Syrma SGS Technology Limited

August 09, 2023

Credit Update:

Syrma SGS Technology Limited (SSTL; CARE A+; Positive/ CARE A1+) has submitted to the stock exchanges on August 01, 2023, that the company has entered into a share purchase agreement and a shareholders' agreement with Johari Digital Healthcare Limited (JDHL) and the promoters of JDHL, in connection with, inter alia, acquisition of 51% of the shareholding of JDHL. The acquisition is expected to be completed before September 30, 2023.
The cost of acquisition is Rs. 257.5 crore of which about Rs. 229.5 crore would be upfront payment and Rs. 28 crore would be deferred payment based on profitability milestones. The acquisition is expected to be funded entirely out of cash and internal accruals and no debt is expected to be raised. SSTL had unutilized balance of IPO proceeds of about Rs. 578.23 crore as on June 30, 2023, of which Rs. 191.14 crore is earmarked for General Corporate Purpose (GCP). The company is expected to utilize this amount earmarked for GCP for this acquisition and the balance is expected to be funded out of internal accruals. The acquisition is not expected to have a significant impact on the capital structure of the company.

JDHL is an electronic medical device manufacturer. The company designs, develops, engineers, and manufactures medical devices for global markets. Majority of the products of JHPL is box-builds and mainly caters to US and Europe markets. The facility is compliant with Medical Device Single Audit Program (MDSAP), The United States Food and Drug Administration (US FDA), and Good Manufacturing Practices (GMP). The company has a manufacturing facility in India and R&D centers in Europe and IIT Jodhpur. The acquisition is expected to enable SSTL gain access to facilities with export certifications, expand its product profile with addition of about 145+ commercialized products of JHPL and over the long-term leverage the design and development capabilities of JHPL.

JHPL has recorded a PBILDT of Rs. 58 crore on a TOI of Rs. 162 crore in FY23 as against a PBILDT of Rs. 34 crore on a TOI of Rs. 89 crore in FY22. JHPL does not have any long-term debt. SSTL has recorded a PBILDT of Rs. 187.77 crore on a TOI of Rs. 2048 crore in FY23 and Rs. 36.94 crore on a TOI of Rs. 601 crore in Q1FY24.

CARE Ratings has taken note of the expected acquisition and will continue to monitor the developments of the same.

Please refer to the following link for the previous press release that captures key rating factors and rating sensitivities: [Click here]

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