

Retail Equity Research

Symphony Limited

Household Durables

BSE CODE: 517385

NSE CODE: SYMPHONY

Bloomberg CODE: SYML:IN

SENSEX: 49,766

Accumulate

12 Months Investment period Rating as per Small Cap

CMP Rs. 1,181 TARGET Rs. 1,382 RETURN 17% ↑
(Closing: 29-04-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Record performance; Outlook intact

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

- Consolidated revenue rose 36.1% YoY to a record high in Q4FY21, on the back of growth seen across all markets. Domestic sales (~51.3% of total sales) grew 27.9% YoY, while international sales rose 46.0%.
- EBITDA margin expanded 85bps YoY to 26.5% owing to lower staff cost and other operating expenses during the quarter. Resultantly, Adj. PAT also grew 40.9% YoY to a record quarterly level.
- We expect performance to improve further backed by increased demand for its products and expansion in market share. Hence, we maintain our rating on the stock to Accumulate with a revised TP of Rs. 1,382 based on 44x FY23E adj. EPS.

Highest quarterly sales and PAT in Q4FY21

Consolidated revenue grew 36.1% YoY to highest ever level of Rs. 339cr in Q4FY21, primarily helped by robust summer sales and positive trade sentiments. Company witnessed strong growth in both domestic and overseas markets. Domestic sales (51.3% of total sales) grew 27.9% YoY to Rs. 174cr, while sales in rest of the world recorded a 46.0% YoY growth during the quarter with strong topline growth for its Australian subsidiary, Climate Technology. EBITDA went up 40.6% YoY to Rs. 90cr aided by product mix and lower operational costs, with EBITDA margin improving 85bps to 26.5%. Resultantly, adjusted PAT also registered strong growth of 40.9% YoY, reaching all-time high of Rs. 62cr in Q4FY21.

Key concall highlights

- During Q4FY21, inventory levels continued to be normalized at the channel partners, thus avoiding an overstocking situation. Management expects lockdown to ease by May providing potential recovery.
- Management declared a total dividend of Rs. 5/share in FY21 (consisting of Rs. 1/share interim dividend and Rs. 4/share final dividend).

Overseas growth momentum continues despite Covid-19 impact

Company's international operations continued to witness robust growth. Its Australian subsidiary, Climate Technologies' posted strong growth in revenue in Q4FY21, while profitability remained impacted owing to higher input, freight and labour costs. China (GSK) revenue also increased sequentially. Meanwhile, sales in its Mexico (IMPCO) operations remained impacted due to Covid-19 and rising costs. Going forward, management expects steady growth in overseas operations.

Valuation

Symphony's steady gains in market share and strong brand recognition in the domestic market should continue to support topline. The ongoing consolidation in the consumer durables appliances industry in terms of volumes from unorganized to the organized sector further benefits the company. With record quarter, normalization of inventory levels and rising collections, coupled with improving demand outlook for its products, we remain positive on the company's long-term performance and maintain our rating on the stock to Accumulate with a revised TP of Rs. 1,382 based on 44x FY23E adj. EPS.

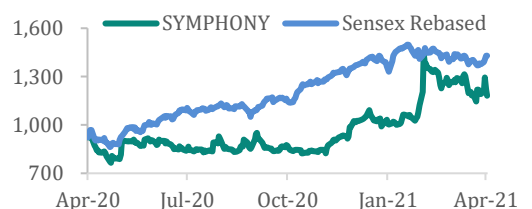
Company Data

Market Cap (cr)	Rs. 8,229
Enterprise Value (cr)	Rs. 8,289
Outstanding Shares (cr)	7.0
Free Float	25.0%
Dividend Yield	0.4%
52 week high	Rs. 1,530
52 week low	Rs. 763
6m average volume ('000)	8.9
Beta	0.6
Face value	Rs. 2

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	75.0	73.3	73.3
FII's	4.4	3.6	4.3
MFs/Insti	10.6	11.0	10.3
Public	5.5	7.6	7.4
Others	4.5	4.6	4.8
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	17.7%	37.8%	27.6%
Absolute Sensex	7.5%	25.2%	52.1%
Relative Return*	10.2%	12.6%	-24.5%

*over or under performance to benchmark index



Consolidated (cr)	FY21	FY22E	FY23E
Sales	900	1,157	1,331
Growth (%)	(18.4)	28.6	15.0
EBITDA	170	241	279
EBITDA Margin (%)	18.9	20.8	20.9
Adj. PAT	114	181	219
Growth (%)	(38.7)	59.2	20.6
Adj. EPS	16.4	26.0	31.4
Growth (%)	(38.5)	59.2	20.6
P/E	77.3	45.3	37.6
P/B	11.6	9.6	8.5
EV/EBITDA	52.9	34.4	29.4
ROE (%)	14.1	21.2	22.6
D/E	0.3	0.2	0.2

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	339	249	36.1	216	56.9	900	1103	(18.4)
EBITDA	90	64	40.6	42	114.3	170	266	(36.1)
EBITDA margins	26.5	25.7	85bps	19.4	710bps	18.9	24.1	523bps
Depreciation	5	6	(16.7)	6	(16.7)	21	21	0.0
EBIT	85	58	46.6	36	136.1	149	245	(39.2)
Interest	-3	-3	0.0	-2	(50.0)	-11	-11	0.0
Exceptional Items	0	-4	n.m.	0	n.m.	-7	-4	300.0
PBT	82	51	60.8	34	141.2	131	230	(43.0)
Tax	19	11	72.7	7	171.4	24	48	(50.0)
Sh. of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	1	0	n.m.	0	n.m.	0	0	n.m.
Reported PAT	62	40	55.0	27	129.6	107	182	(41.2)
Adjustments	0	4	n.m.	0	n.m.	7	4	300.0
Adj. PAT	62	44	40.9	27	129.6	114	186	(38.7)
No. of shares	7.0	7.1	(1.5)	6.9	0.9	7.0	7.0	(2.5)
Adj. EPS (Rs.)	9.0	6.2	43.1	3.9	127.5	16.4	26.6	(38.5)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	1,141	1,312	1,157	1,331	1.4	1.4
EBITDA	234	264	241	279	2.8	5.5
Margins (%)	20.5	20.1	20.8	20.9	30bps	80bps
Adj. PAT	163	193	181	219	11.1	13.6
Adj. EPS	23.4	27.5	26.0	31.4	11.5	14.0

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21	FY22E	FY23E
Revenue	844	1,103	900	1,157	1,331
% change	5.7	30.7	(18.4)	28.6	15.0
EBITDA	171	266	170	241	279
% change	(47.9)	58.5	(33.3)	41.6	16.3
Depreciation	10	21	21	22	19
EBIT	161	245	149	219	259
Interest	7	11	11	11	9
Other Income	(24)	(4)	(7)	0	0
PBT	130	230	131	208	251
% change	(50.9)	76.8	(43.0)	58.6	20.6
Tax	39	48	24	27	32
Tax Rate (%)	30.0	20.9	18.3	12.8	12.8
Reported PAT	92	182	107	181	219
Adj*	24	4	7	-	-
Adj PAT	116	186	114	181	219
% change	(39.7)	60.2	(38.7)	59.2	20.6
No. of shares (cr)	7.0	7.0	7.0	7.0	7.0
Adj EPS (Rs.)	16.6	26.6	16.4	26.0	31.4
% change	(39.7)	60.2	(38.5)	59.2	20.6
DPS (Rs.)	4.5	23.0	5.0	12.0	15.0
CEPS (Rs.)	18.0	29.6	19.4	29.2	34.2

CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21	FY22E	FY23E
Net inc. + Depn.	102	203	128	204	238
Non-cash adj.	18	(21)	(3)	15	2
Changes in W.C	20	(25)	(36)	3	(40)
C.F. Operation	139	157	89	221	200
Capital exp.	(9)	(17)	(15)	(8)	(12)
Change in inv.	(260)	76	(47)	(3)	(3)
Other invest.CF	19	19	9	9	10
C.F - Investment	(250)	78	(53)	(2)	(5)
Issue of equity	-	-	-	-	-
Issue/repay debt	162	(23)	(3)	(45)	(10)
Dividends paid	(31)	(171)	(8)	(84)	(105)
Other finance.CF	(13)	(46)	(11)	(11)	(9)
C.F - Finance	118	(240)	(22)	(140)	(124)
Chg. in cash	7	(5)	14	80	71
Closing cash	54	26	39	119	189

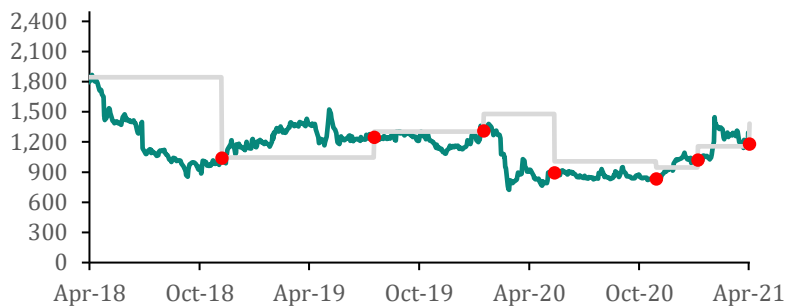
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21	FY22E	FY23E
Cash	54	26	39	119	189
Accounts Receivable	105	121	166	145	180
Inventories	119	118	119	143	164
Other Cur. Assets	336	361	369	377	385
Investments	186	113	159	170	184
Gross Fixed Assets	103	123	142	150	162
Net Fixed Assets	90	100	104	90	83
CWIP	6	2	2	2	2
Intangible Assets	148	218	248	239	231
Def. Tax (Net)	19	-	9	10	12
Other Assets	8	5	5	5	6
Total Assets	1,071	1,064	1,220	1,300	1,436
Current Liabilities	201	194	221	248	277
Provisions	7	9	10	11	12
Debt Funds	187	211	219	174	164
Other Liabilities	6	7	6	7	8
Equity Capital	14	14	14	14	14
Reserves & Surplus	652	625	745	843	957
Shareholder's Fund	666	639	759	857	971
Minority Interest	4	4	5	5	4
Total Liabilities	1,071	1,064	1,220	1,300	1,436
BVPS (Rs.)	95	91	109	123	139

RATIOS

Y.E March	FY19A	FY20A	FY21	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	20.2	24.1	18.9	20.8	20.9
EBIT margin (%)	19.1	22.2	16.6	18.9	19.5
Net profit mgn.(%)	10.9	16.5	11.9	15.7	16.5
ROE (%)	13.8	28.5	14.1	21.2	22.6
ROCE (%)	18.8	28.7	15.2	21.1	22.8
W.C & Liquidity					
Receivables (days)	45.4	40.0	67.3	45.6	49.3
Inventory (days)	95.9	73.9	87.4	82.5	82.9
Payables (days)	104.7	72.0	95.5	78.1	76.3
Current ratio (x)	2.3	2.1	2.5	2.6	2.8
Quick ratio (x)	1.6	1.5	1.9	2.0	2.1
Turnover & Leverage					
Gross asset T.O (x)	8.0	9.7	6.8	7.9	8.5
Total asset T.O (x)	0.9	1.0	0.8	0.9	1.0
Int. coverage ratio (x)	23.3	22.3	13.5	20.0	29.8
Adj. debt/equity (x)	0.3	0.3	0.3	0.2	0.2
Valuation					
EV/Sales (x)	11.6	5.2	10.0	7.2	6.2
EV/EBITDA (x)	57.2	21.5	52.9	34.4	29.4
P/E (x)	83.0	29.8	77.3	45.3	37.6
P/BV (x)	14.5	8.7	11.6	9.6	8.5

Recommendation Summary



Dates	Rating	Target
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
2-Feb-21	ACCUMULATE	1,157
30-Apr-21	ACCUMULATE	1,382

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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