

October 29, 2024

RESULT REPORT Q2 FY25 | Sector: Consumer Durables

# Symphony Ltd

## Domestic performance remains on strong footing; upgrade to ADD

### Result Synopsis

Symphony on consolidated basis missed our revenue estimates by 6%, miss was largely on account of decline in international revenue. International revenue registered declined of 8.4% on yoy basis, while domestic business saw growth of 24.5%. Gross margins have seen expansion of 334bps on back of tactical pricing, value engineering and softening of input costs. EBITDA margin on other hand has seen expansion of 541bps to 20.3%, despite negative operating leverage in the international subsidiary. On the standalone front strong performance continued for second quarter in a row with standalone revenue growing 32% yoy, further SYML has witnessed strong advance collection resulting in buoyant trade sentiment. All the regions have equally contributed to strong domestic growth. On the flip side one of the large distributors has missed the payments to the company amounting to Rs440mn for which the company has initiated legal action, going forward there is possibility of provisions being created for the same. The company believes worst for the domestic air-cooling industry is behind and SYML is poised for growing at respectable double-digit growth CAGR in the medium term in the domestic market. International business although has seen some slowdown in Q2, in medium term it has seen improvement. Considering strong demand traction in the domestic market and sustained improvement of subsidiaries performance, we remain positive on the air-cooling space. We upgrade the stock to ADD rating with the revised PT of Rs1,696 now valuing the stock at 37x FY27 EPS.

SYML continues its outperformance in the domestic market, with internal business witnessing continued improvement trend. Management believes the worst is behind for CT Australia and it should start turning around as company have initiated certain actions which will bring down the costs. We now bake in Revenue/EBITDA/PAT FY24-27E CAGR of 18%/34%/29% and upgrade the stock to ADD with PT of Rs1,696.

### Result Highlights

- Revenue** – Revenue has missed estimates for the quarter with revenue growing 14.5% yoy, with domestic revenue growing by 25.5% and subsidiaries registering decline of 8.4%.
- Margin** – Gross margin on consolidated basis stood at 49.2% expanding by 334bps YoY. Margin expansion was aided by tactical pricing, value engineering and softening of input costs. EBITDA margin expanded by 541bps on back of higher operating leverage.
- Other highlights** – Advance collection has been robust resulting in buoyant trade sentiment. However on the flip side there has been delay in payment amounting to Rs440mn from one off the large distributor of the MT for which company has initiated legal action

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,150	3,350	NA	-6.0	NA	Decline in international business has resulted in revenue miss
EBITDA	640	729	NA	-12.2	NA	
EBITDA Margin (%)	20.3	21.8	NA	-150 bps	NA bps	
Adjusted PAT	560	568	NA	-1.5	NA	

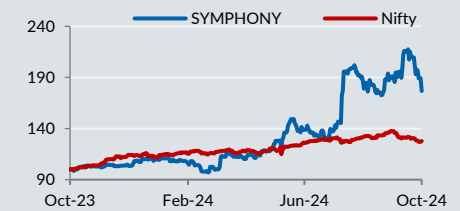
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 1,497
Target Price	: Rs 1,696
Potential Return	: +12.8%

### Stock data (as on October 29, 2024)

Nifty	24,467
52 Week h/l (Rs)	1881 / 820
Market cap (Rs/USD mn)	112034 / 1333
Outstanding Shares (mn)	69
6m Avg t/o (Rs mn):	303
Div yield (%)	0.7
Bloomberg code:	SYML IN
NSE code:	SYMPHONY

### Stock performance



### Shareholding pattern (As of Jun'24 end)

Promoter	73.4%
FII+DII	15.1%
Others	11.5%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	1,696	1,549

### Δ in earnings estimates

	FY26e	FY27e
EPS (New)	40.6	45.8
EPS (Old)	34.4	NA
% change	17.9%	NA%

### Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	11,560	14,318	15,799
YoY Growth	-2.7%	23.9%	10.3%
EBIDTA	1,680	2,564	2,986
YoY Growth	21.4	52.6	16.5
PAT	1,480	2,086	2,407
YoY Growth	29.4%	39.1%	15.4%
ROE	18.4	26.4	27.5
EPS	21.1	29.8	34.4
P/E	69.2	49.1	42.5
BV	107.0	118.5	131.8
EV/EBITDA	61.6	39.9	33.9

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## Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	y/y %	q/q %	1HFY25	1HFY24	y/y %
Sales	2,750	2,470	3,320	5,310	3,150	14.5	(40.7)	8,460	5,770	46.6
EBITDA	410	440	570	1110	640	56.1	(42.3)	1,750	670	161.2
EBITDA Margin %	14.9	17.8	17.2	20.9	20.3			20.7	11.6	
Depreciation	70	60	60	50	60	(14.3)	20.0	110	140	(21.4)
EBIT	340	380	510	1060	580	70.6	(45.3)	1,640	530	209.4
EBIT Margin %	12.4	15.4	15.4	20.0	18.4			19.4	9.2	
Interest charges	20	30	20	30	20	-	(33.3)	50	50	-
Other Income	110	150	90	90	200	81.8	122.2	290	270	7.4
PBT	430	500	580	1120	760	76.7	(32.1)	1,880	750	150.7
Tax	80	90	100	240	200	150.0	(16.7)	440	140	214.3
Effective Tax Rate (%)	18.6	18.0	17.2	21.4	26.3			23.4	19.2	
PAT	350	410	480	880	560	60.0	(36.4)	1,440	590	144.1
PAT Margin %	12.7	16.6	14.5	16.6	17.8			17.0	10.2	
EPS (Rs)	5.0	5.9	6.9	12.6	8.0	60.0	(36.4)	21	8	144.1

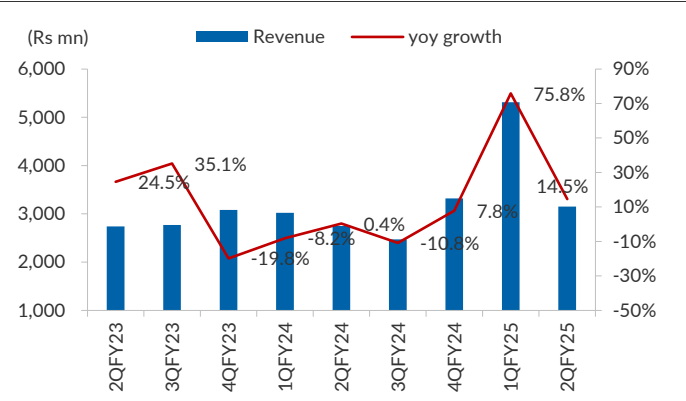
Source: Company, YES Sec

## Exhibit 3: Segmental Performance

Rs mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	y/y %	q/q %	1HFY25	1HFY24	y/y %
Air cooling and other appliances	2,760	2,530	3,340	5,310	3,210	16.3	(39.5)	8,520	5,800	46.9
Corporate funds	100	90	70	90	140	40.0	55.6	230	240	(4.2)
Total Sales	2,860	2,620	3,410	5,400	3,350	17.1	(38.0)	8,750	6,040	44.9
PBIT										
Air cooling and other appliances	350	450	520	1060	640	82.9	(39.6)	1,700	540	214.8
PBIT %	12.7	17.8	15.6	20.0	19.9			19.4	8.9	
Corporate funds	100	80	80	90	140	40.0	55.6	230	240	(4.2)
PBIT %	100.0	88.9	114.3	100.0	100.0			2.6	4.0	
Total PBIT	450	530	600	1,150	780	73.3	(32.2)	1,930	780	147.4
Finance Costs	20.0	30.0	20.0	30.0	20.0	-	(33.3)	50	50	-
Less: Taxes	80	90	100	240	200	150.0	(16.7)	440	140	214.3
PAT	350	410	480	880	560	60.0	(36.4)	1,440	590	144.1

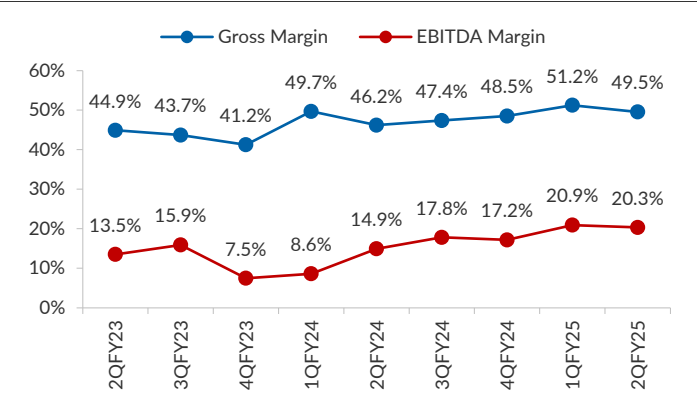
Source: Company, YES Sec

**Exhibit 4: Revenue growth has been lower on account of decline in international business**



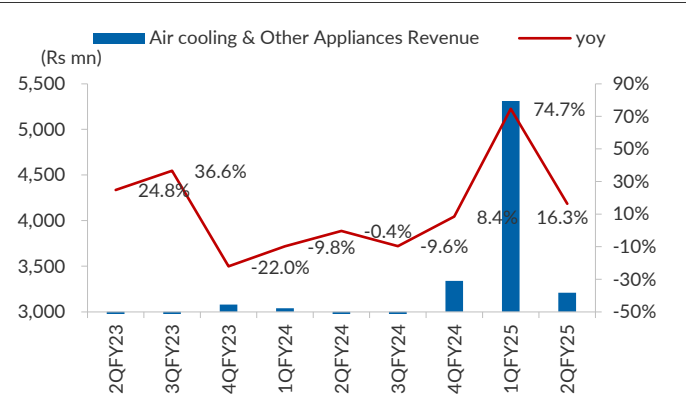
Source: Company, YES Sec

**Exhibit 5: Pricing actions and lower commodity prices have resulted in gross margin expansion on yoy basis**



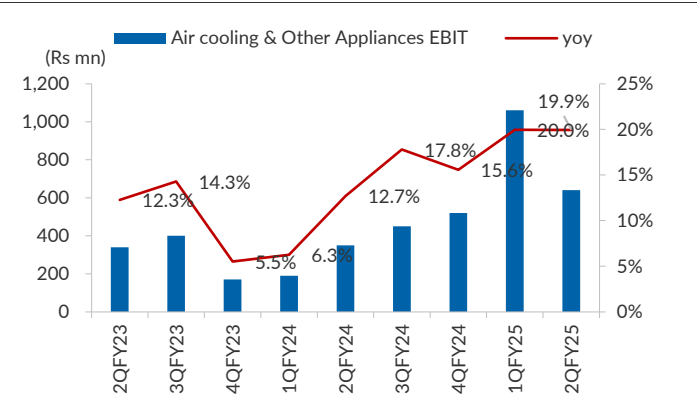
Source: Company, YES Sec

**Exhibit 6: Domestic market has resulted in revenue uptick**



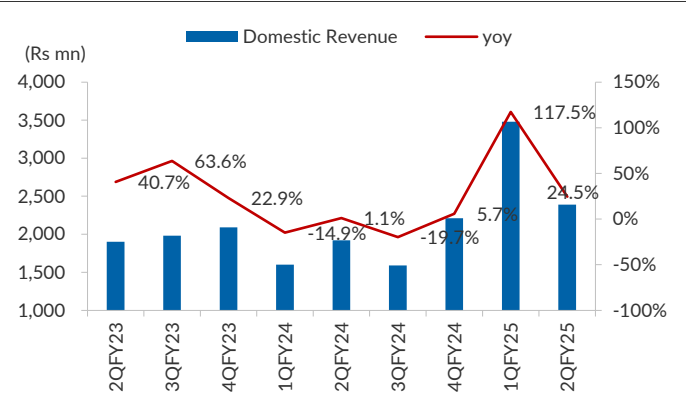
Source: Company, YES Sec

**Exhibit 7: Operating leverage has resulted in EBIT margin expansion**



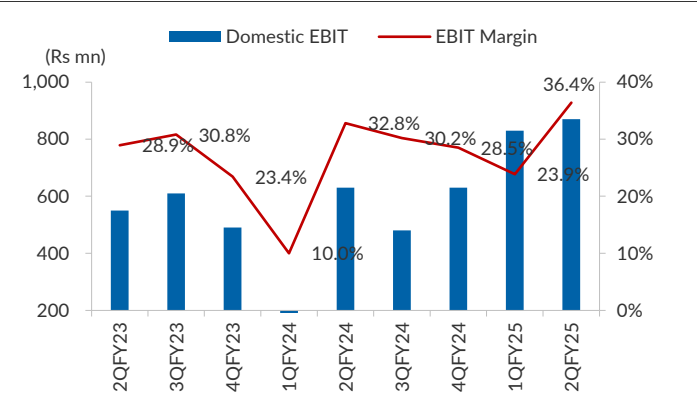
Source: Company, YES Sec

**Exhibit 8: Strong growth across the regions have resulted in domestic growth despite off-season**



Source: Company, YES Sec

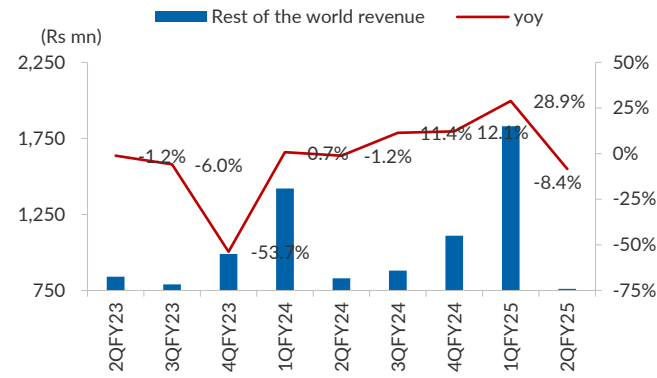
**Exhibit 9: Higher operating leverage has resulted in strong EBIT margin**



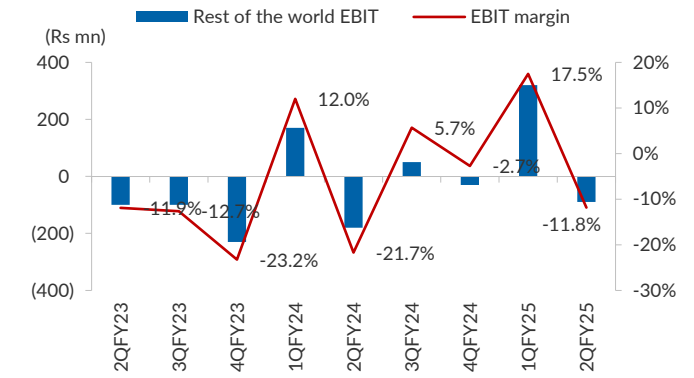
Source: Company, YES Sec

**Exhibit 10: Decline in international business was on account high base in IMPCO Mexico and continued headwinds in CT Australia**

**Exhibit 11: Negative operating leverage has resulted in EBIT loss**



Source: Company, YES Sec



Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Management commentary** - There has been strong recording breaking advance collection by the general trade. The company has launched 17 new models to further enhance market position. Secondary sales have been robust despite off-season.
- **Market Share** - The company has largely maintained its market share
- **Air-cooler industry** - Air cooler business has seen muted growth in CAGR basis in past five years. The industry fortunes are linked to summer temperature.
- **Competitive intensity** - Competition has seen increased from the organized players vs earlier where the competition from the unorganized players. In the organized space air-cooler market is dominated by handful of players.
- **Future Guidance** - The company believes that worst for the air-cooler industry is behind and Industry is now poised to grow with SYML expected to pose double-digit CAGR growth in medium term.
- **CT Australia** - Post Covid the Australia real-estate market has not come back to the earlier and products in Australia were largely sold to real estate developer which have gone bust resulting in poor sales. The company has changed the product portfolio and looking to tap retail market.
- **New products** - The company is focusing on launching technological advance products which will distinguish the SYML from other brands. For ex the company has launched new silent air-cooler which will be most silent air-cooler in the industry
- **Inventory** - Inventory with the company has been normal, while trade inventory at the end of Q1 has been below normal result in strong off-season sales.
- **Receivables** - Receivable from a large distributor of modern trade amounting of ~Rs440mn has not be honored. Company has take legal action to recover the same.
- **GSK China** - Combination of outsourcing from the China to the other geographies has led to improvement in GSK China

## FINANCIALS

### Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	140	140	140	140	140
Reserves	8,669	7,350	8,338	9,433	10,670
Net worth	8,809	7,490	8,478	9,573	10,810
Debt	1,968	1,470	1,565	1,471	1,411
Deferred tax liab (net)	93	80	80	80	80
Other non current liabilities	301	220	239	254	274
Total liabilities	11,172	9,260	10,362	11,378	12,575
Fixed Asset	3,509	3,272	3,043	2,805	2,561
Investments	5,269	3,730	3,730	3,730	3,730
Other Non-current Assets	211	360	370	374	380
Net Working Capital	1,647	1,530	1,501	1,673	4,106
Inventories	2,497	2,310	2,546	2,808	3,156
Sundry debtors	1,152	1,680	2,291	2,527	2,840
Loans and Advances	761	310	415	458	515
Sundry creditors	1,655	1,450	2,036	2,246	2,525
Other current liabilities	1,002	1,210	1,560	1,702	50
Cash & equivalents	537	367	1,718	2,796	1,798
Total Assets	11,172	9,260	10,362	11,378	12,575

Source: Company, YES Sec

### Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	11,876	11,560	15,485	17,082	19,198
Operating profit	1,384	1,680	3,206	3,570	4,012
Depreciation	265	260	267	275	282
Interest expense	102	100	106	100	96
Other income	502	510	593	600	650
Profit before tax	1,519	1,830	3,426	3,795	4,284
Taxes	361	330	862	955	1,078
Minorities and other	-	-	-	-	-
Adj. profit	1,159	1,500	2,563	2,840	3,206
Exceptional items	-	20	-	-	-
Net profit	1,159	1,480	2,563	2,840	3,206

Source: Company, YES Sec

## Exhibit 14: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,622	1,930	3,532	3,895	4,380
Depreciation	265	260	267	275	282
Tax paid	(361)	(330)	(862)	(955)	(1,078)
Working capital Δ	1,343	917	29	(171)	(2,433)
Other operating items					
Operating cashflow	2,868	2,777	2,966	3,044	1,151
Capital expenditure	(222)	(24)	(38)	(37)	(38)
Free cash flow	2,646	2,754	2,928	3,006	1,114
Equity raised	(45)	(1,890)	(0)	0	-
Investments	(1,411)	739	-	-	-
Debt financing/disposal	(300)	(498)	95	(94)	(60)
Interest paid	(102)	(100)	(106)	(100)	(96)
Dividends paid	(700)	(909)	(1,575)	(1,745)	(1,970)
Net Δ in cash	(103)	(169)	1,350	1,078	(997)

Source: Company, YES Sec

## Exhibit 15: Du-pont analysis

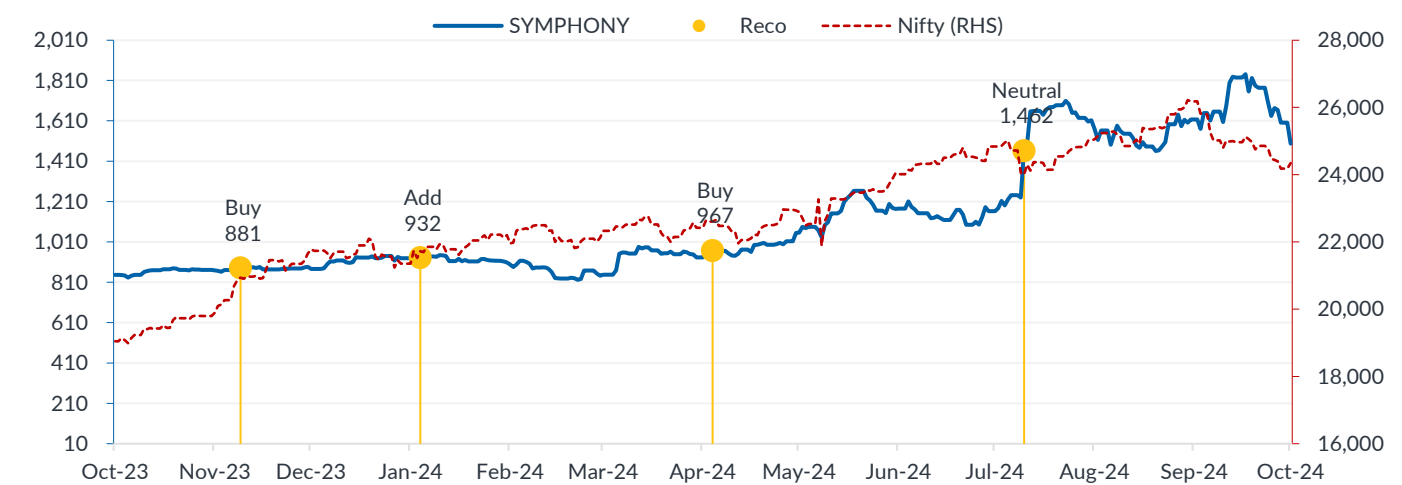
Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.76	0.82	0.75	0.75	0.75
Interest burden (x)	0.94	0.95	0.97	0.97	0.98
EBIT margin (x)	0.14	0.17	0.23	0.23	0.23
Asset turnover (x)	0.86	0.88	1.17	1.14	1.25
Financial leverage (x)	1.61	1.61	1.65	1.66	1.51
RoE (%)	13.5	18.4	32.1	31.5	31.5

## Exhibit 16: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Revenue growth	14.3	(2.7)	34.0	10.3	12.4
Op profit growth	(13.9)	21.4	90.8	11.4	12.4
EBIT growth	(8.1)	19.0	83.0	10.3	12.4
Net profit growth	(4.1)	29.4	70.9	10.8	12.9
<b>Profitability ratios (%)</b>					
OPM	11.7	14.5	20.7	20.9	20.9
EBIT margin	13.7	16.7	22.8	22.8	22.8
Net profit margin	9.8	13.0	16.6	16.6	16.7
RoCE	15.1	19.6	37.2	36.9	37.7
RoNW	13.5	18.4	32.1	31.5	31.5

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
RoA	8.4	11.5	19.4	19.0	20.8
<b>Per share ratios</b>					
EPS	16.6	21.4	36.6	40.6	45.8
Dividend per share	10.0	13.0	22.5	24.9	28.1
Cash EPS	20.3	25.1	40.4	44.5	49.8
Book value per share	125.9	107.0	121.1	136.8	154.4
<b>Valuation ratios</b>					
P/E	99.8	78.2	45.2	40.8	36.1
P/CEPS	73.9	60.5	37.2	33.8	30.2
P/B	11.9	14.0	12.4	11.0	9.7
EV/EBIDTA	84.6	69.6	36.1	32.1	28.8
<b>Payout (%)</b>					
Dividend payout	60.4	60.6	61.4	61.4	61.4
Tax payout	23.7	18.0	25.2	25.2	25.2
<b>Liquidity ratios</b>					
Debtor days	35.4	53.0	54.0	54.0	54.0
Inventory days	76.7	72.9	60.0	60.0	60.0
Creditor days	50.9	45.8	48.0	48.0	48.0

## Recommendation Tracker





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Name of the Research Analyst : Aakash Fadia

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