



### Syrma SGS Technology Limited

#### IPO NOTE

#### ISSUE KEY HIGHLIGHTS

PRICE*:	Rs. 209 – Rs. 220	ISSUE OPENS:	12 <sup>th</sup> Aug 2022
ISSUE SIZE:	Rs. 840 Crores	ISSUE CLOSES:	18 <sup>th</sup> Aug 2022

Particulars	No. of Shares @ Lower Band (Cr)	No. of Shares @ Upper Band (Cr)	Rs. In Cr. @ Lower Band	Rs. In Cr. @ Upper Band	% Of Issue
QIB	2.00	1.91	418.21	420.06	50%
NIB	0.60	0.57	125.46	126.03	15%
Retail	1.40	1.34	292.75	294.04	35%
Employee	-	-	-	-	-
Shareholder	-	-	-	-	-
<b>Total Issue</b>	<b>4.002</b>	<b>3.819</b>	<b>836.42</b>	<b>840.13</b>	<b>100%</b>

#### Issue Details:

**Industry:** Electronics System Design and Manufacturing

**Promoters:** Sandeep Tandon, Jasbir Singh Gujral, Veena Kumari Tandon, Tancom Electronics Private Limited

**Selling Shareholders :** Veena Kumari Tandon

#### Capital Structure:

**Fresh Issue (@Higher Band)** Rs. 766 Cr

**Offer for Sale (@Higher Band)** Rs. 74 Cr

**Total Issue as % of total capital (Post-Issue) (@Higher Band)** 21.67%

**Post Issue No. of Shares @ Higher Band (Cr.)** 17.62

**Post Issue Market Cap @ Higher Band (Rs. Cr.)** 3,877

**Face Value** 10

**Issue Route** Book Build Issue

**Bid Lot (Shares)** 68

**Lead Managers** DAM Capital, ICICI Securities, IIFL Securities

**Registered Office** Mumbai

**Registrar** Link Intime India Pvt Ltd

**Listing** BSE and NSE

#### Key Investment Details for Retail Investors: (UPI or ASBA)

**Min No. of Shares - Application** 68

**Amount on the Min. Application (Rs.)** Rs. 14,960

#### An Indicative timetable post issue closing:

Particulars	On or about
Finalization of Basis of Allotment	23-Aug-2022
Refunds/un-blocking of ASBA Accounts	24-Aug-2022
Credit of Equity Shares to DP Ac	25-Aug-2022
Trading Commences	26-Aug-2022

#### Shareholding %:

Particulars	Pre-Issue	Post Issue
Promoters	61.47	47.42
Public	38.53	52.58
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

#### Issue Highlights:

Syrma SGS Technology Limited (“Syrma”) was incorporated on August 23, 2004.

- Syrma is one of India's leading exporters of electronics, providing a high-value integrated design and production solution for internationally recognized OEMs.
- Syrma is one of the leading Electronics system design and manufacturing (“ESDM”) company with a focus on technology based solutions and Original design manufacturer (“ODM”) business. Company’s business model starts from product concept design and focuses on every segment of the overall industry value chain.
- Company’s business approach leads to continuous advancements in product technology, structure, and functional design to meet customer requirements and lead the industry in development.
- Company’s business model gives a competitive advantage at the front-end of the industry value chain which makes a value-creator and it enables them to become a driving force for developing new products and break-through technologies.
- Company’s manufacturing facilities in Tamil Nadu are placed in SEZs, allowing them to take advantage of specific tax and other incentives in relation to the products manufactured at these facilities. All the manufacturing facilities are certified, including ISO 14001 and ISO 9001.
- Syrma is the first in India to manufacture Radio Frequency Identification (“RFID”) products and continues to lead the industry. Also, the company is recognised as a leader in memory modules with deep expertise.
- The company has long standing relationships with customers, an opportunity for increased wallet share and not a single customer more than 5 %.

#### Brief Financial Details\*:

(Rs. In Cr.)

Particulars	As at Mar’31		
	2022	2021	2020
<b>Equity Share Capital</b>	137.62	0.75	0.70
<b>Reserves</b>	406.27	237.42	101.00
<b>Net worth as stated</b>	543.89	238.17	101.71
<b>Revenue from Operations</b>	646.26	438.30	397.08
<b>Revenue Growth (%)</b>	47.45%	10.38%	-
<b>EBITDA</b>	64.77	52.93	69.90
<b>Profit Before Tax</b>	47.90	36.34	52.23
<b>Net Profit for the period</b>	30.61	28.62	43.88
<b>Net profit Margin (%)</b>	4.74%	6.53%	11.05%
<b>EPS Diluted (Rs.)</b>	2.67	3.32	6.19
<b>ROCE (%)</b>	18.39%	19.48%	31.80%
<b>Net Asset Value (Rs.)</b>	39.52	27.61	14.34

\*Source: RHP, Restated Standalone,

For additional information & risk factors please refer to the Red Herring Prospectus.

**OBJECTS OF THE ISSUE**

The respective portion of the proceeds from the **Offer For Sale** shall be received by Veena Kumari Tandon (Selling Shareholder), after deducting their portion of the Offer related expenses. Our Company will not receive any proceeds from the Offer for Sale.

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

1. Funding capital expenditure requirements for development of a R&D facility and expansion / setting up of manufacturing facilities;
2. Funding working capital requirements of our Company; and
3. General corporate purposes.

**SHAREHOLDING PATTERN**

Shareholder	Pre-offer		Approx. No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
<b>Total - Promoter &amp; Promoter Group</b>					
Promoter	80,772,760	57.12%	3,369,360	77,403,400	43.92%
Promoter Group	6,158,760	4.36%	-	6,158,760	3.49%
Public	54,479,411	38.53%	-	92,666,952	52.59%
<b>Total Equity Share Capital</b>	<b>141,410,931</b>	<b>100.00%</b>	<b>3,369,360</b>	<b>176,229,112</b>	<b>100.00%</b>

**OFFER DETAILS**

The Offer	No. of Shares	
Fresh Issue (Rs. 766 Cr.)	Approx. 3,66,50,718 – 3,48,18,181 Shares	
Offer for Sale : Name of Selling Shareholder	Amount ( Rs. In Cr. )*	Weighted Average Cost of Acquisition per Equity Share on a fully diluted basis (Rs.)
Selling Shareholder:		
Veena Kumari Tandon	74.13	59.97
*Calculated on Higher Price Band	74.13	
<b>TOTAL</b>		

## BUSINESS OVERVIEW

Syrma SGS Technology Limited (“Syrma”) is as a technology-focused engineering and design company engaged in turnkey electronics manufacturing services (“EMS”), specialising in precision manufacturing for diverse end-use industries, including industrial appliances, automotive, healthcare, consumer products and IT industries. Among the large bouquet of EMS players in India, Syrma is one of the fastest growing Indian-headquartered ESDM company. The company has a track record of technical innovation which involves working with the engineering teams of their marquee customers, and over the years, they have evolved to provide integrated services and solutions to OEMs, from the initial product concept stage to volume production through concept co-creation and product realization. Their manufacturing infrastructure enables them to undertake a high mix of products with flexible production volume requirements. They are leaders in high mix low volume product management and are present in most industrial verticals. Further, Syrma is one of the leading PCBA manufacturers in India, supplying to various OEMs and assemblers in the market. Syrma is also amongst the top key global manufacturers of custom RFID tags.

They have continuously diversified their product portfolio to keep pace with developments in technology. In addition, their continued focus on technology innovation and their design infrastructure have also enabled to undertake services for their customers over time. Syrma endeavours to identify and understand the key market trends and address their customers’ evolving needs proactively and on a timely basis. Syrma leverages their various strengths such as global sourcing capabilities and long-standing relationship with their vendors to consolidate and bring down the cost of raw materials and components, and explore alternative components, vendors, materials, and processes to reduce product cost and bring products faster to market.

### Their current product portfolio may be categorized as follows:

- ❑ Printed circuit board assemblies (“PCBA”): The PCBAs are used in products manufactured in the automotive, medical, industrial, IT and consumer products industries, and include box-build products;
- ❑ Radio frequency identification (“RFID”) products: The RFID products are used in products manufactured in the shipping, healthcare, manufacturing, retail and fintech industries;
- ❑ Electromagnetic and electromechanical parts, which include magnetic products like chokes, inductors, magnetic filters, transformer as well as high volume manufacturing assemblies: Their electromagnetic and electromechanical parts are used in products manufactured in the automotive, industrial appliances, consumer appliances and healthcare industries, among others; and
- ❑ Their products, which include motherboards, DRAM modules, solid state drives, USB drives and other memory products.

**Manufacturing Facilities** :- Syrma 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). Their presence in these states enables them to efficiently cater to the requirements of their customers in north and south India.

**R&D Capabilities** :- Syrma is focused on technological innovation through their R&D capabilities. They have **3 dedicated R&D facilities**, 2 of which are in India at Chennai, Tamil Nadu and Gurgaon, Haryana respectively, and one is located in Stuttgart, Germany. The R&D facilities are equipped with state-of-the-art research and development infrastructure.

**MARQUEE CUSTOMERS**

- TVS Motor Company Ltd.,
- Eureka Forbes Ltd Limited,
- Atomberg Technologies Pvt. Ltd.,
- Total Power Europe B.V.
- A. O. Smith India Water Products Pvt. Ltd.,
- CyanConnode Ltd.,
- Hindustan Unilever Ltd.,
- Robert Bosch Engineering and Business Solution Pvt Ltd.,

Company's products are sold in over 24 countries (apart from India), including the USA, Germany, Austria, and UK. During the Fiscals 2020, 2021, and 2022, ₹ 332.09 crore, ₹ 306.97 crore, ₹ 353.94 crore, which accounted for 83.63%, 70.04%, and 54.77%, respectively of the revenue from operations, was attributable to exports.

During the Fiscal 2022, they catered to over 200 customers of which 16 customers have been associated with them for over a period of 10 years, contributing ₹ 262.8 crore of proforma revenue in FY22.

**Recent Acquisitions :**

As part of their business strategy to expand their market share in the EMS sector and to widen their geographical footprint in the national market, **Syrma acquired SGS Teknics in September 2021 and Perfect ID in October 2021**. The acquisition of SGS Teknics provided ample headroom for growth as there was almost no overlap of customers and the geographies being serviced by the company and SGS Teknics. Pursuant to this acquisition, Syrma increased their manufacturing capacities and in-house R&D capabilities, in addition to expanding their existing supplier network. It also helped consolidate their component purchases, which account for a majority of their expenditure on raw materials, thus which may allow them to improve their procurement costs as well. This acquisition has opened opportunities for cross selling their RFID and magnetic products to existing customers of SGS Teknics.

Syrma has also acquired Perfect ID in October 2021, pursuant to which they acquired the infrastructure and know-how for the manufacture of RFID label tags and passive inlay tags, which was in addition to their existing capabilities for the manufacture of RFID hard tags, thus expanding their RFID products portfolio. Company's Promoter and Executive Chairman, Sandeep Tandon, has approximately 18 years of experience in this industry and provides valuable guidance on all strategic matters. In addition, their Promoter and Managing Director, Jasbir Singh Gujral, has in-depth industry knowledge and extensive managerial experience in the EMS sector, with over 30 years of experience in the EMS sector. They are led by a well-qualified and experienced management team.

Company's acquisitions include the acquisition of **Tovya Automation** in December 2014, the merger of **3G Communication Pvt Ltd** effective from April 2016, and most recently, their acquisition of **SGS Teknics** in September 2021 and **Perfect ID** in October 2021.

The acquisition of Tovya Automation and merger with 3G Wireless Communication Pvt Ltd provided them access to various technical know-how that allowed them to expand their IoT-related product offerings and allowed them to meet the pre-qualification criteria applicable to certain government tenders.

Pursuant to their acquisition of SGS Teknics, Syrma expanded both their manufacturing facilities footprint across India and their in-house R&D capabilities in Germany. It also helped consolidate their component purchases and improve their procurement costs as well. This acquisition has also opened opportunities for cross selling their RFID and magnetic products to existing customers of SGS Teknics.

Pursuant to their acquisition of Perfect ID, Syrma acquired the infrastructure and know-how for the manufacture of RFID label tags and passive inlay tags, which was in addition to their existing capabilities for the manufacture of RFID hard tags, thus expanding their RFID products portfolio.

## COMPETITIVE STRENGTHS

- 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
- Consistent track record of financial performance
- Diversified and continuously evolving and expanding product portfolio and service offerings catering to customers across various industries, backed by strong R&D capabilities
- Established relationships with marquee customers across various countries
- State-of-the-art manufacturing capabilities supported by a global supplier network, with a focus on vertical integration
- Experienced promoters supported with senior management team with proven track record of performance

## KEY BUSINESS STRATEGIES

- Solidify and strengthen the core competitiveness of technology innovation
- Pursue inorganic growth through strategic acquisitions
- Expand the customer base and geographic reach
- Increase the wallet share from existing customers
- Cater to more end-use industries

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

Name of the Company	Consolidated / Standalone	FV	Closing Price	Market Capitalisation(MC) (₹ Cr)*	Total Revenue (₹ Cr)	EPS (Basic)	NAV	P/E*	RoNW
<b>Syrma SGS Technology Ltd.</b>	Consolidated	10	NA	NA	1,284.37	5.25	42.36	[ · ]	13.58%
<b>Peer Group</b>									
Dixon Technologies Ltd.	Consolidated	2	3,578.5	21,235.5	10,700.89	32.31	168.06	110.76	21.94%
Amber Enterprises India Ltd.	Consolidated	10	2,448.1	8,248.6	4,239.63	32.41	526.17	75.54	6.52%

All the financial information for listed industry peers of the Company mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports/annual results as available of the respective company for the year ended March 31, 2021 submitted to stock exchanges.

\*P/E Ratio has been computed based on the closing market price of the equity shares (NSE) on July 28, 2022,

\*Market Capitalization is computed/stated as on July 28, 2022

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**Systematix Shares and Stocks (India) Limited:**

**Registered and Corporate address:** The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 34600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | Investment Advisor SEBI Reg. No. INA000010414 | AMFI : ARN - 64917