

The logo for Symphony Air Coolers is centered within a light blue oval. The word "Symphony" is written in a bold, blue, sans-serif font. The letter 'o' is replaced by a white silhouette of a bird with its wings spread, facing right. Below "Symphony", the words "AIR COOLERS" are written in a smaller, blue, all-caps, sans-serif font.

Symphony
AIR COOLERS

Company Snapshot(As on 31 Jan'14)

- **Buy @ Current Market Price – INR 405.**
- **Target – INR 1500**
- **Time Frame - 9 months**
- **Expected Return- 273%**

- BSE Code – 517385.
- Market Capitalization – Rs. 7,760 Cr.
- Face Value – Rs.2.00.
- Total Equity Shares – 3.49Cr.
- 52 Week High/Low – Rs. 2384/480.

Financial Snapshot

Particulars (in cr.)	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
No. of coolers sold	155,000	262,000	421,000	503,000	495,849	574,750
Avg. realization per cooler (Rs.)	4,729	4,740	4,504	5,437	6,181	6,501
Income from operations	73.43	124.53	190.76	293.16	313.81	382.05
Gross Profit	40.72	71.82	104.13	167.57	179.45	214.8
Gross Profit margin (%)	55.45%	57.67%	54.59%	57.16%	57.18%	56.22%
Operating Profit	17.07	36.84	53.65	71.81	72.94	83.20
Operating Profit margin (%)	23.25%	29.58%	28.12%	24.50%	23.24%	21.78%
Other Income	0.77	2.22	3.29	4.98	5.93	12.68
Finance cost	0.08	0.16	0.57	0.44	0.75	0.62
Depreciation	0.92	1.15	1.31	5.34	4.86	3.95
Profit Before tax	16.84	37.75	55.06	71.01	73.26	91.31
Profit before tax margin (%)	22.70%	29.78%	28.37%	23.82%	22.91%	23.13%
Tax expense	4.73	12.46	18.07	19.82	20.16	31.2
Net Profit	12.11	25.29	36.99	51.19	53.10	60.11
Cash flows from operations before tax	23.62	48.69	54.41	16.36	103.05	89.14
Return on Avg. equity		84.57%	53.71%	42.85%	31.09%	29.23%

Symphony Ltd

- Symphony Ltd is one of the leading players in the air cooler industry with more than 50% market share in the organized segment.
- Headquarters in Ahmedabad, Gujarat.
- Has asset-light business model with in-house product development, design and marketing functions and assembly of products is outsourced.
- Products include air coolers for residential, commercial and industrial applications.
- Company has emerged from a restructuring as it shifted focus on other segments like AC, Washing Machines and suffered huge losses.

- The purchase price of a Cooler is less than half the price of an AC.
Running costs are 10% that of ACs.
- Highly Profitable company with a Solid Balance Sheet.
 - Pre Tax ROE of 98% in FY13 after adjusting for Surplu Cash.
 - Asset Light Model based on Outsourced production.
 - Negative working capital demonstrated significant power over suppliers and customers.
 - Debt Free Balance Sheet.
 - Surplus Cash and Current Investment of Rs. 134 CR as on June 2013.

Multiple Sources of Moat

- Strong Brands which have become synonymous with air cooler to millions in India.
- Wide distribution network spread across 4500+ cities/towns, 750 + distributors and 16,000 + dealers across India. Also, has presence in 60 Countries.
- Large Scale provides low cost advantage and enables to offer wide product range.
- Access to proprietary technology: 8 patents, 49 designs, 108 trademarks and 7 copyrights.



Huge Growth potential

- 132 million households living in hot and dry part of India. 11 million in moderate climatic region.
- Only 12 million households have coolers.
- Existing coolers need replacement every 4 years.
- Currently, the Indian air cooler industry is growing at 20% per annum.
- The industrial and heavy duty air coolers industry in India is at a nascent stage of Growth

Business Model

- Asset Light Business Model – outsources manufacturing of air coolers to eight exclusive vendors in India.
- Symphony retains the right for product development, design and marketing function to maintain the exclusivity of products and technologies of Symphony from its Vendors.
- This model helps the Company to concentrate on its core competence in product development and feature evaluation.

Valuation

- Currently the market Capitalization is at Rs. 3053 Cr. We expect the Company to grow its sales and Ebitda at the rate of 35% pa.
- After 2 years we expect the company to be valued at Rs.5565 Cr. i.e Rs. 1,600.
- Our target price for Symphony in 2 years is Rs. 1,600.
- We recommend our clients to Buy Symphony at current market price and allocate between 5% - 10% of your portfolio.

Contact us



#303, 3rd Floor,
Kedia Arcade, Infantry Road,
Bangalore – 560001.

Ph : 080-40918467

Email: sales@itipsadvisory.com

www.itipsadvisory.com