

# SYRMA SGS TECHNOLOGY LIMITED

## 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\*

*(₹ In Cr)*

	As at Mar' 31,		
	2022	2021	2020
Share Capital	137.62	0.75	0.70
Reserves	406.27	237.42	101.00
Net worth as stated	543.89	238.17	101.71
Revenue from Operations	646.26	438.30	397.08
Revenue Growth (%)	47.45%	10.38%	-
EBITDA	64.77	52.93	69.90
EBITDA Margin (%)	10.02%	12.08%	17.60%
Profit before Tax	47.90	36.34	52.23
Profit for the period	30.61	28.62	43.88
Net Profit Margin (%)	4.74%	6.53%	11.05%
EPS - Diluted (₹)	2.67	3.32	6.19
RONW (%) as stated	7.84%	16.92%	55.81%
ROE (%) as stated	7.83%	16.84%	55.23%
ROCE (%) as stated	18.39%	19.48%	31.80%
Net Asset Value (₹)	39.52	27.61	14.34

Source: RHP, \*Restated Standalone; Ratios on increase share capital.

## Issue Details

**Fresh Issue of Equity shares aggregating upto ₹766 Cr and Offer for sale of 3,369,360 Equity shares**

**Issue size: ₹ 836 – 840 Cr**  
**No. of shares: 40,020,078 – 38,187,541**  
**Face value: ₹ 10/-**

**Price band: ₹ 209 – 220**  
**Bid Lot: 68 Shares and in multiple thereof**

**Post Issue Implied Market Cap = ₹ 3,721 – 3,877 Cr**

**BRLMs:** DAM Capital, ICICI Securities, IIFL Securities

**Registrar:** Link Intime India Pvt. Ltd.

**Issue opens on:** Friday, 12<sup>th</sup> Aug'2022

**Issue closes on:** Thursday, 18<sup>th</sup> Aug'2022

## Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	23-08-2022
Refunds/Unblocking ASBA Fund	24-08-2022
Credit of equity shares to DP A/c	25-08-2022
Trading commences	26-08-2022

## Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	20,010,038	19,093,769	418.21	420.06	50%
NIB	6,003,012	5,728,132	125.46	126.02	15%
RET	14,007,028	13,365,640	292.75	294.04	35%
<b>Total</b>	<b>40,020,078</b>	<b>38,187,541</b>	<b>836.42</b>	<b>840.13</b>	<b>100%</b>

## Listing: BSE & NSE

## Shareholding (No. of Shares)

	Pre issue	Post issue <sup>~</sup>	Post issue <sup>^</sup>
	141,410,956	178,061,674	176,229,137

<sup>~</sup>@Lower price Band    <sup>^</sup>@ Upper Price Band

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	57.12%	43.92%
Promoter Group	4.36%	3.49%
Public	38.53%	52.58%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The Company was incorporated as 'Syrma Technology Private Limited' on August 23, 2004. Sandeep Tandon, Jasbir Singh Gujral, Veena Kumari Tandon and Tancom Electronics Pvt Ltd are the promoters of the company. Currently, Promoters collectively hold 80,772,785 Equity Shares, representing 57.12% of the pre-offer issued, subscribed and paid-up Equity Share capital of the company.

### Brief Biographies of Directors

**Sandeep Tandon** is one of the Promoter and the Executive Chairman of the company. He has approximately 18 years of experience in the electronics manufacturing sector. He has previously been associated with Celetronix Inc., USA.

**Jasbir Singh Gujral** is one of the Promoter and the Managing Director of the company. He is a director of SGS Teknics Manufacturing Pvt Ltd.

**Jaideep Tandon** is the Non-Executive Director on the Board of the company. He is a director of Infinx Services Pvt Ltd.

**Jayesh Doshi** is the Non-Executive Director on the Board of the company. He has previously been associated with Dalmia Bharat Limited as a whole time director and chief financial officer.

**Sridhar Narayan** is the Non-Executive Director on the Board of the company. He is a director of Seraphim Advisors India Pvt Ltd, Seedworks International Pvt Ltd and Premier Energies Ltd.

**Kunal Shah** is the Independent Director on the Board of the company. He is the co-founder of Dreamplug Technologies Pvt Ltd, Newtap Technologies Pvt Ltd, Dreamplug AA Tech Solutions Pvt Ltd and Dreamplug Paytech Solutions Pvt Ltd.

**Anil Nair** is the Independent Director on the Board of the company. He has approximately 25 years of experience in the information technology and consulting sectors.

**Hetal Gandhi** is the Independent Director on the Board of the company. He has approximately 35 years of experience in the financial services and management consultancy sectors.

**Smita Jatia** is the Independent Director on the Board of the company. She is a director of Westlife Development Ltd, and the president of Hardcastle Restaurants Pvt Ltd.

**Bharat Anand** is the Independent Director on the Board of the company. He has over 20 years of experience.

### Key Managerial Personnel

**Sreeram Srinivasan** is the Chief Executive Officer of the company. He has been associated with the company since June 29, 2015. He has over 20 years of experience in business operations.

**Bijay Kumar Agrawal** is the Chief Financial Officer of the company. He has approximately 16 years of experience in finance and business strategy. He was appointed as the chief financial officer of the company on October 4, 2021.

**Rahul N Sinnarkar** is the Company Secretary and Compliance Officer of the company. He has been associated with the company since April 5, 2021. He has over 6 years of experience in compliance and governance functions.

## OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue are proposed to be utilised as:

Objects	Amount ( ₹ Cr)
• Funding capital expenditure requirements for development of a R&D facility and expansion/ setting up of manufacturing facilities	403.00*
• Funding the working capital requirements	131.58
• General Corporate Purposes	[ • ]
<b>Total</b>	<b>[ • ]</b>

\* Of the total amount of ₹ 780.1 crore to be financed for this object, ₹ 77.01 Crore is proposed to be funded and will be deployed from, the proceeds of the Pre-IPO Placement.

**Proposed schedule of Implementation and Utilization of Net Proceeds:**

(₹ In Cr)

Particulars	from the Net Proceeds	Estimated deployment of the Net Proceeds	
		Fiscal 2023	Fiscal 2024
• Funding capital expenditure requirements for development of a R&D facility and expansion/setting up of manufacturing facilities	403.00	184.54 <sup>^</sup>	218.46
• Funding the working capital requirements	131.58	53.84	77.74
• General Corporate Purposes	[•]	[•]	[•]

<sup>^</sup> Of the total amount of ₹ 261.55 crore to be financed for this object, ₹ 77.01 Crore is proposed to be funded and will be deployed from, the proceeds of the Pre-IPO Placement.

**OFFER DETAILS**

The Offer	No. of Shares	
Fresh Issue (₹ 766 Cr)	Approx. upto 36,650,718 <sup>~</sup> - 34,818,181 <sup>^</sup> Equity Shares	
Offer for Sale	Upto 3,369,360 Equity Shares	Weighted Average Cost of Acquisition (₹)
<b>The Promoter Selling Shareholder:</b>		
Veema Kumari Tandon	Upto 3,369,360 Equity Shares	59.97

(<sup>~</sup> at lower price band and <sup>^</sup> upper price band)

**SHAREHOLDING PATTERN**

Shareholders	Pre-offer		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>Promoter and Promoters Group</b>					
Promoter	80,772,760	57.12%	3,369,360	77,403,400	43.92%
Promoters Group	6,158,760	4.36%	-	6,158,760	3.49%
<b>Total for Promoter and Promoter Group</b>	<b>86,931,520</b>	<b>61.47%</b>	<b>3,369,360</b>	<b>83,562,160</b>	<b>47.42%</b>
Public – Pre IPO Placement	3,793,103	2.68%	-	3,793,103	2.15%
Public - Others	50,686,308	35.84%	-	88,873,849	50.43%
<b>Total for Public Shareholder</b>	<b>54,479,411</b>	<b>38.53%</b>	<b>-</b>	<b>92,666,952</b>	<b>52.58%</b>
<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>

**PRE IPO PLACEMENT**

The company has undertaken a Pre-IPO Placement of **3,793,103 Equity Shares** at a price of ₹ **290/-** per share, aggregating to ₹ **110 Crore** on 5<sup>th</sup> May 2022, as under:

Name of the Entity	No. of Equity Shares	Amount (₹ Cr)
Malabar Select Fund,	1,724,137	50.00
Malabar Midcap Fund	344,828	10.00
IIFL Special Opportunities Fund - Series 9	1,310,345	38.00
IIFL Special Opportunities Fund - Series 10	413,793	12.00
<b>Total</b>	<b>3,793,103</b>	<b>110.00</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, Syрма 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.

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.

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 concept co-creation initiative enables them to design products for their customers from the ideation/concept phase that they initiate and give them the preliminary prototypes for their testing and trials. This may also involve collaboration with the engineering team of their customers. Once the design and quality are approved, they help them to seamlessly transition to volume manufacturing at their high-speed fully integrated manufacturing facilities. 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. For instance:

- In response to the requirements of the IT industry, they 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, they manufactured **set top boxes** from 2008.
- In respect of the telecom industry, pursuant to the advent of 3G technology in India, Syrma forayed into manufacturing of **GSM antennae** from 2008 to 2012. Subsequently, pursuant to advancements to 4G technology, they proceeded to manufacture **4G and LTE antennae** in 2016. They are currently undertaking manufacture of **modules for 5G technology infrastructure**.
- They began to cater to the automotive end-use industry with the manufacture of **hall sensor PCBAs** in 2007. Since then, they have 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.
- Considering the advancement of electric vehicles, they have also commenced manufacturing of **controllers of the EV battery management systems** in 2020.,
- Recognizing the requirements of the consumer products industries, they commenced manufacturing of **automatic dimmers for homes** in 2010, and since then, have proceeded to manufacturing of **induction cooktop components** in 2016, **boiler management PCBA units** in 2013,
- Energy-efficient **electronic inverters and home appliance control PCBAs** in 2014 and **Controller units for air conditioners** in 2015.
- In connection with the healthcare industry, they designed and manufactured **direct digital dental X-ray FGPA controllers** in 2007. Since then, they have progressed to manufacturing of **PCBAs for X-ray machines** in 2014, **PCBAs for smart canes for visually challenged people** in 2015,
- Augmented **reality equipment for ophthalmological applications** in 2018 and **PCBAs for baby case CPAP ventilators** in 2020.

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. Their manufacturing facilities in Tamil Nadu are located in a special economic zone and the manufacturing facility in

Haryana has been set up under the Electronic Hardware Technology Park scheme, which allow them to avail certain tax and other benefits in respect of the products manufactured out of these facilities. In addition, their manufacturing facilities are strategically located in Tamil Nadu, Karnataka and Haryana, which allow them to cater to their export requirements (in light of the proximity of these facilities to the respective city airports and Chennai port). In addition to their existing manufacturing, and engineering and design services offerings, they have also started their 'Zone of Autonomous Creation' in 2018 in Chennai, Tamil Nadu pursuant to which they provide quick prototyping services where a design concept is provided to them by their customers, and they help create an early form of the final product. It has a dedicated line for PCB assembly with an autonomous team that has procurement, process, quality, and new product introduction (NPI) engineer's independent of their manufacturing facilities

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. They are also supported by a team specifically earmarked for R&D comprising of 106 full time employees, as on March 31, 2022. While they provide their design and engineering services and original design manufacturing services across all the end-use industries they serve, these services have been primarily focusses on the healthcare, industrial and automotive industries end-use industries in the last 3 Fiscals.

During the Fiscals 2020, 2021 and 2022, ₹ 280.43 crore, ₹ 193.13 crore, ₹ 252.12 crore, which accounted for 69.99%, 43.90%, and 39.01%, respectively of their revenue from operations, was attributable to their original design manufacturing services.

In addition, during the Fiscals 2020, 2021, and 2022, ₹ 2.68 crore, ₹ 2.74 crore and ₹ 3.75 crore, which accounted for 0.68%, 0.62%, and 0.58%, respectively of their revenue from operations, was attributable to their design and engineering services.

They also consider their quality control procedures to be a cornerstone of their business operations. This is undertaken by an independent quality control department in the company which is responsible for ensuring quality in respect of all aspects of their operations, including vendor quality, incoming supply quality control, process quality and outgoing (finished product) quality. Each of these aspects is supervised by professional personnel who are well experienced in these aspects. Their manufacturing facilities have accreditations including the ISO 9001:2015, IATF 16949:2016, ISO 13485: 2016, AS 9100D, ISO 14001:2015, ANSI/ESD S20.20-2014 and ISO 45001:2018 certifications for quality management, environment and health & safety system.

Syrma has a wide product portfolio with applications across diverse end-use industries their products are primarily focused toward ODMs and OEMs serving end-use industries including the automotive, healthcare, IT, industrial appliances, energy management, water purification, power supply and consumer products industries.

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.

## MARQUEE CUSTOMERS

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

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.

They are backed by a robust supplier network. In the Fiscal 2022, they purchased raw materials and components from 1,669 suppliers.

Company's suppliers are spread across 21 countries (apart from India), including USA, Singapore and China. During the Fiscals 2020, 2021, and 2022, ₹ 153.69 crore, ₹ 191.15 crore, ₹ 369.95 crore, which accounted for 69.92%, 71.06%, and 74.18%, respectively of their cost of raw materials and components purchased, was attributable to imports.

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, Syрма 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.

## KEY PERFORMANCE INDICATORS

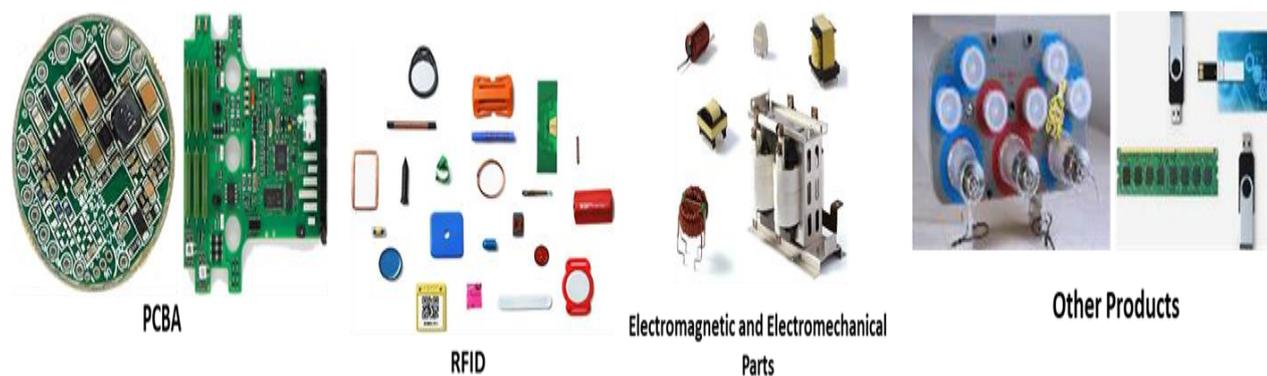
KPIs	Financial Year Ended March 31,		
	2022	2021	2020
Net Debt	121.39	15.43	47.82
Debt / Equity Ratio	0.24	0.24	0.82
Fixed Asset turnover	4.43	5.92	5.17
Operating Cash Flow to EBTIDA	21.20%	45.06%	101.33%

## COMPANY BUSINESS AND PRODUCTS

 <h3>EMS Products Manufactured</h3> <ul style="list-style-type: none"> <li>• PCBA (Printed Circuit Boards)</li> <li>• ZAC (Zone of Autonomous Creation)</li> <li>• RFID (Radio-Frequency Identification)</li> <li>• Magnetics (Mechanical Parts)</li> <li>• Others (motherboards, DRAM modules, SSD and USB drives, copper wire coiling, induction devices, chokes, transformers)</li> </ul>	 <h3>Key Business Segments</h3> <ul style="list-style-type: none"> <li>• Industrial</li> <li>• Consumer Electronics</li> <li>• Automotive</li> <li>• Computer</li> <li>• Medical</li> <li>• Railways</li> </ul>
 <h3>Key Services Offered</h3> <ul style="list-style-type: none"> <li>• Product Design</li> <li>• Prototyping</li> <li>• Product Assembly</li> <li>• Quality &amp; Testing</li> <li>• Supply &amp; Logistics</li> <li>• After market</li> </ul>	 <h3>Manufacturing Facilities</h3> <ul style="list-style-type: none"> <li>• The company currently operates through 11 manufacturing facilities spread across four states in Chennai, Bargur, Bengaluru, Baddi, Bawal, Gurugram, Ghaziabad and Manesar</li> </ul>

Syrma offers high value-added and integrated design and manufacturing solutions for internationally recognized OEMs. Unlike the traditional OEM or ODM business model, which only focuses on certain stages of the production process, their business model starts from the product concept design and navigates the entire value chain (prototyping, sample batch and series production) and lifecycle management and support. They are closely involved in value engineering, tool designing, mould development, test set up conceptualisation and development. Through this, they get integrated in the supply chain of the customer. By having an edge on developing and integrating innovative technologies, equipment and materials across multiple industries, their business model constantly endeavours for in breakthroughs in product technology, structure and functional design so as to provide innovative products that meet their customers' needs and lead the development of the industry.

Their business model gives them a competitive advantage at the front-end of the industry value chain which makes them a value-creator and enables them to become a driving force for developing new products and break-through technologies.



### **PCBA**

A circuit board prior to assembly of electronic components is known as printed circuit board (“PCB”), and following the soldering of electric components onto it, the board is called a printed circuit board assembly (“PCBA”). The PCB assembly process is a step-by-step guided process consisting of several automated and manual steps. Depending on the specific type of PCB assembly, such as ‘through-hole’ and ‘surface mount’, the steps involved may vary slightly. Syрма has capability of manufacturing various types of PCB, ranging from flexible PCBs to 28-layer PCB. This process commonly applicable to most PCB assembly processes.

*Industry applications:* Company’s PCBAs are used in products manufactured in the automotive, medical, industrial, IT and consumer products industries. These include cars, tractors, X-ray machines, computers and laptops, telecommunication, networking, power supply, electric mobility, among others. Box products also include ‘Smart Water M’, glaucoma detection, eye tracker, POS printer, railway interlocking systems, and solar controllers.

### **RFID**

Radio Frequency Identification (RFID) is a form of wireless communication that incorporates the use of electromagnetic or electrostatic coupling in the radio frequency portion of the electromagnetic spectrum to uniquely identify an object, animal or person. RFID tags comprise of one of two types of transponders. The first type has a ferrite core, and the second type has an air coil.

*Industry applications:* Company’s RFID products are used in products manufactured in the shipping, healthcare, manufacturing, retail and fintech industries. It has various applications, including pet and livestock tracking, inventory management, asset tracking and equipment tracking, inventory control, cargo and supply chain logistics, vehicle tracking, customer service and loss control, and access control in security protocol requirements.

### **Electromagnetic and electromechanical parts**

Syrma manufactures standard electromagnetic components like chokes, inductors, magnetic filters, transformer as well as high volume manufacturing assemblies. They also manufacture through-hole and SMT transformers.

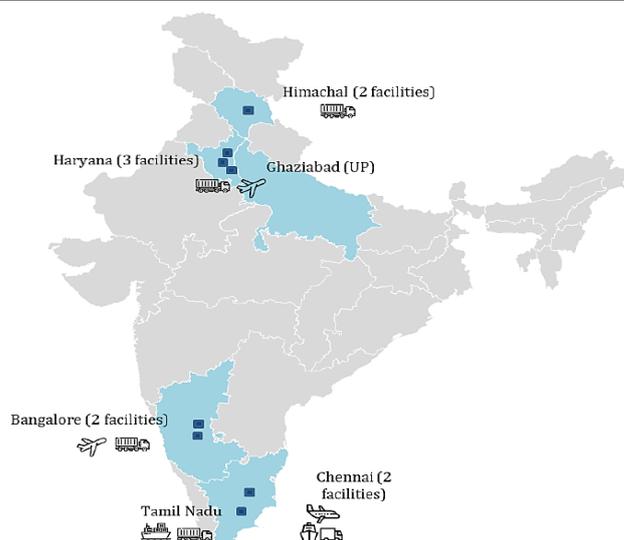
*Industry applications:* Company’s electromagnetic and electromechanical parts are used in products manufactured in the automotive, industrial appliances, consumer appliances and healthcare industries, among others and are used in power supply products, DC converters, chargers etc. In addition, this forms part of the components required for their PCBA products.

### **Other Products**

Syrma manufactures information technology related products, including motherboards, DRAM modules, SSD and USB drives. The manufacturing processes for these products are similar to the processes undertaken for the PCBA. In addition, these products undergo extensive testing, which include stress tests, burn-in test and reliability/compatibility tests. They also have software that has developed in-house for failure diagnostics in respect of these products.

*Industry applications:* Company’s products are used in manufacture of computers, laptops, video games and data storage devices.

## MANUFACTURING FACILITIES



### Product-wise installed capacity and capacity utilisation:

Products	Aggregate annual installed capacity as on March 31, 2022	Capacity utilised (as a % of total installed capacity)		
		Fiscal 2022	Fiscal 2021	Fiscal 2020
PCBA	10,120 million components p.a. (CPA), and 3.60 million assemblies	87%	85%	65%
RFID	300 million tags	86%	85%	65%
Magnetics	6 million coils	83%	80%	65%
IT products	7.20 million modules	85%	80%	65%
Zone of autonomous creation	180 million components p.a.	82%	75%	50%
RFID label tags	1,500,000 tags per month	75%	55%	35%

Manufacturing Facility	Aggregate annual installed capacity as on March 31, 2022	Capacity utilised (as a % of total installed capacity)		
		Fiscal 2022	Fiscal 2021	Fiscal 2020
Chennai – Unit 1	10,120 million components p.a. and 3.60 million Assemblies	87%	75%	65%
Chennai – Unit 2	300 M tags	77%	70%	65%
Bargur	6 million coils	85%	75%	65%
Bawal	7.2 million modules	80%	70%	50%
Manesar	180 million components p.a.	80%	75%	65%
Gurgaon	1,500,000 Tags per month	83%	75%	65%
Bengaluru – Unit 1	10,120 million components p.a. and	86%	70%	60%
Bengaluru – Unit 2	3.60 million Assemblies, 300 million tags			
Baddi – Unit 1	6 million Coils,	86%	75%	50%
Baddi – Unit 2	7.20 million modules			
Ghaziabad	180 million components p.a.	75%	55%	35%

### Additional services

**Prototyping services:** Syrma has started their 'zone of autonomous creation' in 2018 pursuant to which they provide quick prototyping services where a design concept is provided to them by their customers, and they help create an early form of the final product. It has a dedicated line for PCB assembly with an autonomous team that has procurement, process, quality, and NPI (new product introduction) engineers independent of their manufacturing facilities. It also has dedicated resources and stores for components management.

**Tester development:** On the tester development, Syrma engages with their customer right at the initial stages itself. They develop both functional and parametric testers based on their customer requirement. In certain cases, they assisted their customers to arrive at a test specification and a test philosophy. The testers they develop are customised to their customers test specifications. They develop fully automated testers which require very little or no manual intervention.

**Repair and rework services:** As part of their repair & rework services, they trouble shoot, repair and provide solutions for permanent fixes on products (most of which are not manufactured by them). These services include (i) repair analysis and repair of PCBA, embedded firmware, and components and re-testing to ensure sure return to original out-of-the-box functionality; (ii) rework of PCB manufacture and rework, including BGA; (iii) refurbishment of internal machinery or cosmetic replacements, such as adding or replacing circuits, and swapping mechanical components and outer casings; and (iv) comprehensive board modification services, including circuit modification of outer and inner layers, drill, etch, fill, and re-drill of tooling holes.

## REVENUE FROM OPERATIONS

Particulars	Year Ended March 31,		
	2022	2020	2019#
	Revenue (₹ in Cr)	Revenue (₹ in Cr)	Revenue (₹ in Cr)
<b>Sale of Products (net)</b>	<b>637.74</b>	<b>427.53</b>	<b>366.49</b>
- Manufactured goods	635.19	423.37	359.54
- Traded goods	2.55	4.16	6.95
<b>Sale of Services</b>	<b>2.30</b>	<b>1.82</b>	<b>1.94</b>
<b>Other Operating Revenues:</b>	<b>6.22</b>	<b>8.96</b>	<b>28.66</b>
- Export Incentive	0.36	4.12	5.93
- Tooling Charges	3.75	3.26	21.62
- Sale of Scrap	2.11	1.24	0.64
- Income from Outsourcing Services	-	0.33	0.47
<b>Total</b>	<b>646.26</b>	<b>438.30</b>	<b>397.08</b>

### Revenue by Geography

Particulars	For the year ended March 31,		
	2022	2021	2020
	Revenue (₹ in Cr)	Revenue (₹ in Cr)	Revenue (₹ in Cr)
- India	292.32	131.33	64.98
- Rest of the world	353.94	306.97	332.09
<b>Sale of Services</b>	<b>646.26</b>	<b>438.30</b>	<b>397.08</b>

## RESEARCH AND DEVELOPMENT (“R&D”)

Syrma has 3 dedicated R&D facilities, 2 of which are located in India at Chennai, Tamil Nadu and Gurgaon, Haryana respectively, and one is located in Stuttgart, Germany. Their R&D efforts are focused on (i) development of new products and improvement of the quality of their existing products; and (ii) driving the design and engineering capabilities and original design manufacturing capabilities of the company. They are also supported by a team specifically earmarked for R&D comprising of 106 full time employees, as on March 31, 2022.

During the Fiscals 2020, 2021, and 2022, ₹ 280.43 crore, ₹ 193.13 crore, ₹ 252.12 crore, which accounted for 69.99%, 43.90%, and 39.01%, respectively of their revenue from operations, was attributable to their original design manufacturing services.

They are in the process of developing various IoT based products that cater to the energy management, lighting, medical and consumer appliances industries. They will continue to expand their R&D capabilities to capitalize on the latest trends. During the Fiscals 2020, 2021, and 2022, they have incurred research and development expenditure aggregating to ₹ 3.26 crore, ₹ 3.75 crore, and ₹ 2.91 crore, respectively. They intend to further develop their research and development capabilities in order to enhance their product portfolio.

## COMPANY’S ACQUISITIONS

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 Techniks** 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***

Among the large bouquet of EMS players in India, Syrma is one of the fastest growing Indian-headquartered ESDM companies. Further, they are leaders in high mix low volume product management and are present in most industrial verticals. They are 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. Syrma is also amongst the top key global manufacturers of custom RFID tags.

Company’s leading position in the market is driven by their focus on quality and customer relationships nurtured through prompt responsiveness and ensuring reliability. Specifically, for the purposes of the monitoring and maintenance of quality of their products, they have a team of 185 employees who are dedicated to quality assurance and quality control, as on March 31, 2022.

This has helped ensure that there has been no recall of their products by their customers and there have been no instances in the last 5 years where their customers have initiated any legal proceedings and / or claimed any damages in respect of their products. Company’s revenue from operations attributable to industrial appliances industry, consumer products industry, IT industry and other industries grew at a CAGR of 15.83%, 15.11%, 37.40%, 821.03% and 426.59%, respectively from Fiscal 2020 to Fiscal 2022.

- **Consistent track record of financial performance**

Syrma has demonstrated consistent growth in terms of revenue and profitability. Their financial position illustrates not only the growth of their operations over the years, but also the effectiveness of the administrative and cost management protocols that they have implemented.

- ***Diversified and continuously evolving and expanding product portfolio and service offerings catering to customers across various industries, backed by strong R&D capabilities***

Syrma has, over the years, diversified and expanded their product portfolio. The diversification and expansion of their product portfolio is primarily driven by the continuously evolving needs of their customers and technological advancements in the industry. The evolution of their product portfolio and service offerings have been driven by their R&D capabilities.

Company’s strong focus on R&D has helped them increase their wallet share by helping them widen their product offerings to the same customer, and cross selling these products to other customers. Their R&D team also aims to provide solutions to improve of their existing manufacturing processes.

- ***Established relationships with marquee customers across various countries***

Syrma has established and will continue to focus on strengthening long-standing relationships with well-known customers across the end-use industries that they cater to. The varied applications of their products have helped them build a wide customer base across many end-use industries. It has also helped build on existing relationships by enabling them to provide multiple product-oriented solutions for the varying requirements of their existing customers. Several global brands are their customers both in India and overseas. Their wide customer base across various sectors reduces their dependence on any one end-use industry.

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. Further, they acquired 48, 42 and 158 new customers in Fiscal 2020, 2021 and 2022 respectively. In addition, 93 of their customers have been their customer for over 3 years, as on March 31, 2022.

- ***State-of-the-art manufacturing capabilities supported by a global supplier network, with a focus on vertical integration***

The common manufacturing capabilities across company's facilities give them the flexibility to seamlessly migrate production between different facilities in case of emergencies. They are transferring their ERP platforms to the Hana S4 platform which will result in common centralised databases for components, vendors, quality and supply chain.

Syrma is eligible for incentives under the 'Production Linked Incentive Scheme (PLI) for Telecom and Networking Products' notified by the Ministry of Communications, DoT on June 3, 2021. These product linked incentives make them eligible to manufacture products in categories like access & customer premise equipment (CPE), IOT access devices and other wireless and enterprise equipment. In addition, they have been provisionally selected as beneficiaries for the incentives being granted under the 'PLI for White Goods (Air Conditioners & LED Lights)' notified by the Ministry of Commerce & Industry on June 4, 2021, notified by the Ministry of Electronics and Information Technology on April 1, 2020.

They also have invested into a fully automated line for the manufacture of their RFID products, which require minimal manual intervention and has the capacity to produce 100,000 tags a day or 2.5 million tags a month.

Currently, their manufacturing facilities have accreditations including the ISO 9001:2015, IATF 16949 (First Edition 2016-10-01) and EN ISO 13485:2016 certifications for quality management. They are also focusses on vertical integration in their manufacturing process and manufactures various electromagnetic components parts such as transformers and chokes, which are required for the manufacture of their PCBA products.

- ***Experienced promoters supported with senior management team with proven track record of performance***

The company is led by a management team with extensive experience in the EMS sector with a proven track record of performance. Their management team has developed strong working relationships with their employees, which adds to their stability and long-term growth. As of March 31, 2022, they had 849 full-time employees which includes graduates, engineers and diploma holders. Of this, they have a total of 53 sales and marketing personnel as of March 31, 2022, which allows them to effectively engage with suppliers.

## **KEY BUSINESS STRATEGIES**

- ***Solidify and strengthen the core competitiveness of technology innovation***

Syrma intend to further develop their technological infrastructure and technical know-how, to improve on their existing design and engineering service and original design manufacturing capabilities. In addition, they will focus on optimizing and automating their manufacturing processes to improve returns in a rapidly changing technological environment. They intend to focus on adopting strategies to establish a standardised platform across their business units for their processes, hardware and software infrastructure and workforce.

In addition, they intend to undertake the Increase investments in new infrastructure and build a new dedicated design services facility that includes design services, quick prototype services and infrastructure for developing enclosures and other mechanical elements.

- ***Pursue inorganic growth through strategic acquisitions***

Syrma plans to continue to increase offerings in their current business segments as well as diversify into new products by tapping into segments which in the view of their management have attractive growth prospects. The company may pursue similar opportunities to undertake acquisitions (i) that allow them to enhance their scale and market position; (ii) that allow them to strengthen their 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 them with a platform to extend their reach to new geographic markets within India; and (iv) that add new products to their portfolio or that allow them to enter strategic businesses to capture additional revenue opportunities from their existing customer base.

- ***Expand the customer base and geographic reach***

Syrma has increased their customer base in the past through new products and segments, strategic acquisitions and through expanded services offerings which includes prototyping services, tester development, and repair and rework services. The number of OEMs and ODMs they catered to have grown to 275 during Fiscal 2021, on a proforma basis. They are a focused supplier to OEMs and ODMs and there are several avenues of growth within this segment. They are working towards tying up with the Top-3 market leaders in each end-use industry that they intend to cater and have their largest wallet share.

- **Increase the wallet share from existing customers**

Syrma has built long-standing relationships with some of their customers, which they intend to leverage by capitalizing on the cross-selling and upselling opportunities that their diversified product portfolio offers. They see significant potential to increase the wallet share of their existing customers on an ongoing basis. The aggregated wallet share of the Top-10 and Top-20 customers has increased by CAGR of 26.20% and 25.79% respectively, from Fiscal 2020 to Fiscal 2022.

Further, they plan on utilizing their expanded geographical footprint to address the sourcing requirements of their existing multinational customers as and when they enter new markets, thereby consolidating their position as a preferred supplier across geographies. There is a new urgency now to examine practical alternatives to manufacturing in China given the tariff conflicts and the COVID 19 pandemic.

- **Cater to more end-use industries**

Syrma has historically tried to focus on what they consider high margin and flexible volume businesses, and they will continue to do so going forward. Syрма intends to evolve their product and service offerings and accordingly grow their business, by leveraging on the growth and technological requirements of any industry that can effectively utilize their manufacturing and in-house R&D capabilities.

## COMPETITION

Indian EMS market comprises of different tiers of companies including the global EMS companies with operations in India, large Indian EMS companies and mid/small Indian EMS companies. The competition concentration is moderate as the Top-3 companies account for 28.5 % of the market. Major players, apart from the company, are **Flextronics, Jabil, Dixon, SFO, Resolute, Elin, NTL, Cyient and Foxconn**.

### Electric Mobility Market (Chargers both Carry and static, Controllers and Battery Management Systems)

Some of the key OEMs / Auto makers in EV market include Maruti Suzuki India Limited (MSIL) and Mahindra & Mahindra (M&M), which hold approximately 67 % of India's total EV market share. Mahindra & Mahindra focuses on battery electric vehicles, while Maruti Suzuki India Limited focuses on plug-in hybrid electric vehicles and hybrid electric vehicles. OEMs such as Hyundai and Tata Motors are expected to join the bandwagon as volumes increase.

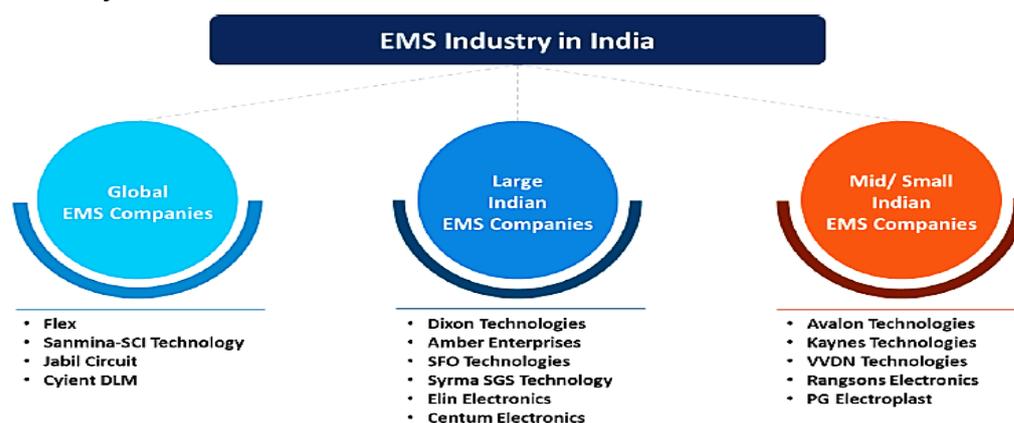
There are also Indian companies who are into this segment. **Tesla** has planned to start a manufacturing unit in India. **Sanmina, Solectron, Flextronics, Syрма SGS and Frontline** are some of the most prominent players in the EMS market in the E mobility category.

### Automotive (Lighting Control, Infotainment, Engine Control Unit)

With presence of key players such as **Bosch** and **Continental manufacturing Engine Control Unit** in India, the market is expected to show a rapid progress in the future. **Jabil, Sanmina, Kaynes** are some of the key players providing EMS services to the Automotive sector in India.

## INDUSTRY OVERVIEW

### Industry Structure of EMS market in India



**Comparison of key EMS companies' presence in Application segments, India, FY21**

Name of the EMS Company	Consumer Electronics	Home Appliances	Mobile Phones	Auto-motive	Industrial	IT	Telecom	Lighting	Medical	Others
<b>Syrma SGS Technology</b>		✓		✓	✓		✓		✓	✓
Bharat FIH Pvt Ltd			✓	✓		✓	✓			✓
Dixon Technologies India Ltd	✓	✓	✓					✓	✓	✓
Amber Enterprises India Ltd	✓									✓
SFO Technologies Pvt Ltd				✓	✓				✓	✓
Elin Electronics Ltd		✓						✓		✓
Kaynes Technology India Pvt Ltd				✓		✓	✓		✓	✓
Avalon Technologies Pvt Ltd				✓	✓		✓		✓	✓
VVDN Technologies Pvt Ltd				✓	✓	✓	✓			✓
Sanmina-SCI Technology India Pvt Ltd				✓	✓		✓		✓	✓

**Revenue Comparison of key EMS companies, India, Value in ₹ Crore, FY17-FY22**

Name of the EMS Company	FY22	FY21	FY20	FY19	FY18	FY17
<b>Syrma SGS Technology Pvt Ltd</b>	<b>1,266.65</b>	<b>887.40</b>	<b>865.65</b>	<b>794.74</b>	<b>222.60</b>	<b>149.21</b>
Bharat FIH Pvt Ltd	18,149.20	15,854.86	26,635.60	34,345.39	23,762.02	11,487.99
Dixon Technologies India Ltd	10,697.08	6,448.17	4,400.10	2,984.45	2,853.39	2,498.72
Amber Enterprises India Ltd	4,206.40	3,030.52	3,962.79	2,751.99	2,171.51	1,735.81
SFO Technologies Pvt Ltd	NA	1,659.34	1,788.97	1,669.65	1,274.67	1,236.61
Elin Electronics Ltd	NA	862.38	785.58	828.55	494.32	438.12
Avalon Technologies Pvt Ltd	NA	451.91	370.09	366.96	295.23	304.81
Kaynes Technology India Pvt Ltd	NA	420.63	368.24	364.23	379.43	287.47
VVDN Technologies Pvt Ltd	NA	665.99	309.09	263.22	151.51	76.49
Sanmina-SCI Technology India Pvt Ltd	NA	90.85	86.15	85.42	87.39	77.82

**EBITDA and PAT Comparison of key EMS companies, India, Ratio in %, FY17-FY22**

Name of the EMS Company	EBITDA				PAT			
	FY22	FY21	FY20	FY19	FY22	FY21	FY20	FY19
<b>Syrma SGS Technology Pvt Ltd</b>	<b>9.9%</b>	<b>11.3%</b>	<b>15.1%</b>	<b>11.4%</b>	<b>6.0%</b>	<b>7.4%</b>	<b>10.6%</b>	<b>6.6%</b>
Bharat FIH Pvt Ltd	2.7%	2.4%	2.6%	(0.2)%	1.1%	1.0%	1.5%	(0.6)%
Dixon Technologies India Ltd	3.5%	4.4%	5.1%	4.5%	1.8%	2.5%	2.7%	2.1%
Amber Enterprises India Ltd	6.5%	7.3%	7.8%	7.7%	2.6%	2.7%	4.1%	3.4%
SFO Technologies Pvt Ltd	NA	9.4%	8.3%	6.8%	NA	2.3%	4.2%	1.7%
Elin Electronics Ltd	NA	7.7%	7.1%	6.9%	NA	4.0%	3.5%	3.5%
Avalon Technologies Pvt Ltd	NA	9.2%	9.6%	9.4%	NA	3.4%	1.7%	1.3%
Kaynes Technology India Pvt Ltd	NA	9.7%	11.2%	9.6%	NA	2.3%	2.5%	2.7%
VVDN Technologies Pvt Ltd	NA	11.8%	(6.4)%	11.6%	NA	6.5%	(5.4)%	5.9%
Sanmina-SCI Technology India Pvt Ltd	NA	31.8%	26.3%	25.5%	NA	22.2%	20.8%	20.4%

**Profitability Ratios (RoE, RoCE, RoA, EPS, NAV), India, FY19 to FY22**

Name of the EMS Company	ROE (%)				ROCE (%)				ROA (%)			
	FY22	FY21	FY20	FY19	FY22	FY21	FY20	FY19	FY22	FY21	FY20	FY19
<b>Syrma SGS Technology Pvt Ltd</b>	<b>13.6%</b>	<b>13.1%</b>	<b>22.1%</b>	<b>16.2%</b>	<b>19.1%</b>	<b>18.4%</b>	<b>27.9%</b>	<b>19.6%</b>	<b>6.6%</b>	<b>7.2%</b>	<b>11.1%</b>	<b>7.1%</b>
Bharat FIH Pvt Ltd	6.4%	5.7%	14.6%	(14.1)%	9.1%	7.8%	18.8%	(5.6)%	2.0%	1.9%	4.5%	(2.5)%
Dixon Technologies India Ltd	19.1%	21.7%	22.3%	16.8%	21.8%	27.4%	30.5%	22.9%	4.4%	5.6%	7.1%	4.2%
Amber Enterprises India Ltd	6.3%	5.1%	14.0%	9.5%	8.6%	8.0%	15.2%	12.8%	2.3%	2.3%	5.7%	4.0%
SFO Technologies Pvt Ltd	NA	6.2%	13.4%	5.7%	NA	13.4%	13.9%	10.2%	NA	2.4%	5.1%	2.0%
Elin Electronics Ltd	NA	14.5%	13.3%	16.4%	NA	14.4%	15.2%	17.5%	NA	6.9%	7.1%	7.3%
Avalon Technologies Pvt Ltd	NA	7.1%	3.2%	2.7%	NA	8.6%	8.1%	9.5%	NA	2.8%	1.3%	1.3%
Kaynes Technology India Pvt Ltd	NA	7.0%	9.1%	10.5%	NA	10.5%	12.3%	11.7%	NA	2.3%	2.5%	2.7%
VVDN Technologies Pvt Ltd	NA	36.9%	(23.0)%	18.1%	NA	16.2%	(11.4)%	23.9%	NA	7.1%	(4.1)%	10.4%
Sanmina-SCI Technology India	NA	10.4%	10.4%	11.3%	NA	12.6%	10.7%	11.7%	NA	9.5%	9.5%	10.3%

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2022)

Name of the Bank	Consolidated / Standalone	Face Value	Closing Price*	Market Capitalisation(MC) <sup>^</sup> (₹ Cr)	Total Revenue (₹ Cr)	EPS		NAV	P/E	MC/ Total Revenue	RoNW (%)
						Basic	Diluted				
Syrma SGS Technology Ltd	Consolidated	10	NA	NA	1,284.37	5.25	5.17	42.36	[ • ]	NA	13.58
<b>Peer Group</b>											
Dixon Technologies Ltd	Consolidated	2	3,578.50	21,235.51	10,700.89	32.31	32.00	168.06	110.76	1.98	21.94
Amber Enterprises India Ltd	Consolidated	10	2,448.10	8248.56	4,239.63	32.41	32.41	526.17	75.54	1.95	6.52

Source: RHP; \*Closing price as on July 28, 2022; ^Market Capitalisation (MC) as on July 28, 2022;

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