Syrma SGS Technology

Operator: Ladies and gentlemen, good day and welcome to the Syrma SGS Technology Q3 FY26 earnings conference call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Kandoi from Axis Capital Limited. Thank you and over to you, sir.

Nikhil Kandoi – Axis Capital: Thank you. Good morning, everyone. On behalf of Axis, I welcome you all to the Q3 FY26 earnings call of Syrma SGS Technology Limited. We have with us the entire management of the company. At this point, I will hand over the floor to Mr. Nikhil Gupta, Head of Investor Relations of Syrma, to take the proceedings forward. Thank you.

Nikhil Gupta – Syrma SGS Technology: Thank you, Nikhil. A very good morning to everyone. Welcome to the Syrma SGS Q3 FY26 earnings call. We have with us today Mr. J.S. Gujral, Managing Director; Mr. Jayesh Doshi, Director; Mr. Satyendra Singh, Chief Executive Officer; and Mr. Vijay Agrawal, Chief Financial Officer, to discuss the performance of the company during the third quarter of FY26, followed by a detailed question and answer session. Kindly note, during this call, certain statements that will be made are forward-looking, which involve several risks, uncertainties, assumptions, and other factors that can cause results to differ materially from those in such forward-looking statements. We request you to kindly refer to the disclaimer statements as presented in the earnings release. With this, I now hand over the call to Mr. J.S. Gujral for his opening remarks. Thank you.

J.S. Gujral: Thank you, Nikhil. Ladies and gentlemen, a very good morning and welcome to the Syrma SGS Q3 FY26 earnings call. The last three months have been good and exciting, and I am happy to share that the company has posted robust performance on all parameters. If you look at the sales, our Q3 sales have gone up by 45% compared to Q3 FY25. EBITDA has shown a very healthy growth of 101%, up from 79 crores to 159 crores. PBT and PAT have also registered corresponding good growth of about 108%.

One of the redeeming features of this quarter was a 66% growth in our exports, up from 202 crores to 335 crores between Q3 FY25 and Q3 FY26. If I scan the nine-month performance, again we find that the performance is in line with what we had guided and, in fact, better on some of the parameters. We have achieved a nine-month revenue of about 3,350 crores, with an operating EBITDA of 370 crores, up from 208 crores. PBT reached 295 crores, up from 146 crores, and PAT reached 227 crores, up from 113 crores. Exports increased by 45% from 576 crores to 837 crores.

Going into granular details, what is satisfying and gives us confidence in maintaining this tempo is almost a secular growth across all verticals. All four cylinders are firing. Auto has grown by a robust 30%, Medtech by 31%, Industrial by 29%, and IT & Railways, because the base was very low, has shown a robust performance of 70% growth. This gives us the confidence that going forward, we would be able to achieve the guided figures and maybe exceed on the margin front.

When we started off this year, we had guided an EBITDA margin of 8%, which was revised to 9%. Now we are confident that we should be able to deliver 500 crores plus of EBITDA, up from 324 crores last year, which would translate into 55-57% growth against the targeted growth of 30% initially guided. In the coming year, we believe we are well-poised to capitalize on emerging opportunities and maintain a healthy growth rate across all verticals, delivering a 30% growth rate in the coming year as well.

One factor to keep in mind is that this performance has been under the cloud of tariff uncertainties from the USA. We have been hoping for the last 4 to 5 months that it would settle, and we remain hopeful that it should be out of our way in this quarter. A very positive development is the signing of the India-EU FTA. In the long run, this bodes very well for the electronics industry. Some end equipment that attracted duties have been rationalized to zero or very low duties, enabling the export of end products from India. Automobiles are a prime case; as automobiles are exported, the electronics within them follow, and we are there to service that.

We are very strong in the EU, having exported there for 30 years and operating a plant in Germany. I believe the FTA will help sustain our export growth, which grew by 45% over nine months. I expect we should be able to cross 1,000 crores, perhaps reaching close to 1,100 crores in the coming year. We are already at 837 crores for the nine-month period. Domestically, our industries are seeing robust growth, which I expect to continue.

Regarding new projects, the OTP project is on track. Construction has started and should be completed by June or July. Equipment is being ordered, and we are on track to start trial production by the January-March quarter of 2027. We are expanding our footprint in Pune and have closed the deal to acquire Elcom. We expect the defense vertical to contribute more to the bottom line, while representing about 5-6% of our overall revenue.

Overall, it has been a very satisfying nine months. On the ESG front, we received a gold rating from EcoVadis, placing us among the top 5% of companies globally. Last year it was a bronze rating, so the journey is progressing well. I will now hand over to Vijay for the detailed financials.

Vijay Agrawal: Thank you, sir. Good morning, everyone. I will take you through our financial performance for the quarter and nine months ended December 31, 2025. Starting with Elcom, we consummated the deal mid-December. For about 16 days, we have consolidated the financials of Elcom. Including this, our total consolidated revenue for the quarter is 1,274 crores, compared to 891 crores in the corresponding quarter last year, registering 45% growth. Total revenue for the nine months is approximately 3,180 crores, a 17% overall period growth. This growth is contributed by auto, industrial, healthcare, and export business.

The consumer sector business for the quarter is approximately 31%, in line with previous guidance. Export revenue for the quarter is approximately 335 crores, the highest ever for a quarter, growing 65% year-over-year. For nine months, it reached 837 crores, a 45% growth. The export business mix is approximately 25% for the nine-month period, up from 22.5% last fiscal year. Our OEM revenue for the quarter is approximately 16%.

Gross margin for the quarter is 27.4% versus 26% in Q3 last year. This improvement is led by higher export mix, higher industrial and healthcare business, and lower exposure to consumer and IT, which are relatively lower-margin segments. Operating EBITDA for the quarter stood at 159 crores with a year-on-year growth of 100% and an operating EBITDA margin of 12.6%. This include 12 crores of EBITDA from Elcom. On an apple-to-apple basis, EBITDA is 147 crores. Nine-month operating EBITDA is approximately 370 crores, growing by 78% with a margin of 11%. PAT for the quarter is 110 crores, growing 108% year-on-year, and PAT for the nine months is 227 crores, up 100% year-on-year.

Net working capital days as of December 31 stand at 76 days, including Elcom. Excluding Elcom, it is 68 days, which is five days lower than the previous quarter. Operating cash flow for the nine-month period is now positive. We aim for a further reduction of 3 to 5 days in working capital over the next few quarters. Total gross debt is 529 crores, while our treasury balance is 933 crores, resulting in a net cash position of 404 crores.

CapEx spend for the quarter was 55 crores, totaling 115 crores for the nine months. Adjusted ROCE for the quarter is approximately 16%. Our order book visibility as of December 31 is approximately 6,400 crores. I will now hand it over to Satyendra Singh, our CEO.

Satyendra Singh: Thank you. We had an excellent quarter, a culmination of efforts across our plants, support functions, and most importantly, our customers. Our factories are getting busier; utilization improved by 5% between Q2 and Q3. We are closely watching for capacity expansions. The factory building in Bangalore is on track.

Strategy-wise, we remain focused on the customer, ensuring we are ready with the capacities and competencies they need. We continue to focus on auto, industrial, medical, and railways. The India-Europe deal brings strong tailwinds, and having been in the European market for more than two decades, we are looking forward to leveraging our presence in Stuttgart to grow exports. Lastly, our move from bronze to gold in EcoVadis reflects our commitment to the planet. I will now turn it back for the Q&A; session.

Operator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Samant Kumar from Motilal Oswal Financial Services Limited. Please go ahead.

Samant Kumar - Motilal Oswal Financial Services: Hi, good morning. For the consumer segment, we have seen a significant swing this quarter, as well as in the industrial segment. Could you talk about what is leading this growth on the consumer side? And for industrial, what sub-segments are driving this besides smart meters?

Vijay Agrawal: We did approximately 390 crores in consumer this quarter versus 365 crores in the previous quarter. This is largely driven by telecom business, specifically set-top boxes, GPONs, IDU, and ODU. Additionally, consumer-driven ODM business like water purification and RFID tags contributes.

J.S. Gujral: At the start of the year, we targeted a consumer basket of 30-31%, and for the full year, it stands at about 32%. Industrial is driven by various applications, including power supplies and exports, not just domestic energy metering.

Samant Kumar – Motilal Oswal Financial Services: What was the smart meter contribution in Q3, and what is the mix of Railways and IT?

Vijay Agrawal: In IT and Railways, we did approximately 82 crores, of which Railways is 18 crores and the balance is IT. In the industrial segment, smart metering is near 50 crores for the quarter.

Operator: Thank you. The next question is from the line of Sameet Sinha from Macquarie Capital. Please go ahead.

Sameet Sinha – Macquarie Capital: Thank you. Looking at your full-year guidance, reaching your target requires 300 to 500 crores of sequential growth in Q4. How do you get there, and how much does Elcom contribute?

J.S. Gujral: If you look at our quarter-on-quarter performance, we rose from negative growth in Q1 to 37% in Q2 and 45% in Q3. For Q4, we are confident of sequential growth. We target reaching 4,850 to 5,000 crores for the full year. Most importantly, we are confident of delivering over 500 crores in EBITDA, which is a significant increase over last year.

Vijay Agrawal: We are not expecting revenue from the Elin Master JV in Q4. For Elcom, we expect 100 to 120 crores of revenue in Q4. Higher healthcare revenue is also expected, as that business is typically rear-loaded.

Sameet Sinha – Macquarie Capital: Thank you. That makes sense.

Operator: Thank you. The next question is from the line of Sonali S from Jefferies. Please go ahead.

Sonali S – Jefferies: Margin trajectory has been very strong. Could you clarify the levers? Even with a similar product mix to last year, the margins are much higher. Is this sustainable?

J.S. Gujral: We don't focus strictly on quarter-on-quarter margins, but the Q3 performance was driven primarily by exports, which are higher margin. Exports grew 66% compared to Q3 last year. High-margin verticals like industrial also grew 46%. We guide for a blended EBITDA margin of 10% for next year.

Vijay Agrawal: While the business mix at the gross margin level only improved 1% due to procurement efficiencies, the scale improvement of 45% vs Q3 FY25 helped operating leverage significantly, leading to the 3.5% EBITDA improvement.

Sonali S – Jefferies: Regarding the PCB manufacturing CapEx, is 300 crores per annum a fair estimate for FY26 and FY27?

J.S. Gujral: In the first phase, ending December 2026, we should spend approximately 360 to 400 crores. This provides capacity for 720,000 square meters of multi-layer and 480,000 square meters of single-layer lines. We believe the additional multi-layer lines will be required sooner than initially planned due to strong customer interest.

Operator: Thank you. The next question is from the line of Praveen Sahay from PL Capital. Please go ahead.

Praveen Sahay – PL Capital: On exports, can you give a geographical indication of the growth? And does Elcom contribute here?

J.S. Gujral: Elcom is purely domestic. Our exports of 837 crores for the nine months are driven by industrial and Medtech. Medtech is primarily to the USA, whereas industrial is directed toward the EU.

Vijay Agrawal: For the nine months, 65% is US-based and 35% is Europe, though industrial exports are 90% Europe-focused.

Praveen Sahay – PL Capital: Any number on PLI for the quarter?

Vijay Agrawal: The annualized PLI is approximately 30 to 32 crores, and there are no abnormal variations this quarter.

Operator: Thank you. The next question is from the line of Tanesha from DAM Capital. Please go ahead.

Tanesha – DAM Capital: Could you speak about the defense acquisition and where you want to take that business in terms of revenue and margins? Also, for the PCB project, what are the target applications and margins?

J.S. Gujral: Elcom should deliver between 280 to 300 crores of revenue as an independent entity this year. Going forward, we expect 10-15% growth as we increase our offerings. Defense margins are typically upwards of 20-25%. On the PCB front, we are targeting industrial, automotive, and consumer segments. Margins in that industry are around 15-17%. We will eventually target high-end Medtech PCBs as well.

Tanesha – DAM Capital: What kind of stack-ups are we targeting for multi-layers?

J.S. Gujral: Bulk consumption—about 70-75%—is for sub-8-layer PCBs. We are targeting this available market while also targeting high-end layers where volumes are lower but specialized.

Operator: Thank you. The next question is from the line of Nashat Chaudhary from Aditya Birla Mutual Fund. Please go ahead.

Nashat Chaudhary – Aditya Birla Mutual Fund: Did you share the order book number?

Vijay Agrawal: Total order book visibility is approximately 6,400 crores. 31% is from auto, 25% from consumer, and 27% from industrial. Balance is healthcare, IT, and railways.

Operator: Thank you. The next question is from the line of Anirudh Toshi from ICICI Securities. Please go ahead.

Anirudh Toshi – ICICI Securities: After the acquisition, what is the goodwill on the balance sheet and the amortization plan? What is the current net working capital?

Vijay Agrawal: We are working on the purchase price allocation for intangibles with our auditors and will disclose it next quarter. Intangibles are eligible for tax benefits; goodwill is not amortized. CapEx for organic business is 80 to 100 crores annually, while the PCB project will require 300 to 350 crores next year. Our net working capital is 76 days including Elcom, or 68 days excluding it. We aim to reduce this by another 5 to 6 days.

Operator: Thank you. The next question is from the line of Keshav Vijayratan Lahoti from HDFC Securities. Please go ahead.

Keshav Vijayratan Lahoti - HDFC Securities: Smart meter revenue was 50 crores this quarter, but the full-year guidance was 300 crores. What is the update?

J.S. Gujral: Smart meters are a sticky business in terms of working capital. We are being selective about customers to ensure recovery and positive cash flow. While we could grow this faster, we prefer to manage it efficiently rather than inflating sales at the cost of cash flow cycles.

Keshav Vijayratan Lahoti - HDFC Securities: Does the 30% growth guidance include Elcom?

J.S. Gujral: This year's guidance reached after consolidation will be apple-to-apple next year. If we do 5,000 crores this year, a 30% growth is what we will target for next year. Based on our 500 crore EBITDA target this year, a 30% growth next year would lead to 650 crores of EBITDA.

Vijay Agrawal: To clarify on exports, of the 835 crores for the nine months, near 255 crores is to the US and balance 580 crores is to other regions.

Operator: Ladies and gentlemen, that concludes the Q&A; session. I now hand the conference back to management for closing remarks.

J.S. Gujral: Thank you, everyone, for joining the call. We remain committed to our growth path and sustainability goals. We look forward to speaking with you next quarter.

Operator: Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.