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HOLD
TP: Rs 680 | ∀ 4%

SYRMA SGS | Consumer Durables | 24 July 2025

Margin gains led by mix; Auto & Industrial to lead

- **Revenue miss of 7% offset by 130bps EBITDA margin beat, resulting in 8% EBITDA beat**
- **19% YoY revenue decline led by weak consumer (-48%); auto (+18%) and industrial (+34%) offset partially**
- **FY26-27 estimates raised; FY28E introduced. Rolling forward to Jun-27 EPS with 30x multiple yields June-26 TP of Rs 680**

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Revenue miss offset by better-than-expected margins, resulting in EBITDA beat: Q1FY26 revenue declined 19% YoY to Rs 9.4bn — 7% below estimates. However, EBITDA margin surprised positively at 9.2% (vs our estimate of 7.9%), aided by significant expansion in gross margin to 24.7% (vs 15% in Q1FY25). This led to an 8% EBITDA beat, with absolute EBITDA rising 94% YoY to Rs 866mn. Higher other income supported 128% YoY growth in adjusted PAT to Rs 501mn. During the quarter, net working capital days increased to 69days vs 62days in Q1FY25 (69days in Q4FY25). Gross debt stood at Rs 7.8bn vs Rs 6.1bn in Q4FY25, which increased largely on higher WC loan to Rs 6.9bn. Net debt stood at Rs 3bn vs Rs 2.6bn in Mar-25.

Consumer contribution slips to 34% (vs 53% YoY), continuing downtrend: Revenue declined, led by a steep drop in consumer (-48% YoY) and IT (-39% YoY), partially offset by strong growth in industrial (+34% YoY) and automotive (+18% YoY). Consumer contribution fell sharply to 34% from 53% in Q1FY25, reflecting Syrma's strategic pivot towards higher-margin verticals like industrial, healthcare, and automotive. This shift supported a robust 530bps YoY expansion in EBITDA margin to 9.2%. Management expects this trend to continue, with growth led by industrial and automotive segments.

Guides for 30-35% YoY growth in FY26 with 8.5-9% EBITDA margin: Management has maintained guidance of 30–35% YoY revenue growth in FY26, with similar momentum expected in FY27 and EBITDA margin improving to 8.5–9%. This is backed by a strong Rs 54–55bn order book, comprising 35–40% from automotive, 25–27% each from consumer and industrial, 6–8% from healthcare, and the remainder from IT and railways. Additionally, the company has signed a binding agreement with a Korean partner to manufacture bare PCBs in India, with operations expected to commence by Q4FY27.

Revise estimates, downgrade to HOLD: We raise our FY26/27 EPS estimates by 6%/5% on improving margins. Introduce FY28E, roll forward to Jun-27 EPS to arrive at TP of Rs 680. Downgrade to HOLD on limited upside.

Key changes

Target	Rating
▲	▼

Ticker/Price	SYRMA IN/Rs 706
Market cap	US$ 1.4bn
Free float	53%
3M ADV	US$ 11.2mn
52wk high/low	Rs 737/Rs 370
Promoter/FPI/DII	47%/5%/9%

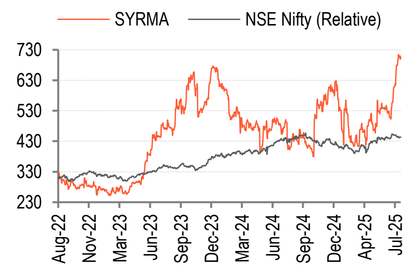
Source: NSE | Price as of 24 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	37,867	50,569	67,336
EBITDA (Rs mn)	3,233	4,302	5,780
Adj. net profit (Rs mn)	1,720	2,470	3,747
Adj. EPS (Rs)	9.7	14.0	21.2
Consensus EPS (Rs)	11.0	15.0	20.0
Adj. ROAE (%)	10.2	13.3	17.5
Adj. P/E (x)	72.6	50.5	33.3
EV/EBITDA (x)	38.6	29.0	21.6
Adj. EPS growth (%)	57.9	43.6	51.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Var (%)
Revenue	9,440	11,599	(19)	9,244	2	10,161	(7)
EBITDA	866	446	94	1,075	(19)	800	8
EBITDAM (%)	9.2	3.8	530bps	11.6	(250bps)	7.9	131bps
Depreciation	206	174		208		210	(2)
Interest	149	130		156		80	87
Other Income	160	153		223		85	89
PBT	672	295	128	934	(28)	595	13
Tax	172	91		219		147	17
Adjusted PAT	499	203	145	715	(30)	448	12
Exceptional item	-	-		-		0	
Reported PAT	499	203	145	715	(30)	448	12
Adj. PATM (%)	5.3	1.8	350bps	7.7	(240bps)	4	88bps
EPS (Rs)	2.8	1.2	145	4.0	(30)	3	12

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Automotive	2215	1877	18	2146	3
Consumer	3178	6166	(48)	1,897	68
Healthcare	674	589	14	929	(27)
Industrials	2873	2152	34	3,775	(24)
IT and Railways	500	814	(39)	496	1

Source: Company, BOBCAPS Research

Earnings Call Highlights

Auto and industrial lead growth

- Growth in auto and industrial segments is being fueled by new products like fuel injection and airbag systems, along with deeper engagement in safety and driver-assist electronics. In industrial, key drivers include smart metering, EV charging, and upcoming telecom antenna projects, with exports to Africa, Europe, and the US expected to scale in the coming quarters.

- Growth in IT remained muted but will likely align with full-year guidance. Railway revenues stood at ~Rs 210 mn in Q1, with full-year revenue expected between Rs 800 mn and Rs 1 bn. The company is in advanced RFQ discussions, which could drive stronger traction in FY27.

Foray into bare PCB manufacturing through a JV

- Management announced plans to enter PCB manufacturing through a JV with a strong technology partner, aiming to capitalise on the large import-dependent Indian market (~$5 bn size, 90% imported). Management expects the PCB venture to deliver 18–20% EBITDA margins and ~20% ROCE, supported by yield efficiencies and a strong tech partner. Asset turns are projected at 1.2–2x, backed by robust demand in India’s underpenetrated PCB market.

- It will be a phased capex of $91mn over 3–4 years for its upcoming PCB manufacturing JV, targeting both single and multi-layer boards with a peak capacity of 1.5–2mn sq. meters annually. The project is eligible for PLI incentives and state subsidies (estimated at 35–60%), with benefits staggered over the execution cycle.
- Favourable policy tailwinds such as anti-dumping duties and the PLI scheme are expected to support growth. Management sees significant opportunities for organised players amid limited domestic capacity and fragmented competition.

Strong order book tilt towards automotive and industrial

- Syrma has an order book of ~Rs 5.4bn as of June '25, with a diversified mix, led by auto (35-40%), followed by consumer and industrial (25-27% each), and healthcare (6-8%). Management expects this mix to support a balanced revenue trajectory through FY26.

Working capital steady at 69 days

- Working capital remained steady at 69 days in Q1FY26, in line with Q4FY25. While near-term improvements may be uneven due to inventory buildup for new customer programs, the company expects efficiency gains in 2H, targeting a reduction to below 65 days — with a potential to reach ~60 days by year-end as revenues scale and execution accelerate.

Exports

- Exports contributed ~24.5% of Q1FY26 revenue, with Rs 2.33 bn already booked. The company expects to cross Rs 10 bn in FY26, driven by Western Europe and North America. Despite tariff uncertainties, management sees exports contributing 24-27% of full-year revenue, in line with guidance.

Guidance remains intact

- The company expects strong momentum in FY26, projecting 30-35% revenue growth with operating EBITDA margins in the 8.5-9% range (ex-other income), depending on forex fluctuations.
- Confident of meeting its 30–35% FY26 revenue growth target, backed by improving traction in IT, MedTech, and exports, along with a strong order pipeline. Q1 contributed ~20% of full-year revenue. Management expects the momentum to build in 2H, with quarterly revenues scaling up to Rs 13–13.5 bn to meet the guidance.
- Management reiterated that no capital infusion is needed for organic growth, which will be funded through internal accruals and efficient WC management. While a QIP enabling resolution of Rs 10 bn is in place, external fundraising would be considered only for large inorganic opportunities or greenfield projects like the PCB venture, where initial capex may involve bridge financing.

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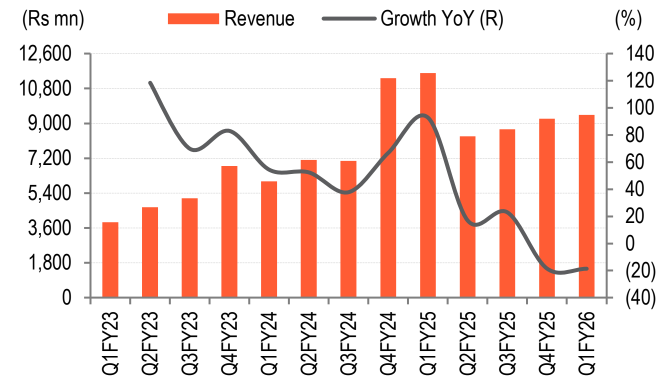
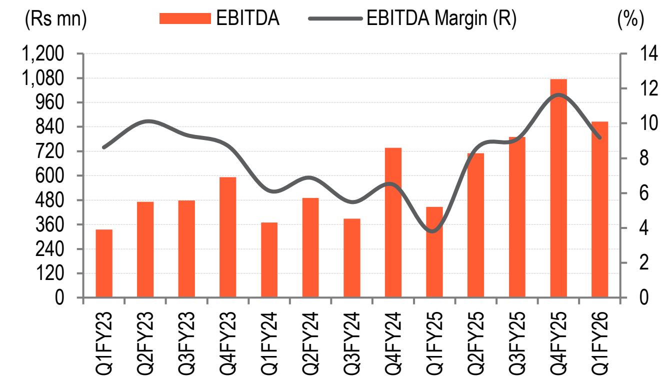
Fig 3 – Revenue growth



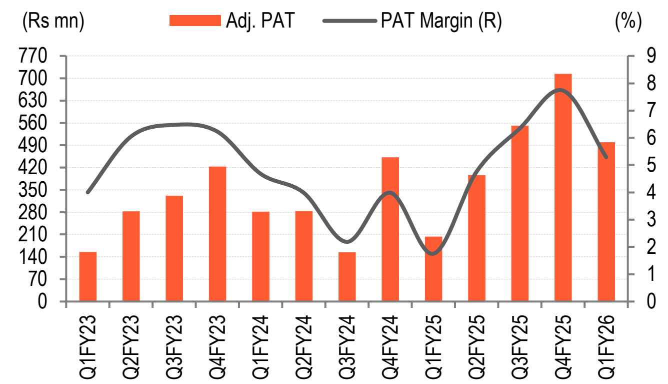
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



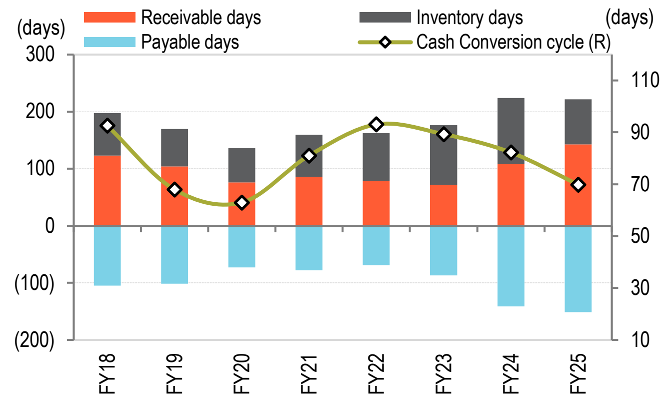
Source: Company, BOBCAPS Research

Fig 5 – PAT growth



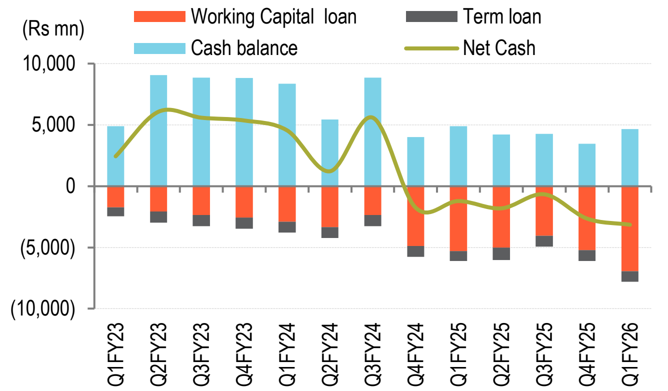
Source: Company, BOBCAPS Research

Fig 6 – Working capital cycle trend



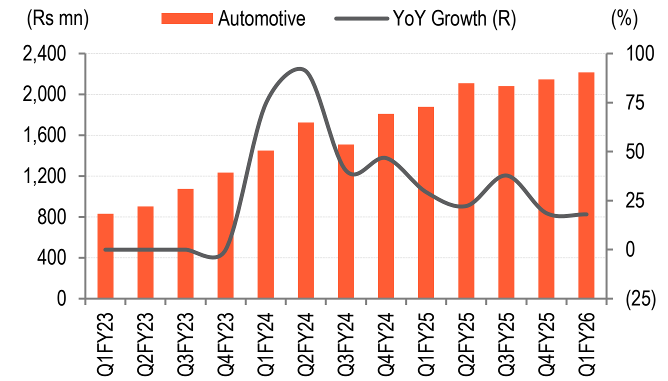
Source: Company, BOBCAPS Research

Fig 7 – Liquidity profile



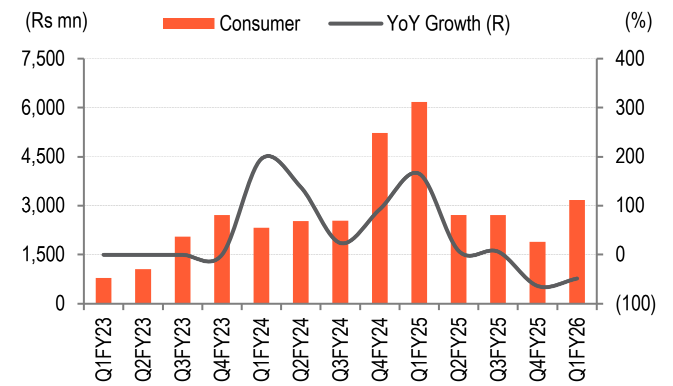
Source: Company, BOBCAPS Research

Fig 8 – Automobiles growth trend



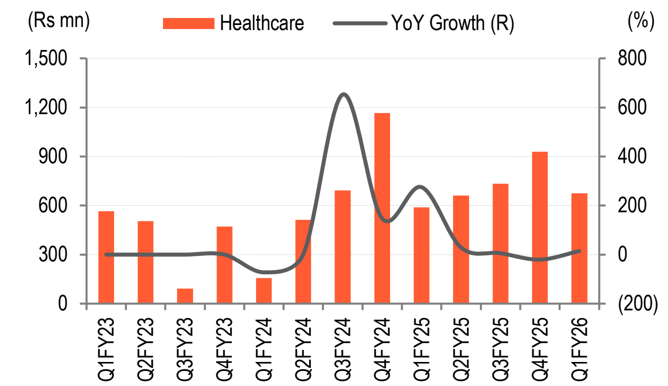
Source: Company, BOBCAPS Research

Fig 9 – Consumer growth trend



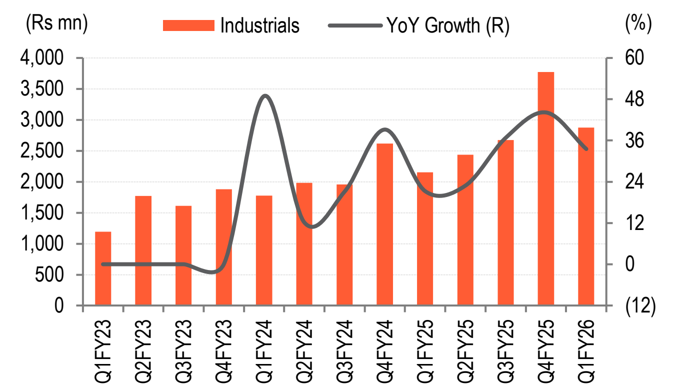
Source: Company, BOBCAPS Research

Fig 10 – Healthcare growth trend



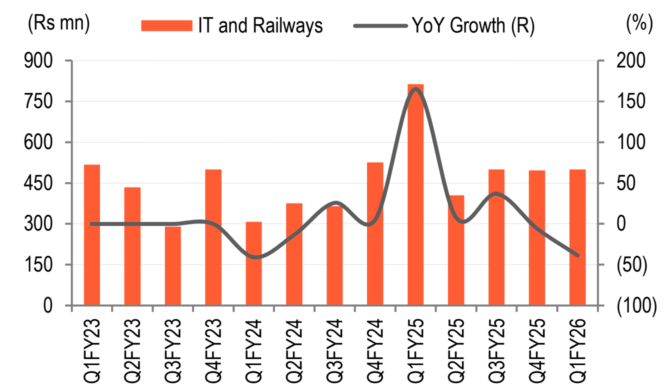
Source: Company, BOBCAPS Research

Fig 11 – Industrials growth trend



Source: Company, BOBCAPS Research

Fig 12 – IT and Railway growth trend



Source: Company, BOBCAPS Research

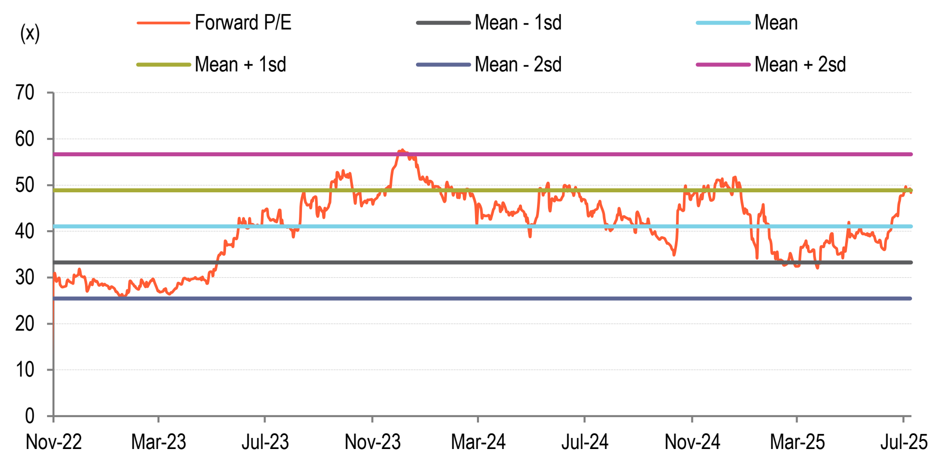
Valuation Methodology

Syrma SGS is aggressively expanding presence in the EMS space, both in India and overseas (largely Europe and NAM). The company's foray into the high-growth bare PCB segment — a market that is 90% import-dependent and aligns well with the government's focus on electronics indigenisation. Both central and state-level incentives will likely support this transition.

The order book remains strong at ~Rs 55bn, anchored by large automotive and industrial clients — segments that are margin-accretive. In the consumer segment, Syrma is consciously focusing on low-volume, high-margin products to sustain profitability. That said, the company's low share of ODM business remains a structural concern, limiting value addition and differentiation in the long term. Nonetheless, recent improvement in profitability, despite a declining top line, reflects prudent capital allocation. The company is focused on tighter working capital control and cash flow improvement to internally fund capex—partly aided by low-cost debt—thereby avoiding equity dilution and enhancing shareholder value.

We revise our FY26–27 EPS estimates upward to reflect the margin improvement seen over the past two quarters. We introduce FY28 estimates and roll forward our valuation to June-27 EPS, assigning an unchanged multiple of 30x to arrive at revised TP of Rs 680 (vs Rs 610 earlier on Mar-26 EPS). Given the limited upside from the current levels, we downgrade our rating to HOLD.

Fig 13 – Syrma 1YF PE band chart



Source: Company, BOBCAPS Research

Fig 14 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	50,569	67,336	85,236	50,376	67,453	NA	0	0	NA
EBITDA	4,302	5,780	7,532	4,020	5,631	NA	7	3	NA
margin (%)	8.5	8.6	8.8	8.0	8.3	NA	7	3	NA
PAT	2,470	3,747	4,850	2,320	3,576	NA	6	5	NA

Source: BOBCAPS Research

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**31,541**	**37,867**	**50,569**	**67,336**	**85,236**
EBITDA	2,023	3,233	4,302	5,780	7,532
Depreciation	515	751	840	994	1,189
EBIT	1,508	2,482	3,462	4,787	6,343
Net interest inc./(exp.)	(413)	(585)	(615)	(485)	(585)
Other inc./(exp.)	586	494	650	900	900
Exceptional items	0	0	0	0	0
EBT	1,681	2,392	3,497	5,202	6,658
Income taxes	421	526	881	1,309	1,676
Extraordinary items	14	21	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	13
Reported net profit	**1,076**	**1,699**	**2,470**	**3,747**	**4,850**
Adjustments	14	21	0	0	0
Adjusted net profit	**1,090**	**1,720**	**2,470**	**3,747**	**4,850**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	12,232	15,744	18,703	25,274	31,993
Other current liabilities	1,028	812	912	1,012	1,112
Provisions	0	0	0	0	0
Debt funds	6,299	6,646	3,846	4,846	5,846
Other liabilities	1,210	1,345	1,345	1,345	1,345
Equity capital	1,774	1,780	1,780	1,780	1,780
Reserves & surplus	14,352	15,719	17,924	21,406	25,990
Shareholders' fund	16,126	17,500	19,704	23,186	27,771
Total liab. and equities	**36,896**	**42,047**	**44,511**	**55,663**	**68,067**
Cash and cash eq.	1,210	3,942	868	1,099	1,697
Accounts receivables	9,301	14,775	18,011	23,614	29,891
Inventories	10,043	8,219	10,391	13,652	17,281
Other current assets	2,207	2,474	1,663	2,214	2,802
Investments	64	180	180	180	180
Net fixed assets	6,674	8,030	9,690	11,197	12,508
CWIP	3,029	719	0	0	0
Intangible assets	4,144	3,460	3,460	3,460	3,460
Deferred tax assets, net	0	0	0	0	0
Other assets	223	248	248	248	248
Total assets	**36,897**	**42,047**	**44,511**	**55,663**	**68,067**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**(1,136)**	**1,765**	**1,772**	**1,996**	**2,363**
Capital expenditures	(3,377)	(2,452)	(2,500)	(2,500)	(2,500)
Change in investments	(2,293)	626	0	0	0
Other investing cash flows	5,388	774	719	0	0
Cash flow from investing	**(282)**	**(1,052)**	**(1,781)**	**(2,500)**	**(2,500)**
Equities issued/Others	(80)	(125)	0	0	0
Debt raised/repaid	2,320	330	(2,800)	1,000	1,000
Interest expenses	0	0	0	0	0
Dividends paid	(694)	(912)	(265)	(265)	(265)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**1,547**	**(707)**	**(3,065)**	**735**	**735**
Chg in cash & cash eq.	**129**	**6**	**(3,074)**	**231**	**597**
Closing cash & cash eq.	**1,210**	**3,942**	**868**	**1,099**	**1,697**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	6.1	9.6	14.0	21.2	27.4
Adjusted EPS	6.2	9.7	14.0	21.2	27.4
Dividend per share	1.5	1.5	1.5	1.5	1.5
Book value per share	91.2	99.0	111.5	131.2	157.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.0	3.3	2.5	1.9	1.5
EV/EBITDA	61.7	38.6	29.0	21.6	16.6
Adjusted P/E	114.6	72.6	50.5	33.3	25.7
P/BV	7.7	7.1	6.3	5.4	4.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	64.8	71.9	70.6	72.0	72.8
Interest burden (PBT/EBIT)	111.5	96.4	101.0	108.7	105.0
EBIT margin (EBIT/Revenue)	4.8	6.6	6.8	7.1	7.4
Asset turnover (Rev./Avg TA)	4.7	4.7	5.2	6.0	6.8
Leverage (Avg TA/Avg Equity)	0.4	0.5	0.5	0.5	0.5
Adjusted ROAE	6.9	10.2	13.3	17.5	19.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	54.0	20.1	33.5	33.2	26.6
EBITDA	7.7	59.9	33.1	34.4	30.3
Adjusted EPS	(8.7)	57.9	43.6	51.7	29.4
Profitability & Return ratios (%)					
EBITDA margin	6.4	8.5	8.5	8.6	8.8
EBIT margin	4.8	6.6	6.8	7.1	7.4
Adjusted profit margin	3.5	4.5	4.9	5.6	5.7
Adjusted ROAE	6.9	10.2	13.3	17.5	19.0
ROCE	6.6	9.1	11.9	15.5	16.7
Working capital days (days)					
Receivables	108	142	130	128	128
Inventory	116	79	75	74	74
Payables	142	152	135	137	137
Ratios (x)					
Gross asset turnover	4.4	4.1	4.4	4.8	5.2
Current ratio	1.2	1.3	1.4	1.3	1.3
Net interest coverage ratio	3.7	4.2	5.6	9.9	10.8
Adjusted debt/equity	0.4	0.4	0.2	0.2	0.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

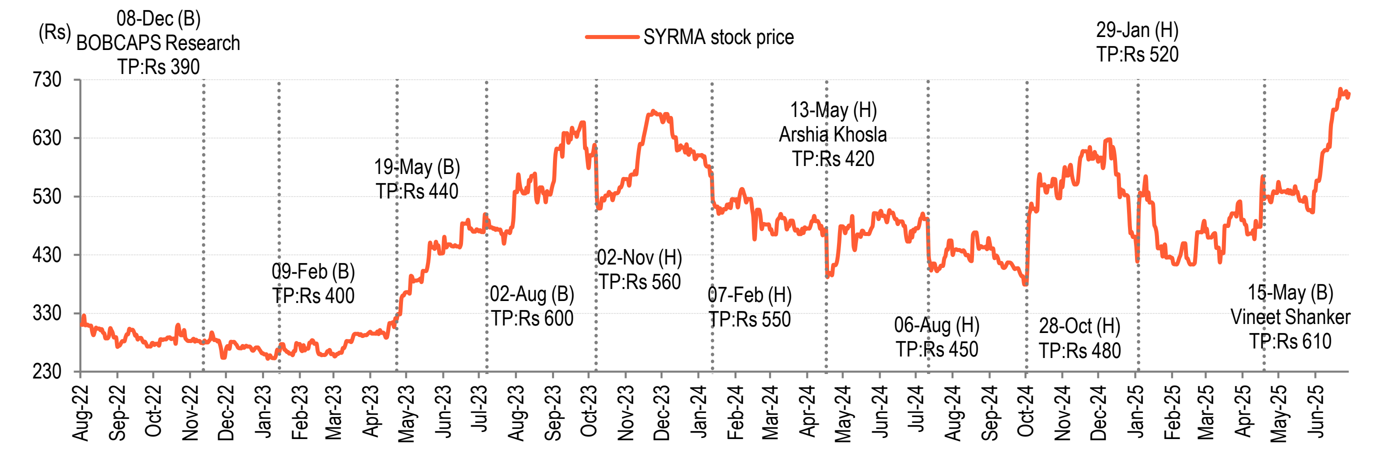
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SYRMA SGS (SYRMA IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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