

## Strong performance amid challenging conditions...

Symphony's Q4 performance witnessed a sharp business recovery on the domestic as well as international front. Consolidated revenues were up 36% YoY (~57% QoQ) to ₹ 339 crore led by 38% and 35% YoY growth in revenue of domestic and international business, respectively. Improvement in business sentiments and a sharp rise in export revenues helped drive standalone business. The export revenue of the domestic business almost doubled to ₹ 38 crore YoY in Q4FY21. On the international front, Climate Technologies (CT) reported a strong performance in Q4FY21 led by revenue growth of 84% YoY. The Australian subsidiary, CT, has outsourced ~₹ 21 crore worth of air coolers from Symphony India for its major clients in the US as it has shifted its sourcing from China to India. The company believes further improvement in the performance of CT on ease of supply concerns. On the margin front, the consolidated Q4FY21 EBITDA margin increased 751 bps YoY (950 bps QoQ) to ~ 25% supported by turnaround of Australian business and higher operating leverage of domestic business. PAT came in at ₹ 63 crore, up 58% YoY, mainly tracking strong sales and EBITDA margin during Q4FY21.

### Sporadic lockdowns may delay domestic recovery

We believe extended lockdowns to curb the second wave of Covid-19 can impact peak season sales, thereby impacting domestic revenue in FY22E. However, on a consolidated basis, streamlining of supplies and improved demand conditions in overseas markets would partially negate the impact. Hence, we see a limited impact on consolidated revenues for FY22E. We model revenue CAGR of 11% in FY20-23E supported by ~10% and ~12% revenue CAGR of standalone and subsidiaries business, respectively.

### Overseas business to support future sales growth

The overseas business contribution to sales has increased significantly from 38% in FY18 to 46% in FY21 led by strong performance of Australian subsidiary CT. Despite supply related concerns, a strong sales recovery in Q4FY21 led to 21% annual sales growth for CT in FY21. We believe ease in supply concerns along with increased export to United States would further propel sales growth of CT. We build in overall subsidiary sales to grow at a CAGR of 12% FY20-23E led by a strong 21% revenue CAGR for CT.

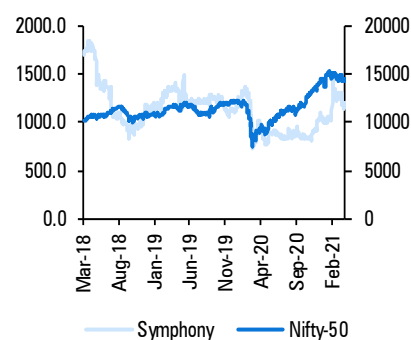
### Valuation & Outlook

While we continue to like Symphony for its market leadership position in air cooler industry & asset light working model, the extended lockdowns in peak season would delay future sales recovery of domestic business. We maintain our **HOLD** rating on the stock with a revised target price of ₹ 1345 (valuing 34x FY23E EPS, earlier TP ₹ 1090/share) while we continue to monitor the impact of lockdown on domestic demand growth.



Particulars	Amount
Market Cap (₹ Crore)	8,520.8
Total Debt (FY21) (₹ Crore)	184.0
Cash&Inv (FY21) (₹ Crore)	364.0
EV (₹ Crore)	8,341
52 week H/L (₹)	1530 / 763
Equity capital (₹ Crore)	14.0
Face value (₹)	2.0

#### Price Chart



#### Key risk to our call

- Delay in recovery of domestic business due to extended lockdown
- Better than expected sales growth in the domestic and overseas markets (we estimate sales CAGR of 11% in FY20-23E) and higher EBITDA margin

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#### Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	FY22E	FY23E	(CAGR20-23E)
Net Sales	844.0	1103.0	900.0	1187.3	1493.7	10.6
EBITDA	132.0	212.0	139.0	252.0	348.0	18.0
EBITDA Margin (%)	15.6	19.2	15.4	21.2	23.3	
PAT	91.0	182.0	107.0	199.1	276.7	15.0
EPS (₹)	13.0	26.0	15.3	28.5	39.5	
P/E(x)	93.6	46.8	79.6	42.8	30.8	
Price/Book value (x)	12.8	13.3	11.2	11.5	10.0	
Mcap/sales (x)	10.1	7.7	9.5	7.2	5.7	
RoE (%)	16.2	29.0	14.9	26.8	32.5	
RoCE (%)	18.7	28.8	15.2	28.2	34.9	

Source: Company, ICICI Direct Research

**Exhibit 1: Variance Analysis**

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	339.0	249.0	36.1	216.0	56.9	Strong demand across geographies, new launches and higher exports helped drive consolidated topline growth for the company
Other Income	6.0	21.0	-71.4	9.0	-33.3	
Raw Material Exp	176.0	130.0	35.4	120.0	46.7	Consolidated gross margin remain flat on a YoY basis, as gross margin decline in domestic business (down by 700 bps YoY) was completely off set by turnaround of overseas business
Employee Exp	24.0	29.0	-17.2	27.0	-11.1	
Selling & Dis. Exp	14.0	8.0	75.0	1.0	1,300.0	
Other Exp	41.0	39.0	5.1	35.0	17.1	
EBITDA	84.0	43.0	95.3	33.0	154.5	
EBITDA Margin (%)	24.8%	17.3%	751 bps	15.3%	950 bps	Higher operating leverage helped drive overall EBITDA margin in Q4FY21
Depreciation	5.0	6.0	-16.7	6.0	-16.7	
Interest	3.0	3.0	0.0	2.0	50.0	
PBT	82.0	51.0	60.8	34.0	141.2	
Total Tax	19.0	11.0	72.7	7.0	171.4	
PAT	63.0	40.0	57.5	27.0	133.3	Bottomline growth is largely tracking strong sales and EBITDA margin

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

₹ crore)	FY22E			FY23E			Comments
	Old	New	% Chg	Old	New	% Chg	
Revenue	1188.0	1187.3	(0.1)	1456.9	1493.7	2.5	We slightly tweak our revenue estimate for FY22E-23E considering sporadic lockdowns in the domestic markets
EBITDA	253.1	252.0	(0.4)	339.5	348.0	2.5	
EBITDA Margin %	21.3	21.2	-8bps	23.3	23.3	0bps	Build in margin recovery from FY22E onwards
PAT	208.3	199.1	(4.4)	279.8	276.7	(1.1)	
EPS (₹)	29.8	28.5	(4.4)	40.0	39.5	(1.1)	

Source: Company, ICICI Direct Research

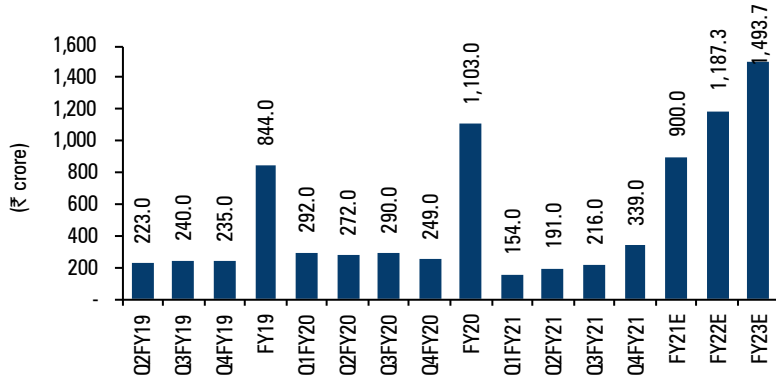
**Exhibit 3: Assumptions**

	Current			Earlier			Comments
	FY20	FY21E	FY22E	FY23E	FY22E	FY23E	
Volume Growth (%)	32.7	-9.3	28.8	21.5	39.0	19.7	We model volume CAGR of ~12% in FY20-23E
Realisation Growth (%)	-1.4	-10.1	3.2	3.4	3.0	2.5	

Source: Company, ICICI Direct Research

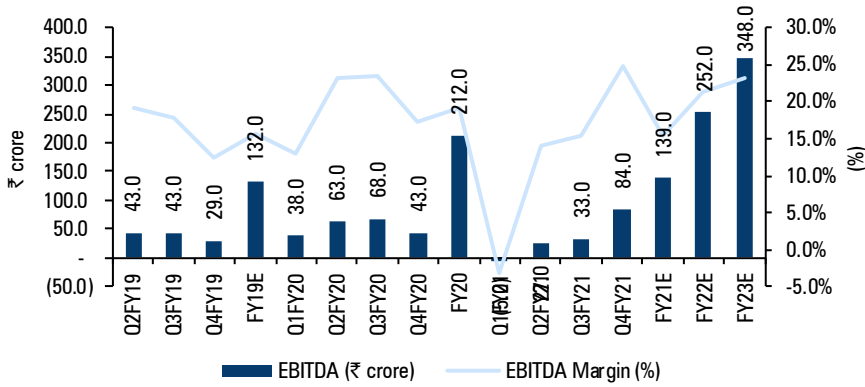
### Financial story in charts

Exhibit 4: Consolidated sales performance



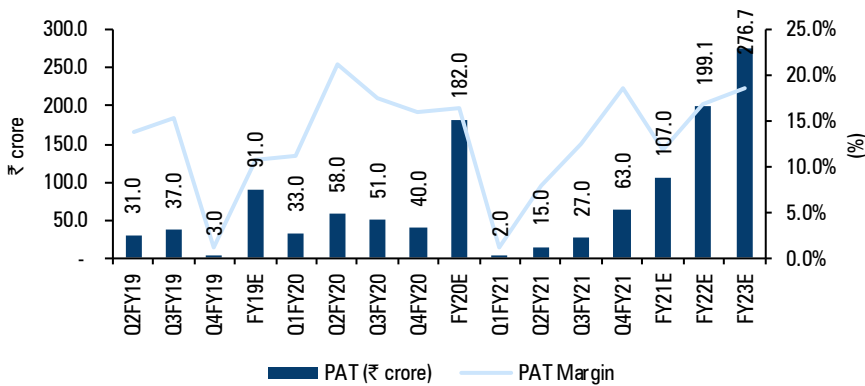
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 6: PAT trend



Source: Company, ICICI Direct Research

## Key takeaways from conference call

- Delay in passing on of sharp increase in input costs (raw material cost, logistics cost) has resulted in lower gross margin in Q4FY21 for standalone business. However, the company would pass on inflationary pressure in coming quarters and thereby aims to maintain annual gross margin
- The company has launched ~30+ new model in last two years
- Total ~₹ 21 crore worth of air coolers are exported to Climate Technologies clients in the US (Home Depots)
- Symphony India and CT Australia together exported air coolers worth ~ ₹ 95 crore to the US in FY21
- The good amount of business of CT will be sourced from India
- The company has started FY22 on a strong note but sporadic lockdowns have hit last week sales in April
- The domestic air cooler industry size is about 8 mn units in terms of volume and ~₹ 4000 crore in terms of value. The industry is dominated by unorganised industry while value market share of organised market share is mere 25%. Symphony commands ~50% market share in the organised category
- In the last eight years, the unorganised market share declined from 90% to 75% as organised segment grew faster than unorganised pie
- E-commerce sales in Q4FY21 was higher by 100%
- For Q4FY21, CT Australia reported revenue of ₹ 122 crore, up 84% YoY, and PAT came in at ₹ 16 crore vs. loss of ₹ 3 crore in Q4FY20. For FY21, the company reported revenue of ₹ 336 crore, up 21% YoY and reported PAT of ₹ 1 crore against ₹ 6 crore in FY20
- For Q4FY21, Impco Mexico reported ~22% YoY drop in sales to ₹ 25 crore while PAT remained flat at ₹ 3 crore on a YoY basis. For FY21, revenue declined 25% YoY to ₹ 74 crore while PAT came in at ₹ 2 crore down from ₹ 3 crore reported in FY20
- For Q4FY21, GSK China sales doubled to ₹ 10 crore YoY while losses reduced to ₹ 3 crore from ₹ 4 crore reported in Q4FY20. For FY21 sales declined 7% YoY to ₹ 39 crore while losses increased from ₹ 8 crore in FY20 to ₹ 9 crore in FY21

## Financial summary

Exhibit 7: Profit and loss statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Net Sales	1103.0	900.0	1187.3	1493.7	
Growth (%)		-18.4	31.9	25.8	
Expenditure					
Increase / Decrease in stock	0.0	0.0	0.0	0.0	
Raw Material Expenses	583.0	497.0	629.3	769.3	
Marketing Expenses	45.0	25.0	33.0	59.7	
Administrative Expenses	150.0	136.0	154.4	179.2	
Employee Expenses	113.0	103.0	118.7	137.4	
Total Operating Expenditure	891.0	761.0	935.4	1145.7	
EBITDA	212.0	139.0	252.0	348.0	
Growth (%)		-34.4	81.3	38.1	
Other Income	54.0	31.0	35.7	41.0	
Interest	11.0	11.0	11.8	10.4	
PBDT	255.0	159.0	275.8	378.6	
Depreciation	21.0	21.0	23.7	28.4	
PBT before Exceptional Items	234.0	138.0	252.0	350.2	
Less: Exceptional Items	-	-	-	-	
PBT	230.0	131.0	252.0	350.2	
Total Tax	48.0	24.0	52.9	73.5	
PAT	182.0	107.0	199.1	276.7	

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Equity Capital	14.0	14.0	14.0	14.0	
Reserve and Surplus	625.0	745.0	729.9	838.2	
Total Shareholders funds	639.0	759.0	743.8	852.2	
Deferred Tax Liability	7.0	6.0	6.0	6.0	
Total Debt	174.0	184.0	154.0	144.0	
<b>Total Liabilities</b>	<b>852.0</b>	<b>980.0</b>	<b>934.8</b>	<b>1033.2</b>	
Assets					
Total Gross Block	322.7	353.7	366.7	376.7	
Less Total Accumulated Depreciation	140.7	161.7	185.4	213.8	
Net Block	182.0	192.0	181.3	162.9	
Goodwill on Consolidation	136.0	161.0	161.0	161.0	
Other Investments	114.0	160.0	180.0	200.0	
Liquid Investments	299.0	325.0	305.0	285.0	
Inventory	118.0	119.0	162.6	221.0	
Debtors	121.0	166.0	146.4	184.2	
Other Current Assets	61.0	43.0	65.7	82.6	
Cash	26.0	39.0	31.5	91.7	
Total Current Assets	326.0	367.0	406.2	579.5	
Creditors	115.0	130.0	195.2	225.1	
Provisions	21.0	21.0	35.6	41.1	
Other current liabilities	76.0	89.0	81.8	102.9	
Total Current Liabilities	212.0	240.0	312.6	369.1	
Net Current Assets	114.0	127.0	93.6	210.4	
<b>Total Asset</b>	<b>852.0</b>	<b>980.0</b>	<b>934.8</b>	<b>1033.2</b>	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Profit after Tax	182.0	107.0	199.1	276.7	
Depreciation	21.0	21.0	23.7	28.4	
Cash Flow before working capital cha	214.0	139.0	234.7	315.5	
Net Increase in Current Assets	-14.0	-28.0	-46.7	-113.0	
Net Increase in Current Liabilities	4.0	28.0	72.6	56.5	
<b>Net cash flow from operating act.</b>	<b>204.0</b>	<b>139.0</b>	<b>260.6</b>	<b>258.9</b>	
(Increase)/Decrease in Other Investments	73.0	-46.0	-20.0	-20.0	
(Purchase)/Sale of Liquid Investments	-27.0	-26.0	20.0	20.0	
(Purchase)/Sale of Fixed Assets	-104.0	-30.0	-12.0	-10.0	
<b>Net Cash flow from Investing act.</b>	<b>1.0</b>	<b>-138.0</b>	<b>-12.0</b>	<b>-10.0</b>	
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	-13.0	10.0	-30.0	-10.0	
Total Outflow on account of dividend	-196.2	-42.1	-168.3	-168.3	
<b>Net Cash flow from Financing act.</b>	<b>-233.0</b>	<b>12.0</b>	<b>-256.1</b>	<b>-188.7</b>	
Net Cash flow	-28.0	13.0	-7.5	60.2	
Cash and Cash Equivalent at the beginning	54.0	26.0	39.0	31.5	
<b>Cash</b>	<b>26.0</b>	<b>39.0</b>	<b>31.5</b>	<b>91.7</b>	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
<b>Per Share Data</b>					
EPS	26.0	15.3	28.5	39.5	
Cash EPS	29.0	18.3	31.9	43.6	
BV	91.3	108.5	106.3	121.8	
DPS	28.0	6.0	24.1	24.1	
<b>Operating Ratios</b>					
EBITDA Margin	19.2	15.4	21.2	23.3	
PAT Margin	16.8	12.5	16.8	18.5	
<b>Return Ratios</b>					
RoE	29.0	14.9	26.8	32.5	
RoCE	28.8	15.2	28.2	34.9	
RoIC	41.5	22.3	45.2	54.7	
<b>Valuation Ratios</b>					
EV / EBITDA	39.5	60.0	33.1	23.8	
P/E	46.8	79.6	42.8	30.8	
EV / Net Sales	7.6	9.3	7.0	5.5	
Div Yield (%)	2.3	0.5	2.0	2.0	
Market Cap / Sales	7.7	9.5	7.2	5.7	
Price to Book Value	13.3	11.2	11.5	10.0	
<b>Turnover Ratios</b>					
Asset turnover	1.3	0.9	1.3	1.4	
Debtor Days	3.4	2.5	3.2	4.0	
Creditor Days	38.1	52.7	60.0	55.0	
Inventory Days	39.0	48.3	50.0	54.0	
<b>Solvency Ratios</b>					
Current Ratio	2.2	2.2	1.6	1.8	
Quick Ratio	1.3	1.4	0.9	1.0	

Source: Company, ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Consumer Discretionary)

Sector / Company	CMP			M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)			
	(₹)	TP(₹)	Rating	(₹ Cr)	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Asian Paints (ASIPAI)	2,614	3,010	Hold	2,50,683	32.8	39.9	46.3	79.6	65.5	56.5	52.7	43.8	37.5	26.7	28.6	28.5	31.1	33.4	34.0			
Astral Polytechnik (ASTPOL)	1,658	1,670	Hold	24,980	22.2	30.4	37.1	74.6	54.5	44.7	54.8	42.8	35.7	23.9	28.1	29.3	18.3	21.8	22.5			
Amber Enterprises (AMBEN)	3,205	3,015	Buy	10,079	29.8	68.2	97.6	107.4	47.0	32.9	35.9	18.7	14.0	8.4	15.3	18.7	6.5	13.0	15.8			
Bajaj Electricals (BAJELE)	1,144	1,075	Buy	13,006	18.9	25.4	35.2	NM	36.3	26.1	31.0	25.0	18.2	17.6	21.4	24.8	13.5	17.3	19.9			
Berger Paints (BERPAI)	718	810	Hold	69,732	7.6	9.7	12.4	94.4	73.8	58.1	63.9	52.3	42.5	26.1	30.0	35.1	23.4	26.0	29.0			
Crompton Greaves(CROGR)	400	480	Buy	25,080	7.9	9.5	12.0	50.3	42.0	33.2	37.6	31.9	25.8	31.1	34.8	41.1	27.4	28.4	32.1			
Dixon Technologies (DIXTEC)	4,172	4,270	Buy	21,200	29.6	62.8	93.9	122.4	57.7	38.6	95.1	70.2	38.1	26.3	40.1	43.9	25.4	37.6	38.6			
EPL (ESSPRO)	226	250	Hold	7,130	7.8	8.9	10.8	28.8	25.4	21.0	11.6	10.8	9.2	18.3	19.0	21.3	15.6	15.6	17.0			
Havells India (HAVIND)	1,019	1,255	Hold	63,575	16.1	17.8	22.9	63.4	57.3	44.4	45.8	41.2	32.5	23.7	25.5	30.8	20.6	21.2	25.7			
Kansai Nerolac (KANNER)	564	675	Buy	30,395	9.7	12.7	15.0	57.9	44.4	37.7	37.9	30.4	25.9	17.9	20.7	21.6	13.7	15.9	16.6			
Pidilite Industries (PIDIND)	1,882	1,920	Buy	95,568	22.1	28.2	32.9	85.0	66.8	57.2	50.0	39.9	34.7	28.4	31.5	32.4	22.8	25.3	25.9			
Polycab India (POLI)	1,561	1,385	Buy	23,240	57.9	67.2	79.7	27.0	23.2	19.6	15.3	11.9	9.8	21.2	24.4	26.2	18.1	19.0	20.1			
Supreme Indus (SUPIND)	2,048	2,010	Buy	26,015	62.2	50.0	58.0	32.9	41.0	35.3	19.5	21.4	18.6	27.3	21.7	23.2	28.4	20.4	20.9			
Symphony (SYMLIM)	1,218	1,345	Hold	8,521	15.3	28.5	39.5	79.6	42.8	30.8	60.0	33.1	23.8	15.2	28.2	34.9	14.9	26.8	32.5			
Time Techno (TIMTEC)	78	75	Buy	1,764	4.4	9.6	-	17.7	8.1		5.7	3.8		8.4	13.7		5.5	11.2				
V-Guard Ind (VGUARD)	227	265	Buy	9,722	4.2	6.1	7.1	53.6	37.3	32.0	34.8	26.2	22.4	23.6	27.9	29.0	16.8	21.1	21.9			
Voltas Ltd (VOLTAS)	962	1,260	Buy	31,817	15.7	25.8	32.1	61.2	37.2	30.0	58.5	35.6	28.4	16.3	22.6	24.2	11.4	16.8	17.9			

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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