

BUY

TP: Rs 390 | ▲ 40%

SYRMA SGS

Consumer Durables

08 December 2022

Niche ODM player – initiate with BUY

- Niche EMS-ODM player capable of servicing diverse sectors across the electronics product value chain, yielding best-in-class margins
- Strategic selection of high-value opportunities, export heft and expansion to propel above-industry growth
- Expect a revenue/PAT CAGR of 42%/44% over FY22-FY25, with EBITDA margin above peers at >10%; initiate with BUY, TP Rs 390

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Niche player with differentiated ODM capabilities: Syrma is a leading electronics engineering and design manufacturer that has carved a niche for itself via its flexi-mix-low-volume approach, diverse industry offerings and focus on high-margin products. Unlike listed peers Dixon Tech and Amber Enterprises, Syrma generates significant revenue (27% of total in FY22) and industry-leading margins by adding value as an original design manufacturer (ODM). In addition, the company offers products across industrial, auto, consumer electronic and medical applications, whereas Dixon (majorly mobiles and electronics) and Amber (air conditioners) are limited to select verticals.

ODM capacities drive best-in-class margins: Syrma's end-to-end capabilities in electronics product value chain (ODM plus bulk manufacturing) & thrust on diverse end-user verticals that require small-batch, custom orders enable it to operate at industry-leading EBITDA margins of 10-11% vs. 4-7% for peers (ex-Kaynes). ODM is a fourth of revenue with marginal attendant R&D cost. The strategic selection of high-value, ODM-led products to aid EBITDA margin outperformance.

Timely capacity expansion amid strong demand climate: India is experiencing a demand boom for consumer devices and appliances, which is expected to spur a robust 5Y CAGR of 41% in the domestic electronic manufacturing services (EMS) industry to FY26, with ODM growing faster at 43% (Source: Company RHP). Syrma is raising capacity (greenfield & brownfield) and expects to double its assembly lines to 30, a bulk of which is targeted by FY24. Management estimates ~Rs 20bn in added revenue at peak capacity. Asset turnover at 3.3x is targeted to reach 6-7x in the long run.

Initiate with BUY: India is striving to become self-reliant in electronics manufacturing, and salutary government policies are facilitating investments in the sector, promoting import substitution. We foresee ample opportunities for Syrma & expect company's niche business model combined with its export focus (44% of FY22 sales) to aid a buoyant revenue/EBITDA/PAT CAGR of 42%/45%/44% over FY22-FY25, with operating margin holding above 10%. The stock is trading at 30x FY24E EPS. We initiate coverage with BUY for a TP of Rs 390, based on 35x Sep'24E P/E – conservatively at a 15% discount to the industry multiple, comprising Dixon and Amber.

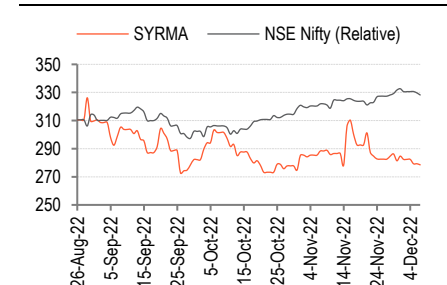
Ticker/Price	SYRMA IN/Rs 279
Market cap	US\$ 595.4mn
Free float	53%
3M ADV	US\$ 2.5mn
52wk high/low	Rs 343/Rs 256
Promoter/FPI/DII	47%/4%/8%

Source: NSE | Price as of 7 Dec 2022

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	12,666	17,391	25,319
EBITDA (Rs mn)	1,260	1,787	2,708
Adj. net profit (Rs mn)	765	1,093	1,661
Adj. EPS (Rs)	4.3	6.2	9.4
Consensus EPS (Rs)	4.3	-	-
Adj. ROAE (%)	13.8	10.3	10.2
Adj. P/E (x)	64.2	44.9	29.5
EV/EBITDA (x)	39.0	27.5	18.1
Adj. EPS growth (%)	16.7	43.0	52.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE

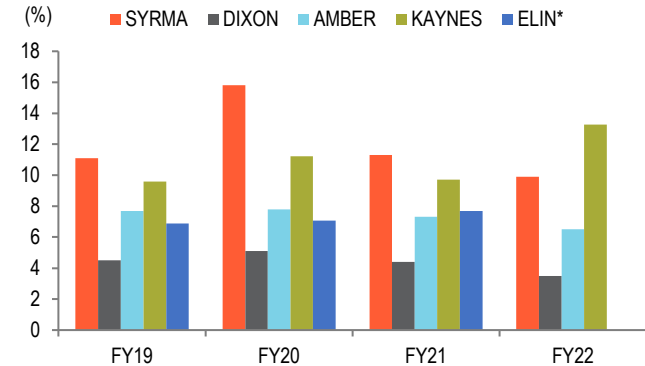


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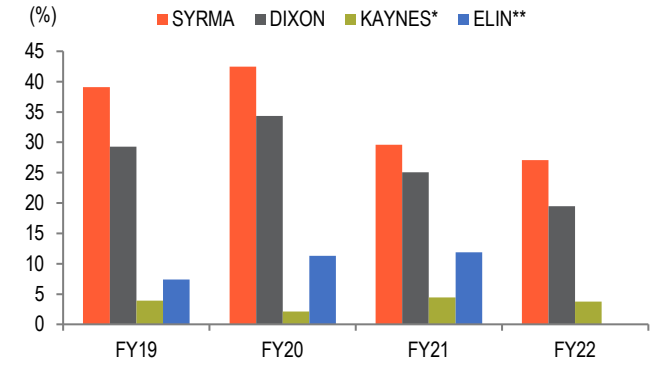
Focus charts

Fig 1 – Syrma’s EBITDA margin outperforms listed peers...



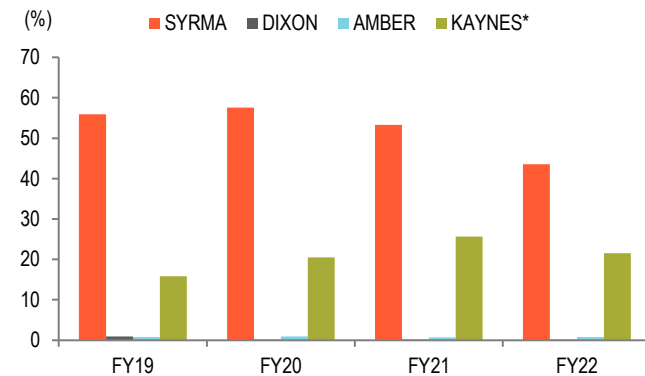
Source: Company, BOBCAPS Research | Note: Kaynes Technology (KAYNES) listed recently while Elin Technology (ELIN) is unlisted | *ELIN: FY22 data not disclosed in RHP

Fig 2 – ...backed by higher ODM share in revenue mix



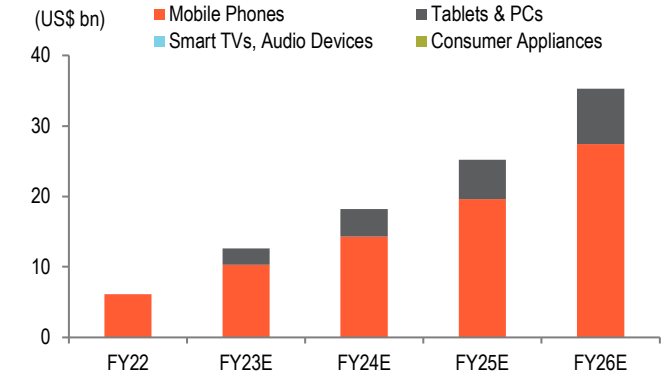
Source: Company, BOBCAPS Research | *KAYNES: 9MFY22 data (recently listed); **ELIN: FY22 data not disclosed in RHP

Fig 3 – Syrma’s export revenue share is also well above industry peers



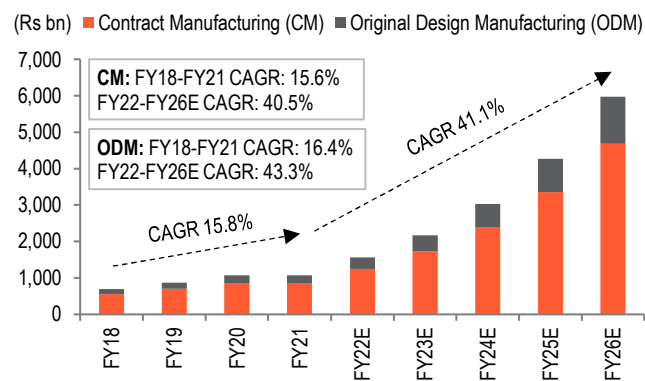
Source: Company, BOBCAPS Research | *KAYNES: 9MFY22 data (recently listed)

Fig 4 – PCBA (Syrma’s core offering) carries growing export opportunity for India



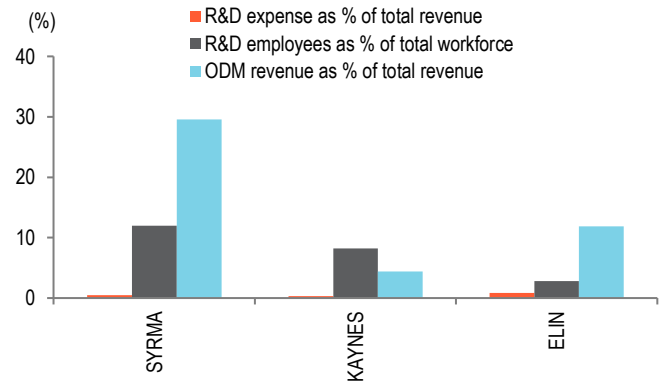
Source: Company, BOBCAPS Research | PCBA: Printed Circuit Board Assembly | Note: Current contribution from Smart TVs, Audio Devices and Consumer Appliances is miniscule but witnessing rapid growth

Fig 5 – ODM services outpace traditional CM growth in India’s EMS industry



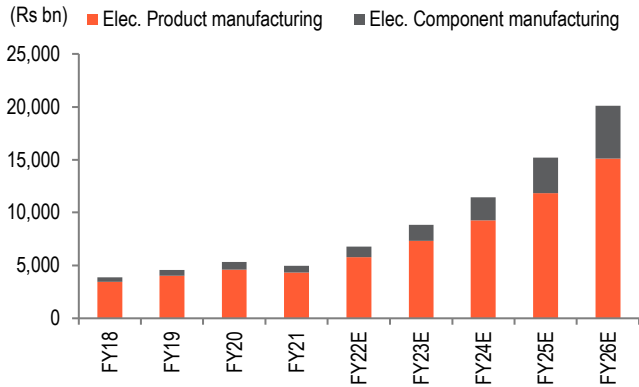
Source: Company, BOBCAPS Research

Fig 6 – Syrma scaling up ODM capabilities with judicious R&D allocation, FY21



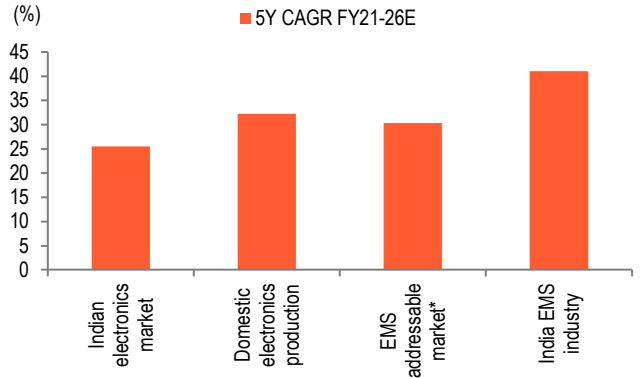
Source: Company, BOBCAPS Research

Fig 7 – Domestic electronics production poised for rapid growth...



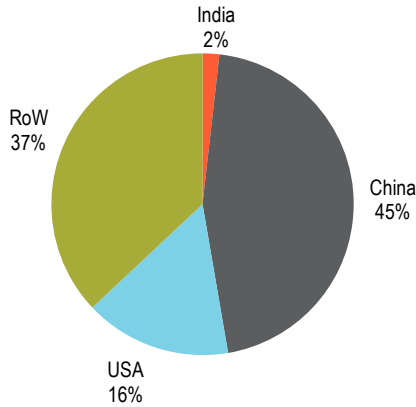
Source: Company, BOBCAPS Research

Fig 8 – ...implying strong prospects for India's EMS industry



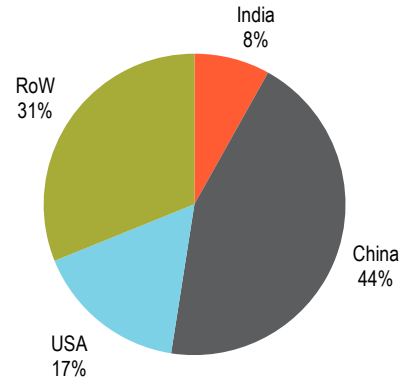
Source: Company, BOBCAPS Research | *EMS addressable market = Contribution of EMS companies based in India + In-house EMS activities by brands based in India + Imported EMS

Fig 9 – India has 2% share of global EMS industry, CY20...



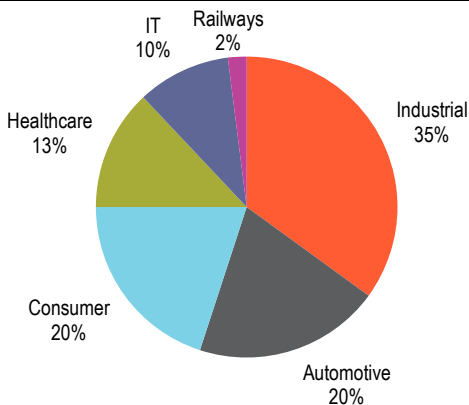
Source: Company, BOBCAPS Research | RoW – Rest of World

Fig 10 – ...estimated to quadruple to 8% by CY25E



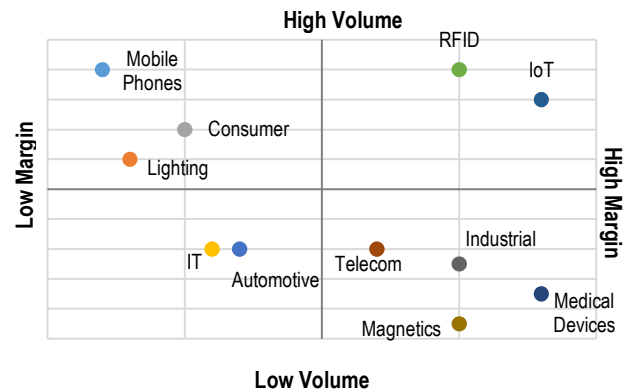
Source: Company, BOBCAPS Research

Fig 11 – Syrma caters to diverse client industries & has capabilities across the product value chain, FY22...



Source: Company, BOBCAPS Research

Fig 12 – ...with a focus on high-margin, flexible/low-volume segments



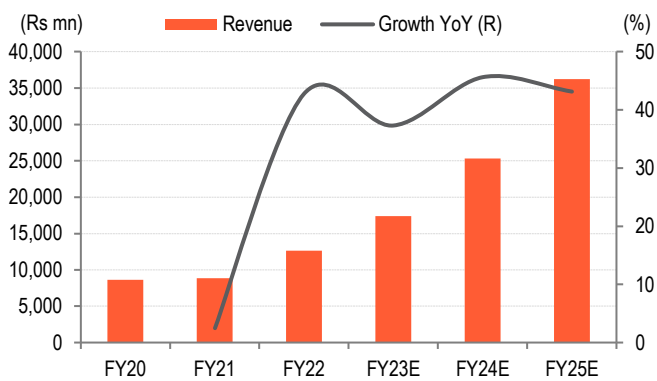
Source: Company, BOBCAPS Research

Investment thesis

Niche EMS player

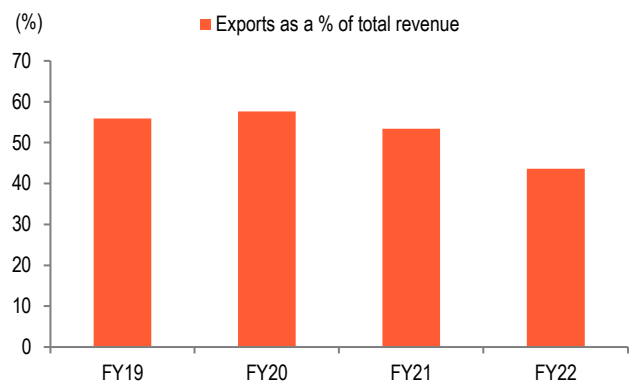
Syrma SGS Technology (Syrma) is a leading electronics engineering and design manufacturer that distinguishes itself from peers by its high-mix-low-volume approach, diverse industry offerings, strong export focus and thrust on margin-accretive ODM products. After clocking a stellar revenue CAGR of 53% during FY19-FY22, we believe a robust demand climate and Syrma’s hybrid EMS-ODM model put the company well on course for a 42%/44% revenue/PAT CAGR over FY22-FY25, accompanied by industry-leading margins

Fig 13 – Strong EMS demand buoying revenue growth



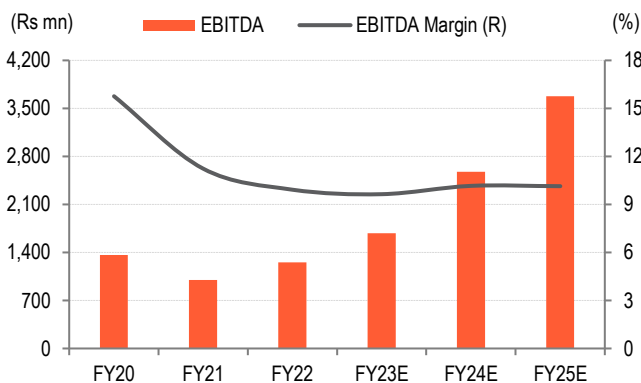
Source: Company, BOBCAPS Research

Fig 14 – Robust export focus



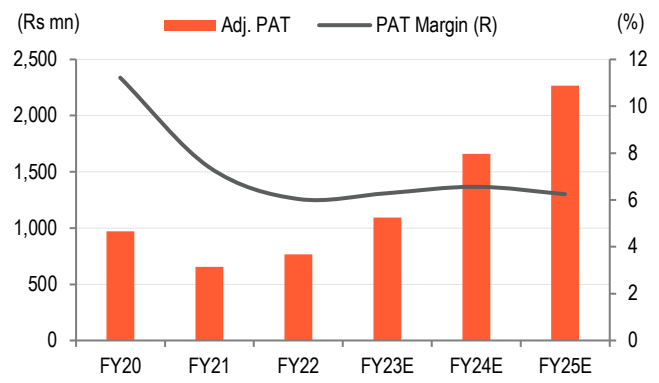
Source: Company, BOBCAPS Research

Fig 15 – ODM business supports above-industry margins



Source: Company, BOBCAPS Research

Fig 16 – Expect 44% PAT CAGR, with stable PAT margin



Source: Company, BOBCAPS Research

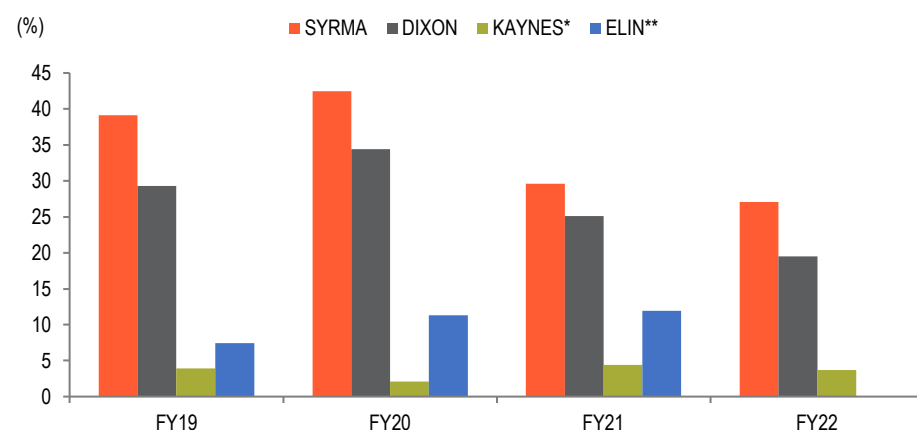
ODM focus a key differentiator

Syrma has established itself as a niche player in the electronics manufacturing services (EMS) industry with expertise in turnkey electronics engineering and design. The company specialises in precision manufacturing for diverse end-user industries, including industrials, railways, technology, healthcare, consumer and automobiles.

While most EMS players are engaged in traditional bulk contract manufacturing, Syrma has successfully moved up the value chain into original design manufacturing (ODM), extending its presence across the product chain and deepening client engagement. The company's ODM focus is supported by its ability to deliver customised, small-batch orders that not only offer better margins than bulk manufacturing but also allow for a diversified client base.

Despite a decline in recent years, Syrma's product design business continues to contribute a higher revenue share than peers. ODM formed 27% of the company's revenue in FY22 (contract manufacturing makes up the balance), resulting in a strong operating margin trajectory of over 10%.

Fig 17 – Syrma has a higher ODM share than peers



Source: Company, BOBCAPS Research | *KAYNES: 9MFY22 data (recently listed); **ELIN: FY22 data not disclosed in RHP

PCBA the primary revenue driver

Syrma's service offerings include printed circuit board assembly (PCBA), product design, quick prototyping, box build, repair & network, and tester development. In terms of products, PCBA contributes a bulk of the company's revenue at 76% (FY22), with the balance coming from the manufacture of radio-frequency identification (RFID), electromagnetic and electromechanical products. PCBA is generally categorised as a bulk contract manufacturing service. Syrma has gradually upgraded its PCBA processes to add value to operations and now addresses additional customer requirements.

The business enjoys a strong demand outlook given that PCBA is extensively used across various consumer devices (mobile phones, tablets, computers, routers, televisions), home appliances (washing machines, refrigerators, air conditioners), and industrial applications (auto, rail, medical, power electronics, telecom, industrial, aerospace, defence). According to industry data, the domestic PCBA market for the

electronics industry is set to quadruple to US\$ 88bn by FY26 (41% CAGR FY20-FY26), even as export opportunities for India could rise six-fold to US\$ 35bn.

Fig 18 – Syrma – PCBA evolution across verticals

Year	End user industry	PCBA end use
CY05	IT	High precision coils for hard disks
CY07	Automotive	Hall sensors
CY07	Healthcare	Direct digital dental X-ray FGPA controller
CY08	IT	USB drives
CY08	Home Entertainment	Set-top box
CY09	Automotive	Vehicle tracking and toll management systems
CY10	Consumer Products	Automatic home light dimmers
CY12	Automotive	Beacons
CY12	Telecom - 3G	GSM antennae
CY13	Consumer Products	Boiler management
CY14	Consumer Products	Energy-efficient electronic inventers & home appliances control
CY14	Healthcare	X-ray machines
CY15	Consumer Products	Controller units for AC
CY16	Consumer Products	Induction cooktop components
CY16	Telecom - 4G	LTE antennae
CY18	Healthcare	Augmented reality equipment for ophthalmology
CY20	Automotive – EV	Controllers of EV battery management systems
CY21	Automotive	4W lighting systems
CY22	Telecom - 5G	5G sensor modules

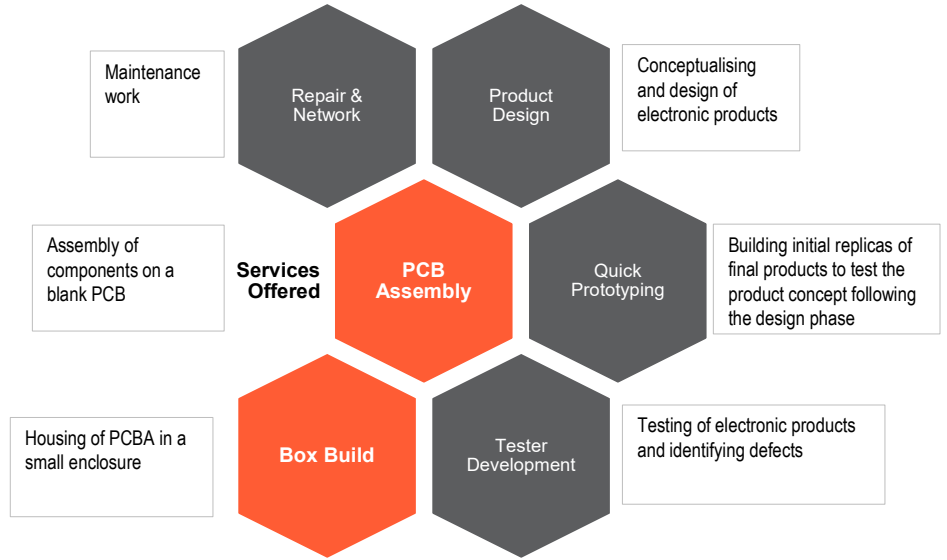
Source: Company, BOBCAPS Research

Fig 19 – Syrma’s product basket

Product categories	Description
Printed circuit board assembly (PCBA)	Used in products manufactured in the automotive, medical, industrial, IT and consumer products industries, and includes box-build products
Radio-frequency identification (RFID)	Used in products manufactured in the shipping, healthcare, manufacturing, retail and fintech industries
Electromagnetic and electromechanical parts	Includes magnetic products such as chokes, inductors, magnetic filters, transformers and high-volume manufacturing assemblies. Used in products manufactured in the automotive, industrial appliances, consumer appliances and healthcare industries, among others
Other products	Includes motherboards, DRAM (dynamic random-access memory) modules, solid state drives, USB drives and other memory products

Source: Company, BOBCAPS Research

Fig 20 – Manufacturing capabilities involve various product design modes



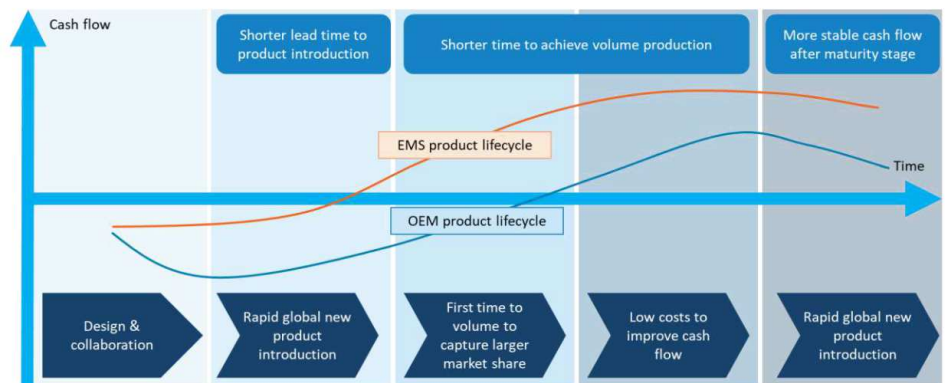
Source: Company, BOBCAPS Research

Cost edge drives sustained OEM outsourcing to EMS players

Most original equipment manufacturers (OEM) prefer to focus on core business activities and refrain from manufacturing ancillary products, instead outsource these to EMS/ODM players. This preference stems from (i) the complex nature of manufacturing, (ii) high capital investments to commission manufacturing plants, (iii) the need to build R&D capabilities, and (iv) a shorter product lifecycle (from design and collaboration to end product) of EMS players vs. OEMs.

Despite the risk that OEMs will insource manufacturing to avail of financials benefits such as the government’s production-linked incentives, we believe capital constraints will continue driving tier-2 players to delegate manufacturing to cost-effective EMS partners while restricting themselves to marketing and after-sales services.

Fig 21 – Operating cycle: EMS vs. OEM



Source: Foxconn, BOBCAPS Research

Strong demand to support above-industry growth

Syrma has posted a stellar revenue CAGR of 53% during FY19-FY22 spurred by evolution of the EMS industry in India and expansion of the company's offerings into ODM, which boosted wallet share with clients. Export demand has also remained robust with sales forming as much as 45-50% of the topline.

The company currently operates 12 plants with 15 assembly lines that are strategically located in tax havens (such as special economic zones) and in close proximity to export channels including ports and airports. Management plans to double production capacity to 30 assembly lines across brownfield and greenfield units by early-FY24 and is guiding for an additional ~Rs 20bn in revenue at peak capacity (vs. Rs 12.6bn in FY22).

We accordingly model for a robust 42% revenue CAGR for the company over FY22-FY25 to Rs 36.2bn, ahead of the estimated domestic industry growth rate of 41%. In our view, growth will be buttressed by sectoral tailwinds such as surging electronics consumption in India and a favourable policy climate, alongside Syrma's ODM focus, timely capacity expansion and strong exports. Healthy profitability in the ODM business should aid an estimated EBITDA/PAT CAGR of 45%/44% over FY22-FY25, with operating margin at 10.3-10.7% levels over our forecast period.

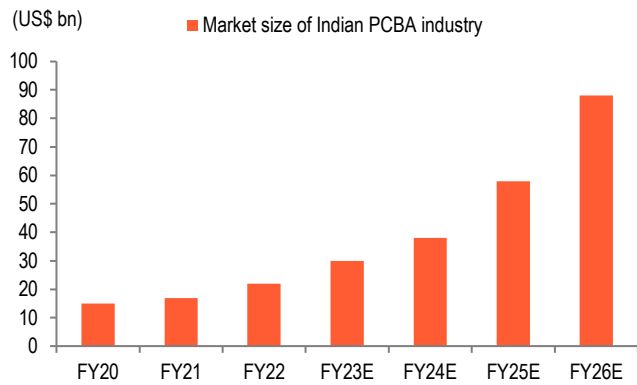
High growth visibility in PCBA business

Syrma derives 76% of revenue from printed circuit board assembly (FY22). A PCB is a blank circuit board without electronic components, while a PCBA is a completed assembly that contains all the components required for the board to function in an electronic device. Syrma specialises in both – the manufacture of PCBAs (flexible, 28-layer) and their assembly using surface-mount technology (SMT).

Mobile phones, tablets and personal computers comprise a major portion of the PCBA end user industry in India, though other segments such as smart televisions, audio devices and consumer appliances (albeit small contributors) are also witnessing strong growth. India's PCBA market for the electronics industry has grown from ~US\$ 15bn in FY20 to ~US\$ 22.5bn in FY22 (21% CAGR) and is estimated to swell to US\$ 88bn by FY26, implying a 41% CAGR (Source: Industry reports on PCBA).

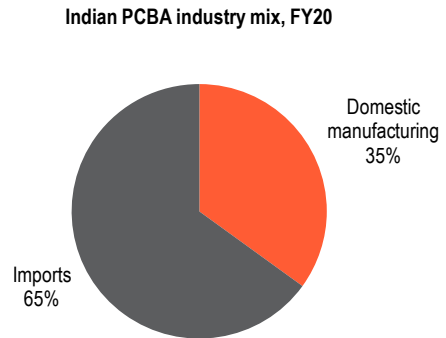
At present, India imports a considerable proportion of assembled PCBs as domestic production falls well short of demand. We expect supportive government schemes to bolster investment in domestic electronics manufacturing, allowing for greater import substitution in coming years.

Fig 22 – Indian PCBA industry on a strong growth path



Source: Industry reports, BOBCAPS Research

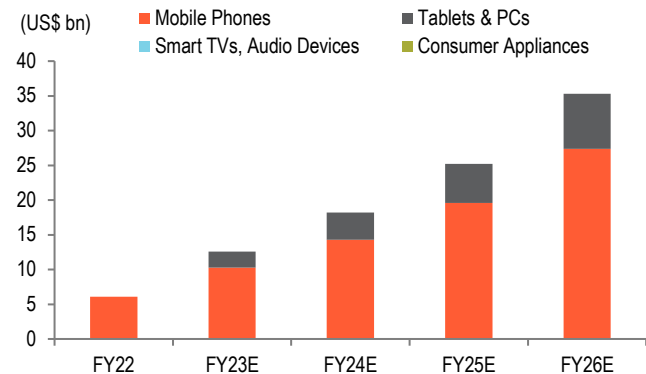
Fig 23 – High dependence on PCBA imports but domestic supply improving, FY20



Source: Industry reports, BOBCAPS Research

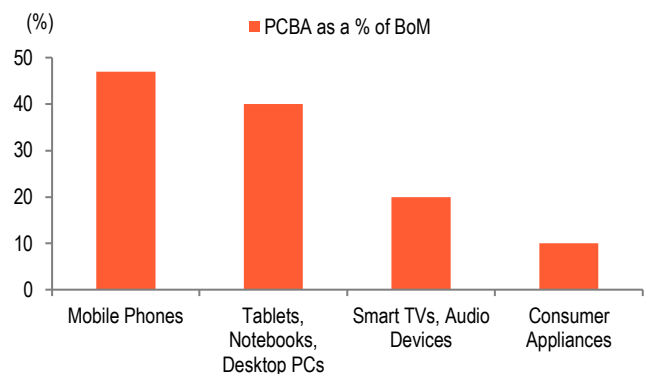
Alongside the rise in domestic demand, electronic-related PCBA export opportunities for India could grow exponentially from US\$ 6.1bn to US\$ 35bn in FY26, according to industry estimates. This offers high growth visibility for an established Indian exporter like Syрма that has longstanding relationships with leading OEMs, multiple plants across the country, and an R&D centre at its Chennai plant to optimise PCBA capabilities.

Fig 24 – Export opportunities for PCBA from India



Source: Industry reports, BOBCAPS Research | Note: Current contribution from Smart TVs, Audio Devices and Consumer Appliances is minuscule but witnessing rapid growth

Fig 25 – PCBA as a percentage of BoM (Bill of Materials)

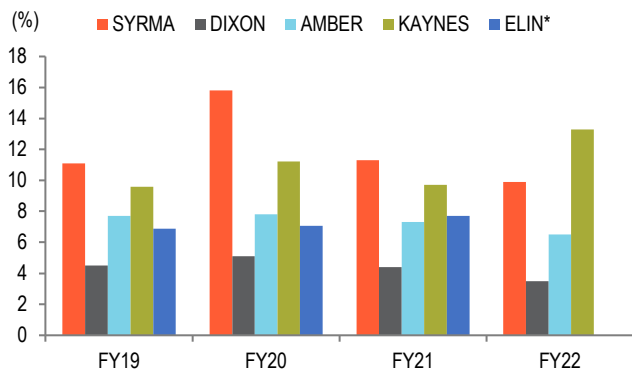


Source: Industry reports, BOBCAPS Research

ODM capacities drive above-industry margins

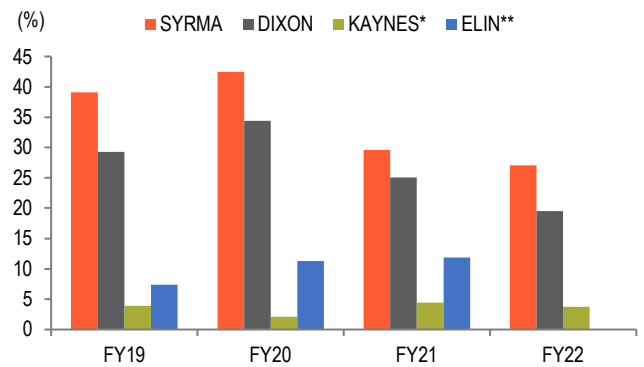
Unlike listed peers Dixon Technologies and Amber Enterprises, Syrma generates significant revenue (27% of total) and industry-leading EBITDA margins (10-11% vs. 4-7% for peers) by adding value as an original design manufacturer. Further, Syrma offers diverse products across industrial, auto, consumer electronic and medical applications, whereas Dixon (majorly mobiles and electronics) and Amber (air conditioners) are limited to select verticals. We expect strategic selection of ODM-led verticals to support sustained EBITDA margin outperformance vis-à-vis peers at 10.3-10.7% through to FY25.

Fig 26 – Syrma's EBITDA margin outperforms listed peers (ex-Kaynes)...



Source: Company, BOBCAPS Research | *ELIN is unlisted; FY22 data not disclosed in RHP

Fig 27 – ...backed by higher ODM share in revenue mix



Source: Company, BOBCAPS Research | *KAYNES: 9MFY22 data (recently listed); **ELIN: FY22 data not disclosed in RHP

Moving up the value chain

EMS is traditionally a bulk manufacturing business with low product customisation and slim margins, where the focus is on revenue generation through higher asset utilisation. To bolster client engagement, improve wallet share and differentiate against competitors, some EMS players such as Syrma have climbed the value chain, adding a layer of specialised ODM services to their traditional contract manufacturing business.

ODM entails end-to-end product design and development, which benefits both the OEM client as well as the EMS-ODM player. This is because value addition yields higher margins for the latter and the outsourcing of manufacturing & design activities enables OEMs to sharpen focus on core competencies.

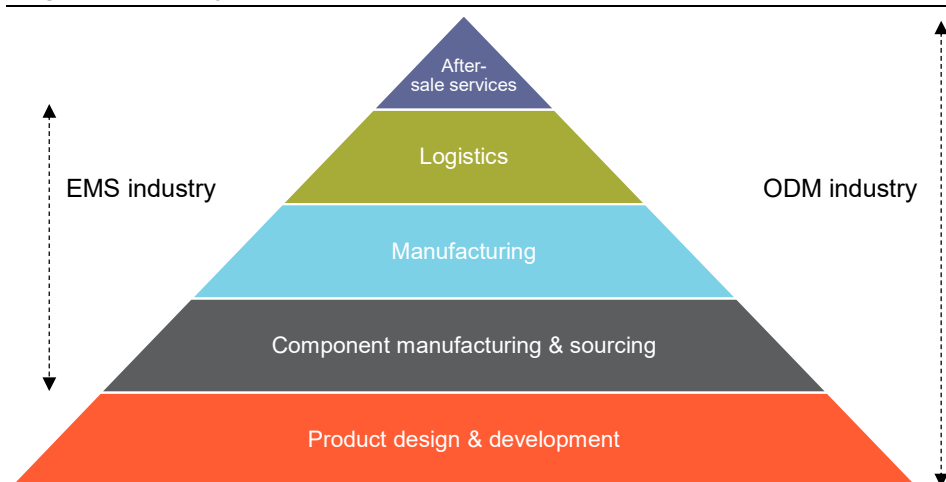
By participating in the entire value chain from product design and development to aftersales services, Syrma is able to drive client engagement and repeat business while enjoying stronger bargaining power (ODMs hold the design rights) and earning better EBITDA margins than pure-play EMS peers. The company's product design business brought in over a fourth of revenues in FY22 and is guided to hold at similar levels ahead.

Fig 28 – ODM players benefit from a presence across the client product chain

Business model: EMS vs. ODM

Value chain functions	EMS	ODM
Product Design & Development	✗	✓
Component Manufacturing & Sourcing	✓	✓
Manufacturing	✓	✓
Logistics	✓	✓
Aftersales Services	✗	✓

Source: Company, BOBCAPS Research



Source: Company, BOBCAPS Research

Fig 29 – Positives and negatives of ODM vs. EMS approach

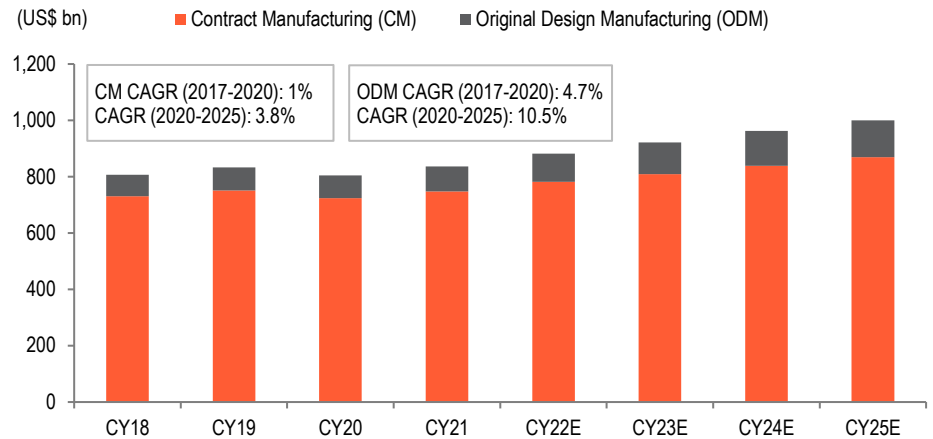
ODM	EMS
✓ Ownership of design and thus high negotiating power	✓ Faster production time but less customisation and lower negotiation power
✓ End-to-end manufacturing of client product or final assembly via subcontracting	✓ Part of entire product offered to EMS by OEMs, thus saving costs over R&D and designing etc.
✓ Control over technical resource requirements for entire production process	✓ Achieves economies of scale from business growth and a large client base
✓ Higher client engagement and repeat business as ODMs hold the design rights	✗ OEM ownership of IP rights including product specifications puts restrictions on EMS players
✗ Presence across the business cycle increases product development cost	✗ Shallower product expertise as new builds dominate the mix
✗ Minimum order requirements are usually high	✗ Clients (OEM) switching to competitors is common given their rights ownership

Source: Company, BOBCAPS Research

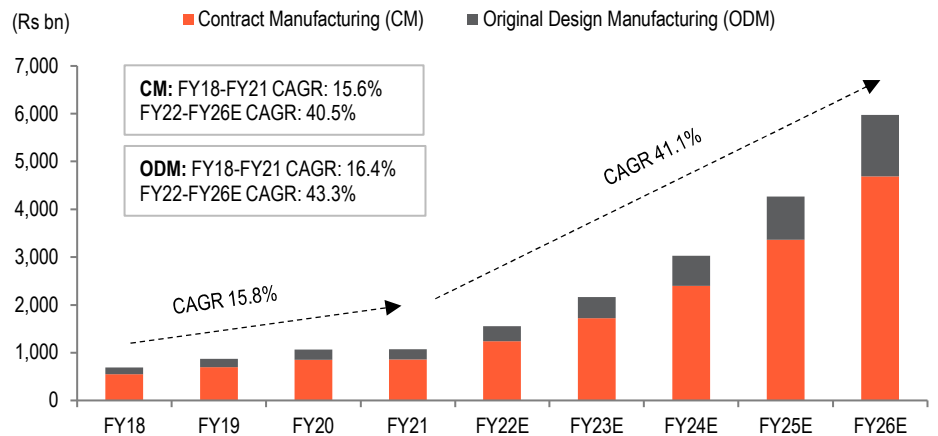
ODM growth to outpace contract manufacturing

According to a industry data, the global EMS industry is expected to clock a five-year CAGR of 4.5% to US\$ 1tn by CY25 vs. a 1.3% run-rate observed during the past three years. Within EMS, the ODM segment is likely to grow nearly thrice as fast (10.5% CAGR to US\$ 131mn) as contract manufacturing (3.8% to US\$ 870mn) over CY20-CY25.

In India, the ~Rs 1.5tn EMS industry is estimated to form 18.7% of the country's Rs 8.4tn electronics sector (FY22). Contract manufacturing dominates the market (80% share) and is projected to grow from Rs 1.2tn to Rs 4.7tn while ODM rises from Rs 315bn to Rs 1.3tn over a four-year period to FY26.

Fig 30 – Global EMS industry: ODM growth to outpace CM

Source: Company, BOBCAPS Research

Fig 31 – India EMS industry: ODM to lead growth

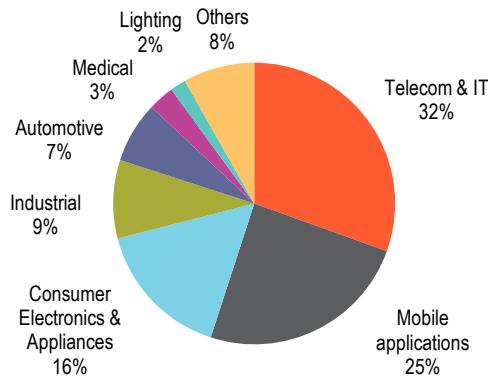
Source: F&S report, Company, BOBCAPS Research

Strategic focus on high-growth, high-margin segments

The global EMS sector is dominated by the low-margin mobile phone and IT segments that form ~55% of the market (CY20). Consumer electronics & appliances, telecom, industrials and automotives cumulatively contribute ~42% and comprise Syrma's target market given the need for value-added products in these verticals. In India, mobile phones form 65% of the EMS market.

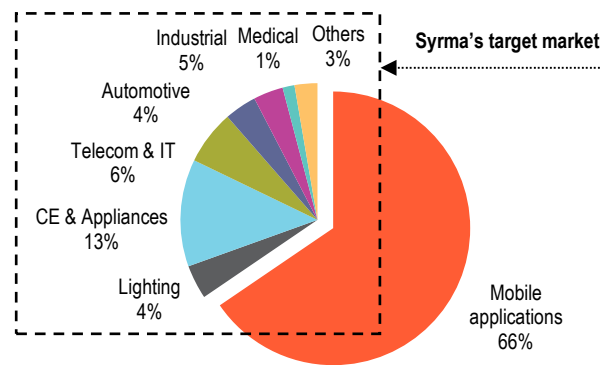
Global growth prospects of most major EMS end user industries (except telecom) are relatively better than the top grossing mobile phone segment. According to F&S, electric vehicles and computer hardware are likely to lead the growth with a five-year CAGR of 71% and 70% respectively, whereas telecom is likely to grow at 23%.

Fig 32 – Global EMS market by end user industry, CY20



Source: F&S report, Company, BOBCAPS Research

Fig 33 – Domestic EMS market by end user industry, CY20



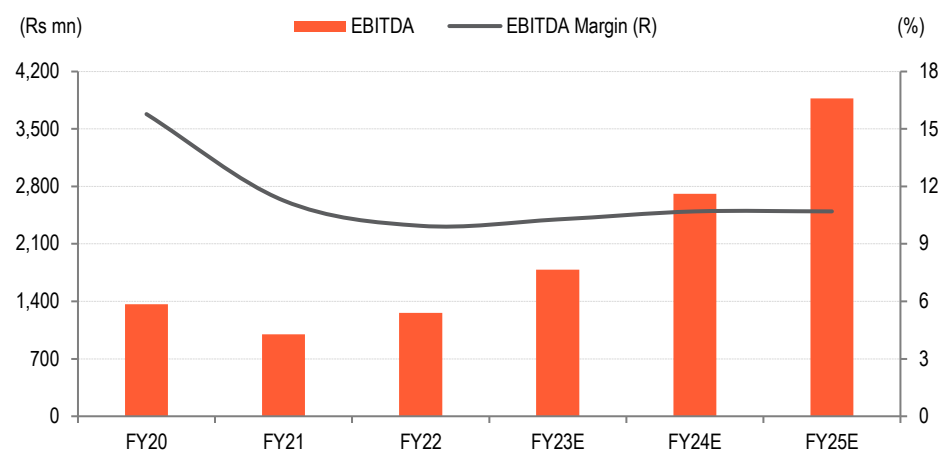
Source: Company, BOBCAPS Research | CE: Consumer Electronics

Syrma has consciously refrained from the bulk manufacturing of mobile phones (India’s largest EMS market) and instead honed in on industries offering greater scope for customisation, such as telecom, industrials, medical devices and magnetics. Management has also set its sights on the automotive vertical, especially electric vehicles, where demand for ODM components is high.

This selective approach is underpinned by a flexible mix-cum-low volume operating model, which enables Syрма to engage with verticals that require relatively lower volumes but higher customisation. From there, the company easily graduates to providing end-to-end solutions to clients.

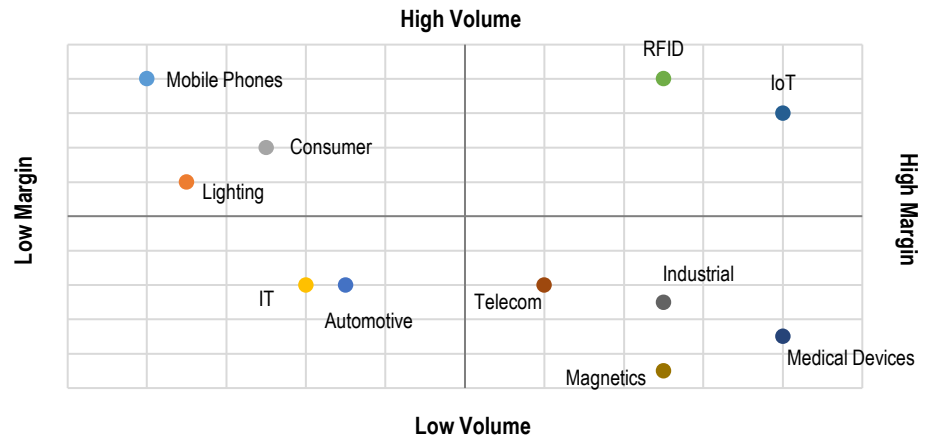
Strategic product selection in key verticals – healthcare, automotive and industrials in particular – has aided an EBITDA margin of 11%+ for Syрма over FY19-FY21 (15.3% in FY20, an outlier due to the addition of a marquee client), before it settled at 9.9% in FY22 – still ahead of Dixon/Amber’s 3.5%/6.5%. We expect Syрма’s margin trajectory to remain buoyant at 10.3-10.7% levels for FY23-25 – above that of listed peers and moderately below management’s guided range of 11-13% over the long term.

Fig 34 – Double digit EBITDA margin trajectory to be sustained



Source: Company, BOBCAPS Research

Fig 35 – Syrma targets high-margin, low-volume industries



Source: Company, BOBCAPS Research

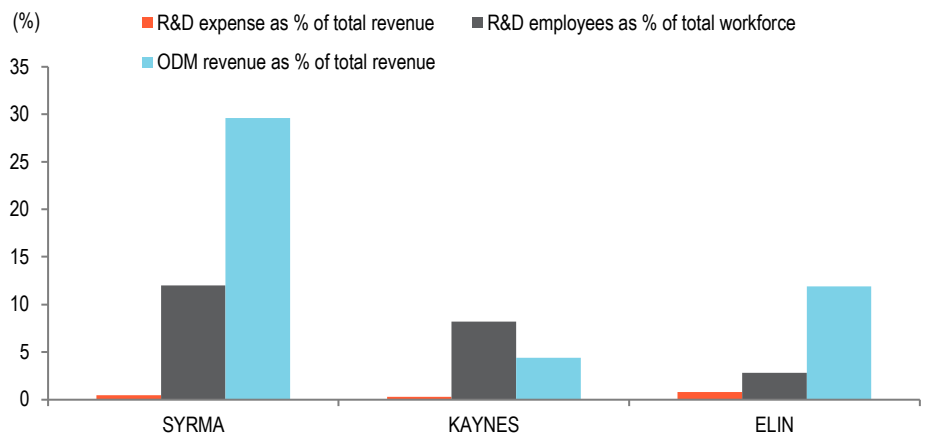
Disciplined R&D focus paying off

The EMS business has traditionally revolved around the use of contractual manpower at a relatively lower cost for bulk manufacturing. However, with the evolution into ODM, players had to induct specialised research & development (R&D) talent into their organisations to build design competencies, concomitantly driving up costs.

Syrma currently has 12% of its workforce engaged in R&D, working out of three dedicated facilities – two in India at Chennai (Tamil Nadu) and Gurgaon (Haryana), and one in Germany (Stuttgart), with a new laboratory in Chennai. R&D efforts are geared toward (i) new product development, (ii) improvement of existing product quality, and (iii) deepening design, engineering and ODM capabilities.

Notably, Syrma’s ODM revenue share of 27% is accompanied by R&D cost of just 0.4% of total sales (FY21). In contrast, peer Kaynes Technology has an ODM revenue share of just 4% with similar R&D expenses.

Fig 36 – ODM backed by judicious R&D spend vis-à-vis peers, FY21



Source: Company, BOBCAPS Research

Capacity expansion to propel growth

Given the large growth opportunities in the EMS business, Syrma plans to use a portion of its Rs 7660mn listing proceeds (Aug'22) to establish a new R&D laboratory in Chennai and manufacturing plants in Manesar (Haryana), Chennai (Tamil Nadu) and Hyderabad (Telangana). Additionally, some of the proceeds will fund capacity expansion at existing manufacturing facilities.

Overall, the company aims to double its surface mount technology (SMT) lines to 30, a bulk of which is targeted by FY24. Management expects the expansion to yield an additional ~Rs 20bn in revenue at peak capacity (Rs 12.6bn in FY22), enabling it to replicate anticipated domestic industry growth of ~40%. Syrma currently operates at an asset turnover ratio of 3.3x and is looking to double this to 6-7x over the long term.

Fig 37 – Existing capacity and utilisation levels

Manufacturing Activity	Aggregate annual installed capacity as on FY22 end	Capacity utilized (as a % of total installed capacity)		
		FY22	FY21	FY20
Chennai, Tamil Nadu - Unit 1	10,120mn components per annum (CPA) & 3.6mn assemblies	87	75	65
Chennai, Tamil Nadu - Unit 2	300mn tags	77	70	65
Bargur, Tamil Nadu **	6mn coils	85	75	65
Bawal, Haryana	7.2mn modules	80	70	50
Manesar, Haryana	180mn CPA	80	75	65
Gurgaon	1,500,000 tags per month	83	75	65
Bengaluru, Kamataka - Unit 1	10,120mn CPA, 3.6mn assemblies & 300mn tags	86	70	60
Bengaluru, Kamataka - Unit 2				
Baddi, Himachal Pradesh - Unit 1	6mn coils & 7.2mn modules	86	75	50
Baddi, Himachal Pradesh - Unit 2	6mn coils & 7.2mn modules			
Ghaziabad, Uttar Pradesh	180mn CPA	75	55	35

Source: Company, BOBCAPS Research | **production moved to other plants

Fig 38 – Planned capacity expansion

Plant	New SMT lines	Estimated cost
Hosur, Tamil Nadu (greenfield)	3	Rs 345mn (Plant cost Rs 806mn)
Chennai, Tamil Nadu (brownfield)	3	Rs 877.3mn
Chennai, Tamil Nadu (greenfield)	5	
Bawal, Haryana (brownfield)	2	Rs 540.8mn
Bawal, Haryana (greenfield)	2	

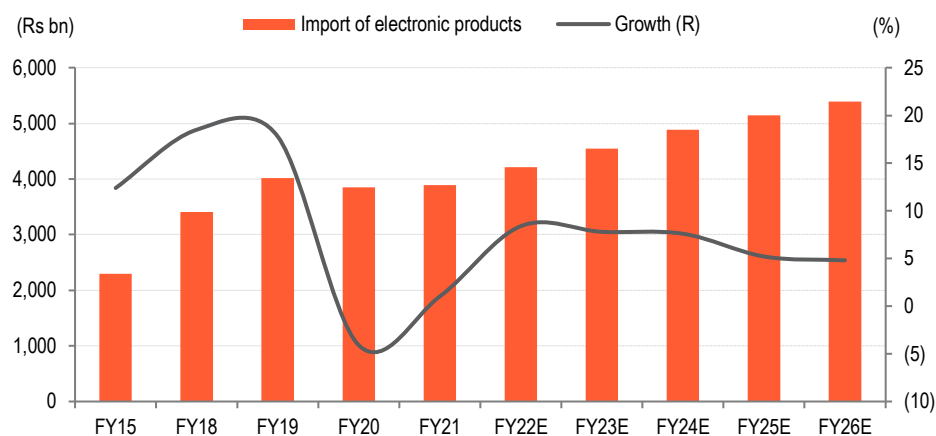
Source: Company, BOBCAPS Research

Favourable policy environment

The electronics industry is not only the largest but also the fastest growing in the world. While India has lagged behind in electronics manufacturing and remains a net importer, the rising capabilities and cost-effectiveness of domestic manufacturers coupled with supportive policy measures is expected to boost the domestic EMS ecosystem. FDI into the country's electronics sector has already doubled over the last five years, while the government's PLI scheme is encouraging domestic investment (Syrma qualifies for two

PLIs). India's market share in global EMS is thus estimated to rise to 8% by CY25/26 from 1.8% in CY20, per F&S.

Fig 39 – India's import growth to taper as domestic EMS ecosystem grows



Source: Company, BOBCAPS Research

Rising FDI flows fuelling EMS investment

While regulations permit 100% foreign direct investment (FDI) into India's electronics sector, inflows have picked up exponentially only over the last five years. Booming domestic demand for mobile phones and consumer electronics, the buildup of R&D-backed manufacturing capabilities by local players, and India's low-cost market have helped fast-track FDI flows from US\$ 1.6bn in FY16 to US\$ 3.2bn in FY21.

Fig 40 – Recent capital investments (foreign/domestic) in EMS industry

Company	Description
Voltas	In May'22, Voltas announced a Rs 4bn (US\$ 50.1mn) capex plan under a PLI scheme to manufacture components for white goods
Reliance Industries	In Mar'22, Reliance Industries announced a US\$ 220mn investment in joint venture with Sanmina Corp, a US-listed company, for making electronic products in Asian countries
Apple Inc	Apple Inc in 2021 manufactures an estimated 70% of all its mobile phones sold in India, a sharp increase from 30% recorded two years ago
Lenovo	In Sep'21, tech giant Lenovo announced plans to ramp up manufacturing capabilities in India across various product categories, such as PCs, notebooks and smartphones, due to rising consumer demand (investment details not disclosed)
PG Electroplast	In Sep'21, PG Electroplast, a contract manufacturer of electronic goods, announced that it had applied for a PLI scheme and pledged to invest Rs 3bn (US\$ 40.5mn) towards the production of air conditioner components
Intel	Intel has invested over US\$ 7bn in design and R&D facilities in the country to date
Tata Group	The Tata Group announced plans to enter the semiconductor manufacturing business in Aug'21, seeking to tap into the US\$ 1tn high-tech electronics manufacturing sector

Source: Industry data, BOBCAPS Research

PLI a key domestic capex driver

The government in Apr'20 announced multiple schemes in a bid to promote domestic manufacturing and transform the country into an export hub for electronics system design & manufacturing (ESDM). These include –

- **Production-Linked Incentive (PLI) Scheme for Large-Scale Electronics Manufacturing**, which proposes to award incentives of up to Rs 409bn over a period of five years to boost domestic manufacturing and attract large investments in the electronics value chain,
- **PLI Scheme for IT Hardware**, which proposes incentives up to Rs 73bn over four years to encourage companies to use existing installed capacity to fulfil the rising domestic demand,
- **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)**, which aims to award Rs 32.8bn over eight years to strengthen the manufacturing ecosystem for electronic components and semiconductors, and
- **Modified Electronics Manufacturing Cluster Scheme (EMC 2.0)**, which seeks to provide financial incentives of up to Rs 37.6bn over eight years for creating quality infrastructure as well as common facilities for electronics manufacturers.

Syrma qualifies for incentives under the Indian government's PLI scheme for telecom and networking products and has also been nominated as a provisional recipient for incentives under the PLI for white goods (air conditioners & LED lights). Under these schemes, an incentive of 3-5% will be allocated on incremental sales (over the base year) for goods manufactured in India.

The company's investments in the telecom vertical are on track and management expects production to commence in H2FY23 from its Manesar plant. Client acquisition is also gaining traction (which is enough to qualify for the PLI threshold). Investments in the air conditioning vertical are under internal validation by the company and could crystallise over the next few quarters.

Fig 41 – Incentives under large-scale electronics manufacturing PLI (Mar'21)

Segment	Incentive rate (on incremental sales)	Incremental investment over base year	Incremental sales of manufactured goods over base year
		Rs 250mn over 4 years cumulative minimum	
Specified Electronics Components	Year 1	Rs 50mn	Rs 150mn
	Year 2	Rs 110mn	Rs 350mn
	Year 3	Rs 180mn	Rs 600mn
	Year 4	Rs 250mn	Rs 1000mn

Source: Ministry of Electronics and Information Technology (MeitY), Company, BOBCAPS Research

Fig 42 – Incentives under IT hardware PLI (Mar'21)

Segment	Proposed Incentive Rate (%)	Incremental investment over base year (Rs bn)	Incremental sales of manufactured goods over base year
IT hardware companies		Rs 5bn over 4 years cumulative minimum	
1. Laptops (>30k+)		Year 1: Rs 0.5bn	Year 1: Rs 10bn
2. Tablets (>15k+)		Year 2: Rs 1.0bn	Year 2: Rs 25bn
All-in-one PCs	Year 1: 4%	Year 3: Rs 3.0bn	Year 3: Rs 50bn
Servers	Year 2: 3%	Year 4: Rs 5.0bn	Year 4: Rs 100bn
	Year 3: 2%		
Domestic companies	Year 4: 2%/1%	Rs 0.2bn over 4 years cumulative minimum	
1. Laptops		Year 1: Rs 0.04bn	Year 1: Rs 0.5bn
2. Tablets		Year 2: Rs 0.08bn	Year 2: Rs 1bn
All-in-one PCs		Year 3: Rs 0.14bn	Year 3: Rs 2bn
Servers		Year 4: Rs 0.2bn	Year 4: Rs 3bn

Source: Ministry of Electronics and Information Technology (MeitY), Company, BOBCAPS Research

Peer comparison: Syrma vs. Kaynes

ODM and export focus key differentiators

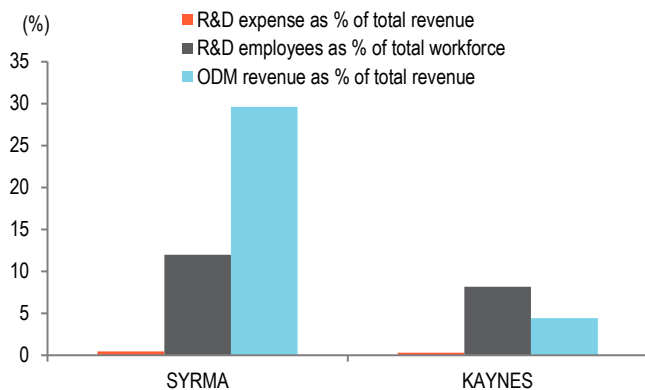
- Syrma’s **target market** overlaps with that of Kaynes Technology in the automotive, information technology, telecom, medical, aerospace and defence sectors. However, the company also has a footprint in verticals such as consumer electronics and home appliances where Kaynes lacks a presence.
- Like Syrma, Kaynes’ **offerings** can be classified under (i) OEM turnkey solutions for box build – where the company offers complex box build, subsystems and other products via build-to-print or build-to-specification methodology; and (ii) OEM turnkey solutions for PCBA – which includes mass manufacturing, prototyping and product realisation of PCBs, cable harness and magnetics.
- Kaynes offers **ODM services** in similar areas such as smart metering technology, smart street lighting, brushless direct current (BLDC) technology, inverter technology, gallium nitride-based charging technology and IoT solutions for making smart consumer appliances or devices.
- In terms of **revenue mix**, we note that Syrma has a sharper focus on ODM, where revenue share stood at 29.6% in FY21 (and 27% in FY22) vs. just 4.4% for Kaynes. Further, the company has a larger dedicated engineering and R&D department focused on ODM development in comparison to Kaynes. Syrma also derives over 44% of revenue from exports vs. just 22% for its peer.
- Kaynes earned higher **EBITDA margins** in FY22 after lagging behind during FY20-FY21, but Syrma delivers stronger **ROE** and has a superior net working capital cycle of 93 days vs. 134 days for its counterpart.

Fig 43 – Syrma caters to more diverse industries

Company	Consumer Electronics	Home Appliances	Mobile Phones	Automotive	Industrial	IT	Telecom	Smart Lighting	Medical	Others*
SYRMA	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓
KAYNES	✗	✗	✗	✓	✓	✓	✓	✗	✓	✓

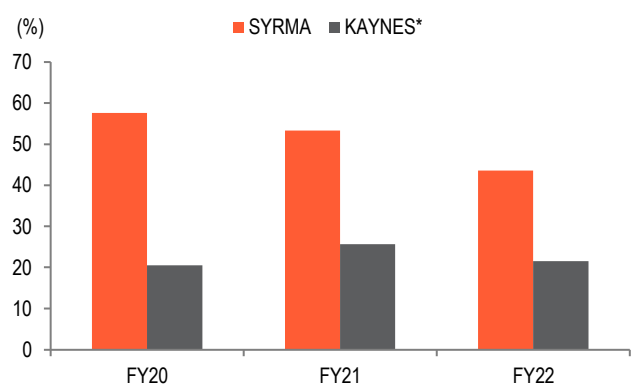
Source: Company, BOBCAPS Research | *Others - Aerospace & Defence, Energy etc.

Fig 44 – Revenue mix: ODM contribution higher for Syrma, FY21



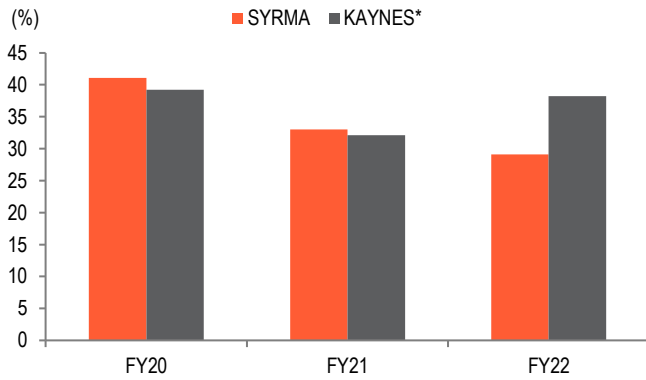
Source: Company, BOBCAPS Research

Fig 45 – Export share: Syrma derives close to half of revenue from exports vs. less than a fourth for Kaynes



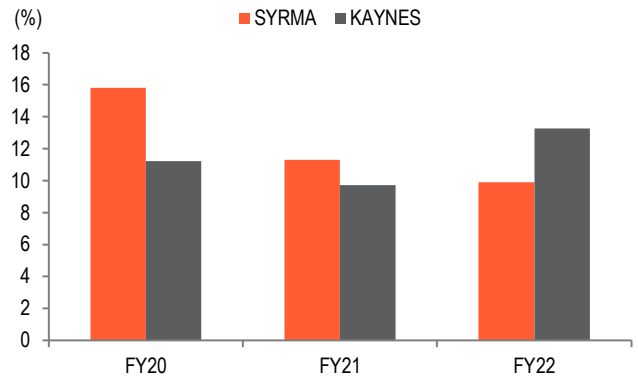
Source: Company, BOBCAPS Research | *KAYNES: 9MFY22 data (recently listed)

Fig 46 – Top 5 client contribution: Syrma has reduced its concentration risk



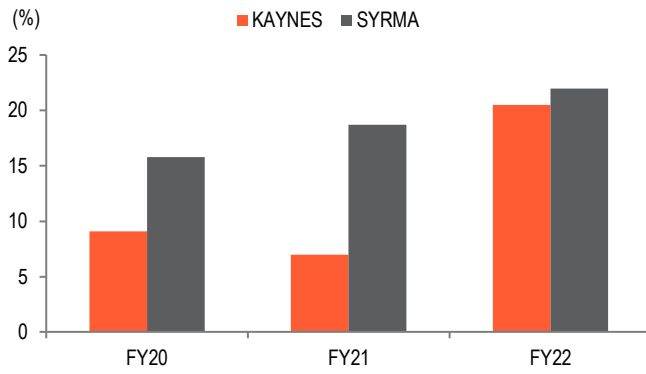
Source: Company, BOBCAPS Research | *KAYNES: 9MFY22 data (recently listed)

Fig 47 – EBITDA margin: Syrma and Kaynes both earn above-peer double-digit margins



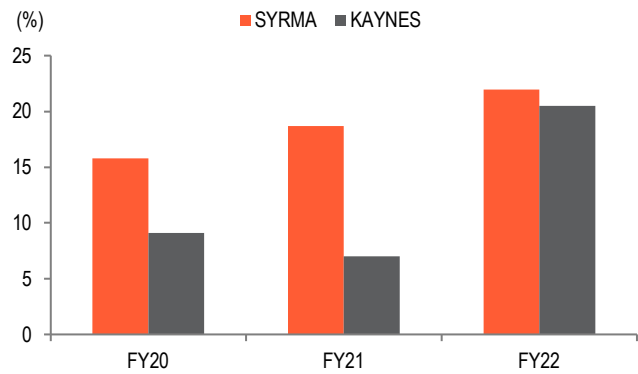
Source: Company, BOBCAPS Research

Fig 48 – ROE: Syrma earns higher returns



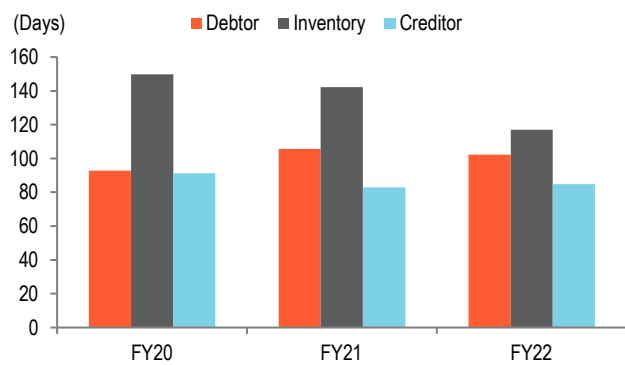
Source: Company, BOBCAPS Research

Fig 49 – ROCE: Kaynes delivers better ROCE



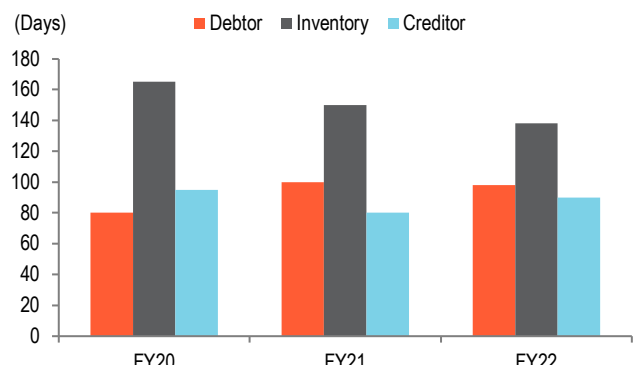
Source: Company, BOBCAPS Research

Fig 50 – Kaynes’ net working capital cycle at 134 days, FY22



Source: Company, BOBCAPS Research

Fig 51 – Syrma’s net working capital cycle at 93 days



Source: Company, BOBCAPS Research

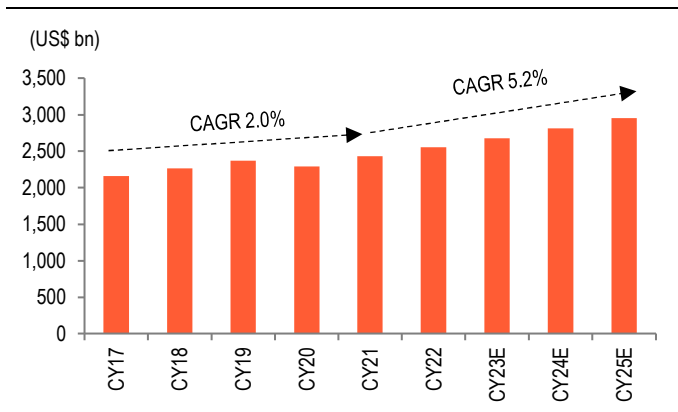
Industry outlook

Robust growth trajectory

The global electronics market, which includes electronic products, design, components and manufacturing services, is projected to clock a CAGR of 5.2% to ~US\$ 3tn by CY25, according to industry data. Within this, the global EMS industry posted a CAGR of 1.3% over CY17-CY20 and is expected to grow at 4.5% over CY20-CY25. At present, China leads the world’s EMS business with over 45% market share, underpinned by advanced technology and cost competitiveness. However, the rise of the China-Plus-One strategy has led to a quest for alternate manufacturing locations, which augurs well for countries such as India which are now focusing on building an ecosystem for the same.

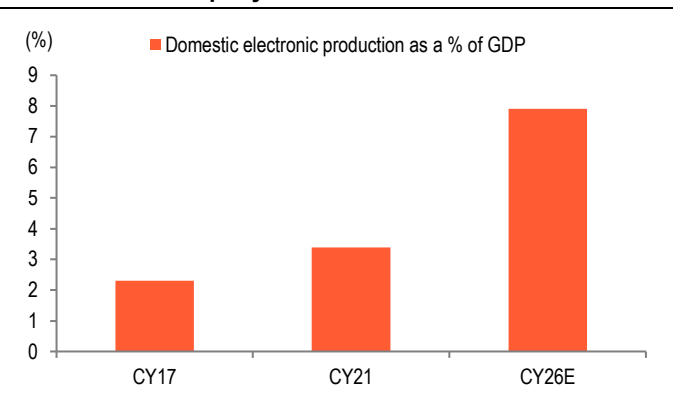
Following a slew of favourable government initiatives, increased competitiveness of Indian EMS players and steady FDI investments, India’s market share in the global EMS industry is estimated to increase at a 41% CAGR to 8% by CY25 from 1.8% (CY20).

Fig 52 – Global electronics market picking up pace



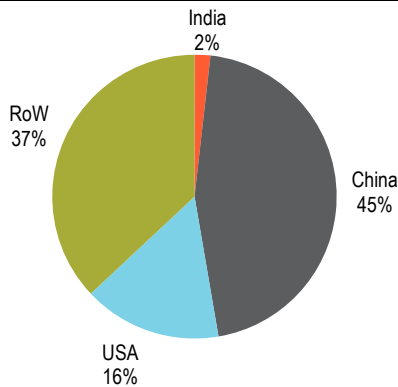
Source: Company, BOBCAPS Research

Fig 53 – Share of India’s electronics production to GDP set to increase rapidly



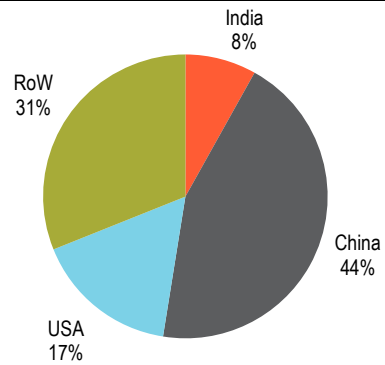
Source: Company, BOBCAPS Research

Fig 54 – India has 2% EMS share in global arena, CY20...



Source: Company, BOBCAPS Research

Fig 55 – ...set to quadruple by CY25E

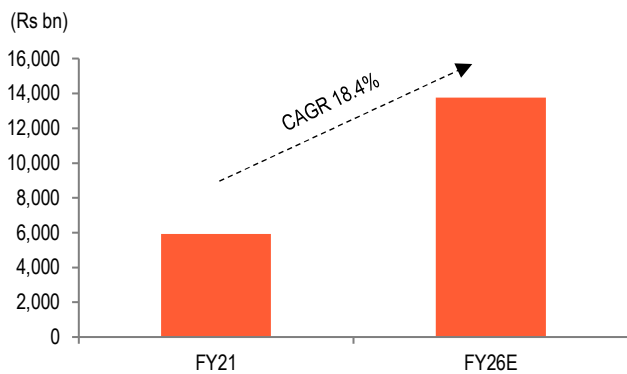


Source: Company, BOBCAPS Research

India's electronics consumption is estimated at Rs 5.9tn in FY21 and likely to grow at 18% to reach Rs 14tn by FY26. Electronics manufacturing has lagged behind consumption, logging an 8.6% CAGR over FY18-FY21 to ~Rs 5tn (US\$ 67bn), but is expected to gather pace, rising at a 32.3% CAGR over FY21-FY26 to Rs 20tn (US\$ 272bn). Higher per capita income, the evolution of innovative gadgets, and deeper internet penetration represent key growth catalysts.

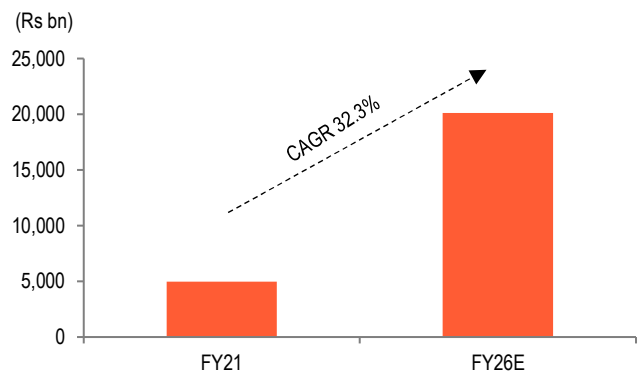
In India, the ~Rs 1.5tn EMS industry is estimated to form 18.7% of the country's Rs 8.4tn electronics sector (FY22). Contract manufacturing dominates the market (80% share) and is projected to grow from Rs 1.2tn to Rs 4.7tn while ODM rises from Rs 315bn to Rs 1.3tn over a four-year period to FY26.

Fig 56 – India's electronics consumption currently exceeds production, driving imports...



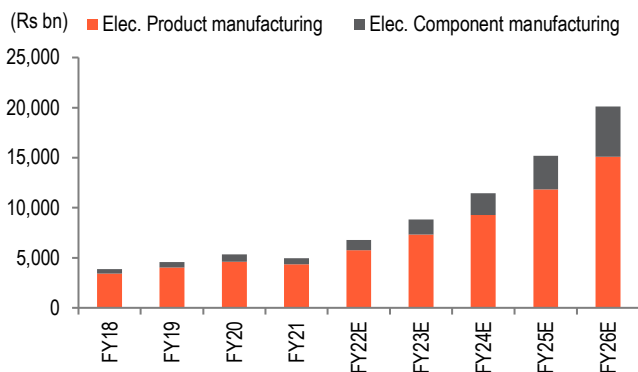
Source: Company, BOBCAPS Research

Fig 57 – ...but situation to reverse by FY26 as domestic production clocks a 32% CAGR



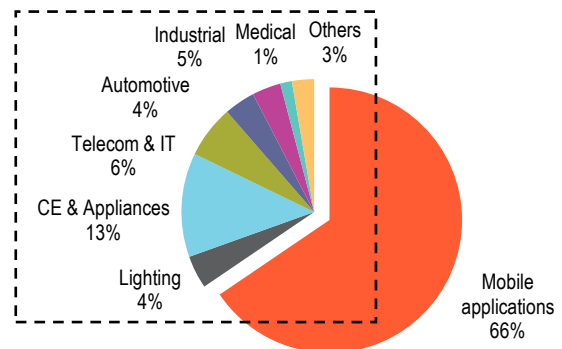
Source: Company, BOBCAPS Research

Fig 58 – Robust growth expected in India's electronic product and component manufacturing



Source: Company, BOBCAPS Research

Fig 59 – Mobiles garner lion's share of domestic EMS market but other industries also showing strong growth



Source: Company, BOBCAPS Research

Key EMS verticals

Mobiles phones constitute the largest and fastest growing electronics segment in India and are the second largest segment globally. Mobiles account for roughly two-third of EMS business in India, followed by consumer appliances at ~13% wherein televisions are a key subsegment. Designing, PCB assembly for smart TVs, and final TV assembly are some of the key offerings of EMS companies in this space. Telecom contributes ~6% share.

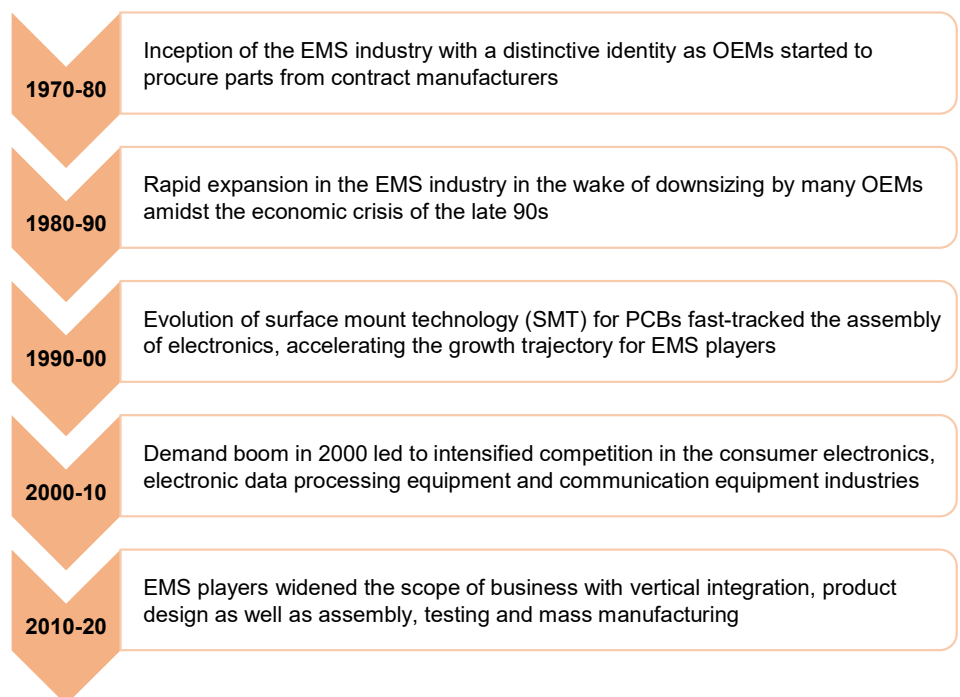
India is one of the largest exporters of telecom equipment, a trend that is expected to strengthen further as companies look beyond China for procurement. The IT hardware and EV auto segments also carry strong growth prospects.

Service offerings

EMS players operate at different stages of the electronic manufacturing process for OEMs. In the past, the global EMS industry has revolved around the manufacturing of electronic products, preferably assembly of PCBs and box build. In recent years, however, the scope of services offered to end user industries has been extended to product design & development, testing, and aftersales services that include repair, remanufacturing, marketing and product lifecycle management.

Traditionally, contract manufacturing (CM) dominates India's EMS industry at ~80% share, but the product design segment is gaining traction as players steadily transition their business model to ODM services. As an ODM service provider, they are in a position to offer turnkey solutions to OEMs – right from product design to reverse logistics.

Fig 60 – Evolution of global EMS industry



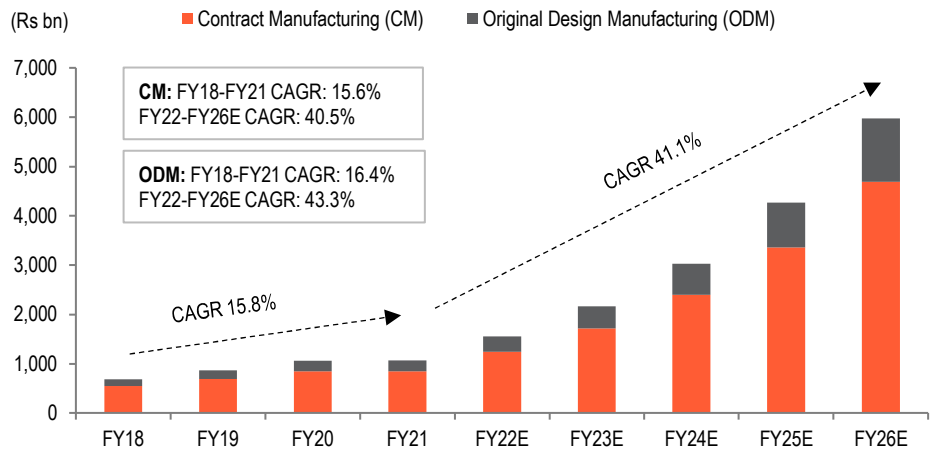
Source: Company, BOBCAPS Research

Fig 61 – EMS services

Service	Description
Product Design & Development	Conceptualising and design of electronic products
Prototyping	Prototyping of electronic schematic on a breadboard or other platform
Product Testing	Testing of electronic products and identifying defects
Box Assembly	Housing of PCBA in a small enclosure
System Integration	Incorporating component subsystems into one system
Repair and Rework Services	Maintenance work

Source: Company | Industry data

Fig 62 – India’s EMS industry: ODM carries higher growth prospects than CM



Source: Company, BOBCAPS Research

Valuation methodology

Initiate with BUY, TP Rs 390

India is striving to become self-reliant in electronics manufacturing and salutary government policies are facilitating investments in the sector. We foresee ample opportunities for leading EMS players, especially those like Syrma that are ODM-driven. The company's thrust on R&D is likely to further fortify the ODM business, setting its offerings apart from peers, even as its core PCBA business offers robust revenue visibility over the medium term. Capacity addition will allow the company to compete with global EMS players and maintain its high market share in exports.

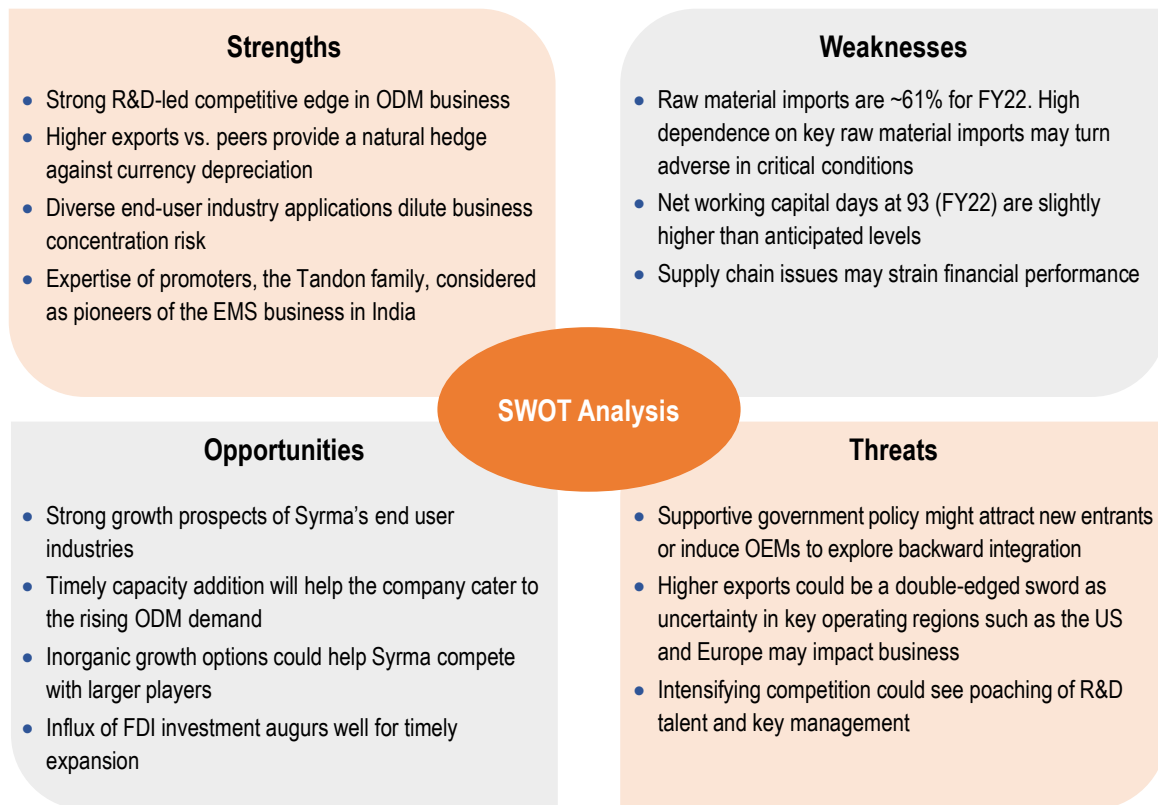
We expect Syrma's niche business model and export focus to support a superior ROCE and margin profile over most peers. Penciling in a revenue/EBITDA/PAT CAGR of 42%/45%/44% over FY22-FY25 with ROCE of 12.7% by FY25, we initiate coverage with BUY. Our TP of Rs 390 is set at 35x Sep'24E P/E – conservatively at a 15% discount to the industry multiple, which basically consists of Dixon and Amber.

Fig 63 – Peer comparison

Parameter	SYRMA	KAYNES	AMBER	DIXON	ELIN*
Rating	BUY	NOT RATED	HOLD	BUY	NOT RATED
CMP	279	758	2,020	4,262	-
TP	390	-	2,100	5,200	-
Sales - 3Y CAGR (%) - FY19-22	53	25	15	53	2
Sales - 3Y CAGR (%) - FY22-25E	42	-	28	35	-
EBITDA - 3Y CAGR (%) - FY19-22	48	39	9	41	8
EBITDA - 3Y CAGR (%) - FY22-25E	45	-	31	41	-
EBITDA margin (%) - FY22	9.9	13.3	6.5	3.5	7.7**
EBITDA margin (%) - Last 4Y Avg.	12	11	7.3	4.4	7.2
Gross margin (%) - FY22	29.6	30.7	16.1	8.6	27.6**
Gross margin (%) - Last 4Y Avg.	34.1	32.8	16.4	11.0	27.9
PAT - 3Y CAGR (%) - FY19-22	52	62	6	44	9.5
PAT - 3Y CAGR (%) - FY22-25E	44	-	38	48	-
ODM as a % of revenue - FY22	27.1	3.7	-	19.5	11.9**
Exports as a % of revenue - FY22	43.6	21.5	0.5	0.8	0.8**
Top-5 client contribution	29.1	38.2	-	-	62.9
Current Order Book (Rs bn)	17.0	23.0	-	-	-
R&D expenses as a % of sales - FY21	0.4	0.3	0.1	0.6	0.8
ROE (%) - FY22	13.8	20.5	6.7	22	14.06**
ROCE (%) - FY22	11.6	22.3	6	19.1	25.04
Net Debt-to-Equity (x) - FY22	0.2	0.8	0.3	0.1	0.4**
Capex (Rs bn) - FY22	0.9	0.4	4.1	4.2	-
Fixed Asset Turnover (x) - FY22	3.3	6.4	3.9	11.2	4.8**

Source: Company, BOBCAPS Research | *FY19-21, **FY21

Fig 64 – SWOT analysis



Source: Company, BOBCAPS Research

Fig 65 – Porter's five forces



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- **Losing margin lead over peers:** Despite being smaller than Dixon and Amber in terms of size, it is Syrma's superior margin profile that results in our 35x target multiple for the stock. Prolonged deviation from the expected margin trajectory could erode its multiple. The company's R&D-led ODM business is expected to spearhead growth, but any failure to innovate on products, retain talent and adopt newer technology could affect growth and margins.
- **Deferral of capex:** Syrma aims to use its IPO funds for capex; any delays in capacity addition will impact our revenue forecast.
- **Intensifying competition:** High industry growth over the past decade, an easy-to-replicate business model, and bright long-term prospects have intensified competition in the industry. Most EMS players are aiming to build end-to-end capabilities and widen their product portfolios. In addition, OEMs have begun to manufacture some products themselves to avail of PLI benefits. Thus, the EMS landscape is likely to witness fiercer competition ahead.
- **Technological obsolescence:** Growth in the EMS industry is directly proportional to technological advancement. The rapid pace of product innovation requires EMS players to remain at the cutting edge of manufacturing or risk losing business to competitors.

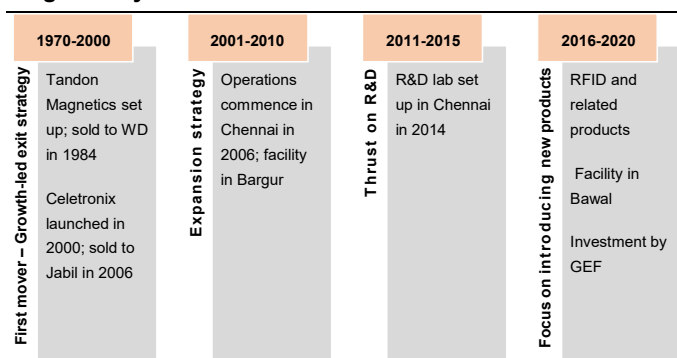
Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Amber Enterprises	AMBER IN	0.8	2,012	2,100	HOLD
Blue Star	BLSTR IN	1.5	1,255	1,350	HOLD
Crompton Greaves	CROMPTON IN	2.7	355	500	BUY
Dixon Technologies	DIXON IN	3.1	4,264	5,200	BUY
Havells India	HAVL IN	9.2	1,206	1,500	BUY
Orient Electric	ORIENTEL IN	0.7	275	280	HOLD
Polycab India	POLYCAB IN	4.9	2,707	3,300	BUY
Syrma SGS	SYRMA IN	0.6	279	390	BUY
V-Guard Industries	VGRD IN	1.3	249	250	HOLD
Voltas	VOLT IN	3.4	848	1,000	HOLD

Source: BOBCAPS Research, NSE | Price as of 7 Dec 2022

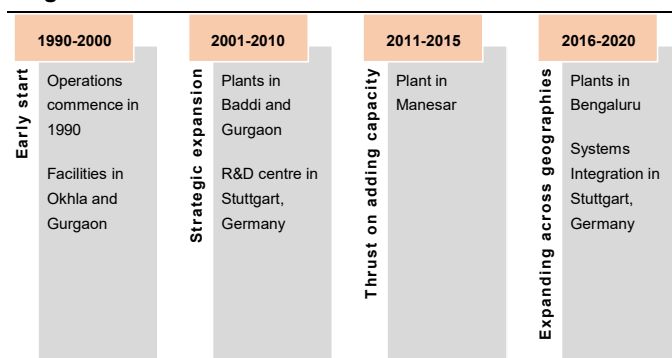
Annexure: Company overview

Fig 66 – Syrma: Evolution



Source: Company, BOBCAPS Research

Fig 67 – SGS Tekniks: Evolution



Source: Company, BOBCAPS Research

In CY21, Syrma acquired SGS Tekniks to form Syrma SGS Technology. The company also acquired a 75% stake in RFID player Perfect ID for a consideration of Rs 340mn and intends to acquire the balance 25% in the near future.

Fig 68 – Syrma: Business milestones

Year	Milestone
2006	Set up manufacturing unit in MEPZ-SEZ, Chennai
2010	Set up manufacturing facility in Bargur
2012	Commenced manufacturing beacons for vehicles
2014	Set up first research & development department for ODM in India
2016	Commenced manufacturing RFID tags
2018	Set up manufacturing facility in Bawal
2018	Set up 'zone of autonomous creation' to support the provision of rapid prototyping services
2018	Set up another manufacturing unit in MEPZ-SEZ, Chennai
2019	Commenced offering repair and rework services
2020	Commenced the manufacture of controllers for EV battery management systems
2020	Investment in Syrma by South Asia Growth Fund II Holdings LLC and South Asia EBT Trust
2021	Acquired SGS Tekniks Manufacturing Pvt Ltd
2021	Acquired 75% of the issued and paid-up share capital of RFID player Perfect ID

Source: Company, BOBCAPS Research

Fig 69 – SGS Tekniks (subsidiary): Business milestones

Year	Milestone
2014	Set up manufacturing facility at Manesar
2016	Set up manufacturing facility at Bengaluru
2020	Set up another manufacturing facility at Bengaluru

Source: Company, BOBCAPS Research

Fig 70 – Stake in subsidiaries

Subsidiary	(%)
SGS Techniks Manufacturing Pvt Ltd	100
Perfect ID India Pvt Ltd	75
Syrma Technology Inc	100
SGS Infosystems Pvt Ltd	99.67
SGS Solutions GmBH	66 (Held by SGS Techniks)

Source: Company, BOBCAPS Research

Fig 71 – Key managerial personnel (KMP)

Name	Designation	Profile
Sandeep Tandon	Executive Chairman	18+ years of experience in electronics manufacturing services industry
Jasbir S Gujral	MD	30+ years of experience in electronics manufacturing sector; erstwhile Director of SGS Techniks Manufacturing
Sreeram Srinivasan	CEO	20+ years of experience in business operations; ex-MD of Saint Gobain and ex-CEO of MTAR Technologies
Bijay Agarwal	CFO	16+ years of experience in finance and business strategy; ex-Motorola and Dalmia Bharat
R Nagaraj	Operations Head	Robust experience in EMS industry; cost and profit centre head for different companies
N G Sreedharan	Design / R&D Head	16+ years of experience with Syrma; associated with Tandon Group since 2001. Has worked with Celetronix

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Total revenue	8,874	12,666	17,391	25,319	36,236
EBITDA	999	1,260	1,787	2,708	3,875
Depreciation	228	249	354	434	714
EBIT	772	1,010	1,432	2,274	3,161
Net interest inc./(exp.)	(71)	(80)	(157)	(249)	(340)
Other inc./(exp.)	169	177	186	195	205
Exceptional items	0	0	0	0	0
EBT	869	1,108	1,461	2,220	3,026
Income taxes	213	343	368	559	762
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(1)	0	0	0	0
Reported net profit	655	765	1,093	1,661	2,264
Adjustments	0	0	0	0	0
Adjusted net profit	655	765	1,093	1,661	2,264

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	1,902	2,405	4,288	5,896	8,538
Other current liabilities	526	921	1,129	2,081	2,780
Provisions	0	0	0	0	0
Debt funds	925	1,942	3,147	4,975	6,803
Other liabilities	352	554	370	489	653
Equity capital	7	1,376	1,762	1,762	1,762
Reserves & surplus	5,355	4,344	13,838	15,147	17,014
Shareholders' fund	5,363	5,721	15,600	16,909	18,777
Total liab. and equities	9,068	11,542	24,534	30,350	37,550
Cash and cash eq.	1,092	732	9,983	8,054	7,389
Accounts receivables	2,084	2,722	3,335	5,203	7,148
Inventories	1,789	2,913	4,622	6,590	9,431
Other current assets	467	645	1,144	1,526	2,184
Investments	31	47	65	94	135
Net fixed assets	3,304	3,793	4,438	7,504	9,290
CWIP	0	391	536	781	1,117
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	301	299	411	598	856
Total assets	9,068	11,542	24,534	30,350	37,550

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash flow from operations	371	(126)	719	437	874
Capital expenditures	(187)	(901)	(1,000)	(3,500)	(2,500)
Change in investments	(50)	43	(18)	(29)	(41)
Other investing cash flows	(886)	4,849	(441)	(313)	(431)
Cash flow from investing	(1,123)	3,992	(1,459)	(3,842)	(2,971)
Equities issued/Others	1,079	2,715	386	0	0
Debt raised/repaid	(75)	1,021	1,204	1,828	1,829
Interest expenses	0	0	0	0	0
Dividends paid	(288)	85	8,400	(352)	(397)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	716	3,821	9,990	1,476	1,432
Chg in cash & cash eq.	(36)	7,687	9,251	(1,929)	(665)
Closing cash & cash eq.	1,092	732	9,983	8,054	7,389

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	3.7	4.3	6.2	9.4	12.8
Adjusted EPS	3.7	4.3	6.2	9.4	12.8
Dividend per share	0.0	0.0	0.0	2.0	2.3
Book value per share	30.4	32.5	88.5	95.9	106.5

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	5.5	3.9	2.8	1.9	1.4
EV/EBITDA	49.1	39.0	27.5	18.1	12.7
Adjusted P/E	74.9	64.2	44.9	29.5	21.7
P/BV	9.2	8.6	3.1	2.9	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	75.4	69.0	74.8	74.8	74.8
Interest burden (PBT/EBIT)	112.6	109.6	102.0	97.7	95.7
EBIT margin (EBIT/Revenue)	8.7	8.0	8.2	9.0	8.7
Asset turnover (Rev./Avg TA)	2.7	3.3	3.9	3.4	3.9
Leverage (Avg TA/Avg Equity)	0.7	0.7	0.4	0.5	0.5
Adjusted ROAE	13.2	13.8	10.3	10.2	12.7

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Revenue	2.5	42.7	37.3	45.6	43.1
EBITDA	(26.8)	26.1	41.8	51.6	43.1
Adjusted EPS	(32.5)	16.7	43.0	52.0	36.3
Profitability & Return ratios (%)					
EBITDA margin	11.3	9.9	10.3	10.7	10.7
EBIT margin	8.7	8.0	8.2	9.0	8.7
Adjusted profit margin	7.4	6.0	6.3	6.6	6.2
Adjusted ROAE	13.2	13.8	10.3	10.2	12.7
ROCE	11.8	11.6	9.1	9.0	10.6
Working capital days (days)					
Receivables	86	78	70	75	72
Inventory	74	84	97	95	95
Payables	78	69	90	85	86
Ratios (x)					
Gross asset turnover	2.5	3.1	3.5	3.5	3.6
Current ratio	1.8	1.3	2.3	1.7	1.5
Net interest coverage ratio	10.8	12.7	9.1	9.1	9.3
Adjusted debt/equity	0.2	0.3	0.2	0.3	0.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

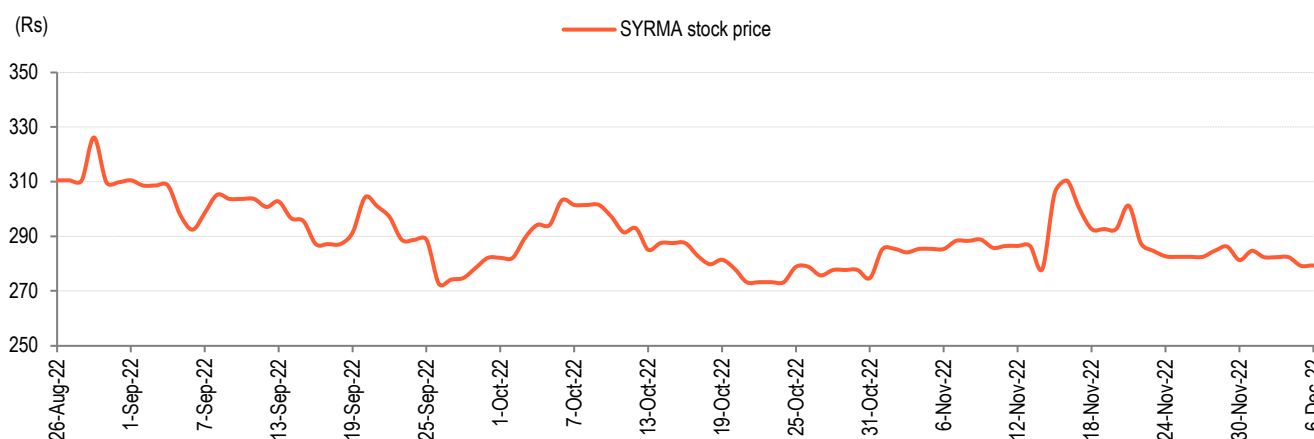
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): SYRMA SGS (SYRMA IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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