

August 06, 2024

RESULT REPORT Q1 FY25 | Sector: Consumer Durables

Symphony Ltd

Strong all-round beat, sharp runup in stock price results in NEUTRAL rating

Result Synopsis

Symphony on consolidated basis delivered higher than expected revenue on back of strong summer season. Expectations were there for strong growth in domestic air-cooling business; however, the company has even surpassed bullish expectations with domestic air-cooling business growing at 118% yoy. Even on the international front Mexico and GSK China has reported robust performance, while CT Australia continues to remain subdued. Business transformation in CT Australia is underway and company expects it to turnaround by June '25. Gross margins have seen further expansion of 156bps on back of tactical pricing, value engineering and softening of input costs. EBITDA margin on other hand has seen expansion of 1229bps to 20.9%, even after higher A&P spends which stands at 9.8% of sales. The company is confident that turnaround in international subsidiaries is sustainable and performance would further improve once CT Australia turns around. The company is witnessing increased traction in the domestic air-cooling market with South and East witnessing uptick which have not been traditional air-cooling market. SYML is also entering into water heater category where company will provide feature rich water heater at competitive prices. Considering strong demand traction in the domestic market and sustained improvement of subsidiaries performance, we remain positive on the air-cooling space. We had upgraded the stock to BUY in Q4 and stock has rallied ~51% post our upgrade. Given the strong performance our FY25 and FY26 EPS estimates gets increased by 18% and 15% respectively, however we assign Neutral rating as stock price has seen significant appreciation and now value the stock at 45x with PT of Rs1,549.

SYML has outperformed bullish expectation in the domestic market resulting in earnings upgrade. Post our dealer interaction we had mentioned strong possibility of earnings upgrade which is being played out. We continue to remain positive on the air-cooling space and this stock should be bought on every correction.

Result Highlights

- Revenue** – Revenue has surpassed expectation for the quarter with revenue growing 76% yoy, with domestic revenue growing by 118% and subsidiaries growing by 22%.
- Margin** – Gross margin on consolidated basis stood at 51.2% expanding by 156bps YoY. Margin expansion was aided by tactical pricing, value engineering and softening of input costs. EBITDA margin expanded by 1229bps on back of higher operating leverage.
- Other highlights** – Large scale venti cooling (LSV) business continues to deliver encouraging performance, however LSV business contribution to the overall revenue is still miniscule.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	5,310	4,616	NA	15.0	NA	
EBITDA	1,110	846	NA	31.3	NA	Strong domestic sales leads to outperformance
EBITDA Margin (%)	20.9	18.3	NA	260 bps	+NA bps	
Adjusted PAT	880	718	NA	22.6	NA	

Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 1,462
Target Price	: Rs 1,549
Potential Return	: +5.9%

Stock data (as on August 06, 2024)

Nifty	23993
52 Week h/l (Rs)	1476 / 820
Market cap (Rs/USD mn)	84821 / 1011
Outstanding Shares (mn)	69
6m Avg t/o (Rs mn):	136
Div yield (%):	1.1
Bloomberg code:	SYML IN
NSE code:	SYMPHONY

Stock performance



Shareholding pattern (As of Mar'24 end)

Promoter	73.4%
FII+DII	14.8%
Others	11.8%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	BUY
Target Price	1,549	1,200

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	29.8	34.4
EPS (Old)	25.2	30.0
% change	18.3%	14.6%

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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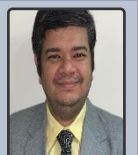


Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Sales	3,020	2,750	2,470	3,320	5,310	75.8	59.9	11,560	11,880	(2.7)
EBITDA	260	410	440	570	1110	326.9	94.7	1,680	1,380	21.7
EBITDA Margin %	8.6	14.9	17.8	17.2	20.9			14.5	11.6	
Depreciation	70	70	60	60	50	(28.6)	(16.7)	260	260	-
EBIT	190	340	380	510	1060	457.9	107.8	1,420	1,120	26.8
EBIT Margin %	6.3	12.4	15.4	15.4	20.0			12.3	9.4	
Interest charges	30	20	30	20	30	-	50.0	100	100	-
Other Income	160	110	150	90	90	(43.8)	-	510	500	2.0
PBT	300	430	500	580	1120	273.3	93.1	1,810	1,520	
Tax	60	80	90	100	240	300.0	140.0	330	360	(8.3)
Effective Tax Rate (%)	20.0	18.6	18.0	17.2	21.4			18.2	23.7	
PAT	240	350	410	480	880	266.7	83.3	1,480	1,160	27.6
PAT Margin %	7.9	12.7	16.6	14.5	16.6			12.8	9.8	
EPS (Rs)	3.4	5.0	5.9	6.9	12.6	266.7	83.3	21	17	27.6

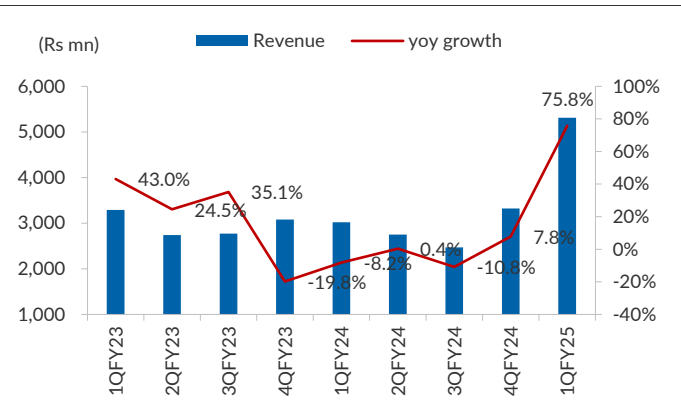
Source: Company, YES Sec

Exhibit 3: Segmental Performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Air cooling and other appliances	3,040	2,760	2,530	3,340	5,310	74.7	59.0	11,670	12,020	(2.9)
Corporate funds	140	100	90	70	90	(35.7)	28.6	400	360	11.1
Total Sales	3,180	2,860	2,620	3,410	5,400	69.8	58.4	12,070	12,380	(2.5)
PBIT										
Air cooling and other appliances	190	350	450	520	1060	457.9	103.8	1,510	1,270	18.9
PBIT %	6.3	12.7	17.8	15.6	20.0			12.5	10.3	
Corporate funds	140	100	80	80	90	(35.7)	12.5	400	350	14.3
PBIT %	100.0	100.0	88.9	114.3	100.0			3.3	2.8	
Total PBIT	330	450	530	600	1,150	248.5	91.7	1,910	1,620	17.9
Finance Costs	30.0	20.0	30.0	20.0	30.0	-	50.0	100	100	-
Less: Taxes	60	80	90	100	240	300.0	140.0	330	360	(8.3)
PAT	240	350	410	480	880	266.7	83.3	1,480	1,160	27.6

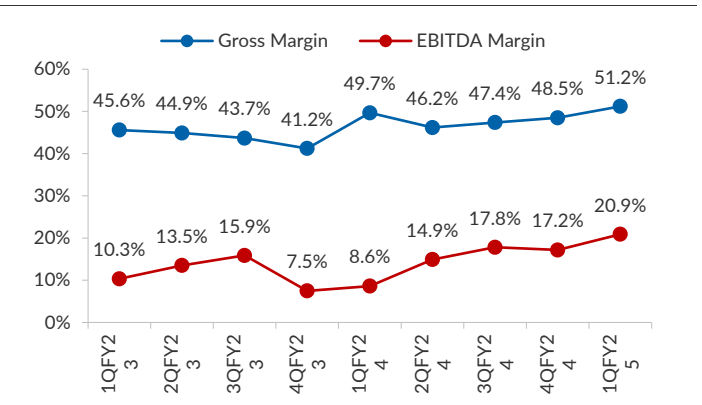
Source: Company, YES Sec

Exhibit 4: Strong domestic sales have resulted in robust revenue growth



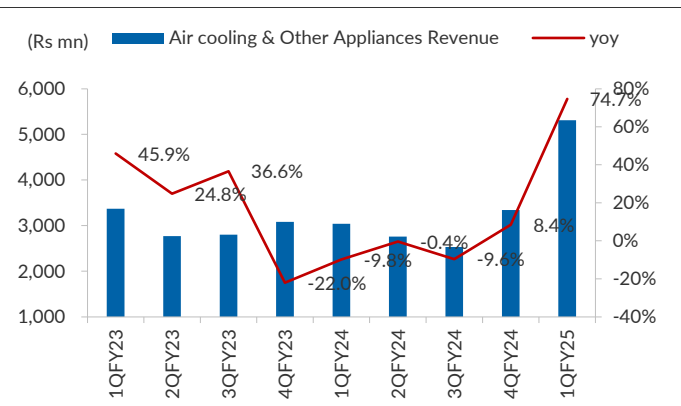
Source: Company, YES Sec

Exhibit 5: Pricing actions and lower commodity prices have resulted in gross margin expansion



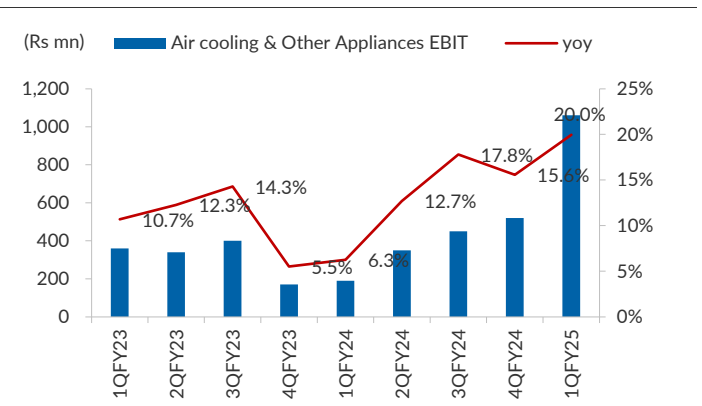
Source: Company, YES Sec

Exhibit 6: Domestic market has resulted in revenue uptick



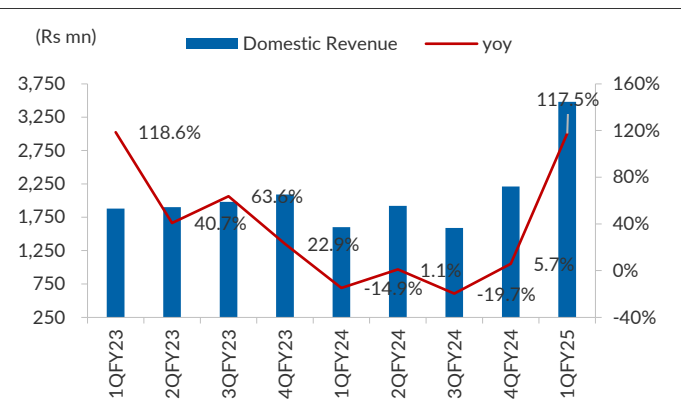
Source: Company, YES Sec

Exhibit 7: Operating leverage has resulted in EBIT margin expansion



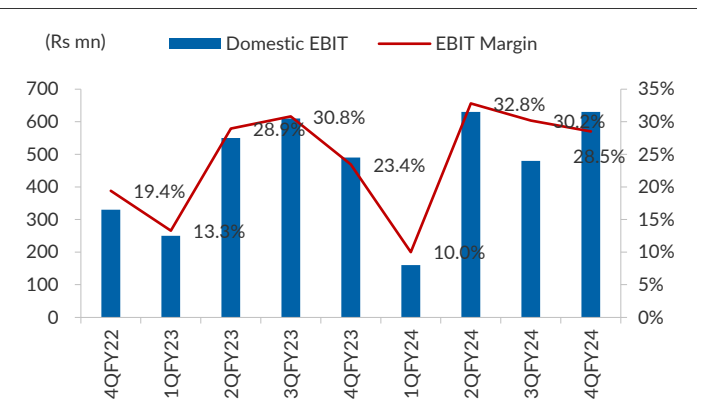
Source: Company, YES Sec

Exhibit 8: Strong growth in non-traditional air-cooling market has resulted in doubling of revenue



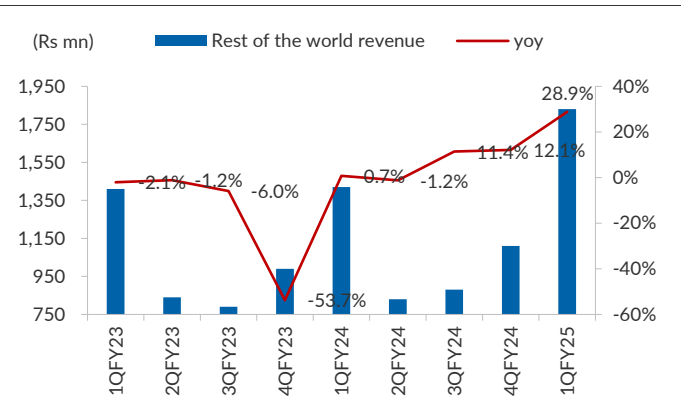
Source: Company, YES Sec

Exhibit 9: Higher A&P spends has resulted in lower margin



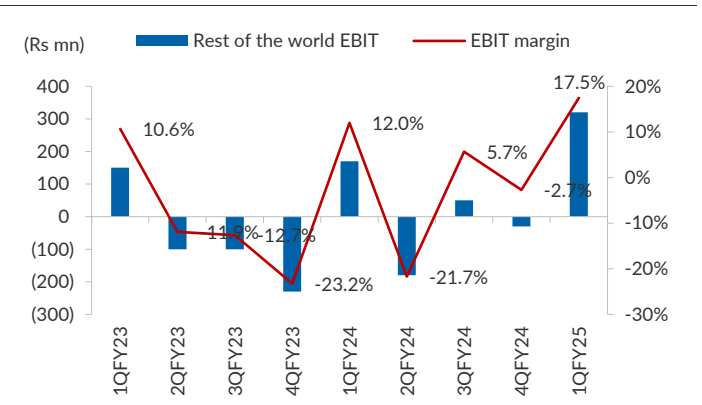
Source: Company, YES Sec

Exhibit 10: Improved performance of subsidiaries has resulted in growth in international business



Source: Company, YES Sec

Exhibit 11: Strong performance of Mexico and China subsidiary has resulted in EBIT margin improvement



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Management commentary** - Growth has been exceptional driven by strong summer in India and turnaround of subsidiaries. The company believes that turnaround of international subsidiaries would be sustainable in nature. Mexico and GSK China has done well, climate technologies turnaround is in progress and stage 1 of turnaround is achieved.
- **New product category** - The company has entered into the new product category of storage water heater and will be available in the select cities from the upcoming winter season. New products will support D2C initiatives and would give further Philip to the D2C initiatives. Water heater will be launched phase wise.
- **New launches** - The company has launched 17 new air-coolers across 6 ranges for the next season, which will be showcased to the dealer in the dealer conference. This is the first time the company has launched 17 new models in a single go.
- **Channel inventory** - Channel inventory currently below the normalized level in India, Mexico and Brazil which will result in strong growth going forward as well.
- **Dealer penetration** - The company has penetrated more in semi-urban and rural areas for the air-coolers. This will further enable penetration of air-coolers in the rural areas.
- **CT Australia** - Post June 2025 CT Australia cost optimization will be achieved as there are certain lease expiring and post that overheads will be reduced.
- **GSK China** - GSK China will act as manufacturing hub and supply air-coolers to other international subsidiaries as cost of manufacturing is lower than the subsidiaries manufacturing themselves.
- **Water heater distribution** - To begin with existing channel will be used to distribute water heater. Going forward company will expand into different channels as it scales up this category. Manufacturing will be done by 3rd party vendors.
- Air-cooler demand has been across the country. Company is not relying on any single region for demand. Demand has come from South and East which are not the traditional air-cooler market. **Air-cooler has registered highest growth in any of the summer product category.**
- **Industrial coolers** - Industrial coolers as a category is growing but it is still not at the inflection point. Potential continues to remain strong
- **Price hikes** - There will be price increase in certain models and will be strategic.

FINANCIALS

Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	140	140	140	140	140
Reserves	8,255	8,669	7,350	8,154	9,083
Net worth	8,448	8,809	7,490	8,294	9,223
Debt	2,215	1,968	1,470	1,488	1,386
Deferred tax liab (net)	144	93	80	80	80
Other non current liabilities	311	301	220	247	263
Total liabilities	11,117	11,172	9,260	10,110	10,952
Fixed Asset	3,551	3,509	3,272	3,043	2,805
Investments	5,000	5,269	3,730	3,730	3,730
Other Non-current Assets	80	211	360	367	371
Net Working Capital	1,847	1,647	1,530	1,376	1,535
Inventories	1,732	2,497	2,310	2,354	2,597
Sundry debtors	2,077	1,152	1,680	2,118	2,337
Loans and Advances	485	761	310	384	424
Sundry creditors	1,494	1,655	1,450	1,883	2,078
Other current liabilities	912	1,002	1,210	1,456	1,588
Cash & equivalents	639	537	367	1,594	2,511
Total Assets	11,117	11,172	9,260	10,109	10,952

Source: Company, YES Sec

Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	10,391	11,876	11,560	14,318	15,799
Operating profit	1,607	1,384	1,680	2,564	2,986
Depreciation	242	265	260	267	275
Interest expense	89	102	100	101	94
Other income	399	502	510	593	600
Profit before tax	1,676	1,519	1,830	2,788	3,217
Taxes	467	361	330	702	810
Minorities and other	-	-	-	-	-
Adj. profit	1,209	1,159	1,500	2,086	2,407
Exceptional items	-	-	20	-	-
Net profit	1,209	1,159	1,480	2,086	2,407

Source: Company, YES Sec

Exhibit 14: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	1,765	1,622	1,930	2,889	3,311
Depreciation	242	265	260	267	275
Tax paid	(467)	(361)	(330)	(702)	(810)
Working capital Δ	(915)	1,343	917	154	(159)
Other operating items					
Operating cashflow	625	2,868	2,777	2,609	2,617
Capital expenditure	(252)	(222)	(24)	(38)	(37)
Free cash flow	373	2,646	2,754	2,571	2,580
Equity raised	83	(45)	(1,890)	(0)	(0)
Investments	(95)	(1,411)	739	-	-
Debt financing/disposal	381	(300)	(498)	18	(102)
Interest paid	(89)	(102)	(100)	(101)	(94)
Dividends paid	(490)	(700)	(909)	(1,282)	(1,479)
Net Δ in cash	252	(103)	(169)	1,226	917

Source: Company, YES Sec

Exhibit 15: Du-pont analysis

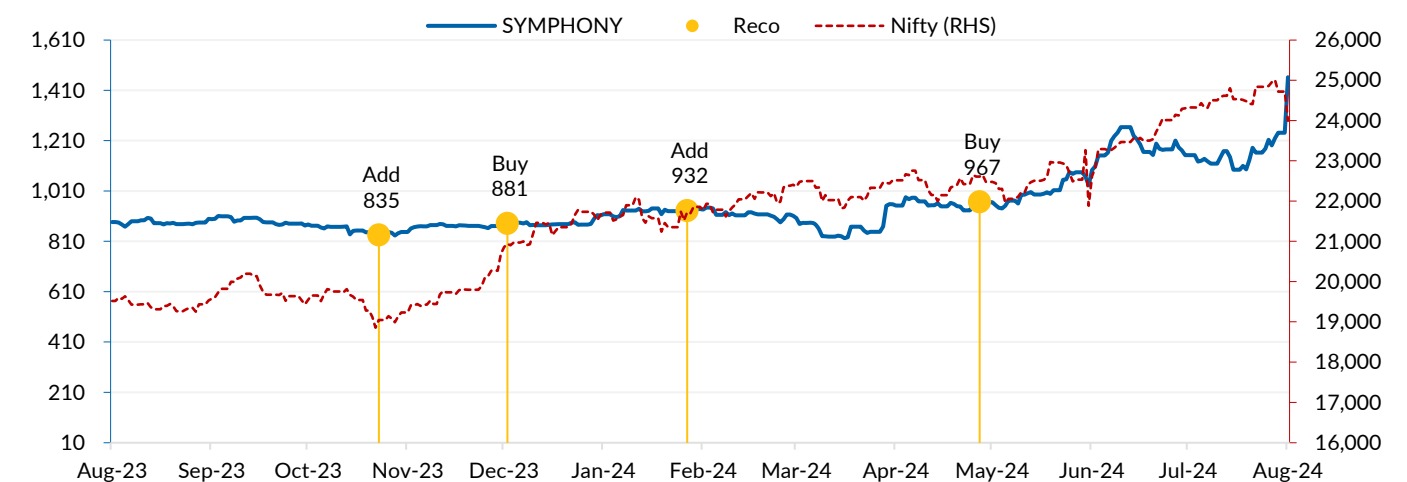
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.72	0.76	0.82	0.75	0.75
Interest burden (x)	0.95	0.94	0.95	0.96	0.97
EBIT margin (x)	0.17	0.14	0.17	0.20	0.21
Asset turnover (x)	0.80	0.86	0.88	1.11	1.10
Financial leverage (x)	1.62	1.61	1.61	1.64	1.63
RoE (%)	15.1	13.5	18.4	26.4	27.5

Exhibit 16: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Revenue growth	15.5	14.3	(2.7)	23.9	10.3
Op profit growth	15.6	(13.9)	21.4	52.6	16.5
EBIT growth	18.4	(8.1)	19.0	49.7	14.6
Net profit growth	5.5	(4.1)	29.4	39.1	15.4
Profitability ratios (%)					
OPM	15.5	11.7	14.5	17.9	18.9
EBIT margin	17.0	13.7	16.7	20.2	21.0
Net profit margin	11.6	9.8	13.0	14.6	15.2
RoCE	17.5	15.1	19.6	30.8	32.5
RoNW	15.1	13.5	18.4	26.4	27.5

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
RoA	9.3	8.4	11.5	16.1	16.8
Per share ratios					
EPS	17.3	16.6	21.4	29.8	34.4
Dividend per share	7.0	10.0	13.0	18.3	21.1
Cash EPS	20.7	20.3	25.1	33.6	38.3
Book value per share	120.8	125.9	107.0	118.5	131.8
Valuation ratios					
P/E	84.7	88.3	69.2	49.1	42.5
P/CEPS	70.6	71.9	58.9	43.5	38.2
P/B	12.2	11.6	13.7	12.3	11.1
EV/EBIDTA	64.7	75.0	61.6	39.9	33.9
Payout (%)					
Dividend payout	40.5	60.4	60.6	61.4	61.4
Tax payout	27.8	23.7	18.0	25.2	25.2
Liquidity ratios					
Debtor days	73.0	35.4	53.0	54.0	54.0
Inventory days	60.8	76.7	72.9	60.0	60.0
Creditor days	52.5	50.9	45.8	48.0	48.0

Recommendation Tracker



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