

# Symphony

## Domestic in line; RoW improving

Symphony's domestic revenue was in line (33% down YoY), while exports were down by 79% due to delays in shipment (bunch-up expected in 4Q). Thereby, 3QFY21 was below our estimates (down 40% YoY). Trade inventory is at a normal level (marginally lower) compared to last year. As a result, domestic revenue is expected to revive from 4Q onwards (new launches closer to the season). Trade sentiment is healthy and pent-up demand is also possible in the upcoming season (similar to other appliance categories). The Rest of the World (RoW) put up a weak show due to continued impact of COVID-19. CT delivered 1% growth in 9MFY21 while margin was impacted by supply constraints leading to high raw material cost. IMPCO and GSK are on the road to recovery, while gross margin was healthy. We have recently upgraded Symphony to ADD on the expectation of strong domestic recovery in the upcoming season and operational improvement for subsidiaries. We maintain EPS estimates for FY22/FY23. We value Symphony at 35x P/E on Mar-23E EPS and derive a TP of Rs 1,115. Maintain ADD.

- Exports drag revenue:** Standalone revenue declined by 40% YoY (+30% in 3QFY20 and -43% in 2QFY21), vs estimated decline of 25% YoY. The miss was primarily on account of exports. Domestic revenue declined 34% YoY (in-line) while exports saw a 79% YoY decline (HSIE +10%). High trade inventory kept domestic revenue weak. The company is taking several initiatives to revive domestic revenue, the result of which is expected to be visible in the upcoming season. RoW was down 13% YoY as the impact of COVID-19 was visible across markets. CT clocked 1% YoY growth in 9MFY21 while IMPCO and GSK continued to recover.
- A miss in margins:** Standalone GM remained flat YoY at 49.2% (+22bps in 3QFY20 and +103bps in 2QFY21) vs expectation of 122bps YoY expansion. Employee/ASP/Other expenses declined by 7/67/33% YoY. EBITDA margin contracted by 414bps YoY to 28.2% (+218bps in 3QFY20 and -539bps in 2QFY21), missing expectation of 199bps YoY dip. Standalone EBITDA declined by 48% YoY (HSIE -30%). PBT declined by 43% YoY while PAT declined by 40% YoY. RoW posted EBIT loss of Rs 70mn vs profit of Rs 90mn last year. Subsidiary margins continued to remain impacted. However, the company expects margins to improve from 4QFY21 onwards.
- Call takeaways:** (1) Channel inventory in India is higher since September but in line YoY; (2) consolidated inventory with the company was Rs 950mn while standalone inventory was Rs 350mn; (3) trade collection in Dec-20 was higher than Dec-19; (4) standalone sales in FY22 are expected to at least recover to FY20 level; (5) the company expects market share gains in the upcoming season due to supply chain constraints for other players.

### Quarterly/Annual Financial summary

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	1,240	2,070	(40.1)	1,120	10.7	11,030	8,254	11,250	12,522
EBITDA	350	670	(47.8)	290	20.7	2,120	1,432	2,451	2,768
APAT	350	580	(39.7)	270	29.6	1,820	1,107	1,883	2,232
Diluted EPS (Rs)	5.0	8.3	(39.7)	3.9	29.6	26.0	15.8	26.9	31.9
P/E (x)						38.1	62.6	36.8	31.1
EV / EBITDA (x)						31.5	46.5	27.0	23.6
RoCE (%)						42.2	23.5	43.0	49.3

Source: Company, HSIE Research \* Quarter numbers are standalone

## ADD

CMP (as on 22 Jan 2021)	Rs 990
Target Price	Rs 1,115
NIFTY	14,372

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 1,115	Rs 1,115
EPS %	FY22E 0%	FY23E 0%

### KEY STOCK DATA

Bloomberg code	SYML IN
No. of Shares (mn)	70
MCap (Rs bn) / (\$ mn)	69/950
6m avg traded value (Rs mn)	77
52 Week high / low	Rs 1,405/690

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.8	15.3	(16.4)
Relative (%)	(5.7)	(13.8)	(35.2)

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	75.00	73.25
FIs & Local MFs	10.62	10.98
FPIs	4.40	3.55
Public & Others	9.98	12.22
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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