India

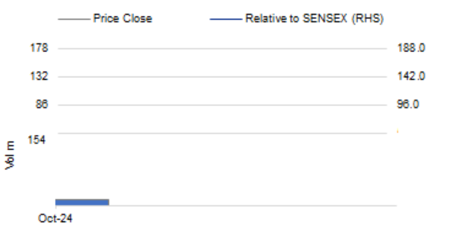
ADD *(no change)*

Consensus ratings*:	Buy 16 Hold 2 Sell 4
Current price:	Rs432
Target price:	Rs500
Previous target:	Rs500
Up/downside:	15.7%
InCred Research / Consensus:	1.4%
Reuters:	
Bloomberg:	SYRMA IN
Market cap:	US$913m
	Rs76,743m
Average daily turnover:	US$3.5m
	Rs293.3m
Current shares o/s:	176.8m
Free float:	49.8%

Source: Bloomberg

Key changes in this note

- We lower our revenue estimates by 6%/7%/4% for FY25F/26F/27F, respectively, while maintaining profitability estimates for the same period.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.0)	(9.1)	(28.0)
Relative (%)	4.9	(7.6)	(42.6)

Major shareholders	% held
Promoters	46.9
Franklin India	3.3
Blackrock Global Fund	1.3

Syrma SGS Technology

Margin expansion likely to continue

- 2Q EBITDA grew 45% YoY (59% QoQ) to Rs710m, 5% above our estimate & 22% above the BB consensus. EBITDA margin rose by164bp YoY to 8.5%.
- Despite muted sales, management maintained its FY25F revenue guidance of Rs45bn, (+40%) with EBITDA at Rs3bn. It incurred Rs1.3bn capex in 1HFY25.
- We cut revenue estimates by 6%/7%/4% for FY25F/26F/27F while maintaining profitability estimates. Retain our ADD rating with a target price of Rs500.

Muted sales growth mainly due to the consumer business

After reporting a 93% YoY sales growth in 1Q, Syrma SGS Technology (Syrma) reported a muted revenue growth of 17% YoY in 2QFY25 at Rs8.3bn, 35% below our estimate and 17% below the Bloomberg or BB consensus estimate. The consumer segment, up by just 7% YoY at Rs2.7bn, contributed 33% to total sales (53% in 1Q), while healthcare/industrial segments grew 29%/23% YoY, respectively. EBITDA grew 45% YoY (59% QoQ) to Rs710m, 5% above our estimate and 22% above the BB consensus estimate. The EBITDA margin rose by 164bp YoY and 468bp QoQ to 8.5%. Higher depreciation (+44% YoY) and interest costs (70% YoY) limited the PAT to Rs396m, up 30% YoY and 95% QoQ, 10% above our estimate and 4% above the BB consensus estimate.

Maintains guidance of ~40% sales growth for FY25F

Despite muted sales growth in 2Q, management maintained its FY25F revenue guidance of Rs45bn (up 45%), with EBITDA at Rs3bn, aided by a favourable order mix & operational efficiency. Syrma spent Rs1.3bn in 1HFY25, with a large part of it utilized for the new campus facility in Pune. With this, a large part of the capex is already behind, and it is looking to incur another Rs300-500m in 2HFY25F. The order book grew 7% QoQ to Rs48bn as of 2QFY25-end, with an order inflow of Rs11bn. Five customers, who were onboarded last year, have gone into commercial production. Syrma expects a total production-linked incentive (PLI) scheme benefit of Rs150m in FY25F. It received the PLI scheme nod for two segments in the medtech business. This strong order pipeline is expected to support sales in coming quarters. Total debt, including working capital loans, rose by 43% YoY to Rs6bn, while total cash fell 22% QoQ to Rs4.3bn at the end of 1HFY25.

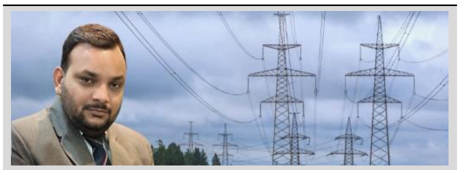
Retain ADD rating with a target price of Rs500

We believe there is a fundamental flaw with Syrma's business model as it tries to imitate both Dixon Technologies and Kaynes Technology. Manufacturing at scale is more important for the consumer segment whereas quality and precision matters more for the automotive and industrial sectors. In the EMS space, gross margin is a reliable indicator of the entry barriers and potential price wars among competitors. Factoring in a healthy shift in its order book, and a higher margin led by a lower share of consumer business, we have cut revenue estimates by 6%/7%/4% for FY25F/26F/27F, respectively, while maintaining the profitability estimates. We retain our ADD rating on with a target price of Rs500 valuing it at 28x Sep 2026F EPS. Downside risk: Deterioration in WC requirement leading to higher debt.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	20,484	31,538	44,241	60,230	80,587
Operating EBITDA (Rsm)	1,878	1,984	2,915	4,132	5,575
Net Profit (Rsm)	1,231	1,257	1,737	2,644	3,658
Core EPS (Rs)	7.0	7.1	9.8	15.0	20.7
Core EPS Growth	117.3%	2.1%	38.2%	52.2%	38.4%
FD Core P/E (x)	54.50	53.38	38.63	25.38	18.34
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)	37.30	36.65	24.81	17.33	12.69
P/FCFE (x)	(8.06)	77.16	816.77	31.80	24.69
Net Gearing	19.0%	29.7%	24.7%	18.3%	12.2%
P/BV (x)	4.36	4.16	3.76	3.27	2.78
ROE	11.7%	8.0%	10.2%	13.8%	16.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)



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2QFY25 conference-call highlights

- **Overview**: Syrma reported subdued revenue and improvement in margin in 2QFY25, due to a lower share of low-margin consumer business at 33% (from 53% in 1QFY25). Revenue was up by ~17% YoY. The contribution of exports stood at 23% of total revenue in 2Q from 16% in 1Q, which also helped to increase the margin. Management expects the export contribution at 20-25% in coming years. Net working capital requirement came down to below 60 days, indicating improved operational efficiency.
- **Guidance:** Management maintains its FY25F sales guidance of Rs45bn, growing by ~40-42%, with the EBITDA margin at 7%, while it expects revenue growth of 35% in FY26F while maintaining the margin at 7%.
- **Commissioning of Pune facility:** The Pune facility is spread across 26.5 acres, with a manufacturing area of 1.20m square feet at peak capacity. The first phase covers 60,000sqft. The facility will enhance Syrma's printed circuit board assembly (PCBA) capabilities, catering primarily to the rising domestic demand from automotive and industrial sectors.
- **PLI scheme:** Syrma expects total PLI scheme benefit of Rs150m in FY25F.The company received PLI approval for two segments in the medtech business, which are cancer care radiotherapy devices, and anaesthetics and cardio-respiratory devices including renal care.
- **New client addition:** Syrma continues to add new clients in power supply, smart metering, fuel dispensing, IoT and other verticals, and also expanding its portfolio with existing customers. The company onboarded nine new clients in 1HFY25, who have the potential of generating Rs5bn of revenue in the coming year. Five customers, who were onboarded last year or earlier this year, have gone into commercial production.
- **Capex:** Syrma spent almost Rs1.75bn, with a large part of it being utilized for the new campus facility in Pune that was inaugurated last week. With this, we believe a large part of the capex is already behind, and Syrma is looking to spend another Rs300-500m in 2HFY25F. The company has ~Rs1.3bn of the initial public offer or IPO proceeds lying unutilized, which it will be spending in the next 1-1.5 years. This will be towards upgrading the Pune facility further and developing its facility in Hosur, which were planned at the time of the IPO.
- **Segments:**
  - **Consumer:** This segment was primarily driven by the high-volume telecom business, which contributed 33% to revenue. Management stated that its share is expected to stabilize at ~40% of total sales for the full year. It expects softening in the coming quarters, which will be offset by growth in exports and other high-margin segments like automotive, medtech, industrial, and healthcare.
  - **Automotive**: This segment contributed 20% to sales in 1HFY25, while revenue grew by 26% in the same period with the addition of new clients and new products in this vertical. Management expects the automotive segment to contribute approximately ~20-25% to total revenue in FY25F.
  - **Healthcare**: This segment includes RFID healthcare, electronics manufacturing services or EMS, and medtech devices business. It contributed 6% to total sales in 1HFY25. The company received a sizable contract for medical device design from a global company. The overall healthcare segment is expected to generate Rs3bn+ in revenue in FY25F.
  - **Industrial**: This segment, which includes the smart metering business, contributed ~23% to sales in 1HFY25. The HVAC sub-segment onboarded a new multinational German client during the period. According to management, Syrma is one of the largest EMS players in the smart meter business, and it sold 1.3m smart meters in 1HFY25. It also started exports to the US last month. Export of utilities is expected at Rs400m in FY25F and Rs1bn in FY26F. Domestic sales are expected at Rs3bn.

Figure 1: Results summary

(Rs m)	2QFY25	2QFY24	YoY	1QFY25	QoQ	H1FY25	H1FY24	YoY
Net revenue	**8,327**	**7,117**	**17.0%**	**11,599**	**-28%**	**19,926**	**13,130**	**51.8%**
Raw material Costs	6,294	5,517	14.1%	9,859	-36%	16,153	10,204	58.3%
Staff Costs	459	311	47.8%	454	1%	913	642	42.3%
Other Expenditure	864	799	8.1%	840	3%	1,705	1,426	19.6%
Total expenses	**7,618**	**6,627**	**14.9%**	**11,153**	**-32%**	**18,771**	**12,271**	**53.0%**
EBITDA	**710**	**490**	**44.8%**	**446**	**59%**	**1,155**	**859**	**34.5%**
EBITDA Margin (%)	8.5%	6.9%	164bp	3.8%	468bp	5.8%	6.5%	-75bp
Other Income	100	89	12.8%	153	-34%	253	310	-18.2%
Interest	136	80	70.0%	130	4%	266	155	71.4%
Depreciation	167	116	44.3%	174	-4%	341	217	56.8%
PBT	**507**	**383**	**32.3%**	**295**	**72%**	**802**	**796**	**0.7%**
Tax	110	64	71.4%	91	21%	202	194	3.8%
PAT	**396**	**319**	24.4%	**203**	95%	**600**	**602**	-0.3%
PAT after Minority Interest	**396**	**319**	24.4%	**203**	95%	**600**	**602**	-0.3%
Extraordinary Items	-	14		-		-	-	
Reported PAT	**396**	**305**	29.9%	**203**	**95%**	**600**	**602**	-0.3%
PAT Margin	4.8%	4.3%	47bp	1.8%	301bp	3.0%	4.6%	-157bp
EPS	**2.2**	**1.7**	29.9%	**1.2**	**95%**	**3.4**	**3.4**	-0.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost Analysis

Cost Analysis	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Total Raw Material Costs	75.6%	77.5%	-193bp	85.0%	-941bp	81.1%	77.7%	335bp
Staff Costs	5.5%	4.4%	115bp	3.9%	160bp	4.6%	4.9%	-30bp
Other Expenditure	10.4%	11.2%	-86bp	7.2%	313bp	8.6%	10.9%	-230bp
Total Expenses	91.5%	93.1%	-164bp	96.2%	-468bp	94.2%	93.5%	75bp
Tax Rate (%)	21.8%	16.8%	497bp	31.0%	-922bp	25.2%	24.4%	76bp

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 3: Segmental sales

Segmental (Rs m)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Automotive	2,109	1,725	22.3%	1,877	12.4%	3,986	3,176	25.5%
Consumer	2,715	2,519	7.8%	6,166	-56.0%	8,881	4,843	83.4%
Healthcare	661	512	29.1%	589	12.2%	1,250	669	86.8%
Industrials	2,439	1,984	22.9%	2,152	13.3%	4,591	3,759	22.1%
IT and Railways	405	376	7.7%	814	-50.2%	1,219	683	78.5%
Total	8,329	7,116	17.0%	11,598	-28.2%	19,927	13,130	51.8%
Revenue Share (%)								
Automotive	25%	24%	109bp	16%	914bp	20%	24%	-418bp
Consumer	33%	35%	-279bp	53%	-2,056bp	45%	37%	769bp
Healthcare	8%	7%	74bp	5%	286bp	6%	5%	118bp
Industrials	29%	28%	141bp	19%	1,074bp	23%	29%	-559bp
IT and Railways	5%	5%	-42bp	7%	-215bp	6%	5%	92bp

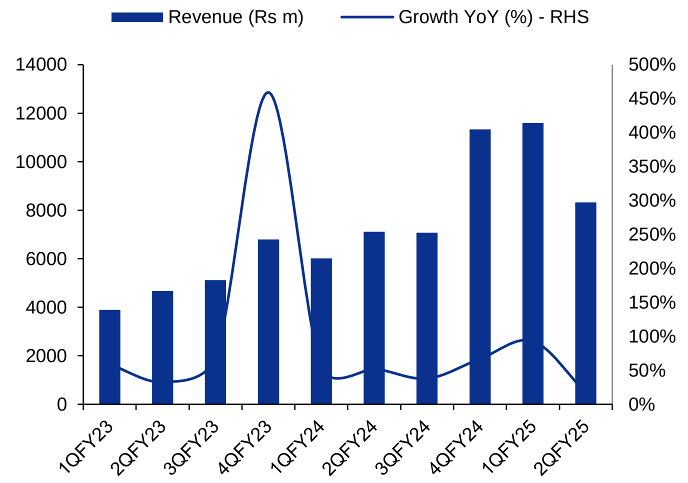
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 4: Actuals versus estimates

Actuals vs. estimates			
Rs m	**2QFY25**	**2QFY25F**	**Var (%)**
Revenue	8,327	12,835	-35.1%
EBITDA	710	674	5.2%
EBITDA margin (%)	8.5%	5.3%	327bp
Adj. PAT	**396**	**360**	10.0%
Actuals vs consensus			
Rs m	**2QFY25**	**2QFY25C**	**Var (%)**
Revenue	8,327	10,000	-16.7%
EBITDA	710	581	22.1%
EBITDA margin (%)	8.5%	5.8%	271bp
Adj. PAT	**396**	**381**	4.1%

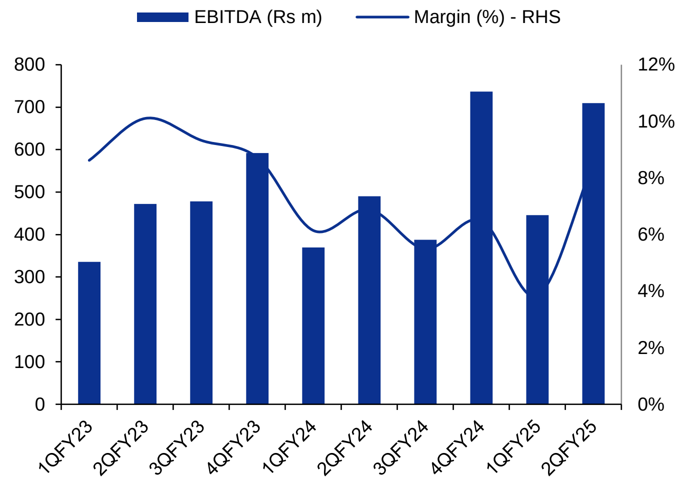
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 5: Revenue grew by 17% YoY



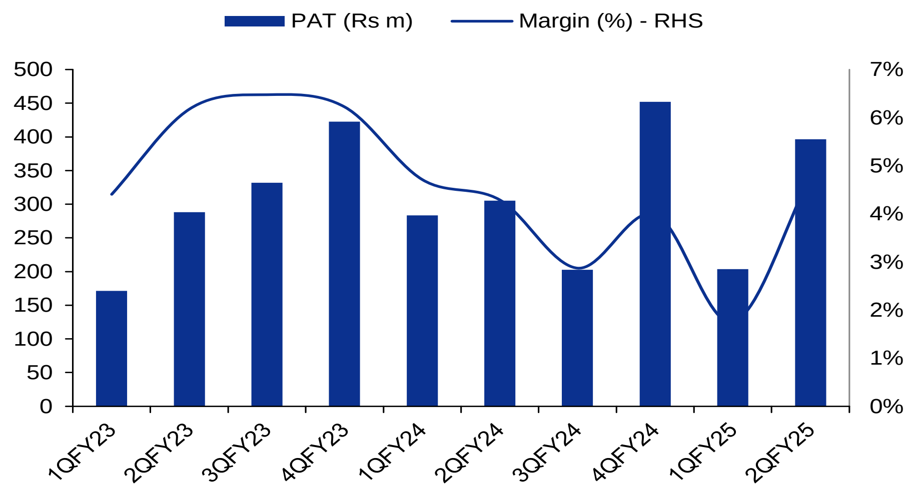
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Margin expansion led by a lower share of consumer biz



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: PAT grew by 30% YoY



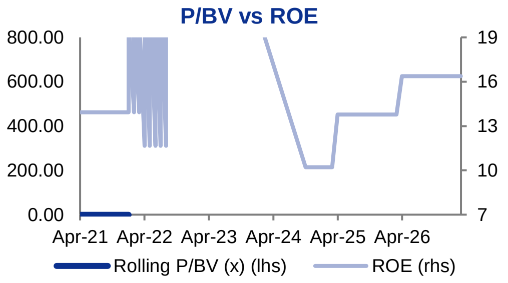
SOURCE: COMPANY REPORTS, INCRED RESEARCH

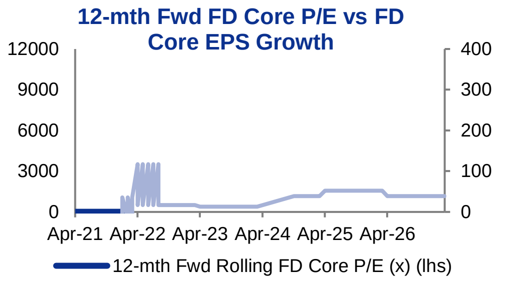
Figure 8: Our revised earnings estimates

(Rs m)	New estimates			Old estimates			Change		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	44,241	60,230	80,587	47,211	65,050	84,305	-6.3%	-7.4%	-4.4%
EBITDA	2,915	4,132	5,575	2,915	4,131	5,568	0.0%	0.0%	0.1%
Core PAT	1,737	2,644	3,658	1,735	2,643	3,653	0.1%	0.0%	0.2%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**20,484**	**31,538**	**44,241**	**60,230**	**80,587**
Gross Profit	**5,079**	**6,469**	**8,842**	**12,389**	**16,577**
Operating EBITDA	**1,878**	**1,984**	**2,915**	**4,132**	**5,575**
Depreciation And Amortisation	(312)	(515)	(680)	(711)	(816)
Operating EBIT	**1,566**	**1,469**	**2,235**	**3,422**	**4,760**
Financial Income/(Expense)	(216)	(378)	(539)	(532)	(517)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	437	587	614	635	635
Profit Before Tax (pre-EI)	**1,787**	**1,678**	**2,310**	**3,525**	**4,878**
Exceptional Items					
Pre-tax Profit	**1,787**	**1,678**	**2,310**	**3,525**	**4,878**
Taxation	(556)	(421)	(573)	(881)	(1,219)
Exceptional Income - post-tax					
Profit After Tax	**1,231**	**1,257**	**1,737**	**2,644**	**3,658**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**1,231**	**1,257**	**1,737**	**2,644**	**3,658**
Recurring Net Profit	1,231	1,257	1,737	2,644	3,658
Fully Diluted Recurring Net Profit	**1,231**	**1,257**	**1,737**	**2,644**	**3,658**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,787	1,664	2,310	3,525	4,878
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,299)	(3,273)	(958)	(1,640)	(2,637)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	312	515	680	711	816
Other Operating Cashflow	(321)				
Net Interest (Paid)/Received	216	378	539	532	517
Tax Paid	(397)	(421)	(573)	(881)	(1,219)
Cashflow From Operations	**(703)**	**(1,136)**	**1,998**	**2,247**	**2,354**
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	363	1,213
Cash Flow From Investing	**(9,145)**	**(282)**	**(1,251)**	**(637)**	**213**
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)	(539)	(532)	(517)
Cash Flow From Financing	**9,967**	**1,547**	**(1,203)**	**(32)**	**(367)**
Total Cash Generated	120	128	(457)	1,578	2,200
Free Cashflow To Equity	**(8,325)**	**870**	**82**	**2,110**	**2,718**
Free Cashflow To Firm	**(10,063)**	**(1,797)**	**208**	**1,078**	**2,050**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	544	784	518	1,734	2,720
Total Debtors	4,032	9,301	6,436	8,444	11,381
Inventories	5,874	10,043	11,419	14,025	17,747
Total Other Current Assets	1,032	2,207	1,910	2,633	3,549
Total Current Assets	**11,483**	**22,335**	**20,283**	**26,835**	**35,397**
Fixed Assets	4,127	5,965	7,220	7,509	7,693
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
Total Non-current Assets	**13,184**	**13,487**	**14,741**	**15,030**	**15,215**
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	8,350	11,210	15,087
Other Current Liabilities	962	1,056	1,833	2,519	3,391
Total Current Liabilities	**8,442**	**18,407**	**14,282**	**18,328**	**23,226**
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
Total Non-current Liabilities	**1,154**	**1,367**	**1,722**	**1,722**	**1,722**
Total Provisions	387	350	710	861	1,052
Total Liabilities	**9,983**	**20,124**	**16,714**	**20,911**	**25,999**
Shareholders Equity	15,403	16,126	17,863	20,507	24,165
Minority Interests	26	644	644	644	644
Total Equity	**15,429**	**16,770**	**18,507**	**21,151**	**24,810**

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	100.9%	54.0%	40.3%	36.1%	33.8%
Operating EBITDA Growth	98.9%	5.7%	46.9%	41.8%	34.9%
Operating EBITDA Margin	9.2%	6.3%	6.6%	6.9%	6.9%
Net Cash Per Share (Rs)	(16.54)	(28.17)	(25.91)	(21.86)	(17.13)
BVPS (Rs)	87.13	91.22	101.05	116.00	136.70
Gross Interest Cover	7.25	3.88	4.15	6.43	9.20
Effective Tax Rate	31.1%	25.1%	24.8%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	60.18	77.16	64.92	45.09	44.90
Inventory Days	104.10	115.87	110.64	97.06	90.58
Accounts Payables Days	86.31	124.58	106.11	74.62	74.98
ROIC (%)	6.4%	5.1%	6.9%	9.7%	12.1%
ROCE (%)	11.6%	7.0%	9.6%	13.5%	16.5%
Return On Average Assets	8.1%	5.1%	6.0%	7.9%	8.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Stock Ratings	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.