

Symphony

RoW continues to disappoint

Symphony delivered better-than-expected revenue for domestic business in the non-seasonal quarter. Domestic revenue was up 1% after clocking a 15% decline in Q1, which was impacted by an erratic summer (H1FY24 down 7% YoY). Product innovation, higher distribution reach (semi-urban and rural), and increasing presence in alternate channels (30% vs. 10% pre-COVID) support during non-season Q2. RoW business continues to remain a drag; the healthy performance of IMPCO Mexico/GSK China was offset by weak demand in CT Australia. Domestic/RoW EBIT grew by 15/-75%. Despite its domestic channel inventory being slightly higher than normal, Symphony remains optimistic about delivering growth in both revenue and EBITDA in FY24. With the aim of de-risking its business from seasonality, Symphony continues to focus on (1) geography expansion; (2) channel diversification; and (3) product expansion into adjacent segments. RoW execution is still WIP and consistent performance is still missing. We maintain our estimates and the stock at 30x P/E on Sep'25E EPS and derive a TP of INR 900. Maintain REDUCE.

- **Revenue falls by 9% YoY:** Standalone revenue fell 9% YoY (+54% in Q2FY23, -17% in Q1FY24). While domestic revenue grew by 1% YoY to INR 1.9bn; export revenue fell 84% YoY as CT Australia's performance was impacted on account of demand headwinds. Despite an erratic summer, the company maintained domestic sales vs LY. Symphony continues to maintain its leadership position in the organized market with c.50% share. Channel inventory remains slightly higher than normal in certain pockets in northern and western India. IMPCO Mexico delivered the highest-ever Q2 revenue while GSK's performance was steady YoY. We estimate a revenue CAGR of 8% over FY23-26E.
- **Domestic profitability improves:** Standalone GM improved by 350bps YoY to 50%, aided by softening input costs, favourable mix and value engineering. Employee/other expenses fell by 5/26% YoY, while A&P spending was down 14%. As a result, the standalone EBITDA margin expanded 565bps to 27%. Domestic EBIT grew 15% YoY while margins expanded by 390bps YoY. Domestic EBIT will continue to drive overall profitability.
- **Con call takeaways:** (1) Of the overall Indian air cooler market, organized shares stand at 28%/40% in volume/value terms. (2) Channel inventory levels remain slightly higher than normal and LY. (3) Despite temporary challenges, long-term structural play in international markets remains due to rising heat waves. (4) In H1FY24, CT revenue/EBITDA stood at INR 910mn/INR -140mn; IMPCO revenue/EBITDA stood at INR 1,070mn/INR 180mn; GSK revenue/EBITDA stood at INR 230mn/ INR 30mn. 5) The cost of doing business in CT reduced by 60% since the acquisition.

Quarterly/annual financial summary

(INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,960	2,150	(8.8)	1,720	14.0	10,390	11,880	11,698	13,377	14,896
EBITDA	530	460	15.2	40	1,225.0	1,610	1,380	1,854	2,309	2,644
APAT	500	450	11.1	140	257.1	1,211	1,158	1,617	2,042	2,296
EPS (INR)	7.1	6.4	11.1	2.0	257.1	17.3	16.6	23.1	29.2	32.8
P/E (x)						48.3	50.6	36.2	28.7	25.5
EV / EBITDA (x)						34.2	39.6	28.8	22.6	19.3
Core RoCE (%)						21.6	17.3	26.4	36.9	43.3

Source: Company, HSIE Research

* Quarter numbers are standalone

REDUCE

CMP (as on 26 Oct 2023)	INR 837
Target Price	INR 900
NIFTY	18,857

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 900	INR 900
EPS %	FY24E	FY25E
	0%	0%

KEY STOCK DATA

Bloomberg code	SYML IN
No. of Shares (mn)	69
MCap (INR bn) / (\$ mn)	58/705
6m avg traded value (INR mn)	54
52 Week high / low	INR 1,219/821

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.4)	(15.9)	(0.9)
Relative (%)	0.9	(20.6)	(7.0)

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	73.39	73.39
FIs & Local MFs	10.69	10.44
FPIs	3.63	3.82
Public & Others	12.29	12.35
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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