

CMP: ₹ 528

Target: ₹ 640 (21%)

Target Period: 12 months

BUY

May 16, 2025

Margin Surprises Owing To Better Product Mix

About the stock: Syрма 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: Syрма 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 Syрма 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 Syрма SGS at 37x FY27E PAT to arrive at a target price of ₹ 640. Maintain Buy rating on the stock.



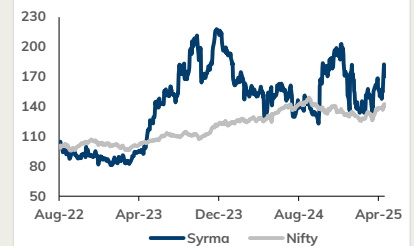
Particulars

| 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 | |

Source: Company, ICICI Direct Research

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.

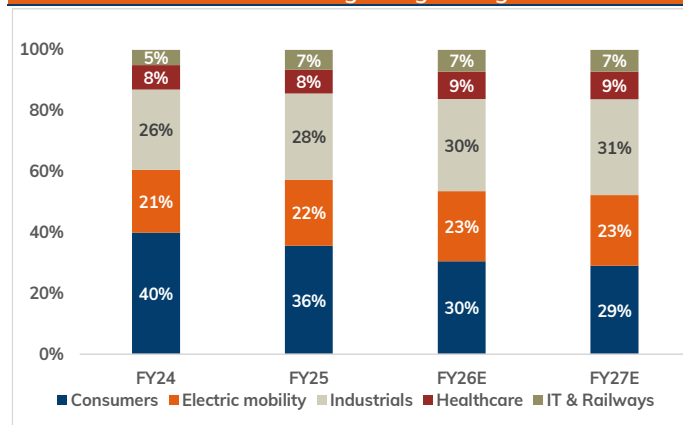
Business venture - Component ecosystem

- 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

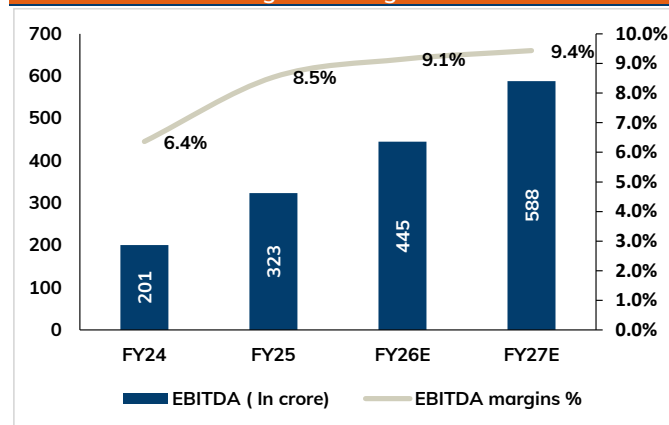
| | Q4FY25 | Q4FY24 | YoY | Q3FY25 | QoQ | Comments |
|--------------------|--------|--------|-----------|--------|---------|---|
| Revenue | 924 | 1,134 | -18.5% | 870 | 6.3% | QoQ growth healthy while YoY decline owing to large base of low margin consumer growth which is now getting shredded. |
| Other 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

₹ crore

| (Year-end March) | 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

₹ crore

| (Year-end March) | 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

₹ crore

| (Year-end March) | 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 |
| Workin 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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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