"SG Mart Limited

Q2 FY25 Earnings conference call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY25 Earnings Conference Call for SG Mart Ltd. 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 touch-tone phone. Please note that this conference call is being recorded. I now hand the conference over to Mr. Anubhav Gupta, Group Chief and Strategy Officer. Thank you and over to you, sir.

Anubhav Gupta: Thanks, Siddhant. Hello, good evening, everyone. This is Anubhav Gupta. I am also accompanied with my colleagues Mr. Shiv Bansal, the Joint Managing Director of SG Mart, Mr. Suraj Kumar, who is the Chief Financial Officer and Mr. Naman Rastogi, General Manager, Strategy and Investor Relations. On behalf of everyone from my team, I welcome everyone on this Q2 FY25 Earnings call for SG Mart.

If I have to summarize Q2, we started on a slow pace, which we saw in Q1 when our revenue declined versus Q4 and we reported revenue below INR1,200 crores. But in Q2, the scalability, as you can see, we surpassed INR1,800 crores. So, all the three revenue streams in SG Mart scaled up to pretty high levels and the scalability encouraged us to go further aggressive on the service center front and tying up for more steel supply with steel mills.

So, if you look at Q2 for INR1,800 crores revenue, we did more than 350,000 ton of sales volume. So that means we are doing 120,000 ton per month easily now, which we shall try to maintain for the rest of the financial year. And next year we will take it up to 160,000 tons per month, which is FY26. And eventually we shall move towards 250,000 tons per month in FY27.

Despite the challenges which we faced in Q2, number one was the volatility in steel prices. The construction activity, which was weak across the country because of elections, delayed budget and also the extended monsoon, we saw the scalability across these verticals. Now if you look at the three verticals, number one, which is B2B metal trading, that got major fill-up because of tying up with India's largest steel supplier.

And also, there were opportunities for imported steel. So, we knew that there was a lot of imports coming in India and we booked some of them. Apart from the tying up with domestic steel mills. So, the volumes were pretty strong in the B2B metal trading. And we expect the momentum to continue for the rest of the financial year.

Coming to the service centres, which is one of the most exciting business streams in SG Mart. As of now, we are operating three service centres, the Ghaziabad for North India, Bangalore for South India, and we started Pune for the West India and Raipur and Dubai should start by December 2024. So, as we enter into Q4, we will be having full-fledged five service centres, fully operational.

As we are servicing multiple user industries in the steel sector, we identified two new opportunities which we will start in our service centres. One is the solar profile structures, which are being used in the ground-mounted solar EPC contracts. It's a 40,000-ton monthly market, which is approximately INR250 crores in value. And all you need to do is buy flat raw materials of steel, and then you roll it. There is some processing you do, and these are open sections, which you sell it to the solar EPC contractors.

So again, it's a very unorganized market, and no reliable player, which is there, PAN India. And next 6, 7 years, as we all know, that the government thrust and the private sector thrust on solar is pretty high. So, we will service this industry from our own service centers. We shall start this product in December or January, over the next 1 to 2 months.

The other user industry, what we are planning to service is the PEB construction industry in the pre-engineered building sector. Because anyways, we started selling hot roll plates in cut-to-length forms to the construction sector. And as we are going deeper into their usability, we saw that they also buy purlins, which are cold-form profiles. Again, the raw material is pure steel, and you do some processing to make an open section used for purlins. So that also, we are planning to install these machineries and service the construction sector. And also, the deck sheeting, again, it is used in the steel buildings and used by PEB sector in the construction industry.

So, we continue to spend on opening of new centers. We have identified ten new centers for next financial year. The first one being Chennai, Indore, Jaipur, Siliguri, Hyderabad, Ahmedabad, and three, four more locations we are working on. So, our idea is to work on the land acquisition and start the service centers one by one throughout 2025 calendar year. So that once we enter in FY27, we should be operating minimum 20, 25 service centers.

Coming to the distribution business, the rebar sales are a bit slow because of slowdown in the construction activity. But I'm glad to tell you that we introduced light structure, angles and channels into our private label and that distribution started to the existing distribution network. And the response is pretty encouraging. It will take us 2, 3 months to scale up that product to all our channel partners across the country. But we are glad with the supply chain, what we could connect as on date. And this business should also scale up along with the other products, rebar, etcetera. And anyways, the demand for rebars is going to pick up with the pickup in the construction activity. And the other products like welding rod, Mesh net wire, MS wires, they're also slowly, gradually picking up under the private label.

The margins, if you look at, were a bit soft, mainly because of highly volatilized steel prices, which crashed by like 15% from July to September quarter. And despite having only 8 days of inventory, which translated to like some 30,000, 35,000 tons of steel we were having on our books. And we had to book INR4,000, INR5,000 a ton of inventory loss, which translated to some INR17 crores, INR18 crores. We could have avoided this if steel prices didn't come down month on month so sharply. Because there was back-to-back fall, even with light days of inventory, even with twenty times churn in a year, we couldn't stop it. But now that the steel prices are stable and already towards the reversal trend, we don't see any of such inventory losses coming again.

The net working capital for us remained negative because the warehouses, cum service centers are still ramping up. So, unless until we have like 7, 8 service centers fully operational, we don't expect working capital to bloat. Although, as we talk about our assumptions in business model, we do guide for 15 days to 20 days of net working capital, which is negative as of date. So, for the next few quarters, the working capital should remain in the negative zone until the business gets fully scaled up. We start doing 200,000 tons-250,000 tons of monthly volume, which is like 100% increase over existing volume run- rate.

Because of strong operating cash flow, we generated free cash flow. And the cash on books also increased marginally. So, which keeps us on our toes to spend heavily on the setting up of new service centres. This year, we may spend another INR100 crores in the second half and for the next year, the budget is to spend INR300 crores-INR400 crores to set up 10 service centers.

Apart from that, given the first half results are there and the revenue scalability, what we have witnessed, we maintain our guidance of INR17,000 crores-INR18,000 crores of revenue by FY27 with 2.5% EBITDA margin. And given how the business has scaled up, we are pretty confident and I would say more confident that these numbers can be achieved. And how the steel capacity is going to go up in the steel sector, the steel mills will require resellers like SG Mart who can buy in bulk and then distribute the products to their customers or to the end-user industries.

Our customer base continues to increase on quarter-on-quarter basis. The tie-ups with suppliers for manufacturing also keeps on increasing. In fact, the 330,000 tons of volume what we could do in quarter 2, that also kind of surprised our own expectations. So, overall, we continue to stick to our business plan of ramp-up in SG Mart and except Q2 which saw some softness in margin due to inventory right now, the margin will recover to 2-2.5% in the coming quarters despite some heavy ads spend what we are doing to create the brand.

So, this is from our side. Happy to take questions now.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Our first question is from line of Vishal Singh from Finvestors. Please go ahead.

Vishal Singh: Thanks for the opportunity to speak, sir, and I'd like to congratulate you on the set of numbers you have posted, though it could have been much better just because of the margin hit. No worries. Sir, are you guiding us again for 2% to 2.5% of EBITDA?

Anubhav Gupta: So, Yes. I mean EBITDA margins in all our guidance, right, we're talking about 2% to 2.5% because even in the most volatile quarter, which was Q2 FY25, I mean, we haven't seen a 15% crash in steel prices in the last 10 years. I mean, despite our low margin of 2.5%, right, we could still generate 1% kind of margin, right?

So, what we know is that 2.5% EBITDA margin is very protected, right? We don't have debt, so there is no interest cost, right? The asset turns are so high, there is no high depreciation cost. So, whatever EBITDA is there, that will flow into PBT. And then, because there are no debtors on the book, there's no risk of debtor write-off. The only risk which is there is inventory, and we have already tested that in Q2.

Like I said, 15% crash in steel prices is once in a decade kind of event, and still we came out of it, right? So, there is no shame in admitting that we are sticking to 2 to 2.5% EBITDA margin for our business model because we are not going into retail model or tier 2, tier 3 distribution, right? Our business model revolves around connecting between the manufacturer and its distributor, right?

So, that's where we have identified our space, and that's where we are building our business model, which is high volume, high churn, low margin, but high ROC. Okay, so these 2% to 2.5% EBITDA margin will generate 25%, 30% ROC, which we are chasing.

Vishal Singh: Thank you for the straightforward answer for this. And since you have already done 30 out of 70, what I say, like almost 45% of the revenue guidance you have done, you have already run a tight period. So, are you again guiding us or are you appreciating your guidance for the financial year 2025?

Anubhav Gupta: No, because the Q1 was a bit soft, right? So, Q1 we could have done INR1,300 crores-INR1,400 crores revenue, but we did INR1,150 crores approximate. So, I guess for full year, we are sticking to our guidance of INR6,500 crores kind of revenue.

Vishal Singh: Thank you very much and all the best for the future.

Moderator: Thank you. Our next question is from Shreyans from Electrum Capital. Please go ahead.

Shreyans: Hi, good evening, sir. I would like to understand what is the team that we have built to run this business? Like we know the promoters are very experienced already, but who have we hired from outside or from within the group to run the business? Who is leading the show? What is their experience? Can you just give a brief about that?

Anubhav Gupta: So, fair enough. See, if you look at the core team here, okay, Shiv Bansal, who was Sales Director at Apollo Tubes, he was made the MD of SG Mart, right? So, he has been with SG Mart since inception. Then we got Amit Thakur, a very senior sales and steel veteran in this industry to join as the director. He has spent all his life dealing in flat steel and worked in multiple steel mills across the globe. So, these are the two key leaders in SG Mart.

And then we have a team of around 120 professionals, right, who have been divided among the three verticals. The B2B metal trading does not require much of professionals, right, because it's more of relationship-driven and more of bulk sales, bulk purchase, right. Limited number of people deal with steel mills. And then we are today selling steel to almost 150-200 clients, right. So, each salesperson has been allotted 20-30 accounts.

Then the second business vertical, which is service centers, there are people in the production and operations, right. Sales team, again, is there and has been allotted key accounts. Third, business distribution, that has many professionals working in our team because we are tying up with the manufacturers, who are labelling under our brand. So, quality becomes very, very important.

So, we have a very strong quality control team, which is visiting the factories of our supplier partners day-to-day and ensure that there is no compromise on the quality. And again, for the distribution business, there is a separate sales team, which is handling the key accounts. So, that's how the breakup is. And we are in process of hiring more professionals from the steel sector. And you will see some additions over the next two, three months as the business continues to scale up.

Shreyans: Got it, sir. And is the promoter group involved heavily, or what is their part in this? Or is this just a professionally run business other than their relationships, of course?

Anubhav Gupta: Well, see, I mean, the promoter family, Sanjay Gupta, who is the chairman in Apollo Tubes, right. So, he is involved in the way that the sourcing of steel, which is a very critical function, right, for Apollo Steel Pipes and also for SG Mart. So, that's one portfolio which he handles, as in like the quantities, the MOUs with the steel mills, while the pricing, the negotiation. Apart from Sanjay Gupta Ji, there is no other member from the promoter family who is involved in SG.

Shreyans: Okay, got it. Thank you for that.

Moderator: Thank you. The next question is from Rohit Singh from Nvest Analytics Advisory LLP. Please go ahead.

Rohit Singh: Can you tell me the reason for why revenue guidance is reduced to…

Anubhav Gupta: No, sir, the revenue guidance is not reduced. See, that steel prices have come down, right. We have not reduced any guidance, okay. The volume guidance remains the same. It is just that six months ago steel was at INR55,000 to INR60,000 a ton, which today is Rs. INR50,000 a ton. So, it will not impact our absolute EBITDA, right. It is just that the revenue will appear a bit low. So, there is no reduction in guidance.

Rohit Singh: The margin has declined sharply in this quarter with OPM margin 1% and NPM margin 1%. Can you clarify the reason and do you expect margin to return normal level in the second half?

Anubhav Gupta: So, the reason of reduction in margin in Q2 was because of sharp fall in steel prices. Steel prices came down by INR7,500 per ton from July to September, which is almost 15% crash. This does not happen quite often. We did not see for the last 10 years such sharp correction in steel prices. So, we do have some inventory in our books, right?

And because the fall was back-to-back and like twice in a month, right? So, that is why we had to book some inventory losses. So, in Q3 and Q4, this shall recover. If steel prices go up, the inventory losses will be reversed and there could be inventory gains also. But we do not know how steel prices will behave. But as of now, steel prices are stable.

Rohit Singh: Sir, how much inventory loss?

Anubhav Gupta: Sir, it eroded almost 1% of our EBITDA.

Rohit Singh: Thank you, sir.

Moderator: Thank you. Our next question is from the line of Souresh Pal from KRSP Capital Limited. Please go ahead.

Souresh Pal: Thanks for the opportunity. Sir, I would like to know what was our inventory days that this steep fall in steel price impacted our margins? Because I thought that since our inventory churn rate is very high, so there will not be any impact of steel price volatility. So, if you can shed some light on the inventory days part, sir.

Anubhav Gupta: Which normally it is, okay. Inventory days were only eight, right. So, the inventory what we hold in our system is like 30,000-35,000 tons. When monthly volume is like 100,000 tons plus, okay. Now, what happened was that the steel prices came down in July and there was a reduction two times in a month. Then August as well, there was a reduction twice in a month.

Then September also, there was a reduction twice in a month. So, back to back there were like six corrections which steel companies announced. So, even with such a low inventory such a high churn, I mean, you get to incur losses on the inventory which you hold. This kind of scenario comes once in a decade. You don't see that very often. You see this once in a decade. Last such fall we saw was in like 2007-2008. So, yes, I mean, but we are still glad that this also shows the resilience of our business model that despite having such low margins of 2%, 2.5% and such a sharp fall in steel prices we still had positive EBITDA.

Souresh Pal: So, sir, our margin was sorry not margin, as the inventory days were eight days. Is that correct?

Anubhav Gupta: Yes.

Souresh Pal: So that means in spite having this much low inventory days, our margins have been impacted. So, in the other unorganized players, they must have book losses, is that correct understanding?

Anubhav Gupta: It should be. So, see you just need to understand that Q2 was very, very exceptional. I'm reiterating that you don't see such sharp fall in steel prices often. It's a once in a decade kind of event which everyone saw, but yes I mean any player who is inefficient, who doesn't churn inventory as much efficiently as SG Mart does we should incur losses, yes, heavy losses.

Souresh Pal: Okay, thank you, sir. That's all from my side.

Moderator: Thank you. Our next question is from Jaiveer from Finvestors. Please go ahead.

Jaiveer: So, my question is regarding the zinc business where management stated that they are India's largest trader in zinc business. So, can you elaborate about zinc business growth and industry landscape and one more thing about what are the risks associated with the price fluctuations as we are seeing the volatility in prices?

Anubhav Gupta: So see we are a very slow starter and quick learners. Zinc business we started just to test the waters last quarter. And despite being very like despite doing very low volume, we erupted, we emerged as India's largest distributor. So, we are learning the curve for zinc business. We don't want to invest heavily unnecessarily to hold inventories. Steel we understand, but zinc we need to have our own learning curve.

So, the sales were, I would say, flattish quarter-on-quarter. We are still learning, we are still expanding the customer base. We are still developing the relationship with the zinc suppliers. I mean you need to give us one, two more quarters to make zinc a substantial revenue contributor. And we just don't want to jump the gun and deploy capital unnecessarily which could hurt us.

Jaiveer: So, sir, my follow-up will be there that can you give me some guidance that how long does it take to - that it's stable levels?

Anubhav Gupta: So we can assume that by next quarter, we should be able to give you some clarity about the revenue guidance from the zinc as a product.

Jaiveer: Thank you.

Moderator: Thank you. Our next question is from line of Raj Saraf from Finvestors. Please go ahead.

Raj Saraf: Yes. So, September last week this year only, company participated in Bharat Conference hosted by Arihant Capital. Their fluctuation in steel price was mentioned, but company maintained that in worst case, we will be doing EBITDA of 2%, justifying with our low inventory days. So, are we not able to correctly gauge our business model because we are hardly making any margin? And do you envisage any scenario where we could post negative EBITDA on severe fluctuation of steel prices?

Anubhav Gupta: So, see I mean this volatility in steel prices in quarter 2 it is sharp correction that no one envisaged. Last, I mean, we have been involved in steel downstream sector for three, three and a half decades now. Such event would not have occurred more than two, three times of our own history running Apollo Tubes. So, I mean, July, August, September back to back INR2,000 per ton correction and twice in a month. I mean it is very difficult to predict how such situations will arise.

But what I can tell you is steel prices at current levels today, if they have to fall again by 15%, then INR1 trillion rupees steel sector will report heavy losses like right from JSW to Tata Steel to Steel Authority which is nearly impossible. So, I guess we are out of that blue moon event and I would like to reiterate that the sharp falling steel prices, we could weather the storm, the resilience of our business model was there, that is why we still generated positive EBITDA.

Raj Saraf: Yes, sir. This question was again what conference you were mentioning, sir, this question was asked about the risk on EBITDA margin and so then what you are replying I should stick to or we should track the steel prices, not the guidance given by the company?

Anubhav Gupta: Steel prices one can track day to day, but trust me that such a sharp correction in steel prices, it is impossible to evaluate and impossible to predict.

Raj Saraf: Sir, the conference was on 28th of September, so our 2 months have passed and that time the question was asked.

Moderator: Sorry to interrupt Mr. Saraf we request you to join the question queue for any follow up question.

Raj Saraf: Sir, let me complete the question, sir.

Anubhav Gupta: No, that is okay. Please go ahead.

Raj Saraf: So 2 months have passed in September last week, so 28th was the day and one month was left on the last concluded quarter and that guidance was given sir, does we will in worst case scenario 2% EBITDA is nowhere?

Anubhav Gupta: Fair enough. So we never get guidance for the quarter, we always get guidance for the full year and full year you will see that our margin is more than 2%.

Raj Saraf: Sir, the quarter was for 2% okay sir let it be sir. The interest cost paid that was INR12.8 crores versus INR7.7 crores in the Q1 was in with the working capital or am I missing something in the increase in finance cost of Q2 of FY25?

Anubhav Gupta: No, it is linked to the - this is linked to the working capital scalability.

Raj Saraf: Thank you very much, sir.

Anubhav Gupta: So, just to reiterate on your question we never give guidance for the quarter, we always give guidance for the full year and full year our EBITDA margin will be similar to what we guided for on the conference call in September 2024 which we spoke about.

Raj Saraf: So, it is 2% sir for the full year?

Anubhav Gupta: 2% plus, yes.

Raj Saraf: For the full year, sir?

Anubhav Gupta: For the full year yes we never give guidance quarter-on-quarter it is always for the full year.

Raj Saraf: Okay, sir. Thank you very much.

Moderator: Thank you. Our next question is from line of CA Abhishek Budholiya from Narnolia Financial Services Limited. Please go ahead.

Abhishek Budholiya: Sir I wanted to ask your value chain can contain two additional services, one is the transportation and another is financing to the SMEs. Both of these can be provided for your sister concern, I guess there is one is SG Transport and one is SG Finserve. So, how do you actually deal with your customers? Do you make a group deal or can customers independently contact them for financing or transportation or do you make a deal with SG Finserve and the transportation private limited company?

Anubhav Gupta: No, there is no deal as such. So, the logistics are completely outsourced, nothing is in the group for S.G. Mart and as far as SG. Finserve is concerned the supply chain funding company. We give the option of cash discount to our customers because SG Mart does not sell goods on credit. We tell them, we give them cash discount. So, it is up to the customer whether he wants to avail credit from SG Finserve or some other bank which he may already have.

So SG Mart doesn't bother whether the money is coming from SG Finserve or HDFC Bank. SG Mart just has to take all money upfront before the material is dispatched. So, there is no deal among the group companies.

Abhishek Budholiya: So, how much of the logistics is handled by the sister concern, can you share?

Anubhav Gupta: I said zero.

Abhishek Budholiya: It is entirely independent of that. So, there is no long-term plan to make a deal with these concerns regarding both these...

Anubhav Gupta: No, all are independent companies. No, there is no related party or deals among the group companies.

Abhishek Budholiya: Okay, thank you so much.

Moderator: Thank you. Our next question is from line of Chirag from White Pine. Please go ahead.

Chirag: So, just one or rather two questions. So, first question is the business model is based on margins or per kg EBITDA because if steel price is, for example, correct from 60,000 to 50,000 and if you...

Anubhav Gupta: It is per ton basis.

Chirag: Okay, because you are referring to margins again and again. So, logically your margins should see an inch up when steel prices are lower when they are stable at a lower level that is how one should look at it?

Anubhav Gupta: Yes, they should, yes.

Chirag: Okay and the second is would you like to throw some insights, any learnings or any changes in the business model that you have implemented with a fast pace or agility basis because it is a new model that you are evaluating. It is a reasonably new business model that you are evaluating over the last 3 years, 4 years, 5 years. So, any major decisions which you have changed swiftly or made swiftly, if you can highlight, it would be helpful?

Anubhav Gupta: Of course, yes. I mean, it is not the business model which is new for us. It is for the whole country which is seeing such a business model getting evolved. So, I think some of the quick learnings are number one inventory churn. We always feel proud of like how we manage steel in Apollo Tubes. And SG Mart we have been even more efficient in managing steel because obviously there is no manufacturing involved.

So steel management risk management for inventory that is something which we keep on learning and changing our business model accordingly. And this is the reason that why such a bad quarter for the steel sector we could still come out of like profitability and very high revenue scalability at the same time. Second is the customers the behavior. So, what all we can sell to them. So what all we can sell to them? So we started servicing the PEB construction industry with the cut to length plates.

Now we are ready to - we are making a business plan to offer them deck sheeting material and purlin material which is like semi-processed steel profiles. So, I think learning is 360 degrees for us right from the steel management and the new product offerings to the clients.

Chirag: Sir, is there any business process that you have suddenly decided not to pursue based on your initial learning? Sir, why I am asking is this is all given that very nascent stage of business, you would also be in a learning curve internally as you manage the operations? So, is there anything that you have decided not to pursue aggressively or change it completely over last few years based on your understanding or improvement in understanding of the business model?

Anubhav Gupta: It's only 18 months we started this business not even 18 months. We started this business in June of 2023. So, it's been only like 15 months, 16 months of history. So far we haven't come across anything which makes us to say hey we don't want to pursue it only, nothing as of now.

Chirag: Thank you.

Moderator: Thank you. Our next question is from the line of Dharmil from Dalmus Capital Management LLP. Please go ahead.

Dharmil: Hi, thank you for taking my question. So, just wanted to know what is the volume breakup across all the divisions and if possible EBITDA margins as well?

Anubhav Gupta: So, on an average we did 360,000 tons for the quarter. 65% was from B2B metal trading, 20% was from service centers and 15% from distribution products. Margin is like similar for each one of them.

Dharmil: Okay, understood. And because our B2B business is more sort of built to ship to model, would it be a fair understanding that the price impact is more on the other two divisions?

Anubhav Gupta: That is right.

Dharmil: Got it. And lastly, what would be the volume guidance for the full year FY25 and FY26?

Anubhav Gupta: Full year we should do 1.2 million tons plus.

Dharmil: And for FY26?

Anubhav Gupta: For next year it should be 2 million tons plus.

Dharmil: Thank you sir.

Moderator: Thank you. Our next question is from Shikhar Mundra from Vivog Commercial Limited. Please go ahead.

Shikhar Mundra: Hi, even if I add back the inventory loss and I remove the other income, the EBITDA month still comes to be on 1.7% which is much less than this?

Anubhav Gupta: Of course, I mean, yes so if you look at like when there is a falling steel market, you need to protect your clients, you need to offer some discount, etc. So that's why the operating margins would still be a bit lower.

Moderator: Thank you sir. Our next question is from the line of Vinod Chandra Agarwal, who's an individual investor. Please go ahead.

Vinod Chandra Agarwal: Thank you for the opportunity, sir. Sir, last time in a call you just said that the steel industry prices get changed once in a month. And that's based on we developed our strategy to control the inventory changes, valuation changes, but suddenly this quarter now you're saying it's like twice a month is happening. So is it now the inventory volumes...

Anubhav Gupta: For three consecutive months. Sorry, go ahead.

Vinod Chandra Agarwal: Yes, so it is going to happen twice a month or is it like only for this quarter it was? That was the first question. The second one is like when we saw that in the first 15 days, the prices have got changed by the industry or the steel manufacturer. Has it alerted or triggered us that why suddenly these changes happen? And we should have taken a less something inventory to have a precaution because something has got shown change in the industry. There is a reason behind that why this happened. So that is the second question like are we now based on this are we going to change anything in our planning to control this inventory valuation loss? So that's all from my side, sir?

Anubhav Gupta: So coming to the first question, if such a correction keeps on happening then like I said the whole steel sector will go under, which is not possible. It was just that last 5 years India had the dearth of new steel supply. And from December 2023, the steel supply started hitting the markets. Indian steel prices were under pressure anyway because of new supply coming in. But then it got triggered with sharp fall in Chinese steel prices. That's what triggered the even sharper correction in steel prices across the globe and in India.

So obviously, we didn't see that coming. Anyways, we were sitting with only eight days of inventory. So just imagine, I mean, you can analyze any business. You are an investor. You must be tracking so many different kind of businesses. Just evaluate that any business which is sitting on such a low inventory.

Okay, so I'm proud to tell you that our team managed such a sharp increase in the revenue on quarter-on-quarter basis despite keeping the inventory at such a low level. And to answer your second question, I mean, these steel prices should be stable now. Any rebound in steel prices will help us to reverse inventory losses, but we are not in business of generating inventory losses or inventory gain. So steel price volatility doesn't matter much for our business model. Okay, what we are concerned about is the scalability of all three verticals one by one and no matter how steel prices behave, that will add or subtract to my EBITDA.

Moderator: Thank you, sir. Our next question is from the line of Amol Rao from One Up Financial Consultants. Please go ahead.

Amol Rao: Hi Anubhav, wishing you and the team a very Happy Diwali and prosperous New Year. Anubhav, just wanted to reconfirm a couple of numbers.

Moderator: Sorry to interrupt, Mr. Amol. Can you please switch to handset mode. Your audio is not clear.

Amol Rao: Am I audible now?

Anubhav Gupta: Yes.

Amol Rao: Anubhav, wishing you and the entire team at SG Mart a very Happy Diwali and prosperous New Year. Just wanted to reconfirm a couple of details that you mentioned on the call. Is it right to assume that the trading service business and the distribution business had a revenue breakup of approximately INR1,550 crores and INR270 crores? Are those numbers in the ballpark for this quarter?

Anubhav Gupta: It is 65% B2B, 20% service centers and 15% distribution.

Amol Rao: And Anubhav, one more question. So the 10 new service centers that are in the works for next year, they should see a full year of operations in FY27. Is that right to assume?

Anubhav Gupta: Of course. We expect service centers to contribute 40%, 50% to our revenue in the next 2 years.

Amol Rao: In the next 2 years. So FY27 is a safe assumption for this metric?

Anubhav Gupta: Yes so it's like I'll tell you. See, I mean, the math for B2B metal trading and the service center is number one to procure steel. So we have started procuring steel. Right now, I don't have service centers, so that's why I'm making B2B deals with my clients. Once I have service centers then I will sell steel in processed form or I will sell through stock and sell model. So for service centers to contribute more, I need to have operational service centers.

Amol Rao: Lastly, we are sitting on approximately INR1,100 crores to INR1,200 crores of cash on the books. So this gets deployed as and when service centers get commissioned. This is for the capex of the service center and also for the inventory of the service center, right?

Anubhav Gupta: Yes that is right. So for FY27 our target is INR18,000 crores revenue. Of course, 5% to 10% will depend on how these steel prices are, but let's assume INR17,000 crores to INR18,000 crores of revenue. Assuming 20 days of working capital cycle plus 30, 35 service centers which shall be operational. So that will help me fund the growth for the next few years.

Amol Rao: Thank you so much, Anubhav. That's it from my end. Thank you so much. Wish you all the best.

Anubhav Gupta: Thank you.

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

Anubhav Gupta: Thanks, Siddhant, for hosting us. And thank you, all the participants for joining in our Investor Call. Look forward to talk to you again for the quarter 3 FY25 financials. If any question is unanswered, please reach out to our investor relations team. Thank you so much.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.