) - As at March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS							
Share Capital	14	14	14	14	14	14	14
Reserves	652	625	745	826	931	1053	1205
Shareholders' Funds	666	639	759	840	945	1067	1219
Total Debt	188	174	219	255	131	104	44
Net Deferred Taxes	-13	7	-3	8	8	8	8
Other	7	9	11	10	12	13	14
Total Sources of Funds	851	833	991	1118	1102	1198	1291
APPLICATION OF FUNDS							
Net Block & Goodwill	237	283	353	355	342	330	313
CWIP	6	2	1	0	0	0	0
Long Term Loans & Advances	7	4	1	1	1	1	1
Other Non-Curr. Assets	1	-1	4	1	1	1	1
Total Non-Current Assets	251	288	359	357	344	332	315
Inventories	119	118	119	173	155	165	183
Debtors	105	121	166	208	186	199	220
Cash & Equivalents	512	438	523	576	593	691	782
Other Current Assets	64	62	44	47	47	51	56
Total Current Assets	801	739	852	1004	980	1106	1240
Creditors	129	115	136	149	134	143	159
Other Current Liab & Provisions	71	79	84	94	89	96	106
Total Current Liabilities	201	194	220	243	223	240	265
Net Current Assets	600	545	632	761	757	866	975
Total Application of Funds	851	833	991	1118	1102	1198	1291



Cash Flow Statement

Particulars (in Rs Cr)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	92	182	107	121	247	284	322
Non-operating & EO items	25	15	-15	16	0	0	0
Interest Expenses	7	11	11	9	7	5	2
Depreciation	10	21	21	24	25	26	27
Working Capital Change	51	-15	-1	-77	22	-9	-17
Tax Paid	-44	-57	-34	-36	-58	-64	-72
OPERATING CASH FLOW (a)	140	157	89	57	243	242	261
Capex	-9	-17	-15	-9	-12	-14	-10
Free Cash Flow	131	140	74	48	231	229	251
Investments	-260	-112	0	0	-100	-100	-100
Non-operating income	19	19	9	9	0	0	0
INVESTING CASH FLOW (b)	-250	-110	-6	0	-112	-114	-110
Debt Issuance / (Repaid)	162	-14	-3	25	-124	-27	-60
Interest Expenses	-7	-11	-11	-9	-7	-5	-2
FCFE	286	115	60	64	101	196	189
Share Capital Issuance	0	-9	0	0	0	0	0
Dividend	-38	-206	-8	-50	-84	-98	-98
Others	0	-9	0	0	0	0	0
FINANCING CASH FLOW (c)	118	-249	-22	-34	-214	-130	-160
NET CASH FLOW (a+b+c)	7	-202	61	23	-83	-2	-9

One-Year Share Price Chart



Key Ratios

Particulars	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profitability Ratios (%)							
EBITDA Margin	15.6	19.2	15.4	15.5	17.7	18.8	19.1
EBIT Margin	14.5	17.3	13.1	13.2	15.8	16.9	17.3
APAT Margin	12.8	16.8	12.4	11.6	14.9	16.1	16.6
RoE	16.9	28.3	16.0	15.1	21.2	21.9	21.9
RoCE	32.1	42.2	23.2	20.3	30.6	37.0	42.0
Solvency Ratio (x)							
Net Debt/EBITDA	-2.5	-1.2	-2.2	-2.0	-2.0	-2.3	-2.6
Net D/E	-0.5	-0.4	-0.4	-0.4	-0.5	-0.5	-0.6
Per Share Data (Rs)							
EPS	15.5	26.4	16.0	17.3	27.0	31.4	35.7
CEPS	16.9	29.4	19.0	20.7	30.6	35.1	39.5
Dividend	6.0	23.0	4.0	10.0	12.0	14.0	14.0
Book Value	95.2	91.3	108.4	120.0	135.0	152.4	174.1
Turnover Ratios (days)							
Debtor days	45	40	67	73	54	53	53
Inventory days	52	39	48	61	45	44	44
Creditors days	56	38	55	52	39	38	39
Valuation (x)							
P/E	61.8	36.2	59.8	55.3	35.4	30.4	26.8
P/BV	10.0	10.5	8.8	8.0	7.1	6.3	5.5
EV/EBITDA	48.2	30.3	46.0	39.6	27.7	23.8	20.8
EV / Revenues	7.5	5.8	7.1	6.1	4.9	4.5	4.0
Dividend Yield (%)	0.6	2.4	0.4	1.0	1.3	1.5	1.5

Source: Company, HDFC sec



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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