Syrma Technology Private Limited

November 08, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	18.80 (enhanced from 17.39)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**
Short term Bank Facilities	20.00	**CARE A3+ (A Three Plus)**	**Revised from CARE A3 (A Three)**
Long term/ Short term Bank Facilities	34.00 (enhanced from 28.00)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB- ;Stable (Triple B Minus; Outlook: Stable)**
Total Facilities	**72.80 (Rs. Seventy Two crore and Eighty Lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Syrma Technology Private Limited (STPL) factor in improvement of scale of operations and profits along with successful completion of on-going capital expenditure. The ratings continue to derive strength from experience of the promoters in electronics industry, STPL's long track record of operations, strong relationships with well-reputed customer base including many globally reputed companies.

The ratings however, are constrained by STPL's working capital intensive nature of operation and the technological obsolescence risk present in the industry.

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 two 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 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.

Growing scale of operations in the manufacturing segment and improved profitability during FY18

The income from operation has improved from Rs.151.81 crores during FY17 to Rs.224.39 crores during FY18.The revenue from manufacturing activities has improved from Rs.127.97 crores during FY17 to Rs.185.67 crores during FY18. STPL, in the past, was majorly involved in trading of memory chips and modem from global players. From FY17 the management had decided to reduce trading activities and concentrate more on the manufacturing segment to improve the company's profitability. With increase in revenue from manufacturing activities during FY18, the PBILDT margin of STPL has improved from 4.42% during FY17 to 7.54% during FY18.

Moderate capital structure and coverage indicators

The capital structure of the company is moderate at a comfortable level with an overall gearing of 1.63x as on March 31, 2018. The debt coverage indicators of STPL stood comfortable with interest coverage ratio at 3.44x, and total debt to GCA

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

at 5.29x during FY18. 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.

Completion of on-going capital expenditure
During FY18, a Customised Assembly Line for RFID was established at the Chennai facility. This capex has enabled STPL to cater to the newer orders pertaining to RFID and subsequently increasing the revenue of this segment for the same period. A new manufacturing plant, of cost Rs.15 crore, at Bawal for PCBs had commenced its operation from July 2018 and the company plans to set up an additional assembly line for RFID at the Chennai facility. These newer capex are to be funded through debt and rest through internal accruals. The completion of on-going capex has enabled STPL to achieve a total revenue of Rs.146.08 crore during H1FY19, which is almost 65% of their operating income during FY18.

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 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 operations
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 STPL 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 69.94% during the period May 2017 to August 2018.

Analytical approach:
Standalone

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

About the Company
STPL was incorporated in August 2005 with its registered office at Mumbai and primary manufacturing facilities at Chennai. The company belongs to the Tandon group headed by the Chairman Mr.Manohar Lal Tandon, who is ably supported by his sons, Mr. Sandeep Tandon and Mr. Jaideep Tandon. 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), Mangnetic disk drives, magnetic coils, RFID tags and magnetic disk drives & coils.

(Rs. Crore)

Brief Financials (Rs. crore)	FY17A)	FY18 (A)
Total operating income	151.81	224.39
PBILDT	6.70	16.93
PAT	1.87	7.49
Overall gearing (times)	1.28	1.63
Interest coverage (times)	1.62	3.44

A: Audited

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 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	-	-	-	34.00	CARE BBB; Stable / CARE A3+
Fund-based - LT-Term Loan	-	-	December 2021	13.80	CARE BBB; Stable
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A3+
Fund-based - LT-Stand by Limits	-	-	-	5.00	CARE BBB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	34.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB-; Stable / CARE A3 (13-Jul-17)	-	-
2.	Fund-based - LT-Term Loan	LT	13.80	CARE BBB; Stable	-	1)CARE BBB-; Stable (13-Jul-17)	-	-
3.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A3+	-	1)CARE A3 (13-Jul-17)	-	-
4.	Fund-based - LT-Stand by Limits	LT	5.00	CARE BBB; Stable	-	-	-	-

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