

Syrma SGS technology

Electronics | India

IPO | 11 August 2022

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Technology Focussed EMS provider

About the Company

Syrma SGS technology (Syrma) is technology-focussed engineering and design company engaged in turnkey Electronics Manufacturing Services (EMS), specialising in manufacturing for diverse industries, including industrial appliances, Automotive, Healthcare, Consumer products and IT industries. Syrma currently operates through 11 strategically located manufacturing facilities in north India (Himachal, Haryana and Uttar Pradesh) and south India (Tamil Nadu and Karnataka).

Fastest Growing ESDM: Syrma is one of the fastest growing Indian Electronics System Design and Manufacturing (ESDM) companies. It has a track record of technical innovation which involves working with the engineering teams of marquee customers and over the years it 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. It has manufacturing infrastructure which enables to undertake a high mix of products with flexible production system as per requirements. Syrma is the leader in high mix low volume product management and is 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. The Company is also amongst the top key global manufacturers of custom RFID tags.

Products Portfolio: The current product portfolio categorised into 1) Printed circuit board assemblies (PCBA) for automotive, medical, industrial, IT and consumer product industries, and 2) Radio frequency identification ("RFID") for products manufactured in the shipping, healthcare, manufacturing, retail and fintech industries; 3) Electromagnetic and electromechanical parts, which include magnetic products like chokes, inductors, magnetic filters, transformer as well as high volume manufacturing assemblies. 4) Other products, which include motherboards, DRAM modules, solid state drives, USB drives and other memory products.

Leveraging its Strengths: Syrma leverages various strengths such as global sourcing capabilities and long-standing relationship with vendors to consolidate and bring down the RM cost, to explore alternative components, vendors, materials and processes to reduce product cost and bring products faster to the market. It has continuously diversified product portfolio to keep pace with developments in technology. In addition, the continued focus on technology innovation and design infrastructure have also enabled to undertake services.

Understanding of Key Market Trends: Syrma expertise to identify and understand the key market trends and address the customers' needs. It manufactured high precision coils for hard disk drives starting in 2005 and USB drives in 2008. Similarly, to address the requirements of home entertainment industry, it has been manufacturing set top boxes since 2008. In respect of the telecom industry, pursuant to the advent of 3G technology in India, it forayed into manufacturing of GSM antennae from 2008 to 2012. Subsequently, pursuant to advancements to 4G technology, it proceeded to manufacture 4G and LTE antennae in 2016. Syrma currently undertake manufacture of modules for 5G technology infrastructure. It began to cater to the automotive end-use industry with the manufacture of hall sensor PCBAs in 2007. Since then, it progressed to manufacturing of vehicle tracking systems and toll management systems in 2009, beacons for vehicles in 2012 and 4W lighting system boards in 2021.

Financials in Brief

On FY22 financials, the IPO is valued at 43x EV/EBITDA, 4x EV/sales, and 68x PE, compared to industry leader, Dixon at CMP trades at 59x EV/EBITDA, 2.1x EV/sales and 117x PE. The IPO is at discount to pre IPO placement at Rs290 executed in May'22. Syrma is one of the fastest growing Indian ESDM companies with a track record of technical innovation and marquee customers. It provides integrated services and solutions to OEMs, from the initial product concept stage to volume production through concept co-creation and product realization. India's EMS addressable market is likely to clock 30% CAGR during FY21-FY26 to reach \$135bn by FY26. The market is expanding on the back of China+1 strategy, import substitution, make in India and government incentives i.e. PLI. Syrma is one of the leading designs and EMS companies in India likely to benefit in the coming years. We believe Syrma is well placed to capitalize on domestic and global opportunities. **Owing to superior technology based manufacturing domain, healthy product mix, diversified product portfolio, strong R&D capabilities, and capacity addition, we recommend SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	209-220
Face Value (Rs)	10
Issue Open/Closing Date	12-Aug-22/18-Aug-22
Fresh Issues (mn)	34.8
OFS (mn)	3.4
Total Issue (mn)	38.2
Minimum Bid Qty. (Nos)	68
Issue Size (Rs bn)	8.40
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)	38.8

*At a higher band

Object of the Issue

- ▶ Funding for R&D facility and expansion of manufacturing facilities
- ▶ Funding the working capital requirements
- ▶ OFS

Key Risk

- ▶ Lack of long-term contract with clients
- ▶ Declining margin
- ▶ Rising debt and Interest cost

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	61.5	47.4
Others	38.5	52.6

Key Financials

(Rs mn)	FY20	FY21	FY22
Revenue	3,971	4,383	10,197
EBITDA	677	468	945
EBITDA Margin (%)	17.0	10.7	9.3
PAT	439	320	567
PAT Margin (%)	11.1	7.3	5.6
EPS (Rs)	2.5	1.8	3.2
P/E (x)	88	121	68
EV/EBITDA (x)	58.0	83.5	42.7
EV/Sales (x)	9.9	8.9	4.0
Net Worth	1,017	2,416	5,721
RoE (%)	43.1	13.3	9.9
Gross Debt	838	561	1,942
Net Block	841	800	2,578
Net Asset Turnover (x)	4.7	5.5	4.0

Source: RHP

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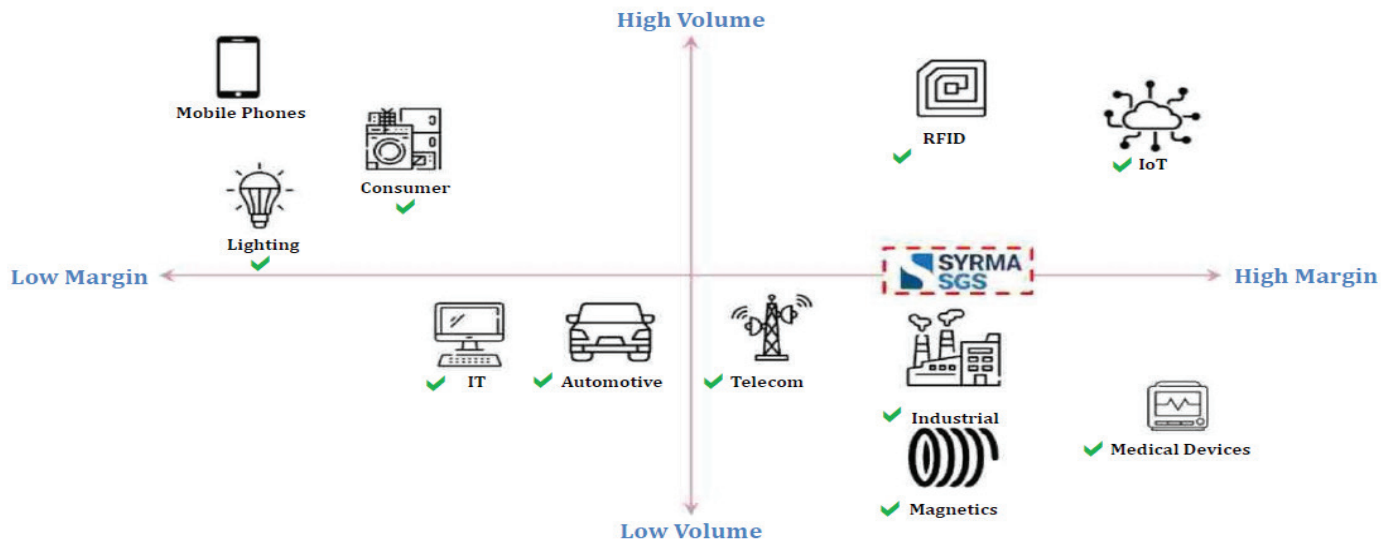
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Exhibit 1: Opportunities for Syrma



✓ Syrma Presence

Source: RHP

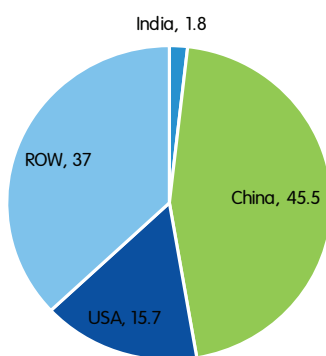
Exhibit 2: Diversified Industry Presence

	35%	
	20%	
	20%	
	13%	Leading global healthcare company
	12%	Leading laptop manufacturing and locomotive company

Source: RHP

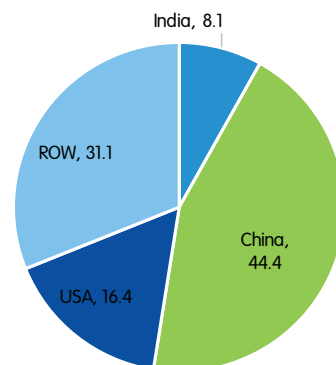
Exhibit 3: India's share in global EMS market to increase significantly

2020: \$804bn



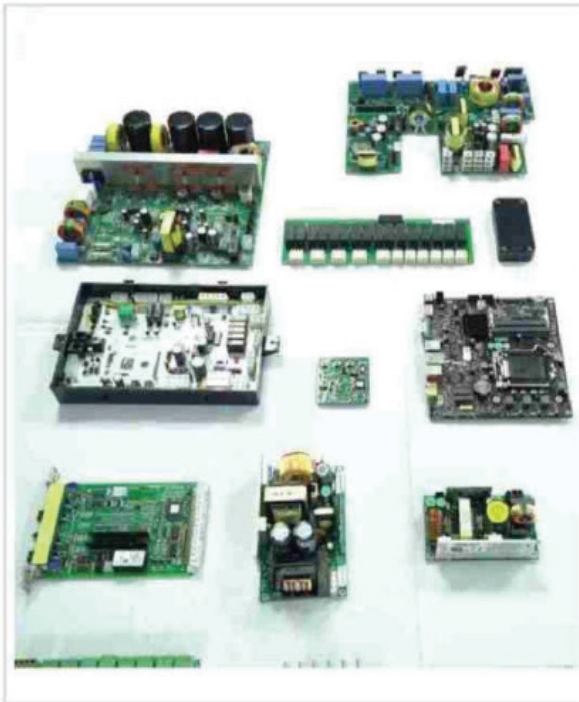
Source: F&S Industry Report, RHP

2025: \$1,002bn



Source: F&S Industry Report, RHP

Exhibit 4: Product Portfolio: PCBA



IT	Motherboard, Memory Modules, Hard Disks, SSD, Flash Drives
Automotive	Head & Tail Lamps, Cluster, Fuel Dispensing Controller, EV - BCU, ECU, BMS
Consumer	AC, BLDC Fan, Controller Boards, Water Purifier, Mixer Grinder, Washing Systems
Telecom	Controller Boards, Power Supply Boards, Relay Boards, Modem Boards
Railways	CPU Board, DO Generic, WBI Boards, Electronic Interlocking Systems
Power	Motherboard, LED Display Modules
Medical	X Ray Controllers, WBI Boards, Glaucoma Detection, Smart Cane, CPAP Devices
Defence	Processor Module (IAF), Radar Target Tracker (IN)

Source: RHP

Exhibit 5: Product Portfolio (Box Products)

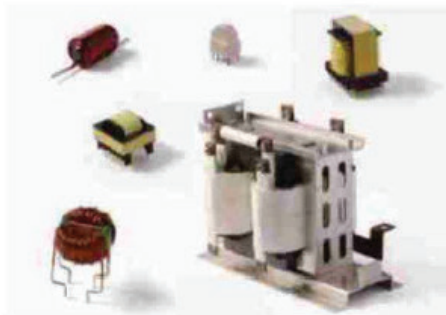
			
Set top box	Systems Integrations	Complex Integrations	Eye Tracker
			
Home Automation Controller	Smart Water M	Glaucoma Detection	CPAP Device
			
POS Printer	Railway Interlocking System	Set top box	Solar Controller

Source: RHP

Exhibit 6: RFID, Magnetics & Electro mechanical products



RFID tags & Readers



Magnetics



Electro mechanicals

Source: RHP

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