Report date – 26th October, 2016

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1) Symphony Ltd.

CMP: Rs. 1370, Target: Rs. 1739, Upside: 27%, Horizon: 12 months, FV: Rs. 2, Market Cap: Rs. 96 billion, EPS (TTM): 37.01, EPS (FY18 E): Rs. 47, 52 Week High/Low: Rs. 1465/950

Strong background and leadership in air coolers market

Symphony was among the first in India's organized sector to launch cooler brands. The Company has robust distribution network comprising ~750 dealers (152 in 2007), ~16,500 retail dealers (3,308 in 2007) and ~4,500 towns (1430 in 2007). Air cooler industry is expected to witness a CAGR of 19% over the period FY15-25E owing to demand emanating from tier-II and tier-III cities. Presently, Unorganised segment dominates the air cooler industry with 80% volume market share). We believe a shift from the unbranded to the branded category (due to rising aspiration level) opens up a huge opportunity for organized players to grow at 25% CAGR in FY15-25E. Organised market share of air coolers was around 20% in FY16. Symphony has retained market leadership. The leadership gap between Symphony and the other players has only increased.

Robust Q2FY17 performance

The Company witnessed 37 per cent jump in its standalone net profit at Rs 39.28 in Q2FY17 as against Rs 28.76 crore in Q2FY16.The company registered growth by 31.33 per cent in net sales to Rs 150.27 crore for Q2FY17 against Rs 114.42 crore in previous financial year's corresponding quarter. For the six months ended September 2016, the company reported a net profit of Rs 70.42 crore against Rs 51.02 crore for the six months ended September 2015, a 38 per cent growth. Net sales in first half of FY 2016-17 increased by 34.46 per cent tot Rs 302.42 crore compared to Rs 224.91 crore in the six months ended September 2015. Nrupesh Shah, Executive Director of Symphony said, "We are witnessing buoyant demand in domestic market, international business and centralised air cooling across the geographies. Our newly lunched five models of i-Touch have received overwhelming response." Board of directors of Symphony declared second interim dividend by 50 per cent to Rs 1 per equity share of Rs 2.

Asset Light business model and debt free status

Symphony boasts of outsourced asset-light business model which has led to robust return ratios. Over the years, this arrangement has liberated the company from investing in fixed assets (which, in turn, has resulted in a relatively small Balance Sheet). On the other hand, the company enjoys a significant trade advantage. As early as July, which is the start of the sluggish season coinciding with the monsoons, when people generally buy fewer air-coolers, the Company has a different reality: the beginning of advances from dealers across the country for products that it will transport only later in the year.

Negative working Capital Company

Cash flows are driven by trade advances. Trade advances are incentivised by guaranteed product allocation and pricing preference. This generates attractive dealer and corporate margins.

Global acquisitions will continue to drive growth

The acquisitions provided Symphony deeper access into China and ASEAN. Symphony acquired Munters Keruilai Air Treatment Equipment (Guangdong) Co. Ltd., China (now known as Guangdong Symphony Keruilai Air Coolers Co., Ltd, China). Today, China is the world's second largest coolers market. Symphony has been brave enough to acquire company is one of the oldest in China's air-coolers space and one of the largest in industrial coolers in China. The acquisition was effective from 1 January 2016.

Competition increasing visibility of air coolers helping Symphony to drive sales;

The irony is that more the competition, enhanced the visibility of the air-cooler segment and advertised their product, more it sold. In fact, Symphony probably sold more than the next 50 per cent of the market put together! So what does that say about the customer? It says that the customer would rather trust an established brand, a market-leading brand, an innovative brand and a specialized brand, even if this meant paying 1500 higher per unit, than buy into a brand that was me-too, probably

Innovation – key strategy of the Company:

Symphony introduced more than 30 new models in 5 years. The Company does not just innovate products; it creates categories. This category creation is the result of the ability to fuse lifestyle themes with coolers. The Company introduced the revolutionary i-Pure, Cloud and Window Cooler range in 2015-16.

Valuation and Price Target

At CMP, the stock trades at a P/E of 37x on TTM EPS of Rs. 37.01. With due consideration to the above Investment rationale, good monsoon, implementation of Seventh Pay Commission, GST, robust return ratios (ROE – 35% and ROCE – above 45% expected to expand in FY18E), we value the stock at Rs. 1,739 (37x at FY18E EPS of Rs. 47).

2) L&T Finance Holdings Ltd.

CMP: Rs. 104.75 , Target: Rs. 150, Upside: 43 %, Horizon: 12 months, FV: Rs. 10, Market Cap: Rs. 183 billion, Book Value (H1FY17): Rs. 40.35, Book Value (FY18 E): Rs. 65, 52 Week High/Low: Rs. 107.40/Rs. 48.30

Strong parentage and background

LTFH is a financial holding company offering a focused range of financial products and services across rural, housing and wholesale finance sectors, as well as mutual fund products and wealth management services, through its wholly-owned subsidiaries, viz., L&T Finance Ltd, L&T Infrastructure Finance Company Ltd, L&T Investment Management Ltd, L&T Capital Markets Ltd, L&T Housing Finance Ltd, Family Credit Ltd and L&T FinCorp Ltd. It is registered with RBI as a CIC-ND-SI. LTFH is promoted by Larsen & Toubro (L&T), one of the leading companies in India, with interests in engineering, construction, electrical & electronics manufacturing & services, IT and financial services.

Strategic reorientation would improve ROE

In April 2016, L&T Finance Holdings (LTFH) unveiled its strategy to reach top quartile Return on Equity (RoE) by FY20, through a combination of right businesses, right structures and right people. Specific strategic initiatives were undertaken aimed at strengthening LTFH's "Right To Win" and to ensure sustained profitable growth. Rigorous focus on identified businesses and strong execution on strategic initiatives has led to robust business growth. In these focus businesses, disbursements have grown by 28% YoY while total assets have increased by 24% YoY. LTFH has continued to leverage technology to deliver superior customer experience and to gain market share. Mobility solutions with integrated rule based decision engines has helped sharply reduce turnaround time and standardise credit decisions. During Q2FY17, LTFH announced plans to amalgamate three of its subsidiary companies, viz. L&T Finance Ltd., Family Credit Ltd. and L&T FinCorp Ltd. Judicial approvals are expected within this financial year. This amalgamation would improve capital and operational efficiency.

Robust Q2FY17 performance:

Profitable asset growth

Loans and advances in focused business grew by 24% vs. 31% decline in the de-focused business; overall growth in loans & advances is 18%

LTFH's thrust on profitable growth is visible in its disbursement growth and asset composition. Focused businesses of LTFH recorded 24% YoY growth mainly through increased disbursements in Microfinance and Housing Finance. Wholesale Finance has witnessed strong growth in IDF and syndicated assets.

LTFH has been running down its de-focused products with no additional disbursements in this financial year. As a percentage of total assets, the contribution of this portfolio has come down from 11% to 6% between Q2FY16 and Q2FY17. LTFH is evaluating alternatives to maximize value through sell-down.

Improvement in asset quality

Despite continuing challenges in the macro-economic environment, LTFH has improved Gross NPA% by 40 bps. Provision Coverage has improved from 22% in Q2FY16 to 36% in Q2FY17. As a result, improvement in Net NPA% is even more pronounced at 98 bps.

Strong PAT growth

LTFH's Consolidated PAT to Equity Shareholders increased 33%, from Rs. 162 cr. in Q2FY16 to Rs. 216 cr. for Q2FY17. This is on the back of profitable asset growth and strong traction in fee income across all the businesses.

Generating value through Investment Management and Wealth Management businesses:

In the Investment Management business, Average Assets Under Management (AAUM) for the quarter grew by 35%, from Rs. 24,280 cr in Q2FY16 to Rs. 32,667 cr in Q2FY17. Share of equity assets is at 39% of the total AAUM, reaching Rs 12,875 Cr representing a 31% YoY increase from Rs. 9,817 Cr. In the Wealth Management business, Average Assets Under Service (AAUS) went up by 38%, from Rs. 7,878 cr. in Q2FY16 to Rs. 10,890 cr. in Q2FY17 with client base growing from 3,700 to 5,140.

ROE improved to 11.72% in Q2FY17 as against 9.84% in Q2FY16 and 9.78% in Q1FY17

Divestment of defocused portfolio and merger of entities would lead to optimal utilization of capital – expected to be completed by end of this financial year

Valuation and Price Target

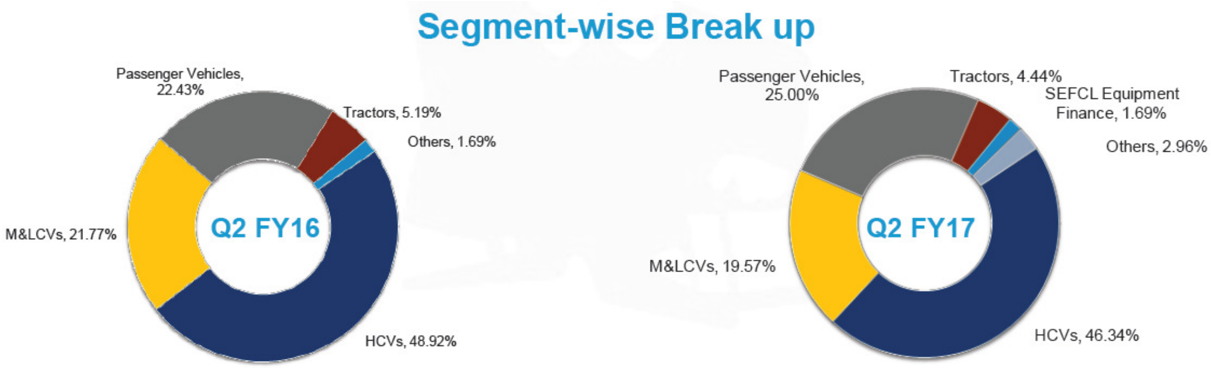
At CMP, the stock trades at a P/BV of 2.6x on H1FY17 Book Value of Rs. 40.35. With due consideration to the above Investment rationale, we value the stock at Rs. 150 (2.5x at FY18E Book Value of Rs. 60).

3) Shriram Transport Finance Co. Ltd.

CMP: Rs.1127, Target: Rs. 1500, Upside: 33%, Horizon: 12 months, FV: Rs. 10, Market Cap: Rs. 256 bn., Book Value as on Q2FY17: Rs. 480.44, Book Value (FY18 E): Rs. 638, 52 Week High/Low: Rs.1,325/Rs.736.50

Strong parentage and background

Shriram Transport Finance Company Limited is the flagship company of the Shriram group which has significant presence in Consumer Finance, Life Insurance, General Insurance, Stock Broking and Distribution businesses. Established in 1979, Shriram Transport is today the largest asset financing NBFC in the country and holistic finance provider for the commercial vehicle industry and seeks to partner small truck owners for every possible need related to their assets. It has PAN India presence with 899 branch offices. Based at Mumbai, it manages assets over Rs 75,000 crores.



Strong Q2FY17 performance with slippages under control

The Company witnessed yoy increase 0f 11.8 percent to touch Rs. 27,135 mn in Q2FY17. Net interest income registered a rise of 13.3 percent to 13,529.9 mn in Q2FY17. NIM sttod at 7.14% vs. 7.35 percent (qoq) (vs 7.03% yoy). Cost to income ratio improved to 22.53% in Q2 FY17 as compared to 23.30% inQ2 FY16. PAT saw a decent growth of 14.7 percent to Rs. 3,876. 5 in Q2FY17. Meanwhile, the company said its Board has appointed Umesh Revankar as Managing Director following the induction of Jasmit Singh Gujral into Shriram Capital Ltd.

Healthy growth in Assets under Management

Total Assets under Management witnessed a growth of 19.1 percent on yoy basis as against to Rs. 753225.8 mn as compared to Rs. 632529.7 mn as on 30th September, 2015.

Asset Quality Stress under control with stable PCR

Gross NPAs increased by 81.39 percent on yoy basis to touch Rs. 42,420. 3 mn (qoq basis – 2.81%). In Q2FY17, Gross NPA (%) stood at 6.58% as against (6.38% in Q1FY17 and 4.18% in Q2FY16). Net NPA stood at 2.04 percent in Q2FY17 as against 1.97 percent in Q1FY17. Provision Coverage improved to 70.49 percent in Q2FY17 as against in Q2FY16. The Company has transitioned to NPA recognition on a 150 dpd basis from Q4FY16.

Strong Capital Adequacy

CRAR stood at 17.44% at the end of Q2 FY17 as compared to 19.19% at the end of Q2 FY16

Has Attracted Strong Interest from Quality Investors

a) Consistent track record and high growth potential has attracted reputed institutional and private equity investors to infuse growth capital. B) Last fund raising: Allotted 11.658 mn equity shares at Rs. 500.80 per share to Qualified Institutional Buyers (QIB) for an aggregate sum of Rs. 5.84 bn resulting in a dilution of around 5.20% to 45 marquee global as well as domestic funds and insurers, which included 22 existing investors and the rest, new investors on January 28, 2010

Valuation and Price Target

At CMP, the stock trades at a P/BV of 2.35x on H1FY17 Book Value. With due consideration to the above Investment rationale, we value the stock at Rs. 1,739 (2.35x at FY18E Book Value of Rs. 638).

Recommendation parameters for fundamental reports:

Buy – Absolute return of 20% and above
Accumulate – Absolute return between 15% and above
Book profits: On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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d) **Group/Associates Position: No**
e) **Relationship with management: No**
f) **Any Compensation Received by our Company/Associate during the last 12 months: No**
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L&T Finance Holdings Ltd.

a) **Analyst holding: No**
b) **Company holding: No**
c) **Directors holding: No**
d) **Group/Associates Position: No**
e) **Relationship with management: No**
f) **Any Compensation Received by our Company/Associate during the last 12 months: No**
g) **Our Company/Associate have managed the public offering of securities for the subject Company in the past 12 months: No**

Shriram Transport Finance Ltd.

a) **Analyst holding: No**
b) **Company holding: No**
c) **Directors holding: No**
d) **Group/Associates Position: No**
e) **Relationship with management: No**
f) **Any Compensation Received by our Company/Associate during the last 12 months: No**
g) **Our Company/Associate have managed the public offering of securities for the subject Company in the past 12 months: No**

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