

Symphony Ltd

Accumulate

Sector: Household Durables

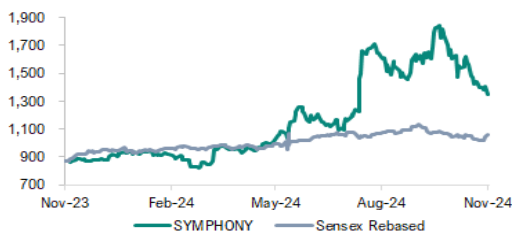
26th November 2024

Key Changes	Target ▲	Rating ▲	Earnings ▲	Target	Rs.1,519		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.1,350
Small Cap	SYML:IN	80,110	SYMPHONY	517385	12 Months	Return	+13%

Data as of: 25-11-2024

Company Data			
Market Cap (Rs. cr)	9,272		
52 Week High — Low (Rs.)	1,879 - 820		
Enterprise Value (Rs. cr)	9,372		
Outstanding Shares (cr)	6.9		
Free Float (%)	24.0		
Dividend Yield (%)	0.9		
6m average volume (lakhs)	2.8		
Beta	0.5		
Face value (Rs.)	2.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	73.4	73.4	73.4
FII's	3.3	4.8	6.1
MFs/Institutions	10.3	10.0	9.0
Public	8.4	6.9	7.1
Others	4.7	4.9	4.4
Total	100.0	100.0	100.0
Promoter Pledge	NIL	NIL	NIL
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-16.9%	33.3%	55.2%
Absolute Sensex	-1.2%	6.2%	21.4%
Relative Return	-15.7%	27.0%	33.8%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	1,156	1,535	1,780
Growth (%)	-2.7	32.8	16.0
EBITDA	168	313	380
EBITDA Margin (%)	14.5	20.4	21.4
PAT Adjusted	148	240	282
Growth (%)	26.5	62.1	17.5
Adjusted EPS	21.4	34.9	41.1
Growth (%)	28.3	62.8	17.5
P/E	39.6	38.7	32.9
P/B	7.8	11.1	9.0
EV/EBITDA	35.6	29.9	24.5
ROE (%)	19.8	28.6	27.4
D/E	0.2	0.2	0.1

Strong Q2 performance, Rating Upgraded

Symphony Ltd. and its subsidiaries manufacture and trade in residential, commercial and industrial air coolers in the domestic and international markets. The company operates through the air coolers and corporate funds segments and offers residential, packaged and central air coolers.

- Symphony's consolidated revenue rose 14.5% YoY in Q2FY25 to Rs. 315cr, supported by strong domestic sales.
- Symphony's revenue in India rose 24.5% YoY, reaching Rs. 239cr, while international revenue declined 8.4% YoY to Rs. 76cr. This growth in the domestic market highlights Symphony's strong presence in India despite challenges in global markets.
- The air cooling and other appliances segment saw a 16.3% YoY increase in revenue to Rs. 321cr, on the back of strong brand value, a diverse product portfolio and robust market presence. Symphony's corporate funds segment grew 40.0% YoY, reaching Rs. 14cr, driven by the addition of a product to its portfolio.
- The company's EBITDA surged 56.1% YoY in Q2FY25 to Rs. 64cr, primarily driven by a robust revenue base and an optimised cost structure, with fixed costs remaining stable. As a result EBITDA margin expanded 540bps YoY to 20.3% on account of better realisation at the subsidiary level.

Valuation

Symphony delivered a strong Q2FY25 financial results, driven by its robust domestic sales growth, solid brand value, and diversified product portfolio. Symphony's recent launch of 17 air cooler models and expansion into the water heater market are expected to boost demand and sales performance, while its focus on environmentally conscious solutions and innovative products should drive long-term growth. Management expressed confidence in future growth, projecting a double-digit CAGR in India, fueled by market expansion and advancements in product innovation. Despite recent share buybacks and elevated valuation, we believe the stock offers value at current levels. Hence, **we upgrade our rating on the stock from REDUCE to ACCUMULATE with a revised target price of Rs. 1,519, based on 37x FY26E adjusted EPS.**

Quarterly Financials Consol.

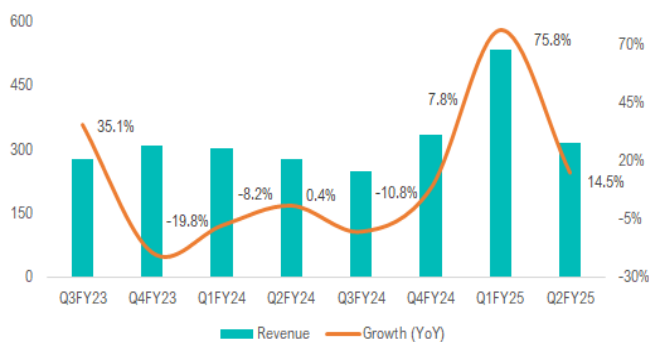
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	315	275	14.5	531	-40.7	846	577	46.6
EBITDA	64	41	56.1	111	-42.3	175	67	161.2
Margin (%)	20.3	14.9	540bps	20.9	-60bps	20.7	11.6	910bps
EBIT	58	34	70.6	106	-45.3	164	53	209.4
PBT	76	43	76.7	112	-32.1	188	73	157.5
Rep. PAT	56	35	60.0	88.0	-36.4	144	59	144.1
Adj PAT	56	35	60.0	88.0	-36.4	144	59	144.1
EPS (Rs)	8.1	5.1	63.1	12.8	-36.4	20.9	8.5	145.5



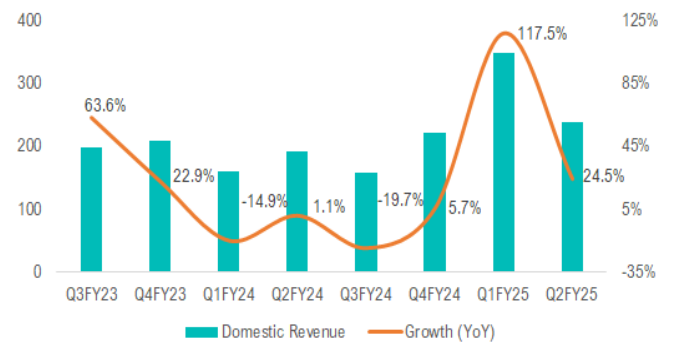
Key concall highlights

- Symphony's recent launch of 17 air cooler models has been well-received, generating healthy interest in the market. With billing and deliveries scheduled to begin in the December quarter, the company expects to further boost demand and bolster its sales performance in the quarters to come.
- Symphony has also expanded into the water market, initially targeting select regions. The company anticipates delivering a strong performance in this segment in the near future, given the highly encouraging response from trade partners.
- A significant amount is overdue from a large modern trade distributor, who has failed to meet their payment schedule for Q2FY25, despite a 10-year relationship with an impeccable payment track record until summer 2023. Legal action has been initiated for full recovery.
- Return on net worth rose to 31% in 2024, up from 21% last year. After paying ~Rs. 100cr through share buybacks and interim dividends, the treasury increased to Rs. 685cr as of September 30, 2024 from Rs. 589cr a year earlier.
- The company is setting new standards for environmentally conscious solutions, with innovative, sustainable and eco-friendly products.
- Symphony's subsidiary, CT Australia, has introduced a diverse B2C product range, including air conditioners and heaters, which has been well-received. The company expects revenue growth in this segment, given its strong brand presence and distribution network.

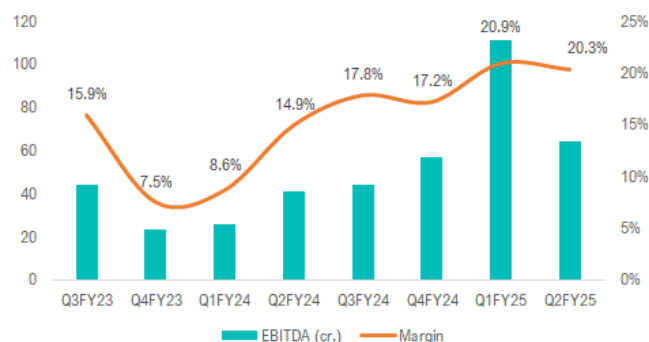
Revenue



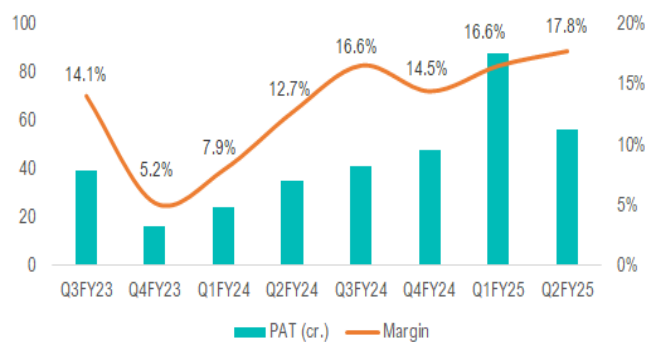
Domestic Revenue



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,540	1,756	1,535	1,780	-0.4	1.4
EBITDA	299	353	313	380	4.8	7.7
Margins (%)	19.4	20.1	20.4	21.4	100bps	130bps
Adj. PAT	231	275	240	282	3.7	2.5
EPS	33.5	39.8	34.9	41.1	4.3	3.1



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	1,039	1,188	1,156	1,535	1,780
% change	15.4	14.3	-2.7	32.8	16
EBITDA	161	138	168	313	380
% change	15.8	-12.7	23.5	86.5	21.8
Depreciation	24	26	26	27	28
EBIT	137	112	142	286	353
Interest	9	10	10	8	8
Other Income	40	50	49	41	31
PBT	168	152	181	320	376
% change	28.2	-9.5	19.1	76.7	17.5
Tax	47	36	33	80	94
Tax Rate (%)	28.0	23.7	18.2	25.0	25.0
Reported PAT	121	116	148	240	282
Adj.*	-	-	-	-	-
Adj. PAT	120	117	148	240	282
% change	5	-3	26	62	18
No. of shares (cr)	7	7	6.9	6.9	6.9
Adj EPS (Rs)	17.2	16.7	21.4	34.9	41.1
% change	4.9	-2.5	28.3	62.8	17.5
DPS (Rs)	9.0	5.0	8.0	11.5	13.5

Cashflow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	145	142	174	267	310
Non-cash adj.	-6	-47	29	31	-73
Other adjustments	-	-	-	-	-
Changes in W.C	-82	30	-42	-69	-37
C.F. Operation	57	125	161	229	199
Capital exp.	-9	-11	-6	-15	-18
Change in inv.	6	-25	191	-34	-43
Other invest.CF	9	24	7	4	4
C.F - Investment	6	-12	192	-45	-56
Issue/redemption of equity	-	-	-	-71	-
Issue/repay debt	25	-39	-66	-17	-10
Dividends paid	-50	-70	-42	-79	-93
Other finance.CF	-9	-14	-258	-8	-8
C.F - Finance	-34	-123	-366	-175	-111
Chg. in cash	29	-10	-13	9	32
Closing Cash	68	57	43	52	84

Balance Sheet

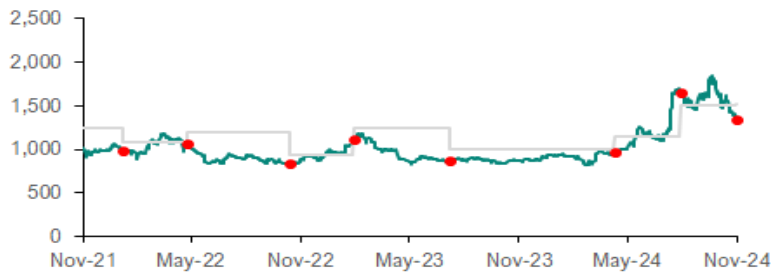
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	68	57	43	52	84
Accts. Receivable	208	115	168	222	255
Inventories	173	250	231	284	318
Other Cur. Assets	386	300	177	228	294
Investments	169	310	236	193	231
Gross Fixed Assets	151	162	170	186	204
Net Fixed Assets	107	108	102	90	80
CWIP	-	-	-	-	-
Intangible Assets	248	242	225	222	218
Def. Tax -Net	6	20	33	80	122
Other Assets	2	2	3	3	3
Total Assets	1,367	1,404	1,218	1,373	1,606
Current Liabilities	243	271	279	349	399
Provisions	11	11	13	14	16
Debt Funds	254	232	169	152	142
Other Liabilities	14	9	8	19	23
Equity Capital	14	14	14	14	14
Res. & Surplus	826	867	735	824	1,013
Shareholder Funds	840	881	749	838	1,027
Minority Interest	5	-	-	-	-
Total Liabilities	1,367	1,404	1,218	1,373	1,606
BVPS	120	126	109	122	150

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	15.5	11.6	14.5	20.4	21.4
EBIT margin (%)	13.2	9.4	12.3	18.7	19.8
Net profit mgn.(%)	11.5	9.8	12.8	15.6	15.8
ROE (%)	14.4	13.2	19.8	28.6	27.4
ROCE (%)	12.5	10.1	15.5	28.9	30.2
W.C & Liquidity					
Receivables (days)	73.1	35.3	53.0	52.7	52.2
Inventory (days)	110.6	136.8	140.3	138.2	136.1
Payables (days)	95.2	90.8	88.1	89.1	91.1
Current ratio (x)	2.3	1.8	1.6	1.8	2.0
Quick ratio (x)	1.7	1.0	0.9	1.0	1.1
Turnover & Leverage					
Gross asset T.O (x)	7.1	7.6	6.9	8.6	9.1
Total asset T.O (x)	0.8	0.9	0.9	1.2	1.1
Int. covge. ratio (x)	15.2	11.2	14.2	37.6	46.4
Adj. debt/equity (x)	0.3	0.3	0.2	0.2	0.1
Valuation					
EV/Sales (x)	6.3	6.1	5.2	6.1	5.2
EV/EBITDA (x)	40.5	52.7	35.6	29.9	24.5
P/E (x)	52.6	60.9	39.6	38.7	32.9
P/BV (x)	7.5	8.1	7.8	11.1	9.0



Recommendation Summary - last 3 years



Dates	Rating	Target
31-Jan-22	HOLD	1,076
18-May-22	ACCUMULATE	1,196
7-Nov-22	ACCUMULATE	944
21-Feb-23	ACCUMULATE	1,240
2-Aug-23	ACCUMULATE	997
4-May-24	ACCUMULATE	1,151
22-Aug-24	REDUCE	1,513
26-Nov-24	ACCUMULATE	1,519

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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