

## Symphony Ltd.

Price Target : Rs. 1625

### Company Details

CMP	1268.00
Face Value	2.00
Market Cap (Cr)	8871.25
EPS ( TTM )	20.87
52 Week High	1575.00
52 Week Low	1070.00
BSE Code	517385
Sector	Consumer Electronics

### YOY - Financial Highlights [INR – Crore]

Description	Mar-19	Mar-18	Var %
Net Sales	844.00	798.25	5.73
Total Expenditure	722.00	585.80	23.25
PBIDT	122.00	212.45	-42.57
Operating Profit	161.00	266.59	-39.61
OPM (%)	15.64	27.57	-43.27
PBT	130.00	264.80	-50.91
Profit After Tax	91.00	192.55	-52.74
EPS	13.09	27.52	-52.43
Equity Capital	14.00	13.99	0.07

### 9M - Financial Highlights [INR – Crore]

Description	Dec-19	Dec-18	Var %
Net Sales	854.00	609.00	40.23
Total Expenditure	700.00	513.00	36.45
PBIDT	154.00	96.00	60.42
Operating Profit	187.00	124.00	50.81
OPM (%)	19.79	16.91	17.03
PBT	179.00	116.00	54.31
Profit After Tax	142.00	88.00	61.36
EPS	20.33	12.60	61.35
Equity Capital	14.00	14.00	-

### Company Background

Symphony Ltd, a Gujarat based company, was established in 1988 to manufacture air-coolers. It is now one of the largest manufacturer of air-coolers in the world.

The company is having three subsidiary companies in Mexico, China and Australia and one step down subsidiary. The company works with 10 OEM companies and one in SEZ. The company has 108 trademarks, 49 registered designs, 7 copyrights and 8 patents, defining the high standard.

It is engaged in manufacturing and trading in a range of residential, commercial and industrial air coolers in the domestic and global markets. It offers a variety of choices such as tower, personal, desert, room and window air-coolers for residences; commercial air cooling solutions for open restaurant, party plots and large halls and industrial air-coolers for factories, offices, schools, malls, assembly halls, warehouses and metro stations. The company also offers services to banks, auto industries, packaging, distilleries and railways.

### Financial Performance

The company had reported Net sales of Rs. 844 crores for FY19 which were higher by 5.7 % over those in the previous year. The profit after tax at Rs. 91 crores in FY19 was down by 52.7% against Rs. 192.55 crores for the previous year due to increase in input costs of material and slowdown in economy.

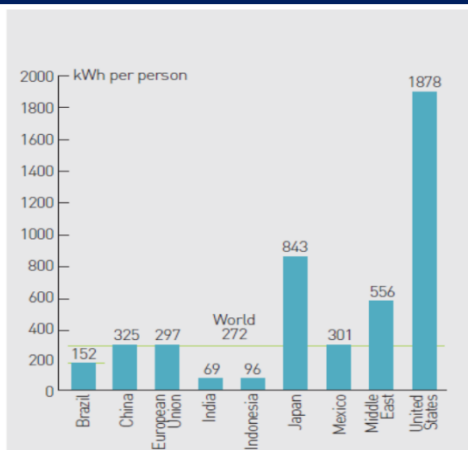
In 9MFY20, the company has done well and its Net Sales at Rs.854 crores are higher by 40.2% as compared to Rs 609 crores in 9MFY19. The PAT at Rs.142 crores is up by 61.3%. as compared to Rs 88 crores in 9MFY19.

The Operating Margin of the company has improved from 16.9% for 9MFY19 to 19.7% in 9MFY20 because of better management of costs and working capital.

### Investment Rationale

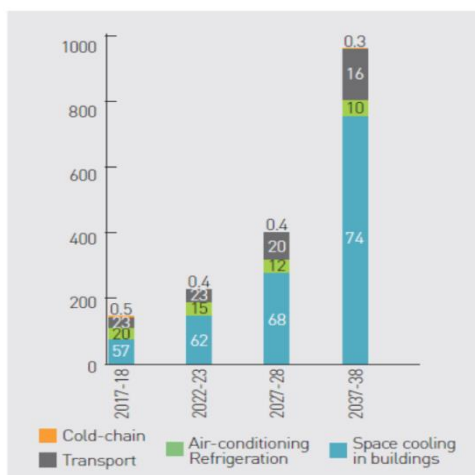
- **Rising temperatures, coupled with heavy urbanization and delayed & short monsoons** makes summers in the country unbearable. This boosts demand of the air – coolers as the company is the market leader in the segment.
- 4X increase in number of middle class households from 32 million in 2010 to 148 million by 2030 and increase in personal disposable incomes is likely to boost the top as well as bottom lines of the company.
- **The company has launched 14 models of household coolers, 6 new models in commercial coolers, 2 models in industrial category in last quarter of FY20. The company has received an outstanding response in initial phase and is looking for high revenue growth in the coming quarters.**
- The company believes that the market potential for Commercial Coolers and Industrial Coolers is large – with virtually no competition.
- The company's subsidiary Climate Technologies had market access to **Home Depot and had also tied up with Lowe's and Amazon USA**, which creates huge opportunity for the company.
- The **Indian air –cooler market** reported growth at a CAGR of 10% and is **estimated to grow at a CAGR of 12-17%** in the coming years.

## Per Capita Space Cooling Energy Consumption



(Source: Economic Times, Indiaenvironmentportal)

## Sector- Wise Growth in Cooling Demand



(Source: Indiaenvironmentportal)

**Research Analyst : Uttam Kurle**

**E- Mail : [uttam.kurle@satco.co.in](mailto:uttam.kurle@satco.co.in)**

**Tel : 022 6170 6700 Ext : 236**

**Website : <https://www.satcodirect.com/>**

## Disclaimer :

This document is not for public distribution and is meant solely for the personal information of the authorized recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements. The information, opinion, views contained in this document is as per prevailing conditions and are of the date appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Satco Capital Market Ltd., its group companies, its directors, associates, employees nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Satco Capital Market Ltd. or any of its associate or group companies. The information set out herein may be subject to updation, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance. Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investor. The recipients should therefore obtain their own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Satco Capital Market Ltd, its associate and group companies, its directors, associates, employees from time to time may have various interests/ positions in any of the securities of the Company (ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organization mentioned in the document or may have other interest with respect to any recommendation and / related information and opinions. The company follows Employee Trading Policy which regulates the trading activities of the research analysts. The compensation of the research analysts is governed as per the Board approved "Research Analyst" Policy. Satco Capital Market Ltd. is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002343.

**SATCO CAPITAL MARKETS LIMITED**

101, 1<sup>st</sup> Floor, A Wing, Devrup CHS Ltd, 36 Turner Road, Opp Tavaa Restaurant, Bandra West, Mumbai, Maharashtra 400050

- In India **only 6% people own air-conditioners, 14% owns air-coolers, where as 65% own fans and 15% no cooling appliances at all** compared with country like china where the penetration of air-conditioners has grown from 8% in 1995 to more than 70% in 2019. Considering the lower cost and low power consumption, the air-coolers are expected to enjoy a growing demand. This will continue to provide large opportunity for the company in future.
- The company is **focusing on Industrial Air-Cooler segment as the market in India is virtually absent of industrial air-coolers manufacturers**. This augurs well for the company.
- **The Company will not be impacted by any potential supply chain disruption from China as it has secured enough supplies which can take care of production requirements till Q1FY21**. In fact, disruption in supply of material like compressors for air-conditioners, etc due to coronavirus offers an opportunity to air-cooler manufacturers.
- The company has recently declared **dividend of Rs 20 per share ( Including Rs 18 as special dividend ) for FY20 and the share became ex-dividend on Feb 17,2020**.

## Shareholding Pattern

The Promoters hold 75% equity capital of the company, FIIs hold 6.36%, Mutual Funds hold 9.21%, Other DII's hold 0.02% and the balance 9.41% shares are hold by public.

## Concern

The slowdown in economy and competition from peers are some of the main concerns.

## Valuation

The share of the company is trading at PE of 60.9x against that of industry at 74.2x. Keeping in view the working of the company for the first nine months of FY20, its future prospects of business, small equity capital, new product launches and growth from overseas subsidiaries, we estimate the company to report an EPS of about Rs.25 for FY20 and based on PE of 65x we see price of scrip to move up to Rs 1625.00 in the next 12 months ( about 28 % appreciation ).