**Date: May 21, 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 May 19, 2025**

With reference to our letter dated May 13, 2025 intimating you about the conference call with Analysts and Investors held on May 19, 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: 2025.05.21 17:43:42 +05'30'

**Sachin Kumar**
**Company Secretary**
**ICSI M. No. A61525**

Encl: a/a


**SG MART LIMITED**
(formerly known as Kintech Renewables Limited)
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"SG Mart Limited

Q4 FY '25 Earnings Conference Call"

May 19, 2025

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| **MANAGEMENT:** | **MR. SHIV BANSAL – JOINT MANAGING DIRECTOR – SG MART LIMITED**<br>**MR. SURAJ KUMAR – CHIEF FINANCIAL OFFICER – SG MART LIMITED**<br>**MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER – SG MART LIMITED**<br>**MR. AMIT THAKUR – DIRECTOR, HEAD B2B METAL TRADING – SG MART LIMITED**<br>**MR. ACHIT ARORA – VICE PRESIDENT, MARKETING, HEAD SERVICE CENTER BUSINESS – SG MART LIMITED**<br>**MS. ANAMIKA GULATI – RENEWABLE BUSINESS – SG MART LIMITED**<br>**MR. NAMAN – STRATEGY AND INVESTOR RELATION – SG MART LIMITED** |
| **MODERATOR:** | **MR. HARSH PATHAK – EMKAY GLOBAL FINANCIAL SERVICES** |

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of SG Mart Limited, hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Harsh Pathak:** Yes. Thanks, Pooja. Good afternoon, everyone. On behalf of Emkay Global, I would like to welcome the management of SG Mart and thank them for this opportunity. I shall now hand over the call to Mr. Anubhav Gupta, Group Chief Strategy Officer, for the opening remarks. Over to you, sir.

**Anubhav Gupta:** Thank you, Harsh, and thanks to Emkay Global for hosting SG Mart for its quarter 4FY25 Earnings Call. Good afternoon, everyone. I welcome all of you to our earnings call. Along with me, there is a whole team of SG Mart, which got built over the last 1.5 years since we started the business. I am glad to welcome Mr. Amit Thakur, who is Director and he heads our B2B Metal trading. Mr. Achit Arora, who is Vice President, Marketing, and he heads our Service Centre business, Ms. Anamika Gulati who joined recently to take care of our renewable business. And Suraj Kumar, who is our CFO; and Naman-Strategy and IR. And of course, Mr. Shiv Bansal, who is the Joint Managing Director, and he heads the Distribution business of SG Mart.

Now coming to FY '25 earnings call. This was a first year of full year operations. Wherein we did around INR5,800 crores of revenue with INR103 crores of EBITDA and INR103 crores of net profit. We are excited to tell you that we could create this franchisee in last 18 months since we started the business in 2023. And today, I'm proud to tell you that we will be amongst India's largest trading house with 100% of this INR5,800 crores revenue flowing through P&L.

There is no GMV. It's 100% flowing through P&L and today, we are servicing 2,257 customers, and we are procuring raw materials from 225 suppliers, which consists of large steel mills, large mills for zinc and billets plus MSME and small manufacturers who are producing multiple products.

I can tell you with full confidence that this EBITDA of INR100 crores will grow to INR200 crores in FY '26 and INR400 crores in FY '27. As we double our business every year in terms of expansion in each of the verticals. And this will be coupled with minimum threshold of 25% ROCE. Like you have always maintained that for the first 3 years of SG Mart, we will be focusing mainly on steel trading as a product. And the same is visible in our FY '25 performance plus the guidance for FY '26.

Currently, our goal is to buy steel in bulk and become the largest buyer of steel in the country. So, this will take care of the procurement part, then comes the sales part. We have segregated our sales into three verticals for raw steel, which we are buying from steel mills. Number one is a pure B2B metal reading. We buy in bulk; we sell in bulk to large clients.

Second is -- second vertical is to sell through network of service centres, where some mild processing is done for the steel and then steel is sold to multiple customers, multiple factories. This will be done through a network of service centres, which we are creating right now.

The third vertical is to sell steel in form of solar structures. Again, this is mild processing. And we will keep on adding products to these verticals as we buy more and more steel, idea is to process steel in same way and get extra margin over it because the B2B trading always will have limited margin but when we do mild processing and service the industry, the margins become 2x and 3x, and it adds up to the ROCE.

The good part is that all steel mills when we hear the commentary from them, they are bullish on the expanding steel volumes because more and more steel capacities are coming online whether it is flat steel or long steel. Now coming to the vertical-wise B2B business, we are doing around 50,000 tons per month volume and we expect a sharp ramp-up in second half as the more steel comes online. This will grow by 50% next year.

Then the service centre business, right now, five service centres are operational, one in Raipur, one in Bangalore, third one in Ghaziabad, fourth one in Dubai and Fifth in Pune. Now this volume will double as we add five more service centres at the identified locations such as Jaipur, Kanpur, Patna, Siliguri, Ahmedabad, Indore and Bhubaneshwar.

What we believe is that India lacks the network of service centres right now, what happens is there are mom-and-pop unorganized service centres, which are spread across industrial clusters. But we believe that formalizing the network service centre throws up a massive opportunity wherein you buy steel and then process it and sell to multiple user industries.

Now the third vertical, which we started is very interesting, which is solar structures because again, raw material availability is the most critical component here. Now that's where SG Mart strength comes into play. For the sales, we have launched a brand called Sun Steel and we have started selling to two large independent power producers who are setting up massive solar utility parks. And we already have 50,000 tons worth of order visibility, which will be executed in FY '26, and this will easily double in FY '27.

Now the fourth vertical of SG Mart is the Distribution business, which was established to leverage the massive network of downstream steel distributors of the APL Apollo Group. Now the products here, what we sell are TMT and light structural and other downstream products. If we come to TMT, we are doing a monthly volume of 11,000 tons a month, which will increase by 50% in FY '26.

And the other products, which consist of light structural mesh net binding wire, etcetera, these products, we are right now doing INR40 crores of monthly run rate, which means around INR500 crores of annual sales. But in FY '26, we expect this revenue to reach INR1,000 crores, so which is, again, doubling over the current run rate.

Now if we add up to these numbers for all the four verticals, our confidence is that we can hit INR200 crores EBITDA in FY '26. And solar is a new vertical. It will add up to the revenue. So, we believe that any profits could be over and above INR200 crores of EBITDA, which we believe will come from the three verticals, which are B2B trading, service centres and thirdly, Distribution business.

Now coming to cash flow, our working capital for FY '25 March looks a bit stretched at 30 days. Now this is because of two main reasons. One is that we made a lot of advance payments to the steel mills towards the last week of March of 2025, ahead of the tariffs, which were coming -- which were being imposed by the government for import of steel. So almost 10 days of working capital got stretched out of it.

Now that has already got released in May, and the working capital is already normalized. And also because of good demand visibility in the last few days, some sales also shot up, right, which increased our debtor days. But again, that also got realized. So, in the June quarter, we are confident that the working capital will come back to 10 to 15 days, which has always been our target.

Now lastly, just on the capex commitments, which is mainly for the service centre. Like I said earlier, one service centre requires INR30 crores to INR40 crores of investment depending on Tier 1, Tier 2 cities and very minor investments to build solar capacity because that's not a capex-intensive business. So, for next 2 to 3, 4 years, we have taken Board approval for the required capex commitment.

One thing I can assure you that whatever capex we do every year, that will be fully funded from operating cash flows. We don't need any external capital or even debt or even the fixed deposit, which is lying in the banks. This capex for service centres will be 100% funded from the internal cash flows.

So all in all, I would like to reiterate that we are proud of what we have created SG Mart in the last 18 months and the verticals which have evolved and the tie-ups with the steel mills for steel and the way we are selling steel in multiple forms, catering to multiple sectors and the client base of 2,257 days, this will keep on getting increased as we expand our business by 100% year-on-year.

With this, I would like to open the floor for Q&A.

**Moderator:** The first question is from the line of Rohan Baranwal from Arihant Capital.

**Rohan Baranwal:** Sir, can you please describe the recent, like the recommended 12% restrictions on the import from safeguard duty from China and how it affects company's overall portfolio, sir?

**Anubhav Gupta:** Rohan, see, the basis of SG Mart was to capitalize on the increasing domestic capacities in India. Because what we know is that from 2019 till 2023, the domestic capacities were not expanding. It was like mainly stagnant. And from 2023 till 2027, there is almost 70%, 80% increase in the steel capacity, which had already got announced and the mills had started to come online.

So, our focus was always to do long-term tie-ups with the domestic steel mills, right, where the supply is more rational, it is more organized. And imports -- yes, imports are always like opportunistic. You can't build your business model, sustainable business model on imports.

That's why in India, the largest steel trader used to be like doing volume of 25,000 tons a month. Because imports will always depend on the gap between domestic and international prices, which keep on fluctuating.

So as far as SG Mart is concerned, it is not impacting the business model as such because our business model is standing on the thesis that in India itself, the existing six steel mills are increasing capacities a lot. And we want to capture that volume rather than relying on imports where the sustainable supply is always a challenge.

**Rohan Baranwal:** Okay. And sir, in Q3 con call, you said that you had issues with importing from China because of the 90 days like period to wait. And you were also building up tie-ups with Indian manufacturers. So how this has been going forward, sir?

And also, one last question and after this, I'll join the queue. The second question is like the previous -- like your guidance on adding up the service centres was around 10 to 12 service centres adding year-on-year basis. But it has been like while I was looking into your recent presentation, investor presentation, it shows you will be adding around 5 to 6. So, is there any issues with adding up new service centres or like any difficulty in getting land acquisitions and all? So that's it.

**Anubhav Gupta:** Right. So, coming to the first part, today, we are buying steel from 4 out of 6 steel producers in the country. So, this captures almost 60%, 70% of the supply. So, the tie-ups with steel mills are going ahead as per the plan. Imports, like I said, it is opportunistic, okay? But obviously, after tariffs announced in FY '26, the whole industry is not going to be dependent on imports and so is for SG Mart.

Coming to the second question, service centres. So, see, I mean, earlier, we used to feel that a service centre can do volume of 3,000 to 4,000 tons a month. And that's why we wanted to open a greater number of service centres. But what we have learned by operating 5 service centres is that 1 service centre now can-do business of 8,000 to 10,000 tons. If you look at the capacity, capacity is around 12,000 - 13,000 tons a month.

And you can easily get volume of 8,000 to 10,000 tons a month. So that's why if you look at the volume from service centre that we have not reduced. But number of service centres, we have reduced because from one service centre, you are able to capture more volume. So, there is no point putting capex into service centres, which will remain idle. Idea is to sweat the existing service centres to the fullest of their capacities and then go for new service centres.

**Moderator:** The next question is from the line of Akshit Gupta from Oaklane Capital.

**Akshit Gupta:** Congratulations on your good set of numbers on margins and the growth. I have one question regarding the advances to steel producers. So, like we have done advances to steel producers. Will that help with procurement efficiency and the pricing, which could indicate like -- which could increase the margin in Q1 FY '26?

**Anubhav Gupta:** So, it should. But the main idea was to book steel, right, ahead of tariffs imposition. So, to answer your question, yes, there could be some benefit. But at least we had secured the supply, right, because imports were going out of the country in Q1. And if you don't have the steel supply to service your clients, so that could impact your business. So, our mindset was more to secure the supply of steel rather than going for short-term benefits.

**Akshit Gupta:** Okay. Okay. And on the -- like I was seeing that the peers in this segment, they are entering a lot and all they have e-commerce platform. So, are we planning on the same line to build an e-commerce platform so that a consumer can easily place an order on that?

**Anubhav Gupta:** Please understand that right now, our customer base of 2,257 okay, they are mainly B2B clients, right, who are running factories, who are steel traders, who are operating small service centres, who are now independent power producers for solar. Such transactions are normally closed like on the personal relationship with our salespeople, okay?

So, I would say right now, the business model is brick-and-mortar, and that's how this business is done, at least in India. But we are using tech stack, right, to ensure the efficiency in our systems. So, the orders get punched online. The tracking of orders, our supply chain efficiencies due to tech stack. So, all those systems we are implementing. But the end transaction is always done from sales guy to the customer.

**Akshit Gupta:** Okay. And one question on the B2C segment that we do. So that segment, I was seeing there is not much of the growth, but we have guided for INR6,000 crores of revenue in FY '27. So, are we on the same line? Or are there any corrections in the guidance?

**Anubhav Gupta:** In distribution business, okay, which consists of 2 verticals, TMT and non-TMT. So, what we were doing was that like for TMT, we have done tie-ups with the manufacturers who used to sell TMT on our behalf to their clients and to the network of APL Apollo Group distributors. That revenue was flowing through our P&L. But now we have changed it to royalty-based model, wherein the revenue doesn't get booked into my account neither the cost of materials. It is only the royalty, which gets booked into our account.

So right now, we are charging around INR500 per ton royalty from these TMT partners. And as the brand gets established, more volumes come into play, this royalty, we expect it to increase to INR750 and INR1,000 per ton eventually.

Yes, just to clarify that TMT, we have given the volumes, right, which is around right now 33,000 tons we did in quarter 4. And for full year, the volume was around 100,000 tons, 107,000 tons to be precise. Now for FY '26, our target is 180,000 tons for TMT. This will not -- now here only INR500 per ton royalty will get captured into revenue.

And for non-TMT, because there are multiple products, so volume doesn't make sense. I'll talk about the value of revenue. So, in Q4, we did INR130 crores revenue. And for the full year, this revenue was INR380 crores. For FY '26, our target is INR1,000 crores.

**Akshit Gupta:** Okay. So, like we have shifted to a royalty-based model. So, because of this, we would be having a better EBITDA margin compared to the previous model.

**Anubhav Gupta:** This is one. And second, then the sale, the debtors, everything gets shifted to the franchisee partner. Nothing comes on the balance sheet of SG Mart.

**Moderator:** The next question is from the line of Shiva from Purnartha Investment Advisors.

**Shiva:** My question is with respect to the solar. If you could just explain slightly that INR600 crore CapEx, why are we -- I mean, how much is the breakup? Is it entirely CapEx? What are we putting in? What kind of revenue are we expecting? What kind of profitability? If you could just throw some data to understand it better?

**Anubhav Gupta:** I guess there is some confusion. I said that in my opening highlights that this INR600 crores capex is for next 3 to 5 years, which we took the approval from Board. So, every year is going to be like, say, INR150 crores to INR200 crores. Now this majority of this capex is for service centres. Like I said, one service centre cost us around INR30 crores to INR40 crores in terms of fixed assets. Every year, we open 5 to 6 service centres, so INR250 crores, INR300 crores of capex will go into service centre. For 3 years, we will consume this INR600 crore approval, which we took from Board.

For solar, the capex is very, very minimal. Our capacity for solar will be operational at 15,000 tons a month, which is 200,000 tons a year. Now the capex for this will be -- is very, very minimal, right, because it is more of mild processing. And the best part is that these profile machines are being installed in the existing service centres. So, I need not invest into any land or factory sheds, correct?

So, this INR600 crores is not for solar, it is mainly for service centres. And this we will use in the next 3 to 4 years. And I'm rehashing that any capex, what we do annually, it will be funded from operating cash flows. We don't need any capital, any debt or even the current fixed deposits, which are lying in our banks to fund the capex. Whatever operating cash flow we make every year, we'll use it for capex.

**Shiva:** Okay. So, to understand, per se, so the earlier thing of 5 service centres, that is the only capex. There's no additional capex of INR600 crores or...

**Anubhav Gupta:** Minimal capex on solar. That is right. That is right.

**Shiva:** Okay. And with respect to Dubai Service Centre, if you could throw what is the amount we've invested because you've taken another loan, I think given. So, if you could just tell me what is the total amount of investment we've done in Dubai till date? What is the kind of revenue we are earning and the profitability?

**Anubhav Gupta:** So, Dubai capex is around INR60 crores, which is slightly higher than the service centre we set up in India. Volume we are doing is around 10,000 tons a month. Margins are also a bit higher there. So that takes care of our threshold ROCE of 25%.

**Shiva:** Okay. Because in the stand-alone numbers, it looks slightly higher in the balance sheet, if I just -- so what is covered in the investments and the loans part of this part?

**Anubhav Gupta:** Right. So, capex for Dubai...

**Shiva:** Because it's INR167 crores investments and INR147 crores of loans.

**Anubhav Gupta:** Yes, loan will be to fund the working capital in Dubai, right, which is slightly higher than India operations. And capex gross block investment is INR60 crores.

**Shiva:** Okay. So that's 300 -- so what all consists of the investments and loans of INR300 crores that we have on the balance sheet? INR60 crores capex and another INR40 crores of working capital, so that's like INR1,000 crores -- INR100 crores.

**Anubhav Gupta:** Okay. So, this amount consists of INR110 crores of cash balance in Dubai entity.

**Shiva:** So, we have additional cash of INR110 crores in that?

**Anubhav Gupta:** That is right. INR60 crores of gross blocks, investments and rest is short-term loans for working capital.

**Shiva:** Okay. In the long term, what is the kind of revenue that we're expecting from Dubai and the profitability?

**Anubhav Gupta:** Dubai, like I said, we are doing 10,000 tons volume a month, which translates into INR60 crores -- INR50 crores, INR60 crores of revenue a month. Yearly, you can calculate INR600 crores, INR700 crores. And the margins are higher than what we earn in India. So, in India, we earn around INR1,800 to INR2,000 a ton easily. Dubai is slightly higher than this.

**Shiva:** And just wanted to understand with respect to the peer, like JSW One also has the steel trading. Just wanted to understand how are we different from them in that particular segment of trading, JSW One and us?

**Anubhav Gupta:** Honestly, we have not analysed the business model of our peers. But what I can tell you is the opportunity what lies in the country for metal trading, it is immense. And we believe you need at least 10 SG Marts to service only steel sector, the way the capacities are getting built up by 2030.

**Shiva:** Understood. And just wanted to understand a bit about the trade.

**Moderator:** Sorry to interrupt.

**Shiva:** I will get back in the queue. Sure. Thank you.

**Moderator:** Thank you. The next question is from the line of Rohit Singh from Nvest Analytics Advisory. Please go ahead.

**Rohit Singh:** Thank you for the opportunity. My first question is, earlier, the target -- earlier the revenue target was INR18,000 crores for FY '27. But now with the 50% CAGR guidance over the next 3 years, it appears that INR18,000 crores milestone will only be achieved by FY '28. What is the reason for this delay and has the growth trajectory changed or is this a strategic adjustment?

**Anubhav Gupta:** I told you that from INR100 crores EBITDA in FY '25, our EBITDA will be INR200 crores in FY '26 and INR400 crores in FY '27. So, which matches the earlier guidance of INR18,000 crores revenue. So, what has happened is that the steel prices are down by 10% to 15% at the time when we gave the guidance, right? But our EBITDA per ton and EBITDA is intact. So that's why I'm saying that INR400 crores EBITDA in FY '27 is achievable, and we will do it.

**Rohit Singh:** Okay. Sir, my second question is, in Q4, our margin declined primarily due to rising interest costs. As a result, despite top line growth, we are not seeing corresponding EPS growth. How do we expect this to evolve going for next year onwards, what is the outlook on interest cost and margin recovery? And how do we plan to ensure EPS growth line with the revenue growth?

**Anubhav Gupta:** The interest cost is going up because we are using the funds which are lying in the -- as the fixed deposit in the balance sheet, right? That's why the interest cost is going up. With this when we guide for 100% growth in EBITDA, same 100% growth in PAT also you will see.

**Rohit Singh:** Okay, sir.

**Moderator:** Thank you. We'll take our next question from the line of Amol Rao from One up Financial Consultants. Please go ahead.

**Amol Rao:** Thanks a lot for the elaborate guidance and very clear presentation. I have got two questions. Firstly, on this royalty-based model, when we charge a royalty to the third-party manufacturers for using our brand, is there a take-or-pay kind of an arrangement that is there or is there a minimum guarantee of sales that is there, which is why we are able to charge this royalty or is there some other arrangement in play?

**Anubhav Gupta:** Of course, Amol, so we do have MOUs signed with our partners. We do tell them that you need to sell minimum quantity of TMT, right, every month, every quarter, every year. And based on the market mapping because we have our own team of salespeople, which is also on ground. So, there is a clear visibility on the volumes, minimum volumes, what we must do every month, right, with that partner. And on that basis, we get the royalty.

**Amol Rao:** Perfect. So, we are basically guaranteeing them a certain minimum utilization on a rolling basis so that -- I mean, they can take care of their cost and profits, and that's why we get the royalty basically for our brand?

**Anubhav Gupta:** That's right. Yes. And just to add to it, the reason they are also doing this happily because before joining hands with SG Mart, their own utilization levels were very, very low, right? So, their cost of productions were high. Their fixed costs were high because of that. Now that with SG Mart, they can visualize that, okay, utilization level will go to 70%, 80% from 50%. So, their cost of raw material, cost of production, everything goes down.

So, they don't mind sharing that INR500 per ton right now. And when APL Apollo SG TMT goes in the market, so that also commands some premium compared to the peer brands, which are available right now. So that royalty does not pinch them. Either they derive it from the lower cost of production or it is from the premium what they get by selling in our brand.

**Amol Rao:** Perfect. Well taken. Second, Anubhav, on this -- on the service centre business. So, I mean, we've seen a very good ramp-up. We've seen the margins also improve because of that. I just wanted to understand on the working capital side of this. Now we'll be doing primarily CTL business through this. CTL and some cut to size also probably at a later date.

Does this involve a slightly larger or slightly higher working capital cycle than our steel trading business, maybe by a few days because the inward shipment processing and then outward shipment would require a slightly larger this thing because the other one is built to ship, right? So slightly larger working capital cycle requirement?

**Anubhav Gupta:** So definitely, Amol. The working capital in service centre will be slightly higher than B2B metal trading. But again, in B2B metal trading, if we are earning, say, 1.5% EBITDA margin, in service centre, we earn 4% EBITDA margin, right? So, what we ensure is that the service centre business should generate a minimum 25% ROCE.

And the math says that, say, we spent INR40 crores on gross block, right, investment for service centre, it does 8,000 tons a month, right? And having working capital requirement of 20 days, so it will need around INR25 crores of working capital, right? So, the total capital employed will be INR40 crores plus INR25 crores, which is INR65 crores. And on that, we will be earning EBITDA of minimum INR20 crores.

**Amol Rao:** Yes. So, the math works out. All right. And -- but my point is the increased working capital outflow gets balanced out by the TMT business and the B2B metal trading business, which is also growing. So, I said we are confident of maintaining overall, our cash flow conversion, I was leading towards the cash flow conversion cycle, which because of whatever reasons, went up to 30 days this year, could probably revert to 15 to 18 days by the end of next year. That was what I was leading to?

**Anubhav Gupta:** Within June only, you will see this rationalization.

**Amol Rao:** All right. And Anubhav, may I squeeze in a last question, please?

**Anubhav Gupta:** Yes, please go ahead.

**Amol Rao:** Yes. Anubhav, for the -- I mean, the solar structure business is pretty interesting. So, I mean -- but this is -- I mean, compared to a lot of other metal-based businesses, this would require some amount of, let's say, precision, slightly more precision than other metal activities, metal-forming activities. So, this is done, I mean, at our service centres or are we doing it slightly separately? I mean, it's being done only in our Ghaziabad facility right now.

**Anubhav Gupta:** Yes. So, we're going to do it in three locations, Amol, one in Ghaziabad, which is already operational. Then we're going to install some mills in Pune because that will take care of Rajasthan and Gujarat belt. And we'll also install some machines in Raipur, right, where the raw material availability is better.

So -- and then we will also set up some lines in our upcoming Hyderabad or Chennai service centres that will take care of Karnataka and Tamil Nadu. So, if you look at the maximum utility solar parks coming, they are majority in Rajasthan, Gujarat, then Tamil Nadu, Andhra Pradesh, Telangana, Karnataka. So yes, so we have to see that from all these locations, we are able to service our IPP clients efficiently.

**Amol Rao:** And this is only the module mounting structure, the MMS part of it, nothing else. We're not doing anything else.

**Anubhav Gupta:** That is right. We are working on some new innovative products also for solar sector. Now that our interaction with IPPs is very, very intense because these structures, although it accounts for only 3%, 4% of their total capex, but it's a very critical element. So, we are just talking to some solar panel manufacturers that how steel profiles can be used to bring down the costs for solar panels also.

So maybe in next quarter call, we'll be able to tell you more in detail. But idea is to keep on working on these small profile machines and expand the market.

**Amol Rao:** Perfect. Thanks Anubhav and wish you all the best. Thank you so much.

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

**Ayush Vimal:** Hi, thanks for taking my question. I had a couple of questions on the royalty model, which we shifted to in the downstream distribution business. Now given that we are selling TMT bars and royalty, are we taking or resuming the credit risk on behalf of the small plants for whom we are guaranteeing minimum volumes? Now that's something that we are not assuming now given that we are doing with royalty and there's working capital on our books.

**Anubhav Gupta:** Yes. So, there is no working capital on our books. Royalty anyway, the -- the agreement says that the day sales is completed, he has to credit quality in our account.

**Ayush Vimal:** Got it. So, we're effectively just connecting the seller and the buyer, and we are not assuming any kind of credit risk?

**Anubhav Gupta:** Correct. So yes. So that is a real marketplace. The only difference is versus other peers that we are not capturing this into our GMV. So, there is no GMV, gross merchandise value, because it unnecessarily confuses everyone.

**Ayush Vimal:** Got it. Got it. And given this TMT being quite a sizable business in the downstream distribution product chain, I would have expected the target EBITDA margin of 2%, 2.5% that you've given to go up higher given the fact that you shifted from a revenue-based model to a royalty-based model. I presume earlier you were mentioning the target EBITDA from this stream of business to be 2.5%.

And this was when we were taking stock in our books and we were actually distributing TMT bars. Now given that we moved to royalty, shouldn't this 2.5% increase rather than falling to maybe 2%, 2.5% that you've given?

**Anubhav Gupta:** Yes. So definitely, it will go up. But why the guidance is a bit low for margins because we need to keep on investing on the brand building. So, idea is to keep on investing into brand building and take this royalty from INR500 per ton to INR1,000 per ton. That's our ultimate objective. So, it's just that for this year, we're going to be spending a bit more, right? But once the brand is built, then yes, margins will move towards 4% to 5%.

**Ayush Vimal:** Got it. And just one last question on the receivable days. So, I've seen the receivables have shot up in the March quarter, and you said much of this has been reversed in June, and this was more of a one-off. Which segment has been driving this receivable days? Is it the downstream distribution business or the B2B metal trading business?

**Anubhav Gupta:** Yes, it was mainly like B2B.

**Ayush Vimal:** Okay. So, what I recall, you were very clear that you didn't want to give credit days in the B2B business given the thin margin. Has something changed in that policy?

**Anubhav Gupta:** No, nothing changed. It is just that three four days credit you offer to clients. And like I said, this last week was quite voluminous. So, the money came into account within first week of April.

**Ayush Vimal:** Okay. Got it. So, we should see this normalizing in June end?

**Anubhav Gupta:** You will see 10 to 15 days of WC by 30th June, yes.

**Ayush Vimal:** Got it. Thank you, sir.

**Moderator:** Thank you. We'll take our next question from the line of Riddhesh Gandhi from Discover Capital. Please go ahead.

**Riddhesh Gandhi:** Hi, sir. Congratulations on your results. Sir, we've got reasonably ambitious and aggressive growth targets going ahead of doubling for 2 years in a row in terms of EBITDA. Just wanted to understand the risks involved in this and how we are able to get the confidence over this kind of growth?

**Anubhav Gupta:** Fair question. See, I mean, the confidence comes from the two things. One is the number of customers what we are servicing right now and the new customers, what we are adding every day. Now the second part is the products what we are selling and new products what we are adding every day.

And if you look at our business model, it's built with the thesis that you have steel as raw material available, then you sell it into like -- sell it through multiple verticals. So, the only risk to this could be non-availability of steel, which we don't see as a challenge. Other risks, we don't have any debt.

We don't have debtors on books as such; 10 to 15 days debtor cycle is very much manageable. We don't carry high inventory, which the fluctuating steel prices could impact right? So, in that way, we have created a business model, which is shockproof, from any of the global uncertainty or any massive swings in the steel sector. Our focus is that what all small mild value additions we can do in steel sector and grow our market share, capture new markets.

**Riddhesh Gandhi:** Sir, I get just given how we are structured, our relations across the industry, both on our customer and our supplier side, we are all faced well. But in terms of what is -- and that the downside is low. But I mean, what is giving us the confidence on the growth angle of things because these are quite large numbers we're talking about?

**Anubhav Gupta:** Right. So, okay. So, see, so this year, FY '26, right, let's talk vertical to vertical. So, number one vertical is service centre, right? So, FY '26 will be full 12 months of 5 service centres, which will be operational. Now 5 service centres, 1 service centre will give us 8,000-ton volume. So, 40,000-ton monthly volume will come, which means 500,000 tons per year. And on service centre, we do make INR2,000 per ton EBITDA. So INR100 crores EBITDA will come from service centres.

Next year, more 5 service centres will get add up, right? That will bring additional 5 lakh ton of volume and incremental INR100 crores of EBITDA in FY '27. Second vertical is B2B. So B2B, we did volume of around 322,000 tons in FY '24 -- sorry, 632,000 tons in FY '25. So, it has already doubled.

For FY '26, we are projecting mild growth because, like I said, more of steel will be coming in second half, right? So, we will see very sharp ramp-up in second half of B2B metal trading. Now TMT, we are doing around 11,000 tons a month, right, the current run rate. In FY '25, we did 107,000 tons in total. And our target for FY '26 is 180,000 tons.

Solar structure is 50,000 tons of totally incremental volume, which will come in FY '26. Non-TMT distribution business, we did a revenue of around INR400 crores, INR380 crores to be precise in FY '25. And for FY '26, our target is INR1,000 crores from this particular business.

**Riddhesh Gandhi:** Got it.

**Anubhav Gupta:** So, yes, so this guidance of 100% increase Y-o-Y is after a lot of thought process, a lot of work what we have done in each of the verticals. The raw material tie-ups what we have, like I said, four of the top six mills in the country, assuming no import is coming. And then selling that steel through each of the verticals into multiple forms.

**Riddhesh Gandhi:** Got it, sir. Thank you and all the best.

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

**Dharmil:** Thank you for taking my question. Question was more on the TMT segment. So, you mentioned that INR 500 per ton of royalty right now. If we compare it to the GMV, it comes to only 1%. And even if we assume at INR1,000 per ton a few years later, it will be only 2% and assuming some employee cost, some marketing costs, this comes to a very low margin business than what we had earlier anticipated. So, is there any misunderstanding on my part?

**Anubhav Gupta:** Yes. So, you are right that -- see, I mean, that 2% EBITDA margin, that was on the NSR of TMT. That was on the NSR of TMT. But when you calculate the EBITDA margin on INR500 per ton royalty, that will be much higher because the fixed cost here is only the salespeople, what we have given to the franchisee partners and our spend on the branding.

**Dharmil:** Understood. I get your point that reported EBITDA margins would be much higher because we are only recording the royalty. But just looking from a business perspective, I mean, is it a low-margin business maybe 1.5% to 2% on GMV at best?

**Anubhav Gupta:** Yes, that's right. But then GMV, we are not capturing anywhere, right? So, on INR500 per ton royalty, the margin will be much higher after deducting the brand expenses and the sales people cost.

**Dharmil:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Rajesh from KRS Investments. Please go ahead.

**Rajesh:** So, I had a couple of questions. One, I wanted to know is from the listing perspective, you are right now trading only on BSE. Wouldn't it be a good idea to also list yourself for NSE so that there is more participation in SG Mart?

**Anubhav Gupta:** So that process is already on.

**Rajesh:** Okay. The second question was with regards to your projection that you intend to hit a target of around INR8,500 crores, which means -- and since we are almost like halfway through this particular quarter, do you see that SG Mart will be able to cross at least a minimum target of INR2,000 crores so that they are able to hit a profit of INR48 crores to INR50 crores to stand a fighting charge to get that INR200 crores minimum profit that we're looking at this year?

**Anubhav Gupta:** What I can tell you is that we'll be near about INR50 crores of EBITDA in Q1 of FY '26. Revenue, very difficult to predict because of fluctuation in steel prices.

**Rajesh:** Okay. One of your competitor in the unlisted space is basically in a similar business and had clocked around INR24,000 crores revenue last year with a profit of around INR600 crores. And they are kind of planning to go with an IPO later in the second half with a valuation of around INR60,000 crores to INR80,000 crores as per news.

So, which basically kind of reflects that SG Mart being in a similar kind of business is quite undervalued with the kind of targets that you are mentioning over the next couple of years. Do you think that this basically is something which will show interest in the overall investor community going forward?

**Anubhav Gupta:** Our job is to deliver on the guidance what we are giving to you. Valuations, obviously, investors and analysts are smart enough to value these businesses, right? As management, what I can promise you is that day and night, 24/7, our goal is to ensure that we are able to achieve these numbers, which we are promising.

**Rajesh:** And these numbers are conservative in nature or like a minimum that you're going to target? Or is it an aggressive target given to yourselves?

**Anubhav Gupta:** So INR200 crores EBITDA target in FY '26 does not capture any profitability from solar.

**Moderator:** Thank you. The next question is from the line of Rahil S. from Crown Capital. Please go ahead.

**Rahil S:** Did I hear you correctly when you said that you're also looking at 100% growth in your PAT? Or is it just for the EBITDA?

**Anubhav Gupta:** So, PAT will flow the same way as EBITDA.

**Rahil S:** If you can you explain how that's going to happen?

**Anubhav Gupta:** So, see, I mean, -- the cost below EBITDA is interest and depreciation, right? Depreciation will be mild increase, right, because capex, which will be live for this year is INR200 crores - INR250 crores, which would entail depreciation of INR10 crores. And other income should remain high because of like any capex, which will be funded from the operating cash flows. And the fixed deposit should remain where it is.

Plus, there is around INR250 crores, which is coming in the company in the next 10 days on the conversion of warrants. So, the cash position of the company should remain high, what it was in FY '25.

**Rahil S:** Things will lead to the PAT...

**Anubhav Gupta:** Yes. Just to end the last one, yes. So PAT growth will match the EBITDA growth.

**Rahil S:** For FY '27 as well?

**Anubhav Gupta:** That's right.

**Rahil S:** Okay. Got it. Thank you. I will join the queue.

**Moderator:** Thank you. The next question is from the line of Akshat from RSPN Ventures. Please go ahead.

**Akshat:** Sir my question is a bookkeeping question. So, from the previous March '24, we have increased our gross margins by around 700 bps, but our EBITDA margins have fallen by 200 bps, majorly because of increase in other expenses. So, can you throw some light on this? Why is this happening? And how do we see this trend going forward?

**Anubhav Gupta:** So, percentage margin is a bit deceptive in our business, right, because NSR keeps on changing as the steel prices fluctuate, number one. Number two, other expenses are a bit high because of expansion of service centres, which is going on. So, once we get -- we start getting income from service centres, which we got in Q4. Q1, it will ramp up further. Q2, it will be further ramped up. So that will nullify the higher other expenses.

So, going forward, I mean, in terms of percentage, it becomes a bit difficult, right? But what I can tell you is that on B2B metal trading, right, we should be doing around INR750 to INR1,000 per ton of EBITDA. On service centre, we should be doing around INR2,000 per ton EBITDA. On solar business, anyways, we have not captured any earnings in FY '26, but it should be like minimum INR3,000, INR4,000 per ton EBITDA business. Then on TMT, we are getting INR500 per ton royalty.

Right now, we are building brand, right? So, margins will be slightly lower, but they will expand in FY '27, FY '28. Then the non-distribution business -- non-TMT distribution business, where we will do INR1,000 crores of top line in FY '26. There I can give you EBITDA margin guidance because it is including multiple products. So there, we should make minimum 2%, 2.5% EBITDA margin.

**Moderator:** Thank you, sir. We'll take our next question from the line of Nikhil Porwal from Perpetual Capital. Please go ahead.

**Nikhil Porwal:** Thank you for the opportunity. All my questions have been answered. Anubhav, only one question is between the rest of the service centre business and the solar business that you're getting into. Is the ROCE profile more or less the same or is solar a more attractive business?

**Anubhav Gupta:** Solar is a bit attractive because the investments are very, very minimal. Anyways, we have land and infrastructure available at our current service centres. So, if at all, like the idea is to -- 200,000-ton capacity we have already like ordered which will be live by August, September of 2025 calendar year. I mean, in next 2, 3 years, there could not be more than INR50 crores, INR60 crores of further investments into solar. So yes, so solar is better in terms of ROCE.

**Nikhil Porwal:** Okay. And in terms of working capital, is it the same for both?

**Anubhav Gupta:** Yes, it will fall into 15, 20 days of cycle.

**Nikhil Porwal:** Okay. That is it. Thank you so much and all the best.

**Moderator:** Thank you. Ladies and gentlemen, in the interest of time, this is our last question. I now hand the conference over to the management for closing comments.

**Anubhav Gupta:** Thank you, everyone for joining to this earnings call. If anyone is left, you please reach out to our Investor Relations team and we will get back to you immediately. Thanks so much.

**Management:** Thank you.

**Moderator:** Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.