Date: November 04, 2024

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.
Symbol: SYRMA

Department of Corporate Service
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
Scrip Code: 543573

Subject: Earnings Call transcript of the Investors Conference Call held for the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter and half year ended September 30, 2024.

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript in respect to the Earning Conference Call on the Unaudited financial results (Consolidated and Standalone) of the Company for the quarter and half year ended September 30, 2024, held on Monday, October 28, 2024, at 10:30 AM (IST).

The transcript of the conference call will also be accessed at the website of the Company at https://www.syrmasgs.com/investor-relations .

We request you to take the same on your record.

For **Syrma SGS Technology Limited**

Komal Malik

Digitally signed by Komal Malik
DN: c=IN, o=Personal, title=7041,
2.5.4.20=3e8fa6985b3dd66edd2e0bb2ddd1e850ab2f16ece9d3090638c7bacaf5f96033,
postalCode=121001, st=Haryana,
serialNumber=87d2e458e0af9048e1576dba78de477134ca756644dbf86c6fd01faf7a0b793e,
cn=Komal Malik
Date: 2024.11.04 20:23:52 +05'30'

Komal Malik
Company Secretary & Compliance Officer
Membership No: F6430
Place: Gurgaon

"Syrma SGS Technology Limited
Q2 and FY '25 Earnings Conference Call"

October 28, 2024

MANAGEMENT: **MR. JASBIR SINGH GUJRAL – MANAGING DIRECTOR – SYRMA SGS TECHNOLOGY LIMITED**
MR. JAYESH DOSHI – DIRECTOR – SYRMA SGS TECHNOLOGY LIMITED
MR. SATENDRA SINGH – CHIEF EXECUTIVE OFFICER – SYRMA SGS TECHNOLOGY LIMITED
MR. BIJAY AGRAWAL – CHIEF FINANCIAL OFFICER – SYRMA SGS TECHNOLOGY LIMITED
MR. NIKHIL GUPTA – HEAD INVESTOR RELATIONS – SYRMA SGS TECHNOLOGY LIMITED

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Syrma SGS Technology Limited Q2 FY25 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you, ma'am.

Bhoomika Nair: Yes, good morning everyone. A warm welcome on behalf of DAM Capital to the 2Q FY '25 Earnings Call of Syrma SGS Technology Limited. The management will open up with opening initial remarks, post which we'll have a Q&A.

At this point, I'll hand over the floor to Nikhil Gupta, Head Investor Relations, to take the proceeding forward. Over to you, Nikhil.

Nikhil Gupta: Thank you, Bhoomika. And hi, very good morning to all. Welcome to Syrma SGS Q2 and half-year FY25 Earnings Call. We have with us today Mr. Jasbir Singh Gujral, Managing Director, Mr. Jayesh Doshi, Director, Mr. Satendra Singh, Chief Executive Officer, and Mr. Bijay Agrawal, Chief Financial Officer, Syrma SGS, to discuss the performance of the company during the second quarter and half-year 2025, followed by a detailed question and answer session.

Kindly note, during this call, certain statements that will be made are forward-looking, which involves several risks, uncertainties, assumptions, and other factors that can cause results to differ materially from those in such forward-looking statements. All forward-looking statements made herein are based on the information presently available to the management and the company does not undertake to update any forward-looking statements that may be made in the course of this call.

In this regard, please do review the disclaimer statements in the earnings release and all other factors that involve a difference. With this, I will now hand over the floor to Mr. Jayesh Gujral, Managing Director, Syrma SGS. Thank you.

J S Gujral: Hi, ladies and gentlemen, a very warm welcome to the Q2 FY25 earning call of Syrma SGS Technology Limited. I take this opportunity to wish all of you and your families a very happy, safe and joyous Diwali. I will in brief delve on the numbers for the Q2 and H1.

We achieved a sales revenue of INR8,356 million, a 17% year-on-year growth, operating EBITDA of INR738 million versus INR546 million in Q1 this year and INR504 million in Q2 of FY24, representing a growth of 35% quarter-on-quarter and 46% year-on-year respectively. Operating EBIDTA margin for the quarter stood at 8.8% and for the half-year at about 6.4%. In Q2, PAT stood at INR396 million versus INR203 million in Q1 and INR305 million in Q2 of FY24, representing a healthy increase of 94% Q-on-Q and 30% year-on-year.

The second quarter saw a partial recovery of exports, exports accounted for 23% of our revenues in Q2 versus 16% in Q1. We expect this momentum to be further strengthened in the second half of the year. The net working capital came down to below 60 days, Bijay will deal with the numbers in detail and we generated a healthy operating cash flow, . The order book stood at a healthy INR4,800 crores with a secular break-up between the various verticals. We stand by the full-year guidance of 40%-45% growth and INR310-INR320 crores of EBIDA which translates into 7% of operating EBITDA.

During the quarter, we commissioned our design center in Pune dedicated to the MedTech business where the initial response from the customers from Europe, Japan and America has been very encouraging. We also recently commissioned our first campus-level manufacturing facility in Pune. Mr. Satendra Singh, our CEO will tell more in detail in his comments. During the quarter, we have received major orders in smart meters and expect this segment to contribute significantly to our revenues in this year and coming years.

Another significant milestone is that we have received PLI approval for two segments in the MedTech business, which is cancer care, radiotherapy devices and anesthetics and cardiorespiratory devices including renal care. We believe with this PLI in our hands, it opens up avenues for targeting this business both in India and globally. The business funnel continues to be strong with onboarding of new clients in the power supply, smart metering, fuel dispensing, IoT and auto vertical and also expanding the portfolio with existing customers.

We onboarded nine new clients in H1 which have a potential of giving INR500 plus crores of revenue in the coming year. Five customers which were onboarded last year or earlier this year have gone into commercial production. I now hand over to Satendra to delve in detail on the expansion plan which we have now initiated at Pune. Over to you, Satendra. Thank you, Gujral Ji.

Satendra Singh: Good morning, everyone. I think as Mr. Gujral shared and you might have seen our announcement, we commissioned our first campus in Pune. This is a shift in our strategy. So far, we have always built the factories which were exactly mapping the requirement from the customers. This one is a shift where we are investing ahead of time. It's a large campus with approximately 26 acres of land and our first building with 130,000 square feet has been commissioned.

Since the gap which we had in our offering so far, geographically we have always been very strong in north of India with multiple factories and likewise in south. But in west we were missing the ability to offer solutions to our customers. So, this innovation has been met with a lot of excitement.

We have very positive response from our customers and we expect this factory to help us increase our revenue and the ability to offer to our customers solutions closer to where they are. So we are definitely looking forward to a growth in this year as well as the next year. This campus when it's completed would have the possibility of about 1.2 million square feet space. And that would be done over the next years. To start with we have put investment of INR100 crores but we will keep increasing the investment as we go along.

With this, I think I will turn it over to Bijay to run us through the detailed numbers for the quarter. Over to you Bijay.

Bijay Agrawal: Thank you, Satendra. Good morning, everyone. I'll now take you through the brief financial performance for the quarter and the half year FY '25. Our operating revenue for the half year is INR2,003 crores that grew strongly by 52% on year-on-year basis. And for the quarter it is INR834 crores with a 17% growth on year-on-year basis.

During the half year, the growth has been mainly contributed by a stronger demand growth on the consumer, healthcare and IT & Railway verticals. And similarly, during the second quarter, the strong growth has been supported by Auto and Industrial verticals primarily.

This quarter, we had a strong rebound in the margins also, led by expansion into the gross margin on the back of change in product & business mix, our continuous effort on the operational efficiency and also stable overhead costs. Our gross margin for the quarter is about 25% with an expansion of almost 180 bps on year-on-year basis. And for the half year, the gross margin is approximately 20%.

Our operating EBITDA for the quarter is INR73.8 crores with an operating EBITDA margin of 8.8%, growing 46% year-on-year. For the half year, it is INR128 crores with 6.4% of operating EBITDA margin, again with a growth of almost 37% year-on-year basis. Same way, PBT for the quarter is approximately INR51 crores and for the half year it is INR80 crores.

Coming to PAT, PAT for the quarter is INR40 crores with a PAT margin of 4.7% and for the half year, it is INR60 crores with a PAT margin of 3% for the half year. Coming to order book visibility, we have a very strong open order book as of now, as on September 2024 end and it is approximately INR4,800 crores, which comprises almost 24% to 26% of auto sector, 25% to 28% of industrial sector, about 35% to 38% of consumer sector business about 6 to 8% is healthcare and balance is IT and railways. .

Coming to our working capital performance, we have been successfully able to bring it down to 56 days of net working capital, almost 70 days of net working capital investment from the start of the year. Again, we target to keep it below 60 days on a sustained basis going forward.

Moving to our debt position, we have a gross debt of INR603 crores as of September '24, which includes mainly working capital debt of approximately INR500 crores and balance INR100 crores of term loan primarily. We continue to hold INR423 crores of treasury as on September end and with this, the net debt position for the quarter end is INR180 crores. Our operating cash flow for the half year is INR211 crores, largely on back of better working capital efficiencies and better profitability for the half year.

Coming to capex, during the year, we had spent almost INR175-odd crores with a large part of being utilized in readiness of our new campus facility in Pune that was inaugurated last week. With this, we expect large part of our capex is already behind us and again we may incur another INR30 crores to INR50 crores in the H2 of this year broadly. Coming to our ROCE performance for the quarter, it is at about 11% when we calculate it after adjusting for unutilized IPO funds and goodwill.

Regarding our guidance for the full year, financial year FY '25, we continue to maintain same guidance as was communicated last quarter, INR4,500 crores of revenue target for the full year and 7% of overall average operating EBITDA margin. We still continue to focus on working capital efficiencies, operational efficiencies improvement and deliver on the guidance.

With this, we thank you very much and I'll hand over this call to Ravi for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: Good morning, gentlemen, and congratulations on good performance in this quarter. I have two questions. One of them is a bookkeeping question. You indicated the capex that you have planned for FY '25. Can you talk about the likely capex over the next 2-3 years? What are the things that you have in your mind in terms of expansion?

Bijay Agrawal: We have approximately INR130 crores of IPO proceeds still unutilized, which we will be spending in the next 1 to 1.5 years broadly. And this will be going towards further upgrading the Pune facility and developing our facility in Hosur, which was planned at the time of IPO.

Rahul Gajare: Okay, so INR130 crores over 2 years, '26 and '27. I think that is how we should read this. Okay. For my second question, normally in this particular quarter, we have seen consumer has gone down and industrial has also picked up, healthcare has also picked up. You also typically give break-up in terms of PCBA, Box build, RFID, share of ODM. Can you give that? And also, since you specifically said exports are expected to see strong growth in the second half. Which are the segments that are expected to contribute towards the export growth in H2? Thank you.

Bijay Agrawal: Sure. So just to give you a break-up here, RFID plus magnetic for the H1 is approximately 7% of the full year revenue. And same way when we talk about ODM business, ODM business is almost 11% for the H1. Again, considering the seasonality for the H2, we expect better healthcare business and export business, which will improve the overall ODM and RFID capability or mix in the second half.

Rahul Gajare: And any particular segments that you have in your order book for exports that you want to call out?

J S Gujral: In exports, primarily the segments which we service are industrial and healthcare.

Rahul Gajare: Okay. Thank you very much. All the very best. And Happy Diwali to you all.

J S Gujral: Thank you.

Moderator: Thank you. The next question is from the line of Girish from Morgan Stanley. Please go ahead.

Girish: Hi, sir. Sorry if I missed this comment earlier. I just wanted to understand the guidance for this year and next year on revenue and margins.

J S Gujral: This year, we have guided growth of about 40% to 45%, which translates into a top line of about INR4,500 crores, with an operating EBITDA of about INR 310 to 320 crores, which translates into 7% margin. For the coming years, as I shared in my Q1 earning call, we maintain EBITDA at 7% and top line growth of 35% to 40% or so. Any positive impact, bump in EBITDA in the coming years, we'll share with the street after it has been delivered, rather than sort of estimating that it will go up. So, we maintain a conservative guidance of 7% EBITDA with a 40%-odd growth in the revenues.

Girish: Just a follow-up in terms of your business mix from exports into next year and also consumer, as you guided earlier, as a percentage of revenue might come lower, isn't it natural to assume that at least there will be a 50 basis point margin improvement next year?

J S Gujral: See, I think we'll count the chickens when they are hatched. I'm being on the conservative side. Logically, what you allude to is a distinct possibility, but we hold our horses at 7%.

Girish: Just a final question on exports. Can you help us with where you're getting traction, the new set of customers or which specific segments, if you can call out a few names which can actually improve exports?

J S Gujral: I would not be able to call out the names because of confidentiality clauses with the customer, but I can broadly or in detail share with you we have a very strong traction of exports coming in from Europe, though Europe as a market saw a very subdued half-year. Europe is not growing. In fact, the major economy of Europe, which is Germany, is almost into a recession. Despite that, we expect our exports to grow this year by about 20%. We did about 100 million last year.

I expect on a conservative basis that we should be doing around $120m of exports. America, we were not significantly present in the EMS space. What we were exporting to America are RFID. EMS, we have got the toehold. The customer which was onboarded last year has gone into series production as we speak in October. And we expect that this would significantly grow in the coming year. Current year, it could be INR40-INR50 crores against the original estimate of about INR65-INR70 crores.

MedTech business is seeing a strong traction across continents. We have won significant contracts from Japan, Europe, and America, and the pipeline looks very, very healthy over there.

Girish: So total exports this year, if I can just ask ballpark, would it be like 20% of revenue?

J S Gujral: A INR1,000 crores, we said. I have alluded to INR1,000 crores to INR1,100 crores. I am very confident that we should be able to cross the INR1,000 crores mark. Some of the customers had a delayed takeoff because of new product approval, but it would be a 20%. If it's a 20% jump, it will be 960, if it is 25%, then it will be 1,000. So, I'm very confident that it should be closer to 1,000, which I think is a very positive sort of commentary on our team's efforts that neither America nor Europe is growing at that rate. And if still we can grow at a very healthy 20%, 25% growth rate in these two sort of continents, I think it's a testimony of what we offer, the value we offer to the customers.

Girish: And based on the visibility that you have in the pipeline, next year, as you rightly said, you'll probably grow at 35%, 40%. Is it fair to assume that exports will be growing in line or ahead of that number for FY26?

J S Gujral: See, okay. Our long-term vision is that exports should constitute one-third of our revenues. Now, if the exports have to constitute one-third of our revenues, it is very, very imperative that we at least grow by 20% to 25%, or maybe in one year we have a bump-up. But a 20% to 25% growth in exports in the coming year would be a distinct possibility, and we are planning and aiming for that.

Moderator: The next question is from the line of Deepak Krishnan from Kotak Institutional Equities.

Deepak Krishnan: I just wanted to sort of clarify. I think in one of the media interactions you indicated a potential INR12 to INR15 crores of PLI incentive with this quarter. I just wanted to know the actual number, and given that we have sort of put INR4 crores in 1Q, we had said about INR16 crores of in PLI incentives. Are the incentives as such done for the year, or because we have seen strong growth over the last one year, the incentive numbers can be even higher?

J S Gujral: See, the PLI number, as we have continued to share earlier interactions, also is based on the PLI formulas, our scheme, which approval which we have got with the government. And we believe that it would be around the figure which you have just mentioned for the year. And this is only the telecom PLI. The IT PLI has yet not kicked in, this being the first year. I think closer to the end of this year, we'll be in a better position to share with the street what volumes we expect or don't expect in the IT business. And the impact of the PLI in IT.

The third PLI which we have got is on the consumer business in white goods, which the current volumes do not attract an activation of the PLI. So that's a currently dormant approval which we have got. However, as I shared in my opening comments, we have got a PLI approval for the MedTech business, which again, like the IT business, we would be in a better position to share with the street the impact of the PLI business, which will be only in FY25-FY26 and not in 24-25.

Deepak Krishnan: So is it correct to assume that all the PLIs sort of booked in one so far? Maybe just...

J S Gujral: PLIs, based on the sales and everything, as per the industry practice.

Deepak Krishnan: Maybe I just wanted to understand, given the Pune expansion and the INR130 crores sort of expansion that we have planned for two years ahead, what is the peak revenue potential we can do after all of these capex expansions undertaken?

J S Gujral: You see, for the half year, we have done a revenue of about INR2,000 crores. And this is based on a less than 70% capacity utilization without considering Pune, because Pune has been commissioned in October. So whatever plans we had commissioned in September, it was less than 70% average capacity utilization. But if we do the back-of-the-hand calculations, the capacity installed till September was good enough for us to cross the INR5,000 crores mark. Whatever we invest in Pune would be beyond that.

So I think with Pune expansion being in place, we are well sort of the capacity we have created should enable us to cross the INR6,000 crores, INR6,500 crores mark. The variation of INR400 crores, INR500 crores would depend upon the product mix.

Deepak Krishnan: Sure. So maybe just one final question. Just on industrial, I wanted to understand how big is smart metering today in terms of overall revenue potential and is it a complete domestic opportunity or do we sort of do substantial exports as well on the smart metering front?

J S Gujral: For the benefit of the street, we have been present in the energy or utility metering business for the last 19 years and we are one of the largest contract manufacturers in this space. When I say contract manufacturers, we make it for the energy metering companies. We are also one of the largest players in the smart metering business and we have got formidable clients. For your consumption during the first half we sold 1.3 million smart metering units. The electronics for smart meters to our customers in India.

We have just started the export of utility metering systems or modules to USA. This has started last month and its series production will go from October onwards. I expect this business in this particular the export business from the utility metering business to contribute approximately INR35 crores to INR40 crores. Next year, it has an uptake of crossing the INR100 crores mark. Domestic utility metering business is strong and we expect that it will be approximately INR250 crores to INR300 crores.

Deepak Krishnan: Sure, sir. Those were my questions and best of luck for future quarters.

Moderator: Thank you. The next question is from the line of Madhav from Fidelity Investments. Please go ahead.

Madhav: Hi, good morning. Thank you so much for your time. I just wanted to understand on the PLI, you all mentioned that on the consumer PLI you said volumes may not lead to us crossing the threshold. Just wanted to understand what's changed there in terms of when we applied for the PLI versus now. Just here to understand that?

J S Gujral: Yes. See the consumer PLI is essentially for electronics which the indoor, outdoor and the display units for air conditioning. Till now, bulk of these are being imported and the threshold limits in that component PLI are capex and the revenues are pretty large. Now, if I make the investment and I'm not able to achieve the additional revenue because I have a certain revenue on the base year. So it has to be the incremental revenue on the base year.

Based on the current order profile which we have got, we see that we will not be able to do that incremental revenue and till we do the incremental revenue, we are not able to get the PLI. Now, if the situation changes in the coming quarters, if we are able to sort of get the business and there are certain policy initiatives of the government of India like BSI certification and blah. If they kick in then the import would take sort of a negative impact and it could have a positive rub-off on domestic manufacturing.

Currently, the situation is we are not able to cross that threshold delta limit of incremental revenue, and hence we are not eligible. Bijay, you would like to add something.

Bijay Agrawal: So, that is where we are still working on this white good PLI piece and gradually once we get the desired volume, then only we would be able to claim for it.

Madhav: And on the IT PLI also, if you could explain what kind of opportunity are we targeting and basically what would sort of drive us to sort of target that PLI?

J S Gujral: See, IT PLI, we are still in discussions with some major companies. The products which we are manufacturing thus far do not qualify for the IT PLI. I hope as I said in my opening statement, we would have clarity maybe closer to the December or March quarter once we are able or not able to tie up with the manufacturer for the products which are eligible products.

Now, clarity will emerge in the coming months and hence I will refrain from hazarding a guess on the figures and the quarter. It is still in a nebulous state. We have not been able to tie up for the eligible products with credible ODM partners.

Madhav: Okay, understood. Thank you.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi. Thank you for the opportunity. I have a question on margins. So, as we head into the second half which is a seasonally stronger period. In addition, we will have a much better proportion of exports, somewhere close to 26%, 27% if I go by your guidance. And the order book looks more geared towards a higher margin product. So, what makes us from about 8.5%, 9% margin this quarter to conservative on the full-year margin guidance? Why can't we do it closer to the current run rate?

J S Gujral: See, we still again hold by the 7% operating EBITDA margin. We may call it a conservative estimate. We believe that we are currently sitting at about 6.4% or 6.36% margin for the half year. So to achieve the 7%, I will have to achieve 7.5% or 7.52% or 7.6%. So, whether I achieve 7.6% or 7.8% or whatever I still hold the guidance which you have given, which is a 7% EBITDA margin for the year. By December, we will be in a much clearer position, whether there is an uptick on it or not, but today, I will hold my horses as I keep saying at 7% EBITDA margin for the full year.

Indrajit Agarwal: Okay, thank you. And secondly when we look at the capex from here on, right? Now, whatever is remaining in Pune and then the IPO proceeds, with that, we could do somewhere close to maybe INR6,000 crores INR6,500 crores on topline. So, post that, what kind of asset turn can we look at, say, on the medium term basis?

Bijay Agrawal: So, on a maintenance capex basis, there is not much of maintenance capex we need to incur. It will not be more than INR10 crores that way. But yes, depending upon the new business addition, we may keep on adding a few more SMT lines into the currently developed infrastructure. So, that way, that will be all incremental linked with the new businesses. On an average basis, we can still consider INR50 crores per annum basis.

Indrajit Agarwal: And that could enable us to grow at 30%, 35% at least for the next few years?

Bijay Agrawal: That's what we are targeting, yes.

Indrajit Agarwal: Okay, thank you. That's all from my side.

Moderator: Thank you. The next question is from the line-up. Sonali Salgaonkar from Jefferies, India. Please go ahead.

Sonali Salgaonkar: Good morning, Mr. Gujral, and congratulations to you and the team. So, my question is regarding the consumer business. Now that it has gone down in our overall mix and the industrials has come up, where should we assume the consumer business percentage in the overall mix by FY '25 and going forward across in FY26 and FY27?

And secondly, I might have missed the PLI incentive number that you would have talked about. So, what is the PLI incentive expected in FY '25? And are you planning to share it back with the brand owners or utilize it for our own growth? Thank you, sir.

J S Gujral: Okay. Now, on the consumer mix business, Q2 saw it dipping to 33% and Q1 it was 54%. Based on the orders in hand and deliveries which we have to make, I believe we would be hovering around 40% for FY '25. It could be a couple of percentages up or down, but it would be hovering at about 40%, and that's what we had started off the year with, with a consumer mix of about 40% in our overall basket.

The endeavor of the management is to bring it down to below 35% or to bring it down to one-third. I don't see that happening in the current year. It could be a possibility going forward next year. So, this year we should hold it at about 40%-odd. On the PLI, we have different arrangements with different customers on sharing, and whatever figures we share are what comes to us, not the gross figures. The gross figures could be much higher, but what affects my P&L is what we share with the street.

Bijay Agrawal: So, we only consider net basis.

J S Gujral: Net basis. Whatever has to be passed through, we don't consider that.

Sonali Salgaonkar: Sure, sir. So, on a net basis, what is the kind of PLI incentive you expect in FY '25, and will it mainly come from telecom and IT businesses?

J S Gujral: We expect around INR15-odd crores, and it will primarily be from telecom. I don't personally foresee any amount coming in from IT. If it comes, it will be very, very small. I don't see an IT PLI kicking in, in FY '24, '25.

Sonali Salgaonkar: Very clear, sir. Thank you, and best wishes for the festive season to you and the team. Thank you.

J S Gujral: Same to you and your team.

Moderator: Thank you. The next question is from the line-up. Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

Sumant Kumar: Hi, sir. So, in the last five quarters, we have seen a significant growth on the top-line side, ranging from 38% to 90%, but the margin was under pressure. And this quarter, we have seen we have a 17%, 18% kind of growth, but the margin is better. So, going forward, what is our strategy? So, have a decent margin with decent growth or higher growth with maybe compromising on margin? So, what is our key strategy going forward for the earnings growth going ahead?

J S Gujral: See, the past quarter, the margin was good because we didn't have a high-volume consumer business in the preceding year, which was kicked in last year. And there was a very high capex cycle and expansion, which led to an increase in the overheads. Going forward, as we have indicated for this year, we are very confident of growing at 35%, 40%, 45%, and maintaining a EBITDA at about 7%. This would largely be driven by growth in my exports, MedTech business growth, and industrial growth.

So, overall, it's not that we sacrifice one segment for the other segment. It is a customer need which has to be satisfied. And if a consumer, high-volume consumer, customer has a high need, I, as an entrepreneur, would not say no just because it depresses my margins. But the portfolio mix which we have, we are very confident of delivering the 7% EBITDA margin this year and going forward next year also.

Sumant Kumar: Okay, thank you.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Prabhudas Lilladher, India. Please go ahead. Mr. Praveen, your line has been unmuted. Please go ahead with your question.

Praveen Sahay: Yes, sorry. Hi, thank you for the opportunity. So, my question is related to the export. As you had mentioned that the second half is expected to be around 35% of growth, like by calculating what the numbers you have given. So, if you can give some highlight on the order book, how much of the export order book you have, and also on the segment-wise would be helpful? Thank you.

J S Gujral: See, as I had mentioned earlier in one of the earlier questions, all exports are primarily into the industrial and MedTech segment apart from RFID. So, these three verticals constitute the backbone of all export revenues. Industrial, which would include utility metering, which would include power supply management, which would include industrial cleaning, which would include renewable energy, solar, products related to solar, and box bill for other applications apart from MedTech devices and RFID.

The growth which we are projecting for the current year is based on the orders or the visibility which we have from the customers. So, when I say all exports would grow up by about 20%, 25% to about INR1000 crores, which is a delta of about INR200 crores over last year, it is based on the orders and the visibility and the agreements which we have with our customers.

Praveen Sahay: Sir INR4,800 odd crores of order book, how much is the export order?

Bijay Agrawal: Probably around 22% to 25% would be export in this thing.

J S Gujral: See, if my export is about 25% of my revenues, my order book by and large on an annualized basis would have that percentage. Quarter-on-quarter could be marginal variances. So, if I am committing a INR1,000 crores revenue, I am committing it based on the orders which I have in hand for execution in this year. And Bijay has shared the figures with you.

Praveen Sahay: Right, sir. Anything on the Johari how much in the first half the revenue you have done?

J S Gujral: Johari typically takes off in the third and fourth quarter. Second half for Medtech business is typically much higher revenues and margins. The first half is comparatively subdued as per the previous year experiences.

Praveen Sahay: Okay, thank you, sir.

Moderator: Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: Thank you. First question is on the asset turn side. So, what would be our gross block say, excluding Pune and including Pune? And do you think our revenue, I mean, the asset turn potential has gone up? I think earlier you have talked about around anywhere 4.5x kind of gross block asset term. So, where do we stand on that number, gross block and asset term?

And second is for the last couple of quarters we are seeing payable days significantly higher than what it used to be earlier. So, is there a change in policy? Should we consider it more of a steady state number or there is some technical call that we have taken to have lower payables?

Bijay Agrawal: So, my asset terms currently are in the range of around 5.5x. And when we talk about gross block, it is about INR800 crores plus which includes Pune number also, Pune facility maybe about INR100 odd crores rupees. And maybe a few other Manesar expansion and all other CWIPs are included in this thing. So, broadly those assets or maybe those CWIPs may result into final profitability in next over two years. And once we achieve that thing, I think we should be able to achieve a 6.5X plus kind of an asset term on an average basis.

Keyur Pandya: And on payable higher payable days?

Bijay Agrawal: Payable days. Yes, that is primarily depending upon the business mix. There are different businesses which we do. So, just like consumer business when we talk about, consumer business has a different payable and different industry or maybe inventory matrix. That is how it is based on the business mix there. As of now, it is around 100 days plus of payable days and we are considering if we like full year also we will be doing around 40% of the consumer business. And the payable days will be exactly almost similar in the similar range going forward.

Keyur Pandya: Okay, noted. Thanks a lot. All the best. Happy Diwali.

Moderator: Thank you. The next question is from the line of Paarth Gala from HDFC Securities. Please go ahead.

Paarth Gala: Hi, gentlemen. Good morning. Just one question on the material margins. So, for the past couple of quarters consumer business, the material margins were hovering in single digits, probably high single digits, but is there any change in this quarter because, I mean the sense I am getting is that it has gone back to a double digit kind of a trajectory. If you can share some more light on this that would be great?

J S Gujral: See, as I have been sharing all along, what we monitor is the margin profile of each vertical. And there we don't see any depreciation or decline. The consumer, the high volume consumer business, the consumer business is split into two. The high volume consumer business, which is the backbone and bulk of the consumer segment. And then it's the low volume, ODM, other consumer business which is in line with my other verticals in terms of margin. We have not seen any accretion of margins in the high volume consumer business.

And they continue to hover with the figures which we had said was less than 10%, 9%, 10% gross material margin. We have not seen any depreciation nor any accretion in this segment. Other segments have seen a small positive uptake which has been because of better buying, better negotiations, better realization from customers and better product mix.

Paarth Gala: Understood, sir. So, would that mean that the second quarter had a higher share of the low volume ODM business in consumers? And what would the mix stand if you can for the second half as well?

J S Gujral: See, for the Q2 my consumer as an overall basket came down from 54% to 33%. And this decline was primarily driven by the high volume, low margin consumer business. The low to medium volume, normalized margin consumer business grew at its normal pace before which it was there. Going forward, this year we believe that our consumer business would constitute approximately around 40% of our revenues.

And this is what we had factored in our annual plan which we had shared with the street when we said that we'll be doing about INR4,500 odd crores of revenue and 310 to 320, in fact, 315 to be precise EBITDA numbers. Now, if going forward in the next six months also my consumer business does not go to 40%, it hovers down then it will have a positive impact on the EBITDA, but based on the orders and the delivery commitments which our customers are asking, we believe it will be around 40% only.

Paarth Gala: This is very helpful. Thank you very much and best wishes for the festive season.

Moderator: Thank you. The next question is from the line of Hardik Rawat from IIFL Securities. Please go ahead.

Hardik Rawat: Thanks for the opportunity and congratulations on a good set of numbers. The question that I wanted to ask was with regards to our margin expectation in the second half. Now, going by the guidance, second half should see an uptick in both exports and medical revenues. So, what could be some realistic reasons as to why margins should dip in second half versus the first half?

For the first half, we are looking at EBITDA margin blended of about 6.4% and the second quarter we ended at 8.9%. So, largely not from a blended 2H perspective, but from this 8.9%, why should the margins in second half be materially lower than this because our current guidance of about 7%?

J S Gujral: We achieved 6.4% odd for the first half here. Quarter 2 with the high volume consumer business at 33% we touched 8.8%, 8.9%. We believe that for the second half, with consumer bouncing back to about 40% of all my revenues, I should be comfortable at about 7.5%, 7.6% EBITDA margin, which will enable me to give 7% blended margin for the year as a whole.

Now, whether this 7.5% goes to 7.7%, I think we are not doing that hair-splitting right now. We will share the results once they are, or we count the chickens when they are hatched, as they keep saying. But we are very confident of achieving the 7%. Any uptick on that, I think we will share with the street once it happens, rather than alerting our guests in advance.

Hardik Rawat: We understand that you are being conservative with the guidance, but like you mentioned in the TV interview that you were there, so this 7% margin expectation is the lower end of our expectations, correct?

J S Gujral: Yes, we said that we hold 7% this year. It's the bare minimum which we have to deliver. Anything above that, I think we should have the patience to see when the results are out.

Hardik Rawat: That makes sense. That helps. Another thing was with regards to the PLI figure that you gave out. You mentioned this INR15 crores of PLI as cumulative PLI for the first half?

J S Gujral: This is the equivalent PLI for the sales done during the period and expected to be done during the year.

Hardik Rawat: So, the expectation is INR15 crores of PLI in FY '25?

J S Gujral: Approximately thereabout, yes.

Moderator: Thank you. The next question is from the line of Vipraw Srivastava from PhillipCapital. Please go ahead. Mr. Vipraw, your line has been unmuted. Please go ahead with your question. Due to no response from the current participant, we'll take our next question from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Hi, thanks for the opportunity. My question is on the capex side. You just mentioned that we'll be doing INR130 crores of capex for the next two years. And as we are growing at a 35%-40% CAGR growth, so back of the envelope calculation by FY '27, we should be reaching about INR8,000 crores of revenue, approx. So, will this capex be enough to generate that revenue?

Bijay Agrawal: Again, apart from that INR130 crores-INR150 crores, we also mentioned depending upon the incremental business, wherever we need to stuff more SMT lines, we'll keep on doing it. So, once we reach that INR8,000 crores-INR8,500 crores of revenue, if there is any additional plant and machine related capex would be required, we'll be incurring that thing. So, maybe INR150 crores-INR200 crores would be required to reach to that level, in a way, broadly.

J S Gujral: See, again, whatever we have achieved till this half year, it is, as I shared earlier, at about 65%-70% capacity utilization. Now, the capacity which I have installed till September of 2024, which will not include Pune, that itself, if it was typically working at 90%-95%, would give me a revenue of closer to INR5,000 crores.

So, Pune is in addition to that. And with the figure which Bijay has mentioned, I think we are on track to achieve the figure which you mentioned for FY '27. And a lot of it will also depend upon the product mix, how much is the box build, because a box build has a lower capex.

It's a very high asset turnover ratio than plain vanilla PCBA boards, because the major capex goes into the PCB assembly, not in the box build. So, as we move forward and the product mix changes, I think with the figure which Bijay has shared, we are on track to achieve the long-term objectives of the company.

Saumil Shah: So, you just mentioned INR130 crores-INR150 crores of capex, Bijay?

Bijay Agrawal: That's right. That is from the balance IPO proceeds. And beyond that, we may have to move funds from internal accounts. So, broadly, INR150 crores-INR200 crores is what we are saying in total.

Saumil Shah: So, on a higher side, next two years, INR200 crores of capex? Yes. Okay. That's it from my side. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question. I would now like to hand the conference over to Mr. Gujral for closing comments.

J S Gujral: At the outset, thank you very much for all of you for participating in the call during the festive season. We at Syrma SGS, as I have all the time been saying in my closing remarks, are very focused on building an institution which is sustainable, profitable, and takes care of the interests of all the stakeholders, investors being the most important, but there are other stakeholders as well. We have expanded our capacities.

We have expanded our footprint, geographical footprint, and we have also expanded our marketing presence for the last two quarters by having dedicated sales teams in USA, which till now were being serviced from India. In addition, the MedTech business continues to be a strong driver, and we have entered into new services which are quality assurance, regulatory approval services, which in the long run, I think will form a significant portion of our revenue streams, at least from the EBITDA margins.

The pipeline of orders from existing customers and the dialogue with the new customers continues to be healthy, and we are exploring other areas for growth. Overall, the management is very, very confident that we are on track to building a one billion organization in the next few years. Thank you very much for the support, and wish you all a very happy Diwali to all of you and your families. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.