

December 05, 2023

Company Update | Sector: Consumer Durables

Symphony Ltd

Improved performance to script a turnaround

Our interaction with the various dealers and the channel partners is suggesting that the excess inventory in the channel post poor summer has been liquidated, and dealers are now feeling confident of the upcoming summer season as there have been prediction of harsh summer across the country. On the international front performance is expected to see marked improvement as fears of recessionary conditions especially in the US have been abated. On the margin front gross margins are expected to remain strong as company has taken selective price increase with more focus on the premium products. We are now expecting EBITDA margin to improve on back of lower expenses and higher operating leverage. We now turn positive on the stock and upgrade the stock to BUY with TP of Rs1,065 valuing it at 40x on Sep'25 EPS.

Liquidation of channel inventory to benefit domestic air-cooling segment: Our interaction with the various dealers and distributors suggest that the excess inventory was there in the channel post the poor summer sales have been liquidated as weather conditions have been supporting post the monsoon season with October witnessing unusually high temperatures across the country. Demand has been better than expected in month of November especially in the Western and Central part of the country which have been witnessing higher than normal temperatures. Dealers are optimistic of the summer demand going forward as there have been prediction of higher temperatures across the country.

Subsidiaries to witness improved performance: Subsidiaries' performance was impacted in FY23 on back of de-stocking by one of the large retailers in US as they were fearful of recessionary conditions. Now with the fears of recession receding they are expecting to stock up inventory from the second half of the FY24. We have currently modelled moderate growth 10% growth in CT Australia on improvement in US geography. As far as Mexico is concerned performance have been much better than anticipated and entry into new category of washing machines has been well accepted. GSK China is on the path to recovery with improving performance.

LSV (Large Space venti cooling continues to deliver robust performance: The large-space venti cooling business is also gaining traction, and company efforts in promoting and developing the product category is now bearing fruits. The growth in LSV is in line with the company's expectation and the category now contributes 15-17% of the consolidated topline.

Higher operating leverage to lead margin improvement: The company has witnessed ~270bps improvement in gross margin in 1HFY24, however the same has not been reflected in the EBITDA margins as investments in D2C initiatives and higher A&P spends along with negative operating leverage has resulted in EBITDA margin remaining flat in the similar time frame. We expect gross margins to remain strong as on favorable product mix towards premium end and there have been selective price increases on few of its model. We expect EBITDA margin to improve from 2HFY24 as gross margins are expected to remain strong and operating leverage will result in higher EBITDA margin.

Our Take: We expect strong revenue growth in 2H of FY24 as liquidation of excess channel inventory will result in inventory stocking in the domestic market and on international front CT Australia will see improved performance from 2HFY24 and growth momentum is expected to be maintained in IMPCO Mexico. We expect EBITDA margin to be 16% and 16.4% in FY25E and FY26E respectively. We are expecting FY23-26 revenue and PAT CAGR to be 10% and 20% respectively and we upgrade the stock to BUY rating with PT of Rs1,065 from valuing the company on SEP'25 EPS.

Reco	: BUY
CMP	: Rs 881
Target Price	: Rs 1,065
Potential Return	: +20.9%

Stock data (as on December 05, 2023)

Nifty	20855
52 Week h/l (Rs)	1219 / 825
Market cap (Rs/USD mn)	60511 / 727
Outstanding Shares (mn)	69
6m Avg t/o (Rs mn):	48
Div yield (%):	0.6
Bloomberg code:	SYML IN
NSE code:	SYMPHONY

Stock performance



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	BUY	ADD
Target Price	1,065	996

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	24.9	28.2
EPS (Old)	24.0	NA
% change	0.0%	NA%

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenue	13,101	14,482	15,982
YoY Growth	10.3%	10.5%	10.4%
EBIDTA	1,926	2,317	2,621
YoY Growth	39.2	20.3	13.1
PAT	1,546	1,744	1,981
YoY Growth	33.4%	12.8%	13.6%
ROE	17.0	17.9	18.9
EPS	22.1	24.9	28.3
P/E	38.0	33.7	29.7
BV	134.7	144.6	155.8
EV/EBITDA	31.0	25.5	22.3

AAKASH FADIA

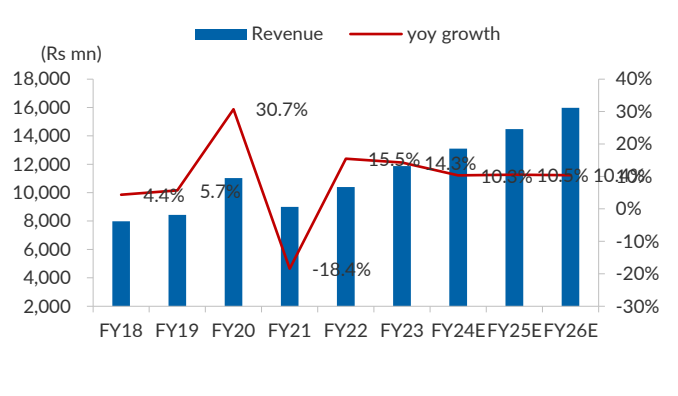
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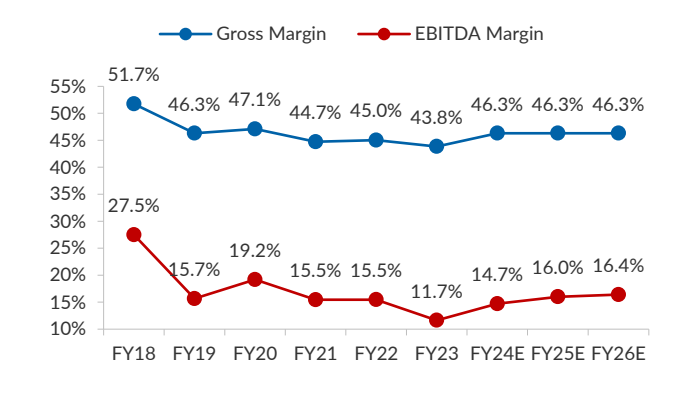
CHARTS

Exhibit 1: Revenue to grow 10% CAGR during FY23-FY26E



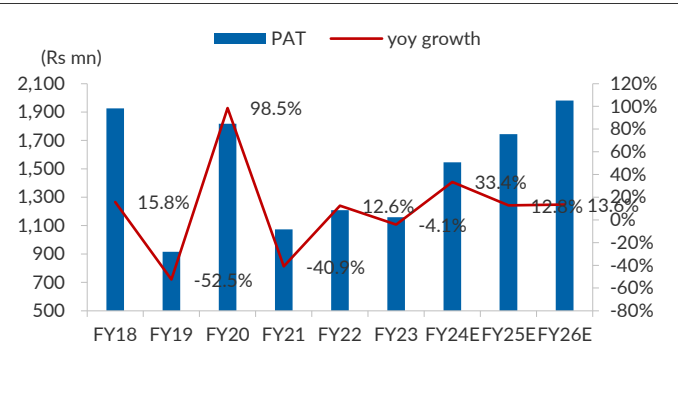
Source: Company, YES Sec

Exhibit 2: EBITDA Margins set to look up going forward



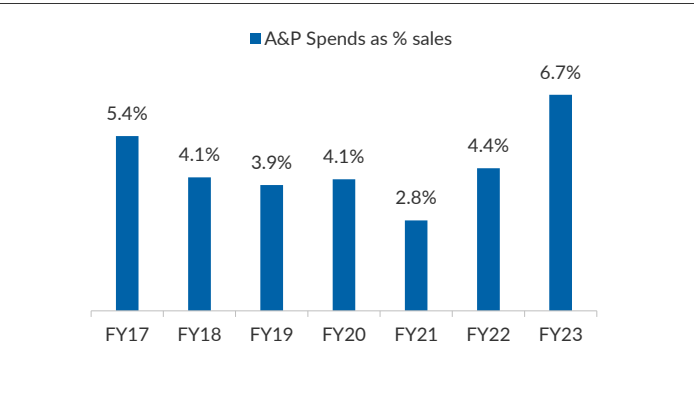
Source: Company, YES Sec

Exhibit 3: PAT estimated to grow 20% CAGR from FY23-26E



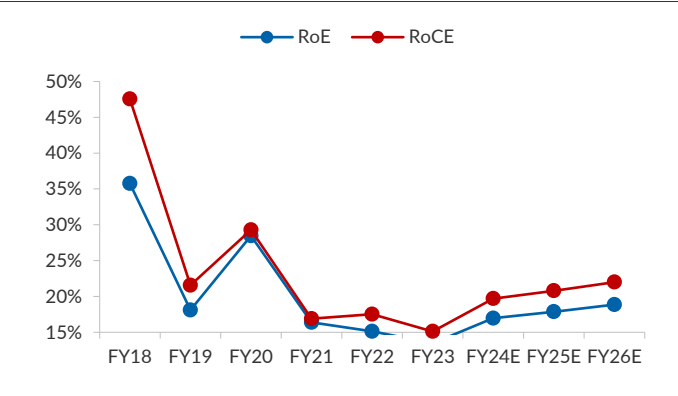
Source: Company, YES Sec

Exhibit 4: A&P spends as % of sales to moderate going forward



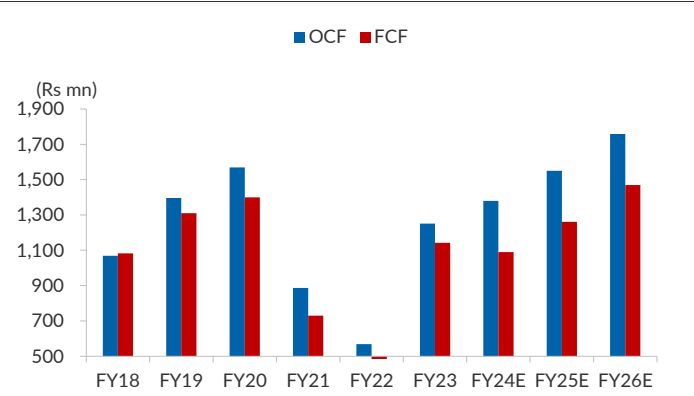
Source: Company, YES Sec

Exhibit 5: Return ratios set to improve



Source: Company, YES Sec

Exhibit 6: Cashflows to see marked improvement



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	140	140	140	140	140
Reserves	8,255	8,669	9,282	9,973	10,758
Net worth	8,448	8,809	9,422	10,113	10,898
Debt	2,215	1,968	1,998	2,121	2,056
Deferred tax liab (net)	144	93	93	93	93
Other non current liabilities	311	301	308	320	333
Total liabilities	11,117	11,172	11,821	12,647	13,379
Fixed Asset	3,551	3,509	3,524	3,502	3,441
Investments	5,000	5,269	5,269	5,269	5,269
Other Non-current Assets	80	211	212	214	216
Net Working Capital	1,847	1,647	1,679	1,869	2,076
Inventories	1,732	2,497	1,974	2,182	2,408
Sundry debtors	2,077	1,152	1,866	2,063	2,277
Loans and Advances	485	761	840	928	1,024
Sundry creditors	1,494	1,655	1,795	1,984	2,189
Other current liabilities	912	1,002	1,089	1,187	1,293
Cash & equivalents	639	537	1,137	1,794	2,378
Total Assets	11,117	11,172	11,821	12,648	13,379

Source: Company, YES Sec

Exhibit 8: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	10,391	11,876	13,101	14,482	15,982
Operating profit	1,607	1,384	1,926	2,317	2,621
Depreciation	242	265	274	312	350
Interest expense	89	102	120	127	123
Other income	399	502	534	453	500
Profit before tax	1,676	1,519	2,066	2,331	2,647
Taxes	467	361	520	587	666
Minorities and other	-	-	-	-	-
Adj. profit	1,209	1,159	1,546	1,744	1,981
Exceptional items	-	-	-	-	-
Net profit	1,209	1,159	1,546	1,744	1,981

Source: Company, YES Sec

Exhibit 9: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	1,765	1,622	2,186	2,458	2,771
Depreciation	242	265	274	312	350
Tax paid	(467)	(361)	(520)	(587)	(666)
Working capital Δ	(915)	1,343	(32)	(190)	(207)
Other operating items					
Operating cashflow	625	2,868	1,908	1,993	2,248
Capital expenditure	(252)	(222)	(289)	(289)	(289)
Free cash flow	373	2,646	1,618	1,704	1,958
Equity raised	83	(45)	-	0	(0)
Investments	(95)	(1,411)	-	-	-
Debt financing/disposal	381	(300)	30	123	(66)
Interest paid	(89)	(102)	(120)	(127)	(123)
Dividends paid	(490)	(700)	(933)	(1,053)	(1,196)
Net Δ in cash	252	(103)	601	657	584

Source: Company, YES Sec

Exhibit 10: Du-pont analysis

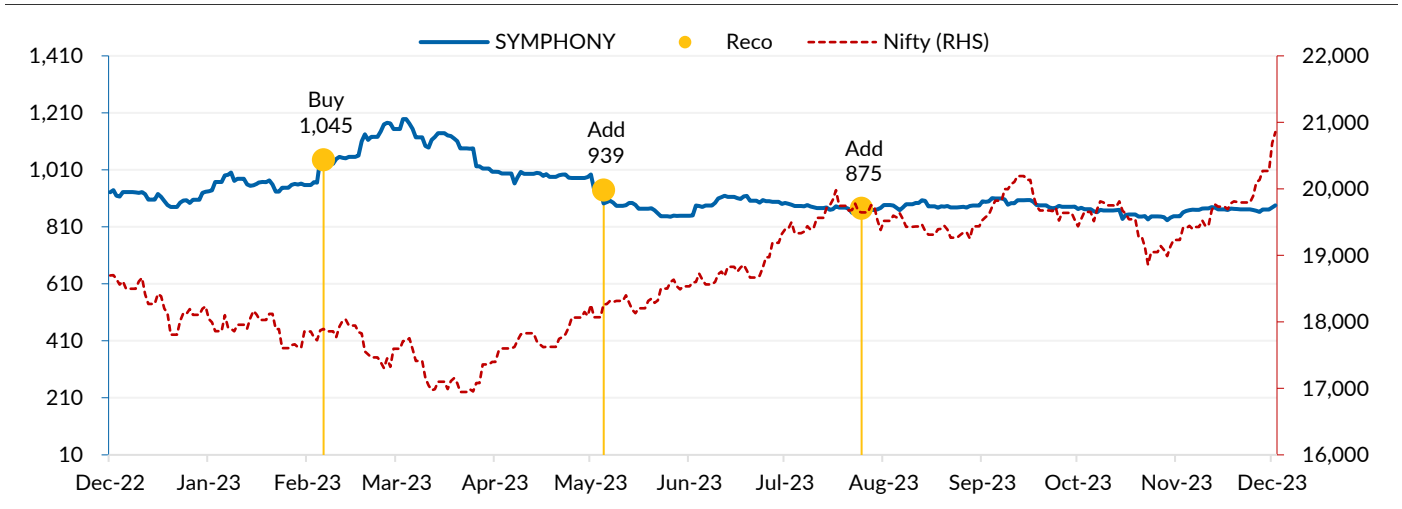
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.72	0.76	0.75	0.75	0.75
Interest burden (x)	0.95	0.94	0.95	0.95	0.96
EBIT margin (x)	0.17	0.14	0.17	0.17	0.17
Asset turnover (x)	0.80	0.86	0.91	0.94	0.96
Financial leverage (x)	1.62	1.61	1.59	1.59	1.58
RoE (%)	15.1	13.5	17.0	17.9	18.9

Exhibit 11: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	15.5	14.3	10.3	10.5	10.4
Op profit growth	15.6	(13.9)	39.2	20.3	13.1
EBIT growth	18.4	(8.1)	34.8	12.5	12.7
Net profit growth	5.5	(4.1)	33.4	12.8	13.6
Profitability ratios (%)					
OPM	15.5	11.7	14.7	16.0	16.4
EBIT margin	17.0	13.7	16.7	17.0	17.3
Net profit margin	11.6	9.8	11.8	12.0	12.4
RoCE	17.5	15.1	19.7	20.8	22.0
RoNW	15.1	13.5	17.0	17.9	18.9

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	9.3	8.4	10.7	11.3	11.9
Per share ratios					
EPS	17.3	16.6	22.1	24.9	28.3
Dividend per share	7.0	10.0	13.3	15.1	17.1
Cash EPS	20.7	20.3	26.0	29.4	33.3
Book value per share	120.8	125.9	134.7	144.6	155.8
Valuation ratios					
P/E	48.6	50.7	38.0	33.7	29.7
P/CEPS	42.5	43.3	33.9	30.0	26.4
P/B	7.3	7.0	6.5	6.1	5.7
EV/EBIDTA	37.5	43.5	31.0	25.5	22.3
Payout (%)					
Dividend payout	40.5	60.4	60.4	60.4	60.4
Tax payout	27.8	23.7	25.2	25.2	25.2
Liquidity ratios					
Debtor days	73.0	35.4	52.0	52.0	52.0
Inventory days	60.8	76.7	55.0	55.0	55.0
Creditor days	52.5	50.9	50.0	50.0	50.0

Recommendation Tracker



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