

Retail Equity Research

Symphony Limited

Household Durables

BSE CODE: 517385

NSE CODE: SYMPHONY

Bloomberg CODE: SYML:IN

SENSEX: 43,828

ACCUMULATE

12M Investment period

Rating as per Mid Cap

CMP Rs. 833

TARGET Rs. 946

RETURN 14% ↑

(Closing:25-11-20)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

Growth slowed, Long-term outlook intact

Symphony Limited, and its subsidiaries are engaged in manufacturing and trading of residential, commercial and industrial air coolers, both in the domestic and international markets. The Company operates through two segments: Air Coolers and Corporate Funds. It offers air coolers in various categories, such as residential air coolers, packaged air coolers and central air coolers.

- Revenue growth declined significantly by 29.8% YoY to Rs. 191cr in Q2FY21, with lockdown freezing most of the sales, during peak season.
- EBITDA fell 52.7% YoY to Rs. 35cr, as EBITDA margin expanded 8.9pps YoY to 18.3%, hit by higher raw material prices and freight costs.
- Bad summer and COVID impacted sales over last few quarters. However, with the onset of next summer season and pent-up demand should help revenue growth to return to pre-COVID levels from Q4FY21. Hence we reiterate our ACCUMULATE rating on the stock with target price of Rs. 946 based on 35x FY22E adj. EPS.

Domestic & GSK perform poorly, IMPCO & Climate Tech. de-grows

For Q2FY21, Symphony reported consolidated revenue of Rs. 191cr (-29.8% YoY) with lockdown freezing most of the sales during the summer season in India. Overall domestic business fell by 44.4% YoY resulting into revenue of Rs. 105cr. While rest of the world operations at Rs.86cr (3.6% YoY), contributed 45.0% to the total revenue. For IMPCO Mexico, one of the customers (which contributed 10-12% of last year's sales) has declared bankruptcy. Despite this, growth in Mexico comes to about 2-2.5% YoY. Climate Technologies (Australia) has seen 7-8% YoY growth in sales for H1FY21, though there was a hit on the profitability owing to higher input costs as it could not import some of the components and had to resort to local purchases. However, GSK China experienced significant de-growth this quarter.

Margins contracted due to rising input costs

Gross margin contracted 340 bps YoY to 44.0%, primarily due to increase in prices of raw materials (9pps YoY) like polymer and metal. EBITDA reached Rs. 35cr (-52.7% YoY) with margin contracting 8.9pps YoY to 18.3% further impacted by rising freight and labor costs. Resultantly Net Profit came in lower at Rs. 16cr (down 72.4% YoY vs Q2FY20). Whereas, Adjusted PAT (adjusted for the losses pertaining to the customer who declared bankruptcy) declined 60.3% YoY to Rs. 23cr.

Key concall highlights

- Company expects topline for Climate Technologies (Australia) to grow 30-40% by FY22, in comparison to the time of its acquisition.
- IMPCO Mexico, the company reduced fixed expenses by 24% YoY during Q2FY21.
- Commercial air coolers are driving demand due to drop in usage of air conditioner in commercial places, as air conditioners circulate same recycled air (increasing covid transmission threat).
- The Company managed to collect advances from their distributors and also enrolled 75% of their distributor reserve.

Valuation

Bad summer and COVID impacted sales over last few quarters. However, we expect pent-up demand to help return revenue growth Q4FY21 onwards, with the onset of next summer. Hence we reiterate our ACCUMULATE rating on the stock with target price of Rs. 946 based on 35x FY22E adj. EPS.

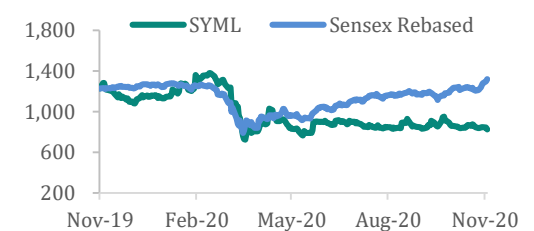
Company Data

Market Cap (cr)	Rs. 5,828
Enterprise Value (cr)	Rs. 5,975
Outstanding Shares (cr)	7.4
Free Float	25.0%
Dividend Yield	2.8%
52 week high	Rs. 1,407
52 week low	Rs. 690
6m average volume	3,633
Beta	0.7
Face value	Rs. 2

Shareholding %	Q4FY20	Q1FY21	Q2FY21
Promoters	75.0	75.0	75.0
FII's	5.3	4.9	4.4
MFs/Insti	10.2	10.1	10.6
Public	5.1	5.5	5.5
Others	4.5	4.5	4.5
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-2.1%	-0.5%	-35.8%
Absolute Sensex	13.5%	38.1%	8.1%
Relative Return*	-15.6%	-38.6%	-43.8%

*over or under performance to benchmark index



Consolidated (cr)	FY20A	FY21E	FY22E
Sales	1,103	913	1,160
Growth (%)	30.7	(17.2)	27.0
EBITDA	266	151	235
EBITDA Margin (%)	24.1	16.5	20.3
Adj. PAT	186	91	157
Growth (%)	60.2	(51.2)	73.3
Adj. EPS	26.6	13.0	22.5
Growth (%)	60.9	(51.2)	73.3
P/E	29.8	63.7	36.7
P/B	8.7	9.1	8.4
EV/EBITDA	21.5	39.5	25.2
ROE (%)	28.5	19.3	27.6
D/E	0.3	0.3	0.2

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q2FY21	Q2FY20	YoY Growth %	Q1FY21	QoQ Growth %	H1FY21	H1FY20	YoY Growth %
Revenue	191	272	(29.8)	154	24.0	345	564	(38.8)
EBITDA	35	74	(52.7)	3	1066.7	38	124	(69.4)
EBITDA margins	18.3	27.2	(888.1)	1.9	n.m.	11.0	22.0	(1097.1)
Depreciation	5	6	(16.7)	5	0.0	10	12	(16.7)
EBIT	30	68	(55.9)	(2)	n.m.	28	112	(75.0)
Interest	4	3	33.3	2	n.m.	6	6	0.0
Exceptional Items	(7)	0	n.m.	0	n.m.	(7)	0	n.m.
PBT	19	65	(70.8)	(4)	n.m.	15	106	(85.8)
Tax	4	7	(42.9)	(6)	n.m.	2	15	(113.3)
Minority Interest	(1)	0	n.m.	0	n.m.	(1)	0	n.m.
Reported PAT	16	58	(72.4)	2	n.m.	18	91	(80.2)
Adjustments	7	0	n.m.	0	n.m.	7	0	n.m.
Adj. PAT	23	58	(60.3)	2	n.m.	25	91	(72.5)
No. of shares	7.4	8.2	-	9.1	-	7.4	8.2	-
Adj. EPS (Rs.)	3.1	7.1	(56.1)	0.2	n.m.	3.4	11.1	(69.6)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	1,047	1,246	913	1,160	(12.8)	(6.9)
EBITDA	245	305	151	235	(38.2)	(22.9)
Margins (%)	23.4	24.4	16.5	20.3	(690bps)	(410bps)
Adj. PAT	165	214	91	157	(45.1)	(26.4)
Adj. EPS (Rs.)	23.6	30.5	13.0	22.5	(45.1)	(26.4)

PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	798	844	1,103	913	1,160
% change	3.9	5.7	30.7	(17.2)	27.0
EBITDA	328	171	266	151	235
% change	16.5	(47.9)	58.5	(40.7)	58.6
Depreciation	7	10	21	24	25
EBIT	321	161	245	127	210
Interest	2	7	11	8	10
Other Income	(54)	(24)	(4)	32	32
PBT	265	130	230	151	232
% change	13.3	(50.9)	76.8	(34.5)	53.8
Tax	72	39	48	28	43
Tax Rate (%)	27.3	30.0	20.9	18.5	18.5
Reported PAT	193	92	182	123	189
Adj*	-	24	4	(32)	(32)
Adj PAT	193	116	186	91	157
% change	16.3	(39.7)	60.2	(51.2)	73.3
No. of shares (cr)	7.0	7.0	7.0	7.0	7.0
Adj EPS (Rs.)	27.5	16.5	26.6	13.0	22.5
% change	16.3	(40.0)	60.9	(51.2)	73.3
DPS (Rs.)	4.5	4.5	23.0	18.0	20.0
CEPS (Rs.)	28.5	17.9	29.5	16.4	26.0

CASH FLOW

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	199	102	203	147	214
Non-cash adj.	(87)	18	(21)	(19)	9
Changes in W.C	(5)	20	(25)	2	(26)
C.F. Operation	107	139	157	130	197
Capital exp.	1	(9)	(17)	(7)	(8)
Change in inv.	(117)	(260)	76	(3)	(3)
Other invest.CF	13	19	19	11	11
C.F - Investment	(102)	(250)	78	0	(0)
Issue of equity	-	-	-	-	-
Issue/repay debt	6	162	(23)	(10)	(45)
Dividends paid	(28)	(31)	(171)	(126)	(140)
Other finance.CF	(7)	(13)	(46)	(8)	(10)
C.F - Finance	(29)	118	(240)	(145)	(195)
Chg. in cash	(25)	7	(5)	(14)	2
Closing cash	23	54	26	12	14

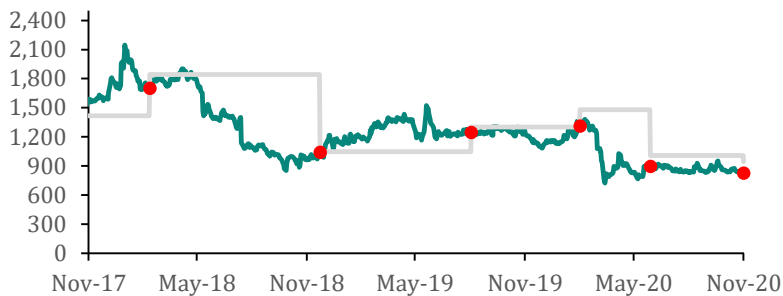
BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	23	54	26	12	14
Accounts Receivable	62	105	121	110	142
Inventories	80	119	118	115	141
Other Cur. Assets	333	336	361	364	367
Investments	172	186	113	119	125
Gross Fixed Assets	107	103	123	131	139
Net Fixed Assets	72	90	100	83	66
CWIP	-	6	2	2	2
Intangible Assets	10	148	218	218	218
Def. Tax (Net)	-	19	-	-	-
Other Assets	6	8	5	5	5
Total Assets	757	1,071	1,064	1,028	1,080
Current Liabilities	108	201	194	172	218
Provisions	2	7	9	10	11
Debt Funds	26	187	211	201	156
Other Liabilities	9	6	7	4	6
Equity Capital	14	14	14	14	14
Reserves & Surplus	598	652	625	622	671
Shareholder's Fund	612	666	639	636	685
Minority Interest	-	4	4	4	4
Total Liabilities	757	1,071	1,064	1,028	1,080
BVPS (Rs.)	87	95	91	91	98

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Profitab. & Return					
EBITDA margin (%)	41.0	20.2	24.1	16.5	20.3
EBIT margin (%)	40.2	19.1	22.2	13.9	18.1
Net profit mgn.(%)	24.1	10.9	16.5	13.4	16.3
ROE (%)	31.5	13.8	28.5	19.3	27.6
ROCE (%)	50.3	18.8	28.7	15.1	24.9
W.C & Liquidity					
Receivables (days)	28.1	45.4	40.0	43.8	44.7
Inventory (days)	75.4	95.9	73.9	82.1	80.3
Payables (days)	55.3	104.7	72.0	73.6	77.3
Current ratio (x)	3.7	2.3	2.1	2.1	2.0
Quick ratio (x)	2.5	1.6	1.5	1.5	1.4
Turnover & Leverage					
Gross asset T.O (x)	6.0	8.0	9.7	7.2	8.6
Total asset T.O (x)	1.2	0.9	1.0	0.9	1.1
Int. coverage ratio (x)	179.2	23.3	22.3	15.1	20.9
Adj. debt/equity (x)	0.0	0.3	0.3	0.3	0.2
Valuation					
EV/Sales (x)	15.6	11.6	5.2	6.5	5.1
EV/EBITDA (x)	38.1	57.5	21.5	39.5	25.2
P/E (x)	64.8	83.5	29.8	63.7	36.7
P/BV (x)	20.4	14.6	8.7	9.1	8.4

Recommendation Summary



Dates	Rating	Target
17-Aug-17	BUY	1,418
22-Feb-18	HOLD	1,844
4-Dec-18	HOLD	1,046
14-Aug-19	HOLD	1,303
12-Feb-20	ACCUMULATE	1,480
9-Jun-20	ACCUMULATE	1,006
25-Nov-20	ACCUMULATE	946

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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