

CMP: ₹ 706

Target: ₹ 825 (17%)

Target Period: 12 months

BUY

July 25, 2025

Margins enriching; Components foray to be value accretive

About the stock: Syрма SGS Technology (Syrma SGS) is a technology-focused engineering & design company, specialised in electronic manufacturing services (EMS). The company is promoted by Tandon group and Jasbir Singh Gujral.

- Diversified business verticals with presence across consumer, automotive, industrials, healthcare, IT, railways and defence.

Q1FY26 performance: Syрма SGS delivered healthy operational performance. EBITDA grew 93% YoY to ₹86.6 cr with EBITDA margins at 9.2%, up by 534bps YoY while it declined by 245bps QoQ owing to seasonal factors of product mix. In terms of revenue, it was marginally up by 2.1% QoQ and declined by 19% YoY at ₹944 crore, on account of strategic de-growth of low margin consumer segment (-48% YoY to ₹318 cr) by management. Industrial (up by 34% YoY), Healthcare (up by 14% YoY) and Auto (up by 18% YoY) continue to deliver healthy performance.

Investment Rationale

- Realignment in product mix driving margin profile:** Syрма SGS continues to strategically pivot its business away from low-margin consumer segment towards high margin industrial, automotive, and healthcare segments. Since Q2FY25, company adopted a structural shift in its outlook, focusing on building a higher margin and more profitable business. Revenue contribution from the consumer vertical reduced from 40% in FY24 to ~36% in FY25 and is expected to further reduce to 30% in FY26. Gross margins are now consistently around 25% or more vs ~21% earlier. Similarly, EBITDA margins have improved to ~9%+ levels vs ~7.5% earlier.
- Strategic foray into component play:** Company has recently announced JV with Korean partner Shinhyup electronics to enter the high-potential PCB manufacturing, targeting multi-layer and single-layer PCBs. Indian PCB market is estimated at ~\$5 bn, with ~90% of demand met through imports — highlighting a significant opportunity for domestic players. This project shall have investment of ~\$91mn (~Rs 800 cr) in phase 1 over 3-5 years of which 35-60% is likely to be subsidised by state government. Potential EBITDA margin of 15-18% is expected including PLI incentives, materially higher than Syрма's existing level of ~9% alongwith healthy RoCE of 20%.

Rating and Target Price

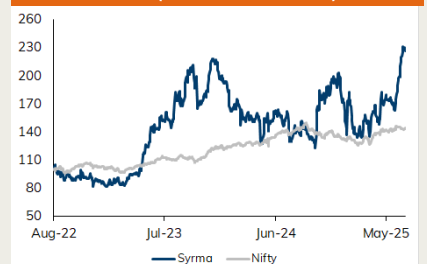
- Syrma SGS has a balanced business model with diversified business mix across product categories and geographies. Syрма SGS to capture both domestic and exports opportunity especially with China +1 gaining momentum post tariff war. Product mix tilt towards high margin segment is swifter than expected. Venture into PCB manufacturing is expected to drive growth, margin and return ratios over long term beyond FY27E, enabling it to command better valuation. We value Syрма SGS at 47x FY27E PAT to arrive at a target price of ₹ 825 and Buy rating on the stock.

**Particulars**

Particular	Amount
Market Capitalisation (₹ Crore)	12,624
Q1FY26 Debt (₹ Crore)	780
Q1FY26 Cash (₹ Crore)	467
EV (Rs Crore)	12,937
52 Week H/L (₹)	736/ 370
Equity Capital (₹ Crore)	178.0
Face Value	10

Shareholding pattern

	Sep-24	Dec-24	Mar-24	Jun-25
Promoter	46.9	46.6	46.6	46.4
FII	10.3	8.5	6.2	6.3
DII	6.4	7.5	7.7	9.2
Public	36.4	37.4	39.5	38.0
Others	0.0	0.1	0.1	0.1

Price Chart (Indexed to 100)**Key risks**

- Any restraint in domestic government support measures.
- Execution delays owing to time lag in various approvals, macro slowdown, etc.

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	1,020	2,048	3,154	3,787	54.9	4,866	6,234	28.3
EBITDA	97	192	201	323	49.6	460	608	37.1
EBITDA margin (%)	9.5	9.4	6.4	8.5		9.4	9.8	
Net Profit	51	120	107	168	48.7	238	321	38.3
Diluted/Adjusted EPS (₹)	4.0	6.8	6.1	9.4		13.2	17.7	
P/E(x)	174.8	104.6	116.7	75.0		53.4	40.0	
EV/EBITDA (x)	102.4	66.7	65.2	40.0		28.6	22.0	
RoCE (%)	10.9	10.5	8.8	11.7		14.7	16.6	
RoE (%)	8.9	7.8	6.7	9.6		12.1	14.1	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Business growth & margins

- Management reiterated strong revenue growth guidance of 30-35% in top line for FY26 supported by healthy order book spread across segments.
- Margin guidance steady in range of 8.5-9% supported by strategic decision to shift product mix to margin accretive segment (Automotive, industrials and healthcare).
- Export business on track with Q1 reporting revenue of ~₹233 crore (24.7% of revenue), an increase of ~29% YoY. As tariff uncertainty settles, export could witness better growth with India expected to be relative beneficiary. Overall export business shall contribute 24-27% of total revenue and is anticipated to cross ₹1,000 crore mark in FY26. Export is constituted mainly by Western Europe and North American geographies.
- Laptop business for Dynabook to commence production by end July'26 or August'26. For MSI, production already began for Indian market. Production Lot remains small with discussions under consideration for supplying to global markets.

Balance sheet strengthening

- Net working capital days remained elevated at 69 days. Management aims to gradually bring it below 65 days in forthcoming quarters.
- Capex guidance for EMS business remains in the range of ~₹80-100crores for next 2 years and this segment doesn't require fresh funds.
- For PCB manufacturing, Syrma could likely have capex requirement of \$30 mn (~Rs 260 cr) over next couple of years. With working capital cycle and margins expected to improve, management expects internal accruals to fund considerable part of this requirement. State subsidies quantum and timing will have its role. However, some capital raise could be expected.

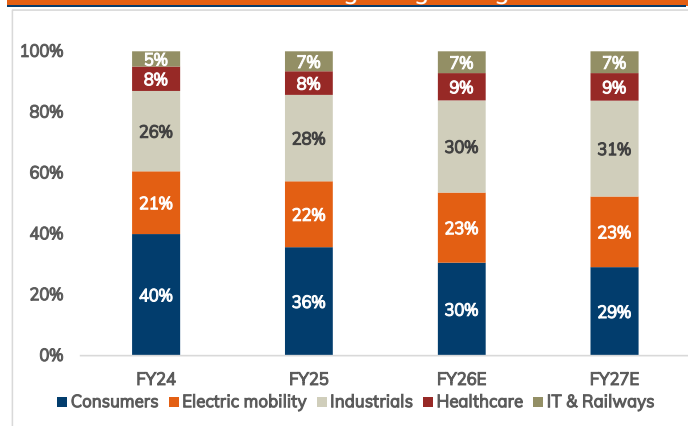
Business venture - Component ecosystem

- Entered JV with strong Korean technology partner for manufacturing multi-layer and single layer PCB plant to serve the gap in Indian PCB industry.
- Project capex for phase 1 estimated at \$91mn (almost ₹ 800 crore) entitled to government subsidy which could vary from 35-60% of capex amount.
- Once fully set up, expected capacity is anticipated at 1.5 to 2mn sq. meter per annum. This segment is expected to generate 12-15% EBITDA margin initially with a potential of 15-18% once stabilised and shall generate ROCE of ~20%.
- On aggressive side, plant is expected to be operational from Q4FY27 and shall add in revenue from there onwards.

Exhibit 1: Variance Analysis

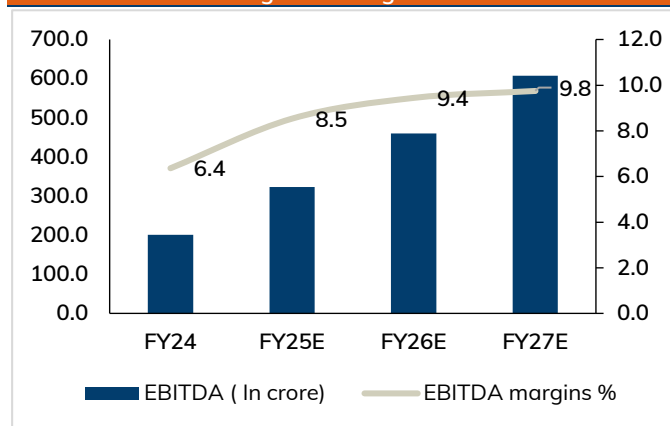
	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ (%)	Comments
Revenue	944.0	1,159.9	-19%	924.4	2%	Revenue impacted by strategic de-growth of low margin consumer segment (-48% YoY to ₹318 cr). High margin verticals including Industrials, automotive and healthcare grew ~25% cumulatively.
Other Income	16.04	15.31	5%	22.27	-28%	
Total Income	960.0	1,175.2	-18%	946.6	1%	
Gross profit	233.3	174.0	34%	251.2	-7%	Gross margin improved YoY on the back owing to increasing proportion of high margin verticals. Sequentially, there was a dip owing to seasonal factors in product mix.
Gross margin %	24.7	15.0	971 bps	27.2	-246 bps	
Operating Expenses	807.0	1,069.9	-25%	764.7	6%	Expenses well contained.
Employee Expenses	50.4	45.4	11%	52.2	-3%	
Total Expenses	857.4	1,115.3	-23%	816.9	5%	
EBITDA	86.6	44.6	94%	107.5	-19%	Margin improvement mainly owing to product mix realignment.
EBIDTA %	9.2	3.8	533 bps	11.6	-55 bps	
Depreciation	20.6	17.4	18%	20.8	-1%	
Finance cost	14.9	13.0	15%	15.6	-5%	
PBT	67.1	29.5	128%	93.4	-28%	YoY PAT growth strong while QoQ decline owing to seasonal factors.
Tax	17.2	9.1	88%	21.9	-21%	
PAT	49.9	20.3	145%	71.5	-30%	

Exhibit 2: Business mix shifting to high margin verticals



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margin trending north



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	3,154	3,787	4,866	6,234
% Growth	54.0	20.1	28.5	28.1
Other income	59	49	37	28
Total Revenue	3,212	3,836	4,903	6,262
Employee Expenses	137	191	253	335
Other expenses	2,816	3,272	4,153	5,291
Total Operating Expenditure	2,953	3,463	4,406	5,626
Operating Profit (EBITDA)	201	323	460	608
% Growth	4.5	61.2	42.2	32.2
Interest	41	58	58	59
PBDT	159	265	401	549
Depreciation	51	75	85	102
PBT before Exceptional Items	108	190	316	446
Total Tax	42	53	90	121
PAT before MI	124	184	263	354
Adjusted PAT	107	168	238	321
% Growth	-10.6	56.3	42.0	34.8
EPS	6.1	9.4	13.2	17.7

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	107	168	238	321
Depreciation	51	75	85	102
Interest	41	58	58	59
Cash Flow before WC changes	200	301	381	482
(Inc)/dec in Current Assets	-1,070	-446	-664	-761
Inc/(dec) in CL and Provisions	756	332	407	501
Net CF from Operating activities	-114	187	124	223
(Purchase)/Sale of Fixed Assets	-586	-193	-175	-225
Others	490	259	-1	-14
Net CF from Investing activities	-96	67	-176	-239
Dividend	-27	-27	-27	-36
Others	268	-17	-25	54
Net CF from Financing Activities	241	-44	-51	18
Net Cash flow	31	210	-103	2
Opening Cash/Cash Equivalent	54	86	296	193
Closing Cash/ Cash Equivalent	86	296	193	195

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	177	178	180	182
Reserve and Surplus	1,435	1,572	1,794	2,096
Total Shareholders funds	1,613	1,750	1,974	2,278
Minority Interest	64	75	96	124
Total Debt	630	665	665	731
Other liabilities	39	46	55	66
Total Liabilities	2,346	2,535	2,789	3,199
Gross Block	1,223	1,367	1,540	1,763
Acc: Depreciation	147	222	307	409
Net Block	1,075	1,144	1,233	1,353
Capital WIP	17	66	68	70
Total Fixed Assets	1,092	1,210	1,300	1,423
Non Current Assets	355	103	106	123
Inventory	1,004	822	1,010	1,250
Debtors	930	1,477	1,906	2,374
Other Current Assets	221	294	339	389
Cash	86	296	193	195
Total Current Assets	2,241	2,890	3,448	4,208
Current Liabilities	1,342	1,667	2,065	2,555
Total Assets	2,346	2,535	2,789	3,199

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data				
EPS	7.0	10.4	14.6	19.5
Cash per Share	4.8	16.6	10.7	10.7
BV	90.9	98.3	109.8	125.4
Dividend per share	1.5	1.5	2.0	2.5
Dividend payout ratio (%)	24.9	15.9	15.0	13.9
Operating Ratios (%)				
EBITDA Margin	6.4	8.5	9.4	9.8
PAT Margin	3.9	4.9	5.4	5.7
Return Ratios (%)				
RoE	6.7	9.6	12.1	14.1
RoCE	8.8	11.7	14.7	16.6
Valuation Ratios (x)				
EV / EBITDA	65.2	40.0	28.6	22.0
P/E	116.7	75.0	53.4	40.0
Market Cap / Sales	3.9	3.3	2.6	2.0
Price to Book Value	7.8	7.2	6.4	5.6
Workin Capital Management Ratios				
Inventory Days	114.1	78.2	75.2	72.8
Debtors Days	105.7	140.6	141.9	138.4
Creditors Days	139.0	149.8	145.8	141.9
Asset turnover	2.6	2.8	3.2	3.6
Solvency Ratios (x)				
Debt / Equity	0.4	0.4	0.3	0.3
Current Ratio	1.6	1.6	1.6	1.6
Quick Ratio	0.9	1.1	1.1	1.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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