

Syrma SGS Technology

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR505 **TP: INR650 (+29%)** **Buy**

Improved business mix enhances margins

Operating performance above estimates

- Syрма SGS Technology (SYRMA) reported a strong operating performance, with EBITDA up ~2x YoY in 3QFY25 and margins expanding 360bp YoY due to a favorable business mix (lower share of low-margin consumer business at 31% in 3QFY25 vs. 36% in 3QFY24) and operating leverage. Revenue grew 23%, largely led by the Automotive (38% YoY) and Industrial (37% YoY) segments.
- With the order book continuing to improve to INR53b as of 3QFY25 (up 18%/10% YoY/QoQ) and margins expanding, we expect SYRMA to witness a stronger FY26.
- We largely maintain our FY25/FY26/FY27 EPS estimate and reiterate our BUY rating on the stock with a TP of INR650 (30x FY27E EPS).

Automotive and Industrial segments drive topline growth

- Consol. revenue grew 23% YoY to INR8.7b (est. INR10b) owing to healthy growth across verticals (automotive/industrial/IT & railways/consumer/healthcare verticals grew 38%/37%/37%/6%/6% YoY).
- EBITDA margins expanded 360bp YoY to 9.1% (est. 7%), which can be attributed to the gross margin expansion of 410bp YoY to 26.7%, led by a favorable business mix. EBITDA grew 2x YoY to INR791m (est. INR704m). Adj. PAT grew 3.3x YoY to INR509m (est. INR367m).
- The order book stood at ~INR53b as of Dec'24 vs. ~INR48b as of Sep'24. The consumer/industrial/automotive/healthcare segments accounted for ~30-40%/20-22%/30%+/and the remaining portion of total orders as of Dec'24. 3Q order inflow stood at INR13.7b.
- In 9MFY25, SYRMA's revenue/EBITDA /Adj. PAT grew 42%/56%/44% YoY.
- Gross debt increased to ~INR6.85b as of Dec'24 vs. ~INR6.03b as of Sep'24. Net debt stood at ~INR2.7b as of Dec'24 (vs. net debt of ~INR1.8b as of Sep'24).

Highlights from the management commentary

- **Guidance:** The company aims to achieve an EBITDA of approximately INR3b in FY25, with a 7% margin. For FY26, it targets a revenue growth rate of 30-35%, along with a focus on margin expansion. Going forward, the company plans to bring its export mix to ~25-30%.
- **Order book:** As of Dec'24, the company's order book stood at INR53b, which is expected to be executed over 9-12 months. The company continues to see strong traction in the smart metering segment, adding a new client alongside existing orders from Honeywell.
- **Capex:** The company incurred a capex of ~INR1.8b in 9MFY25. It plans to invest ~INR2-2.25b in FY25, primarily towards an R&D center in Pune and a facility in Germany. For FY26, its targeted capex is ~INR1-1.5b

Bloomberg	SYRMA IN
Equity Shares (m)	178
M.Cap.(INRb)/(USDb)	90 / 1
52-Week Range (INR)	647 / 376
1, 6, 12 Rel. Per (%)	-13/12/-23
12M Avg Val (INR M)	594

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	42.2	57.0	74.1
EBITDA	3.0	4.2	5.6
Adj. PAT	1.7	2.7	3.8
EBITDA Margin (%)	7.1	7.4	7.6
Cons. Adj. EPS (INR)	9.6	15.3	21.4
EPS Gr. (%)	56.6	59.4	39.9
BV/Sh. (INR)	98.9	112.6	132.5

Ratios

Net D:E	0.2	0.1	0.1
RoE (%)	10.1	14.5	17.4
RoCE (%)	10.2	13.7	16.6

Valuations

P/E (x)	53	33	24
EV/EBITDA (x)	31	22	16

Shareholding Pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	46.6	46.9	46.9
DII	7.5	6.5	8.2
FII	8.6	10.3	11.1
Others	37.4	36.4	33.8

Note: FII includes depository receipts

Valuation and view

- SYRMA witnessed a further recovery in margins, driven by a favorable change in the business mix in 3QFY25. However, we expect the margins to contract sequentially in 4Q, led by a higher mix of consumer business as guided by management.
- Going forward, we anticipate margins to expand from FY26 onwards, fueled by the higher contribution from the exports, ODM, and high-margin verticals. The company anticipates growing its revenue ~35-40%, led by a strong order book and healthy order inflows.
- We estimate a CAGR of 33%/42%/52% in revenue/EBITDA/adj. PAT over FY24-27, driven by strong revenue growth and margin expansion. We reiterate our BUY rating on the stock with a TP of INR650 (30x FY27E EPS).

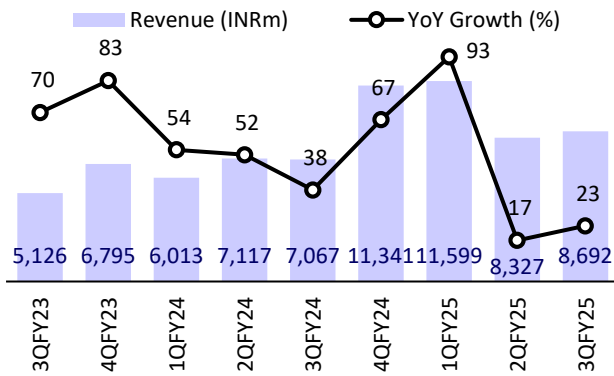
Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25	FY25E 3QE	Var. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Gross Sales	6,013	7,117	7,067	11,341	11,599	8,327	8,692	13,609	31,538	42,227	10,035	-13
YoY Change (%)	54.4	52.4	37.9	66.9	92.9	17.0	23.0	20.0	54.0	33.9	42.0	
Total Expenditure	5,644	6,627	6,679	10,604	11,153	7,618	7,901	12,557	29,554	39,230	9,331	
EBITDA	369	490	388	737	446	710	791	1,051	1,984	2,997	704	12
Margins (%)	6.1	6.9	5.5	6.5	3.8	8.5	9.1	7.7	6.3	7.1	7.0	
Depreciation	101	116	139	158	174	167	202	210	515	753	180	
Interest	75	80	100	123	130	136	154	120	378	541	120	
Other Income	221	89	121	156	153	100	223	177	587	653	200	
PBT before EO expense	413	383	270	612	295	507	657	898	1,678	2,357	604	
Extra-Ord expense	0	14	0	0	0	0	21	0	14	21	0	
PBT	413	370	270	612	295	507	635	898	1,664	2,335	604	
Tax	130	64	67	160	91	110	105	226	421	533	152	
Rate (%)	31.5	17.4	24.8	26.1	31.0	21.8	16.6	25.2	25.3	22.8	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-2	22	48	103	10	34	42	35	170	122	85	
Reported PAT	285	283	155	349	193	362	488	637	1,073	1,680	367	
Adj PAT	285	297	155	349	193	362	509	637	1,087	1,702	367	39
YoY Change (%)	84.0	4.8	-53.2	-17.4	-32.3	22.0	228.2	82.3	-8.9	56.6	136.6	
Margins (%)	4.7	4.2	2.2	3.1	1.7	4.4	5.9	4.7	3.4	4.0	3.7	

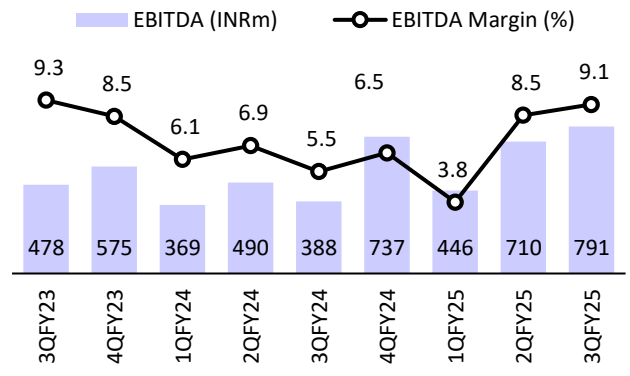
Key exhibits

Exhibit 1: Consolidated revenue trend



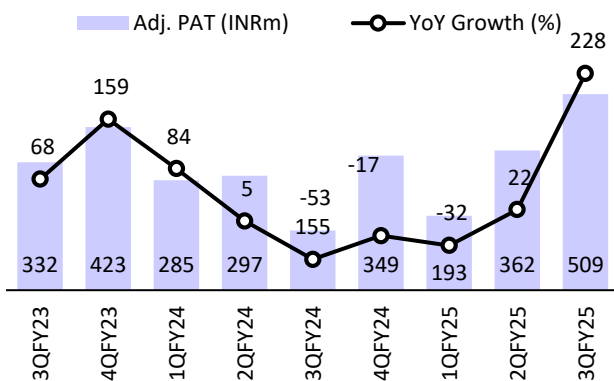
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



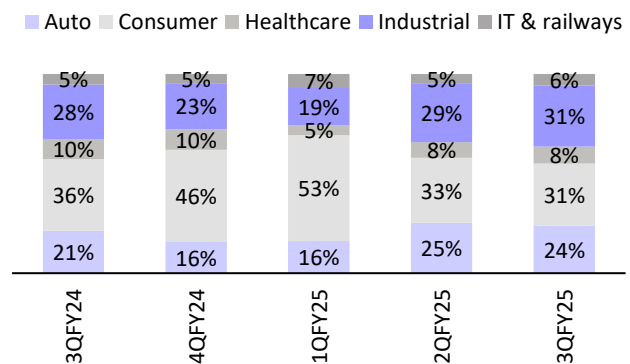
Source: Company, MOFSL

Exhibit 3: Consolidated Adj. PAT trend



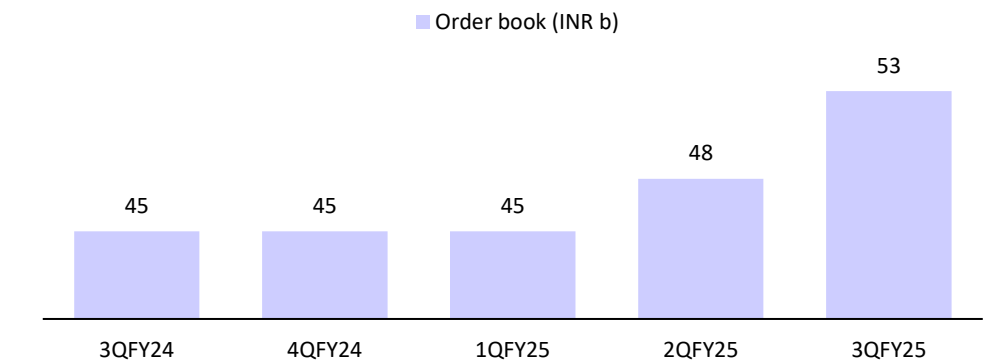
Source: Company, MOFSL

Exhibit 4: End-user industry mix



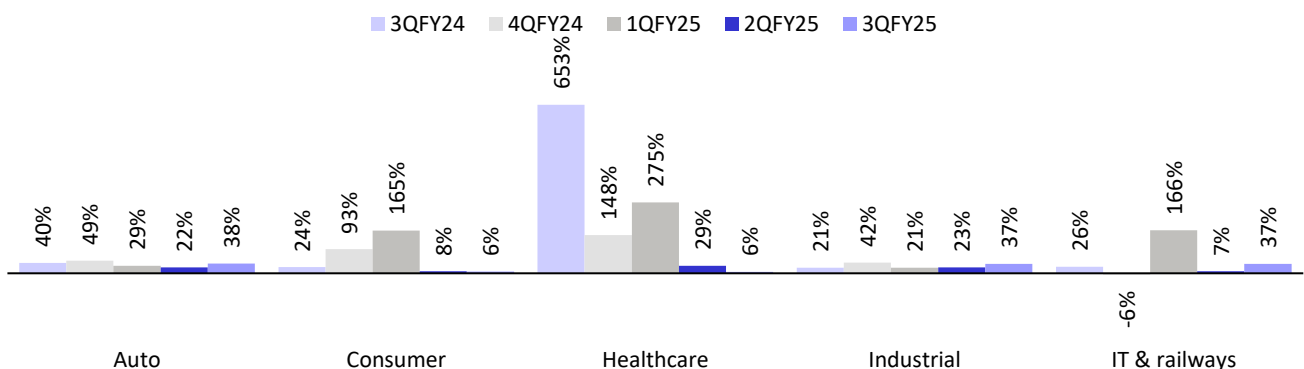
Source: Company, MOFSL

Exhibit 5: Closing order book trend



Source: MOFSL, Company

Exhibit 6: Revenue growth YoY across end-user verticals



Source: MOFSL, Company



Highlights from the management commentary

Operating performance

- Margin expansion was largely driven by a favorable change in the product mix, along with initiatives implemented by management, which have started to yield results.
- As of Dec'24, net working capital stood at 64 days, slightly higher than the last quarter due to additional inventory for new customers. However, the guidance for the full year remains unchanged at 60 days.
- Gross debt as of Dec'24 stood at ~INR6.8b

Outlook and guidance

- Going forward, the company expects ~39-40% of revenue to come from the consumer business, with an implied mix in 4QFY25 to be in similar lines as 3QFY25. The long-term target is to reduce this mix to below 35%.
- The company expects EBITDA margins of approximately 7% in 4QFY25, in line with its long-term guidance, and is targeting an EBITDA of around INR3b for FY25.
- Management expects the company to grow at the rate of ~30-35%, with a continued focus on margin expansions.
- The export business typically has higher margins than the domestic business, and the company targets to bring the export mix to ~25%-30% of total revenue going forward.
- The tax rate for FY25 and FY26 is expected to be ~23%-24%.
- The current weighted average asset turnover is ~5.6x and is expected to improve to ~6.5-7x, driven by the order book and new business opportunities. With EBITDA margins of 8-8.5%, the overall ROCE is expected to be within the target zone.
- With the current gross block (minor additions), the company can achieve revenue of INR65b.
- The company expects ~INR700m revenue from railways in FY25 and anticipates this segment to contribute ~INR1b to overall revenue going forward.

Order book

- As of Dec'24, the order book stood at INR52b, which is expected to be executed over 9-12 months.
- The auto/consumer/industrial mix of the order book stands at 30%/30-40%/20-22%.
- The company has witnessed strong traction from smart metering, adding a new client in this segment alongside existing orders from Honeywell.

Capex

- The company incurred a capex of ~INR1.80b in 9MFY25. For FY25, it plans to incur a capex of ~INR2b-2.25b, with spending primarily focused on building a large R&D center in Pune and a facility in Germany.
- For FY26, the company targets a capex of ~INR1b-1.5b.

Others

- The company has started renegotiating contracts in the consumer segment to explore potential opportunities for margin expansion, with plans to structure the business in a way that allows it to benefit from PLI and improve margins.
- The joint venture for laptops started last month, and the company expects it to mature into backward integration for board manufacturing in the coming years.
- The company had previously acquired land in North Haryana but has since sold it, as all expansion activities are now focused in Pune.
- The company has received INR140m in 9MFY25 and expects ~INR170m for FY25, compared to INR165m in FY24.
- Overall capacity utilization at the Pune plant is slightly below 70%. The company recently added two lines in Pune and has the ability to add more, with additional lines expected to be ready by FY26-27.
- The company has received approvals for a QIP, and the funds raised will be used to fuel inorganic growth opportunities.
- The company is evaluating its plant for potential entry into the OSAT business.
- The Auto and Consumer segments remained flat QoQ in 3QFY25, as inventory typically builds up in 2Q to cater to the festive season in 3Q.

Valuation and view

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- Going forward, we anticipate margins to expand from FY26, fueled by the higher contribution from the exports, ODM, and high-margin verticals. The company anticipates growing its revenue ~35-40%, led by a strong order book and healthy order inflows.
- We estimate a CAGR of 33%/42%/52% in revenue/EBITDA/adj. PAT over FY24-27, driven by strong revenue growth and margin expansion. We reiterate our BUY rating on the stock with a TP of INR650 (30x FY27E EPS).

Exhibit 7: Changes to our estimates

Earnings change (INR m)	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	44,138	59,586	77,462	42,227	57,007	74,109	-4%	-4%	-4%
EBITDA	3,053	4,171	5,887	2,997	4,218	5,632	-2%	1%	-4%
Adj. PAT	1,681	2,612	3,914	1,702	2,712	3,795	1%	4%	-3%

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	8,621	8,858	12,667	20,484	31,538	42,227	57,007	74,109
Change (%)	143.5	2.8	43.0	61.7	54.0	33.9	35.0	30.0
RM Cost	5,847	6,276	9,408	15,405	25,069	32,978	44,522	57,805
Employees Cost	748	781	823	1,060	1,426	1,866	2,565	3,335
Other Expenses	731	786	1,148	2,142	3,059	4,386	5,701	7,337
Total Expenditure	7,325	7,842	11,380	18,606	29,554	39,230	52,788	68,476
% of Sales	85.0	88.5	89.8	90.8	93.7	92.9	92.6	92.4
EBITDA	1,295	1,016	1,287	1,878	1,984	2,997	4,218	5,632
Margin (%)	15.0	11.5	10.2	9.2	6.3	7.1	7.4	7.6
Depreciation	191	228	249	312	515	753	799	888
EBIT	1,105	789	1,038	1,566	1,469	2,244	3,420	4,745
Int. and Finance Charges	154	97	108	216	378	541	309	263
Other Income	183	177	178	437	587	653	741	874
PBT bef. EO Exp.	1,134	869	1,108	1,787	1,678	2,357	3,852	5,356
EO Items	0	0	0	0	-14	-21	0	0
PBT after EO Exp.	1,134	869	1,108	1,787	1,664	2,335	3,852	5,356
Total Tax	219	213	343	556	421	533	969	1,348
Tax Rate (%)	19.3	24.5	31.0	31.1	25.3	22.8	25.2	25.2
Minority Interest	31	25	42	38	170	122	170	213
Reported PAT	884	630	722	1,193	1,073	1,680	2,712	3,795
Adjusted PAT	884	630	722	1,193	1,087	1,702	2,712	3,795
Change (%)	321.5	-28.7	14.5	65.2	-8.9	56.6	59.4	39.9
Margin (%)	10.3	7.1	5.7	5.8	3.4	4.0	4.8	5.1

Consolidated - Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	46	46	1,376	1,768	1,774	1,774	1,774	1,774
Preference Capital	47	0	0	0	0	0	0	0
Total Reserves	4,182	5,946	4,344	13,635	14,352	15,766	18,212	21,740
Net Worth	4,275	5,992	5,721	15,403	16,126	17,540	19,986	23,514
Minority Interest	2	6	108	26	644	766	936	1,149
Total Loans	1,205	1,029	2,183	3,468	5,763	4,263	3,763	3,263
Deferred Tax Liabilities	42	62	124	138	176	176	176	176
Capital Employed	5,523	7,089	8,136	19,035	22,710	22,746	24,862	28,103
Gross Block	2,089	2,264	3,233	4,821	8,134	9,343	10,880	12,178
Less: Accum. Deprn.	191	405	635	947	1,462	2,215	3,014	3,902
Net Fixed Assets	1,898	1,858	2,597	3,874	6,672	7,128	7,866	8,276
Goodwill on Consolidation	1,059	1,059	1,182	1,182	3,221	3,221	3,221	3,221
Capital WIP	12	0	408	253	168	1,109	872	774
Total Investments	301	1,316	410	8,500	419	419	419	419
Current Investments	0	0	0	780	355	355	355	355
Curr. Assets, Loans&Adv.	4,591	5,365	6,945	11,603	26,414	24,777	31,260	39,797
Inventory	1,419	1,789	2,913	5,874	10,043	11,294	14,637	19,004
Account Receivables	1,804	2,084	2,722	4,032	9,301	8,330	11,245	14,619
Cash and Bank Balance	780	729	369	544	856	930	817	986
Loans and Advances	588	763	940	1,151	6,215	4,223	4,561	5,188
Curr. Liability & Prov.	2,338	2,509	3,407	6,377	14,185	13,908	18,776	24,383
Account Payables	1,707	1,848	2,405	4,881	12,232	11,294	15,247	19,796
Other Current Liabilities	506	554	857	1,362	1,778	2,381	3,214	4,178
Provisions	125	108	145	134	174	233	315	409
Net Current Assets	2,253	2,856	3,538	5,226	12,230	10,869	12,484	15,413
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	5,523	7,089	8,136	19,035	22,710	22,746	24,862	28,103

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	6.4	4.6	5.2	6.7	6.1	9.6	15.3	21.4
Cash EPS	7.8	6.2	7.1	8.5	9.0	13.8	19.8	26.4
BV/Share	31.1	43.5	41.6	87.1	90.9	98.9	112.6	132.5
DPS	0.0	0.0	0.0	0.0	1.5	1.5	1.5	1.5
Payout (%)	0.0	0.0	0.0	0.0	24.8	15.8	9.8	7.0
Valuation (x)								
P/E	78.6	110.2	96.2	74.8	82.4	52.7	33.0	23.6
Cash P/E	64.7	81.0	71.5	59.3	55.9	36.5	25.5	19.1
P/BV	16.3	11.6	12.1	5.8	5.6	5.1	4.5	3.8
EV/Sales	8.1	7.9	5.6	4.5	3.0	2.2	1.6	1.3
EV/EBITDA	54.0	68.7	55.5	48.7	47.8	31.1	22.1	16.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3
FCF per share	7.8	1.3	-7.5	-12.1	-25.4	9.7	1.2	1.8
Return Ratios (%)								
RoE	35.8	12.3	12.3	11.3	6.9	10.1	14.5	17.4
RoCE	29.4	11.7	11.2	10.3	7.5	10.2	13.7	16.6
RoIC	31.1	12.6	11.9	12.9	7.1	8.3	11.9	14.6
Working Capital Ratios								
Fixed Asset Turnover (x)	4.1	3.9	3.9	4.2	3.9	4.5	5.2	6.1
Asset Turnover (x)	1.6	1.2	1.6	1.1	1.4	1.9	2.3	2.6
Inventory (Days)	89	104	113	139	146	125	120	120
Debtor (Days)	76	86	78	72	108	72	72	72
Creditor (Days)	107	107	93	116	178	125	125	125
Leverage Ratio (x)								
Current Ratio	2.0	2.1	2.0	1.8	1.9	1.8	1.7	1.6
Interest Cover Ratio	7.2	8.1	9.6	7.3	3.9	4.2	11.1	18.0
Net Debt/Equity	0.1	0.1	0.3	0.1	0.3	0.2	0.1	0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,134	869	1,108	1,787	1,664	2,357	3,852	5,356
Depreciation	191	228	249	312	515	753	799	888
Interest & Finance Charges	117	52	54	-222	378	-112	-432	-611
Direct Taxes Paid	-207	-220	-289	-556	-540	-533	-969	-1,348
(Inc)/Dec in WC	301	-499	-1,212	-2,140	-2,804	1,436	-1,728	-2,760
CF from Operations	1,535	430	-90	-818	-786	3,900	1,521	1,524
Others	23	-58	-36	115	-350	-21	0	0
CF from Operating incl EO	1,558	371	-126	-703	-1,136	3,879	1,521	1,524
(Inc)/Dec in FA	-479	-187	-901	-1,433	-3,370	-2,150	-1,300	-1,200
Free Cash Flow	1,079	184	-1,027	-2,136	-4,506	1,729	221	324
(Pur)/Sale of Investments	-20	-51	11	0	-2,300	0	0	0
Others	42	-888	-2,844	-7,711	5,388	653	741	874
CF from Investments	-457	-1,127	-3,734	-9,144	-282	-1,497	-559	-326
Issue of Shares	0	331	2,715	9,682	0	0	0	0
Inc/(Dec) in Debt	-416	-179	1,159	1,285	2,295	-1,500	-500	-500
Interest Paid	-119	-70	-70	-216	-378	-541	-309	-263
Dividend Paid	-20	0	0	0	0	-266	-266	-266
Others	-37	622	-303	-730	-187	0	0	0
CF from Fin. Activity	-593	705	3,500	10,022	1,730	-2,307	-1,075	-1,030
Inc/Dec of Cash	508	-51	-360	175	312	75	-114	169
Opening Balance	143	780	729	369	544	856	930	817
Other cash & cash equivalent	130	0	0	0				
Closing Balance	780	729	369	544	856	930	817	986

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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