

Symphony

Beat in 4Q, seasonal worry remains the same

Symphony's 4Q performance was better than expected. India business clocked 13% growth in 4Q as Jan/Feb saw pre-buying benefits leading to 30% yoy growth (favourable base too). Lockdown in the last 8-10 days of March impacted revenue for the quarter by 15-17%. RoW revenue was down by 2% yoy in 4Q as IMPCO/CT/China/Exports clocked 7/2/-43/0% yoy. Gross margin surprisingly jumped by 729bps yoy and 650bps qoq to 55.8% but was maintained at 50% for FY20 (similar to FY19 and medium term guidance). Lockdown will have massive impact in 1Q for India business and high trade inventory can even impact 2Q performance. Co is taking various measures to lower the trade inventory (push from online channel, prioritising on liquidating trade inventory than primary push) prior to end of the season. We cut our EPS estimates by 4% for FY21 and FY22 (31/26% cut in our 4QFY20 Preview) to factor-in consistent extension of lockdown. We value Symphony at 30x on Mar-22E EPS, deriving a TP of Rs 867. Maintain REDUCE.

- Robust growth pre-Covid:** India business clocked healthy 13% yoy growth (-3% in 4QFY19 and 27% in 3QFY20) led by strong growth pre-Covid. India revenue grew by 39% yoy (-25% in FY19) in FY20 and co was on the track of showing healthy performance in summer 2020. There was a record new launches in 2019 owing to low trade inventory and anticipation of strong summer 2020. However, extended lockdown in the peak season spoiled the demand for air cooler in April/May. With high channel inventory and disruption led by lockdown, we model 80% yoy dip in 1Q revenue for India that will impact FY21. IMPCO revenue growth of 7/12% for 4Q/FY20 is healthy. CT clocked flat revenue growth in 4Q and FY20 (at annualized FY19). We model consolidated revenue growth of -11/+20% for FY21/FY22E.
- Strong operating margin:** GM expanded by 729bps yoy in standalone and 524bps yoy in consolidated. GM was stable on annual basis at 50% for standalone business and 47% for consolidated for FY20. Standalone EBITDA was up by 20% (-17% in 4QFY19 and +40% in 3QFY20) and Consolidated EBITDA up by 48% (-38% in 4QFY19 and +58% in 3QFY20). Higher other income and low taxes result in 40% growth in standalone APAT to Rs 464mn and 53% yoy growth in consolidated APAT to Rs 428mn in 4QFY20.
- Call & other takeaways:** (1) Inventory level with the co is ~1 month, (2) Channel inventory has been lowered by 40% so far, (3) Co's focus on online sales and delivery through its dealers has helped boost sales, (4) Co has begun manufacturing most components within India to reduce reliance on imports, (5) No major capex is expected in FY21, (6) Cash conversion cycle has improved to 35 days vs 38 days in FY19.

Financial Summary

YE Mar (Rs mn)	Q4 FY20	Q4 FY19	YoY (%)	Q3 FY20	QoQ (%)	FY19	FY20P	FY21E	FY22E
Net Sales	1,540	1,380	11.6	2,070	(25.6)	8,440	11,030	9,840	11,777
EBITDA	490	410	19.5	670	(26.9)	1,319	2,120	1,846	2,359
APAT	464	330	40.6	580	(20.0)	1,082	1,820	1,573	2,023
Diluted EPS (Rs)	6.6	4.7	40.6	8.3	(20.0)	15.5	26.0	22.5	28.9
P/E (x)						58.0	34.5	39.9	31.0
EV / EBITDA (x)						45.1	28.4	32.4	25.1
RoCE (%)						32.1	42.2	31.1	40.0

Source: Company, HSIE Research

REDUCE

CMP (as on 29 May 2020)	Rs 897
Target Price	Rs 867
NIFTY	9,580

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 900	Rs 867
	FY21E	FY22E
EPS %	-4%	-4%

KEY STOCK DATA

Bloomberg code	SYML IN
No. of Shares (mn)	70
MCap (Rs bn) / (\$ mn)	63/831
6m avg traded value (Rs mn)	45
52 Week high / low	Rs 1,568/690

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(29.4)	(20.8)	(33.9)
Relative (%)	(14.0)	(0.3)	(16.0)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	75.00	75.00
FIs & Local MFs	9.10	10.19
FPIs	6.46	5.28
Public & Others	9.44	9.53
Pledged Shares	0.00	0.00

Source : BSE

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Symphony Quarterly Commentary

Particulars	1QFY20	2QFY20	3QFY20	4QFY20
Industry/ Co Strategy	<ul style="list-style-type: none"> - Trade sentiment was positive - Effects of slowdown were not visible and co expects growth to continue in coming quarters 	<ul style="list-style-type: none"> - Strong summer helped reduce channel inventory - Overall sentiment remained good. Liquidity constraint in the market did not have significant impact - Co intends to use subsidiaries in each country to drive cross selling 	<ul style="list-style-type: none"> - Market was bullish for prospects of Cooler industry - Inventory has been exhausted and a good summer is expected - No channel partners have registered degrowth in sales (incl rural), so no slowdown impact visible 	<ul style="list-style-type: none"> - Inventory at co level is ~1 month right now. Co is prioritizing clearance of inventory in the channel - Co launched campaign to begin online sales which yielded sales of Rs 150-200mn - Co does not foresee any major capex in FY21
Revenue				
India	<ul style="list-style-type: none"> - Co used to rely on imports from China for CC and IC segments. Now the products will be produced locally - 7 new models and 7 refreshed models launched in HC - CC saw marketing for 6 new models. IC will be introduced in the near future 	<ul style="list-style-type: none"> - Good off season bookings on the back of a strong summer - Launched new range of models in HC 'DiET 3D', 'Sumo'. Revamped existing products as well - IC too saw development of an India specific range 'Universal' 	<ul style="list-style-type: none"> - Co launched record launches this year with 14 residential air cooler - Trade sentiments are positive. Normal summer-20 should provide good growth from 4Q onwards - Most of sales growth has been from GT where the sentiment is positive. MT is expected to be relevant from 4Q onwards - Commercial and Industrial cooler range introduced last qtr was very well received 	<ul style="list-style-type: none"> - Co estimates it lost sales of Rs 200-250mn in 4QFY20 due to Covid disruption. - Co expects sales in 1QFY21 to be 20% of last year's sales. - Commercial coolers have seen strong demand. - Co believes air coolers will see higher demand due to it being a plug and play product as opposed to RAC.
International	<ul style="list-style-type: none"> - Mexico posted double digit growth from Jan-Sep '19 - CT also had a good quarter - Co will be using CT's existing distribution network to launch Indian residential coolers in Aus and USA - Full benefit of the investments in CT will be visible after 2 years - Keruilai in China had degrowth, but impact was limited due to the small base 	<ul style="list-style-type: none"> - CT is expected to be a WIP for 2 years as the co is revamping the business model - Portable coolers from India to be sold in Aus via CT - Gained access to US market through CT subsidiary Bonaire-USA. Tied up with Lowe's and Amazon in addition to Home Depot. US expected to be one of the largest market over the next few years - Keruilai in China saw disappointing local sales - Co launched a subsidiary in Brazil which is now functional 	<ul style="list-style-type: none"> - GSK Kerulai saw degrowth due to a slowdown resulting from the trade-war. Co expects impact of coronavirus to be seen in 4Q. However, no operations in China have been affected so far. Most of the supplies required from China for the season have already been delivered - In case impact in China is extended, Symphony can produce the required supplies and is not reliant on imports - CT performance was healthy in 3Q (season qtr) wrt revenue growth and margin. Several initiatives are implementing to revive CT. Cross selling via subsidiaries in Australia and Mexico has begun. 	<ul style="list-style-type: none"> - Co expects to improve on FY20 sales in China in FY21 despite Covid disruption. - Mexico has not been impacted significantly by Covid. Symphony also made a profit of Rs 100mn on coolers exported from India to Mexico. Approximately 3/4ths of units sold in India are exported from India. - Even if topline improvement is not visible in CT, co expects improvement in the bottomline. In FY21 - Australia has seen strong pickup in heater sales. USA has also seen significant uptick in cooler sales, especially portable coolers exported from India.
Margin				
Gross Margin	<ul style="list-style-type: none"> - Local manufacturing of IC and CC models will eliminate customs and improve GM 	<ul style="list-style-type: none"> - Model mix led to the dip in gross margins - However, margin is expected to revert to 50% by March 	<ul style="list-style-type: none"> - GM at 50% is sustainable. - GM will expand in 4Q owing to product mix 	<ul style="list-style-type: none"> - Co is working on reducing mfg cost by exploring other sources of purchasing materials.
EBITDA Margin	<ul style="list-style-type: none"> - Co incurred ad spends leading up to March which led to dip in EBITDAM. Hence, EBITDA levels should improve - EBITDAM of 30% is considered sustainable by the mgt 	<ul style="list-style-type: none"> - CT saw significant margin improvement due to engineering initiatives and overhead reduction - Company-wide cost optimization and a good summer improved margins 	<ul style="list-style-type: none"> - Better efficiency led to margin improvement - Bulk of advertisement will be in 1Q although some will begin in March - Increase in volumes could result in EBITDA improvement 	<ul style="list-style-type: none"> - ASP will substantially lesser than 1QFY21 vs 1QFY20. - Other expenses by the co also includes CSR expenses, which is linked with profit. - Co is working on reducing S&D expenses.

Quarterly Financial Snapshot (Standalone)

Net revenue saw growth of 12% yoy (exp of 5%)

Gross margin swing was sharp in 4Q, while it was steady for FY20

Particulars (Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ(%)	FY20	FY19	YoY(%)
Net Revenue	1,540	1,380	11.6	2,070	(25.6)	7,160	5,240	36.6
Material Expenses	680	710	(4.2)	1,050	(35.2)	3,560	2,610	36.4
Employee Expenses	130	130	-	140	(7.1)	550	530	3.8
ASP Expenses	70	40	75.0	30	133.3	390	250	56.0
Other Operating Expenses	170	90	88.9	180	(5.6)	650	500	30.0
EBITDA	490	410	19.5	670	(26.9)	2,010	1,350	48.9
Depreciation	20	10	100.0	10	100.0	60	40	50.0
EBIT	470	400	17.5	660	(28.8)	1,950	1,310	48.9
Other Income	140	100	40.0	110	27.3	540	389	38.8
Interest	-	-	na	-	na	-	-	na
Exceptional	(20)	(200)	na	-	na	(20)	(240)	
PBT	590	500	18.0	770	(23.4)	2,420	1,640	47.6
Tax	140	110	27.3	190	(26.3)	540	390	38.5
PAT	450	390	15.4	580	(22.4)	1,860	1,010	84.2
Adjustment	14	(60)		-		14	169	
APAT	464	330	40.6	580	(20.0)	1,874	1,179	59.0
EPS (Adjusted)	6.6	4.7	40.6	8.3	(20.0)	26.8	16.9	59.0

Quarterly Performance Analysis (Standalone)

As a % of net sales	Q4FY20	Q4FY19	YoY(bps)	Q3FY20	QoQ(bps)	FY20	FY19	YoY(bps)
Material Expenses	44.2	51.4	(729)	50.7	(657)	49.7	49.8	(9)
Employee Expenses	8.4	9.4	(98)	6.8	168	7.7	10.1	(243)
ASP Expenses	4.5	2.9	165	1.4	310	5.4	4.8	68
Other Operating Expenses	11.0	6.5	452	8.7	234	9.1	9.5	(46)
EBITDA Margin (%)	31.8	29.7	211	32.4	(55)	28.1	25.8	231
Tax Rate (%)	23.7	22.0	173	24.7	(95)	22.3	23.8	(147)
APAT Margin (%)	29.2	28.3	96	28.0	120	26.0	19.3	670

Source: Company, HSIE Research

Segmental Performance (Standalone)

(Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ(%)	FY20	FY19	YoY(%)
Revenue (Rs mn)								
Domestic	1,360	1,200	13.3	1,780	(23.6)	5,150	3,470	48.4
Export	180	180	-	290	(37.9)	470	390	20.5
Total	1,540	1,380	11.6	2,070	(25.6)	5,620	3,860	45.6
Revenue Mix (%)								
Domestic	88	87		86		92	90	
Export	12	13		14		8	10	
Total	100	100		100		100	100	
EBIT (Rs mn)								
Domestic	520	230	126.1	660	(21.2)	1,650	980	68.4
Export	70	70	-	110	(36.4)	160	120	33.3
Total	590	300	96.7	770	(23.4)	1,810	1,100	64.5
EBIT Margin (%)								
Domestic	38.2	35.8	244	37.1	116	32.0	28.2	380
Export	38.9	38.9	-	37.9	96	34.0	30.8	327
Total	38.3	36.2	211	37.2	111	32.2	28.5	371

Source: Company, HSIE Research

Quarterly Financial Snapshot (Consolidated)

Particulars (Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ(%)	FY20	FY19	YoY(%)
Net Revenue	2,490	2,350	6.0	2,900	(14.1)	11,030	8,440	30.7
Material Expenses	1,300	1,350	(3.7)	1,510	(13.9)	5,830	4,530	28.7
Employee Expenses	290	280	3.6	270	7.4	1,130	1,030	9.7
ASP Expenses	80	60	33.3	40	100.0	450	330	36.4
Other Operating Expenses	390	370	5.4	400	(2.5)	1,500	1,230	22.0
EBITDA	430	290	48.3	680	(36.8)	2,120	1,320	60.6
Depreciation	60	30	100.0	30	100.0	210	100	110.0
EBIT	370	260	42.3	650	(43.1)	1,910	1,220	56.6
Other Income	210	110	90.9	100	110.0	540	390	38.5
Interest	30	30	-	20	50.0	110	70	57.1
PBT	550	340	61.8	730	(24.7)	2,340	1,540	51.9
Tax	110	110	-	220	(50.0)	480	390	23.1
PAT	400	30	1,233.3	510	(21.6)	1,820	910	100.0
Adjustment	28	250	na	-	na	28	168	na
APAT	428	280	52.9	510	(16.1)	1,848	1,078	71.4
EPS	5.7	0.4	1,233.3	7.3	(21.6)	26.0	13.0	100.0

Quarterly Performance Analysis (Consolidated)

As a % of net sales	Q4FY20	Q4FY19	YoY(bps)	Q3FY20	QoQ(bps)	FY20	FY19	YoY(bps)
Material Expenses	52.2	57.4	(524)	52.1	14	52.9	53.7	(82)
Employee Expenses	11.6	11.9	(27)	9.3	234	10.2	12.2	(196)
ASP Expenses	3.2	2.6	66	1.4	183	4.1	3.9	17
Other Operating Expenses	15.7	15.7	(8)	13.8	187	13.6	14.6	(97)
EBITDA Margin (%)	17.3	12.3	493	23.4	(618)	19.2	15.6	358
Tax Rate (%)	20.0	32.4	(1,235)	30.1	(1,014)	20.5	25.3	(481)
APAT Margin (%)	16.1	1.3	1,479	17.6	(152)	16.5	10.8	572

Segmental Performance (Consolidated)

(Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ(%)	FY20	FY19	YoY(%)
Revenue								
Domestic	1,360	1,200	13.3	1,780	(23.6)	6,510	4,670	39.4
RoW	1,130	1,150	(1.7)	1,120	0.9	4,520	3,770	19.9
Total	2,490	2,350	6.0	2,900	(14.1)	11,030	8,440	30.7
Revenue Mix (%)								
Domestic	55%	51%		61%		59%	55%	
RoW	45%	49%		39%		41%	45%	
Total	100%	100%		100%		100%	100%	
EBIT								
Domestic	520	230	126.1	660	(21.2)	2,170	1,210	79.3
RoW	20	(60)	(133.3)	90	(77.8)	240	160	50.0
Total	580	170	241.2	750	(22.7)	2,410	1,370	75.9
EBIT Margin (%)								
Domestic	38%	19%	1,907	37%	116	33%	26%	742
RoW	2%	-5%	699	8%	(627)	5%	4%	107
Total	23%	7%	1,606	26%	(257)	22%	16%	562
EBIT Mix (%)								
Domestic	90%	135%		88%		90%	88%	
RoW	3%	-35%		12%		10%	12%	
Total	100%	100%		100%		100%	100%	

Source: Company, HSIE Research

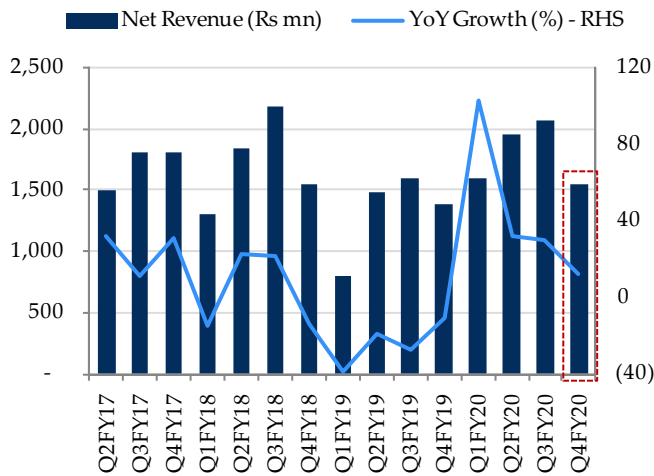
Symphony at a glance

Particulars (Rs mn)							Particulars (Rs mn)						
	FY15	FY16 (9M)*	Consolidated					FY15	FY16 (9M)*	Standalone			
			FY17	FY18	FY19	FY20P			FY17	FY18	FY19	FY20P	
Revenue							Revenue						
India	4,112	3,684	5,969	6,222	4,670	6,510	India	4,086	3,679	5,918	6,213	4,670	6,510
RoW	1,143	771	1,679	1,761	3,770	4,520	Export	537	469	721	661	570	650
Total	5,255	4,455	7,648	7,983	8,440	11,030	Total	4,623	4,149	6,639	6,874	5,240	7,160
EBIT							EBIT						
India	1,437	1,510	2,216	2,334	1,210	2,170	India	1,428	1,506	2,216	2,336	1,210	2,170
RoW	181	16	134	332	160	440	Export	195	190	134	227	190	230
Total EBIT	1,618	1,526	2,350	2,666	1,370	2,610	Total EBIT	1,623	1,696	2,350	2,563	1,400	2,400
Revenue Growth (%)							Revenue Growth (%)						
India	18%	19%	22%	4%	-25%	39%	India	17%	20%	21%	5%	-25%	39%
RoW	-17%	-10%	63%	5%	114%	20%	Export	-5%	17%	15%	-8%	-14%	14%
Total	9%	13%	29%	4%	6%	31%	Total	14%	20%	20%	4%	-24%	37%
Revenue Mix (%)							Revenue Mix (%)						
India	78%	83%	78%	78%	55%	59%	India	88%	89%	89%	90%	89%	91%
RoW	22%	17%	22%	22%	45%	41%	Export	12%	11%	11%	10%	11%	9%
Total	100%	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%	100%
EBIT Margin (%)							EBIT Margin (%)						
India	35%	41%	37%	38%	26%	33%	India	35%	41%	37%	38%	26%	33%
RoW	16%	2%	8%	19%	4%	10%	Export	36%	41%	19%	34%	33%	35%
Total	31%	34%	31%	33%	16%	24%	Total	35%	41%	35%	37%	27%	34%
EBIT Growth (%)							EBIT Growth (%)						
India	25%	40%	10%	5%	-48%	79%	India	25%	41%	10%	5%	-48%	79%
RoW	-21%	-89%	546%	148%	-52%	175%	Export	-9%	30%	-47%	70%	-16%	21%
Total	18%	26%	16%	13%	-49%	90%	Total	20%	39%	4%	9%	-45%	71%
EBIT Mix (%)							EBIT Mix (%)						
India	89%	99%	94%	88%	88%	83%	India	88%	89%	94%	91%	86%	90%
RoW	11%	1%	6%	12%	12%	17%	Export	12%	11%	6%	9%	14%	10%
Total	100%	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%	100%

Source: Company, HSIE Research

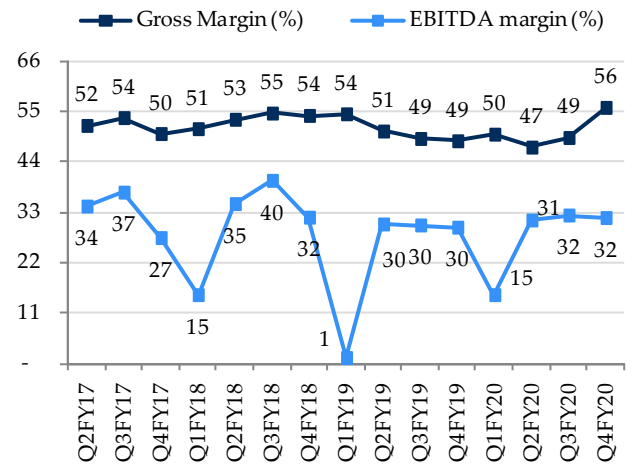
Long term performance trends

Net Revenue



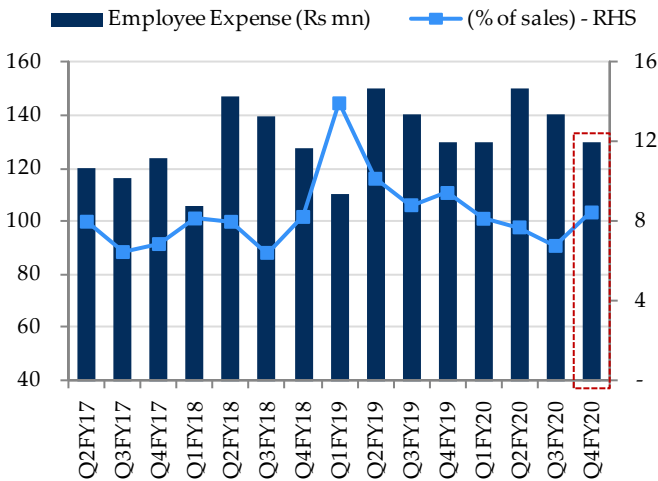
Source: Company, HSIE Research

Gross Margin vs EBITDA Margin



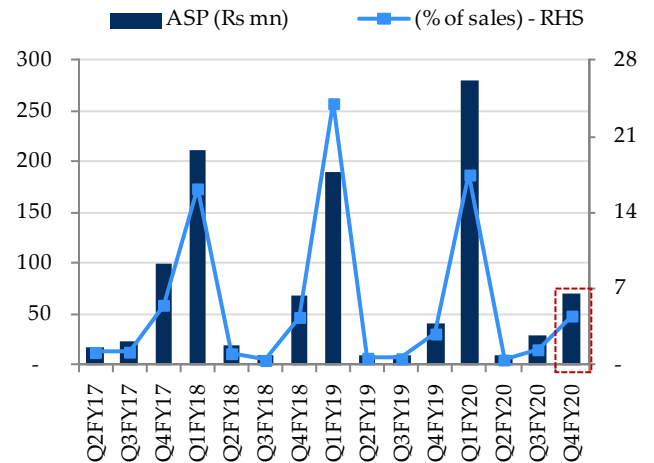
Source: Company, HSIE Research

Employee Expenses



Source: Company, HSIE Research

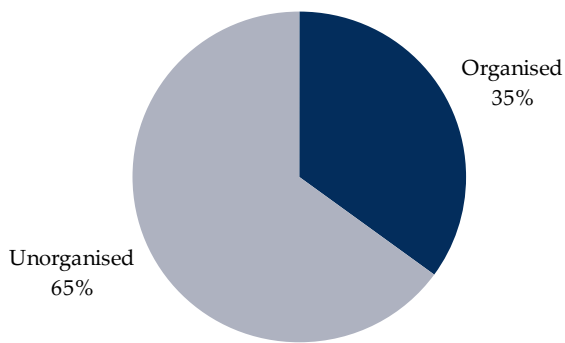
ASP Expense



Source: Company, HSIE Research

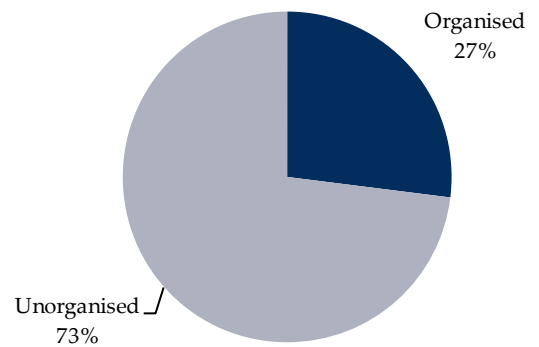
Air Cooler Industry

Air cooler Value Market Break-up (~Rs 35bn)



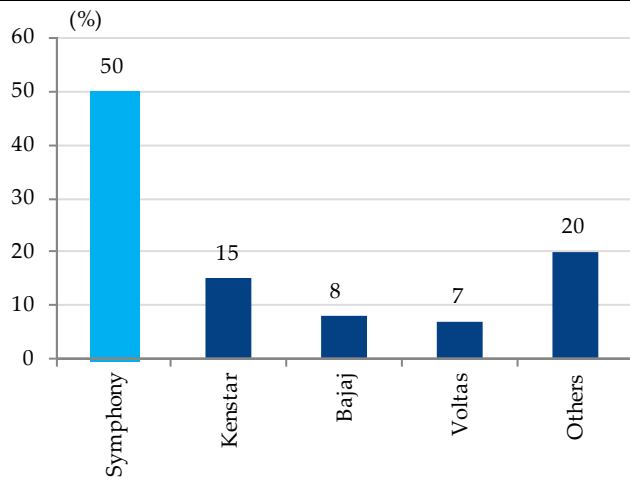
Source: Company, HSIE Research

Air cooler Volume Market Break-up (~9mn units)



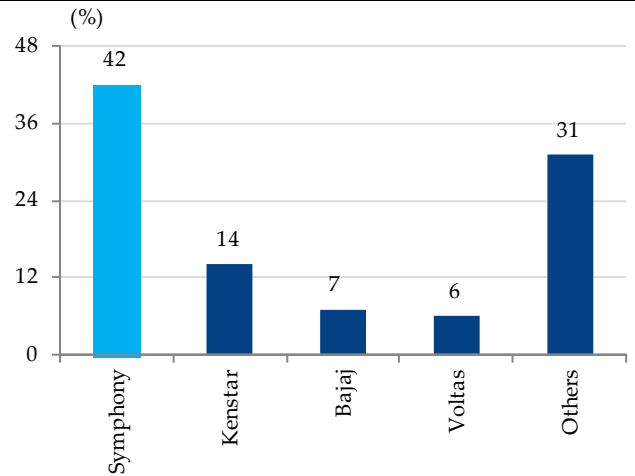
Source: Company, HSIE Research

Branded Air Cooler Value Market Share



Source: Company, HSIE Research

Branded Air Cooler Vol. Market Share



Source: Company, HSIE Research

Standalone Segmental Assumptions

Particulars (Rs mn)	FY13	FY14	FY15	FY16 (9M)	FY17	FY18	FY19	FY20P	FY21E	FY22E
Revenue (Rs mn)										
Domestic	2,730	3,946	4,085	3,679	5,918	6,213	4,670	6,510	5,465	7,051
Export	353	566	537	469	721	661	570	650	624	703
Total	3,083	4,512	4,622	4,148	6,639	6,874	5,240	7,160	6,089	7,754
Revenue Gr. (%)										
Domestic	30.6%	44.5%	3.5%	20.1%	20.6%	5.0%	-24.8%	39.4%	-16.1%	29.0%
Export	-13.8%	60.3%	-5.1%	16.5%	15.2%	-8.4%	-13.7%	14.0%	-3.9%	12.6%
Total	23.3%	46.3%	2.4%	19.7%	20.0%	3.5%	-23.8%	36.6%	-15.0%	27.3%
Revenue Mix (%)										
Domestic	89%	87%	88%	89%	89%	90%	89%	91%	90%	91%
Export	11%	13%	12%	11%	11%	10%	11%	9%	10%	9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBIT (Rs mn)										
Domestic	807	1,141	1,428	1,506	2,216	2,336	1,210	2,170	1,758	2,269
Export	119	215	195	190	134	227	190	230	216	244
Total	926	1,356	1,623	1,696	2,350	2,563	1,400	2,400	1,973	2,513
EBIT Margin (%)										
Domestic	30%	29%	35%	41%	37%	38%	30%	33%	32%	32%
Export	34%	38%	36%	41%	19%	34%	33%	35%	35%	35%
Total	30%	30%	35%	41%	35%	37%	31%	34%	32%	32%
EBIT Change (bps)										
Domestic	1,083bps	-67bps	604bps	597bps	-348bps	15bps	-739bps	313bps	-117bps	3bps
Export	633bps	448bps	-168bps	418bps	-2,193bps	1,580bps	-105bps	205bps	-85bps	9bps
Total	990bps	2bps	506bps	577bps	-549bps	189bps	-678bps	302bps	-112bps	0bps
EBIT Mix (%)										
Domestic	87%	84%	88%	89%	94%	91%	86%	90%	89%	90%
Export	13%	16%	12%	11%	6%	9%	14%	10%	11%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBIT Growth (%)										
Domestic	106.0%	41.3%	25.2%	40.6%	10.4%	5.4%	-48.2%	79.3%	-19.0%	29.1%
Export	6.3%	81.7%	-9.3%	29.9%	-47.2%	69.6%	-16.4%	21.1%	-6.2%	12.9%
Total	83.9%	46.5%	19.7%	39.3%	3.9%	9.1%	-45.4%	71.4%	-17.8%	27.4%

Standalone Sales Volume

Particulars	FY13	FY14P	FY15P	FY16 (9M)P	FY17P	FY18P	FY19P	FY20E	FY21E	FY22E
Sales Volume										
India	437,061	590,416	673,432	612,873	926,219	975,698	727,772	1,005,032	839,070	1,062,110
Export	79,713	116,628	110,279	95,958	143,866	135,871	107,441	118,036	112,696	125,691
Total	516,774	707,044	783,711	708,831	1,070,085	1,111,569	835,213	1,123,067	951,766	1,187,801
Sales Volume Gr (%)										
India	22.2%	35.1%	14.1%	21.3%	13.3%	5.3%	-25.4%	38.1%	-16.5%	26.6%
Export	-30.3%	46.3%	-5.4%	16.0%	12.4%	-5.6%	-20.9%	9.9%	-4.5%	11.5%
Total	9.5%	36.8%	10.8%	20.6%	13.2%	3.9%	-24.9%	34.5%	-15.3%	24.8%
Aircoolers - Realization										
India	6,246	6,683	6,066	6,003	6,389	6,368	6,417	6,477	6,513	6,638
Export	4,432	4,855	4,870	4,892	5,011	4,863	5,305	5,507	5,541	5,595
Total	5,966	6,382	5,803	5,852	6,204	6,184	6,274	6,375	6,398	6,528

Source: Company, HSIE Research | FY16 is of 9M, growth is adjusted for the same

Consolidated Segmental Assumptions

Particulars (Rs mn)	Consolidated						Particulars (Rs mn)	Standalone					
	FY17	FY18	FY19	FY20P	FY21E	FY22E		FY17	FY18	FY19	FY20P	FY21E	FY22E
Revenue							Revenue						
India	5,969	6,222	4,670	6,510	5,465	7,051	India	5,918	6,213	4,670	6,510	5,465	7,051
RoW	1,679	1,761	3,770	4,520	4,375	4,727	Export	721	661	570	650	624	703
Total	7,648	7,983	8,440	11,030	9,840	11,777	Total	6,639	6,874	5,240	7,160	6,089	7,754
EBIT							EBIT						
India	2,216	2,334	1,210	2,170	1,758	2,269	India	2,216	2,336	1,210	2,170	1,758	2,269
RoW	134	332	160	440	491	555	Export	134	227	190	230	216	244
Total EBIT	2,350	2,666	1,370	2,610	2,248	2,824	Total EBIT	2,350	2,563	1,400	2,400	1,973	2,513
PAT							PAT						
India	1,650	1,683	873	1,682	1,315	1,698	Export	1,581	1,680	873	1,682	1,315	1,698
RoW	13	243	40	128	240	282	Capital Employed	96	156	137	178	161	182
Total	1,663	1,926	913	1,810	1,555	1,981	India	1,677	1,837	1,010	1,860	1,477	1,880
Revenue Growth (%)							Revenue Growth (%)						
India	22%	4%	-25%	39%	-16%	29%	India	21%	5%	-25%	39%	-16%	29%
RoW	63%	5%	114%	20%	-3%	8%	Export	15%	-8%	-14%	14%	-4%	13%
Total	29%	4%	6%	31%	-11%	20%	Total	20%	4%	-24%	37%	-15%	27%
Revenue Mix (%)							Revenue Mix (%)						
India	78%	78%	55%	59%	56%	60%	India	89%	90%	89%	91%	90%	91%
RoW	22%	22%	45%	41%	44%	40%	Export	11%	10%	11%	9%	10%	9%
Total	100%	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%	100%
EBIT Margin (%)							EBIT Margin (%)						
India	37%	38%	26%	33%	32%	32%	India	37%	38%	26%	33%	32%	32%
RoW	8%	19%	4%	10%	11%	12%	Export	19%	34%	33%	35%	35%	35%
Total	31%	33%	16%	24%	23%	24%	Total	35%	37%	27%	34%	32%	32%
EBIT Growth (%)							EBIT Growth (%)						
India	10%	5%	-48%	79%	-19%	29%	India	10%	5%	-48%	79%	-19%	29%
RoW	546%	148%	-52%	175%	12%	13%	Export	-47%	70%	-16%	21%	-6%	13%
Total	16%	13%	-49%	90%	-14%	26%	Total	4%	9%	-45%	71%	-18%	27%
EBIT Mix (%)							EBIT Mix (%)						
India	94%	88%	88%	83%	78%	80%	India	94%	91%	86%	90%	89%	90%
RoW	6%	12%	12%	17%	22%	20%	Export	6%	9%	14%	10%	11%	10%
Total	100%	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%	100%
PAT Mix (%)							PAT Mix (%)						
India	99%	87%	96%	93%	85%	86%	India	94%	91%	86%	90%	89%	90%
RoW	1%	13%	4%	7%	15%	14%	Export	6%	9%	14%	10%	11%	10%
Total	100%	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%	100%

Source: Company, HSIE Research

Key Assumptions

Key Assumptions	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Standalone								
Volume Growth								
India	14.1	21.3	13.3	5.3	(25.4)	38.1	(16.5)	26.6
Export	(5.4)	16.0	12.4	(5.6)	(20.9)	9.9	(4.5)	11.5
Total	10.8	20.6	13.2	3.9	(24.9)	34.5	(15.3)	24.8
Realisaiton Growth								
India	(9.2)	(1.1)	6.4	(0.3)	0.8	0.9	0.6	1.9
Export	0.3	0.4	2.4	(3.0)	9.1	3.8	0.6	1.0
Total	(9.1)	0.8	6.0	(0.3)	1.5	1.6	0.4	2.0
Revenue Growth	2.5	19.7	20.0	3.5	(23.8)	36.6	(15.0)	27.3
Gross Margin (%)	52.9	54.9	53.3	53.5	50.2	50.3	50.0	50.3
Employee (%)	6.6	7.2	7.0	7.6	10.1	7.7	9.8	8.8
SG&A (%)	7.7	2.0	5.7	4.5	4.8	5.4	4.5	4.2
Other Expenses (%)	9.5	9.0	9.3	9.4	9.5	9.1	12.5	13.0
EBITDA Margin	29.1	36.7	31.3	32.0	25.8	28.1	23.2	24.3
Subsidiaries								
Revenue Growth								
IMPCO	-	(0.6)	24.0	9.1	(3.4)	17.5	(15.0)	8.0
MKE (China)	na	na	na	(8.0)	20.0	(23.6)	6.0	6.0
CT (Australia)					(0.5)	1.2	6.0	7.0
EBITDA Margin								
IMPCO	7.8	15.2	5.3	3.3	4.0	6.1	3.0	5.0
MKE (China)	na	na	(18.9)	(10.1)	(2.1)	(7.1)	5.0	5.0
CT (Australia)					-2.5	6.8	8.0	8.0

Source: Company, HSIE Research

Change in Estimates

	FY21E			FY22E		
	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)
Net Sales	10,385	9,840	(5.2)	12,237	11,777	(3.8)
EBITDA	1,885	1,846	(2.1)	2,430	2,359	(2.9)
APAT	1,632	1,573	(3.6)	2,101	2,023	(3.7)
EPS	23.3	22.5	(3.6)	30.0	28.9	(3.7)

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Havells	311	497	ADD	515	11.7	10.7	14.2	42.5	46.6	35.1	29.3	29.7	23.0	21.0	18.3	24.0
Voltas	158	479	ADD	551	16.9	15.1	19.4	28.5	30.3	23.6	22.9	25.8	19.9	19.9	15.9	20.0
Crompton	139	222	ADD	221	7.0	6.2	7.4	31.9	35.6	30.1	23.0	25.8	21.6	38.6	31.0	35.8
V-Guard	75	177	REDUCE	157	4.7	4.8	5.6	37.2	36.7	31.6	25.9	26.7	23.3	24.9	23.1	25.4
Symphony	63	897	REDUCE	867	26.0	22.5	28.9	34.5	39.9	31.0	28.4	32.4	25.1	42.2	31.1	40.0

Source: Company, HSIE Research

Financials

Consolidated Income Statement

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	5,259	4,455	7,680	7,983	8,440	11,030	9,840	11,777
Growth (%)	(1.3)	13.0	29.3	3.9	5.7	30.7	(10.8)	19.7
Material Expenses	2,395	2,013	3,644	3,853	4,530	5,830	5,232	6,218
Employee Expense	462	425	687	727	1,031	1,130	1,274	1,454
ASP Expense	527	238	653	328	327	450	401	480
Distribution Expense	185	144	241	-	-	-	-	-
Other Expenses	366	275	445	881	1,233	1,500	1,086	1,266
EBITDA	1,323	1,360	2,009	2,193	1,319	2,120	1,846	2,359
EBITDA Growth (%)	5.3	37.0	10.8	9.1	(39.8)	60.7	(12.9)	27.8
EBITDA Margin (%)	25.2	30.5	26.2	27.5	15.6	19.2	18.8	20.0
Depreciation	41	43	69	68	99	210	240	253
EBIT	1,282	1,317	1,940	2,125	1,221	1,910	1,605	2,106
Other Income (Including EO Items)	337	209	432	541	149	500	643	718
Interest	6	2	0	18	70	110	114	99
PBT	1,613	1,524	2,372	2,648	1,300	2,300	2,135	2,726
Tax	454	465	681	723	386	480	562	702
RPAT	1,160	1,059	1,691	1,926	914	1,820	1,573	2,023
Adjustment	-	90	-	-	(168)	-	-	-
Adjusted PAT	1,160	969	1,691	1,926	1,082	1,820	1,573	2,023
APAT Growth (%)	10.0	25.8	15.9	13.9	(43.8)	68.2	(13.6)	28.6
EPS	16.6	15.6	24.2	27.5	15.5	26.0	22.5	28.9
EPS Growth (%)	10.0	25.8	15.9	13.9	(43.8)	68.2	(13.6)	28.6

*Adjusted for partial FY16 Source: Company, HSIE Research

Consolidated Balance Sheet

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital - Equity	70	70	140	140	140	140	140	140
Reserves	2,992	3,116	4,450	5,976	6,521	6,250	6,703	7,466
Total Shareholders Funds	3,062	3,186	4,590	6,116	6,661	6,390	6,843	7,606
Long Term Debt	-	-	-	-	1,236	720	1,164	1,164
Short Term Debt	-	-	193	256	643	1,020	1,020	1,020
Total Debt	-	-	193	256	1,879	1,740	2,184	2,184
Net Deferred Taxes	19	25	45	89	(134)	70	70	70
Long Term Provisions & Others	71	67	27	23	71	90	99	109
TOTAL SOURCES OF FUNDS	3,152	3,278	4,855	6,484	8,475	8,290	9,196	9,969
APPLICATION OF FUNDS								
Net Block	684	775	810	818	2,374	2,830	2,717	2,593
CWIP	-	30	-	-	58	20	20	20
LT Loans & Advances	16	27	43	51	66	40	40	40
Other Non Current Assets	-	1	1	9	9	(10)	(10)	(10)
Total Non-current Assets	700	833	854	877	2,508	2,880	2,767	2,644
Inventories	457	551	773	796	1,195	1,180	753	939
Debtors	327	469	523	615	1,047	1,210	772	963
Other Current Assets	246	284	543	828	643	620	1,150	1,281
Cash & Equivalents	2,498	2,087	3,294	4,449	5,122	4,380	5,160	5,838
Total Current Assets	3,527	3,391	5,134	6,689	8,007	7,390	7,836	9,022
Creditors	399	496	609	584	1,291	1,150	734	916
Other Current Liabilities & Provns	677	450	523	498	715	790	673	780
Total Current Liabilities	1,075	946	1,133	1,082	2,005	1,940	1,407	1,696
Net Current Assets	2,452	2,445	4,001	5,607	6,001	5,450	6,428	7,326
TOTAL APPLICATION OF FUNDS	3,152	3,278	4,855	6,484	8,509	8,330	9,196	9,969

Source: Company, HSIE Research

Consolidated Cash Flow

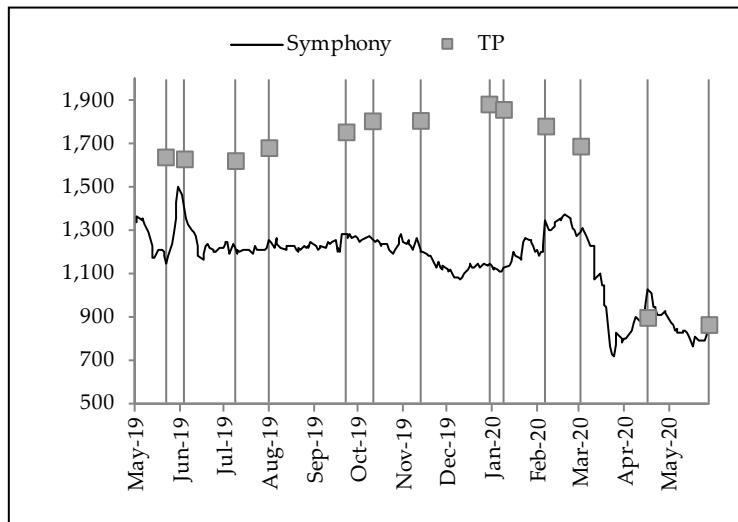
Year ending March	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	1,613	1,649	2,337	1,926	916	1,820	2,135	2,726
Non-operating & EO Items	(292)	(306)	(387)	191	251	150	-	-
Interest Expenses	6	2	0	18	69	110	114	99
Depreciation	41	43	71	68	99	210	240	253
Working Capital Change	160	(93)	(390)	(487)	505	(150)	(189)	(210)
Tax Paid	(491)	(410)	(682)	(647)	(444)	(570)	(562)	(702)
OPERATING CASH FLOW (a)	1,036	885	949	1,069	1,396	1,570	1,738	2,165
Capex	(140)	(40)	(68)	14	(86)	(1,260)	(128)	(129)
Free Cash Flow (FCF)	896	845	880	1,083	1,309	310	1,610	2,036
Investments	(299)	529	(788)	(1,172)	(2,600)	(30)	(1,000)	(1,000)
Non-operating Income	71	210	204	134	186	190	-	-
INVESTING CASH FLOW (b)	(368)	698	(652)	(1,024)	(2,500)	(1,100)	(1,128)	(1,129)
Debt Issuance/(Repaid)	-	-	193	62	1,623	(140)	444	-
Interest Expenses	(6)	(2)	(0)	(18)	(69)	(110)	(114)	(99)
FCFE	890	843	1,073	1,127	2,863	60	1,940	1,938
Share Capital Issuance	(42)	-	-	-	-	(90)	-	-
Dividend	(610)	(1,453)	(240)	(335)	(376)	(2,060)	(1,120)	(1,260)
Others	(42)	-	-	-	-	(90)	-	-
FINANCING CASH FLOW (c)	(699)	(1,455)	(47)	(291)	1,178	(2,490)	(790)	(1,359)
NET CASH FLOW (a+b+c)	(31)	129	250	(246)	73	(2,020)	(180)	(322)
EO Items, Others	49	260	(248)	5	239	1,743	(40)	0
Closing Cash & Equivalents	75	464	466	226	538	260	40	(282)

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
PROFITABILITY (%)								
GPM	54.5	54.8	52.5	51.7	46.3	47.1	46.8	47.2
EBITDA Margin	25.2	30.5	26.2	27.5	15.6	19.2	18.8	20.0
EBIT Margin	24.4	29.6	25.3	26.6	14.5	17.3	16.3	17.9
APAT Margin	22.1	21.8	22.0	24.1	12.8	16.5	16.0	17.2
RoE	39.9	41.4	43.5	36.0	16.9	27.9	23.8	28.0
RoIC (or Core RoCE)	144.2	146.7	106.9	90.6	32.1	42.2	31.1	40.0
RoCE	40.0	41.4	42.4	34.8	15.2	22.9	19.3	22.3
EFFICIENCY								
Tax Rate (%)	28.1	30.5	28.7	27.3	29.7	20.9	26.3	25.8
Fixed Asset Turnover (x)	2.7	3.1	3.9	3.7	3.5	4.3	3.5	3.9
Inventory (days)	31.7	33.8	36.8	36.4	51.7	39.0	27.9	29.1
Debtors (days)	22.7	28.8	24.9	28.1	45.3	40.0	28.6	29.9
Other Current Assets (days)	17.0	17.5	25.8	37.9	27.8	20.5	42.7	39.7
Payables (days)	27.7	30.5	29.0	26.7	55.8	38.1	27.2	28.4
Other Current Liab & Provns (days)	47.0	27.6	24.9	22.8	30.9	26.1	25.0	24.2
Cash Conversion Cycle (days)	(3.2)	22.0	33.6	52.9	38.0	35.4	47.0	46.1
Net D/E (x)	(0.8)	(0.7)	(0.7)	(0.7)	(0.5)	(0.4)	(0.4)	(0.5)
Interest Coverage (x)	221	665	5,915	119	17	17	14	21
PER SHARE DATA (Rs)								
EPS	16.6	15.6	24.2	27.5	15.5	26.0	22.5	28.9
CEPS	17.2	16.2	25.1	28.5	16.9	29.0	25.9	32.5
Dividend	7.0	12.5	4.5	4.5	6.0	23.0	16.0	18.0
Book Value	43.7	45.5	65.6	87.4	95.2	91.3	97.8	108.7
VALUATION								
P/E (x)	54.1	43.0	37.1	32.6	58.0	34.5	39.9	31.0
P/BV (x)	20.5	19.7	13.7	10.3	9.4	9.8	9.2	8.3
EV/EBITDA (x)	45.6	33.5	29.7	26.7	45.1	28.4	32.4	25.1
EV/Revenues (x)	11.5	10.2	7.8	7.3	7.1	5.5	6.1	5.0
OCF/EV (%)	1.7	1.5	1.6	1.8	2.3	2.6	2.9	3.7
FCF/EV (%)	1.5	1.9	1.5	1.8	2.2	2.3	2.7	3.4
Dividend Yield (%)	0.8	1.4	0.5	0.5	0.7	2.6	1.8	2.0

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
23-May-19	1,200	BUY	1,643
4-Jun-19	1,486	BUY	1,634
9-Jul-19	1,237	BUY	1,626
2-Aug-19	1,264	BUY	1,686
22-Sep-19	1,310	BUY	1,759
11-Oct-19	1,276	BUY	1,810
14-Nov-19	1,227	BUY	1,812
30-Dec-19	1,162	BUY	1,888
9-Jan-20	1,140	BUY	1,863
8-Feb-20	1,360	BUY	1,786
2-Mar-20	1,271	BUY	1,693
17-Apr-20	965	REDUCE	900
30-May-20	897	REDUCE	867

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

Disclosure:

We, **Naveen Trivedi, MBA & Aditya Sane, CA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Any holding in stock –NO

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