Syrma Technology Private Limited

July 13, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	17.39	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Assigned
Short-term Bank Facilities	20.00	CARE A3 [A Three]	Assigned
Long-term/ Short-term Bank Facilities	28.00	CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Assigned
Total Facilities	**65.39 (Rs. Sixty Five Crore and thirty nine lakhs only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Syrma Technology Private Limited (STPL) derive strength from experience of the promoters in electronics industry, STPL's long track record of operations, strong relationship with well-reputed customer base including many globally reputed companies and the company's comfortable capital structure and debt coverage indicators.

The ratings however, are constrained by STPL's modest scale of operations, technological obsolescence risk present in the industry and working capital intensive nature of operation. Going forward, ability of the company to timely execute its current order book, increase revenues, improve profitability margins and manage working capital requirements will be key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters and established track record of the company:

Syrma Technology belongs to the Tandon group headed by Mr. Manohar Lal Tandon who has over five decades of experience in the electronics industry. Mr. Sandeep Tandon, the Managing Director of STPL has over 2 decades of experience in the electronics industry. He is qualified computer engineering graduate from University of Southern California, USA and hold a management degree from the same university.

Strong product profile and well established relationship with the globally reputed clients:

Syrma technology has a strong and established product profile- PCBs, magnetic tapes and RFID tags which cater to the requirements of reputed corporates in diverse industries including FMCG, healthcare, electronics etc. The company has a strong customer base including many globally reputed companies with which it has well-established relationship built over a long period.

Modest scale of operation with reduction in trading activities in FY17 and improved profitability:

The company has recorded modest revenue in FY17 in comparison to the previous year. In the past the company was involved in trading activities besides manufacturing. In FY17 the management had decided to reduce trading and focus more on manufacturing segment to improve profitability. Going forward, though the company is expected to trade a few product categories, the revenue from them is expected to be small in the overall context. Since major share of the revenue comes from manufacturing segment the PBILDT margin has improved significantly in FY17.

Comfortable capital structure and coverage indicators:

The company has a comfortable capital structure with an overall gearing of 0.36x as on March 31, 2017. The debt coverage indicators of STPL stood comfortable with interest coverage ratio at 2.19x, and total debt to GCA at 3.03x. The total debt and working capital limits of the company are expected to increase in the near term to cater to the higher order book.

Key Rating Weaknesses

Technological obsolescence risk:

Syrma Technology being an electronics manufacturing company is exposed to technology obsolescence risk. Syrma has been in the industry since the time of manufacture of floppy disks and has constantly updated its technology and changed its product profile in order to keep up with the advancement. However, electronics segment is prone to a lot of changes

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

mainly due to the technology obsolescence risk present. Ability of the company to keep abreast with the latest technology will be key to its future prospects.

Working capital intensive nature of operation:

Most of the contracts of the company with its suppliers are back to back contracts. Therefore it procures raw materials based on the sales order it receives. Since most of the clients of Syrma Technology are international entities, the collection period extends up to 90-100 days in most cases. The company manages its operating cycle with working capital borrowings from banks with an average utilization remained moderate at 75.34% for the past 12 month period ended in April 2017.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments

About the Company

STPL was incorporated in August 2005 with its registered office at Mumbai and manufacturing facility at Chennai. STPL is an Electronics Manufacturing Services (EMS) company producing various electronic sub-assemblies, box builds for multinational companies. Their range of products includes Printed Circuit Boards (PCBs), Magnetic disk drives, magnetic coils, RFID tags and magnetic disk drives & coils. The company's manufacturing unit at Madras Export Processing Zone (MEPZ), Chennai majorly caters to the export market.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (P)
Total operating income	259	139
PBILDT	5	7
PAT	3	3
Overall gearing (times)	1.14	0.36
Interest coverage (times)	1.15	2.19

A: Audited P: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	28.00	CARE BBB-; Stable / CARE A3
Fund-based - LT-Term Loan	-	-	December 2021	17.39	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	28.00	CARE BBB-; Stable / CARE A3	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	17.39	CARE BBB-; Stable	-	-	-	-
3.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A3	-	-	-	-

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