

November 3, 2025

To,
The Listing Department
National Stock Exchange of India Limited
“Exchange Plaza” Bandra-Kurla Complex,
Bandra (E), Mumbai-400051

Department of Corporate Services/Listing
BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort,
Mumbai-400001

NSE Symbol : SGMART

Scrip Code: 512329

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on October 31, 2025

With reference to our letter dated October 24, 2025 intimating you about the conference call with Analyst(s)/ Institutional Investor(s) held on October 31, 2025. In terms of the provisions of Regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the aforesaid conference call.

Submitted for your kind information and necessary records.

Thanking you
Yours faithfully

For SG Mart Limited

Sachin Kumar
Company Secretary & Compliance Officer
M. No. A61525

Encl: a/a

SG MART LIMITED

(formerly known as Kintech Renewables Limited)

Registered Office: H. No. 37, Ground Floor, Hargovind Enclave, Vikas Marg, Delhi-110092
Corporate Office: A-127, Sector-136, Noida, Gautam Buddha Nagar, Uttar Pradesh-201305
Tel: 011-44457164 | Email: compliance@sgmart.co.in
Website: www.sgmart.co.in | CIN: L46102DL1985PLC426661



“SG Mart Limited
Q2 FY26 Earnings conference call”
October 31, 2025



MANAGEMENT: **MR. AMIT THAKUR – DIRECTOR B2B METAL – SG MART LIMITED**
MR. SURAJ KUMAR – CHIEF FINANCIAL OFFICER – SG MART LIMITED
MR. NAMAN RASTOGI – GENERAL MANAGER, STRATEGY – SG MART LIMITED
MR. ARCHIT ARORA – VICE PRESIDENT, SERVICE CENTER AND DISTRIBUTION BUSINESS – SG MART LIMITED
MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER

MODERATOR: **MS. ANSHIKA PATNAIK – SYSTEMATIX INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '26 Earnings Conference Call of SG Mart Limited, hosted by Systematix Institutional Equities. 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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Anshika Patnaik from Systematix Institutional Equities. Thank you, and over to you, ma'am.

Anshika Patnaik: Thank you so much. On behalf of Systematix Institutional Equities, we welcome you all to the Q2 FY '26 Conference Call of SG Mart Limited. From the management side, we have Mr. Amit Thakur, Director, B2B Metal Trading; Mr. Suraj Kumar, Chief Financial Officer; Mr. Naman Rastogi, GM Strategy; Mr. Archit Arora, VP, Service Center and Distribution Business; Mr. Anubhav Gupta, Group Chief Strategy Officer.

I will now hand over the call to Mr. Gupta for the opening remarks, followed by the Q&A session. Thank you, and over to you, Mr. Gupta.

Anubhav Gupta: Thanks, Ms. Anshika, and thanks to Systematix Broking for hosting SG Mart and its management for Q2FY '26 earnings call, and I thank all the participants for joining on this call. Quarter 2 was a very difficult quarter in terms of the macro activity, which came to a standstill because of heavy monsoons and global trade uncertainty, which impacted steel prices in terms of heightened volatility during second quarter.

So to beat this slowdown at macro front, we worked on all the 4 verticals to demonstrate better growth on quarter-on-quarter basis. That's why we could achieve INR1,700 crores plus revenue, which is almost higher by 50% on quarter-on-quarter basis.

Now breaking this revenue in 4 verticals, what we have built in last 3, 4 quarters. Number one is B2B metal trading. Of course, we saw a good adequate steel supply in the domestic industry as more and more steel blast furnaces are getting operationalized. So you could see that our revenue from B2B metal trading increased by 50% on a quarter-on-quarter basis.

And quarter 1 was very soft. So for the first half of FY '26, we are now at flat revenue growth versus last year H1. And this business contributed around 30% to the total revenue of SG Mart in second quarter. Service center business, which is really shaping up beautifully, we now have 7 fully established operational service centers, out of which 5 are owned and 2 are on lease, and this business contributed 50% to SG Mart's second quarter revenue.

We expect 1 service center to start in quarter 4 in Jaipur. And each year, we want to add 4 to 5, 6 service centers year-on-year. And the volume per service center, revenue per service center, profitability per service center, everything is on expected targets. And we are excited to build a network of dozens of service centers pan-India in the next 3, 4 years, which will establish SG Mart in the lines of global steel trading companies like Mitsui, Itochu etc., which we see in Japan, South Korea and China.

The third business which we started was renewable structure. So we kickstarted the business in second quarter, which contributed 4% to the total revenue. But the order book from renewable structures stand around INR260 crores, which gives complete visibility for the next 2, 3 quarters. In the current quarter of Q3 FY '26, the contribution could double from renewable structures what it was in Q2.

And the good part is that, now that we got into open profiling open sections, so we have started to add more products in this vertical like cable trays, residential solar struts, slotted angle. There are like a lot many -- 10 to 15 products, which we are going to add in the next 12 to 15 months. And all these profiling machines will be set up in our service centers.

So there will not be any additional capex to acquire land or to build factories. So this will help us utilize our existing service centers. It will help us sweat our existing assets. And a lot of these products will be sold through our distribution channel. Like, renewable structure is mainly OEM business, but the other products what we are adding, these are like pure trade products, which will be sold in our distribution channel, which we have built as a group in the last 3, 4 years, which deals into downstream steel products trading.

The fourth vertical is the distribution product business. Again, there was a good increase in revenue in quarter 2 versus quarter 1. It contributed around 16%, 17% to our total revenue. Here also, a lot of products are being added, and this business is slowly, gradually getting stabilized.

On revenue front, we did pretty well. But on margin front, there was a bit disappointment because of 3 main reasons. Number one is that steel prices declined in quarter 2 by INR3,000 per ton or so, which led to some minor inventory losses and because the profitability is a bit low, so the hit -- even a small hit appears high optically.

Second is that -- what we have done is that we have decided to book all the branding expenses, which were to be amortized over the 24 months period. We have booked all the branding expenses in Q2, and we will book in Q3 also so that there is no backlog of branding expenses to be booked Q4 onwards.

And third reason is that this profiling business in terms of renewable structures and other products we are building. So although there is no much investment in the fixed assets because we are using the same land and building of the service centers, but there is some upfront fixed costs for marketing and manufacturing, which we incurred.

So that also slightly depressed the overall EBITDA. But we are confident that from quarter 4, all this impact will get -- we will be over with, and we will see the true EBITDA what all these 4 businesses could generate for SG Mart. Also to overcome the volatility in steel prices, 2 businesses are going to help us in a massive way.

One is renewable structure and open profile business because here the spreads are high. It's kind of semi-processing, semi-manufacturing. So the steel price volatility doesn't hit this business a lot. And also the service center business where we are doing value addition and selling processed metal products, which also gives us better margin also insulates SG Mart from steel price volatility on a short-term basis.

In terms of working capital balance sheet, if you see, our working capital days stand at 22 days as at September 30, 2025. This is slightly higher versus quarter 1, mainly because of the 2 reasons. Number one is, of course, the profile business, what we are setting up, initially, there is some higher inventory on the books and plus international trading business is contributing in good shape.

So there also, working capital days are slightly higher compared to what we see in India. So I guess, we should be around 15 to 25 days in between as our working capital cycle going forward. That being said, the ROCE targets of 20%, 25% remains as it is. It's just that some high-margin businesses will take shape, and they will require slightly higher working capital. So as a management, we work on the -- on the expected ROCE return of 25%, which remains intact.

So that's all from our side. Now we'd like to open the floor for Q&A.

Moderator: Thank you. The first question comes from the line of Vivek Patel from Ficom Family Office. Please go ahead.

Vivek Patel: Firstly, in the previous call, you had mentioned FY '26 EBITDA target of INR200 crores. So far, to H1, the EBITDA is INR64 crores. Just wanted to understand, firstly, if the EBITDA target of INR200 crores stays intact. And secondly, how do we expect to achieve the remaining 140 - - about INR140 crores of EBITDA in the next half of the year? That will be the first question.

Anubhav Gupta: So Vivek, definitely, it is now difficult to achieve INR200 crores EBITDA for FY '26 because Q2 was pretty much below expectations in terms of margin spreads. And like I said, in Q3 also, we would like to complete all the booking of advertisement expenses. So Q3 EBITDA should also be kind of like not much recovery one could expect.

From Q4 onwards, our profiling business in terms of renewable structures and other products plus service center business, there will be like more -- they'll be contributing more to our earnings. So Q4 should be the exit run rate we should look at, and that's our milestone as management that, that should be the exit run rate, which will give the true color of what SG Mart can do. So yes, FY '26, INR200 crores EBITDA is difficult to achieve.

At the same time, the long-term guidance what we have given. So because we are confident that once these businesses are fully established the long-term guidance we are able to achieve. It's just that we need a bit more quarters, to be able to come and demonstrate the true profitability what we can achieve.

Vivek Patel: Secondly, just wanted to understand a bit about the capital allocation strategy. We currently have about INR1,000 crores on the books, and we have planned capex of about INR200 crores per year. In the previous call, you had mentioned about how higher interest cost will be offset by higher other income. I just wanted to understand a bit about that, because as we continue to do capex, other income will decrease while the interest cost will also increase. Just some clarity on that.

Anubhav Gupta: So Vivek, I mean, if you look at our like past commentary, what we say is that whatever profits we generate, the cash profit the company generates every year, that much money we will spend

on capex. So we are expecting INR200 crores EBITDA. And that's what our -- that was our capex target also.

So this year, we do whatever short of INR200 crores and INR50 crores, we could use our cash on books. But next year, EBITDA will jump, and that will be linear. So from FY '26 to FY '28, if you see, the EBITDA for the cumulative 3 years will match the capex spend for business expansion. The cash on books, it will be mainly used for working capital.

Vivek Patel: Just lastly, some quick numbers, if I can. What was the EBITDA per ton for B2B and service center and renewables, all 3 segments? And how did that change versus the last quarter?

Anubhav Gupta: So see, I mean, like I said, there was some inventory losses and branding expenses, which we prebooked, correct? So you can assume that -- I mean, in B2B, we do margin of INR500 to INR1,000 per ton; service centers, we do INR1,500 to INR2,000 per ton, renewable is around INR2,000 to INR3,000; and the distribution product is INR1,000 to INR1,500. So that's the mix, which gives us around 2%, 2.5% EBITDA margin. So now, we are at 1.6%, you can adjust this number to what I said.

Vivek Patel: If you could just simply say this quarter's service centers EBITDA per ton, that would be helpful.

Anubhav Gupta: I mean, like I said, it INR1,500 to INR1,000, 50 bps, 60 bps, I mean, it's lower. So around INR60, INR700 lower than what it should --

Moderator: The next question comes from the line of Garvit Goyal from Nvest Analytics Advisory LLP.

Garvit Goyal: Sir, I just want to understand, like in the previous call also, I asked about it, why we are not able to walk the talk in the terms of the guidance? Firstly, we give a thing, and then in the very next quarter, what happens is we comes up with a new thing. Like this quarter, you said we are booking the expenditure for next 24 months in a single quarter only. So last quarter, while giving the guidance, is it like we did not know this thing?

Anubhav Gupta: So Garvit, see, I mean, there are 2 things. So this fall on the decision to prebook branding expenses, yes, this was not planned when we had the last call. Second also is the fact that steel prices fluctuation, which had dropped by like INR3,000 per ton plus, that also came from nowhere, okay?

So yes, I mean, we have not been able to walk the talk. And that's why we decided that, like how we see the business getting built, so there are like 2 big verticals which are now getting shaped. One is the service center business, which is performing on expected lines, and then this profile -- open profile structure business, which is getting built.

Now these 2 businesses are not as volatile as the B2B metal trading businesses or the distribution businesses. And what we believe is that in quarter 4, we'll see the true colors that these 2 businesses can show, can demonstrate.

So just to be on the clean slate in Q4, we wanted to kind of get away with all the expenditures, which would hurt our earnings going forward. So yes, we apologize for not meeting the investor

expectations. But please do trust us that we are working day and night, to ensure that whatever we said, we don't miss on that in medium to long term. It's just that some short-term pain we thought better to take and focus on the businesses which will give us desired profitability and return profile.

Garvit Goyal: Secondly, sir, you mentioned about this service center business. So over the quarters, it is ramping up. And even in this quarter, we have shown some growth. So my point is, if the mix is increasing towards that side, so why the -- like I agree the steel prices were down, but there should be some improvement or some support as well from increasing the business from this service center area, because that is a high-margin business. Isn't it?

Anubhav Gupta: So definitely, if you remove the impact of like steel price volatility and branding, the gross spreads would be much higher than what they were earlier. Plus, there is like almost 45%, 50% -- I mean, volume increase by 35% on Q-o-Q basis in service center business.

Garvit Goyal: So going ahead, like in this year -- I mean, obviously, you are saying INR200 crores is not possible. So what is the new target do we have in mind? So like I said, that Q3 could be similar to what Q2 is. And then Q4, the exit run rate would be closer to like what the full year guidance we gave.

Moderator: The next question comes from the line of Rahul Kumar from Vaikarya Fund.

Rahul Kumar: Can you quantify the one-offs in this quarter, the inventory losses, the ad expenses and the upfront expenses for the new business?

Anubhav Gupta: Like, difficult to quantify, but it is more than 50 bps of total revenue.

Rahul Kumar: No -- so, actually how much was the ad expenses which we have booked in this quarter?

Anubhav Gupta: So normally, like what we were doing in the previous quarters, like total branding, advertisement and marketing expenses is a mix of everything. It was like around 2.5x, 3x of what we were doing earlier.

Rahul Kumar: Second question is, can you tell us the receivables and inventory days for the service center business and the renewables business?

Anubhav Gupta: If you look at the total debtor days, standard 20 for the company, it will be like slightly higher for service center and renewable, and lower for distribution and trading business. And in terms of inventory, stands at 27 days. Of course, the open section, the renewable structure business is getting built.

So we have like slightly higher raw material against the order book what we have, but this has been reduced drastically as we speak today. So I mean, service center would be around 20, 25 days, and renewable will be like 30, 40 days. And -- but yes, it will streamline to around 20, 25 days overall basis.

Rahul Kumar: So did we experience the inventory losses in our service center business also?

- Anubhav Gupta:** Not to the extent what we see in B2B metal trading. I mean -- no, sorry, can you repeat the question?
- Rahul Kumar:** I was saying, did we experience the inventory losses in our service center business also?
- Anubhav Gupta:** So that's where -- no, because that's where the stock is, raw material inventory is. So whatever inventory loss is there, it is booked in the service center business, because in B2B metal trading, there is no inventory on the books as such, and similarly in the distribution products. And renewable structure is a bit small as of date. So yes, inventory losses were mainly booked on this underlying inventory of 27 days, which was majorly in the service centers.
- Moderator:** The next question comes from the line of Aryamaan Agarwal from Money Stories Asset Management.
- Aryamaan Agarwal:** So my question was that if you compare the current quarter with the past 2 quarters, the B2B segment has come down, like if you look at Q4 of FY '25. So is there any specific reason for that?
- Anubhav Gupta:** You're asking about B2B metal trading business.
- Aryamaan Agarwal:** Yes, yes.
- Anubhav Gupta:** Yes. So what is happening is that the service center business is taking over sales from B2B metal trading. That is number one. Because whatever steel we get, we want to process it and sell it with a better margin, with better return profile. So our -- as our service center business is scaling up, we don't want to just do B2B metal trading for a mere INR500 per ton kind of margin.
- Second, obviously, like Q4 and Q1, the steel supply was also challenging in the country. Now we are seeing adequate steel supply. And now we are able to source steel and again, ramp up the B2B metal business like we did in quarter 2, the revenue increased by almost 50% on a quarter-on-quarter basis. Going forward, we do expect that steel supply in India will keep on increasing and B2B metal business, although with lower margin, but superior ROCE, will slowly gradually getting built up.
- Aryamaan Agarwal:** My second question was about your distribution segment, which has been ramping up lately. So I wanted to know if you are adding any new products and what is the current segment?
- Anubhav Gupta:** Which we are. So TMT sales are slowly improving, because now we are opening -- like we are adding more and more distributors who are selling TMT or selling mesh net wire who are selling light structures. So it's more of like product addition, and also the distribution expansion or the revenue per distributor is also going up.
- Moderator:** The next question comes from the line of Akhilesh Kumar from Aspro Technology.
- Akhilesh Kumar:** I would like to know about, our previous quarters, we have been always emphasizing on the steel supply, and this quarter was -- supply was good. How does it matter to us instead of supply, the demand is the problem? Because last quarter also supply was less, but the steel was available all the way and the prices were not rising. Still, we did not like, say, perform, and we were

hoping for better supply to do better here. But in this quarter also, we have plenty of supply, but still, we are not keeping up the pace. What might be the reason?

Anubhav Gupta: Actually, if you see that in terms of volume, put together in B2B metal trading and service centers, it will be like highest ever quarterly volume put together. So this is the function of steel being available. And why it matters to us is that, see, look at the thesis of SG Mart. We want to become India's largest trader and user of steel.

And given our balance sheet strength, given our network of service centers, all we need is raw material, which is steel, either we trade it as it is in a B2B segment or we process it and sell it through our service centers with some mild processing. So availability of steel is very critical.

And as the steel supply keeps on increasing, this is that only we are bullish on our service center business where we want to keep on adding 4 to 6, 7 service centers year-on-year and to have like dozens of service centers pan-India. And -- yes.

Akhilesh Kumar: Yes, my doubt is like the supply is the driving force for us or the demand? Actually, supply, say, next half also, you are saying that supply of steel will be increasing by 10% or something. So just having supply doesn't mean that demand will come automatically.

Anubhav Gupta: So demand here is that -- I mean, see, there's a lot of shift happening from unorganized to organized. Right now, there are small traders, unorganized traders, which are in the market. So SG Mart will go and take market share from them. If I have steel in my hands, then I can go and take market share. But if I don't have the steel in my hands, then I don't have enough arsenal, to go and take market share. So demand --

Akhilesh Kumar: I thought --

Anubhav Gupta: Yes, so demand obviously plays an important role. But here, as a trader, because steel -- see, I mean, blast furnace steel is like river flowing in the water -- water flowing in the river, okay? Whatever steel gets produced, it doesn't get dumped. It has to go and use somewhere. So we just want to become the intermediary of that, whether it's a raw steel trading or it is like some processed steel trading.

Akhilesh Kumar: My idea was that like, say, if the production is increased by steel companies, they might be looking for exports or anything else, but certainly, demand is not going to jump without any reason. They might be exporting --

Anubhav Gupta: Exports -- India has put tariffs on import. So it's difficult to say that, like, it will be easier for companies to export steel. I mean, global trade uncertainty is everywhere. So whatever steel is getting produced, it has to be used in-house.

Akhilesh Kumar: One clarification. Like out of the 4 business lines what we have, with increased volume also this quarter, which verticals are we still having not done -- achieved the breakeven level?

Anubhav Gupta: Every business is profitable.

- Akhilesh Kumar:** In solar, you said that you will be getting a few more orders within a month last con call, but I have not seen any order announcement as of now. We are doing good there? Renewable --
- Anubhav Gupta:** Yes, yes. So the current order book is INR260 crores in hand. This covers us for like next 3, 4 months easily. And then, we are in discussions with a lot of larger IPPs for more order book.
- Akhilesh Kumar:** TMT, you said that we are breaking even.
- Anubhav Gupta:** So TMT, we have changed the model. Like now, we are only telling the franchisee partners to produce and sell TMT on their own. We just need a royalty for SG brand. So if you look at the line item in our revenue vertical, in our revenue table, it shows like INR15 million of royalty. So now, there is no expense, no capital employment, nothing. It's the pure royalty income what we are getting.
- Moderator:** The next question comes from the line of S. Chatterjee from Asterisk Capital.
- S. Chatterjee:** Congratulations for your Q-o-Q volume recovery. I have just 2 questions. First is, we gave 100% growth for EBITDA guidance for financial year '26. Now it looks like we won't even reach 50%. Now considering we are into steel business where there is price volatility and we are also not a mature business, is it necessary to give such an aggressive guidance?
- Anubhav Gupta:** So Mr. Chatterjee, that's what we are saying. So one is that, I mean, this year should be better than 50% of the guidance what we said. And secondly, yes, that's what I'm saying that -- I mean, we are not giving any particular number, as guidance, but our long-term commitment for whatever promise we made to our investors, and the way that the business is shaping up, we are just trying to say that long-term guidance, we will definitely meet up.
- S. Chatterjee:** I have just one more question. Could you please provide the absolute amount of EBITDA impact due to converting the amortization expense of brand building into just going through P&L for just one time?
- Anubhav Gupta:** We can take this offline, please. You can reach out to our Investor Relations team. The contact details are in the presentation.
- Moderator:** The next question comes from the line of Hitaindra Pradhan from Maximal Capital.
- Hitaindra Pradhan:** Sir, my question is related to the servicing EBITDA realization that we had this quarter. So can you just bifurcate like you told, if I got that correctly, we did like INR1,000 to INR1,500 per ton this quarter. So -- but the base was probably higher like around INR2,000. So what part was due to the inventory and what part was due to the micro market factors, like the pricing or?
- Anubhav Gupta:** Mr. Pradhan, sorry to interrupt. Your voice is not clear. You'll have to be more clear and repeat the question, please.
- Hitaindra Pradhan:** Yes, sorry. Is it better now?
- Anubhav Gupta:** Much better now.

Hitaindra Pradhan: Yes. So my question is regarding the servicing business realization that we had this quarter. So you mentioned that there was somewhere like INR500 drop from the trend. We did somewhere around INR1,000 to INR1,500 per ton EBITDA realization this quarter in our servicing business. So my question is what part explains that with respect to like inventory losses versus the micro market or pricing related factors?

Anubhav Gupta: Only inventory loss, Mr. Pradhan.

Hitaindra Pradhan: So sir, our inventory days are like somewhat low. Like, it's around 25 days or 30 days, as you mentioned. So all of that is due to the inventory loss?

Anubhav Gupta: Yes, INR500 per ton reduction, yes.

Hitaindra Pradhan: Sir, again, on a medium- to long-term scenario, as you said, like our business proposition is that we want to bring this servicing business -- expand and scale up the servicing business. And it was given to our understanding that you could generate more margins somewhere around 4% to 5% versus, say, 1% and 2% in your normal trading. So this margin relation potential that you see in the servicing business, is it still intact?

Or what are the economics or the factors that can change this? Because there is steel sourcing issue and there is inflationary and deflationary issue if the steel price goes up or down. So which condition or which kind of macro factors or macro environment would actually be conducive for our servicing business? If the steel price goes down, do we -- can we expect that the margin realization for our servicing business will be lower and vice versa?

Anubhav Gupta: So Mr. Pradhan, there are -- I mean, the key factor here is that how much the volatility in the steel price was faced in any particular quarter. So in quarter 2, steel prices came down by INR3,000 to INR3,500 a ton, which is almost like 5% to 6% decline. This is not a small decline. Normally, like what happens is like INR1,000 to INR2,000 per ton fluctuation takes place quarter-on-quarter.

Now steel prices with such a sharp drop in quarter 2, they are nearing bottom. And obviously, prices fell because of low demand from construction sector, which is one of the major drivers of steel demand in the country, followed by autos, white goods. So you would know that all these 3 sectors suffered badly in the first half because of extended monsoon, low consumer demand for autos and white goods.

Now things are going to get better in terms of macro demand. So steel prices, whatever drop we saw, we are not predicting any sharp hike. But what we certainly know is that prices are going to be plateaued now. And there is a good -- clean slate for demand to recover with the stability in prices, which will give some confidence in the market for restocking of steel as well. Every channel partner in the steel value chain is sitting on lowest of inventory because of like consistent decline in steel prices started from April 2025.

So for the next 6 months, we believe environment is good enough for us to bounce back in terms of revenue expansion and with better spreads. So that's why we are confident that Q4 would be pretty solid versus like what you saw our performance in the first 9 months.

- Hitaindra Pradhan:** With a stable kind of an environment of steel prices, the 4% to 5% that you have been guiding that is achievable? Or should you lower down that as well, like, say, to 3% to 3.5%, somewhere in that range?
- Anubhav Gupta:** So let's not play on the margin. Let's play on the EBITDA per ton. For metal trading, INR500 to INR1,000 per ton; for service center business, INR1,500 to INR2,000 per ton; for renewable structures, INR2,000 to INR3,000 per ton; and for distribution products, INR1,000 to INR1,500 per ton. This is what we are sticking to.
- Moderator:** The next question comes from the line of Yash from FinTree.
- Yash:** Based on the past commentary, we can see contradiction in the performance of SG Mart. As mentioned earlier, there was less availability of the steel, which affected overall volume. But now, if -- I can see steel capacity and the production has increased significantly. So is there any fundamental problem with our business model that why haven't we seen any significant volume growth in our business?
- Or are we affected by the organized player who are catering to the other businesses. Why aren't we able to capture significant market share from the organized player? And if I can see this quarter, customer acquisition is also stagnant. In this case, economy like India, if there is any need of SG Mart or any big B2B trader to serve the steel sector as a B2B market trader? Also, how are we planning to cater all this segment as a scalability point of view?
- Anubhav Gupta:** So Mr. Yash, see, I mean, there is no doubt on the business model of SG Mart. Obviously, we have performed below expectations against what we guided to our investors. But if you look at first half performance of SG Mart, the EBITDA increased by 61% on Y-o-Y basis. The net profit increased by 47 -- by 38% on Y-o-Y basis. The cash profit increased by 47% on Y-o-Y basis. If that were the case, I mean, there was no reason that why profitability for the first half would be better than last year.
- It is a question of like are we expecting certain things, which did not fall to our favor, and that's why we slipped on our guidance. But the company, the business model, which is being created, the performance in first half, like relative performance, it demonstrates what we have built, okay?
- And what is being built, what I can tell you is that, like give us just third quarter, and from Q4 onwards, you will see the real performance, the real strength of our business model and the consistency of these profits, quarter-on-quarter, because the businesses which are being built like service center and open profile renewable structures, these are very stable business with less volatility, and irrespective of like short-term steel supply availability in the country. So yes, I mean, we have underperformed against our own expectations. But as a business, I mean, when we started ...
- Yash:** So there is one doubt regarding the...
- Anubhav Gupta:** Just to complete, like when we started SG Mart in FY '23, the profit -- I mean, business EBITDA was -- FY '24, the business EBITDA was INR62 crores. And in FY '25, the business EBITDA

was INR103 crores. And this year, you will see very good growth. Obviously, not INR200 crores, what we expected, but very good growth over INR103 crores, what we did last year.

Moderator: The next question comes from the line of Rishi Kumar from Rishi Investing Services. Please go ahead. Due to no response, we will go ahead with the next participant. The next question comes from the line of Riddhesh Gandhi from Discover Capital.

Riddhesh Gandhi: I just have a few questions. The first one was that you had indicated to us earlier that we were not particularly exposed to price movements in steel because our inventory days were extremely low. So just wanted to know what is the reason why we had to take this hit? Is it just because it was a little bit extreme this time around? If you could just highlight on that.

Anubhav Gupta: Riddhesh, if you see that -- and on the inventory loss, what we had in quarter 2, when you look -- when we will look this number on a full year basis, this number will appear very less, which could have hurt our full year profitability. So we always -- when we used to say that steel price volatility won't impact our profits much, I was right. Because you need to look it on like full year basis, not on like just 1 quarter basis. --

Riddhesh Gandhi: Could you just quantify the amount because that would be easily available. Like what is the inventory hit which we've taken and what is the hit we've taken --

Anubhav Gupta: Like I said, like 50, 60 bps of revenue.

Riddhesh Gandhi: Is the inventory hit. And then there were a few other losses also, which you were indicating work from some of the investments you were making, et cetera. So if you could just give us a clear cut with the breakup so we get a sense on what the adjusted EBITDA we should be looking at it is?

Anubhav Gupta: Yes. So more than 2%.

Riddhesh Gandhi: More than 2% of revenues overall?

Anubhav Gupta: That's right. No. I mean, what I'm saying is that the EBITDA should have been more than 2% if you remove the inventory write-downs and the --

Riddhesh Gandhi: No. So is there a -- if you could just give us a quantified amount that, this is the amount of steel inventory hit that we have taken, this is the amount of the losses.

Anubhav Gupta: My EBITDA margin is 1.5% reported.

Riddhesh Gandhi: Yes.

Anubhav Gupta: I'm saying 50, 60 bps is inventory hit. So very easy to calculate. 50 bps for other expenses. That's why I'm saying that EBITDA would have been above 2%.

Riddhesh Gandhi: Sir, and the other question I had for you was that you are indicating that from Q4, things will normalize. I think earlier, I think on some of the earlier con calls, you had indicated that from Q3, things were going to normalize. Just wanted to know in terms of actually what has led to

this movement from Q3 things normalizing to maybe from -- to Q4 and normalizing? And what is the level of confidence we have that this normalization will happen as opposed to, again, slipping by another quarter or two?

Anubhav Gupta: Fair enough. So again, like in month of October also, there is a decline in steel prices. November, December, we are assuming stabilized steel pricing. So whatever hit will take for month of October.

Second, like some further marketing branding advertisement expenses were being amortized. So we want to clear that. And third, the opex for open structures, that will also get -- we will be done with because the business will start throwing in real INR2,000, INR3,000, INR4,000 per ton of EBITDA, which you will see in quarter 4 from January onwards.

Riddhesh Gandhi: Just to understand, if EBITDA per ton, we are maintaining. I think in one of the earlier con calls also, you're highlighting that, obviously, the revenues will be lower if steel prices go down, but the margins will be higher because we are maintaining EBITDA per ton. Given October steel prices are going down, is that again it's going to be an inventory hit which we are taking again, or effectively, it's potentially a hit in --

Anubhav Gupta: It's my understanding that Q3 performance should be near about Q2 performance, which I said very clearly earlier.

Riddhesh Gandhi: So in declining steel price environment, it's not that the profitability will remain the same. We will see a hit in profitability because there will be some hits we end up having to take. Is that an accurate sort of assumption we're making here?

Anubhav Gupta: No. So see, I mean, you need to see how quickly steel prices come down. So now, if there is a INR2,000 drop in steel prices in 12 months, it doesn't hit us even a pinch. But if INR2,000 per ton correction comes in 30 days, obviously, it will hit us. But then you need to see that it's only a quarterly phenomenon.

Last year, in quarter 2, there was like INR15 crores, INR20 crores of inventory loss we took. On a quarterly profit, it appeared like 40%, 50% was eroded. But on a full year basis, it was like 15%, which was higher. But now that the absolute EBITDA of the company will keep on growing, which it is, first half also we are up 50%, so the percentage of hit will keep on going down.

Riddhesh Gandhi: The amount of inventory we hold will also increase, given our revenue is higher so --

Anubhav Gupta: Not in the same proportion because our throughput will improve. If you analyze APL Apollo Steel Tubes, our another group company, when we were doing EBITDA of INR400 crores on an annualized basis, our inventory and the volume was like 100,000 tons per month.

Now we are doing 300,000 tons per month volume and EBITDA of INR1,600 crores, INR1,700 crores on an annualized basis. But the inventory -- absolute inventory doesn't expand in the same proportion, because once we have put up a service center, we have put up a 5,000 ton of stock

there. So then, from there, we can do 6,000, 8,000, 10,000, 12,000 ton of throughput monthly - on a monthly basis without increasing my raw material inventory. So just --

Riddhesh Gandhi: Just one --

Anubhav Gupta: Yes. We are just in that phase, where like we ourselves got a bit like excited and gave those guidance, I mean, because we were not expecting that steel prices would fall so sharply from April '25 until October '25, given that the Indian government had imposed import tariffs. And there was stability in global steel prices also.

So this is, again, first time in our lifetime we are seeing that global steel prices are stable, but domestic steel prices have kind of crashed and -- when there are 0 imports. So it's a very unique situation where like we are operating. But the good part is that with steel prices going to get plateaued within November month, then there shouldn't be further write-downs.

Riddhesh Gandhi: Sir, and one last question was, so then if we are looking at, let's say, like Q4 now, if we are looking at Q4, assuming in Q4 there is no large volatility in terms of steel prices, would we be at the run rate which we had initially guided towards, which is potentially INR60 crores, INR65 crores of EBITDA?

Anubhav Gupta: We should be.

Riddhesh Gandhi: So effectively, it is only a 2-quarter blip in terms of inventory that we are taking now. And the extra expenses -- like I understand that we weren't able to predict the steel entry prices reducing and the inventory hits we had to take, but what about this other amortization of advertising expenses and these other exceptional expenses? How come those weren't able to be predicted?

Anubhav Gupta: No, no, they were predicted, but it's just that like we knew that Q2, Q3 would suffer because of like softer steel prices. So we said -- I mean, let's also complete the accounting for other expenses, so that Q4 would be on clean slate.

Riddhesh Gandhi: Quarter 4 and even beyond that, everything will be on a clean slate, is itâ€|?

Anubhav Gupta: Yes, yes. Right. Yes, that's right. And in December balance sheet, which we will sign off, that would be with like steel prices at their minimum low level.

Moderator: The next question comes from the line of Krunal Shah from Enam Capital.

Krunal Shah: So if you could provide a volume outlook for FY '26 --

Moderator: I'm so sorry to interrupt in between. Sir, your voice is not audible.

Krunal Shah: Is it better now?

Moderator: Yes, sir.

- Krunal Shah:** So I just wanted to check if you could provide a volume outlook for FY '26 and FY '27. And my second question is on service center business. So I think we are adding 3 service centers this year, but our initial plan was to add 5. So when would the remaining 2 be coming up?
- Anubhav Gupta:** So we have 7 operational, 5 are owned and 2 are leased, and 1 will -- one should start by quarter 4. So we said that FY '26, we will have -- like, throughout FY '26, we will have 6 of our own service centers, which will be operational, 5 have been operational since Jan, Feb of 2025. And Jaipur one, the 6th one will start in Q4 of FY '26. And 2, which we wanted to kind of own, but land acquisition was taking time. So we found 2 good assets, which we took on lease.
- So last 2 -- yes. So see, I mean, let's not go by the number of service centers. Again, I had explained this earlier that the throughput per service center is much higher than what we were expecting earlier. When we said that we want to have more than 50 service centers, our expectation was that we will do 5,000 tons per month per service center, the volume.
- But in some of the service centers, we are going beyond 12,000 tons also, correct? So when I'm getting that kind of throughput, why would I put up extra service centers. So there is no change in like any guidance in service center business. It is just that some number could be here and there, but it's only because the throughput from the existing centers is higher than what we had expected.
- Krunal Shah:** Right. But given that, if you have, say, 10 service centers, then would you not have more better geographical presence and thereby even higher volumes?
- Anubhav Gupta:** So definitely. So all the new service centers which are going to come, they are in the areas where we are not present currently.
- Krunal Shah:** Right.
- Anubhav Gupta:** Right? So Jaipur will cater to Rajasthan. Right now, we are feeding it from NCR region. But then, we will save on freight. East India is next target. South India is next target.
- Krunal Shah:** The first question on volume outlook for FY '26 and FY '27 if possible.
- Anubhav Gupta:** Right. So volume -- see, I mean, service centers, one can assume 10,000 tons per service center on a monthly basis. So far, like in first half, we have done 0.5 million in B2B metal trading and service centers. So it should be much higher than what we did in first half.
- Then the open structure solar business is ramping up. In first half, we did around 8,200 tons. But we have order book of more than 30,000 tons. So hopefully, we will execute that, and volume ramp-up will be there.
- And FY '27, more service centers are added, more volume will come from there. B2B, again, I don't want to put any false hopes, but it can be infinite trading volume, assuming that steel supply is there in the country. We have all the ingredients which are required to take this business to whatever level.

But yes, steel has to be available. So there is no point giving guidance on B2B metal trading. But whatever volumes we are doing currently, we should maintain -- we should be able to maintain those with 15%, 20% volume growth. Distribution business, I mean, there's a good jump in Q2 versus Q1. So idea is to stabilize this somewhat and then take it forward in FY '27.

Krunal Shah: The TMT volumes, if you could share for the quarter, the royalty ones where you had royalty?

Anubhav Gupta: Yes. So TMT volumes, I mean, it has no relevance, but -- I mean, it's easy to calculate given that -- you know the royalty revenue that we have given?

Krunal Shah: right.

Anubhav Gupta: It's around INR500 to INR600 per ton per franchise.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. I would now like to hand the conference over to Mr. Anubhav Gupta for closing comments.

Anubhav Gupta: Thanks, everyone, for joining us for our earnings call. We do understand that we have not lived up to the expectations what we set for SG Mart so far, but please have faith on us and trust on us. The business models, what are being created, they're going to throw all the numbers what we expected and guided for. Look forward to see you again during our quarter 3 earnings call. Have a good day.

Moderator: Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us today, and you may now disconnect your lines.