

DS Sigma Holdings has attractive growth prospects within the E&E space, says Mercury Securities

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KUALA LUMPUR: Mercury Securities Sdn Bhd is optimistic about DS Sigma Holdings Bhd as the stock has attractive growth prospects and customer

diversification within the electrical and electronics (E&E) industry, focusing on the solar photovoltaic (PV) and medical devices industry.

Further, DS Sigma also plans to invest in automatic robotic and packaging machines to fully automate the production of corrugated cartons, streamline its manufacturing process and reduce the reliance on manpower going forward.

DS Sigma also plans to rent a 25,000 sq ft warehouse and office in Batu Kawan, Penang, by the first half (1H) of 2023.

The aim is to expand its business operations within the region and expand its target markets to serve customers within the E&E industry, focusing on the solar PV and medical devices industry.

Also in the pipeline is the plan to acquire a 2-storey office detached factory with an estimated built-up area of 100,000 sq ft by the 1H of 2024.

The new factory will house new machineries and equipment and increase the company's production capacity and operational efficiency to cater for more customers moving forward.

"We have a 'Subscribe' recommendation on DS Sigma with a target price of RM0.66 based on FY23 earnings per share (EPS) of 5.1 sen and a price-to-equity (PE) ratio of 13x in line with the industrial products sector's FY23 PE," Mercury Securities said in a recent note.

"The company has a 2.6 per cent market share by business value. Therefore, the target price represents a potential return of 21 per cent over the initial public offering (IPO) price," the research firm said.

DS Sigma is a one-stop packaging centre that provides packaging products supported by the in-house manufacturing of corrugated board products, supply of packaging materials and provision of value-added services and solutions that can reduce packaging costs for its customers.

As of the latest practicable date (LPD), the company has a production capacity of 26.09 million pieces of carton blanks for

flexographic printing machines and 8.70 million pieces of die-cutting sheets for automatic die-cut machines.

With a total built-up area of 100,000 sq ft and a total of 115 workers, DS Sigma is well-positioned to increase its market share by 2.6 per cent and expand its presence in the E&E space.

The company plans to set up a packaging design and innovation centre within its Klang factories to expand its testing and prototyping facilities by investing in testing equipment which will be used to facilitate its front-end value-added services.

