

October 26, 2023

RESULT REPORT Q2 FY24 | Sector: Consumer Durables

Symphony Ltd

Demand to see gradual improvement on macro headwinds; maintain ADD

Result Synopsis

Symphony on consolidated basis reported flattish revenue for the quarter, while margin saw improvement on back of stable commodity prices, change in product mix and value engineering. Domestic business has been flattish as there has been higher than normal inventory in certain places. Gross margins have seen expansion on back of value engineering and softening of commodity prices, higher gross margin has resulted in expansion in EBITDA margin. The company expects higher than normal inventory in certain parts of the country is likely to get normalized. SYML's domestic air-cooling market share continues to be at ~50% of the organized market, while in volume terms it commands market share of 27-28% and in value terms ~40% of the total air-cooling market. Management has already started to implement its strategy to turnaround its international subsidiaries especially that of CT Australia, where it has seen its substantial reduction CODB. We feel current in macro environment complete turnaround of CT Australia would take longer than anticipated. Considering difficult macro environment and gradual pickup in domestic demand we continue with our Add rating with PT of Rs996, valuing the company at 40x on FY25 earnings. We will be outwardly bullish once global macro headwind recede and domestic demand picks up pace.

We now expect recovery in domestic air-cooling market in Q4 ahead of next summer season. International business turnaround would be more gradual and would take longer than anticipated on back of global macro headwinds. We now expect FY23-25E growth trajectory of 10% revenue CAGR and EBITDA margin estimates of 14.7% and 16.0% for FY24 and FY25 and continue to maintain ADD with the PT of Rs996 valuing it at 40x.

Result Highlights

- Revenue** – Revenue has been flattish for the quarter as domestic demand has been subdued and there has been higher than normal inventory in certain regions. On international front IMPCO Mexico delivered strong performance, while CT Australia has struggled on back of macro headwinds.
- Margin** – Gross margin on consolidated basis stood at 46.2% expanding by 129bps YoY. Margin expansion was aided by favorable mix, value engineering and softening of input costs. EBITDA margin expanded by 141bps on back of improvement in gross margins.
- Other highlights** – Large scale venti cooling (LSV) business continues to deliver robust performance, however LSV business contribution to the overall revenue has been in single digit.

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,750	3,022	2,830	-9.0	-2.8	Demand headwinds in CT Australia led to revenue below estimates
EBITDA	410	517	400	-20.7	2.5	
EBITDA Margin (%)	14.9	17.1	14.1	-210 bps	80 bps	
Adjusted PAT	350	423	340	-17.3	2.9	

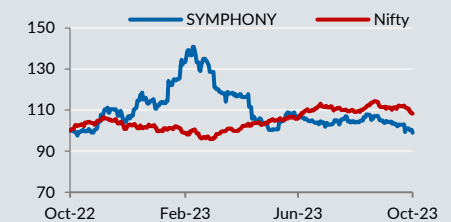
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 835
Target Price	: Rs 996
Potential Return	: +18.5%

Stock data (as on October 26, 2023)

Nifty	18,857
52 Week h/l (Rs)	1219/821
Market cap (Rs/USD mn)	58455/703
Outstanding Shares (mn)	69
6m Avg t/o (Rs mn):	77
Div yield (%)	0.6
Bloomberg code:	SYML IN
NSE code:	SYMPHONY

Stock performance



	1M	3M	1Y
Absolute return	-4.6%	-4.5%	-1.0%

Shareholding pattern (As of Sep'23 end)

Promoter	73.4%
FII+DII	14.3%
Others	12.4%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	996	1,029

Δ in earnings estimates

	FY24e	FY25e
EPS (New)	22.1	24.9
EPS (Old)	23.9	25.7
% change	-7.5%	-3.1%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenue	11,876	13,101	14,482
YoY Growth	14.3%	10.3%	10.5%
EBIDTA	1,384	1,926	2,317
YoY Growth	-13.9	39.2	20.3
PAT	1,159	1,543	1,741
YoY Growth	-4.1%	33.1%	12.9%
ROE	13.5	16.9	17.8
EPS	16.6	22.1	24.9
P/E	52.8	39.7	35.2
BV	125.9	134.7	144.5
EV/EBITDA	45.3	32.2	26.6

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	y/y %	q/q %	1HFY24	1HFY23	y/y %
Sales	2,740	2,770	3,080	3,020	2,750	0.4	(8.9)	5,770	6,030	(4.3)
EBITDA	370	440	230	260	410	10.8	57.7	670	710	(5.6)
EBITDA Margin %	13.5	15.9	7.5	8.6	14.9			11.6	11.8	
Depreciation	60	70	70	70	70	16.7	-	140	120	16.7
EBIT	310	370	160	190	340	9.7	78.9	530	590	(10.2)
EBIT Margin %	11.3	13.4	5.2	6.3	12.4			9.2	9.8	
Interest charges	20	30	30	30	20	-	(33.3)	50	40	25.0
Other Income	140	140	100	160	110	(21.4)	(31.3)	270	260	3.8
PBT	430	480	230	300	430	-	43.3	730	810	
Tax	110	90	70	60	80	(27.3)	33.3	140	200	(30.0)
Effective Tax Rate (%)	25.6	18.8	30.4	20.0	18.6			19.2	24.7	
PAT	320	390	160	240	350	9.4	45.8	590	610	(3.3)
PAT Margin %	11.7	14.1	5.2	7.9	12.7			10.2	10.1	
EPS (Rs)	4.6	5.6	2.3	3.4	5.0	9.4	45.8	8	9	(3.3)

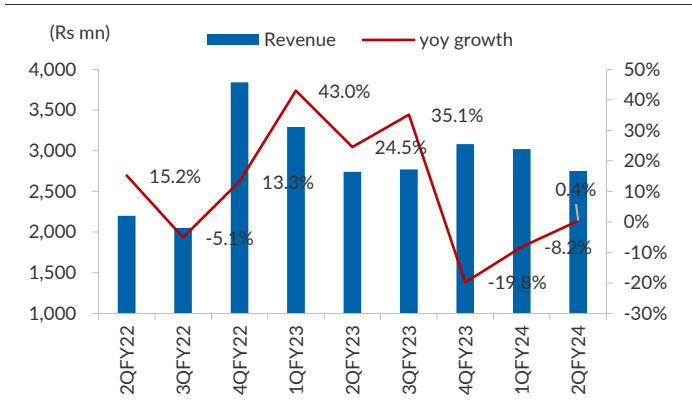
Source: Company, YES Sec

Exhibit 3: Segmental Performance

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	y/y %	q/q %	1HFY24	1HFY23	y/y %
Air cooling and other appliances	2,770	2,800	3,080	3,040	2,760	(0.4)	(9.2)	5,800	6,140	(5.5)
Corporate funds	110	110	100	140	100	(9.1)	(28.6)	240	150	60.0
Total Sales	2,880	2,910	3,180	3,180	2,860	(0.7)	(10.1)	6,040	6,290	(4.0)
PBIT										
Air cooling and other appliances	340	400	170	190	350	2.9	84.2	540	700	(22.9)
PBIT %	12.3	14.3	5.5	6.3	12.7			8.9	11.1	
Corporate funds	110	110	90	140	100	(9.1)	(28.6)	240	150	60.0
PBIT %	100.0	100.0	90.0	100.0	100.0			4.0	2.4	
Total PBIT	450	510	260	330	450	-	36.4	780	850	(8.2)
Finance Costs										
Finance Costs	20.0	30.0	30.0	30.0	20.0	-	(33.3)	50	40	25.0
Less: Taxes	110	90	70	60	80	(27.3)	33.3	140	200	(30.0)
PAT	320	390	160	240	350	9.4	45.8	590	610	(3.3)

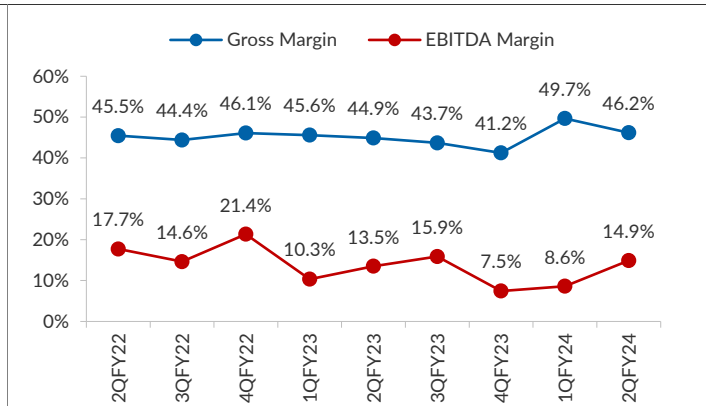
Source: Company, YES Sec

Exhibit 4: Performance has been impacted on account of demand headwinds



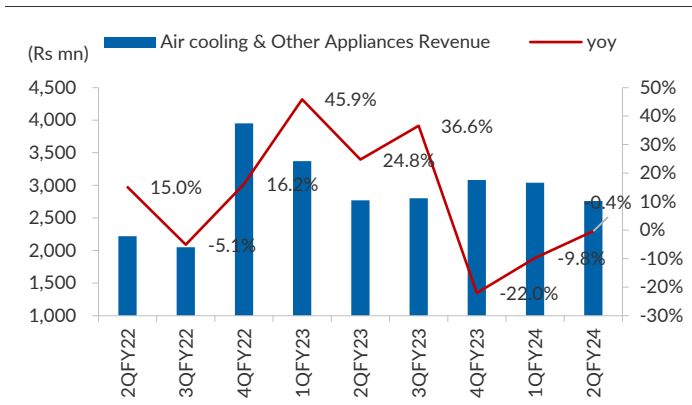
Source: Company, YES Sec

Exhibit 5: Favorable product mix, softening of commodity prices and value engineering has led to gross margin expansion



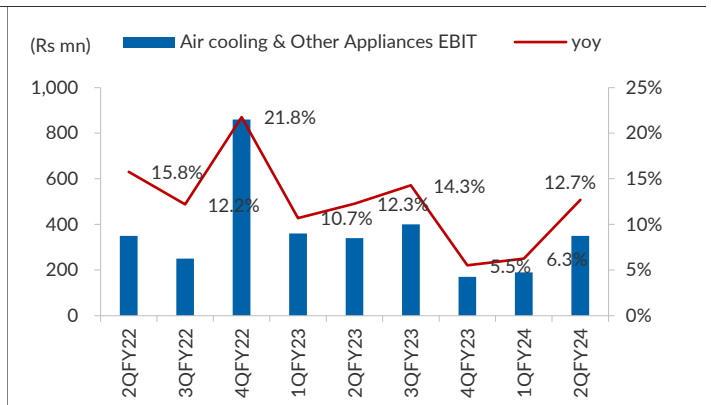
Source: Company, YES Sec

Exhibit 6: Demand headwinds has resulted in flattish revenue growth



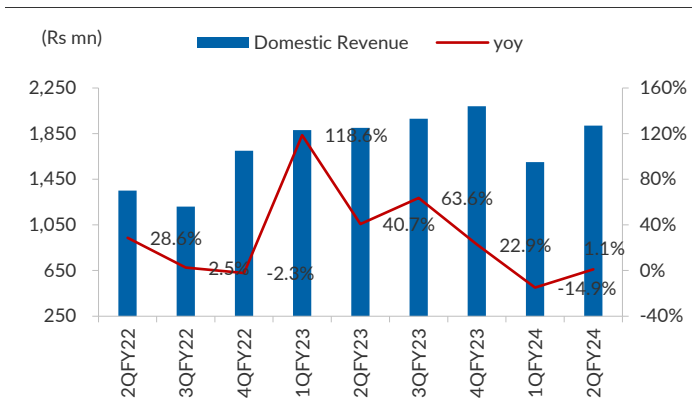
Source: Company, YES Sec

Exhibit 7: Favorable product mix and value engineering leads to margin expansion



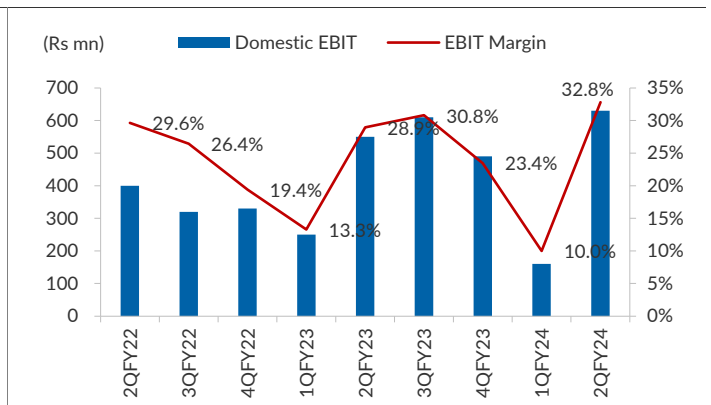
Source: Company, YES Sec

Exhibit 8: Higher than normal inventory in certain regions has resulted in muted domestic revenue



Source: Company, YES Sec

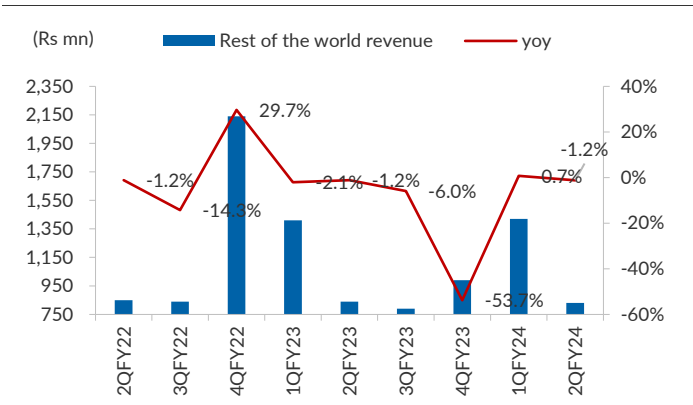
Exhibit 9: Margins have improved on better product mix and lower A&P spends



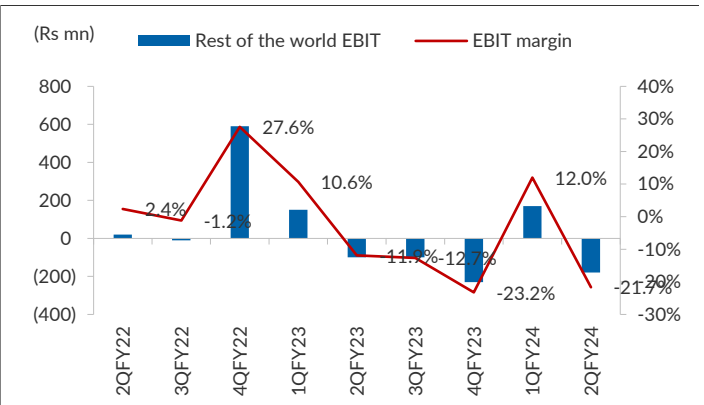
Source: Company, YES Sec

Exhibit 10: Demand headwinds in CT Australia has resulted in marginal decline in revenue

Exhibit 11: EBIT loss is on account of poor performance of CT Australia



Source: Company, YES Sec



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

Symphony 2QFY24 Earnings call takeaways – CT Australia drags overall performance

- **Alternate channels** – Alternate channels has been growing at the rapid pace and now contributes 30% to the overall sales vs pre-covid levels of 10%.
- **Adjacent product entry** – Company has gained successful entry into adjacent product categories with unique models & positioning, which is expected to sell all year round.
- **Channel inventory** – Channel inventory has been slightly higher than the normalized level. Company is going deeper into the semi-urban to rural areas to place the new inventory. Channel inventory is expected to be normalized by end of the current season. Select sates in North and some parts of West has seen higher than normal inventory.
- **LSV business** – LSV segment has seen decent growth and is in line with the company expectations. However it is still single digit of the standalone sales and it contributes 15-17% of the consolidated topline.
- **Market share** – Symphony commands market share of ~50% of the organized market, while in volume terms its market share is 27-28% of the overall air-cooling industry in volume terms while in value terms its share is 40% of the overall air-cooling industry.
- **New products** – The company has launched new range of products in desert coolers category wind glass and it is also focusing on kitchen cooler segment. It is also launched small table top cooler buddy.
- **Price increase** – Company has selectively increase price on few models, while on some models there have been no price increased.
- **Subsidiaries financial** – Climate technologies revenue stood at Rs910mn vs Rs1150mn in 1HFY24 with EBITDA loss of Rs140mn vs loss of Rs110mn. As far as impco Mexico is concerned Its revenue for 1H stood at Rs1070mn vs Rs690mn with EBITDA of Rs180mn vs Rs70mn in 1HFY23, while GSK China revenue stood at Rs230mn in 1H vs Rs190mn in 1HFY23 EBITDA for GSK Chinal stood at Rs30mn vs 10mn in 1HFY23.
- **Exports** – market for middle east builds near end of the year and the core market of Symphony GCC countries have not been affected. The company does not see major impact on middle east market on account of the turmoil.

FINANCIALS

Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	140	140	140	140	140
Reserves	7,449	8,255	8,669	9,280	9,970
Net worth	7,639	8,448	8,809	9,420	10,110
Debt	1,840	2,215	1,968	1,998	2,121
Deferred tax liab (net)	60	144	93	93	93
Other non current liabilities	360	311	301	308	320
Total liabilities	9,899	11,117	11,172	11,820	12,645
Fixed Asset	3,543	3,551	3,509	3,520	3,493
Investments	4,840	5,000	5,269	5,269	5,269
Other Non-current Assets	140	80	211	212	214
Net Working Capital	990	1,847	1,647	1,679	1,869
Inventories	1,190	1,732	2,497	1,974	2,182
Sundry debtors	1,660	2,077	1,152	1,866	2,063
Loans and Advances	430	485	761	840	928
Sundry creditors	1,300	1,494	1,655	1,795	1,984
Other current liabilities	890	912	1,002	1,089	1,187
Cash & equivalents	386	639	537	1,140	1,800
Total Assets	9,899	11,117	11,172	11,820	12,645

Source: Company, YES Sec

Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	9,000	10,391	11,876	13,101	14,482
Operating profit	1,390	1,607	1,384	1,926	2,317
Depreciation	212	242	265	279	317
Interest expense	110	89	102	120	127
Other income	310	399	502	534	453
Profit before tax	1,378	1,676	1,519	2,061	2,327
Taxes	240	467	361	519	586
Minorities and other	-	-	-	-	-
Adj. profit	1,138	1,209	1,159	1,543	1,741
Exceptional items	70	-	-	-	-
Net profit	1,068	1,209	1,159	1,543	1,741

Source: Company, YES Sec

Exhibit 14: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	1,488	1,765	1,622	2,181	2,454
Depreciation	212	242	265	279	317
Tax paid	(240)	(467)	(361)	(519)	(586)
Working capital Δ	(268)	(920)	1,343	(32)	(190)
Other operating items					
Operating cashflow	1,192	620	2,868	1,909	1,994
Capital expenditure	(552)	(250)	(222)	(289)	(289)
Free cash flow	639	370	2,646	1,619	1,705
Equity raised	449	87	(45)	-	0
Investments	(457)	(98)	(1,411)	-	-
Debt financing/disposal	116	378	(300)	30	123
Interest paid	(110)	(89)	(102)	(120)	(127)
Dividends paid	(321)	(490)	(700)	(931)	(1,051)
Net Δ in cash	132	253	(103)	604	660

Source: Company, YES Sec

Exhibit 15: Du-pont analysis

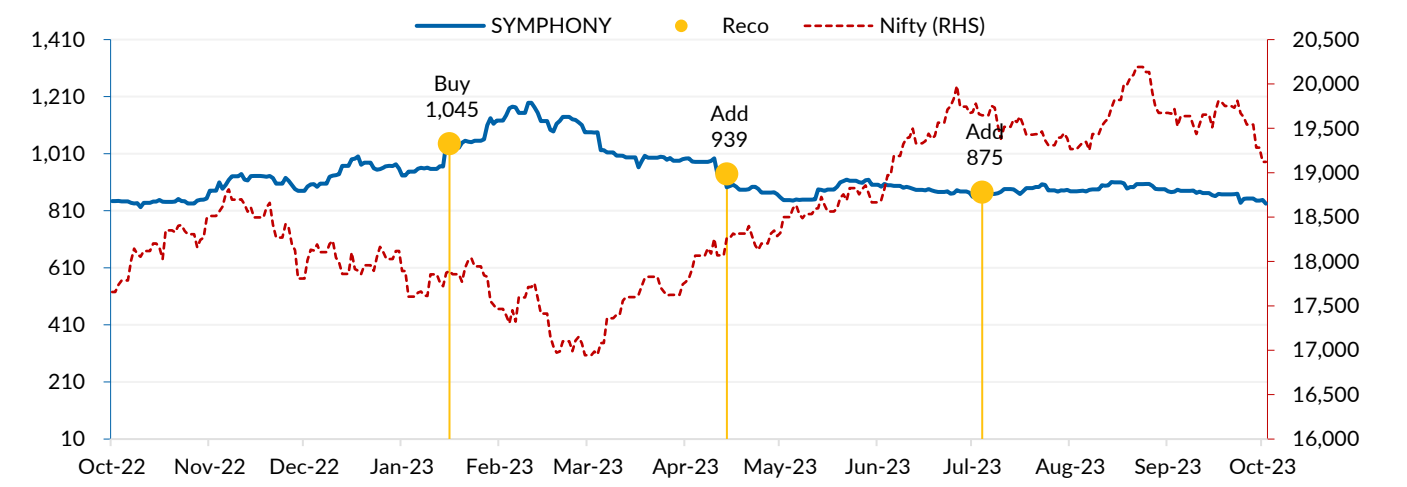
Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	0.83	0.72	0.76	0.75	0.75
Interest burden (x)	0.93	0.95	0.94	0.95	0.95
EBIT margin (x)	0.17	0.17	0.14	0.17	0.17
Asset turnover (x)	0.79	0.80	0.86	0.91	0.94
Financial leverage (x)	1.63	1.62	1.61	1.59	1.59
RoE (%)	16.3	15.1	13.5	16.9	17.8

Exhibit 16: Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)					
Revenue growth	(18.4)	15.5	14.3	10.3	10.5
Op profit growth	(34.3)	15.6	(13.9)	39.2	20.3
EBIT growth	(39.3)	18.6	(8.1)	34.5	12.5
Net profit growth	(38.7)	6.2	(4.1)	33.1	12.9
Profitability ratios (%)					
OPM	15.4	15.5	11.7	14.7	16.0
EBIT margin	16.5	17.0	13.7	16.7	16.9
Net profit margin	12.6	11.6	9.8	11.8	12.0
RoCE	16.9	17.5	15.1	19.7	20.8
RoNW	16.3	15.1	13.5	16.9	17.8

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
RoA	10.0	9.3	8.4	10.7	11.2
Per share ratios					
EPS	16.3	17.3	16.6	22.1	24.9
Dividend per share	4.6	7.0	10.0	13.3	15.0
Cash EPS	19.3	20.7	20.3	26.0	29.4
Book value per share	109.1	120.8	125.9	134.7	144.5
Valuation ratios					
P/E	55.0	48.6	50.7	38.1	33.8
P/CEPS	45.9	40.5	41.3	32.3	28.6
P/B	7.7	7.0	6.7	6.2	5.8
EV/EBIDTA	43.3	37.5	43.5	31.0	25.5
Payout (%)					
Dividend payout	28.2	40.5	60.4	60.4	60.4
Tax payout	17.4	27.8	23.7	25.2	25.2
Liquidity ratios					
Debtor days	67.3	73.0	35.4	52.0	52.0
Inventory days	48.3	60.8	76.7	55.0	55.0
Creditor days	52.7	52.5	50.9	50.0	50.0

Recommendation Tracker



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BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.