

Syrma SGS Technology Ltd. – Investment BUY Call – 6 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 19 May 2026

CMP -> 965

Upside Potential-> 15%

Investment Horizon -> 6 Months

Target price -> 1110

Syrma SGS Technology Limited has delivered a strong operational and financial performance in FY26, materially exceeding the key targets laid out by management at the beginning of the year. The company not only achieved its guided revenue growth and EBITDA objectives but also demonstrated significant improvement in the quality of earnings, cash flow generation and balance sheet strength. Management had initially targeted revenue growth of ~30–35%, operating EBITDA of over INR 400 crore, exports crossing INR 1,100 crore and positive operating cash flows. Against these targets, the company reported operating EBITDA of INR 545 crore, export revenue exceeding INR 1,200 crore and operating cash flow of over INR 290 crore. Importantly, working capital discipline improved meaningfully, with working capital days declining from 69 days to 63 days during FY26. Excluding the lower-margin consumer business, management highlighted that the company achieved a robust 38% revenue growth, reinforcing its strategic focus on improving business mix and enhancing profitability rather than pursuing growth at any cost.

The company's Q4FY26 performance further reinforced the strength of its execution capabilities and growth momentum. Revenue during the quarter increased sharply by 56% YoY and 16% QoQ to INR 1,477 crore, marking the strongest quarterly performance in the company's history. Operating EBITDA stood at INR 174 crore, registering a 51% YoY increase, while PAT grew by an impressive 67% YoY to INR 119 crore. Although EBITDA margins moderated slightly to 11.9% compared with 12.6% in Q3FY26 due to a higher contribution from the IT business, profitability remained structurally strong. Segmentally, the IT & Railways business emerged as the key growth driver, delivering 182% YoY growth during the quarter. The company's strong Q3FY26 and Q4FY26 performance has substantially strengthened investor confidence and supported the sharp appreciation in the stock price over recent months.

On a full-year basis, FY26 marked a major inflection point for Syрма SGS Technology Limited in terms of operating leverage, margin expansion and profitability improvement. Consolidated revenue grew 27% YoY to INR 4,857 crore, while operating EBITDA surged 68% YoY to INR 545 crore, resulting in EBITDA margin expansion of 270 bps to 11.3%. PAT increased sharply by 87% YoY to INR 346 crore, with PAT margins improving to 7.1%. The improvement was driven by better product mix, increasing share of high-margin ODM business, export growth and enhanced operating efficiencies. Gross margins improved materially from 22.6% to 25.6%, highlighting the company's growing ability to scale profitably. Additionally, ODM revenue increased significantly from INR 453 crore to INR 825 crore during FY26, contributing nearly 17% of total revenues versus 12% in the previous year. The healthcare and MedTech business also continued to gain traction, supported by increasing ODM opportunities and strong demand visibility.

The company's growth trajectory continues to be supported by multiple structural growth drivers across automotive, industrial, healthcare, exports and ODM-led manufacturing. During FY26, the automotive segment reported 39% growth, industrial grew by 30%, healthcare expanded by 36%, while exports grew strongly by 41% YoY. Export contribution has now reached nearly 24–25% of total revenue and management remain confident of crossing INR 1,500 crore export revenue in FY27. The management also highlighted that several export pilot projects and prototyping engagements underway during FY27 have the potential to scale into meaningful INR 50–100 crore customer accounts from FY28 onward. The company's strategic positioning in higher-value electronics manufacturing, combined with its increasing presence in automotive electronics, healthcare devices, industrial automation and railways, places it favourably to benefit from long-term global supply chain diversification and India's electronics manufacturing opportunity.

From a balance sheet and cash flow perspective, the improvement during FY26 has been exceptionally strong and materially strengthens the investment case. The company transitioned from a net debt position of INR 264 crore in FY25 to a net cash position of INR 467 crore in FY26. Total debt reduced significantly from INR 611 crore to INR 353 crore, while cash and cash equivalents increased to INR 820 crore. Operating cash flow before working capital changes improved substantially from INR 330 crore in FY25 to INR 567.6 crore in FY26, while net operating cash flow increased from INR 176.5 crore to INR 289.6 crore. The company's disciplined approach toward working capital management remains a key positive, with management clearly emphasizing that growth will not be pursued at the expense of elongated receivable cycles. The improvement in leverage metrics, with debt-to-equity reducing to 0.1x and ROCE improving to 16.9%, reflects stronger capital efficiency and healthier financial fundamentals.

Looking ahead, management remains optimistic on the medium-term growth outlook despite maintaining a relatively conservative margin guidance due to macroeconomic uncertainties and logistics-related disruptions. For FY27, the company has reiterated its aspiration of achieving ~35% revenue growth and targeting EBITDA of approximately INR 700 crore. While EBITDA margin guidance has been conservatively maintained in the 10.5–11% range, management has clearly indicated that the focus remains on delivering strong absolute EBITDA growth. Additionally, the company's long-term strategic initiatives, particularly its multilayer PCB project and expansion into CCL, HDI and Flex PCB manufacturing under the ECMS framework, could become major future growth engines from FY28 onward. The substantial increase in government allocation toward the Electronic Manufacturing Components Segment (ECMS) from INR 22,919 crore to INR 40,000 crore in Union Budget 2026–27 is expected to provide a significant structural tailwind for domestic electronics manufacturing companies, including Syrma SGS Technology Limited.

Considering the company's strong earnings momentum, improving profitability profile, robust export growth, expanding ODM contribution, healthy balance sheet transformation and favourable policy environment, we maintain a positive outlook on Syrma SGS Technology Limited from a medium-term perspective. The company's disciplined execution, improving operational efficiency and ongoing investments in high-value electronic component manufacturing position it well to capitalize on the structural growth opportunity in India's EMS sector. Promoter holding of 42% as of 31 March 2026 also reflects continued promoter confidence in the business. Although near-term risks related to logistics disruptions, commodity price volatility and increasing competitive intensity remain, the company appears fundamentally well-positioned to sustain healthy growth and margin expansion over the medium term. Accordingly, we maintain a BUY rating on the stock with an investment horizon of 6 months for investors seeking exposure to the fast-growing electronics manufacturing and export opportunity in India.

Financials Performance in Q4FY26:

Profitability expansion continues: PBT +61% YoY and PAT +67% YoY with significant margin improvement.



Financials Performance in FY26:

Profitability expansion continues: PBT +88% YoY and PAT +87% YoY with significant margin improvement.



Happy investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team