Date: May 20, 2025

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 audited Financial Results (Consolidated and Standalone) of the Company for the quarter and year ended March 31, 2025.

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 audited Financial Results (Consolidated and Standalone) of the Company for the quarter and year ended March 31, 2025, held on Wednesday, May 14, 2025, 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
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Date: 2025.05.20 11:14:08 +05'30'

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

"Syrma SGS Technology Limited
Q4 and FY '25 Earnings Conference Call"

May 14, 2025

MANAGEMENT: **MR. J. S. 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: **MR. SHALIN CHOKSY – JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call for Syrma SGS Technology Limited hosted by JM Financial Institutional Securities Limited. As a reminder, all participant 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shalin Choksy from JM Financial Institutional Securities Limited. Thank you, and over to you, sir.

Shalin Choksy: Thank you, Navya. Good morning, everyone. On behalf of JM Financial, we welcome you all to the Q4 FY '25 Earnings Call of Syrma SGS. Today, we have with us the senior management of Syrma SGS. I will now hand over the call to Nikhil to take the call forward. Thank you, and over to you, Nikhil.

Nikhil Gupta: Thank you, Shalin. Hi, a very good morning to all. Welcome to Syrma SGS Quarter 4 and Fiscal Year 2025 Earnings Call. We have with us today: Mr. J.S. 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 fourth quarter and financial year 2025, followed by a detailed question-and- session.

During the call, certain statements that will be made are forward-looking, which involve 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 during this call. In this regard, we request please do review the disclaimer statements in the earnings release and all other factors that can cause the difference.

With this, I will now hand over the call to Mr. J.S. Gujral, Managing Director of Syrma SGS. Thank you.

J.S. Gujral: Good morning, everyone. A warm welcome to the Syrma SGS Q4 and FY '25 Earnings Call. I'll delve on the broader picture, the business scenario and the macro level things affecting the company, and the quarterly numbers and details will be dealt by Bijay Agrawal in detail. We started the year with a guidance of 7% of EBITDA, which was at about INR310 – INR 315 crores, a recalibrating of the business strategy to bring Consumer business down to about 35%, which also means accretion in the business, high-margin business of Industrial, Automotive and Health care.

As we close the year, we find that we have achieved the target set and communicated to everyone. We have brought out the Consumer business to 35%, 36% of overall revenues. EBITDA expansion has been a bit healthy at 8.6%, up almost 1.8% from FY '24. As we look forward for the coming years, we are in line to grow the business at about 30%- 35% with consumer being retained at about 30%.

So we further see a reduction in the consumer content from 35% to about 30% in the coming years. As a natural corollary, this would imply or this means that our superior margin business in the Industrial, Health care, Automotive verticals would further go up, which would help us in sustaining the EBITDA margins of about 8% in the coming years.

As we look back, we find that we have added about 20, 25 new customers in the current year, which would go on stream this year and in FY '26, '27. We have commissioned our Pune facility. We have commissioned our facility in Germany, consolidating it into one location. This facility was acquired somewhere in June, July, August last year. We have started large format box build for customers, global customers, which would accrue decent size of revenues in the coming years.

We are fully on track in achieving the growth targets of about 30%- 35%, which is backed by the orders in hand with a focus on high-margin verticals. Another issue, which is of great satisfaction to us is that our ESG initiatives are on track. And EcoVadis, which is a global agency which monitors ESG has given us a percentile score of plus 70% and we are among the top 35 companies globally, which are meeting the ESG norms set by the companies and the government.

Our leadership training programs and induction of talent is almost complete now, and we are fully poised to grow the business and be a forefront runner in the EMS space, especially in the exports. Exports in the current year have been subdued. We had guided a INR1,000 crores export target. We have fallen short by about INR200 crores. We are about INR800 crores plus, largely driven by the tariff uncertainties and a muted EU environment.

However, based on the guidance inputs received from our customers, we expect the exports to cross the INR1,000 crores mark. So we are delayed by a year. We should have achieved it in FY '25. We intend achieving it in FY '26. We have generated a free cash flow of about INR176 crores. Working capital, net working capital at about 69 days, work in progress, scope for further reduction.

Now what gives us the satisfaction is that if we look back on 4 years sort of period, what do we see? Our revenues have grown by about 44% CAGR; EBITDA 34%; PBT 29%; Exports 15%. And mind you, neither EU nor America is growing at that rate, which clearly indicates onboarding of customers or drawing more business from the existing customers. If I was to see the landscape of the verticals, in the last 4 years my Automotive segment has expanded by 57%; Consumer by 60%; Health care by 23%; and Industrial by 29%.

If I see only for the last year, FY '25 over FY '24, I have seen Automotive increase of 26% a decline of about 7% in Consumer, in line with our target of bringing on the low-margin, high-volume Consumer business content. Health care has grown by 15%, Industrial by about 29%. And we believe that in the current year, Consumer will be about 30% of my revenue and remaining 70% will be Industrial, which should be about 30%; Automotive, about 25%, Health care and other things about 15%- 18% and the balance by Railways and IT.

With that, I hand over to Bijay Agrawal to take you through the details. And any questions which you have, I'll be more than happy to address them.

Bijay Agrawal: Thank you, Gujral-ji. Good morning, everyone. I will now take you through the brief financial performance of the company for the quarter and for the financial year FY '25. I can start with the revenue. Our consolidated total revenue for the quarter is INR947 crores, which has grown by 6% quarter-on-quarter. And similarly, the total revenue for the full year is INR3,836 crores that grew by 19% year-on-year as against the previous year.

The growth for the period is contributed largely by higher growth in the Auto segment, Industrial segment and IT businesses. Our export revenue for the quarter is about INR280 crores. And for the full year, it is around INR860 crores, which is approximately 23% of our total operating revenue. Our ODM revenue for the quarter and for the full year also, it is about 12%.

In the quarter, we have shown good rebound in the margins led by expansion into the gross margin on the back of change in business mix, mainly lower consumer, as Mr. Gujral has explained, better Industrial business, higher Health care business and our continuous effort on operational efficiencies and stable overhead costs.

Our gross margin for the quarter is about 27.8%. And for the full year, it is 22.6% with a healthy expansion of around 200 bps as against the gross margin of the previous year. Our operating EBITDA for the quarter stood at around INR116 crores, which is year-on-year growth of approximately 39% and the EBITDA margin of 12.4%. Similarly, when we see the operating EBITDA for the full year, it is about INR324 crores with operating EBITDA margin of 8.6% which has grown almost 48% over the previous year.

Same way PBT for the quarter is INR93 crores with a PBT margin of 9.9%. And for the full year, it is INR239 crores, which is PBT margin of 6.2%. Our PAT for the quarter is INR72 crores with a PAT margin of 7.5%. And for the full year, it is around INR184 crores, which is 4.8% of PAT margin for the full year.

Coming to the overall working capital performance, we are currently running at around 69 days of net working capital days of investment. Wecontinue to make our efforts to bring it down to below 65 days, we'll be focusing on the same and targeting to bring those numbers in the upcoming year.

Moving to our debt position. We have a total gross debt of around INR611 crores at the end of the year, largely working capital debt, which is around INR520 crores and balance INR90 crores is a term loan. We continue to hold a healthy treasury balance of approximately INR347 crores here. And with this, our net debt position at the end of the year is INR264 crores. Our cash flow -- the operating cash flow for the year is INR176 crores positive, which is resulting into the OCF to EBITDA of approximately around 54%.

Coming to capex investment. During the year, we did almost INR180 crores of capex, largely towards greenfield expansion of our Pune campus facility and some bit of brownfield expansion into Bawal and Chennai location, mainly driven through new customers onboarding and related tools and fixtures and plant and machinery installations.

Coming to asset turn and the returns, we have achieved 5.5x of asset turn during the year. And

ROCE is around 16% on an adjusted basis. We expect this to further improve as we set our assets and we improve our overall asset utilization gradually. Lastly, I would say we continue to focus on the high-margin business verticals, operational efficiencies, overall cash flow improvement and thereby improving the returns. We still continue to focus upon the working capital improvement -- and that's all from our side.

Nikhil Gupta: Thank you, Bijay. I'll now hand over the call to Mr. Satendra, our Chief Executive Officer, to hear his comments on the business.

Satendra Singh: Thank you, Nikhil, and good morning, everyone. Thanks for joining the call. I think we have had a very good quarter as a company. First of all, I'd like to say thanks to all the 9,000-plus people we are employing in the company who work day-in and day-out all of the year to bring us the results which we have reported to you a few minutes ago.

Overall, I think we continue to stay focused on the strategy, which we have always outlined. Consistently, as a company, we are looking at the businesses which are medium volume and higher margin. Essentially, we continue to focus on Automotive, Industrial, Medical, Railways. Accordingly, the business mix will evolve, as Gujral-ji already highlighted that Consumer business will shift slightly down as a percentage. However, all our businesses will continue to grow.

We have taken many steps to improve our operating efficiency, to improve our procurement efficiency to ensure that we sweat our assets, as Bijay highlighted in his comments. That's key of EMS business. At the same time, it's not lost on us to ensure that we have enough capacity available. We will continue to invest as and when it is needed.

At this point, we are looking -- we are evaluating our footprint, and we are expanding our Bangalore facility, a marginal expansion to ensure that we are able to serve our increased business in Bangalore. Overall, I think we stay focused, and we look forward to results in line with what Mr. Gujral highlighted. So thank you very much. Back to you, Nikhil.

Nikhil Gupta: Thank you, Satendra. Navya, you can help us on the Q&A session.

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

Indrajit Agarwal: I have 3 questions. First, if you can elaborate a little bit more on what is troubling our Consumer business? Which product segment? And how is the current run rate in terms of exit? How do you look at it?

J.S. Gujral: Sorry, could you please repeat the question again? It was not very clear.

Indrajit Agarwal: Yes. So what exactly is troubling our Consumer business? And how is the exit run rate versus what we have achieved for the full year?

J.S. Gujral: See there's nothing troubling in the Consumer business. We have always shared that the consumer, the high-volume, low-margin Consumer business is one of the low-hanging fruits which we had picked up. But with a conscious sort of focus on concentrating on our core competencies, which is engineering design-led manufacturing, which is more into Industrial, Health care segments. So there was a very cautious call of the management to recalibrate its focus on the high-margin segments.

And as I've already shared, there are no free lunches. When you concentrate on high-margin verticals, which have a lot of engineering design content, the natural casualty is the top line. So it's a call which the management has taken to have accretive EBITDA from superior verticals.

Bijay Agrawal: Also on the exit run rate, we have done around INR190 crores of consumer revenue in the quarter 4, which is around 21%, while for the full year, it is around 35%. The only clarification here is this is not like evenly distributed kind of a thing. The schedules come into 1 quarter probably a much higher number and 1 quarter much lower number that way. So from an exit run rate point of view, we should consider a full year revenue rather than a quarterly revenue.

J.S. Gujral: Yes. I've always been maintaining that we should not look businesses on a quarter-on-quarter basis. If you recall, Q1, the Consumer business constituted 54% of our revenues. Q4, it constitutes about 20% of our revenues. But on a blended basis, it has come down to 35% this year, and we further intend to take it down on an annualized basis to 30% in the coming year. Q-on-Q, there could be variations.

Indrajit Agarwal: Sure. On that note, while we are looking at full year numbers, our Consumer business will go down further in terms of mix from 35% to 30%. So what would drive the EBITDA margin decline from 8.6% to 8% as you have guided for FY '26?

J.S. Gujral: See, we have guided 7%. We have delivered 8.6% or 8.5%, whatever that is. We are guiding 8%, which is almost a 15% increase on 7%. As the quarters pass by, if we believe and we are confident to achieve an EBITDA higher than 8%, we would share with that. Currently, on a conservative basis, we guide 8% EBITDA margin. We guided 7% last year, and we are now guiding 8%.

Bijay Agrawal: Also when we see the Consumer business coming down to 30%, but simultaneously, maybe IT plus Automotive business will also increase slight a bit higher in this overall mix. And based on the weighted average mix only, we are guiding about 8%.

Indrajit Agarwal: Sure. A couple of housekeeping questions. One, both receivable and payable days have increased. So what is driving this sharp uptick? I understand the overall working capital is still under control of about 69, 70 days, but the mix has shifted. So what is driving this?

J.S. Gujral: Bijay will run through the figures. You see in working capital, I think the quality of working capital is reflected by the lower inventories. So what we have achieved this year, we have brought down our inventory levels by about 18% to INR822 crores, down from about INR1,000-plus crores. Payables and receivables are commercial transactions, which we, as a strategy, try to match off. So if my customers ask for extended terms of credit, what is under my control is have an efficient manufacturing and bring down the inventory levels, which we have done 18% this year.

We go back to our vendors and as our volumes increase, we go back to our vendors for extended payment terms. So that's a commercial balancing of receivables and payables. So this is the part and parcel of the business environment. What is critical is, is my inventory under control or not? And there, I'm happy to share our team has done a phenomenally good job of reducing inventory by about 19%. I hope that answers your question.

Indrajit Agarwal: Sure. Yes, it does. Lastly, if you can give us the order book number, like?

J.S. Gujral: Bijay, will take you through the numbers. But on a macro level basis, whatever we guide our revenue, it is based on the orders in hand and orders in pipeline and visibilities and everything. So order book is in line with what we have guided. But for the specific numbers, if you want, Bijay will share with you here. He has some -- he has the details we can share with you. But broadly, I think our orders in hand are in line with the revenues guided. So we can derive the figure. If you want it from Bijay, he can share it with you.

Bijay Agrawal: So broadly, as Mr. Gujral has explained, order book is in line with my revenue guidance. But still the overall order book is somewhere between INR5,200 crores to INR5,400 crores as of now, which is as of 31st March 2025. And in this the breakup would be around 25% to 27% is Auto-related business; approximately 30% Consumer business; Industrial would be around 28% to 30%; and rest 15% is approximately between IT, Health care and Railway business.

Moderator: We will take the next question from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Can you hear me?

J.S. Gujral: Yes, please.

Aniruddha Joshi: Yes. Sir, 2 questions. Should we consider the change in strategy towards Consumer business as a perpetual thing means in a way, it will be going forward the same approach we will keep to have a relatively lower focus on Consumer business and the margin focus will remain higher. So is that the strategy? A perpetual change in the strategy, should we assume that? Question number one.

And question number two is there is a material increase in the debtor days and largely it is attributable to higher-margin business also. So will that also be a -- in a way permanent change in terms of the working capital numbers as well? That is the second question. Yes. That's it from my side.

J.S. Gujral: Okay. Now as a strategy, yes, we would concentrate on the high-margin businesses, higher margin vertical more in the coming years, this year and coming years. High volume, very high volume, very low-margin Consumer business would be sort of slowly and steadily brought down to 30%. But this does not mean that the Consumer segment, the subvertical in the Consumer sector, which is my own design and manufacture, that will be a focus for the management.

So when we say the overall Consumer business has come down to 35% this year, it also includes my own design and manufacture and other products which I give to the consumer segment, which are comparatively higher margin. The focus will be on higher-margin business irrespective of the vertical. Consumer also has a sort of a vertical within it, which is decent margin business. It's only the high-volume, low-margin business, which would in a structured way, be brought down.

Coming down to your working capital level, when we were at 40% Consumer business, 5 of our Consumer business, we were at about 70 days. We have brought down the Consumer business to 35%, and we are down to 69 days. So the focus of the management would be to control the working capital in its totality.

Yes, when we do Industrial, when we do Exports, when we go into railways, the working capital cycles are comparatively elongated. But with efficient management of resources and production, I think we are in line to reduce the working capital further.

Just for clarification, these are -- the working capital figures are without any factoring of off-balance sheet adjustments. Bijay will run through the details.

Bijay Agrawal: So you are right there, Aniruddha. Primarily with the high-margin business, we may have to deploy certain high receivables, but that is all backed by high payables also because we negotiate the business accordingly. And going forward, we are further targeting to bring it down at receivables and payables level, in fact, along with the overall reduction at the NWC level also.

Aniruddha Joshi: Okay. Sure. So this is very helpful. Just second line -- last question, if you can indicate a bit more on the QIP plan and also the bare PCB business that we are planning to start under new wholly-owned subsidiary. So what are the time lines where the new plant will be? And in a way, what are the incentives, state incentives, central incentives that we are looking at? And in a way, any customer details, client details, if you can share. So whatever business plan you can share at this stage?

J.S. Gujral: Okay. QIP is just a revalidation of the QIP, which is the permission of the authority, which we had taken from the Board last year. So that was expiring in about whatever a couple of months. So we have taken resanction from the Board of a QIP. This QIP would be used, one, if we do an inorganic acquisition, and that's what we had shared last year. So it's an enabling resolution to have sort of funding arrangements ready.

Second, if we go -- and I'd rather not if, when we go into component manufacturing under the Government of India component scheme, which has recently announced, we'll share with the Street once we have something concrete, it could be used for that. And then the remaining is the general purpose working capital and other things. As of date, there is no fixed concrete proposal on the table to say this much is for this, this much is for that. That we'll share once we have the detail. I hope that answers your question.

Aniruddha Joshi: Yes, sir. That is helpful. And any other details that you can share on the bare PCB business that we are looking at?

J.S. Gujral: See, we are looking at components in totality and bare PCB is part of one of them. As of date, there's nothing -- no concrete proposal which has been approved by the Board. We are evaluating various sort of piece and piece parts, which are in the component policy. PCB is part of that. But as of date, there is nothing finalized or concrete on the table. We are evaluating and discussing. And we'll share with the Street once there is something concrete, something once we have concluded.

Aniruddha Joshi: Okay. That's fine, sir. And I missed the revenue guidance that you shared for FY '26. I understand margin you have indicated around 8%.

J.S. Gujral: Yes, 30%, 35% growth with about 8% margin profile.

Moderator: We'll take the next question from the line of Sonali Salgaonkar from Jefferies.

Sonali Salgaonkar: Congratulations on a great set of margin growth. Sir, my first question is actually regarding the new component manufacturing scheme, which is being rolled out by the government, ECMS. So tentatively, as of now, which would be the areas of interest for the management to apply? And in that conjunction, what would be the kind of capex that we would be looking forward in FY '26 and '27?

J.S. Gujral: Under the component policies, we are evaluating components, whether they are electromechanical, long components, there are something like camera modules, PCB is one of them. Connectors also are there. As of date, there are 3, 4 verticals, which our teams are working seriously on, and we are looking for tie-ups and other things. Once we have a detail, then we'll share. But broadly, the component ecosystem has to be developed in India, and we are very seriously evaluating that. And I think we should be participating in the scheme.

There's still a window of about 80-odd days or 78 days till 31st of July to file the applications. Again, what we are very, very mindful of is that wherever we go in, whatever sort of component we go in, we must go with a very credible, reputed technology partner. I think that's the underlying philosophy of the management and the group that we should have credible partners, which are very well placed in the vertical we would like to go.

Bijay Agrawal: On the capex, again, overall capex varies depending upon which component we select and maybe what -- how much of the capacity we plan to put over there. Broadly, we can see the capex varies from maybe a INR300 crores, INR400 crores to almost INR1,000 crores also here.

Sonali Salgaonkar: Great. Sir, this is very helpful. Sir, my second question is regarding the exports. Now clearly, we are one of the key players exporting to geographies across. So any thoughts on the U.S. tariffs? I know there is a 90-day pause, but any thoughts therein or how the exports will shape up going forward?

J.S. Gujral: See, exports have been muted in FY '25, I shared in my opening comments. In FY '26, based on the orders which we have and the guidance which we have received from our customers, we would be able to cross the INR1,000 crores, which will be -- which will signify almost a 20%, 22%, 23% increase.

Tariffs are still in a fluid and a nebulous stage. How would it pan out, no one knows. So despite that, we are expecting a growth of about 20%, 22%. I think we are working very closely with our customers and other stakeholders. And I think we'll navigate once some semblance of a clarity of stability emerges on it. Satendra, is there anything which you would like to add?

Satendra Singh: No, I think we have been in close discussion with our customers, meeting them in person as well as having regular touch points with them, closely following their strategy. And I think as of today, the tariff is frozen. So once the administrations are making a decision on which direction they are taking, we will work closely with our customers to support them in their strategy. But clearly, as Mr. Gujral said, we see our exports growing this year compared to what we did in the last financial year.

J.S. Gujral: And just to add on to what Satendra is saying, our judgment or our assessment is that India would not be negatively impacted by the tariffs. So I don't see -- we don't see a situation where India has higher tariffs than the competitive countries. Tariffs will come, but India would still have a headroom in that. I think India would be taxed at a comparatively lower tariff rate than the competitors -- competing countries. That's our assessment.

Sonali Salgaonkar: Understood, sir. Very clear. And just one last question from my side. We completely understand that you want to transition from the lower-margin Consumer business and yet grow our top line. So which would be the top 2 sectors who would contribute to the revenue more than the Consumer? Would that be Industrial and Auto? Is this understanding correct?

J.S. Gujral: Yes. Our major growth drivers are Industrial and Auto sectors, along with the Exports, which we just talked about. So these 3 will be the major drivers for top line growth next year.

Sonali Salgaonkar: So would Exports be margin accretive as well?

J.S. Gujral: Yes. Yes, they are.

Moderator: We will take the next question from the line of Pranjal Jain from Morgan Stanley.

Pranjal Jain: So you did mention in the opening remarks that we have added around 20 to 25 new customers, which are likely to see some revenue booking from FY '26 onwards. With that in context, which are these key segments that these new customers cater to? That's number one.

And which are the subsegments that are driving growth in Industrial segment in particular?

Management: Majority of our customers are in Automotive and Industrial. So if I would look at it, 3/4 of the customers are in -- between Automotive and Industrials. And that's in line with our strategy. That's where our focus -- major focus would be.

J.S. Gujral: And on your question on the vertical, subverticals within the Industrial segment -- in domestic segment, the Industrial would be driven by the energy metering. Globally, it would be power electronics, a large format box build for various applications, including EV charging and power supplies. Utility metering globally also would see a traction, growth traction in this year. So it's a very broad wide mix. Automotive will be driven by primarily EV and acquisition of more customers in the ICT space.

Pranjal Jain: Sure, sir. That answers well. And secondly, what would be the incentive -- PLI incentive that we may have booked in the full year of FY '25?

J.S. Gujral: Bijay?

Bijay Agrawal: Approximately around INR36-38 crores is what we have booked in the full year.

Pranjal Jain: And could you also help us with Q4 in specific?

Bijay Agrawal: About approximately INR8 crores.

Moderator: We'll take the next question from the line of Bhoomika Nair from DAM Capital.

Bhoomika Nair: Congratulations on a good set of numbers. Sir, my first question is on exports. I know you spoke about exports being a strong driver of growth next year. And we were looking at U.S. to kind of support that. But given the tariff situation, one is on a wait and watch out there. Could you throw some color in terms of how is Europe sales really going or other parts of the globe, which is supporting our confidence in terms of the growth aspect out there as we look at next year?

J.S. Gujral: See, 2 parts. One, my growth in the sales will be driven by some customers which saw a 4, 5, 6 months window of revenue last year, and I'll see a 12-month window of revenue this year. So that is almost like a 100% jump in the revenues from those customers. Because if I did a customer for 5 months and I do it for 12 months, there is an incremental revenue.

On Europe specifically, it has been muted thus far. We have now seen a rebound, a slow rebound in order inflow, which points that towards the end of this calendar year, Europe, we would see it back to what we were there in '24. See, we have maintained INR863 crores of revenue, up from about INR800 crores last year on the back of a very subdued demand from EU.

So my customers -- additional customers offsetted or compensated me for the decline in demand or revenues from the EU customers. We have now started seeing an upturn in this. And the new customers which we onboarded and the orders which we have got, the visibilities which we have got gives us the confidence that if the things were to pan out as they are currently panning out, we should cross the INR1,000 crores mark in the coming year.

It will also be aided by Health care, though Health care business is small, but it will also be aided by Health care business. This is if -- again, I give the caveat that if things pan out as they are, if tomorrow something out of the world was to happen on tariffs or something, which we -- none of us estimate, then it would have a different impact.

But under the normal circumstances, we would achieve the INR1,000 crores mark. And I've shared you based on rebound in Europe, some customers which saw revenues kicking in, in second half of FY '25, having a full 12-month window and some new customers which we have added, which would see some months of revenue this year. All these 3 factors put together would sort of take us to cross the INR1,000 crores revenue mark, and we are very confident on that.

Bhoomika Nair: Sure. That helps, sir. Sir, my second question is on Industrials. We're looking at a very sharp growth out there and the percentage contribution also kind of improving. A lot of the growth is also driven by the domestic segment where the energy meters will play a significant role. Now how large is this segment for subvertical for us? Are we seeing a decent traction out here? Or are there delays in terms of execution on ground, which could possibly impact into the second half? So just trying to understand this subvertical out here.

J.S. Gujral: So are you referring to the smart metering business or the Industrial in general.

Bhoomika Nair: Yes, sir. Smart metering within Industrial, sir.

J.S. Gujral: Yes, that is -- smart metering business or I would call it, utility metering business within the Industrial is a significant component. And just as a reference point, I was looking at the figures, we did about 3.9 million or 4 million units of energy metering electronics in the years gone by, and we expect that traction to continue in this year also.

Bhoomika Nair: And this would be what growth in '25 when we are saying 4 million -- close to 4 million number in FY '25?

J.S. Gujral: I think it will grow. Overall, Industrial, as I shared earlier, over a 4-year period, it has grown by 29%. Incidentally, last year also, it has grown by about the same percentage. We expect this business to continue to grow. Now whether the smart metering business grows by 20% and gets the other components in the power thing like boxer build, format build, fuel dispensing, power supplies, power controls, solar. So all these things put together, we expect what Bijay had shared that we have targeted a growth of about 29%, 30%?

Bijay Agrawal: 30%.

J.S. Gujral: 30%-plus in the Industrial segment. So it will be a blended mix.

Bijay Agrawal: For FY '25, similar utility metering business would be approximately INR300 crores-plus.

Bhoomika Nair: Okay. Okay. Got it, sir. This is helpful. Lastly, on the bare PCB board business that we are looking to get into and evaluating, would we kind of be doing this on our own? Are we planning to do some tech partnership? Any color on that business would really help.

J.S. Gujral: On what trend? On what trend?

Bhoomika Nair: On the bare PCB board business, sir.

J.S. Gujral: Again, I said bare PCB is part of the component policy. So let's not be specific to Bare PCB. Whatever vertical we enter, whether it is the bare PCB or the components, whether they are magnetics, bound, if we believe that we have the in-house capability to do it, it will be done in-house. Wherever we believe that having a partner would be worthwhile, so it will be with a partner. What contours that association takes place would -- we'll come to know once we sign off our agreement with a potential partner, whether it's a JV, financial JV, technical JV. So those are all things under discussion today.

But one thing is clear that we would be participating in the component PLI. What particular things? They are still under discussion, and I'm not at a liberty to sort of disclose and discuss them, till they are finalized.

Moderator: We'll take the next question from the line of Bharat Shah from ASK Investment Managers.

Bharat Shah: Hearty congratulations. Bharat Shah. I just had a comment to offer and would like to have a response from you on that. I think our business model is now acquiring a much more solid and concrete shape. Earlier perhaps the business was -- the turnover was an outcome of the order book and availability where growth of the top line seem to be #1 priority.

Now I think balancing the business with healthy profitability, capital efficiency, working capital management and carefully balancing overall business so that business becomes an outcome of the business model rather than the other way around. Would you say that is a fair comment as to how we have evolved in, let us say, last 2 to 3 years?

J.S. Gujral: Yes. If you sort of just scan over the last 2, 3 years for about a year -- 1 year, 1.5 years, we had a very high component of the low-margin, high-volume Consumer business where we were not present earlier. So it was a new sort of a dish for us. And we are now recalibrating or rather we have recalibrated our strategy to refocus on our core competencies, though manufacturing of high-volume consumer is also we have developed that core competency, and we are comparable to the best in the industry today.

But having said that, we have recalibrated our strategy to focus on comparatively higher margin design engineering-led manufacturing, which was our core competency pre-'21, '22. So you're right, we are refocusing that to focus on growth in these high verticals. And I said -- as I said earlier, Bharat-ji, there are no free lunches.

If we have to focus on margin accretion, Industrial, Automotive, they have a certain growth trajectory unlike the Consumer, which is a low-hanging fruit and could have a very high growth trajectory. So we will continue to concentrate on Industrial, Automotive, Health care and design-led manufacturing, which will have some impact on the top line, but on the bottom line and other things, it will be all positive.

Bharat Shah: And presumably greater focus on technology, which is our own ODM business, carefully chosen and selected and improved margin with a discipline on working capital, all that should lead to measurable improvement in capital efficiency?

J.S. Gujral: Yes, please. But these high-margin businesses have an elongated working capital cycle as a nature. But I think with a proper focus and control and empowered team, we should be able to maintain rather reduce the working capital cycle, which we have thus far achieved, which is about 69 days. Despite these high-margin businesses going up, which have a longer working capital cycle, I think we are in a position to bring down the working capital cycle further.

Bharat Shah: One question for Bijay Agrawal. Bijay-ji, is the PLI incentive likely for the coming year if there is any calculationdone?

Bijay Agrawal: So this is all varying actually based on the overall how much of consumer and specifically telecom consumer business we are doing in the next year. We can say based on the order book visibility, this income can be somewhere ranging between INR15 crores to INR18 crores for the next year also.

Bharat Shah: INR15 crores to INR18 crores for the company only, right?

J.S. Gujral: FY'26 yes.

Bharat Shah: Sorry, INR15 crores to INR18 crores in entirety for the company?

Bijay Agrawal: This is like what the company can retain for sharing if there is anything. This can reflect into the company's P&L going forward also.

Bharat Shah: But compared to INR35 crores booked in the FY '25, you are saying about half of that number is likely for the company in the entirety?

Bijay Agrawal: Yes.

Bharat Shah: Okay. And I presume depreciation probably would grow marginally for the next year as I think most of the capitalization has occurred. Am I right?

Bijay Agrawal: That's right. Most of the assets -- the capex is already done. Capitalization is already done. So we don't foresee much of increase in the depreciation going forward, barring standard depreciation

Bharat Shah: Okay. And interest, which is about INR58 crores for the last year, would you say -- of course, it will grow less because of then the top line growth, because of the rate reduction likely plus the reduction in working capital. But would you say it will be -- the growth in interest cost will be much lower than the top line growth of 30%, 35% that you have talked about?

Bijay Agrawal: Yes, that's what we are targeting for. We don't expect that much of straightforward linear increase in the overall borrowing level and this interest cost is primarily linked with the borrowing level only. So we expect a better improved cash flows going forward. With that, this increase in the finance cost will be much lower.

Bharat Shah: It will be much lower than the top line growth?

Bijay Agrawal: Yes, absolutely.

Moderator: We'll take the next question from the line of Vipraw Srivastava from PhillipCapital.

Vipraw Srivastava: Sir, quickly on a question on the P&L. So the other expense for the last 4 quarters doesn't add up if we consolidate with the full year other expense. Can you explain the reason for that?

J.S. Gujral: Bijay?

Bijay Agrawal: You can send maybe separately, we can check and reply you back on that, to see if there is a regrouping.

J.S. Gujral: It could be because of regrouping in the quarter or something like that. But -- you said other expenses?

Vipraw Srivastava: Yes, yes, other expenses. Yes, sir.

J.S. Gujral: Okay. It will be regrouping, but. Yes.

Vipraw Srivastava: Sure. We will take it offline, yes. No worries, sir. Sir, quickly on the order book. So obviously, as Bijay said, we currently have an order book of around INR5,200 crores to INR5,400 crores. So will it have an execution time line of 14 to 15 months? Is that right?

Bijay Agrawal: It varies up to 18 months also. A few of the businesses may go beyond 12 months.

Vipraw Srivastava: So sir, I mean, if I divide that number by, let's say, 1.25, assuming to have an execution period of 15 months, the growth trajectory which you have shared doesn't add up. So are you expecting to win more orders, short-term orders, which will lead you to achieve that target?

J.S. Gujral: Yes, yes. It is not that the orders which we have got on 1st April would only constitute the revenue for the current year. What we have shared is the orders which we have another thing during the course of the year, the visibility which we receive and the new customers which we get, we keep getting the revenue, sir.

So it's not that only opening orders as on 1/4/'25 would form the basis of the revenue for '25, '26. It is the orders in hand as of 31st of March or 1st of April, plus the orders which accrue during the year. We had guided the same figure last time, what was the figure last time which we have guided?

Management: Just one comment on this. Different customers behave differently. Some customers give you order for a couple of months. Other customers give visibility for the whole year or even higher than that. So it's a combination of different customer behaviors.

Vipraw Srivastava: Right, sir. So you're expecting short-cycle orders in coming months and that leads to your confidence in the target, right?

Management: Yes, there will be orders coming in. As we go through the year, it will keep coming in. We'll keep fulfilling the orders and the new orders are coming in from the customers.

Vipraw Srivastava: Sure, sir. And sir, lastly, on the smart metering side, obviously, the utilities -- what we are hearing from utilities is that they're not -- a lot of these installations are not happening at a great pace. So what are your thoughts from the ground view? Are you seeing the installations happening? What are your clients seeing on smart metering?

J.S. Gujral: See, end of the day, we supply to the metering companies. And what we are expecting and we are witnessing is a robust demand from that. There could be monthly, quarterly bits. For example, if one of my customers has an order and where installations are not happening, obviously, he will then slow down in one quarter and then ramp up in the next quarter. But on an annualized basis, we expect this business to have a robust growth. We witnessed it over the last 12 to 15 months. And we are, by the way, one of the largest electronics EMS companies in the country providing these metering devices, not now, but for the last 18 years.

But we are very selective with our clients. We are very selective with our clients because the end customer being the government. The working capital cycle is long enough, and we are very mindful of the financial credibility of our customers. The business can grow much faster if we just pick up the customers where our working capital will subsequently get stuck up. So we are a bit choosy on the customers in this segment.

Vipraw Srivastava: Right, sir. And sir, last question, if I'm allowed to ask, what percentage of bill of material will be contributing in smart metering? I mean, the final box is around INR5,000. So your contribution will be around INR3,000. Is that correct? Or is it less or is it more?

J.S. Gujral: No, no, no, it's not INR3,000. I think the smart metering value would vary from INR700, INR800 to INR1,200, INR1,500, nothing more than that. The electronics -- the electronics. We do only the electronics. We don't do the electrical. We don't do the plastics of the box builds. Shunts and other things we don't do.

Moderator: We'll take the next question from the line of Mahesh Chavan from I-Wealth Management.

Mahesh Chavan: Congratulations on a good set of numbers. 2 questions were there. First question was from the Consumer side, what percentage of RFID module contributes in the Consumer business?

And another question was in the industry -- sorry, the segment bifurcation, which you mentioned that the Consumer segment will be going down from 35% to 30%. Can you just repeat the bifurcation for other segments as well?

Bijay Agrawal: RFID business will be approximately 8%. 7.5% to 8% of my total business, company as well.

Mahesh Chavan: Okay, sir. And segment bifurcation going ahead for FY '26 and '27?

Bijay Agrawal: FY '26 also, we are expecting the overall RFID business will be somewhere in the range of 8% to 10% only. That's what we are guiding right now.

Mahesh Chavan: No, I meant the overall, like the Consumer segment, which you said right now it contributes around 35% of the total revenue. Right? In FY '26, you are saying that it will scale down to 30%. So similarly, I wanted for FY '27 as well.

J.S. Gujral: See, FY '26, we said Consumer business will be around 30%. We'll try to bring it down to 30%. And I think we'll retain it at about 30%. It may come down slightly more between 25% and 30%, but our endeavor would be to fill up that gap with our own design products in the other consumer segment. What we are referring to is a high-volume, low-margin consumer segment, which is part of this Consumer business. That will come down. But I think in '26, '27, the consumer segment in totality would be anything between 25% and 30%.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to Mr. Gujral for closing comments.

J.S. Gujral: Thank you, everyone. I think we have had a good year in FY '25, and we expect to continue this good work going forward in FY '26 and '27. The figures and financials have all been discussed. What the objective we have for the management is to again, as I've always been saying, to have a sustainable organization, which can continue to deliver returns to all the stakeholders.

ESG is very, very important for us. And we have a separate team monitoring our ESG performance. And as I shared with you, we are among the top 35% companies globally adhering to the ESG standards. Going forward, this effort will be further doubled up.

We have our capacities in place. And as we have shared last time, we are now planning to grow on a campus model rather than a stand-alone unit model. Efforts for the long run, '25-'26, '26-'27 is short run. For the long run is to move up the value-added chain through ODM, which currently in this year was, I think, about 12% of our revenues.

And I had shared last year that we internally believe that we should be at about 25%, which is a very, very tall path. But I believe that in the long run, this 12% should grow up. And once this goes up, along with the exports and growth in the other verticals, high-margin verticals, we are on track to deliver sustained growth at superior EBITDA margins than what we have been delivering in the past.

Focus will be on generating cash flow, working capital, capital efficiency, and organization building. And we would, as I said, in all probability, seriously, we are evaluating to participate in the component PLI. So to make India an electronics hub, we would like to participate in that scheme of the Government of India and the Honorable Prime Minister with all our sincerity and efforts. Thank you very much.

Moderator: On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.