

May 01, 2024

RESULT REPORT Q4 FY24 | Sector: Consumer Durables

Symphony Ltd

Higher domestic demand to result in strong earnings traction; Upgrade to BUY

Result Synopsis

Symphony on consolidated basis reported lower than expected revenue on back of subdued performance of climate technologies AU as demand headwind continues to persist. Domestic air-cooling segment grew 5% yoy despite the strong base effect, fuelled by searing summer with above normal temperatures. Gross margins have seen strong expansion of 720bps on back of tactical pricing, value engineering and softening of input costs. Higher gross margin along with improved performance of subsidiaries has resulted in expansion in EBITDA margin. Subsidiaries has seen 12% yoy revenue growth on back of strong summer tailwind in Mexico and Brazil and improving performance of CT Australia and GSK China. The company is currently witnessing strong demand traction in the domestic market on back of heat waves across the country. Southern, Western and Eastern regions have seen strong sales, while soaring temperatures in northern states would provide strong tailwind in Q1. On the international front Mexico, China and Brazil are already witnessing improved performance, management has already started to implement asset light model in CT Australia. Considering strong demand trends in the domestic market and improvement of subsidiaries performance, we upgrade the Stock to BUY with PT of Rs1,200 valuing the company at 40x FY26 EPS.

We expect strong Q1 for domestic air-cooling industry and SYML being market leader will more likely be the beneficiary resulting in market share gains. International business turnaround would be more gradual especially in CT Australia where management focus is on improving revenue and efficiencies. We increased our growth expectations in the domestic market current summer season has been best in many years as far as demand is concerned. We Upgrade the stock to BUY rating with PT of Rs1,200 valuing the stock at 40x FY26 EPS.

Result Highlights

- Revenue** – Revenue miss for the quarter was on account of subdued performance of CT Australia where demand headwinds continue to persist. On the domestic front demand has been extremely strong on back of heatwaves across the country.
- Margin** – Gross margin on consolidated basis stood at 48.5% expanding by 726bps YoY. Margin expansion was aided by tactical pricing, value engineering and softening of input costs. EBITDA margin expanded by 970bps 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 is still miniscule.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,320	3,611	NA	-8.1	NA	Subdued performance of CT Australia has resulted in revenue miss
EBITDA	570	677	NA	-15.9	NA	
EBITDA Margin (%)	17.2	18.8	NA	-159 bps	+NA bps	
Adjusted PAT	480	544	NA	-11.8	NA	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 967
Target Price	: Rs 1,200
Potential Return	: +24.1%

Stock data (as on Apr 30, 2024)

Nifty	22605
52 Week h/l (Rs)	1019 / 820
Market cap (Rs/USD mn)	65619 / 786
Outstanding Shares (mn)	69
6m Avg t/o (Rs mn):	77
Div yield (%):	0.5
Bloomberg code:	SYML IN
NSE code:	SYMPHONY

Stock performance



Shareholding pattern (As of Mar'24 end)

Promoter	73.4%
FII+DII	13.6%
Others	13.0%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	ADD
Target Price	1,200	1,028

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	25.2	30.0
EPS (Old)	24.2	27.2
% change	4.1%	10.3%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	11,560	13,189	14,557
YoY Growth	-2.7%	14.1%	10.4%
EBITDA	1,680	2,130	2,569
YoY Growth	21.4	26.8	20.6
PAT	1,480	1,766	2,099
YoY Growth	29.4%	17.7%	18.9%
ROE	18.4	22.6	24.5
EPS	21.1	25.2	30.0
P/E	45.7	38.3	32.2
BV	107.0	116.7	128.3
EV/EBITDA	40.9	31.7	26.0

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	y/y %	q/q %	FY24	FY23	y/y %
Sales	3,080	3,020	2,750	2,470	3,320	7.8	34.4	11,560	11,880	(2.7)
EBITDA	230	260	410	440	570	147.8	29.5	1,680	1,380	21.7
EBITDA Margin %	7.5	8.6	14.9	17.8	17.2			14.5	11.6	
Depreciation	70	70	70	60	60	(14.3)	-	260	260	-
EBIT	160	190	340	380	510	218.8	34.2	1,420	1,120	26.8
EBIT Margin %	5.2	6.3	12.4	15.4	15.4			12.3	9.4	
Interest charges	30	30	20	30	20	(33.3)	(33.3)	100	100	-
Other Income	100	160	110	150	90	(10.0)	(40.0)	510	500	2.0
PBT	230	320	430	500	580	152.2	16.0	1,830	1,520	20.4
Tax	70	60	80	90	100	42.9	11.1	330	360	(8.3)
Effective Tax Rate (%)	30.4	20.0	18.6	18.0	17.2			18.2	23.7	
PAT	160	240	350	410	480	200.0	17.1	1,480	1,160	27.6
PAT Margin %	5.2	7.9	12.7	16.6	14.5			12.8	9.8	
EPS (Rs)	2.3	3.4	5.0	5.9	6.9	200.0	17.1	21	17	27.6

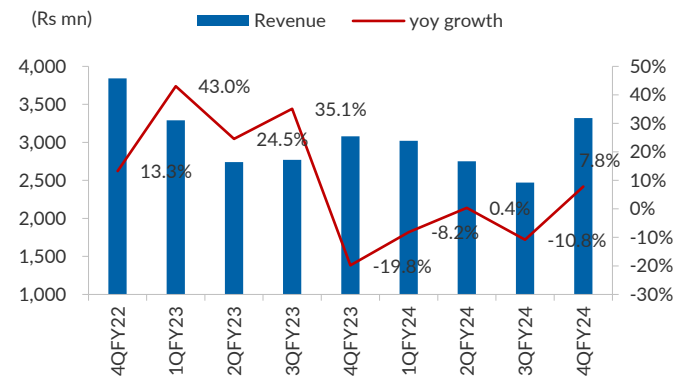
Source: Company, YES Sec

Exhibit 3: Segmental Performance

Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	y/y %	q/q %	FY24	FY23	y/y %
Air cooling and other appliances	3,080	3,040	2,760	2,530	3,340	8.4	32.0	11,670	12,020	(2.9)
Corporate funds	100	140	100	90	70	(30.0)	(22.2)	400	360	11.1
Total Sales	3,180	3,180	2,860	2,620	3,410	7.2	30.2	12,070	12,380	(2.5)
PBIT										
Air cooling and other appliances	170	190	350	450	520	205.9	15.6	1,510	1,270	18.9
PBIT %	5.5	6.3	12.7	17.8	15.6			12.5	10.3	
Corporate funds	90	140	100	80	80	(11.1)	-	400	350	14.3
PBIT %	90.0	100.0	100.0	88.9	114.3			3.3	2.8	
Total PBIT	260	330	450	530	600	130.8	13.2	1,910	1,620	17.9
Finance Costs	30.0	30.0	20.0	30.0	20.0	(33.3)	(33.3)	100	100	-
Less: Taxes	70	60	80	90	100	42.9	11.1	330	360	(8.3)
PAT	160	240	350	410	480	200.0	17.1	1,480	1,160	27.6

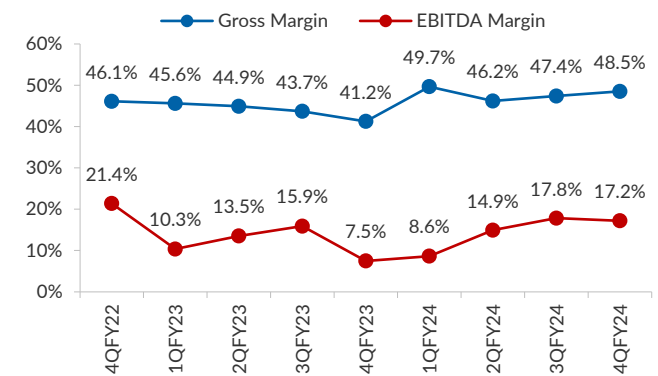
Source: Company, YES Sec

Exhibit 4: Subdued performance of CT Australia has resulted in revenue miss



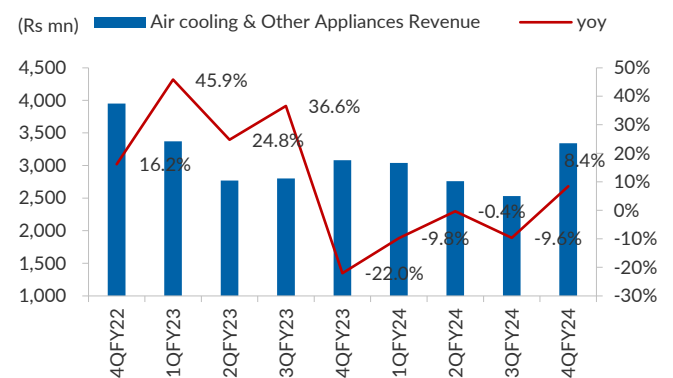
Source: Company, YES Sec

Exhibit 5: Tactical pricing, softening of commodity prices and value engineering has led to gross margin expansion



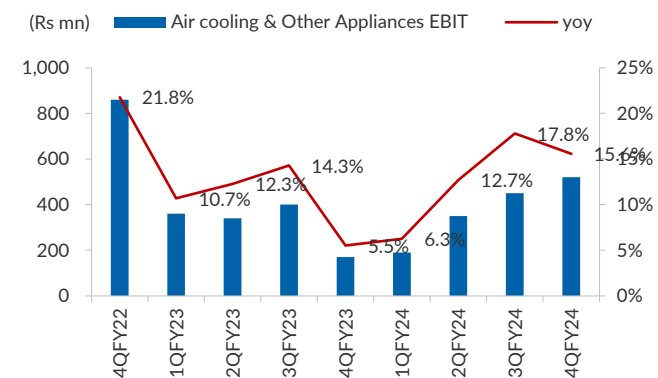
Source: Company, YES Sec

Exhibit 6: Domestic market has resulted in revenue uptick despite higher base



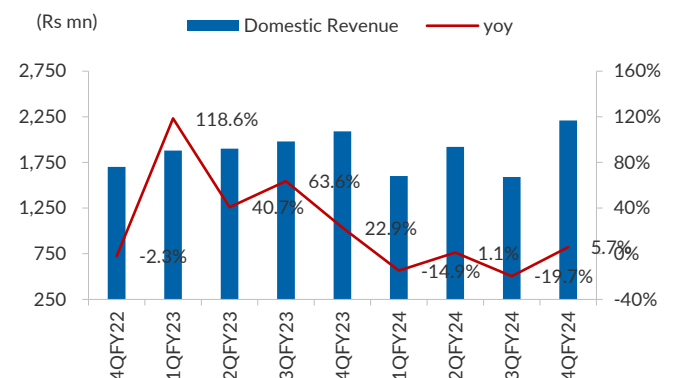
Source: Company, YES Sec

Exhibit 7: Tactical pricing and value engineering leads to margin expansion on yoy basis



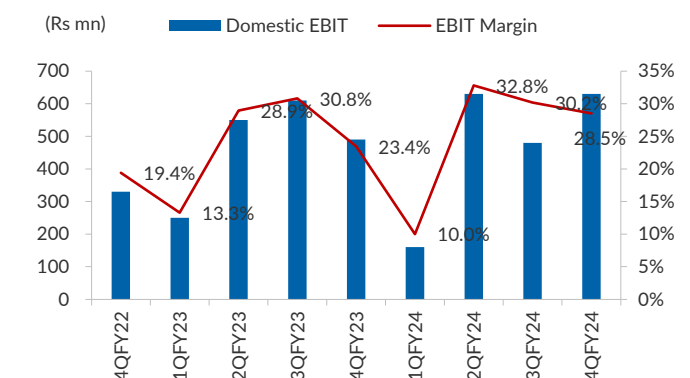
Source: Company, YES Sec

Exhibit 8: Domestic revenue has grown despite high base



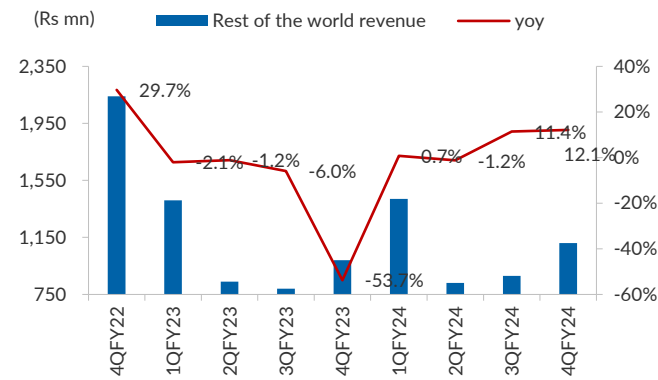
Source: Company, YES Sec

Exhibit 9: Higher A&P spends and provisioning of loan to GSK China has resulted in sequential margin dip



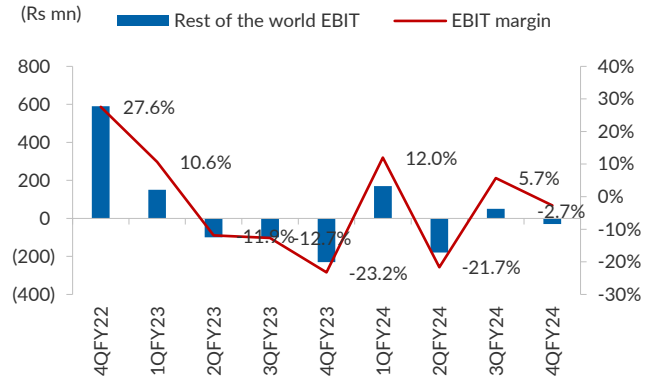
Source: Company, YES Sec

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



Source: Company, YES Sec

Exhibit 11: CT Australia has dragged margins



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Demand update** – Summer demand continues to remain strong. Southern, Western and Eastern regions has done well, while increasing temperature in Northern states will provide tailwinds in Q1.
- **Domestic business** - Scorching summer has provided strong impetus for domestic growth in Q1.
- **IMPCO Mexico** – Impco Mexico has seen strong performance surpassing internal estimates, while Brazilian business the recent foray has seen stockout and has also performed better than internal expectation.
- **Climate technologies** – Headwinds continues to remain in CT Australia; however, the company is implementing asset light model which will result in improved performance going forward.
- **GSK China** – GSK China has witnessed steady performance with it becoming EBITDA positive and has realized minor PAT after repaying interest cost to Symphony India. GSK China has now become self-sufficient in its operations including working capital requirement.
- **Air-cooling industry outlook** – Outlook continues to remain positive as summer has started early in southern and the western region, with central and Northern region starting to see
- **Market share** – Company has retained its market share in past few years with market share of 50%. Management believes that it has gained market share in current summer season which shall be known once the summer season ends
- **New Products** – Kitchen Fans and personal air-cooler are niche products and have been sold through niche channels and are currently being sold in metros and tier 1 cities
- **A&P Spends** - A&P Spends have been lower as due to some strategic reason A&P spends were higher in March'23 and company has decided to spend higher in Q1FY25.
- **Central Air-cooler** – Central and Industrial air-cooler contributes 15-20% to the total revenue. LSV is growing at rapid pace.
- **Price hikes** – There have been minor price increases in Q4 in the region of 1-2%.
- **Stockout situation** – SYML is facing stockout kind of situation in some select models and company is trying its best to improve supply.
- **Margin** – The company is aspiring EBITDA margin ~30% in next 3 years.

FINANCIALS

Exhibit 12: 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	7,350	8,031	8,840
Net worth	8,448	8,809	7,490	8,171	8,980
Debt	2,215	1,968	1,470	1,413	1,304
Deferred tax liab (net)	144	93	80	80	80
Other non current liabilities	311	301	220	238	254
Total liabilities	11,117	11,172	9,260	9,902	10,618
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	364	368
Net Working Capital	1,847	1,647	1,530	1,255	1,402
Inventories	1,732	2,497	2,310	2,168	2,393
Sundry debtors	2,077	1,152	1,680	1,951	2,154
Loans and Advances	485	761	310	354	390
Sundry creditors	1,494	1,655	1,450	1,734	1,914
Other current liabilities	912	1,002	1,210	1,355	1,477
Cash & equivalents	639	537	367	1,510	2,313
Total Assets	11,117	11,172	9,260	9,902	10,618

Source: Company, YES Sec

Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	10,391	11,876	11,560	13,189	14,557
Operating profit	1,607	1,384	1,680	2,130	2,569
Depreciation	242	265	260	267	275
Interest expense	89	102	100	96	89
Other income	399	502	510	593	600
Profit before tax	1,676	1,519	1,830	2,360	2,805
Taxes	467	361	330	594	706
Minorities and other	-	-	-	-	-
Adj. profit	1,209	1,159	1,500	1,766	2,099
Exceptional items	-	-	20	-	-
Net profit	1,209	1,159	1,480	1,766	2,099

Source: Company, YES Sec

Exhibit 14: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	1,765	1,622	1,930	2,456	2,894
Depreciation	242	265	260	267	275
Tax paid	(467)	(361)	(330)	(594)	(706)
Working capital Δ	(915)	1,343	917	275	(147)
Other operating items					
Operating cashflow	625	2,868	2,777	2,404	2,316
Capital expenditure	(252)	(222)	(24)	(38)	(37)
Free cash flow	373	2,646	2,754	2,367	2,278
Equity raised	83	(45)	(1,890)	-	0
Investments	(95)	(1,411)	739	-	-
Debt financing/disposal	381	(300)	(498)	(57)	(109)
Interest paid	(89)	(102)	(100)	(96)	(89)
Dividends paid	(490)	(700)	(909)	(1,085)	(1,290)
Net Δ in cash	252	(103)	(169)	1,143	802

Source: Company, YES Sec

Exhibit 15: Du-pont analysis

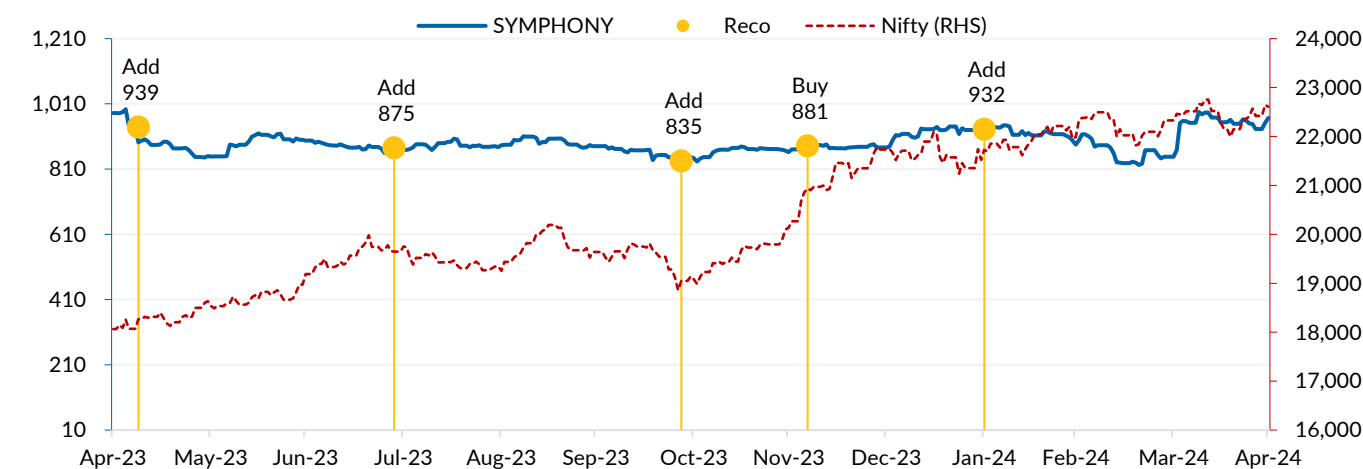
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.72	0.76	0.82	0.75	0.75
Interest burden (x)	0.95	0.94	0.95	0.96	0.97
EBIT margin (x)	0.17	0.14	0.17	0.19	0.20
Asset turnover (x)	0.80	0.86	0.88	1.04	1.06
Financial leverage (x)	1.62	1.61	1.61	1.62	1.61
RoE (%)	15.1	13.5	18.4	22.6	24.5

Exhibit 16: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	15.5	14.3	(2.7)	14.1	10.4
Op profit growth	15.6	(13.9)	21.4	26.8	20.6
EBIT growth	18.4	(8.1)	19.0	27.3	17.8
Net profit growth	5.5	(4.1)	29.4	17.7	18.9
Profitability ratios (%)					
OPM	15.5	11.7	14.5	16.2	17.6
EBIT margin	17.0	13.7	16.7	18.6	19.9
Net profit margin	11.6	9.8	13.0	13.4	14.4
RoCE	17.5	15.1	19.6	26.5	29.1
RoNW	15.1	13.5	18.4	22.6	24.5

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	9.3	8.4	11.5	13.9	15.3
Per share ratios					
EPS	17.3	16.6	21.4	25.2	30.0
Dividend per share	7.0	10.0	13.0	15.5	18.4
Cash EPS	20.7	20.3	25.1	29.0	33.9
Book value per share	120.8	125.9	107.0	116.7	128.3
Valuation ratios					
P/E	56.0	58.4	45.7	38.3	32.2
P/CEPS	46.6	47.5	38.9	33.3	28.5
P/B	8.1	7.7	9.0	8.3	7.5
EV/EBIDTA	43.1	49.9	40.9	31.7	26.0
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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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.