

Amplifying Domestic Ties, Transforming TMT Business to Royalty Based Model

CMP: INR 386

Rating: BUY

Target Price: INR 710

Stock Info

BSE	512329
Bloomberg	SGMART:IN
Sector	Building Products
Face Value (INR)	1
Mkt Cap (INR Bn)	43.54
52w H/L (INR)	492/290
Avg yearly Vol (in 000')	280

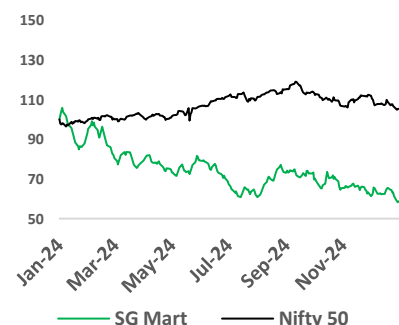
Shareholding Pattern %

(As on Dec, 2024)

Promoters	40.66%
Public & Others	59.44%

Stock Performance (%)	1m	6m	12m
SG Mart	+10.4	-1.95	-11.06
Nifty 50	+1.71	+1.96	+9.85

SG MART Vs Nifty 50



Overview: SG Mart Ltd delivered consol revenue of INR 58.6 Bn in FY25 (+118% YoY) growth. EBITDA reached INR 1,031 Mn and maintained a minimum ROCE threshold of 25%. Working capital stretched to 30 days, due to advance payments to steel mills to secure supply before import tariffs. Debtor days also shot up with strong demand and sales recognition.

Q4FY25 Performance (Consol)

- Revenue INR 15,950.3 Mn (+19.5% QoQ/+24.85% YoY), below our estimates of INR 18,500 Mn.
- EBITDA INR 371 Mn (+70.44% QoQ/+16.83% YoY), below our estimates of 433 Mn. EBITDA margin remained stable YoY (+69 bps QoQ) to 2.32% vs 2.48% in Q4FY24.
- PAT INR 331.4 Mn (+18.1% QoQ/-1.22% YoY), below our estimates of INR 371 Mn. PAT margin reduced 55bps YoY (remained flat QoQ) to 2.1% vs 2.6% in Q4FY24.

Key Triggers:

B2B Business Scaling Up: With 632k tons achieved in FY25 and a monthly run rate of 50k tons, the company expect a sharp ramp-up in H2FY26 with an increase in steel availability. Currently procuring ~60-70% of steel from four of six major steel manufacturers in India, SG Mart Ltd aims to reduce its reliance on Chinese imports to enable sustainable procurement.

TMT Business Transformation: With groups large dealer network advantage, company achieved a monthly TMT volume run rate of 11k tons in FY25. A strategic shift to a royalty-based model ensures better margins and reduces working capital requirements. With a focus on brand-building efforts, it aims to increase royalty rates to INR 750-1000/ton in FY26/27.

Valuation & Outlook: SG Mart has reiterated service center expansion plans to add 5/6 centers a year, **up from 5 currently operational**, with 5 expected to launch in FY26, initially focusing on large centers in T1 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. It has shifted its part of TMT business to royalty based model reducing fixed cost. Operating on a cash-and-carry model ensures profitability with a **lean working capital cycle of 10-15 days (stretched to 30 days in Q4 were normalized)**. At CMP of INR 386 per share, the stock trades at 41.9x/24x/16.3x P/E and 34.1x/18.1x/11.5x EV/EBITDA based on FY25E/FY26E/FY27E earnings, respectively. We maintain a "BUY rating at a TP of INR 710 per share; valued at a PE multiple of 30x and its FY27E EPS of INR 23.7; an upside of 83%.

Valuation summary

Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	26,829	58,562	97,473	1,42,704	1,92,758
EBIDTA	618	1,031	2,054	3,307	4,548
Net Profit	609	1,031	1,805	2,652	3,609
PAT Adj	609	1,031	1,805	2,652	3,609
Diluted EPS	5.4	9.2	16.1	23.7	32.2
PER, x	70.9	41.9	24.0	16.3	12.0
EV/EBIDTA, x	50.0	34.9	18.1	11.5	8.4
P/BV, x	3.71	3.34	3.15	2.61	2.12
ROE, %	5.6%	8.5%	14.1%	17.2%	18.9%
Debt/Equity (x)	0.17	0.58	0.59	0.72	0.57

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Service Center Business Expansion: Currently has five centers in Raipur, Bangalore, Ghaziabad, Dubai, and Pune are operating at 8k-10k tons/month utilization, with plans to add five new centers in FY26. Dubai remains a key driver, generating INR 600 Mn/month in revenue with higher margin realization ~ 2,000/ton than Indian centers.

New Solar Structure Vertical: Launched solar structure product under the brand name of Sunsteel, catering to large independent power producers (IPPs). With a visible order pipeline of 50k tons for FY26, further expects 2x order volumes in FY27.

Non TMT Segment: Revenue reached INR 3,801 Mn in FY25 (+1300 Mn in Q4), Expects to achieve INR 10,000 Mn in revenue in FY26 with targeted EBITDA margin of 2-2.5%.

Capex: ~INR 6,000 Mn will be invested over the next 3-4 years, majorly towards service center expansion as one centers require nearly ~INR 300-400 Mn in fixed asset. Company plans to add 5-6 centers in FY26 requiring ~INR 2000-3000 Mn of capex. For solar structure facility minimal capex required of INR ~500-600 Mn over 2-3 yrs, as profiling machines for mild processing of structures will be installed in existing service centers. Dubai plant capex is INR ~1,100 Mn, of which ~INR 600 Mn of fixed assets and ~INR 400 Mn of working capital needs.

Exhibit: Quarterly Performance

INR Mn (Consolidated)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y	Q4FY25E	Q-o-Q
Net Revenue	15,950	13,347	12,775	19.50%	24.85%	18,500	-13.78%
Raw Material Costs	15,341	12,955	12,384	18.42%	23.88%	17,956	-14.57%
Gross Profit	610	392	392	55.38%	55.69%	544	12.10%
<i>Gross Margin</i>	<i>3.82%</i>	<i>2.94%</i>	<i>3.07%</i>	<i>88bps</i>	<i>76bps</i>	<i>2.94%</i>	<i>88bps</i>
Employee costs	55	44	21	24.37%	160.00%	30	84.46%
Other Expenses	184	131	53	40.44%	245.97%	81	127.70%
EBITDA	371	217	317	70.67%	16.83%	433	-14.45%
<i>EBITDA margin</i>	<i>2.32%</i>	<i>1.63%</i>	<i>2.48%</i>	<i>70bps</i>	<i>-16bps</i>	<i>2.34%</i>	<i>-2bps</i>
Other Non Operating Income	198	259	209	-23.49%	-5.40%	210	-5.71%
Depreciation	12	4	3	202.56%	280.65%	5	118.29%
EBIT	557	472	524	17.96%	6.38%	638	-12.70%
Finance costs	136	98	79	38.92%	72.81%	136	0.22%
Exceptional Items	-	-	-	0.00%	0	-	0.00%
PBT	421	374	445	12.48%	-5.37%	502	-16.19%
Tax Expense	89.50	94.10	109.30	-4.89%	-18.12%	130.43	-31.38%
<i>Effective tax rate</i>	<i>21%</i>	<i>25%</i>	<i>25%</i>			<i>26%</i>	
PAT	331.40	280.10	335.50	18.31%	-1.22%	371.78	-10.86%
<i>PAT margin</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.6%</i>	<i>-2bps</i>	<i>-55bps</i>	<i>2.0%</i>	<i>7bps</i>

Source: Company Reports, Arihant Capital Research

SG Mart Ltd Q4FY25 Concall Highlights**Operational Updates**

- Company reported consolidated revenue of INR 58.6 Bn in FY25 (+118% YoY increase).
- Company has 2,257 registered customers and 225 suppliers in FY25.
- EBITDA reached INR 1031 Mn, expected to reach 2,000 Mn in FY26, further expanding goal of 4,000 Mn in FY27, with a minimum ROCE threshold of 25%.
- Working capital stretched to 30 days in Mar-25 due to advance payments to steel mills to secure supply before import tariffs.
- Debtor days also shot up with strong demand and sales recognition.
- WC is expected to normalize to 10-15 days by Jun-25, as payment were released and sales were realized.

B2B Business

- Company achieved volume of 50k tons/month or 632k tons in FY25, with a 50% growth expected in FY26, Expects a sharp ramp up in H2FY26 with increase in steel availability.
- Company procures steels from 4 out of 6 large steel manufacturers with expectation of reducing its dependency from Chinese import as its challenges sustainable procurement.
- B2B business company currently doing 50k ton monthly runrate and expects sharp ramp up in H2FY26 with 50% CAGR of in FY27.

Service Center Business

- Currently has five operational centers in Raipur, Bangalore, Ghaziabad, Dubai, and Pune, each with a capacity of 12k-13k tons/month, currently achieving 8k-10k tons/month of utilization.
- No. of service centers addition expected to reduce to 5-6 centers per year as one center is able to achieve a higher utilization of what previously company targeted.
- Dubai plant generates revenue of INR 600 Mn/month achieving INR 7.2 Bn a year.
- Dubai plants attains a higher margin of +INR 2,000/ton than Indian centers.
- Adding five more centers in FY26 in Jaipur, Kanpur, Patna, Siliguri, Ahmedabad and also looking, expect to double its volumes to 500k tons/year in FY26, Further expanding to 1 Mn tons a year in FY27.

Solar Structure

- Company added third vertical of solar structure, with a brand name Sunsteel launched in Q4.
- Started recognizing sales through selling to large independent power producers (IPPs) for solar utility parks.
- It has an order visibility of 50k tons, will be executed in FY26 and expects 2x orders in FY27.
- Capex is minimal with operational capacity of 15,000 ton a month, 200k a year as it requires mild processing and company already installing profiling machines in service centers.
- Company sees a order visibility of 50k tons in FY26, expected to double in FY27.

Capex

- Capex of INR 6000 Mn will be invested over the next 3-4 years, majorly towards service center expansion as one centers require nearly 300-400 Mn in fixed asset.
- Company plans to add 5-6 centers in FY26 requiring 2000-3000 Mn of capex.
- For solar structure facility minimal capex required of INR 500-600 Mn over 2-3 yrs, as profiling machines will be installed in existing service centers.
- Dubai plant capex is INR 1,100 Mn, INR 600 Mn of fixed assets and INR 400 Mn of working capital needs.

TMT Business

- With access to group's large network of dealer/distributors, TMT products volume reached monthly run-rate of 11k tons/month expects to increase by 50% in FY26.
- Achieved overall TMT volume of 108k tons in FY25 including royalty based TMT volumes of 43k tons.

TMT Royalty Business

- Company shifted its APL Apollo TMT business model (where company previously sell this products through tied up partners in the name of SG Mart) to royalty based model yielding INR 500/ton of royalty.
- It has signed MoUs with partners selling TMT to ensure minimum quantity sold and sustain the royalty.
- SG Mart will focus brand-building activities, with plans to increase royalty rates to INR 750-1,000/ton.
- Shifting to royalty based model will improve company's fixed cost as it eliminates the need to hold inventory or sales, reducing working capital and improve EBITDA margins.

Non TMT Segment

- Revenue reached INR 3,801 Mn in FY25 (+1300 Mn in Q4), Expects to achieve INR 10,000 Mn in revenue in FY26 with targeted EBITDA margin of 2-2.5%.

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Exhibit: Income Statement (Consol)

Income Statement					
Y/E Mar, Rs mn	FY24	FY25	FY26E	FY27E	FY28E
Net sales	26,829	58,562	97,473	1,42,704	1,92,758
Growth, %		118.3%	66.4%	46.4%	35.1%
Other income					
Raw material expenses	26,088	56,835	94,599	1,38,497	1,87,076
Employee expenses	50	175	221	257	298
Other Operating expenses	72	520	598	644	837
EBITDA (Core)	618	1,031	2,054	3,307	4,548
Growth, %		66.76%	99.29%	60.96%	37.55%
Margin, %		1.76%	2.11%	2.32%	2.36%
Depreciation	5	25	44	60	78
Interest paid	116	439	406	513	461
Other Income	316	802	802	802	802
Non-recurring Items					
Pre-tax profit	813	1,369	2,407	3,536	4,812
Tax provided	204	338	602	884	1,203
Profit after tax	609	1,031	1,805	2,652	3,609
PAT Adj.	609	1,031	1,805	2,652	3,609
Growth, %		69.23%	75.02%	46.93%	36.08%
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	FY25	FY26E	FY27E	FY28E
PPE	387	1,643	4,191	5,991	7,791
CWIP	171	759	885	1,013	1,142
Rights Of Use Assets	4	513	511	511	511
Financial Assets	0.4	5.0	5.0	5.0	5.0
Other Non Current Assets	486	127	127	127	127
Total Non current Assets	1,048	3,053	5,725	7,652	9,581
Inventories	713	2,535	4,202	6,405	8,699
Receivables	863	3,167	6,142	9,774	13,203
Cash & CE	11,263	11,448	10,683	13,371	13,070
Other Current Assets	716	2,627	716	716	716
Other Financial Assets	268	155	155	155	155
Total Current Assets	13,822	19,932	21,898	30,422	35,842
Total assets	14,870	22,985	27,623	38,073	45,423
Total Equities	10,870	12,082	12,803	15,455	19,064
Non current borrowings	0	0	0	3,500	3,000
Other Non current liabilities	6.1	332.1	348.3	3,865.3	3,383.1
Total Non current liabilities	6.1	332.1	348.3	3,865.3	3,383.1
Current borrowings	1,843	7,034	7,585	7,585	7,957
Trade Payables	1,986	3,292	6,676	10,947	14,787
Other Current Liabilities	165	246	210	221	232
Total Current Liabilities	3,993	10,571	14,471	18,753	22,976
Total equity & liabilities	14,870	22,985	27,623	38,073	45,423

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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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