

30<sup>th</sup> August 2024

## Syrma SGS Technology – BUY

**CMP** : Rs.440.0  
**Target Price** : Rs.531.0  
**Upside** : 20%+  
**Stop Loss** : Rs.382.0 (Closing basis)

### Investment Thesis

- Syrma SGS Technology Ltd. (Syrma), with over four decades of experience in electronics manufacturing, is a technology-focused engineering and design company engaged in turnkey electronics manufacturing services (EMS). It caters to diverse industries like industrial appliances, automotive, healthcare, consumer products, and IT industries. Syrma's ability to expand its market presence, particularly in the electronics manufacturing services (EMS) sector, positions it well for continued growth. As demand for electronic components surges across various industries, including automotive and healthcare, Syrma is poised to capitalize on these trends.
- Syrma has current orderbook of Rs.4,500Cr (1.2x TTM revenue) with order intake of ~Rs.1,200Cr in Q1FY25 majorly comprising orders from auto, industrial and consumer segments. It includes order received for its smart metering segment. Management expect smart metering segment to contribute revenue of Rs.200Cr in FY25. Syrma has also onboarded one German multinational client in HVAC (Heating, Ventilation & Air Conditioning) segment. Significant customer onboarding in the automotive segment also with expansion into new products. Orderbook is divided across verticals – automobile (23-25%), consumer (38-40%), industrial (22-25%), healthcare (6-7%) and rest with IT & railways.
- Syrma serves both global and Indian OEMs through its comprehensive EMS range encompassing product design, quick prototyping, PCB assembly, and box build. Additionally, it offers customized end-to-end solutions for RFID tags and inlays, high-frequency magnetic components, repair, rework and automatic tester development services. Syrma is amongst the top key global manufacturers of custom RFID tags.
- Syrma operates from 13+ strategically located manufacturing facilities (north and south India). Strategically located manufacturing facilities in Tamil Nadu, Karnataka and Haryana aid in meeting export demand. Manufacturing facilities enables it to undertake a high mix of products with flexible production volume requirements. Syrma is commissioning a MedTech design center in Pune which is expected to be operational in August 2024 and a higher-capacity facility in Germany which is strategically aimed at capturing a larger share of the European market.

### Financials

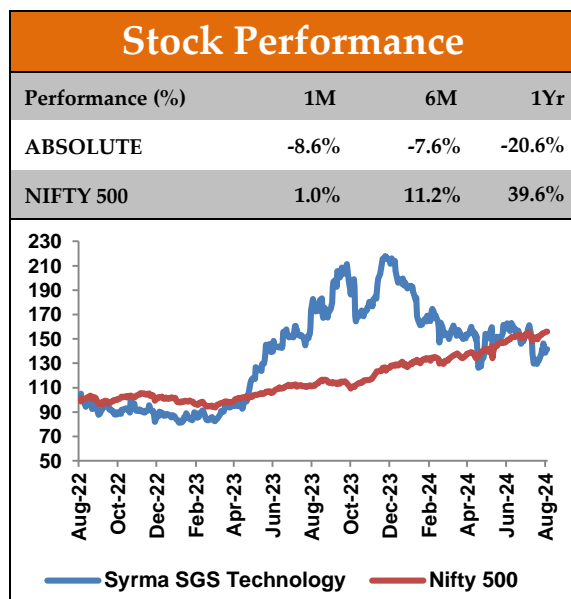
- Syrma's revenue & PAT grew by CAGR of 54.9% and 42.8%, respectively during FY19-24 led by strong demand and its focus on export market.

Consol. (Rs.Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	10,197	20,484	31,538	41,000	48,380
EBITDA	965	1,912	2,020	2,727	3,327
EBITDA Margin (%)	9.5%	9.3%	6.4%	6.7%	6.9%
PAT	541	1,231	1,243	1,616	1,924
EPS (Rs.)	3.1	6.9	7.0	9.1	10.8
P/E (x)	144.9	63.7	63.1	48.5	40.8
RoE (%)	8.9%	8.0%	7.7%	9.2%	10.0%

Stock Data	
Market Cap (Rs. Mn)	78,420
Market Cap (\$ Mn)	938.0
Shares O/S (in Mn)	177.40
Avg. Volume (3 month)	891,240
52-Week Range (Rs.)	705.20 / 386.10

Shareholding Pattern	
Promoters	46.89%
FII's	10.44%
Institutions	6.45%
Others (incl. body corporate)	36.22%

Key Ratios	
Div Yield	0.3%
TTM PE	79.3x
ROE	6.8%
TTM EPS (Rs.)	5.5/-



- Syrma's revenue grew by 92.9% YoY led by strong demand in auto and consumer segment. Auto, consumer, healthcare, industrials and IT & railways segments reported YoY revenue growth of 29.4%, 165.4%, 275.2%, 21.2%, and 165.3%, respectively in Q1FY25. Growth in consumer segment was led by strong execution of telecom-based consumer orders while healthcare and IT & railways segments grew due to favourable base.
- EBITDA margin was down by 230bps to 3.8% mainly on account of business mix change wherein low margin consumer business contributed higher on the mix side by about 53%. Management target to keep contribution to consumer business to ~40% going ahead.
- Management has guided for revenue growth of 40-45% YoY in FY25 and EBITDA margin of 7% in FY25.

## Key Business Highlights

- Syrma SGS Technology Ltd. (Syrma) is a Chennai-based engineering and design company engaged in electronics manufacturing services (EMS). It company provides integrated services and solutions to original equipment manufacturers (OEMs) from the initial product concept stage to volume production through concept co-creation and product realization.
- Its product portfolio consists of Printed circuit board assemblies (PCBA), Radiofrequency identification (RFID) products, Electromagnetic and electromechanical parts, Motherboards and Memory products likes DRAM modules, solid state and USB drives.
- Syrma operates through 13+ manufacturing facilities, spread in North India (Himachal Pradesh, Haryana, Uttar Pradesh) and South India (Tamil Nadu, Karnataka) with a total area of 825,000+ sq. ft. and serves 270+ customers across 20+ countries. It also has 3 dedicated R&D facilities, 2 of which are located in Chennai and Gurgaon and one in Stuttgart, Germany.

## Valuation

Syrma has taken the acquisition route over the years to expand its market share in the EMS sector and widen its geographical footprint. The SGS Technik acquisition (2020-21) provided ample headroom for growth with no customer/geography overlap. While Perfect ID acquisition (2021-22) helped acquire infrastructure and know-how for manufacturing RFID labels and passive inlay tags. More recently, Johari Digital's acquisition (2023) has helped foray into the large, fragmented and fast-growing medical devices segment.

Syrma has a track record of technical innovation which involves collaboration with the engineering teams of its marquee clients. Over the years, Syрма has evolved to provide integrated services and solutions to OEMs, from the initial product concept stage to volume production through concept co-creation and product realization.

With a technology-focused engineering and design company, caters to diverse industries like industrial appliances, automotive, healthcare, consumer products, and IT industries, orderbook of Rs.4,500Cr (1.2x TTM revenue) as on Q1FY25, serves both global and Indian OEMs through its comprehensive EMS products range and 13+ strategically located manufacturing facilities, we are assigning **BUY** rating to Syрма SGS Technology Ltd. (Syrma) and value at 49.0x FY26E EPS of Rs.10.80 to arrive at target price of Rs.531.00, an upside of ~20.0%+.

## Risk & Concern

- Any increase in revenue contribution from low margin consumer segment contribution may impact overall margin of Syрма.
- Any increase in input prices as well as increase in competition may impact profitability of Syрма going ahead.
- Any delays in launch of new products and/or capacity addition may result in lower revenue growth in future.

## Graphs & Charts

Figure 1: Net Sales Trend

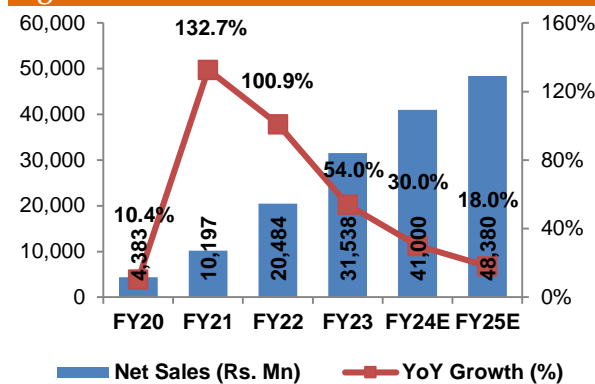


Figure 2: EBITDA & EBITDA Margin Trend

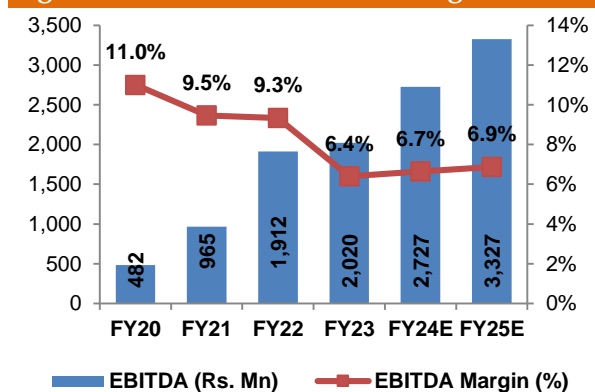


Figure 3: PAT Trend

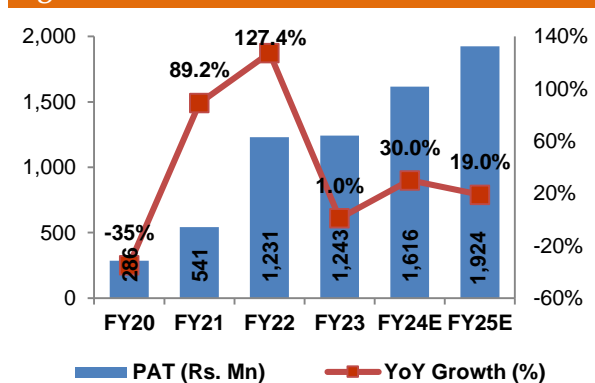
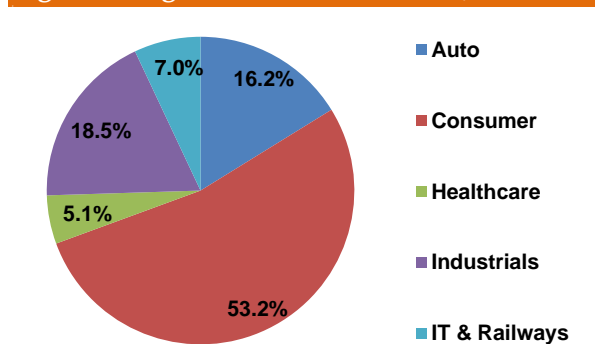


Figure 4: Segment-wise Revenue (Q1FY25)



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