

CMP: INR 421

Rating: BUY

Target Price: INR 642

Stock Info

BSE	543573
NSE	SYRMA
Bloomberg	SYRMA:IN
Reuters	SYRM.NS
Sector	EMS
Face Value (INR)	10
Equity Capital (INR mn)	1,774
Mkt Cap (INR mn)	74,697
52w H/L (INR)	647/376
Avg Yearly Volume (in 000')	1,122.2

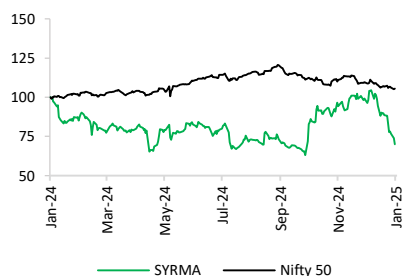
Shareholding Pattern %

(As on Dec, 2024)

Promoters	46.58
DII	7.46
FII	8.49
Public & Others	37.47

Stock Performance (%)	3m	6m	12m
SYRMA	-2.6	-12.5	-30.0
NIFTY	-5.7	-7.6	5.6

SYRMA vs Nifty



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Syrma SGS Technology is an engineering and design company engaged in EMS. The company provides integrated services and solutions to OEMs from the initial product concept stage to volume productions through concept co-creation and product realization. The product portfolio includes PCBA, Radiofrequency products, Electromagnetic and electromechanical parts, motherboards, memory products, etc. The company has 13 manufacturing facilities and 3 dedicated R&D facilities. The company is serving 270+ customers across 20+ countries.

Investment rationale

Healthy order book shows business visibility: Syrma order book stood at INR 48bn (~1.5x of FY24 revenue) as of Q2FY25 showing business visibility over the medium term. The order book mix stood at Auto (24%-26%), Industrial (25%-28%), Consumer (35%-38%), Healthcare (6%-8%) and remaining from IT and railways. Exports order share stood around 22%-25%. The company is getting regular orders from customers with on-time execution shows business visibility.

Capacity expansion will lead to additional revenue: Syrma has invested INR 1.75bn in H1FY25 and INR 300-500mn capex is expected in H2FY25E. Further, the company plans to invest INR 1.3bn to enhance the Pune facility over the next 2 years. The Pune facility will lead to additional revenue of INR 10-15bn and INR 4-5bn variations due to product mix. Based on current capacity, the revenue potential is around INR 50bn+ and the Pune facility will add additional revenue going forward.

Portfolio and Geographic expansion through strategic initiatives: Syrma has expanded its capabilities and market presence through in-organic strategic initiatives. The acquisition companies are Tovia Automation, 3G Wireless, SGS Teknics, Perfect ID, and Johari Digital. Johari Digital is a leading OEM in MedTech devices in the healthcare segment. The acquisitions led to meeting tender criteria, increased manufacturing and R&D capabilities, diversified business verticals, client additions, and geographic and product portfolio expansions. The company is continuing to explore in-organic opportunities to expand the business.

Strong R&D capabilities leading to higher ODM: Syrma has 3 dedicated R&D centers which are located in Chennai (India) and Gurugram (India) and Stuttgart (Germany). The Germany R&D facility through SGS Technics; servicing Germany customers. The R&D centers are used to handle initial concepts, design, product developments, etc. The R&D centers help to launch new products and upgrade existing products at lower cost. The R&D facility helps in ODM's various sectors increasing wallet share from existing customers and attracting new customers. The ODM revenue share stood at 18% as of Q2FY25 and is expected to reach 25% over the medium term.

Outlook & Valuation: Syrma has an order book of INR 48bn (~1.5x of FY24 revenue) and continuous orders from existing and new customers show business visibility. The company is doing capex of INR 1.3bn in the Pune facility will add additional revenue of INR 10-15bn and INR 4-5bn variation based on product mix; overall the capacity peak revenue potential is around INR 60bn+ going forward. The company has 3 dedicated R&D facilities which help from initial concept design to product development leading to an increase in wallet share from existing customers and attracting new customers. The ODM revenue share stood at 18% in Q2FY25 and is expected to reach 25% over the medium term. The company has expanded its product portfolio and geography through in-organic strategic initiatives. We estimate that revenue is expected to grow at a CAGR of 41.1% for FY24-FY27E, and RoE is expected to maintain at 17.8% in FY27E. The stock is trading at 28.7x of its FY26E EPS. At the CMP of INR 421 per share, We have a "BUY" rating and valued the stock at 30x of its FY27E EPS of INR 21.4, and arrived at a price objective of INR 642, an upside of 52.6%.

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,383	10,197	20,484	31,538	45,522	64,383	88,568
Net Raw Materials	2,821	7,185	15,405	25,069	36,145	50,862	69,880
Employee Cost	286	597	1,019	1,426	2,140	3,090	4,251
Other Expenses	808	1,470	2,182	3,058	4,229	6,142	8,441
EBITDA	468	944	1,878	1,985	3,009	4,288	5,996
EBITDA Margin (%)	10.7%	9.3%	9.2%	6.3%	6.6%	6.7%	6.8%
Depreciation	(121)	(194)	(312)	(515)	(659)	(722)	(787)
Interest expense	(45)	(64)	(216)	(378)	(506)	(604)	(707)
Other income	62	123	366	418	469	567	647
Exceptional Items	-	-	-	14	-	-	-
Share of profits associate & JV	34	25	(0)	-	-	-	-
Profit before tax	397	834	1,715	1,523	2,313	3,528	5,148
Taxes	(77)	(268)	(556)	(421)	(606)	(924)	(1,349)
PAT	320	567	1,159	1,102	1,707	2,604	3,800
PAT Margin (%)	7.3%	5.6%	5.7%	3.5%	3.7%	4.0%	4.3%
Other Comprehensive income	(0)	(1)	16	(11)	-	-	-
Total Comprehensive income	320	566	1,175	1,091	1,707	2,604	3,800
EPS (INR)	427.8	4.1	7.1	6.9	9.6	14.7	21.4

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	7	1,376	1,768	1,774	1,774	1,774	1,774
Reserves	2,408	4,344	13,635	14,352	15,802	18,016	21,245
Net worth	2,416	5,721	15,403	16,126	17,577	19,790	23,020
Minority Interest	-	108	26	644	644	644	644
Provisions	60	110	134	174	228	322	443
Debt	630	2,354	4,184	6,908	8,208	9,808	11,308
Other non-current liabilities	2	157	175	212	319	451	620
Total Liabilities	3,108	8,450	19,921	24,065	26,976	31,015	36,035
Fixed assets	751	2,340	3,837	6,504	7,952	8,177	8,352
Capital Work In Progress	-	391	204	106	148	162	176
Other Intangible assets	13	32	86	229	229	229	229
Goodwill	-	1,182	1,182	3,221	3,221	3,221	3,221
Investments	1,051	104	7,535	2,987	3,642	4,185	4,428
Other non current assets	171	481	304	1,084	1,138	1,288	1,329
Net working capital	765	3,115	5,375	8,360	8,756	11,425	14,872
Inventories	771	2,913	5,874	10,043	9,903	13,238	17,231
Sundry debtors	1,279	2,722	4,022	9,301	8,481	11,642	15,044
Loans & Advances	-	-	-	-	-	-	-
Other current assets	242	571	982	1,846	2,120	2,822	3,154
Sundry creditors	(1,148)	(2,405)	(4,895)	(12,232)	(11,065)	(15,312)	(19,229)
Other current liabilities & Prov	(378)	(687)	(610)	(597)	(683)	(966)	(1,329)
Cash	302	369	544	856	843	848	1,391
Other Financial Assets	55	437	855	716	1,047	1,481	2,037
Total Assets	3,108	8,450	19,921	24,065	26,976	31,015	36,035

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	1.1	1.1	1.1	1.0	1.0	1.0	1.0
EBIT margin (x)	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Asset turnover (x)	2.5	1.5	1.6	1.4	1.5	1.9	2.1
Financial leverage (x)	1.5	1.6	1.2	1.4	1.8	1.8	2.0
RoE (%)	26.5%	13.9%	11.0%	7.0%	10.1%	13.9%	17.8%

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	397	834	1,715	1,523	2,313	3,528	5,148
Depreciation	121	194	312	515	659	722	787
Tax paid	(77)	(268)	(556)	(421)	(606)	(924)	(1,349)
Working capital Δ	(765)	(2,349)	(2,260)	(2,986)	(395)	(2,669)	(3,447)
Operating cashflow	(325)	(2,770)	(789)	(3,408)	1,970	658	1,139
Capital expenditure	(872)	(2,174)	(1,623)	(3,085)	(2,148)	(962)	(976)
Free cash flow	(1,196)	(4,944)	(2,412)	(6,493)	(177)	(304)	163
Equity raised	2,096	2,738	8,523	(114)	0	-	-
Investments	(1,051)	947	(7,431)	4,548	(655)	(543)	(244)
Others	(239)	(712)	(294)	(785)	(384)	(583)	(597)
Debt financing/disposal	630	1,833	1,748	3,342	1,300	1,600	1,500
Dividends paid	-	-	-	(265)	(256)	(391)	(570)
Other items	63	204	41	78	160	226	290
Net Δ in cash	302	67	175	311	(12)	5	542
Opening Cash Flow	-	302	369	544	856	843	848
Closing Cash Flow	302	369	544	856	843	848	1,391

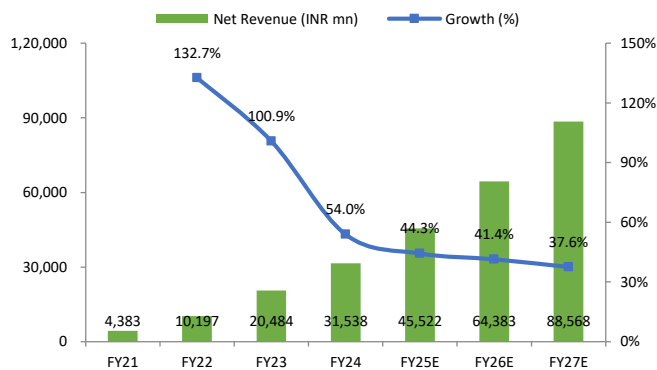
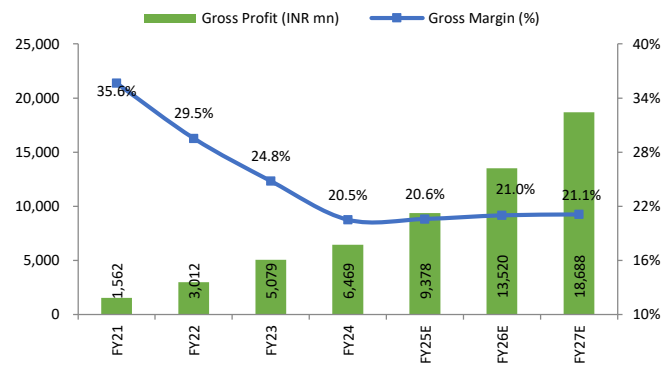
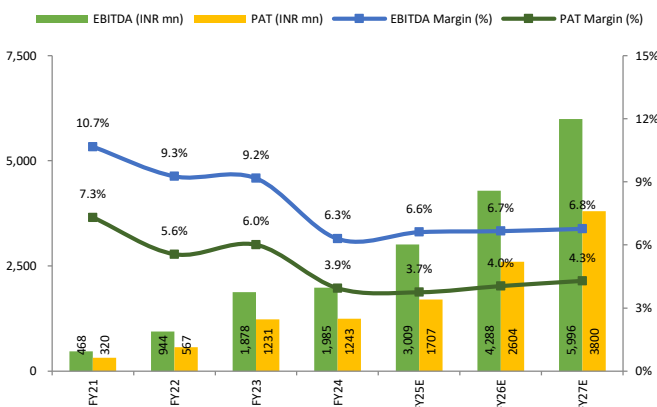
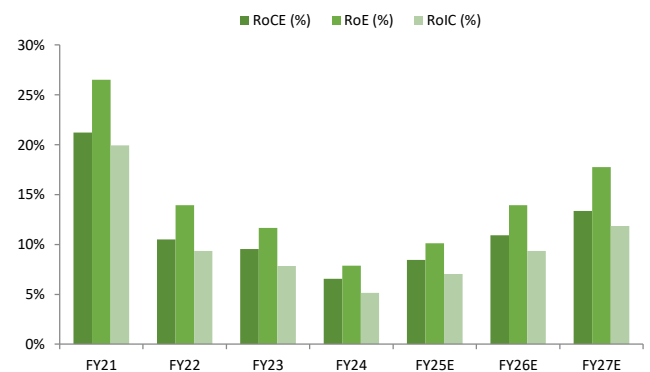
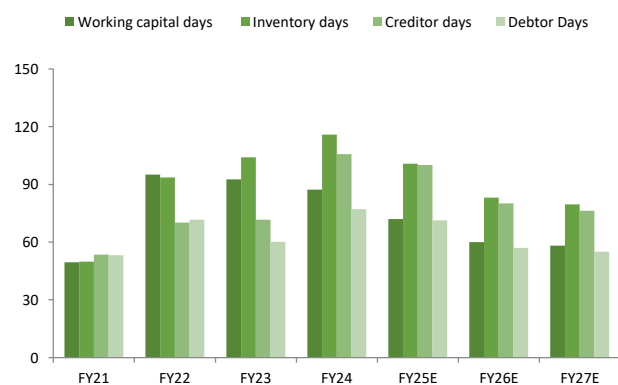
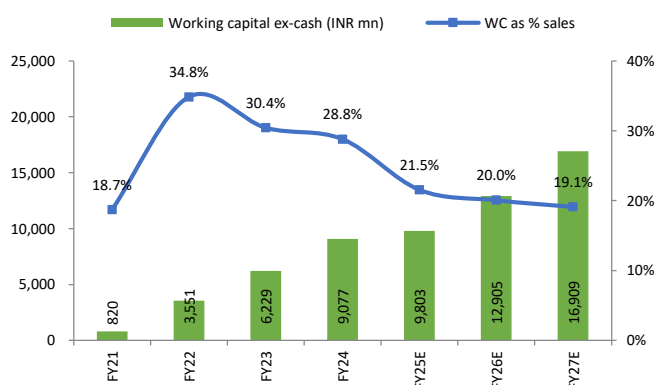
Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)							
Revenue growth		132.7%	100.9%	54.0%	44.3%	41.4%	37.6%
Op profit growth		101.9%	98.9%	5.7%	51.6%	42.5%	39.8%
Profitability ratios (%)							
OPM	10.7%	9.3%	9.2%	6.3%	6.6%	6.7%	6.8%
Net profit margin	7.3%	5.6%	5.7%	3.5%	3.7%	4.0%	4.3%
RoCE	21.2%	10.5%	9.5%	6.6%	8.5%	10.9%	13.4%
RoNW	26.5%	13.9%	11.7%	7.9%	10.1%	13.9%	17.8%
RoA	10.3%	6.7%	6.2%	5.2%	6.3%	8.4%	10.5%
Per share ratios (INR)							
EPS	427.8	4.1	6.6	6.1	9.6	14.7	21.4
Dividend per share	-	-	-	1.5	1.4	2.2	3.2
Cash EPS	589.5	5.5	8.3	9.1	13.3	18.7	25.8
Book value per share	3,229.6	41.6	87.1	90.9	99.1	111.5	129.7
Valuation ratios (x)							
P/E	1.0	102.4	63.3	68.5	43.8	28.7	19.7
P/CEPS	0.7	76.1	50.6	46.2	31.6	22.5	16.3
P/B	0.1	10.1	4.8	4.6	4.2	3.8	3.2
EV/EBITDA	(0.9)	63.3	37.6	39.2	26.1	18.5	13.4
Payout (%)							
Dividend payout	0.0%	0.0%	0.0%	24.1%	15.0%	15.0%	15.0%
Tax payout	19.4%	32.1%	32.4%	27.6%	26.2%	26.2%	26.2%
Liquidity ratios							
Debtor days	53	72	60	77	71	57	55
Inventory days	50	94	104	116	101	83	80
Creditor days	54	70	72	106	100	80	76
WC Days	50	95	93	87	72	60	58
Leverage ratios (x)							
Interest coverage	7.7	11.8	7.3	3.9	4.6	5.9	7.4
Net debt / equity	0.1	0.3	0.2	0.4	0.4	0.5	0.4
Net debt / op. profit	0.7	2.1	1.9	3.0	2.4	2.1	1.7

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 1: Revenue is expected to grow at a CAGR of 41.1% over the period of FY24-27E.**Exhibit 2: Stabilising raw material prices and operating leverage will improve gross margins.****Exhibit 3: EBITDA and PAT margin is expected to improve gradually going forward.****Exhibit 4: Return ratios is expected to improve from FY25E onwards.****Exhibit 5: Working capital days to be improve****Exhibit 6: Working capital as % of sales is expected to reduce going forward.**

Source: Company Reports, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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