

## Summary of the Issue

SYRMA SGS was incorporated as SYRMA Technology Private Limited on August 23, 2004, and subsequently converted into a public limited company on October 6, 2021. The name of the company was later changed to SYRMA SGS Technology Limited.

## Key Highlights of the Company:

- **Technology-focused EMS Company catering to diverse industries:** The company is a technology-focussed engineering and design company engaged in turnkey electronics manufacturing services ("EMS"). It specializes in precision manufacturing for diverse end-use industries, including industrial appliances, automotive, healthcare, consumer products, and IT industries.
- **Leading EMS player catering to the whole industry value chain:** SYRMA SGS is one of the leading technology-focused ESDM companies that provide ODM solutions to its customers. Unlike the traditional OEM or ODM business model which only focuses on selective stages of the production process, the company's business model focuses on every segment of the overall industry value chain, giving it a distinctive competitive advantage over the others.
- **State-of-the-art manufacturing capabilities:** All manufacturing facilities are certified, including ISO 14001 and ISO 9001. Moreover, manufacturing facilities in Tamil Nadu are placed in SEZs, allowing it to take advantage of specific tax and other incentives for the products manufactured at these facilities.
- **Pioneer in RFID products:** SYRMA SGS was the first in India to manufacture RFID products in India and continues to lead the industry. Moreover, the company is recognized as a leader in memory modules with deep expertise.
- **Beneficiary of the PLI Schemes:** SYRMA SGS is the beneficiary of 2 licenses granted under the PLI Scheme; a) For Telecom & Networking Products – under which the company manufactures products in categories like Access & Customer Premise Equipment (CPE), IOT access devices, and other wireless and enterprise equipment. B) PLI for White Goods (Air Conditioners & LED Lights) – eligible to make control assemblies for indoor units or outdoor units or remotes for air conditioners and LEDs.
- **Deep relationship with customers:** The Company has also established long-standing and deeply nurtured relationships with customers, providing it with an opportunity to increase its wallet share. This has taken away its customer concentration risk as no single customer contributes over 5% to the company's overall revenue.
- **Financial Performance & Valuation:** Syrma's revenues have grown to Rs 1,267 Cr in FY22 from Rs 866 Cr in FY20. The company's EBITDA margins stood at 9.9% (higher vs. comparable peers) and reported a PAT of Rs 76 Cr. On the valuation front, at the upper band of Rs 220/share, the issue is priced at ~42x its FY22EPS.

## Objects of the issue

Purpose	Rs Cr
Funding for Capex, R&D and setting up of manufacturing facilities	403
Funding working capital requirements	132
General Corporate Purposes	-

Source: RHP

## Financial Summary

(Rs Cr)	FY20	FY21	FY22
Equity Share Capital	0.70	0.75	137.6
Reserves & Surplus	101	237.4	406.2
<b>Net Worth as stated</b>	<b>101.7</b>	<b>238.2</b>	<b>543.8</b>
<b>Revenues from operations</b>	<b>397.1</b>	<b>438.3</b>	<b>646.3</b>
EBITDA	69.9	52.9	64.8
EBITDA (%)	17.6	12.1	9.9
Profit /Loss before TaX	52.2	36.3	47.9
Net PAT	43.9	28.6	30.6
Net Profit Margin	11.0	6.5	4.7
<b>Net Asset Value ( Rs)</b>	<b>14.3</b>	<b>27.6</b>	<b>39.5</b>
ROE (%) as stated	55.2	16.8	7.8
ROCE (%) as stated	31.8	19.5	18.4

Source: RHP, Restated Standalone

## Issue highlights

Issue size: Rs 836-840 Cr

Fresh Issue: Rs 766 Cr

Offer For Sale : 3,369,360 Equity shares (~ Rs 74 Cr)

Min Lot: 68 shares

Face Value: Rs 10/-

## Issue summary

Price band: Rs 209 – Rs 220

Bid Lot: 68 shares and in multiples thereafter

Issue opens: Aug 12, 2022

Issue closes: Aug 18, 2022

Tentative Listing: Aug 26, 2022

BRLM: DAM Capital, ICICI Securities, IIFL Securities.

Registrar: Link Intime Pvt. Ltd.

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	57.12%	43.92%
Promoter Group	4.36%	3.49%
Public – Others	38.53%	52.58%
<b>Total</b>	<b>100</b>	<b>100</b>

	Pre issue	Post issue <sup>#</sup>
No. of shares (in Cr)	14.14	17.60/17.62

# - Lower Price Band/ Upper Price Band

## Issue break-up

Category	Shares (in Cr)	% of issue	Rs In Cr
QIB	2 / 1.9	50	418 / 420
Non-Institutional	0.6 / 0.57	15	125 / 126
Retail	14 / 1 3.36	35	292.7 / 294.0

# - Lower Price Band/ Upper Price Band

Fresh Issue up to	34.82 Cr Equity Shares
Offer for sale of up to	3.36 Cr Equity Shares
Post Issue Implied Market Cap =	Rs 3,721 Cr- Rs 3,877 Cr

**Hiren Trivedi**  
 Research Associate

Call: 9819299815  
 email: hiren.trivedi@axissecurities.in

## Business Overview

**SYRMA SGS** was founded by the Tandon family in San Jose (California) and Chennai (India) to develop developing quality technology products. The company is one of India's leading exporters of electronics, providing a high-value integrated design and production solution to international OEMs.

The company is one of the leading ESDM companies with a focus on technology-based solutions and ODM business. The company's business model encompasses the product design stage with a focus on every segment of the overall industry value chain. This gives the company a competitive advantage at the front-end of the industry value chain which makes it a value-creator and it enables it to become a driving force for developing new products and breakthrough technologies.

### Key Products, Business Segments, Services Offered And Manufacturing Facilities

 <h4>EMS Products Manufactured</h4> <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>	 <h4>Key Business Segments</h4> <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>
 <h4>Key Services Offered</h4> <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>	 <h4>Manufacturing Facilities</h4> <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>

Source: RHP

The company's manufacturing facilities in Tamil Nadu are located in SEZs, allowing it to take advantage of tax benefits and incentives. Moreover, all manufacturing facilities are certified, including ISO 14001 and ISO 9001 certification. The company was the first in India to manufacture RFID products and continues to lead the industry. Also, the company is recognized as a leader in memory modules with deep expertise.

**Wide product portfolio**

SYRMA SGS has a wide product portfolio with applications in varied end-use industries that include Automotive, Healthcare, IT, Industrial Appliances, Energy Management, Water Purification, Power supply and Consumer products.

**SYRMA's current product portfolio**

**Printed circuit board assemblies ("PCBA"):** A circuit board before the assembly of electronic components is known as a printed circuit board ("PCB"), and following the soldering of electric components onto it, the board is called a printed circuit board assembly.

- ✓ **Industry applications:** The Company's PCBAs are used in the Automotive, Medical, Industrial, IT, and Consumer Products industries. These include head & tail lamps, fuel dispensing controllers, EV – BCU, ECU, BMS (used in the automotive industry), CPU board, DO Generic, electronic interlocking systems (used in the Railway industry), LED display modules (used in the power industry), processor module (IAF), radar target tracker (used in the Defense industry). Apart from this, it finds applications in cars, tractors, X-ray machines, computers and laptops, telecommunication, networking, power supply, and electric mobility, among others.

**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. Their main applications are in asset tracking and authentication procedures.

- ✓ **Industry applications:** The Company's RFID products are used in products manufactured in the Shipping, Healthcare, Manufacturing, Retail and Fintech industries. It also finds applications in pet and livestock tracking, inventory management, asset and equipment tracking, inventory control, cargo & supply chain logistics, vehicle tracking, customer service, and loss control, and access control in security protocol requirements

**Electromagnetic and electromechanical parts:** SYRMA SGS manufactures standard electromagnetic components like chokes, inductors, magnetic filters, transformers as well as high-volume manufacturing assemblies.

- ✓ **Industry applications:** The Company's products in this segment are used in the Automotive, Industrial Appliances, Consumer Appliances, and Healthcare industries, among others and are used in power supply products, DC converters, and chargers, among others. In addition, this forms part of the components required for its PCBA products.

**Other Products:** SYRMA manufactures products for the Information Technology space including motherboards, DRAM modules, SSD and USB drives. Additionally, these products undergo extensive testing, which includes stress tests, burn-in tests and reliability/ compatibility tests. The Company has developed in-house software for failure diagnostics in respect of these products, ensuring the supply of high-quality products.

- ✓ **Industry applications:** These products are used in manufacturing computers, laptops, video games and data storage devices.

## Manufacturing Facilities

The company's manufacturing facilities are located at 11 locations spread over 5 states namely Tamil Nadu, Karnataka, Himachal Pradesh, Haryana and Uttar Pradesh.

### Manufacturing Facilities



Source: RHP

Products	Total annual installed capacity*	Capacity Utilization (% of Installed capacity)		
		FY20	FY21	FY22
PCBA	10,120 Mn Components p.a and 3.6 Mn assemblies	65%	85%	87%
RFID	300 Mn tags	65%	85%	86%
Magnetics	6 Mn Coils	65%	80%	83%
IT products	7.2 Mn modules	65%	80%	85%
Zone of autonomous creation	180Mn Components p.a	50%	75%	82%
RFID label tags	1,500,000 Tags per month	35%	55%	75%

Source: RHP; Mn = million; \* as of 31 March 2022

In addition to the existing manufacturing, engineering and design services offerings, the company also provides the following services:

- **Prototyping services:** The company started its zone of autonomous creation in 2018 in which it provides quick prototyping services including a design concept, and creating an early form of the final product. It has a dedicated line for PCB assembly with an autonomous team having procurement, process, quality, and NPI (new product introduction) engineers independent of its manufacturing facilities. The company also has dedicated resources and stores for components management.
- **Tester development:** On the tester development, SYRMA engages with its customer right at the initial stages itself. The company has developed both functional and parametric testers based on its customer requirement. In certain cases, it assisted its customers in arriving at a test specification and a test philosophy. The testers it develops are customized to its customers' test specifications and it develops fully automated testers which require very little or no manual intervention.
- **Repair and rework services:** As part of its repair & rework services, the company troubleshoots, repair, and provide solutions for permanent fixes on products (most of which are not manufactured by it). These services include (i) Repair analysis and repair of PCBA, embedded firmware, and components and re-testing to ensure the 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.

## Research & Development

SYRMA has three dedicated R&D facilities, two of which are located in India at Chennai, Tamil Nadu, and Gurgaon, Haryana respectively, and one is located in Stuttgart, Germany. The company's R&D facilities are equipped with state-of-the-art research and development infrastructure. The company has a dedicated team for engineering and R&D comprising 106 full-time employees, including 100 experienced engineering graduates and one doctorate holder, as of March 31, 2022.

### Revenue break-up attributable to relevant end-use industries

Industry	FY20	% of total	FY21	% of total	FY22	% of total
Automotive	133	15%	130	15%	251	20%
Consumer	195	23%	208	24%	258	20%
Healthcare	207	24%	124	14%	162	13%
Industrial	329	38%	393	44%	441	35%
IT	2	0.2%	21	2%	130	10%
Railways	1	0.1%	11	1%	25	2%
<b>Total</b>	<b>866</b>		<b>887</b>		<b>1267</b>	

During FY20, FY21 and FY22 Rs 498.35 Cr, Rs 473.17 Cr and Rs 552.65 Cr, accounted for 57.57%, 53.32%, and 43.62% respectively of the company's proforma revenue from operations, were attributable to exports.

## **Key Business Strategies**

### **Solidify and strengthen the core competitiveness of technology innovation:**

To improve upon the existing design and engineering service and original design manufacturing capabilities, the company intends to further develop its technological infrastructure and technical know-how. The company plans to invest in technology to facilitate more technical innovation, improve its operational efficiencies, increase customer satisfaction and improve its sales and profitability.

### **Pursue inorganic growth through strategic acquisitions**

To diversify its product portfolio which could cater to customers across various end-use industries and geographies, the company seeks to continue to strengthen its existing product portfolio. It further plans to diversify into products with prospects for increased growth and profitability by leveraging its R&D capabilities.

In addition to organic growth, the company continues to pursue strategic acquisitions by selectively evaluating targets or partners for strategic acquisitions and investments. The company continues its growth path through inorganic opportunities in geographies that complement its existing operations. Its acquisitions include Tovya Automation (Dec'14), the merger of 3G Communication Private Limited effective (Apr'16), and most recently, the acquisition of SGS Tekniks (Sep'21) and Perfect ID in (Oct'21).

The company plans to pursue similar opportunities to undertake acquisitions that allow it (i) To enhance its scale and market position; (ii) To strengthen its product range offerings and customer base; and (iii) to Enable access to new clients and cost-effectively enter high-growth geographies and provide it with a platform to extend its reach to new geographic markets within India; and (iv) Add new products to its portfolio or enter strategic businesses to capture additional revenue opportunities from its existing customer base.

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

SYRMA SGS has increased its customer base in the past through new products and segments, strategic acquisitions and through expanded services offerings which include prototyping services, tester development, and repair and rework services.

The number of OEMs and ODMs it catered to has grown to 275 during FY21, on a Pro-forma basis. The company is a focused supplier to OEMs and ODMs and there are several avenues of growth within this segment. It is also working toward tying up with the Top-3 market leaders in each end-use industry that it intends to cater to and have its largest wallet share.

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

SYRMA SGS believes in continuous R&D, working closely with customers to develop a broader portfolio of products, which meet its requirements. It has built long-standing relationships with some of its customers, which it intends to leverage by capitalizing on the cross-selling and up-selling opportunities that its diversified product portfolio offers. The company sees significant potential to increase the wallet share of its existing customers on an ongoing basis. The aggregated wallet share of the Top-10 and Top-20 customers has increased by a CAGR of 26.20% and 25.79% respectively, from FY20 to FY22.

Furthermore, the company plans to utilize its expanded geographical footprint to address the sourcing requirements of its existing multinational customers as and when it enters new markets, thereby consolidating its 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.

## **Competitive Strengths**

### **Leading design and electronic manufacturing services company**

SYRMA SGS is a technology-focussed engineering and Design Company engaged in turnkey electronics manufacturing services (“EMS”), specializing in precision manufacturing for diverse end-use industries. As per the F&S Report, SYRMA is one of the fastest growing companies among the large bouquet of EMS players in India. SYRMA SGS is the leader in high-mix low volume product management and is present in most industrial verticals. It is one of the leading PCBA manufacturers in India, supplying various OEMs and assemblers in the market. Moreover, it is also amongst the top key global manufacturers of custom RFID tags.

The company's leading position in the market is driven by its focus on quality and customer relationships nurtured through prompt responsiveness and ensuring reliability. The company's revenue from operations attributable to the industrial appliances industry, consumer products industry, automotive 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.

### **Diversified and continuously evolving and expanding product portfolio**

Over the years, the company has expanded and diversified its product offerings 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, and power supply, and consumer products industries. The company's strong focus on R&D has helped it increase its wallet share by helping the company to widen the product offerings to the same customer, and cross-selling these products to other customers.

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

The company has focussed on establishing and strengthening long-standing relationships with well-known customers across the end-use industries. 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, CyanConnote Limited, Atomborg Technologies Private Limited, Hindustan Unilever Limited and Total Power Europe B.V.

The wide customer base across various sectors reduces the company's dependence on any one end-use industry and provides a natural hedge against market instability in a particular end-use industry. For FY22 SYRMA SGS catered to over 200 customers of which 16 customers have been associated with us for over 10 years. In addition, 93 of its customers have been with it for over three years, as of March 31, 2022. The company has also increased the product portfolio provided to its clients over periods.

### **State-of-the-art manufacturing capabilities supported by a global supplier network**

SYRMA SGS operates through 11 manufacturing facilities spread across five states namely Tamil Nadu, Karnataka, Himachal Pradesh, Haryana and Uttar Pradesh.

The company migrated its ERP platforms to the Hana S4 platform with effect from April 1, 2022, which has resulted in common centralised databases for components, vendors, quality and supply chain, which will lead to productivity improvements and efficient working capital management. The company has been provisionally selected for incentives under the 'Production Linked Incentive Scheme (PLI) for Telecom and Networking Products' on June 3, 2021. These product-linked incentives make us eligible to manufacture products in categories like access & customer premise equipment (CPE), IOT access devices and other wireless and enterprise equipment. In addition, it has been provisionally selected as beneficiaries for the incentives being granted under the 'PLI for White Goods (Air Conditioners & LED Lights) on June 4, 2021. This will make it eligible to make control assemblies for indoor units or outdoor units or remotes for air conditioners and LEDs.

Additionally, the company has a robust supplier network which included suppliers in India and overseas, in 21 countries, including USA, Singapore and China. In FY22, it purchased raw materials and components from over 1,669 suppliers. Moreover, the company is not dependent on any single supplier for any of its raw materials and component requirements. This ensures that its supply chain remains unaffected, regardless of any one or more of its suppliers being unable or refusing to supply. This also allows prompt and relatively faster access to suppliers for the development of moulds/tools required for the manufacture of various products, which eliminates the extensive capital investment otherwise required for the development of such moulds or tools.

**Experienced promoters supported by a senior management team with a 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. Its management team has developed strong working relationships with its employees, which adds to its stability and long-term growth. As of March 31, 2022, it had 849 full-time employees which include graduates, engineers and diploma holders. Of this, it has a total of 53 sales and marketing personnel as of March 31, 2022, which allows it to effectively engage with suppliers.

## Board of Directors

- **Sandeep Tandon** is the Executive Chairman and has ~18 years of experience in the electronics manufacturing sector. He has previously been associated with Celetronix Inc., USA.
- **Jasbir Singh Gujral** is the Managing Director He was a director of SGS Teknicks Manufacturing Private Limited. He is a fellow member of the Institute of Chartered Accountants of India.
- **Jaideep Tandon** is a Non-Executive Director. He is a director of TIS International (USA) Inc. and Infix Pharmacy Services, LLC.
- **Jayesh Doshi** is a Non-Executive Director. and has previously been associated with Dalmia Bharat Limited as a whole-time director and CFO.
- **Sridhar Narayan** is a Non-Executive Director He is a director of Seraphim Advisors India Private Limited, Seed works International Private Limited and Premier Energies Limited.
- **Kunal Shah** is an Independent Director. He is a co-founder of Dreamplug Technologies Private Limited, New tap Technologies Private Limited, Dreamplug AA Tech Solutions Private Limited and Dreamplug Paytech Solutions Private Limited.
- **Anil Nair** is an Independent Director. He has~ 25 years of experience in the information technology and consulting sectors. He has previously served as President – Aegis Consulting with Aegis Limited, the MD & chief executive officer with AGC Networks Ltd., senior director at Cisco Systems (India) Private Limited and the managing director of Avaya Global Connect Limited.
- **Hetal Gandhi** is an Independent Director. He has ~35 years of experience in the financial services and management consultancy sectors. He is the independent director and chairperson of Chalet Hotels Limited. He is a co-founder of Tano India Advisors Private Limited.
- **Smita Jatia** is an Independent Director She is a director of Westlife Development Limited and the president of Hardcastle Restaurants Private Limited. She was named on Forbes’ Asia’ s power businesswomen list in 2019.
- **Bharat Anand** is an Independent Director. He has over 20 years of experience in corporate law, including about mergers and acquisitions, joint ventures and private equity transactions. He is a partner at Khaitan & Co. and is responsible for the corporate and M&A practice of the firm in Delhi.

## Key Managerial Personnel

- **Sreeram Srinivasan** is the chief executive officer. He has been associated with our Company since June 29, 2015. He has over 20 years of experience in business operations.
- **Bijay Kumar Agrawal** is the chief financial officer. He handles the financial operations and has 16 years of experience in finance and business strategy.
- **Rahul N Sinnarkar** is the Company Secretary and Compliance Officer. He has 7 years experience in compliance and governance functions.

## Industry Overview

### Global Electronics Industry Overview

**Electronics Manufacturing Services (EMS) Industry:** Traditionally, the global electronics manufacturing services market consisted of companies that manufacture electronic products, mainly assembling components on Printed Circuit Boards (PCBs) and box builds for Original Equipment Manufacturers (OEMs). In recent times, the EMS companies are adding value to the products which has led to involvement beyond manufacturing, to product design and development, testing, and after-sales services, such as repair, re-manufacturing, marketing, and product lifecycle management.

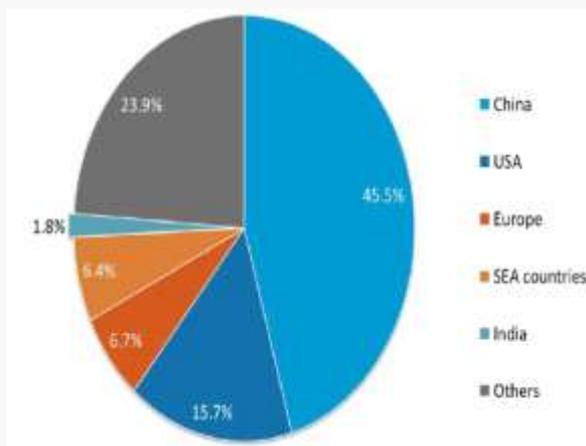
Following are the range of services offered by the EMS companies



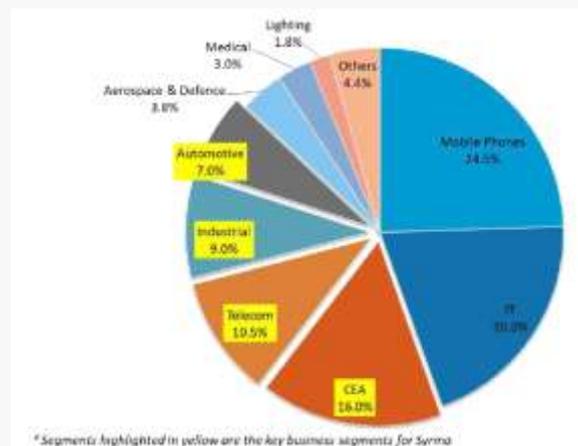
Source: RHP, Sitsce: RHP; Frost & Sullivan Analysis

**Global EMS Outlook:** The global EMS industry is expected to grow from \$836 billion in CY2021 to \$1002 bn in CY2025. The value of Contract Manufacturing and ODM is expected to grow from \$ 724 bn & \$ 80 bn to \$ 870bn & \$131 bn during the same period.

### Global EMS Market Break-up by Select Countries



### Global EMS Market Break-up by End-user Applications



Sitsce: RHP

**Following are the main drivers for the growth of the global EMS industry**

- Technological advancements and increasing acceptance and usage of smart home devices
- Focus on Vehicle Electrification
- Technological upgrade of facilities
- Product development activities
- COVID-19 induced pent-up demand

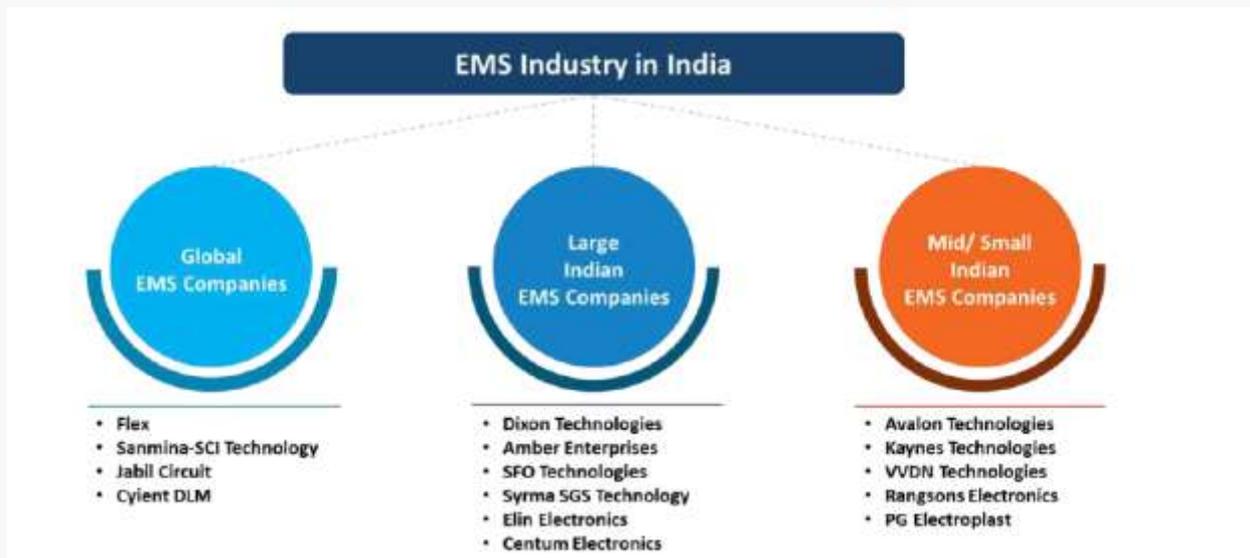
**Electronics Manufacturing in India**

Electronics is one of the fastest-growing industries in the country. The total electronics market (including domestic & imported products) is expected to grow at a CAGR of 25.5% from Rs 6,711 bn in FY21 to Rs 20,873 bn in FY26. The domestic production of electronics is expected to grow from 74% to 96% in the same period.

Led by the government push under the National Policy on Electronics to improve the infrastructure of electronics manufacturing, incentives under the PLI scheme have led to impetus in increasing the revenue from the electronics industry. India’s production of electronics has more than doubled in the past five years between the period 2015 to 2020 depending on such favourable incentive schemes.

With changing, the landscape of electronic design and manufacturing and revised cost structures have shifted the attention of multinational companies to India. In addition as a low low-cost alternative, India is positioned favourably as a destination for high-quality design work, with many MNCs expanding their captive centres in India.

**Indian Electronics Consumption:** Electronics consumption market in India is estimated at Rs 5,925 bn in FY21, and is expected to grow at the rate of 18.4% to reach Rs 13,769 billion by FY26.



Source: RHP

There are more than 30 players in the organized market. Major players are Flextronics, Foxconn, Jabil, Dixon, SFO, SYRMA SGS, Elin, NTL and Cyient. Mobile Phones, Consumer Electronics and Industrial electronics contribute to 75% of the total EMS market in India.

**EMS Industry Size and Growth Forecast:** The total addressable EMS market in India was valued at ₹ 2,654 billion (USD 36 Billion) in FY21, and is expected to grow to Rs 9,963 bn in FY26 with a CAGR of 30.3%. However, the contribution of Indian EMS companies is around 40%, which is valued at Rs 1,069 bn in FY21, which is expected to grow at 41.1% CAGR to reach Rs 5,978 bn by FY26.

## Competition

Indian EMS market comprises 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 three companies account for 28.5% of the market. Major players, apart from its Company, are Flextronics, Jabil, Dixon, SFO, Resolute, Elin, NTL, Cyient and Foxconn.

## Comparison of EMS companies' presence in key application segments, India, FY21

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

Source: RHP

## Comparison with Listed peers

Year End Mar-20	Revenue (Rs Cr)	FV	P/E	EPS (Rs)	RONW (%)	NAV (Rs)
SYRMA SGS Technology Ltd	1,284.4	10	-	5.25	13.6	42.3
Dixon Technologies Limited	10,700.9	2	110.76	32.3	21.9	168.1
Amber Enterprises India Limited	4,239.6	10	75.54	32.4	6.52	526.2

Source: RHP; financial information for the year ended March 31, 2022, submitted to the stock exchange

## Financials

### Profit & Loss

(Rs Cr)

Particulars	FY20	FY21	FY22
<b>Revenue from Operations</b>	866	887	1,267
Other Income	14	17	18
<b>Total Income</b>	880	904	1,284
<b>Less :</b>			
Cost of material Consumed	560	590	933
Purchases of Stock in trade	3	4	2
Changes in inventory	-8	5	-43
Employee Benefits Expense	53	57	75
Other Expenditure	122	132	174
<b>Total Cost</b>	<b>729</b>	<b>787</b>	<b>1141</b>
EBIDTA	151	117	144
EBIDTA %	17	13	11
Depreciation & amortisation	19	23	25
EBIT	132	94	119
Finance Costs	13	7	8
<b>Profit before exceptional items</b>	119	87	111
Exceptional Items	6	0	0
<b>Profit Before Tax</b>	113	87	111
Tax Provision	22	21	34
Share of Associate post acquisition	0.0	-0.1	0.0
<b>Profit after Tax</b>	92	66	76
Other comprehensive Income	0.1	-0.1	-0.2
Total Comprehensive income for the year	92	66	76

Source: RHP

**Balance Sheet**
**(Rs Cr)**

<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Non-Current Assets</b>			
Property plant and equipment	202	200	234
CWIP	1	0	39
Right-of-use assets	11	10	24
Investment Property	0	0	0
Goodwill	118	118	118
Other Non Current Assets	28	35	37
<b>Total non-current assets</b>	<b>360</b>	<b>364</b>	<b>453</b>
<b>Current Assets</b>			
Inventories	142	179	291
Investment	28	36	36
Trade receivables	180	208	272
Cash cash equivalents & Other Bank bal	78	73	37
Other Current Assets	38	47	65
<b>Tortal Current Assets</b>	<b>466</b>	<b>543</b>	<b>701</b>
<b>Total assets</b>	<b>826</b>	<b>907</b>	<b>1154</b>

<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Equity</b>			
Equity Share Capital	0.7	0.7	138
Other Equity	453	536	434
Non Controlling Interest	4	7	11
<b>Total Equity</b>	<b>458</b>	<b>543</b>	<b>583</b>

<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	32	26	4
Lease Liabilities	10	9	22
Other non Current Liabilities	13	20	23
<b>Total non-current liabilities</b>	<b>56</b>	<b>54</b>	<b>48</b>
<b>Current liabilities</b>			
Borrowings	81	67	190
lease Liabilities	1	2	2
Trade Payables	173	190	240
Other Current liabilities & provisions	56	51	90
<b>Total current liabilities</b>	<b>312</b>	<b>310</b>	<b>523</b>
<b>Total liabilities</b>	<b>368</b>	<b>364</b>	<b>571</b>
<b>Total equity and liabilities</b>	<b>826</b>	<b>907</b>	<b>1154</b>

**Cash Flow**
**(Rs Crs)**

Particulars	FY20	FY21	FY22
<b>Pre Tax Profit</b>	<b>113</b>	<b>87</b>	<b>111</b>
Add: Depreciation	19	23	25
Add: Finance Cost	13	7	8
Change in other assets & liabilities	1	-8	-6
<b>Op Profit Before W Cap/Other Changes</b>	<b>146</b>	<b>109</b>	<b>137</b>
Adj. for (inc)/decrease in operating asset	-1	-74	-194
Adj. for (inc)/decrease in operating liabilities	31	24	73
<b>Cash (used in) / generated from operations</b>	<b>177</b>	<b>59</b>	<b>16</b>
Less: Tax Paid	-21	-22	-29
<b>Cash Flow from Operations (A)</b>	<b>156</b>	<b>37</b>	<b>-13</b>
Net Capex	-48	-19	-90
Change in other investments	-1	-95	-310
Add: Dividend & Interest Income	1	2	1
<b>Cash Flow from Investing (B)</b>	<b>-49</b>	<b>-112</b>	<b>-399</b>
Proceeds from Issue of Equity	0	33	272
Proceeds from issue of Preference Shares	5	75	0
Changes in borrowings (net)	-50	-29	118
Finance Cost paid	-12	-7	-7
Dividend paid on equity Shares	-2	0	0
<b>Cash Flow from Financing (C)</b>	<b>-59</b>	<b>72</b>	<b>382</b>
<b>Net Cash Flow (A)+(B)+(C)</b>	<b>47</b>	<b>-4</b>	<b>-30</b>
Cash at the beginning	17	67	63
Add : Difference in forex balances	3	0	0
Cash at the end	67	63	33

Source: RHP

**About the analyst****Analyst:** Hiren Trivedi**Contact Details:** [hiren.trivedi@axissecurities.in](mailto:hiren.trivedi@axissecurities.in)**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on [www.axisbank.com](http://www.axisbank.com).
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/It, Omkar Tanksale, MBA (Finance), author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/its views about the subject issuer(s) or securities. I/It (Research Analyst) also certify that no part of my/its compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/It or my/its relative or ASL does not have any financial interest in the subject company. Also I/It or my/its relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, It might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/It or my/its relative or ASL or its associate does not have any material conflict of interest. I/It have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No
5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;

Managed or co-managed public offering of the securities from the subject company of this research report and / or;

Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

**Term & Conditions:**

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of its receiving this report.

**Disclaimer:**

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make its own investment decisions, based on its own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, its directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United States (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

**Copyright in this document vests with Axis Securities Limited.**

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (Itst), Mumbai-400070, Tel No. – 022-40508080/ 022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654