

IPO NOTE

Issue Details

Price Band: ₹ 209 to ₹ 220
Issue Opens on: August 12, 2022
Issue Closes on: August 18, 2022
Lot Size: 68 Shares & in Multiples thereafter

Issue Highlights

Issue Size :	₹ 840.13 Cr.
No of Shares :	38,187,541
Face Value :	₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	766.00
Offer for Sale	74.13
Total	840.13

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	420.06
HNI	15	126.02
Retail	35	294.05
Total	100	840.13

* 60% Shares of the QIB Portion to Anchor Investors

Listing

BSE & NSE

Lead Managers

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

Registrar

Link Intime India Private Limited

ANALYST

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COMPANY OVERVIEW

Syrma SGS Technology Ltd. (Syrma) is a Chennai based 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. The company has a wide portfolio of product offerings including PCBA, RFID, Electromagnetic and electromechanical parts, motherboards and many that are used in products manufactured in the automotive, industrial appliances, consumer appliances and healthcare industries.

Company has 11 manufacturing facilities spread across 5 states supported by 849 permanent employees and 3,886 as contract labor. The manufacturing facilities in Tamil Nadu are located in a **special economic zone**. The manufacturing facility in Haryana has been set up under the **Electronic Hardware Technology Park scheme**, which allow the company to avail tax and other benefits. The company provides integrated services and solutions to original equipment manufacturers (OEMs) from the initial product concept stage to volume production through concept co-creation and product realization.

HIGHLIGHTS

1. Consistent track record of financial performance
2. Diversified and continuously evolving and expanding product portfolio and service offerings.
3. Established relationships with marquee customers across various countries
4. State-of-the-art manufacturing capabilities supported by a global supplier network, with a focus on vertical integration

Objects of the issue

Fresh Issue net proceeds: (Rs. 766 Cr.)

1. Funding capital expenditure requirements for development of a R&D facility and expansion / setting up of manufacturing facilities (Rs. 403 Cr.)
2. Funding working capital requirement (Rs. 131.58 Cr.)
3. General corporate purpose

Offer for sale of 3,369,360 Equity Shares.

Company shall not receive any proceeds form offer for sale.

OUR VIEW

Syrma offers high-value-added and integrated design and manufacturing solutions for internationally recognized OEMs. Its business approach leads to continuous advancements in product technology, structure, and functional design to meet customer requirements and lead the industry in development. The 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.

Based on proforma condensed combined financial information 43.62% of revenue from operations was attributable to exports in FY22. Company's revenue increased at CAGR 20.81% from FY 2020-2022. In FY22 EBITDA Margin stood at 10.02%, Net Profit margin at 4.74%, ROCE at 19.14%, ROE at 13.58%. Because of Pandemic the business operations was affected and margins have declined.

The issue is priced at P/BV of 2.66 at NAV of Rs. 42.36 as of FY22. Company's Debt to Equity ratio has improved from 0.82 in FY20 to 0.24 in FY22. As per the RHP, there are listed peers like Dixon Technologies trading at P/E 110x (Highest) and Amber Enterprises trading at P/E 75x (Lowest) and the industry average P/E is 93x. Hence the Syrma Share Price at P/E of ~45x is reasonably priced.

The segment in which Syrma SGS is dealing i.e., electronics manufacturing services has a positive outlook ahead. The company is also focusing on products bearing high margins. Considering all positive and risk factors, investors can subscribe to the issue with Long term horizon.

Brief Financials

PARTICULARS	₹ in Million		
	FY '22	FY '21	FY'20
Total Income	10,324.08	4,444.80	4,048.82
Total Expenditure	9,515.06	4,081.44	3,470.52
Profit before Tax	809.02	363.36	522.31
Profit after Tax	566.74	320.17	438.80
E.P.S. [diluted (Rs.)]	4.97	3.72	-
P/E [diluted (x)]	45	-	-
RONW (%)	7.83	16.84	55.23

PRICE CHART (@ ₹ 220)

LOT SIZE	Amount
68	14,960
136	29,920
204	44,880
272	59,840
340	74,800
408	89,760
476	104,720
544	119,680
612	134,640
680	149,600
748	164,560
816	179,520
884	194,480

Please go through the RHP for salient features.

(https://www.sebi.gov.in/filings/public-issues/aug-2022/syrma-sgs-technology-ltd-_61790.html)

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	23/08/2022
Initiation of refunds/unblocking ASBA Fund	24/08/2022
Credit of Equity Shares to demat accounts of Allottees	25/08/2022
Commencement of trading of the Equity Shares on the Stock Exchanges	26/08/2022

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