

Retail Equity Research

Symphony Limited

Household Durables

BSE CODE: 517385

NSE CODE: SYMPHONY

Bloomberg CODE: SYML:IN

SENSEX: 33,957

ACCUMULATE

12M Investment period

Rating as per Mid Cap

CMP Rs. 898

TARGET Rs. 1,006

RETURN 12% 

(Closing: 10-06-20)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Growth slowed down in Q4; LT outlook intact

Established in 1988, Symphony is a leading manufacturer of air coolers in India. The company provides a wide range of air coolers for residential, commercial and industrial use.

- Revenue growth slowed down to 6% YoY to Rs. 249cr in Q4FY20, impacted by nation-wide lockdown since mid-March (lost sales of Rs. 20-25cr during Q4FY20 due to lockdown).
- EBITDA grew 60% YoY to Rs. 64cr, as EBITDA margin expanded 868bps YoY to 25.7% driven by lower raw material prices.
- We expects sales to recover from Q2FY21 onwards supported by new models of commercial and industrial coolers, once lockdown is lifted. We reiterate our ACCUMULATE rating on the stock with a target price of Rs. 1,006 based on 33x FY22E adj. EPS.

Nation-wide lockdown slows down pace of topline growth

In Q4FY20, Symphony reported revenue of Rs. 249cr, a rise of 6.0%YoY with its new product launches (6 commercial coolers, 2 industrial coolers, and 8 household coolers) during 2019 and product mix. On annual basis, the revenue grew to Rs. 1,103cr (+30.7% YoY). Domestic business grew to Rs. 136cr during the quarter (+13.3% YoY) despite the slowdown due to COVID-19. Rest of the World operations fell 1.7% YoY due to China business partially offset by its Mexico and Australia subsidiaries. GSK China's revenue declined to Rs. 42cr (-25% YoY) in FY20 due to US-China trade war and COVID-19. IMPCO's sales grew to Rs. 100cr (up 13.6% YoY) in FY20. Climate technologies, Australia, had a revenue of Rs. 278cr, which remained largely flat YoY on annualized basis. Demand for heaters for upcoming winter will boost growth in Australia over the next quarter.

Margin continues to expand on lower input costs

Q4FY20 EBITDA rose 60.0% YoY to Rs. 64cr, as EBITDA margin improved to 25.7% (+868bps YoY) driven by sales growth and reduction in raw material prices. The company reported other income of Rs. 21cr, ~2x YoY. It also recorded Rs. 4cr exceptional items due to equity investments and goodwill growth impaired on a consolidated basis from GSK China. The reported PAT rose to Rs. 40cr vs. Rs. 4cr in Q4FY19. After adjusting exceptional items, adj. PAT was up 83.3% YoY.

Key concall highlights

- The company is looking ways to reduce costs which includes advertising, travelling, and human resource.
- Commercial coolers are generating huge demand due to drop in usage of air conditioner in commercial places, as air conditioners circulate same recycled air.
- Company expects OEM to face production issues due to labor shortages and supply chains disruptions. However, these issues will recover gradually over time.
- In Q1FY21, company's financials were impacted by nation-wide lockdown. Company expects recovery from Q2FY21 onwards. Also, it did not witness much impact on its subsidiaries - Climate Technologies Australia and IMPCO Mexico.

Valuation

While near-term outlook remains challenging, we expect company's growth to recover by H2FY21 supported by launch of new models, product mix, focus on cost reduction, and increase in demand of coolers in commercial establishments. We reiterate our ACCUMULATE rating on the stock with a revised target price of Rs. 1,006 based on 33x FY22E adj. EPS.

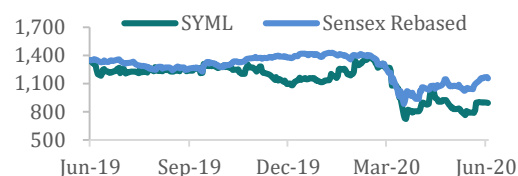
Company Data

Market Cap (cr)	Rs. 6,253
Enterprise Value (cr)	Rs. 6,412
Outstanding Shares (cr)	7.0
Free Float	25.0%
Dividend Yield	2.6%
52 week high	Rs. 1,407
52 week low	Rs. 690
6m average volume	4,890
Beta	0.7
Face value	Rs. 2

Shareholding %	Q2FY20	Q3FY20	Q4FY20
Promoters	75.0	75.0	75.0
FII's	6.5	6.4	5.3
MFs/Insti	9.1	9.2	10.2
Public	5.0	5.0	5.1
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	-29.7%	-18.8%	-33.8%
Absolute Sensex	-4.7%	-16.1%	-14.3%
Relative Return*	-25.0%	-2.7%	-19.5%

*over or under performance to benchmark index



Consolidated (cr)	FY20A	FY21E	FY22E
Sales	1,103	1,047	1,246
Growth (%)	30.7	(5.1)	19.0
EBITDA	266	245	305
EBITDA Margin (%)	24.1	23.4	24.4
Adj. PAT	186	165	214
Growth (%)	60.2	(11.0)	29.1
Adj. EPS	26.6	23.6	30.5
Growth (%)	60.9	(11.0)	29.1
P/E	29.8	37.8	29.3
P/B	8.7	9.2	8.3
EV/EBITDA	21.5	26.2	20.8
ROE (%)	28.5	24.4	28.4
D/E	0.3	0.3	0.2

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q4FY20	Q4FY19	YoY Growth %	Q3FY20	QoQ Growth %	FY20	FY19	YoY Growth %
Revenue	249	235	6.0	290	(14.1)	1,103	844	30.7
EBITDA	64	40	60.0	78	(17.9)	266	171	55.6
EBITDA margins	25.7	17.0	868bps	26.9	(119bps)	24.1	20.3	386bps
Depreciation	6	3	100.0	3	100.0	21	10	110.0
EBIT	58	37	56.8	75	(22.7)	245	161	52.2
Interest	3	3	0.0	2	50.0	11	7	59.2
Exceptional Items	(4)	(20)	(80.0)	-	-	(4)	(24)	(83.3)
PBT	51	14	264.3	73	(30.1)	230	130	76.8
Tax	11	11	0.0	22	(50.0)	48	39	23.1
Share of profit from Assoc.	-	-	-	-	-	-	-	-
Minority Interest	0	(1)	n.m.	-	-	0	(1)	n.m.
Reported PAT	40	4	900.0	51	(21.6)	182	92	97.6
Adjustments	4	20	(80.0)	-	-	4	24	(83.3)
Adjusted PAT	44	24	83.3	51	(13.7)	186	116	60.2
No. of shares	7.0	7.0	-	7.0	-	7.0	7.0	-
EPS (Rs.)	6.2	3.4	111.4	7.3	(15.3)	26.6	16.5	60.9

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	1,333	1,534	1,047	1,246	(21.4)	(18.8)
EBITDA	336	406	245	305	(27.2)	(25.0)
Margins (%)	25.2	26.5	23.4	24.4	(184bps)	(202bps)
Adj. PAT	241	296	165	214	(31.3)	(27.8)
EPS (Rs.)	34.5	42.3	23.6	30.5	(31.5)	(27.9)

PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	798	844	1,103	1,047	1,246
% change	3.9	5.7	30.7	(5.1)	19.0
EBITDA	328	171	266	245	305
% change	16.5	(47.9)	58.5	(4.0)	26.0
Depreciation	7	10	21	24	25
EBIT	321	161	245	221	279
Interest	2	7	11	12	10
Other Income	(54)	(24)	(4)	0	(0)
PBT	265	130	230	209	269
% change	13.3	(50.9)	76.8	(9.1)	28.8
Tax	72	39	48	44	56
Tax Rate (%)	27.3	30.0	20.9	20.9	20.9
Reported PAT	193	92	182	165	214
Adj*	-	24	4	-	-
Adj PAT	193	116	186	165	214
% change	16.3	(39.7)	60.2	(11.0)	29.1
No. of shares (cr)	7.0	7.0	7.0	7.0	7.0
Adj EPS (Rs.)	27.5	16.5	26.6	23.6	30.5
% change	16.3	(40.0)	60.9	(11.0)	29.1
DPS (Rs.)	4.5	4.5	23.0	18.0	20.0
CEPS (Rs.)	28.5	17.9	29.5	27.0	34.1

CASH FLOW

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	199	102	203	189	239
Non-cash adj.	(87)	18	(21)	(7)	6
Changes in W.C	(5)	20	(25)	(15)	(19)
C.F. Operation	107	139	157	168	225
Capital exp.	1	(9)	(17)	(8)	(9)
Change in inv.	(117)	(260)	76	(3)	(3)
Other invest.CF	13	19	19	11	11
C.F - Investment	(102)	(250)	78	(1)	(1)
Issue of equity	-	-	-	-	-
Issue/repay debt	6	162	(23)	(10)	(45)
Dividends paid	(28)	(31)	(171)	(126)	(140)
Other finance.CF	(7)	(13)	(46)	(12)	(10)
C.F - Finance	(29)	118	(240)	(148)	(195)
Chg. in cash	(25)	7	(5)	19	29
Closing cash	23	54	26	45	75

BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	23	54	26	45	75
Accounts Receivable	62	105	121	126	153
Inventories	80	119	118	127	146
Other Cur. Assets	333	336	361	364	367
Investments	172	186	113	119	125
Gross Fixed Assets	107	103	123	132	140
Net Fixed Assets	72	90	100	84	68
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	1,090	1,158
Current Liabilities	108	201	194	190	227
Provisions	2	7	9	10	11
Debt Funds	26	187	211	201	156
Other Liabilities	9	6	7	6	8
Equity Capital	14	14	14	14	14
Reserves & Surplus	598	652	625	664	738
Shareholder's Fund	612	666	639	678	752
Minority Interest	-	4	4	4	3
Total Liabilities	757	1,071	1,064	1,090	1,158
BVPS (Rs.)	87	95	91	97	107

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Profitab. & Return					
EBITDA margin (%)	41.0	20.2	24.1	23.4	24.4
EBIT margin (%)	40.2	19.1	22.2	21.1	22.4
Net profit mgn.(%)	24.1	10.9	16.5	15.8	17.1
ROE (%)	31.5	13.8	28.5	24.4	28.4
ROCE (%)	50.3	18.8	28.7	25.0	30.7
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	2.2	2.2
Quick ratio (x)	2.5	1.6	1.5	1.6	1.6
Turnover & Leverage					
Gross asset T.O (x)	6.0	8.0	9.7	8.2	9.2
Total asset T.O (x)	1.2	0.9	1.0	1.0	1.1
Int. coverage ratio (x)	179.2	23.3	22.3	19.0	27.8
Adj. debt/equity (x)	0.0	0.3	0.3	0.3	0.2
Valuation					
EV/Sales (x)	15.6	11.6	5.2	6.1	5.1
EV/EBITDA (x)	38.1	57.5	21.5	26.2	20.8
P/E (x)	64.8	83.5	29.8	37.8	29.3
P/BV (x)	20.4	14.6	8.7	9.2	8.3

Recommendation Summary



Dates	Rating	Target
17-Aug-2017	BUY	1,418
22-Feb-2018	HOLD	1,844
4-Dec-2018	HOLD	1,046
14-Aug-2019	HOLD	1,303
12-Feb-2020	ACCUMULATE	1,480
9-Jun-2020	ACCUMULATE	1,006

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. The stock may still be a quality stock.

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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