

India

**ADD** (no change)

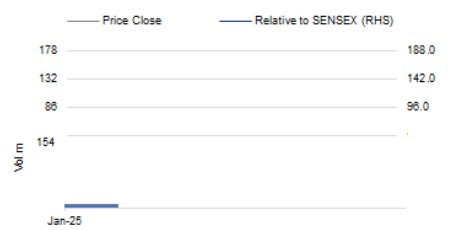
Consensus ratings\*: Buy 17 Hold 3 Sell 3

Current price:	Rs505
Target price: ▲	Rs600
Previous target:	Rs500
Up/downside:	18.8%
InCred Research / Consensus:	0.7%

Reuters:	
Bloomberg:	SYRMA IN
Market cap:	US\$1,040m
	Rs89,988m
Average daily turnover:	US\$14.2m
	Rs1232.8m
Current shares o/s:	176.8m
Free float:	49.4%
*Source: Bloomberg	

**Key changes in this note**

- ▶ We cut revenue estimates by ~2%-3% and raise PAT estimates by 3%-18% for FY25F-27F.

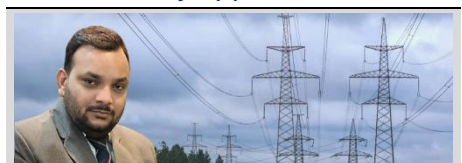


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(15.3)	1.5	(16.0)
Relative (%)	(13.4)	6.1	(21.9)

Major shareholders	% held
Promoters	46.6
Franklin India	4.0
	0.0

**Research Analyst(s)**



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# Syrma SGS Technology

## Margin expansion on track

- 3Q EBITDA grew 104% YoY to Rs790m, 30% above our estimate & 12% above the BB consensus estimate. The EBITDA margin rose by 360bp YoY to 9.1%.
- Onboarded new clients in automotive & industrial segments, which may add to revenue in FY27F. For FY26F, the revenue guidance is Rs2bn from them.
- We cut FY25F-27F revenue by ~2%-3% & raise PAT by 3%-18%. Maintain our ADD rating with a higher target price of Rs600, valuing it at 28x FY27F EPS.

### Muted sales growth is mainly due to consumer business

Syrma SGS Technology (Syrma) reported a muted revenue growth of 23% YoY in 3QFY25 at Rs8.7bn, 7% below our estimate and 11% below the Bloomberg or BB consensus estimate. The consumer segment, up by just 6% YoY at Rs2.7bn, contributed 31% to total sales (36% YoY), while automotive/industrial segments grew 38%/37% YoY, respectively. EBITDA grew 104% YoY (11% QoQ) to Rs790m, 30% above our estimate and 12% above the BB consensus estimate. The EBITDA margin rose by 360bp YoY and 57bp QoQ to 9.1%. PAT came in at Rs551m, up 172% YoY and 39% QoQ, 59% above our estimate and 56% above the BB consensus estimate.

### Maintains guidance of ~45% sales growth for FY25F

Despite muted sales growth in 3Q, management maintained its FY25F revenue guidance of Rs45bn (up 45%), with EBITDA at Rs3bn, aided by a favourable order mix & operational efficiency. Syrma spent Rs1.8bn in 9MFY25, with a large part of it utilized for the new campus facility in Pune and Germany. The order book grew by 10% QoQ to Rs53bn as of 3QFY25-end, with an order inflow of Rs12bn. The company also onboarded new clients in automotive and industrial segments, which are projected to add to revenue growth in FY27F, while in FY26F it expects Rs2bn revenue from these new clients.

### Exports to contribute 25-30% to revenue

Exports currently account for ~20% of total sales, primarily from America and Europe (Germany) markets, which are subdued. However, a revival in the export business is likely in FY26F, targeting a rise in export contribution to 25-30% over the next few years.

### Retain ADD rating on the stock with a higher target price of Rs600

Manufacturing at scale is more important for the consumer sector whereas quality and precision matters more for automotive and industrial sectors. Gross margin is a reliable indicator of the entry barriers and potential price wars among competitors, which is improving for Syrma led by the shift in its business from the consumer sector to industrials & automotive sectors. Factoring in a healthy shift in its order book, led by a lower share of consumer business, we have cut revenue estimates by ~2%-3% and raised PAT estimates by 3%-18% for FY25F-27F. We retain our ADD rating on the stock with a higher target price of Rs600 (Rs500 earlier), valuing it at 28x FY27F (Sep 2026F earlier) EPS. Downside risk: Deterioration in the working capital requirement leading to higher debt.

### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	20,484	31,538	43,291	58,750	78,361
Operating EBITDA (Rsm)	1,878	1,984	3,296	4,327	5,730
Net Profit (Rsm)	1,231	1,257	2,047	2,774	3,780
Core EPS (Rs)	7.0	7.1	11.6	15.7	21.4
Core EPS Growth	117.3%	2.1%	62.8%	35.6%	36.2%
FD Core P/E (x)	72.52	71.04	43.63	32.19	23.62
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	49.12	47.84	28.55	21.52	16.05
P/FCFE (x)	(10.73)	102.68	164.05	32.40	24.90
Net Gearing	19.0%	29.7%	22.1%	14.7%	8.1%
P/BV (x)	5.80	5.54	4.91	4.26	3.61
ROE	11.7%	8.0%	11.9%	14.2%	16.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## 3QFY25 conference-call highlights

- **Overview:** In 3QFY25, Syrma's revenue grew by 24% YoY while in 9MFY25 it grew by 40%. Management's efforts to improve margin have shown positive results over the past two quarters, with the EBITDA margin at ~7% in 9MFY25. The company remains confident of sustaining this margin in the coming quarters.
- **Guidance:** For FY25F, Syrma has given revenue guidance of Rs45bn with an EBITDA margin of 7%, while the expected revenue growth for FY26F is 30-35%, and operational efficiency should drive a further improvement in the EBITDA margin.
- **Industrial business:** The utility meters business is expected to contribute ~Rs2bn in FY25F, accounting for ~20-25% of the total industrial business. Most of the industrial business is driven by private sector demand, including applications in data centres, private utilities, and global power management units. As a result, the company does not foresee any sustained funding challenges, although periodic fluctuations in demand remain a part of the business cycle.
- **Consumer business:** The consumer business, particularly high-volume segments, has been strategically reduced to below 35% of the total revenue to improve margin. Seasonal demand trends indicate that 4Q and 1Q will see a higher contribution from consumer products, particularly room air-conditioners or RACs and water purifiers. Despite this, the company remains focused on optimizing its product mix and renegotiating prices to sustain its margin.
- **Export:** Exports currently contribute ~20% to total sales, primarily from American and European (Germany) markets, which are subdued. However, a revival in the export business is expected in FY26F, targeting an increase in export contribution to 25-30% of total revenue.
- **New client addition:** The company has also onboarded new clients in automotive and industrial segments, which are projected to add to revenue growth in FY27F. For FY26F, the company has given revenue guidance of Rs2bn from these new clients.
- **New JV:** The newly formed joint venture or JV for the laptop business is still in its early stage, having commenced operations last month. It is expected to mature in the coming quarters and eventually progress towards backward integration with board-level assembly.
- **Debt and capex:** Gross debt stands at ~Rs6.8bn, with net debt at Rs2.7bn. In 9MFY25, the company incurred a capex of Rs1.8bn, primarily directed towards expanding its Pune campus, setting up a new facility in Germany, and investing in the SMT laminate plant and machinery for onboarding new customers. The asset turnover ratio stands at 5.5x, while RoCE is currently at 13%. The company expects RoCE to improve further as higher capex utilization drives efficiency. The current order book remains strong at Rs53bn.
- **Working capital:** The working capital days stood at 64 in 3QFY25 and the company aims to maintain them below 60 days. Significant investments have already been made in the physical infrastructure, talent acquisition, and other strategic initiatives, positioning the company for sustained growth. With overhead costs now more stable and major expansions accounted for, the company expects to close the year with a RoCE of ~15%. Over the next two years, as operational efficiency and growth strategies take effect, RoCE is targeted to improve to 20%.
- **PLI scheme:** The company expects to receive production-linked incentive or PLI scheme benefits of ~Rs150-170m in FY25F, with Rs140m already accrued in the first nine months of the year. For comparison purposes, last year's full-year PLI benefits stood at Rs165m.

**Figure 1: Results summary**

(Rs m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
<b>Net Revenue</b>	<b>8,691</b>	<b>7,067</b>	<b>23.0%</b>	<b>8,327</b>	<b>4%</b>	<b>28,617</b>	<b>20,197</b>	<b>41.7%</b>
Raw Material Costs	6,373	5,473	16.4%	6,294	1%	22,526	15,677	43.7%
Staff Costs	452	381	18.8%	459	-2%	1,366	1,022	33.6%
Other Expenditure	1,076	826	30.3%	864	24%	2,780	2,251	23.5%
<b>Total Expenses</b>	<b>7,901</b>	<b>6,679</b>	<b>18.3%</b>	<b>7,618</b>	<b>4%</b>	<b>26,672</b>	<b>18,950</b>	<b>40.7%</b>
<b>EBITDA</b>	<b>790</b>	<b>388</b>	<b>103.6%</b>	<b>710</b>	<b>11%</b>	<b>1,945</b>	<b>1,247</b>	<b>56.0%</b>
EBITDA Margin (%)	9.1%	5.5%	360bp	8.5%	57bp	6.8%	6.2%	62bp
Other Income	223	121	83.8%	100	122%	476	431	10.5%
Interest	154	100	53.7%	136	14%	421	256	64.5%
Depreciation	202	139	45.4%	167	21%	543	357	52.4%
<b>PBT</b>	<b>656</b>	<b>270</b>	<b>143.3%</b>	<b>507</b>	<b>29%</b>	<b>1,458</b>	<b>1,066</b>	<b>36.7%</b>
Tax	105	67	57.7%	110	-5%	307	261	17.6%
<b>PAT</b>	<b>551</b>	<b>203</b>	<b>171.5%</b>	<b>396</b>	<b>39%</b>	<b>1,151</b>	<b>805</b>	<b>43.0%</b>
Extraordinary Items	21	-		-		21	14	
<b>Reported PAT</b>	<b>529</b>	<b>203</b>	<b>160.9%</b>	<b>396</b>	<b>34%</b>	<b>1,129</b>	<b>791</b>	<b>42.7%</b>
PAT Margin	6.1%	2.9%	322bp	4.8%	133bp	3.9%	3.9%	3bp
<b>EPS</b>	<b>3.0</b>	<b>1.1</b>	<b>160.9%</b>	<b>2.2</b>	<b>34%</b>	<b>6.4</b>	<b>4.5</b>	<b>42.7%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Cost analysis**

Cost Analysis	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Total Raw Material Costs	73.3%	77.4%	-411bp	75.6%	-225bp	78.7%	77.6%	110bp
Staff Costs	5.2%	5.4%	-18bp	5.5%	-31bp	4.8%	5.1%	-29bp
Other Expenditure	12.4%	11.7%	69bp	10.4%	200bp	9.7%	11.1%	-143bp
Total Expenses	90.9%	94.5%	-360bp	91.5%	-57bp	93.2%	93.8%	-62bp
Tax Rate (%)	16.0%	24.8%	-872bp	21.8%	-573bp	21.1%	24.5%	-344bp

SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 3: Segmental analysis**

Segmental (Rs m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Automotive	2,081	1,510	37.8%	2,109	-1.3%	6,067	4,686	29.5%
Consumer	2,704	2,551	6.0%	2,715	-0.4%	11,585	7,394	56.7%
Healthcare	734	693	5.9%	661	11.0%	1,984	1,362	45.7%
Industrials	2,674	1,949	37.2%	2,439	9.6%	7,265	5,708	27.3%
IT and Railways	500	364	37.4%	405	23.5%	1,719	1,047	64.2%
<b>Total</b>	<b>8,693</b>	<b>7,067</b>	<b>23.0%</b>	<b>8,329</b>	<b>4.4%</b>	<b>28,620</b>	<b>20,197</b>	<b>41.7%</b>
<b>Revenue Share (%)</b>								
Automotive	24%	21%	258bp	25%	-138bp	21%	23%	-200bp
Consumer	31%	36%	-498bp	33%	-149bp	40%	37%	387bp
Healthcare	8%	10%	-136bp	8%	51bp	7%	7%	19bp
Industrials	31%	28%	319bp	29%	148bp	25%	28%	-287bp
IT and Railways	6%	5%	60bp	5%	89bp	6%	5%	82bp

SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 4: Actuals versus estimates**

Rs m	3QFY25	3QFY25F	Var (%)
Revenue	8,691	9,296	-6.5%
EBITDA	790	610	29.5%
EBITDA margin (%)	9.1%	6.6%	253bp
<b>Adj. PAT</b>	<b>529</b>	<b>333</b>	<b>58.8%</b>
<b>Actuals vs. consensus estimates</b>			
Rs m	3QFY25	3QFY25C	Var (%)
Revenue	8,691	9,761	-11.0%
EBITDA	790	705	12.0%
EBITDA margin (%)	9.1%	7.2%	186bp
<b>Adj. PAT</b>	<b>529</b>	<b>340</b>	<b>55.7%</b>

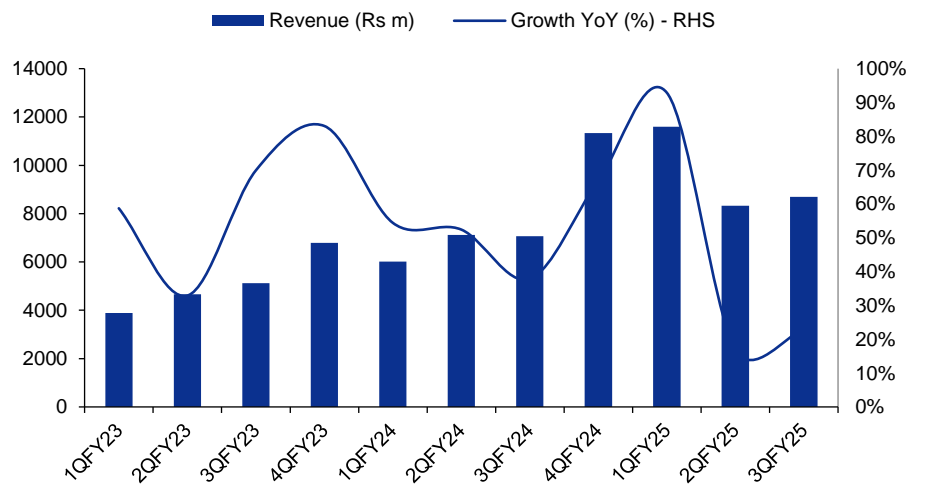
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 5: Our revised earnings estimates**

(Rs m)	New estimates			Old estimates			Change		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	43,291	58,750	78,361	44,241	60,230	80,587	-2.1%	-2.5%	-2.8%
EBITDA	3,296	4,327	5,730	2,915	4,132	5,575	13.1%	4.7%	2.8%
Core PAT	2,047	2,774	3,780	1,737	2,644	3,658	17.8%	4.9%	3.3%

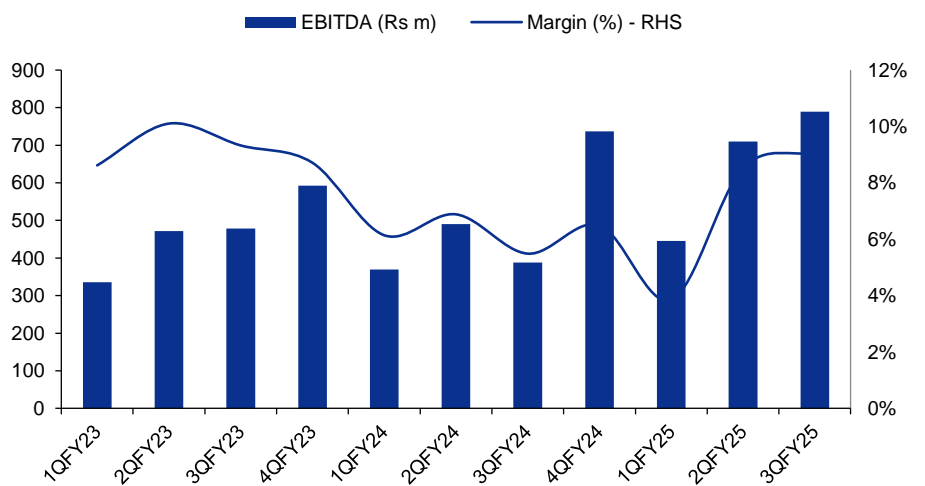
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 6: Revenue grows by 23% YoY**



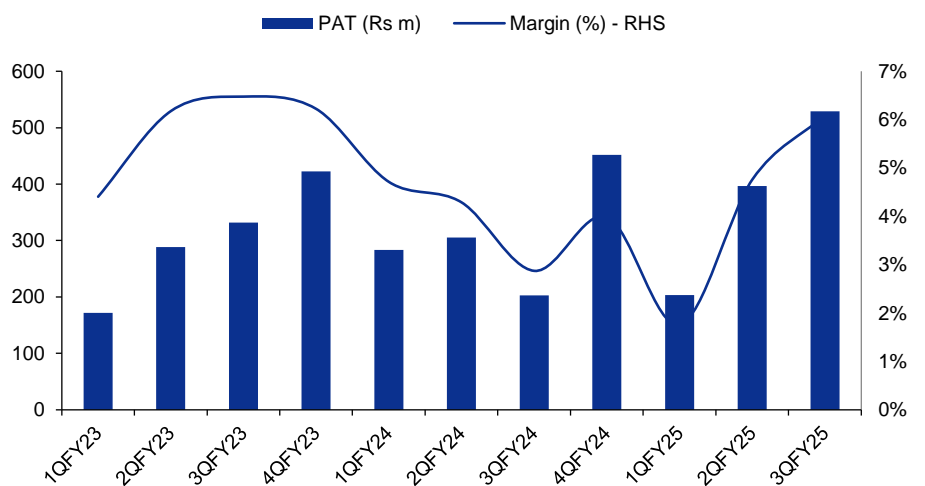
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 7: EBITDA margin expands by 360bp YoY**



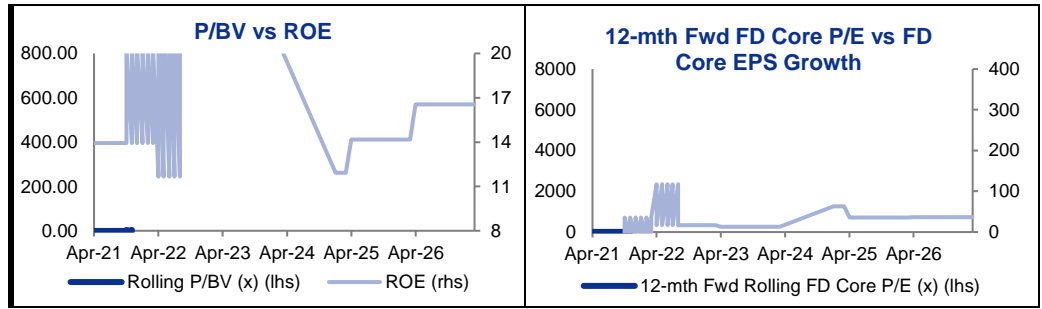
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 8: PAT grows by 172% YoY**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>20,484</b>	<b>31,538</b>	<b>43,291</b>	<b>58,750</b>	<b>78,361</b>
<b>Gross Profit</b>	<b>5,079</b>	<b>6,469</b>	<b>9,393</b>	<b>12,396</b>	<b>16,456</b>
<b>Operating EBITDA</b>	<b>1,878</b>	<b>1,984</b>	<b>3,296</b>	<b>4,327</b>	<b>5,730</b>
Depreciation And Amortisation	(312)	(515)	(747)	(770)	(848)
<b>Operating EBIT</b>	<b>1,566</b>	<b>1,469</b>	<b>2,548</b>	<b>3,557</b>	<b>4,882</b>
Financial Income/(Expense)	(216)	(378)	(575)	(605)	(621)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	437	587	679	747	778
<b>Profit Before Tax (pre-EI)</b>	<b>1,787</b>	<b>1,678</b>	<b>2,652</b>	<b>3,699</b>	<b>5,039</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,787</b>	<b>1,678</b>	<b>2,652</b>	<b>3,699</b>	<b>5,039</b>
Taxation	(556)	(421)	(606)	(925)	(1,260)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,231</b>	<b>1,257</b>	<b>2,047</b>	<b>2,774</b>	<b>3,780</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,231</b>	<b>1,257</b>	<b>2,047</b>	<b>2,774</b>	<b>3,780</b>
Recurring Net Profit	1,231	1,257	2,047	2,774	3,780
<b>Fully Diluted Recurring Net Profit</b>	<b>1,231</b>	<b>1,257</b>	<b>2,047</b>	<b>2,774</b>	<b>3,780</b>

**Cash Flow**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>1,787</b>	<b>1,664</b>	<b>2,652</b>	<b>3,699</b>	<b>5,039</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,299)	(3,273)	(909)	(1,545)	(2,515)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	312	515	747	770	848
Other Operating Cashflow	(321)				
Net Interest (Paid)/Received	216	378	575	605	621
Tax Paid	(397)	(421)	(606)	(925)	(1,260)
<b>Cashflow From Operations</b>	<b>(703)</b>	<b>(1,136)</b>	<b>2,460</b>	<b>2,603</b>	<b>2,733</b>
Capex	(1,110)	(3,249)	(1,800)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(8,035)	2,967	549	653	1,702
<b>Cash Flow From Investing</b>	<b>(9,145)</b>	<b>(282)</b>	<b>(1,251)</b>	<b>(347)</b>	<b>702</b>
Debt Raised/(repaid)	1,523	2,288	(665)	500	150
Proceeds From Issue Of Shares	8,760				
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(316)	(741)	(575)	(605)	(621)
<b>Cash Flow From Financing</b>	<b>9,967</b>	<b>1,547</b>	<b>(1,240)</b>	<b>(105)</b>	<b>(471)</b>
Total Cash Generated	120	128	(31)	2,152	2,965
<b>Free Cashflow To Equity</b>	<b>(8,325)</b>	<b>870</b>	<b>544</b>	<b>2,756</b>	<b>3,585</b>
<b>Free Cashflow To Firm</b>	<b>(10,063)</b>	<b>(1,797)</b>	<b>634</b>	<b>1,652</b>	<b>2,815</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	544	784	932	2,431	3,694
Total Debtors	4,032	9,301	6,355	8,247	11,082
Inventories	5,874	10,043	11,276	13,699	17,280
Total Other Current Assets	1,032	2,207	1,886	2,571	3,455
<b>Total Current Assets</b>	<b>11,483</b>	<b>22,335</b>	<b>20,449</b>	<b>26,948</b>	<b>35,510</b>
Fixed Assets	4,127	5,965	7,164	7,394	7,546
Total Investments	60	64	64	64	64
Intangible Assets	1,218	3,450	3,450	3,450	3,450
Total Other Non-Current Assets	7,779	4,007	4,007	4,007	4,007
<b>Total Non-current Assets</b>	<b>13,184</b>	<b>13,487</b>	<b>14,686</b>	<b>14,916</b>	<b>15,068</b>
Short-term Debt	2,599	5,118	4,099	4,599	4,749
Current Portion of Long-Term Debt					
Total Creditors	4,881	12,232	8,193	10,865	14,620
Other Current Liabilities	962	1,056	1,799	2,442	3,286
<b>Total Current Liabilities</b>	<b>8,442</b>	<b>18,407</b>	<b>14,091</b>	<b>17,905</b>	<b>22,654</b>
Total Long-term Debt	870	645	1,000	1,000	1,000
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	284	722	722	722	722
<b>Total Non-current Liabilities</b>	<b>1,154</b>	<b>1,367</b>	<b>1,722</b>	<b>1,722</b>	<b>1,722</b>
Total Provisions	387	350	703	844	1,029
<b>Total Liabilities</b>	<b>9,983</b>	<b>20,124</b>	<b>16,515</b>	<b>20,471</b>	<b>25,405</b>
Shareholders Equity	15,403	16,126	18,173	20,947	24,726
Minority Interests	26	644	644	644	644
<b>Total Equity</b>	<b>15,429</b>	<b>16,770</b>	<b>18,817</b>	<b>21,591</b>	<b>25,371</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	100.9%	54.0%	37.3%	35.7%	33.4%
Operating EBITDA Growth	98.9%	5.7%	66.1%	31.3%	32.4%
Operating EBITDA Margin	9.2%	6.3%	7.6%	7.4%	7.3%
Net Cash Per Share (Rs)	(16.54)	(28.17)	(23.57)	(17.92)	(11.62)
BVPS (Rs)	87.13	91.22	102.80	118.49	139.87
Gross Interest Cover	7.25	3.88	4.43	5.88	7.86
Effective Tax Rate	31.1%	25.1%	22.8%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	60.18	77.16	66.00	45.36	45.02
Inventory Days	104.10	115.87	114.77	98.33	91.33
Accounts Payables Days	86.31	124.58	109.97	75.03	75.13
ROIC (%)	6.4%	5.1%	7.9%	10.2%	12.6%
ROCE (%)	11.6%	7.0%	10.9%	13.8%	16.6%
Return On Average Assets	8.1%	5.1%	7.0%	8.4%	9.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.