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Quarterly Result Update

Surya Roshni Ltd.

26th May 2026

Surya Roshni Ltd.

Reco HOLD

Industry	**Steel Pipes & Consumer Durables**
LTP (May 26, 2026)	232.6
Add on Dips	207-211
Base Case Target	310
Bull Case Target	320
Time Horizon	4 Quarters

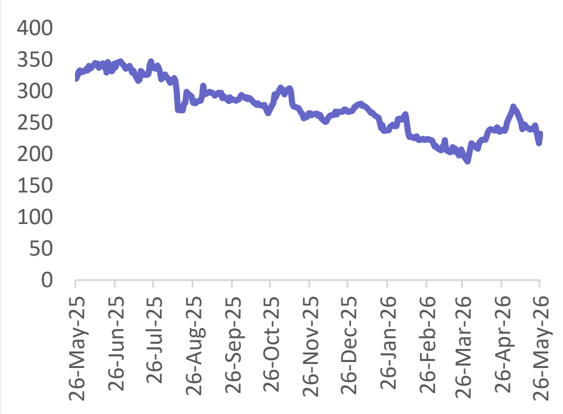
Stock Info

HDFC Scrip Code	SURROSEQNR
BSE Code	500336
NSE Code	SURYAROSNI
Bloomberg	SYR:IN
Equity Capital (Rs Cr)	108.8
Face Value (Rs)	5
Equity Share O/S (Cr)	21.8
Market Cap (Rs Cr)	5,064
Book Value (Rs)	121.0
Avg. 52 Wk Volumes	507563
52 Week High	359
52 Week Low	187

Share Holding Pattern (%) (Mar'26)

Promoters	63.0
Institutions	6.8
Non-Institutions	30.2
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

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Record Steel Volumes, FY27 Positioned for an Inflection

For the fourth quarter of FY26, Surya Roshni reported consolidated revenue of Rs. 2,163 crore, which remained broadly stable on a YoY basis but reflected a 12% sequential improvement. The company's EBITDA for the quarter stood at Rs.154.4 crore with a margin of 7.1%, while Profit After Tax (PAT) reached Rs. 98 crore, marking a healthy 23% sequential increase driven by better realizations and an improved product mix. For the full year FY26, consolidated revenue grew 1% to Rs. 7,540 crore compared to Rs. 7,436 crore in FY25, showcasing stable growth despite a challenging operating environment. For the full year FY26, steel segment revenue was Rs. 5,731 crore on total volumes of 9.04 lakh tonnes, representing a 3% YoY volume growth. The company maintained its status as a zero-debt entity with a net cash surplus of Rs.337 crore as of March 31, 2026, and declared a final dividend of Rs. 2.5 per share.

*The **Lighting and Consumer Durables segment** delivered robust performance, with Q4FY26 revenue growing 9% YoY to Rs. 501 crore, its highest monthly sales ever recorded in March 2026. The segment's EBITDA for the quarter was Rs. 44 crore with margins of 8.8%, remaining broadly stable despite input cost pressures. Drivers included double-digit growth in professional lighting (which contributed 26% of segment revenue) and expansion into Wires & Cables. Performance was partially tempered by export logistical disruptions and a spike in freight costs during the final quarter. Guidance for FY27 includes a revenue target of Rs. 2,200 crore and an EBITDA of approximately Rs. 200 crore*

*In the **Steel Pipes and Strips segment**, the company achieved its ever-highest quarterly volume of 2.6 lakh tonnes in Q4FY26, contributing to quarterly revenue of Rs. 1,662 crore. EBITDA per metric ton (EBITDA/MT) for the quarter improved sequentially to Rs. 5,121 (from Rs. 4,810 in Q3), although it remained lower than the Rs. 6,708 recorded in the previous year due to steel price volatility. The segment faced negative pressure from the complete absence of exports in March due to the Middle East crisis-resulting in a shortfall of approximately 12,000 tons-and subdued domestic demand from government-linked segments like oil and gas due to delayed fund releases.*
The steel division is expected to generate approximately Rs. 7,200 crore in revenue with an EBITDA goal of Rs. 470 to Rs. 480 crore. Total steel capacity is expected to reach 1.6 million tonnes within the next year and 1.9 million tonnes by FY28–29.

We had issued a Quarterly result report on SRL (link) on November 12, 2026, suggesting to buy in the band of Rs 296-305 and add on dips in Rs 266-274 band. We recommend investors to HOLD and add on dips in the band of Rs 207-211, revising our base case target of Rs 310 (13.5x FY28E EPS) and a bull case target of Rs 320 (14x FY28E EPS) over the next four quarters.

Key Concall Takeaways

- SRL successfully entered the North American market, booking 65,000 tons and targeting an additional 10,000 tons monthly.
- The Middle East crisis in late February created a severe disruption, halting exports entirely by the end of the quarter and causing a loss of about 12,000 tons of planned supply. During this period, raw material shortages within India further constrained production capacity.
- Domestic demand was weaker than expected because government spending on schemes like Har Ghar Jal and Jal Jeevan Mission was delayed, with only Rs. 3,000 crore released against a budget of Rs. 55,000 crore.
- Profitability was squeezed by steel price volatility and rising fuel and power costs.
- The introduction of new labor laws, including gratuity provisions, added a cost burden of Rs. 30–40 crore.
- In the lighting segment, imported raw material costs rose by 30–35%, and these increases are being passed on to customers, taking one to two months to show up in the balance sheet.
- March 2026 marked the highest monthly sales across all categories in the Lighting and Consumer Durables segment.
- The wire and cable division has become a fully end-to-end manufacturer, aiming for Rs. 260 crore revenue by FY27.
- The steel division maintains a strong order book of over Rs. 1,000 crore, supported by exports and domestic API demand.
- Steel capacity has grown from 1.2 million tons to 1.4 million tons in the past 18 months. It is on track to reach 1.6 million tons by FY26 and 1.9 million tons by FY28–29.
- Research is underway on "upgradable five city" pipes, transitioning from seamless to ERW, with commercial impact expected in FY28.
- Management noted that CAPEX projects typically take 9–10 months to translate into volume growth.

- The oil and gas segment is expected to remain under pressure, prompting conservative domestic guidance.
- The export business continues to be sensitive to geopolitical risks, delaying the proposed demerger of the lighting business.
- Competitive tendering in API and Spiral pipe segments has intensified, putting pressure on pricing and reducing historical EBITDA per ton.

Valuation & Recommendation

We believe FY27-28 to be robust for Surya Roshni because of its lean balance sheet, characterized by a net cash surplus of Rs. 337 crore and a healthy ROCE of 20.76%, providing the financial flexibility to fund these expansions through internal accruals. Company is well-positioned to deliver what management expects to be the "best year" in its 50-year history because of its aggressive growth targets and capacity utilization. Company has geographically expanded into the UK and North America, where it has already securing a 65,000-tonne order book, contributing to a total steel division order book exceeding Rs. 1,000 crore. This international pivot is particularly lucrative, as management indicates that North American exports command a significantly higher EBITDA per ton of Rs. 9,000 to Rs. 10,000, nearly double the domestic average. For FY27, the company is targeting bumper volume growth to 11 lakh tonnes in steel pipes (~21-22% increase), supported by the phased commissioning of new capacities and a continued shift toward value-added products, which already contribute 43% of total volumes. In the Lighting and Consumer Durables segment, key triggers include the Wires & Cables expansion, where the company is now an end-to-end manufacturer targeting Rs.250 crore in revenue for FY27 and Rs.500-600 crore over three years.

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Risks & Concerns

- Geopolitical disturbances, particularly the Middle East crisis, significantly impacted export volumes, towards the end of Q4 and a loss of approximately 12,000 tons in planned supply. This crisis have also caused tightening container availability and sharp spikes in freight costs, which create volatility in international trade.
- The company is highly sensitive to elevated steel price volatility, which directly impacts realizations and margins in the Steel Pipe and Strip segment.
- Domestic demand for high-margin segments like Jal Jeevan Mission and oil and gas has witnessed softness due to delayed fund releases and slower-than-expected government tender activity.
- The API and spiral pipe businesses are subject to increased competition in government tenders, which has historically pressured EBITDA per ton in those categories.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY25	FY26	FY27E	FY28E
Operating Income	2163	2146	0.8	1927	12.2	7,436	7,540	9,300	10,487
EBITDA	154	202	-23.7	145	6.5	579	487	698	818
RPAT	98	130	-24.4	80	23.4	347	286	424	500
Diluted EPS (Rs)	4.5	6.0	-24.5	3.7	23.4	15.9	13.1	19.5	23.0
RoE-%						15.0	11.2	15.3	16.3
P/E (x)						14.6	17.7	11.9	10.1
EV/EBITDA (x)						8.3	9.6	7.1	5.8

(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description
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This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks
This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:
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