



SMC Ranking
★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Electronics manufacturing services
Offer for sale (Shares)	3,369,360
Fresh Issue (Shares)	34,818,182
Net Offer to the Public	38,187,542
Issue Size (Rs. Cr.)	798-840
Price Band (Rs.)	209-220
Offer Date	12-Aug-22
Close Date	18-Aug-22
Face Value	10
Lot Size	68

Issue Composition

	In shares
Total Issue for Sale	38,187,542
QIB	19,093,771
NIB	5,728,131
Retail	13,365,640

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	61.47%	47.42%
QIB	38.53%	41.75%
NIB	0.00%	3.25%
Retail	0.00%	7.58%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Funding capital expenditure requirements for the development of an R&D facility and expansion / setting up of manufacturing facilities.
2. Funding long-term working capital requirements.
3. General corporate purposes

Book Running Lead Manager

- DAM Capital Advisors Limited
- ICICI Securities Limited
- IIFL Securities Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Syrma SGS Technology Ltd. (SSTL) is a technology-focused engineering and design company engaged in turnkey electronics manufacturing services ("EMS"), specializing in precision manufacturing for diverse end-use industries, including industrial appliances, automotive, healthcare, consumer products and IT industries. The Company is also among the top key global manufacturers of custom RFID tags. Its current product portfolio may be categorized as Printed circuit board assemblies, Radiofrequency identification ("RFID") products and Electromagnetic and electromechanical parts. Its other products include motherboards, DRAM modules, solid state drives, USB drives and other memory products. SSTL currently operates through 11 strategically located manufacturing facilities in north India (i.e. Himachal Pradesh, Haryana and Uttar Pradesh) and south India (i.e. Tamil Nadu and Karnataka). Its presence in these states enables it to efficiently cater to the requirements of customers in north and south India. SSTL's manufacturing facilities in Tamil Nadu are located in a special economic zone and its manufacturing facility in Haryana has been set up under the Electronic Hardware Technology Park scheme, which allows it to avail of certain tax and other benefits in respect of the products manufactured out of these facilities.

Strength

Leading design and electronic manufacturing services: Syrma is one of the leading design and electronic manufacturing services companies in terms of revenue in Fiscal 2021, driven by the focus on quality and customer relationships. Its leading position in the market is driven by its focus on quality and customer relationships nurtured through prompt responsiveness and ensuring reliability. Further, given its long experience in the EMS sector, and its well-experienced leadership, it has been in a position to take early advantage of technological developments in the EMS sector, allowing it to promptly address evolving needs of its customers. This has enabled consistent growth in its revenue and profitability.

Consistent track record of financial performance: The Company has shown consistent growth in terms of revenue and profitability. The financial illustrates not only the growth of its operations over the years but also the effectiveness of the administrative and cost management protocols that it has implemented. Among other things, its strong financial position and results of operations have enabled it to further its inorganic growth initiatives.

Diversified and continuously evolving and expanding product portfolio and service, backed by strong R&D capabilities: It has, over the years, diversified and expanded its product portfolio, and evolved its operations to provide design and engineering services and original design manufacturing services, that cater to various industries, including automotive, healthcare, IT, industrial appliances, energy management, water purification, power supply, and consumer products industries. Its continuously evolving product portfolio has helped accelerate its growth and in innovating the manner it caters to and thus retains both new and existing customers. Its product portfolio has helped them forge strong relationships with major clients. Its R&D team also aims to provide solutions to improve its existing manufacturing processes, including by adoption of advanced manufacturing technology, improve manufacturing efficiency on its existing products and reduce manufacturing costs. This helps the company to produce high quality products consistently and also enables it to maintain a cost advantage over its competitors.

Established relationships with marquee customers across various countries: It has established and will continue to focus on strengthening long-standing relationships with

well-known customers across the end-use industries that they work with. Certain of its marquee customers across the end-use industries that it caters to, include TVS Motor Company Limited, A. O. Smith India Water Products Pvt. Ltd., Robert Bosch Engineering and Business Solution Pvt Ltd, Eureka Forbes Ltd Limited, CyanConnode Limited, Atomberg Technologies Private Limited, Hindustan Unilever Limited and Total Power Europe B.V.

State-of-the-art manufacturing capabilities: The company currently operates through 11 manufacturing facilities spread across five states namely - Tamil Nadu, Karnataka, Himachal Pradesh, Haryana, and Uttar Pradesh. Its manufacturing facilities are equipped with modern and high-speed equipment that can handle surface mount components and through hole components. The company is also focused on vertical integration in its manufacturing process. As part of its product portfolio, it manufactures various electromagnetic components parts such as transformers and chokes, which are required for the manufacture of its PCBA products.

Strategy

Solidify and strengthen its core competitiveness of technology innovation: The Company intends to continue to invest in technology infrastructure to enable further technical innovation, improve its operational efficiencies, increase customer satisfaction and improve its sales and profitability. It intends to further develop its technological infrastructure and technical know-how, to improve on its existing design and engineering service and original design manufacturing capabilities. In addition, it will focus on optimizing and automating its manufacturing processes to improve returns in a rapidly changing technological environment. It constantly endeavors to reduce the costs of its operations while ensuring the quality of its products. It intends to focus on adopting strategies to establish a standardized platform across its business units for its processes, hardware and software infrastructure and workforce. The company will continue to expand its R&D capabilities to capitalize on the latest trends. In addition, the company intends to Increase investments in new infrastructure and build a new dedicated design services.

Pursue inorganic growth through strategic acquisitions: The company has continuously sought to diversify its product portfolio which could cater to customers across various end-use industries and geographies. In conjunction to its organic growth strategies, it has in the past, and going forward, intends to continue pursuing strategic acquisitions by selectively evaluating targets or partners for strategic acquisitions and investments. The company has expanded its business and operations through acquisitions and integrating these businesses into its operations, and it intends to continue its strategic expansion plans through inorganic growth opportunities in geographies that complement its existing operations. The company may pursue similar opportunities to undertake acquisitions (i) that allow it to enhance its scale and market position; (ii) that allow it to strengthen its range of product offerings and customer base; and (iii) that enable access to new clients and enter high-growth geographies in a cost effective manner and provide it with a platform to extend its reach to new geographic markets within India; and (iv) that add new products to its portfolio or that allow it to enter strategic businesses to capture additional revenue opportunities from its existing customer base.

Increase wallet share from existing customers: The Company plans to continue focusing on increasing contributions per customer and to work closely with them to develop a broader portfolio of products, which meet their requirements. The company intends to achieve this by marketing, and thereby expanding the sale of each of its existing products to new or existing customers. The company sees significant potential to increase the wallet share of its existing customers on an ongoing basis. Further, it plans on utilizing its expanded geographical footprint to address the sourcing requirements of its existing multinational customers as and when they enter new markets, thereby consolidating its position as a preferred supplier across geographies.

Cater to more end-use industries: The market size and future outlook of few of the end-use industries that it intends to focus on going forward are Lighting, Medical electronics and Aerospace and defence. The company intends to evolve its product and service offerings and accordingly grow its business, by leveraging on the growth and technological requirements of any industry (including but not limited to those set out above), that it believes can effectively utilise its manufacturing and in-house R&D capabilities.

Risk factors

- The company margins are on declining mode.
- The company does not have long term contracts with any of the customers.
- The company depends on third parties for the supply of raw materials.
- Out of the 11 manufacturing facilities currently operated by SSSL, two facilities collectively contribute to more than 80% of its total revenue from operations.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcaps
Dixon Technolog.	11684.85	217.69	36.68	103.63	22.63	167.97	2.00	3801.25	22557.35
Amber Enterp.	5324.19	138.82	33.05	68.68	4.41	514.70	10.00	2269.80	7647.80
Syrma SGS Technology Limited	1019.72	56.67	4.01	68.41	2.87	76.54	10.00	220.00	3877.04

* Financials are annualised FY22

**Peer companies financials are based on TTM

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	August 12, 2022
Bid/Offer Closing Date	August 18, 2022
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about August 23, 2022
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about August 24, 2022
Credit of Equity Shares to depository accounts of Allottees	On or about August 25, 2022
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about August 26, 2022

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	31-Mar-22 (12 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	1019.72	438.30	397.076
Total expenditure	925.29	391.55	329.383
Operating Profit	94.43	46.76	67.69
OPM%	9.26	10.67	17.05
Other Income	12.69	6.18	7.806
PBDIT	107.12	52.93	75.50
Depreciation	19.43	12.07	9.699
PBIT	87.68	40.86	65.80
Interest	6.78	4.52	7.97
Restated Profit before tax	80.90	36.34	57.83
Exceptional Items	0	0	5.599
patbefore exceptional Items	80.90	36.34	52.23
tax	26.76	7.72	8.351
Profit & Loss before Share of	54.14	28.62	43.88
Post-acquisition Profit of Associate			
Share of Post-acquisition	2.53	3.40	0
Profit of Associate			
Profit After Tax	56.67	32.02	43.88

* 31st March 2020 is restated Standalone Statement

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-22	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	233.98	75.09	77.92
Capital Work in Progress	39.06	0.00	0.43
Right-of-Use Assets	23.85	4.96	6.21
Investment property	0.41	0.00	0.00
Goodwill	118.19	0.00	0.00
Other Intangible assets	1.51	1.32	2.35
Intangible assets under development	1.74	0.00	0.00
Financial Assets			
Non-current Investments	4.71	92.15	0.00
Other financial assets	5.24	12.95	2.89
Income tax asset (net)	2.94	0.98	0.00
Deferred tax asset (net)	0.11	0.00	0.75
Other non-current assets	21.23	11.15	12.21
Total non-current assets	452.96	198.60	102.75
Current assets			
Inventories	291.30	77.08	68.23
Financial Assets			0.00
Current investments	36.30	0.00	0.00
Trade receivables	272.23	127.87	116.36
Cash and cash equivalents	33.41	27.96	30.77
Other bank balances	3.50	2.24	4.40
Other financial assets	7.38	5.47	3.65
Other current assets	57.13	24.20	20.54
Total current assets	701.25	264.82	243.94
Total Assets	1154.21	463.41	346.70
Non-current liabilities			
Financial liabilities			
Borrowings	3.89	24.50	24.21
Lease Liabilities	21.89	4.16	5.24
Other financial liabilities	0.00	0.68	0.00
Provisions	6.96	3.19	2.49
Deferred tax liabilities (net)	12.37	0.24	0.00
Other non-current liabilities	3.31	0.00	0.00
Total financial liabilities	48.42	32.77	31.94
Current liabilities			
Financial liabilities			
Borrowings	190.35	31.62	59.59
Lease liabilities	2.16	1.08	0.92
Trade payables			0.00
Total outstanding dues of micro enterprises and small enterprises	7.66	1.11	0.39
Total outstanding dues of creditors other than micro enterprises and small enterprises	232.80	113.73	106.43
Other Financial liabilities	17.11	0.92	1.98
Other current liabilities	65.24	37.76	38.82
Provisions	4.08	2.85	2.61
Current tax liabilities (net)	3.50	0.00	2.33
Total current liabilities	522.90	189.07	213.05
Total	571.31	221.84	244.99
NET Worth	582.90	241.58	101.71
Net worth represented by:			
Share capital	137.62	0.75	0.70
Other Equity	434.44	240.83	101.00
Non Controlling Interest	10.84	0.00	0.00
Net Worth	582.90	241.58	101.71

* 31st March 2020 is restated Standalone Statement

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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