

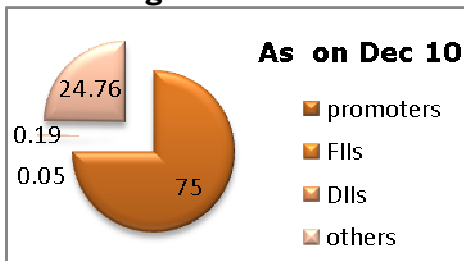


C.M.P: Rs.1544.90
Target Price: Rs.1776.00
Date: 25 April 2011

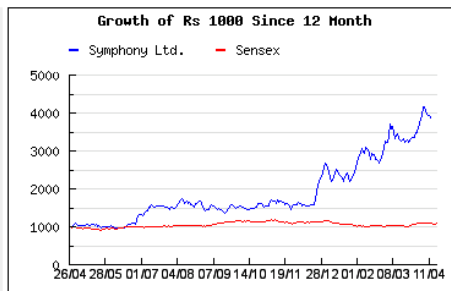
BUY

Stock Data:	
Sector:	Consumer Durables
Face Value Rs.	10.00
52 wk. High/Low (Rs.)	1672.00/349.00
Volume (2 wk. Avg.)	3451
BSE Code	517385
Market Cap (Rs.In mn)	10808.12

Share Holding Pattern



1 Year Comparative Graph



BSE SENSEX

Symphony Ltd

SYNOPSIS

- Symphony comfort systems Ltd was incorporated in 1988, Symphony comfort systems was promoted by Achal Anil Bakeri.
- Net sales and PAT of the company are expected to grow at a CAGR of 41% and 17% over 2009 to 2012E respectively.
- Symphony comfort systems Ltd has received ISO 9001:2008 for quality management system for its design and development, manufacture and after sales service of Air coolers and water heaters.
- Symphony Ltd has decided to set up a unit in DGDC, Surat SEZ at Sachin, near surat in Gujarat.
- During the quarter ended, the robust growth of revenue is increased by 41.59% Rs.985.55 million.

Years	Net sales	EBITDA	Net Profit	EPS	P/E
FY 10	1897.74	572.11	369.33	52.79	29.26
FY 11E	2886.89	873.23	572.79	81.87	18.87
FY 12E	3493.14	1056.48	696.36	99.54	15.52

Peer Group Comparison

Name of the company	CMP(Rs.)	Market Cap.(Rs.Mn.)	EPS(Rs.)	P/E(x)	P/Bv(x)	Dividend (%)
Symphony Ltd	1544.90	10808.12	76.39	20.28	12.57	25.00
Videocon Industries Ltd	193.80	58366.90	20.72	9.33	0.70	20.00
Whirlpool of India	285.90	36272.70	13.92	20.54	18.06	-
Blue star Ltd	363.15	32660.30	19.65	18.48	6.64	400.00

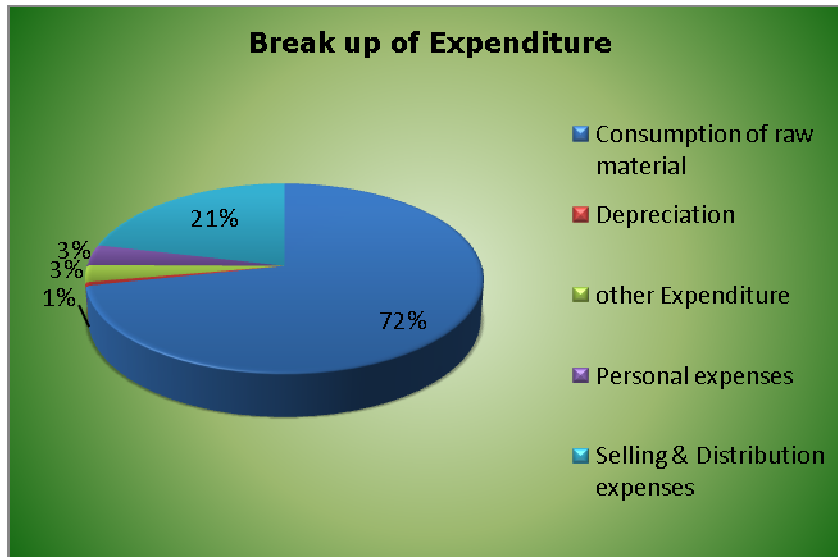
Investment Highlights

🚩 Q3 FY11 Results Update

Symphony disclosed a substantial rise in standalone net profit for the quarter ended March 2011. During the quarter, the profit of the company rose 43% to Rs 205.24 million from Rs 143.71 million in the same quarter last year. Net sales for the quarter for the quarter surged 42% to Rs 985.55 million, while total income for the quarter jumped 42% to Rs 996.12 million, when compared with the prior year period. It reported earnings of Rs 29.34 a share during the quarter, registering 43% growth over previous year period.

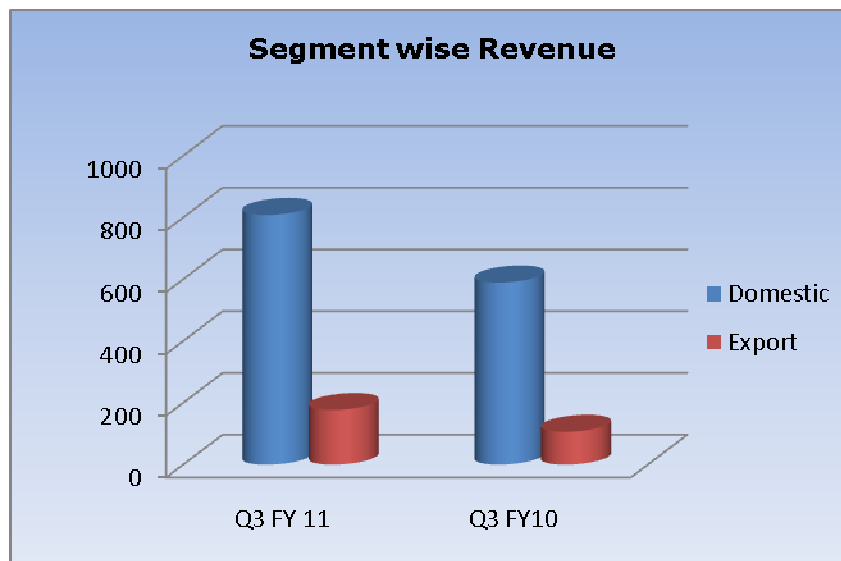
Quarterly Results - Standalone (Rs in mn)			
As At	Mar-11	Mar-10	%change
Net sales	985.55	696.06	42%
PAT	205.24	143.71	43%
Basic EPS	29.34	20.54	43%

➤ **Break up of Expenditure**



➤ **Segment wise Revenue**

Particulars	Q3 FY 11	Q3 FY10
Domestic	808.48	589.75
Export	177.06	106.31
Total	985.54	696.06



➤ **Wholly Owned Subsidiary Company in Singapore & Step down Subsidiaries in Mexico & USA**

The company has increased its stake in sylvan holding pvt Ltd ,Singapore from 49% to 100% with effect from April 1 2011.Sylvan Holding pvt Ltd ,in turn ,holds 99.97% and symphony Air cooler inc..USA holds balance 0.03% stake in impco sd R .L.de C.V. Maxico (impco Mexico).Thus, the company holds 100% equity stake in Impco Mexico. The financial as on June 30,2011.and thereafter will consolidated inclusive of financials of sylvan Holding pvt Ltd, now onwards 100% subsidiary company and also 100% step-down subsidiary, Impco, Mexico as well as Impco Air coolers Inc..USA ,(100% step-down subsidiary of Impco Mexico).

➤ **Received ISO certification**

Symphony Ltd has received ISO 9001:2008 for quality management system for its Design & Development, Manufacture and After Sales Service of Air coolers and water Heaters.

➤ **Manufacturing unit at Surat SEZ**

Symphony Ltd has decided to set up an unit in DGDC, Surat SEZ at Sachin, near Surat in Gujarat. The company has now received a formal approval from the SEZ Approval Committee in that connection.

Setting up of SEZ Unit by the company will enable the company down the line to avail various benefits of SEZ, including 100% income tax exemption on export profits from SEZ at Sachin, Surat

Company Profile

Symphony Comfort Systems Ltd was incorporated on February 5,1988 as Sanskrut Comfort Systems Ltd. (SCS). The company commenced its operations in February 1988 with the manufacture of air-coolers, it has been promoted by Achal Anil Bakeri. Symphony today has established itself as a world leader in evaporative air coolers. It is a joint stock, publicly held, listed company. Its products are already being sold in U.S.A, Europe, Middle East, Africa, and South-East Asia & shortly will be available in many other countries.

Best of the technology across the world has been procured and put to use for designing and developing the air coolers. Several aspects helping Symphony air coolers to achieve extra low power consumption.

Product range of the company includes:

Evaporative Air Coolers

- Tower coolers
- Desert Coolers
- Room Coolers
- Personal Coolers

Air Conditioners

- Window Air Conditioners
- Split Air Conditioners

Water Heaters

- Sauna Heaters

SWOT Analysis

Strengths:

- Presence of established distribution networks in both urban and rural areas
- Strong brand equity
- Global scale of operations
- Flexible production system
- New innovative and world class technology
- Strong management high quality motivated human resources

Weakness:

- Demand is seasonal and is high during festive season
- Low purchasing power of consumers
- Infrastructural bottlenecks in terms of power, utility, road transport etc.

Opportunities:

- Having well established brand "Symphony" in air coolers market, distribution network in domestic and export markets, the company is poised to potential growth.
- Due to Globalisation, increased opportunity to tap export market
- Huge potential in domestic market considering population of the country & increased awareness about quality among customers
- Various applications of air coolers

Threats:

- Heavy competition from local and unorganized sector
- Fluctuation in oil prices & consequent fluctuation in raw material(plastic) prices
- Demand for air coolers is subject to vagaries of summer

Financial Results

12 Months Ended Profit & Loss Account (Standalone)

Value(Rs.in.mn)	FY09	FY10	FY11E	FY12E
Description	12m	12m	12m	12m
Net Sales	1246.42	1897.74	2886.89	3493.14
Other Income	21.37	38.15	45.46	50.46
Total Income	1267.79	1935.89	2932.35	3543.06
Expenditure	-655.12	-1363.78	-2059.12	-2487.12
Operating Profit	612.67	572.11	873.23	1056.48
Interest	-8.89	-5.67	-4.14	-3.81
Gross profit	603.78	566.44	869.09	1052.68
Depreciation	-11.48	-13.06	-17.73	-19.50
Profit Before Tax	592.30	553.38	851.36	1033.17
Tax	-159.84	-184.05	-278.57	-336.81
Profit After Tax	432.46	369.33	572.79	696.36
Equity capital	69.96	69.96	69.96	69.96
Reserves	443.12	792.05	1364.84	2061.19
Face value (Rs.)	10.00	10.00	10.00	10.00
EPS	61.82	52.79	81.87	99.54

Quarterly Ended Profit & Loss Account (Standalone)

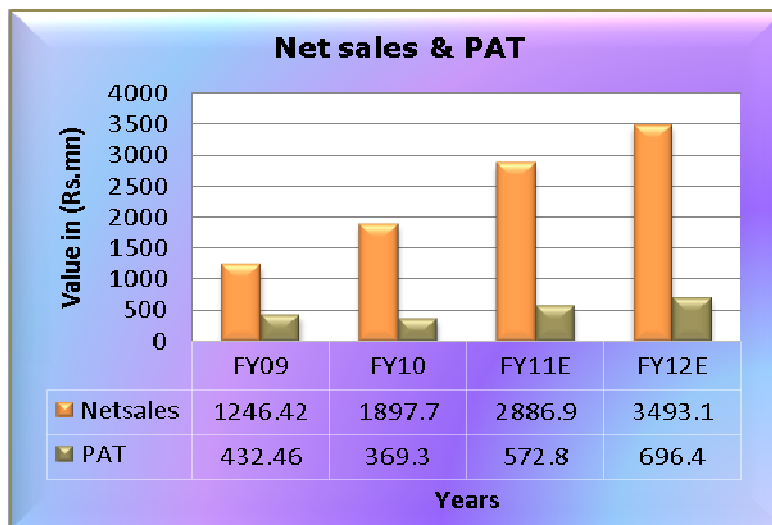
Value(Rs.in.mn)	30-Sep-10	30-Dec-10	31-Mar-11	30-Jun-11E
Description	3m	3m	3m	3m
Net sales	232.28	535.68	985.55	1133.38
Other income	11.66	11.60	10.57	11.63
Total Income	243.94	547.28	996.12	1145.01
Expenditure	-203.37	-389.00	-684.72	-782.03
Operating profit	40.57	158.28	311.40	362.98
Interest	-1.98	-0.55	-0.82	-0.79
Gross profit	38.59	157.73	310.58	362.19
Depreciation	-3.63	-4.32	-4.68	-5.10
Profit Before Tax	34.96	153.41	305.90	357.09
Tax	-11.17	-50.33	-100.66	-116.41
Profit After Tax	23.79	103.08	205.24	240.68
Equity capital	69.96	69.96	69.96	69.96
Face value (Rs.)	10.00	10.00	10.00	10.00
EPS	3.40	14.73	29.34	34.40

Key Ratios

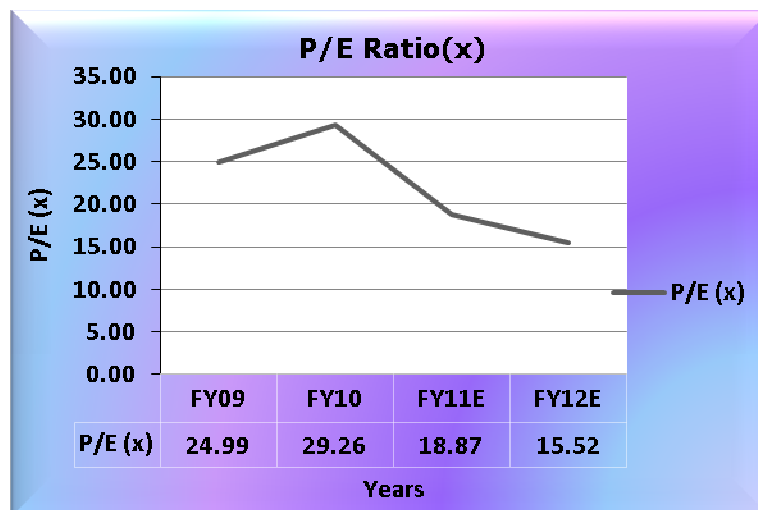
Particulars	FY09	FY10	FY11E	FY12E
No. of Shares(In Million)	6.996	6.996	6.996	6.996
EBITDA Margin (%)	49.15%	30.15%	30.25%	30.24%
PBT Margin (%)	47.52%	29.16%	29.49%	29.58%
PAT Margin (%)	34.70%	19.46%	19.84%	19.93%
P/E Ratio (x)	24.99	29.26	18.87	15.52
ROE (%)	84.29%	42.85%	39.92%	32.68%
ROCE (%)	120.94%	67.81%	62.05%	50.46%
Debt Equity Ratio	0.01	0.00	0.00	0.00
EV/EBITDA (x)	17.64	18.89	12.38	10.23
Book Value (Rs.)	73.34	123.31	205.09	304.62
P/BV	21.07	12.54	7.53	5.07

Charts:

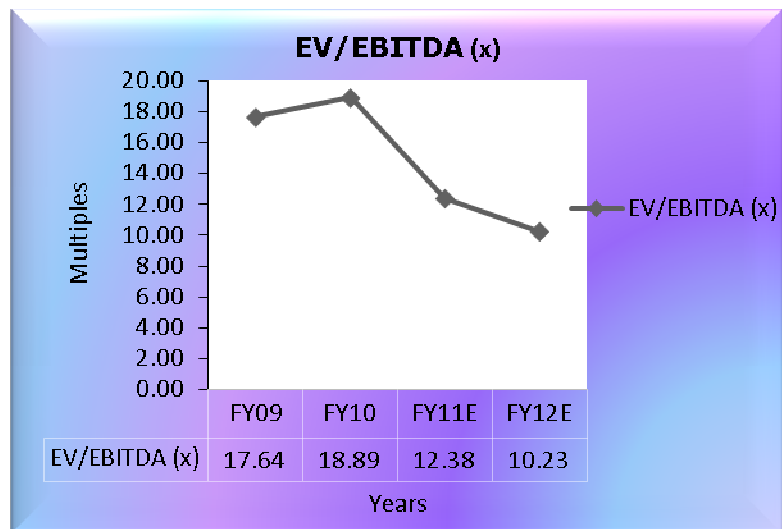
Net sales



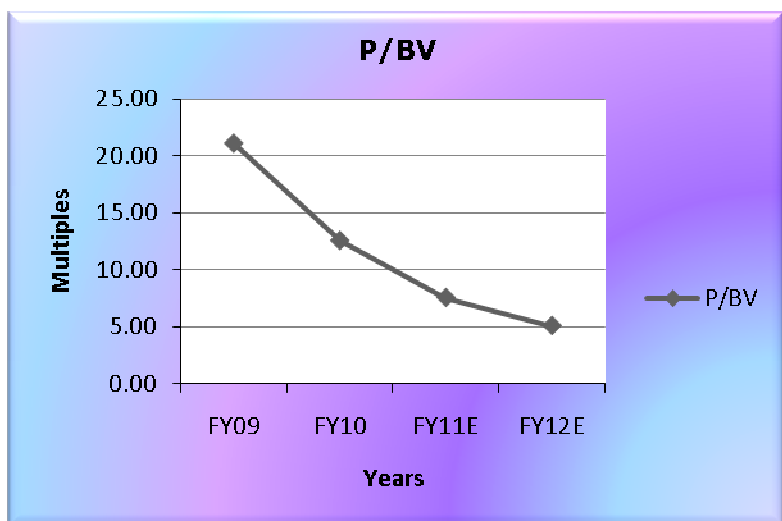
P/E(x)



EV/EBITDA



P/BV



Outlook and Conclusion

- ✚ At the current market price of Rs.1544.90, the stock is trading at 18.87 x FY11E and 15.52 x FY12E respectively.
- ✚ Earning per share (EPS) of the company for the earnings for FY11E and FY12E is seen at Rs.81.87 and Rs.99.54 respectively.
- ✚ Net Sales and PAT of the company are expected to grow at a CAGR of 41% and 17% over 2009 to 2012E respectively.
- ✚ On the basis of EV/EBITDA, the stock trades at 12.38 x for FY11E and 10.23 x for FY12E.
- ✚ Price to Book Value of the stock is expected to be at 7.53 x and 5.07x respectively for FY11E and FY12E.
- ✚ We recommend 'BUY' in this particular scrip with a target price of Rs.1776.00 for Medium to Long term investment.

Industry Overview

Consumer durables are the products whose life expectancy is at least 3 years. These products are hard goods that cannot be used up at once.

The consumer durables sector can be segmented into consumer electronics, such as, VCD/DVD, home theatre, music players, color televisions (CTVs), etc. and white goods, such as, dish washers, air conditioners, water heaters, washing machines, refrigerators, etc.

With the increase in income levels, easy availability of finance, increase in consumer awareness, and introduction of new models, the demand for consumer durables has increased significantly. Products like washing machines, air conditioners, microwave ovens, color televisions (CTVs) are no longer considered luxury items. However, there are still very few players in categories like vacuum cleaners, and dishwashers.

Consumer durables sector is characterized by the emergence of MNCs, exchange offers, discounts, and intense competition. The market share of MNCs in consumer durables sector is 65%. MNC's major target is the growing middle class of India. MNCs offer superior technology to the consumers, whereas the Indian companies compete on the basis of firm grasp of the local market, their well-acknowledged brands, and hold over wide distribution network. However, the penetration level of the consumer durables is still low in India. An important factor behind low penetration is poor government spending on infrastructure. For example, the government spending is very less on electrification programs in rural areas. This factor discourages the consumer durables companies to market their products in rural areas.

Sector outlook

There has been strong competition between the major MNCs like Samsung, LG, and Sony. LG Electronics India Ltd. has announced its extension plan in 2006. The company is going to invest \$250 million in India by 2011 and is planning to establish a manufacturing facility in Pune. TCL Corporation is also planning to establish a \$22 million manufacturing facility in India.

The Indian companies like Videocon Industries and Onida are also planning to expand. Videocon has acquired Electrolux brand in India. Also, with the acquisition of Thomson Displays by Videocon in Poland, China, and Mexico, the company is marking its international presence.

According to isuppli Corporation (Applied Market Intelligence), country's fiscal policy has encouraged Indian consumer electronic industry. The reduction on import duty in the year 2005-06 has benefited many companies, such as Samsung, LG, and Sony. These companies import their premium end products from manufacturing facilities that are located outside India.

Indian consumers are now replacing their existing appliances with frost-free refrigerators, split air conditioners, fully automatic washing machines, and color televisions (CTVs), which are boosting the sales in these categories.

Some companies like Samsung Electronics Co. Ltd. and LG Electronics India Ltd. are now focusing on rural areas also. These companies are introducing gift schemes and providing easy finance to capture the consumer base in rural areas.

Growth rates

The sectors that are projected to achieve 'excellent' growth rates of more than 20 per cent in terms of quantity produced are: air-conditioners (25 per cent), split air-conditioners (60 per cent), frost-free refrigerators (54 per cent), washing machines (20 per cent), fully automatic washing machines (35 per cent), microwave ovens (35 per cent), high-end flat panel TV (100 per cent), LCD TV (110 per cent), plasma TV (100 per cent) VCD/MP3 (20 per cent), DVDs (25 per cent), DVDs-organized (25 per cent).

There is a need to remove some anomalies affecting the growth of the industry, the survey pointed out.

Consumer electronic manufacturers were of the opinion that in the era of digital convergence, differential taxation policies for IT and consumer electronics products create distortions and anomalous situations.

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