SG MART
ONE MART. INFINITE POSSIBILITIES

Date: January 28, 2025

To
Department of Corporate Services/Listing
BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Scrip Code: 512329

Dear Sir/ Madam,

Subject: Transcript of the Conference Call held on January 23, 2025

With reference to our letter dated January 16, 2025 intimating you about the conference call with Analysts and Investors held on January 23, 2025, please find attached the transcript of the aforesaid conference call.

This above information is available on the website of the Company.

We request you to kindly take the above information on your records.

Thanking you
Yours faithfully,
For SG Mart Limited
(Formerly known as Kintech Renewables Limited)

SACHIN KUMAR
Digitally signed by SACHIN KUMAR
Date: 2025.01.28 15:14:01 +05'30'

Sachin Kumar
Company Secretary
ICSI M. No. A61525

Encl: a/a

"SG Mart Limited Q3 FY '25 Earnings Conference Call"

January 23, 2025

MANAGEMENT:	**MR. SHIV BANSAL – JOINT MANAGING DIRECTOR, SG MART LIMITED** **MR. SURAJ KUMAR – CHIEF FINANCIAL OFFICER, SG MART LIMITED** **MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER, SG MART LIMITED** **MR. NAMAN RASTOGI – GENERAL MANAGER STRATEGY & INVESTOR RELATIONS, SG MART LIMITED**
MODERATOR:	**MR. HARSH PATHAK – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to SG Mart Conference Call, hosted by Emkay Global Financial Services.

As a reminder, all participant lines will be in 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 "*", then "0" on your touch tone phone.

I now hand the conference over to Mr. Harsh Pathak, Emkay Global Financial Services. Thank you and over to you, sir.

Harsh Pathak: Yes, thank you, Manav. Good evening, everyone. First of all, sorry for the delay due to some technical slack during uploading the results we had to postpone the call. However, we will start the call now.

I would like to welcome the management and thank them for the opportunity. We have with us today Mr. Shiv Bansal – Joint Managing Director; Mr. Suraj Kumar, – Chief Financial Officer; Mr. Anubhav Gupta – Group Chief Strategy Officer; and Mr. Naman Rastogi – General Manager Strategy & Investor Relations.

I shall now hand over the call to the Management for the Opening Remarks. Now, over to you gentlemen.

Anubhav Gupta: Thanks, Harsh. And thanks, Emkay for hosting SG Mart for its Quarter 3 FY '25 Earnings Call. I welcome all the participants who have joined on this call.

We would like to apologize for starting this call late as there was a technical snag with the Stock Exchanges while uploading the Results. I am not sure how much time everyone got to look at the results, but I would quickly run you through the Results, and we will discuss about our performance and then we will have a Q&A session.

So, if you look at the revenue, we did around Rs. 13.5 billion, which was of course a big jump on Y-o-Y basis. But quarter-on-quarter it was a decline because of our B2B business where there were no imports in the Quarter 3. Q2 there was bump up in the B2B metal trading business because of heavy imports. But in Q3 imports were not viable, so all these sales, all the supply was domestic. We will talk about segment wise performance once I finish the rundown on the Quarter 3 Results.

Our business EBITDA recovered sharply to Rs. 28 crores which is a big jump Q-on-Q and Y-o-Y. Last quarter we had to book inventory losses, but this quarter was business as usual and our operating EBITDA margin was 2.1%, which we have been guiding for. And because of other income, the net profit also was Rs. 28 crores, which increased both Q-on-Q and Y-o-Y, with the net margin of 2.1%.

The working capital days were 10, which was are higher compared to FY '24 March numbers. But here nothing to worry because the inventory days and debtor days are stagnant. It is just that the creditor days have reduced as we are sourcing more steel from domestic players. So, a lot of money is into advances to buy steel. But still, our ROCE on this working capital is 32%. So, again, we are getting to normalized WC. And also, more and more service stations are opening, so working capital days, as we have guided for, will remain between now 15 to 20 days, but still, we have some time to go there. And ROE stands at 8% which includes obviously Rs. 800 crores of fixed deposits in the balance sheet. Otherwise, ROE would also be upwards of 20% if we calculate business ROE.

Then there's a big jump in the registered customers. So, now we are servicing 2,126 customers, which was like 1,270 last quarter, so a lot of new customers were added. And at the same pace, the registered vendors, the suppliers for various products, that also increased to 223 from 145. We spent around Rs. 142 crores in the first nine months of the current fiscal year towards the CAPEX. So, two of our service centers are operational, the Ghaziabad and the Bangalore. The other three, Dubai and Raipur and Pune, there we spent money to finish the construction and start those units. So, one by one all will be operational in Feb. Plus, we have identified five new locations for new service centers for which the CAPEX should start next month. We started identifying the land.

Then update on our solar structure business:

We have ordered the machinery which will roll the solar mounted ground structures. And as we are talking the trials are underway at the machine supplier end, and we expect to have a first sale in the month of February itself. We see this as a big revenue potential for SG Mart as we are getting into hyper growth renewable sector in the country which will boost our revenue and profitability, both.

Now coming to segment wise, there are like three segments for revenue:

#1. B2B metal trading

#2. Service center business

#3. B2C, which is a distribution business.

Now, Rs. 1,350 crores of consol revenue in Q3, it results to sales volume of like 290,000 tonnes, a tad below 300,000 tonnes. Now, out of this, the B2B metal business, if you look at the imports, like there was absence of imported steel, so this business declined from like Rs. 1, 200 crores to Rs. 700 crores Q-on-Q.

The service center business is ramping up pretty quickly, so here there is a small jump on quarter-on-quarter basis, but this will be a heavy jump in Q4 as the Pune, Raipur and Dubai service centers operationalize. Plus, we will see quarter-on-quarter growth for a number of quarters as more and more service centers will keep on opening.

Then third is B2C, which is distribution business, here also we saw 5% jump on quarter-on-quarter basis with TMT sales gaining some momentum as the construction activity picked up in Q3. And we expect that Q4 the construction activity shall further pick up and it will boost our TMT sales volume.

Then, like last quarter we introduced light structural business as well, so that is also ramping up gradually, as we are adding more and more customers to sell those products. So, overall, the run-rate of 1.2 million, 1.5 million tonnes of sales volume is what we are looking at an annual basis with 2.1% to 2.25% EBITDA margin as the business scales up. And once we have more service centers coming up, once the solar structure sales start, you will see the margin also picking up pretty strongly and we will achieve towards 2.5% of guided EBITDA margin.

And our revenue guidance of Rs. 18,000 crores in FY ’27, that remains stable, except the fact that depending on like how the steel prices will behave, the exact value will vary on that. But the volume which we had in mind which was like 2.5 million to 3 million tonnes, this is what we are going to achieve by FY ’27 with the desired EBITDA margin of 2.5% and 15 to 20 days of net working capital cycle, which will keep our ROCE in upward of 30% range.

That's it from our side. And now we can have the Q&A session. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Abhishek Gupta from AB Capital. Please go ahead.

Abhishek Gupta: You had guided for Rs. 7,000 crores to Rs. 8,000 crores revenue for FY ‘25 and Rs. 13,000 crores to Rs. 14,000 crores revenue for ’26, are you still holding on to that guidance?

Anubhav Gupta: So, see, this guidance is based on the volume, right, and net selling realization, because steel prices have fallen sharply by 15% to 20% in last 12 months. So, that's why the value will decrease because anything we do is a pass-through customers. So, yes, I mean, the basis of Rs. 7,000 crores revenue guidance was around 1.2 million to 1.5 million tonnes of sales volume. So, this is what we are going to achieve, right. And next year it was based on around like 1.8 - 2 million tonnes of sales volumes. So, again this is what we shall achieve. So, sales volume we should achieve, exact revenue will depend on the value what we get, what we realize on steel prices.

Abhishek Gupta: On value terms can you tell as to how much it might be?

Anubhav Gupta: I am sorry, can you come again?

Abhishek Gupta: In value terms, can you put a number to it as to how much you will achieve in FY ‘25 and in ’26 based on the current prices?

Anubhav Gupta: Yes, right, so far, we are around 900,000 tonnes as guided, and we should be like another 300,000 million tonnes in Q4, so we shall surpass 1.2 million tonnes for the full year.

Abhishek Gupta: No, sir, on value term I told.

Anubhav Gupta: Value term, so again, see, value term so far, we are at like Rs. 4,300 crores, right, somewhere around. And if we do Rs. 1,600 crores - Rs. 1,700 crores, right, we shall be around Rs. 6,000 crores.

Abhishek Gupta: And in FY '26 can you tell the numbers?

Anubhav Gupta: So, you should expect like 40% jump over this.

Moderator: Thank you. We have our next question from the line of Heath Parikh from Ashika Institutional Equities. Please go ahead.

Heath Parikh: Sir my question is on the service side of business. So, Raipur and Dubai service centers were going to be operational this quarter, so what caused delay in these centers? And number two sir, the already existing two service center business, what kind of volumes we are seeing from those centers? We firstly mentioned about the reaching up to 40,000 - 50,000 tonnes a month of volume from those service centers, so how is the demand side there?

Anubhav Gupta: Right. So, right now the volume from service center is around like 40,000 tonne per month, right, from these two service centers. So, that's our max as well while opening a service center. But service center in a metro city, right, that should give volume between 20,000 tonnes to 30,000 tonnes a month, right. And the smaller centers in smaller cities will give volume of like near about 5,000 tonnes. So, far the two centers which are operational, they are in metro cities, that's why the volumes are high, 40,000 tonnes put together. And Pune also we started, like Pune what we have done is that since our service center is still not finished, so we took a service center on rent, right, and started setting the market. So, next month when we move from the rented place to our own service center, the volume will increase. And Raipur and Dubai, of course, will further boost the volume. And the reason why these service centers got delayed were because of some extended monsoon in the Quarter 3 which hampered the construction of the industrial sheds.

Heath Parikh: Sir, what about zinc business, how is the volume there in this quarter?

Anubhav Gupta: So, zinc business is like a bit of opportunistic, right. This quarter the revenue from zinc was not that high, right. At peak it was doing same, Rs. 5 crores to Rs. 10 crores per month. But this quarter it was a bit low because there was volatility in zinc prices, so we did not try to do much.

Heath Parikh: Sir, if you could quantify.

Anubhav Gupta: That will be like a very small number.

Heath Parikh: And sir, lastly, if you could give me the breakup from all the three verticals in terms of volume for this quarter as well as for nine months, sir.

Anubhav Gupta: Like I said that we are tad below 300,000 tonnes, right, 150,000 tonnes is B2B, right. 50,000 – 60,000 tonnes is, I am talking about the quarter, right. So, 100,000 tonnes is for the service center and around 45,000 tonnes is for distribution business. That's how the mix becomes around low 300,000 tonnes.

Heath Parikh: And lastly, sir, we have not booked any inventory last this quarter.

Anubhav Gupta: Sorry, say that again.

Heath Parikh: If I may, I was just confirming, we have not booked any inventory loss this quarter, right?

Anubhav Gupta: Inventory what, loss?

Heath Parikh: Yes, inventory loss. Last quarter we booked around --

Anubhav Gupta: No, last quarter there was very sharp decline in the steel prices of almost 15%, right, so this does not happen often. It's a once in a decade scenario when prices fall that sharp. So, yes, I mean, Rs. 1,000 to Rs. 2,000 per tonne movement in steel prices does not impact our business model or affect our margin.

Heath Parikh: Yes, I was just confirming, so there was no effect on inventory loss this quarter.

Anubhav Gupta: That's right.

Moderator: Thank you. We have our next question from the line of Krunal Shah from NM Investments. Please go ahead.

Krunal Shah: Just wanted a little clarification on the numbers you mentioned. So, you said service center did 100,000 tonnes kind of volume for the quarter, right?

Anubhav Gupta: 300,000 tonnes.

Krunal Shah: No, no, the service center business.

Anubhav Gupta: Service center, yes. So, service, there are two things. One is stock and sell, right. And second is the sheet cutting, right. So, put together it's around that.

Krunal Shah: Okay, stock and sheet cutting you put it together over there, okay.

Anubhav Gupta: Yes, that's right.

Krunal Shah: And sir, margin would be different, right, for both, cutting would be higher, stock and sell would be just normal like B2B?

Anubhav Gupta: No. So, stock and sell is higher than B2B. In B2B we get like 1% - 1.5% margin. But in stock and sell you sell in retail, right, so obviously you get better margin, much higher.

Krunal Shah: And so in terms of the blended margins for the service center business right now, what would that stand at?

Anubhav Gupta: You can assume like around 3% to 4%.

Krunal Shah: 3% to 4%?

Anubhav Gupta: Yes.

Krunal Shah: So, that is including stock and sell?

Anubhav Gupta: Of course, yes.

Krunal Shah: So, now we have all these three service centers running. In terms of capacity utilization, what would that be? Or in terms of peak capacity what could that be?

Anubhav Gupta: The service centers can do minimum like 70%, 80% more business from what it is, because like I said the inventory, see, stock and sell we just need to keep inventory, inventory is still small, right, it is not much, and we have a lot of space available. If you come and look at our service centers, you will find that, right, our service centers are pretty big. Then second is sheet cutting, right, so there also if the demand is more, we want to ramp up more, we can order machinery, right, and install new. So, from existing set up we can easily sell 70%, 80% more if there is demand.

Krunal Shah: So, that 20,000 number that you mentioned can easily go to 40,000 kind of?

Anubhav Gupta: Yes, if there is demand in that region.

Krunal Shah: If there is demand in that region, right. And so now you have identified five more sites. So, these would be mostly the smaller cities?

Anubhav Gupta: Three are big, two are small. So, right now the focus is to leverage on the larger cities, right, because that's easy sell, okay. And then in second phase we will move towards smaller cities. But we believe that in India we can have at least 15, 20 large service centers.

Krunal Shah: And in the larger cities, how is the competition reacting to your entry in the service center business?

Anubhav Gupta: So, they are very small, right, so we do not have any organized players here, right. So, they are pretty small mom and pop stores. So, as such, I mean, difficult to say the reaction because they are unorganized and small mom and pops. But yes, I mean, we have a strength in steel sourcing and then strong brand, right, so we do what we have to do.

Krunal Shah: In terms of B2B metal trading, you said that imports were unavailable for the quarter, can you just elaborate a little bit more on that?

Anubhav Gupta: So, one is that there is a risk of safeguard duty, right, so anyways the imports are minimalized. Then second, the domestic steel prices have come off so much that the steel prices after all the duties in India, they are also at parity, right. So, there is no point of keeping up 90 days of cycle, right, which can help spurt the steel price swings, right, so domestic steel is viable today.

Krunal Shah: So, for import you have a 90 days kind of cycle, right, from ordering to delivery?

Moderator: Sorry to interrupt, sir, may I please request you to please rejoin the queue.

Krunal Shah: Yes, sure.

Anubhav Gupta: Yes. So, the vessel takes like 90 days to reach.

Moderator: Thank you. We have our next question from the line of Chirag from White Pine Investment Management. Please go ahead.

Chirag: Sir, just a clarification, our business model works on a per kilogram basis, right, and not on margins basis. Because if steel prices keep coming down, then if you have a business model is on margin basis then it has a direct impact on our profitability.

Anubhav Gupta: Right.

Chirag: That's what my question is. So, is our business model based on margin basis or it is on per kilogram basis?

Anubhav Gupta: I mean, obviously, steel normally you look at rupees per tonne, right, that's the right way to look at it.

Chirag: No, what I am asking is, suppose on Rs. 100 per tonne you make Rs. 2 per tonne kind of EBITDA. If Rs. 100 becomes Rs. 90, your EBITDA per tonne will also become Rs. 1.8, right, it will not stay as Rs. 2?

Anubhav Gupta: How we should look at it is, obviously, as the steel prices go up and down the percentage margin will change, right. So, when we say that 2%, 2.5% EBITDA margin, right, that is based on the assumption of rupees per tonne as well, right, back calculation. So, if you look at, I mean, our EBITDA per tonne over the last quarter, it has been around like Rs. 1,000 per tonne around.

Obviously Q2 was bad, right, but otherwise barring Q2 we have been around Rs. 1,000 per tonne, plus/minus, and that's why our margins are between 2% to 2.5% EBITDA range.

Chirag: Why because sir, because you always speak in terms of margin, then that's why I was curious. Internally you look at per tonne basis or you look at margin.

Anubhav Gupta: No, business model is we look at per tonne basis. But yes, I mean, because there are multiple verticals, right, so that's why investors and analysts we are talking about margin. See, I mean, but whatever steel prices behave, right, say like from Rs. 60,000 a tonne right now the selling price is Rs. 50,000 a tonne. From here on the volatility won't be that much, right. Obviously, there would be some blue moon scenarios, but we should be in that range, plus/minus 5%, 10%. So, even if you look at optically, the margins will be between 2% to 2.5%.

Chirag: So, if steel prices are on the higher side your margins would be at the lower end, and if steel prices are on the lower side our margin should get the higher end once the volatility subsidies. That is the way to look at it?

Anubhav Gupta: That is right.

Chirag: The second is, can you just talk about this FOREX accounting, why it's a business gain and unlike how the accounting standard requires it to be other income? Because you do not export, right, this has to be more on the import.

Anubhav Gupta: Yes, this is import only, right. So, we gain on import income, right. Steel prices margin what we made, right, the auditor wanted to show it as like FOREX gain. But then none of our contracts are like naked, they are always hedged.

Chirag: Sir, but can you talk a bit about it, how it is exactly structured so it is not a volatile income or not a speculative income in that sense?

Anubhav Gupta: No, no, it is not. It's a gain on sale of imported steel, right. Why auditors put it in other income is because they classified it as like FOREX gain. But then my point is that we do not keep any of the contracts naked, they are always hedged. A FOREX gain comes, or FOREX loss comes when your contracts are naked, right. None of contracts are naked, they are always hedged. But just because of some classification they have to put it in like other income. So, what I can tell you on record is that none of our contracts are naked, they are always hedged. So, there is no risk or gain to the FOREX volatility.

Chirag: So, when you say hedge do you refer to the end customer for selling hedging or currency hedging?

Anubhav Gupta: No, no, dollar is hedged.

Moderator: Thank you. We have our next question from the line of Rishikesh from Robo Capital. Please go ahead.

Rishikesh: Sir, can you guide for the revenue for quarter four for FY '26 as well?

Anubhav Gupta: You mean the volumes?

Rishikesh: Revenue guidance.

Anubhav Gupta: Revenue is just like this. See, I mean, we should be between Rs. 1,500 crores to Rs. 1,700 crores for Q4. Obviously, we are waiting for some pickup in construction activity which can lift our TMT sales, right. And also pick up in overall steel demand, which is led by multiple industries, whether it is capital goods or construction or white goods, so there is like overall stress in the country. That is what is like preventing us from doing Rs. 2,000 crores of revenue run rate per quarter. But based on current scenario, we believe that we should be touching minimum Rs. 1,500 crores. And if things pick up so we can reach Rs. 1,700 crores, Rs. 1,800 crores as well. But yes, I mean, Rs. 1,500 crores we should definitely do. And for FY '26, assuming we do Rs. 1,500 crores in Q4, so the full year we shall be closing around Rs. 6,000 crores, right. And like I said that, I mean, we should assume 40%, 50% jump on this. So, yes, Rs. 9,000 crores to Rs. 10,000 crores is what should come. I hope I am clear.

Rishikesh: Yes. So, currently we are at 1.6% EBITDA margin, so what has to happen for us to go to 2.5% levels? And by when is it possible? Can we say for full year FY '26 you can achieve that margin?

Anubhav Gupta: So, 1.6% for nine months is because of inventory losses in Q2, which are now going to be repeated, right. So, if I remove the inventory losses, we are already above 2%, right. As new service centers come up which have more profitable products, right, so margin should inch up to 2.2%, 2.3%, 2.4% and 2.5% eventually as we also ramp up our solar structure business.

Moderator: Thank you. We have our next question from the line of Alisha Mahavale from Envision Capital. Please go ahead.

Alisha Mahavale: Just wanted to understand, in B2B metal trading you said that imports were not viable because there's parity with domestic scene prices, which meant that then we could have just procured domestically. Then why do volume degrow sequentially?

Anubhav Gupta: Yes. So, see, it takes time to make deals with the steel producers, right, because they have their own commitments. So, it's just that suddenly the imports became unviable, right, and then we started talking to all these steel mills, right. So, yes, for Q4 we are pretty sorted. But yes, we did not have much time to procure that much steel, right. And that still has to come at our cost, okay. So, yes, I mean, Q4 now we have good supply with tie-ups with all the mills. And also see, in India, like in last 11, 12 months, right, since NMDC and JSPL put up the capacity after a gap of five years in Indian upstream steel sector, then JSW's two blast furnaces started. So, overall, 10 million to 12 million tonnes of new steel capacity came, right. But actual steel in the market is only around like 30%, 40% of that, rest of the blast furnaces are still getting rammed up. So, scenario is improving month on month for domestic steel supply. And in Q4, Q1 we expect like lot of steel coming from Indian mills which would boost our B2B metal trading volumes.

Alisha Mahavale: Just a clarification here, do we have tie-ups or have we started servicing from all the top five steel manufacturers, because I believe earlier we were only working with just one or two, so have we managed to now or have contracts with all?

Anubhav Gupta: Yes, we are buying steel from the top four producers out of five.

Alisha Mahavale: Now moving to the service center business, Raipur and Pune, have we started or are they yet to? I mean, you mentioned there was a delay, but as --

Anubhav Gupta: Yes. So, Raipur has not started, Raipur will start next month. Pune, because of delay what we did was, we took a small service center on rent, right, and then we will move to our own service center next month when it is 100% ready.

Alisha Mahavale: The way to understand it is that all three, Dubai, Pune and Raipur, will probably start by end of Feb or March, which means they will start contributing in Q1 of next year?

Anubhav Gupta: That's right. So, yes, there is three, four months' delay because of like this monsoon impacted the construction activity.

Alisha Mahavale: And the five sites that we have identified, how quickly will they commercialize, what is the kind of lead time one can expect?

Anubhav Gupta: Next day. I mean, that's when steel prices move. See, normally steel prices are revised once in a month, right, on the first or second day of every month. So, whatever reactions the companies have, whether plus or minus, so we also revise it like immediately.

Alisha Mahavale: No, I think my question was, I do not think it was very audible. The five sites that we have identified for the service center business, you mentioned that you have identified five sites, right? Just wanted to know by when can you expect it to commercialize, what is the lead time?

Anubhav Gupta: I am so sorry, yes, yes. So, the target is December 2025 to March 2026.

Alisha Mahavale: Almost towards the end of next year?

Anubhav Gupta: Yes, that's right. Because these are larger sites, right, which can do 15,000 - 20,000 tonnes of volume every month so we need one year to fully construct those.

Alisha Mahavale: But our original aspiration was to probably add 20 service centers.

Anubhav Gupta: That's right. Yes, see Alisha, I mean, see we just took a pause for two months, okay, because imports were not happening, right, then we were tying up with the domestic steel players. And now that the steel looks visible to come in abundance in the Indian market, so two months we were slow and now we have kick started it, right. So, five we had identified, my team is already talking to people who can sell, identification is in process, and five more new sites we have identified. So, the work will start on 10 sites during this year, five will be finished by December, and another five may finish by May-June next year. And if Q4, like Q1 we have sensed that, yes, this 10 million tonne steel has now started coming in the market, right, then nothing stops us from going for like 10, 15 sites in single shot next year, 2026 calendar year. So, just that we cautiously took a call for two months, we just wanted to see how the steel supply behaves. On paper, 10 million tonnes steel has come, right, but in market it's only 3 million tonnes, 4 million tonnes which has come, right. But it has to come because blast furnaces have got fired, they have started. So, two, three months just ramp up is taking time. The moment it hits, we will be ready with our service centers.

Moderator: We have our next question from the line of Dharmil Shah from Dalmas Capital Management. Please go ahead.

Dharmil Shah: Just wanted to know, why were the imports unviable, if you can elaborate on that part, maybe you mentioned, but I maybe missed it earlier.

Anubhav Gupta: Sure. See, it is the costing, right, the landed cost of imported steel in India versus the domestic steel prices.

Dharmil Shah: Okay. Well, the prices were quite high for imports, is this what you are referring to?

Anubhav Gupta: No, no, not high. But the gap was so low that it does not make sense to import.

Dharmil Shah: And usually what is the mix between the domestic sourcing and imports? I mean, what was it this quarter and what would you like it to be?

Anubhav Gupta: So, this quarter was very low, right, last quarter was Q2 on average, I mean, given the stress in the domestic steel prices, right, and anyways see, everyone's talking about bringing safeguard duties on every product, right. So, if there is safeguard duty on steel also, so then import will be 100% unviable anyways, right. So, import is not part of our business model now.

Dharmil Shah: And can you again just give a breakup of segmental volume break up for all the three divisions?

Anubhav Gupta: So, out of like Rs. 1,300 crores which we do, right, this is what you want to break up?

Dharmil Shah: Yes, volume break up for the three divisions.

Anubhav Gupta: So, overall quarter was around 300,000 tonnes, out of that B2B for the quarter was around 150,000 tonnes, 100,000 tonnes was service center, and 50,000 tonnes was distribution.

Moderator: Thank you. Our next question is from the line of Ayush Vimal from Clearview Capital. Please go ahead.

Ayush Vimal: You scaled up the B2B division quite well over the last few quarters. My question is, are you really displacing the existing distributors which the plants used to cater to, or you are rather distributing capacity from fresh plants that are being set up? Is it more of market share that you are gaining, or you are more relying on market growth?

Anubhav Gupta: So, there are two things, one is that we are not trying to displace anyone, right. What we are trying to do here is become a large reseller of steel and then distributors can buy through us, right. It is like say one distributor is attached to steel mill one, but he is not getting steel from mill two. So, he can buy material from SG Mart for steel mill two, because SG Mart is buying from all the steel mills, one, two, three, four, and five. So, this is one type of group. Second is like the steel mills are also attached with a lot of small dealers and distributors, so they themselves are telling us that, okay, you become large reseller and then let the smaller distributors buy through you because their headache comes down. And third is, yes, I mean, steel demand in the country is growing okay compared to whatever economic data we keep on hearing. So, yes, I mean, incremental steel supply, which is coming in, we are taking that share as well.

Ayush Vimal: Thanks. On point one, what I basically understood is you are actually pushing down the distributor who's directly buying from the plants down the distribution chain. So, now instead of directly buying from the plants, he's buying it through you. In terms of pricing and working capital, is he better off buying through you compared to buying directly from the plant? And if so, why is that the case?

Anubhav Gupta: Because see, the steel mills always work on quantity discounts, right. You buy X tonnes you get this discount. You get X quantity; you get Y discount. You buy Z quantity you get A discount, right. Because we are buying more, so obviously just as a slab cycle, my cost of purchase is low, right. So, which I keep it to myself and pass it on to the dealers, right. And then I am having steel from multiple steel mills, right, so I am keeping the stock so for him it becomes just in time. And then if you see, I have 10 days of credit as well, right, whereas steel mills normally do not offer credit to its dealers.

Ayush Vimal: Got it. So, basically the steel mills are able to evacuate capacity faster when they deal through you and that is why they are giving you that quantity discount, right?

Anubhav Gupta: Yes, that is right.

Ayush Vimal: Second, just a clarification. So, the Rs. 6.2 crores of derivative income that's included above EBITDA in this quarter --

Anubhav Gupta: No, that’s not derivative income, I mean, that's a gain on my steel sales, right. But yes, somehow it just got into classification of FOREX.

Ayush Vimal: That's very well understood. I understood the logic behind it. My question is, you had incurred a loss of about Rs. 3 crores in the first two quarters combined, right, because the he nine months gain is Rs. 3.5 crores and this quarter it is Rs. 6.5 crores. So, the loss that you had incurred for the first two quarters, in your presentation, is it included above EBITDA or is it included below EBITDA?

Anubhav Gupta: Sir, nine month numbers had been adjusted basically.

Ayush Vimal: So, for quarter one and quarter two the numbers that you have in your presentation, in the table, the loss --

Anubhav Gupta: Yes, because that number was very small, so we did not bother much, but this quarter the number came out pretty big, so we had to highlight it.

Moderator: Thank you. We have our next question from the line of Vikash Mistri from Moonshot Ventures. Please go ahead.

Vikash Mistri: We were discussing that our business' EBITDA per tonne, so you said it's Rs. 1,000 per tonne. Then if the steel prices goes up, which we do not see it goes up in hurry, but if it goes up then the margins would start reducing. What will be the steady state? We think that your steady state margins will be a Rs. 1,300 per tonne as we are trying to scale up other two --

Anubhav Gupta: No, no, no. If steel prices go up, right, what I was saying was that optically percentage margin will look down, but it will not impact my EBITDA per tonne, which is Rs. 1,000 today, it does not get impacted.

Vikash Mistri: Yes, that's also we are seeing. But let's assume in hypothetical case in FY '27 the price of steel goes to Rs. 60 per kilogram, then your EBITDA margins would be lesser than 2.5%. Should it be around 2%, it the right understanding?

Anubhav Gupta: They could be, but then there could be some inventory gains, like in Q2 I booked inventory loss, right, steel prices crashed by Rs. 8000 a tonne, now if we assume --

Vikash Mistri: Sorry to interrupt, Anubhav, inventory gain is a one-time exercise, so we do not look at that.

Anubhav Gupta: That's what, no. So, when we are looking at our business model on per tonne basis, right, then percentage margin of 2.1%, 2.5% does not make sense, right. Plus, when you have lot more value-added products, right, like in service center business I make Rs. 2,000 per tonne which is like 4% margin today, right, I will have 30, 40 service centers up and running by FY '27, right. A lot of my revenue will be highly profitable. Then solar mounted structures, again it's highly profitable product which we are adding to our portfolio. So, I think what I can tell you is that no matter steel prices are Rs. 50,000 or Rs. 60,000 a tonne, our focus is that from Rs. 1,000 per tonne we take it to around Rs. 1,200, Rs. 1,300 per tonne based on the product mix.

Moderator: Thank you. We have our next question from the line of Vivek Patel from Viacom Family Office. Please go ahead.

Vivek Patel: Just two quick questions, first is, what is the HRC price as of now? And what are the steps taken to get the recent price change impact? Right now, the market rate is Rs. 47,500 to Rs. 48,000 per tonne. And what about the steps, is it in the model so that the prices change would not hurt us as much as it would hurt others?

Anubhav Gupta: I am sorry, I am not able to hear you properly, can you speak a bit away from the mic?

Vivek Patel: I was just asking, as to the price change that happens, how does that impact us in the sense that how does the business model absorb that?

Anubhav Gupta: So, in India the steel prices are normally revised once in a month on first or second date of every month, like 11 out of 12 months this is the scenario, right. It is only like one month when the revision could be twice, but normally 11 or 12 months the revision is once, the first week of the month, like by second, third normally the Steel Authority normally comes out with the pricing. And whatever revision is done, whether plus or minus, we immediately react to that, right, we immediately react to that.

Vivek Patel: Secondly, in the investor presentation in FY '27 you expect revenues of Rs. 18,000 crores, in that slide it is written that we expect only 33% of that, that is Rs. 6,000 crores to be coming from service center segment. But in the last concall, if I am not correct, I think you mentioned the contribution from service center to be 40% to 50% of your FY '27 revenues. Am I understanding it correct or is there any –

Anubhav Gupta: No, the business will be split in three segments of Rs. 6,000 crores each, right. And this Rs. 18,000 crores number depending on the steel prices, right. So, yes, whatever it is, whether it is Rs. 15,000 crores or Rs. 18,000 crores, it will depend on the steel prices. The volume should be on 3 million tonnes basically.

Moderator: Thank you. We have our next question from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Congratulations on a good set of numbers in a tough environment. Anubhav, so how do you look at ramping up of white label products in the mix? Because they are more margin accretive, so how do you look at this angle?

Anubhav Gupta: Right. So, there are two main products here, one is the light structural, second is TMT bar, rebars, right. Both are used in construction, right. And unfortunately, construction demand has been pretty slow, so we are not able to ramp up TMT sales significantly, right. But yes, I mean, we wait for environment to become better, which it should in next few months and then white label products will grow at a much faster pace.

Bhavin Pande: So, we can expect some benefit to flow through towards margins, right?

Anubhav Gupta: Definitely, definitely yes. So, see, I mean for margins, as service center even boosts my margins, solar structure will boost my margin, white label product will boost my margin, we have enough levers, enough new products, enough ramp up which will keep on boosting my margins.

Can we take last two questions, please.

Moderator: Sure, sir. We have our next question from the line of Rakesh Jain from RK Capital. Please go ahead.

Rakesh Jain: I wanted to know what will be the interest expense trajectory going forward. So, even though you are sitting on cash today, there is a significant interest cost due to your working capital requirements, I believe. So, how should we see this interest expense trajectory as well as the other income trajectory over the next few quarters?

Anubhav Gupta: If you look at my gross block today, right, my total capital employed which should be all funded from cash in my books. But I have not done that. So, working capital, why you see debt on my books is because I tell my sales people that, hey, you do not have cash on your company balance sheet. So, say for example my fixed deposit rate is 7% today. I take limit from HDFC Bank at 7.1%, 10 bps extra. And when I tell my sales person that if you are using this working capital, which is at a cost of 7.1%. So, he is always under pressure for the collections. If I tell him that this is equity company's net worth of company's cash on the books, right, so the receivable cycle may deteriorate, which I do not want to. So, just to put pressure on our sales team that that this is like interest bearing loan and you have to ensure that the working capital remains pretty low.

Rakesh Jain: I hope your sales employees are not listening to this call, anyway.

Anubhav Gupta: Yes, that's what, so it's only us the management here on the call, that's right.

Rakesh Jain: But going forward, like this interest expense trajectory like as and when you start opening more and more service centers so you will have to maybe take some debt or raise some equity as you progress.

Anubhav Gupta: No, no. See, I mean, this money which you have in the books, right, plus the cash flow what we are generating today, it is enough to do Rs. 30,000 crores - Rs. 35,000 crores business, right. The total capital employed what we understand is like Rs. 2,500 crores, right. So, Rs. 1,300 crores, Rs. 1,400 crores is my cash when we started the business, plus Rs. 700 crores, Rs. 800 crores would be cash for cumulative generation. So, Rs. 2,500 crores is what we shall invest to generate Rs. 30,000 crores, Rs. 35,000 crores of revenue.

Rakesh Jain: So, the interest cost will remain stable at these levels, or it's not going to increase in the future, the interest expense?

Anubhav Gupta: See, if I do my business, I will get more working capital, right. So, my other income will also increase and my interest income will also increase, right. So, more or less, they will remain same.

Rakesh Jain: So, it will not be the case that your other income will start going down in the future as you open more and more service centers and your interest expense will continue to rise, so that's not the case, basically both will offset each other more or less.

Anubhav Gupta: Yes, because right now we are looking at very light working capital days, right. Unless, we have 20, 25 service center which will take my working capital to 20, 25 days, which eventually it will, right till then the interest income and the interest cost shall net each other.

Rakesh Jain: But the 20, 25 service centers you are planning to open over the next --

Moderator: Sorry to interrupt sir, may I please request you to rejoin the queue.

Anubhav Gupta: Yes, just to end it, in the next 15, 20 months we shall be like 15 service centers operational and 10 will be under construction.

Moderator: Thank you. Ladies and gentlemen, the last question for today is from the line of Aastha from Pikaday Advisors. Please go ahead.

Aastha: My question is that, we saw first time in our Q-to-Q revenue the revenues have dropped for the first time, and we have revised our revenue guidance as well. So, is this a seasonality finally catching up?

Anubhav Gupta: No, the reason for fall in quarter-on-quarter revenue was on the account of less imports, right, in Q3 compared to Q2. Q2 there was a big spurt in import volumes, but this quarter import was not viable, and it took us one to two months to make deals with the Indian steel mills for steel supply which we have now in place. So, yes, I mean, Rs. 300 crores, Rs. 400 crores revenue loss may be there for the whole year of FY '25.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. And I now hand the conference over to the management for closing comments.

Anubhav Gupta: Thanks Manav. And again, thanks to Harsh and Emkay for hosting us. And apologies for this delay for the call to all the participants. If there are any questions unanswered, please reach out to our team, Naman, Suraj and myself, we shall address everything. Thanks so much. Have a nice evening.

Moderator: Thank you so much, sir. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.