

- ❑ The Electronic Manufacturing Services player Syrma SGS reported robust performance in Q3FY22, Its consolidated revenue from operations stood at Rs.5,126 Mn up by 70% YoY and 10% QoQ led by strong demand in automotive and consumer verticals. The company's EBITDA/PAT came in at Rs.478 Mn/Rs.371 Mn up by 29%/69% YoY respectively.
- ❑ The company's EBITDA margin saw a dip in Q3FY23 which came in at 9.3% vs 12.3% in Q3FY22 mainly due to softening of exports (and lower ODM revenues (11% in Q3FY23 vs 26% in the year-ago quarter). Its PAT margin during the quarter remained resilient at 6.7% (flat YoY). We expect margins to bounce back as export-led businesses can show some broad-based recovery coupled with low raw material prices and minimal supply-related headwinds.
- ❑ Syrma is known for providing engineering-backed solutions to a wide array of industries, Industry-wise Consumer, Automotive and Industrial verticals outperformed the industry by growing at 297%/70%/38.4 YoY whereas the company experienced some headwinds in its healthcare vertical due to recessionary conditions and inflation in Europe, but the management remains very confident on the long-term story of healthcare and expects it to rebound in the next two quarters.
- ❑ As of 31 of December 2022, Syrma had an order book of Rs.21,000 Mn, which would be executed during FY23-24, Domestic vs Export mix stands at 40% and 60%. Over 60% of Syrma's order book is mainly coming from the consumer and auto sector. In terms of Capexit guided around Rs.2,000-2,500 mn of Capex for FY24-25 including investments in PLI.
- ❑ We remain positive about the company considering the growing demand for its end-user industries like automotive, consumer, and industrials, and with a correction in input prices, we expect margins to recover from here. We believe exports and healthcare verticals will bounce back in the next few quarters which are likely to boost Syrma's margins. Going forward we expect Syrma to clock Revenue/EBITDA/PAT CAGR of 55%/76%/90% over FY22-24E owing to its strong order book, a growing share of ODM revenues diverse industry offerings, and strong export focus. We maintain our **BUY** rating and target price of **₹364 per share** on the stock.



Financials:

(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	5,126	3,017	69.9%	13,669	6,485	110.8%
Operating Expense	4,648	2,645	75.7%	12,403	5,793	114.1%
EBITDA	478	372	28.6%	1,266	692	83.0%
Other Income	118	17		221	42	
Depreciation	81	68		224	128	
EBIT	515	320	60.9%	1,263	605	108.8%
Interest	64	22		177	39	
PBT	451	298	51.1%	1,106	566	95.4%
Tax	108	96		304	194	
Exceptional Items	-	-		-	-	
PAT	342	202	69.6%	802	372	115.7%
Minority /Other Adj.	(10)	(4)		(1)	25	
Consolidated PAT	332	197	68.2%	802	397	101.8%
Margins	Q3-FY23	Q3-FY22	Chg BPS	9M-FY23	9M-FY22	Chg BPS
Operating Margin %	9.3%	12.3%	-299	9.3%	10.7%	-141
Net Margin %	6.5%	6.5%	-6	5.9%	5.7%	13

Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	4,383	10,197	17,064	24,433
Operating Expense	3,901	9,231	15,091	21,456
EBITDA	482	966	1,973	2,977
Other Income	62	127	395	415
Depreciation	121	194	232	320
EBIT	423	899	2,136	3,072
Interest	60	90	53	66
Misc. items	-	-	-	-
PBT	363	809	2,083	3,006
Tax	77	268	689	994
Minority Interest	34	14	(11)	(7)
PAT	320	555	1,382	2,005

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	10.4%	132.7%	67.3%	43.2%
Operating Margin %	11.0%	9.5%	11.6%	12.2%
Net Margin %	7.3%	5.4%	8.1%	8.2%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	7	1,411	1,411	1,411
Reserves & Surplus	2,408	4,309	5,692	7,696
Total Shareholder's Funds	2,416	5,721	7,103	9,108
Minority Interest	-	108	108	108
Long-Term Liabilities	245	39	39	39
Other Long-term Liabilities	324	850	850	850
Deferred Tax Liability	2	123	123	123
Short-term Liabilities	1,891	5,718	7,244	9,222
Total	4,877	12,559	15,467	19,451
Assets				
Net Fixed Assets	814	4,183	5,657	7,669
Long-Term L&A	393	820	820	820
Non Current Investments	921	51	51	51
Other Non-Current Assets	101	2	2	2
Current Asset	2,648	7,502	8,936	10,908
Total	4,877	12,559	15,467	19,451

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	1.8	3.1	7.8	11.3
P/E (x)	148.0	85.3	34.3	23.6
P/B (x)	19.6	8.3	6.7	5.2
ROE	13.3%	9.7%	19.5%	22.0%
ROCE	14.2%	13.1%	26.0%	30.0%

Source: Company, Anand Rathi Research

Key Risks:

- ❑ **Raw Material Risk-** Steep rise in input prices and/or any irrational price competition by peers in a short timeframe can hurt Syrma's earnings. Higher cost of production too may hurt earnings.
- ❑ **No long-term customer contracts-**Its customers do not make long-term commitments to the company and may cancel or change their production requirements.
- ❑ **Delays in launch / failure of new products:** Any delay in launch of new products and/or failure of new products may hit the company's financials.
- ❑ **Weak economic outlook:** If there is prolonged weakness in India's economy, it will adversely affect the company's growth prospects..



Rating and Target Price history:

SYRMA’s rating history & price chart



Source: Bloomberg, Anand Rath Research

NOTE: Prices are as on 10 February 2023 close.

POLYMED’s rating details

Date	Rating	Target Price (₹)	Share Price (₹)
13-Dec-22	Buy	364	285
10-Feb-23	Buy	364	276

Source: Bloomberg, Anand Rath Research



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Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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