

Symphony Ltd (SYMCOM)

₹ 1929

Unfavourable weather staggers offtake...

- Symphony's sales volumes, marred by a weak summer in Q4FY15, recorded a sharp fall of 21% YoY, which led to a sales decline of ~18% YoY to ~₹ 124 crore. Realisation during the period increased ~4% YoY on the back of launch of new products in the market. In spite of gross margin expansion by 90 bps YoY, the EBITDA margin shrunk to 16%, led by lower operating leverage and ~900 bps YoY rise in marketing expenses to sales. Finally, PAT declined 32% YoY following the trend of lower sales and margin erosion
- The company acquired 100% equity in China-based air cooler brand Munters Keruilai Air Treatment Equipment Co (MKE) for a consideration of ₹ 1.55 crore. This step would aid Symphony to get access to the Chinese market (second largest air cooler market) and sourcing advantage from China

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, Symphony 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 and carry model for sales. It has maintained strong return ratios i.e. RoCE and RoE at 39% and 35%, respectively, in FY15 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. Symphony would also benefit from sourcing advantage for its OEMs (which largely source from China).

Strong fundamental cannot be ignored on one-time hiccup: 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) provides huge potential for organised players to grow at 25% CAGR in FY15-25E. We have revised our earning estimate downward by 12% and 19% YoY for FY16E and FY17E, respectively, considering the current quarter performance. We have used the DCF method to value the company, assuming revenue CAGR of ~26% FY14-25E, terminal growth of 5% and WACC of 11.4% to arrive at a revised target price of ₹ 2745/share.

Rating matrix

Rating	:	Buy
Target	:	₹ 2745
Target Period	:	12 months
Potential Upside	:	42%

What's Changed?

Target	Changed from ₹ 3101 to ₹ 2745
EPS FY16E	Changed from ₹ 52.8 to ₹ 46.8
EPS FY17E	Changed from ₹ 73.8 to ₹ 60.7
Rating	Unchanged

Quarterly Performance

	Q4FY15	Q4FY14	YoY (%)	Q3FY15	QoQ (%)
Revenue	123.7	150.6	-17.9	137.5	-10.1
EBITDA	19.9	43.9	-54.7	42.4	-53.1
EBITDA (%)	16.1	29.1	-1306bps	30.8	-1473bps
PAT	22.3	32.7	-32.0	36.5	-39.0

Key Financials

₹ Crore	FY14	FY15	FY16E	FY17E
Net Sales	532.7	578.5	768.6	974.1
EBITDA	126.1	131.8	215.2	272.7
Net Profit	105.7	115.9	163.9	212.3
EPS (₹)	30.2	33.1	46.8	60.7

Valuation summary

	FY14	FY15	FY16E	FY17E
P/E	63.8	58.2	41.2	31.8
Target P/E	90.8	82.9	58.6	45.2
EV / EBITDA	53.0	50.3	30.8	24.3
P/BV	24.5	20.5	17.0	13.8
RoNW (%)	38.3	35.3	41.3	43.5
RoCE (%)	44.3	38.9	53.0	54.9

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	6,747.4
Total Debt (FY14) (₹ Crore)	0.0
Cash and Investments (FY14) (₹ Crore)	65.6
EV (₹ Crore)	6,681.7
52 week H/L (₹)	3275 / 1101
Equity capital (₹ Crore)	7.0
Face value (₹)	2.0

Price performance (%)

	1M	3M	6M	12M
Bajaj Electricals	(12.0)	9.7	16.1	(4.1)
Havells India	(8.7)	(3.1)	0.8	15.4
Symphony	7.9	(7.4)	(6.6)	85.8
V-Guard	8.4	5.6	1.8	32.1

Research Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Hitesh Taunk
hitesh.taunk@icicisecurities.com

Variance analysis

	Q4FY15	Q4FY15E	Q4FY14	YoY (%)	Q3FY15	QoQ (%)	Comments
Revenue	123.7	184.4	150.6	-17.9	137.5	-10.1	Sales were largely hit by decline in sales volume during Q4FY15 due to unseasonal rains in south and north region of the country
Other Income	9.7	5.3	2.1	366.0	8.8	10.9	Sharp growth in other income largely led by redemption of investments on fixed maturity plans
Raw Material Exp	47.1	66.1	58.8	-19.8	55.9	-15.7	Saving in raw material cost was largely due to a fall in commodity prices
Employee Exp	7.2	8.0	6.2	16.4	8.5	-15.3	
Selling & Dis. Exp	43.5	46.6	39.0	11.7	25.9	68.0	Advertisement expenses increased by ~57% YoY to ₹ 22 crore during Q4FY15
Other Exp	5.9	7.4	2.8	114.1	4.8	22.8	lower operating leverage led in sharp growth in other expenses by ~296 bps YoY
EBITDA	19.9	56.3	43.9	-54.7	42.4	-53.1	
EBITDA Margin (%)	16.1	30.5	29.1	-1306 bps	30.8	-1473 bps	Lower sales volume coupled with sharp growth in advertisement expenses hit overall margin
Depreciation	0.7	0.5	0.3	144.8	0.4	69.0	
Interest	0.0	0.0	0.0	NA	0.0	NA	
PBT	28.9	61.1	45.7	-36.8	50.7	-43.0	
Total Tax	6.6	18.9	13.0	-48.8	14.2	-53.3	
PAT	22.3	42.2	32.7	-32.0	36.5	-39.0	Decline in sales with lower margin hit overall bottomline

Key Metrics

Volume	168,416.0	250,711.8	213,016.0	-20.9	212,640.0	-20.8	Sharp volume dip largely on account of unseasonal rains in country and lower secondary sales
India	150,562.5	230,741.2	176,469.5	-14.7	159,480.0	-5.6	
RoW	17,853.5	26,128.7	36,546.5	-51.1	53,160.0	-66.4	Export volumes were lower due to political disruptions in Middle East nations
Realisation	7,202.0	7,273.5	6,927.2	4.0	6,328.0	13.8	New product launch led to increase in realisation

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY16E			FY17E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	847.5	768.6	(9.3)	1,129.6	974.1	(13.8)	Considering recent quarter performance we have tweaked our revenue estimate downwards by 9% and 14% YoY for FY16E and FY17E respectively. In addition we have taken into consideration of sales from newly acquired subsidiary in China for FY16E and FY17E
EBITDA	239.8	215.2	(10.3)	332.1	272.7	(17.9)	
EBITDA Margin %	28.3	28.0	-30bps	29.4	28.0	-140bps	
PAT	184.8	163.9	(11.3)	258.3	212.3	(17.8)	
EPS (₹)	52.9	46.8	(11.4)	73.9	60.7	(17.9)	Downward revision of sales and margin led to decline in overall PAT by 11% and 18% for FY16E and FY17E respectively

Source: Company, ICICIdirect.com Research

Assumptions

	FY14		Current		Earlier		Comments
	FY14	FY15E	FY16E	FY17E	FY16E	FY17E	
Volume Growth (%)	36.8	10.8	20.8	20.0	22.5	20.0	We expect the company to record volume CAGR of ~20% in FY15-17E, led by domestic volume CAGR of ~21% during the same period while export volume growth is expected to be ~20% during the same period
Realisation Growth (%)	7.0	2.7	5.1	4.7	5.4	5.4	

Source: Company, ICICIdirect.com Research

Company Analysis

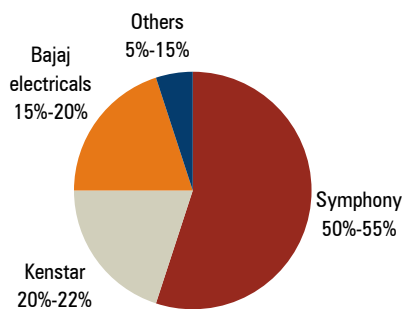
Leveraging on strong brand recall...

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 FY16), 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 ~16% during FY10-14 supported by strong demand from domestic markets led by launch of new models during the same period. During FY14, the company introduced six new models of 'i' series air coolers (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 overall volume at a CAGR of ~18% during FY15-17E.

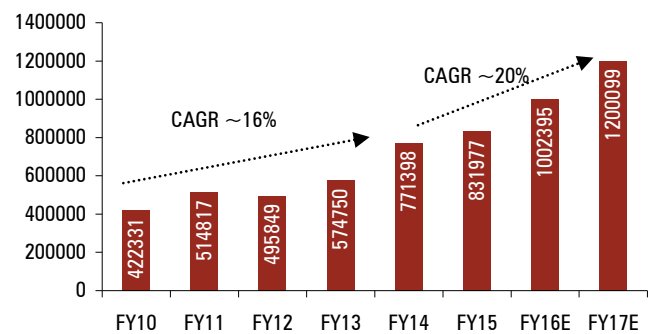
In spite of a bleak macro environment, Symphony clocked an overall volume CAGR of ~16% during FY10-14 supported by strong demand from domestic markets led by the launch of new models during the same period

Exhibit 1: Leader in air cooler industry



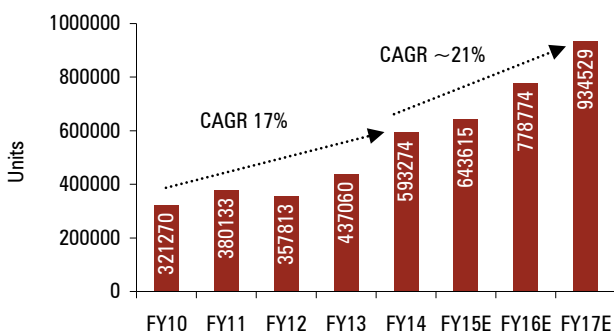
Source: Company, ICICIdirect.com Research

Exhibit 2: Overall ~23% volume CAGR led by strong domestic demand



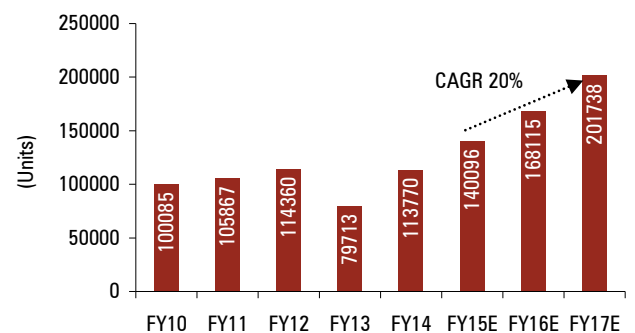
Source: Company, ICICIdirect.com Research

Exhibit 3: Domestic volume CAGR of 20% in FY15-17E



Source: Company, ICICIdirect.com Research

Exhibit 4: Export volume CAGR of 20% in FY15-17E



Source: Company, ICICIdirect.com Research

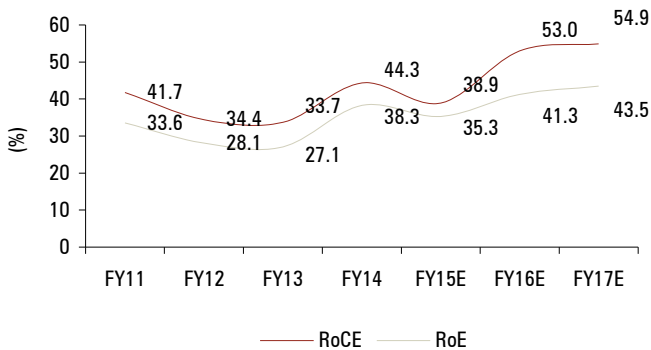
The company has maintained its return ratios i.e. RoCE, RoE at 35%, 39%, respectively, in FY15 (last three year's average of 39%, 34%) mainly due to an asset light model and almost debt-free status since 2006

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 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.

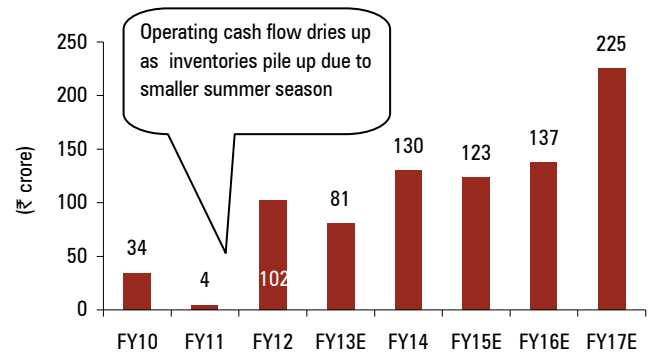
The company has maintained its return ratios i.e. RoCE, RoE at 35%, 39%, respectively, in FY14 (last three year's average of 39%, 34%) mainly due to an asset light model and almost debt-free status since 2006. We believe the zero debt status provides adequate room to fund Symphony's organic and inorganic 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 on 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 on 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 and carry model and higher supplier days help the company to maintain lower working capital requirements throughout the season.

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, namely food and 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 FY15-17E 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.

Impco's performance during FY15 was hit by a delayed summer, which led to a decline in sales by 4.4% YoY. In addition, political disturbance in some exporting countries affected overall volume offtake. As a result, even service centre sales got affected, to some extent

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 and marketing, business development, research and development, product innovation, etc
- To improve 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 improving the profitability by savings of interest, depreciation, forex fluctuation and other overheads

Entry into Chinese market through acquisition

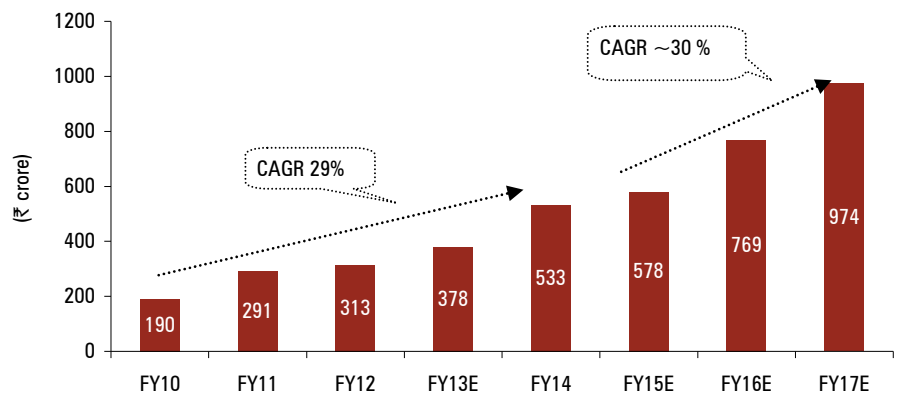
Symphony acquired a 100% stake in China-based air cooling company MKE for the consideration of a meagre ₹ 1.55 crore. During H1FY15, MKE recorded sales of ₹ 36 crore while it recorded operating loss of ~₹ 5 crore and loss at bottomline of ₹ 7 crore. The acquisition will facilitate Symphony's access into 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 ~17% in FY10-14. For FY14, the company recorded strong volume growth of ~37% YoY supported by strong domestic demand as well as export growth. However, FY15 recorded volume growth of 11% YoY mainly due to sharp dip in volume during Q4FY15. On a consolidated basis, we have modelled revenue CAGR of ~30% led by domestic sales CAGR of 25% for FY15-17E. 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 overall volume at ~24% CAGR in FY15-17E. We believe sales from subsidiaries will record revenue CAGR of 62% in FY15-17E led by the new Chinese acquisition.

On a consolidated basis, we have modelled revenue CAGR of ~30% led by domestic sales CAGR of 25% for FY15-17E. 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 overall volume at ~24% CAGR in FY15-17E. We believe sales from subsidiaries will record revenue CAGR of 62% in FY15-17E led by new Chinese acquisition

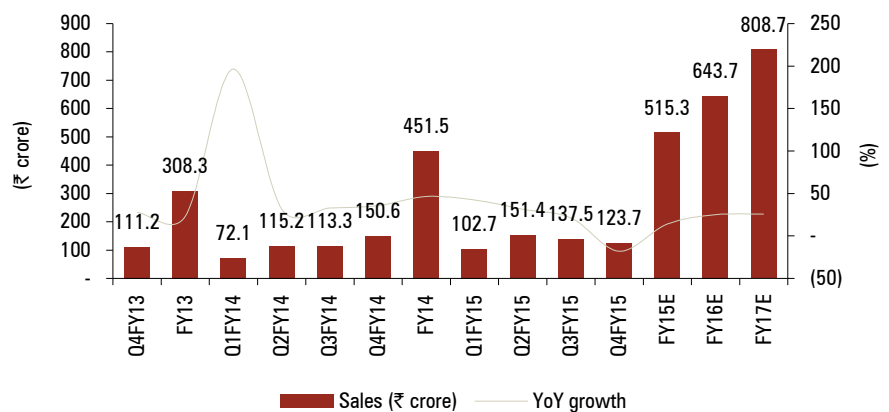
Exhibit 7: Model consolidated sales CAGR of ~30% in FY15-17E



Source: Company, ICICIdirect.com Research

During Q4FY15, the company recorded a decline in sales by ~18% led by sharp volume de-growth of 21% YoY. Domestic sales volumes declined ~15% YoY due to unseasonal rains in the south and north India

Exhibit 8: Standalone revenue growth trend



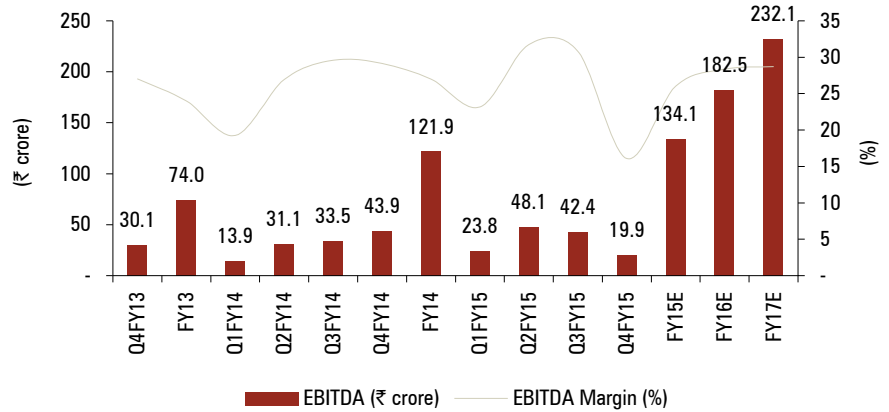
Source: Company, ICICIdirect.com Research

We believe the EBITDA margin of the company will remain higher in the range of ~24-29% 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 (Siesta 70, Window 70XL, Window 41XL and Ice Cube XL) 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 FY16E FY17E, respectively, driven by the company's premium product launch and recovery in Impco.

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



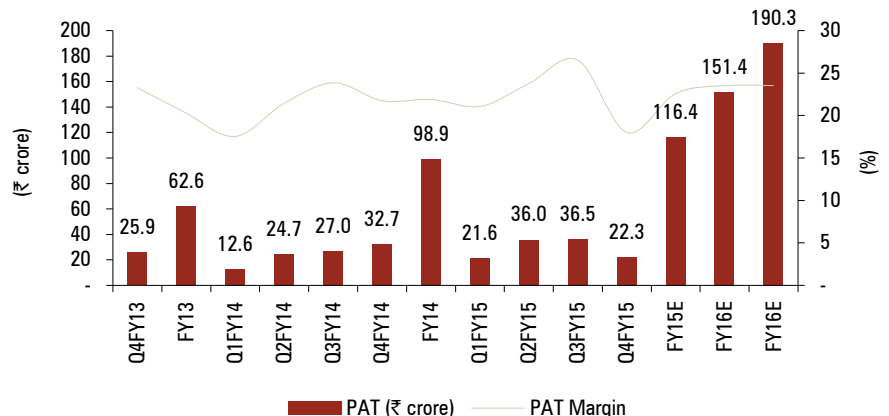
Source: Company, ICICIdirect.com Research

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 the PBT. We believe the consolidated net profit will grow at a CAGR of ~28% in FY15-17E supported by ~32% CAGR in EBITDA.

We believe the consolidated PAT of the company will grow at a CAGR of ~28% in FY14-17E

Exhibit 10: Standalone net profit margin movement



Source: Company, ICICIdirect.com Research

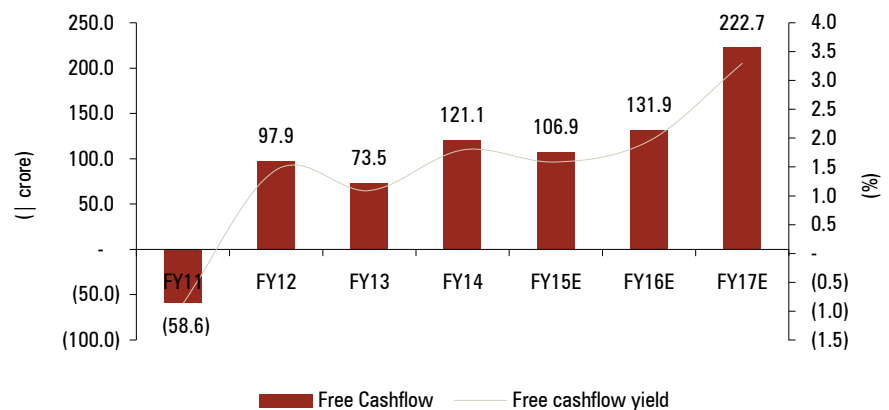
Outlook and valuation

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, with the strong performance in FY14 (strong standalone revenue, earning growth of 40%, 75%, respectively) we believe the company would continue to report strong revenue, earning CAGR of ~30%, 35%, respectively, led by strong volume growth of 24% for FY15-17E.

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 to grow at 25% CAGR in FY15-25E. Symphony being the market leader (current volume market share ~40%) 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.

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 to value the company, assuming revenue CAGR of ~26% FY14-25E, terminal growth of 5% and WACC of 11.4% to arrive at revised target price of ₹ 2745/share.

Exhibit 11: Attractive free cash flow yield



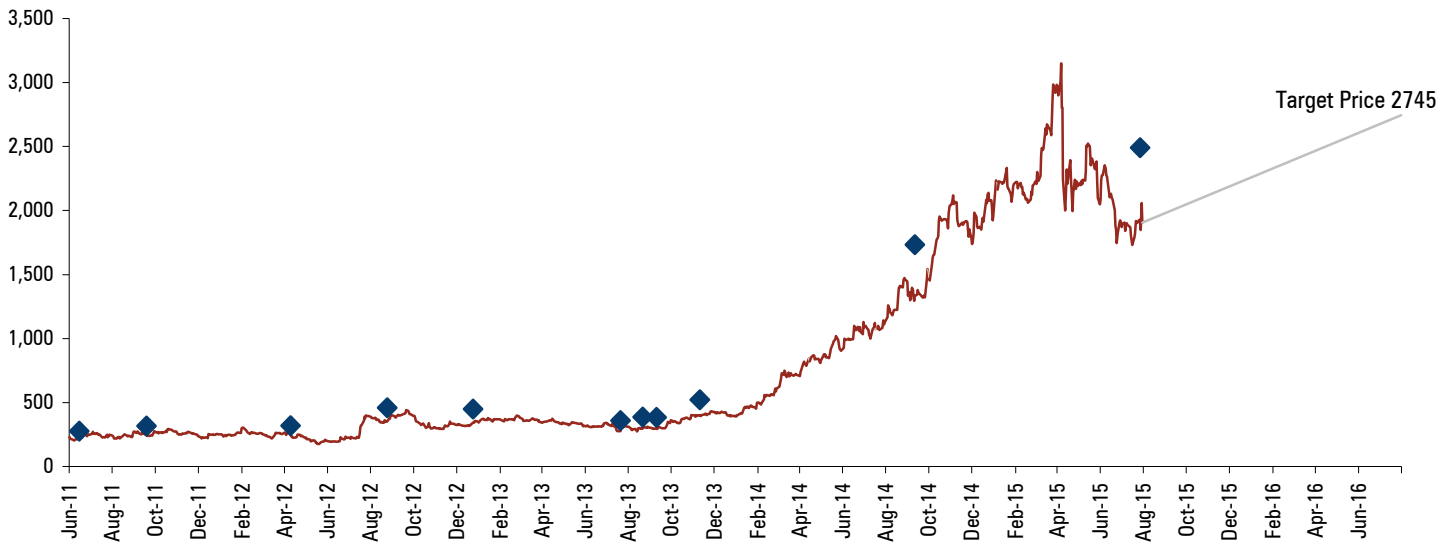
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY14	532.7		30.2		63.8	53.0	38.3	44.3
FY15E	578.5	8.6	33.1	9.6	58.2	50.3	35.3	38.9
FY16E	768.6	32.9	46.8	41.4	41.2	30.8	41.3	53.0
FY17E	974.1	26.7	60.7	29.6	31.8	24.3	43.5	54.9

Source: Company, ICICIdirect.com Research

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	Symphony acquired 100% stake in China based air cooling company MKE for the consideration of minute sum of ₹ 1.55 crore

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	n Change (m)
1	Bakeri (Achal Anil)	30-Jun-15	42	15	-1
2	Oras Investments Pvt. Ltd.	30-Jun-15	9.21	3.2	0.0
3	Paratam Investments Pvt. Ltd.	30-Jun-15	8.63	3.0	0.0
4	Bakeri (Hirva Achal)	30-Jun-15	4.52	1.6	0.0
5	Bakeri (Jonaki Achal)	30-Jun-15	4.52	1.6	0.0
6	Bakeri (Achal Anil) HUF	30-Jun-15	3.43	1.2	1.2
7	Matthews International Capital Management, L.L.C.	30-Jun-15	3.22	1.1	0.0
8	Rowenta Networks Pvt. Ltd.	30-Jun-15	2.86	1.0	0.0
9	Bakeri (Pavan)	30-Jun-15	1.72	0.6	0.0
10	Axis Asset Management Company Limited	30-Jun-15	1.14	0.4	0.4

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-14	Sep-14	Dec-14	Mar-15	Dec-15
Promoter	75.0	75.0	75.0	75.0	75.0
FII	3.5	3.8	4.9	6.4	5.6
DII	2.2	2.7	2.2	2.1	3.8
Others	19.3	18.5	17.9	16.5	15.6

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Bakeri (Achal Anil) HUF	39.99m	1.20m	Bakeri (Achal Anil)	-39.99m	-1.20m
Axis Asset Management Company Limited	13.27m	0.40m	DSP BlackRock Investment Managers Pvt. Ltd.	-1.41m	-0.04m
Neelam Professionals L.L.P.	5.77m	0.14m	Sydivest	-0.50m	-0.01m
UTI Asset Management Co. Ltd.	1.49m	0.04m	Principal PNB Asset Management Company Ltd.	-0.20m	-0.01m
Capital Investment Trust Corporation	0.94m	0.03m			

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement (consolidated)		₹ Crore			
(Year-end March)	FY14	FY15E	FY16E	FY17E	
Net Sales	532.7	578.5	768.6	974.1	
Growth (%)	69.9	8.6	32.9	26.7	
Expenditure					
Increase / Decrease in stock	4.5	-11.2	0.0	0.0	
Raw Material Expenses	223.5	249.9	307.5	389.6	
Marketing Expenses	26.2	34.8	40.0	50.7	
Administrative Expenses	35.6	37.8	48.4	61.4	
Employee Expenses	41.7	44.9	65.3	82.8	
Other Expenses	29.7	45.4	42.3	53.6	
Total Operating Expenditure	406.6	446.7	553.4	701.4	
EBITDA	126.1	131.8	215.2	272.7	
Growth (%)	73.7	4.5	63.3	26.7	
Other Income	13.8	32.4	17.0	27.0	
Interest	0.1	0.6	0.0	0.0	
Less: Non Operating Expenses	0.0	0.0	0.0	0.0	
PBDT	139.8	163.6	232.2	299.7	
Depreciation	3.8	4.1	4.6	4.8	
PBT before Exceptional Items	136.0	159.5	227.6	294.9	
Less: Exceptional Items	0.7	0.0	0.0	0.0	
PBT	135.3	159.5	227.6	294.9	
Total Tax	29.6	43.6	63.7	82.6	
PAT	105.7	115.9	163.9	212.3	

Source: Company, ICICIdirect.com Research

Balance sheet (consolidated)		₹ Crore			
(Year-end March)	FY14	FY15E	FY16E	FY17E	
Equity Capital	7.0	7.0	7.0	7.0	
Reserve and Surplus	268.8	321.4	390.2	480.8	
Total Shareholders funds	275.8	328.4	397.2	487.8	
Deferred Tax Liability	0.5	1.9	1.9	1.9	
Total Debt	0.0	0.0	0.0	0.0	
Total Liabilities					
	276.3	330.3	399.1	489.6	
Assets					
Total Gross Block	175.4	200.2	210.2	220.2	
Less Total Accumulated Depreciation	105.7	109.8	114.4	119.3	
Net Block	69.7	90.4	95.8	100.9	
Other Investments	138.7	131.6	169.6	269.6	
Inventory	38.5	45.7	60.8	77.0	
Debtors	41.6	32.8	43.6	55.2	
Loans and Advances	26.0	16.6	23.1	29.2	
Other Current Assets	2.1	7.9	7.7	9.7	
Cash	5.7	7.6	6.5	7.4	
Total Current Assets	113.9	110.7	141.6	178.6	
Total Current Liabilities	117.2	114.7	120.3	171.9	
Net Current Assets	-3.3	-4.1	21.3	6.8	
Total Asset	276.3	330.2	399.1	489.6	

Source: Company, ICICIdirect.com Research

Cash flow statement (consolidated)		₹ Crore			
(Year-end March)	FY14	FY15E	FY16E	FY17E	
Profit after Tax	105.7	115.9	163.9	212.3	
Depreciation	3.8	4.1	4.6	4.8	
Cash Flow before working capital cha	109.6	120.6	168.5	217.1	
Net Increase in Current Assets	-10.5	5.1	-32.1	-36.1	
Net Increase in Current Liabilities	30.6	-2.4	5.5	51.6	
Net cash flow from operating act.	129.8	123.3	141.9	232.7	
(Purchase)/Sale of Fixed Assets	-8.7	-16.4	-10.0	-10.0	
Net Cash flow from Investing act.	-116.6	-57.5	-48.0	-110.0	
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	-53.2	-56.9	-101.4	-121.7	
Net Cash flow from Financing act.	-52.3	-63.9	-95.0	-121.7	
Net Cash flow	-39.1	1.9	-1.2	0.9	
Cash and Cash Equivalent at the beginning	44.8	5.7	7.6	6.5	
Cash	5.7	7.6	6.5	7.4	

Source: Company, ICICIdirect.com Research

Key ratios (consolidated)					
(Year-end March)	FY14	FY15E	FY16E	FY17E	
Per Share Data					
EPS	30.2	33.1	46.8	60.7	
Cash EPS	31.3	34.3	48.2	62.1	
BV	78.8	93.9	113.6	139.4	
DPS	13.0	14.0	25.0	30.0	
Operating Ratios					
EBITDA Margin	23.7	22.8	28.0	28.0	
PAT Margin	19.8	20.0	21.3	21.8	
Return Ratios					
RoE	38.3	35.3	41.3	43.5	
RoCE	44.3	38.9	53.0	54.9	
RoIC	60.4	60.3	74.7	72.1	
Valuation Ratios					
EV / EBITDA	53.0	50.3	30.8	24.3	
P/E	63.8	58.2	41.2	31.8	
EV / Net Sales	12.5	11.5	8.6	6.8	
Sales / Equity	1.9	1.8	1.9	2.0	
Market Cap / Sales	12.7	11.7	8.8	6.9	
Price to Book Value	24.5	20.5	17.0	13.8	
Turnover Ratios					
Asset turnover	2.1	1.9	2.1	2.2	
Debtors Turnover Ratio	12.8	17.6	17.6	17.6	
Creditors Turnover Ratio	20.8	14.4	14.4	14.4	
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0	0.0	
Quick Ratio	0.6	0.6	0.7	0.6	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Consumer Discretionery)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Asian Paints (ASIPAI)	904	951	Buy	86,712	14.5	19.2	23.5	62.2	47.0	38.4	38.6	29.6	25.3	44.9	50.9	51.5	32.5	37.0	38.4
Bajaj Electricals (BAJELE)	256	316	Buy	2,554	-1.4	12.7	15.7	0.0	20.1	16.3	32.6	10.4	8.8	5.6	21.6	22.5	-2.0	16.3	17.2
Havells India (HAVIND)	280	259	Hold	17,469	6.2	8.2	10.5	45.3	34.3	26.7	23.6	19.5	15.7	29.3	33.4	36.7	21.2	24.6	26.8
Kansai Nerolac (GOONER)	240	300	Buy	12,934	5.0	20.9	8.5	47.6	17.2	28.1	29.1	21.9	17.9	23.3	23.1	24.1	17.0	49.1	17.1
Pidilite Industries (PIDIND)	578	645	Buy	29,631	10.0	14.1	16.1	56.0	39.7	34.8	37.0	25.6	22.5	29.7	38.0	38.0	23.1	27.8	27.7
Essel Propack (ESSPAC)	160	160	Hold	2,513	9.0	11.2	13.6	17.9	14.3	11.8	8.0	6.6	5.8	16.8	20.1	21.5	18.0	19.5	20.4
Symphony Ltd (SYMCOM)	1,929	2,745	Buy	6,747	33.1	46.8	60.7	58.2	41.2	31.8	50.3	30.8	24.3	38.9	53.0	54.9	35.3	41.3	43.5
V-Guard Ind (VGUARD)	990	880	Hold	2,955	23.7	30.1	36.1	41.8	32.9	27.4	25.7	18.6	16.2	22.8	28.3	28.5	18.7	20.2	20.5
Voltas Ltd (VOLTAS)	321	394	Buy	10,617	11.6	13.7	15.6	27.6	23.4	20.6	24.4	18.0	14.5	17.1	19.5	21.0	18.3	18.6	18.9

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

We /I, Sanjay Manyal, MBA (Finance) and Hitesh Taunk, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited is a SEBI registered Research Analyst having registration no. INH000000990. ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, *inter alia*, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Sanjay Manyal, MBA (Finance) and Hitesh Taunk, MBA (Finance), Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Sanjay Manyal, MBA (Finance) and Hitesh Taunk, MBA (Finance), Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.