



TM

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EMS Industry

A mixed bag 4Q; management guidance remains robust

4QFY24 - hits and misses: The 7 EMS companies under our coverage reported 27%/20%/17% YoY rise in revenue/EBITDA/PAT and were broadly inline with our estimates. KAYNES and PGEL results beat our estimates (also gave strong guidance); AVALON and DIXON missed estimates by a wide margin. ELIN continued to report weak results while AMBER's healthy margins made up for its weak revenue. SYRMA's PAT declined 17% YoY despite a 67% YoY surge in revenue. ([quarter result table](#)).

Outlook: Despite a mixed bag 4Q, companies remained bullish on their growth outlook ([refer company section](#)). Govt's vision of *Make in India, Make for world*, backed by various schemes and incentives have aided to India's growing acceptance as an alternate manufacturer to China. Import substitution and India's rising penetration in the domestic market provide a large opportunity for the Indian EMS industry. We thus remain structurally positive on the industry. ([valuation table](#))

Preferred Picks: PGEL, AMBER, KAYNES, DIXON

PGEL (Maintain BUY, TP Rs 2,952 at 34x FY26E P/E): Strong 4Q (revenue/EBITDA/PAT up 30%/54%/78% YoY) was driven by a healthy rise in the revenue of Product business (up 25%, 72% mix) and Consumer electronics (5x, 14% mix) and, 167bps YoY uptick in EBITDA margin at 10.8%. Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn, despite capex (Rs 2.25bn; commissioned Bhiwadi AC unit, acquisition of NGM), on healthy CFO (Rs 1.86bn) and QIP proceeds. PGEL has given a strong guidance for FY25. It expects Rs 34bn revenue (up 24% YoY, driven by a 44% surge in Product business to Rs 24bn). Low channel inventory of RAC and robust order book should aid. Net profit is aimed at Rs 2bn (up 46% YoY). A ~Rs 3.8bn capex will be on 2 new greenfield facilities in North India (Rajasthan, Noida) and on further expansion of Supa facilities. TV business (~2% margin) will shift to new 50% JV Goodworth Electronics in FY25. A greater mix of high margin (10%+) Product business will aid overall margin. We expect 20%/29% CAGR in revenue/ PAT over FY24-26E and ~18% RoCE in FY26E with scope for improvement.

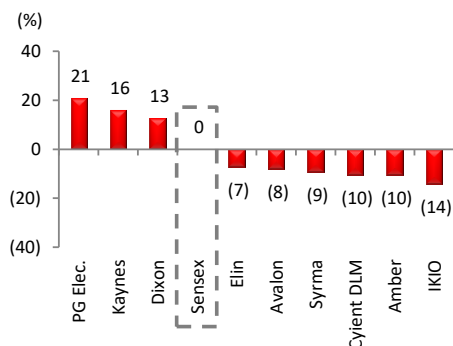
AMBER (Maintain HOLD, TP Rs 4,177 at 35x FY26E P/E): 4Q revenue (down 7% YoY) was impacted by an 11% dip in consumer durables (78% mix). EBITDA margin, at 7.9%, expanded 113bps YoY and 185bps QoQ, aided by greater mix of margin accretive RAC component business and non-RAC products. Outlook for FY25 (25%+ revenue growth, 50-75bps margin uptick) and beyond is robust owing to product portfolio expansion and backward integration. RAC revenue is expected to rise 20%+ YoY in FY25 (April, May up 20%). Foray into fully automatic washing machines (acquired 50% stake in Resojet) will aid meaningfully in 2 years. Electronics (PCB assembly & manufacturing) is aimed for 30-35% revenue growth in FY25 with 7.5-8% EBITDA margin. Railway & Mobility revenue would double in 3 years on the back of strong order book (~Rs 20bn); JV with South Korea's Yujin and strategic alliance with Titagarh for European markets will help. Product portfolio expansion for new applications will drive robust outlook; backward integration and superior mix will drive margins and RoCE. We expect 27%/32%/74% CAGR in revenue/EBITDA/PAT over FY24-26E (FY19-24: 20%/18%/7%) with ~16% RoCE in FY26E. Management remains confident to achieve 19-21% RoCE by FY28 on the back of optimal sweating of assets (key to valuation re-rating).

SECTOR UPDATE

Industry

EMS

EMS - stock price performance (1-month)



Source: BSE

EMS coverage - rating and target price

Company	Old Reco	New Reco	Old TP (Rs)	New TP (Rs)	Upside (%)
Amber Enterprises (AMBER)	HOLD	HOLD	4,177	4,177	13
Avalon Technologies (AVALON)	HOLD	HOLD	440	514	7
Dixon Technologies (DIXON)	HOLD	HOLD	8,480	10,107	4
Elin Electronics (ELIN)	BUY	BUY	182	182	18
Kaynes Technology (KAYNES)	HOLD	HOLD	3,407	3,381	9
PG Electroplast (PGEL)	BUY	BUY	2,952	2,952	15
Syrma SGS Technology (SYRMA)	HOLD	HOLD	450	488	11
Cyient DLM (CYIENTDL)	NR	NR	NR	NR	NA

Source: Systematix Institutional Research

EMS - Sector Initiation Report (12th July 2023)

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DIXON (Maintain HOLD, TP Rs 10,107 at 70x FY26E P/E): 4Q revenue/EBITDA/PAT grew 52%/17%/21% YoY, though missed our estimates by 15-20%, dragged by lower revenue in all the key segments. Outlook for FY25 remains strong, led by mobiles; EBITDA margin is expected to sustain above 4%. DIXON aims to sell ~40mn units of mobiles (incl. 10mn to Samsung) in FY25E. A large global brand is likely to be onboarded in 3-4 months. New customer, having better margins, backward integration and OpLev will drive segment margin. It is deepening manufacturing strength with focus on backward integration (PCB, injection moulding, etc; near finalization of a tech partner for display module). FY25 capex should be ~Rs 5bn (mobile display, PCB etc.), funded via CFO. DIXON will continue to explore high growth segments with a focus on RoCE. We estimate 42%/40%/52% CAGR in revenue/ EBITDA/PAT over FY24-26E with 3.8% EBITDA margin and high ~27%/47% RoE/RoIC.

KAYNES (Maintain HOLD, TP Rs 3,381 at 70x FY26E P/E): Large beat in 4Q PAT (up 97% YoY) was drive by strong revenue (up 75% YoY), EBITDA margin (14.9%, up 122bps QoQ) and other income (294mn, ~2x QoQ). Revenue growth was led by Industrial & EV and Aerospace, Outer-space & Strategic Electronics and Railways. WC cycle reduced to 83 days in FY24 from 99 days in FY23 and generated healthy cash flows. On the current strong order book position (Rs 41.2bn, 2.3x FY24 revenue executable over next 15 months), KAYNES has given a robust guidance for FY25 (60% revenue growth, ~15% EBITDA margin, 10%+ PAT margin). The company expects to sign a large contract with an MNC in the Medical Equipment segment. Healthy CFO (aims 60% of EBITDA) will take care of the regular capex. Approval for its OSAT business is expected soon after the election and is expected to contribute meaningfully to KAYNES's financials in the next 3 years. We expect 47%/52%/30% CAGR in revenue/EBITDA/PAT over FY24-26E (FY20-24: 49%/57%/110%), driven by all the verticals, with ~15% EBITDA margin. We remain constructive on robust prospects of KAYNES. Strong growth and optionality of huge success in new business foray (OSAT, PCB manufacturing) will keep investors' interest high.

ELIN (Maintain BUY, TP Rs 182 at 15x FY26E P/E): 4Q operating results came soft and inline (revenue up 3% YoY, EBITDA margin 4.5%). EBITDA was impacted by negative OpLev (low volume) and Rs 23mn provision for slow moving inventory. Higher depreciation (up 56% QoQ) was due to a change in policy (reduced life of moulds & machineries). Net cash (Rs 828mn) and net-WC cycle (68 days) were maintained though. In Apr'24, ELIN got out of exclusivity with Signify for a certain basket of products (waiver for the balance categories expected soon). Business with Signify is continuing as usual; discussion to onboard existing OEM customers is also on. Fans revenue is expected to bounce back strongly in FY25 on robust orderbook for TPW and BLDC ceiling fans and supply to a USA customer from 3Q. ELIN aims to achieve 7.5-8% EBITDA margin at healthy plant utilization (~60% currently; peak revenue potential Rs 15bn). On a low base, we expect 15%/57%/105% CAGR in revenue/EBITDA/PAT over FY24-26E.

SYRMA (Maintain HOLD, TP Rs 488 at 38x FY26E P/E): 4Q was a mixed bag (revenue surged 67% YoY at Rs 11.3bn, gross margin down 430bps YoY at 17.2%, EBITDA margin down 189bps YoY at 6.5%). Low margins and a rise in total debt (by Rs 2.3bn to Rs 5.8bn) continued to be areas of concern. PBT/PAT in 4Q declined 10%/17% YoY due to a substantial rise in depreciation (on large capex), finance cost and non-controlling profit. While the current order book of Rs 45bn (exports 25%; consumer 40%, industrial 25%, auto 20%) provides healthy revenue growth visibility, management has lowered its EBITDA margin guidance to ~7% for FY25E. Exports in 1H are expected to be soft but are aimed to rise 30% YoY in FY25. The lengthy WC cycle is likely to be reduced by 5-10 days on likely reduction in inventory days. SYRMA is

looking for an acquisition to expand its railway business. PLI benefits are yet to be received (FY24 claim: Rs 160mn). SMT lines capacity has doubled to 6.3mn components/hr from 3.2mn a year ago. After a ~Rs 4bn capex in FY24 (incl. Johri acquisition), a Rs 1.5-1.8bn is planned in FY25E. Pune facility (ODM) is likely to be commissioned in 3QFY25. An assembly plant in Germany will help build relationships with European customers. We expect 27%/46%/46% CAGR in revenue/EBITDA/PAT over FY24-26E with EBITDA margin of ~8% and ~14% RoCE in FY26E.

AVALON (Maintain HOLD, TP Rs 514 at 35x FY26E P/E): Weak US performance (FY24 loss Rs 300mn) continue to weigh on overall 4Q results (revenue/EBITDA/PAT declined 20%/58%/69% YoY). EBITDA margin stood low at 7.9% (down 719bps YoY, up 21bps QoQ). Indian manufacturing (77% of revenue mix) recorded strong 12.7% EBITDA margin and 8.5% PAT margin. Increased focus on India business (46% of mix; aims 50%) in last 18 months helped. Inventory restocking in USA has begun after large destocking in last few quarters; a 13% QoQ rise in 4Q revenue shows initial signs of recovery. AVALON now expects a low 14-18% revenue growth in FY25 and a strong rebound in FY26 on expectation of healthy order book accretion in 2H FY25. Despite current weakness, a guidance to double revenue in 3 years is maintained. Order book stands at Rs 13.7bn, up 11% from Mar'23 level (executable over 14 months). Long term contracts surged 58% YoY at Rs 9.5bn (executable in 14 month to 3 years). It also expects margin improvement 2H FY25 onwards on the back of cost reduction measures taken in USA. On low base, we expect 23%/60%/86% CAGR in revenue/EBITDA/PAT over FY24-26E, with ~17%/20% RoCE/RoIC in FY26E. We expect underperformance in AVALON's scrip to continue until we see some signs of recovery in the US business.

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Valuation Table

Exhibit 1: Valuation Table – 1

	M-cap (Rs bn)	CMP 06-Jun	Reco	TP (Rs)	Upside (%)	T PE 26E (x)	1-yr fwd PE (5-yr)			P/E			RoIC (%)	
							Mean	+1 SD	-1 SD	FY24	FY25E	FY26E	FY24	FY26E
Amber	125	3,700	HOLD	4,177	13	35	57	77	37	94	45	31	6	9
Avalon	32	480	HOLD	514	7	35	77	94	59	113	56	33	8	20
Dixon	580	9,700	HOLD	10,107	4	70	70	105	35	155	91	67	37	47
Elin	7	155	BUY	182	18	15	34	47	20	54	20	13	5	16
Kaynes	198	3,100	HOLD	3,381	9	70	55	74	37	108	81	64	29	15
PG Electroplast	68	2,600	BUY	2,952	14	34	19	28	11	50	38	30	20	19
Syrma	78	440	HOLD	488	11	38	58	72	45	73	51	34	8	14
Cyient DLM*	49	620	NR	NR	NA	-	NA	NA	NA	74	26	19	21	31

Source: BSE, Bloomberg, Systematix Institutional Research

* Bloomberg estimates

Exhibit 2: Valuation Table – 2

	EPS (Rs)			CAGR (%) (FY20-24)			CAGR (%) (FY24-26E)			RoE (%)		RoCE (%)		EV/EBITDA (x)	
	FY24	FY25E	FY26E	Rev	EBITDA	PAT	Rev	EBITDA	PAT	FY24	FY26E	FY24	FY26E	FY24	FY26E
Amber	39	82	119	14	12	(4)	27	32	74	6	15	11	16	27	15
Avalon	4	9	15	8	(1)	25	23	60	86	5	14	7	17	51	20
Dixon	63	107	144	42	33	33	42	40	52	22	27	33	40	83	42
Elin	3	8	12	7	(8)	(16)	15	57	105	3	10	5	14	16	6
Kaynes	29	38	48	49	57	110	47	52	30	7	10	14	13	73	35
PG Electroplast	52	68	86	44	60	168	20	17	29	13	16	19	18	27	20
Syrma	6	9	13	38	10	3	27	46	46	7	12	10	14	42	20
Cyient DLM*	8	24	32	24	34	73	27	33	34	7	-	14	-	54	30

Source: Systematix Institutional Research

* Bloomberg estimates

EMS - Stock price performance

	1-month	3-month	6-month	12-month	3-years
PGEL	21	56	12	57	489
KAYNES	16	(7)	21	104	(30)
DIXON	13	33	58	145	1
ELIN	(7)	1	(0)	5	2
AVALON	(8)	(9)	(5)	0	0
SYRMA	(9)	(17)	(26)	13	31
CYIENTDL	(10)	(23)	(7)	NA	NA
AMBER	(10)	(0)	17	68	68
IKIO	(14)	(10)	(25)	NA	NA

Source: BSE

EMS - 4QFY24 - Company-wise quarterly results

	4QFY21	4QFY22	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
Consolidated (9 companies)									
Revenue	40,377	65,395	88,668	73,640	82,873	87,445	1,12,566	27	29
EBITDA	2,453	4,071	6,566	4,755	4,666	4,943	7,743	18	57
EBITDA margin (%)	6.1	6.2	7.4	6.5	5.6	5.7	6.9		
PAT	1,301	2,075	3,591	2,298	2,235	2,231	4,206	17	89
AMBER									
Revenue	15,984	19,367	30,026	17,020	9,271	12,948	28,055	(7)	117
Consumer Durables	13,410	15,930	24,767	13,320	5,470	9,320	21,990	(11)	136
Electronics	1,770	2,450	4,150	2,670	2,480	2,410	4,840	17	101
Mobility Application	800	820	1,130	1,030	1,320	1,220	1,230	9	1
EBITDA	1,412	1,253	2,035	1,319	596	785	2,219	9	183
EBITDA margin (%)	8.8	6.5	6.8	7.8	6.4	6.1	7.9		
PAT	755	572	1,040	456	(69)	(5)	947	(9)	(19,728)
AVALON									
Revenue	-	2,097	2,718	2,351	2,010	2,143	2,168	(20)	1
EBITDA	-	236	411	162	126	165	172	(58)	4
EBITDA margin (%)		11.2	15.1	6.9	6.3	7.7	7.9		
PAT	-	105	227	71	73	66	71	(69)	7
CYIENTDL									
Revenue			2,774	2,171	2,918	3,210	3,618	30	13
EBITDA			319	200	235	294	380	19	29
EBITDA margin (%)			11.5	9.2	8.1	9.2	10.5		
PAT			126	54	147	184	227	81	23
DIXON									
Revenue	21,097	29,528	30,655	32,715	49,432	48,183	46,580	52	(3)
Consumer Electronics	11,824	10,104	9,810	8,820	14,400	9,290	8,970	(9)	(3)
Lighting	3,817	3,046	2,700	2,220	1,810	1,870	1,970	(27)	5
Home Appliances	1,465	2,341	2,810	2,590	3,640	2,880	2,940	5	2
Mobile & EMS	2,899	12,941	14,100	17,950	28,190	32,140	30,910	119	(4)
Security Systems	1,092	1,096	1,240	1,140	1,400	2,000	1,790	44	(11)
EBITDA	798	1,182	1,563	1,319	1,989	1,844	1,825	17	(1)
EBITDA margin (%)	3.8	4.0	5.1	4.0	4.0	3.8	3.9		
PAT	443	631	806	672	1,134	971	973	21	0
ELIN									
Revenue	-	3,169	2,623	2,538	2,733	2,314	2,718	4	17
Lighting, Fans and Switches	-	973	909	832	796	709	785	(14)	11
Small Appliances	-	834	700	527	690	465	687	(2)	48
FHP Motor	-	645	464	541	557	465	492	6	6
Other EMS	-	108	119	93	85	102	135	13	32
Medical Diagnostics Cartridges	-	20	-	6	8	56	82	-	46
Precision Components & Others	-	590	496	539	597	570	597	20	5
EBITDA	-	250	88	98	99	85	124	40	46
EBITDA margin (%)	-	7.9	3.4	3.9	3.6	3.7	4.6		
PAT	-	128	16	38	39	26	35	121	34

	4QFY21	4QFY22	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
IKIO									
Revenue	-	-	1,149	1,084	1,179	1,169	948	(18)	(19)
EBITDA	-	-	229	227	267	263	170	(26)	(36)
EBITDA margin (%)	-	-	19.9	21.0	22.7	22.5	17.9		
PAT	-	-	139	138	182	190	95	(31)	(50)
KAYNES									
Revenue	-	2,385	3,646	2,972	3,608	5,093	6,373	75	25
Industrial	-	721	912	1,070	1,365	2,702	3,490	283	29
Automotive	-	780	1,354	951	1,221	1,447	1,470	9	2
Railways	-	233	498	327	529	429	701	41	64
IoT / IT, Cons and Others	-	392	588	386	272	393	213	(64)	(46)
Medical	-	211	184	149	115	87	191	4	120
Aero/Def/Outer-space/Nuclear	-	49	109	89	108	36	308	181	754
EBITDA	-	400	594	403	488	699	952	60	36
EBITDA margin (%)	-	16.8	16.3	13.5	13.5	13.7	14.9		
PAT	-	199	413	246	323	452	813	97	80
PGEL									
Revenue	3,296	5,138	8,282	6,776	4,604	5,319	10,766	30	102
Product Business	-	2,004	1,746	1,850	2,087	1,517	1,486	(15)	(2)
Plastic Moulding	-	2,697	6,195	4,420	1,748	2,754	7,758	25	182
Consumer electronics	-	437	240	490	749	1,031	1,460	508	42
Mould Manufacturing	-	-	101	20	20	17	62		259
EBITDA	243	498	757	658	376	420	1,165	54	178
EBITDA margin (%)	7.4	9.7	9.1	9.7	8.2	7.9	10.8		
PAT	104	277	402	338	124	192	696	73	263
SYRMA									
Revenue	-	3,712	6,795	6,013	7,117	7,067	11,341	67	60
Auto	-	-	1,233	1,451	1,725	1,510	1,809	47	20
Consumer	-	-	2,707	2,331	2,519	2,544	5,220	93	105
Healthcare	-	-	471	157	512	693	1,166	148	68
Industrials	-	-	1,882	1,768	1,985	1,955	2,619	39	34
IT & Railways	-	-	501	306	376	365	526	5	44
EBITDA	-	253	570	369	490	388	737	29	90
EBITDA margin (%)	-	6.8	8.4	6.1	6.9	5.5	6.5		
PAT	-	164	423	285	284	155	349	(17)	125

Source: Company, Systematix Institutional Research

EMS – Change in estimates; Systematix vs. Bloomberg estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
AMBER														
Revenue	87,916	1,02,345	89,185	1,08,686	1	6	89,185	1,08,686	-	-	83,833	1,01,265	(6)	(7)
EBITDA	6,443	8,012	6,787	8,597	5	7	6,787	8,597	-	-	6,432	8,159	(5)	(5)
<i>EBITDA margin (%)</i>	7.3	7.8	7.6	7.9			7.6	7.9			7.7	8.1		
PAT	2,719	3,840	2,774	4,021	2	5	2,774	4,021	-	-	2,509	3,773	(10)	(6)
EPS	81	114	82	119			82	119			73	111		
AVALON														
Revenue	11,060	13,825	10,143	13,186	(8)	(5)	10,143	13,186	-	-	10,705	14,102	6	7
EBITDA	1,173	1,702	1,006	1,597	(14)	(6)	1,006	1,597	-	-	1,030	1,602	2	0
<i>EBITDA margin (%)</i>	10.6	12.3	9.9	12.1			9.9	12.1			9.6	11.4		
PAT	684	1,057	568	964	(17)	(9)	568	964	-	-	621	1,044	9	8
EPS	12	18	9	15			9	15			9	16		
DIXON														
Revenue	226	275	224	284	(1)	3	279	355	24	25	304	392	9	10
EBITDA	9,121	11,107	8,915	11,312	(2)	2	10,717	13,655	20	21	12,023	15,430	12	13
<i>EBITDA margin (%)</i>	4.0	4.0	4.0	4.0			3.8	3.8			3.9	3.9		
PAT	5,061	6,413	5,004	6,762	(1)	5	6,408	8,634	28	28	6,673	8,917	4	3
EPS	85	108	84	113			107	144			114	151		
ELIN														
Revenue	12,112	13,929	12,007	13,842	(1)	(1)	12,007	13,842	-	-	12,007	13,842	0	0
EBITDA	719	994	707	995	(2)	0	707	995	-	-	707	995	(0)	(0)
<i>EBITDA margin (%)</i>	5.9	7.1	5.9	7.2			5.9	7.2			5.9	7.2		
PAT	391	582	379	583	(3)	0	379	583	-	-	379	583	(0)	0
EPS	8	12	8	12			8	12			8	12		
KAYNES														
Revenue	22,030	29,538	27,069	37,190	23	26	27,069	39,190	-	5	27,980	40,192	3	3
EBITDA	3,156	4,350	4,029	5,573	28	28	4,029	5,872	-	5	4,073	5,947	1	1
<i>EBITDA margin (%)</i>	14.3	14.7	14.9	15.0			14.9	15.0			14.6	14.8		
PAT	1,780	2,253	2,461	2,904	38	29	2,461	3,088	-	6	2,794	3,944	14	28
EPS	31	39	34	45			40	58			44	62		
PGEL														
Revenue	33,984	41,888	32,843	39,405	(3)	(6)	32,843	39,405	-	-	34,149	40,859	4	4
EBITDA	2,878	3,555	2,966	3,559	3	0	2,966	3,559	-	-	2,986	3,533	1	(1)
<i>EBITDA margin (%)</i>	8.5	8.5	9.0	9.0			9.0	9.0			8.7	8.6		
PAT	1,490	1,927	1,763	2,238	18	16	1,763	2,238	-	-	1,912	2,349	8	5
SYRMA														
Revenue	37,217	46,964	40,172	51,211	8	9	40,172	51,211	-	-	44,180	59,441	10	16
EBITDA	2,796	3,951	2,927	4,243	5	7	2,927	4,243	-	-	3,019	4,239	3	(0)
<i>EBITDA margin (%)</i>	7.5	8.4	7.3	8.3			7.3	8.3			6.8	7.1		
PAT	1,873	2,661	1,542	2,279	(18)	(14)	1,542	2,279	-	-	1,615	2,391	5	5
EPS	11	15	9	13			9	13			9	14		

Source: Bloomberg, Systematix Institutional Research

Commodity prices, currency movement

Exhibit 3: LME Copper price

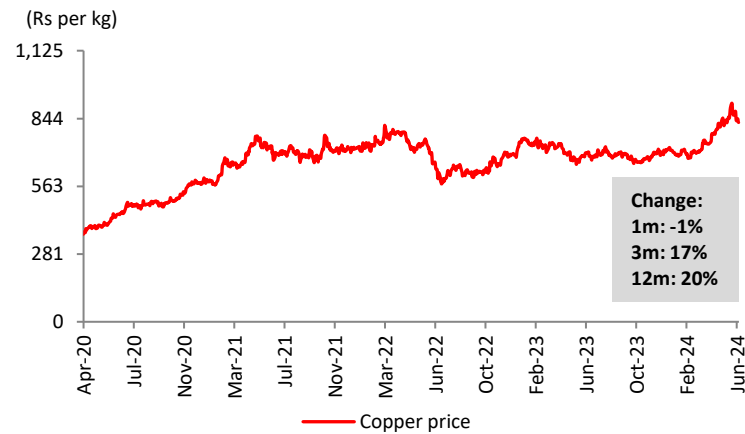


Exhibit 4: LME Copper price - 3-month rolling average

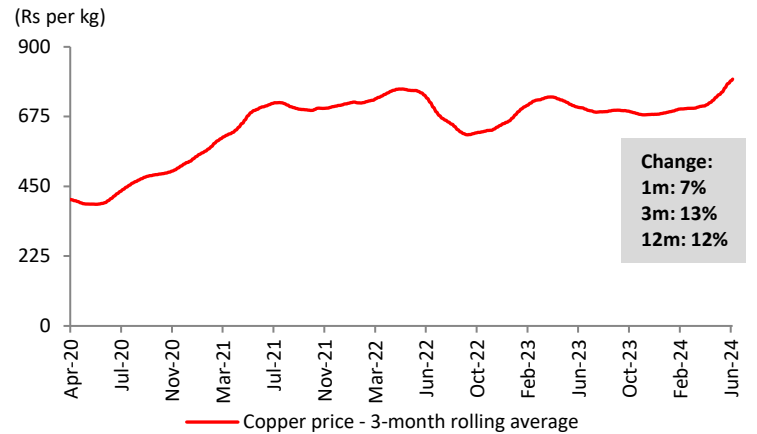


Exhibit 5: LME Aluminium price

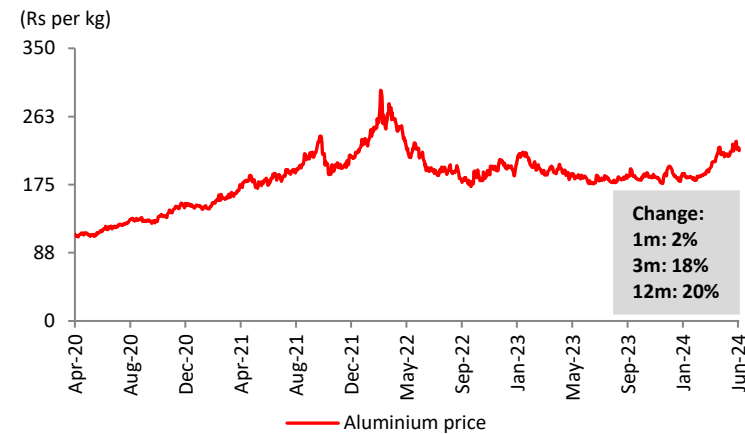


Exhibit 6: LME Aluminium price - 3-month rolling average

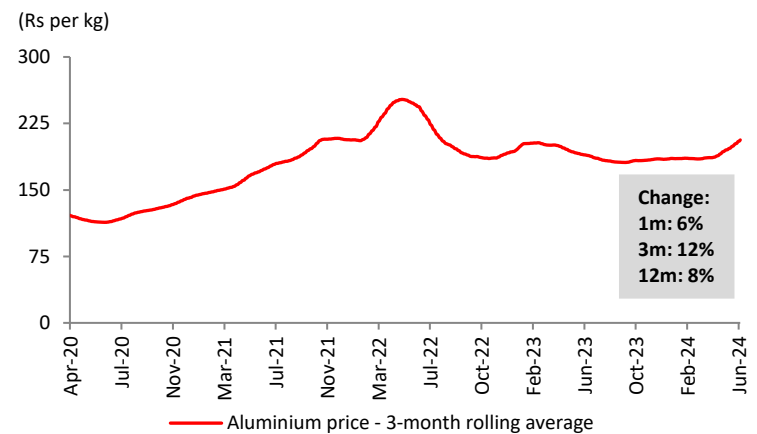


Exhibit 7: Polypropylene (PP) price

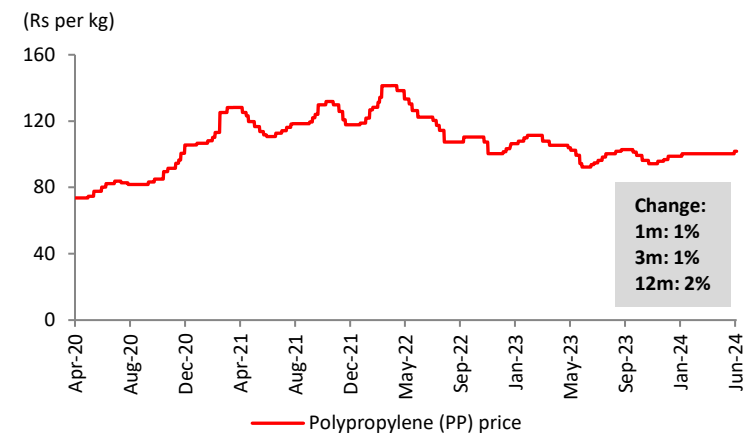
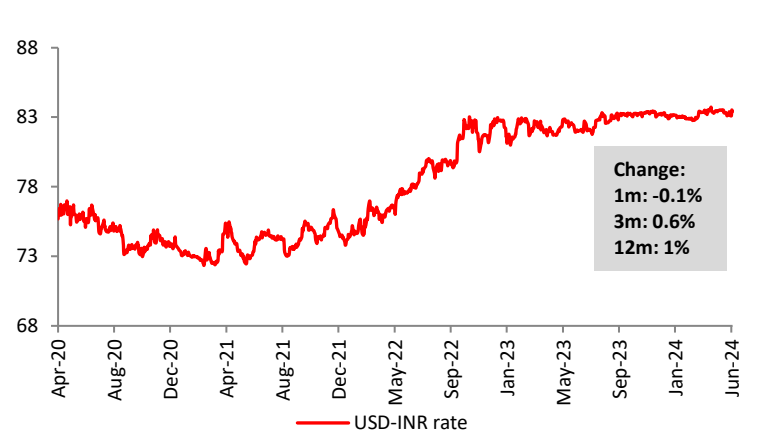
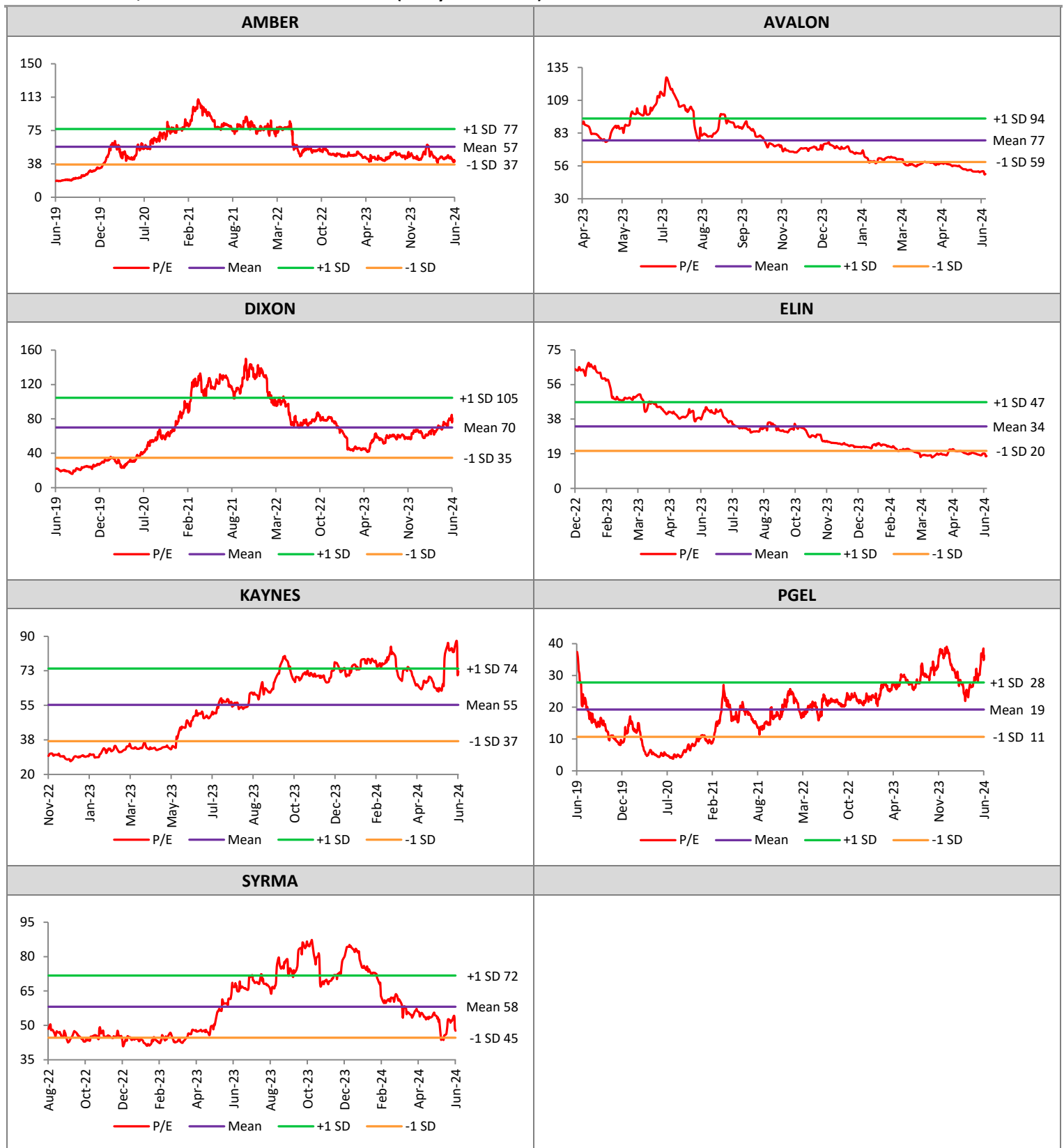


Exhibit 8: USD-INR rate



Source: Bloomberg

EMS - Price chart, PE band and standard deviation (one-year forward)



Source: BSE, Company, Systematix Institutional Research

EMS companies – Detailed financial peer comparison

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	CAGR (%)	
								FY24-26E	FY20-24
Revenue (Rs bn)									
AMBER	39.6	30.3	42.1	69.3	67.3	89.2	108.7	27	14
AVALON	6.4	6.9	8.4	9.4	8.7	10.1	13.2	23	8
DIXON	44.0	64.5	107.0	121.9	176.9	278.8	355.1	42	42
ELIN	7.9	8.6	10.9	10.8	10.4	12.0	13.8	15	7
KAYNES	3.7	4.2	7.1	11.3	18.0	27.1	39.2	47	49
PGEL	6.4	7.0	11.1	21.6	27.5	32.8	39.4	20	44
SYRMA	8.7	8.9	12.7	20.5	31.5	40.2	51.2	27	38
CYIENTDL*	0.0	6.3	7.2	8.3	11.9	16.1	21.1	33	24
IKIO	1.4	1.6	2.2	3.6	4.4	0.0	0.0		33
Total (Ex-CYIENTDL, IKIO)	115.2	122.6	189.8	252.8	324.0	474.1	599.6	36	29
Overseas revenue mix (%)									
AVALON	66	67	62	59	54				
ELIN	1	1	0	0					
KAYNES	21	26	20	15	10				
SYRMA	84	70	46	31	26				
CYIENTDL*	37	45	60	54	66				
IKIO	4	4	11	15					
Top- 5 customer revenue mix (%)									
AVALON	46	49	50	37					
ELIN	69	63	63	65					
KAYNES	39	32	37	45					
SYRMA	41	33	29						
CYIENTDL*		66	65	68					
IKIO	73	83	73	78					
ODM revenue mix (%)									
DIXON - Consumer Electronics	6	5	4	23					
DIXON - Lighting	87	90	91	90					
DIXON - Home Appliances	100	100	100	100					
KAYNES	2	4	4	3					
SYRMA				18					
IKIO	96	94	94	93					
EBITDA (Rs mn)									
AMBER	3,093	2,203	2,754	4,179	4,919	6,787	8,597	32	12
AVALON	645	661	975	1,128	626	1,006	1,597	60	(1)
DIXON	2,231	2,866	3,791	5,128	6,976	10,717	13,655	40	33
ELIN	555	665	789	651	405	707	995	57	(8)
KAYNES	413	409	937	1,683	2,542	4,029	5,872	52	57
PGEL	399	498	890	1,760	2,618	2,966	3,559	17	60
SYRMA	1,366	999	1,259	1,878	1,983	2,927	4,243	46	10
CYIENTDL*	-	459	840	878	1,110	1,643	2,357	46	34
IKIO	263	303	402	775					

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	CAGR (%)	
								FY24-26E	FY20-24
PAT (Rs mn)									
AMBER	1,584	816	1,092	1,572	1,329	2,774	4,021	74	(4)
AVALON	115	215	632	525	280	568	964	86	25
DIXON	1,205	1,598	1,903	2,551	3,749	6,408	8,634	52	33
ELIN	275	348	391	268	139	379	583	105	(16)
KAYNES	95	94	417	952	1,834	2,461	3,088	30	110
PGEL	26	116	374	775	1,349	1,763	2,238	29	168
SYRMA	947	680	722	1,193	1,072	1,542	2,279	46	3
CYIENTDL*	-	118	398	317	612	1,143	1,648	64	73
IKIO	160	206	280	500	606				

*Note: Bloomberg Estimates, CAGR for CYIENTDL is over FY21-24

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
EBITDA margin (%)							
AMBER	7.8	7.3	6.5	6.0	7.3	7.6	7.9
AVALON	10.0	9.6	11.6	11.9	7.2	9.9	12.1
DIXON	5.1	4.4	3.5	4.2	3.9	3.8	3.8
ELIN	7.1	7.7	7.2	6.1	3.9	5.9	7.2
KAYNES	11.2	9.7	13.3	14.9	14.1	14.9	15.0
PGEL	6.2	7.1	8.0	8.2	9.5	9.0	9.0
SYRMA	15.8	11.3	9.9	9.2	6.3	7.3	8.3
CYIENTDL*		7.3	11.7	10.6	9.3	10.2	11.2
IKIO	18.7	19.0	18.3	21.6			
PAT margin (%)							
AMBER	4.0	2.7	2.6	2.3	2.0	3.1	3.7
AVALON	1.8	3.1	7.5	5.6	3.2	5.6	7.3
DIXON	2.7	2.5	1.8	2.1	2.1	2.3	2.4
ELIN	3.5	4.0	3.6	2.5	1.3	3.2	4.2
KAYNES	2.6	2.2	5.9	8.5	10.2	9.1	7.9
PGEL	0.4	1.7	3.4	3.6	4.9	5.4	5.7
SYRMA	10.9	7.7	5.7	5.8	3.4	3.8	4.5
CYIENTDL*		1.9	5.5	3.8	5.1	6.4	7.5
IKIO	11.4	12.9	12.7	13.9	13.8		
Net debt to equity (x)							
AMBER	0.2	(0.0)	0.1	0.3	0.3	0.3	0.2
AVALON	5.2	4.6	3.5	(0.2)	0.0	0.0	0.1
DIXON	(0.0)	0.1	0.3	(0.0)	(0.0)	(0.1)	(0.2)
ELIN	0.2	0.4	0.3	(0.1)	(0.2)	(0.2)	(0.2)
KAYNES	1.4	1.0	0.8	(0.3)	(0.5)	(0.1)	0.3
PGEL	0.9	0.9	1.1	1.3	0.2	0.2	0.2
SYRMA	0.1	0.0	0.3	0.2	0.3	0.3	0.4
CYIENTDL*		6.5	2.9	1.0			
IKIO	0.0	0.1	0.2	0.8			

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Working Capital Days							
AMBER	37	56	39	29	13	13	13
AVALON	76	106	127	148	171	163	155
DIXON	6	7	7	7	-1	-1	-1
ELIN	48	82	66	66	68	68	68
KAYNES	151	165	134	135	110	105	100
PGEL	45	45	76	68	60	70	75
SYRMA	63	81	93	89	82	88	89
CYIENTDL*		111	116	132			
IKIO	20	68	113	172			
Debtor days							
AMBER	79	129	114	93	85	85	85
AVALON	65	96	77	80	79	79	79
DIXON	43	62	46	51	48	48	48
ELIN	42	77	59	67	70	70	70
KAYNES	93	106	102	74	72	72	72
PGEL	58	76	70	74	73	73	73
SYRMA	76	86	78	72	108	106	104
CYIENTDL*		132	77	71			
IKIO	12	36	43	74			
Inventory days							
AMBER	60	86	73	58	46	46	46
AVALON	88	77	101	123	133	125	117
DIXON	41	42	39	29	35	35	35
ELIN	37	49	40	42	39	39	39
KAYNES	150	142	117	134	111	106	101
PGEL	48	48	94	60	72	72	72
SYRMA	60	74	84	105	116	114	112
CYIENTDL*		90	137	186			
IKIO	44	72	93	123			
Payable days							
AMBER	102	159	148	121	118	118	118
AVALON	77	67	51	55	41	41	41
DIXON	78	97	79	73	84	84	84
ELIN	32	44	33	43	41	41	41
KAYNES	91	83	85	72	73	73	73
PGEL	61	80	88	66	86	76	71
SYRMA	73	78	69	87	142	132	127
CYIENTDL*		110	98	125			
IKIO	36	40	23	24			
RoE (%)							
AMBER	14	5	6	8	6	12	15
AVALON	25	36	72	10	5	9	14

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
DIXON	22	22	19	20	22	28	27
ELIN	12	13	13	5	3	7	10
KAYNES	9	7	21	10	7	9	10
PGEL	1	6	12	20	13	15	16
SYRMA	21	13	13	8	7	9	12
CYIENTDL*		31	52	16			
IKIO	58	43	37	35			
RoCE (%)							
AMBER	19	11	11	13	11	13	16
AVALON	24	20	26	17	7	12	17
DIXON	33	32	25	27	33	40	40
ELIN	16	17	16	10	5	10	14
KAYNES	26	13	24	21	14	12	13
PGEL	15	9	13	17	19	16	18
SYRMA	23	15	17	15	10	11	14
CYIENTDL*		23	20	15			
IKIO	69	64	53	42			
RoIC (%)							
AMBER	9	5	5	6	6	8	9
AVALON	27	22	27	26	8	14	20
DIXON	37	35	28	32	37	46	47
ELIN	17	18	17	11	5	11	16
KAYNES	26	12	25	32	29	18	15
PGEL	16	10	13	18	20	18	19
SYRMA	26	17	18	13	8	11	14
CYIENTDL*		25	25	21			
IKIO	84	69	53	43			
OCF/ EBITDA (%)							
AMBER	91	87	78	68	176	52	57
AVALON	87	8	14	(10)	22	26	9
DIXON	104	59	71	140	81	88	82
ELIN	137	(49)	64	92	86	30	38
KAYNES	105	62	22	(23)	23	6	21
PGEL	65	109	(85)	25	68	35	43
SYRMA	103	32	(9)	(30)	(44)	51	23
CYIENTDL*		64	53	57			
IKIO	50	(0)	(13)	70			
OCF/ PAT (%)							
AMBER	182	271	220	204	726	138	131
AVALON	570	26	25	(25)	62	55	17
DIXON	197	106	143	285	156	153	138
ELIN	279	(97)	131	233	308	64	71
KAYNES	478	296	51	(44)	38	10	41

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
PGEL	1058	493	(212)	59	138	60	70
SYRMA	165	55	(17)	(59)	(106)	111	47
CYIENTDL*		296	122	170			
IKIO	83	(0)	(19)	114			
Total asset turnover (x)							
AMBER	1.4	0.8	0.9	1.1	1.0	1.2	1.3
AVALON	1.5	1.4	1.5	0.8	0.9	1.0	1.1
DIXON	2.6	2.3	2.5	2.6	2.5	2.8	2.8
ELIN	2.0	1.7	2.1	1.5	1.6	1.7	1.7
KAYNES	1.0	1.0	1.1	0.8	0.6	0.7	0.8
PGEL	1.3	1.2	1.0	1.4	1.2	1.3	1.4
SYRMA	1.0	1.0	1.1	0.8	0.9	1.0	1.1
CYIENTDL*		1.0	0.9	0.8			
IKIO	7.1	5.0	3.1	1.7			

Source: Company, Systematix Institutional Research

*Note: Bloomberg Estimates, Growth CAGR for CYIENTDL is over FY21-24

COMPANY SECTION



TM

Amber Enterprises

Robust growth, margin outlook; RoCE expansion, key for re-rating

COMPANY UPDATE

Sector: EMS **Rating:** HOLD

CMP: Rs 3,700 **Target Price:** Rs 4,177

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	AMBER IN
Equity shares (mn)	34
52-wk High/Low	4,552/2,088
Face value	Rs 10
M-Cap	Rs 125bn/ USD 1.5bn
3-m Avg volume	USD 7.5mn

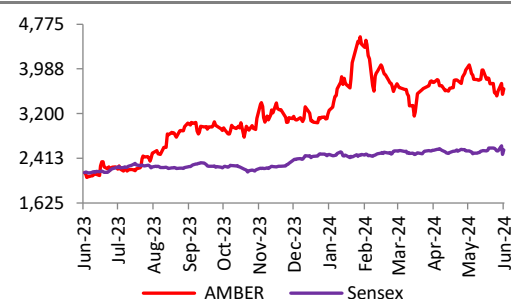
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	67,293	89,185	1,08,686
EBITDA	4,919	6,787	8,597
OPM (%)	7.3	7.6	7.9
PAT (adj.)	1,329	2,774	4,021
EPS (adj.) (Rs)	39.4	82.3	119.3
PE (x)	93.8	44.9	31.0
P/B (x)	6.0	5.3	4.5
EV/EBITDA (x)	26.6	19.4	15.2
RoE (%)	6.4	11.8	14.7
RoCE (%)	10.8	13.4	16.4
Net-D/E (x)	0.3	0.3	0.2

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	40.3	40.3	40.3
- Pledged			
FII	26.0	28.3	29.7
DII	15.8	14.7	13.1
Others	17.9	16.7	16.9

Stock Performance (1-year)



Amber Enterprises' (AMBER) 4Q revenue (down 7% YoY) was impacted by 11% dip in consumer durables (78% mix). EBITDA margin, at 7.9%, expanded 113bps YoY and 185bps QoQ, aided by greater mix of margin accretive RAC component business and non-RAC products. Outlook for FY25 (25%+ revenue growth, 50-75bps margin uptick) and beyond is robust owing to product portfolio expansion and backward integration. RAC revenue is expected to rise 20%+ YoY in FY25 (April, May up 20%). Foray into fully automatic washing machines (acquired 50% stake in Resojet) will aid meaningfully in 2 years. Electronics (PCB assembly & manufacturing) is aimed for 30-35% revenue growth in FY25 with 7.5-8% EBITDA margin. Railway & Mobility revenue would double in 3 years on the back of strong order book (~Rs 20bn); JV with South Korea's Yujin and strategic alliance with Titagarh for European markets will help. Product portfolio expansion for new application will drive robust outlook; backward integration and superior mix will drive margins and RoCE. We increase earnings estimates by 2-5% owing to faster growth estimates and now expect 27%/32%/74% CAGR in revenue/EBITDA /PAT over FY24-26E (FY19-24: 20%/18%/7%) with ~16% RoCE in FY26E. Management remains confident to achieve 19-21% RoCE by FY28 on the back of optimal sweating of assets (key to valuation re-rating). While we upgrade target price to Rs 4,177 (35x FY26E P/E, earlier Rs 3,989 at 35x), we maintain HOLD rating after ~25% rally in scrip in last 2 months. ([concall KTAs](#))

4Q – revenue miss; healthy margin uptick drove inline EBITDA/PAT: Consol. revenue declined 7% YoY due to 11% fall in consumer durables (78% mix). Despite low 16.7% gross margin, EBITDA margin, at 7.9%, expanded 113bps YoY and 185bps QoQ. Depreciation and finance costs surged ~30% YoY each on large asset addition, funded by debt. Healthy CFO (Rs 9.65bn) in FY24 was due to large release of WC (~Rs 5bn).

Consumer durables - incremental focus on RAC components and WM: 4Q revenue fell 11% YoY (above normal channel inventory, OEMs increasing in-house manufacturing), EBIT margin stood high at 8.1% (up 168bps YoY and 320bps QoQ) due to greater mix of margin accretive component business. After 20%+ YoY rise in RAC demand in April and May, management is hopeful of 20%+ growth in FY25. Foray into fully auto washing machines will meaningfully contribute in 2 years. AMBER aims to sell 40k units in FY25 (125k in a few years). Four customers onboarded; 3 more to be added in FY25.

Electronics – strengthening PCB manufacturing capability for various applications: 4Q revenue grew 17% YoY driven by wearables and telecom sectors; EBIT margin stood at 6.8% (up 176bps YoY and 184bps QoQ). For FY25, AMBER aims 30-35% revenue growth with 7.5-8% EBITDA margin in this division. New customers are onboarded in energy solutions, automobile, and IT products; AMBER aims to broaden clients from current 25% mix from RAC PCB (~5% of total revenue). A tie-up with Korea Circuits via Ascent (WoS) will further boost PCB manufacturing and assembly capabilities. Noise JV has Rs 8-10bn revenue potential (to supply premium products to Bose).

Railway & Mobility – aims to double revenue in 3 years: 4Q revenue grew 9% YoY; EBIT margin stood healthy at 17.9% (down 689bps YoY and 179bps QoQ). AMBER aims to double revenue in 3 years owing to strong order book (~Rs 20bn). JV with South Korea's Yujin has enhanced wallet share in each AC passenger coach to 18% of BOM (~Rs 11mn per coach; 3k coach opportunity by FY27 on planned rollout of Vande Bharat, Namoo Bharat, Metro etc.). Strategic alliance with Titagarh has helped to enter European markets. 3 customers. Defence order book has doubled to Rs 700mn. Sidwal's new greenfield plant is expected to commence operations by 1QFY26.

Concall key highlights (4QFY24)

Guidance

- FY25E - 25%+ revenue growth; 50-75bps EBITDA margin expansion
- Growth will be driven by all divisions
- Robust growth, focus on portfolio expansion and backward integration to drive margins and better RoCE

Consumer Durable – 4Q revenue down 11% YoY; EBIT margin 8.1%, up 168bps YoY and 320bps QoQ

- RAC: April, May grew 20%+ YoY; expect the same for FY25E
- Expanded into non-RAC applications such as telecom, smart meters, and automobiles
- Amber enjoys 27.3% share in the RAC industry manufacturing capacity
- RAC mix is 40% in FY24 vs. 72% in FY18
- Slump in RAC revenue due to brands taking RAC assembly in-house and above normal channel inventory due to poor 1QFY24 owing to unseasonal rains
- Diversification to components is also margin accretive

Foray into fully automatic washing machines

- Acquired 50% stake in Resojet on 4th May 2024
- Will offer fully automatic top & front load washing machines and its components
- Aims 40k units in FY25 and 125k in a few years
- Onboarded 4 customers; 3 more to be added in FY25 (to contribute meaningfully in 2 years)

Electronics - 4Q revenue up 17% YoY; EBIT margin 6.8%, up 176bps YoY and 184bps QoQ

- Wearables and Telecom sectors drove growth in 4Q
- Onboarded new customers in energy solutions, automobile, and IT products
- FY25 outlook: aims 30-35% revenue growth with 7.5-8% EBITDA margin
- Margins to expand further in the coming years

Diversified into various other business applications

- Boosted inverter ACs portfolio by acquiring ILJIN and EVER in 2018
- Diversified into various electronic applications viz. auto, hearables & wearables, IT and telecom, smart metering, defence, and industrial sectors in the last 4 years having better margin profiles
- Entered into a 50:50 JV with Nexxbase in FY24 to increase footprint in these wearables & hearables sector
- Acquired 60% stake in Ascent Circuits for backward integration of PCB assemblies for diverse applications including aerospace and defence, medical, telecom, consumer electronics, and automotive sectors
- Through Ascent Circuits, signed an MOU with Korea Circuit to manufacture flexible PCBs, HDI, semiconductor substrates, and other advanced PCBs

Railway & Mobility - 4Q revenue up 9% YoY; EBIT margin 17.9%, down 689bps YoY and 179bps QoQ

- Aims to double revenue in 3 years
- Order book stands at ~ Rs 20bn
- Received orders for doors and gangways from 3 customers
- Railway segment will see robust growth in FY27 owing to planned rollout of trains (Vande Bharat, Namo Bharat, Metro etc.)
- 3k Vande Bharat coaches to be added in next 2-3 years
- Sidwal will supply 11 components with Rs 11mn worth BOM per coach
- Has approval from all large customers (Titagarh, Alstom etc.)
- Defence order book doubles to Rs 700mn; added many new products
- Sidwal's new greenfield plant is expected to commence operations by 1QFY26
- Defence applications seeing robust growth
- Expanding wallet share in existing customers through increased components offering per coach
- Started receiving orders for new product categories

Portfolio Expansion Journey

- Acquired Sidwal in 2019 to improve wallet share in HVAC sectors in railways, metros, buses, and defence
- Sidwal has a 18-20% EBITDA margin
- Expanded product range by getting into pantry, doors, and gangways, driving gears, couplers and pantographs
- JV with South Korea's Yujin has enhanced wallet share in each AC passenger coach to 18% of BOM (~Rs 11mn per coach)
- Strategic alliance with Titagarh to enter European markets and access its order book – aims to supply 20% of BOM

4Q/FY24 result highlights

- Healthy CFO (Rs 9.65bn) in FY24 on large release of WC (Rs 5bn)
- Ascent contributed for 2 months (revenue Rs 430mn, EBITDA 71mn)

Exhibit 1: Amber (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	30,026	17,020	9,271	12,948	28,055	(7)	117	67,293	69,271	(3)
Raw material costs	25,933	14,047	7,206	10,387	23,360	(10)	125	54,999	58,678	(6)
Employee costs	638	596	596	639	742	16	16	2,572	2,116	22
Other expenses	1,420	1,058	873	1,137	1,734	22	53	4,802	4,298	12
EBITDA	2,035	1,319	596	785	2,219	9	183	4,919	4,179	18
Depreciation	388	433	452	466	515	32	11	1,865	1,391	34
Finance costs	375	453	366	369	483	29	31	1,670	1,118	49
Other income	187	193	127	52	180	(4)	246	553	527	5
PBT	1,459	627	(95)	3	1,402	(4)	47,239	1,937	2,196	(12)
Tax	378	161	(38)	8	388	3	4,680	519	559	(7)
PAT (after JV share)	1,040	456	(69)	(5)	947	(9)		1,329	1,572	(15)
EPS (Rs)	30.9	13.5	(2.1)	(0.1)	28.1	(9)		39.4	46.7	(15)
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	13.6	17.5	22.3	19.8	16.7	310	(304)	18.3	15.3	298
Employee costs	2.1	3.5	6.4	4.9	2.6	52	(229)	3.8	3.1	77
Other expenses	4.7	6.2	9.4	8.8	6.2	145	(260)	7.1	6.2	93
EBITDA margin	6.8	7.8	6.4	6.1	7.9	113	185	7.3	6.0	128
Depreciation	1.3	2.5	4.9	3.6	1.8	54	(176)	2.8	2.0	76
Finance costs	1.2	2.7	3.9	2.8	1.7	47	(112)	2.5	1.6	87
Other income	0.6	1.1	1.4	0.4	0.6	2	24	0.8	0.8	6
PBT	4.9	3.7	(1.0)	0.0	5.0	14	497	2.9	3.2	(29)
Effective tax rate	25.9	25.7	40.4	274.1	27.7	177	(24,645)	26.8	25.4	134
PAT	3.6	2.7	(0.6)	(0.0)	3.6		365	2.1	2.4	(26)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Consumer Durables	24,767	13,320	5,470	9,320	21,990	(11)	136	50,100	53,810	(7)
Electronics	4,150	2,670	2,480	2,410	4,840	17	101	12,400	11,250	10
Railway Subsystems & Mobility	1,130	1,030	1,320	1,220	1,230	9	1	4,800	4,230	13
EBITDA margin (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Consumer Durables	6.5	8.0	3.8	4.9	8.1	168	320	7.0	6.1	97
Electronics	5.1	4.1	5.2	5.0	6.8	176	184	5.6	4.5	103
Railway Subsystems & Mobility	24.8	20.4	23.5	19.7	17.9	(689)	(179)	20.4	23.4	(299)

* Note: Segment EBITDA margin is as per reported numbers and not adjusted for the unallocable expenses/income

Valuation and View

AMBER is a leader in RAC manufacturing, enjoying ~30% share (20%+ share in RAC-PCBA) in the domestic market. It also commands 25%+ market share across components (except for heat exchangers) and ~40% in cross-flow fans. Since its IPO in FY18, AMBER has strengthened its backward integration in RACs, and diversified into non-consumer verticals (HVAC solutions for railways, metro, defence, bus and commercial segments). Its 25 manufacturing facilities spread across 9 states in India are strategically located close to customer locations, enabling faster turnaround. Timely capex investments have aided profitability and market-share gains in the company's respective verticals.

Product portfolio expansion for new application will drive robust outlook; backward integration and superior mix will drive margins and RoCE. We increase earnings estimates by 2-5% owing to faster growth estimates and now expect 27%/32%/74% CAGR in revenue/EBITDA/PAT over FY24-26E (FY19-24: 20%/18%/7%) with ~16% RoCE in FY26E. Management remains confident to achieve 19-21% RoCE by FY28 on the back of optimal sweating of assets (key to valuation re-rating). While we upgrade target price to Rs 4,177 (35x FY26E P/E, earlier Rs 3,989 at 35x), we maintain **HOLD** rating after ~25% rally in scrip in last 2 months.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	87,916	1,02,345	89,185	1,08,686	1	6	89,185	1,08,686	-	-	83,833	1,01,265	(6)	(7)
EBITDA	6,443	8,012	6,787	8,597	5	7	6,787	8,597	-	-	6,432	8,159	(5)	(5)
EBITDA margin (%)	7.3	7.8	7.6	7.9			7.6	7.9			7.7	8.1		
PAT	2,719	3,840	2,774	4,021	2	5	2,774	4,021	-	-	2,509	3,773	(10)	(6)
EPS	81	114	82	119			82	119			73	111		

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Company, Systematix Institutional Research

Key Risks

- Weakness in RAC demand and its components
- Failure in new segment foray
- Delays in passing on the high input prices

AMBER ENTERPRISES (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	42,064	69,271	67,293	89,185	1,08,686
Growth (%)	39	65	(3)	33	22
Raw material expenses	35,297	58,678	54,999	72,714	88,396
Gross Margin (%)	16.1	15.3	18.3	18.5	18.7
Employee & Other exp.	4,013	6,414	7,375	9,685	11,693
EBITDA	2,754	4,179	4,919	6,787	8,597
EBITDA margins (%)	6.5	6.0	7.3	7.6	7.9
Depreciation	1,079	1,391	1,865	2,179	2,347
Other income	332	527	553	596	639
Finance costs	464	1,118	1,670	1,367	1,367
PBT	1,543	2,197	1,937	3,837	5,523
Effective tax rate (%)	27.8	25.4	26.8	26.0	26.0
Associates/(Minorities)	2	3	3	3	3
Net Income	1,092	1,572	1,329	2,774	4,021
Adjusted net income	1,092	1,572	1,329	2,774	4,021
Shares outstanding	34	34	34	34	34
FDEPS (Rs)	32.4	46.7	39.4	82.3	119.3
FDEPS growth (%)	34	44	(15)	109	45

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	337	337	337	337	337
Net worth	17,342	19,088	20,644	23,417	27,438
Total debt	10,318	13,437	14,332	15,832	15,832
Minority interest	387	452	518	518	518
DT Liability/ (Asset)	954	978	1,378	1,478	1,578
Capital Employed	29,001	33,955	36,872	41,245	45,366
Net tangible assets	10,791	17,891	20,919	21,741	22,394
Net Intangible assets	4,487	4,698	7,997	7,997	7,997
Goodwill	-	-	-	-	-
CWIP	1,056	130	243	243	243
Investments (Strategic)	-	-	1,075	1,575	2,075
Investments (Financial)	2,254	1,934	1,098	2,098	3,098
Current Assets	24,882	32,186	27,686	35,737	42,931
Cash	5,626	5,594	6,913	6,955	6,998
Current Liabilities	20,095	28,478	29,060	35,101	40,371
Working capital	4,788	3,708	(1,374)	636	2,560
Capital Deployed	29,001	33,955	36,872	41,245	45,366
Contingent Liabilities	24	28	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	1,929	2,939	3,215	4,608	6,250
Non-cash items	1,079	1,391	1,865	2,179	2,347
OCF before WC changes	3,008	4,330	5,080	6,787	8,597
Incr./ (decr.) in WC	62	582	(5,032)	2,011	1,924
Others including taxes	539	542	464	955	1,394
Operating cash-flow	2,407	3,206	9,648	3,821	5,279
Capex	4,077	6,535	3,977	3,000	3,000
Free cash-flow	(1,670)	(3,329)	5,671	821	2,279
Acquisitions	120	-	-	-	-
Dividend	-	-	-	-	-
Equity raised	(0)	-	-	-	-
Debt raised	6,007	3,089	454	1,500	-
Fin Investments	3,011	(1,337)	6,786	1,500	1,500
Misc. Items (CFI + CFF)	260	851	758	779	736
Net cash-flow	1,186	246	(1,418)	42	43

Ratios @ Rs 3,700

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	114.2	79.3	93.8	44.9	31.0
EV/EBITDA (x)	46.5	31.2	26.6	19.4	15.2
EV/sales (x)	3.0	1.9	1.9	1.5	1.2
P/B (x)	7.2	6.5	6.0	5.3	4.5
RoE (%)	6.3	8.2	6.4	11.8	14.7
RoCE (%)	11.1	13.3	10.8	13.4	16.4
ROIC (%)	4.6	6.0	5.7	7.6	9.0
DPS (Rs per share)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Net debt/equity (x)	0.1	0.3	0.3	0.3	0.2
Receivables (days)	114	93	85	85	85
Inventory (days)	73	58	46	46	46
Payables (days)	148	121	118	118	118
CFO:PAT (%)	220	204	726	138	131

Source: Company, Systematix Institutional Research



TM

Avalon Technologies

India business scaling up well; US recovery delayed to FY26

COMPANY UPDATE

Sector: EMS Rating: HOLD

CMP: Rs 480 Target Price: Rs 514

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	AVALON IN
Equity shares (mn)	65.7
52-wk High/Low	697/452
Face value	Rs 2
M-Cap	Rs 32bn/ USD 379mn
3-m avg turnover	USD 0.77mn

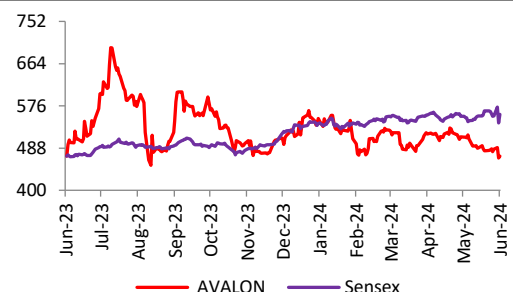
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	8,672	10,143	13,186
EBITDA	626	1,006	1,597
OPM (%)	7.2	9.9	12.1
PAT (adj.)	280	568	964
EPS (adj.) (Rs)	4.3	8.6	14.7
PE (x)	112.7	55.5	32.7
P/B (x)	4.5	4.5	4.5
EV/EBITDA (x)	50.7	31.6	20.0
RoE (%)	5.1	9.4	13.8
RoCE (%)	6.9	12.0	17.2
Net-D/E (x)	0.0	0.0	0.1

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	50.9	51.0	51.1
- Pledged			
FII	2.4	5.7	9.2
DII	22.5	17.1	16.3
Others	24.2	26.3	23.4

Stock Performance (1-year)



Avalon Technologies' (AVALON) weak US performance (FY24 loss Rs 300mn) continue to weigh on overall results. In 4Q, consol. revenue/EBITDA /PAT declined 20%/58%/69% YoY and missed our estimates by a wide margin. Gross margin came at 37.5% (up 9bps YoY and 56bps QoQ); EBITDA margin stood low at 7.9% (down 719bps YoY, up 21bps QoQ). Indian manufacturing (77% of revenue mix) recorded strong 12.7% EBITDA margin and 8.5% PAT margin. Increased focus on India business (46% of mix; aims 50%) in last 18 months helped. Inventory restocking in USA has begun after large destocking in last few quarters; a 13% QoQ rise in 4Q revenue shows initial signs of recovery. **AVALON now expects a low 14-18% revenue growth in FY25 and a strong rebound in FY26 on expectation of healthy order book accretion in 2HFY25. Despite current weakness, a guidance to double revenue in 3 years is maintained.** Order book stands at Rs 13.7bn, up 11% from Mar'23 level (executable over 14 months). Long term contracts surged 58% YoY at Rs 9.5bn (executable in 14 month to 3 years). It also expects margin improvement 2HFY25 onward on the back of cost reduction measures taken in USA. We cut our FY25E/FY26 earnings by 17%/9% on longer than anticipated recovery in USA business (now pushed to FY26 from 2QFY25 earlier). Though, guidance of 2x revenue in 3 years was maintained. On low base, we now expect 23%/60%/86% CAGR in revenue/EBITDA/PAT over FY24-26E, with ~17%/20% RoCE/RoIC in FY26E. We expect underperformance in AVALON's scrip to continue until we see some signs of recovery in the US business. Maintain HOLD with a lower target price of Rs 440 (30x FY26E P/E, earlier Rs 547 at 30x). ([concall KTAs](#))

4Q - weak US results continued to hit overall performance: Consol. revenue/EBITDA /PAT declined 20%/58%/69% YoY and missed our estimates by a wide margin. Gross margin came at 37.5% (up 9bps YoY and 56bps QoQ). EBITDA margin stood low at 7.9% (down 719bps YoY, up 21bps QoQ).

FY24 key highlights: Revenue/EBITDA/PAT declined 8%/45%/47% YoY. Gross margin came at 36.3% (down 52bps YoY); EBITDA margin stood low at 7.2% (down 472bps YoY). Box build mix stood at 50%. Elongated inventory days led to NWC days rising to 161 (144 as on Mar'23). Gross debt reduced to Rs 1.64bn (Rs 3.06bn as on Mar'23).

India business showing strength; recovery in US business now pushed to FY26: Indian manufacturing (77% revenue mix) recorded strong 12.7% EBITDA margin and 8.5% PAT margin. Increased focus on India business (46% mix; aims 50%) in last 18 months helped. Industrials, railways, and defence are key focus sectors. A Japanese customer has received approval to supply products under Kavach system. Weakness in the US business continued as it reported Rs 300mn loss in FY24; a 13% QoQ rise in revenue shows initial signs of recovery though. Inventory restocking in USA has begun after large destocking in last few quarters. AVALON now expects a low 14-18% revenue growth in FY25 and a strong rebound in FY26 on expectation of healthy order book accretion in 2HFY25. **Despite current weakness, a guidance to double revenue in 3 years is maintained.** Order book stands at Rs 13.7bn, up 11% from Mar'23 level (executable over 14 months). Long term contracts surged 58% YoY at Rs 9.5bn (executable in 14 month to 3 years). Railway, EV (2W) and Infrastructure segments will drive growth. It also expects margin improvement 2HFY25 onward on the back of cost reduction measures taken in USA. A targeted 10-15 days reduction in inventory days in 9-12 months would improve cash flows and support growth. Chennai plant for exports is set to go live by 2QFY25.

Concall key highlights (4QFY24)

Business development & Outlook

- Recovery delayed now to end of FY25 vs. 2QFY25 earlier
- FY25E revenue growth now aimed at 14-18%
- Thus, FY26 should be a strong growth year
- Retains guidance to double revenue in 3 years
- Railway, EV (2-wheeler), Infrastructure segments to drive growth
- Clean energy to be the fastest growing segment in 1-2 years
- Order book Rs 13.7bn, up 11% from March'23 level (executable over 14 months)
- Long term contracts Rs 9.5bn, up 58% YoY (executable in 14 month to 3 years)
- 13% QoQ growth in revenues from USA geography showing initial signs of recovery
- Margins in 2HFY25E to be better than 1H; FY25E much better than FY24
- Expects strong order book build up in 2HFY25, to be executed in FY26
- Clean energy customer in USA has approved products (mix of box build and PCBA); sees large supply from 2HFY25
- Inventory restocking in USA began after large destocking in last few quarters
- Expects US business to revive meaningfully from 2HFY25
- Increased focus on India business (46% mix; aims 50%) in last 18 months; Industrials, railways, defence are key focus sectors
- Its Japanese customer received approval to supply products under Kavach system
- Aims 10-15 days reduction in inventory days in 9-12 months
- Working capital reduction to release cash and be reinvested to support growth
- Capex: ~Rs 400mn annual
- Chennai plant for exports is set to go live by 2QFY25
- China+1 strategy of global customers is helping Indian companies to garner market share in global arena

4Q key highlights

- Revenue/EBITDA/PAT down 20%/58%/69% YoY (large miss)
- Gross margin 37.5%, up 9bps YoY and 56bps QoQ
- EBITDA margin 7.9%, down 719bps YoY, up 21bps QoQ

FY24 key highlights

- Revenue/EBITDA/PAT down 8%/45%/47% YoY
- Gross margin 36.3%, down 52bps YoY
- EBITDA margin 7.2%, down 472bps YoY
- Indian manufacturing (77% of revenue mix) EBITDA margin 12.7%, PAT margin 8.5%

- Losses in the USA operations (FY24 at Rs 300mn) continued
- Order book + Long term contracts up 26% YoY
- USA revenue up 13% QoQ, showing initial signs of recovery
- Absolute inventory levels decreased by 10% from Dec'23 to Mar'24
- Revenue mix (FY24): Box build (50%), USA (54%)
- Gross debt reduced to Rs 1.64bn from Rs 3.06bn as on Mar'23
- Elongated inventory days led to further increase in net working capital days to 161 from 144 as on Mar'23

Exhibit 1: Avalon (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	2,718	2,351	2,010	2,143	2,168	(20)	1	8,672	9,447	(8)
Raw material costs	1,700	1,547	1,262	1,350	1,354	(20)	0	5,523	5,968	(7)
Employee costs	427	482	455	457	451	6	(1)	1,850	1,719	8
Other expenses	180	159	166	171	191	6	12	674	633	6
EBITDA	411	162	126	165	172	(58)	4	625	1,126	(45)
Depreciation	52	53	55	60	61	18	2	229	197	16
Finance costs	95	56	32	36	39	(59)	9	164	348	(53)
Other income	38	51	47	22	28	(25)	30	149	145	2
PBT	302	105	86	91	99	(67)	10	381	727	(48)
Tax	75	34	13	25	29	(61)	16	101	202	(50)
PAT (after JV share)	227	71	73	66	71	(69)	7	280	525	(47)
EPS (Rs)	3.5	1.1	1.1	1.0	1.1	(69)	7	4.3	8.0	(47)
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	37.5	34.2	37.2	37.0	37.5	9	56	36.3	36.8	(52)
Emp cost	15.7	20.5	22.7	21.3	20.8	512	(49)	21.3	18.2	313
Other exp	6.6	6.8	8.3	8.0	8.8	216	84	7.8	6.7	107
EBITDA margin	15.1	6.9	6.3	7.7	7.9	(719)	21	7.2	11.9	(472)
Dep	1.9	2.2	2.7	2.8	2.8	91	2	2.6	2.1	56
Interest	3.5	2.4	1.6	1.7	1.8	(168)	12	1.9	3.7	(179)
Other income	1.4	2.2	2.4	1.0	1.3	(9)	29	1.7	1.5	18
PBT margin	11.1	4.4	4.3	4.2	4.6	(652)	35	4.4	7.7	(331)
Effective tax rate	24.7	32.4	15.2	27.5	29.0	423	149	26.5	27.8	(131)
PAT margin	8.4	3.0	3.6	3.1	3.3	(510)	19	3.2	5.6	(233)
Revenue (Geo-wise)							QoQ (%)			
India	-	1,058	992	1,007	932		(7)	3,989		
USA	-	1,293	1,018	1,136	1,236		9	4,683		
Orderbook	12,310	12,310	12,440	12,750	13,660					
Segment Revenues						YoY (%)	QoQ (%)			
Industrial	-	823	703	230	672	-	193	2,428		
Clean Energy	-	494	248	494	325	-	(34)	1,561		
Mobility	-	611	566	514	564	-	10	2,255		
Communication	-	212	225	474	217	-	(54)	1,127		
Medical & Others	-	212	268	431	390	-	(9)	1,301		
Revenue Mix (%)						YoY (bps)	QoQ (bps)			
Industrial	-	35	35	11	31		2,028			
Clean Energy	-	21	12	23	15		(807)			
Mobility	-	26	28	24	26		204			
Communication	-	9	11	22	10		(1,214)			
Medical & Others	-	9	13	20	18		(211)			

Source: Company, Systematix Institutional Research

Valuation and View

Avalon Technologies (AVALON) was incorporated in 1999 as a pure-play PCB assembler for ABV Electronics Inc, USA. Since then, it has transformed itself into a fully integrated EMS company with end-to-end operations in delivering box-build solutions in India, focusing on high-value precision-engineered products. Its current offerings include sheet metal fabrication, cable assembly and wire harnesses, magnetics, electromechanical assemblies, injection-molded plastics etc. It has 12 manufacturing units across India and the US (2 units). AVALON enjoys long-standing relationships (>7 years) with its key customers, and has expanded its customer base, with optimal revenue mix (FY24: US 54%, India 46%).

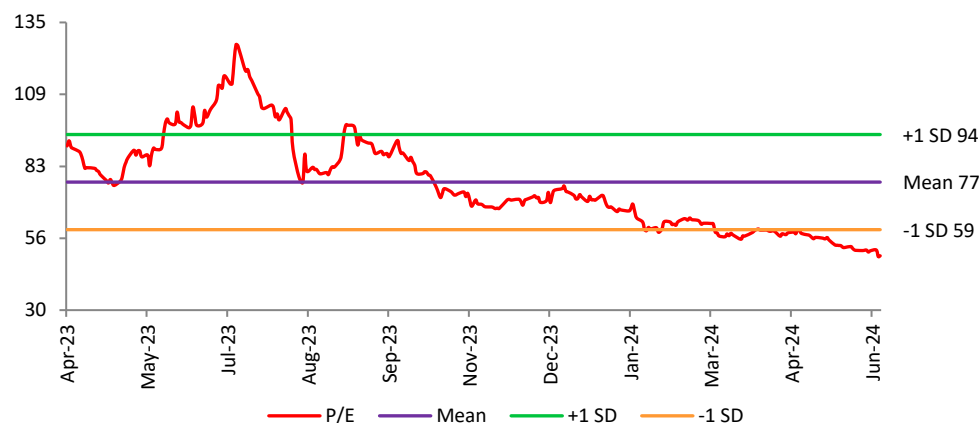
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Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	11,060	13,825	10,143	13,186	(8)	(5)	10,143	13,186	-	-	10,705	14,102	6	7
EBITDA	1,173	1,702	1,006	1,597	(14)	(6)	1,006	1,597	-	-	1,030	1,602	2	0
EBITDA margin (%)	10.6	12.3	9.9	12.1			9.9	12.1			9.6	11.4		
PAT	684	1,057	568	964	(17)	(9)	568	964	-	-	621	1,044	9	8
EPS	12	18	9	15			9	15			9	16		

Source: Systematix Institutional Research

Exhibit 3: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key Risks

- Volatility in RM or components, delay, shortage, interruption or reduction in supply
- Loss in key customer's market share

AVALON TECHNOLOGIES (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues (Rs mn)	8,407	9,447	8,672	10,143	13,186
Growth (%)	22	12	(8)	17	30
Direct costs	5,541	6,067	5,514	6,297	8,028
Gross Margin (%)	34.1	35.8	36.4	37.9	39.1
SG&A	1,890	2,252	2,533	2,840	3,561
EBITDA	975	1,128	626	1,006	1,597
EBITDA margins (%)	11.6	11.9	7.2	9.9	12.1
- Depreciation	180	197	229	264	303
Other income	109	144	148	170	150
Interest Exp	248	348	164	149	149
PBT	856	727	381	762	1,295
Effective tax rate (%)	21.2	27.8	26.5	25.5	25.5
+ Associates/(Minorities)	(43)	-	-	-	-
Net Income	632	525	280	568	964
Adjusted income	632	525	280	568	964
WANS	8	58	66	66	66
FDEPS (Rs)	10	8	4	9	15
FDEPS growth (%)	194	(17)	(47)	103	70

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	16	116	131	131	131
Net worth	872	5,370	5,473	6,041	7,006
Total debt	3,130	3,365	1,989	1,989	1,989
Minority interest	-	-	-	-	-
DT Liability/(Asset)	(164)	(130)	(165)	(125)	-85
Capital Employed	3,839	8,604	7,298	7,906	8,910
Net tangible assets	1,116	1,251	1,449	1,585	1,682
Net Intangible assets	6	24	21	21	21
Goodwill	-	-	-	-	-
CWIP	20	153	196	196	196
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	-	-	755	755	755
Current Assets	4,472	6,104	5,641	6,473	8,083
Cash	101	4,222	1,065	996	761
Current Liabilities	1,878	3,151	1,830	2,121	2,587
Working capital	2,595	2,954	3,811	4,352	5,495
Capital Deployed	3,839	8,604	7,298	7,906	8,910
Contingent Liabilities	36	78	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	907	987	522	741	1,292
+ Non-cash items	180	197	229	264	303
OCF before WC changes	1,087	1,184	751	1,005	1,596
- Incr./ (decr.) in WC	805	1,123	414	541	1,143
Others including taxes	125	194	164	153	289
Operating cash-flow	157	(132)	173	311	164
- Capex	177	274	355	400	400
Free cash-flow	(21)	(407)	(182)	(89)	(236)
Acquisitions	-	-	-	-	-
- Dividend	38	55	41	-	-
+ Equity raised	-	798	4,642	-	-
+ Debt raised	86	48	(1,683)	-	-
- Fin Investments	11	-	1,121	-	-
- Misc. Items (CFI + CFF)	252	(3,757)	5,411	(21)	(1)
Net cash-flow	(236)	4,141	(3,796)	(69)	(235)

Ratios @ Rs 480

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	49.9	60.1	112.7	55.5	32.7
EV/EBITDA (x)	35.4	27.2	50.7	31.6	20.0
EV/sales (x)	4.1	3.2	3.7	3.1	2.4
P/B (x)	4.5	4.5	4.5	4.5	4.5
RoE (%)	72.5	9.8	5.1	9.4	13.8
RoCE (%)	25.8	17.3	6.9	12.0	17.2
ROIC	27.4	26.4	8.5	13.6	19.8
DPS (Rs per share)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Net debt/equity (x)	3.5	(0.2)	0.0	0.0	0.1
Receivables (days)	77	80	79	79	79
Inventory (days)	101	123	133	125	117
Payables (days)	51	55	41	41	41
CFO:PAT (%)	25	(25)	62	55	17

Source: Company, Systematix Institutional Research



TM

Dixon Technologies

Soft 4Q; robust growth and margin outlook intact

COMPANY UPDATE

Sector: EMS **Rating:** HOLD

CMP: Rs 9,700 **Target Price:** Rs 10,107

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	DIXON IN
Equity shares (mn)	60
52-wk High/Low	9,890/3,862
Face value	Rs 2
M-Cap	Rs 580bn/ USD 6.9bn
3-m Avg volume	USD 40.2mn

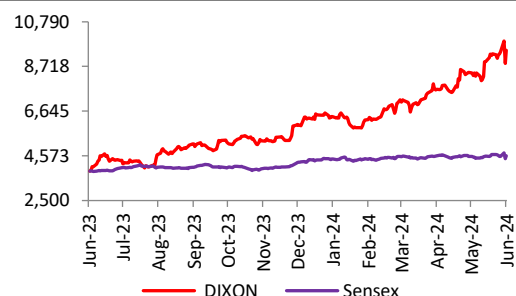
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	1,76,909	2,78,845	3,55,091
EBITDA	6,976	10,717	13,655
OPM (%)	3.9	3.8	3.8
PAT (adj.)	3,749	6,408	8,634
EPS (adj.) (Rs)	62.7	107.2	144.4
PE (x)	154.7	90.5	67.2
P/B (x)	34.2	25.0	18.3
EV/EBITDA (x)	83.1	53.7	41.5
RoE (%)	22.1	27.6	27.3
RoCE (%)	32.9	40.3	40.4
Net-D/E (x)	(0.0)	(0.1)	(0.2)

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	33.4	33.6	33.8
- Pledged			
FII	17.9	17.4	15.7
DII	27.0	26.4	27.4
Others	21.7	22.6	23.1

Stock Performance (1-year)



DIXON's revenue/EBITDA/PAT in 4Q grew 52%/17%/21% YoY, though missed our estimates by 15-20%, dragged by lower revenue in all the key segments. Outlook for FY25 remains strong, led by mobiles; EBITDA margin is expected to sustain above 4%. DIXON aims to sell ~40mn units mobiles (incl. 10mn to Samsung) in FY25E. A large global brand is likely to be onboarded in 3-4 months. New customer having better margins, backward integration and OpLev will drive segment margin. It is deepening manufacturing strength with focus on backward integration (PCB, injection moulding, etc; near finalization of a tech partner for display module). FY25 capex should be ~Rs 5bn (mobile display, PCB etc), funded via CFO. DIXON will continue to explore high growth segments with focus on RoCE. We broadly maintain FY25E earnings but increase 5% in FY26E on better growth expectations. On robust outlook, we estimate 27%/27%/34% CAGR in revenue/ EBITDA/PAT over FY24-26E with ~4% EBITDA margin and high ~24%/37% RoE/RoIC. New customer addition, strong traction in mobile and fast ramp up in new segments (telecom hardware, laptops, refrigerators, WM) would drive this growth. On rich valuation, we maintain HOLD rating with a higher Rs 8,480 target price (75x FY26E P/E; earlier Rs 7,538 at 70x). Key risk: 1. Demand slowdown in key user segments (mobile, lighting etc.), 2. Loss in key customer's market share. ([concall KTAs](#))

4Q - revenue/EBITDA/PAT up 52%/17%/21% YoY (missed estimates by 15-20%): Lower revenue in all the key segments dragged overall performance. Gross margin stood healthy at 9.4% (up 50bps QoQ, down 88bps YoY); EBITDA margin came inline at 3.9%. Other income includes Rs 100mn of forex income.

4Q segment performance: Mobile & EMS (revenue up 119% YoY; EBITDA margin 3.4%, down 79bps YoY); **Consumer Electronics** (down 9% YoY; EBITDA margin 3.3%, down 43bps YoY); **Lighting** (revenue down 27% YoY; EBITDA margin 7.2%, down 257bps YoY); **Home Appliances** (revenue up 5% YoY; EBITDA margin 10.2%, down 86bps YoY); **Security Systems** (revenue up 44% YoY; EBITDA margin 1.9%, down 100bps YoY)

FY24 key highlights: Revenue/EBITDA/PAT grew 45%/36%/47% YoY; EBITDA margin stood at 3.9% (down 26bps YoY). A -8 days WC is sustainable. A strong Rs 5.8bn CFO was used for capex (mainly in refrigerator, WM). Net cash stood at Rs 770mn. Exports clocked Rs 12.5bn revenue. PLI incentive received at Rs 170mn (vs. ~Rs 110mn in FY23).

FY24 volumes: Smartphone (6.5mn), Feature phones (38mn), Samsung (8.6mn), Semi auto WM (1.7mn), Fully auto WM (160k), LED 3mn (650k 4Q), LED bulb (94mn), batons (20mn), downlighters (2.5mn), other lights (17mn)

FY25 outlook remains strong, led by mobiles; EBITDA margin to sustain above 4%: Mobile & EMS segment will continue to lead growth; DIXON aims to sell ~40mn units (incl. 10mn to Samsung) in FY25E. It supplies to 5 out of top 6 brands; one more large global brand is likely to be onboarded in 3-4 months. New customer having better margins, backward integration and OpLev will drive segment margin. It is deepening manufacturing strength with focus on backward integration (PCB, injection moulding, etc; near finalization of a tech partner for display module having 25mn capacity in phase 1). It expects LED TV demand to revive from 2QFY25. Newly added WM capacity (5mn units) will drive home appliances revenue. In lighting, focus is on expanding B2B portfolio and backward integration. Shift to outsourcing by a large brand (from insourcing earlier) will boost volume 1QFY25 onward. Security system revenue will be driven by supplies of Airtel 5G device (from June) and strong order book from Nokia. FY25 capex should be ~Rs 5bn (mobile display, PCB etc).

Concall key highlights (4QFY24)

Outlook

- FY25 outlook – strong growth led by mobiles; EBITDA margin to sustain above 4%
- Capex in FY25 likely at ~Rs 5bn (Rs 2.4bn for mobile display, PCB manufacturing at Chennai)
- Capex to be funded through internal accruals
- Focus is now on increasing manufacturing capabilities with backward integration
- WC at negative 8 days sustainable

4QFY24 key highlights

- **Revenue/EBITDA/PAT up 52%/17%/21% YoY (missed estimates by ~17%)**
- EBITDA margin at 3.9%
- Other income includes Rs 100mn of forex income

FY24 key highlights

- Revenue/EBITDA/PAT up 45%/36%/47% YoY; EBITDA margin 3.9%
- CFO at Rs 5.8bn, used mainly for capex (mainly in refrigerator, washing machine)
- Net cash of Rs 770mn
- Export revenue: Rs 12.5bn
- PLI incentive received of Rs 170mn (vs. Rs 100-110mn in FY23)
- Volumes: Smartphone (6.5mn), Feature phones (38mn), Samsung (8.6mn), Semi automatic washing machine (1.7mn), Fully automatic washing machine (160k), LED 3mn (650k 4Q), LED bulb (94mn), batons (20mn), downlighters (2.5mn), other lights (17mn)

Mobile & EMS – 4Q revenue/EBIT up 119%/79% YoY

- **FY25E: aims to sell ~40mn units (including 10mn to Samsung)**
- 5 out of top 6 brands are key customers
- **One more large global brand likely to be added in 3-4 months**
- **EBITDA margin expected to improve** on new customer having better margins, backward integration and operating leverage benefits
- **Deepening manufacturing strength with focus on backward integration** (PCB, injection moulding, etc)
- **Near finalization of a tech partner for display module** (phase-1 capacity 25mn at Delhi NCR)
- Tablet IT hardware: Rs 2.5bn capex done; production likely from Sep'24
- Increased mobile capacity to 38mn units p.a
- Plans to set up display module (10% of BOM)
- May'24 likely to clock 2.3mn units (1.6mn existing + 0.7mn Ismartu)

- Key customers: Xiaomi volume has reached 0.3mn /month; Realme at 450k /month; supply to Kantar likely by Sep'24
- 4Q revenue: Hearables & Wearables Rs 720mn; Telecom Rs 2.28bn; IT hardware Rs 20mn

Consumer Electronics & Appliances - 4Q revenue/EBIT down 9%/19% YoY

- Expect LED TV demand to return from 2QFY25
- Vast range of LED SKUs ranging 65-100 inch
- Supply to Samsung to start from 1QFY25
- Actively exploring new industrial business

Home Appliances - 4Q revenue/EBIT up 5%/-4% YoY

- Washing Machine: started production at Dehradun having 5mn capacity; supplying to BSH, Panasonic, Lloyd
- Refrigerator: capacity 1.2mn (10% more than India requirement); supplying to Voltas and others

Lighting Products - 4Q revenue/EBIT down 27%/46% YoY

- Commands 75% market share in LED outsourcing market
- Overall market witnessed muted demand
- Focus is on professional segment (launched in 4Q) and backward integration to drive profits
- More products (ceiling etc) launch planned
- Lower volume, price erosion impacted FY24 margins
- Backward integration (plastic moulds, etc) to drive margin profile
- Shift to outsourcing by a large brand (from insourcing earlier) will boost volume
- Expects volume growth from 1QFY25

Security System - 4Q revenue/EBIT up 44%/-6% YoY

- Started a new facility at Noida
- Airtel 5G device production to start from June
- Strong order book from Nokia

Exhibit 1: Dixon (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	30,655	32,715	49,432	48,183	46,580	52	(3)	1,76,909	1,21,920	45
Raw material costs	27,519	29,558	44,691	43,918	42,223	53	(4)	1,60,390	1,10,208	46
Employee costs	630	685	953	867	822	30	(5)	3,327	2,517	32
Other expenses	943	1,154	1,799	1,554	1,710	81	10	6,217	4,069	53
EBITDA	1,563	1,319	1,989	1,844	1,825	17	(1)	6,976	5,127	36
Depreciation	325	337	364	407	510	57	25	1,619	1,146	41
Finance costs	151	140	171	222	214	41	(4)	747	606	23
Other income	18	29	7	23	167	816	619	226	56	302
PBT	1,105	870	1,461	1,238	1,267	15	2	4,836	3,431	41
Tax	315	229	352	287	322	2	12	1,189	897	33
PAT (after JV share)	806	672	1,134	971	973	21	0	3,749	2,551	47
EPS (Rs)	13.5	11.3	19.0	16.2	16.3	20	0	62.7	42.7	47
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	10.2	9.7	9.6	8.9	9.4	(88)	50	9.3	9.6	(27)
Employee costs	2.1	2.1	1.9	1.8	1.8	(29)	(3)	1.9	2.1	(18)
Other expenses	3.1	3.5	3.6	3.2	3.7	60	45	3.5	3.3	18
EBITDA margin	5.1	4.0	4.0	3.8	3.9	(118)	9	3.9	4.2	(26)
Depreciation	1.1	1.0	0.7	0.8	1.1	4	25	0.9	0.9	(3)
EBIT margin	4.0	3.0	3.3	3.0	2.8	(122)	(16)	3.0	3.3	(24)
Finance costs	0.5	0.4	0.3	0.5	0.5	(3)	(0)	0.4	0.5	(7)
Other income	0.1	0.1	0.0	0.0	0.4	30	31	0.1	0.0	8
PBT	3.6	2.7	3.0	2.6	2.7	(88)	15	2.7	2.8	(8)
Effective tax rate	28.5	26.3	24.1	23.2	25.4	(305)	227	24.6	26.1	(155)
PAT	2.6	2.0	2.2	2.0	2.0	(55)	5	2.1	2.1	(2)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Consumer Electronics	9,810	8,820	14,400	9,290	8,970	(9)	(3)	41,480	42,780	(3)
Lighting	2,700	2,220	1,810	1,870	1,970	(27)	5	7,870	10,550	(25)
Home Appliances	2,810	2,590	3,640	2,880	2,940	5	2	12,050	11,430	5
Mobile & EMS	14,100	17,950	28,190	32,140	30,910	119	(4)	1,09,190	52,240	109
Security Systems	1,240	1,140	1,400	2,000	1,790	44	(11)	6,330	4,920	29
Segment EBITDA (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Consumer Electronics	3.8	3.3	3.4	3.4	3.3	(43)	(10)	3.4	3.1	34
Lighting	9.8	8.6	6.6	7.0	7.2	(257)	20	7.5	8.6	(113)
Home Appliances	11.0	11.2	11.8	10.5	10.2	(86)	(32)	10.9	9.5	134
Mobile & EMS	4.2	3.0	3.3	3.2	3.4	(79)	16	3.3	3.2	5
Security Systems	2.9	1.8	1.4	2.6	1.9	(100)	(65)	1.9	3.0	(106)
Blended	5.1	4.0	4.0	3.8	3.9			3.9	4.2	
ODM share (%)										
Consumer Electronics	38	29	33	35	41					
Lighting Products	88	90	90	94	94					
Working capital (days)										
Inventory	27	32	29	29	29					
Debtors	48	44	38	37	45					
Creditors	77	81	72	73	82					
Cash conversion cycle	(2)	(6)	(6)	(7)	(8)					

Source: Company, Systematix Institutional Research

Valuation and View

DIXON is India's largest home-grown diversified and fully integrated EMS player. The company commenced operations in 1993 with colour TVs, and now has a wide range of product offerings in several verticals such as consumer electronics (mobile phones, CCTV, etc.), lighting products and home appliances (LED TV, washing machine, refrigeration, etc). It is also a leading ODM of lighting products, LED TVs and semi-automatic washing machines in India. Motorola, Xiaomi and Samsung are its largest customers.

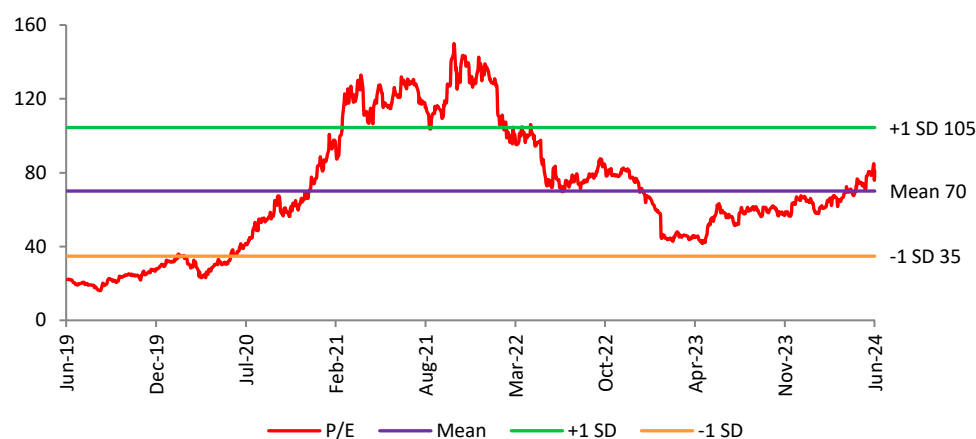
We broadly maintain FY25E earnings but increase 5% in FY26E on better growth expectations. On robust outlook, we estimate 27%/27%/34% CAGR in revenue/EBITDA/PAT over FY24-26E with ~4% EBITDA margin and high ~24%/37% RoE/RoIC. New customer addition, strong traction in mobile and other existing segments and fast ramp up in new segments (telecom hardware, laptops, refrigerators, WM) will drive this growth. On rich valuation, we maintain **HOLD** rating with a higher Rs 8,480 target price (75x FY26E P/E; earlier Rs 7,538 at 70x).

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Dixon Tech.														
Revenue	226	275	224	284	(1)	3	279	355	24	25	304	392	9	10
EBITDA	9,121	11,107	8,915	11,312	(2)	2	10,717	13,655	20	21	12,023	15,430	12	13
EBITDA margin (%)	4.0	4.0	4.0	4.0			3.8	3.8			3.9	3.9		
PAT	5,061	6,413	5,004	6,762	(1)	5	6,408	8,634	28	28	6,673	8,917	4	3
EPS	85	108	84	113			107	144			114	151		

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Company, Systematix Institutional Research

Key Risks

- Demand slowdown in key user segments (mobile, lighting, etc.)
- Loss in key customers' market share

DIXON TECHNOLOGIES (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues (Rs mn)	1,06,971	1,21,920	1,76,909	2,78,845	3,55,091
Growth (%)	66	14	45	58	27
Direct costs	97,792	1,10,207	1,60,390	2,53,085	3,22,316
Gross Margin (%)	8.6	9.6	9.3	9.2	9.2
SG&A	5,387	6,585	9,543	15,042	19,120
EBITDA	3,791	5,128	6,976	10,717	13,655
EBITDA margins (%)	3.5	4.2	3.9	3.8	3.8
- Depreciation	840	1,146	1,619	2,176	2,530
Other income	38	56	226	418	852
Interest Exp	442	606	747	495	525
PBT	2,548	3,432	4,836	8,464	11,452
Effective tax rate (%)	25.3	26.1	24.6	25.5	25.5
+ Associates/(Minorities)	2	3	3	3	3
Net Income	1,903	2,551	3,749	6,408	8,634
Adjusted income	1,903	2,551	3,749	6,408	8,634
WANS	59	60	60	60	60
FDEPS (Rs/share)	31.8	42.7	62.7	107.2	144.4
FDEPS growth (%)	19	34	47	71	35

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	119	119	120	120	120
Net worth	9,968	12,849	16,949	23,177	31,632
Total debt	4,580	1,826	1,550	1,650	1,750
Minority interest	6	(3)	276	276	276
DT Liability/(Asset)	201	224	259	271	284
Capital Employed	14,754	14,897	19,034	25,375	33,942
Net tangible assets	9,542	11,909	19,353	22,177	23,647
Net Intangible assets	494	528	650	650	650
Goodwill	-	-	-	-	-
CWIP	220	1,197	643	653	663
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	1,410	442	200	2,200	8,200
Current Assets	29,282	30,428	46,982	70,294	87,779
Cash	1,823	2,292	2,087	4,715	6,848
Current Liabilities	28,017	31,898	50,881	75,314	93,845
Working capital	1,265	(1,470)	(3,899)	(5,020)	(6,066)
Capital Deployed	14,754	14,897	19,034	25,375	33,942
Contingent Liabilities	523	505			

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	3,069	4,167	5,530	8,541	11,125
Non-cash items	840	1,146	1,619	1,619	2,530
OCF before WC changes	3,909	5,314	7,149	10,160	13,655
Incr./ (decr.) in WC	641	(2,764)	88	(1,101)	(1,025)
Others including taxes	540	820	1,218	1,466	2,785
Operating cash-flow	2,728	7,258	5,843	9,795	11,895
Capex	4,174	4,502	5,686	5,010	4,010
Free cash-flow	(1,446)	2,755	157	4,785	7,885
Acquisitions					
Dividend	59	119	179	179	179
Equity raised	642	336	469	-	-
Debt raised	3,026	(2,776)	(276)	100	100
Fin Investments	483	(926)	(363)	2,000	6,000
Misc. Items (CFI + CFF)	554	717	701	77	(327)
Net cash-flow	1,126	406	(166)	2,629	2,132

Ratios @ Rs 9,700

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	304.8	227.4	154.7	90.5	67.2
EV/EBITDA (x)	153.4	113.0	83.1	53.7	41.5
EV/sales (x)	5.4	4.8	3.3	2.1	1.6
P/B (x)	58.2	45.1	34.2	25.0	18.3
RoE (%)	19.1	19.9	22.1	27.6	27.3
RoCE (%)	25.0	27.2	32.9	40.3	40.4
ROIC	27.9	31.5	37.2	45.6	46.8
DPS (Rs per share)	2.0	3.0	5.0	3.0	3.0
Dividend yield (%)	0.0	0.0	0.1	0.0	0.0
Dividend payout (%)	6.2	7.0	8.0	2.8	2.1
Net debt/equity (x)	0.3	(0.0)	(0.0)	(0.1)	(0.2)
Receivables (days)	46	51	48	48	48
Inventory (days)	39	29	35	35	35
Payables (days)	79	73	84	84	84
CFO:PAT (%)	143	285	156	153	138

Source: Company, Systematix Institutional Research



TM

Elin Electronics

End of exclusivity with Signify, a long term positive

COMPANY UPDATE

Sector: EMS **Rating:** BUY

CMP: Rs 155 **Target Price:** Rs 182

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	ELIN IN
Equity shares (mn)	47.9
52-wk High/Low	191/131
Face value	Rs 5
M-Cap	Rs 7.4bn/ USD 89mn
3-m avg turnover	USD 0.5mn

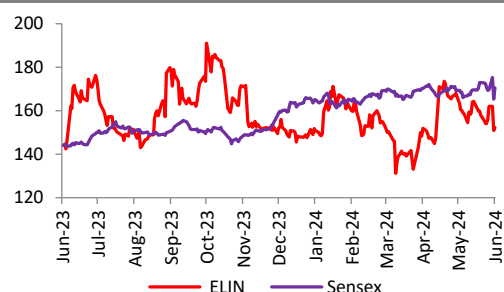
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	10,417	12,007	13,842
EBITDA	405	707	995
OPM (%)	3.9	5.9	7.2
PAT (adj.)	139	379	583
EPS (adj.) (Rs)	2.9	7.9	12.2
PE (x)	53.6	19.6	12.7
P/B (x)	1.5	1.4	1.3
EV/EBITDA (x)	16.3	9.3	6.4
RoE (%)	2.8	7.1	10.0
RoCE (%)	5.0	10.3	14.2
Net-D/E (x)	(0.2)	(0.2)	(0.2)

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	33.4	33.0	33.0
- Pledged			
FII	0.4	0.6	1.0
DII	11.9	11.9	13.7
Others	54.3	54.5	52.3

Stock Performance (1-year)



Elin Electronics' (ELIN) 4Q operating result came soft and inline (revenue up 3% YoY, EBITDA margin 4.5%). EBITDA was impacted by negative OpLev (low volume) and Rs 23mn provision for slow moving inventory. Higher depreciation (up 56% QoQ) was due to change in policy (reduced life of moulds & machineries). Net cash (Rs 828mn) and net-WC cycle (68 days) were maintained though. In Apr'24, ELIN got out of exclusivity with Signify for a certain basket of products (waiver for the balance categories expected soon). Business with Signify is continuing as usual; discussion to onboard existing OEM customers is also on. Fans revenue is expected to bounce back strongly in FY25 on robust orderbook for TPW and BLDC ceiling fans and supply to a USA customer from 3Q. ELIN aims to achieve 7.5-8% EBITDA margin at healthy plant utilization (~60% currently; peak revenue potential Rs 15bn). We broadly maintain earnings estimates and on a low base, we expect 15%/57%/105% CAGR in revenue/ EBITDA/PAT over FY24-26E. Maintain BUY with an unchanged TP of Rs 182 (15x FY26E P/E for ~14% RoCE). Strong earnings growth and better RoCE are essential for the scrip to get re-rated. ([concall KTAs](#))

4Q – a soft and inline operating performance: On low base, revenue/EBITDA/PAT increased 3%/40%/121% YoY. Gross margin (25.9%) and EBITDA margin (4.5%) witnessed ~100bps YoY uptick but remained low. Revenue growth was largely on account of better growth in motors and the non-EMS business (precision components & medical cartridges). EBITDA was impacted by negative OpLev (low volume) and Rs 23mn provision for slow moving inventory. Higher depreciation (up 56% QoQ) was due to a change in policy (reduced life of moulds & machineries). In FY24, revenue/EBITDA/PAT declined 3%/38%/48% YoY. Capacity utilization remained low (lighting ~70%, fans ~50%, appliances ~55%, motors ~65%). Despite a weak year, net cash (Rs 828mn) and net working capital cycle (68 days) were maintained. Capex in FY24 stood at Rs 200mn, mainly in facilities at Ghaziabad and Baddi.

Got out of exclusivity with Signify for a certain basket of lighting products: In Apr'24, ELIN got out of exclusivity with Signify for a certain basket of products (waiver for the balance categories expected over the next few quarters). Business with Signify is continuing as usual. ELIN is also in advanced stages of discussion with existing OEM customers to supply lighting products.

Lighting, Fans & Switches (4Q revenue down 14% YoY, up 11% QoQ): Lighting revenue (ex-flashlights) declined ~15% YoY as the industry continues to face impact of price erosion. Flashlights declined because of the decision by a key customer to move manufacturing in-house. Fans revenue came flat YoY as better offtake in the TPW fans category was offset by weakness in ceiling fans for a key customer. Fans is expected to bounce back strongly in FY25 (robust orderbook for TPW and BLDC ceiling fans, supply to a USA customer likely to start from 3Q).

Small Appliances (4Q revenue down 2% YoY, up 48% QoQ): Kitchen & home care revenue came flattish YoY as growth in mixer grinders revenue was offset by decline in revenue from irons. Capacity utilization continues to be sub optimal across categories. The personal care segment was flat. Hair dryers and straighteners saw decline in revenues whereas trimmers and heated hairbrush grew (recent product launches).

Fractional Horsepower Motors (4Q revenue up 6% YoY and QoQ): Motors of consumer durables (up 20% YoY) was primarily led by mixer grinder motors and chimney motors. A 30% YoY dip in fan motors was due to weakness in demand from a key customer (expect resolution in subsequent quarters).

Concall key highlights (4QFY24)

4Q/FY24 key highlights

- 4Q - revenue Rs 2.7bn (up 3% YoY), gross margin 25.9%, EBITDA margin 4.5%, PAT Rs 35mn
- EBITDA impacted by negative op-lev (CU of 50-65% excl. lighting) and one-off provisions of Rs 23mn due to slow-moving inventory
- Higher depreciation due to change in policy led to impact of Rs 27mn and lower PAT
- Capex in 4QFY24 of Rs 56mn – added machinery for trimmers, heated hairbrush, OFR, OTG
- FY24 - revenue down 3% at Rs 10.4bn, gross margin 26%, EBITDA margin 3.9%, PAT Rs 139mn
- FY24 CU – Lighting 65-70%, Fans 45-50%, Appliances 55%, Motors 60-65%-revenue potential of Rs 15bn from current set up

Business Development and Outlook

- **Exclusivity agreement with Signify over** for some categories and to be waived for others – no impact seen in revenue from Signify – increased demand for solar products – Aim to grow in non lamp business – in talks with existing customers
- Key customer moved manufacturing of flashlights in-house
- Order from Top 5 OEM for TPW fans; revenues to commence in 3QFY25 and ramp up in 2-3 quarters to 50,000 units per month- tooling underway
- Export order from USA for fans, to commence from 3QFY25
- Small order for BLDC ceiling fans from Top 5 OEM
- Expect strong growth in fans in FY25
- Aim 7.5-8% EBITDA margin
- Foraying into medium appliances like toaster
- Heated hairbrush, trimmer for Philips to contribute from 2QFY25
- First co in India to supply OFRs, OFR market size Rs 4bn largely met through imports currently
- OFR, OTG, Chimney development done, in talks with customers and expect revenues to commence from FY25
- Expect marginal decline of 2% in employee costs going forward
- See import substitution opportunity in chimney, personal care, OFR, etc.
- **Capex guidance:** Investing in moulds/tooling – Rs 200-250mn in capex in FY25, have land currently, building to be made

Lighting, Fans & Switches

- Price erosion continues to the tune of 3-4% per quarter
- Weakness in ceiling fans while better offtake in TPW fans leading to flat revenue in fans
- Compete with Dixon in lighting for 1 customer – wallet share gap of 200-300bps (Dixon has lamps and battons, while Elin has battons, solar lighting, etc.)
- DOB shift in downlight segment (accounts for 35% of lighting revenue) leading to decline in prices while battons continue with older technology

Fractional Horsepower Motors

- Revenue from fans motors declined and from consumer durable (mixer grinder, chimney) motors increased

Exhibit 1: Elin Electronics (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	2,687	2,538	2,733	2,367	2,778	3	17	10,417	10,754	(3)
Raw material costs	2,009	1,871	2,030	1,748	2,057	2	18	7,706	7,967	(3)
Employee costs	357	348	386	352	380	6	8	1,480	1,337	11
Other expenses	233	221	219	183	217	(7)	19	826	799	3
EBITDA	88	98	99	85	124	40	46	405	651	(38)
Depreciation	59	48	48	48	75	27	56	218	186	17
Finance costs	25	27	13	19	21	(16)	14	81	131	(38)
Other income	18	27	21	20	23	26	19	91	23	302
PBT	23	49	59	38	51	125	35	197	357	(45)
Tax	7	12	19	11	16	134	38	58	89	(35)
PAT (after JV share)	16	38	39	26	35	121	34	139	268	(48)
EPS (Rs)	0.3	0.8	0.8	0.6	0.7	121	34	2.9	5.6	(48)
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	25.2	26.3	25.7	26.2	25.9	71	(21)	26.0	25.9	11
Employee cost	13.3	13.7	14.1	14.9	13.7	40	(120)	14.2	12.4	177
Other expenses	8.7	8.7	8.0	7.7	7.8	(86)	11	7.9	7.4	50
EBITDA margin	3.3	3.9	3.6	3.6	4.5	118	88	3.9	6.1	(216)
Depreciation	2.2	1.9	1.7	2.0	2.7	51	67	2.1	1.7	37
Interest	0.9	1.1	0.5	0.8	0.8	(17)	(2)	0.8	1.2	(44)
Other income	0.7	1.1	0.8	0.8	0.8	15	1	0.9	0.2	66
PBT	0.8	1.9	2.1	1.6	1.8	99	24	1.9	3.3	(143)
Effective tax rate	29.5	23.5	33.2	30.0	30.7	115	69	29.5	24.9	458
PAT margin	0.6	1.5	1.4	1.1	1.3	68	16	1.3	2.5	(116)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Lighting, Fans, Switches	909	832	796	709	785	(14)	11	3,122	3,550	(12)
Small Appliances	700	527	690	465	687	(2)	48	2,369	2,505	(5)
FHP Motor	464	541	557	465	492	6	6	2,055	1,952	5
Other EMS	119	93	85	102	135	13	32	415	373	11
Total EMS	2,192	1,993	2,128	1,741	2,099	(4)	21	7,961	8,380	(5)
Precision Component	496	539	597	570	597	20	5	2,303	2,253	2
Medical Cartridges	-	6	8	56	82		46	152	122	25
Total Non-EMS	496	545	605	626	679	37	8	2,455	2,375	3
Segment Mix										
Lighting, Fans, Switches	34	33	29	30	28			30	33	
Small Appliances	26	21	25	20	25			23	23	
FHP Motor	17	21	20	20	18			20	18	
Other EMS	4	4	3	4	5			4	3	
Total EMS	82	79	78	74	76			76	78	
Precision Component	18	21	22	24	21			22	21	
Medical Cartridges	-	0	0	2	3			1	1	
Total Non EMS	18	21	22	26	24			24	22	

Source: Company, Systematix Institutional Research

Valuation and View

ELIN is India's leading fractional horsepower motor manufacturer and an EMS company for lighting, fans, and small/ kitchen appliances. It serves under both OEM and ODM business models and has an R&D facility at Ghaziabad. Three of its manufacturing facilities are strategically located in Ghaziabad (Uttar Pradesh), Baddi (Himachal Pradesh) and Verna (Goa). Its top 5 customers are Signify, Versuni, Philips India, Havells, and IFB; Top 10 customers account for ~75% of its revenue share.

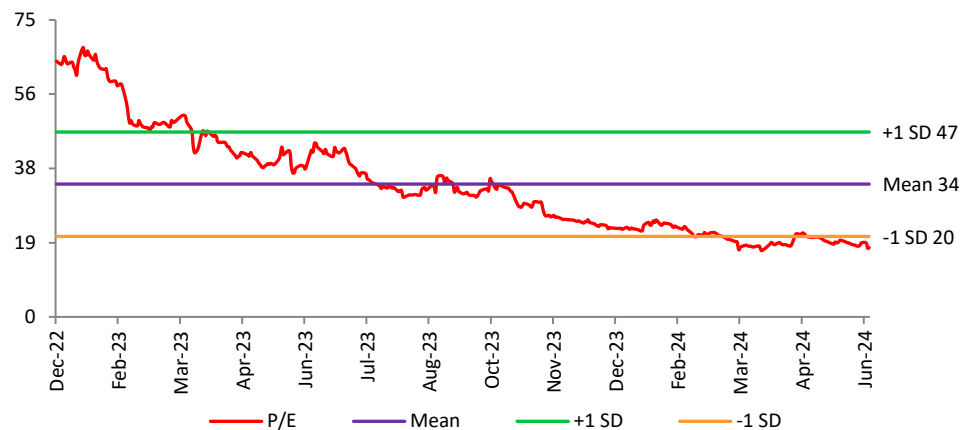
After a soft and inline operating performance in 4Q, we broadly maintain earnings estimates and expect 15%/57%/105% CAGRs in revenue/EBITDA/PAT over FY24-26E, albeit on a low base. We maintain **BUY** with an unchanged TP of Rs 182 (15x FY26E P/E for ~14% RoCE). Strong earnings growth and better ROCE are essential for the scrip to get re-rated.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	12,112	13,929	12,007	13,842	(1)	(1)	12,007	13,842	-	-	12,007	13,842	0	0
EBITDA	719	994	707	995	(2)	0	707	995	-	-	707	995	(0)	(0)
EBITDA margin (%)	5.9	7.1	5.9	7.2			5.9	7.2			5.9	7.2		
PAT	391	582	379	583	(3)	0	379	583	-	-	379	583	(0)	0
EPS	8	12	8	12			8	12			8	12		

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key Risks

- Demand slowdown in the key product categories
- Volatility in RM prices

ELIN ELECTRONICS (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	10,937	10,754	10,417	12,007	13,842
Growth (%)	27	(2)	(3)	15	15
Direct costs	8,157	7,967	7,706	8,762	10,060
Gross Margin (%)	25.4	25.9	26.0	27.0	27.3
SG&A	1,991	2,136	2,306	2,537	2,787
EBITDA	789	651	405	707	995
EBITDA margins (%)	7.2	6.1	3.9	5.9	7.2
- Depreciation	144	186	218	240	256
Other income	9	23	91	96	97
Interest Exp	127	131	81	54	54
PBT	528	357	197	509	782
Effective tax rate (%)	26.0	24.9	29.5	25.5	25.5
+ Associates/(Minorities)	-	-	-	-	-
Net Income	391	268	139	379	583
Adjusted income	391	268	139	379	583
WANS	41	48	48	48	48
FDEPS (Rs)	8	6	3	8	12
FDEPS growth (%)	12	(31)	(48)	174	54

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	204	240	240	240	240
Net worth	3,031	4,931	5,031	5,362	5,849
Total debt	1,025	784	120	140	160
Minority interest	-	-	-	-	-
DT Liability/(Asset)	92	104	112	122	132
Capital Employed	4,149	5,818	5,263	5,624	6,141
Net tangible assets	1,876	2,313	2,230	2,290	2,234
Net Intangible assets	4	11	6	6	6
Goodwill	-	-	-	-	-
CWIP	0	1	119	19	19
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	12	265	633	633	633
Current Assets	3,385	3,755	3,367	3,910	4,526
Cash	49	997	337	394	576
Current Liabilities	1,178	1,524	1,429	1,628	1,853
Working capital	2,207	2,231	1,938	2,282	2,673
Capital Deployed	4,149	5,818	5,263	5,624	6,141
Contingent Liabilities	89	144	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	118	109	2	467	739
+ Non-cash items	144	186	218	240	256
OCF before WC changes	261	295	221	707	995
- Incr./ (decr.) in WC	130	(78)	(46)	345	390
Others including taxes	(381)	(250)	(160)	121	190
Operating cash-flow	513	623	427	242	415
- Capex	424	508	246	200	200
Free cash-flow	89	116	181	42	215
Acquisitions	-	-	-	-	-
- Dividend	-	41	48	48	96
+ Equity raised	136	1,724	-	-	-
+ Debt raised	(114)	(245)	(664)	20	20
- Fin Investments	(130)	1,471	(555)	-	-
- Misc. Items (CFI + CFF)	247	119	27	(43)	(44)
Net cash-flow	(7)	(36)	(2)	57	183

Ratios @ Rs 155

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	19.0	27.7	53.6	19.6	12.7
EV/EBITDA (x)	10.6	10.7	16.3	9.3	6.4
EV/sales (x)	0.8	0.6	0.6	0.5	0.5
P/B (x)	2.5	1.5	1.5	1.4	1.3
RoE (%)	12.9	5.4	2.8	7.1	10.0
RoCE (%)	16.4	9.8	5.0	10.3	14.2
ROIC	16.9	10.9	5.2	11.5	16.2
DPS (Rs per share)	1.0	1.0	-	1.0	2.0
Dividend yield (%)	0.6	0.6	-	0.6	1.3
Dividend payout (%)	12.3	17.9	-	12.6	16.5
Net debt/equity (x)	0.3	(0.1)	(0.2)	(0.2)	(0.2)
Receivables (days)	59	67	70	70	70
Inventory (days)	40	42	39	39	39
Payables (days)	33	43	41	41	41
CFO:PAT (%)	131	233	308	64	71

Source: Company, Systematix Institutional Research



TM

Kaynes Technology

Strong 4Q and FY25 guidance led to large earnings upgrade and re-rating

COMPANY UPDATE

Sector: EMS **Rating:** HOLD
CMP: Rs 3,100 **Target Price:** Rs 3,381

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	KAYNES IN
Equity shares (mn)	63.9
52-wk High/Low	3,514/1422
Face value	Rs 10
M-Cap	Rs 198bn/ USD 2.4bn
3-m Avg volume	USD 8.9mn

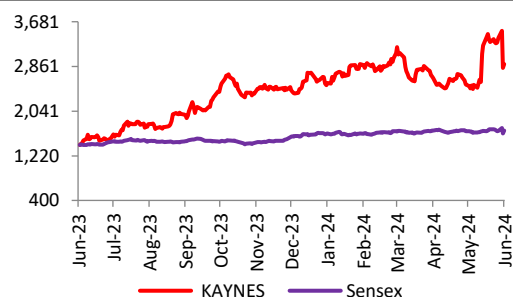
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	18,046	27,069	39,190
EBITDA	2,542	4,029	5,872
OPM (%)	14.1	14.9	15.0
PAT (adj.)	1,834	2,461	3,088
EPS (adj.) (Rs)	28.7	38.5	48.3
PE (x)	108.0	80.5	64.2
P/B (x)	8.0	7.3	6.5
EV/EBITDA (x)	73.2	48.8	35.4
RoE (%)	7.4	9.0	10.2
RoCE (%)	14.4	12.1	13.3
Net-D/E (x)	(0.5)	(0.1)	0.3

Shareholding Pattern (%)

	Mar'24	Sep'23	Jun'23
Promoter	57.8	63.6	63.6
- Pledged			
FII	14.2	9.9	8.0
DII	18.4	15.6	13.1
Others	9.6	10.9	15.4

Stock Performance (1-year)



Kaynes Technology's (KAYNES) large 4Q PAT (up 97% YoY) beat was drive by strong revenue (up 75% YoY), EBITDA margin (14.9%, up 122bps QoQ) and other income (294mn, ~2x QoQ). Revenue growth was led by Industrial & EV and Aerospace, Outer-space & Strategic Electronics and Railways. WC cycle reduced to 83 days in FY24 from 99 days in FY23 and generated healthy cash flows. On the current strong order book position (Rs 41.2bn, 2.3x FY24 revenue executable over next 15 months), KAYNES has given a robust guidance for FY25 (60% revenue growth, ~15% EBITDA margin, 10%+ PAT margin). The company expects to sign a large contract with an MNC in the Medical Equipment segment. Healthy CFO (aims 60% of EBITDA) will take care of the regular capex. Approval for its OSAT business is expected soon after the election and is expected to contribute meaningfully to KAYNES's financials in the next 3 years. On strong orderbook and guidance, we upgrade our earnings estimates by 30-40% and now expect 44%/48%/26% CAGR in revenue/EBITDA/PAT over FY24-26E (FY20-24: 49%/57%/110%), driven by all the verticals, with ~15% EBITDA margin. We remain constructive on robust prospects of KAYNES. However, after a ~25% rally in scrip in last one week, we maintain HOLD rating with a revised TP of Rs 3,407 (75x FY26E P/E, earlier Rs 2,713 at 70x). Strong growth and optionality of new business foray (OSAT, PCB manufacturing, etc.) will keep investors' interest high in KAYNES. ([concall KTAs](#))

4Q large PAT (up 97% YoY) beat was drive by strong revenue (up 75% YoY), EBITDA margin (14.9%, up 122bps QoQ) and other income (294mn, 2x QoQ): Revenue growth was led by Industrial & EV and Aerospace, Outer-space & Strategic Electronics and Railways. WC cycle reduced to 83 days in FY24 from 99 days in FY23.

FY24 revenue mix: India (90%), Box Build (42%), PCBA (55%), Industrial & EV (48%), Auto (29%)

Strong guidance for FY25 (60% revenue growth, ~15% EBITDA margin, 10%+ PAT margin): KAYNES average order inflow /month went up to Rs 3.2bn in 4Q vs. Rs 2.8bn in 3Q. Current strong order book position (Rs 41.2bn, 2.3x FY24 revenue executable over next 15 months) supports a strong 60% revenue growth guidance for FY25. The company expects to sign a large contract with an MNC in the Medical Equipment segment. Entry into new segments should also aid growth. Order book mix is similar to FY24 revenue mix. While gross margins vary across segments, EBIT margins are broadly similar due to different ATOs. The company is also getting longer period orders with entry into segments such as railways, aerospace, servers, etc. Reduction in gross margin was a function of segment and product mix which is expected to revive in FY25. ETR will stay similar to FY24 level (~21%). Healthy CFO (aims 60% of EBITDA) will take care of the regular capex.

Semiconductor foray provides vast potential for a decade: KAYNES has signed MoUs with state governments of Karnataka and Telangana to set manufacturing facilities for OSAT and PCB manufacturing. It expects to receive approval for its OSAT business soon after the formation of the new government in June. OSAT business is expected to contribute meaningfully to the company's financials in next 3 years. In PCB manufacturing, focus will be on multi layered products (40% mix). KAYNES has already signed MoUs with 3 customers. Semicon business enjoys an 18-20% EBITDA margin. India's semicon drive will create few large Indian companies of global scale.

Concall key highlights (4QFY24)

Business development & Outlook

- **Strong guidance for FY25 (60% revenue growth, ~15% EBITDA margin, 10%+ PAT margin)**
- **Order book (Rs 41.2bn, executed over 15 months) with mix similar to revenue mix**
- Now getting longer period orders also
- Reduction in gross margin was a function of segment and product mix which should revive in FY25
- Tax benefit at Chamarajanagar for lifetime; expects ETR same as of FY24 level of ~21%
- **Expects to sign a large contract with an MNC in the Medical Equipment segment**
- New segments should also aid growth
- EBIT margins are broadly similar across verticals
- Healthy CFO (aims 60% of EBITDA) will take care of the regular capex
- OSAT - expect to receive govt. approval soon after formation of new govt.
- OSAT business to contribute meaningfully in next 3 years

4Q/FY24 key highlights

- 4QFY24 large PAT beat was driven by strong revenue (up 75% YoY), EBITDA margin (14.9%, up 122bps QoQ) and Other Income (294mn, 2x QoQ)
- Orderbook surged to Rs 41.2bn in 4Q vs. Rs 37.9bn in 3Q – providing strong growth visibility
- Average order inflow per month up to Rs 3.2bn in 4Q vs. Rs 2.8bn in 3Q
- Revenue growth was led by Industrial & EV and Aerospace, Outer-space & Strategic Electronics and Railways
- WC cycle reduced to 83 days in FY24 from 99 days in FY23
- FY24 mix: India (90%), Box Build (42%), PCBA (55%), Industrial & EV (48%), Auto (29%)

Exhibit 1: Kaynes (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	3,646	2,972	3,608	5,093	6,373	75	25	18,046	11,261	60
Raw material costs	2,453	2,057	2,602	3,854	4,786	95	24	13,299	7,801	70
Employee costs	217	236	223	249	320	48	29	1,028	771	33
Other expenses	382	276	295	292	314	(18)	8	1,178	1,006	17
EBITDA	594	403	488	699	952	60	36	2,542	1,683	51
Depreciation	48	53	65	60	74	52	24	251	187	34
Finance costs	81	113	118	148	153	89	3	533	349	52
Other income	74	81	90	94	294	300	212	559	114	391
PBT	537	319	394	585	1,019	90	74	2,317	1,260	84
Tax	124	72	71	133	207	66	55	483	308	57
PAT (after JV)	413	246	323	452	813	97	80	1,834	952	93
EPS (Rs)	7.1	4.2	5.6	7.1	12.7	79	80	28.7	14.9	93
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	32.7	30.8	27.9	24.3	24.9	(782)	57	26.3	30.7	(442)
Emp cost	5.9	7.9	6.2	4.9	5.0	(93)	14	5.7	6.8	(115)
Other exp	10.5	9.3	8.2	5.7	4.9	(556)	(79)	6.5	8.9	(241)
EBITDA margin	16.3	13.5	13.5	13.7	14.9	(134)	122	14.1	14.9	(86)
Dep	1.3	1.8	1.8	1.2	1.2	(17)	(1)	1.4	1.7	(27)
EBIT margin	15.0	11.8	11.7	12.5	13.8	(116)	124	12.7	13.3	(59)
Interest	2.2	3.8	3.3	2.9	2.4	18	(51)	3.0	3.1	(15)
Other income	2.0	2.7	2.5	1.9	4.6	260	277	3.1	1.0	209
PBT margin	14.7	10.7	10.9	11.5	16.0	126	451	12.8	11.2	165
Effective tax rate	23.2	22.6	18.0	22.7	20.3	(288)	(245)	20.8	24.5	(363)
PAT margin	11.3	8.3	9.0	8.9	12.8	143	388	10.2	8.5	171
Vertical-wise Revenues						YoY (%)	QoQ (%)			YoY (%)
Automotive	1,354	951	1,221	1,447	1,470	9	2	5,089	4,279	19
Industrial	912	1,070	1,365	2,702	3,490	283	29	8,626	3,040	184
Aero/Def/Outer-space/Nuclear	109	89	108	36	308	181	754	541	225	140
Medical	184	149	115	87	191	4	120	541	676	(20)
Railways	498	327	529	429	701	41	64	1,985	1,351	47
IoT / IT, Cons and Others	588	386	272	393	213	(64)	(46)	1,263	1,689	(25)
Segment-wise Revenue Mix (%)										
OEM- Box Build	36	34	45	38	47			42	30	
OEM-PCBA	58	57	52	59	53			55	62	
ODM	1	5	0	1	(1)			1	3	
Product Engg. and IoT solns	5	4	3	2	0			2	5	
Orderbook (Rs mn)	26,482	30,004	34,618	37,890	41,152			37,890	25,580	

Source: Company, Systematix Institutional Research

Valuation and View

KAYNES is an end-to-end and IoT solutions-enabled integrated electronics manufacturer in India, having capabilities across the entire spectrum of ESDM services. The company has over three decades of experience in providing Conceptual Design, Process Engineering, Integrated Manufacturing and Life Cycle Support for its major customers. The company has 8 manufacturing facilities for high-value products with variable or flexible volumes. Exports contribute 15% to revenue from 350+ customers in 26 countries, including marquee MNC names. It enjoys long standing relationships (>10 years) with its top 10 customers across verticals.

We upgrade our earnings estimates by 30-40% after a strong guidance given by the management after 4Q. We now expect 44%/48%/26% CAGR in revenue/EBITDA/PAT over FY24-26E (FY20-24: 49%/57%/110%), driven by all the verticals, with ~15% EBITDA margin.

KAYNES strong order book position (Rs 41.2bn, 2.3x FY24 revenue) supports 60% strong guidance for FY25. We remain constructive on robust prospects of KAYNES. After ~25% rally in scrip in last one week, we maintain **HOLD** rating with a revised TP of Rs 3,407 (75x FY26E P/E, earlier Rs 2,713 at 70x). Strong growth and optionality of new business foray (OSAT, PCB manufacturing, etc.) will keep investors interest high in KAYNES.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	22,030	29,538	27,069	37,190	23	26	27,069	39,190	-	5	27,980	40,192	3	3
EBITDA	3,156	4,350	4,029	5,573	28	28	4,029	5,872	-	5	4,073	5,947	1	1
EBITDA margin (%)	14.3	14.7	14.9	15.0			14.9	15.0			14.6	14.8		
PAT	1,780	2,253	2,461	2,904	38	29	2,461	3,088	-	6	2,794	3,944	14	28
EPS	31	39	34	45			40	58			44	62		

Source: Systematix Institutional Research

Exhibit 3: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key Risks

- Demand slowdown in the key user segments (automotive, industrial etc.)
- Loss in key customer's market share
- Failure in new business foray

KAYNES TECHNOLOGY (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	7,062	11,261	18,046	27,069	39,190
Growth (%)	68	59	60	50	45
Direct costs	4,894	7,801	13,299	19,462	27,941
Gross Margin (%)	30.7	30.7	26.3	28.1	28.7
SG&A	1,231	1,777	2,205	3,578	5,377
EBITDA	937	1,683	2,542	4,029	5,872
EBITDA margins (%)	13.3	14.9	14.1	14.9	15.0
- Depreciation	132	187	251	704	1,176
Other income	41	114	559	239	128
Interest Exp	256	349	533	306	736
PBT	590	1,260	2,317	3,259	4,090
Effective tax rate (%)	29.4	24.5	20.8	24.5	24.5
+ Associates/(Minorities)	-	-	-	-	-
Net Income	417	952	1,834	2,461	3,088
Adjusted income	417	952	1,834	2,461	3,088
WANS	46	58	64	64	64
FDEPS (Rs)	7	15	29	38	48
FDEPS growth (%)	344	128	93	34	25

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	462	581	639	639	639
Net worth	2,026	9,590	24,869	27,330	30,417
Total debt	1,891	1,547	3,225	3,425	11,425
Minority interest	11	13	16	16	16
DT Liability/(Asset)	68	77	102	99	96
Capital Employed	3,996	11,228	28,212	30,870	41,955
Net tangible assets	820	1,073	2,857	14,153	24,977
Net Intangible assets	329	403	469	469	469
Goodwill	23	23	152	152	152
CWIP	44	112	766	766	766
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	15	33	1,318	1,318	1,318
Current Assets	4,776	7,678	11,836	16,694	22,773
Cash	216	4,860	15,256	3,626	295
Current Liabilities	2,229	2,953	4,440	6,307	8,794
Working capital	2,548	4,725	7,396	10,387	13,979
Capital Deployed	3,996	11,228	28,212	30,870	41,955
Contingent Liabilities	993	1,255	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	844	1,525	2,465	3,325	4,697
+ Non-cash items	132	187	251	704	1,176
OCF before WC changes	976	1,713	2,717	4,029	5,872
- Incr./(decr.) in WC	743	1,626	1,534	2,992	3,591
Others including taxes	22	503	481	801	1,005
Operating cash-flow	211	(416)	701	236	1,276
- Capex	422	581	3,826	12,000	12,000
Free cash-flow	(211)	(997)	(3,125)	(11,764)	(10,724)
Acquisitions	-	-	-	-	-
- Dividend	-	-	-	-	-
+ Equity raised	4	6,600	13,436	-	-
+ Debt raised	301	(336)	1,702	200	8,000
- Fin Investments	33	4,453	10,461	-	-
- Misc. Items (CFI + CFF)	22	622	1,617	66	607
Net cash-flow	38	191	(65)	(11,630)	(3,331)

Ratios @ Rs 3,100

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	475.5	208.1	108.0	80.5	64.2
EV/EBITDA (x)	213.3	115.8	73.2	48.8	35.4
EV/sales (x)	28.3	17.3	10.3	7.3	5.3
P/B (x)	97.8	20.7	8.0	7.3	6.5
RoE (%)	20.6	9.9	7.4	9.0	10.2
RoCE (%)	24.4	21.1	14.4	12.1	13.3
ROIC	25.2	31.7	29.5	18.3	14.5
DPS (Rs per share)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-
Net debt/equity (x)	0.8	(0.3)	(0.5)	(0.1)	0.3
Receivables (days)	102	74	72	72	72
Inventory (days)	117	134	111	106	101
Payables (days)	85	72	73	73	73
CFO:PAT (%)	51	(44)	38	10	41

Source: Company, Systematix Institutional Research



TM

PG Electroplast

Robust guidance to drive earnings upgrade and valuation re-rating

COMPANY UPDATE

Sector: EMS Rating: BUY

CMP: Rs 2,600 Target Price: Rs 2,952

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	PGEL IN
Equity shares (mn)	26.0
52-wk High/Low	2,731 /1,460
Face value	Rs 10
M-Cap	Rs 68bn/ USD 813mn
3-m Avg volume	USD 3.8mn

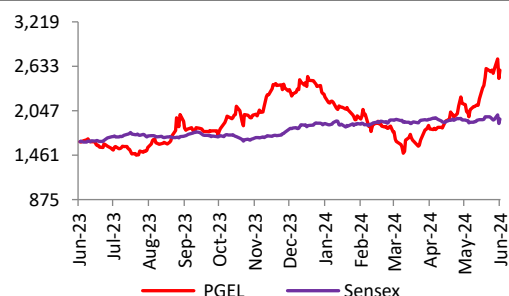
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	27,465	32,843	39,405
EBITDA	2,618	2,966	3,559
OPM (%)	9.5	9.0	9.0
PAT (adj.)	1,349	1,763	2,238
EPS (Rs)	51.8	67.8	86.0
PE (x)	50.1	38.4	30.2
P/B (x)	6.5	5.6	4.8
EV/EBITDA (x)	26.5	23.6	19.7
RoE (%)	13.0	14.6	15.8
RoCE (%)	19.0	16.4	17.7
Net-D/E (x)	0.2	0.2	0.2

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	53.6	53.6	53.6
- Pledged			
FII	10.8	10.8	9.0
DII	12.4	12.4	12.8
Others	23.3	23.3	24.6

Stock Performance (1-year)



PG Electroplast's (PGEL) strong 4Q (revenue/EBITDA/PAT up 30%/54%/78% YoY) was driven by healthy rise in revenue of Product business (up 25%, 72% mix) and Consumer electronics (5x, 14% mix) and, 167bps YoY uptick in EBITDA margin at 10.8%. Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn, despite capex (Rs 2.25bn; commissioned Bhiwadi AC unit, acquisition of NGM), on healthy CFO (Rs 1.86bn) and QIP proceeds. PGEL has given a strong guidance for FY25. It expects Rs 34bn revenue (up 24% YoY, driven by 44% surge in Product business to Rs 24bn). Low channel inventory of RAC and robust order book should aid. Net profit is aimed at Rs 2bn (up 46% YoY). A ~Rs 3.8bn capex will be on 2 new greenfield facilities in North India (Rajasthan, Noida) and on further expansion of Supa facilities. TV business (~2% margin) will shift to new 50% JV Goodworth Electronics in FY25. A greater mix of high margin (10%+) Product business will aid overall margin. We raise our earnings estimates by 16-18% owing to share of profit from the JV and now expect 20%/17%/29% CAGR in revenue/EBITDA/PAT over FY24-26E. The recent Rs 5bn QIP will limit RoCE to ~18% in FY26E with scope of improvement. Maintain BUY with a higher target price of Rs 2,952 (34x FY26E P/E, earlier Rs 2,360). Healthy earnings growth and RoCE expansion will drive further valuation re-rating. ([concall KTAs](#))

4Q - inline revenue (up 30% YoY), strong 10.8% EBITDA margin drove 20% earnings beat; 10 for 1 stock split: Revenue/EBITDA/PAT grew 30%/54%/78% YoY driven by healthy rise in revenue of Product business (up 25%, 72% mix) and Consumer electronics (5x, 14% mix) and 167bps YoY expansion in EBITDA margin at 10.8%.

FY24 key highlights: Revenue/EBITDA/PAT grew 27%/49%/77% YoY driven by strong revenue in Product business (up 24% led by 26% rise in RAC, ~62% mix) and Consumer electronics (up 132%). EBITDA margin expanded 138bps YoY at 9.5% driven by better gross margin and operating leverage. Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn, despite capex (Rs 2.25bn; commissioned Bhiwadi AC unit, acquisition of NGM), on healthy CFO (Rs 1.86bn) and QIP proceeds.

Strong guidance for FY25: PGEL has guided for 24% YoY growth in its revenue to Rs 34bn, led by 44% surge in Product business (RAC, WM, Coolers) to Rs 24bn on low channel inventory and robust order book. Net profit is aimed at Rs 2bn (up 46% YoY). It will spend ~Rs 3.8bn in capex on 2 new greenfield facilities in North India (Rajasthan, Noida) and to expand Supa facilities further. TV business (~2% margin) will shift to new 50% JV Goodworth Electronics in FY25. A greater mix of high margin (10%+) Product business will aid overall margin. PGEL works on a fixed absolute margin per AC. Thus, any change in product price will impact % margin.

JV with Jaina Group to boost LED TV business: PGEL aims Rs 6bn revenue in FY25E from the JV, Goodworth Electronics, by selling 700k+ TV units (FY24: 350k). Jaina Group will help in better RM sourcing, attract many brands and is among three Google ODM licensees. Jaina has the option to convert 1/3rd stake to PGEL's equity.

Incentives inflow: In FY24, PGEL received Rs 150mn PLI + Rs 47mn state incentives for earlier period. In FY25E, it expects ~Rs 350mn state + Rs 300mn PLI incentives. It books incentives as part of operating revenue.

Concall key highlights (4QFY24)

Corporate Action

- 10 for 1 stock split

Strong guidance for FY25

- PGEL guides revenue of Rs 34bn, up 24% YoY
- Product business to grow 44% to Rs 24bn (including washing machine, RAC, Air Coolers) on robust order book
- **RAC channel inventory at low level** hence will boost primary sales in FY25
- Net profit guidance of Rs 2bn, up 46% YoY
- **Capex of ~Rs 3.8bn** on 2 new greenfield facilities in North India and to further expand Supa facilities
- Product business will continue to drive PG's growth (70%+ mix)
- **Margin profile:** Product business 10%+, Plastic Moulding 7.5%, Electronics 2%
- **Margin will improve** on greater mix of Product business
- **Business model:** works on fixed amount per AC rather than on % margin

Jaina JV (Goodworth Electronics)

- FY25E revenue guidance at Rs 6bn, taking group revenues to Rs 40bn, up 46% YoY
- Jaina JV will help in better raw material sourcing. It is among three Google ODM licensees, and will help attract many brands
- Jaina has the option to convert 1/3rd stake in JV into PG's equity at the same P/E valuation
- Aims 700k+ TVs unit sales in FY25 from 350k unit in FY24

Incentives outflow

- FY24: received Rs 150mn PLI + Rs 47mn state incentives for earlier period
- FY25E: expects Rs 350-400mn state incentives + Rs 300mn PLI
- Incentives are accounted as part of operating revenue

4Q and FY24 key highlights

- 4Q: Inline revenue (up 30% YoY); strong 10.8% EBITDA margin drove 20% earnings beat
- FY24: Revenue up 27% YoY despite the ASPs falling sharply across product categories
- RAC revenue at Rs 13.17bn, up 26% YoY
- Washing Machines revenue grew 20% YoY
- **Margins improved due to** cost control, softer commodity prices and operating leverage
- **Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn**, despite Capex and acquisition of NGM, on healthy CFO (Rs 1.86bn) and QIP proceeds
- FY24 capex: Rs 2.25bn; commissioned Bhiwadi AC unit during the year

Exhibit 1: PG Electroplast (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	8,282	6,776	4,604	5,319	10,766	30	102	27,465	21,599	27
Raw material costs	6,820	5,551	3,653	4,238	8,621	26	103	22,063	17,645	25
Employee costs	406	356	362	395	550	36	39	1,663	1,229	35
Other expenses	299	211	214	266	430	44	62	1,122	965	16
EBITDA	757	658	376	420	1,165	54	178	2,618	1,760	49
Depreciation	105	107	111	113	136	30	20	466	350	33
Finance costs	176	140	122	97	158	(10)	62	517	479	8
Other income	12	13	33	50	34	190	(33)	130	44	197
PBT	489	424	176	260	905	85	248	1,765	976	81
Tax	87	86	52	68	189	118	180	395	201	97
PAT (after JV share)	402	338	124	192	716	78	272	1,370	775	77
EPS (Rs)	15.4	13.0	4.8	7.4	26.7	73	263	51.8	29.8	74
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	17.7	18.1	20.7	20.3	19.9	227	(39)	19.7	18.3	136
Employee costs	4.9	5.3	7.9	7.4	5.1	21	(231)	6.1	5.7	37
Other expenses	3.6	3.1	4.6	5.0	4.0	39	(101)	4.1	4.5	(39)
EBITDA margin	9.1	9.7	8.2	7.9	10.8	167	293	9.5	8.2	138
Depreciation	1.3	1.6	2.4	2.1	1.3	(0)	(86)	1.7	1.6	8
Finance costs	2.1	2.1	2.7	1.8	1.5	(66)	(37)	1.9	2.2	(34)
Other income	0.1	0.2	0.7	0.9	0.3	17	(63)	0.5	0.2	27
PBT	5.9	6.3	3.8	4.9	8.4	251	352	6.4	4.5	191
Effective tax rate	17.8	20.2	29.6	26.0	20.9	313	(507)	22.4	20.6	180
PAT	4.8	5.0	2.7	3.6	6.6	180	303	5.0	3.6	140
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Product Business	6,195	4,420	1,748	2,754	7,758	25	182	16,680	13,469	24
Plastic Moulding	1,746	1,850	2,087	1,517	1,486	(15)	(2)	6,940	6,420	8
Consumer electronics	240	490	749	1,031	1,460	508	42	3,730	1,609	132
Mould Manufacturing	101	20	20	17	62	(39)	259	119	101	18
Segment Rev Mix (%)										
Product Business	75	65	38	52	72			61	62	
Plastic Moulding	21	27	45	29	14			25	30	
Consumer electronics	4	7	16	19	14			14	7	
Mould Manufacturing	0	0	0	0	1			0	0	

Source: Company, Systematix Institutional Research

Valuation and View

PGEL specialises in ODM, OEM and Plastic Injection Moulding, catering to 50+ leading Indian and global brands. The flagship company of PG Group (established in 1977), PGEL, was formally set up in 2003. It has 8 manufacturing units across Greater Noida in Uttar Pradesh, Roorkee in Uttarakhand and Ahmednagar in Maharashtra, with more than 3,500 employees. The company is pursuing an organic growth strategy by ramping up the existing capacity and capability in each of its product vertical, with focus on backward integration, value addition and economies of scale. Product business contributed ~62% to its FY24 total revenue.

PGEL has shifted its TV manufacturing to the JV company, Goodworth Electronics. We raise our earnings estimates by 16-18% owing to share of profit from the JV and now expect 20%/17%/29% CAGR in revenue/EBITDA/PAT over FY24-26E. The recent Rs 5bn QIP will limit RoCE to ~18% in FY26E with scope of improvement. Maintain BUY with a higher target price of Rs 2,952 (34x FY26E P/E, earlier Rs 2,360). Healthy earnings growth and RoCE expansion will drive further valuation re-rating.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	33,984	41,888	32,843	39,405	(3)	(6)	32,843	39,405	-	-	34,149	40,859	4	4
EBITDA	2,878	3,555	2,966	3,559	3	0	2,966	3,559	-	-	2,986	3,533	1	(1)
EBITDA margin (%)	8.5	8.5	9.0	9.0			9.0	9.0			8.7	8.6		
PAT	1,490	1,927	1,763	2,238	18	16	1,763	2,238	-	-	1,912	2,349	8	5

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key Risks

- Weakness in RAC demand and its components
- Delays in passing on the high input prices

PG ELECTROPLAST (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	11,116	21,599	27,465	32,843	39,405
Growth (%)	58	94	27	20	20
Raw material expenses	8,840	17,645	22,063	26,514	31,812
Gross Margin (%)	20.5	18.3	19.7	19.3	19.3
Employee & Other exp.	1,386	2,194	2,784	3,362	4,034
EBITDA	890	1,760	2,618	2,966	3,559
EBITDA margins (%)	8.0	8.2	9.5	9.0	9.0
Depreciation	221	350	466	568	630
Other income	43	44	130	82	79
Finance costs	231	479	517	358	347
PBT	491	975	1,765	2,123	2,660
Effective tax rate (%)	23.7	20.6	22.4	24.0	24.0
Associates/(Minorities)	-	-	(21)	150	216
Net Income	374	775	1,349	1,763	2,238
Adjusted net income	374	775	1,349	1,763	2,238
Shares outstanding	21	23	26	26	26
FDEPS (Rs)	14.4	29.8	51.8	67.8	86.0
FDEPS growth (%)	222	107	74	31	27

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	212	227	260	260	260
Net worth	3,123	3,959	10,381	12,066	14,199
Total debt	3,839	5,425	3,606	3,506	3,406
Minority interest	-	-	-	-	-
DT Liability/ (Asset)	166	366	339	359	379
Capital Employed	7,127	9,751	14,326	15,931	17,984
Net tangible assets	4,403	5,766	7,813	8,445	9,015
Net Intangible assets	7	12	34	34	34
Goodwill	-	-	-	-	-
CWIP	49	20	632	632	632
Investments (Strategic)	7	22	55	75	95
Investments (Financial)	-	-	-	-	-
Current Assets	5,828	8,866	12,721	15,073	17,898
Cash	392	396	1,824	1,203	1,080
Current Liabilities	3,558	5,331	8,754	9,532	10,769
Working capital	2,270	3,535	3,967	5,541	7,129
Capital Deployed	7,127	9,751	14,326	15,931	17,984
Contingent Liabilities	1,815	6,165	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	766	1,482	2,350	2,554	3,150
Non-cash items	221	350	466	568	630
OCF before WC changes	987	1,832	2,816	3,122	3,781
Incr./ (decr.) in WC	1,506	1,640	451	1,574	1,588
Others including taxes	275	(266)	501	495	624
Operating cash-flow	(794)	457	1,863	1,053	1,569
Capex	1,513	1,542	2,258	1,200	1,200
Free cash-flow	(2,307)	(1,084)	(395)	(147)	369
Acquisitions	-	-	-	-	-
Dividend	-	-	-	78	104
Equity raised	441	33	4,918	(0)	-
Debt raised	7	742	(687)	(100)	(100)
Fin Investments	116	218	1,814	20	20
Misc. Items (CFI + CFF)	(2,139)	(375)	1,807	275	269
Net cash-flow	164	(152)	215	(621)	(124)

Ratios @ Rs 2,600

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	180.8	87.3	50.1	38.4	30.2
EV/EBITDA (x)	79.9	41.3	26.5	23.6	19.7
EV/sales (x)	6.4	3.4	2.5	2.1	1.8
P/B (x)	21.7	17.1	6.5	5.6	4.8
RoE (%)	12.0	19.6	13.0	14.6	15.8
RoCE (%)	13.0	17.2	19.0	16.4	17.7
ROIC (%)	13.3	17.7	20.0	17.8	18.7
DPS (Rs per share)	-	-	2.0	3.0	4.0
Dividend yield (%)	-	-	0.1	0.1	0.2
Dividend payout (%)	-	-	3.9	4.4	4.7
Net debt/equity (x)	1.1	1.3	0.2	0.2	0.2
Receivables (days)	70	74	73	73	73
Inventory (days)	94	60	72	72	72
Payables (days)	88	66	86	76	71
CFO:PAT (%)	(212)	59	138	60	70

Source: Company, Systematix Institutional Research



TM

Syrma SGS Technology

Revenue visibility strong; margins guidance further curtailed

COMPANY UPDATE

Sector: EMS **Rating:** HOLD

CMP: Rs 440 **Target Price:** Rs 488

Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	SYRMA IN
Equity shares (mn)	177.4
52-wk High/Low	677/385
Face value	Rs 10
M-Cap	Rs 78.1bn/USD 938mn
3-m Avg volume	USD 4.8mn

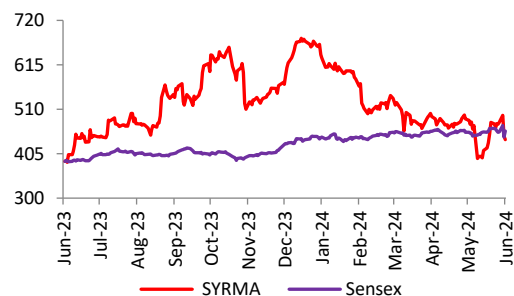
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	31,537	40,172	51,211
EBITDA	1,983	2,927	4,243
OPM (%)	6.3	7.3	8.3
PAT (adj.)	1,072	1,542	2,279
EPS (adj.) (Rs)	6.0	8.7	12.8
PE (x)	72.8	50.6	34.3
P/B (x)	4.8	4.5	4.1
EV/EBITDA (x)	41.9	28.6	20.1
RoE (%)	6.6	8.9	11.9
RoCE (%)	9.8	11.1	14.4
Net-D/E (x)	0.3	0.3	0.4

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	46.9	46.9	47.2
- Pledged			
FII	13.0	11.1	10.1
DII	5.8	8.2	9.6
Others	34.4	33.8	33.0

Stock Performance (1-year)



SYRMA SGS (SYRMA) 4Q was driven by a strong 67% YoY surge in revenue at Rs 11.3bn. However, a low gross margin (17.2%, down 430bps YoY), EBITDA margin (6.5%, down 189bps YoY) and rise in total debt (by Rs 2.3bn to Rs 5.8bn) continued to be areas of concern. PBT/PAT in 4Q declined 10%/17% YoY due to substantial rise in depreciation (on large capex), finance cost and non-controlling profit. While the current order book of Rs 45bn (exports 25%; consumer 40%, industrial 25%, auto 20%) provides healthy revenue growth visibility, management has lowered its EBITDA margin guidance to ~7% for FY25E. Exports in 1H is expected to be soft but is aimed to rise 30% YoY in FY25. The lengthy WC cycle is likely to reduce by 5-10 days on likely reduction in inventory days. SYRMA is looking for an acquisition to expand its railway business. PLI benefits are yet to be received (FY24 claim: Rs 160mn). SMT lines capacity has doubled to 6.3mn components/hr from 3.2mn a year ago. After a ~Rs 4bn capex in FY24 (incl. Johri acquisition), a Rs 1.5-1.8bn is planned in FY25E. Pune facility (ODM) is likely to commission in 3QFY25. An assembly plant in Germany will help build relationships with European customers. We cut earnings estimates by ~8% and now expect 27%/46%/46% CAGR in revenue/EBITDA/PAT over FY24-26E with EBITDA margin of ~8% and ~14% RoCE in FY26E. After a ~20% decline in its scrip in last one month, we maintain HOLD with a lower TP of Rs 450 (earlier Rs 527), at 35x FY26E P/E. Strong earnings growth and RoCE are key to support such high valuation. ([concall KTAs](#))

4Q - strong revenue (up 67% YoY) led performance; weak margin, lengthy WC led to rise in debt: Revenue/EBITDA grew 67%/29% YoY (10-20% beat), PBT/PAT declined 10%/17% YoY due to substantial rise in depreciation (on large capex), finance cost and non-controlling profit. Margins remained low (gross margin down 430bps YoY to 17.2%; EBITDA margin down 189bps at 6.5%). Exports contributed 23% to overall revenue. Capacity utilization stood at ~65% during 4Q. Stretched working capital cycle led to Rs 2.3bn rise in total debt to Rs 5.8bn (WC loan Rs 4.9bn) and resulted into a net debt level of Rs 1.75bn (vs. net cash of Rs 5.4bn at FY23 end).

4Q revenue (YoY, mix): Auto (up 47%, 16%), Consumer (up 93%, 46%), Healthcare (up 148%, 10%), Industrial (up 39%, 23%), IT & Railway (up 5%, 5%)

FY24 revenue (YoY, mix): Auto (up 61%, 21%), Consumer (up 91%, 32%), Healthcare (up 55%, 8%), Industrial (up 30%, 26%), IT & Railway (down 13%, 5%)

Revenue visibility on strong order book; EBITDA margin guidance lowered to ~7% in FY25E: While the current order book of Rs 45bn (exports 25%; consumer 40%, industrial 25%, auto 20%) provides healthy revenue growth visibility, management has lowered its EBITDA margin guidance to ~7% for FY25E due to upfront investment in growth related activities. Exports in 1H is expected to be soft but is aimed to rise 30% YoY in FY25. The lengthy WC cycle is likely to reduce by 5-10 days on likely reduction in inventory days. SYRMA is looking for an acquisition to expand its railway business. PLI benefits are yet to be received (FY24 claim: Rs 160mn). SMT lines capacity has doubled to 6.3mn components/hr from 3.2mn a year ago. After a ~Rs 4bn capex in FY24 (incl. Johri acquisition), Rs 1.5-1.8bn is planned in FY25E. Pune facility (ODM) is likely to commission in 3QFY25. An assembly plant in Germany will help build relationships with European customers.

Concall key highlights (4QFY24)

Outlook

- 1HFY25 will be soft for exports (~25% mix) but aims to rise 30% YoY in FY25
- Overall EBITDA margin aimed at 7% in FY25
- Targets to reduce net working capital cycle by 5-10 days
- Looking out for an acquisition for railway business
- PLI benefits yet to flow in P&L (FY24 claim Rs 160mn)
- Order book: Rs 45bn (25% exports; consumer 40%, industrial 25%, auto 20%)
- Expect depreciation to stand higher at Rs 600-700mn annually due to higher capex; interest cost likely at Rs 400-500mn
- Capacity utilization at FY24 end: 65%

Capex

- FY24: ~Rs 4bn (including Johri acquisition); doubled SMT capacity from 3.2mn to 6.3mn components
- FY25E: Rs 1.5-1.8bn
- Pune facility (ODM) likely to commission in 3QFY25
- Germany assembly plant will help build relationships with European customers

Balance sheet & Cash flow

- Stretched working capital led to Rs 2.3bn rise in total debt to Rs 5.8bn (working capital loan Rs 4.9bn)
- Net debt stood at Rs 1.75bn vs. net cash of Rs 5.4bn at FY23 end

4QFY24 - strong revenue (up 67% YoY) led performance; weak margin, lengthy working capital led to rise in debt

- **Revenue/EBITDA** up 67%/29% YoY (10-20% ahead of estimates)
- **PBT/PAT** down 10%/17% YoY due to substantial rise in depreciation, finance cost and non-controlling interest
- **Gross margin** contracted 430bps YoY at 17.2%
- **EBITDA margin** down 189bps at 6.5%
- **Segment revenue (YoY):** Auto (up 47%), Consumer (up 93%), Healthcare (up 138%), Industrial (up 39%), IT & Railway (up 5%)
- **Export mix:** 23%

Exhibit 1: Syrma (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	6,795	6,013	7,117	7,067	11,341	67	60	31,538	20,484	54
Raw material costs	5,336	4,686	5,517	5,473	9,393	76	72	25,069	15,155	65
Employee costs	246	331	311	381	403	64	6	1,426	1,081	32
Other expenses	643	626	799	826	808	26	(2)	3,059	2,375	29
EBITDA	570	369	490	388	737	29	90	1,984	1,873	6
Depreciation	88	101	116	139	158	79	14	515	312	65
Finance costs	39	75	80	100	123	215	22	378	216	75
Other income	239	221	89	121	156	(34)	29	587	443	33
PBT	681	413	370	270	612	(10)	127	1,664	1,787	(7)
Tax	252	130	64	67	160	(37)	139	421	556	(24)
Non-controlling stake	6	(2)	22	48	103	1,697	116	170	38	352
PAT (after JV share)	423	285	284	155	349	(17)	125	1,073	1,193	(10)
EPS (Rs)	2.4	1.6	1.6	0.9	2.0	(17)	125	6.0	6.7	(10)
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	21.5	22.1	22.5	22.6	17.2	(430)	(538)	20.5	26.0	(550)
Emp cost	3.6	5.5	4.4	5.4	3.6	(7)	(183)	4.5	5.3	(76)
Other exp	9.5	10.4	11.2	11.7	7.1	(234)	(456)	9.7	11.6	(190)
EBITDA margin	8.4	6.1	6.9	5.5	6.5	(189)	101	6.3	9.1	(285)
Dep	1.3	1.7	1.6	2.0	1.4	10	(57)	1.6	1.5	11
Interest	0.6	1.3	1.1	1.4	1.1	51	(34)	1.2	1.1	15
Other income	3.5	3.7	1.3	1.7	1.4	(213)	(34)	1.9	2.2	(30)
PBT margin	10.0	6.9	5.4	3.8	5.4	(463)	158	5.3	8.7	(340)
Effective tax rate	37.1	31.5	17.4	24.8	26.1	(1,095)	135	25.3	31.1	(583)
PAT margin	6.2	4.7	4.0	2.2	3.1	(315)	88	3.4	5.8	(242)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Auto	1,233	1,451	1,725	1,510	1,809	47	20	6,495	4,029	61
Consumer	2,707	2,331	2,519	2,544	5,220	93	105	12,608	6,597	91
Healthcare	471	157	512	693	1,166	148	68	2,528	1,633	55
Industrials	1,882	1,768	1,985	1,955	2,619	39	34	8,333	6,422	30
IT & Railways	501	306	376	365	526	5	44	1,574	1,802	(13)

Source: Company, Systematix Institutional Research

Valuation and View

SYRMA is a technology-focused engineering and design company engaged in turnkey EMS. The company's products primarily cater to ODMs and OEMs that find end use in automotive, healthcare, IT, industrial appliances, energy management, water purification, power supply and consumer product industries. Its 13 manufacturing facilities efficiently cater to the needs of its customers in north and south India. Marquee customers include, TVS Motor, A.O.Smith India Water Products, Robert Bosch, Eureka Forbes, CyanConnode, Atomberg, HUL and Total Power Europe, etc. Exports contributed 31% of total FY23 revenue, with its products being sold in over 24 countries; these include, the US, Germany, Austria and the UK. SYRMA acquired SGS Tekniks in Sep 2021 and Perfect ID in Oct 2021 to expand its geographical footprint and market share in the domestic market.

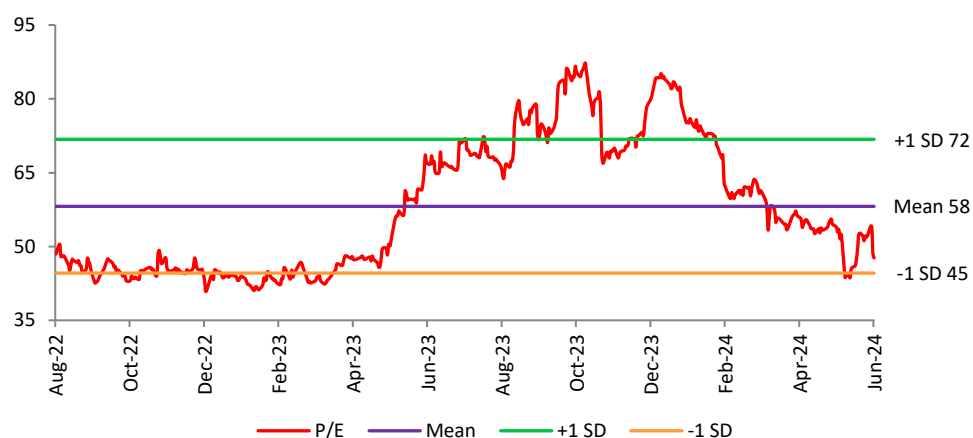
While revenue is likely to grow at 30% CAGR over the next few years, margins will improve gradually only as newly added customer mature. It has hired McKinsey to guide in achieving robust growth. After a ~Rs 4bn capex in FY24 (incl. Johri acquisition), Rs 1.5-1.8bn is planned in FY25E. SMT lines capacity has doubled to 6.3mn components/hr from 3.2mn a year ago. We cut earnings estimates by ~8% and now expect 27%/46%/46% CAGR in revenue/EBITDA/PAT over FY24-26E with EBITDA margin of ~8% and ~14% RoCE in FY26E. After a ~20% decline in its scrip in last one month, we maintain **HOLD** with a lower TP of Rs 450 (earlier Rs 527), at 35x FY26E P/E. Strong earnings growth and RoCE are keys to support such high valuation.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 4QFY24 result		Estimates after 4QFY24 result		% Var		New Estimates		% Var		Bloomberg estimates		% Var vs. Systematix	
	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	37,217	46,964	40,172	51,211	8	9	40,172	51,211	-	-	44,180	59,441	10	16
EBITDA	2,796	3,951	2,927	4,243	5	7	2,927	4,243	-	-	3,019	4,239	3	(0)
EBITDA margin (%)	7.5	8.4	7.3	8.3			7.3	8.3			6.8	7.1		
PAT	1,873	2,661	1,542	2,279	(18)	(14)	1,542	2,279	-	-	1,615	2,391	5	5
EPS	11	15	9	13			9	13			9	14		

Source: Systematix Institutional Research

Exhibit 3: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key Risks

- Demand slowdown in the key user segments (automotive, industrial etc.)
- Loss in key customer's market share

SYRMA SGS TECHNOLOGY (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	12,667	20,484	31,537	40,172	51,211
Growth (%)	43	62	54	27	27
Direct costs	8,921	15,405	25,069	31,612	39,889
Gross Margin (%)	29.6	24.8	20.5	21.3	22.1
SG&A	2,486	3,201	4,485	5,633	7,078
EBITDA	1,259	1,878	1,983	2,927	4,243
EBITDA margins (%)	9.9	9.2	6.3	7.3	8.3
- Depreciation	249	312	515	723	896
Other income	177	437	587	402	358
Interest Exp	80	216	378	402	512
PBT	1,107	1,787	1,663	2,204	3,194
Effective tax rate (%)	31.0	31.1	25.3	25.5	25.5
+ Associates/(Minorities)	42	37	170	100	100
Net Income	722	1,193	1,072	1,542	2,279
Adjusted income	722	1,193	1,072	1,542	2,279
WANS	138	177	177	177	177
FDEPS (Rs)	4	7	6	9	13
FDEPS growth (%)	6	65	(10)	44	48

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	1,376	1,768	1,774	1,774	1,774
Net worth	5,721	15,403	16,126	17,313	19,149
Total debt	1,943	3,468	5,763	5,963	7,463
Minority interest	108	26	644	646	648
DT Liability/(Asset)	123	138	164	174	184
Capital Employed	7,896	19,035	22,697	24,096	27,444
Net tangible assets	2,578	4,106	7,366	8,643	9,747
Net Intangible assets	32	86	229	229	229
Goodwill	1,182	1,182	3,221	3,221	3,221
CWIP	391	204	106	106	106
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	51	60	64	64	64
Current Assets	6,936	19,244	25,040	28,096	33,884
Cash	369	544	856	315	193
Current Liabilities	3,644	6,391	14,185	16,578	20,001
Working capital	3,292	12,853	10,855	11,517	13,883
Capital Deployed	7,896	19,035	22,697	24,096	27,444
Contingent Liabilities	935	566	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	1,125	1,682	1,696	2,204	3,347
+ Non-cash items	250	312	512	723	896
OCF before WC changes	1,375	1,994	2,208	2,927	4,243
- Incr./decr.) in WC	1,212	9,790	(2,017)	662	2,366
Others including taxes	289	(7,093)	5,361	559	811
Operating cash-flow	(126)	(703)	(1,136)	1,706	1,066
- Capex	3,991	1,379	5,670	2,000	2,000
Free cash-flow	(4,117)	(2,081)	(6,806)	(294)	(934)
Acquisitions	-	-	-	-	-
- Dividend	-	-	265	355	444
+ Equity raised	2,715	8,826	(2)	-	-
+ Debt raised	1,176	1,526	2,288	200	1,500
- Fin Investments	-	8,036	(5,027)	-	-
- Misc. Items (CFI + CFF)	71	103	(77)	91	245
Net cash-flow	(297)	131	319	(540)	(122)

Ratios @ Rs 440

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	108.1	65.4	72.8	50.6	34.3
EV/EBITDA (x)	63.3	43.1	41.9	28.6	20.1
EV/sales (x)	6.3	4.0	2.6	2.1	1.7
P/B (x)	13.6	5.1	4.8	4.5	4.1
RoE (%)	12.6	7.7	6.6	8.9	11.9
RoCE (%)	16.5	14.9	9.8	11.1	14.4
ROIC	17.5	12.9	8.1	11.0	14.3
DPS (Rs per share)	-	1.5	1.5	2.0	2.5
Dividend yield (%)	-	0.3	0.3	0.5	0.6
Dividend payout (%)	-	22.2	24.8	23.0	19.5
Net debt/equity (x)	0.3	0.2	0.3	0.3	0.4
Receivables (days)	78	72	108	106	104
Inventory (days)	84	105	116	114	112
Payables (days)	69	87	142	132	127
CFO:PAT (%)	(17)	(59)	(106)	111	47

Source: Company, Systematix Institutional Research



TM

Cyient DLM

Integrated EMS provider serving highly regulated industries

COMPANY UPDATE

Sector: EMS **Rating:** Not Rated
CMP: Rs 648 **Target Price:** NA

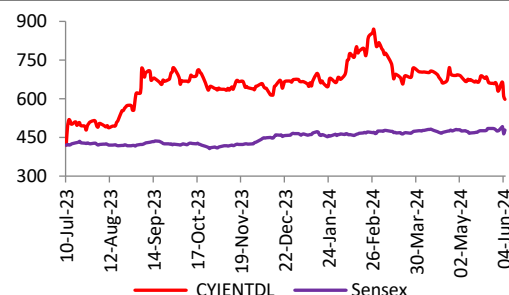
Stock Info

Sensex/Nifty	74,382/22,620
Bloomberg	CYIENTDL IN
Equity shares (mn)	79.3
52-wk High/Low	869/421
Face value	Rs 10
M-Cap	Rs 51bn/ USD 618mn
3-m Avg turnover	USD 2.4mn

Shareholding Pattern (%)

	Mar'24	Sep'23	Jun'23
Promoter	66.7	66.7	66.7
- Pledged			
FII	7.0	6.2	7.2
DII	12.6	12.3	12.0
Others	13.7	14.8	14.1

Stock Performance (1-year)



Company Profile: Incorporated in Jun 1993, Cyient DLM is an integrated EMS and solutions providers with market share of 0.5% in the domestic EMS market in FY22. It has capabilities across the value chain and the entire life-cycle of a product. The company is engaged in the business of developing high-mix, low-to-medium volume highly complex systems. It provides its manufacturing services through “Build-to-Print” (B2P) and “Build-to-Specification” (B2S) mode. Its business segments include Aerospace (25%), Defense (56%), Industrial (9%), Med Tech (8%) and Others (2%). It enjoys long-term relationships with multiple marquee customers such as Honeywell International, Thales Global Services, ABB, Bharat Electronics and Molbio Diagnostics. Its robust orderbook of ~Rs 22bn gives it a revenue visibility of about three years.

Revenue mix by product category (FY24): PCBA (67%), Box Build (29%), Cable Harnesses (2%) and Others (2%)

Revenue mix by geography (FY24): India (34%), Overseas (66%)

4QFY24 Concall KTAs:

4QFY24 result

- Revenue up 31% YoY at Rs 3.62bn; EBITDA up 19% YoY at Rs 380mn with 10.5% margin (down 100bps YoY); PAT surged 81% YoY at Rs 227mn, boosted by IPO money led other income (83mn vs. loss of Rs 13mn)
- Exports and PCBA mix at ~66%

FY24 result

- Revenue up 43% YoY at Rs 11.9bn; EBITDA up 27% YoY at Rs 1.11bn with 9.3% margin (down 124bps YoY); PAT up 93% YoY at Rs 612mn
- Aerospace mix 24% vs. 20% YoY
- Defense mix 49% vs. 37% YoY, driven by BEL orders
- PCBA mix 70%

Business development and Outlook

- Advances from customers declined and impacted cash flows
- Order book declined by Rs 2.6bn to ~Rs 22bn at Mar'24 end
- Added two new logos in Aero & Defense and won key large deals in FY24
- Exports likely to grow faster than domestic business in FY25
- Execution in Israel orders continue to be healthy
- Defense vertical is benefitting from Gol's push towards building internal capabilities; executing large orders bagged from BEL
- Newly added customers would contribute in revenue gradually only
- Aims some improvement in margins in FY25
- ~Rs 4.1bn money is still unutilized of the Rs 6.6bn raised in IPO last year
- Search on for a right fit acquisition
- Set up new facilities at Mysuru and Bangalore

Exhibit 1: Cyient DLM – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Total Income	2,774	2,171	2,918	3,210	3,618	30	13	11,919	8,320	43
Raw material costs	2,120	1,628	2,312	2,506	2,754	30	10	9,200	6,452	43
Employee costs	267	244	267	306	357	34	17	1,174	647	81
Other expenses	68	99	104	105	127	86	21	435	343	27
EBITDA	319	200	235	294	380	19	29	1,110	878	26
Depreciation	48	48	55	58	62	29	8	223	194	15
Finance costs	86	91	76	83	94	10	14	344	315	9
Other income	(13)	9	93	93	83			278	63	341
PBT	172	70	198	247	307	78	24	821	432	90
Tax	46	16	51	63	80	72	27	209	114	83
PAT	126	54	147	184	227	81	23	612	317	93
EPS (Rs)	2.4	1.0	2.8	3.5	4.3	81	23	11.6	6.0	93
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	23.6	25.0	20.8	22.0	23.0	(57)	104	22.8	22.5	36
Emp cost	9.6	11.3	9.1	9.5	9.9	25	35	9.8	7.8	207
Other exp	2.5	4.6	3.6	3.3	3.5	104	23	3.7	4.1	(48)
EBITDA margin	11.5	9.2	8.1	9.2	10.5	(99)	135	9.3	10.6	(124)
Dep	1.7	2.2	1.9	1.8	1.7	(1)	(7)	1.9	2.3	(46)
Interest	3.1	4.2	2.6	2.6	2.6	(49)	2	2.9	3.8	(90)
Other income	(0.5)	0.4	3.2	2.9	2.3	276	(61)	2.3	0.8	158
PBT margin	6.2	3.2	6.8	7.7	8.5	227	79	6.9	5.2	170
Effective tax rate	26.9	23.3	25.9	25.3	25.5	(141)	17	25.5	26.5	(99)
PAT margin	4.5	2.5	5.0	5.7	6.3	175	54	5.1	3.8	132
Order book	24,325	24,997	22,866	22,949	21,705	(11)	(5)	21,705	24,325	(11)
Segment Revenues							QoQ (%)			
Defence	-	825	1,430	1,541	2,026		31	5,840	3,079	90
Industrial	-	651	584	385	326		(15)	1,907	2,246	(15)
Aerospace	-	391	642	867	905		4	2,860	1,664	72
Medical Technology	-	217	204	321	289		(10)	953	1,082	(12)
Others	-	87	58	96	72		(25)	358	250	43
Segment Mix (%)										
Defence	-	38	49	48	56			49	37	
Industrial	-	30	20	12	9			16	27	
Aerospace	-	18	22	27	25			24	20	
Medical Technology	-	10	7	10	8			8	13	
Others	-	4	2	3	2			3	3	
Product Mix (%)										
PCBA	-	73	74	67	67			70	63	
Box Build	-	23	20	27	29			25	32	
Cable Harness	-	2	2	3	2			2	1	
Others	-	2	4	3	2			3	4	
Geography Mix (%)										
Domestic	-	31	42	46	34			39		
Export	-	69	58	54	66			61		

Source: Company, Systematix Institutional Research

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