

13 May 2024

India | Equity Research | Q4FY24 results review

Syrma SGS Technology

White Goods

Strong revenue growth; margin improves sequentially

Noteworthy observations from Syрма SGS Tech's Q4FY24 result: (1) Strong growth (+66.9% YoY) led by ~INR 1bn revenue shift from Dec'23 to Jan'24 and high demand momentum across all segments. (2) Healthcare segment posted robust 147.6%/68.3% YoY/QoQ growth on a favourable basis, indicating early signs of revival. Higher revenue in healthcare segment is margin accretive. (3) The cumulative contribution of volume-based segments of automotive and consumer has increased substantially over the past two years. It is likely to have weighed on margins. (4) Export segment revenue contribution stood at 23%/26% in Q4FY24/FY24, respectively. We believe Syрма is likely to continue its strong revenue growth momentum over the next two years led by strong orderbook and capacity expansion.

We cut our earnings estimates to factor in lower profitability from Q4/FY24. We remain constructive on Syрма and maintain **BUY** with a revised DCF-based TP of INR 600 (implied P/E of 38x FY26E; earlier TP: INR 675).

Q4FY24 result review

Syрма reported revenue/EBITDA growth of 66.9%/24.4% YoY while APAT declined 17.5% YoY. Gross/EBITDA margin contracted 430bps/222bps YoY due to higher commodity costs, and change in revenue mix. Profitability was impacted due to higher depreciation and finance costs. Revenue growth was higher due to the effect of revenue shift from Dec'23 to Jan'24 (~INR 1-1.1bn).

Segmental performance

In Q4FY24, auto, consumer, healthcare, industrials, and IT & railways segments reported YoY revenue growth of 46.7%, 92.8%, 147.6%, 39.2%, and 5.2%, respectively, YoY. We believe growth in healthcare segment is encouraging as it generates highest margins among all segments.

Margin deterioration continues YoY

While EBITDA margin improved 101bps sequentially, it declined 222bps YoY. We reckon margin has declined due to (1) focus on high volume-based automotive and consumer business with relatively lesser margins and (2) higher input prices. We believe revival in healthcare segment and operating leverage benefits may revive margins in FY25/26E.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	20,484	31,538	46,135	62,515
EBITDA	1,878	1,985	3,456	4,676
EBITDA Margin (%)	9.2	6.3	7.5	7.5
Net Profit	1,193	1,087	1,893	2,762
EPS (INR)	6.8	6.1	10.7	15.6
EPS % Chg YoY	21.5	(9.3)	74.2	45.9
P/E (x)	70.1	77.2	44.3	30.4
EV/EBITDA (x)	41.9	43.4	24.8	18.6
RoCE (%)	7.9	5.2	8.4	10.7
RoE (%)	11.2	6.7	10.7	13.8

Aniruddha Joshi

aniruddha.joshi@icicisecurities.com

+91 22 6807 7249

Karan Bhuwania

karan.bhuwania@icicisecurities.com

Nilesh Patil

nilesh.patil@icicisecurities.com

Market Data

Market Cap (INR)	84bn
Market Cap (USD)	1,006mn
Bloomberg Code	SYRMA IN
Reuters Code	SYRM.BO
52-week Range (INR)	705 /286
Free Float (%)	33.0
ADTV-3M (mn) (USD)	3.5

Price Performance (%)	3m	6m	12m
Absolute	(7.7)	(11.0)	63.5
Relative to Sensex	(9.3)	(22.9)	46.4

Earnings Revisions (%)	FY25E	FY26E
Revenue	12.4	12.5
EBITDA	10.0	3.9
EPS	(11.1)	(9.8)

Previous Reports

08-02-2024: [Q3FY24 results review](#)06-12-2023: [Company Update](#)

Strong volume-led growth

We note the cumulative contribution of volume-based segments like automotive and consumer has increased to ~61% of overall revenue in FY24 from ~40% in FY22. At the same time, revenue contribution of margin-accretive segments like healthcare and industrial has declined. We reckon this shift in revenue mix is likely to continue, considering the higher demand from automotive and consumer segments.

Maintain BUY

We model Syrma to report revenue/PAT CAGR of 40.8%/59.4% YoY over FY24-26E. Retain **BUY** with a revised DCF-based TP of INR 600 (implied P/E of 38x FY26E; earlier TP: INR 675).

Key risks: Higher commodity prices and increase in competitive pressures.

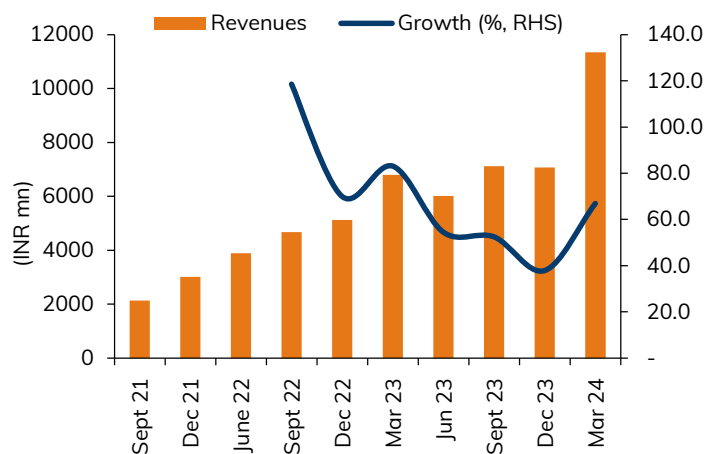
Exhibit 1: Q4FY24 financial performance

Y/e March (INR mn)	Q4FY24	Q4FY23	YoY % chg.	Q3FY24	QoQ % chg.	FY24	FY23	YoY % chg.
Revenue	11,341	6,795	66.9	7,067	60.5	31,538	20,484	54.0
Expenditure								
Raw materials	9,393	5,336	76.0	5,473	71.6	25,069	15,405	62.7
% of revenue	82.8	78.5		77.4		79.5	75.2	
Employee cost	403	268	50.6	381	6.0	1,426	1,060	34.6
% of revenue	3.6	3.9		5.4		4.5	5.2	
Other expenditure	808	599	34.8	826	(2.2)	3,058	2,142	42.8
% of revenue	7.1	8.8		11.7		9.7	10.5	
Total expenditure	10,604	6,203	70.9	6,679	58.8	29,553	18,606	58.8
EBITDA	737	592	24.4	388	89.9	1,985	1,878	5.7
EBITDA margin	6.5	8.7		5.5		6.3	9.2	
Other income	156	216	(27.7)	121	29.0	586	437	34.0
PBDIT	893	808	10.5	509	75.4	2,571	2,315	11.1
Depreciation	158	88	79.2	139	13.8	515	312	65.0
PBIT	735	720	2.0	370	98.6	2,056	2,003	2.7
Interest	123	39	215.1	100	22.3	378	216	75.3
PBT	612	681	(10.2)	270	127.0	1,678	1,787	(6.1)
Prov for tax	160	252	(36.7)	67	139.3	421	556	(24.3)
% of PBT	26.1	37.1		24.8		25.1	31.1	
PAT before MI/Share of associate	452	429	5.5	203	122.9	1,257	1,231	2.1
Minority Interest/Share of associate	103	6	1,754.8	48	116.2	170	38	350.7
Adjusted PAT	349	423	(17.5)	155	125.0	1,087	1,193	(8.9)
Extra ordinary items	(0)	22	-	1	-	(25)	16	-
Reported PAT	349	445	(21.7)	156	123.8	1,062	1,210	(12.2)

Source: Company data, I-Sec research

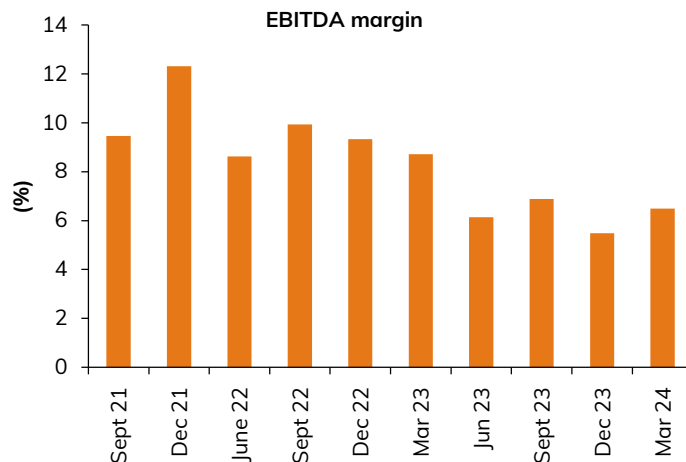
Key performance highlights

Exhibit 2: Revenue and revenue growth



Source: Company data, I-Sec research

Exhibit 3: EBITDA margin



Source: Company data, I-Sec research

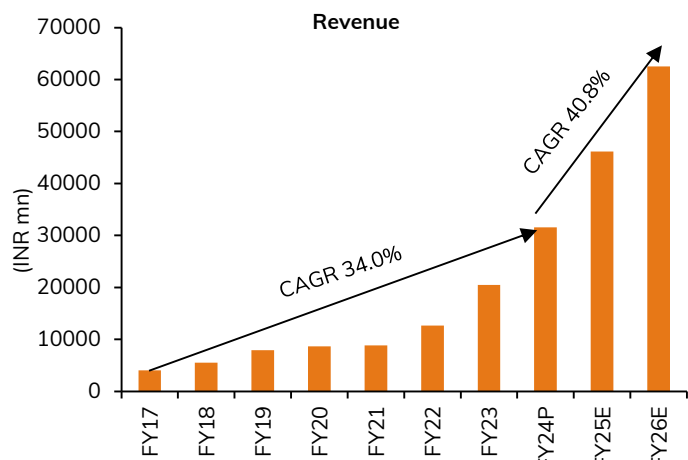
Exhibit 4: Segment-wise performance

Particulars	Q4FY24	Q4FY23	YoY % chg.	Q3FY24	QoQ % chg.	FY24	FY23	YoY % chg.
Revenues (INR mn)								
Auto	1,809	1,233	46.7%	1,510	19.8%	6,495	4,029	61.2%
Consumer	5,220	2,708	92.8%	2,544	105.2%	12,608	6,597	91.1%
Healthcare	1,166	471	147.6%	693	68.3%	2,528	1,633	54.8%
Industrials	2,619	1,882	39.2%	1,955	34.0%	8,333	6,422	29.8%
IT & Railways	527	501	5.2%	365	44.2%	1,574	1,803	-12.7%
Total	11,341	6,795	66.9%	7,067	60.5%	31,538	20,484	54.0%

Source: Company data, I-Sec research

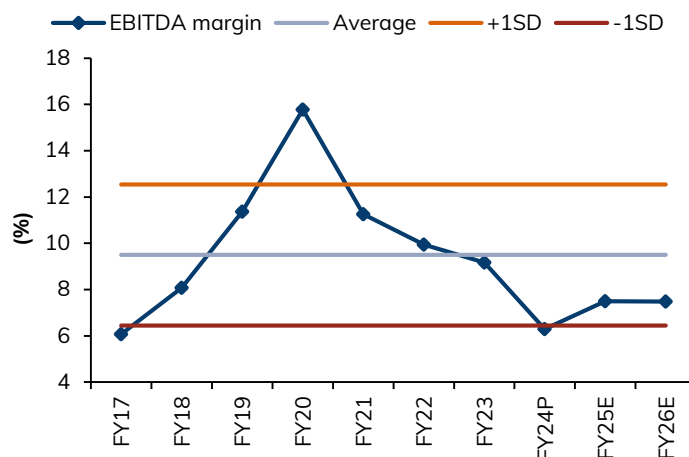
Key charts – Annual

Exhibit 1: Revenue and growth rates



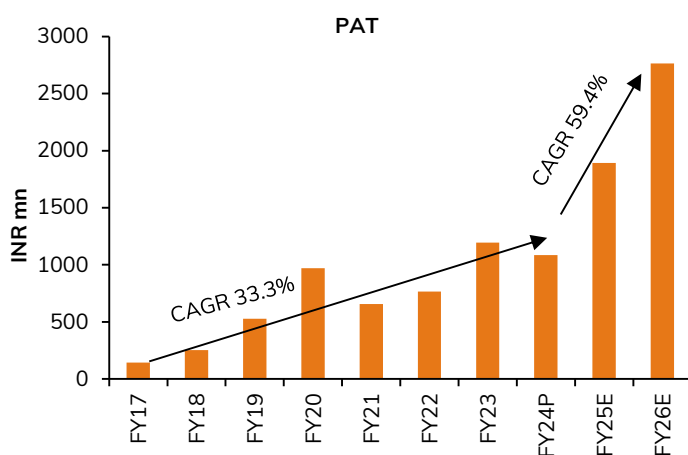
Source: Company data, I-Sec research

Exhibit 2: EBITDA margin



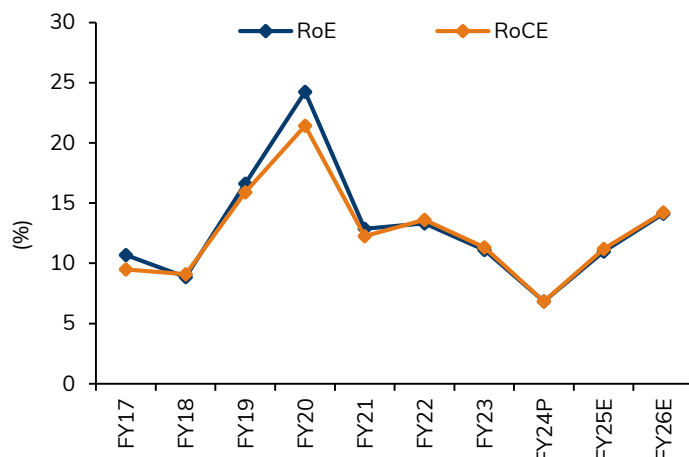
Source: Company data, I-Sec research

Exhibit 3: Net profit and growth rates



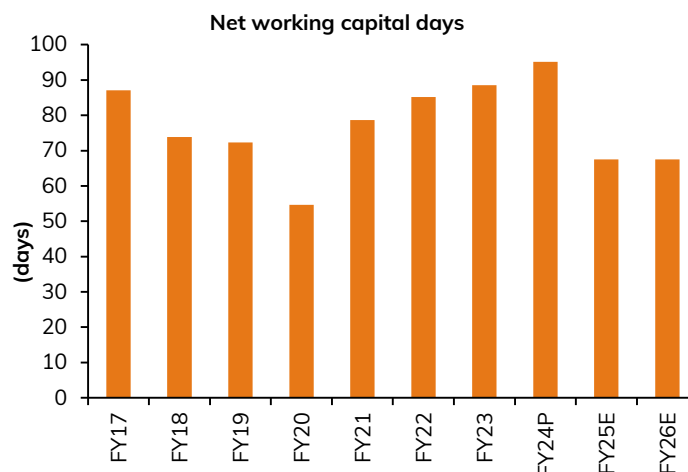
Source: Company data, I-Sec research

Exhibit 4: RoE and RoCE



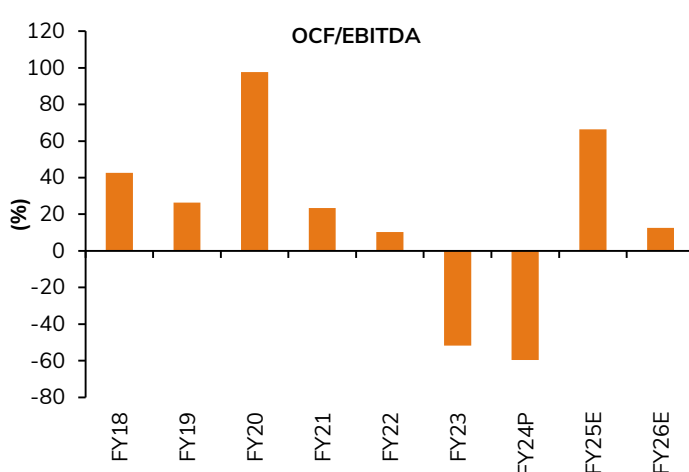
Source: Company data, I-Sec research

Exhibit 5: Net working capital days



Source: Company data, I-Sec research

Exhibit 6: OCF/EBITDA



Source: Company data, I-Sec research

Valuation and risks

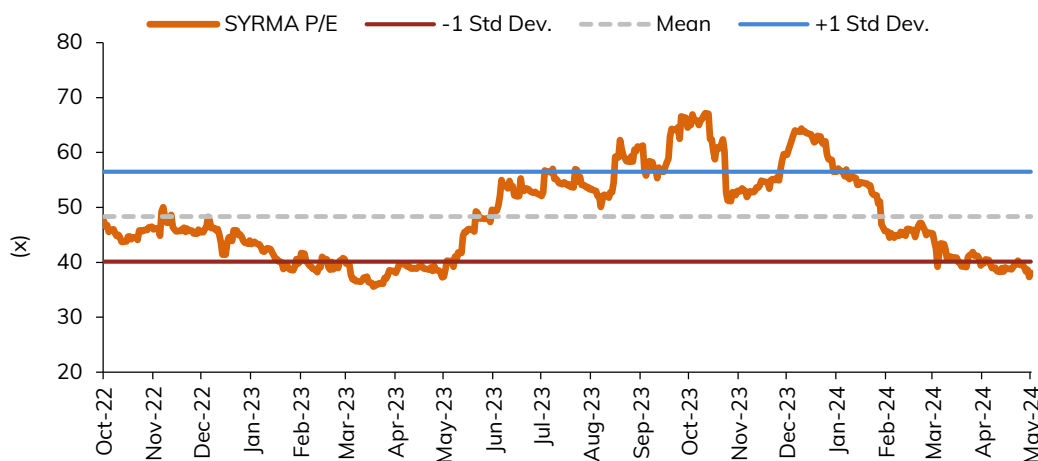
We model Syrma SGS to report revenue/PAT CAGR of 40.8%/59.4% over FY24-26E while RoE may move up to 13.8% in FY26E, from 6.7% in FY24. At our revised DCF-based TP of INR 600 (earlier: INR 675), implied P/E works out to 38x FY26E EPS. Maintain **BUY**.

Exhibit 7: DCF-based valuation

Particulars	
Cost of Equity (%)	11.6%
Terminal growth rate (%)	4.0%
Discounted interim cash flows (INR mn)	34,218
Discounted terminal value (INR mn)	72,239
Total equity value (INR mn)	1,06,456
Value per share (INR)	600

Source: Company data, I-Sec research

Exhibit 8: Mean PE (x) and standard deviations



Source: I-Sec research, Bloomberg

Risks

Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures may result in downside to our estimates.

Delays in launch of new plants/products

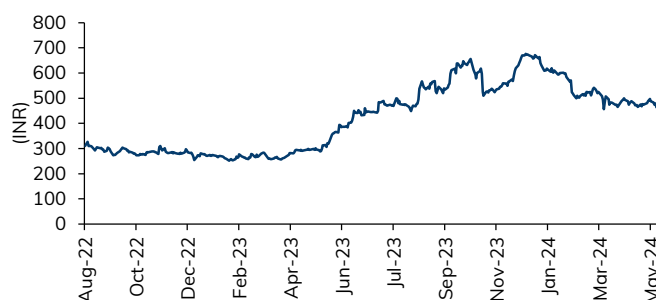
Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Exhibit 9: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	47.2	46.9	46.9
Institutional investors	19.8	19.3	18.7
MFs and other	6.0	5.2	4.0
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	0.7	0.4	0.4
FIIIs	13.1	13.7	14.3
Others	33.0	33.8	34.4

Source: Bloomberg, I-Sec research

Exhibit 10: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	20,484	31,538	46,135	62,515
Operating Expenses	18,606	29,553	42,679	57,839
EBITDA	1,878	1,985	3,456	4,676
EBITDA Margin (%)	9.2	6.3	7.5	7.5
Depreciation & Amortization	312	515	716	858
EBIT	1,566	1,470	2,740	3,818
Interest expenditure	216	378	529	463
Other Non-operating Income	437	586	331	353
Recurring PBT	1,787	1,678	2,541	3,708
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	556	421	648	945
PAT	1,231	1,257	1,893	2,762
Less: Minority Interest	38	170	-	-
Extraordinaries (Net)	16	(25)	-	-
Net Income (Reported)	1,210	1,062	1,893	2,762
Net Income (Adjusted)	1,193	1,087	1,893	2,762

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	11,484	22,407	24,468	31,748
of which cash & cash eqv.	544	856	1,401	491
Total Current Liabilities & Provisions	5,969	13,330	14,533	19,692
Net Current Assets	5,515	9,077	9,936	12,056
Investments	8,351	3,552	3,552	3,052
Net Fixed Assets	4,142	7,533	8,736	9,878
ROU Assets	-	-	-	-
Capital Work-in-Progress	253	168	-	-
Total Intangible Assets	1,182	3,221	3,221	3,221
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	19,443	23,552	25,445	28,207
Liabilities				
Borrowings	3,876	6,618	6,618	6,618
Deferred Tax Liability	138	164	164	164
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	1,768	1,774	1,774	1,774
Reserves & Surplus	13,635	14,352	16,245	19,007
Total Net Worth	15,403	16,126	18,019	20,781
Minority Interest	26	644	644	644
Total Liabilities	19,443	23,552	25,445	28,207

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	6,013	7,117	7,067	11,341
% growth (YOY)	54.4	52.4	37.9	66.9
EBITDA	369	490	388	737
Margin %	6.1	6.9	5.5	6.5
Other Income	221	89	121	156
Extraordinaries	(13)	(12)	1	(0)
Adjusted Net Profit	283	319	203	452

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(973)	(1,183)	2,295	590
Working Capital Changes	(2,299)	(2,804)	(314)	(3,030)
Capital Commitments	(1,184)	(3,377)	(1,750)	(2,000)
Free Cashflow	(2,157)	(4,560)	545	(1,410)
Other investing cashflow	(7,961)	2,734	-	500
Cashflow from Investing Activities	(9,145)	(643)	(1,750)	(1,500)
Issue of Share Capital	8,760	(80)	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	1,478	2,218	-	-
Dividend paid	-	(265)	-	-
Others	-	-	-	-
Cash flow from Financing Activities	10,238	1,873	-	-
Chg. in Cash & Bank balance	120	47	545	(910)
Closing cash & balance	465	520	1,401	491

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	6.8	6.1	10.7	15.6
Adjusted EPS (Diluted)	6.8	6.1	10.7	15.6
Cash EPS	8.5	9.0	14.7	20.4
Dividend per share (DPS)	-	1.5	-	-
Book Value per share (BV)	87.1	90.9	101.6	117.1
Dividend Payout (%)	-	24.4	-	-
Growth (%)				
Net Sales	61.7	54.0	46.3	35.5
EBITDA	49.0	5.7	74.1	35.3
EPS (INR)	21.5	(9.3)	74.2	45.9
Valuation Ratios (x)				
P/E	70.1	77.2	44.3	30.4
P/CEPS	55.5	52.4	32.2	23.2
P/BV	5.4	5.2	4.7	4.0
EV / EBITDA	41.9	43.4	24.8	18.6
P / Sales	4.1	2.7	1.8	1.3
Dividend Yield (%)	-	0.3	-	-
Operating Ratios				
Gross Profit Margins (%)	24.8	20.5	22.0	22.0
EBITDA Margins (%)	9.2	6.3	7.5	7.5
Effective Tax Rate (%)	31.1	25.1	25.5	25.5
Net Profit Margins (%)	6.0	4.0	4.1	4.4
NWC / Total Assets (%)	25.6	34.9	33.5	41.0
Net Debt / Equity (x)	(0.3)	0.1	0.1	0.1
Net Debt / EBITDA (x)	(2.7)	1.1	0.5	0.7
Profitability Ratios				
RoCE (%)	7.9	5.2	8.4	10.7
RoE (%)	11.2	6.7	10.7	13.8
RoIC (%)	12.4	7.5	10.4	12.7
Fixed Asset Turnover (x)	5.1	4.5	4.7	5.3
Inventory Turnover Days	129	141	117	113
Receivables Days	89	131	80	78
Payables Days	131	186	132	128

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
