

CMP: INR 352

Rating: BUY

Target Price: INR 728

Stock Info

BSE	512329
Bloomberg	SGMART:IN
Sector	Building Products
Face Value (INR)	1
Mkt Cap (INR Bn)	39.45
52w H/L (INR)	597/329
Avg yearly Vol (in 000')	213

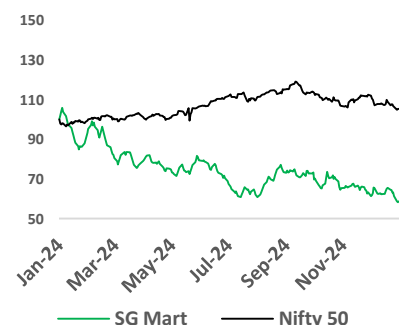
Shareholding Pattern %

(As on Dec, 2024)

Promoters	40.71%
Public & Others	59.28%

Stock Performance (%)	1m	6m	12m
SG Mart	-13.4	-11.2	-43.46
Nifty 50	-2.31	-5.2	+9.26

SG MART Vs Nifty 50



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Overview: *Sharp rebound in EBITDA Margin due to higher contribution from Value added products, Revenue declined as imports were reduced due to narrowed gap in price compared to domestic.*

Performance (Consol)

- **Revenue** came in at INR 13.45 Bn (-26% QoQ) (+80% YoY)
- **EBITDA** came in at INR 279.20 Mn (+87.52% QoQ) (+64.05% YoY)
- **EBITDA Margins** came in at 2.08% (Vs 126 bps QoQ) (Vs -20 bps YoY)
- **PAT** came in at INR 280 Mn (+76.35% QoQ) (+63.21% YoY)
- **PAT Margins** came in at 2.05% (Vs 119 bps QoQ) (Vs -21 bps YoY)

Key triggers:

- **Higher Value-Added Product Participation:** The reversal in EBITDA margin was driven by an increased focus on value-added products (VAP), particularly B2C white-labeled products and the solar mounting business, both yielding higher margins. These segments continue to experience steady demand.
- **Survived through Inventory Loss:** The company successfully sailed from inventory losses of EBITDA/Ton of INR 2000-2500, which occurred due to declining steel prices in Q2. With stable pricing and robust construction activity, no further inventory losses were registered.
- **Steady Fast Expansion & Sustaining Volume with Higher Procurement of Primary Steel:** Revenue declined due to lower import volumes, attributed to the narrowing price gap between imports and domestic steel. However, the company sourced locally from the top four steel manufacturers. With a sequential rebound in construction activity, the company expects higher revenue in Q4, driven by increased volumes from TMT sales and service centers.

Valuation & Outlook: SG Mart's strong growth trajectory is supported by robust demand in construction activity, ramping up of service centers, increasing contribution of VAP, and bullish on metal trading B2B marketplace. The company's key strengths lie in its massive trading volume, **currently at ~120k tonnes per month, with a target to reach 10 MTPA by FY2030E.**

Valuation summary

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E	FY28E
Net Sales	26,829	66,121	1,14,100	1,81,364	2,70,936
EBIDTA	618	1,468	2,715	4,479	6,841
Net Profit	609	1,187	1,836	2,720	4,237
PAT Adj	609	1,187	1,836	2,720	4,237
Diluted EPS	5.4	10.6	16.4	24.3	37.8
PER, x	64.7	39.3	21.5	14.5	9.3
EV/EBIDTA, x	48.5	22.5	14.0	9.0	6.1
P/BV, x	3.62	3.53	3.03	2.51	1.97
ROE, %	5.6%	10.6%	14.1%	17.3%	21.2%
Debt/Equity (x)	0.17	0.19	0.17	0.37	0.27

Valuation & Outlook: SG Mart has robust expansion plans include adding 101 service centers by FY30, up from 4 currently operational, with 1 expected to start operating in Q4FY25 and 5 more set to launch by H1FY26, initially focusing on large centers in tier 1 cities. SG Mart has access to APL Apollo Group's, vast network of 1,500+ distributors and 50,000+ dealers, enabling it to cater to residential, commercial, and infrastructure sectors effectively. Company is sequentially increasing its no. of customers to 2,126 and registered suppliers at 223 in Q3. Operating on a cash-and-carry model ensures profitability with a lean working capital cycle of 10-15 days. At CMP of INR 352 per share, the stock trades at 39.3x/21.5x/14.5x P/E and 22.5x/14x/9x EV/EBITDA based on FY25E/FY26E/FY27E earnings, respectively. We maintain a "BUY" rating at a TP of INR 728 per share; valued at a PE multiple of 30x and its FY27E EPS of INR 24.1; an upside of 107%.

Exhibit: Quarterly Performance

INR Mn (Consolidated)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y
Net Revenue	13,453	18,155	7,483	-25.90%	79.79%
Raw Material Costs	13060	17,848	7,287	-26.83%	79.22%
Gross Profit	393	307	195	28.01%	101.23%
Gross Margin	2.92%	1.69%	2.61%	123bps	31bps
Employee costs	44	42	15	5.48%	197.32%
Other Expenses	69	116	10	-40.26%	586.82%
EBITDA	279	149	170	87.52%	64.05%
EBITDA margin	2.08%	0.82%	2.28%	126bps	-20bps
Other Non Operating Income	197	197	96	0.00%	104.78%
Depreciation	4	3	1	33.33%	184.62%
EBIT	472	343	265	37.73%	78.19%
Finance costs	98	128	34	-23.44%	192.54%
Exceptional Items	0	-	-	0.00%	0
PBT	374	215	232	74.14%	61.65%
Tax Expense	94	56.00	59.80	67.86%	57.19%
Effective tax rate	26%	26%	26%		
PAT	280	159.00	171.80	76.35%	63.21%
PAT margin	2.05%	0.9%	2.3%	121bps	-21bps

Source: Company Reports, Arianth Capital Research

SG Mart Ltd Q3FY25 Concall Highlights

Sharp rebound in EBITDA Margin due to higher contribution from Value added products, Revenue declined as imports were reduced due to narrowed gap in price compared to domestic

Financial Highlights

- Revenues came in at INR 13.45 Bn (-26% QoQ) (+80% YoY)
- EBITDA Margin came in at 2.08% (126 bps QoQ) (-20 bps YoY)
- PAT came in at INR 280.4 Mn (+76% QoQ) (+63% YoY)

Guidance

- The company traded 900k tons of steel in 9MFY25 and is set to trade 320k tons in Q4, targeting 1.2 MTPA for FY25 with an estimated revenue of INR 60 Bn.
- EBITDA margins improved to 2.08% in Q3 due to higher contributions from the B2C segment, solar-mounted structures, and a recovery in TMT sales as construction activity picked up.
- By FY27, the company will achieve 2.5-3 MTPA in trading volumes, with projected revenue of INR 180 Bn and a blended EBITDA margin of 2.5%.
- Company targets to improve its EBITDA per ton from INR 1000 to INR 1200-1300, with higher contribution from service centers and VAP.

Volume and Price Update

- Volume breakdown in Q3 included 150k tons from B2B, 100k tons from service centers, and 45-50k tons from B2C.
- Steel price has been stagnant in Q3, which helped recover inventory losses incurred during Q2's price drop of INR 2000-3000 EBITDA per ton.
- The company procures steel from top domestic manufacturers in high volumes, enabling favorable pricing through better negotiating power.

Service Centers

- Service centers business will play a significant role, with existing 2 centers contributing 100k tons in Q3. In addition, two new centers Pune and Dubai, will commence operations in Q4, increasing current monthly trading volume of 40k tons.
- Company has planned five new service centers for H1FY26, with further expansion across tier-1 and tier-2 cities, targeting 15-20 centers over the next 12-15 months to meet growing demand.
- The company remains optimistic about Q4, expecting INR 15 Bn in revenue with new service centers and solar business contributions bolstering margins.

B2C Business Update

- The B2C segment grew 5% QoQ, supported by rising construction activity, better margins, and white-label product sales such as light structures and TMT rebars.
- Declining steel imports, impacted by narrowing price gaps with domestic manufacturers, with imports value decline from INR 12 Bn to INR 7 Bn QoQ.
- SG Mart's solar-mounted structure business is gaining traction, expected to drive revenue growth and enhance margins in upcoming quarters.

Other Highlights

- Forex gains of INR 62 Mn contributed to Q3's included in Business EBITDA is a recurring , highlighting accounting standards.
- Company has sufficient cash reserves in fixed deposits used to offset debt-related interest costs of working capital, supporting the company's aggressive expansion of service centers.

Exhibit: Income Statement (Consol)

Income Statement					
Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E	FY28E
Net sales	26,829	66,121	1,14,100	1,81,364	2,70,936
Growth, %		146.5%	72.6%	59.0%	49.4%
Other income					
Raw material expenses	26,088	64,101	1,10,613	1,75,822	2,62,657
Employee expenses	50	150	189	220	255
Other Operating expenses	72	402	582	843	1,183
EBITDA (Core)	618	1,468	2,715	4,479	6,841
Growth, %		137.51%	84.93%	64.96%	52.74%
Margin, %		2.22%	2.38%	2.47%	2.53%
Depreciation	5	122	421	609	797
Interest paid	116	311	394	791	943
Other Income	316	548	548	548	548
Non-recurring Items					
Pre-tax profit	813	1,583	2,448	3,627	5,649
Tax provided	204	396	612	907	1,412
Profit after tax	609	1,187	1,836	2,720	4,237
PAT Adj.	609	1,187	1,836	2,720	4,237
Growth, %		94.82%	54.62%	48.18%	55.74%
Unadj. shares (m)					
Wtd avg shares (m)	112	112	112	112	112

Exhibit: Balance Sheet (Consol)

Balance Sheet					
As at 31st Mar, Rs mn	FY24	FY25E	FY26E	FY27E	FY28E
PPE	387	1,591	5,991	8,691	11,391
CWIP	171	296	429	572	726
Rights Of Use Assets	4	2	0	0	0
Financial Assets	0.4	0.4	0.4	0.4	0.4
Other Non Current Assets	0	0	0	0	0
Total Non current Assets	562	1,889	6,421	9,264	12,117
Inventories	713	2,274	4,729	8,313	12,683
Receivables	863	3,985	7,190	12,422	18,557
Cash & CE	11,263	8,345	3,481	4,726	3,222
Other Current Assets	1,202	1,202	1,202	1,202	1,202
Other Financial Assets	268	294	323	330	339
Total Current Assets	14,308	16,101	16,925	26,994	36,003
Total assets	14,870	17,989	23,346	36,258	48,120
Total Equities	10,870	11,153	12,989	15,709	19,946
Non current borrowings	0	0	0	3,500	3,000
Other Non current liabilities	6.1	5.6	5.9	3,504.7	3,004.7
Total Non current liabilities	6.1	5.6	5.9	3,504.7	3,004.7
Current borrowings	1,893	2,077	2,245	2,253	2,370
Trade Payables	1,936	4,529	7,815	14,410	22,269
Other Current Liabilities	165	225	291	381	530
Total Current Liabilities	3,993	6,830	10,351	17,044	25,169
Total equity & liabilities	14,870	17,989	23,346	36,258	48,120

Exhibit: Cash Flow (Consol)

Cash Flow					
Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E	FY28E
Pre-tax profit	497	1,583	2,448	3,627	5,649
Depre & Other Income	321	670	969	1,156	1,345
Tax	-204	-396	-612	-907	-1,412
Chg in working capital		-2,113	-2,394	-2,221	-2,645
Cash flow from operating activities		-804	-137	1,108	2,389
Capital expenditure		-1,451	-4,955	-3,452	-3,651
Other investing activities		2	2	0	0
Cash flow from investing activities		-1,449	-4,954	-3,451	-3,651
Free cash flow		-2,253	-5,091	-2,343	-1,261
Equity raised/(repaid)		-904	0	0	0
Debt raised/(repaid)		182	160	3,500	-392
Other financing activities		58	69	92	153
Cash flow from financing activities		-664	229	3,592	-239
Net chg in cash		-2,917	-4,862	1,249	-1,500
Opening cash balance		11,263	8,345	3,481	4,726
Closing cash balance		8,346	3,484	4,730	3,226

Exhibit: Ratios (Consol)

Ratios	FY24	FY25E	FY26E	FY27E	FY28E
Per Share data					
EPS (INR)	5.4	10.6	16.4	24.3	37.8
Growth, %		95%	55%	48%	56%
Book NAV/share (INR)	97.5	100.0	116.5	140.8	178.8
DPS (INR)	-	-	-	-	-
Return ratios					
Return on assets (%)	4.10%	6.60%	7.86%	7.50%	8.80%
Return on equity (%)	5.61%	10.64%	14.13%	17.32%	21.24%
Return on capital employed (%)	43%	28%	20%	29%	32%
ROIC	40.61%	24.30%	15.62%	16.25%	19.18%
Turnover ratios					
Asset turnover (x)	1.8	3.7	4.9	5.0	5.6
Sales/Working Capital (x)	2.6	7.1	17.4	18.2	25.0
Receivable days	11.7	22.0	23.0	25.0	25.0
Inventory days	9.7	12.6	15.1	16.7	17.1
Payable days	26.3	25.0	25.0	29.0	30.0
Working capital days	(4.9)	9.6	13.1	12.7	12.1
Liquidity ratios					
Current ratio (x)	0.8	1.1	1.3	1.3	1.3
Quick ratio (x) (excl. c&ce)	0.5	0.8	0.8	0.8	0.8
Interest cover (x)	8.0	6.1	7.2	5.6	7.0
Dividend cover (x)	-	-	-	-	-
Total debt/Equity (%)	0.2	0.2	0.2	0.4	0.3
Net debt/Equity (%)	-	-	-	-	-
Valuation					
PER (x)	64.7	39.3	21.5	14.5	9.3
PEG (x) - y-o-y growth		0.4	0.4	0.3	0.2
Price/Book (x)	3.6	3.5	3.0	2.5	2.0
EV/Net sales (x)	1.5	0.6	0.3	0.2	0.1
EV/EBITDA (x)	48.5	22.5	14.0	9.0	6.1
EV/EBIT (x)	42.4	20.8	13.9	8.9	6.0

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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