

CMP: ₹ 528

Target: ₹ 640 (21%)

Target Period: 12 months

May 16, 2025

BUY

Margin Surprises Owing To Better Product Mix

About the stock: Syrma SGS Technology (Syrma SGS) is a technology-focused engineering & design company, specialised in electronic manufacturing services (EMS). The company is promoted by Tandon group and Jasbir Singh Gujral.

- Diversified business verticals with presence across consumer, automotive, industrials, healthcare, IT, railways and defence.

Q4FY25 performance: Syrma SGS reported healthy set of result as EBITDA came at ₹115.5 cr, up 39.1% YoY and 45.2% QoQ. This was mainly on the back of margin expansion with Q4 EBITDA margin at 11.6%, up by 248 bps QoQ and 513 bps YoY. The margin improvement was mainly led by product mix with increasing proportion of Industrials and healthcare segment. PAT was recorded at ₹71.5 cr, up by 58% YoY, 34.8% QoQ. This included ₹8 cr of forex gain. Two subsidiaries incorporated to manufacture electronic components, bare PCBs, loading of components onto PCBs and for manufacturing interface cards and other electronic components.

Investment Rationale

- Focus on high margin verticals:** The company is shifting product mix more in favor of high margin industrial and healthcare verticals vs low margin consumer segment currently. Q4 saw sharp growth in Industrial segment at 41% QoQ to ₹378 crore, healthcare at 27% QoQ to ₹93 cr while total revenue grew 6% QoQ to ₹932 cr. Going ahead, we expect proportion of industrial segment to increase from 28% in FY25 to 31% in FY26E while consumer division shall decline from 36% to 30%. Healthcare and electric mobility should also add to their weight. Better product mix coupled with higher capacity utilisation and operational efficiencies shall aid margin improvement.
- Business growth to stay strong:** Management has guided for strong 30-35% topline growth in FY26E based on the order book and business visibility. About 20-25 new customers will go onstream in FY26 and FY27 while its Pune campus facility has been commenced which shall suffice multi-year growth. Further, this healthy business growth would come with focus on high margin verticals. For FY25, management had guided for 7%+ margin which came at 8.5% while for FY26E, it guides for 8% which seems on conservative side.

Rating and Target Price

- Diversified business mix across product categories and geographies positions Syrma SGS to capture both domestic and exports opportunity especially with China +1 gaining momentum post tariff war. Product mix tilt towards high margin segment is swifter than expected, leading to upward revision in earnings estimate. We value Syrma SGS at 37x FY27E PAT to arrive at a target price of ₹ 640. Maintain Buy rating on the stock.



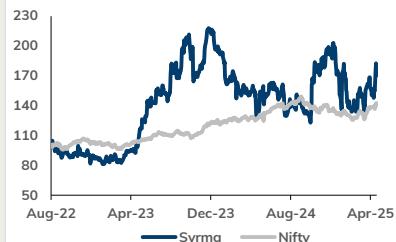
Particulars

Particular	Amount
Market Cap (₹ Crore)	9,407
FY25 Debt (₹ Crore)	665
FY25 Cash (₹ Crore)	355
EV (Rs Crore)	9,716
52 Week H/L (₹)	647/ 370
Equity Capital (₹ Crore)	178.0
Face Value	10

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	46.9	46.9	46.6	46.5
FII	10.4	10.3	8.5	6.2
DII	6.5	6.4	7.5	7.7
Public	36.2	36.4	37.4	39.5
Others	0.0	0.0	0.1	0.1

Price Chart



Key risks

- Supply chain management esp. amidst Geopolitical tension
- Any restraint in domestic government support measures.

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	1,020	2,048	3,154	3,787	54.9	4,866	6,234	28.3
EBITDA	97	192	201	323	49.6	445	588	34.9
EBITDA margin (%)	9.5	9.4	6.4	8.5		9.1	9.4	
Net Profit	51	120	107	168	48.7	229	316	37.3
Diluted/Adjusted EPS (₹)	4.0	6.8	6.1	9.4		12.7	17.4	
P/E(x)	130.7	78.2	87.3	56.1		41.5	30.4	
EV/EBITDA (x)	77.1	50.3	49.4	30.2		22.3	17.1	
RoCE (%)	10.9	10.5	8.8	11.7		14.3	16.9	
RoE (%)	8.9	7.8	6.7	9.6		11.7	13.9	

Concall highlights and outlook

Business growth & margins

- Syrma is in line to grow business by 30-35% with focus on high margin verticals including industrial, healthcare and automotive while consumer segment proportion shall reduce by ~5% to 30%. This shall support margin improvement. Industrial shall be mainly driven by energy meters domestically while globally it would be power electronics, box build for various applications including EV charging and power supplies.
- Within consumer segment, focus will be on relatively high margin business while the high volume, low margin business would be structurally bought down.
- Gross margin for Q4 stood at 27%+ vs 26.1% in Q3 and 22.6% for full year FY25. This coupled with operational efficiencies and steady staff cost supported sharp EBITDA margin improvement.
- Exports in FY25 have been subdued which were recorded at ~₹860 cr (~23% of revenue) vs guidance of ~₹1000 cr. Management intends to achieve the ₹1000 cr mark in FY26E.
- Tariff space evolving but India should come out relatively better positioned vs peers.

Balance sheet strengthening

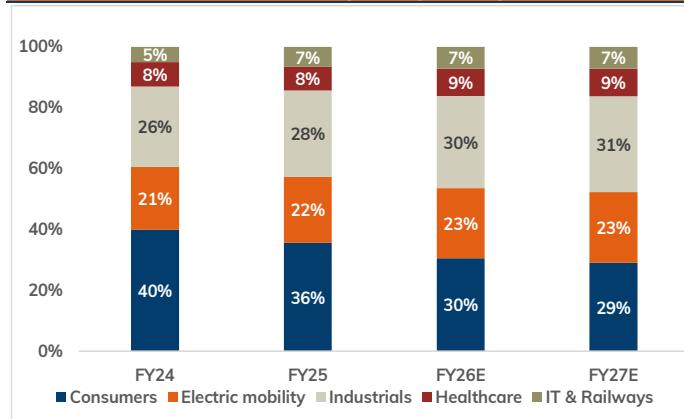
- Net working capital days improved marginally. Inventory levels declined, suggesting operational efficiencies and better working capital quality. Receivables and payable were higher owing to product mix tilt towards industrials.
- Capex of ~₹180 cr was done in FY25 which was largely towards greenfield expansion of Pune.

Business venture - Component ecosystem

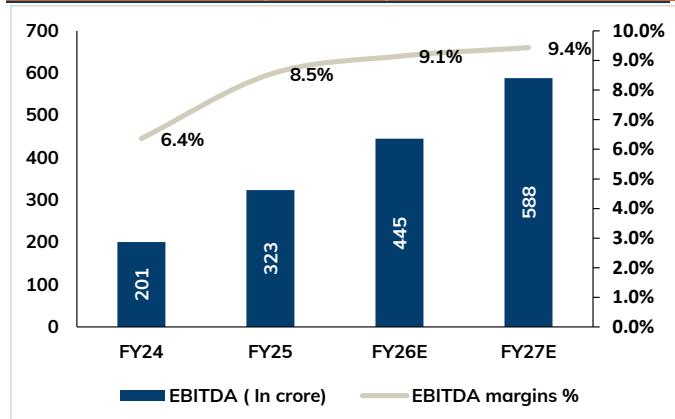
- Company is looking to participate in the recent component PLI scheme announced by the government. Specific details of components shall be disclosed once there is clarity which could include bare PCB, electro-mechanical components, camera modules, connectors, etc. Importantly, credible, reputed technology partner will of prime importance for the company.
- Board has taken revalidation for ₹1000 cr QIP which could be used for component related capex and general working capital purpose as required.

Exhibit 1: Variance Analysis

	Q4FY25	Q4FY24	YoY	Q3FY25	QoQ	Comments
Revenue	924	1,134	-18.5%	870	6.3%	QoQ growth healthy while YoY decline 6.3% owing to large base of low margin consumer growth which is now getting shredded.
Other Income	14	7	97.4%	22	-34.6%	
Total Income	947	1,150	-17.7%	891	6.2%	
Gross Profit	251	195	29.0%	227		
Gross Margin %	27.2	17.2	1,000 bps	26.1	112 bps	Gross margin expanded owing to product mix shift towards high margin verticals.
Operating Expenses	92	81	13.4%	101	-9.0%	
Employee Expenses	52	40	29.3%	46	12.3%	
Total Expenses	144	121	18.7%	147	-2.3%	Overall expenses under check.
EBITDA	107	74	45.9%	80	35.1%	
EBITDA %	11.6	6.5	513 bps	9.1	248 bps	Gross margin enhancement & operational efficiency aided EBITDA margin.
Depreciation	20.8	15.8	31.0%	20.2	2.6%	
Finance Costs	15.6	12.3	27.4%	15.4	1.4%	
Exceptional Items	0.0	0.0	NM	2.1	NM	
PBT	93.4	61.1	52.9%	65.7	42.2%	
Tax	21.9	16.0	37.2%	10.5	108.2%	
PAT	71.5	45.1	58.4%	53.0	34.8%	PAT growth stays healthy.

Exhibit 2: Business mix shifting to high margin verticals


Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margin trending north


Source: Company, ICICI Direct Research



Financial Summary

Exhibit 4: Profit and loss statement				
(Year-end March)	₹ crore			
	FY24	FY25	FY26E	FY27E
Revenue	3,154	3,787	4,866	6,234
% Growth	54.0	20.1	28.5	28.1
Other income	59	49	37	28
Total Revenue	3,212	3,836	4,903	6,262
Employee Expenses	137	191	253	335
Other expenses	2,816	3,272	4,168	5,311
Total Operating Expenditure	2,953	3,463	4,421	5,646
Operating Profit (EBITDA)	201	323	445	588
% Growth	4.5	61.2	37.6	32.2
Interest	41	58	58	55
PBDT	159	265	386	533
Depreciation	51	75	82	94
PBT before Exceptional Items	108	190	305	439
Total Tax	42	53	87	119
PAT before MI	124	184	254	349
Adjusted PAT	107	168	229	316
% Growth	-10.6	56.3	36.6	37.9
EPS	6.1	9.4	12.7	17.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
(Year-end March)	₹ crore			
	FY24	FY25	FY26E	FY27E
Profit after Tax	107	168	229	316
Depreciation	51	75	82	94
Interest	41	58	58	55
Cash Flow before WC changes	200	301	369	465
(Inc)/dec in Current Assets	-1,070	-446	-678	-829
Inc/(dec) in CL and Provisions	756	332	415	504
Net CF from Operating activities	-114	187	106	139
(Purchase)/Sale of Fixed Assets	-586	-193	-125	-125
Others	490	259	-1	-14
Net CF from Investing activities	-96	67	-126	-139
Dividend	-27	-27	-27	-36
Others	268	-17	-25	-38
Net CF from Financing Activities	241	-44	-51	-74
Net Cash flow	31	210	-71	-74
Opening Cash/Cash Equivalent	54	86	296	225
Closing Cash/ Cash Equivalent	86	296	225	150

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet				
(Year-end March)	₹ crore			
	FY24	FY25	FY26E	FY27E
Equity Capital	177	178	180	182
Reserve and Surplus	1,435	1,572	1,785	2,082
Total Shareholders funds	1,613	1,750	1,965	2,264
Minority Interest	64	75	96	124
Total Debt	630	665	665	634
Other liabilities	39	46	55	66
Total Liabilities	2,346	2,535	2,781	3,088
Gross Block	1,223	1,367	1,490	1,613
Acc: Depreciation	147	222	304	398
Net Block	1,075	1,144	1,185	1,215
Capital WIP	17	66	68	70
Total Fixed Assets	1,092	1,210	1,253	1,284
Non Current Assets	355	103	106	123
Inventory	1,004	822	1,024	1,281
Debtors	930	1,477	1,906	2,425
Other Current Assets	221	294	339	389
Cash	86	296	225	150
Total Current Assets	2,241	2,890	3,494	4,246
Current Liabilities	1,342	1,667	2,073	2,566
Net Current Assets (Ex Cash)	984	1,518	1,646	1,831
Total Assets	2,346	2,535	2,781	3,088

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)				
	FY24	FY25	FY26E	FY27E
Per Share Data				
EPS	7.0	10.4	14.1	19.2
Cash per Share	4.8	16.6	12.5	8.3
BV	90.9	98.3	109.3	124.7
Dividend per share	1.5	1.5	2.0	2.5
Dividend payout ratio (%)	24.9	15.9	15.6	14.1
Operating Ratios (%)				
EBITDA Margin	6.4	8.5	9.1	9.4
PAT Margin	3.9	4.9	5.2	5.6
Return Ratios (%)				
RoE	6.7	9.6	11.7	13.9
RoCE	8.8	11.7	14.3	16.9
Valuation Ratios (x)				
EV / EBITDA	49.4	30.2	22.3	17.1
P/E	87.3	56.1	41.5	30.4
Market Cap / Sales	2.9	2.5	1.9	1.5
Price to Book Value	5.8	5.4	4.8	4.2
Working Capital Management Ratios				
Inventory Days	114.1	78.2	76.3	74.7
Debtors Days	105.7	140.6	141.9	141.4
Creditors Days	139.0	149.8	146.4	142.5
Asset turnover	2.6	2.8	3.3	3.9
Solvency Ratios (x)				
Debt / Equity	0.4	0.4	0.3	0.3
Current Ratio	1.6	1.6	1.6	1.6
Quick Ratio	0.9	1.1	1.1	1.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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