

Syrma SGS Technology Limited

SSTL, founded in 2004, is 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. It is one of the fastest growing companies amongst its peers. Its manufacturing infrastructure enables SSTL to undertake a high mix of products with flexible production volume requirements. SSTL is Leader in high mix low volume product management and are present in most industrial verticals. It is one of leading PCBA manufacturers in India, supplying to various OEMs and assemblers in the market also amongst the top key global manufacturers of custom RFID tags

Positives: (a) Established relationships with marquee customers across various countries (b) Consistent track record of financial performance (c) Diverse and continuously evolving product portfolio catering to various industries (d) Vertically Integrated Manufacturing process increases cost efficiencies

Investment concerns: (a) Lack of long-term contracts with customers (b) Highly competitive industry (c) High dependence on imports for its raw materials.

Outlook & Valuation: In terms of valuations, the post-issue P/E works out to 66.8x FY22 EPS (at the upper end of the issue price band). Company’s consolidated PAT CAGR of ~15% over FY20-22 on back of acquisition. However, on standalone basis the numbers are not impressive. SSTL has diverse product portfolio, but we believe that these positives are captured in the valuations commanded by the company. Thus, we have a **NEUTRAL** rating on the issue.

Key Financials

Y/E March (₹ cr)	FY'21	FY'22
Net Sales	438.0	1020
% chg	-	133
Net Profit	32	57
% chg	-	77
EBITDA (%)	10.7	9.3
EPS (Rs)	2.8	5.0
P/E (x)	78.3	44.2
P/BV (x)	10.4	4.3
ROE (%)	11.8	9.5
ROCE (%)	11.4	9.5
EV/Sales	5.6	2.6

Source: Company RHP, Angel Research

NEUTRAL

Issue Open: August 12, 2022

Issue Close: August 18, 2022

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹ 138cr

Offer for Sale: ₹ 74cr

Fresh issue: ₹766cr

Post Eq. Paid up Capital: ₹ 172.4cr

Issue size (amount): ₹ 840cr

Price Band: ₹209- ₹220

Lot Size: 68 shares and in multiple thereafter

Post-issue mkt. cap: * ₹3,722cr - ** ₹3,877cr

Promoters holding Pre-Issue: 61.47%

Promoters holding Post-Issue: 47.42%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	47.4%
Public	52.6%

Purves S Chaudhari

+91 022-4000 3600, Extn: 6810

Purves.Chaudhari@angelbroking.com

Company background

SSTL is 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. It is amongst the fastest growing. The Company has a track record of technical innovation which involves working with the engineering teams of our marquee customers, and over the years, company has 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. Its manufacturing infrastructure enables it to undertake a high mix of products with flexible production volume requirements. SSTL is leader in high mix low volume product management and is present in most industrial verticals. Further, SSTL is one of the leading PCBA manufacturers in India, supplying to various OEMs and assemblers in the market. The Company is also amongst the top key global manufacturers of custom RFID tags

Product Portfolio:

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

Issue details

The IPO is made up of Fresh issue of ₹766cr and offer for sale of 3,369,360 equity shares aggregate up to ₹74cr making the total Issue size of ₹840cr.

Pre & Post Shareholding

Particulars	(Pre-Issue)		(Post-Issue)	
	No of shares	%	No of shares	%
Promoter	8,69,31,545	61.47	8,35,62,185	47.42
Public	5,44,79,411	38.53	9,26,66,953	52.58
Total	14,14,10,956	100.00	17,62,29,138	100.00

Source: Company, Angel Research

Objectives of the Offer

- To carry out the Offer for Sale of 3,369,360 equity shares aggregate upto ₹74cr.
- Rs 766cr proceeds from the fresh issue would be utilized as follows:
 - Rs 403cr for capital expenditure and expansion
 - Rs 131.58cr for working capital requirements
 - Rest for General corporate purposes

Key Management Personnel

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

Sreeram Srinivasan is the chief executive officer of our Company. He was formally appointed as the chief executive office of our Company on November 29, 2021. He oversees the business operations and strategy functions of our Company. He holds a Bachelor of Technology in metallurgical engineering from Indian Institute of Technology, Madras, a Master of Science from North Carolina State University and a Doctor of Philosophy from North Carolina State University. He has over 20 years of experience in business operations. He has previously served as the vice president (operations) of Rane Engine Valves Limited, the president & executive director of Shanti Gears Limited, the managing director of Saint Gobain, Sekurit India Limited and the chief executive officer of MTAR Technologies Private Limited.

Bijay Kumar Agrawal is the chief financial officer of our Company. He handles the financial operations of our Company. He holds a master's degree in business administration. He has approximately 16 years of experience in finance and business strategy. Before his association with our Company, he has previously been associated with Motorola India Private Limited (through Manpower Services India Private Limited), Times Internet Limited, Dalmia Bharat Limited and Omax Autos Limited.

Financial Summary

Income Statement (Consolidated)

Y/E March (₹ cr)	FY'21	FY'22
Net Sales	438	1,020
% chg		133%
Total Expenditure	392	925
Raw Material	282	719
Personnel	29	60
Other Expenses	81	147
EBITDA	47	94
% chg		102%
(% of Net Sales)	10.7	9.3
Depreciation & Amortisation	12	19
EBIT	35	75
% chg		116%
(% of Net Sales)	7.9	7.4
Interest & other Charges	5	7
Other Income	6	13
(% of PBT)	17.0	15.7
PBT	36	81
% chg		123%
Tax	8	27
(% of PBT)	21.2	33.1
Share in profit of Joint venture	3	3
PAT	32	57
% chg		77%
(% of Net Sales)	7.3	5.6
Basic EPS (Rs)	2.8	5.0

Source: Company, Angel Research

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY'21	FY'22
Equity Share Capital	1	138
Reserves & Surplus	241	434
Shareholders' Funds	242	572
Minority Interest	-	11
Total Loans	61	218
Other Liabilities	4	10
Total Liabilities	307	811
APPLICATION OF FUNDS		
Net Block	81	261
Goodwill	-	118
Capital Work-in-Progress	0	39
Investments	92	41
Current Assets	265	665
Inventories	77	291
Sundry Debtors	128	272
Cash	30	37
Loans & Advances	-	-
Other Assets	30	65
Current liabilities	156	330
Net Current Assets	108	335
Deferred Tax Liabilities (net)	(1)	9
Other Assets	24	26
Total Assets	307	811

Source: Company, Angel Research

Cashflow Statement (Consolidated)

Y/E March (₹ cr)	FY'21	FY'22
Profit before tax	36	81
Depreciation	12	19
Change in Working Capital	-16	-66
Interest / Dividend (Net)	4	5
Direct taxes paid	-10	-23
Others	-2	-1
Cash Flow from Operations	24	15
(Inc.)/ Dec. in Fixed Assets	-6	-79
(Inc.)/ Dec. in Investments	-89	-311
Interest Received	0	-3
Cash Flow from Investing	-94	-394
Proceeds from issue of Equity Shares	33	272
Issue of Preferential Shares	70	0
Inc./ (Dec.) in loans	-31	91
Dividend Paid (Incl. Tax)	0	0
Interest / Dividend (Net)	-5	-4
Cash Flow from Financing	68	358
Inc./ (Dec.) in Cash	-3	-20
Opening Cash balances	31	3
Closing Cash balances	28	241

Source: Company, Angel Research

Key Ratios

Y/E March (₹ cr)	FY'21	FY'22
Valuation Ratio (x)		
P/E (on FDEPS)	78.3	44.2
P/CEPS	56.8	32.9
P/BV	10.4	4.3
EV/Sales	5.6	2.6
Per Share Data (Rs)		
EPS (Basic)	2.8	5.0
EPS (fully diluted)	2.8	5.0
Cash EPS	3.9	6.7
Book Value	21.2	51.2
Returns (%)		
ROE	11.8	9.5
ROCE	11.4	9.5

Source: Company, Angel Research;

Research Team Tel: 022 - 40003600

E-mail: research@angelbroking.comWebsite: www.angelone.in

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