

Symphony

Trade inventory to impact FY21

Symphony's 1QFY21 performance was weak but broadly in line with estimates. Domestic revenue saw a 77% YoY decline owing to COVID-led lockdown and high channel inventory (selling in non-seasonal quarters). Domestic EBIT was zero (loss excluding other income) due to negative oplev. Rest of the world (RoW) fared better, as subsidiaries saw the lower impact from lockdowns. However, CT (Australia) and China posted losses. With heavy channel inventory in the domestic business (40% of last year), we expect a weaker show in the coming quarters too. We cut our EPS estimates by 9/3/3% for FY21/FY22/FY23. We value Symphony at 30x P/E on Jun-22E EPS and derive a target price of Rs 810. Maintain REDUCE.

- **Weak but in-line revenue:** Standalone revenue declined 75% YoY (+103% in 1QFY20 and +12% in 4QFY20), in line with our expectation. Domestic/Exports fell 77/50% YoY. RoW revenue declined by 17% YoY as subsidiaries saw a lower impact from lockdown. IMPCO was relatively unaffected up to May, after which revenue fell sharply. CT saw healthy demand for heaters and strong traction in the US. GSK China saw a marginal decline. While we remain confident about the long-term growth potential of branded air coolers in India and overseas, along with Symphony's ability to gain market share, near term pressure will continue.
- **A loss at EBITDA:** Standalone gross margin dipped by 500bps YoY to 45% (-443bps in 1QFY20 and +729bps in 4QFY20) due to a high salience of spares sales, which have lower margins. Gross margin for air coolers was >50%, in line with 1QFY20. Employee expenses remained flat while ASP/other expenses declined by 79/53% YoY. Symphony recorded a loss in standalone EBITDA of Rs 80mn (HSIE Rs 27mn loss). RoW saw an EBIT loss of Rs 20mn due to high input cost, increased labour cost, and increased freight.
- **Call takeaways:** (1) Channel inventory in India is at 40% of FY20 sales (similar to FY19); (2) inventory with Symphony stands at Rs 340mn; (3) gross margin for air coolers in FY21 is expected to remain stable YoY; (4) the US market is expected to grow to 50% of CT in 3-4 years (currently 15%); and (5) the company intends to maintain a dividend payout of 50%.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	1Q		YoY (%)	4Q		QoQ (%)	FY20	FY21E	FY22E	FY23E
	FY21	FY20		FY20	FY20					
Net Sales	400	1,600	(75.0)	1,540	(74.0)	11,030	8,189	10,415	11,613	
EBITDA	(80)	240	(133.3)	490	(116.3)	2,120	1,425	2,124	2,435	
APAT	10	260	(96.2)	464	(97.8)	1,820	1,209	1,788	2,145	
Diluted EPS (Rs)	0.1	3.7	(96.2)	6.6	(97.8)	26.0	17.3	25.5	30.6	
P/E (x)						32.6	49.1	33.2	27.7	
EV / EBITDA (x)						26.8	39.7	26.4	22.8	
RoCE (%)						42.2	23.3	37.2	44.2	

Change in Estimates

	FY21E			FY22E			FY23E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Sales	8,690	8,189	(5.8)	10,615	10,415	(1.9)	11,786	11,613	(1.5)
EBITDA	1,566	1,425	(9.0)	2,198	2,124	(3.3)	2,500	2,435	(2.6)
APAT	1,327	1,209	(8.9)	1,843	1,788	(3.0)	2,202	2,145	(2.6)
EPS	19.0	17.3	(8.9)	26.3	25.5	(3.0)	31.5	30.6	(2.6)

Source: Company, HSIE Research

REDUCE

CMP (as on 11 Aug 2020)	Rs 840
Target Price	Rs 810
NIFTY	11,323

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 828	Rs 810
	FY21E	FY22E
EPS %	-9%	-3%

KEY STOCK DATA

Bloomberg code	SYML IN
No. of Shares (mn)	70
MCap (Rs bn) / (\$ mn)	59/787
6m avg traded value (Rs mn)	53
52 Week high / low	Rs 1,405/690

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.4	(35.3)	(31.2)
Relative (%)	(20.3)	(28.5)	(33.4)

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	75.00	75.00
FIs & Local MFs	10.19	10.14
FPIs	5.28	4.86
Public & Others	9.53	10.00
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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